

*In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California (“Bond Counsel”), under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest (and original issue discount) on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. In the further opinion of Bond Counsel, interest (and original issue discount) on the Bonds is exempt from State of California personal income tax. See “TAX MATTERS” herein with respect to certain tax consequences relating to the Bonds, including with respect to the alternative minimum tax imposed on certain large corporations for tax years beginning after December 31, 2022.*

**\$51,000,000****SAN BERNARDINO****COMMUNITY COLLEGE DISTRICT****(San Bernardino and Riverside Counties, California)  
Election of 2008 General Obligation Bonds, Series E****\$170,000,000****SAN BERNARDINO****COMMUNITY COLLEGE DISTRICT****(San Bernardino and Riverside Counties, California)  
Election of 2018 General Obligation Bonds, Series B****Dated: Dated Date****Due: August 1, as shown on inside cover**

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

The San Bernardino Community College District (San Bernardino and Riverside Counties, California) Election of 2008 General Obligation Bonds, Series E (the “Series E Bonds”), were authorized at an election of the registered voters of the San Bernardino Community College District (the “District”) held on February 5, 2008, at which the requisite 55% of the persons voting on the proposition voted to authorize the issuance and sale of \$500,000,000 aggregate principal amount of general obligation bonds of the District. The Series E Bonds are being issued to (i) finance the acquisition, construction, modernization and equipping of District sites and facilities, and (ii) pay the costs of issuing the Series E Bonds.

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

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

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

The Bonds will be issued as current interest bonds. Interest on the Bonds accrues from the date of initial delivery and issuance of the Bonds (the “Dated Date”), and is payable semiannually on August 1 and February 1 of each year, commencing February 1, 2024. The Bonds are issuable as fully registered Bonds in denominations of \$5,000 principal amount or any integral multiple thereof.

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

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

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**MATURITY SCHEDULE**  
**(see inside front cover)**

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*The Bonds are being offered when, as and if issued and received by the Underwriters, subject to the approval of legality by Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, Bond Counsel. Certain matters are being passed upon for the District by Stradling Yocca Carlson & Rauth, a Professional Corporation, as Disclosure Counsel. Certain matters will be passed on for the Underwriters by Katten Muchin Rosenman LLP, New York, New York. 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 28, 2023.*

**Piper Sandler & Co.****Ramirez & Co., Inc.****Dated: December 12, 2023**

## MATURITY SCHEDULE

**\$51,000,000**  
**SAN BERNARDINO COMMUNITY COLLEGE DISTRICT**  
**(San Bernardino and Riverside Counties, California)**  
**Election of 2008 General Obligation Bonds, Series E**

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

**\$19,570,000 Serial Bonds**

<b>Maturity (August 1)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>Yield</b>	<b>CUSIP<sup>(1)</sup> Suffix</b>
2024	\$7,020,000	5.000%	2.840%	PS3
2025	2,020,000	5.000	2.620	PT1
2026	2,550,000	5.000	2.500	PU8
2032	360,000	5.000	2.400 <sup>(2)</sup>	PV6
2033	1,520,000	5.000	2.400 <sup>(2)</sup>	PW4
2034	355,000	5.000	2.440 <sup>(2)</sup>	PX2
2035	205,000	5.000	2.540 <sup>(2)</sup>	PY0
2036	285,000	5.000	2.670 <sup>(2)</sup>	PZ7
2037	380,000	5.000	2.830 <sup>(2)</sup>	QA1
2038	480,000	5.000	2.930 <sup>(2)</sup>	QB9
2039	585,000	5.000	3.040 <sup>(2)</sup>	QC7
2040	755,000	5.000	3.280 <sup>(2)</sup>	QD5
2041	875,000	5.000	3.400 <sup>(2)</sup>	QE3
2042	1,015,000	5.000	3.490 <sup>(2)</sup>	QF0
2043	1,165,000	5.000	3.550 <sup>(2)</sup>	QG8

**\$31,430,000 – 4.125% Term Bonds due August 1, 2049 – Yield 4.320%; CUSIP<sup>(2)</sup>: QH6**

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<sup>(2)</sup> Yield to call at par on August 1, 2031.

## MATURITY SCHEDULE

**\$170,000,000**  
**SAN BERNARDINO COMMUNITY COLLEGE DISTRICT**  
**(San Bernardino and Riverside Counties, California)**  
**Election of 2018 General Obligation Bonds, Series B**

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

**\$76,445,000 Serial Bonds**

<b>Maturity (August 1)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>Yield</b>	<b>CUSIP<sup>(1)</sup> Suffix</b>
2030	\$775,000	5.000%	2.370%	QJ2
2031	1,430,000	5.000	2.380	QK9
2032	2,145,000	5.000	2.400 <sup>(2)</sup>	QL7
2033	2,925,000	5.000	2.400 <sup>(2)</sup>	QM5
2034	3,330,000	5.000	2.440 <sup>(2)</sup>	QN3
2035	3,935,000	5.000	2.540 <sup>(2)</sup>	QP8
2036	4,590,000	5.000	2.670 <sup>(2)</sup>	QQ6
2037	5,590,000	5.000	2.830 <sup>(2)</sup>	QR4
2038	6,360,000	5.000	2.930 <sup>(2)</sup>	QS2
2039	7,180,000	5.000	3.040 <sup>(2)</sup>	QT0
2040	8,055,000	5.000	3.280 <sup>(2)</sup>	QU7
2041	8,990,000	5.000	3.400 <sup>(2)</sup>	QV5
2042	10,025,000	5.000	3.490 <sup>(2)</sup>	QW3
2043	11,115,000	5.000	3.550 <sup>(2)</sup>	QX1

**\$48,520,000 – 5.000% Term Bonds due August 1, 2049 – Yield 3.900%<sup>(2)</sup>; CUSIP<sup>(1)</sup>: QY9**

**\$45,035,000 – 4.125% Term Bonds due August 1, 2049 – Yield 4.320%; CUSIP<sup>(1)</sup>: QZ6**

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<sup>(2)</sup> Yield to call at par on August 1, 2031.

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

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

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

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

The Underwriters have provided the following sentence for inclusion in this Official Statement: “The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.”

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

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

**SAN BERNARDINO COMMUNITY COLLEGE DISTRICT**

**Board of Trustees**

Dr. Stephanie Houston, *Chair, Area 6*  
Dr. Anne L. Viricel, *Vice Chair, Area 7*  
Joseph Williams, *Clerk, Area 2*  
Dr. Nathan D. Gonzales, *Trustee, Area 4*  
Gloria Macias Harrison, *Trustee, Area 5*  
John Longville, *Trustee, Area 3*  
Frank Reyes, *Trustee, Area 1*

**District Administration**

Diana Z. Rodriguez, *Chancellor*  
Jose F. Torres, *Executive Vice Chancellor*

**PROFESSIONAL SERVICES**

**Bond Counsel and Disclosure Counsel**

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

**Municipal Advisor**

Keygent LLC  
*El Segundo, California*

**Paying Agent**

U.S. Bank Trust Company, National Association  
*Los Angeles, California*

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<b>\$51,000,000</b>	<b>\$170,000,000</b>
<b>SAN BERNARDINO COMMUNITY COLLEGE DISTRICT</b>	<b>SAN BERNARDINO COMMUNITY COLLEGE DISTRICT</b>
<b>(San Bernardino and Riverside Counties, California)</b>	<b>(San Bernardino and Riverside Counties, California)</b>
<b>Election of 2008 General Obligation Bonds, Series E</b>	<b>Election of 2018 General Obligation Bonds, Series B</b>

## INTRODUCTION

This Official Statement, which includes the cover page, inside cover page and appendices hereto, provides information in connection with the sale of (i) San Bernardino Community College District (San Bernardino and Riverside Counties, California) Election of 2008 General Obligation Bonds, Series E (the “Series E Bonds”) (ii) San Bernardino Community College District (San Bernardino and Riverside Counties, California) Election of 2018 General Obligation Bonds, Series B (the “Series B Bonds”, and together with the Series E 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.*

### Changes Since Date of Preliminary Official Statement

On December 8, 2023, the Board (defined herein) rescinded its August 10, 2023 authorization of the execution and delivery of documents related to the sale and delivery of COPs (defined here). Certain information under the section entitled “SAN BERNARDINO COMMUNITY COLLEGE DISTRICT – District Debt Structure – Expected Changes to Planned Certificates of Participation Financing” has been revised accordingly.

### The District

The San Bernardino Community College District (the “District”) was established in 1926 and serves most of the County of San Bernardino, California and a small portion of the County of Riverside, California. The District maintains two community colleges, Crafton Hills College and San Bernardino Valley College, located in Yucaipa and San Bernardino, California, respectively, which provide collegiate level instruction across a wide spectrum of subjects in grades 13 and 14. The District has approximately 17,954 full and part-time students and serves a resident population of approximately 780,000 based on zip codes within the District’s service region. The Colleges are each fully accredited by the Accrediting Commission of Community and Junior Colleges (the “ACCJC”). For fiscal year 2023-24, the District has budgeted a funded full-time equivalent student (“FTES”) count of 14,700. Taxable property within the District has a 2023-24 assessed valuation of \$101,223,972,804.

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. Diana Z. Rodriguez is the District’s current Chancellor.

See “TAX BASE FOR REPAYMENT OF BONDS” herein for information regarding the District’s assessed valuation, and “FUNDING OF COMMUNITY COLLEGE DISTRICTS IN CALIFORNIA” and “SAN BERNARDINO COMMUNITY COLLEGE DISTRICT” herein for information regarding the District generally. The District’s audited financial statements for the fiscal year ended June 30, 2022 are attached hereto as APPENDIX B and should be read in their entirety. The

discussion of the District's financial history and the financial information contained herein does not purport to be complete or definitive.

### **Purpose of the Bonds**

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

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

See "THE BONDS – Application and Investment of Bond Proceeds," and "ESTIMATED SOURCES AND USES OF FUNDS" herein.

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

***Series E Bonds.*** The Series E Bonds are being issued pursuant to certain provisions of the Government Code and pursuant to a resolution adopted by the Board on October 19, 2023 for the Series E Bonds (the "Series E Resolution"). See "THE BONDS – Authority for Issuance" herein.

***Series B Bonds.*** The Series B Bonds are being issued pursuant to certain provisions of the Government Code and pursuant to a resolution adopted by the Board on October 19, 2023 for the Series B Bonds (the "Series B Resolution", and together with the Series E Resolution, the "Resolutions"). See "THE BONDS – Authority for Issuance" herein.

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

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

### **Description of the Bonds**

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

**So long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, references herein to the "Owners," "Bond Owners" or "Holders" of the Bonds (other than under the caption**

**“TAX MATTERS” herein and in APPENDIX A attached hereto) will mean Cede & Co. and will not mean the Beneficial Owners of the Bonds.**

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

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

***Payments.*** The Bonds will be dated as of the date of their initial delivery (the “Date of Delivery”). Interest on the Bonds accrues from the Date of Delivery, and is payable semiannually on each August 1 and February 1, commencing February 1, 2024 (each, a “Bond Payment Date”). Principal of the Bonds is payable on August 1 of each year, as shown on the inside cover pages hereof.

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

## **Tax Matters**

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest (and original issue discount) on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. In the further opinion of Bond Counsel, interest (and original issue discount) on the Bonds is exempt from State of California (“State”) personal income tax. See “TAX MATTERS” herein with respect to tax consequences relating to the Bonds, including with respect to the alternative minimum tax imposed on certain large corporations for tax years beginning after December 31, 2022. See “TAX MATTERS” herein.

## **Offering and Delivery of the Bonds**

The Bonds are offered when, as and if issued, subject to approval as to their legality by Bond Counsel. It is anticipated that the Bonds will be available in book-entry form for delivery through the facilities of DTC in New York, New York, on or about December 28, 2023.

## **Continuing Disclosure**

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

## **Bond Owner's Risks**

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

## **Professionals Involved in the Offering**

Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, is acting as Bond Counsel and Disclosure Counsel to the District with respect to the Bonds. Stradling Yocca Carlson & Rauth, a Professional Corporation will receive compensation from the District contingent upon the sale and delivery of the Bonds. U.S. Bank Trust Company, National Association has been appointed as the Paying Agent with respect to the Bonds. From time to time, Bond Counsel represents the Underwriters in matters unrelated to the District or the Bonds. Certain matters will be passed on for the Underwriter by Katten Muchin Rosenman LLP, New York, New York.

## **Forward Looking Statements**

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

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

## **Other Information**

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

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

there be any sale of the Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

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

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

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

## **THE BONDS**

### **Authority for Issuance**

**Series E Bonds.** The Series E Bonds are being issued pursuant to the provisions of Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code and applicable provisions of the Education Code, Article XIII A of the State Constitution, and pursuant to the Series E Resolution. The District received authorization at an election held on February 5, 2008, by the requisite 55% of the votes cast by eligible voters within the District, to issue not-to-exceed \$500,000,000 of general obligation bonds (the "2008 Authorization"). The Series E Bonds are the fifth issuance of bonds pursuant to the 2008 Authorization, and following the issuance thereof, \$153,150,650.30 of bonds shall remain authorized but unissued.

**Series B Bonds.** The Series B Bonds are being issued pursuant to the provisions of Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code and applicable provisions of the Education Code, Article XIII A of the State Constitution, and pursuant to the Series B Resolution. The District received authorization at an election held on November 6, 2018, by the requisite 55% of the votes cast by eligible voters within the District, to issue not-to-exceed \$470,000,000 of general obligation bonds (the "2018 Authorization"). The Series B Bonds are the second issuance of bonds pursuant to the 2018 Authorization, and following the issuance thereof, none of bonds shall remain authorized but unissued.

### **Security and Sources of Payment**

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

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

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

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

### **Statutory Lien**

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

This statutory lien, by its terms, secures not only the Bonds, but also any other bonds of the District issued after January 1, 2016 and payable, as to both principal and interest, from the proceeds of *ad valorem* property taxes that may be levied pursuant to paragraphs (2) and (3) of subdivision (b) of

Section 1 of Article XIII A of the State Constitution. The statutory lien provision does not specify the relative priority of obligations so secured or a method of allocation in the event that the revenues received pursuant to the levy and collection of such *ad valorem* property taxes are insufficient to pay all amounts then due and owing that are secured by the statutory lien.

### **General Provisions**

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

The Bonds will be issued as current interest bonds, such that interest thereon will accrue from the date of delivery of the Bonds, and be payable semiannually on each Bond Payment Date, commencing February 1, 2024. Interest on the Bonds will be computed on the basis of a 360-day year of twelve, 30-day months. Each Bond shall bear interest from the Bond Payment Date next preceding the date of authentication thereof unless it is authenticated as of a day during the period from the 16th day of the month immediately preceding any Bond Payment Date to and including such Bond Payment Date, in which event it shall bear interest from such Bond Payment Date, or unless it is authenticated on or before January 15, 2024, in which event it shall bear interest from its date of delivery. The Bonds are issuable in denominations of \$5,000 principal amount or any integral multiple thereof and mature on August 1 in the years and amounts set forth on the cover hereof.

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

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

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## Annual Debt Service

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

Year Ending <u>August 1</u>	<u>Series E Bonds</u>		<u>Series B Bonds</u>		<u>Total Annual Debt Service</u>
	<u>Annual Principal Payment</u>	<u>Annual Interest Payment<sup>(1)</sup></u>	<u>Annual Principal Payment</u>	<u>Annual Interest Payment<sup>(1)</sup></u>	
2024	\$7,020,000.00	\$1,346,034.27	--	\$4,796,016.72	\$13,162,050.99
2025	2,020,000.00	1,923,987.50	--	8,105,943.76	12,049,931.26
2026	2,550,000.00	1,822,987.50	--	8,105,943.76	12,478,931.26
2027	--	1,695,487.50	--	8,105,943.76	9,801,431.26
2028	--	1,695,487.50	--	8,105,943.76	9,801,431.26
2029	--	1,695,487.50	--	8,105,943.76	9,801,431.26
2030	--	1,695,487.50	\$775,000.00	8,105,943.76	10,576,431.26
2031	--	1,695,487.50	1,430,000.00	8,067,193.76	11,192,681.26
2032	360,000.00	1,695,487.50	2,145,000.00	7,995,693.76	12,196,181.26
2033	1,520,000.00	1,677,487.50	2,925,000.00	7,888,443.76	14,010,931.26
2034	355,000.00	1,601,487.50	3,330,000.00	7,742,193.76	13,028,681.26
2035	205,000.00	1,583,737.50	3,935,000.00	7,575,693.76	13,299,431.26
2036	285,000.00	1,573,487.50	4,590,000.00	7,378,943.76	13,827,431.26
2037	380,000.00	1,559,237.50	5,590,000.00	7,149,443.76	14,678,681.26
2038	480,000.00	1,540,237.50	6,360,000.00	6,869,943.76	15,250,181.26
2039	585,000.00	1,516,237.50	7,180,000.00	6,551,943.76	15,833,181.26
2040	755,000.00	1,486,987.50	8,055,000.00	6,192,943.76	16,489,931.26
2041	875,000.00	1,449,237.50	8,990,000.00	5,790,193.76	17,104,431.26
2042	1,015,000.00	1,405,487.50	10,025,000.00	5,340,693.76	17,786,181.26
2043	1,165,000.00	1,354,737.50	11,115,000.00	4,839,443.76	18,474,181.26
2044	1,320,000.00	1,296,487.50	12,285,000.00	4,283,693.76	19,185,181.26
2045	1,510,000.00	1,242,037.50	13,500,000.00	3,706,937.50	19,958,975.00
2046	1,680,000.00	1,179,750.00	14,795,000.00	3,080,062.50	20,734,812.50
2047	1,865,000.00	1,110,450.00	16,170,000.00	2,399,768.76	21,545,218.76
2048	2,055,000.00	1,033,518.76	17,630,000.00	1,662,756.26	22,381,275.02
2049	<u>23,000,000.00</u>	<u>948,750.00</u>	<u>19,175,000.00</u>	<u>865,518.76</u>	<u>43,989,268.76</u>
Total:	<u>\$51,000,000.00</u>	<u>\$38,825,290.53</u>	<u>\$170,000,000.00</u>	<u>\$158,813,185.70</u>	<u>\$418,638,476.23</u>

<sup>(1)</sup> Interest payments on the Bonds will be made semiannually on August 1 and February 1 of each year, commencing February 1, 2024.

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

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## Application and Investment of Bond Proceeds

**Building Funds.** The proceeds from the sale of the respective series of Bonds, net of costs of issuance and any premium on the sale thereof, will be deposited into the corresponding building funds for each series of Bonds created by the Resolutions and held by the County (the “Building Funds”), and will be applied solely for the purposes for which each series of Bonds is being issued. Interest earnings in the Building Funds will be retained in such funds. Any excess proceeds of the Bonds not needed for authorized purposes for which the Bonds are being issued will be transferred to the corresponding Debt Service Funds and applied to the payment of principal of and interest on the Bonds. The County will have no responsibility for assuring the proper use of the proceeds of the Bonds.

**Debt Service Funds.** The *ad valorem* property taxes levied by the County for the payment of the Bonds, when collected, will be held separate and apart by the County in the debt service funds for the Bonds created by the Resolutions (the “Debt Service Funds”), and used only for payment of principal of and interest on the Bonds of the corresponding series. Any premium or accrued interest received from the sale of the Bonds will be deposited in the corresponding Debt Service Fund. Any interest earnings on moneys held in the Debt Service Funds will be retained therein. If, after all of the Bonds have been redeemed or paid and otherwise cancelled, there are moneys remaining in the Debt Service Funds, said moneys will be transferred to the general fund of the District as provided and permitted by law.

**Investment of Proceeds.** Moneys in the Building Funds and Debt Service Funds will be invested through the County’s pooled investment fund. See “APPENDIX E – SAN BERNARDINO COUNTY TREASURY POOL” attached hereto.

## Redemption

**Optional Redemption.** The Bonds maturing on or before August 1, 2031 are not subject to redemption. The Bonds maturing on or after August 1, 2032 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, 2031, at a redemption price equal to the principal amount of the Bonds called for redemption, together with interest accrued thereon to the date of redemption, without premium.

**Series E Bonds Mandatory Sinking Fund Redemption.** The Series E Bonds maturing on August 1, 2049 (the “Series E Term Bonds”) are subject to redemption prior to maturity from mandatory sinking fund payments on August 1 of each year, on and after August 1, 2044, at a redemption price equal to the principal amount thereof as of the date fixed for redemption, together with interest accrued to the date set for such redemption, without premium. The principal amount represented by such Series E Term Bonds to be so redeemed and the redemption dates therefor, and the final payment date is as indicated in the following table:

<b>Year Ending August 1</b>	<b>Principal To Be Redeemed</b>
2044	\$1,320,000
2045	1,510,000
2046	1,680,000
2047	1,865,000
2048	2,055,000
2049 <sup>(1)</sup>	<u>23,000,000</u>
Total:	\$31,430,000

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<sup>(1)</sup> Maturity.

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

***Series B Bonds Mandatory Sinking Fund Redemption.*** The Series B Bonds maturing on August 1, 2049 and bearing interest at 5.000% (the “5.000% Series B Term Bonds”) are subject to redemption prior to maturity from mandatory sinking fund payments on August 1 of each year, on and after August 1, 2044, at a redemption price equal to the principal amount thereof as of the date fixed for redemption, together with interest accrued to the date set for such redemption, without premium. The principal amount represented by such 5.000% Series B Term Bonds to be so redeemed and the redemption dates therefor, and the final payment date is as indicated in the following table:

<b>Year Ending <u>August 1</u></b>	<b>Principal <u>To Be Redeemed</u></b>
2044	\$8,000,000
2045	8,000,000
2046	8,000,000
2047	8,000,000
2048	8,000,000
2049 <sup>(1)</sup>	<u>8,520,000</u>
Total:	\$48,520,000

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<sup>(1)</sup> Maturity.

In the event that a portion of the 5.000% Series B Term Bonds are optionally redeemed prior to maturity, the remaining mandatory sinking fund payments with respect thereto shall be reduced proportionately or as otherwise directed by the District, in integral multiples of \$5,000 principal amount, in respect of the portion of such 5.000% Series B Term Bonds optionally redeemed.

The Series B Bonds maturing on August 1, 2049 and bearing interest at 4.125% (the “4.125% Series B Term Bonds”) are subject to redemption prior to maturity from mandatory sinking fund payments on August 1 of each year, on and after August 1, 2044, at a redemption price equal to the principal amount thereof as of the date fixed for redemption, together with interest accrued to the date set for such redemption, without premium. The principal amount represented by such 4.125% Series B Term Bonds to be so redeemed and the redemption dates therefor, and the final payment date is as indicated in the following table:

<b>Year Ending <u>August 1</u></b>	<b>Principal <u>To Be Redeemed</u></b>
2044	\$4,285,000
2045	5,500,000
2046	6,795,000
2047	8,170,000
2048	9,630,000
2049 <sup>(1)</sup>	<u>10,655,000</u>
Total:	\$45,035,000

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<sup>(1)</sup> Maturity.

In the event that a portion of the 4.125% Series B Term Bonds are optionally redeemed prior to maturity, the remaining mandatory sinking fund payments with respect thereto shall be reduced proportionately or as otherwise directed by the District, in integral multiples of \$5,000 principal amount, in respect of the portion of such 4.125% Series B Term Bonds optionally redeemed.

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

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

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

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

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

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

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

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

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

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

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

## **Book-Entry Only System**

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

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

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

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

receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## Defeasance

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

(a) Cash: by irrevocably depositing with an independent escrow agent selected by the District an amount of cash which, together with any amounts transferred from the respective Debt Service Funds, if any, is sufficient to pay all Bonds outstanding and designated for defeasance (including all principal thereof, accrued interest thereon and redemption premiums, if any), at or before their maturity date; or

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

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

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

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## ESTIMATED SOURCES AND USES OF FUNDS

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

<b>Sources of Funds</b>	<b><u>Series E Bonds</u></b>	<b><u>Series B Bonds</u></b>
Principal Amount of the Bonds	\$51,000,000.00	\$170,000,000.00
Net Original Issue Premium	<u>449,434.15</u>	<u>12,002,103.45</u>
Total Sources	<u>\$51,449,434.15</u>	<u>\$182,002,103.45</u>
 <b>Uses of Funds</b>		
Deposit to Building Funds	\$50,805,000.00	\$169,660,000.00
Deposit to Debt Service Funds	247,984.15	11,330,603.45
Underwriting Discount	201,450.00	671,500.00
Costs of Issuance <sup>(1)</sup>	<u>195,000.00</u>	<u>340,000.00</u>
Total Uses	<u>\$51,449,434.15</u>	<u>\$182,002,103.45</u>

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

## TAX BASE FOR REPAYMENT OF BONDS

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

### **Ad Valorem Property Taxation**

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

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

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

redeemed, until the right of redemption is terminated, by payment of the delinquent taxes and the delinquency penalty, plus a \$15 redemption fee and a redemption penalty of 1.5% per month to the time of redemption. If taxes are unpaid for a period of five years or more, the property is subject to sale by the Tax Collector.

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

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

All property is assessed using full cash value as defined by Article 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.

Future 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, K-14 school districts (as defined herein), will share the growth of "base" revenues from the tax rate area. Each year's growth allocation becomes part of each agency's allocation in the following year.

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## Assessed Valuations

The table on the following page shows the assessed valuations for the District for fiscal years 2014-15 through 2023-24, each as of the date the equalized assessment tax roll is established in August of each year.

**ASSESSED VALUATIONS**  
**Fiscal Years 2014-15 through 2023-24**  
**San Bernardino Community College District**  
**San Bernardino County Portion**

	<u><b>Local Secured</b></u>	<u><b>Utility</b></u>	<u><b>Unsecured</b></u>	<u><b>Total</b></u>
2014-15	\$52,070,446,839	\$646,817,687	\$2,804,917,216	\$55,522,181,742
2015-16	54,764,466,184	703,919,414	2,968,715,761	58,437,101,359
2016-17	58,022,371,593	709,702,741	2,842,648,075	61,574,722,409
2017-18	61,350,167,849	704,674,036	3,022,779,043	65,077,620,928
2018-19	65,775,983,704	768,052,966	3,176,842,931	69,720,879,601
2019-20	70,739,160,292	707,074,039	3,321,874,158	74,768,108,489
2020-21	74,519,534,105	707,620,177	3,604,797,925	78,831,952,207
2021-22	79,577,451,877	674,782,865	3,860,573,393	84,112,808,135
2022-23	86,471,655,256	654,225,955	4,215,563,401	91,341,444,612
2023-24	94,517,404,909	659,063,175	4,893,727,017	100,070,195,101

**Riverside County Portion**

	<u><b>Local Secured</b></u>	<u><b>Utility</b></u>	<u><b>Unsecured</b></u>	<u><b>Total</b></u>
2014-15	\$657,473,869	--	\$10,750,105	\$668,223,974
2015-16	692,377,123	--	10,362,378	702,739,501
2016-17	740,694,108	--	9,758,486	750,452,594
2017-18	793,309,516	--	10,346,970	803,656,486
2018-19	845,163,909	--	10,064,165	855,228,074
2019-20	881,698,016	--	11,073,148	892,771,164
2020-21	929,895,185	--	11,720,057	941,615,242
2021-22	997,010,212	--	15,644,734	1,012,654,946
2022-23	1,083,570,621	--	12,564,858	1,096,135,479
2023-24	1,138,797,184	--	14,980,519	1,153,777,703

**Total District**

	<u><b>Local Secured</b></u>	<u><b>Utility</b></u>	<u><b>Unsecured</b></u>	<u><b>Total</b></u>
2014-15	\$52,727,920,708	\$646,817,687	\$2,815,667,321	\$56,190,405,716
2015-16	55,456,843,307	703,919,414	2,979,078,139	59,139,840,860
2016-17	58,763,065,701	709,702,741	2,852,406,561	62,325,175,003
2017-18	62,143,477,365	704,674,036	3,033,126,013	65,881,277,414
2018-19	66,621,147,613	768,052,966	3,186,907,096	70,576,107,675
2019-20	71,620,858,308	707,074,039	3,332,947,306	75,660,879,653
2020-21	75,449,429,290	707,620,177	3,616,517,982	79,773,567,449
2021-22	80,574,462,089	674,782,865	3,876,218,127	85,125,463,081
2022-23	87,555,225,877	654,225,955	4,228,128,259	92,437,580,091
2023-24	95,656,202,093	659,063,175	4,908,707,536	101,223,972,804

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, outbreak of disease, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by the State and local agencies and property used for qualified education, hospital, charitable or religious purposes), or the complete or partial destruction of the taxable property caused by a natural or manmade disaster, such as earthquake, drought, fire, wildfire, toxic contamination, climate change, or flooding 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 rate levied by the Counties to pay the debt service with respect to the Bonds. See "THE BONDS – Security and Sources of Payment" herein.

***Seismic Events.*** The District is located in a seismically active region. There are four major faults in Southern California in relation to the County: the Sothern San Andreas, the San Jacinto, the Elsinore, and the Garklock faults. In addition, there are also many smaller faults within San Bernardino County capable of producing significant earthquakes. Several of the major Southern California faults have a high probability of experiencing a magnitude 6.7 or greater earthquake within the next 30 years, as determined by the USGS and CGS in a 2008 Study. Portions of the District lie within liquefactions, earthquake and landslide zones identified by the State Department of Conservation, California Geological Survey pursuant to the Seismic Hazards Mapping Act of 1990. An earthquake of large magnitude could result in extensive damage to property within the District and could adversely affect the region's economy.

***Drought.*** California has experienced cyclical severe drought conditions over the past several years. Most recently, in April 2021, the Governor announced regional drought emergencies in two Northern California counties following two years of dry conditions. These drought emergencies were eventually expanded to include all California counties by October of 2021. Among other actions, the Governor also issued Executive Order N0-27-22, which directed the State Water Control Board to issue drought declarations, including a recommendation to have urban water suppliers initiate water shortage contingency plans. Significant snowfall and precipitation in the State commencing in January 2023 have generally eliminated most of the State's drought conditions. According to the U.S. Drought Monitor, portions of the State in the far north and lower south-east regions continue to classified in the abnormally dry category, including portions of the Counties, however the majority of the State, is currently classified as having no drought conditions. In addition, on March 24, 2023, the Governor rescinded most of his emergency drought declarations, including Executive Order N0-27-22. The District cannot predict if there will be future drought conditions and related water usage restrictions imposed in the future.

***Wildfires.*** Major wildfires have occurred in recent years in different regions of the State, including in the fall of 2020 and in the summer of 2021. The District has not sustained any property losses as a result of wildfires. However, serious and significant property damage has resulted in other areas of the State due to fire damage. The Governor has previously signed a number of measures into law intended to address a variety of issues related to mitigating the risk of wildfires, including forest management, mutual aid for fire departments, emergency alerts and other safety mandates.

Portions of the District are located in an area which the Department of Forestry and Fire Protection of the State of California has designated as a very high fire hazard severity zone. Mapping of the areas, referred to as Fire Hazard Severity Zones (FHSZ), is based on data and models of, potential fuels over a 30-50 year time horizon and their associated expected fire behavior, and expected burn probabilities to quantify the likelihood and nature of vegetation fire exposure (including firebrands) to new construction. More information regarding Fire Hazard Severity Zones, including the most recent Fire Hazard Severity Zone Maps, can be found at the California Department of Forestry and Fire Protection website at <https://osfm.fire.ca.gov/what-we-do/community-wildfire-preparedness-and->

mitigation/fire-hazard-severity-zones/fire-hazard-severity-zones-maps-2022, though such website is not incorporated herein by reference.

***Climate Change.*** In addition to the events described above, climate change caused by human activities may have adverse effects on the assessed value of property within the District. As greenhouse gas emissions continue to accumulate in the atmosphere as a result of economic activity, many scientists expect that climate change will intensify, increasing the frequency, severity and timing of extreme weather events such as coastal storm surges, drought, wildfires, floods, heat waves, and rising sea levels. See also “—Drought” and “—Wildfires” above. Projections of the impact of global climate change are complex and depend on a variety of factors outside of the District’s control. The various scientific studies that forecast the amount and timing of adverse impacts of climate change are based on assumptions contained in such studies, but actual events may vary materially. In addition, the scientific understanding of climate change and its effects continues to evolve. Accordingly, the District is unable to forecast with certainty when or if adverse impacts of climate change will occur or the extent of such impacts.

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

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

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

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

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

***Assembly Bill 102.*** On June 27, 2017, the Governor of the State (the “Governor”) signed into law Assembly Bill 102 (“AB 102”). AB 102 restructured the functions of the SBE and created two new separate agencies: (i) the California Department of Tax and Fee Administration, and (ii) the Office of Tax

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

***Assessed Valuation by Jurisdiction.*** The following table below shows an analysis of the distribution of taxable property in the District by jurisdiction, in terms of its fiscal year 2023-24 assessed valuation.

**ASSESSED VALUATION BY JURISDICTION**  
**Fiscal Year 2023-24**  
**San Bernardino Community College District**

<b><u>Jurisdiction:</u></b>	<b>Assessed Valuation in District</b>	<b>% of District</b>	<b>Assessed Valuation of Jurisdiction</b>	<b>% of Jurisdiction in District</b>
City of Big Bear Lake	\$4,836,663,524	4.78%	\$4,836,663,524	100.00%
City of Colton	5,386,427,743	5.32	5,386,427,743	100.00
City of Fontana	3,441,948,700	3.40	30,172,808,247	11.41
City of Grand Terrace	1,444,968,764	1.43	1,444,968,764	100.00
City of Highland	4,966,896,306	4.91	4,966,896,306	100.00
City of Loma Linda	3,015,939,600	2.98	3,015,939,600	100.00
City of Redlands	13,126,699,646	12.97	13,126,699,646	100.00
City of Rialto	13,031,718,024	12.87	14,908,243,043	87.41
City of San Bernardino	20,977,412,126	20.72	20,977,412,126	100.00
City of Yucaipa	5,971,519,136	5.90	5,971,519,136	100.00
Unincorporated San Bernardino County	23,870,001,532	23.58	47,496,561,664	50.26
City of Calimesa	863,630,394	0.85	1,527,398,261	56.54
City of Jurupa Valley	227,737	0.00	14,547,014,780	0.00
Unincorporated Riverside County	289,919,572	0.29	64,788,582,615	0.45
Total District	\$101,223,972,804	100.00%		
 <b><u>Summary by County:</u></b>				
Riverside County	\$1,153,777,703	1.14%	\$396,777,696,138	0.29%
San Bernardino County	100,070,195,101	98.86	318,549,024,029	31.41
Total District	\$101,223,972,804	100.00%		

Source: California Municipal Statistics, Inc.

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***Assessed Valuation and Parcels by Land Use.*** The following table shows the distribution of taxable property within the District by principal use, as measured by assessed valuation and parcels in fiscal year 2023-24.

**ASSESSED VALUATION AND PARCELS BY LAND USE**

**Fiscal Year 2023-24**

**San Bernardino Community College District**

	<b>2023-24</b>	<b>% of</b>	<b>No. of</b>	<b>% of</b>
<b><u>Non-Residential:</u></b>	<b><u>Assessed Valuation<sup>(1)</sup></u></b>	<b><u>Total</u></b>	<b><u>Parcels</u></b>	<b><u>Total</u></b>
Agricultural/Rural	\$100,284,675	0.10%	955	0.32%
Commercial	6,821,063,441	7.08	6,521	2.20
Professional/Office	1,933,100,862	2.01	1,621	0.55
Industrial	11,896,642,436	12.35	3,114	1.05
Recreational	339,719,280	0.35	788	0.27
Government/Social/Institutional	226,867,486	0.24	833	0.28
Power Plant/Utility Roll	659,063,175	0.68	81	0.03
Miscellaneous	<u>82,280,947</u>	<u>0.09</u>	<u>715</u>	<u>0.24</u>
Subtotal Non-Residential	\$22,059,022,302	22.90%	14,628	4.94%
<b><u>Residential:</u></b>				
Single Family Residence	\$62,574,392,652	64.97%	199,120	67.26%
Condominium/Townhouse	1,592,823,703	1.65	11,888	4.02
Mobile Home	200,695,646	0.21	6,481	2.19
Mobile Home Park	446,950,135	0.46	176	0.06
Timeshare Use	60,681,962	0.06	9,997	3.38
Miscellaneous Residential	47,438,049	0.05	399	0.13
2-4 Residential Units	1,870,644,982	1.94	7,169	2.42
5+ Residential Units/Apartments	<u>3,151,840,739</u>	<u>3.27</u>	<u>2,189</u>	<u>0.74</u>
Subtotal Residential	\$69,945,467,868	72.62%	237,419	80.19%
Vacant Parcels	\$4,310,775,098	4.48%	44,009	14.87%
Total	\$96,315,265,268	100.00%	296,056	100.00%

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

Source: *California Municipal Statistics, Inc.*

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***Assessed Valuation of Single Family Homes.*** The following table shows the distribution of single family homes within the District among various fiscal year 2023-24 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 2023-24**

**San Bernardino Community College District**

	<b>No. of Parcels</b>	<b>2023-24 Assessed Valuation</b>	<b>Average Assessed Valuation</b>	<b>Median Assessed Valuation</b>
Single Family Residential	199,120	\$62,574,392,652	\$314,255	\$270,221

<b>2023-24 Assessed Valuation</b>	<b>No. of Parcels<sup>(1)</sup></b>	<b>% of Total</b>	<b>Cumulative % of Total</b>	<b>Total Valuation</b>	<b>% of Total</b>	<b>Cumulative % of Total</b>
\$0 - \$49,999	5,807	2.916%	2.916%	\$206,889,768	0.331%	0.331%
50,000 - 99,999	15,180	7.624	10.540	1,171,100,699	1.872	2.202
100,000 - 149,999	21,932	11.014	21.554	2,769,255,623	4.426	6.628
150,000 - 199,999	24,922	12.516	34.070	4,362,649,870	6.972	13.600
200,000 - 249,999	23,051	11.576	45.647	5,174,271,871	8.269	21.869
250,000 - 299,999	20,692	10.392	56.039	5,672,041,998	9.064	30.933
300,000 - 349,999	18,846	9.465	65.503	6,115,838,093	9.774	40.707
350,000 - 399,999	16,226	8.149	73.652	6,072,729,542	9.705	50.412
400,000 - 449,999	14,100	7.081	80.733	5,978,541,041	9.554	59.966
450,000 - 499,999	10,363	5.204	85.938	4,910,257,108	7.847	67.813
500,000 - 549,999	7,366	3.699	89.637	3,854,895,039	6.160	73.974
550,000 - 599,999	5,336	2.680	92.317	3,057,892,962	4.887	78.860
600,000 - 649,999	3,772	1.894	94.211	2,349,664,149	3.755	82.615
650,000 - 699,999	2,698	1.355	95.566	1,815,482,321	2.901	85.517
700,000 - 749,999	2,015	1.012	96.578	1,458,566,838	2.331	87.848
750,000 - 799,999	1,407	0.707	97.285	1,087,211,721	1.737	89.585
800,000 - 849,999	1,024	0.514	97.799	842,094,917	1.346	90.931
850,000 - 899,999	730	0.367	98.165	638,041,664	1.020	91.950
900,000 - 949,999	584	0.293	98.459	539,853,654	0.863	92.813
950,000 - 999,999	441	0.221	98.680	430,026,301	0.687	93.500
1,000,000 and greater	<u>2,628</u>	<u>1.320</u>	100.000	<u>4,067,087,473</u>	<u>6.500</u>	100.000
	199,120	100.000%		\$62,574,392,652	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 2013-14 through 2022-23 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.

Pursuant to Revenue and Taxation Code Section 4985.2, the County Treasurer-Tax Collector may cancel any penalty, costs or other charges resulting from tax delinquency upon a finding that the late payment is due to reasonable cause and circumstances beyond the taxpayer's control, and occurred notwithstanding the exercise of ordinary care in the absence of willful neglect, provided the property taxes are paid within four fiscal years of such taxes coming due.



Property tax delinquencies may be impacted by economic and other factors beyond the District's control or the control of either of the Counties, including the ability or willingness of property owners to pay property taxes during an economic recession or depression. An economic recession or depression could be caused by many factors outside the control of the District, including high interest rates, reduced consumer confidence, reduced real wages or reduced economic activity as a result of the spread of COVID-19 or other pandemic or natural or manmade disaster. See "FUNDING OF COMMUNITY COLLEGE DISTRICTS IN CALIFORNIA – Considerations Regarding COVID-19" herein.

**SECURED TAX CHARGES AND DELINQUENCIES**  
**Fiscal Years 2013-14 through 2022-23**  
**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>
2013-14	\$268,617.33	\$6,425.47	2.39%
2014-15	254,148.32	7,166.19	2.82
2015-16	274,556.89	7,731.48	2.82
2016-17	255,558.21	5,880.85	2.30
2017-18	294,690.03	4,554.67	1.55
2018-19	341,958.87	8,212.48	2.40
2019-20	286,202.34	6,367.62	2.22
2020-21	597,496.15	13,049.13	2.18
2021-22	526,972.12	12,904.15	2.45
2022-23	485,099.88	10,487.34	2.16

<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 Revenue and Taxation Code Section 4701 *et seq.* Under the Teeter Plan, each of the Counties apportions secured property taxes on an accrual basis when due (irrespective of actual collections) to its local political subdivisions, including the District, for which the respective county acts as the tax-levying or tax-collecting agency.

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

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

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

actually collected in such county would be allocated to political subdivisions (including the District) for which such county acts as the tax-levying or tax-collecting agency.

## Tax Rates

Representative tax rate areas (“TRAs”) located within the District are Tax Rate Areas 5-000, 17-001 and 105-17. The table below demonstrates the total *ad valorem* tax rates levied by all taxing entities in these TRAs during the five-year period from 2019-20 through 2023-24.

### TYPICAL TAX RATES (TRAs 5-000, 17-001, and, 105-17) Fiscal Years 2019-20 through 2023-24 San Bernardino Community College District

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

	<u>2019-20</u>	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>	<u>2023-24</u>
<b><u>TRA 5-000<sup>(1)</sup> – 2023-24 Assessed Valuation: \$7,143,544,030</u></b>					
General	1.0000%	1.0000%	1.0000%	1.0000%	1.0000%
City of Redlands	--	--	--	--	--
Redlands Unified School District	.0339	.0360	.0662	.0279	.0316
San Bernardino Community College District	.0562	.0651	.0534	.0450	.0452
San Bernardino Valley Municipal Water District	<u>.1425</u>	<u>.1425</u>	<u>.1300</u>	<u>.1300</u>	<u>.1200</u>
Total Tax Rate	1.2326%	1.2436%	1.2496%	1.2029%	1.1968%
<b><u>TRA 17-001<sup>(2)</sup> – 2023-24 Assessed Valuation: \$3,803,321,704</u></b>					
General	1.0000%	1.0000%	1.0000%	1.0000%	1.0000%
Bear Valley Unified School District	.0301	.0291	.0052	.0074	.0073
San Bernardino Community College District	<u>.0562</u>	<u>.0651</u>	<u>.0534</u>	<u>.0450</u>	<u>.0452</u>
Total Tax Rate	1.0863%	1.0942%	1.0586%	1.0524%	1.0525%
<b><u>TRA 105-17<sup>(3)</sup> – 2023-24 Assessed Valuation: \$4,277,572,304</u></b>					
General	1.0000%	1.0000%	1.0000%	1.0000%	1.0000%
Rim of the World Unified School District	.0159	.0160	.0154	.0144	.0154
San Bernardino Community College District	<u>.0562</u>	<u>.0651</u>	<u>.0534</u>	<u>.0450</u>	<u>.0452</u>
Total Tax Rate	1.0721%	1.0811%	1.0688%	1.0594%	1.0606%

<sup>(1)</sup> 2023-24 assessed valuation of TRA 5-000 is \$7,143,544,030 which is 7.06% of the district's total assessed valuation.

<sup>(2)</sup> 2023-24 assessed valuation of TRA 17-001 is \$3,803,321,704 which is 3.76% of the district's total assessed valuation.

<sup>(3)</sup> 2023-24 assessed valuation of TRA 105-017 is \$4,277,572,304 which is 4.23% of the district's total assessed valuation.

Source: California Municipal Statistics, Inc.

## Largest Property Owners

The more property (by assessed value) which is owned by a single taxpayer within the District, the greater amount of tax collections that are exposed to weaknesses is such a taxpayer's financial situation and ability or willingness to pay property taxes. The following table lists the 20 largest local secured taxpayers in the District in terms of their fiscal year 2023-24 secured assessed valuations. Each taxpayer listed below is a name listed on the tax rolls. The District cannot make any representations as to whether individual persons, corporations or other organizations are liable for tax payments with respect to multiple properties held in various names that in aggregate may be larger than is suggested by the table below.

### LARGEST LOCAL SECURED TAXPAYERS Fiscal Year 2023-24 San Bernardino Community College District

	<u>Property Owner</u>	<u>Primary Land Use</u>	<u>2023-24 Assessed Valuation</u>	<u>% of Total<sup>(1)</sup></u>
1.	Prologis LP	Industrial	\$1,001,155,002	1.04%
2.	Southern California Edison Company	Power Plant	623,884,206	0.65
3.	Stater Bros. Markets	Industrial/Office Building	395,716,449	0.41
4.	Target Corporation	Industrial	387,579,815	0.40
5.	Duke Realty LP	Industrial	385,579,112	0.40
6.	El Rivino Industrial I & II LLC	Industrial	326,366,155	0.34
7.	B9 Kline Ranch Owner LLC	Industrial	240,540,480	0.25
8.	Liberty Property LP	Industrial	211,492,628	0.22
9.	CSHV Show Place 215 LLC	Industrial	192,271,224	0.20
10.	Redlands Owner LP	Apartments	168,300,000	0.17
11.	USCLP CA Rialto2 LLC	Industrial	167,489,610	0.17
12.	AMB Institutional Alliance Fund III	Industrial	165,851,209	0.17
13.	Eastgate BLDG 1 LLC	Industrial	153,773,418	0.16
14.	Thrifty Oil Co.	Industrial	151,447,559	0.16
15.	Lit Industrial LP	Industrial	150,902,766	0.16
16.	NYS/NEW LLC	Office Building	148,904,466	0.15
17.	WI Loma Linda LLC	Office Building	144,787,368	0.15
18.	PVT Apartments SPE LLC	Apartments	140,029,597	0.15
19.	Watson Land Company	Industrial	138,630,831	0.14
20.	Wal Mart Real Estate Business Trust	Commercial	<u>134,094,614</u>	<u>0.14</u>
			<u>\$5,428,796,509</u>	<u>5.64%</u>

<sup>(1)</sup> 2023-24 total secured assessed valuation: \$96,315,265,268.

Source: California Municipal Statistics, Inc.

## Statement of Direct and Overlapping Debt

Set forth on the following page is a direct and overlapping debt report (the “Debt Report”) prepared by California Municipal Statistics, Inc., effective as of October 1, 2023 for debt issued as of October 1, 2023. The Debt Report is included for general information purposes only. The District has not reviewed the Debt Report for completeness or accuracy and makes no representation in connection therewith.

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

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

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

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

**2023-24 Assessed Valuation:** \$101,223,972,804

<b><u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u></b>	<b><u>% Applicable</u></b>	<b><u>Debt 10/1/23</u></b>
Metropolitan Water District	0.047%	\$9,031
<b>San Bernardino Community College District</b>	<b>100.000</b>	<b>684,105,266<sup>(1)</sup></b>
Bear Valley Unified School District	100.000	5,815,000
Beaumont Unified School District	0.034	37,918
Colton Joint Unified School District	100.000	173,291,396
Redlands Unified School District	100.000	48,943,512
Rialto Unified School District	100.000	153,827,874
Rim of the World Unified School District	100.000	17,009,996
San Bernardino City Unified School District	100.000	248,564,428
San Geronio Memorial Hospital District	0.355	374,057
Community Facilities Districts	40.064-100.000	164,327,464
1915 Act Bonds	42.272-100.000	13,179,717
<b>TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT</b>		<b>\$1,509,485,659</b>

<b><u>OVERLAPPING GENERAL FUND DEBT:</u></b>		
San Bernardino County General Fund Obligations	31.414%	\$41,329,829
San Bernardino County Flood Control District General Fund Obligations	31.414	11,715,851
Riverside County General Fund and Pension Obligation Bonds	0.291	4,176,489
San Bernardino City Unified School District Certificates of Participation	100.000	75,120,000
Rialto Unified School District Certificates of Participation	100.000	7,329,915
Other School District Certificates of Participation	Various	31,085,310
City of Colton General Fund and Pension Obligation Bonds	100.000	20,294,400
City of Redlands Pension Obligation Bonds	100.000	3,854,678
City of San Bernardino General Fund Obligations and Pension Obligation Bonds	100.000	19,785,000
Other City General Fund Obligations	Various	14,566,531
Special District General Fund Obligations	99.937-100.000	4,591,216
<b>TOTAL GROSS OVERLAPPING GENERAL FUND DEBT</b>		<b>\$233,849,219</b>

<b><u>OVERLAPPING TAX INCREMENT DEBT:</u></b>		
Successor Agency to Fontana Redevelopment Agency	13.513-42.752%	\$25,414,598
Successor Agency to Highland Redevelopment Agency	100.000	37,580,000
Successor Agency to Rialto Redevelopment Agency	84.437	85,825,989
Successor Agency to San Bernardino County Redevelopment Agency	100.000	218,745,000
Successor Agency to San Bernardino City Redevelopment Agency	100.000	23,671,389
Successor Agency to Other Redevelopment Agencies	Various	48,603,842
<b>TOTAL OVERLAPPING TAX INCREMENT DEBT</b>		<b>\$439,840,818</b>

**COMBINED TOTAL DEBT** **\$2,183,175,696<sup>(2)</sup>**

<b><u>Ratios to 2023-24 Assessed Valuation:</u></b>	
<b>Direct Debt (\$684,105,266)</b> .....	<b>0.68%</b>
Total Direct and Overlapping Tax and Assessment Debt .....	1.49%
Combined Total Debt .....	2.16%

<b><u>Ratios to Redevelopment Incremental Valuation (\$32,685,133,974):</u></b>	
Total Overlapping Tax Increment Debt .....	1.35%

<sup>(1)</sup> Excludes issue to be sold.

<sup>(2)</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 Bonds are payable solely from the proceeds of an ad valorem property tax levied by the Counties on all taxable property within the District in an amount sufficient for the payment thereof. See “THE BONDS – Security and Sources of Payment” herein. Articles XIII A, XIII B, XIII C and XIII D of the State Constitution, Propositions 98 and 111, and certain other provisions of law discussed below, are included in this section to describe the potential effect of these Constitutional and statutory measures on the ability of the Counties to levy taxes on behalf of the District and of the District to spend tax proceeds for operating and other purposes, and it should not be inferred from the inclusion of such materials that these laws impose any limitation on the ability of the Counties to levy ad valorem property taxes for payment of the Bonds. The tax levied by the Counties for payment of the principal of and interest on the Bonds was approved by the voters of the District in compliance with Article XIII A, Article XIII C, and all applicable laws.*

### 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 of each county. Article XIII A defines “full cash value” to mean “the county assessor’s valuation of real property as shown on the fiscal year 1975-76 bill under “full cash value,” or thereafter, the appraised value of real property when purchased, newly constructed or a change in ownership has occurred after the 1975 assessment,” subject to exemptions in certain circumstances of property transfer or reconstruction. Determined in this manner, the full cash value is also referred to as the “base year value.” The full cash value is subject to annual adjustment to reflect increases, not to exceed 2% for any year, or decreases in the consumer price index or comparable local data, or to reflect reductions in property value caused by damage, destruction or other factors.

Article 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 State 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 rates levied by the Counties to pay debt service on the Bonds. See “THE BONDS – Security and Sources of Payment” and “TAX BASE FOR REPAYMENT OF BONDS – Assessed Valuations” herein.

Article 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. The tax for payment of the Bonds falls within the exception described in (c) of the immediately preceding sentence. In addition, Article XIII A requires

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

### **Proposition 19**

On November 3, 2020, voters in California approved Proposition 19, a legislatively referred constitutional amendment (“Proposition 19”), which amends Article XIII A to: (i) expand special rules that give property tax savings to homeowners that are over the age of 55, severely disabled, or whose property has been impacted by wildfire or natural disaster, when they buy a different home; (ii) narrow existing special rules for inherited properties; and (iii) dedicate most of the potential new State revenue generated from Proposition 19 toward fire protection. The District cannot make any assurance as to what effect the implementation of Proposition 19 will have on District revenues or the assessed valuation of real property in the District. However, any reduction of assessed valuation would result in a corresponding increase in the annual tax rate levied by the Counties to pay the debt service on the Bonds.

### **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 State Supreme Court have upheld the general validity of Article XIII A.

### **Proposition 50 and Proposition 171**

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

Under Proposition 50, the base year value of the replacement property (the “Replacement Base Year Value”) depends on the relation of the full cash value of the replacement property (the

“Replacement Cash Value”) to the Original Cash Value: if the Replacement Cash Value exceeds 120 percent of the Original Cash Value, then the Replacement Base Year Value is calculated by combining the Original Base Year Value with such excessive Replacement Cash Value; if the Replacement Cash Value does not exceed 120 percent of the Original Cash Value, then the Replacement Base Year Value equals the Original Base Year Value; if the Replacement Cash Value is less than the Original Cash Value, then the Replacement Base Year Value equals the Replacement Cash Value. The replacement property must be comparable in size, utility, and function to the Damaged Property.

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

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

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

### **Unitary Property**

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

### **Article 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 school districts and community college districts (collectively “K-14 school districts”) to mean the percentage change in State per capita income from the preceding year, and
- (b) “change in population” with respect to a K-14 school district to mean 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 bonded debt service such as the Bonds, (c) appropriations required to comply with certain mandates of the courts or the federal government, (d) appropriations of certain special districts, (e) appropriations for all qualified capital outlay projects as defined by the State Legislature, (f) appropriations derived from certain fuel and vehicle taxes and (g) appropriations derived from certain taxes on tobacco products.

Article 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 approved Proposition 218, popularly known as the “Right to Vote on Taxes Act.” Proposition 218 added to the State 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 K-14 school districts, to levy and collect both existing and future taxes, assessments, fees and charges.

According to the “Title and Summary” of Proposition 218 prepared by the State Attorney General, Proposition 218 limits “the authority of local governments to impose taxes and property-related assessments, fees and charges.” Among other things, Article 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 K-14 school districts from levying general taxes, and prohibits any local agency from imposing, extending or increasing any special tax beyond its maximum authorized rate without a two-thirds vote; and also provides that the initiative power

will not be limited in matters of reducing or repealing local taxes, assessments, fees and charges. Article 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 State 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 State Constitution. The provisions of Proposition 218 may have an indirect effect on the District, such as by limiting or reducing the revenues otherwise available to other local governments whose boundaries encompass property located within the District thereby causing such local governments to reduce service levels and possibly adversely affecting the value of property within the District.

### **Proposition 26**

On November 2, 2010, voters in the State approved Proposition 26. Proposition 26 amends Article 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 of the State approved Proposition 98, a combined initiative constitutional amendment and statute called the “Classroom Instructional Improvement and Accountability Act” (the “Accountability Act”). Certain provisions of the Accountability Act were modified by Proposition 111, discussed below, the provisions of which became effective on July 1, 1990. The Accountability Act changed State funding of public education below the university level and the operation of the State’s appropriations limit. The Accountability Act guarantees State funding for K-14 school districts at a level equal to the greater of (a) the same percentage of State general fund revenues as the percentage appropriated to such districts in the 1986-87 fiscal year, or (b) the amount actually appropriated to such districts from the State general fund in the previous fiscal year, adjusted for increases in enrollment and changes in the cost of living. The Accountability Act permits the State Legislature to suspend this formula for a one-year period.

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

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

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 State per capita personal income. The definition of "change in population" specifies that a portion of the State's spending limit is to be adjusted to reflect changes in school attendance.
- b. Treatment of Excess Tax Revenues. "Excess" tax revenues with respect to Article 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 districts' minimum funding level. Also, reversing prior law, any excess State tax revenues transferred to K-14 school districts are not built into the school districts' base expenditures for calculating their entitlement for State aid in the next year, and the State's appropriations limit is not to be increased by this amount.
- c. Exclusions from Spending Limit. Two exceptions were added to the calculation of appropriations which are subject to the Article XIII B spending limit: (i) all appropriations for "qualified capital outlay projects" as defined by the State Legislature are excluded, and (ii) any increases in gasoline taxes above the 1990 level (then nine cents per gallon), sales and use taxes on such increment in gasoline taxes, and increases in receipts from vehicle weight fees above the levels in effect on January 1, 1990 are all excluded. These latter provisions were necessary to make effective the transportation funding package approved by the State Legislature and the Governor, which was expected to raise over \$15 billion in additional taxes from 1990 through 2000 to fund transportation programs.

- d. Recalculation of Appropriations Limit. The Article 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) a certain percentage 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 State per capita personal income. Under Test 3, K-14 school districts will receive the amount appropriated in the prior year adjusted for change in enrollment and per capita State general fund revenues, plus an additional small adjustment factor. If Test 3 is used in any year, the difference between Test 3 and Test 2 will become a "credit" to K-14 school districts (also referred to as a "maintenance factor") which will be paid in future years when State general fund revenue growth exceeds personal income growth.

### **Proposition 39**

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

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

Proposition 39 and can be changed with a majority vote of both houses of the State Legislature and approval by the Governor. See “Article XIII A of the California Constitution, herein.

### **Proposition 1A and Proposition 22**

On November 2, 2004, State voters approved Proposition 1A, which amends the State Constitution to significantly reduce the State’s authority over major local government revenue sources. Under Proposition 1A, the State cannot (i) reduce local sales tax rates or alter the method of allocating the revenue generated by such taxes, (ii) shift property taxes from local governments to K-14 school districts, (iii) change how property tax revenues are shared among local governments without two-thirds 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 K-14 school districts, as well as universities, prisons and health and social services programs. According to an analysis of Proposition 22 submitted by the Legislative Analyst’s Office (the “LAO”) on July 15, 2010, the expected reduction in resources available for the State to spend on these other programs as a consequence of the passage of Proposition 22 was expected to be approximately \$1 billion in fiscal year 2010-11, with an estimated immediate fiscal effect equal to approximately 1% of the State’s total general fund spending. The longer-term effect of Proposition 22, according to the LAO analysis, was expected to be an increase in the State’s general fund costs by approximately \$1 billion annually for several decades.

### **Proposition 55**

The California Children’s Education and Health Care Protection Act of 2016 (also known as “Proposition 55”) is a constitutional amendment approved by the voters of the State on November 8, 2016. Proposition 55 extends, through 2030, the increases to personal income tax rates for high-income taxpayers that were approved as part of Temporary Taxes to Fund Education, Guaranteed Local Public Safety Funding, Initiative Constitutional Amendment (also known as “Proposition 30”). Proposition 30 increased the marginal personal income tax rate by: (i) 1% for taxable income over \$250,000 but less than \$300,001 for single filers (over \$500,000 but less than \$600,001 for joint filers and over \$340,000 but less than \$408,001 for head-of-household filers), (ii) 2% for taxable income over \$300,000 but less than \$500,001 for single filers (over \$600,000 but less than \$1,000,001 for joint filers and over \$408,000 but less than \$680,001 for head-of-household filers), and (iii) 3% for taxable income over \$500,000 for single filers (over \$1,000,000 for joint filers and over \$680,000 for head-of-household filers).

The revenues generated from the personal income tax increases are 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 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 are allocated quarterly, with 89% of such funds provided to school districts and 11% provided to community college districts. The funds are 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 receives less than \$100 per full time equivalent student. The governing board of each school district and community college district is granted sole authority to determine how the moneys received from the EPA are spent, provided that the appropriate governing board is required to make these spending determinations in open session at a public meeting and such local governing board is prohibited from using any funds from the EPA for salaries or benefits of administrators or any other administrative costs.

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

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

### **Proposition 2**

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

Under Proposition 2, and beginning in fiscal year 2015-16 and each fiscal year thereafter, the State will generally be required to annually transfer to the BSA an amount equal to 1.5% of estimated State general fund revenues (the “Annual BSA Transfer”). Supplemental transfers to the BSA (a “Supplemental BSA Transfer”) are also required in any fiscal year in which the estimated State general fund revenues that are allocable to capital gains taxes exceed 8% of the total estimated general fund tax revenues. Such excess capital gains taxes—net of any portion thereof owed to K-14 school districts pursuant to Proposition 98—will be transferred to the BSA. Proposition 2 also increases the maximum size of the BSA to an amount equal to 10% of estimated State general fund revenues for any given fiscal year. In any fiscal year in which a required transfer to the BSA would result in an amount in excess of the 10% threshold, Proposition 2 requires such excess to be expended on State infrastructure, including deferred maintenance.

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

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

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

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

## **FUNDING OF COMMUNITY COLLEGE DISTRICTS IN CALIFORNIA**

*The information in this section concerning State funding of community college districts is provided as supplementary information only, and it should not be inferred from the inclusion of the information under this heading that the principal of and interest on the Bonds is payable from the general fund of the District. The Bonds are payable solely from the proceeds of an ad valorem property tax*

*required to be levied by the Counties on taxable property within the District in an amount sufficient for the payment thereof. See “THE BONDS – Security and Sources of Payment” herein.*

## **Major Revenues**

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

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

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

“Community supported” community college districts (formerly referred to as “basic aid” districts) are those districts whose local property taxes, student enrollment fee collections, and EPA funds exceed the revenue allocation determined by the current State funding model. Thus, community supported districts do not receive any general apportionment funding from the State. The current law in the State allows these districts to keep the excess funds without penalty. The implication for community supported districts is that the legislatively determined annual cost of living adjustments (each, a “COLA”) and other politically determined factors are less significant in determining such districts primary funding sources. Rather, property tax growth and the local economy become the determining factors. The District is not currently a community supported district.

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

SB 361 specified that, commencing with the 2006-07 fiscal year the minimum funding per FTES would be: (a) not less than \$4,367 per credit FTES; (b) at a uniform rate of \$2,626 per non-credit FTES; and (c) \$3,092 per CDCP FTES. Although CDCP FTES were initially funded at a lower rate than credit FTES, subsequent legislation effective as of the 2015-16 fiscal year set the minimum funding for CDCP FTES at the same level as credit FTES. Each such minimum funding rate was subject to COLAs, if any, funded through the State budgeting legislation in each fiscal year.

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



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

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

The SCFF includes several hold-harmless provisions to provide districts greater financial stability in transitioning to the new formula: (i) for fiscal years 2018-19 through 2021-22, community college districts received no less in total apportionment funding than they received in 2017-18, adjusted for COLAs; (ii) for fiscal year 2022-23 and onward, districts will receive no less in apportionment funding per-student than they received in fiscal year 2017-18; and (iii) beginning in fiscal year 2018-19, districts will receive the greater of the amount calculated by the SCFF for the current or prior year (excluding amounts districts receive pursuant to the provision summarized in (i) above.)

State budgetary legislation has extended the hold harmless provisions of the SCFF through fiscal year 2024-25. In addition, Assembly Bill 183, the higher education budgetary trailer bill for fiscal year 2022-23, extended revenue protections for community college districts in a modified form, with the goal of avoiding sharp fiscal declines and supporting a smooth transition to the SCFF over time. Specifically, beginning in fiscal year 2025-26, a community college district will receive the greater of (i) the funding allocation calculated by the SCFF, or (ii) an amount equal to its fiscal year 2024-25 general purpose apportionment, the latter of which will represent a floor below which such district’s funding cannot drop. This revised hold harmless provision does not include adjustments to reflect cumulative COLAs over time, so a district’s hold harmless amount will not grow.

Base Allocation. The Base Allocation is composed of (1) the Basic Allocation, determined consistent with the prior funding formula (see “—Enrollment Based Funding”), and (2) funding for credit, non-credit and CDCP FTES. The Base Allocation was expected to constitute approximately 70% of Statewide funding for community college districts in fiscal year 2018-19, 65% in fiscal year 2019-20 and 60% in fiscal years 2020-21 and onward.

The SCFF provided a minimum funding level for credit FTES of \$3,727 for fiscal year 2018-19. For fiscal year 2019-20, the State budget for that year recalculated funding rates in the Base, Supplemental and Student Success Allocations so that 70% of SCFF funds would be allocated to the base allocation. Since fiscal year 2020-21, funding rates have been adjusted for COLAs provided by State budgetary legislation, and the distribution of funds across the three SCFF allocations (as further described herein) may vary by district. Notwithstanding the foregoing, the SCFF provides higher credit FTES funding rates for certain districts that were entitled to higher funding rates under the prior funding formula. Future provisions of COLAs and other adjustments will be subject to appropriation therefor in the annual State budget. Total funding for credit FTES will be based on a rolling three-year average of the funded credit FTES from the current fiscal year and the two immediately preceding fiscal years. Credit FTES associated with enrollment growth proposed in the annual budget act are excluded from the three-year average and will instead be added to the computed three-year rolling average. In computing the

three-year average, credit FTES generated by incarcerated and special admit students is excluded and funded consistent with the prior funding formula.

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

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

**RESIDENT FULL TIME EQUIVALENT STUDENTS<sup>(1)</sup>**  
**Fiscal Years 2013-14 through 2023-24**  
**San Bernardino Community College District**

<u>Year</u>	<u>Funded FTES<sup>(2)</sup></u>	<u>Unfunded FTES<sup>(2)(3)</sup></u>	<u>Total FTES<sup>(6)</sup></u>
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	15,304	--	15,304
2018-19	15,292	--	15,292
2019-20	15,061	--	15,061
2020-21	14,619	--	14,619
2021-22 <sup>(6)</sup>	14,885	--	14,885
2022-23 <sup>(6)</sup>	14,877	--	14,877
2023-24 <sup>(5)(6)</sup>	14,700	--	14,700

(1) One FTES is equivalent to 525 student contact hours, which is determined based on a State formula of one student multiplied by 15 weekly contact hours multiplied by 35 weeks. Accordingly, the number of FTES in the District may not equal the number of students enrolled in the District. Reflects resident FTES counts only. Non-resident FTES are generally excluded from State funding formula calculations.

(2) Prior to the implementation of the SCFF, the State budget would 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. A district’s enrollment cap was based on the previous fiscal year’s reported FTES, plus the growth allowance provided for by the State budget, if any. All student hours in excess of the enrollment cap were considered “unfunded” FTES.

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

(4) In fiscal year 2016-17, FTES figures include approximately 1,090 FTES in excess of the District’s actual FTES count, and for which it received State funding. Reflects the receipt of “stability” funding. Under California Code Regulations Section 58776, during the initial year of a decline in FTES, community college districts were eligible to receive “stability” funding, in an amount equal to the revenue loss associated with a decline in FTES for that year. Stability funding was available for a one year period. If FTES were not restored to the pre-decline level within a period of two years following the initial decline, a community college district that had received stability funding was subject to a permanent reduction of its funded FTES and an attendant decline in operating revenue.

(5) Budgeted.

(6) The District’s actual FTES was 12,293 for fiscal year 2021-22, 12,939 for fiscal year 2022-23 and is projected to be 13,457 in fiscal year 2023-34.

Source: San Bernardino Community College District.

**Supplemental Allocation.** The Supplemental Allocation, accounting for approximately 20% of Statewide funding, will be distributed to districts based on their headcounts of students that receive Federal Pell Grants, a student who is granted an exemption from nonresident tuition pursuant to Education Code Section 68130.5 (AB 540), and student fee waivers under Education Code Section 76300 (California College Promise Grant). The SCFF provided \$919 per qualifying student for fiscal year 2018-19. Headcounts are not unduplicated, such that districts will receive twice or three times as much supplemental funding for a student that falls into more than one of the aforementioned categories. Beginning in fiscal year 2019-20, the 2019-20 State budget recalculated funding rates for supplemental

allocation so that in 2019-20, 20% of the SCFF funds would be allocated for the supplemental allocation. Since fiscal year 2020-21, funding rates have been adjusted for COLAs provided by State budgetary legislation, and the distribution of funds across the three SCFF allocations may vary by district.

**Student Success Allocation.** The Student Success Allocation will be distributed to districts based on their performance in various student outcome metrics, including obtaining various degrees and certificates, completing transfer-level math and English courses within a student's first year, and having students obtain a regional living wage within a year of completing community college. Each metric is assigned a point value, with some metrics weighted more than others. A single student outcome with more points will generate more funding. Outcome metrics for students that qualify for Federal Pell Grants and California College Promise Grants are eligible for additional funding. The student success allocation counts only the highest of all awards a student earned in the same year and will only count the award if the student was enrolled in the district in the year the award was granted. The student success allocation will also calculate based on the three-year rolling average of each metric. Outcome metrics for students that qualify for Federal Pell Grants, AB 540 and California College Promise Grants are eligible for additional funding. The Student Success Allocation accounted for 10% of statewide funding for community college districts in fiscal years 2018-19 and 2019-20. Since fiscal year 2020-21, funding rates have been adjusted for COLAs provided by State budgetary legislation, and the distribution of funds across the three SCFF allocations may vary by district.

### **Considerations Regarding COVID-19**

***General.*** An outbreak of disease or similar public health threat, such as the ongoing coronavirus ("COVID-19") pandemic, or fear of such an event, could have an adverse impact on the District's financial condition and operating results.

The spread of COVID-19 has had significant negative impacts throughout the world, including in the District. The World Health Organization declared the COVID-19 outbreak to be a pandemic in 2020, and states of emergency were also declared by the WHO, the State and the United States. The purpose behind these declarations was to coordinate and formalize emergency actions and across federal, State and local governmental agencies, and to proactively prepare for the then-expected wider spread of the virus. The Governor lifted the state of emergency with respect to COVID-19 in February of 2023, and the federal state of emergency is expected to be lifted in May of 2023.

To date there have been millions of confirmed cases in the United States, and over one million deaths related to COVID-19. Although vaccines and vaccine boosters are currently widely available, no representation can be made as to whether the number of cases will continue to grow. The COVID-19 outbreak resulted in the imposition of restrictions on mass gatherings and widespread temporary closings of businesses, universities and schools through much of 2020 and portions of 2021, as well as supply chain issues and significant increases in inflation as these restrictions and closures have been lifted. Stock markets in the U.S. and globally have been volatile, with significant declines during the pandemic attributed to coronavirus concerns.

***Federal Response.*** On March 27, 2020 the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") was signed by the President of the United States. The CARES Act appropriated over \$2 trillion to, among other things, (i) provide cash payments to individuals, (ii) expand unemployment assistance and eligibility, (iii) provide emergency grants and loans for small businesses, (iv) provide loans and other assistance to corporations, including the airline industry, (v) provide funding for hospitals and community health centers, (vi) expand funding for safety net programs, including child nutrition programs, and (vii) provide aid to state and local governments. On December 27, 2020, the President of the United States signed the Coronavirus Relief and Response Supplemental Appropriations Act, 2021

(“CRRSA”), which included approximately \$900 billion worth of provisions for additional COVID-related relief, including extension of or additional funding for various relief programs implemented by the CARES Act. The CRRSA provided approximately \$82 billion of COVID-19 related relief for education, including \$54.3 billion for K-12 schools (largely through Title I funding), \$22.7 billion for higher education and \$4 billion for state governors to spend at their discretion. On March 12, 2021, the President signed the American Rescue Plan Act of 2021 (the “American Rescue Plan”), which provides approximately \$1.9 trillion in federal economic stimulus intended to accelerate the recovery from the COVID-19 pandemic. The American Rescue Plan provides direct payments to individuals, extends unemployment benefits, provides funding to distribute COVID-19 vaccines and provides funding for schools, higher education institutions, state, tribal governments and businesses.

***State Response.*** On March 17, 2020, the Governor signed Senate Bill 89 (“SB 89”), which amended the Budget Act of 2019 by appropriating \$500,000,000 from the State General Fund for any purpose related to executing the emergency proclamation issued by the Governor on March 4, 2020.

During certain emergency conditions, state regulations provide that a community college district may be provided an “emergency conditions allowance,” calculated to approximate the same general purpose apportionment that such district would have received in absence of the emergency. Emergency conditions are defined to include epidemics, an order from a city or county board of health or the State Board of Health, or another emergency declared by the State or federal government. Districts are required to demonstrate that the occurrence of the emergency condition prevented the district from maintaining its schools during a fiscal year for a period of 175 days, or caused the district’s general purpose apportionment to be materially decreased in that year or in subsequent years. To receive the emergency conditions allowance, a district must demonstrate to the satisfaction of the State Chancellor that the district made good faith efforts to avoid material decreases in general purposes apportionments. Community college districts may also seek a waiver of the 175-day requirement. Finally, the Board of Governors of the California Community Colleges (the “Board of Governors”), on March 16, 2020, granted the State Chancellor temporary emergency powers to suspend or waive State regulatory requirements and local rules and regulations that present barriers to the continuity of educational services. This temporary grant is in addition to standing emergency powers of the State Chancellor to hold community college districts financially harmless in the wake of campus closures.

***District Response.*** In response to the COVID-19 outbreak, the District delivered its classes and student services remotely for the fall and spring terms for the 2020-21 academic year, except for select lab and studio classes which maintained some hands-on curriculum delivered in-person. The District returned to in-person instruction in Fiscal Year 2021-22, though it continues to offer remote instruction as an alternative.

The District did not experience a reduction in workforce or any material interruption in workforce functions during the pandemic. Although it has not materially interrupted the District’s workforce functions, the pandemic has resulted in decreased enrollment at the District]. See also “FUNDING OF COMMUNITY COLLEGE DISTRICTS IN CALIFORNIA – Major Revenues – Student Centered Funding Formula” herein.

The District has been awarded a total of \$38.4 million in COVID-19-related federal and State funding, including (i) \$36.7 million in CARES Act funding through the Higher Education Emergency Relief Fund (HEERF) and (ii) \$1.7 million in federal and state block grants. The District has fully expended all such funding. The District also received \$8.5 million from the State COVID-19 Recovery Block Grant in fiscal year 2022-23, which is expected to be used for the “Books + Free Text Book Program” to encourage increased enrollment.

Other potential impacts to the District associated with the COVID-19 outbreak include, but are not limited to, increasing costs and challenges relating to establishing distance learning programs or other measures to permit instruction if schools and colleges are required to close, disruption of the regional and local economy with corresponding decreases in tax revenues, including property tax revenue, sales tax revenue and other revenues, increases in tax delinquencies, potential declines in property values, and decreases in new home sales, and real estate development. The economic consequences and the volatility in the U.S. and global stock markets resulting from the spread of COVID-19, and responses thereto by local, State, and the federal governments, have had a material impact on the investments in the State pension trusts. Such investment trusts could continue to be impacted by the lingering effects of the COVID-19 pandemic, which could materially increase the unfunded actuarial accrued liability of the STRS Defined Benefit Program and PERS Schools Pool, and, in turn, result in material changes to the District's required contribution rates in future fiscal years. See "—Retirement Programs" herein.

Although the public health emergencies previously declared by State, federal and international entities have ended, the COVID-19 outbreak is ongoing, the duration and severity of the outbreak, the effectiveness of available vaccines in containing the spread or mutation of the virus, and the economic and other actions that may be taken by governmental authorities to contain the outbreak or to treat its impact are uncertain. Additional information with respect to events surrounding the outbreak of COVID-19 and responses thereto can be found on State and local government websites, including but not limited to the Governor's office (<http://www.gov.ca.gov>), the California Department of Public Health (<http://covid19.ca.gov/>), and the Chancellor's Office (as defined herein) (<https://www.cccco.edu/About-Us/Chancellors-Office/Divisions/Communications-and-Marketing/Novel-Coronavirus>). The District has not incorporated by reference the information on such websites, and the District does not assume any responsibility for the accuracy of the information on such websites.

The ultimate impact of COVID-19 on the District's operations and finances is unknown. There can be no assurances that the spread of COVID-19, or the responses thereto by local, State, or the federal government, will not materially adversely impact the local, state and national economies or the assessed valuation of property within the District, or adversely impact enrollment or FTES within the District and, notwithstanding available state or federal assistance, materially adversely impact the financial condition or operations of the District. See also "TAX BASE FOR REPAYMENT OF THE BONDS –Assessed Valuations" herein.

## **Budget Procedures**

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

when necessary, the authority to intervene to bring about improvement in their financial condition. To stabilize a district's financial condition, the Chancellor may, as a last resort, seek an appropriation for an emergency apportionment.

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

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

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

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

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

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

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

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

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

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

### **Additional Sources of Funding**

***FCC Auction Proceeds.*** The District holds the KVCR-TV’s broadcast license and participated in the Federal Communications Commission’s voluntary incentive auction designed to increase bandwidth for mobile and wireless providers. By electing to participate in the auction, the District voluntarily relinquished their spectrum usage rights on its ultra-high frequency (UHF) channel. In July 2017, the District received \$157,713,171 (the “Auction Proceeds”) in one time funds from the sale of its spectrum rights. As a result, the KVCR will now broadcast over a very-high frequency (VHF) channel. Approximately \$16 million of the Auction Proceeds from the auction have been invested in KVCR to cover expenses necessary to transition its broadcast facilities from UHF to VHF. Of the remainder, approximately \$79 million is being invested in Public Agency Retirement Services (PARS) accounts. The funds invested in the PARS fund are invested in a tax-exempt prefunding vehicle to mitigate long-term STRS and PERS contribution rate volatility and approximately \$16 million for other Board approved expenditures. Such funds are protected from diversion to other uses and may be used to offset contribution rate increases or as source of funds for pension related costs. Funds in the PARS Trust can be withdrawn annually in amounts equal to annual STRS and PERS expenses for the current fiscal year, which currently is approximately \$19.9 million. See “SAN BERNARDINO COMMUNITY COLLEGE DISTRICT – Retirement Programs – Pension Rate Stabilization Program” herein. In addition, \$46 million has been invested in commercial real estate. Rental income from the commercial real estate, is approximately \$4.4 million annually, which is available for any lawful purpose. Initially, the District plans to use the rental income generated from the commercial real estate investment to fund a portion of the District’s free college promise program.

***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 2014-15 through 2022-23, and a budgeted amount for fiscal year 2023-24 are shown in the table on the following page.

**TAX OFFSET AND PASS-THROUGH REVENUES**  
**Fiscal Years 2014-15 through 2023-24**  
**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>
2014-15	\$5,067,569	\$1,260,664
2015-16	5,129,739	1,606,611
2016-17	7,115,077	1,484,403
2017-18	8,187,986	1,683,706
2018-19	10,738,620	1,926,017
2019-20	12,788,944	1,146,291
2020-21 <sup>(3)</sup>	11,813,428	2,395,456
2021-22	13,344,751	3,180,361
2022-23	15,328,855	3,465,761
2023-24 <sup>(4)</sup>	15,328,855	3,465,761

(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) Unaudited.

(4) Budgeted.

Source: San Bernardino Community College District.

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

***Lease Revenues.***

Cellular Tower Space. The District leases a portion of its facilities for cellular tower antenna sites and space. These licenses are noncancelable for a period of up to 456 months. The agreements allow for 3.00% annual CPI increases to the lease payments. At termination, lessees must remove all equipment and restore the site to its original state. During fiscal year 2022-23, the District recognized \$282,990 in lease revenue and \$464,412 in interest revenue related to these agreements. At June 30, 2023, the District recorded \$9,151,219 in lease receivables and \$5,620,697 in deferred inflows of resources for these arrangements. The District used an interest rate of 5.00%, based on the rates available to finance real estate over the same time period.

Office Space. The District leases a portion of its facilities for commercial office space under several lease agreements. These leases are noncancelable for a period of up to 120 months. Many of the agreements allow for 3.00% annual CPI increases to the lease payments. At termination, lessees must restore the site to its original state. During fiscal year 2022-23, the District recognized \$12,757,632 in



lease revenue and \$1,303,470 in interest revenue related to these agreements. At June 30, 2023, the District recorded \$28,845,662 in lease receivables and \$25,686,789 in deferred inflows of resources for these arrangements. The District used an interest rate of 5.00%, based on the rates available to finance real estate over the same time periods.

For more information, see “APPENDIX B – 2022-23 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT – Note 6” attached hereto.

### **Dissolution of Redevelopment Agencies**

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

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

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

described as the fourth distribution above, then from amounts available to the Successor Agency to defray administrative costs. In addition, if a taxing agency entered into an agreement pursuant to Health and Safety Code Section 33401 for payments from a redevelopment agency under which the payments were to be subordinated to certain obligations of the redevelopment agency, such subordination provisions shall continue to be given effect.

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

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

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

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

## **State Assistance**

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

**2023-24 State Budget.** On June 27, 2023, the Governor signed the State budget for fiscal year 2023-24 (the “2023-24 Budget”). The following information is drawn from the DOF and LAO summaries of the 2023-24 Budget.

The 2023-24 Budget reports that, after two years of growth, the State is projected to face a downturn in revenues driven by a declining stock market, persistently high inflation, rising interest rates and job losses in high-wage sectors. The 2023-24 Budget forecasts that the State will face a \$31.7 billion shortfall in fiscal year 2023-24. In its summary of the 2023-24 Budget, the LAO calculates the State’s budget shortfall to be lower, at \$26.5 billion, and results from the administration including in its calculation the cost of some policies that had not yet been adopted by the State legislature.

To close the budget gap, the 2023-24 Budget includes a series of measures intended to avoid deep reductions to priority programs that marked budgetary shortfalls over the past two decades:

- *Fund Shifts* – \$9.3 billion in shifts of spending commitments from the State general fund to other sources.
- *Reductions/Pullbacks* – \$8.1 billion in State general fund spending reductions or pullbacks of previously approved spending.
- *Delays* – \$7.9 billion in delayed spending across multiple years, without reducing the amount of funding over the same period.
- *Revenue and Internal Borrowing* – \$6.1 billion in revenue, primarily from the Managed Care Organization tax, and internal borrowing from special fund balances not projected for programmatic purposes.
- *Trigger Reductions* – \$340 million in reductions that will be restored in the proposed State budget for fiscal year 2024-25 if there are sufficient resources to do so.

For fiscal year 2022-23, the 2023-24 Budget projects total general fund revenues and transfers of \$205.1 billion and authorizes expenditures of \$234.6 billion. The State is projected to end the 2022-23 fiscal year with total reserves of \$54.2 billion, including \$21.1 billion in the traditional general fund reserve, \$22.3 billion in the BSA, \$9.9 billion in the PSSSA and \$900 million in the Safety Net Reserve Fund. For fiscal year 2023-24, the 2023-24 Budget projects total general fund revenues and transfers of \$208.7 billion and authorizes expenditures of \$225.9 billion. The State is projected to end the 2023-24 fiscal year with total reserves of \$37.8 billion, including \$3.8 billion in the traditional general fund reserve, \$22.3 billion in the BSA, \$10.8 billion in the PSSSA and \$900 million in the Safety Net Reserve Fund. The 2023-24 Budget indicates that maintaining this level of reserves provides a prudent insurance policy, as the State continues to face revenue risks and uncertainty. Significantly, prolonged storm activity over the winter caused a tax filing delay affecting over 99% of tax filers in 55 of the State's 58 counties. This delay pushed the projected receipt of \$42 billion in State tax receipts into October, representing nearly one-fourth of the 2022-23 fiscal year's total projected personal income taxes, and nearly one third of the corporation tax.

The ending balance in the BSA is at the constitutional maximum amount, requiring any amounts in excess thereof to be dedicated to infrastructure improvements. The 2023-24 Budget also includes revised deposits to the PSSSA of \$4.8 billion and \$1.8 billion attributable to fiscal years 2021-22 and 2022-23, respectively, and authorizes a deposit in fiscal year 2023-24 of \$902 million. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Proposition 2" herein.

The minimum funding guarantee in fiscal year 2023-24 is set at \$108.3 billion, including \$77.5 billion from the State general fund. The 2023-24 Budget also makes retroactive increases to the minimum funding guarantee in fiscal years 2021-22 and 2022-23, setting them at \$110.6 billion and \$107.4 billion, respectively. Test 1 is projected to be in effect over this three year period. For fiscal year 2023-24, the minimum funding guarantee increases by \$952 million (or 0.90%) relative to the revised 2022-23 level, and results from projected increases in property tax revenues that offset declines associated with lower State general fund revenue estimates. To accommodate enrollment increases related to the expansion of transitional kindergarten in school districts, the 2023-24 Budget rebenchs the Test 1 percentage, from approximately 38.2% to 38.5%, to increase the percentage of State general fund revenues that count towards the minimum funding guarantee

Other significant features relating to community college funding include the following:

- *General Apportionments:* An increase of \$678 million in ongoing Proposition 98 funding to provide a 8.22% COLA for apportionments, and an increase of \$26.4 million in ongoing Proposition 98 funding to sustain 0.50% enrollment growth. The LAO notes that the 2023-24 Budget uses \$290 million in one-time, prior-year Proposition 98 funding to support SCFF costs for fiscal year 2023-24. The LAO notes that this creates a structural gap, in that using one-time funds to cover ongoing costs will create a deficit in the Proposition 98 budget the following year.
- *Categorical Programs:* \$112.5 million in ongoing Proposition 98 funding to provide an 8.22% COLA to select categorical programs and the State adult education program.
- *Flexible Block Grant:* The 2023-24 Budget reflects statutory changes to consolidate funding provided in fiscal year 2022-23 for deferred maintenance, retention and enrollment and a COVID-19 response block grant to create a flexible block grant that can be spent on any of these purposes. In addition, the 2023-24 Budget decreases one-time Proposition 98 funding for these programs by approximately \$500 million.
- *Nursing Programs:* An increase of \$60 million in one-time Proposition 98 funding, for five years starting in fiscal year 2024-25, to expand nursing programs and bachelor of science nursing partnerships to develop, educate and maintain the next generation of registered nurses. The implementation of this program is subject to future legislation.
- *Student Success:* The 2023-24 Budget authorizes a specific award of the Student Success Completion Grant of \$5,250 per semester for specified current and former foster youth at community colleges, to cover these students' total cost of attendance. The 2023-24 Budget also reflects a decreased of \$50 million in one-time Proposition 98 funding to reflect revised program participation estimates, bringing cumulative support for this program to approximately \$362.6 million.
- *Student Housing:* The 2023-24 Budget reduces approximately \$1.1 billion in current and planned State general fund support for affordable student housing grants. The 2023-24 Budget also reflects an increase of \$78.5 million in ongoing State general fund support for student housing projects.

For additional information regarding the 2023-24 Budget, see the DOF and LAO websites at [www.dof.ca.gov](http://www.dof.ca.gov) and [www.lao.ca.gov](http://www.lao.ca.gov). However, the information presented on such website is not incorporated herein by any reference.

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

## SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

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

### Introduction

The District was established in 1926 and serves most of the County of San Bernardino, California and a small portion of the County of Riverside, California. The District maintains two community colleges, Crafton Hills College and San Bernardino Valley College, located in Yucaipa and San Bernardino, California, respectively, which provide collegiate level instruction across a wide spectrum of subjects in grades 13 and 14. The District has approximately 17,954 full and part-time students and serves a resident population of approximately 780,000 based on zip codes within the District's service region.

For fiscal year 2023-24, the District has budgeted a funded full-time equivalent student ("FTES") count of 14,700. Taxable property within the District has a 2023-24 assessed valuation of \$101,223,972,804. See "SAN BERNARDINO COMMUNITY COLLEGE DISTRICT" and "TAX BASE FOR REPAYMENT OF BONDS" herein.

### 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 or 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 1, 2021, the ACCJC notified the District that it had reaffirmed the accreditation of both San Bernardino Valley College and Crafton Hills College for seven years. The next report from both Colleges will be the Midterm Report due on October 15, 2024 and the next comprehensive review will occur in the fall term of 2027.

Additional information regarding each of the College's accreditation is available at <https://sbccd.edu/district-services/research-planning-institutional-effectiveness/accreditation.php>. 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 within seven trustee areas (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>
Dr. Stephanie Houston	Chair	November 2026
Dr. Anne L. Viricel	Vice Chair	November 2024
Joseph Williams	Clerk	November 2026
Dr. Nathan D. Gonzales	Trustee	November 2026
Gloria Macías Harrison	Trustee	November 2024
John Longville	Trustee	November 2024
Frank Reyes	Trustee	November 2024

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

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

***Diana Z. Rodriguez, Chancellor.*** Diana Z. Rodriguez was appointed Chancellor of the District effective August 1, 2021. Prior thereto she served as the President of San Bernardino Valley College commencing July 2016. Prior to her role at San Bernardino Valley College, she served as the Vice President of Student and Academic Services at Las Positas College. Ms. Rodriguez holds an Associate’s Degree in Liberal Arts from Palo Verde College, and holds a Bachelor’s Degree in Marketing, a Master’s Degree in Business Administration, and a Master’s Degree in Education from California State University, San Bernardino.

***Jose F. Torres, Executive Vice Chancellor.*** Mr. Torres has served as the Executive Vice Chancellor since April 2018. Mr. Torres served as the Interim Chancellor from January 2020 to August 2021. From November 2014 to April 2018, he served as Vice Chancellor of Business and Fiscal Services and from June 2013 to November 2014 as the District’s Director of Fiscal Services. Prior thereto, Mr. Torres served six years as the Vice President of Financial Services for the County of San Bernardino Housing Authority, and seven years as Finance Manager for the Don Bosco Technical Institute in Rosemead.

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

## Labor Relations

The District currently employs 261 full-time academic professionals, 387 full-time classified employees, and 103 managerial employees. In addition, the District employs 888 part-time faculty and 22 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	365	June 30, 2023 <sup>(1)</sup>
California Teachers Association	748	June 30, 2025

<sup>(1)</sup> Employees continue to work under the terms of the respective expired contracts while new contracts are negotiated.  
*Source: San Bernardino Community College District.*

## Retirement Programs

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

**STRS.** All full-time certificated employees, as well as certain classified employees, are members of the California 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. Previously, 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 increased significantly prior to the implementation of AB 1469 (defined below). In September 2013, STRS projected that the STRS Defined Benefit Program would be depleted in 31 years assuming existing contribution rates continued, and other significant actuarial assumptions were realized. In an effort to reduce the unfunded actuarial liability of the STRS Defined Benefit Program, the State passed the legislation described below to increase contribution rates.

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



Commencing July 1, 2014, the employee contribution rate increased over a three-year phase-in period in accordance with the following schedule:

**MEMBER CONTRIBUTION RATES  
STRS (Defined Benefit Program)**

<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

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*Source: AB 1469.*

Pursuant to the Reform Act (defined below), the contribution rates for members (“PEPRA Members”) hired after the Implementation Date (defined below) will be adjusted if the normal cost increases by more than 1% since the last time the member contribution was set. The contribution rate for employees (“Classic Members”) hired before the Implementation Date (defined below) increased from 9.205% of creditable compensation for fiscal year commencing July 1, 2017 to 10.205% of creditable compensation effective July 1, 2018. For fiscal year commencing July 1, 2021, the contribution rate was 10.250% for Classic Members and 10.205% for PEPRA Members. For fiscal year commencing July 1, 2022, the contribution rate is 10.250% for Classic Members and 10.205% for PEPRA Members. For fiscal year commencing July 1, 2023, the contribution rate will be 10.250% for Classic Members and 10.205% for PEPRA Members.

Pursuant to AB 1469, K-14 school districts’ contribution rate increased 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

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*Source: AB 1469.*

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

adjustments required in contribution rates for K-14 school districts and the State in order to eliminate the 2014 Liability.

On June 27, 2019, the Governor signed SB 90 (“SB 90”) into law as a part of the 2019-20 Budget. Pursuant to SB 90, the State Legislature appropriated \$2.246 billion to be transferred to the Teacher’s Retirement Fund for the STRS Defined Benefit Program to pay in advance, on behalf of employers, part of the contributions required for fiscal years 2019-20 and 2020-21, resulting in K-14 school districts having to contribute 1.03% less in fiscal year 2019-20 and 0.70% less in fiscal year 2020-21, resulting in employer contribution rates of 17.1% in fiscal year 2019-20 and 18.4% in fiscal year 2020-21. In addition, the State made a contribution of \$1.117 billion to be allocated to reduce the employer’s share of the unfunded actuarial obligation determined by the STRS Board upon recommendation from its actuary. This additional payment was reflected in the June 30, 2020 actuarial valuation. Subsequently, the State’s 2020-21 Budget redirected \$2.3 billion previously appropriated to STRS and PERS pursuant to SB 90 for long-term unfunded liabilities to further reduce the employer contribution rates in fiscal year 2020-21 and 2021-22. As a result, the effective employer contribution rate was 16.15% in fiscal year 2020-21 and 16.92% in fiscal year 2021-22. The employer contribution rate was 19.1% in fiscal year 2022-23 and is 19.1% in fiscal year 2023-24.

The District’s contributions to STRS were \$6,709,691 in fiscal year 2018-19, \$7,776,203 in fiscal year 2019-20, \$6,998,501 in fiscal year 2020-21, \$7,496,204 in fiscal year 2021-22, and \$9,083,571 in fiscal year 2022-23. The District has budgeted \$8,417,319 for its contribution to STRS for fiscal year 2023-24.

The State also contributes to STRS, currently in an amount equal to 8.328% for fiscal year 2023-24. 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. However, the maximum increase or decrease in a given year is limited to 0.5% of payroll under the STRS valuation policy. Once the State has eliminated its share of the STRS’ unfunded actuarial obligation, the State contribution will be immediately reduced to the base contribution rate of 2.017% of payroll.

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 California 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, 2022 included 1,601 public agencies and 1,335 K-14 school districts and charter schools. PERS acts as the common investment and administrative agent for the member agencies. The State and K-14 school districts (for “classified employees,” which generally consist of school employees other than teachers) are required by law to participate in PERF. Employees participating in PERF generally become fully vested in their retirement benefits earned to date after five years of credited service. One of the plans operated by PERS is for K-14 school districts throughout the State (the “Schools Pool”).

Contributions by employers to the Schools Pool are based upon an actuarial rate determined annually and contributions by plan members vary based upon their date of hire. Pursuant to SB 90, the State Legislature appropriated \$904 million to the Schools Pool, including transfers in fiscal years 2019-20 and 2020-21 to the Public Employees Retirement Fund to pay, in advance on behalf of K-14 school district employers, part of the contributions required for K-14 school district employers for such fiscal years, as well as additional amounts to be applied toward certain unfunded liabilities for K-14 school district employers. In June 2020, SB 90 was amended by Assembly Bill 84/Senate Bill 111 (“AB 84”). Under AB 84, \$144 million of the State contribution under SB 90 was deemed to satisfy a portion of the State’s required contribution in fiscal year 2019-20, and the amounts previously allocated toward future liabilities were redirected such that, \$430 million will satisfy a portion of the employer contribution rate in fiscal year 2020-21, and \$330 million will satisfy a portion of the employer contribution rate in fiscal year 2021-22. As a result of the payments made by the State pursuant to SB 90, as amended by AB 84, the employer contribution rate was 19.721% for fiscal year 2019-20, 20.7% in fiscal year 2020-21, and 22.91% for fiscal year 2021-22. The employer contribution rate was 25.37% in fiscal year 2022-23 and is 26.68% in fiscal year 2023-24. Classic Members contribute at a rate established by statute, which is 7% in fiscal year 2023-24, while PEPRA Members contribute at an actuarially determined rate, which was 8% in fiscal year 2023-24. See “—California Public Employees’ Pension Reform Act of 2013” herein.

The District’s contributions to PERS were \$6,323,031 in fiscal year 2018-19, \$7,195,887 in fiscal year 2019-20, \$7,393,102 in fiscal year 2020-21, \$8,404,280 in fiscal year 2021-22, and \$10,366,697 in fiscal year 2022-23. The District has budgeted \$11,527,651 for its contribution to PERS for fiscal year 2023-24.

***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 (Schools Pool)**  
**(Dollar Amounts in Millions) <sup>(1)</sup>**  
**Fiscal Years 2012-13 through 2021-22**

**STRS**

<b>Fiscal Year</b>	<b>Accrued Liability</b>	<b>Value of Trust Assets (MVA)<sup>(2)</sup></b>	<b>Unfunded Liability (MVA)<sup>(2)</sup></b>	<b>Value of Trust Assets (AVA)<sup>(3)</sup></b>	<b>Unfunded Liability (AVA)<sup>(3)</sup></b>
2012-13	\$222,281	\$157,176	\$74,374	\$148,614	\$73,667
2013-14	231,213	179,749	61,807	158,495	72,718
2014-15	241,753	180,633	72,626	165,553	76,200
2015-16	266,704	177,914	101,586	169,976	96,728
2016-17	286,950	197,718	103,468	179,689	107,261
2017-18	297,603	211,367	101,992	190,451	107,152
2018-19	310,719	225,466	102,636	205,016	105,703
2019-20	322,127	233,253	107,999	216,252	105,875
2020-21	332,082	292,980	60,136	242,363	89,719
2021-22	346,089	283,340	85,803	257,537	88,552

**PERS**

<b>Fiscal Year</b>	<b>Accrued Liability</b>	<b>Value of Trust Assets (MVA)</b>	<b>Unfunded Liability (MVA)</b>	<b>Value of Trust Assets (AVA)<sup>(3)</sup></b>	<b>Unfunded Liability (AVA)<sup>(3)</sup></b>
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>
2016-17	84,416	60,865	23,551	-- <sup>(4)</sup>	-- <sup>(4)</sup>
2017-18	92,071	64,846	27,225	-- <sup>(4)</sup>	-- <sup>(4)</sup>
2018-19 <sup>(5)</sup>	99,528	68,177	31,351	-- <sup>(4)</sup>	-- <sup>(4)</sup>
2019-20 <sup>(6)</sup>	104,062	71,400	32,662	-- <sup>(4)</sup>	-- <sup>(4)</sup>
2020-21	110,507	86,519	23,988	-- <sup>(4)</sup>	-- <sup>(4)</sup>
2021-22	116,982	79,386	37,596	-- <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.

<sup>(5)</sup> For the fiscal year 2020-21 actuarially determined contribution, the additional \$430 million State contribution made pursuant to AB 84 did not directly impact the actuarially determined contribution as it was not yet in the Schools Pool by the June 30, 2019 actuarial valuation date. The additional State contribution was treated as an advance payment toward the unfunded accrued liability contribution with required employer contribution rate correspondingly reduced.

<sup>(6)</sup> For the fiscal year 2021-22 actuarially required contribution, the impact of the additional \$330 million State contribution made pursuant to AB 84 is directly reflected in the actuarially determined contribution, because the additional payment was in the Schools Pool as of the June 30, 2020 actuarial valuation date, which served to reduce the required employer contribution rate by 2.16% of payroll.

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) (the “2017 Experience Analysis”), 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%.

Based on the multi-year CalSTRS Experience Analysis (spanning from July 1, 2015, through June 30, 2018) (the “2020 Experience Analysis”), on January 31, 2020, the STRS Board adopted a new set of actuarial assumptions that were first reflected in the STRS Defined Benefit Program Actuarial Valuation, as of June 30, 2019 (the “2019 STRS Actuarial Valuation”). While no changes were made to the actuarial assumptions discussed above, which were established as a result of the 2017 Experience Analysis, certain demographic changes were made, including: (i) lowering the termination rates to reflect a continued trend of lower than expected teachers leaving their employment prior to retirement, and (ii) adopting changes to the retirement rates for both Classic Members and PEPRAs Members to better reflect the anticipated impact of years of service on retirements. The 2022 STRS Actuarial Valuation (defined below) continues using the Entry Age Normal Actuarial Cost Method.

The STRS Defined Benefit Program Actuarial Valuation, as of June 30, 2022 (the “2022 STRS Actuarial Valuation”) reports that, based on an actuarial value of assets, the unfunded actuarial obligation decreased by approximately \$1.17 billion since the 2021 STRS Actuarial Valuation and the funded ratio increased by 1.4% to 74.4% over such time period, despite a negative investment return in 2021-22. The main reason for the increase in the funded ratio was the recognition of the deferred investment gains from prior years, primarily an investment gain of 27.2% in 2020-21, which has been partially offset by the impact of the less-than-assumed investment return for the most recently completed fiscal year (2021-22). For actuarial purposes, the STRS Board has approved the use of an actuarial value of assets, which smooths the volatility of investment returns by reflecting only one-third of the net accumulated investment gains or losses in a year. The investment gains that were set aside in the 2021 STRS Actuarial Valuation were more than sufficient to cover the full impact of the negative investment return in 2021-22. Another reason for the improved funding levels and decrease in unfunded actuarial obligation were the additional supplemental payments made by the State in 2021-22 (\$584 million in 2021-22 above what was required by the contribution rate adopted by the STRS Board). Using the Fair Market Value of Assets, the funded ratio has decreased by 6.7% since 2021 Actuarial Valuation from 81.9% to 75.2%, primarily due to the actual market returns for the 2021-22 fiscal year being less than the assumed investment return of 7%. The STRS Board has no authority to adjust rates to pay down the portion of the unfunded actuarial obligation related to service accrued on or after July 1, 2014 for member benefits adopted after 1990 (the “Unallocated UAO”). There was a decrease in the surplus (a negative unfunded actuarial obligation) for the Unallocated UAO from \$469 million as of June 30, 2021 to \$359 million as of June 30, 2022.

According to the 2022 STRS Actuarial Valuation, the future revenues from contributions and appropriations for the STRS Defined Benefit Program are projected to be approximately sufficient to finance its obligations with a projected ending funded ratio in fiscal year ending June 30, 2046 of 100.3%. This finding assumes adjustments to contribution rates in line with the funding plan and STRS Board policies, the future recognition of the currently deferred asset gains, 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 its Annual Comprehensive Financial Report for fiscal year ending June 30, 2022, STRS reported a money weighted net return on investment of negative 2.4% and time-weighted net return on

investments of negative 1.3% for fiscal year 2021-22, ending with the total fund value of \$301.6 billion as of June 30, 2022. When STRS released the preliminary investment return for fiscal year 2021-22 on July 29, 2022, STRS noted that it is the first negative return since 2009, reflecting the ongoing volatility in the global financial markets impacted by inflation, rising interest rates, COVID-19 and the war in Ukraine. Due in part to the 27.2% return in fiscal year 2020-21, STRS projected in the Annual Comprehensive Financial Report that it remains in position to be fully funded by 2046.

On November 2, 2022, STRS released its 2022 Review of Funding Levels and Risks (the STRS 2022 Review of Funding Levels and Risks”), which is based on the 2021 STRS Actuarial Valuation and reflects all relevant changes that have occurred since 2021 STRS Actuarial Valuation, including the negative 2.4% money-weighted investment loss reported for the 2021-22 fiscal year. The key results and findings noted in the STRS 2022 Review of Funding Levels and Risks were that (i) the State’s share of the STRS unfunded actuarial obligation is still projected to be eliminated prior to 2046 (currently projected to be eliminated by fiscal year 2029-30), but not as early as projected in the June 30, 2021 valuation, (ii) the current contribution rates for the State and employers are projected to be sufficient to eliminate their share of the STRS unfunded actuarial obligation by 2046 and contribution rate increases are not expected to be needed for fiscal year 2023-24, (iii) the largest risk facing STRS’ ability to reach full funding remains investment-related risk, especially considering the Defined Benefit Program continues to mature, which will increase the system’s sensitivity to investment experience, and the State’s share of the unfunded actuarial obligation could quickly increase if STRS were to experience another year in which the investment return is significantly below the assumed rate of return, (iv) anticipated continued decreases in enrollment in K-12 public schools could lead to future declines in the size of the active membership, resulting in lower than anticipated payroll growth, which could negatively impact STRS’ ability to achieve full funding, requiring contribution rate increases, especially among employers, (v) a recession resulting in a period of low investment returns and a decline in the size of the active membership could hurt STRS ability to reach full funding, and (vi) the ability of the funding plan to allow STRS to reach full funding is dependent on STRS meeting its current actuarial assumptions over the long term, while uncertainty around inflation, investment markets and payroll growth could put pressure on STRS’ ability to meet some of its long-term actuarial assumptions. In addition, with respect to investment related risks, the STRS 2022 Review of Funding Levels and Risks notes that once the State’s supplemental contribution rate is reduced to zero (as discussed above), if it were ever needed to be increased again, the STRS Board will be limited to increases of only 0.5% of payroll each year, which could take the STRS Board years before it is able to increase the rate to the levels necessary to reduce any newly realized unfunded actuarial obligation.

Between 2019 and 2020, the number of teachers actively working dropped from 451,000, to about 448,000. Between 2020 and 2021, the number of active teachers continued to drop to about 429,000, which resulted in a payroll that remained flat, below the 3.5% annual payroll growth assumption. In 2022, the total number of active members was back to the levels last seen prior to the start of the COVID-19 pandemic, increasing by approximately 20,000 over the last fiscal year. The total payroll increased by more than 6% over the last fiscal year, resulting in STRS collecting more contributions from employers than expected. The STRS 2022 Review of Funding Levels and Risks notes that, a likely contributor to the decline in active membership in 2020-21 was the higher than expected retirements STRS experienced that fiscal year and the uncertainties related to the COVID-19 pandemic. Although an increase in retirements would normally not impact long-term funding, decisions made by employers about whether to replace the teachers who have retired can impact STRS ability to reach full funding by 2046, especially if it leads to an overall reduction in the number of teachers working in the State and a reduction in total payroll. The STRS 2022 Review of Funding Levels and Risks, also notes that another area of particular concern related to payroll growth and the number of teachers in the State is the decreasing population of children enrolled in K-12 schools in the State. Total enrollment in public schools in the State dropped 271,000, or 4.4% reduction, between 2019-20 and 2021-22. Several factors

contributed to the drop of enrollment during that time period, including the increase in the number of homeschool students and students enrolled in private schools during the COVID-19 pandemic. The STRS 2022 Review of Funding Levels and Risks notes that it is unclear whether the decrease in overall enrollment is permanent or simply a temporary effect of the COVID-19 pandemic. See “FUNDING OF COMMUNITY COLLEGE DISTRICTS IN CALIFORNIA – Considerations Regarding COVID-19” herein. In September 2022, the State updated its projection of K-12 enrollment for the State, which assumes the number of children enrolled in K-12 schools will decline approximately 9% over the next 10 years.

On July 27, 2023, STRS reported a net return on investments of 6.3% for fiscal year 2022-23, ending with the total fund value of \$315.6 billion as of June 30, 2023. The 2022-23 return keeps STRS on track long term, as the 3-, 5-, 10-, 20-, and 30-year returns, including the 10.1% 3-year return, all surpass the actuarial assumption of 7.0%, despite inflation, rising interest rates and global uncertainty. Due in part to the 27.2% return in fiscal year 2020-21, STRS remains in position to be fully funded by 2046.

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

On March 14, 2012, the PERS Board voted to lower the PERS’ rate of expected price inflation and its investment rate of return (net of administrative expenses) (the “PERS Discount Rate”) from 7.75% to 7.5%. On February 18, 2014, the PERS Board voted to keep the PERS Discount Rate unchanged at 7.5%. On November 17, 2015, the PERS Board approved a new funding risk mitigation policy to incrementally lower the PERS Discount Rate by establishing a mechanism whereby such rate is reduced by a minimum of 0.05% to a maximum of 0.25% in years when investment returns outperform the existing PERS Discount Rate by at least four percentage points. On December 21, 2016, the PERS Board voted to lower the PERS Discount Rate to 7.0% over a three year phase-in period in accordance with the following schedule: 7.375% for the June 30, 2017 actuarial valuation, 7.25% for the June 30, 2018 actuarial valuation and 7.00% for the June 30, 2019 actuarial valuation. The new discount rate went into effect July 1, 2017 for the State and July 1, 2018 for K-14 school districts and other public agencies. Lowering the PERS Discount Rate means employers that contract with PERS to administer their pension plans will see increases in their normal costs and unfunded actuarial liabilities. Active members hired after January 1, 2013, under the Reform Act (defined below) will also see their contribution rates rise. The PERS Funding Risk Mitigation Policy recently triggered an automatic decrease of 0.2% in the PERS Discount Rate due to the investment return in fiscal year 2020-21, lowering such rate to 6.8%.

On April 17, 2013, the PERS Board approved new actuarial policies aimed at returning PERS to fully-funded status within 30 years. The policies included 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.

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

The PERS Board is required to undertake an experience study every four years under its Actuarial Assumptions Policy and State law. As a result of the most recent experience study, on November 17, 2021 (the “2021 Experience Study”), the PERS Board approved new actuarial assumptions, including (i) lowering the inflation rate to 2.30% per year, (ii) increasing the assumed real wage inflation assumption to 0.5%, which results in a total wage inflation of 2.80%, (iii) increasing the payroll growth rate to 2.80%, and (iv) certain changes to demographic assumptions relating to modifications to the mortality rates, retirement rates, and disability rates (both work and non-work related), and rates of salary increases due to seniority and promotion. These actuarial assumptions will be incorporated into the actuarial valuation for fiscal year ending June 30, 2021 and will first impact contribution rates for school districts in fiscal year 2022-23. Based on the timing of the study, the member data used in the analysis, which runs through June 30, 2019, does not include the impacts of COVID-19. Preliminary analysis of the system experience since the beginning of the pandemic has shown demographic experience (e.g. retirements, deaths, etc.) did differ from the current actuarial assumptions in some areas, which will be more precisely quantified in future actuarial valuations.

On November 15, 2021, the PERS Board selected a new asset allocation mix through its periodic Asset Liability Management Study that will guide the fund’s investment portfolio for the next four years, retained the current 6.8% discount rate and approved adding 5% leverage to increase diversification. The new asset allocation takes effect July 1, 2022 and will impact contribution rates for employers and PEPPRA employees beginning in fiscal year 2022-23.

In November 2022, PERS released its 2022 Annual Review of Funding Levels and Risk (the “2022 PERS Funding Levels and Risk Report”), which provided a summary of the current funding levels of the system, the near-term outlook for required contributions and risks faced by the system in the near and long-term. The results presented in the 2022 PERS Funding Levels and Risk Report are based on the June 30, 2021 annual valuations, which have been projected forward to June 30, 2022 based on preliminary investment performance for the year ending June 30, 2022. The unfavorable investment returns during the year ending June 30, 2022 resulted in decreases to the funded ratios for PERS plans. The funded status of the Schools Pool decreased from 78.3% as of June 30, 2021 to a projected 69% as of June 30, 2022. The 2022 PERS Funding Levels and Risk Report notes that the pandemic has potential to alter the experience of the retirement in several different areas, including investment returns, inflation, deaths, retirements, terminations, disability retirements, and pay increases. See “FUNDING OF COMMUNITY COLLEGE DISTRICTS IN CALIFORNIA – Considerations Regarding COVID-19” herein. The 2022 PERS Funding Levels and Risk Report notes that over the next several years, inflation and near-term economic decline, also have the potential to either increase required contributions or add



additional financial strain on employers and their ability to make required contributions. PERS and its members are potentially impacted by high inflation because wages generally keep pace with inflation over the long-term, many retirees are likely to receive higher cost-of-living adjustments but will likely still lose purchasing power, and increases in wages exceeding the assumed increases and higher COLAs result in higher contributions for employers. In addition, many forecasters are predicting an economic slowdown in the near future, which could lead to lower investment returns, increased investment volatility, and higher unemployment. If the system experiences lower than expected investment returns, the potential impact on required contributions, combined with the impacts of high inflation, could push contribution rates to levels that would prove challenging for some employers.

The Schools Pool Actuarial Valuation as of June 30, 2022 (the “2022 PERS Actuarial Valuation”), reported that from June 30, 2021 to June 30, 2022 the funded ratio of the Schools Pool decreased by 10.4% (from 78.3% to 67.9%), which was primarily due to investment return in 2021-22 being lower than expected. The investment return for the year ending June 30, 2022 was approximately -6.1% reduced for administrative expenses, lower than the assumed return of 6.8%, leading to an investment experience loss. This loss will be amortized over 20 years with a five-year ramp (phase-in). When PERS released the preliminary investment returns for fiscal year 2021-22 on July 20, 2022, PERS noted that volatile global financial markets, geopolitical instability, domestic interest rate hikes, and inflation all had an impact on the investment return. Non-investment experience produced a net loss of approximately \$1.6 billion, driven by annuitant cost-of-living adjustments greater than assumed and salary increases greater than assumed. These experience losses generated new unfunded liability, increasing the unfunded liability component of the required employer contribution rate for the next 20 years in accordance with the actuarial amortization policy. The 2022 PERS Actuarial Valuation reports that the contribution rate for fiscal year 2024-25 is projected to be 27.8%, the contribution rate for fiscal year 2025-26 is projected to be 28.5%, the contribution rate for fiscal year 2026-27 is projected to be 28.9%, the contribution rate for fiscal year 2027-28 is projected to be 30.3%, and the contribution rate for fiscal year 2028-29 is projected to be 30.1%. The projected contribution rates in the 2022 PERS Actuarial Valuation reflect an investment loss for fiscal year 2022-23 based on preliminary investment return information released by the PERS Investment Office. Further, projected rates reflect the anticipated decrease in normal cost due to new hires entering lower cost benefit tiers. The projections assume that all actuarial assumptions will be realized and that no further changes to assumptions, contributions, benefits or funding will occur during the projection period. Future contribution requirements may differ significantly. The actual long-term cost of the plan will depend on the actual benefits and expenses paid and the actual investment experience of the fund. The PERS actuary noted in the 2022 PERS Actuarial Valuation that, during the period between the valuation date and the publication of the 2022 PERS Actuarial Valuation, inflation has been higher than the expected inflation rate of 2.3% per annum. Since Inflation influences cost-of-living increases for retirees and beneficiaries and active member pay increases, higher inflation is likely to put at least some upward pressure on contribution requirements and downward pressure on the funded status in the June 30, 2023 valuation.

On July 19, 2023, PERS reported a preliminary net return on investment of 5.8% for fiscal year 2022-23. When factoring in PERS’ discount rate of 6.8% — comparable to an assumed annual rate of return — and the 2022-23 preliminary return of 5.8%, the estimated funded status now stands at 72%. As of June 30, 2023, assets were valued at \$462.8 billion. The final investment return for fiscal year 2022-23 will be calculated based on audited figures and will be reflected in contribution levels for the State and school district employers in fiscal year 2024-25.

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 PEPRA Members, 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 (previously, 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, 2023, the District's proportionate shares of the STRS and PERS net pension liabilities were \$50,559,989 and \$80,620,049, respectively. For more information, see "APPENDIX B – 2022-23 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT – Note 11" attached hereto.

***Pension Rate Stabilization Program.*** In fiscal year 2016-17, the District became a member of the PARS Pension Rate Stabilization Program (the "PRSP"). Through the PRSP, community college districts

can manage their pension costs through an IRS Section 115 irrevocable trust designed to pre-fund pension costs and offset net pension liabilities. Districts are allowed to set aside funds, separate and apart from STRS and PERS contributions, in a tax-exempt prefunding vehicle to mitigate long-term contribution rate volatility. Such funds are protected from diversion to other uses and may be used to offset contribution rate increases or as an emergency source of funds for pension related costs in the event district revenues are impaired by economic or other conditions. The District made an initial deposit of \$5,000,000 into the PRSP trust in fiscal year 2017-18 and made additional deposits of \$81.7 million in fiscal years 2018-19 and 2019-20 from the receipt of the Auction Proceeds, as well as a deposit of \$15 million in fiscal year 2022-23 from the receipt of a State grant. Since inception, the District has withdrawn approximately \$17 million from the PRSP. As of August 31, 2023, the value of assets in the PRSP Trust was \$101,236,697. The District has budgeted a withdrawal of \$4,011,000 from the PRSP trust, \$2,050,000 of which is expected to be transferred to the general fund to be used for pension related costs.

***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, 2023, 2022, 2021, 2020, and 2019, were \$183,061, \$84,151, \$79,528, \$177,836, and \$103,200, respectively. Participants become 100% vested in the Employer Contribution Account at normal retirement age, total disability or death. Participants are 100% vested in the Employee Contribution Account at all times.

### **Post-Employment Health Care Benefits**

***Plan Description.*** The District currently provides retiree medical coverage to eligible academic and classified employees up to the age of 65 (the “Benefits”). Eligibility requirements vary by employee classification. All participants must have a minimum service of 10 years and be eligible to retire under STRS or PERS. Academic and classified employees must be at least 60 years of age, or 55 for classified employees with 20 years of service. The District pays for 100 percent of the premium for retiree coverage, and the retiree pays for the cost of dependent coverage. Membership of the District’s Other Post-Employment Benefits Plan (the “Plan”) consists of 26 retirees and beneficiaries currently receiving benefits, and 660 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 2018-19, the District contributed \$287,888 to the Plan, all of which was used for current premiums. For fiscal year 2019-20, the District contributed \$827,016 to the Plan, all of which was used for current premiums. For fiscal year 2020-21, the District contributed \$441,102 to the Plan, all of which was used for current premiums. For fiscal year 2021-22, the District contributed \$711,739 to the Plan, all of which was used for current premiums. For fiscal year 2022-23, the District contributed \$636,118 to the Plan, all of which was used for current premiums.

For fiscal year 2023-24, the District has budgeted a contribution of \$387,700 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 September 30, 2023, the value of assets in the Trust was \$9,271,997.

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

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

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

GASB No. 74 has an effective date for plan fiscal years beginning after June 15, 2016, and was first recognized in the District’s financial statements for fiscal year 2016-17. GASB Statement No. 75 has an effective date for employer fiscal years beginning after June 15, 2017, and the District first recognized GASB No. 75 in their financial statements for fiscal year 2017-18. The District’s audited financial statements for fiscal year 2022-23, reported, as of June 30, 2023, the District had a Total OPEB Liability of \$7,759,891, a Fiduciary Net Position of \$(9,033,446) and a Net OPEB Asset of \$(1,273,555). See also “APPENDIX B – 2022-23 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT – Note 9” attached hereto.

***Actuarial Valuation.*** The District has implemented Governmental Accounting Standards Board Statement #74, Financial Reporting for Postemployment Benefit Plans Other Than Pensions 74”) and Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, pursuant to which the District has commissioned and received an actuarial study of its liability with respect to the Benefits. The new GASB statements No. 74 and No. 75 (discussed above) require biennial actuarial valuations for all plans. The actuarial study, dated as of January 24, 2023, (the “Study”), concluded that, as of June 30, 2022, the Total OPEB Liability (the “TOL”) with respect to such benefits, was \$7,759,891, the Net OPEB Liability (the “NOL”) was \$(1,273,555), and the preliminary Total OPEB Expense for fiscal year ending June 30, 2022 (the “TOE”) to be \$174,637. The District has a Fiduciary Net Position (the “FNP”) of \$9,033,446. The TOL is the amount of the actuarial present value of projected benefits payments attributable to employees’ past service based on the actuarial cost method used. The FNP are

the net assets (liability) of the qualifying irrevocable trust or equivalent arrangement. The NOL is TOL minus the FNP. The TOE is the annual change in the District's NOL, with deferred recognition provided for certain items. For more information regarding the District's other post-employment benefit liability, see also "APPENDIX B – 2022-23 Audited FINANCIAL STATEMENTS OF THE DISTRICT – Note 9" attached hereto.

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

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

An actuarial study of the liability of the MPP Program has been prepared pursuant to GASB statements No. 74 and No. 75. The District's proportionate share of the net MPP Program liability as of June 30, 2022 was \$359,724. See also "APPENDIX B – 2022-23 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT – Note 9" attached hereto.

## **Risk Management**

**Insurance Coverage.** The District is exposed to various risks of loss related to torts; theft, damage, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year ended June 30, 2023, 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 2022-23, 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.

<u>Insurance Program/ Company Name</u>	<u>Type of Coverage</u>	<u>Limits</u>
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

The District establishes a liability for both reported and unreported events, which includes estimates of both future payments of losses and related claim adjustment expenses. The following represents the changes in approximate liabilities from July 1, 2021 to June 30, 2023.

	<b><u>Workers’ Compensation</u></b>
Liability Balance -July 1, 2021	\$3,068,113
Claims and Changes in Estimates	(208,886)
Claims Payments	<u>(638,327)</u>
Liability Balance – June 30, 2022	2,220,900
Claims and Changes in Estimates	(707,412)
Claims Payments	<u>(734,265)</u>
Liability Balance – June 30, 2023	<u>\$2,194,047</u>
Assets available to pay claims at June 30, 2023	<u>\$7,616,718</u>

See also “APPENDIX B – 2022-23 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT – Note 10” attached hereto.

### **Accounting Practices**

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

### **Cybersecurity**

The District, like many other public and private entities, relies on computer and other digital networks and systems to conduct its operations. As a recipient and provider of personal, private or other electronic sensitive information, the District is potentially subject to multiple cyber threats including, but not limited to, hacking, viruses, malware and other attacks on computer and other sensitive digital networks and systems. Entities or individuals may attempt to gain unauthorized access to the District’s systems for the purposes of misappropriating assets or information or causing operational disruption or damage. The District carries cybersecurity insurance.

No assurance can be given that the District’s efforts to manage cyber threats and attacks will, in all cases, be successful or that any such attack will not materially impact the operations or finances of the District. The District is also reliant on other entities and service providers, such as the Paying Agent, the County or the Dissemination Agent in connection with compliance by the District with its continuing disclosure undertakings. No assurance can be given that the District may not be affected by cyber threats and attacks against other entities or service providers in a manner which may affect the Owners of the Bonds, e.g., systems related to the timeliness of payments on the Bonds or compliance with disclosure filings pursuant to the Continuing Disclosure Certificate.

## **General Fund Budgeting**

The following table reflects the District's general fund budgets for fiscal years 2019-20 through 2023-24, and ending results for fiscal years 2019-20 through 2022-23.

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**GENERAL FUND BUDGETING<sup>(1)</sup>**  
**Fiscal Years 2019-20 through 2023-24**  
**San Bernardino Community College District**

	Fiscal Year 2019-20		Fiscal Year 2020-21		Fiscal Year 2021-22		Fiscal Year 2022-23		Fiscal Year 2023-24
	<u>Budget<sup>(2)</sup></u>	<u>Actual<sup>(2)</sup></u>	<u>Budget<sup>(2)</sup></u>	<u>Actual<sup>(2)</sup></u>	<u>Budget<sup>(2)</sup></u>	<u>Actual<sup>(2)</sup></u>	<u>Budget<sup>(2)</sup></u>	<u>Actual<sup>(2)</sup></u>	<u>Adopted Budget<sup>(2)</sup></u>
<b>REVENUES:</b>									
Federal	\$3,128,751	\$4,523,061	\$6,573,043	\$9,489,463	\$31,597,738	\$14,903,371	\$18,431,046	\$17,330,040	\$2,262,376
State	106,740,304	95,931,537	106,336,793	95,323,723	130,012,229	105,924,507	151,192,160	133,552,287	213,552,913
Local	<u>48,990,061</u>	<u>49,712,090</u>	<u>47,125,222</u>	<u>42,669,045</u>	<u>48,985,547</u>	<u>45,980,575</u>	<u>53,347,199</u>	<u>52,124,835</u>	<u>55,484,614</u>
<b>TOTAL REVENUES</b>	158,859,116	150,166,688	160,035,058	147,482,231	210,595,514	166,808,453	222,970,405	203,007,162	271,299,903
<b>EXPENDITURES:</b>									
Academic Salaries	53,231,186	53,625,247	53,392,310	50,744,778	52,894,101	51,549,010	57,089,168	55,501,357	61,562,527
Classified Salaries	37,075,610	34,725,288	36,001,023	33,740,033	39,068,591	38,496,418	43,159,204	39,145,077	49,734,083
Employee Benefits	30,122,039	33,544,895	29,268,422	25,672,186	31,163,158	30,464,986	36,580,708	34,628,292	40,922,548
Supplies and Materials	4,302,584	2,259,431	3,652,473	1,799,583	4,468,788	2,040,630	3,913,188	2,494,337	5,169,475
Services and Other									
Operating Expenditures	38,467,933	18,564,804	33,338,162	19,925,882	73,800,060	22,815,223	65,929,547	27,083,963	80,237,744
Capital Outlay	<u>4,193,119</u>	<u>4,987,141</u>	<u>6,104,728</u>	<u>5,922,046</u>	<u>7,793,918</u>	<u>4,325,975</u>	<u>7,886,843</u>	<u>9,384,325</u>	<u>11,885,819</u>
<b>TOTAL EXPENDITURES</b>	167,392,471	147,706,806	161,757,118	137,804,508	209,188,616	149,692,242	214,558,658	168,237,351	249,512,196
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES</b>	(8,533,355)	2,459,882	(1,722,060)	9,677,723	1,406,898	17,116,211	8,411,747	34,769,811	21,787,707
<b>OTHER FINANCING SOURCES (USES)</b>	16,295,182	15,501,173	15,374,260	16,451,183	12,016,844	11,198,792	12,652,386	11,204,475	3,107,723
<b>OTHER OUTGO</b>	(13,062,251)	(18,060,147)	(16,737,915)	(18,235,432)	(13,000,646)	(22,483,246)	(19,403,684)	(42,051,323)	(24,789,377)
<b>NET INCREASE (DECREASE) IN FUND BALANCES</b>	(5,300,424)	(99,092)	(3,085,715)	7,893,474	423,096	5,831,757	1,660,449	3,922,963	106,053
<b>BEGINNING FUND BALANCE</b>	25,281,891	25,281,891	27,545,463	27,545,463	34,599,377	34,599,377	40,431,134	40,431,134	44,354,097
<b>Prior Year Adjustments</b>	--	2,362,664	--	(839,560)	--	--	--	--	--
<b>ADJUSTED BEGINNING FUND BALANCE</b>	<u>25,281,891</u>	<u>27,644,555</u>	<u>27,545,463</u>	<u>26,705,903</u>	<u>34,599,377</u>	<u>34,599,377</u>	--	<u>40,431,134</u>	<u>44,354,097</u>
<b>ENDING FUND BALANCE</b>	<u>\$19,981,467</u>	<u>\$27,545,463</u>	<u>\$24,459,748</u>	<u>\$34,599,377</u>	<u>\$35,022,473</u>	<u>\$40,431,134</u>	<u>\$42,091,583</u>	<u>\$44,354,097</u>	<u>\$44,460,150</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 2019-20 through 2023-24 and unaudited ending results for fiscal years 2019-20 through 2022-23 in object-oriented format provided for comparison. For audited results of fiscal years 2019-20 through 2022-23 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 in the District's primary government funds from fiscal years 2017-18 through 2022-23.

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**SUMMARY OF AUDITED REVENUES, EXPENSES AND CHANGES IN NET POSITION  
FISCAL YEARS 2017-18 THROUGH 2022-23**

**San Bernardino Community College District**

	<b>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>	<b>2022-23</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>	<u><b>Audited</b></u>
<b>OPERATING REVENUES</b>						
Tuition and fees (gross)	\$21,026,371	\$20,839,553	\$20,061,636	\$17,294,001	\$16,301,979	\$15,746,296
Less: Scholarship discounts and allowances	<u>(12,903,371)</u>	<u>(12,717,498)</u>	<u>(12,283,347)</u>	<u>(10,795,093)</u>	<u>(8,655,362)</u>	<u>(7,871,501)</u>
Net tuition and fees	8,123,000	8,122,055	7,778,289	6,498,908	7,646,617	7,874,795
Grants and Contracts, Noncapital						
Federal	2,372,766	4,383,781	4,168,679	9,778,636	15,765,129	17,937,812
State	30,239,208	30,079,843	30,207,713	27,855,265	34,316,357	59,733,992
Local	<u>2,406,378</u>	<u>2,997,174</u>	<u>2,999,974</u>	<u>733,809</u>	<u>807,663</u>	<u>828,678</u>
Net grants and contracts, noncapital	35,018,352	37,460,798	37,376,366	38,367,710	50,889,149	78,500,482
Auxiliary enterprises sales/internal service sales and charges						
Other enterprise	--	--	--	5,123,457	2,424,022	89,704
Bookstore	2,799,608	--	--	--	--	--
Cafeteria	<u>589,342</u>	<u>581,720</u>	<u>431,756</u>	<u>10,275</u>	<u>162,571</u>	<u>398,686</u>
<b>TOTAL OPERATING REVENUES</b>	46,530,302	46,164,573	45,586,411	50,000,350	61,122,359	86,863,667
<b>OPERATING EXPENSES</b>						
Salaries	75,264,689	86,651,580	93,366,499	89,221,498	96,836,598	98,026,528
Employee benefits	34,412,380	41,973,901	57,294,276	47,879,612	21,920,558	28,162,028
Supplies, materials and other operating expenses and services	28,588,385	29,426,383	24,710,355	47,106,854	47,674,944	50,559,620
Financial aid	25,630,531	27,232,054	35,204,266	30,150,140	44,831,231	39,159,146
Equipment, maintenance, and repairs	1,767,834	7,554,857	13,127,662	641,402	3,398,516	9,109,377
Depreciation and amortization	<u>17,087,085</u>	<u>17,778,233</u>	<u>20,102,592</u>	<u>18,178,697</u>	<u>18,356,021</u>	<u>19,549,231</u>
<b>TOTAL OPERATING EXPENSES</b>	182,750,904	210,617,008	243,805,650	233,178,203	233,017,868	244,565,930
<b>OPERATING INCOME (LOSS)</b>	(136,220,602)	(164,452,435)	(198,219,239)	(183,177,853)	(171,895,509)	(157,702,263)
<b>NONOPERATING REVENUES (EXPENSES)</b>						
State apportionments, noncapital	57,176,853	62,532,460	64,956,192	66,954,017	67,463,690	70,415,159
Local property taxes	28,211,597	31,811,821	34,201,011	34,529,140	37,548,525	41,824,765
Taxes levied for other specific purposes	25,571,878	30,628,126	43,064,951	56,108,521	50,450,669	47,563,247
State revenue – other	3,505,715	4,223,948	3,973,093	5,219,638	3,209,239	5,293,777
Federal and State financial aid grants	--	--	--	27,046,379	36,116,477	25,668,180
Federal grants	21,244,822	22,332,077	26,521,256	--	--	--
State grants	3,066,397	3,423,592	4,745,140	--	--	--
Interest and investment income (loss) – Non Capital	2,600,042	5,869,551	6,237,122	20,745,478 <sup>(5)</sup>	(18,003,571)	15,239,421
Other nonoperating revenue	160,904,473	4,840,238	12,720,988	18,497,410 <sup>(6)</sup>	20,405,423 <sup>(6)</sup>	20,524,072 <sup>(6)</sup>
Investment Income (loss) on capital asset-related debt	291,323	451,490	628,660	1,149,868	(1,150,836)	356,892
Interest expense on capital related debt	--	--	--	--	(13,719,734)	(35,987,834)
Transfer to fiduciary fund	(75,225,000)	(220,000)	(772,748)	--	--	--
Transfer from fiduciary fund	850,000	662,219	376,425	--	--	--
Interest expense	<u>(26,547,495)</u>	<u>(28,969,575)</u>	<u>(34,230,060)</u>	<u>(31,945,055)</u>	--	--
<b>NET NONOPERATING REVENUES</b>	201,650,605	137,585,947	162,422,030	198,305,396	182,319,882	190,897,679
<b>INCOME (LOSS) BEFORE OTHER REVENUES, EXPENSES, GAINS, AND LOSSES</b>	65,430,003	(26,866,488)	(35,797,209)	15,127,543	10,424,373	33,195,416
<b>OTHER REVENUES, EXPENSES, GAINS, AND LOSSES</b>						
State apportionments, capital	988,385	230,107	1,042,050	1,552,000	321,000	13,999,999
Loss on disposal of capital assets	--	--	(16,146)	--	--	(362)
Local revenue, capital	<u>1,777,334</u>	<u>1,927,366</u>	<u>2,136,600</u>	<u>(6,464)</u>	<u>(9,846)</u>	--
<b>TOTAL OTHER REVENUES, EXPENSES, GAINS, AND LOSSES</b>	2,765,719	2,157,473	3,162,504	1,545,536	311,154	13,999,637
<b>INCREASE (DECREASE) IN NET POSITION</b>	68,195,722	(24,709,015)	(32,634,705)	16,673,079	10,735,527	47,195,053
<b>NET POSITION, BEGINNING OF YEAR</b>	52,176,912	114,088,615	--	--	--	--
Net Position, as Restated	45,892,893 <sup>(1)</sup>	--	91,427,617 <sup>(2)</sup>	155,669,746 <sup>(3)</sup>	180,781,366 <sup>(4)</sup>	191,408,460 <sup>(7)</sup>
<b>NET POSITION, END OF YEAR</b>	<u>\$114,088,615</u>	<u>\$89,379,600</u>	<u>\$58,792,912</u>	<u>\$172,342,825</u>	<u>\$191,516,893</u>	<u>\$238,603,513</u>

<sup>(1)</sup> The implementation of the GASB Statement No. 75 standard in fiscal year 2017-18 required a change in accounting principles and restatement of the beginning net position of the primary government fund, which resulted in a downward adjustment to the net position of \$6,284,019.

<sup>(2)</sup> The District restated the beginning net position as of July 1, 2019 to correct a misstatement in the FCC Auction Proceeds Fund due to invoices paid by the District recorded twice as both an expense and a capital asset addition. As a result, the net position increased by 2,048,017.

<sup>(3)</sup> The District adopted GASB Statement No. 84, Fiduciary Activities, in the current year. As a result, the net position increased by \$96,876,834, based on the inclusion of assets and liabilities of funds previously identified as fiduciary in nature.

<sup>(4)</sup> As of June 30, 2021, the District adopted GASB Statement No. 87, Leases. The implementation of this standard establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The Statement requires 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. As a result, the net position was restated by \$8,438,541.

<sup>(5)</sup> Represents realized investments gains/losses on investment accounts, unrealized investments gains/losses on investment accounts and fair market value adjustments for cash in the County treasury.

<sup>(6)</sup> Includes pass through revenue related to the Adult Education Block Grant of \$10,305,355, \$9,531,899, and \$10,602,386 for fiscal years 2020-21, 2021-22, and 2022-23 respectively, for which the District acts as fiscal agent for distribution to external grant participants.

<sup>(7)</sup> As of July 1, 2022, the District adopted GASB Statement No. 96, Subscription-Based Information Technology Arrangements (SBITAs). The implementation of this standard establishes that a SBITA results in a right-to-use subscription IT asset – an intangible asset – and a corresponding liability. The standard provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA. The Statement requires recognition of certain SBITA assets and liabilities for SBITAs that previously were recognized as outflows of resources based on the payment provisions of the contract. As a result, the net position was restated by (\$108,433). For more information see “APPENDIX B – 2022-23 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT – Note 14”.

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, 2023, is shown below:

	<b>Beginning Balance July 1, 2022, as Restated</b>	<b>Additions</b>	<b>Deductions</b>	<b>Ending Balance June 30, 2023</b>
General Obligation Bonds	\$869,511,918	\$11,331,282	\$(28,730,000)	\$852,113,200
Bond Premium	18,710,875	--	(6,958,029)	11,752,846
Compensated absences	7,316,273	--	(1,582,226)	5,734,047
Claims liability	2,220,900	--	(26,853)	2,194,047
Lease liability	1,391,378	1,202,554	(968,466)	1,625,466
Subscription-based IT arrangements	<u>4,176,301</u>	<u>925,525</u>	<u>(1,277,353)</u>	<u>3,824,473</u>
Total:	<u>\$903,327,645</u>	<u>\$13,459,361</u>	<u>\$(39,542,927)</u>	<u>\$877,244,079</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. On December 28, 2017, the District issued its 2017 General Obligation Refunding Bonds, Series A (2019 Crossover) in an aggregate principal amount of \$14,145,000 (the “2017 Refunding Bonds, Series A”), the proceeds of which were utilized to advance refund portions of the District’s outstanding 2002 Series E Bonds.

The District received a second authorization at an election held on February 5, 2008 (the “2008 Authorization”) at which the requisite vote of at least fifty-five percent of the persons voting on the

proposition voted to authorize the issuance of \$500,000,000 principal amount of General Obligation Bonds of the District. On December 30, 2008, the District issued its Election of 2008 General Obligation Bonds, Series A Bonds in an aggregate principal amount of \$140,000,000 (the “2008 Series A Bonds”). On June 18, 2009, the District issued its Election of 2008 General Obligation Bonds, Series B in the aggregate principal amount of \$73,102,389.40 (the “2008 Series B Bonds”) and its Election of 2008 Taxable General Obligation Bonds, Series C (Build America Bonds-Direct Payment to District) in the aggregate principal amount of \$45,210,000.00 (the “2008 Series C Bonds”). On October 14, 2015, the District issued its Election of 2008 General Obligation Bonds, Series D in an aggregate principal amount of \$37,536,960.30 (the “2008 Series D Bonds”). On December 28, 2017, the District issued its 2017 General Obligation Refunding Bonds, Series B (2024 Crossover) in an aggregate principal amount of \$32,070,000 (the “2017 Refunding Bonds, Series B”), the proceeds of which were utilized to advance refund portions of the District’s outstanding 2008 Series B Bonds. On December 12, 2019, the District issued its 2019 General Obligation Refunding Bonds (Federally Taxable) in an aggregate principal amount of \$143,520,000 (the “2019 Refunding Bonds”), the proceeds of which were utilized to advance refund portions of the District’s outstanding 2008 Series D Bonds, 2013 Refunding Bonds, Series A, and 2015 Refunding Bonds. On July 7, 2020, the District issued its 2020 General Obligation Refunding Bonds (Federally Taxable) in an aggregate principal amount of \$129,400,000 (the “2020 Refunding Bonds”), the proceeds of which were utilized to advance refund portions of the District’s outstanding 2008 Series D Bonds, 2013 Refunding Bonds, Series A, and 2015 Refunding Bonds. The Series E Bonds are the fifth issuance of bonds under the 2008 Authorization. After the issuance of the Series E Bonds, \$153,150,650.30 of the 2008 Authorization will remain unissued.

The District received authorization at an election held on November 6, 2018 (the “2018 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 \$470,000,000 principal amount of general obligation bonds of the District. On December 12, 2019, the District issued its (i) Election of 2018 General Obligation Bonds, Series A (Federally Tax-Exempt) in the aggregate principal amount of \$200,000,000 (the “2018 Series A Bonds”) and (ii) Election of 2018 General Obligation Bonds, Series A-1 (Federally Taxable) in the aggregate principal amount of \$100,000,000 (the “2018 Series A-1 Bonds”). On August 5, 2021, the District issued its 2021 General Obligation Refunding Bonds (Federally Taxable) in an aggregate principal amount of \$214,680,000, the proceeds of which were utilized to advance refund portions of the District’s outstanding 2018 Series A Bonds. The Series B Bonds are the second issuance of bonds under the 2018 Authorization. After the issuance of the Series B Bonds, none of the 2018 Authorization will remain 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<sup>(1)</sup>**  
**San Bernardino Community College District**

Period Ending August 1	2002 Series D Bonds	2008 Series B Bonds <sup>(1)</sup>	2008 Series C Bonds <sup>(2)</sup>	2008 Series D Bonds	2015 Refunding Bonds	2017 Refunding Bonds, Series A	2017 Refunding Bonds, Series B <sup>(3)</sup>	2018 Series A-1 Bonds	2019 Refunding Bonds	2020 Refunding Bonds	2021 Refunding Bonds	Series E Bonds	Series B Bonds	Total Annual Debt Service
2024	\$140,000.00	\$2,720,037.50	\$3,387,103.00	\$462,500.00	\$565,250.00	\$583,550.00	\$1,355,700.00	\$6,218,991.46	\$5,165,305.30	\$21,168,464.60	\$13,384,389.56	\$8,366,034.27	\$4,796,016.72	\$68,313,342.41
2025	250,000.00	2,920,037.50	3,387,103.00	540,750.00	565,250.00	583,550.00	1,585,700.00	6,221,830.46	5,477,506.90	22,171,328.90	6,360,384.56	3,943,987.50	8,105,943.76	62,113,372.58
2026	360,000.00	3,120,037.50	3,387,103.00	620,000.00	565,250.00	583,550.00	1,574,200.00	6,223,628.06	25,983,610.90	2,711,094.50	6,355,968.30	4,372,987.50	8,105,943.76	63,963,373.52
2027	470,000.00	3,335,037.50	3,387,103.00	705,000.00	565,250.00	583,550.00	1,567,700.00	6,219,026.96	4,450,175.80	25,327,518.50	6,358,572.20	1,695,487.50	8,105,943.76	62,770,365.22
2028	595,000.00	3,560,037.50	3,387,103.00	905,000.00	11,870,250.00	583,550.00	1,580,950.00	6,221,537.96	11,398,552.80	6,662,326.00	6,358,343.70	1,695,487.50	8,105,943.76	62,924,082.22
2029	730,000.00	3,790,037.50	3,387,103.00	--	--	583,550.00	1,572,950.00	6,220,937.96	12,235,525.30	19,965,828.90	6,356,291.70	1,695,487.50	8,105,943.76	64,643,655.62
2030	870,000.00	4,025,037.50	3,387,103.00	--	--	583,550.00	1,564,700.00	6,222,285.96	3,695,665.30	29,810,259.90	6,357,268.46	1,695,487.50	8,880,943.76	67,092,301.38
2031	1,020,000.00	4,279,922.30	3,387,103.00	--	--	583,550.00	1,551,200.00	6,221,177.96	35,424,009.30	--	6,356,726.40	1,695,487.50	9,497,193.76	70,016,370.22
2032	11,645,000.00	4,536,993.10	3,387,103.00	--	--	7,698,550.00	1,267,700.00	6,222,241.96	20,634,335.30	--	6,359,625.56	2,055,487.50	10,140,693.76	73,947,730.18
2033	12,810,000.00	13,578,104.70	3,387,103.00	--	--	7,311,200.00	7,897,700.00	6,219,943.96	12,727,622.80	--	6,360,457.96	3,197,487.50	10,813,443.76	84,303,063.68
2034	--	25,258,743.76	3,387,103.00	--	--	--	--	6,624,832.96	2,217,681.80	--	6,789,285.10	1,956,487.50	11,072,193.76	81,933,527.88
2035	--	26,358,046.50	3,387,103.00	--	--	--	--	6,885,434.46	1,897,618.46	--	7,061,462.30	1,788,737.50	11,510,693.76	58,889,095.98
2036	--	27,501,588.75	3,387,103.00	--	--	--	--	7,156,370.66	1,975,957.90	--	7,344,792.60	1,858,487.50	11,968,943.76	61,193,244.17
2037	--	28,686,800.85	3,387,103.00	--	--	--	--	7,442,260.26	2,050,996.26	--	7,638,176.20	1,939,237.50	12,739,443.76	63,884,017.83
2038	--	29,925,000.00	3,387,103.00	--	--	--	--	7,742,121.96	2,132,733.50	--	7,935,385.60	2,020,237.50	13,229,943.76	66,372,525.32
2039	--	--	34,597,103.00	--	--	--	--	8,049,974.46	2,220,869.56	--	8,247,656.80	2,101,237.50	13,731,943.76	68,948,785.08
2040	--	34,051,944.40	1,068,200.00	--	--	--	--	--	2,305,104.30	--	16,299,318.30	2,241,987.50	14,247,943.76	70,214,498.26
2041	--	35,444,195.00	1,068,200.00	--	--	--	--	--	2,398,451.76	--	16,952,205.10	2,324,237.50	14,780,193.76	72,967,483.12
2042	--	36,888,055.20	1,068,200.00	--	--	--	--	--	2,497,273.76	--	17,624,172.00	2,420,487.50	15,365,693.76	75,863,882.22
2043	--	38,390,598.75	1,068,200.00	--	--	--	--	--	2,596,258.20	--	18,325,415.30	2,519,737.50	15,954,443.76	78,854,653.51
2044	--	25,955,000.00	15,068,200.00	--	--	--	--	--	2,700,249.06	--	19,056,569.80	2,616,487.50	16,568,693.76	81,965,200.12
2045	--	42,275,862.65	--	--	--	--	--	--	2,803,934.20	--	19,815,963.90	2,752,037.50	17,206,937.50	84,854,735.75
2046	--	43,968,180.00	--	--	--	--	--	--	2,917,157.60	--	20,606,926.00	2,859,750.00	17,875,062.50	88,227,076.10
2047	--	45,722,935.30	--	--	--	--	--	--	3,034,451.10	--	21,429,849.20	2,975,450.00	18,569,768.76	91,732,454.36
2048	--	47,555,000.00	--	--	--	--	--	--	3,155,502.60	--	22,284,359.20	3,088,518.76	19,292,756.26	95,376,136.82
2049	--	--	--	--	--	--	--	--	--	--	23,173,456.80	23,948,750.00	20,040,518.76	67,162,725.56
Total	<u>\$28,890,000.00</u>	<u>\$533,847,233.76</u>	<u>\$104,744,648.00</u>	<u>\$3,233,250.00</u>	<u>\$14,131,250.00</u>	<u>\$19,678,150.00</u>	<u>\$46,145,700.00</u>	<u>\$106,112,597.46</u>	<u>\$174,096,549.76</u>	<u>\$127,816,821.30</u>	<u>\$311,193,022.60</u>	<u>\$89,825,290.53</u>	<u>\$328,813,185.70</u>	<u>\$1,888,527,699.11</u>

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

<sup>(2)</sup> The 2008 Series C Bonds are designated as “Build America Bonds” pursuant to an irrevocable election by the District to have Sections 54AA and Section 54AA(g) of the Code apply thereto. The District expects to receive a cash subsidy payment from the United States Department of the Treasury equal to 35% of the interest payable on such bonds on or about each semi-annual interest payment date (each a “BAB Subsidy”). This table reflects gross debt service payments with respect to the 2008 Series C Bonds and does not reflect the anticipated receipt of the BAB Subsidy. The BAB subsidy payments are subject to reduction (the “Sequestration Reduction”) pursuant to legislation such as the federal Balanced Budget and Emergency Deficit Control Act of 1985, as amended, which currently includes provisions reducing the subsidy payments by 5.7% through September 30, 2030. The rate of the Sequestration Reduction is subject to change pursuant to legislation by the U.S. Congress. In addition, the Statutory Pay-As-You-Go Act of 2010 could result in further sequestration (“PAYGO Sequestration”) of subsidy payments under rules that provide for an across-the-board sequester of non-exempt mandatory spending programs if lawmakers enact net deficit-increasing legislation. Due to the federal deficit increase resulting from the American Rescue Plan Act of 2021, the Congressional Budget Office estimated that, without action by Congress to waive or postpone such reductions, these interest subsidy payments could be subject to elimination entirely for a period. A provision in the Consolidated Appropriations Act, 2023, which was signed into law on December 29, 2022, temporarily avoided PAYGO Sequestration by shifting certain sequestration totals from the federal fiscal year 2023 and 2024 scorecards to the federal fiscal year 2025 scorecard. The District cannot predict whether or how subsequent sequestration actions may affect subsidy payments currently scheduled for receipt. However, the Counties are obligated to levy and collect *ad valorem* taxes in an amount sufficient to pay the principal of and interest on the 2008 Series C Bonds. The County will deposit any cash BAB Subsidy received into the debt service fund for the 2008 Series C Bonds.

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

Source: San Bernardino Community College District.

***Expected Changes to Planned Certificates of Participation Financing.*** On August 10, 2023, the Board of Trustees (“Board”) of the District authorized the execution and delivery of documents related to the sale and delivery of up to \$560,000,000 Certificates of Participation (“COPs”) as part of a potential transaction with Alpina Investments, Inc. in order to secure grant funding to finance certain District facility projects and to pay the interest of the COPs when due. The District has not undertaken this transaction with Alpina Investments, Inc., and the District Board rescinded this August 10, 2023 authorization at the December 8, 2023 Board meeting.

***Lease Liability.*** The District has entered into agreements to lease various facilities and equipment. The District’s liability for lease agreements is summarized below:

**LEASES**  
**San Bernardino Community College District**

<u>Lease Type</u>	<u>Balance, July 1, 2022</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance, June 30, 2023</u>
Real Property	\$1,015,816	\$464,888	\$(582,301)	\$898,403
Equipment	<u>375,562</u>	<u>737,666</u>	<u>(386,165)</u>	<u>727,063</u>
Total:	\$1,391,378	\$1,202,554	\$(968,466)	\$1,625,466

*Source: San Bernardino Community College District.*

**Real Property Leases.** The District entered into various agreement to lease sites and real property for period up to 25 years, through the 2032-2033 fiscal year. Under the terms of the leases, the District pays monthly and annual payments, which increase based on a set schedule in the individual lease agreements, which amounted to principal and interest costs of \$601,785. The annual interest rate charged on the leases is 5.0%

At June 30, 2023, the District has recognized right to use assets of \$2,279,126 and a lease liability of \$898,403 related to these agreements. During fiscal year 2022-23, the District recorded \$363,227 in amortization expense and \$19,484 in interest expense for the right to use of the equipment.

**Equipment Leases.** The District entered into various agreement to lease copiers and other equipment for period up to 10 years, through the 2026-2027 fiscal year. Under the terms of the leases, the District pays monthly and annual payments, which increase based on a set schedule in the individual lease agreements, which amounted to principal and interest costs of \$450,148. The annual interest rate charged on the leases is 5.0%. At June 30, 2023, the District has recognized right to use assets of \$1,324,296 and a lease liability of \$727,063 related to this agreement. During fiscal year 2022-23, the District recorded \$528,331 in amortization expense and \$63,983 in interest expense for the right to use of the equipment.

The District’s liability on lease agreements is summarized below::

**LEASE PAYMENTS**  
**San Bernardino Community College District**

<b>Year Ending</b>			
<b>June 30</b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total</u></b>
2024	\$641,894	\$59,555	\$701,449
2025	435,993	40,362	476,355
2026	197,862	24,934	222,796
2027	108,100	15,040	123,140
2028	95,757	9,669	105,426
2029-2033	<u>145,860</u>	<u>15,974</u>	<u>161,834</u>
Total	<u>\$1,625,466</u>	<u>\$165,534</u>	<u>\$1,791,000</u>

*Source: San Bernardino Community College District.*

***Subscription-Based IT Arrangements (SBITAs).*** The District entered into various SBITAs for the use of technological needs of the District and its students. At June 30, 2023, the District has recognized right-to-use subscriptions IT assets of \$6,592,079 and SBITA liabilities of \$3,824,473 related to these agreements. During fiscal year 2022-23, the District recorded \$1,422,614 in amortization expense. The District is required to make total principal and interest payments of \$4,208,474 through June 2027. The subscriptions have an interest rate of 5.0%. The remaining principal and interest payment requirements for the SBITA obligation debt as of June 30, 2023, are as follows:

**SBITAs PAYMENTS**  
**San Bernardino Community College District**

<b>Year Ending</b>			
<b>June 30</b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total</u></b>
2024	\$1,417,179	\$191,224	\$1,608,403
2025	1,128,714	120,365	1,249,079
2026	1,108,912	63,929	1,172,841
2027	<u>169,668</u>	<u>8,483</u>	<u>178,151</u>
Total	<u>\$3,824,473</u>	<u>\$384,001</u>	<u>\$4,208,474</u>

*Source: San Bernardino Community College District.*

**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 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. However, it should be noted that for tax years beginning after December 31, 2022, with respect to applicable corporations as defined in Section 59(k) of the Internal Revenue Code of 1986, as amended (the “Code”), generally certain corporations with more than \$1,000,000,000 of average annual adjusted financial statement income, interest (and original issue discount) with respect to the Bonds might be taken into account in determining adjusted financial statement income for purposes of computing the alternative minimum tax imposed by Section 55 of the Code on such 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.

The excess of the stated redemption price at maturity of a Bond over 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) 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 applicable Bond.

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 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 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 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 INCLUDING THE IMPOSITION OF ADDITIONAL FEDERAL INCOME OR STATE TAXES BEING IMPOSED ON OWNERS OF TAX-EXEMPT STATE OR LOCAL OBLIGATIONS, SUCH AS THE BONDS. THESE CHANGES COULD ADVERSELY AFFECT THE MARKET VALUE OR LIQUIDITY OF THE BONDS. NO ASSURANCE CAN BE GIVEN THAT SUBSEQUENT TO THE ISSUANCE OF THE BONDS STATUTORY CHANGES WILL NOT BE INTRODUCED OR ENACTED OR JUDICIAL OR REGULATORY INTERPRETATIONS WILL NOT OCCUR HAVING THE EFFECTS DESCRIBED ABOVE. BEFORE PURCHASING ANY OF THE 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, a Professional Corporation.

Although Bond Counsel has rendered an opinion that interest 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 on 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.

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

## **LIMITATION ON REMEDIES; BANKRUPTCY**

### **General**

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

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

### **Statutory Lien**

Pursuant to Government Code Section 53515, the Bonds are secured by a statutory lien on all revenues received pursuant to the levy and collection of the tax, and such lien automatically arises,

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

### **Special Revenues**

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

### **Possession of Tax Revenues; Remedies**

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

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

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

## LEGAL MATTERS

### Legality for Investment in California

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

### Enhanced Reporting Requirements

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

### Continuing Disclosure

***Current Undertaking.*** The District has covenanted for the benefit of Owners of the Bonds to provide certain financial information and operating data relating to the District (the “Annual Report”) by not later than nine months following the end of the District’s fiscal year (the District’s fiscal year ends on June 30), commencing with the report for the 2022-23 fiscal year, and to provide notices of the occurrence of certain listed events. The Annual Report and the notices of listed events will be filed in accordance with the requirements of the Rule. The specific nature of the information to be made available and to be contained in the notices of listed events is described in the form of Continuing Disclosure Certificate attached hereto as APPENDIX C. These covenants have been made in order to assist the Underwriters in complying with the Rule.

***Prior Undertakings.*** Within the past five years, the District failed to properly associate the annual report filed for fiscal year 2020-21 with the CUSIPS associated with its 2008 Series C, as required by its existing continuing disclosure obligations.

### Absence of Material Litigation

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

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

## **Legal Opinions**

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

## **MISCELLANEOUS**

### **Ratings**

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

The District has covenanted in a Continuing Disclosure Certificate to file on the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access website (“EMMA”) notices of any ratings changes on the Bonds. See “APPENDIX C – FORM OF CONTINUING DISCLOSURE CERTIFICATE” attached hereto. Notwithstanding such covenant, information relating to ratings changes on the Bonds may be publicly available from the rating agencies prior to such information being provided to the District and prior to the date the District is obligated to file a notice of rating change on EMMA. Purchasers of the Bonds are directed to the ratings agencies and their respective websites and official media outlets for the most current ratings changes with respect to the Bonds after the initial issuance of the Bonds.

### **Financial Statements**

The financial statements with supplemental information for the year ended June 30, 2023, the independent auditor’s report of the District, and the related statements of activities and of cash flows for the year then ended, and the report dated November 17, 2023 of Eide Bailly LLP (the “Auditor”), are included in this Official Statement as APPENDIX B. The District Board received the District’s audited financial statements for fiscal year 2022-23 on December 8, 2023. In connection with the inclusion of the financial statements and the report of the Auditor thereon in APPENDIX B to this Official Statement, the District did not request the Auditor to, and the Auditor has not undertaken to, update its report or to take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in this Official Statement, and no opinion is expressed by the Auditor with respect to any event subsequent to the date of its report

### **Underwriting**

The Bonds are being purchased by Piper Sandler & Co. (“Piper Sandler”) and Ramirez & Co., Inc. as underwriters (collectively, the “Underwriters”), pursuant to contracts for purchase and sale thereof

by and between the Underwriters and the District (the “Purchase Contracts”). The Underwriters has agreed to purchase (i) all of the Series E Bonds at a price of \$51,247,984.15 (consisting of the principal amount of the Series E Bonds of \$51,000,000.00, plus net original issue premium of \$449,434.15, and less an Underwriters’ discount of \$201,450.00), and (ii) all of the Series B Bonds at a price of \$181,330,603.45 (consisting of the principal amount of the Series B Bonds of \$170,000,000.00, plus net original issue premium of \$12,002,103.45, and less an Underwriters’ discount of \$671,500.00).

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

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

Piper Sandler, one of the Underwriters, 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 Sandler & Co. at the original issue price less a negotiated portion of the selling concession applicable to any Bonds that CS&Co. sells.

#### **Additional Information**

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

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

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

**SAN BERNARDINO COMMUNITY COLLEGE  
DISTRICT**

By                     /s/ Jose F. Torres                      
Executive Vice Chancellor

## APPENDIX A

### FORM OF OPINIONS OF BOND COUNSEL

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

December 28, 2023

Board of Trustees  
San Bernardino Community College District

We have examined a certified copy of the record of the proceedings relative to the issuance and sale of \$51,000,000 San Bernardino Community College District (San Bernardino and Riverside Counties, California) Election of 2008 General Obligation Bonds, Series E (the “Bonds”). As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

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

1. Such proceedings and proofs show lawful authority for the issuance and sale of the Bonds pursuant to Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code (the “Act”) commencing with Section 53506 *et seq.*, a fifty-five percent vote of the qualified electors of the San Bernardino Community College District (the “District”) voting at an election held on February 5, 2008, and a resolution of the Board of Trustees of the District adopted on October 19, 2023 (the “Resolution”).
2. The Bonds constitute valid and binding general obligations of the District, payable as to both principal and interest from the proceeds of a levy of *ad valorem* property taxes on all property subject to such taxes in the District, which taxes are unlimited as to rate or amount.
3. Under existing statutes, regulations, rulings and judicial decisions, interest (and original issue discount) on the Bonds is 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; however, for tax years beginning after December 31, 2022, with respect to applicable corporations as defined in Section 59(k) of the Internal Revenue Code of 1986, as amended (the “Code”), interest (and original issue discount) with respect to the Bonds might be taken into account in determining adjusted financial statement income for the purposes of computing the alternative minimum tax imposed on such corporations.
4. Interest (and original issue discount) 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 (to the extent the redemption price at

maturity is greater than the issue price) constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Bondowner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by a Bondowner will increase the Bondowner's basis in the applicable Bond.

6. The amount by which a Bondowner'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 may be amortized under Section 171 of the Code; such amortizable Bond premium reduces the Bondowner's basis in the applicable Bond (and the amount of tax-exempt interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of Bond premium may result in a Bondowner realizing a taxable gain when a Bond is sold by the Bondowner for an amount equal to or less (under certain circumstances) than the original cost of the Bond to the Bondowner. Purchasers of the Bonds should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable Bond premium.

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

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

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



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

Respectfully submitted,

Stradling Yocca Carlson & Rauth

*Upon issuance and delivery of the Series B 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:*

December 28, 2023

Board of Trustees  
San Bernardino Community College District

We have examined a certified copy of the record of the proceedings relative to the issuance and sale of \$170,000,000 San Bernardino Community College District (San Bernardino and Riverside Counties, California) Election of 2018 General Obligation 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 Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code (the “Act”) commencing with Section 53506 *et seq.*, a fifty-five percent vote of the qualified electors of the San Bernardino Community College District (the “District”) voting at an election held on November 6, 2018, and a resolution of the Board of Trustees of the District adopted on October 19, 2023 (the “Resolution”).

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

3. Under existing statutes, regulations, rulings and judicial decisions, interest (and original issue discount) on the Bonds is 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; however, for tax years beginning after December 31, 2022, with respect to applicable corporations as defined in Section 59(k) of the Internal Revenue Code of 1986, as amended (the “Code”), interest (and original issue discount) with respect to the Bonds might be taken into account in determining adjusted financial statement income for the purposes of computing the alternative minimum tax imposed on such corporations.

4. Interest (and original issue discount) 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 (to the extent the redemption price at maturity is greater than the issue price) constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Bondowner before receipt of cash attributable to such excludable income. The amount of original

issue discount deemed received by a Bondowner will increase the Bondowner's basis in the applicable Bond.

6. The amount by which a Bondowner'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 may be amortized under Section 171 of the Code; such amortizable Bond premium reduces the Bondowner's basis in the applicable Bond (and the amount of tax-exempt interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of Bond premium may result in a Bondowner realizing a taxable gain when a Bond is sold by the Bondowner for an amount equal to or less (under certain circumstances) than the original cost of the Bond to the Bondowner. Purchasers of the Bonds should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable Bond premium.

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

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

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

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

Respectfully submitted,

Stradling Yocca Carlson & Rauth

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## **APPENDIX B**

### **2022-23 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT**

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Financial Statements  
June 30, 2023

# San Bernardino Community College District



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## Independent Auditor's Report

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

### Report on the Audit of the Financial Statements

#### ***Opinions***

We have audited the financial statements of the business-type activities and the remaining fund information of the San Bernardino Community College District (the District) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the remaining fund information of the San Bernardino Community College District, as of June 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***Adoption of New Accounting Standard***

As discussed in Note 2 and 14 to the financial statements, the District has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements*, for the year ended June 30, 2023. Accordingly, a restatement has been made to the business-type activities net position as of July 1, 2022, to restate beginning net position. Our opinions are not modified with respect to this matter.

## ***Responsibilities of Management for the Financial Statements***

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 10 and other required supplementary schedules as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information, including the Schedule of Expenditures of Federal Awards, as required by 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), and other supplementary information listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such 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. The 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 GAAS. In our opinion, the Schedule of Expenditures of Federal Awards and other supplementary information listed in the table of contents are 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 17, 2023 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.



Rancho Cucamonga, California  
November 17, 2023



## FISCAL, ADMINISTRATIVE, & MEDIA

### BOARD OF TRUSTEES

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*San Bernardino Valley College*

550 E. Hospitality Ln., Ste 200

San Bernardino, CA 92408

Tel 909.388.6902

[www.sbccd.edu](http://www.sbccd.edu)

### OVERVIEW OF THE FINANCIAL STATEMENTS

San Bernardino Community College District's financial statements are presented in accordance with Governmental Accounting Standards Board Statements No. 34, *Basic Financial Statements - and Management Discussion and Analysis - for State and Local Governments* and No. 35, *Basic Financial Statements - and Management Discussion and Analysis - for Public College and Universities*. These statements allow for the presentation of financial activity and results of operations which focus on the District as a whole. The government-wide financial statements present the overall results of operations whereby all of the District's activities are consolidated into one total versus the traditional presentation by fund type. The focus of the Statement of Net Position is designed to be similar to the bottom line results of the District. This statement combines and consolidates current financial resources with capital assets and long-term liabilities. 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, 2023 increased to 12,941 from 12,293 in the prior year, as noted below.

	Year Ended June 30,		
	2023	2022	Change
San Bernardino Valley College	9,035	8,493	6.4%
Crafton Hills College	3,906	3,800	2.8%
San Bernardino Community College District	12,941	12,293	5.3%

#### SBCCD | Mission

SBCCD positively impacts the lives and careers of our students, the well-being of their families, and the prosperity of our community through excellence in educational and training opportunities.



#### SBCCD | Vision

Inspiring possibilities for bright futures  
and a prosperous community

- The District is highly focused to address enrollment declines experienced due to the pandemic.
- The District continues to monitor compliance with the 50 percent law, which requires that at least 50% of the current expense of education be spent on instructional salaries. During the year ended June 30, 2023, the District's rate decreased slightly from 50.94% in the prior year to 50.90%.
- In November 2018, the District received tremendous voter support for the passage of bond Measure CC. Work is well underway on many needed infrastructure projects.

### **Statement of Net Position**

The Statement of Net Position presents the assets, deferred outflows of resources, liabilities, deferred inflows of resources, 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 and deferred inflows of resources).

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

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

San Bernardino Community College District  
Management's Discussion and Analysis  
June 30, 2023

The Statement of Net Position as of June 30, 2023 and June 30, 2022, is summarized below.

	2023	2022, as restated	Change
<b>Assets</b>			
Cash and investments	\$ 597,445,112	\$ 602,230,128	\$ (4,785,016)
Receivables, net	38,792,588	12,196,706	26,595,882
Other current assets	2,506,018	2,043,502	462,516
Lease receivables	37,996,881	34,851,605	3,145,276
Net other postemployment benefits asset	1,273,555	3,956,412	(2,682,857)
Capital assets, right-to-use leased assets, and right-to-use subscription IT assets, net	624,415,797	579,805,686	44,610,111
<b>Total assets</b>	<b>1,302,429,951</b>	<b>1,235,084,039</b>	<b>67,345,912</b>
Deferred outflows of resources	105,473,539	98,538,903	6,934,636
<b>Liabilities</b>			
Accounts payable and accrued liabilities	106,628,591	64,235,115	42,393,476
Current portion of long-term liabilities	33,199,073	30,105,253	3,093,820
Noncurrent portion of long-term liabilities	975,584,768	959,263,136	16,321,632
<b>Total liabilities</b>	<b>1,115,412,432</b>	<b>1,053,603,504</b>	<b>61,808,928</b>
Deferred inflows of resources	53,887,545	88,610,978	(34,723,433)
<b>Net Position</b>			
Net investment in capital assets	133,134,811	105,678,121	27,456,690
Restricted	225,317,326	211,037,163	14,280,163
Unrestricted deficit	(119,848,624)	(125,306,824)	5,458,200
<b>Total net position</b>	<b>\$ 238,603,513</b>	<b>\$ 191,408,460</b>	<b>\$ 47,195,053</b>

#### 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.

San Bernardino Community College District  
Management's Discussion and Analysis  
June 30, 2023

The Statement of Revenues, Expenses and Changes in Net Position for the years ended June 30, 2023 and June 30, 2022, is summarized below.

	<u>2023</u>	<u>2022*</u>	<u>Change</u>
Operating Revenues			
Tuition and fees, net	\$ 7,874,795	\$ 7,646,617	\$ 228,178
Grants and contracts, noncapital	78,500,482	50,889,149	27,611,333
Auxiliary enterprise sales and charges	488,390	2,586,593	(2,098,203)
Total operating revenues	<u>86,863,667</u>	<u>61,122,359</u>	<u>25,741,308</u>
Operating Expenses			
Salaries and benefits	126,188,556	118,757,156	7,431,400
Supplies, services, equipment, and maintenance	59,668,997	51,073,460	8,595,537
Student financial aid	39,159,146	44,831,231	(5,672,085)
Depreciation and amortization	19,549,231	18,356,021	1,193,210
Total operating expenses	<u>244,565,930</u>	<u>233,017,868</u>	<u>11,548,062</u>
Operating loss	<u>(157,702,263)</u>	<u>(171,895,509)</u>	<u>14,193,246</u>
Nonoperating Revenues (Expenses)			
State apportionments	70,415,159	67,463,690	2,951,469
Property taxes	89,388,012	87,999,194	1,388,818
Student financial aid grants	25,668,180	36,116,477	(10,448,297)
State revenues	5,293,777	3,209,239	2,084,538
Net interest expense	(20,391,521)	(32,874,141)	12,482,620
Other nonoperating revenues	20,524,072	20,405,423	118,649
Total nonoperating revenues (expenses)	<u>190,897,679</u>	<u>182,319,882</u>	<u>8,577,797</u>
Other revenues (losses)	<u>13,999,637</u>	<u>311,154</u>	<u>13,688,483</u>
Change in net position	<u>\$ 47,195,053</u>	<u>\$ 10,735,527</u>	<u>\$ 36,459,526</u>

\*The 2022 year has not been restated for the effects of the implementation of GASB Statement No. 96.

San Bernardino Community College District  
Management's Discussion and Analysis  
June 30, 2023

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, 2023:

	Salaries and Employee Benefits	Supplies, Material, and Other Expenses and Services	Student Financial Aid	Equipment, Maintenance, and Repairs	Depreciation and Amortization	Total
Instructional activities	\$ 59,369,629	\$ 3,471,550	\$ -	\$ 279,535	\$ -	\$ 63,120,714
Instructional administration	10,064,612	12,903,344	-	14,203	-	22,982,159
Instructional support services	7,996,232	5,260,906	-	270,321	-	13,527,459
Student services	12,527,231	3,145,558	-	43,507	-	15,716,296
Plant operations and maintenance	5,633,312	5,903,149	-	111,913	-	11,648,374
Planning, policymaking, and coordinations	3,740,357	939,453	-	12,969	-	4,692,779
Institutional support services	14,771,460	7,759,659	-	235,069	-	22,766,188
Community services	3,108,889	2,063,464	-	2,669	-	5,175,022
Ancillary services and auxiliary operations	7,593,657	7,423,281	-	119,738	-	15,136,676
Student aid	-	25,811	39,159,146	-	-	39,184,957
Physical property and related acquisitions	1,383,177	1,663,445	-	8,019,453	-	11,066,075
Unallocated depreciation and amortization	-	-	-	-	19,549,231	19,549,231
<b>Total</b>	<b>\$ 126,188,556</b>	<b>\$ 50,559,620</b>	<b>\$ 39,159,146</b>	<b>\$ 9,109,377</b>	<b>\$ 19,549,231</b>	<b>\$ 244,565,930</b>

### Statement of Cash Flows

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

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

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



San Bernardino Community College District  
Management's Discussion and Analysis  
June 30, 2023

The Statement of Cash Flows for the years ended June 30, 2023 and June 30, 2022, is summarized below.

	2023	2022	Change
Net Cash Flows from			
Operating activities	\$ (125,347,443)	\$ (126,203,391)	\$ 855,948
Noncapital financing activities	154,035,867	171,186,188	(17,150,321)
Capital financing activities	(46,516,312)	(22,057,032)	(24,459,280)
Investing activities	(2,502,531)	(1,081,157)	(1,421,374)
Net Increase/(Decrease) in Cash and Cash Equivalents	(20,330,419)	21,844,608	(42,175,027)
Cash and Cash Equivalents, Beginning of Year	453,590,017	431,745,409	21,844,608
Cash and Cash Equivalents, End of Year	<u>\$ 433,259,598</u>	<u>\$ 453,590,017</u>	<u>\$ (20,330,419)</u>

**Capital Assets, Right-to-use Leased Assets, and Right-to-use Subscription IT Assets**

As of June 30, 2023, the District had \$876.9 million in capital assets, right-to-use leased assets and right-to-use subscription IT assets, less \$252.5 million accumulated depreciation and amortization for net capital assets of \$624.4 million. The District spent approximately \$62.0 million on capital assets during the year, the majority of which relate to bond proceeds and commercial real estate investment. Depreciation and amortization charges during the year totaled \$19.5 million. Note 7 in the financial statements provides additional information on capital assets, right-to-use leased assets and right-to-use subscription IT assets. A summary is presented below.

	2023	2022, as restated	Change
Land and construction in progress	\$ 99,859,437	\$ 40,857,462	\$ 59,001,975
Buildings and improvements, net	510,956,398	525,699,969	(14,743,571)
Furniture and equipment, net	8,722,215	8,184,415	537,800
Right-to-use leased assets, net	1,306,968	995,972	310,996
Right-to-use subscription IT assets, net	3,570,779	4,067,868	(497,089)
Total capital assets, right-to-use leased assets and right-to-use subscription IT assets, net	<u>\$ 624,415,797</u>	<u>\$ 579,805,686</u>	<u>\$ 44,610,111</u>

**Long-Term Liabilities Including OPEB and Pensions**

As of June 30, 2023, the District had \$1,008.8 million in long-term liabilities consisting of \$863.9 million from general obligation bonds, \$131.2 million from aggregate net pension liability, \$0.4 million from net OPEB liability, and \$13.3 million from other long term liabilities.

See Notes 8-11 of the financial statements for additional information regarding the long-term liabilities, including OPEB and pensions, of the District as of June 30, 2023. A summary of long-term liabilities is presented below.

	Balance July 1, 2022, as restated	Additions	Deductions	Balance June 30, 2023
General obligation bonds	\$ 888,222,793	\$ 11,331,282	\$ (35,688,029)	\$ 863,866,046
Net OPEB liability	462,640	-	(102,916)	359,724
Aggregate net pension liability	85,578,104	45,601,934	-	131,180,038
SBITA and leases	5,567,679	2,128,079	(2,245,819)	5,449,939
Other liabilities	9,537,173	-	(1,609,079)	7,928,094
<b>Total long-term liabilities</b>	<b>\$ 989,368,389</b>	<b>\$ 59,061,295</b>	<b>\$ (39,645,843)</b>	<b>\$ 1,008,783,841</b>
Amount due within one year				<u><u>\$ 33,199,073</u></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% 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 maintains a close watch over resources to help 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 Executive Vice Chancellor at San Bernardino Community College District, 550 East Hospitality Lane, San Bernardino, California 92408.

# San Bernardino Community College District

## Statement of Net Position

June 30, 2023

<b>Assets</b>	
Cash and cash equivalents	\$ 14,888,100
Investments	582,557,012
Accounts receivable	37,242,941
Student receivables, net	1,549,647
Prepaid expenses	2,457,213
Inventories	15,272
Other assets	33,533
Lease receivables	37,996,881
Net other postemployment benefits (OPEB) asset - District Plan	1,273,555
Capital assets, right-to-use leased assets, and right-to-use subscription IT assets	
Nondepreciable capital assets	99,859,437
Depreciable capital assets, net of accumulated depreciation	519,678,613
Right-to-use leased assets, net of accumulated amortization	1,306,968
Right-to-use subscription IT assets, net of accumulated amortization	3,570,779
Total capital assets, right-to-use leased assets and right-to-use subscription IT assets, net	<u>624,415,797</u>
Total assets	<u>1,302,429,951</u>
<b>Deferred Outflows of Resources</b>	
Deferred outflows of resources related to debt refunding	59,967,348
Deferred outflows of resources related to OPEB	2,609,698
Deferred outflows of resources related to pensions	42,896,493
Total deferred outflows of resources	<u>105,473,539</u>
<b>Liabilities</b>	
Accounts payable	37,765,201
Accrued interest payable	9,098,256
Unearned revenue	59,765,134
Long-term liabilities	
Long-term liabilities other than OPEB and pensions, due within one year	33,199,073
Long-term liabilities other than OPEB and pensions, due in more than one year	844,045,006
Net OPEB liability - Medicare Premium Payment Program	359,724
Aggregate net pension liability	131,180,038
Total liabilities	<u>1,115,412,432</u>
<b>Deferred Inflows of Resources</b>	
Deferred inflows of resources related to leases	31,307,486
Deferred inflows of resources related to OPEB	5,677,057
Deferred inflows of resources related to pensions	16,903,002
Total deferred inflows of resources	<u>53,887,545</u>
<b>Net Position</b>	
Net investment in capital assets	133,134,811
Restricted for	
Debt service	87,379,061
Capital projects	12,659,968
Educational programs	19,311,593
Other activities	105,966,704
Unrestricted deficit	(119,848,624)
Total Net Position	<u>\$ 238,603,513</u>

San Bernardino Community College District  
Statement of Revenues, Expenses and Changes in Net Position  
Year Ended June 30, 2023

Operating Revenues	
Tuition and fees	\$ 15,746,296
Less: scholarship discounts and allowances	<u>(7,871,501)</u>
Net tuition and fees	<u>7,874,795</u>
Grants and contracts, noncapital	
Federal	17,937,812
State	59,733,992
Local	<u>828,678</u>
Total grants and contracts, noncapital	<u>78,500,482</u>
Auxiliary enterprise sales and charges	
Cafeteria	398,686
Other enterprise	<u>89,704</u>
Total operating revenues	<u>86,863,667</u>
Operating Expenses	
Salaries	98,026,528
Employee benefits	28,162,028
Supplies, materials, and other operating expenses and services	50,559,620
Student financial aid	39,159,146
Equipment, maintenance, and repairs	9,109,377
Depreciation and amortization	<u>19,549,231</u>
Total operating expenses	<u>244,565,930</u>
Operating Loss	<u>(157,702,263)</u>
Nonoperating Revenues (Expenses)	
State apportionments, noncapital	70,415,159
Local property taxes, levied for general purposes	41,824,765
Taxes levied for other specific purposes	47,563,247
Federal and State financial aid grants	25,668,180
State taxes and other revenues	5,293,777
Investment income, net	15,239,421
Interest expense on capital related debt	(35,987,834)
Investment income on capital asset-related debt, net	356,892
Other nonoperating revenue	<u>20,524,072</u>
Total nonoperating revenues (expenses)	<u>190,897,679</u>
Income Before Other Revenues (Losses)	<u>33,195,416</u>
Other Revenues (losses)	
State revenues, capital	13,999,999
Loss on disposal of capital assets	<u>(362)</u>
Total other revenues (losses)	<u>13,999,637</u>
Change In Net Position	47,195,053
Net Position, Beginning of Year, as Restated	<u>191,408,460</u>
Net Position, End of Year	<u><u>\$ 238,603,513</u></u>

# San Bernardino Community College District

## Statement of Cash Flows

Year Ended June 30, 2023

Cash Flows from Operating Activities	
Tuition and fees	\$ 14,675,671
Federal, state, and local grants and contracts, noncapital	87,189,585
Auxiliary sales	488,390
Payments to or on behalf of employees	(133,481,060)
Payments to vendors for supplies and services	(55,060,883)
Payments to students for scholarships and grants	(39,159,146)
	<u>(125,347,443)</u>
Net cash flows from operating activities	
Cash Flows from Noncapital Financing Activities	
State apportionments	63,237,286
Federal and state financial aid grants	25,668,180
Property taxes - nondebt related	41,824,765
State taxes and other apportionments	5,000,558
Other nonoperating	18,305,078
	<u>154,035,867</u>
Net cash flows from noncapital financing activities	
Cash Flows from Capital Financing Activities	
Purchase of capital assets	(52,854,700)
State revenue, capital	13,999,999
Property taxes - related to capital debt	47,563,247
Principal paid on capital debt	(30,975,819)
Interest paid on capital debt	(24,875,216)
Interest received on capital asset-related debt	626,177
	<u>(46,516,312)</u>
Net cash flows from capital financing activities	
Cash Flows from Investing Activities	
Change in fair market value of Cash in County treasury	(17,583,705)
Interest received from investments	15,081,174
	<u>(2,502,531)</u>
Net cash flows from investing activities	
Change In Cash and Cash Equivalents	(20,330,419)
Cash and Cash Equivalents, Beginning of Year	<u>453,590,017</u>
Cash and Cash Equivalents, End of Year	<u>\$ 433,259,598</u>

# San Bernardino Community College District

## Statement of Cash Flows

Year Ended June 30, 2023

### Reconciliation of Net Operating Loss to Net Cash Flows from Operating Activities

Operating Loss	<u>\$ (157,702,263)</u>
Adjustments to reconcile operating loss to net cash flows from operating activities	
Depreciation and amortization expense	19,549,231
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources	
Receivables, net	(17,496,333)
Inventories	(59)
Prepaid expenses	(462,457)
Lease receivables	(3,145,276)
Net OPEB asset - District Plan	2,682,857
Deferred outflows of resources related to OPEB	(1,133,267)
Deferred outflows of resources related to pensions	(12,730,584)
Accounts payable	5,070,630
Unearned revenue	30,853,572
Claims liability	(26,853)
Compensated absences	(1,582,226)
Net OPEB liability - Medicare Premium Payment Program	(102,916)
Aggregate net pension liability	45,601,934
Deferred inflows of resources related to leases	5,278,016
Deferred inflows of resources related to OPEB	(1,670,600)
Deferred inflows of resources related to pensions	<u>(38,330,849)</u>
Total adjustments	<u>32,354,820</u>
Net cash flows from operating activities	<u><u>\$ (125,347,443)</u></u>

### Cash and Cash Equivalents Consist of the Following:

Cash on hand and in banks	\$ 14,888,100
Cash in county treasury	<u>418,371,498</u>
Total cash and cash equivalents	<u><u>\$ 433,259,598</u></u>

### Noncash Transactions

Amortization of deferred outflows of resources related to debt refunding	\$ 6,929,215
Amortization of debt premiums	\$ 6,958,029
Accretion of interest on capital appreciation bonds	\$ 11,331,282
Recognition of lease liabilities arising from obtaining right-to-use leased assets	\$ 1,202,554
Recognition of subscription based IT arrangement liabilities arising from obtaining right-to-use subscription IT assets	\$ 925,525

San Bernardino Community College District

Fiduciary Fund

Statement of Net Position

June 30, 2023

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	Retiree OPEB Trust
	<hr/>
Assets	
Investments	\$ 9,630,922
	<hr/>
Net Position	
Restricted for postemployment benefits other than pensions	\$ 9,630,922
	<hr/>

# San Bernardino Community College District

Fiduciary Fund

Statement of Changes in Net Position

Year Ended June 30, 2023

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	Retiree OPEB Trust
	<hr/>
Additions	
District contributions	\$ 295,647
Interest and investment income	388,943
Net realized and unrealized gains	<hr/> 287,237
Total additions	<hr/> 971,827
Deductions	
Benefit payments	295,647
Administrative expenses	<hr/> 78,704
Total deductions	<hr/> 374,351
Change in Net Position	597,476
Net Position - Beginning of Year	<hr/> 9,033,446
Net Position - End of Year	<hr/> <hr/> \$ 9,630,922



**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 accounting policies 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, as defined by accounting principles generally accepted in the United States of America and established by the Governmental Accounting Standards Board (GASB). The financial reporting entity consists of the primary government (the District), and the following component unit:

- Inland Futures Foundation

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

The District has analyzed the financial and accountability relationships with the Crafton Hills College Foundation, and the San Bernardino Valley College Foundation (the College Foundations) in conjunction with GASB Statement No. 61 criteria. The Foundations are separate, not for profit organizations, and the District does provide and receive direct benefits to and from the College Foundations. However, it has been determined that all criteria under GASB Statement No. 61 have not been met to require inclusion of the Foundations' financial statements in the District's annual report. Information on the College Foundations may be requested through each respective Foundation.

**Basis of Accounting**

For financial reporting purposes, the District is considered a special-purpose government engaged only in business-type activities as defined by GASB. This presentation provides a comprehensive government-wide perspective of the District's assets, deferred outflows of resources, liabilities, deferred inflows of resources, activities, and cash flows and replaces the fund group perspective previously required. Fiduciary activities are excluded from the primary government financial statements. 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 promulgated 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.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. Nonexchange transactions, in which the District receives value without directly giving equal value in return, include State apportionments, property taxes, certain Federal and State financial 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.

Expenses are recorded on the accrual basis as they are incurred, when goods are received, or services are rendered.

**Cash and Cash Equivalents**

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

**Investments**

Investments are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value, including money market investments and participating interest-earning investment contracts with original maturities greater than one year, are stated at cost or amortized cost.

The District's investment in the County Treasury is measured at fair value on a recurring basis, which is determined by the fair value per share of the underlying portfolio determined by the program sponsor. Positions in this investment pool is not required to be categorized within the fair value hierarchy.

**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 District has recorded an allowance for uncollectible accounts as an estimation of amounts that may not be received related to student receivables. This allowance is based upon management's estimates and analysis. The allowance was estimated at \$3,580,204 for the year ended June 30, 2023.

**Prepaid Expenses**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements. The cost of prepaid items is recorded as an expense when consumed rather than when purchased.

**Inventories**

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

**Capital Assets and Depreciation**

Capital assets are stated at cost at the date of acquisition or fair value at the date of gift. The District's capitalization policy includes all items with a unit cost of \$5,000 for furniture and equipment and an estimated useful life of greater than one year. Buildings, renovations to buildings, infrastructure, and building 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. Donated capital assets are recorded at acquisition value at the date of donation. 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.

The District records impairments of capital assets when it becomes probable that the carrying value of the assets will not be fully recovered over their estimated useful life. Impairments are recorded to reduce the carrying value of the assets to their net realizable value based on facts and circumstances in existence at the time of the determination. No impairments were recorded during the year ended June 30, 2023.

**Right-to-use Lease Assets and Amortization**

The District records the value of intangible right-to-use assets based on the underlying leased asset in accordance with GASB Statement No. 87, *Leases*. The right-to-use intangible asset is amortized each year for the term of the contract or useful life of the underlying asset.

**Right-to-use Subscription IT Assets and Amortization**

The District records the value of right-to-use subscription IT assets based on the underlying subscription asset in accordance with GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. The right-to-use subscription IT asset is amortized each year for the term of the contract or useful life of the underlying asset.

**Compensated Absences**

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

Sick leave is accumulated without limit for each employee based upon negotiated contracts. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, the value of accumulated sick leave is not recognized as a liability in the District's financial statements. However, retirement credit for unused sick leave is applicable to all classified school members who retire after January 1, 1999. At retirement, each member will receive 0.004 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.

**Debt Premiums**

Debt premiums are amortized over the life of the bonds using the straight-line method, which approximates the effective interest method. All other bond issuance costs are expensed when incurred.

**Deferred Outflows of Resources and Deferred 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 until then. The District reports deferred outflows of resources related to debt refunding, for OPEB related items, and for pension related items. The deferred outflows of resources related to

debt refunding resulted from the difference between the carrying value of the refunded debt and its reacquisition price. The amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred amounts related to OPEB and pension related items are associated with differences between expected and actual earnings on plan investments, changes of assumptions, and other OPEB and pension related changes.

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 leases, OPEB and pension related items.

### **Leases**

The District recognizes a lease liability and an intangible right-to-use leased asset in the government-wide financial statements. The District measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The right-to-use leased asset is initially measured as the initial amount of the lease liability, plus certain initial direct costs. Subsequently, the right-to-use leased asset is amortized on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset.

The District recognizes a lease receivable and a deferred inflow of resources in the government-wide financial statements. At the commencement of a lease, the District initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

### **Subscription-based IT Arrangements**

The District recognizes a subscription-based IT arrangement liability and an intangible right-to-use subscription IT asset (subscription IT asset) in the government-wide financial statements. The District measures the subscription-based IT arrangement liability at the present value of payments expected to be made during the subscription term. Subsequently, the subscription-based IT arrangement liability is reduced by the principal portion of subscription payments made. The right-to-use subscription IT asset is initially measured as the initial amount of the subscription-based IT arrangement liability, plus certain initial direct costs. Subsequently, the right-to-use subscription IT asset is amortized on a straight-line basis over the subscription term or useful life of the underlying asset.

**Pensions**

For purposes of measuring the net pension liability, 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 (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. The aggregate net pension liability attributable to the governmental activities will be paid by the fund in which the employee worked.

**Postemployment Benefits Other Than Pensions (OPEB)**

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

**Unearned Revenue**

Unearned revenues arise when resources are received by the District before it has a legal claim to them, such as when certain grants are received prior to the occurrence of qualifying expenditures. In the subsequent periods, when the District has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and the revenue is recognized. Unearned revenue is primarily composed of (1) amounts received for tuition and fees prior to the end of the fiscal year that are related to the subsequent fiscal year and (2) amounts received from Federal and State grants received before the eligibility requirements are met.

**Noncurrent Liabilities**

Noncurrent liabilities include bonds payable, leases, subscription-based IT arrangements, compensated absences, claims liability, total OPEB liability, and the aggregate net pension liability with maturities greater than one year.

**Net Position**

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net position related to net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through the 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 net position is available. The government-wide financial statements report \$225,317,326 of restricted net position, and the fiduciary fund financial statements report \$9,630,922 of restricted net position.

**Operating and Nonoperating Revenues and Expenses**

**Classification of Revenues** - The District has classified its revenues as either operating or nonoperating. Certain significant revenue streams relied upon for operation are classified as nonoperating as defined by GASB. Classifications are as follows:

- **Operating revenues** - Operating revenues include activities that have the characteristics of exchange transactions such as tuition and fees, net of scholarship discounts and allowances, Federal, State, and local grants and contracts, and sales and services of auxiliary enterprises.
- **Nonoperating revenues** - Nonoperating revenues include activities that have the characteristics of nonexchange transactions such as State apportionments, property taxes, investment income, and other revenue sources defined by GASB.

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

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

**State Apportionments**

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

**Property Taxes**

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

The voters of the District passed General Obligation Bonds in November 2002, February 2008, and November 2018 for the acquisition, construction, and remodeling of certain District property. As a result of the passage of the Bond, property taxes are assessed on the property within the District specifically for the repayment of the debt incurred. The taxes are assessed, billed, and collected as noted above and remitted to the District when collected.

**Scholarships Discounts and Allowances**

Tuition and fee revenue is reported net of scholarships, discounts, and allowances. Fee waivers approved by the California Community College 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.

**Financial Assistance Programs**

The District participates in federally funded Pell Grants, Supplemental Educational Opportunity Grants (SEOG), and Federal Work-Study programs, as well as other programs funded by the Federal government and State of California. Financial aid provided to the student in the form of cash is reported as an operating expense in the Statement of Revenues, Expenses and Changes in Net Position. Federal financial assistance programs are audited in accordance with Title 2 *U.S. Code of Federal Regulations* 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, and those difference could be material.

**Interfund Activity**

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund activity within the primary government 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.



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 primary government and fiduciary funds has been eliminated respectively in the consolidation process of the basic financial statements. Balances transferred between the primary government and the fiduciary funds are not eliminated in the consolidation process.

### **Change in Accounting Principles**

#### **Implementation of GASB Statement No. 91**

As of July 1, 2022, the District adopted GASB Statement No. 91, *Conduit Debt Obligations*. The objective of this Statement is to better meet the information needs of financial statement users by enhancing the comparability and consistency of conduit debt obligation reporting and reporting of related transactions and other events by state and local government issuers. The implementation of this standard eliminates the option for issuers of conduit debt to recognize a liability for this debt on their financial statements. In addition, it requires issuers to recognize liabilities associated with additional commitments extended by issuers and to recognize assets and deferred inflows of resources related to certain arrangements associated with conduit debt obligations. There was not a significant effect on the District's financial statements as a result of the implementation of the standard.

#### **Implementation of GASB Statement No. 94**

As of July 1, 2022, the District adopted GASB Statement No. 94, *Public-Private and Public-Public Partnerships (PPP) and Availability Payment Arrangements (APA)*. The implementation of this standard establishes standards of accounting and financial reporting for PPPs and APAs. The standard requires recognition of a right-to-use asset-intangible asset and a corresponding liability. There was not a significant effect on the District's financial statements as a result of the implementation of the standard.

#### **Implementation of GASB Statement No. 96**

As of July 1, 2022, the District adopted GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*. The implementation of this standard establishes that a SBITA results in a right-to-use subscription IT asset - an intangible asset - and a corresponding liability. The standard provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA. The Statement requires recognition of certain SBITA assets and liabilities for SBITAs that previously were recognized as outflows of resources based on the payment provisions of the contract. The effect of the implementation of this standard on beginning net position is disclosed in Note 14 and the additional disclosures required by this standard are included in Notes 7 and 8.

**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.

In accordance with the *Budget and Accounting Manual*, the District maintains substantially all of its cash in the County Treasury as part of the common investment pool. The District is considered to be an involuntary participant in an external investment pool. The fair value of the District's investment in the pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

**General Authorizations**

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

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

**Authorized Under Debt Agreements**

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

**Summary of Deposits and Investments**

Deposits and investments as of June 30, 2023, consist of the following:

	Primary Government	Fiduciary Fund
Cash on hand and in banks	\$ 13,886,550	\$ -
Cash in revolving	1,001,550	-
Investments	<u>582,557,012</u>	<u>9,630,922</u>
Total deposits and investments	<u>\$ 597,445,112</u>	<u>\$ 9,630,922</u>

**Interest Rate Risk and Credit 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. 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.

Investment Type	Fair Value	Weighted Average Maturity in Days	Credit Rating
U.S. Treasury notes	\$ 31,433,093	392	Aaa
Mutual funds	142,383,343	N/A	N/A
San Bernardino County investment pool	<u>418,371,498</u>	539	AAAf/S1
Total	<u>\$ 592,187,934</u>		

**Custodial Credit Risk****Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The 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 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% 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% of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105% of the secured deposits. As of June 30, 2023, the District's bank balance of approximately \$13.4 million was fully insured or collateralized with securities, held by the pledging financial institutions trust department in the District's name.

**Investments**

This is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. As of June 30, 2023, the District's investment balance of approximately \$172.3 million was exposed to custodial credit risk because it was uninsured, unregistered and held by the brokerage firm which is also the counterparty for these securities. The District does not have a policy limiting the amount of securities that can be held by counterparties.

**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.

# San Bernardino Community College District

Notes to Financial Statements

June 30, 2023

The District's fair value measurements are as follows at June 30, 2023:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Level 1 Inputs</u>
U.S. Treasury notes	\$ 31,433,093	\$ 31,433,093
Mutual funds	<u>142,383,343</u>	<u>142,383,343</u>
Total	<u>\$ 173,816,436</u>	<u>\$ 173,816,436</u>

All assets have been valued using a market approach, which uses prices and other relevant information generated by market transactions involving identical or comparable assets or group of assets.

## Note 5 - Accounts Receivable

Accounts receivable at June 30, 2023, consisted of the following:

	<u>Primary Government</u>
Federal Government	
Categorical aid	\$ 4,534,240
State Government	
Apportionment	5,212,593
Categorical aid	18,630,624
Lottery	834,475
Local Sources	
Interest	2,733,544
Other local sources	<u>5,297,465</u>
Total	<u>\$ 37,242,941</u>
Student receivables	\$ 5,129,851
Less: allowance for bad debt	<u>(3,580,204)</u>
Student receivables, net	<u>\$ 1,549,647</u>

**Note 6 - Lease Receivables**

The District has entered into lease agreements with various lessees. The lease receivables are summarized below:

<u>Lease Receivables</u>	<u>Balance, July 1, 2022</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance, June 30, 2023</u>
Leased Cellular Tower Space	\$ 8,864,580	\$ 569,629	\$ (282,990)	\$ 9,151,219
Leased Office Space	<u>25,987,025</u>	<u>15,616,269</u>	<u>(12,757,632)</u>	<u>28,845,662</u>
Total	<u>\$ 34,851,605</u>	<u>\$ 16,185,898</u>	<u>\$ (13,040,622)</u>	<u>\$ 37,996,881</u>

**Cellular Tower Space**

The District leases a portion of its facilities for cellular tower antenna sites and space. These licenses are noncancelable for a period of up to 456 months. The agreements allow for 3.00% annual CPI increases to the lease payments. At termination, lessees must remove all equipment and restore the site to its original state. During the fiscal year, the District recognized \$282,990 in lease revenue and \$464,412 in interest revenue related to these agreements. At June 30, 2023, the District recorded \$9,151,219 in lease receivables and \$5,620,697 in deferred inflows of resources for these arrangements. The District used an interest rate of 5.00%, based on the rates available to finance real estate over the same time periods.

**Office Space**

The District leases a portion of its facilities for commercial office space under several lease agreements. These leases are noncancelable for a period of up to 120 months. Many of the agreements allow for 3.00% annual CPI increases to the lease payments. At termination, lessees must restore the site to its original state. During the fiscal year, the District recognized \$12,757,632 in lease revenue and \$1,303,470 in interest revenue related to these agreements. At June 30, 2023, the District recorded \$28,845,662 in lease receivables and \$25,686,789 in deferred inflows of resources for these arrangements. The District used an interest rate of 5.00%, based on the rates available to finance real estate over the same time periods.

# San Bernardino Community College District

## Notes to Financial Statements

June 30, 2023

### Note 7 - Capital Assets, Right-to-use Leased Assets, and Right-to-use Subscription IT Assets

Capital asset, right-to-use leased asset, and right-to-use subscription IT asset activity for the District for the year ended June 30, 2023, was as follows:

	Balance, July 1, 2022, as restated	Additions	Deductions	Balance, June 30, 2023
Capital Assets Not Being Depreciated				
Land	\$ 7,362,045	\$ 4,281,020	\$ -	\$ 11,643,065
Construction in progress	33,495,417	57,678,106	(2,957,151)	88,216,372
Total capital assets not being depreciated	40,857,462	61,959,126	(2,957,151)	99,859,437
Capital Assets Being Depreciated				
Land improvements	84,639,193	187,128	-	84,826,321
Buildings and improvements	640,430,468	264,541	-	640,695,009
Furniture and equipment	38,803,424	2,577,981	(98,550)	41,282,855
Total capital assets being depreciated	763,873,085	3,029,650	(98,550)	766,804,185
Total capital assets	804,730,547	64,988,776	(3,055,701)	866,663,622
Less Accumulated Depreciation				
Land improvements	(72,062,123)	(2,582,799)	-	(74,644,922)
Buildings and improvements	(127,307,569)	(12,612,441)	-	(139,920,010)
Furniture and equipment	(30,619,009)	(2,039,819)	98,188	(32,560,640)
Total accumulated depreciation	(229,988,701)	(17,235,059)	98,188	(247,125,572)
Net capital assets	574,741,846	47,753,717	(2,957,513)	619,538,050
Right-to-use Leased Assets				
Being Amortized				
Real property	1,814,238	464,888	-	2,279,126
Equipment	586,630	737,666	-	1,324,296
Total right-to-use leased assets being amortized	2,400,868	1,202,554	-	3,603,422
Less Accumulated Amortization				
Real property	(1,177,902)	(363,227)	-	(1,541,129)
Equipment	(226,994)	(528,331)	-	(755,325)
Total accumulated amortization	(1,404,896)	(891,558)	-	(2,296,454)
Net right-to-use leased assets	995,972	310,996	-	1,306,968
Right-to-use Subscription IT Assets				
Right-to-use subscription IT assets	5,679,869	925,525	-	6,605,394
Accumulated amortization	(1,612,001)	(1,422,614)	-	(3,034,615)
Net right-to-use subscription IT assets	4,067,868	(497,089)	-	3,570,779
Total capital assets, right-to-use leased assets, and right-to-use subscription IT assets, net	\$ 579,805,686	\$ 47,567,624	\$ (2,957,513)	\$ 624,415,797

**Note 8 - Long-Term Liabilities other than OPEB and Pensions****Summary**

The changes in the District's long-term liabilities other than OPEB and pensions during the year ended June 30, 2023, consisted of the following:

	Balance, July 1, 2022, as restated	Additions	Deductions	Balance, June 30, 2023	Due in One Year
General obligation bonds	\$ 869,511,918	\$ 11,331,282	\$ (28,730,000)	\$ 852,113,200	\$ 31,140,000
Bond premium	18,710,875	-	(6,958,029)	11,752,846	-
Compensated absences	7,316,273	-	(1,582,226)	5,734,047	-
Claims liability	2,220,900	-	(26,853)	2,194,047	-
Lease liability	1,391,378	1,202,554	(968,466)	1,625,466	641,894
Subscription-based IT arrangements	4,176,301	925,525	(1,277,353)	3,824,473	1,417,179
<b>Total</b>	<b>\$ 903,327,645</b>	<b>\$ 13,459,361</b>	<b>\$ (39,542,927)</b>	<b>\$ 877,244,079</b>	<b>\$ 33,199,073</b>

**Description of Long-Term Liabilities**

Payments on the general obligation bonds are made by the bond interest and redemption fund with local property tax revenues. The compensated absences will be paid by the fund for which the employee worked. The claims liability will be paid by the Internal Service Fund. Leases will be paid from the fund for which the equipment is being used for. Subscription-based IT arrangements will be paid from the fund for which the software is being used for.

**General Obligation Bonds****The San Bernardino Community College District Election of 2002**

General obligation bonds were approved by a local election in November 2002. The total amount approved by the voters was \$190,000,000. Interest rates on the bonds range from 6.02% to 6.79%. As of June 30, 2023, \$189,999,797 had been issued, and \$13,881,328 was outstanding.

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

In March 2005, the District issued \$56,562,550 in general obligation bonds to advance refund a portion of 2002 Series A and B Bonds. Interest rates on the bonds range from 3.00% to 5.14%. 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, 2023, the outstanding balance was \$7,221,653.



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

General obligation bonds were approved by a local election in February 2008. The total amount approved by the voters was \$500,000,000. Interest rates on the bonds range from 2.00% to 7.63%. As of June 30, 2023, \$500,000,000 had been issued, and \$212,650,219 was outstanding.

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

In April 2013, the District issued 2013 General Obligation Series A Refunding Bonds for \$198,570,000 to advance refund a portion of the 2008 Series A Bonds. Interest rates on the bonds range from 0.50% to 5.00%. 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. As of June 30, 2023, the outstanding balance for the 2013 General Obligation Series A Refunding Bonds was \$7,640,000.

**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%. 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, 2023, the outstanding balance was \$11,305,000.

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

In December 2017, the District issued the 2017 General Obligation Refunding (Crossover) Series A Bonds in the amount of \$14,145,000. The bonds will be redeemed at the Crossover date of August 1, 2024; therefore, the refunding is not considered a current refunding. Interest rates on the bonds range from 4.00% to 5.00%. Amounts paid to the refunded bond escrow agent in excess of outstanding debt at the time of payment are recorded as deferred charges on refunding on the Statement of Net Position and are amortized to interest expense over the life of the liability. The net proceeds from the issuance were used to advance refund, on a crossover basis at the crossover date, a portion of the District's outstanding general obligation bonds. As of June 30, 2023, the outstanding balance was \$14,145,000.

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

In December 2017, the District issued the 2017 General Obligation Refunding (Crossover) Series B Bonds in the amount of \$32,070,000. The bonds will be redeemed at the Crossover date of August 1, 2024; therefore, the refunding is not considered a current refunding. Interest rates on the bonds range from 4.00% to 5.00%. Amounts paid to the refunded bond escrow agent in excess of outstanding debt at the time of payment are recorded as deferred charges on refunding on the Statement of Net Position and are amortized to interest expense over the life of the liability. The net proceeds from the issuance were used to advance refund, on a crossover basis at the crossover date, a portion of the District's outstanding general obligation bonds. As of June 30, 2023, the outstanding balance was \$32,070,000.

**The San Bernardino Community College District Election of 2018**

General obligation bonds were approved by a local election in November 2018. The total amount approved by the voters was \$470,000,000. Interest rates on the bonds range from 1.754% to 4.00%. As of June 30, 2023, \$300,000,000 had been issued, and \$85,345,000 was outstanding.

**The San Bernardino Community College District 2019 Refunding Bonds**

In December 2019, the District issued the 2019 General Obligation Refunding Bonds in the amount of \$143,520,000. Interest rates on the bonds range from 1.754% to 3.121%. Amounts paid to the refunded bond escrow agent in excess of outstanding debt at the time of payment are recorded as deferred charges on refunding on the Statement of Net Position and are amortized to interest expense over the life of the liability. The net proceeds from the issuance were used to advance refund a portion of the District's outstanding 2008 Series D General Obligation bonds, a portion of the 2013 Refunding Series A bonds, and a portion of the 2015 Refunding bonds. As of June 30, 2023, the outstanding balance was \$138,045,000.

**The San Bernardino Community College District 2020 Refunding Bonds**

In July 2020, the District issued the 2020 General Obligation Refunding Bonds in the amount of \$129,400,000. Interest rates on the bonds range from 0.499% to 1.898%. Amounts paid to the refunded bond escrow agent in excess of outstanding debt at the time of payment are recorded as deferred charges on refunding on the Statement of Net Position and are amortized to interest expense over the life of the liability. The net proceeds from the issuance were used to advance refund a portion of the District's outstanding 2008 Series D General Obligation bonds, a portion of the 2013 Refunding Series A bonds, and a portion of the 2015 Refunding bonds. As of June 30, 2023, the outstanding balance was \$121,705,000.

**The San Bernardino Community College District 2021 Refunding Bonds**

In August 2021, the District issued the 2021 General Obligation Refunding Bonds in the amount of \$214,680,000. Interest rates on the bonds range from 0.225% to 2.856%. Amounts paid to the refunded bond escrow agent in excess of outstanding debt at the time of payment are recorded as deferred charges on refunding on the Statement of Net Position and are amortized to interest expense over the life of the liability. The refunding resulted in a cash flow savings of \$12,954,201 and an economic gain of \$8,991,361 based on the difference between the present value of the existing debt service requirements and the new debt service requirements discounted 2.529%. The net proceeds from the issuance were used to advance refund the remaining balance of the District's outstanding 2018 Series A General Obligation bonds. As of June 30, 2023, the outstanding balance was \$208,175,000.

# San Bernardino Community College District

## Notes to Financial Statements

June 30, 2023

### Debt Maturity

#### General Obligation Bonds

Issue Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding Beginning of Year	Issued	Accreted Interest	Redeemed	Bonds Outstanding End of Year
2002 D Refunding	6/9/2009	8/1/2033	6.02%-6.79%	\$ 4,999,797	\$ 12,800,739	\$ -	\$ 1,010,589	\$ -	\$ 13,811,328
2005	3/22/2005	8/1/2023	3.00%-5.14%	56,562,550	13,403,583	-	1,213,070	(7,395,000)	7,221,653
2008 B	6/9/2009	8/1/2048	2.600%-7.190%	73,102,389	155,616,146	-	9,022,147	(340,000)	164,298,293
2008 C	6/9/2009	8/1/2044	7.430%-7.63%	45,210,000	45,210,000	-	-	-	45,210,000
2008 D Refunding	9/22/2015	8/1/2048	2.000%-5.000%	37,536,960	3,336,450	-	85,476	(280,000)	3,141,926
2013 Series A Refunding	4/10/2013	8/1/2033	.500%-5.00%	198,570,000	14,265,000	-	-	(6,625,000)	7,640,000
2015 Refunding	9/22/2015	8/1/2031	2.00%-5.00%	55,975,000	11,305,000	-	-	-	11,305,000
2017 Series A Refunding	12/12/2017	8/1/2033	4.00%-5.00%	14,145,000	14,145,000	-	-	-	14,145,000
2017 Series B	12/12/2017	8/1/2034	4.00%-5.00%	32,070,000	32,070,000	-	-	-	32,070,000
2018 A-1 Refunding	12/12/2019	8/1/2039	1.754-4.000%	100,000,000	88,980,000	-	-	(3,635,000)	85,345,000
2019 Refunding	12/12/2019	8/1/2048	1.754-3.121%	143,520,000	139,315,000	-	-	(1,270,000)	138,045,000
2020 Refunding	7/7/2020	8/1/2030	0.499%-1.898%	129,400,000	124,385,000	-	-	(2,680,000)	121,705,000
2021 Refunding	8/5/2021	8/1/2049	0.225%-2.856%	214,680,000	214,680,000	-	-	(6,505,000)	208,175,000
					<u>\$ 869,511,918</u>	<u>\$ -</u>	<u>\$ 11,331,282</u>	<u>\$ (28,730,000)</u>	<u>\$ 852,113,200</u>

#### Debt Service Requirement to Maturity

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

Fiscal Year	Principal (Including accreted interest to date)	Accreted Interest	Total
2024	\$ -	\$ -	\$ -
2025	128,080	11,920	140,000
2026	214,918	35,082	250,000
2027	290,132	69,868	360,000
2028	354,597	115,403	470,000
2029-2033	8,225,650	6,634,350	14,860,000
2034	4,597,951	8,212,049	12,810,000
Total	<u>\$ 13,811,328</u>	<u>\$ 15,078,672</u>	<u>\$ 28,890,000</u>

# San Bernardino Community College District

Notes to Financial Statements

June 30, 2023

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

Fiscal Year	Principal (Including accreted interest to date)	Accreted Interest	Current Interest to Maturity	Total
2024	\$ 836,382	\$ 33,618	\$ 5,439,640	\$ 6,309,640
2025	1,016,458	113,542	5,431,266	6,561,266
2026	1,203,040	221,960	5,410,015	6,835,015
2027	1,298,292	431,708	5,397,141	7,127,141
2028	1,395,985	634,015	5,397,140	7,427,140
2029-2033	3,467,941	2,782,059	26,985,703	33,235,703
2034-2038	31,530,000	-	19,454,277	50,984,277
2039-2043	79,905,498	88,184,502	8,819,355	176,909,355
2044-2048	59,061,500	152,758,500	1,602,300	213,422,300
2049	32,935,123	166,584,877	-	199,520,000
Total	<u>\$ 212,650,219</u>	<u>\$ 411,744,781</u>	<u>\$ 83,936,837</u>	<u>\$ 708,331,837</u>

The Election 2018 General Obligation Bonds mature through August 1, 2039, as follows:

Fiscal Year	Principal	Current Interest to Maturity	Total
2024	\$ 3,705,000	\$ 2,480,375	\$ 6,185,375
2025	3,775,000	2,405,410	6,180,410
2026	3,855,000	2,322,729	6,177,729
2027	3,945,000	2,231,328	6,176,328
2028	4,035,000	2,132,782	6,167,782
2029-2033	22,075,000	8,699,885	30,774,885
2034-2038	28,910,000	4,957,431	33,867,431
2039-2040	15,045,000	501,035	15,546,035
Total	<u>\$ 85,345,000</u>	<u>\$ 25,730,975</u>	<u>\$ 111,075,975</u>

The General Obligation Refunding Bonds mature through August 1, 2049, as follows:

Fiscal Year	Principal (Including accreted interest to date)	Accreted Interest	Current Interest to Maturity	Total
2024	\$ 26,131,653	\$ 433,347	\$ 13,653,537	\$ 40,218,537
2025	28,795,000	-	13,298,191	42,093,191
2026	23,575,000	-	13,023,697	36,598,697
2027	24,895,000	-	12,590,720	37,485,720
2028	26,550,000	-	12,080,870	38,630,870
2029-2033	149,510,000	-	49,546,762	199,056,762
2034-2038	63,765,000	-	31,000,720	94,765,720
2039-2043	52,685,000	-	25,197,449	77,882,449
2044-2048	97,770,000	-	14,120,870	111,890,870
2049-2050	46,630,000	-	1,313,387	47,943,387
Total	<u>\$ 540,306,653</u>	<u>\$ 433,347</u>	<u>\$ 185,826,203</u>	<u>\$ 726,566,203</u>

# San Bernardino Community College District

## Notes to Financial Statements

June 30, 2023

### Leases

The District has entered into agreements to lease various facilities and equipment. The District's liability for lease agreements is summarized below:

Leases	Balance, July 1, 2022,	Additions	Deductions	Balance, June 30, 2023
Real Property	\$ 1,015,816	\$ 464,888	\$ (582,301)	\$ 898,403
Equipment	375,562	737,666	(386,165)	727,063
Total	<u>\$ 1,391,378</u>	<u>\$ 1,202,554</u>	<u>\$ (968,466)</u>	<u>\$ 1,625,466</u>

### Real Property Leases

The District entered into various agreements to lease sites and real property for periods up to 25 years, through the 2032-2033 fiscal year. Under the terms of the leases, the District pays monthly and annual payments, which increase based on a set schedule in the individual lease agreements, which amounted to principal and interest costs of \$601,785. The annual interest rate charged on the leases is 5.0%.

At June 30, 2023, the District has recognized right to use assets of \$2,279,126 and a lease liability of \$898,403 related to these agreements. During the fiscal year, the District recorded \$363,227 in amortization expense and \$19,484 in interest expense for the right to use of the property.

### Equipment Leases

The District entered into various agreements to lease copiers and other equipment for period up to 10 years, through the 2026-2027 fiscal year. Under the terms of the leases, the District pays monthly and annual payments, which increase based on a set schedule in the individual lease agreements, which amounted to principal and interest costs of \$450,148. The annual interest rate charged on the leases is 5.0%. At June 30, 2023, the District has recognized right to use assets of \$1,324,296 and a lease liability of \$727,063 related to this agreement. During the fiscal year, the District recorded \$528,331 in amortization expense and \$63,983 in interest expense for the right to use of the equipment.

The District's liability on lease agreements is summarized below:

Fiscal Year	Principal	Interest	Total
2024	\$ 641,894	\$ 59,555	\$ 701,449
2025	435,993	40,362	476,355
2026	197,862	24,934	222,796
2027	108,100	15,040	123,140
2028	95,757	9,669	105,426
2029-2033	145,860	15,974	161,834
Total	<u>\$ 1,625,466</u>	<u>\$ 165,534</u>	<u>\$ 1,791,000</u>

**Subscriptions-Based IT Arrangements (SBITAs)**

The District entered into various SBITAs for the use of technological needs of the District and its students. At June 30, 2023, the District has recognized right-to-use subscriptions IT assets of \$6,592,079 and SBITA liabilities of \$3,824,473 related to these agreement. During the fiscal year, the District recorded \$1,422,614 in amortization expense. The District is required to make total principal and interest payments of \$4,208,474 through June 2027. The subscriptions have an interest rate of 5.0%.

The remaining principal and interest payment requirements for the SBITA obligation debt as of June 30, 2023, are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 1,417,179	\$ 191,224	\$ 1,608,403
2025	1,128,714	120,365	1,249,079
2026	1,108,912	63,929	1,172,841
2027	169,668	8,483	178,151
Total	<u>\$ 3,824,473</u>	<u>\$ 384,001</u>	<u>\$ 4,208,474</u>

**Note 9 - Aggregate Net Other Postemployment Benefits (OPEB) Asset (Liability)**

For the fiscal year ended June 30, 2023, the District reported an aggregate net OPEB asset (liability), deferred outflows of resources, deferred inflows of resources, and OPEB expense for the following plans:

<u>OPEB Plan</u>	<u>Aggregate Net OPEB Asset (Liability)</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>OPEB Expense</u>
District Plan	\$ 1,273,555	\$ 2,609,698	\$ 5,677,057	\$ (121,010)
Medicare Premium Payment (MPP) Program	(359,724)	-	-	(102,916)
Total	<u>\$ 913,831</u>	<u>\$ 2,609,698</u>	<u>\$ 5,677,057</u>	<u>\$ (223,926)</u>

The details of each plan are as follows:

**District Plan****Plan Administration**

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

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

**Plan Membership**

At June 30, 2021, the valuation date, the Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits payments	26
Active employees	660
Total	<u>686</u>

**San Bernardino Community College District Futuris Trust**

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

**Benefits Provided**

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

**Contributions**

The contribution requirements of Plan members and the District are established and may be amended by the District, the California Teachers Association (CTA), the local California Service Employees Association (CSEA), and unrepresented groups. Voluntary contributions based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually through the agreements with the District, CTA, CSEA, and the unrepresented groups are based on availability of funds. For the measurement period ended June 30, 2022, the District contributed \$287,745 to the Plan, all of which was used for current year premiums.

**Investments****Investment Policy**

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

The following was the governing board's adopted asset allocation policy as of June 30, 2022:

<u>Asset Class</u>	<u>Target Allocation</u>
Fixed Income	55%
Real Estate Investment Trusts	4%
Domestic Equities	22%
International Equities	19%

### Rate of Return

For the year ended June 30, 2022, the annual money-weighted rate of return on investments, net of investment expense, was -18.27%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

### Net OPEB Asset of the District

The District's net OPEB asset of \$1,273,555 was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation as of June 30, 2021. The components of the net OPEB asset of the District at June 30, 2022, were as follows:

Total OPEB liability	\$ 7,759,891
Plan fiduciary net position	<u>(9,033,446)</u>
Net OPEB asset	<u>\$ (1,273,555)</u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>116.41%</u>

### Actuarial Assumptions

The total OPEB liability as of June 30, 2022 was determined by applying updated procedures to the financial reporting actuarial valuation as of June 30, 2021 and rolling forward the total OPEB liability to June 30, 2022. The following assumptions were applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary increases	2.75%, average, including inflation
Discount rate	5.60%
Investment rate of return	5.60%, net of OPEB plan investment expense, including inflation
Healthcare cost trend rate	4.00%

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



Mortality rates were based on the 2020 CalSTRS Mortality Table for certificated employees and the 2017 CalPERS Active Mortality for Miscellaneous Employees Table for classified employees. Mortality rates vary by age and sex. (Unisex mortality rates are not often used as individual OPEB benefits do not depend on the mortality table used.) If employees die prior to retirement, past contributions are available to fund benefits for employees who live to retirement. After retirement, death results in benefit termination or reduction. Although higher mortality rates reduce service costs, the mortality assumption is not likely to vary from employer to employer.

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actual experience study as of June 2021.

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, 2022, (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>
Fixed Income	4.25%
Real Estate Investment Trusts	7.25%
Domestic Equities	7.25%
International Equities	7.25%

#### **Discount Rate**

The discount rate used to measure the total OPEB liability was 5.60%. The projection of cash flows used to determine the discount rate assumed that the District contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

# San Bernardino Community College District

Notes to Financial Statements

June 30, 2023

## Changes in the Net OPEB Asset

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Asset (a) - (b)
Balance, July 1, 2021	\$ 7,185,299	\$ 11,141,711	\$ (3,956,412)
Service cost	464,735	-	464,735
Interest	407,067	(2,019,559)	2,426,626
Difference between expected and actual experience	(9,735)	-	(9,735)
Contributions - employer	-	287,475	(287,475)
Benefit payments	(287,475)	(287,475)	-
Administrative expense	-	(88,706)	88,706
Net change in total OPEB liability	574,592	(2,108,265)	2,682,857
Balance, June 30, 2022	\$ 7,759,891	\$ 9,033,446	\$ (1,273,555)

There were no changes of assumptions since the previous valuation. There were no changes in benefit terms since the previous valuation.

## Sensitivity of the Net OPEB Asset to Changes in the Discount Rate

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

Discount Rate	Net OPEB Asset
1% decrease (4.60%)	\$ 707,127
Current discount rate (5.60%)	1,273,555
1% increase (6.60%)	1,799,962

## Sensitivity of the Net OPEB Asset to Changes in the Health Care Cost Trend Rate

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

Healthcare Cost Trend Rate	Net OPEB Asset
1% decrease (3.00%)	\$ 2,106,663
Current healthcare cost trend rate (4.00%)	1,273,555
1% increase (5.00%)	302,309

**Deferred Outflows/Inflows of Resources Related to OPEB**

At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB for the following:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	\$ 295,647	\$ -
Differences between expected and actual experience	-	5,545,884
Changes of assumptions	1,074,633	131,173
Net difference between projected and actual earnings on OPEB plan investments	1,239,418	-
Total	<u>\$ 2,609,698</u>	<u>\$ 5,677,057</u>

The deferred outflows of resources related to OPEB resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the subsequent fiscal year.

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2024	\$ 252,955
2025	238,115
2026	220,149
2027	528,199
Total	<u>\$ 1,239,418</u>

The deferred outflows/(inflows) of resources related to differences between expected and actual experience in the measurement of the total OPEB liability and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits as of the beginning of the measurement period. The EARSL for the measurement period is 13.7 years and will be recognized in OPEB expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2024	\$ (415,824)
2025	(415,824)
2026	(415,824)
2027	(415,824)
2028	(415,824)
Thereafter	(2,523,304)
Total	<u>\$ (4,602,424)</u>

### Medicare Premium Payment (MPP) Program

#### Plan Description

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

A full description of the MPP Program regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2021 annual actuarial valuation report, Medicare Premium Payment Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/member-publications>.

#### Benefits Provided

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

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

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

### **Net OPEB Liability and OPEB Expense**

At June 30, 2023, the District reported a liability of \$359,724 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2021. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB Plan relative to the projected contributions of all participating entities, actuarially determined. The District's proportionate share for the measurement period June 30, 2022 and June 30, 2021, was 0.1092% and 0.1160%, respectively, resulting in a net decrease in the proportionate share of 0.0068%.

For the year ended June 30, 2023, the District recognized OPEB expense of (\$102,916).

### **Actuarial Methods and Assumptions**

The June 30, 2022 total OPEB liability was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2021, and rolling forward the total OPEB liability to June 30, 2022, using the assumptions listed in the following table:

Measurement Date	June 30, 2022
Valuation Date	June 30, 2021
Experience Study	July 1, 2015 through June 30, 2018
Actuarial Cost Method	Entry age normal
Investment Rate of Return	3.54%
Medicare Part A Premium Cost Trend Rate	4.50%
Medicare Part B Premium Cost Trend Rate	5.40%

For the valuation as of June 30, 2021, CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among members. The projection scale was set equal to 110% of the ultimate improvement factor from the Mortality Improvement Scale (MP-2019) table, issued by the Society of Actuaries.

Assumptions were made about future participation (enrollment) into the MPP Program because CalSTRS is unable to determine which members not currently participating meet all eligibility criteria for enrollment in the future. Assumed enrollment rates were derived based on past experience and are stratified by age with the probability of enrollment diminishing as the members' age increases. This estimated enrollment rate was then applied to the population of members who may meet criteria necessary for eligibility and are not currently enrolled in the MPP Program. Based on this, the estimated number of future enrollments used in the financial reporting valuation was 209 or an average of 0.14% of the potentially eligible population (145,282).

The MPP Program is funded on a pay-as-you-go basis with contributions generally being made at the same time and in the same amount as benefit payments and expenses coming due. Any funds within the MPP Program as of June 30, 2022, were to manage differences between estimated and actual amounts to be paid and were invested in the Surplus Money Investment Fund, which is a pooled investment program administered by the State Treasurer.

#### **Discount Rate**

The discount rate used to measure the total OPEB liability as of June 30, 2022, is 3.54%. As the MPP Program is funded on a pay-as-you-go basis as previously noted, the OPEB Plan's fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, a discount rate of 3.54%, which is the Bond Buyer 20-Bond GO Index from Bondbuyer.com as of June 30, 2022, was applied to all periods of projected benefit payments to measure the total OPEB liability. The discount rate increased 1.38% from 2.16% as of June 30, 2021.

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

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

Discount Rate	Net OPEB Liability
1% decrease (2.54%)	\$ 392,169
Current discount rate (3.54%)	359,724
1% increase (4.54%)	331,632

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

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

Medicare Costs Trend Rates	Net OPEB Liability
1% decrease (3.50% Part A and 4.40% Part B)	\$ 330,060
Current Medicare costs trend rates (4.50% Part A and 5.40% Part B)	359,724
1% increase (5.50% Part A and 6.40% Part B)	393,350

### Note 10 - Risk Management

#### Property and Liability Insurance Coverages

The District is exposed to various risks of loss related to torts; theft, damage, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year ended June 30, 2023, 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 2022-2023, 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 Workers' 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

**Claims Liabilities**

The District establishes a liability for both reported and unreported events, which includes estimates of both future payments of losses and related claim adjustment expenses. The following represents the changes in approximate liabilities for the District from July 1, 2021 to June 30, 2023:

	Workers' Compensation
Liability Balance, July 1, 2021	\$ 3,068,113
Claims and changes in estimates	(208,886)
Claims payments	(638,327)
Liability Balance, June 30, 2022	2,220,900
Claims and changes in estimates	707,412
Claims payments	(734,265)
Liability Balance, June 30, 2023	<u>\$ 2,194,047</u>
Assets available to pay claims at June 30, 2023	<u>\$ 7,616,718</u>

**Note 11 - 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 the California State Teachers' Retirement System (CalSTRS) and classified employees are members of the California Public Employees' Public Employees' Retirement System (CalPERS).

For the fiscal year ended June 30, 2023, the District reported its proportionate share of the aggregate net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Aggregate Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
CalSTRS	\$ 50,559,989	\$ 16,681,469	\$ 11,497,581	\$ 3,657,833
CalPERS	80,620,049	26,215,024	5,405,421	10,332,936
Total	<u>\$ 131,180,038</u>	<u>\$ 42,896,493</u>	<u>\$ 16,903,002</u>	<u>\$ 13,990,769</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, 2021, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/member-publications>.

### Benefits Provided

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

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

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

The STRP Defined Benefit Program provisions and benefits in effect at June 30, 2023, are summarized as follows:

	On or before December 31, 2012	On or after January 1, 2013
Hire date		
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	10.205%
Required employer contribution rate	19.10%	19.10%
Required State contribution rate	10.828%	10.828%

### Contributions

Required member, District, and State of California contribution rates are set by the California Legislature and Governor and are 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 California Assembly Bill 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1% of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2023, are presented above, and the District's total contributions were \$9,083,571.

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

At June 30, 2023, 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	\$ 50,559,989
State's proportionate share of net pension liability associated with the District	<u>25,320,245</u>
Total	<u>\$ 75,880,234</u>

The net pension liability was measured as of June 30, 2022. 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, 2022 and June 30, 2021, was 0.0728% and 0.0772%, respectively, resulting in a net decrease in the proportionate share of 0.0044%.

For the year ended June 30, 2023, the District recognized pension expense of \$3,657,833. In addition, the District recognized pension expense and revenue of \$2,042,061 for support provided by the State. At June 30, 2023, 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	\$ 9,083,571	\$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	5,049,015	5,234,156
Differences between projected and actual earnings on pension plan investments	-	2,472,481
Differences between expected and actual experience in the measurement of the total pension liability	41,475	3,790,944
Changes of assumptions	<u>2,507,408</u>	<u>-</u>
Total	<u>\$ 16,681,469</u>	<u>\$ 11,497,581</u>

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

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

<u>Year Ended June 30,</u>	<u>Deferred Outflows/(Inflows) of Resources</u>
2024	\$ (1,816,220)
2025	(1,967,568)
2026	(2,955,688)
2027	<u>4,266,995</u>
Total	<u>\$ (2,472,481)</u>

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

<u>Year Ended June 30,</u>	<u>Deferred Outflows/(Inflows) of Resources</u>
2024	\$ 1,804,233
2025	(101,296)
2026	(144,708)
2027	(817,892)
2028	(1,411,482)
Thereafter	<u>(756,057)</u>
Total	<u>\$ (1,427,202)</u>

**Actuarial Methods and Assumptions**

Total pension liability for STRP was determined by applying updated procedures to the financial reporting actuarial valuation as of June 30, 2021, and rolling forward the total pension liability to June 30, 2022. The financial reporting actuarial valuation as of June 30, 2021, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2021
Measurement date	June 30, 2022
Experience study	July 1, 2015 through June 30, 2018
Actuarial cost method	Entry age normal
Discount rate	7.10%
Investment rate of return	7.10%
Consumer price inflation	2.75%
Wage growth	3.50%

CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among its members. The projection scale was set equal to 110% of the ultimate improvement factor from the Mortality Improvement Scale (MP-2019) table, issued by the Society of Actuaries.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant as an input to the process. The actuarial investment rate of return assumption was adopted by the board in January 2020 in conjunction with the most recent experience study. For each current and future valuation, CalSTRS independent consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2022, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Public equity	42%	4.8%
Real estate	15%	3.6%
Private equity	13%	6.3%
Fixed income	12%	1.3%
Risk mitigating strategies	10%	1.8%
Inflation sensitive	6%	3.3%
Cash/liquidity	2%	-0.4%

**Discount Rate**

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

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

Discount Rate	Net Pension Liability
1% decrease (6.10%)	\$ 85,869,613
Current discount rate (7.10%)	50,559,989
1% increase (8.10%)	21,242,384

**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, 2021, annual actuarial valuation report, Schools Pool Actuarial Valuation. This report and CalPERS audited financial information are publicly available reports that can be found on the CalPERS website under Forms and Publications at:  
<https://www.calpers.ca.gov/page/forms-publications>.

### Benefits Provided

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

The CalPERS School Employer Pool provisions and benefits in effect at June 30, 2023, are summarized as follows:

	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%	8.00%
Required employer contribution rate	25.37%	25.37%

### 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, 2023, are presented above, and the total District contributions were \$10,366,697.

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

As of June 30, 2023, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$80,620,049. The net pension liability was measured as of June 30, 2022. 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, 2022 and June 30, 2021, was 0.2343% and 0.2482%, respectively, resulting in a net decrease in the proportionate share of 0.0139%.

# San Bernardino Community College District

## Notes to Financial Statements

June 30, 2023

For the year ended June 30, 2023, the District recognized pension expense of \$10,332,936. At June 30, 2023, 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	\$ 10,366,697	\$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	1,123	3,399,491
Differences between projected and actual earnings on pension plan investments	9,519,035	-
Differences between expected and actual experience in the measurement of the total pension liability	364,356	2,005,930
Changes of assumptions	<u>5,963,813</u>	<u>-</u>
Total	<u>\$ 26,215,024</u>	<u>\$ 5,405,421</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
2024	\$ 1,587,472
2025	1,407,978
2026	719,213
2027	<u>5,804,372</u>
Total	<u>\$ 9,519,035</u>

The deferred outflows/(inflows) of resources related to the change in proportion and differences between contributions made and the District's proportionate share of contributions, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 3.9 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2024	\$ 542,127
2025	228,566
2026	304,408
2027	<u>(151,230)</u>
Total	<u>\$ 923,871</u>

#### Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying updated procedures to the financial reporting actuarial valuation as of June 30, 2021, and rolling forward the total pension liability to June 30, 2022. The financial reporting actuarial valuation as of June 30, 2021, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2021
Measurement date	June 30, 2022
Experience study	July 1, 1997 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	6.90%
Investment rate of return	6.90%
Consumer price inflation	2.30%
Wage growth	Varies by entry age and service

The mortality table used was developed based on CalPERS-specific data. The rates incorporate Generational Mortality to capture ongoing mortality improvement using 80% of Scale MP-2020 published by the Society of Actuaries.



In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated and, combined with risk estimates, are used to project compound (geometric) returns over the long term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return. 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 - cap-weighted	30%	4.45%
Global equity - non-cap-weighted	12%	3.84%
Private equity	13%	7.28%
Treasury	5%	0.27%
Mortgage-backed securities	5%	0.50%
Investment grade corporates	10%	1.56%
High yield	5%	2.27%
Emerging market debt	5%	2.48%
Private debt	5%	3.57%
Real assets	15%	3.21%
Leverage	-5%	-0.59%

### Discount Rate

The discount rate used to measure the total pension liability was 6.90%. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. 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 expected rate of return on the School Employer Pool investments 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 (5.90%)	\$ 116,459,743
Current discount rate (6.90%)	80,620,049
1% increase (7.90%)	50,999,859

**CalSTRS/CalPERS Irrevocable Trust**

During the 2017-2018 fiscal year, the District established an IRS Section 115 irrevocable trust through Public Agency Retirement Services (PARS) for the purpose of funding future employer contributions associated with the CalSTRS and CalPERS pension plans. Funds deposited into this trust are not considered “plan assets” for GASB Statement No. 68 reporting; therefore, the balance of the irrevocable trust is not netted against the net pension liability shown on the Statement of Net Position. The balance and activity of the trust is recorded as a special revenue fund of the District. As of June 30, 2023, the balance of the trust was \$103,316,989.

**On Behalf Payments**

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS for the fiscal year ended June 30, 2023, which amounted to \$4,061,893 (10.828% of annual payroll). Contributions are no longer appropriated in the annual Budget Act for the legislatively mandated benefits to CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements.

**Note 12 - 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 approximately 500 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 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 13 - 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, 2023.

**Litigation**

The District is involved in various litigations 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, 2023.

**Construction Commitments**

As of June 30, 2023, the District had approximately \$446.4 million in commitments with respect to unfinished capital projects. The projects are funded through a combination of general obligation bonds and capital project apportionments from the California State Chancellor's Office.

**Note 14 - Adoption of New Accounting Standard**

As of July 1, 2022, the District adopted GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*. The implementation of this standard establishes that a SBITA results in a right-to-use subscription IT asset – an intangible asset – and a corresponding liability. The standard provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA. The Statement requires recognition of certain SBITA assets and liabilities for SBITAs that previously were recognized as outflows of resources based on the payment provisions of the contract. Beginning net position was restated to retroactively adopt the provisions of GASB Statement No. 96 as follows:

<u>Primary Government</u>	
Net Position - Beginning	\$ 191,516,893
Right-to-use subscription IT assets, net of amortization	4,067,868
Subscription IT arrangements	<u>(4,176,301)</u>
Net Position - Beginning, as Restated	<u><u>\$ 191,408,460</u></u>



Required Supplementary Information  
June 30, 2023

# San Bernardino Community College District

San Bernardino Community College District  
Schedule of Changes in the District's Net OPEB Liability/(Asset) and Related Ratios  
Year Ended June 30, 2023

	2023	2022	2021
Total OPEB Liability			
Service cost	\$ 464,735	\$ 884,599	\$ 860,924
Interest	407,067	615,762	568,995
Difference between expected and actual experience	(9,735)	(3,925,252)	(88,144)
Changes of assumptions	-	(153,597)	-
Benefit payments	(287,475)	(621,671)	(592,667)
Net change in total OPEB liability	574,592	(3,200,159)	749,108
Total OPEB Liability - Beginning	7,185,299	10,385,458	9,636,350
Total OPEB Liability - Ending (a)	<u>\$ 7,759,891</u>	<u>\$ 7,185,299</u>	<u>\$ 10,385,458</u>
Plan Fiduciary Net Position			
Contributions - employer	\$ 287,475	\$ 621,671	\$ 592,667
Expected investment income	(2,019,559)	2,073,272	512,969
Differences between projected and actual earnings on			
OPEB plan investments	-	-	(89,857)
Benefit payments	(287,475)	(621,671)	(592,667)
Administrative expense	(88,706)	(84,999)	(76,755)
Net change in plan fiduciary net position	(2,108,265)	1,988,273	346,357
Plan Fiduciary Net Position - Beginning	11,141,711	9,153,438	8,807,081
Plan Fiduciary Net Position - Ending (b)	<u>\$ 9,033,446</u>	<u>\$ 11,141,711</u>	<u>\$ 9,153,438</u>
Net OPEB Liability (Asset) - Ending (a) - (b)	<u>\$ (1,273,555)</u>	<u>\$ (3,956,412)</u>	<u>\$ 1,232,020</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	116.41%	155.06%	88.14%
Covered Payroll	\$ 80,987,699	\$ 79,049,841	\$ 81,963,320
Net OPEB Liability (Asset) as a Percentage of Covered Payroll	-1.57%	-5.00%	1.50%
Measurement Date	June 30, 2022	June 30, 2021	June 30, 2020

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

San Bernardino Community College District  
Schedule of Changes in the District's Net OPEB Liability/(Asset) and Related Ratios  
Year Ended June 30, 2023

	2020	2019	2018
Total OPEB Liability			
Service cost	\$ 693,805	\$ 666,828	\$ 624,455
Interest	611,659	424,414	519,126
Difference between expected and actual experience	(3,016,752)	-	-
Changes of assumptions	1,531,925	-	-
Benefit payments	(287,288)	(287,288)	(386,897)
Net change in total OPEB liability	(466,651)	803,954	756,684
Total OPEB Liability - Beginning	10,103,001	9,299,047	8,542,363
Total OPEB Liability - Ending (a)	<u>\$ 9,636,350</u>	<u>\$ 10,103,001</u>	<u>\$ 9,299,047</u>
Plan Fiduciary Net Position			
Contributions - employer	\$ 287,288	\$ 436,390	\$ 386,897
Expected investment income	504,803	479,953	749,118
Differences between projected and actual earnings on			
OPEB plan investments	(74,185)	7,754	-
Benefit payments	(287,288)	(436,390)	(386,897)
Administrative expense	(73,825)	(73,272)	(68,535)
Net change in plan fiduciary net position	356,793	414,435	680,583
Plan Fiduciary Net Position - Beginning	8,450,288	8,035,853	7,355,270
Plan Fiduciary Net Position - Ending (b)	<u>\$ 8,807,081</u>	<u>\$ 8,450,288</u>	<u>\$ 8,035,853</u>
Net OPEB Liability (Asset) - Ending (a) - (b)	<u>\$ 829,269</u>	<u>\$ 1,652,713</u>	<u>\$ 1,263,194</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	<u>91.39%</u>	<u>83.64%</u>	<u>86.42%</u>
Covered Payroll	<u>\$ 76,221,687</u>	<u>\$ 67,303,034</u>	<u>\$ 62,292,241</u>
Net OPEB Liability (Asset) as a Percentage of Covered Payroll	<u>1.09%</u>	<u>2.46%</u>	<u>2.03%</u>
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017

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

San Bernardino Community College District  
Schedule of OPEB Investment Returns  
Year Ended June 30, 2023

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	2023	2022	2021	2020	2019	2018
Annual money-weighted rate of return, net of investment expense	-18.27%	22.25%	4.58%	5.12%	4.22%	9.90%

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



San Bernardino Community College District  
Schedule of the District's Proportionate Share of the Net OPEB Liability – MPP Program  
Year Ended June 30, 2023

Year ended June 30,	2023	2022	2021
Proportion of the net OPEB liability	0.1092%	0.1160%	0.1369%
Proportionate share of the net OPEB liability	\$ 359,724	\$ 462,640	\$ 580,056
Covered payroll	N/A <sup>1</sup>	N/A <sup>1</sup>	N/A <sup>1</sup>
Proportionate share of the net OPEB liability as a percentage of it's covered payroll	N/A <sup>1</sup>	N/A <sup>1</sup>	N/A <sup>1</sup>
Plan fiduciary net position as a percentage of the total OPEB liability	-0.94%	-0.80%	-0.71%
Measurement Date	June 30, 2022	June 30, 2021	June 30, 2020

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

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

San Bernardino Community College District  
Schedule of the District's Proportionate Share of the Net OPEB Liability – MPP Program  
Year Ended June 30, 2023

Year ended June 30,	2020	2019	2018
Proportion of the net OPEB liability	0.1306%	0.1198%	0.1200%
Proportionate share of the net OPEB liability	\$ 486,224	\$ 458,578	\$ 504,754
Covered payroll	N/A <sup>1</sup>	N/A <sup>1</sup>	N/A <sup>1</sup>
Proportionate share of the net OPEB liability as a percentage of it's covered payroll	N/A <sup>1</sup>	N/A <sup>1</sup>	N/A <sup>1</sup>
Plan fiduciary net position as a percentage of the total OPEB liability	-0.81%	-0.40%	0.01%
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017

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

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

San Bernardino Community College District  
Schedule of the District's Proportionate Share of the Net Pension Liability  
Year Ended June 30, 2023

	2023	2022	2021	2020	2019
<b>CalSTRS</b>					
Proportion of the net pension liability	0.0728%	0.0772%	0.0786%	0.0738%	0.0667%
Proportionate share of the net pension liability	\$ 50,559,989	\$ 35,115,598	\$ 76,124,802	\$ 66,659,738	\$ 61,345,890
State's proportionate share of the net pension liability associated with the District	25,320,245	17,668,807	39,242,344	36,367,337	35,123,391
Total	\$ 75,880,234	\$ 52,784,405	\$ 115,367,146	\$ 103,027,075	\$ 96,469,281
Covered payroll	\$ 44,303,806	\$ 43,334,372	\$ 45,474,871	\$ 41,214,318	\$ 37,332,356
Proportionate share of the net pension liability as a percentage of its covered payroll	114.12%	81.03%	167.40%	161.74%	164.32%
Plan fiduciary net position as a percentage of the total pension liability	81%	87%	72%	73%	71%
Measurement Date	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
<b>CalPERS</b>					
Proportion of the net pension liability	0.2343%	0.2482%	0.2527%	0.2439%	0.2252%
Proportionate share of the net pension liability	\$ 80,620,049	\$ 50,462,506	\$ 77,523,785	\$ 71,082,778	\$ 60,052,342
Covered payroll	\$ 36,683,893	\$ 35,715,469	\$ 36,488,449	\$ 35,007,369	\$ 29,970,678
Proportionate share of the net pension liability as a percentage of its covered payroll	219.77%	141.29%	212.46%	203.05%	200.37%
Plan fiduciary net position as a percentage of the total pension liability	70%	81%	70%	70%	71%
Measurement Date	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018

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

San Bernardino Community College District  
Schedule of the District's Proportionate Share of the Net Pension Liability  
Year Ended June 30, 2023

	2018	2017	2016	2015
<b>CalSTRS</b>				
Proportion of the net pension liability	0.0663%	0.0682%	0.0779%	0.0581%
Proportionate share of the net pension liability	\$ 61,286,649	\$ 55,196,567	\$ 52,472,482	\$ 33,957,179
State's proportionate share of the net pension liability associated with the District	36,256,664	31,422,421	27,752,159	20,504,811
Total	\$ 97,543,313	\$ 86,618,988	\$ 80,224,641	\$ 54,461,990
Covered payroll	\$ 35,577,170	\$ 34,885,918	\$ 33,717,601	\$ 30,941,662
Proportionate share of the net pension liability as a percentage of its covered payroll	172.26%	158.22%	155.62%	109.75%
Plan fiduciary net position as a percentage of the total pension liability	69%	70%	74%	77%
Measurement Date	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
<b>CalPERS</b>				
Proportion of the net pension liability	0.2131%	0.2204%	0.1032%	0.1033%
Proportionate share of the net pension liability	\$ 50,863,523	\$ 21,155,192	\$ 32,474,152	\$ 23,974,911
Covered payroll	\$ 26,715,071	\$ 27,478,113	\$ 24,617,297	\$ 21,652,411
Proportionate share of the net pension liability as a percentage of its covered payroll	190.39%	76.99%	131.92%	110.73%
Plan fiduciary net position as a percentage of the total pension liability	72%	74%	79%	83%
Measurement Date	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014

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

San Bernardino Community College District  
Schedule of the District Contributions for Pensions  
Year Ended June 30, 2023

	2023	2022	2021	2020	2019
<b>CalSTRS</b>					
Contractually required contribution	\$ 9,083,571	\$ 7,496,204	\$ 6,998,501	\$ 7,776,203	\$ 6,709,691
Contributions in relation to the contractually required contribution	<u>(9,083,571)</u>	<u>(7,496,204)</u>	<u>(6,998,501)</u>	<u>(7,776,203)</u>	<u>(6,709,691)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 47,557,963</u>	<u>\$ 44,303,806</u>	<u>\$ 43,334,372</u>	<u>\$ 45,474,871</u>	<u>\$ 41,214,318</u>
Contributions as a percentage of covered payroll	<u>19.10%</u>	<u>16.92%</u>	<u>16.15%</u>	<u>17.10%</u>	<u>16.28%</u>
<b>CalPERS</b>					
Contractually required contribution	\$ 10,366,697	\$ 8,404,280	\$ 7,393,102	\$ 7,195,887	\$ 6,323,031
Contributions in relation to the contractually required contribution	<u>(10,366,697)</u>	<u>(8,404,280)</u>	<u>(7,393,102)</u>	<u>(7,195,887)</u>	<u>(6,323,031)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 40,862,030</u>	<u>\$ 36,683,893</u>	<u>\$ 35,715,469</u>	<u>\$ 36,488,449</u>	<u>\$ 35,007,369</u>
Contributions as a percentage of covered payroll	<u>25.370%</u>	<u>22.910%</u>	<u>20.700%</u>	<u>19.721%</u>	<u>18.062%</u>

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

San Bernardino Community College District  
Schedule of the District Contributions for Pensions  
Year Ended June 30, 2023

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>CalSTRS</b>				
Contractually required contribution	\$ 5,387,059	\$ 4,475,608	\$ 3,743,259	\$ 2,994,123
Contributions in relation to the contractually required contribution	<u>(5,387,059)</u>	<u>(4,475,608)</u>	<u>(3,743,259)</u>	<u>(2,994,123)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 37,332,356</u>	<u>\$ 35,577,170</u>	<u>\$ 34,885,918</u>	<u>\$ 33,717,601</u>
Contributions as a percentage of covered payroll	<u>14.43%</u>	<u>12.58%</u>	<u>10.73%</u>	<u>8.88%</u>
<b>CalPERS</b>				
Contractually required contribution	\$ 4,654,746	\$ 3,710,189	\$ 3,255,332	\$ 2,897,702
Contributions in relation to the contractually required contribution	<u>(4,654,746)</u>	<u>(3,710,189)</u>	<u>(3,255,332)</u>	<u>(2,897,702)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 29,970,678</u>	<u>\$ 26,715,071</u>	<u>\$ 27,478,113</u>	<u>\$ 24,617,297</u>
Contributions as a percentage of covered payroll	<u>15.531%</u>	<u>13.888%</u>	<u>11.847%</u>	<u>11.771%</u>

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

## **Note 1 - Purpose of Schedules**

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

This schedule presents information on the District's changes in the net OPEB liability/(asset), including beginning and ending balances, the Plan's fiduciary net position, and the net OPEB liability/(asset). 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 valuation.
- *Changes in Assumptions* - There were no changes in assumptions since the previous valuation.

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

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

### **Schedule of the District's Proportionate Share of the Net OPEB Liability – MPP Program**

This schedule presents information on the District's proportionate share of the net OPEB liability – MPP program and the Plans' fiduciary net position. In the future, as data becomes available, ten years of information will be presented.

- *Changes in Benefit Terms* – There were no changes in the benefit terms since the previous valuation.
- *Changes of Assumptions* – The plan rate of investment return assumption was changed from 2.16% to 3.54% since the previous valuation.

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

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

- *Changes in Benefit Terms* - There were no changes in benefit terms since the previous valuations for either CalSTRS or CalPERS.
- *Changes of Assumptions* - There were no changes in economic assumptions for the CalSTRS plan from the previous valuations. The CalPERS plan rate of investment return assumption was changed from 7.15% to 6.90% since the previous valuation.

### **Schedule of the District's Contributions for Pensions**

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



Supplementary Information  
June 30, 2023

# San Bernardino Community College District



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 as of June 30, 2023**

Member	Office	Term Expires
Dr. Stephanie Houston	Chair	2026
Dr. Anne Viricel	Vice Chair	2024
Joseph Williams	Clerk	2026
Dr. Nathan Gonzales	Trustee	2026
Gloria Macia Harrison	Trustee	2024
John Longville	Trustee	2024
Frank Reyes	Trustee	2024
Michelle Ly	Student Trustee, CHC	2024
Dyami Ruiz-Martinez	Student Trustee, SBVC	2024

**Administration as of June 30, 2023**

Diana Rodriguez, M.Ed.	Chancellor
Dr. Linda Fontanilla	Interim President - San Bernardino Valley College
Dr. Kevin Horan	President - Crafton Hills College

**Auxiliary Organizations in Good Standing**

Crafton Hills College Foundation, established 1987

Master Agreement signed 2019

Michelle Riggs, Director, Institutional Advancement

San Bernardino Valley College Foundation, established 1973

Master Agreement signed 2019

Michael Layne, Development Director

Inland Futures Foundation, established 2013

Master Agreement signed 2019

Jose Torres, Executive Vice Chancellor

San Bernardino Community College District  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2023

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Education			
Student Financial Assistance Cluster			
Federal Pell Grant Program	84.063		\$ 16,616,072
Federal Supplemental Educational Opportunity Grants (FSEOG)	84.007		1,117,869
Federal Direct Student Loans	84.268		205,992
Federal Work-Study Program	84.033		218,329
Subtotal Student Financial Assistance Cluster			18,158,262
TRIO Cluster			
TRIO Student Support Services	84.042A		277,368
Subtotal TRIO Cluster			277,368
COVID-19: Higher Education Emergency Relief Funds, Student Aid Portion	84.425E		1,145,995
COVID-19: Higher Education Emergency Relief Funds, Institutional Portion	84.425F		12,688,772
COVID-19: Higher Education Emergency Relief Funds, Minority Serving Institutions	84.425L		2,489,469
Subtotal			16,324,236
Congressionally-Directed Grants	84.116Z		86,084
Passed through California Community Colleges Chancellor's Office Career and Technical Education Act (CTEA), Title I, Part C	84.048A	22-C01-009	778,278
Passed through State of California Department of Rehabilitation Workability III Program	84.126A	31962	160,306
Total U.S. Department of Education			35,784,534
U.S. Department of Commerce			
Economic Development Cluster			
Public Works and Economic Development Facilities Program	11.300		2,098
Subtotal Economic Development Cluster			2,098
Passed through California Manufacturers and Technology Consulting (CMTC) Manufacturing Extension Partnership	11.611	70NANB21H146	67,732
Total U.S. Department of Commerce			69,830
U.S. Department of Agriculture			
Passed through California Department of Education Child and Adult Care Food Program	10.558	04375-CACFP- 36-CC-CS	156,812
SNAP Cluster			
Passed through Foundation for California Community Colleges State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	00006189	32,609
Passed through California State University, Chico State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	[1]	24,487
Subtotal SNAP Cluster			57,096
Total U.S. Department of Agriculture			213,908

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

San Bernardino Community College District  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2023

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of the Treasury Passed through California Community Colleges Chancellor's Office COVID-19: Coronavirus State and Local Fiscal Recovery Funds	21.027	[1]	\$ 1,764,758
Research and Development Cluster National Science Foundation Passed through University Enterprises Corporation at CSU San Bernardino Promoting Pre and Post transfer Success in STEM at Hispanic Serving Institutions	47.076	GT17154	62,552
U.S. Department of Education Passed through University Enterprises Corporation at CSU San Bernardino Title V - Developing Hispanic Serving Institutions: Improving Student Success in Digital Media Disciplines	84.0315	[1]	927
Subtotal Research and Development Cluster			63,479
U.S. Department of Defense Passed through University Enterprises Corporation at CSU San Bernardino CyberSecurity Core Curriculum	12.905	SA21128	32,973
U.S. Department of Transportation Passed through Federal Aviation Administration Aviation Maintenance Technical Workforce Grant Program	20.112	G-21-WD-AM-047	282,882
U.S. Department of Veterans Affairs Veterans Services	64.117		631
U.S. Department of Health and Human Services Passed through California Community Colleges Chancellor's Office Temporary Assistance for Needy Families (TANF)	93.558	[1]	69,122
Foster and Kinship Care Education	93.658	[1]	37,231
Child Care and Development Fund (CCDF) Cluster Passed through California Department of Education Child Care and Development Block Grant	93.575	15136	99,156
Child Care and Development Block Grant	93.575	15554	44,188
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	13609	215,701
Passed through Yosemite CCD Child Development Consortium Child Care and Development Block Grant	93.575	[1]	18,024
Subtotal CCDF Cluster			377,069
Total U.S. Department of Health and Human Services			483,422
Total Federal Financial Assistance			\$ 38,696,417

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

# San Bernardino Community College District

## Schedule of Expenditures of State Awards

Year Ended June 30, 2023

Program	Program Revenues				Program Expenditures
	Cash Received	Accounts Receivable	Unearned Revenue	Total Revenue	
3C MEDIA SOLUTIONS	\$ 5,775	\$ -	\$ 5,775	\$ -	\$ -
AB104 ADULT EDUCATION BLOCK GRANT	2,386,087	-	883,591	1,502,496	1,502,496
AB798 TEXTBOOK AFFORDABILITY	25,435	-	25,435	-	-
ACUTE CARE NURSING	-	21,494	-	21,494	21,494
ALTERNATE TEXT PRODUCTION CENTER	-	1,500,000	-	1,500,000	1,500,000
ARTHUR N RUPE FOUNDATION	35,000	-	-	35,000	35,000
BACK 2 WORK PROGRAM	703,361	221,566	-	924,927	924,927
BASIC NEEDS CENTERS & STAFFING	1,023,468	-	716,133	307,335	307,335
BLOCK GRANT FY-98	5,109,264	-	3,477,718	1,631,546	1,631,546
BUTTE COLLEGE/CA DEPT OF HR	97,998	41,210	-	139,208	139,208
C.A.R.E.	545,422	-	323,177	222,245	222,245
CAL ED LEARNING LAB	25,000	-	1,953	23,047	23,047
CAL GRANT B	2,537,925	-	145,444	2,392,481	2,392,481
CALFRESH OUTREACH	33,046	-	26,015	7,031	7,031
CALIFORNIA COLLEGE PROMISE	4,231,951	-	3,142,271	1,089,680	1,089,680
CALIFORNIA SPACE GRANT	500	-	500	-	-
CALIFORNIANS FOR ALL COLLEGE CORPS	(23,437)	811,392	-	787,955	787,955
CALTRANS-PAROLEE WORKCREW 7/16	389,046	513,485	-	902,531	902,531
CalWORKS	1,097,809	-	116,869	980,940	980,940
CAMPUS SAFETY & SEXUAL ASSAULT	36,549	-	26,770	9,779	9,779
CAREER READINESS PGM-GOOGLE	24,526	-	-	24,526	24,526
CASCADE III-EL CAMINO CCD	2,094	8,715	-	10,809	10,809
CCAP INSTRUCTIONAL MATERIALS FOR DUAL ENROLLMENT	14,377	-	13,507	870	870
CDC AB 131 STIPENDS	34,986	-	12,541	22,445	22,445
CERTIFIED NURSE ASSISTANT PROGRAM	117,500	-	108,974	8,526	8,526
CHILD CARE FOOD PROGRAM	5,915	1,507	-	7,422	7,422
CHILD CARE RESOURCE CENTER	6,871	254	-	7,125	7,125
CHILD DEVELOPMENT	936,389	117,019	-	1,211,404	1,211,404
CLASSIFIED PROFESSIONAL	74,979	-	58,359	16,620	16,620
COVID-19 RECOVERY BLOCK GRANT	8,501,009	-	8,314,675	186,334	186,334

# San Bernardino Community College District

## Schedule of Expenditures of State Awards

Year Ended June 30, 2023

Program	Program Revenues				Program Expenditures
	Cash Received	Accounts Receivable	Unearned Revenue	Total Revenue	
CTE DATA UNLOCKED INITIATIVE	\$ 27,795	\$ -	\$ 27,795	\$ -	\$ -
CULTURALLY COMPETENT FACULTY PD	100,870	-	100,870	-	-
DREAM RESOURCE LIAISON	249,091	-	87,602	161,489	161,489
DREAMER STUDENTS	37,590	-	37,590	-	-
E.O.P.S.	2,832,091	-	1,163,536	1,668,555	1,668,555
EARLY ACTION EMGCY FIN. AID	234,521	-	133,800	100,721	100,721
ECON DEV FOR DISTRESSED AREAS	1,750,000	-	1,750,000	-	-
EDUCATIONAL PLANNING INITIATIV	70,097	-	70,097	-	-
EEO BEST PRACTICES	308,333	-	308,333	-	-
EQUAL EMPLOYMENT OPPORTUNITY	185,569	-	139,663	45,906	45,906
ETP #9	367,424	416,811	-	784,235	784,235
FINANCIAL AID TECHNOLOGY	217,098	-	116,092	101,006	101,006
FOSTER CARE EDUCATION	91,635	-	29,350	62,285	62,285
FOUNDATION CCC PRE-INSPECTOR	-	16,700	-	16,700	16,700
FULL TIME STUDENT SUCCESS GRANT	500	-	-	500	500
GROWING INLAND ACHIEVEMENT	100,000	-	-	100,000	100,000
GUIDED PATHWAYS	1,852,157	-	1,360,649	491,508	491,508
HANDICAPPED STUDENT PROGRAMS	1,789,969	-	509,960	1,280,009	1,280,009
HARMEYER INFANT CENTER	21,273	-	16,524	4,749	4,749
HIGH ROAD CONSTRUCTION CAREER (HRCCs)	221,961	13,065	-	235,026	235,026
HIGH ROAD TRAINING PARTNERSHIP	-	146,749	-	146,749	146,749
HIGHER EDUCATION STUDENT HOUSING GRANT	1,690,000	-	1,240,923	449,077	449,077
HUNGER FREE CAMPUS SUPPORT	49,734	-	36,703	13,031	13,031
ICT CYBERHUB CLOUD BASED TECH	163,361	1,073	-	164,434	164,434
IE PRE-APPRENTICESHIP PGM	194,199	-	1,596	192,603	192,603
IEDRC ARROYO VALLEY CORE	-	-	-	-	-
INLAND EMPIRE/DESERT REGIONAL CONSORTIUM	262,957	-	63,310	199,647	199,647
INNOVATION & EFFECTIVENESS GRANT	200,000	-	115,619	84,381	84,381

# San Bernardino Community College District

## Schedule of Expenditures of State Awards

Year Ended June 30, 2023

Program	Program Revenues				Program Expenditures
	Cash Received	Accounts Receivable	Unearned Revenue	Total Revenue	
INSTRUCTIONAL EQUIPMENT ALLOCATION	\$ 96,005	\$ -	\$ 96,005	\$ -	\$ -
KVCR AB-132 BILL	-	-	-	-	1,726,387
KVCR MEDIA ACADEMY	-	-	-	-	544,173
LEARNING ALIGNED EMPLOYMENT PROGRAM	4,043,108	-	4,043,108	-	-
LGBTQ+	183,800	-	146,552	37,248	37,248
LIBRARY SERVICES PLATFORM	44,758	-	12,601	32,157	32,157
LOCAL SHARES/SWP ROUND 3	164,959	-	17,236	147,723	147,723
LOCAL SHARES/SWP ROUND 4	97,506	-	69,607	27,899	27,899
LOCAL SHARES/SWP ROUND 5	968,439	-	-	968,439	968,439
LOCAL SHARES/SWP ROUND 6	2,191,003	-	1,328,557	862,446	824,589
LOCAL SHARES/SWP ROUND 7	3,217,955	-	2,481,387	736,568	736,568
MENTAL HEALTH SUPPORT	846,989	-	498,359	348,630	348,630
MESA GRANT	418,634	-	218,400	200,234	200,234
MIDDLE COLLEGE HIGH SCHOOL	264,801	-	115,329	149,472	149,472
NEXTUP FOSTER YOUTH SUPP. PRG.	452,401	-	404,881	47,520	47,520
NURSING EDUCATION	175,549	-	11,032	164,517	164,517
ONE TIME EMERGENCY AID	6,476	-	-	6,476	6,476
P48R6 RESPONSIVE TRAINING HP	15,972	-	-	15,972	15,972
P48R6 RESPONSIVE TRAINING RAH	13,538	889	-	14,427	14,427
P48R6 RESPONSIVE TRAINING RH	22,393	5,629	-	28,022	28,022
PHYSICAL PLANT/INST SUP FY2023	11,227,885	-	8,119,584	3,108,301	3,108,301
PRISON TO EMPLOYMENT INITIATIVE (P2E)	75,849	-	75,849	-	-
PROBATION-ENRICHMENT SERVICES	94,303	-	33,617	60,686	60,686
PROGRAM REVIEW	-	-	-	-	577,583
PROP 30 - EPA	7,369,779	-	-	7,369,779	7,369,779
RCC ACUTE CARE NURSING ASSIST	-	1,735	-	1,735	1,735
RCC-EMP ENGAGEMENT MGR	200,600	-	130,240	70,360	70,360
RCC-FAMILY CHILD CARE AGREEMENT	23,657	-	23,657	-	-
RCC-HHA-VNA HOSPICE	-	5,000	-	5,000	5,000

# San Bernardino Community College District

## Schedule of Expenditures of State Awards

Year Ended June 30, 2023

Program	Program Revenues				Program Expenditures
	Cash Received	Accounts Receivable	Unearned Revenue	Total Revenue	
REGIONAL SHARES/SWP ROUND 4	\$ 104,746	\$ -	\$ 104,746	\$ -	\$ -
REGIONAL SHARES/SWP ROUND 5	350,227	29,398	-	379,625	379,625
REGIONAL SHARES/SWP ROUND 6	170,794	221,664	-	392,458	392,458
REGIONAL SHARES/SWP ROUND 7	-	100,755	-	100,755	100,755
REPORT STREAMLINING PROGRAM	197,219	-	138,862	58,357	58,357
RIVERSIDE COUNTY REGIONAL TRAINING	181	-	181	-	-
RIVERSIDE COUNTY SHERIFF DEPARTMENT	(327)	-	-	(327)	-
SFAA-BFAP ADM ALLOWANCE	1,078,840	-	374,685	704,155	704,155
STAFF DEVELOPMENT	248	-	248	-	-
STATE PRESCHOOL GRANT	1,977,300	340,143	-	2,317,443	1,994,274
STUDENT EQUITY& ACHIEVEMENT GRANT	12,043,904	-	3,900,453	8,143,451	8,143,451
STUDENT FOOD AND HOUSING SUPPORT	925,184	-	708,650	216,534	216,534
STUDENT RETENTION & OUTREACH	3,146,259	-	1,624,226	1,522,033	1,522,033
STUDENT SUCCESS COMPLETION GRT	5,572,945	-	3,228,229	2,344,716	2,344,716
STRONG WORKFORCE PROGRAM - IEDRC P49R6 INNOV & AUTOMATIVE	95,866	69,192	-	165,058	165,058
STRONG WORKFORCE PROGRAM - REGIONAL REALLOCATED FUNDS	27,725	-	27,725	-	-
STRONG WORKFORCE PROGRAM- POSITIVE INCENTIVE FUNDING	5,432	-	5,432	-	-
SYSTEMWIDE TECH & DATA	300,000	-	274,194	25,806	25,806
TECHNICAL BUILDING REPLACEMENT	-	13,999,999	-	13,999,999	13,999,999
TELECOMMUNICATIONS TECHNOLOGY	5,641	-	5,641	-	-
TEMPORARY ASST FOR NEEDY FAMILIES (TANF)	35,932	17,279	11,351	41,860	41,860
UNIQUELY ABLED	47,186	-	38,018	9,168	9,168
VETERANS RESOURCE CENTER	557,035	-	303,463	253,572	253,572
YOUTH EMPOWERMENT STR (FRM ILP)	13,338	7,901	-	21,239	21,239
ZERO TEXTBOOK COST DEGREE	400,000	-	400,000	-	-
Total state programs	<u>\$ 100,269,104</u>	<u>\$ 18,630,624</u>	<u>\$ 53,681,824</u>	<u>\$ 65,375,900</u>	<u>\$ 67,863,344</u>

San Bernardino Community College District  
Schedule of Workload Measures for State General Apportionment Annual (Actual) Attendance  
Year Ended June 30, 2023

CATEGORIES	Reported Data	Audit Adjustments	Audited Data
<b>A. Summer Intersession (Summer 2022 only)</b>			
1. Noncredit*	10.70	-	10.70
2. Credit	1,026.51	-	1,026.51
<b>B. Summer Intersession (Summer 2023 - Prior to July 1, 2023)</b>			
1. Noncredit*	7.98	-	7.98
2. Credit	1,021.67	-	1,021.67
<b>C. Primary Terms (Exclusive of Summer Intersession)</b>			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	2,748.24	-	2,748.24
(b) Daily Census Contact Hours	841.18	-	841.18
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit*	422.27	-	422.27
(b) Credit	1,113.90	-	1,113.90
3. Alternative Attendance Accounting Procedures Courses			
(a) Weekly Census Procedure Courses	2,645.75	-	2,645.75
(b) Daily Census Procedure Courses	3,102.67	-	3,102.67
(c) Noncredit Independent Study/Distance Education Courses	-	-	-
<b>D. Total FTES</b>	<u>12,940.87</u>	<u>-</u>	<u>12,940.87</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	384.52	-	384.52
<b><u>CCFS-320 Addendum</u></b>			
CDCP Noncredit FTES	47.36	-	47.36

\* Including Career Development and College Preparation (CDCP) FTES



San Bernardino Community College District  
Reconciliation of *Education Code* Section 84362 (50 Percent Law) Calculation  
Year Ended June 30, 2023

		ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799			
		Object/TOP Codes	Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
<u>Academic Salaries</u>								
Instructional Salaries								
Contract or Regular		1100	\$ 22,198,177	\$ -	\$ 22,198,177	\$ 22,198,177	\$ -	\$ 22,198,177
Other		1300	15,777,843	-	15,777,843	15,777,843	-	15,777,843
Total Instructional Salaries			37,976,020	-	37,976,020	37,976,020	-	37,976,020
Noninstructional Salaries								
Contract or Regular		1200	-	-	-	8,969,362	-	8,969,362
Other		1400	-	-	-	1,075,814	-	1,075,814
Total Noninstructional Salaries			-	-	-	10,045,176	-	10,045,176
Total Academic Salaries			37,976,020	-	37,976,020	48,021,196	-	48,021,196
<u>Classified Salaries</u>								
Noninstructional Salaries								
Regular Status		2100	-	-	-	22,761,611	-	22,761,611
Other		2300	-	-	-	2,221,886	-	2,221,886
Total Noninstructional Salaries			-	-	-	24,983,497	-	24,983,497
Instructional Aides								
Regular Status		2200	2,272,041	-	2,272,041	2,272,041	-	2,272,041
Other		2400	1,251,785	-	1,251,785	1,251,785	-	1,251,785
Total Instructional Aides			3,523,826	-	3,523,826	3,523,826	-	3,523,826
Total Classified Salaries			3,523,826	-	3,523,826	28,507,323	-	28,507,323
Employee Benefits		3000	14,753,112	-	14,753,112	27,673,927	-	27,673,927
Supplies and Material		4000	-	-	-	908,126	-	908,126
Other Operating Expenses		5000	1,484,110	-	1,484,110	12,524,824	-	12,524,824
Equipment Replacement		6420	-	-	-	267,689	-	267,689
Total Expenditures								
Prior to Exclusions			57,737,068	-	57,737,068	117,903,085	-	117,903,085

San Bernardino Community College District  
Reconciliation of *Education Code* Section 84362 (50 Percent Law) Calculation  
Year Ended June 30, 2023

		ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799			
		Object/TOP Codes	Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
<u>Exclusions</u>								
Activities to Exclude								
Instructional Staff - Retirees' Benefits and Retirement Incentives		5900	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Student Health Services Above Amount Collected		6441	-	-	-	(57,818)	-	(57,818)
Student Transportation		6491	-	-	-	-	-	-
Noninstructional Staff - Retirees' Benefits and Retirement Incentives		6740	-	-	-	-	-	-
Objects to Exclude								
Rents and Leases		5060	-	-	-	1,355,220	-	1,355,220
Lottery Expenditures								
Academic Salaries		1000	-	-	-	-	-	-
Classified Salaries		2000	-	-	-	-	-	-
Employee Benefits		3000	-	-	-	-	-	-
Supplies and Materials		4000	-	-	-	-	-	-
Software		4100	-	-	-	-	-	-
Books, Magazines, and Periodicals		4200	-	-	-	-	-	-
Instructional Supplies and Materials		4300	-	-	-	-	-	-
Noninstructional Supplies and Materials		4400	-	-	-	-	-	-
Total Supplies and Materials			-	-	-	-	-	-

San Bernardino Community College District  
Reconciliation of *Education Code* Section 84362 (50 Percent Law) Calculation  
Year Ended June 30, 2023

	Object/TOP Codes	ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
Other Operating Expenses and Services	5000	\$ -	\$ -	\$ -	\$ 3,167,088	\$ -	\$ 3,167,088
Capital Outlay	6000						
Library Books	6300	-	-	-	-	-	-
Equipment	6400	-	-	-	-	-	-
Equipment - Additional	6410	-	-	-	-	-	-
Equipment - Replacement	6420	-	-	-	-	-	-
Total Equipment		-	-	-	-	-	-
Total Capital Outlay							
Other Outgo	7000	-	-	-	-	-	-
Total Exclusions		-	-	-	4,464,490	-	4,464,490
Total for ECS 84362, 50% Law		\$ 57,737,068	\$ -	\$ 57,737,068	\$ 113,438,595	\$ -	\$ 113,438,595
% of CEE (Instructional Salary Cost/Total CEE)		50.90%		50.90%	100.00%		100.00%
50% of Current Expense of Education					\$ 56,719,298		\$ 56,719,298

San Bernardino Community College District  
Proposition 30 Education Protection Account (EPA) Expenditure Report  
Year Ended June 30, 2023

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Activity Classification	Object Code	Unrestricted			
EPA Revenue:	8630				
					\$ 7,441,974
Activity Classification	Activity Code	Salaries and Benefits (Obj 1000-3000)	Operating Expenses (Obj 4000-5000)	Capital Outlay (Obj 6000)	Total
Instructional Activities	1000-5900	\$ 7,441,974	\$ -	\$ -	\$ 7,441,974
Total Expenditures for EPA		\$ 7,441,974	\$ -	\$ -	\$ 7,441,974
Revenues Less Expenditures					\$ -

San Bernardino Community College District  
Reconciliation of Governmental Funds to the Statement of Net Position  
Year Ended June 30, 2023

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Amounts reported for governmental activities in the Statement of Net Position are different because

Total fund balance		
General Funds	\$ 44,354,097	
Special Revenue Funds	106,187,517	
Capital Project Funds	273,878,826	
Debt Service Funds	65,044,224	
Proprietary Funds	55,509,630	
Internal Service Funds	<u>8,736,492</u>	
Total fund balance - all District funds		\$ 553,710,786
Capital assets, right-to-use leased assets and right-to-use subscription IT 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	866,663,622	
Accumulated depreciation is	(247,125,572)	
The cost of right-to-use leased assets is	3,603,422	
Accumulated amortization is	(2,296,454)	
The cost of right-to-use subscription IT assets is	6,605,394	
Accumulated amortization is	(3,034,615)	
Less: capital assets already recorded in proprietary funds	<u>(46,124,543)</u>	
Total capital assets, right-to-use leased assets, and right-to-use subscription IT assets, net		578,291,254
The net other postemployment benefits (OPEB) asset results from the difference between annual OPEB cost on the accrual basis and OPEB contributions.		
		1,273,555
Lease receivables and deferred inflows of resources related to leases are reported in the Statement of Net Position, but were not reported on the District's CCFS-311 report		
Lease receivables	37,996,881	
Deferred inflows of resources related to leases	<u>(31,307,486)</u>	
		6,689,395
Deferred outflows of resources represent a consumption of net position in a future period and is not reported in the District's funds. Deferred outflows of resources at year-end consist of:		
Deferred outflows of resources related to debt refunding	59,967,348	
Deferred outflows of resources related to OPEB	2,609,698	
Deferred outflows of resources related to pensions	<u>42,896,493</u>	
Total deferred outflows of resources		105,473,539

San Bernardino Community College District  
Reconciliation of Governmental Funds to the Statement of Net Position  
Year Ended June 30, 2023

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The District has refunded debt liabilities with crossover bonds.

These investments are held in an escrow account to pay

liabilities remaining on the books at the crossover date.

\$ 31,433,093

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

(9,098,256)

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.

Long-term liabilities at year end consist of:

General obligation bonds

\$ (807,017,253)

Compensated absences

(5,734,047)

Subscription-based IT arrangements

(3,824,473)

Lease liability

(1,625,466)

Aggregate net other postemployment benefits (OPEB) liability

(359,724)

Net pension liability

(131,180,038)

In addition, the District has issued 'capital appreciation'

general obligation bonds. The accretion of interest

unmatured on the general obligation bonds to date is

(56,848,793)

Total long-term liabilities

(1,006,589,794)

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

Deferred inflows of resources amount to and related to

Deferred inflows of resources related to OPEB

(5,677,057)

Deferred inflows of resources related to pensions

(16,903,002)

Total deferred inflows of resources

(22,580,059)

Total net position

\$ 238,603,513

## **Note 1 - Purpose of Schedules**

### **District Organization**

This schedule provides information about the District's governing board members, administration members, and auxiliary organizations in good standing as of June 30, 2023.

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

#### Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the District under programs of the federal government for the year ended June 30, 2023. The information 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). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

#### Summary of Significant Accounting Policies

Expenditures reported in the Schedule are reported on the modified accrual basis of accounting. When applicable, such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. No federal financial assistance has been provided to a subrecipient.

#### Indirect Cost Rate

The District has not elected to use the 10% de minimis cost rate.

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

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

### **Schedule of Workload Measures for State General Apportionment Annual (Actual) Attendance**

FTES is a measurement of the number of students attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis for making apportionments of State funds to community college districts. This schedule provides information regarding the attendance of students based on various methods of accumulating attendance data.

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

ECS 84362 requires the District to expend a minimum of 50% 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.

**Proposition 30 Education Protection Account (EPA) Expenditure Report**

This schedule provides information about the District's EPA proceeds and summarizes the expenditures of EPA proceeds.

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

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





Independent Auditor's Reports  
June 30, 2023

# San Bernardino Community College District



**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 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 (*Government Auditing Standards*), the financial statements of the business-type activities and the remaining fund information of the San Bernardino Community College District (the District) as of and for the year ended June 30, 2023, 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 17, 2023.

***Adoption of New Accounting Standard***

As discussed in Note 2 and 14 to the financial statements, the District has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements*, for the year ended June 30, 2023. Accordingly, a restatement has been made to the business-type activities net position as of July 1, 2022, to restate beginning net position. Our opinions are not modified with respect to this matter.

**Report on 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) as a basis for designing 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 or significant deficiencies may exist that were not identified.

### **Report on 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Rancho Cucamonga, California  
November 17, 2023



## **Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance Required by the Uniform Guidance**

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

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

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

We have audited San Bernardino Community College District's (the District) compliance with the types of compliance requirements identified as subject to audit 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, 2023. 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.

In our opinion, the San Bernardino Community College District complied, in all material respects, with the 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, 2023.

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

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

### ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the District's federal programs.

### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### ***Report on 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 a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

A handwritten signature in black ink that reads "Esde Bailly LLP". The signature is written in a cursive, flowing style.

Rancho Cucamonga, California  
November 17, 2023



## 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 described in the 2022-2023 California Community Colleges Chancellor's Office *Contracted District Audit Manual* applicable to the state laws and regulations listed in the table below for the year ended June 30, 2023.

### Opinion

In our opinion, the San Bernardino Community College District complied, in all material respects, with the compliance requirements referred to above that are applicable to the State programs noted in the table below that were audited for the year ended June 30, 2023.

### Basis for Opinion

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); and the standards and procedures identified in the 2022-2023 California Community Colleges Chancellor's Office *Contracted District Audit Manual*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on state compliance with the compliance requirements subject to audit in the 2022-2023 California Community Colleges Chancellor's Office *Contracted District Audit Manual*. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

### ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the District's compliance with the requirements listed in the table below.

### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements listed in the table below has occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the 2022-2023 California Community Colleges Chancellor's Office *Contracted District Audit Manual* will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements listed in the table below.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the 2022-2023 California Community Colleges Chancellor's Office *Contracted District Audit Manual*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit 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 over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any material noncompliance with the requirements listed in the table below that we identified during the audit.



### ***Compliance Requirements Tested***

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 411	SCFF Data Management Control Environment
Section 412	SCFF Supplemental Allocation Metrics
Section 413	SCFF Success Allocation Metrics
Section 421	Salaries of Classroom Instructors (50 Percent Law)
Section 423	Apportionment for Activities Funded From Other Sources
Section 424	Student Centered Funding Formula Base Allocation: FTES
Section 425	Residency Determination for Credit Courses
Section 426	Students Actively Enrolled
Section 427	Dual Enrollment (CCAP)
Section 430	Scheduled Maintenance Program
Section 431	Gann Limit Calculation
Section 444	Apprenticeship Related and Supplemental Instruction (RSI) Funds
Section 475	Disabled Student Programs and Services (DSPS)
Section 490	Propositions 1D and 51 State Bond Funded Projects
Section 491	Education Protection Account Funds
Section 492	Student Representation Fee
Section 494	State Fiscal Recovery Fund
Section 499	COVID-19 Response Block Grant Expenditures

The District reports no Apprenticeship Related and Supplemental Instruction (RSI) funds; therefore, the compliance tests within this section were not applicable.

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

The State Fiscal Recovery Fund was included as a major federal program, as described in the summary of auditor's results; therefore the compliance requirements within this section were not performed.

The purpose of this report on state compliance is solely to describe the results of our testing based on the requirements of the 2022-2023 California Community Colleges Chancellor's Office *Contracted District Audit Manual*. Accordingly, this report is not suitable for any other purpose.



Rancho Cucamonga, California  
November 17, 2023



Schedule of Findings and Questioned Costs  
June 30, 2023

# San Bernardino Community College District

# San Bernardino Community College District

Summary of Auditor's Results

Year Ended June 30, 2023

## **Financial Statements**

Type of auditor's report issued	Unmodified
Internal control over financial reporting	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None Reported
Noncompliance material to financial statements noted?	No

## **Federal Awards**

Internal control over major programs	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None Reported
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516(a)	No

## **Identification of major programs:**

<u>Name of Federal Program or Cluster</u>	<u>Federal Financial Assistance Listing Number</u>
COVID-19: Higher Education Emergency Relief Funds, Student Aid Portion	84.425E
COVID-19: Higher Education Emergency Relief Funds, Institutional Portion	84.425F
COVID-19: Higher Education Emergency Relief Funds, Minority Serving Institutions	84.425L
COVID-19: Coronavirus State and Local Fiscal Recovery Funds	21.027
Dollar threshold used to distinguish between type A and type B programs	\$1,160,893
Auditee qualified as low-risk auditee?	No

## **State Compliance**

Type of auditor's report issued on compliance for state programs	Unmodified
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None reported.

None reported.

None reported.

San Bernardino Community College District  
Summary Schedule of Prior Audit Findings  
Year Ended June 30, 2023

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There were no audit findings reported in the prior year's Schedule of Findings and Questioned Costs.

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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 (i) \$51,000,000 San Bernardino Community College District (San Bernardino, California) Election of 2008 General Obligation Bonds, Series E (the “Series E Bonds”), and (ii) \$170,000,000 San Bernardino Community College District (San Bernardino, California) Election of 2018 General Obligation Bonds, Series B (the “Series B Bonds”, and together with the Series E Bonds, the “Bonds”). The Bonds are being issued pursuant to Resolutions of the District adopted on October 19, 2023 (collectively, the “Resolutions”). The District covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the District for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriters in complying with S.E.C. Rule 15c2-12(b)(5).

SECTION 2. Definitions. In addition to the definitions set forth in the Resolutions, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the District pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“Beneficial Owner” shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

“Dissemination Agent” shall mean initially Keygent LLC, or any successor Dissemination Agent designated in writing by the District (which may be the District) and which has filed with the District a written acceptance of such designation.

“Financial Obligation” shall mean (a) a debt obligation, (b) a derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or (c) a guarantee of (a) or (b). The term “Financial Obligation” does not include municipal securities as to which a final official statement has been provided to the Municipal Rulemaking Board consistent with the Rule.

“Holders” shall mean registered owners of the Bonds.

“Listed Events” shall mean any of the events listed in Sections 5(a) or (b) of this Disclosure Certificate.

“Official Statement” shall mean the Official Statement, dated as of December 12, 2023, relating to the offer and sale of the Bonds.

“Participating Underwriters” shall mean Piper Sandler & Co. and Ramirez & Co., Inc., or any of the original underwriters 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 2022-23 Fiscal Year, provide to the Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; *provided* that the audited financial statements of the District may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the District’s fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(b).

(b) Not later than 30 days (nor more than 60 days) prior to said date the Dissemination Agent shall give notice to the District that the Annual Report shall be required to be filed in accordance with the terms of this Disclosure Certificate. Not later than 15 Business Days prior to said date, the District shall provide the Annual Report in a format suitable for reporting to the Repository to the Dissemination Agent (if other than the District). If the District is unable to provide to the Repository an Annual Report by the date required in subsection (a), the District shall send a timely notice to the Repository in substantially the form attached as Exhibit A with a copy to the Dissemination Agent. The Dissemination Agent shall not be required to file a Notice to Repository of Failure to File an Annual Report.

(c) The Dissemination Agent shall file a report with the District stating it has filed the Annual Report in accordance with its obligations hereunder, stating the date it was provided to the Repository.

### SECTION 4. Content and Form of Annual Reports.

(a) The District’s Annual Report shall contain or include by reference the following:

1. The audited financial statements of the District for the prior fiscal year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the District’s audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

2. Material financial information and operating data with respect to the District of the type included in the Official Statement in the following categories (to the extent not included in the District's audited financial statements):

- (A) State funding received by the District for the last completed fiscal year;
- (B) Full time equivalent student counts of the District for the last completed fiscal year;
- (C) outstanding District indebtedness;
- (D) summary financial information on revenues, expenditures and fund balances for the District's general fund reflecting adopted budget for the current fiscal year.
- (E) assessed valuation of taxable property within the District, for the current fiscal year.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which have been submitted to the Repository or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The District shall clearly identify each such other document so included by reference.

(b) The Annual Report shall be filed in an electronic format accompanied by identifying information prescribed by the Municipal Securities Rulemaking Board.

#### SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5(a), the District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds in a timely manner not in excess of 10 business days after the occurrence of the event:

- 1. principal and interest payment delinquencies.
- 2. tender offers.
- 3. defeasances.
- 4. rating changes.
- 5. adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, or Notices of Proposed Issue (IRS Form 5701-TEB).
- 6. unscheduled draws on the debt service reserves reflecting financial difficulties.
- 7. unscheduled draws on credit enhancement reflecting financial difficulties.
- 8. substitution of the credit or liquidity providers or their failure to perform.
- 9. default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the District, any of which reflect financial difficulties; and

10. bankruptcy, insolvency, receivership or similar event (within the meaning of the Rule) of the District. For the purposes of the event identified in this Section 5(a)(10), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the District in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District.

(b) Pursuant to the provisions of this Section 5(b), the District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

1. non-payment related defaults.
2. modifications to rights of Bondholders.
3. optional, contingent or unscheduled Bond calls.
4. unless described under Section 5(a)(5) above, material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds.
5. release, substitution or sale of property securing repayment of the Bonds.
6. the consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms.
7. appointment of a successor or additional paying agent with respect to the Bonds or the change of name of such paying agent.
8. incurrence of a Financial Obligation of the District, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the District, any of which affect Bondowners.

(c) Whenever the District obtains knowledge of the occurrence of a Listed Event under Section 5(b) hereof, the District shall as soon as possible determine if such event would be material under applicable federal securities laws.

(d) If the District determines that knowledge of the occurrence of a Listed Event under Section 5(b) hereof would be material under applicable federal securities laws, the District shall (i) file a notice of such occurrence with the Repository in a timely manner not in excess of 10 business days after the occurrence of the event or (ii) provide notice of such reportable event to the Dissemination Agent in format suitable for filing with the Repository in a timely manner not in excess of 10 business days after the occurrence of the event. The Dissemination Agent shall have no duty to independently prepare or file

any report of Listed Events. The Dissemination Agent may conclusively rely on the District's determination of materiality pursuant to Section 5(c).

SECTION 6. Termination of Reporting Obligation. The District's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the District shall give notice of such termination in the same manner as for a Listed Event under Section 5(a) or Section 5(b), as applicable.

SECTION 7. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent (or substitute Dissemination Agent) to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent may resign upon 15 days written notice to the District. Upon such resignation, the District shall act as its own Dissemination Agent until it appoints a successor. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the District pursuant to this Disclosure Certificate and shall not be responsible to verify the accuracy, completeness or materiality of any continuing disclosure information provided by the District. The District shall compensate the Dissemination Agent for its fees and expenses hereunder as agreed by the parties. Any entity succeeding to all or substantially all of the Dissemination Agent's corporate trust business shall be the successor Dissemination Agent without the execution or filing of any paper or further act.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

- (a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, 5(a) or 5(b), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;
- (b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances;
- (c) The amendment or waiver does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Bonds; and
- (d) No duties of the Dissemination Agent hereunder shall be amended without its written consent thereto.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the District shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the District. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(b), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the

financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the District shall have no obligation under this Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of the District to comply with any provision of this Disclosure Certificate any Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an event of default under the Resolution, and the sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate. The Dissemination Agent acts hereunder solely for the benefit of the District; this Disclosure Certificate shall confer no duties on the Dissemination Agent to the Participating Underwriters, the Holders and the Beneficial Owners. The District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorney's fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's gross negligence or willful misconduct. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds. The Dissemination Agent shall have no liability for the failure to report any event or any financial information as to which the District has not provided an information report in format suitable for filing with the Repository. The Dissemination Agent shall not be required to monitor or enforce the District's duty to comply with its continuing disclosure requirements hereunder.

SECTION 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriters and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Dated: December 28, 2023

SAN BERNARDINO COMMUNITY COLLEGE  
DISTRICT

By \_\_\_\_\_  
Authorized Officer

**EXHIBIT A**

**NOTICE TO REPOSITORY OF FAILURE TO FILE ANNUAL REPORT**

Name of District:        SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

Name of Bond Issue:    Election of 2008 General Obligation Bonds, Series E  
                                 Election of 2018 General Obligation Bonds, Series B

Date of Issuance:        December 28, 2023

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, THE CITY OF REDLANDS, THE CITY OF RIALTO, AND SAN BERNARDINO COUNTY

*The following information regarding the City of San Bernardino, the City of Redlands, the City of Rialto (the “Cities”) and San Bernardino County (the “County”) is included only for the purpose of supplying general information regarding the local community and economy. The Bonds are not a debt of the Cities or of the County. This material has been prepared by or excerpted from the sources as noted herein and has not been reviewed for accuracy by the District, Bond Counsel, the Underwriters or the municipal advisor.*

#### General

***The City of San Bernardino.*** Incorporated in 1854 as a charter city, the City is located approximately 60 miles east of downtown Los Angeles and 55 miles west of Palm Springs. Situated at the meeting of the I-10, SR-210 and I-215 highways, the City has over 35 million square-feet of industrial space, and has been at the center of the movement of material goods through the southern portion of the State of California (the “State”) since 1875. The City also hosts and is within close proximity to several colleges, with opportunities in education making up a large percentage of its economy. The City blends elements of a Council-Manager form of government with a strong-mayor system. The mayor is the chief executive, and appoints and supervises a city manager. The mayor is elected at large, while seven council members are elected from specific wards. The mayor and the council members serve four-year staggered terms.

***The City of Redlands.*** Located 63 miles east of Los Angeles, and 110 miles north of San Diego, Redlands is in the southwestern part of the County, at the base of the San Bernardino mountains. Incorporated in 1888 as a general law city, it has an area of 36 square miles. It has a five-member City Council, which hires the City Manager and the City Attorney. The City Council is elected by district to serve four-year staggered terms, and the Mayor is elected by a majority vote of the Council. Service and trade sectors make up the majority of the economy of Redlands. It also has a strong housing market with many commercial developments.

***The City of Rialto.*** Incorporated in 1911 as a general law city, Rialto has a total area of 22.4 square miles and has a Council-Manager form of government. Four Council Members are elected to service staggered four-year terms, and the Mayor is elected at large to serve a four-year term. Rialto is located 56 miles east of Los Angeles and is home to major regional distribution centers due to its proximity to Interstates 15 and 10, as well as State Route 210. It also has a large residential population.

***San Bernardino County.*** The County is located in the southern portion of the State. The County is bordered by the State of Nevada and the State of Arizona 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 State and the twelfth most populous in the United States, with an area of 20,160 square miles; more than three-quarters of the area is vacant and covered by desert, forest and mountain ranges. It is the largest county in the nation. The County is governed by a five-member Board of Supervisors, each elected from their districts. The County was established on May 23, 1853, and the County seat is the City. Experiencing strong expansion, the County, which is the major employer of the Riverside-San Bernardino metro area, currently has California’s fastest job growth.

## Population

The following table shows historical population figures for the Cities, the County and the State for the past 10 years.

**POPULATION ESTIMATES**  
**2014 through 2023**  
**City of San Bernardino, City of Redlands, City of Rialto, San Bernardino County and State of California**

<u>Year<sup>(1)</sup></u>	<u>City of San Bernardino</u>	<u>City of Redlands</u>	<u>City of Rialto</u>	<u>San Bernardino County</u>	<u>State of California</u>
2014	215,073	69,849	101,859	2,094,951	38,556,731
2015	216,169	70,310	102,555	2,112,187	38,865,532
2016	216,645	70,470	102,640	2,122,579	39,103,587
2017	217,353	70,799	102,668	2,139,520	39,352,398
2018	217,550	70,801	102,373	2,150,017	39,519,535
2019	217,701	71,003	102,733	2,165,876	39,605,361
2020	223,445	72,863	104,139	2,181,654	39,538,223
2021	221,351	72,739	103,760	2,179,007	39,286,510
2022	220,514	72,259	103,406	2,180,777	39,078,674
2023	223,230	71,972	102,985	2,182,056	38,940,231

<sup>(1)</sup> As of January 1.

Source: 2014-19 (2010 Demographic Research Unit Benchmark): California Department of Finance for January 1. 2020-23 (2020 Demographic Research Unit Benchmark): California Department of Finance for January 1.

## Income

The following table shows per capita personal income for the County, the State of California and the United States for the past 10 years.

**PER CAPITA PERSONAL INCOME**  
**2012 through 2021**  
**San Bernardino County, State of California and the United States**

<u>Year</u>	<u>San Bernardino County</u>	<u>State of California</u>	<u>United States</u>
2012	\$31,343	\$48,121	\$44,548
2013	32,011	48,502	44,798
2014	33,608	51,266	46,887
2015	35,423	54,546	48,725
2016	36,618	56,560	49,613
2017	37,537	58,804	51,550
2018	38,849	61,508	53,786
2019	41,253	64,919	56,250
2020	45,499	70,647	59,765
2021	49,493	76,614	64,143

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. Last updated: November 16, 2022 – new statistics for 2021; revised statistics for 2012-2020. All dollar estimates are in current dollars (not adjusted for inflation).

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

## Principal Employers

The following tables list the principal employers located in the Cities and the County.

### PRINCIPAL EMPLOYERS as of June 30, 2022 City of San Bernardino

<u>Company</u>	<u>Description</u>	<u>Employees</u>
County of San Bernardino	Public Administration	22,719
Stater Brothers	Retail Trade: Food Stores	18,000
San Bernardino City Unified School District	Educational Services	6,400
Kaiser Permanente – Fontan Med	Health Services	1,000 – 4,999
Arrowhead Regional Medical Center	Health Services	1,000 – 4,999
Environmental Systems Research	Business Services: Computer Related	1,000 – 4,999
California State University, San Bernardino	Educational Services	1,000 – 4,999
LEHP Health Services	Health Services	1,000 – 4,999
San Bernardino County Sheriff	Public Administration	1,000 – 4,999
City of San Bernardino	Educational Services	1,173

Source: City of San Bernardino “Annual Comprehensive Financial Report” for Fiscal Year Ended June 30, 2022.

### PRINCIPAL EMPLOYERS as of June 30, 2022 City of Redlands

<u>Company</u>	<u>Description</u>	<u>Employees</u>
ESRI	Business Services: Computer Related	2,713
Redlands Unified School District	Educational Services	2,355
Redlands Community Hospital	Health Services	1,319
Beaver Medical Group (aka Epic Mgmt)	Health Services	1,027
Amazon Fulfillment Center (Redlands)	Transportation of Freight and Cargo	800
University of Redlands	Educational Services	524
City of Redlands	Public Administration	460
Terracina Post Acute	Health Services	280
Loma Linda University Behavioral Medicine Center	Health Services	256
The Home Depot	Retail Trade: Building Materials	247

Source: City of Redlands “Annual Comprehensive Financial Report” for Fiscal Year Ended June 30, 2022.

**PRINCIPAL EMPLOYERS**  
**as of June 30, 2022**  
**City of Rialto**

<u>Company</u>	<u>Description</u>	<u>Employees</u>
Rialto Unified School District	Educational Services	2,500 – 2,999
Chuze Fitness	Amusement and Recreation Services	500 – 999
City of Rialto	Public Administration	250 - 499
Walmart Supercenter	Retail Trade: General Merchandise Stores	250 - 499
Amazon Fulfillment Ctr	Transportation of Freight and Cargo	250 - 499
Stater Bros Markets	Retail Trade: Food Stores	250 - 499
Vista Cover Care at Rialto	Health Services	100 – 249
Columbia Steel Inc.	Manufacturing: Primary Metal Industries	100 – 249
Forest River Inc.	Miscellaneous Retail	100 – 249
Mesa Counseling Svc.	Health Services	100 - 249

*Source: City of Rialto "Annual Comprehensive Financial Report" for Fiscal Year Ended June 30, 2022.*

**PRINCIPAL EMPLOYERS**  
**as of June 30, 2022**  
**San Bernardino County**

<u>Company</u>	<u>Description</u>	<u>Employees</u>
San Bernardino County	Public Administration	5,000 – 9,999
Amazon	Transportation of Freight and Cargo	5,000 – 9,999
Loma Linda University Medical Center	Health Services	5,000 – 9,999
Staters Brothers	Retail Trade: Food Stores	1,000 – 5,000
Burlington Distribution Corp.	Transportation of Freight and Cargo	1,000 – 5,000
Environmental Systems Research	Business Services: Computer Related	1,000 – 5,000
FedEx Ground	Transportation of Freight and Cargo	1,000 – 5,000
Inland Empire Health Plan	Insurance Agents, Brokers, and Service	1,000 – 5,000
San Antonio Community Hospital	Health Services	1,000 – 5,000
San Manuel Tribe & Casino	Amusement and Recreation Services	1,000 – 5,000

*Source: San Bernardino County "Annual Comprehensive Financial Report" for the Fiscal Year Ended June 30, 2022.*

## Employment

The following table summarizes the labor force, employment and unemployment figures for the years 2017 through 2021 for the Cities, the County, the State of California and the United States.

### CIVILIAN LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT RATE

2017 through 2021<sup>(1)</sup>

City of San Bernardino, City of Redlands, City of Rialto, San Bernardino 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>2017</u>				
City of San Bernardino	83,800	78,400	5,400	6.4
City of Redlands	34,900	33,600	1,300	3.8
City of Rialto	44,100	41,600	2,500	5.7
San Bernardino County	942,000	895,300	46,800	5.0
State of California	19,176,400	18,257,100	919,300	4.8
United States	160,320,000	153,337,000	6,982,000	4.4
<u>2018</u>				
City of San Bernardino	83,700	79,300	4,400	5.3
City of Redlands	35,300	34,100	1,200	3.3
City of Rialto	44,300	42,200	2,000	4.6
San Bernardino County	955,100	915,800	39,200	4.1
State of California	19,280,800	18,460,700	820,100	4.3
United States	162,075,000	155,761,000	6,314,000	3.9
<u>2019</u>				
City of San Bernardino	84,300	80,100	4,100	4.9
City of Redlands	35,600	34,500	1,100	3.1
City of Rialto	44,800	42,700	2,000	4.5
San Bernardino County	967,100	929,800	37,400	3.9
State of California	19,411,600	18,627,400	784,200	4.0
United States	163,539,000	157,538,000	6,001,000	3.7
<u>2020</u>				
City of San Bernardino	86,900	76,200	10,700	12.3
City of Redlands	35,600	32,900	2,700	7.6
City of Rialto	45,500	40,500	4,900	10.8
San Bernardino County	974,700	880,900	93,800	9.6
State of California	18,821,200	16,923,100	1,908,100	10.0
United States	160,742,000	147,795,000	12,947,000	8.1
<u>2021</u>				
City of San Bernardino	88,100	79,500	8,600	9.8
City of Redlands	36,300	34,300	2,000	5.5
City of Rialto	46,300	42,300	4,000	8.6
San Bernardino County	992,200	918,600	73,600	7.4
State of California	19,041,000	18,127,700	913,300	4.8
United States	161,204,000	152,581,000	8,623,000	5.3

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 2021 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 2018 through 2022 San Bernardino County (Riverside-San Bernardino-Ontario MSA)

<u>Category</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Total Farm	14,500	15,400	14,100	13,700	13,900
Total Nonfarm	1,506,600	1,552,700	1,495,800	1,575,100	1,660,300
Total Private	1,249,400	1,291,500	1,247,800	1,333,100	1,410,900
Goods Producing	206,800	209,700	202,200	207,700	216,400
Mining and Logging	1,200	1,200	1,300	1,400	1,600
Construction	105,200	107,200	104,900	110,100	115,200
Manufacturing	101,400	101,300	96,000	96,100	99,600
Durable Goods	65,700	65,700	61,200	60,000	61,100
Nondurable Goods	34,700	35,600	34,800	36,200	38,500
Service Providing	1,299,800	1,343,100	1,293,700	1,367,400	1,443,900
Private Service Providing	1,042,700	1,081,800	1,045,600	1,125,500	1,194,500
Trade, Transportation and Utilities	379,400	395,100	406,900	443,200	464,500
Wholesale Trade	66,100	67,700	65,600	67,400	69,700
Retail Trade	181,200	180,700	168,800	177,000	180,600
Transportation, Warehousing and Utilities	132,100	146,600	172,500	198,800	214,200
Information	11,400	11,500	9,600	9,700	10,200
Financial Activities	44,600	45,000	44,100	45,200	46,800
Professional and Business Services	151,400	157,900	154,800	169,400	179,100
Private Education and Health Services	239,500	250,300	248,800	254,300	266,400
Leisure and Hospitality	170,600	175,900	141,300	160,200	179,600
Other Services	45,800	46,200	40,200	43,600	47,900
Government	<u>257,200</u>	<u>261,200</u>	<u>248,000</u>	<u>242,000</u>	<u>249,400</u>
Total, All Industries	<u>1,521,100</u>	<u>1,568,100</u>	<u>1,509,900</u>	<u>1,588,800</u>	<u>1,674,200</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, Annual Average Labor Force and Industry Employment. March 2022 Benchmark.

## Commercial Activity

A summary of annual taxable sales for the Cities and the County for the last five years is shown in the following table.

**ANNUAL TAXABLE SALES  
2018 through 2022  
City of San Bernardino  
(Dollars in Thousands)**

<u>Year</u>	Total Retail and Food Services:	Retail and Food Services: Taxable	Total All Outlets:	Total All Outlets: Taxable
	<u>Permits</u>	<u>Transactions</u>	<u>Permits</u>	<u>Transactions</u>
2018	5,635	\$2,677,251	7,625	\$3,261,802
2019	5,789	2,731,818	8,005	3,335,912
2020	6,288	2,774,471	8,823	3,329,458
2021	5,442	3,872,829	7,875	4,592,977
2022	5,292	3,978,359	7,751	4,870,307

Source: "Taxable Sales in California (Sales & Use Tax)," California State Board of Equalization.

**ANNUAL TAXABLE SALES  
2018 through 2022  
City of Redlands  
(Dollars in Thousands)**

<u>Year</u>	Total Retail and Food Services:	Retail and Food Services: Taxable	Total All Outlets:	Total All Outlets: Taxable
	<u>Permits</u>	<u>Transactions</u>	<u>Permits</u>	<u>Transactions</u>
2018	1,703	\$970,152	2,646	\$1,163,139
2019	1,691	985,262	2,702	1,201,542
2020	1,726	986,245	2,829	1,175,523
2021	1,496	1,431,594	2,496	1,641,765
2022	1,483	1,420,230	2,517	1,694,104

Source: "Taxable Sales in California (Sales & Use Tax)," California State Board of Equalization.

**ANNUAL TAXABLE SALES  
2018 through 2022  
City of Rialto  
(Dollars in Thousands)**

<u>Year</u>	Total Retail and Food Services:	Retail and Food Services: Taxable	Total All Outlets:	Total All Outlets: Taxable
	<u>Permits</u>	<u>Transactions</u>	<u>Permits</u>	<u>Transactions</u>
2018	1,139	\$804,441	1,791	\$1,759,273
2019	1,213	882,892	1,943	1,880,217
2020	1,428	916,843	2,311	1,972,234
2021	1,327	3,385,628	2,179	4,653,919
2022	1,381	3,569,655	2,245	5,015,007

Source: "Taxable Sales in California (Sales & Use Tax)," California State Board of Equalization.

**ANNUAL TAXABLE SALES**  
**2018 through 2022**  
**San Bernardino County**  
**(Dollars in Thousands)**

	Total Retail and Food Services:	Retail and Food Services: Taxable	Total All Outlets:	Total All Outlets: Taxable
<u>Year</u>	<u>Permits</u>	<u>Transactions</u>	<u>Permits</u>	<u>Transactions</u>
2018	39,837	\$26,905,783	61,838	\$40,554,023
2019	40,964	27,585,905	64,771	41,768,747
2020	44,330	28,745,277	71,145	43,265,512
2021	40,801	38,345,912	66,585	55,378,096
2022	41,690	40,003,128	68,480	59,745,218

Source: "Taxable Sales in California (Sales & Use Tax)," California State Board of Equalization.

**Construction Activity**

The annual building permit valuations and number of permits for new dwelling units issued for the past five years for the Cities and the County are shown in the following tables.

**BUILDING PERMITS AND VALUATIONS**  
**2018 through 2022**  
**City of San Bernardino**  
**(Dollars in Thousands)**

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Valuation					
Residential	\$21,342	\$111,606	\$21,793	\$67,838	\$58,435
Non-Residential	<u>175,647</u>	<u>86,091</u>	<u>80,373</u>	<u>49,133</u>	<u>49,133</u>
Total	\$196,989	\$197,697	\$102,166	\$116,971	\$107,568
Units					
Single Family	72	52	38	146	88
Multiple Family	<u>16</u>	<u>685</u>	<u>20</u>	<u>24</u>	<u>19</u>
Total	88	737	58	170	107

Note: Totals may not add to sum due to rounding.

Source: Construction Industry Research Board.



**BUILDING PERMITS AND VALUATIONS**  
**2018 through 2022**  
**City of Redlands**  
**(Dollars in Thousands)**

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Valuation					
Residential	\$22,192	\$31,074	\$15,016	\$57,171	\$36,708
Non-Residential	<u>10,740</u>	<u>86,869</u>	<u>9,552</u>	<u>109,033</u>	<u>8,669</u>
Total	\$32,932	\$117,943	\$24,568	\$166,204	\$45,377
Units					
Single Family	97	137	62	63	138
Multiple Family	<u>0</u>	<u>0</u>	<u>0</u>	<u>328</u>	<u>423</u>
Total	97	137	62	391	561

Note: Totals may not add to sum due to rounding.

Source: Construction Industry Research Board.

**BUILDING PERMITS AND VALUATIONS**  
**2018 through 2022**  
**City of Rialto**  
**(Dollars in Thousands)**

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Valuation					
Residential	\$4,203	\$16,197	\$322	\$5,099	\$1,118
Non-Residential	<u>33,409</u>	<u>251,531</u>	<u>8,183</u>	<u>105</u>	<u>9,153</u>
Total	\$37,612	\$267,728	\$8,505	\$5,204	\$10,271
Units					
Single Family	16	59	1	19	7
Multiple Family	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total	16	59	1	19	7

Note: Totals may not add to sum due to rounding.

Source: Construction Industry Research Board.

**BUILDING PERMITS AND VALUATIONS**  
**2018 through 2022**  
**San Bernardino County**  
**(Dollars in Thousands)**

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Valuation					
Residential	\$1,455,281	\$1,450,638	\$1,139,459	\$1,484,898	\$1,463,811
Non-Residential	<u>1,080,130</u>	<u>1,377,100</u>	<u>1,064,696</u>	<u>1,165,646</u>	<u>1,165,646</u>
Total	\$2,535,411	\$2,827,738	\$2,204,155	\$2,650,544	\$2,629,457
Units					
Single Family	3,311	4,096	3,631	4,376	3,701
Multiple Family	<u>1,775</u>	<u>1,884</u>	<u>910</u>	<u>2,636</u>	<u>2,852</u>
Total	5,086	5,980	4,541	7,012	6,553

Note: Totals may not add to sum due to rounding.

Source: Construction Industry Research Board.

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## APPENDIX E

### SAN BERNARDINO COUNTY TREASURY POOL

*The following information concerning the San Bernardino County (the “County”) Treasury Pool (the “Treasury Pool”) has been provided by the Treasurer-Tax Collector of the County (the “Treasurer”), and has not been confirmed or verified by the District, the Municipal Advisor or the Underwriters. Neither the District, the Municipal Advisor nor the Underwriters have made an independent investigation of the investments in the Treasury Pool nor any assessment of the current County investment policy. The value of the various investments in the Treasury Pool will fluctuate on a daily basis as a result of a multitude of factors, including generally prevailing interest rates and other economic conditions. Additionally, the Treasurer may change the investment policy at any time. Therefore, there can be no assurance that the values of the various investments in the Treasury Pool will not vary significantly from the values described herein. Finally, neither the District, the Municipal Advisor nor the Underwriters 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 is correct as of any time subsequent to its date. Further information may be obtained from the Treasurer at the following website: <https://www.mytaxcollector.com/>. However, the information presented on such website is not incorporated into this Official Statement by any reference.*

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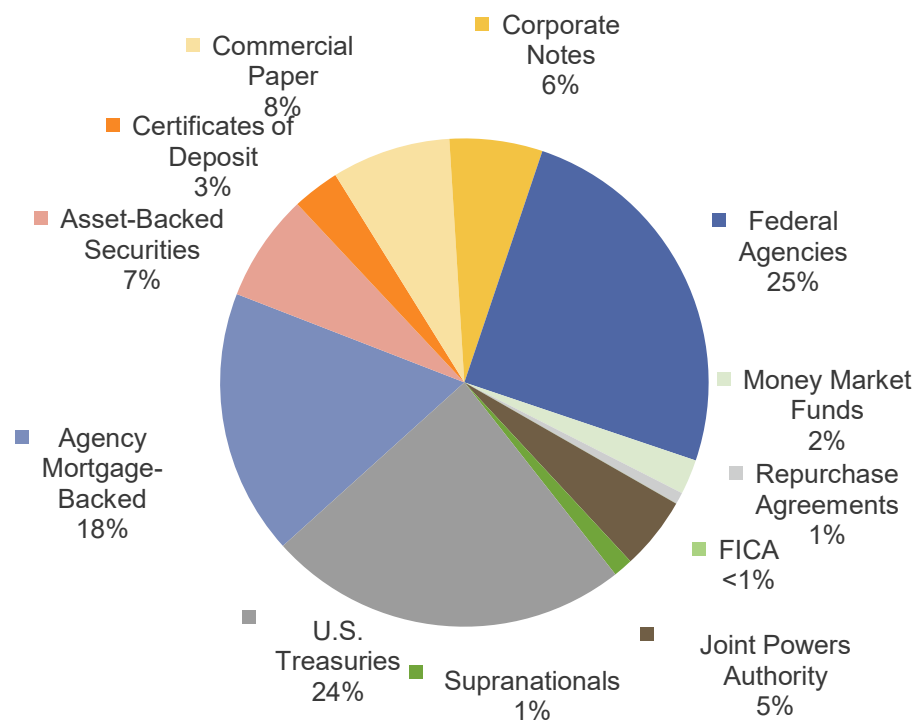
# San Bernardino County Pool Summary

## (as of 9/30/2023)

Security Type	Par Value	Amortized Cost	Market Value	Market % of Portfolio	Yield to Maturity at Cost	Wtd. Avg. Maturity	Effective Duration
Agency Mortgage-Backed	2,353,836,085	2,321,834,892	2,241,905,771	17.5%	3.93%	1390	3.42
Asset-Backed Securities	923,460,129	923,365,707	910,587,361	7.1%	4.34%	1222	1.53
Bank Notes	0	0	0	-	-	-	-
Certificates of Deposit	400,000,000	400,000,000	399,349,628	3.1%	5.11%	62	0.18
Collateralized CD	0	0	0	-	-	-	-
Commercial Paper	1,015,740,000	1,006,004,496	1,005,411,029	7.9%	7.25%	64	0.17
Corporate Notes	806,957,000	806,800,860	787,848,011	6.2%	2.74%	511	1.19
Federal Agencies	3,337,820,000	3,275,404,631	3,192,746,457	25.0%	3.07%	517	1.38
Money Market Funds	295,000,000	295,000,000	295,000,000	2.3%	5.23%	1	0.00
Municipal Debt	0	0	0	-	-	-	-
Repurchase Agreements	100,000,000	100,000,000	99,998,821	0.8%	5.30%	5	0.02
Bank Deposit Account	22,169	22,169	22,169	-	5.33%	1	0.00
NOW Account	0	0	0	-	-	1	0.00
Joint Powers Authority	614,000,000	614,000,000	614,000,000	4.8%	5.55%	1	0.00
Supranationals	168,000,000	167,977,806	165,815,556	1.3%	2.63%	306	0.78
U.S. Treasuries	3,250,000,000	3,159,994,442	3,058,925,435	24.0%	2.70%	562	1.52
<b>Total Securities</b>	<b>13,264,835,383</b>	<b>13,070,405,003</b>	<b>12,771,610,238</b>	<b>100.0%</b>	<b>3.78%</b>	<b>638</b>	<b>1.53</b>
Cash Balance	106,735,870	106,735,870	106,735,870				
<b>Total Investments</b>	<b>13,371,571,253</b>	<b>13,177,140,873</b>	<b>12,878,346,108</b>				
Accrued Interest		52,427,787	52,427,787				
<b>Total Portfolio</b>	<b>13,371,571,253</b>	<b>13,229,568,660</b>	<b>12,930,773,895</b>				

1. Yield for the money market funds is a weighted average of the month-end yields for the Federated, Goldman, Fidelity, and Morgan Stanley money market funds.
2. Yield for the Joint Powers Authority is a weighted average of the month-end yields for the CAMP and CalTRUST Liquidity funds.
3. Statistics for the total portfolio include money market funds.
4. 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.
5. Percentages may not sum to 100% based on rounding differences.

# Sector Distribution

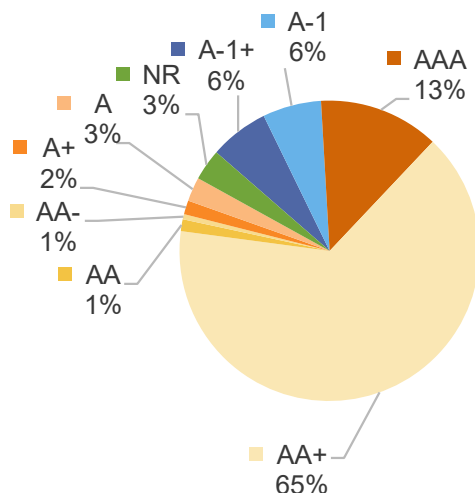


Sector	Market Value
Agency Mortgage-Backed	\$2,241,905,771
Asset-Backed Securities	\$910,587,361
Bank Notes	\$0
Certificates of Deposit	\$399,349,628
Collateralized CD	\$0
Commercial Paper	\$1,005,411,029
Corporate Notes	\$787,848,010
Federal Agencies	\$3,192,746,458
Money Market Funds	\$295,000,000
Municipal Debt	\$0
Repurchase Agreements	\$99,998,821
FICA	\$22,169
NOW Account	\$0
Joint Powers Authority	\$614,000,000
Supranationals	\$165,815,556
U.S. Treasuries	\$3,058,925,435

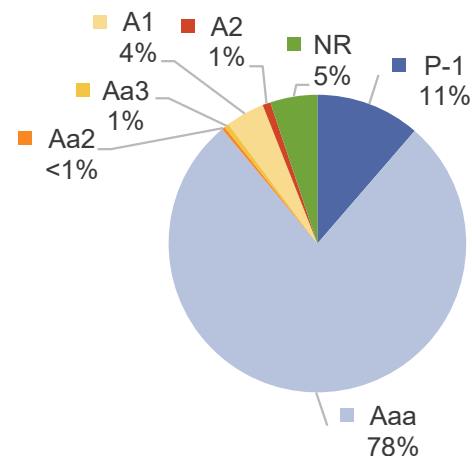
Percentages may not sum to 100% due to rounding.

# Credit Quality Distribution

## S&P RATINGS



## MOODY'S RATINGS

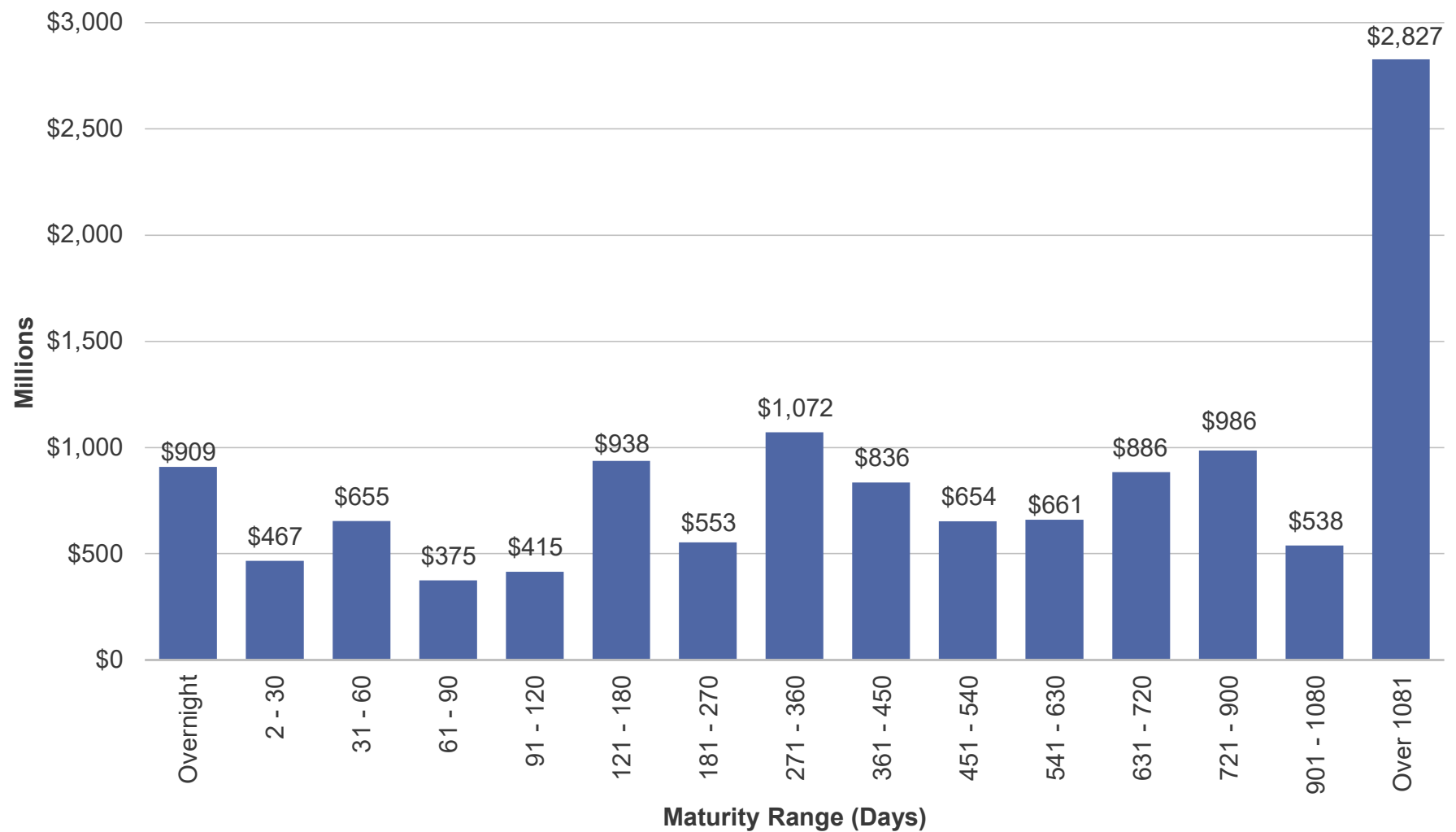


Credit Rating	Market Value
A-1+ (Short-Term)	\$818,221,032
A-1 (Short-Term)	\$803,858,662
AAA (Long-Term)	\$1,656,165,675
AA+ (Long-Term)	\$8,305,750,757
AA (Long-Term)	\$166,372,830
AA- (Long-Term)	\$68,183,910
A+ (Long-Term)	\$191,023,535
A (Long-Term)	\$332,775,605
Not Rated	\$429,258,232

Credit Rating	Market Value
P-1 (Short-Term)	\$1,448,124,943
Aaa (Long-Term)	\$9,912,233,592
Aa1 (Long-Term)	\$0
Aa2 (Long-Term)	\$44,313,745
Aa3 (Long-Term)	\$63,231,480
A1 (Long-Term)	\$539,007,929
A2 (Long-Term)	\$111,802,726
A3 (Long-Term)	\$0
Not Rated	\$652,895,823

Percentages may not sum to 100% due to rounding.

# Maturity Distribution



Maturity range assumes no securities are called.



# San Bernardino County Pool Portfolio Yield Summary

Month	Yield to Maturity
	At Cost
September 2022	2.08%
October 2022	2.36%
November 2022	2.88%
December 2022	2.88%
January 2023	2.96%
February 2023	3.02%
March 2023	3.12%
April 2023	3.31%
May 2023	3.45%
June 2023	3.53%
July 2023	3.52%
August 2023	3.71%
<b>September 2023</b>	<b>3.78%</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.

# Disclaimer

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