

City of San Bernardino

San Bernardino, California

Annual Financial Report and Independent Auditors' Report

For the Year Ended June 30, 2014



**City of San Bernardino
Annual Financial Report
For the Year Ended June 30, 2014**

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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of the City Council
of the City of San Bernardino
San Bernardino, California

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of San Bernardino, California (the "City"), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Water Enterprise Fund and the Sewer Enterprise Fund (major funds), which collectively represent 97%, 101%, and 72%, respectively, of the assets, net position, and revenues of the business-type activities. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Water Enterprise Fund and the Sewer Enterprise Fund, is based solely on the report of other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Summary of Opinions

Opinion Unit	Type of Opinion
Governmental Activities	Qualified
Business-Type Activities	Unmodified
General Fund	Unmodified
Federal and State Grants Special Revenue Fund	Qualified
Low and Moderate Income Housing - Special Revenue Fund	Qualified
Sales and Road Special Revenue Fund	Unmodified
Integrated Waste Enterprise Fund	Unmodified
Water Enterprise Fund	Unmodified
Sewer Enterprise Fund	Unmodified
Aggregate Remaining Fund Information	Qualified

Basis for Qualified Opinion on Governmental Activities, Major Federal and State Grants Special Revenue Fund, Major Low and Moderate Income Housing Special Revenue Fund, and the Aggregate Remaining Fund Information

Management has not adopted a methodology for reviewing the collectability of notes receivable in the Governmental Activities, major Federal and State Grants special revenue fund, major Low and Moderate Income Housing special revenue fund, and the Aggregate Remaining Fund Information and, accordingly, has not considered the need to provide an allowance for uncollectible amounts. Accounting principles generally accepted in the United States of America require that an adequate allowance be provided for uncollectible receivables, which would decrease the assets and net position or fund balance and change the expenses or expenditures in the Governmental Activities, major Federal and State Grants special revenue fund, major Low and Moderate Income Housing special revenue fund, and the Aggregate Remaining Fund Information. The amount by which the departure would affect the assets and net position or fund balance and change the expenses or expenditures in the Governmental Activities, major Federal and State Grants special revenue fund, major Low and Moderate Income Housing special revenue fund, and the Aggregate Remaining Fund Information has not been determined.

Management has not adopted a methodology for reviewing the valuation of property held for resale in the Governmental Activities, major Federal and State Grants special revenue fund, major Low and Moderate Income Housing special revenue fund, and the Aggregate Remaining Fund Information in order to determine the net realizable value of the property and, accordingly, property held for resale is reported at acquisition cost plus improvement costs. Accounting principles generally accepted in the United States of America require that the carrying amount of the property held for resale should not exceed the net realizable value, which would decrease the assets and net position or fund balance and change the expenses or expenditures in the Governmental Activities, major Federal and State Grants special revenue fund, major Low and Moderate Income Housing special revenue fund, and the Aggregate Remaining Fund Information. The amount by which the departure would affect the assets and net position or fund balance and change the expenses or expenditures in the Governmental Activities, major Federal and State Grants special revenue fund, major Low and Moderate Income Housing special revenue fund, and the Aggregate Remaining Fund Information has not been determined.

Management has not adopted a methodology for reviewing the valuation of the compensated absences balance in the Governmental Activities, in order to determine the total liability of the compensated absences. Accordingly, compensated absences balance is reported at post-petition liquidation value. Accounting principles generally accepted in the United States of America require that the compensated absences balance be recorded based on contractually required rates during the pendency plan stage of Bankruptcy without regard to considerations of eventual outcomes as may be determined by the final plan of adjustments. The amount by which the departure would affect the liability and net position and change the expenses or expenditures in the Governmental Activities has not been determined.

Management has not adopted a methodology for reviewing the classification between depreciable and non-depreciable and the related depreciation expense of the Capital Asset in the Redevelopment Obligation Retirement Fund (Successor Agency) within the Aggregate Remaining Fund Information, in order to determine the total net realizable value of the capital assets. Accordingly, capital asset is reported at acquisition cost plus improvement costs. Accounting principles generally accepted in the United States of America require that capital assets be recorded based on historical cost, net of accumulated depreciation. The amount by which the departure would affect the assets and net position and change in the deductions in the Redevelopment Obligation Retirement Fund (Successor Agency) within the Aggregate Remaining Fund Information has not been determined.

Qualified Opinions

In our opinion, except for the effects of the matters described in the *Basis for Qualified Opinion on Governmental Activities, Major Federal and State Grants Special Revenue Fund, Major Low and Moderate Income Housing Special Revenue Fund, and the Aggregate Remaining Fund Information* paragraphs, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Governmental Activities, the major Federal and State Grants special revenue fund, major Low and Moderate Income Housing special revenue fund, and the aggregate remaining fund information of the City of San Bernardino, California, as of June 30, 2014, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the Business-Type Activities, the General Fund, the major Sales and Road Special Revenue Fund, the major Integrated Waste Enterprise Fund, the major Water Enterprise Fund, and the major Sewer Enterprise Fund of the City as of June 30, 2014, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Going Concern

The accompanying financial statements have been prepared assuming the City will continue as a going concern. As discussed in Note 2 to the basic financial statements, the City filed a case on August 1, 2012, seeking bankruptcy protection and adjustment of its liabilities under Chapter 9 of the United States Bankruptcy Code. These conditions raise substantial doubt about its ability to continue as going concern. Management's plans regarding those matters also are described in Note 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Restatement of Prior Year Financial Statements

As discussed in Note 22 to the financial statements, various account balances have been restated. We audited the adjustments described in Note 22 that were applied to restate the June 30, 2013 basic financial statements. In our opinion, such adjustments are appropriate and have been properly applied. Our opinion is not modified in respect to this matter.

GASB Statement No. 68

As further discussed in Note 1 to the basic financial statements, GASB issued GASB Statement No. 68, *Accounting and Financial Reporting for Pension Plans*. This statement requires state and local governments to display the actuarially determined Net Pension Liability in its financial statements effective with fiscal year 2014-2015. This Net Pension Liability is expected to be substantial. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Combining and Individual Nonmajor Fund Financial Statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Combining and Individual Nonmajor Fund Financial Statements on pages 137 through 162 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Combining and Individual Nonmajor Fund Financial Statements 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 June 9, 2016, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 City's internal control over financial reporting and compliance.



Santa Ana, California
June 9, 2016

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

City of San Bernardino
Statement of Net Position
June 30, 2014

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash and investments	\$ 60,440,863	\$ 47,476,705	\$ 107,917,568
Cash and investments with fiscal agents	1,208,016	-	1,208,016
Internal balances	(162,407)	162,407	-
Receivables:			
Accounts	6,068,141	11,512,822	17,580,963
Interest	149,444	161,011	310,455
Special assessments	163,804	-	163,804
Due from other governments	8,362,208	1,821,820	10,184,028
Deposits	200,000	-	200,000
Inventory	249,916	1,690,743	1,940,659
Prepaid items	456,252	351,023	807,275
Total current assets	77,136,237	63,176,531	140,312,768
Noncurrent assets:			
Notes receivable	42,057,414	-	42,057,414
Prepaid items	-	687,309	687,309
Restricted cash	-	7,585,801	7,585,801
Restricted investments - Consent Decree	-	21,259,686	21,259,686
Restricted - other assets	-	32,691,517	32,691,517
Property held for resale	34,721,732	-	34,721,732
Investment in joint ventures	-	25,116,989	25,116,989
Net pension asset	55,231,576	-	55,231,576
Non-depreciable capital assets	128,272,212	32,767,989	161,040,201
Depreciable capital assets, net	267,350,970	213,039,208	480,390,178
Total noncurrent assets	527,633,904	333,148,499	860,782,403
Total assets	604,770,141	396,325,030	1,001,095,171
DEFERRED OUTFLOWS OF RESOURCES			
Deferred loss on refunding	-	108,823	108,823
Total deferred outflows of resources	-	108,823	108,823

City of San Bernardino
Statement of Net Position (Continued)
June 30, 2014

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	\$ 10,632,613	\$ 7,733,399	\$ 18,366,012
Payroll and related liabilities	188,746	911,388	1,100,134
Interest payable	5,361,957	510,659	5,872,616
Retentions payable	176,955	-	176,955
Due to other governments	1,187,158	-	1,187,158
Unearned revenue	1,800,011	-	1,800,011
Deposits payable	61,017	502,298	563,315
CalPERS Settlement - due within one year	5,882,688	-	5,882,688
Compensated absences - due within one year	3,413,355	882,108	4,295,463
Claims payable - due within one year	5,219,285	999,603	6,218,888
Long-term debt - due within one year	56,274,570	8,472,313	64,746,883
Total current liabilities	<u>90,198,355</u>	<u>20,011,768</u>	<u>110,210,123</u>
Noncurrent liabilities:			
Developer deposits	-	3,080,692	3,080,692
Unearned revenue - Consent Decree	-	53,304,210	53,304,210
Due to Successor Agency	2,232,925	-	2,232,925
Net pension obligation	711,031	9,159	720,190
Net OPEB obligation	29,217,821	1,890,290	31,108,111
Landfill closure liability	-	6,929,000	6,929,000
CalPERS settlement - due in more one year	6,937,186	-	6,937,186
Compensated absences - due in more than one year	7,964,495	1,027,225	8,991,720
Claims payable - due in more than one year	29,653,209	-	29,653,209
Long-term debt - due in more than one year	28,214,586	31,787,484	60,002,070
Total noncurrent liabilities	<u>104,931,253</u>	<u>98,028,060</u>	<u>202,959,313</u>
Total liabilities	<u>195,129,608</u>	<u>118,039,828</u>	<u>313,169,436</u>
NET POSITION			
Net investment in capital assets	<u>366,632,191</u>	<u>206,293,601</u>	<u>572,925,792</u>
Restricted:			
Public safety	1,105,595	-	1,105,595
Streets and capital projects	36,367,423	-	36,367,423
Culture and recreation	699,158	-	699,158
Community development	77,719,415	-	77,719,415
Community service	563,673	-	563,673
Debt service	1,214,741	-	1,214,741
Capital related fees	-	61,537,004	61,537,004
Total restricted	<u>117,670,005</u>	<u>61,537,004</u>	<u>179,207,009</u>
Unrestricted (deficit)	<u>(74,661,663)</u>	<u>10,563,420</u>	<u>(64,098,243)</u>
Total net position	<u>\$ 409,640,533</u>	<u>\$ 278,394,025</u>	<u>\$ 688,034,558</u>

City of San Bernardino
Statement of Activities and Changes in Net Position
For the Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues			Total Program Revenues
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government:					
Governmental activities:					
General government	\$ 18,045,239	\$ 2,496,930	\$ 1,346,203	\$ -	\$ 3,843,133
Public safety	90,844,424	5,921,344	6,042,481	-	11,963,825
Streets	28,371,459	7,907,263	1,200	11,141,515	19,049,978
Culture and recreation	8,053,521	766,853	-	-	766,853
Community development	2,944,616	4,025,505	3,753,421	-	7,778,926
Community service	6,062,512	56,056	3,709,872	-	3,765,928
Interest on long-term debt	6,324,491	-	-	-	-
Total governmental activities	160,646,262	21,173,951	14,853,177	11,141,515	47,168,643
Business-type activities:					
Integrated Waste	20,306,358	24,911,930	-	-	24,911,930
Water	36,303,452	35,968,790	2,030,066	6,521,601	44,520,457
Sewer	23,753,540	25,350,989	-	989,176	26,340,165
Total business-type activities	80,363,350	86,231,709	2,030,066	7,510,777	95,772,552
Total primary government	\$241,009,612	\$ 107,405,660	\$ 16,883,243	\$ 18,652,292	\$ 142,941,195

City of San Bernardino
Statement of Activities and Changes in Net Position (Continued)
For the Year Ended June 30, 2014

Functions/Programs	Net (Expense) Revenue and Changes in Net Position		
	Primary Government		
	Governmental Activities	Business-type Activities	Total
Primary government:			
Governmental activities:			
General government	\$ (14,202,106)	\$ -	\$ (14,202,106)
Public safety	(78,880,599)	-	(78,880,599)
Streets	(9,321,481)	-	(9,321,481)
Culture and recreation	(7,286,668)	-	(7,286,668)
Community development	4,834,310	-	4,834,310
Community service	(2,296,584)	-	(2,296,584)
Interest on long-term debt	(6,324,491)	-	(6,324,491)
Total governmental activities	(113,477,619)	-	(113,477,619)
Business-type activities:			
Integrated Waste	-	4,605,572	4,605,572
Water	-	8,217,005	8,217,005
Sewer	-	2,586,625	2,586,625
Total business-type activities	-	15,409,202	15,409,202
Total primary government	(113,477,619)	15,409,202	(98,068,417)
General revenues:			
Taxes:			
Property taxes	38,885,226	-	38,885,226
Sales taxes	30,420,582	-	30,420,582
Franchise taxes	3,749,762	-	3,749,762
Utilities user taxes	22,498,934	-	22,498,934
Transient occupancy taxes	2,935,962	-	2,935,962
Other taxes	7,138,133	-	7,138,133
Total taxes	105,628,599	-	105,628,599
Investment earnings	892,498	581,185	1,473,683
Loss on sale of assets	-	(11,798)	(11,798)
Miscellaneous	4,731,890	1,884,946	6,616,836
Transfers			
Intragovernment	2,200,000	(2,200,000)	-
From fiduciary funds	2,105	-	2,105
Total transfers	2,202,105	(2,200,000)	2,105
Total general revenues and transfers	113,455,092	254,333	113,709,425
Changes in net position	(22,527)	15,663,535	15,641,008
Net Position - beginning of year, as restated (Note 22)	409,663,060	262,730,490	672,393,550
Net Position - end of year	\$ 409,640,533	\$ 278,394,025	\$ 688,034,558

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FUND FINANCIAL STATEMENTS

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GOVERNMENTAL FUND FINANCIAL STATEMENTS

General Fund – This is the primary operating fund of the City. It is used to account for all revenues and expenditures that are not required to be accounted for in another fund.

Federal and State Grants Fund - This fund is used to report various grants awarded to the City by Federal, State, and local governments not otherwise accounted for in the General Fund or Capital Projects funds. A detailed report by program is available under a separate report meeting the criteria of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, for all federal grants received by the City.

Low and Moderate Income Housing Fund - This fund is used for the continued maintenance and operations of low and moderate income housing project activities of the former redevelopment agency. This fund was established on February 1, 2012, when the City elected to become the Housing Successor to the housing related activities of the former redevelopment agency.

Sales and Road Fund - This fund is used to account for the local street improvements as provided for by the San Bernardino County Measure I Sales Tax.

City of San Bernardino
Balance Sheet
Governmental Funds
June 30, 2014

	Major Funds			
	General Fund	Federal and State Grants Fund	Low and Moderate Income Housing Fund	Sales and Road Fund
ASSETS				
Cash and investments	\$ 9,089,846	\$ 797,663	\$ 588,546	\$ 7,150,698
Receivables:				
Accounts	3,464,349	1,564,612	-	-
Interest	49,358	1,001	1,957	14,372
Notes	-	3,337,628	38,719,786	-
Special assessments	-	-	-	-
Due from other governments	5,502,294	843,854	-	1,005,388
Deposits	-	-	200,000	-
Prepays	415,286	32,966	-	-
Due from other funds	393,578	-	-	-
Advances to other funds	-	-	116,800	-
Property held for resale	-	16,296,266	18,425,466	-
Restricted cash and investments held by fiscal agents	1,208,016	-	-	-
Total assets	\$ 20,122,727	\$ 22,873,990	\$ 58,052,555	\$ 8,170,458
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 3,057,721	\$ 761,985	\$ -	\$ 914,350
Accrued liabilities	477,426	45,879	-	-
Payroll and related liabilities	187,037	-	-	-
Retentions payable	-	35,658	-	49,617
Due to other governments	427,902	759,256	-	-
Due to other funds	-	-	-	-
Deposits payable	24,148	-	-	-
Unearned revenue	-	1,629,019	-	-
Advances from other funds	-	-	-	-
Due to Successor Agency	2,232,925	-	-	-
Total liabilities	6,407,159	3,231,797	-	963,967
Deferred inflows of resources:				
Unavailable revenues	326,065	-	-	-
Total deferred inflows of resources	326,065	-	-	-
Fund Balances:				
Nonspendable	415,286	19,666,860	57,462,052	-
Restricted	1,208,016	-	590,503	7,206,491
Committed	1,439,131	-	-	-
Unassigned (deficit)	10,327,070	(24,667)	-	-
Total fund balances	13,389,503	19,642,193	58,052,555	7,206,491
Total liabilities, deferred inflows of resources and fund balances	\$ 20,122,727	\$ 22,873,990	\$ 58,052,555	\$ 8,170,458

(Continued)

City of San Bernardino
Balance Sheet (Continued)
Governmental Funds
June 30, 2014

	Other Governmental Funds	Total Governmental Funds
ASSETS		
Cash and investments	\$ 33,635,092	\$ 51,261,845
Receivables:		
Accounts	(135,918)	4,893,043
Interest	66,982	133,670
Notes	-	42,057,414
Special assessments	163,804	163,804
Due from other governments	1,010,672	8,362,208
Deposits	-	200,000
Prepays	8,000	456,252
Due from other funds	-	393,578
Advances to other funds	147,600	264,400
Property held for resale	-	34,721,732
Restricted cash and investments held by fiscal agents	-	1,208,016
Total assets	\$ 34,896,232	\$ 144,115,962
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES		
Liabilities:		
Accounts payable	\$ 3,109,880	\$ 7,843,936
Accrued liabilities	-	523,305
Payroll and related liabilities	1,709	188,746
Retentions payable	91,680	176,955
Due to other governments	-	1,187,158
Due to other funds	377,767	377,767
Deposits payable	36,869	61,017
Unearned revenue	-	1,629,019
Advances from other funds	264,400	264,400
Due to Successor Agency	-	2,232,925
Total liabilities	3,882,305	14,485,228
Deferred inflows of resources:		
Unavailable revenues	594,056	920,121
Total deferred inflows of resources	594,056	920,121
Fund Balances:		
Nonspendable	155,600	77,699,798
Restricted	30,921,926	39,926,936
Committed	-	1,439,131
Unassigned (deficit)	(657,655)	9,644,748
Total fund balances	30,419,871	128,710,613
Total liabilities, deferred inflows of resources and fund balances	\$ 34,896,232	\$ 144,115,962

(Concluded)

City of San Bernardino
Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Position
June 30, 2014

Total Fund Balances - Total Governmental Funds	<u>\$ 128,710,613</u>
Amounts reported for governmental activities in the Statement of Net Position were different because:	
Capital assets used in governmental activities were not financial resources and therefore were not reported in governmental funds.	
Government-Wide Financial Statements	395,623,182
Less: Internal Service Funds' capital assets	<u>(4,559,801)</u>
Total capital assets adjustment	<u>391,063,381</u>
Net pension asset did not provide current financial resources. Therefore, net pension asset was not reported as an asset in the governmental funds.	
	<u>55,231,576</u>
Interest payable on long-term debt did not require current financial resources. Therefore, interest payable was not reported as a liability in Governmental Funds Balance Sheet.	
	<u>(5,361,957)</u>
Long-term liabilities were not due and payable in the current period and therefore were not reported in the governmental funds.	
Amount reported in Government-Wide Statement of Net Position:	
CalPERS Settlement - due within one year	(5,882,688)
CalPERS Settlement - due in more one year	(6,937,186)
Compensated absences - due within one year	(3,413,355)
Compensated absences - due in more than one year	(7,964,495)
Claims payable - due within one year	(5,219,285)
Claims payable - due in more than one year	(29,653,209)
Long-term debt - due within one year	(56,274,570)
Long-term debt - due in more than one year	(28,214,586)
Net pension obligation	(711,031)
Net OPEB obligation	<u>(29,217,821)</u>
Prepaid items	<u>(173,488,226)</u>
Less: Amount reported in Internal Service Funds	
Compensated absences - due within one year	156,558
Compensated absences - due in more than one year	365,306
Capital leases payable - due within one year	614,705
Capital leases payable - due in more than one year	3,317,010
Claims payable - due within one year	5,219,285
Claims payable - due within one year	29,653,209
Net pension obligation	<u>7,345</u>
	<u>39,333,418</u>
Net long-term liabilities	<u>(134,154,808)</u>
Deferred inflows and outflows of resources are not available for current period and, therefore, are deferred in the governmental funds or not recorded in the governmental funds:	
Unavailable revenues	920,121
Internal service funds were used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds were included in governmental activities in the Government-Wide Statement of Net Position.	
	<u>(26,768,393)</u>
Net Position of Governmental Activities	<u><u>\$ 409,640,533</u></u>

City of San Bernardino
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2014

	Major Funds			
	General Fund	Federal and State Grants Fund	Low and Moderate Income Housing Fund	Sales and Road Fund
REVENUES:				
Taxes	\$ 98,422,231	\$ -	\$ -	\$ 3,433,884
Licenses and permits	9,367,281	150	825	-
Impact fees	-	-	-	-
Fines and forfeitures	2,108,990	-	-	-
Use of money and property	204,295	49,107	40,802	44,572
Lease revenue	704,726	-	-	-
Intergovernmental	1,817,393	13,465,663	-	502,129
Charges for services	7,576,976	-	-	-
Other revenues	4,111,481	392,331	49,445	-
Total revenues	124,313,373	13,907,251	91,072	3,980,585
EXPENDITURES:				
Current:				
General Government	14,729,092	2,311,508	-	-
Public Safety	80,793,365	5,298,157	-	-
Streets	3,688,475	249,996	-	3,012,569
Culture and recreation	6,545,614	842,408	-	-
Community development	2,796,048	32,573	-	-
Community service	1,565,203	3,757,132	-	-
Debt service:				
Principal	2,850,564	856,834	-	1,916
Interest and fiscal charges	2,060,373	419,307	-	-
Total expenditures	115,028,734	13,767,915	-	3,014,485
REVENUES OVER (UNDER) EXPENDITURES	9,284,639	139,336	91,072	966,100
OTHER FINANCING SOURCES (USES):				
Transfer from Successor Agency	-	-	2,105	-
Transfers in	3,020,719	-	-	-
Transfers out	(3,937,273)	-	-	-
Total other financing sources (uses)	(916,554)	-	2,105	-
CHANGES IN FUND BALANCES	8,368,085	139,336	93,177	966,100
FUND BALANCES:				
Beginning of year (as restated, Note 22)	5,021,418	19,502,857	57,959,378	6,240,391
End of year	\$ 13,389,503	\$ 19,642,193	\$ 58,052,555	\$ 7,206,491

(Continued)

City of San Bernardino
Statement of Revenues, Expenditures and Changes in Fund Balance (Continued)
Governmental Funds
For the Year Ended June 30, 2014

	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES:		
Taxes	\$ 2,270,666	\$ 104,126,781
Licenses and permits	338,544	9,706,800
Impact fees	1,761,012	1,761,012
Fines and forfeitures	381,659	2,490,649
Use of money and property	211,193	549,969
Lease revenue	-	704,726
Intergovernmental	7,905,847	23,691,032
Charges for services	3,831,267	11,408,243
Other revenues	60,084	4,613,341
Total revenues	<u>16,760,272</u>	<u>159,052,553</u>
EXPENDITURES:		
Current:		
General Government	244,860	17,285,460
Public Safety	1,223,453	87,314,975
Streets	11,554,985	18,506,025
Culture and recreation	10,000	7,398,022
Community development	-	2,828,621
Community service	360,561	5,682,896
Debt service:		
Principal	129,424	3,838,738
Interest and fiscal charges	79,981	2,559,661
Total expenditures	<u>13,603,264</u>	<u>145,414,398</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>3,157,008</u>	<u>13,638,155</u>
OTHER FINANCING SOURCES (USES):		
Transfer from Successor Agency	-	2,105
Transfers in	3,937,273	6,957,992
Transfers out	(820,719)	(4,757,992)
Total other financing sources (uses)	<u>3,116,554</u>	<u>2,202,105</u>
CHANGES IN FUND BALANCES	6,273,562	15,840,260
FUND BALANCES:		
Beginning of year (as restated, Note 22)	24,146,309	112,870,353
End of year	<u>\$ 30,419,871</u>	<u>\$ 128,710,613</u>

(Concluded)

City of San Bernardino
Reconciliation of the Governmental Statement of Revenues, Expenditures, and Changes
in Fund Balances to the Government-Wide Statement of Activities and Changes in Net Position
For the Year Ended June 30, 2014

Net Change in Fund Balances - Total Governmental Funds	\$ 15,840,260
Amounts reported for governmental activities in the Statement of Activities were different because:	
Governmental funds reported capital asset acquisitions as expenditures. However, in the Government-Wide Statement of Activities and Changes in Net Position, the cost of those assets was allocated over their estimated useful lives as depreciation expense. This was the amount of capital assets recorded in the current period.	5,932,143
Depreciation expense on capital assets was reported in the Government-Wide Statement of Activities and Changes in Net Position, but they did not require the use of current financial resources. Therefore, depreciation expense was not reported as expenditures in the Governmental Funds. This amount did not include the depreciation expense for Internal Service Funds in the amount of \$583,390.	(17,909,960)
Repayment of long-term liabilities was an expenditures in governmental funds, but the repayment reduced long-term liabilities in the Government-Wide Statement of Net Position.	
Principal payment of long-term debt	3,838,738
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	
Changes in accreted interest	(703,021)
Changes in compensated absences	770,525
Change in net pension asset	370,293
Change in net pension obligation	(1,226,161)
Changes in net OPEB obligation	(2,551,964)
Interest expense on long-term debt was reported in the Government-Wide Statement of Activities and Changes in Net Position, but it did not require the use of current financial resources. This amount represented the change in accrued interest from prior year.	(2,934,464)
Prepaid items	(1,138,015)
Internal service funds were used by management to charge the costs of certain activities to individual funds. The net revenue of internal service funds was reported with governmental activities.	<u>(310,901)</u>
Change in Net Position of Governmental Activities	<u><u>\$ (22,527)</u></u>

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PROPRIETARY FUND

FINANCIAL STATEMENTS

Integrated Waste Fund – This fund is used to account for the provision of refuse collection to the residential, commercial, and industrial segments of the City. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, financing and related debt service, and billing and collection.

Water Fund – This fund is used to account for the provision of water services to the residential, commercial, and industrial segments of the City. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, financing and related debt service, and billing and collection.

Sewer Fund – This fund is used to account for the provision of wastewater collection and treatment services to the residential, commercial, and industrial segments of the City. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, financing and related debt service, and billing and collection.

City of San Bernardino
Statement of Net Position
Proprietary Funds
June 30, 2014

	Major Funds				Governmental Activities Internal Service Funds
	Integrated				
	Waste	Water	Sewer	Total	
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 6,719,137	\$ 7,888,566	\$ 5,213,133	\$ 19,820,836	\$ 9,179,018
Investments	-	3,984,295	23,671,574	27,655,869	-
Accounts receivable	8,695	7,463,161	4,040,966	11,512,822	1,175,098
Interest receivable	13,728	11,988	135,295	161,011	15,774
Due from other governments	-	1,591,360	230,460	1,821,820	-
Due from other funds	2,551,988	164,200	-	2,716,188	-
Inventories	-	1,690,743	-	1,690,743	249,916
Current portion of prepaid items	-	211,446	139,577	351,023	-
Total current assets	9,293,548	23,005,759	33,431,005	65,730,312	10,619,806
Noncurrent assets:					
Prepaid items	-	-	687,309	687,309	-
Investments in joint ventures	-	-	25,116,989	25,116,989	-
Restricted assets:					
Cash and cash equivalents - capital-related fees	-	-	7,486,594	7,486,594	-
Cash and cash equivalents - Consent Decree	-	99,207	-	99,207	-
Prepaid items	-	21,259,686	-	21,259,686	-
Interest receivable - Consent Decree	-	64,084	-	64,084	-
Prepaid insurance - Consent Decree	-	31,881,232	-	31,881,232	-
Note proceeds held by State	-	746,201	-	746,201	-
Capital assets:					
Non-depreciable assets	-	11,878,419	20,889,570	32,767,989	-
Depreciable assets, net of accumulated depreciation	4,422,987	173,973,008	34,643,213	213,039,208	4,559,801
Total capital assets, net	4,422,987	185,851,427	55,532,783	245,807,197	4,559,801
Total noncurrent assets	4,422,987	239,901,837	88,823,675	333,148,499	4,559,801
Total assets	13,716,535	262,907,596	122,254,680	398,878,811	15,179,607
DEFERRED OUTFLOWS OF RESOURCES					
Deferred loss on refunding	-	-	108,823	108,823	-
Total deferred outflows of resources	-	-	108,823	108,823	-

City of San Bernardino
Statement of Net Position (Continued)
Proprietary Funds
June 30, 2014

	Major Funds				Governmental
	Integrated	Water	Sewer	Total	Activities
	Waste				Internal
					Service Funds
LIABILITIES					
Current liabilities:					
Accounts payable and accrued liabilities	2,243,250	2,509,413	2,980,736	7,733,399	2,265,372
Due to other funds	-	2,285,168	268,613	2,553,781	178,218
Payroll and related liabilities	18,120	556,219	337,049	911,388	-
Interest payable	29,987	259,403	221,269	510,659	-
Deposits payable	-	502,298	-	502,298	-
Unearned revenue	-	-	-	-	170,992
Long term debt - due within one year	2,140,362	1,702,526	4,629,425	8,472,313	614,705
Compensated absences - due within one year	-	661,888	220,220	882,108	156,558
Claims payable - due within one year	-	731,496	268,107	999,603	5,219,285
Total current liabilities	4,431,719	9,208,411	8,925,419	22,565,549	8,605,130
Noncurrent liabilities:					
Deposits payable	-	3,080,692	-	3,080,692	-
Compensated absences - due in more than one year	466,075	414,703	146,447	1,027,225	365,306
Unearned revenue - Consent Decree	-	53,304,210	-	53,304,210	-
Net Pension Obligation	9,159	-	-	9,159	7,345
Long term debt - due in more than one year	2,652,587	21,097,819	8,037,078	31,787,484	3,317,010
Net OPEB obligation - due in more than one year	1,537,780	276,407	76,103	1,890,290	-
Landfill closure liability - due in more than one year	6,929,000	-	-	6,929,000	-
Claims payable - due in more than one year	-	-	-	-	29,653,209
Total noncurrent liabilities	11,594,601	78,173,831	8,259,628	98,028,060	33,342,870
Total liabilities	16,026,320	87,382,242	17,185,047	120,593,609	41,948,000
NET POSITION (DEFICIT)					
Net investment in capital assets	(369,962)	163,797,283	42,866,280	206,293,601	1,052,938
Restricted	-	54,050,410	7,486,594	61,537,004	-
Unrestricted (deficit)	(1,939,823)	(42,322,339)	54,825,582	10,563,420	(27,821,331)
Total net position (deficit)	<u>\$ (2,309,785)</u>	<u>\$ 175,525,354</u>	<u>\$ 105,178,456</u>	<u>\$ 278,394,025</u>	<u>\$ (26,768,393)</u>

City of San Bernardino
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2014

	Major Funds				Governmental
	Integrated	Water	Sewer	Total	Activities
	Waste				Internal
OPERATING REVENUES:					
Charges for services	\$ 24,911,930	\$ 35,968,790	\$ 25,350,989	\$ 86,231,709	\$ 27,472,988
Other operating revenues	-	703,113	319,785	1,022,898	-
Total operating revenues	24,911,930	36,671,903	25,670,774	87,254,607	27,472,988
OPERATING EXPENSES:					
Cost of sales and services	12,102,433	-	-	12,102,433	15,760,216
Administration and customer service	5,433,849	6,485,280	2,754,625	14,673,754	-
Utility administration	-	622,403	449,769	1,072,172	-
Engineering, operations, and distribution administration	-	7,302,717	2,141,332	9,444,049	-
Plant operations	-	6,960,724	8,907,163	15,867,887	-
Maintenance	-	1,837,556	3,146,275	4,983,831	-
Environmental control	-	-	621,055	621,055	-
Distribution	-	4,434,581	-	4,434,581	-
Engineering	-	2,426,717	527,294	2,954,011	-
Claims expense	-	-	-	-	11,225,397
Amortization	-	-	-	-	594,633
Depreciation	2,564,350	5,971,638	3,426,515	11,962,503	583,390
Total operating expenses	20,100,632	36,041,616	21,974,028	78,116,276	28,163,636
OPERATING INCOME (LOSS)	4,811,298	630,287	3,696,746	9,138,331	(690,648)
NONOPERATING REVENUES (EXPENSES):					
Interest income	43,921	93,428	443,836	581,185	15,774
Rental income	-	160,089	20,669	180,758	-
Noncapital grants	-	2,030,066	-	2,030,066	-
Interest expense and fiscal charges	(205,726)	(261,836)	(557,053)	(1,024,615)	(127,345)
Gain (loss) on disposal of capital assets	-	4,446	(16,244)	(11,798)	-
Gain (loss) on joint venture - RIX	-	-	(1,222,459)	(1,222,459)	-
Amortization of issuance costs	-	-	-	-	-
Miscellaneous income	700	-	-	700	491,318
Other	-	478,512	202,078	680,590	-
Total nonoperating revenues (expenses)	(161,105)	2,504,705	(1,129,173)	1,214,427	379,747
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	4,650,193	3,134,992	2,567,573	10,352,758	(310,901)
CAPITAL CONTRIBUTIONS AND TRANSFERS:					
Capital contributions	-	6,521,601	989,176	7,510,777	-
Transfers out	(2,200,000)	-	-	(2,200,000)	-
Total contributions and transfers	(2,200,000)	6,521,601	989,176	5,310,777	-
CHANGES IN NET POSITION	2,450,193	9,656,593	3,556,749	15,663,535	(310,901)
NET POSITION:					
Beginning of year (as restated, Note 22)	(4,759,978)	165,868,761	101,621,707	262,730,490	(26,457,492)
End of year	\$ (2,309,785)	\$ 175,525,354	\$ 105,178,456	\$ 278,394,025	\$(26,768,393)

See accompanying Notes to Basic Financial Statements.

City of San Bernardino
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2014

	Major Funds				Governmental
	Integrated Waste	Water	Sewer	Total	Activities Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:					
Cash received from customers	\$24,848,910	\$37,714,256	\$26,033,778	\$88,596,944	\$ -
Cash received from user departments	-	-	-	-	26,581,243
Rental income	-	160,089	20,669	180,758	-
Cash payments to suppliers for goods and services	(11,615,000)	(21,990,302)	(12,782,203)	(46,387,505)	(15,868,401)
Cash payments to employees for services	(5,433,849)	(8,865,507)	(5,505,795)	(19,805,151)	-
Cash payments for claims and insurance	-	-	-	-	(6,023,512)
Cash received from (paid for) other activities	700	478,513	202,078	681,291	491,318
Net cash provided by (used in) operating activities	7,800,761	7,497,049	7,968,527	23,266,337	5,180,648
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Acquisition of capital assets	-	(16,606,674)	(4,191,053)	(20,797,727)	(73,914)
Drawdown of CIEDB loan	-	2,453,244	-	2,453,244	-
Principal paid on capital-related debt	(2,550,418)	(1,658,265)	(4,443,762)	(8,652,445)	(561,910)
Interest paid on capital-related debt	(225,000)	(660,854)	(542,429)	(1,428,283)	(127,346)
Prepaid items	-	260,839	-	260,839	-
Charges to property owners for capital projects	-	6,260,762	989,176	7,249,938	-
Proceeds received from disposal of capital assets	-	163,579	17,197	180,776	-
Net cash provided by (used in) capital and related financing activities	(2,775,418)	(9,787,369)	(8,170,871)	(20,733,658)	(763,170)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Cash paid to RIX joint venture	-	-	(1,487,467)	(1,487,467)	-
Consent Decree insurance drawdowns	-	2,030,066	-	2,030,066	-
Transfers (out)	(2,200,000)	-	-	(2,200,000)	-
Net cash provided by (used in) noncapital financing activities	(2,200,000)	2,030,066	(1,487,467)	(1,657,401)	-
CASH FLOWS FROM INVESTING ACTIVITIES:					
Sales and maturities of investments	-	8,153,132	9,761,721	17,914,853	-
Purchase of investments	-	(5,392,176)	(12,013,169)	(17,405,345)	-
Investment income (loss)	30,193	113,681	390,520	534,394	-
Net cash provided by (used in) investing activities	30,193	2,874,637	(1,860,928)	1,043,902	-
Net change in cash and cash equivalents	2,855,536	2,614,383	(3,550,739)	1,919,180	4,417,478
CASH AND CASH EQUIVALENTS:					
Beginning of year	3,863,601	5,373,390	16,250,466	25,487,457	4,761,540
End of year	<u>\$ 6,719,137</u>	<u>\$ 7,987,773</u>	<u>\$ 12,699,727</u>	<u>\$ 27,406,637</u>	<u>\$ 9,179,018</u>
RECONCILIATION TO STATEMENT OF NET POSITION:					
Cash and cash equivalents	\$ 6,719,137	\$ 7,888,566	\$ 5,213,133	\$ 19,820,836	\$ 9,179,018
Restricted cash and cash equivalents	-	99,207	7,486,594	7,585,801	-
Total cash and cash equivalents	<u>\$ 6,719,137</u>	<u>\$ 7,987,773</u>	<u>\$ 12,699,727</u>	<u>\$ 27,406,637</u>	<u>\$ 9,179,018</u>

City of San Bernardino
Statement of Cash Flows
Proprietary Funds (Continued)
For the Year Ended June 30, 2014

	Major Funds			Total	Governmental
	Integrated Waste	Water	Sewer		Activities Internal Service Funds
RECONCILIATION OF OPERATING INCOME TO NET CASH					
PROVIDED BY (USED IN) OPERATING ACTIVITIES:					
Operating income (loss)	\$ 4,811,298	\$ 630,287	\$ 3,696,746	\$ 9,138,331	\$ (690,648)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation	2,564,350	5,971,638	3,426,515	11,962,503	583,390
Amortization	-	-	-	-	594,633
Rental income	-	160,089	20,669	180,758	-
Other non-operating revenues (expenses)	700	478,513	202,078	681,291	491,318
Changes in operating assets and liabilities:					
Accounts receivable	11,563	(585,945)	(721,135)	(1,295,517)	(1,162,028)
Due from other governments	-	1,492,583	340,260	1,832,843	100,223
Inventory	-	(118,281)	-	(118,281)	2,170
Prepays	-	(100,416)	160,083	59,667	126,383
Due from other funds	(74,583)	-	-	(74,583)	2,193,448
Accounts payable and accrued liabilities	1,336,498	424,821	1,403,350	3,164,669	87,029
Accrued payroll and related liabilities	18,120	(160,877)	55,772	(86,985)	-
Due to other governments	(748,257)	-	-	(748,257)	-
Due to other funds	-	74,828	(245)	74,583	(2,194,380)
Deposits payable	-	135,715	-	135,715	-
Unearned revenue	-	-	-	-	170,992
Landfill closure liability	(9,614)	-	-	(9,614)	-
Claims and judgments payable	-	162,647	(118)	162,529	5,201,885
Compensated absences	53,714	(186,844)	(62,288)	(195,418)	101,361
Net pension obligation	(530,064)	-	-	(530,064)	(425,128)
OPEB obligation	367,036	(881,709)	(553,160)	(1,067,833)	-
Total adjustments	<u>2,989,463</u>	<u>6,866,762</u>	<u>4,271,781</u>	<u>14,128,006</u>	<u>5,871,296</u>
Net cash provided by (used in) operating activities	<u>\$ 7,800,761</u>	<u>\$ 7,497,049</u>	<u>\$ 7,968,527</u>	<u>\$23,266,337</u>	<u>\$ 5,180,648</u>

FIDUCIARY FUND FINANCIAL STATEMENTS

Agency Funds – These funds are used to account for money and property held by the City as trustee or custodian. Such funds include Special Deposits, Cemetery Perpetual Care, San Bernardino Regional Water Resource Authority, and

Successor Agency to the San Bernardino Economic Development Agency Private Purpose Trust Fund – This fund is used to account for monies received from the San Bernardino County Auditor-Controller for the repayment of the enforceable obligations of the former San Bernardino Economic Development Agency. These funds are restricted for the sole purpose of payment of items on an approved Recognized Payment Obligation Schedule (ROPS).

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City of San Bernardino
Statement of Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2014

	Agency Funds	Successor Agency To the Economic Development Agency of San Bernardino Private-purpose Trust Fund
ASSETS		
Cash and investments	\$ 5,096,790	\$ 23,064,516
Cash and investments with fiscal agents	-	31,648,223
Receivables:		
Accounts	98	246,863
Interest	-	41,811
Notes	-	1,839,918
Due from other governments	44,796	-
Due from City	-	2,232,926
Prepays	-	3,735
Property held for resale	-	48,907,836
Capital assets:		
Non-depreciable	-	11,620,311
Depreciable, net	-	7,663,068
Total assets	\$ 5,141,684	127,269,207
DEFERRED OUTFLOWS OF RESOURCES		
Loss on refunding of bonds		1,608,780
Total deferred outflows of resources		1,608,780
LIABILITIES		
Accounts payable	\$ 152,150	3,339,061
Accrued liabilities	-	4,536
Retentions payable	-	143,170
Deposits payable	4,195,449	4,532
Interest payable	276,397	1,655,294
Due to other governments	-	703,469
Due to bondholders	517,688	-
Compensated absences	-	85,681
Long-term debt	-	155,669,899
OPEB obligation	-	1,293,866
Total liabilities	\$ 5,141,684	162,899,508
NET POSITION (DEFICIT)		
Held in trust		(34,021,521)
Total net position (deficit)		\$ (34,021,521)

City of San Bernardino
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2014

	Successor Agency to the Economic Development Agency of San Bernardino Private-purpose Trust Fund
ADDITIONS:	
Taxes and special assessments	\$ 21,735,962
Investment income	177,588
Lease revenue	1,995,165
Other revenues	724,755
Total additions	<u>24,633,470</u>
DEDUCTIONS:	
Redevelopment	7,372,293
Debt service - interest	8,509,185
Prepaid items	502,994
Transfers to City	2,105
Total deductions	<u>16,386,577</u>
Changes in Net Position	8,246,893
NET POSITION:	
Beginning of period, as restated (Note 22)	<u>(42,268,414)</u>
End of period	<u>\$ (34,021,521)</u>

NOTES TO THE BASIC FINANCIAL STATEMENTS

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City of San Bernardino
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For the Year Ended June 30, 2014

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City of San Bernardino
Notes to Basic Financial Statements
For the Year Ended June 30, 2014

Note 1 – Summary of Significant Accounting Policies

The basic financial statements of the City of San Bernardino, California (City) have been prepared in conformity with Generally Accepted Accounting Principles of the United States of America (U.S. GAAP) as applied to governmental agencies. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting standards in the United States. The more significant of the City's accounting policies are described below.

A. Financial Reporting Entity

The City was incorporated on April 13, 1854, as a Charter City. The City operates under a Mayor/Council/City Manager form of government and provides the following services: public safety (police and fire), highways and streets, health and social services, culture-recreation, public improvements, community development (planning, building and zoning), public utilities (water, sewage and solid waste), and general administrative services.

The financial reporting entity consists of the primary government, the City, and its component units. Component units are legally separate entities for which the elected officials of the primary government are financially accountable. The City is considered to be financially accountable for an organization if the City appoints a voting majority of that organization's governing body and either the City is able to impose its will on that organization or there is a potential for that organization to provide financial benefits to or impose specific financial burdens on the City. The City is also considered to be financially accountable for an organization if that organization is fiscally dependent (i.e., it is unable to adopt its budget, levy taxes, set rates or charges, or issue bonded debt without approval from the City). In certain cases, other organizations are included as component units if the nature and significance of their relationship with the City are such that their exclusion would cause the City's financial statements to be misleading or incomplete.

Blended Component Units

Blended component units, although legally separate entities, are, in substance part of the City's operation and so data from these units are combined with data of the City. Discretely presents component units, on the other hand, are reported in a separate column in the combined financial statements to emphasize that they are legally separate from the government.

The City Council acts as the governing body and City's management has operation responsibility of the following organizations. As a result, these organizations are considered component units of the City and are included within the financial statements of the City using the blended method. All component units have a June 30 year-end.

Affordable Housing Solutions of San Bernardino, Inc. (AHS)

On December 16, 2009, the Economic Development Agency (EDA) acquired the Global Mobile Home Park Corporation, a not-for-profit corporation (501(c)(3)), from the Redevelopment Agency of the City of Pomona for the redevelopment purposes of the EDA as authorized by Resolution 2009-16 of the Community Development Commission of the City of San Bernardino on May 4, 2009, and approved on May 5, 2009. The mayor and common council of the City of San Bernardino serve ex officio as the chairperson and members of the Community Development Commission of the City of San Bernardino, respectively. On September 23, 2009, the Corporation amended its Articles of Incorporation to rename the Corporation the "Affordable Housing Solutions of San Bernardino Inc." (AHS), which was endorsed and filed in the office of the Secretary of State of the State of California on October 9, 2009. AHS is not currently active and has no assets.

City of San Bernardino
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2014

Note 1 – Summary of Significant Accounting Policies (Continued)

A. Financial Reporting Entity (Continued)

Blended Component Units (Continued)

San Bernardino Joint Powers Financing Authority (Authority)

The San Bernardino Joint Powers Financing Authority (Authority) was established pursuant to a Joint Exercise of Powers Agreement dated August 21, 1989, by and between the City and the EDA. The EDA was dissolved during fiscal year 2012 leaving the City the only member of the Authority. Please see the next paragraph for further details. The Authority was created for the purpose of providing financing for redevelopment activities for the City, the EDA, or other local agencies in the State of California, the acquisition, construction or installation by the Authority of public capital improvements and/or the purchase by the Authority of public obligations within the meaning of the Marks-Roos Act. The Authority is authorized pursuant to the Marks-Roos Act to borrow money for the purpose of financing the acquisition of bonds, notes and other obligations of, or for the purpose of making loans to, the City, the EDA, or such other local agencies to provide financing for redevelopment activities of the City or the EDA. The Authority is governed by a board composed of the City's elected officials. There are no separate financial statements issued for the Authority.

Discretely Presented Component Units

The City has no discretely presented component units.

B. Basis of Presentation, Accounting and Measurement Focus

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained in accordance with legal and managerial requirements.

Government-wide Financial Statements

The City's Government-Wide Financial Statements include a Statement of Net Position and a Statement of Activities and Changes in Net Position. These statements present summaries of governmental and business-type activities for the City accompanied by a total column. Fiduciary activities of the City are not included in these statements.

These financial statements are presented on an “*economic resources*” measurement focus and the accrual basis of accounting. Accordingly, all of the City's assets and liabilities, including capital assets, as well as infrastructure assets, and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in Net Position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. Under the accrual basis of accounting, revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities and deferred inflows of resources resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities and deferred inflows of resources resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33.

City of San Bernardino
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2014

Note 1 – Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation, Accounting and Measurement Focus (Continued)

Government-wide Financial Statements (Continued)

Program revenues include charges for services, special assessments, and payments made by parties outside of the reporting government's citizenry if that money is restricted to a particular program. Program revenues are netted with program expenses in the statement of activities to present the net cost of each program. Program revenues for the City are classified in three categories:

- Charges for services
- Operating grants and contributions
- Capital grants and contributions

Certain eliminations have been made in regards to interfund activities, payables and receivables. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities and Changes in Net Position, internal service fund transactions have been eliminated; however, those transactions between governmental and business-type activities have not been eliminated. The following interfund activities have been eliminated:

- Due to/from other funds
- Advances to/from other funds
- Transfers in/out

Government Fund Financial Statements

Governmental Fund Financial Statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in Net Position as presented in these statements to the Net Position presented in the Government-Wide Financial Statements. The City has presented all major funds that met the applicable criteria.

All governmental funds are accounted for on a spending or "*current financial resources*" measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Measurable means that the amounts can be estimated, or otherwise determined. Available means that the amounts were collected during the reporting period or soon enough thereafter to be available to finance the expenditures accrued for the reporting period. The City uses an availability period of 60 days for all revenues except reimbursable grants, which use a six month availability period.

Sales taxes, property taxes, franchise taxes, gas taxes, motor vehicle in-lieu, transient occupancy taxes, grants and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period to the extent normally collected within the availability period. Other revenue items are considered to be measurable and available when cash is received by the government.

City of San Bernardino
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2014

Note 1 – Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation, Accounting and Measurement Focus (Continued)

Government Fund Financial Statements (Continued)

Revenue recognition is subject to the measurable and available criteria for the governmental funds in the fund financial statements. Exchange transactions are recognized as revenues in the period in which they are earned (i.e., the related goods or services are provided). Locally imposed derived tax revenues are recognized as revenues in the period in which the underlying exchange transaction upon which they are based takes place. Imposed non-exchange transactions are recognized as revenues in the period for which they were imposed. If the period of use is not specified, they are recognized as revenues when an enforceable legal claim to the revenues arises or when they are received, whichever occurs first. Government-mandated and voluntary non-exchange transactions have been recognized as revenues when all applicable eligibility requirements have been met.

The Reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements is provided to explain the differences created by the integrated approach of GASB Statement No. 34.

The City reports the following major Governmental Funds:

General Fund – This is the primary operating fund of the City. It accounts for all activities of the general government, except those required to be accounted for in another fund.

Federal and State Grants Fund – This fund is used to report various grants awarded to the City by the Federal, State and local governments not otherwise accounted for in the General Fund or Capital Projects Funds. A detailed report by program is available under a separate report meeting the criteria of the Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, for all federal grants received by the City.

Low and Moderate Income Housing Fund – This fund is used for resources that are restricted for the continued maintenance and operations of low and moderate income housing project activities of the former redevelopment agency. This fund was established on February 1, 2012, when the City elected to become the Housing Successor to the housing related activities of the former redevelopment agency.

Sales and Road Fund – This fund is used to resources that are restricted for local street improvements projects as provided for by San Bernardino County Measure I Sales Tax.

Proprietary Fund Financial Statements

Proprietary Fund Financial Statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position, and a Statement of Cash Flows for each major Proprietary Fund.

A separate column representing internal service funds is also presented in these statements. However, internal service balances and activities have been combined with the governmental activities in the Government-Wide Financial Statements. The City's internal service funds include funds which provide services directly to other City funds. These areas of service include unemployment insurance, workers' compensation, liability insurance, motorpool, telephone support, information systems, utility, and central services.

City of San Bernardino
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2014

Note 1 – Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation, Accounting and Measurement Focus (Continued)

Proprietary Fund Financial Statements (Continued)

Proprietary funds are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Fund Net Position presents increases (revenues) and decreases (expenses) in total Net Position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. In these funds, receivables have been recorded as revenue and provisions have been made for uncollectible amounts.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

The City reports the following major proprietary funds:

Integrated Waste Fund – This fund is used to account for the provision of refuse collection to the residential, commercial and industrial segments of the City. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, financing and related debt service, and billing and collection.

Water Fund – This fund is used to account for the provision of water services to the residential, commercial and industrial segments of the City. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, financing and related debt service, and billing and collection.

Sewer Fund – This fund is used to account for the provision of wastewater collection and treatment to residential, commercial and industrial segments of the City. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, financing and related debt service, and billing and collection.

Fiduciary Fund Financial Statements

Fiduciary fund financial statements include a Statement of Net Position and a Statement of Changes in Fiduciary Net Position. The City's fiduciary funds represent agency funds and private purpose trust funds. Both agency funds and the private purpose trust funds are accounted for on the full accrual basis of accounting.

Fiduciary fund types are accounted for according to the nature of the fund. The City's agency funds are purely custodial in nature (assets equal liabilities) and thus do not involve measurement of results of operations. These funds are used to account for money and property held by the City as trustee or custodian. The City established Agency Funds and used to account for money and property held by the City as trustee or custodian. Such funds include Special Deposits, Cemetery Perpetual Care, and San Bernardino Regional Water Resource Authority. They are also used to account for various assessment districts for which the City acts as an agent for debt service activity, as the City is prohibited from levying additional taxes for these districts. Such funds include Assessment District's #961, #977A, #977B, and #1003.

City of San Bernardino
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2014

Note 1 – Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation, Accounting and Measurement Focus (Continued)

Fiduciary Fund Financial Statements (Continued)

The City's private purpose trust fund is a fiduciary fund type used by the City to report assets, liabilities and activities of the Successor Agency to the Redevelopment Agency for the City of San Bernardino. Its results of operations are presented on the Statement of Changes of Fiduciary Net Position.

Successor Agency of the Redevelopment Agency for the City of San Bernardino

The Redevelopment Obligation Retirement Fund (Successor Agency) was created to serve as a custodian for the assets and to wind down the affairs of the RDA on February 1, 2012, pursuant to Assembly Bill x1 26. Its purpose is to expeditiously wind down the affairs of the dissolved RDA. The Successor Agency is a separate public entity from the City, subject to the direction of an oversight board. The City Council serves as the governing board of the Successor Agency. In general, the Successor Agency's assets can only be used to pay enforceable obligations in existence at the date of dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments). In future fiscal years, the Successor Agency will only be allocated revenue in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of the former RDA until all enforceable obligations of the former RDA have been paid in full and all assets have been liquidated. Based upon the nature of the Successor Agency's custodial role, the Successor Agency has been included in the accompanying basic financial statements as a private purpose trust fund.

C. Deferred Outflows and Inflows of Resources

In accordance with GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, the Statement of Net Position reports separate sections for Deferred Outflows of Resources, and Deferred Inflows of Resources, when applicable.

Deferred Outflows of Resources represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The City only has one item that qualifies for reporting in this category. It is the unamortized loss on refunding of debt reported in the government-wide statement of net position. A unamortized loss on refunding of debt results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

Deferred Inflows of Resources represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from notes and loans receivable. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

City of San Bernardino
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2014

Note 1 – Summary of Significant Accounting Policies (Continued)

D. Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of budgetary controls.

E. Cash, Cash Equivalents and Investments

The City pools its available cash for investment purposes. The City considers pooled cash and investment amounts, with original maturities of three months or less, to be cash equivalents.

Investments are reported in the accompanying financial statements at fair value, except for certain investment contracts that are reported at cost because they are not transferable and they have terms that are not affected by changes in market interest rates. Changes in fair value that occur during a fiscal year are recognized as investment income reported for that fiscal year, and may result in negative investment income in the accompanying financial statements. Investment income includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation, maturity, or sale of investments.

Investment income earned by the pooled investments is allocated to the various funds based on each fund's average cash and investment balance, except for investment income associated with funds not legally required to receive pooled investment income which has been assigned to and recorded as revenue of the general fund, as provided by California Government Code Section 53647.

For purposes of the statement of cash flows, amounts reported as cash and cash equivalents, include amounts on deposit in the City pool and any short-term, highly liquid investments that are both readily convertible to known amounts of cash or so near their maturity that they present insignificant risk of changes in value because of changes in interest rates.

Certain disclosure requirements, if applicable, for Deposits and Investment Risks in the following areas:

- Interest Rate Risk
- Credit Risk
 - Overall
 - Custodial Credit Risk
 - Concentration of Credit Risk
- Foreign Currency Risk

In addition, other disclosures are specified including use of certain methods to present deposits and investments, highly sensitive investments, credit quality at year-end and other disclosures.

F. Restricted Assets

Amounts reported as restricted assets in the enterprise funds have been restricted by bond indentures or are to be used for specified purposes based on contract provisions, such as bonded debt service.

City of San Bernardino
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2014

Note 1 – Summary of Significant Accounting Policies (Continued)

G. Receivable

Customer or trade receivables are reported as “accounts receivable” and are shown net of an allowance for uncollectible accounts based on historical and management estimates.

Noncurrent portions of long-term receivables (e.g. “notes receivable”) due to governmental fund types are reported in their respective balance sheets despite their spending measurement focus. Recognition of governmental fund type revenues represented by noncurrent receivables are deferred until they become current receivables. Noncurrent portions of long-term notes receivable are offset by nonspendable fund balance in the general fund, and by restricted, committed or assigned fund balance in other funds.

H. Interfund Transactions

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” or “advances to/from other funds” (i.e., the current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the Governmental-Wide Financial Statements as “internal balances.”

I. Inventory

Inventories are valued on the average cost method. Inventory balances represent expendable supplies held for consumption. Inventory is reported under the consumption method whereby expenditures are reported at the time inventory is used. Inventory reported in governmental funds is offset with nonspendable fund balance to show that inventories do not constitute available spendable resources, even though they are a component of fund balance.

J. Prepaid Items

Prepaid items are reported in the governmental funds under the consumption method and are reported as a nonspendable component of fund balance to indicate that they are not spendable for appropriation and are not expendable financial resources.

K. Property Held for Resale

Property held for resale represents land, structures, and related improvements that were acquired for resale as part of the City’s redevelopment and grant activities. Property held for resale is accounted for is recorded at acquisition cost plus improvement costs, in non-accordance with accounting principles generally accepted in the United States of America. Property held for resale, which is not available for current expenditure, is reported in the governmental funds balance sheet as restricted fund balance when proceeds from the sale must be used for restricted purposes or as nonspendable fund balance when such proceeds are not restricted.

City of San Bernardino
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2014

Note 1 – Summary of Significant Accounting Policies (Continued)

L. Capital Assets

Capital assets, which include land, buildings and improvements, machinery, vehicles, equipment (including furniture) and infrastructure assets, are reported in the applicable activity columns in the accompanying government-wide statement of net position and the proprietary funds statement of net position. Capital assets are defined using guidelines established by the City. Such guidelines provide that assets with an initial individual cost of more than \$5,000 (\$200,000 for infrastructure) and an estimated useful life of at least two years are considered to be capital assets. Such capital assets are recorded at cost where historical records are available and at an estimated original cost where no historical records exist. Contributed capital assets are valued at their estimated fair value at the date of the contribution. The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets include public domain (infrastructure) consisting of certain improvements other than buildings, including pavement, curbs and gutters, streets and sidewalks, drainage systems, traffic control devices, streetlights, and right-of-way corridors within the City.

Capital assets used in operations are depreciated over their estimated useful lives using the straight-line method in the government-wide financial statements and in the financial statements of the proprietary funds. Depreciation is charged as an expense against operations and accumulated depreciation is reported on the respective statement of net position.

The ranges of lives used for depreciation purposes for each capital asset class are:

	<u>Years</u>
Buildings and improvements	10 - 40
Infrastructure	20 - 50
Wells, pumping plants, reservoirs, and distribution system	8 - 50
Interceptor lines	50
Disposal plant	35 - 50
Leasehold improvements	5 - 25
Shops, office, stores and yards	10 - 20
Tools and equipment	4 - 20
Office equipment	5 - 20
Communication equipment	7 - 10
Computer equipment	5 - 10
Automotive equipment	3 - 8

Each major infrastructure system can be divided into subsystems. For example, the street system can be subdivided into pavement, curbs and gutters, sidewalks, medians, streetlights, landscaping and land. These subsystems were not delineated in the basic financial statements. The appropriate operating department maintains information regarding the subsystems.

Interest accrued during capital assets construction, if any, is capitalized for the business-type funds as part of the asset cost.

For all infrastructure systems, the City elected to use the Basic Approach for infrastructure reporting.

City of San Bernardino
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2014

Note 1 – Summary of Significant Accounting Policies (Continued)

M. Capital Contribution

Contributions in aid of construction represent cash and utility plant additions contributed to the City by property owners or developers desiring services that require capital expenditures or capacity commitment.

N. Long-Term Debt

In the Government-wide and proprietary fund financial statements, long-term debt and other long-term financial obligations are reported as liabilities.

Prior to July 1, 2013, bond premiums and discounts, as well as issuance costs, are amortized over the life of the bonds using the straight-line method, which approximates effective interest method. Bonds payable are reported net of the applicable premium or discount except for insurance prepaid bond insurance premiums. The City implemented GASB Statement No. 65 effective July 1, 2013, which changed how governments account for bond issuance costs. Issuance costs, except for prepaid bond insurance premium, are now expensed when incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, in the year of issuance. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. The differences between the government-wide and fund financial statements are shown in the Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position.

O. Refunding of Debt

The difference between the reacquisition price of refunding bonds and the net carrying amount of refunded debt (deferred amount on refunding) is amortized over the shorter of the lives of the refunding debt or remaining life of the refunded debt. Unamortized portions of the loss on refunding debt are reported as deferred outflows of resources. When an asset is recorded in the governmental fund financial statements but the revenue is not available, a deferred inflow of resources is reported until such time as the revenue becomes available.

P. Compensated Absences

In accordance with negotiated labor agreements, employees accumulate earned but unused vacation, other compensated leave, and sick leave pay benefits. Depending upon bargaining unit and date of hire, employees were allowed to apply 100% of accrued sick leave hours for additional California Public Employees' Retirement System (CalPERS) service credit upon retirement.

For employees separating from service after February 17, 2012 and before June 30, 2014 vacation payouts are now paid in annual installments on the separation date equal to the greater of \$10,000 or 1/3 of the employees accrued balance until paid in full and sick leave accruals are no longer paid out. For those employees separating from service after July 1, 2013, they receive their full vacation payout.

After subtracting the sick leave balance equivalent of one full year of service credit (2080 hours), which may be applied to CalPERS service credit, any sick leave balance remaining upon separation shall be paid at a specific percentage of the cash value to employees who have remained in City service until the dates specified in the labor agreements.

City of San Bernardino
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2014

Note 1 – Summary of Significant Accounting Policies (Continued)

P. Compensated Absences (Continued)

Government-Wide Financial Statements

For governmental and business-type activities, compensated absences are recorded as expenses when earned.

Fund Financial Statements

For governmental funds, compensated absences are recorded as expenditures in the year paid. The General Fund is typically used to liquidate compensated absences. In proprietary funds, compensated absences are expensed to the various funds in the period they are earned, and such fund's share of the unpaid liability is recorded as a long-term liability of the fund.

Q. Fund Balances

As prescribed by GASB Statement No. 54, governmental funds report fund balance in classifications based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. As of June 30, 2014, fund balances for governmental funds are made up of the following:

- Nonspendable Fund Balance – includes amounts that are (a) not in a spendable form, or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example: deposits and prepaid items.
- Restricted Fund Balance – includes amounts that are restricted for specific purposes stipulated by external resources providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted with the consent of resource providers.
- Committed Fund Balance – includes amounts that have been limited to specific purposes or through adoption of a resolution or an ordinance by the City council, the highest level of decision making authority of the City, and resources that have been specifically committed for use in satisfying contractual obligations, as in agreements with third-parties. The City has determined that both a resolution and an ordinance are equally binding. These commitments may be changed or lifted, but only by the same formal action that was used to impose the constraint originally. City Council action to commit fund balance must occur within the fiscal reporting period while the amount committed may be subsequently determined.
- Assigned Fund Balance – includes amounts that are intended to be used by the City for specific purposes. Intent is expressed by (a) the City Council or (b) a body or official to which the City Council has delegated the authority to assign amounts to be used for a specific purpose.
- Unassigned Fund Balance – includes amounts within the General Fund, the residual resources, either positive or negative in excess of what can be properly classified in one of the other four fund balance categories. Unassigned amounts are technically available for any purpose. Other governmental funds may only report a negative unassigned balance that was created after classification of fund balance in the nonspendable, restricted or committed categories.

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is depleted in order of restricted, committed assigned and unassigned.

City of San Bernardino
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2014

Note 1 – Summary of Significant Accounting Policies (Continued)

R. Net Position

The financial statements utilize a net position presentation. Net position is classified as follows:

- Net Investment in Capital Assets – This category of net position consists of capital assets, net of accumulated depreciation and reduced by any debt outstanding and any deferred outflows of resources related to such borrowings that are attributable to the acquisition, construction or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Rather, that portion of the debt is offset by unspent proceeds.
- Restricted Net Position – This category presents restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Those assets are restricted due to external restrictions imposed by creditors (such as through bond covenants), grantors or laws and regulations of other governments and restrictions imposed through constitutional provisions or enabling legislation.
- Unrestricted – This category represents net position of the City that is not restricted for any project or other purpose.

When both restricted and unrestricted resources are available for use, the City's policy is to use restricted resources first, then unrestricted resources that are needed.

S. Property Taxes

Property tax revenue is recognized in the fiscal year for which the taxes have been levied providing they become available. Available means due, or past due and receivable within the current period and collected within the current period or expected to be collected soon enough thereafter (not to exceed 60 days) to be used to pay liabilities in the current period.

Under California law, property taxes are assessed and collected by the counties at up to 1% of assessed value, plus other increases approved by the voters. The County of San Bernardino, bills and collects the property taxes and remits them to the City at various times throughout the year. Property taxes are attached as an enforceable lien on property as of January 1. Taxes are levied on July 1 and are due in two installments. The first installment is due on November 1, and is payable through December 10 without penalty. The second installment is due February 1, and is payable through April 10 without penalty.

T. Use of Accounting Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions, in some cases when applicable, that affect the amounts in the financial statements and the accompanying notes. Actual results could differ from the estimates.

City of San Bernardino
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2014

Note 1 – Summary of Significant Accounting Policies (Continued)

U. Implementation of New GASB Pronouncements for the Year Ended June 30, 2014

The requirements of the following accounting standards are effective for the purpose of implementation, if applicable to the City, for the year ended June 30, 2014. The financial statements included herein apply the requirements and provisions of these statements, including necessary retroactive adjustments to financial statement classifications and presentations.

GASB Statement No. 70

In April 2013, the GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, which provides accounting and financial reporting guidance to state and local governments that offer nonexchange financial guarantees and for governments that receive guarantees on their obligations. This statement had no impact on the City's financial statements.

V. Upcoming Government Accounting Standards Implementation

The City is currently analyzing its accounting practices to determine the potential impact on the financial statements for the following GASB statements:

GASB Statement No. 68

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*, to improve the guidance for accounting and reporting on the pensions that governments provide to their employees.

Key changes include:

- Separating how the accounting and financial reporting is determined from how pensions are funded.
- Employers with defined benefit pension plans will recognize a net pension liability, as defined by the standard, in their government-wide, proprietary and fiduciary fund financial statements.
- Incorporating ad hoc cost-of-living adjustments and other ad hoc post-employment benefit changes into projections of benefit payments, if an employer's past practice and future expectations of granting them indicate they are essentially automatic.
- Using a discount rate that applies (a) the expected long-term rate of return on pension plan investments for which plan assets are expected to be available to make projected benefit payments, and (b) a yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher to projected benefit payments to the extent that the conditions in (a) are not met.
- Adopting a single actuarial cost allocation method – entry age normal – rather than the current choice among six actuarial cost methods.
- Requiring more extensive note disclosures and required supplementary information

The statement relates to accounting and financial reporting and does not apply to how governments approach the funding of their pension plans. At present, there generally is a close connection between the way many governments fund pensions and how they account for and report information about them in financial statements. The statement would separate how the accounting and financial reporting is determined from how pensions are funded. Application of Statement 68 is effective for the City's fiscal year ending June 30, 2015.

City of San Bernardino
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2014

Note 1 – Summary of Significant Accounting Policies (Continued)

V. Upcoming Government Accounting Standards Implementation (Continued)

GASB Statement No. 69

In January 2013, GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*, which provides new accounting and financial reporting standards for government mergers and acquisitions and for government operations that have been transferred or sold. Application of this statement is effective for the City's fiscal year ending June 30, 2015.

GASB Statement No. 71

In November 2013, GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date-an amendment of GASB Statement No. 68*, which provides guidance to state and local governments clarifying the transition provisions for GASB No. 68 regarding pension contributions made after the measurement date. Application of this statement is effective for the City's fiscal year ending June 30, 2015.

GASB Statement No. 72

In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application*, which provides guidance for determining a fair value measurement for financial reporting purposes. This statement also provides guidance for applying fair value to certain investments and disclosure related to all fair value measurements. Application of this statement is effective for the City's fiscal year ending June 30, 2016.

GASB Statement No. 73

In June 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pension and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This statement establishes requirements for those pensions and pension plans that are not administered through a trust meeting specified criteria (those not covered by GASB Statements 67 and 68). Application of this statement is effective for the City's fiscal year ending June 30, 2016, except those provisions that address employers and governmental nonemployer contributing entities that are not within the scope of GASB Statement 68, which are effective for financial statements for fiscal year ending June 30, 2017.

GASB Statement No. 74

In June 2015, GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which addresses reporting by postemployment benefits other than pensions (OPEB) plans that administer benefits on behalf of governments. This statement basically parallels GASB Statement 67 and replaces GASB Statement 43. Application of this statement is effective for the City's fiscal year ending June 30, 2017.

GASB Statement No. 75

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement applies to government employers who provide OPEB to their employees and for governments that finance OPEB for employees of other governments. This statement basically parallels GASB Statement 68 and replaces GASB Statement 45. Application of this statement is effective for the City's fiscal year ending June 30, 2018.

City of San Bernardino
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2014

Note 1 – Summary of Significant Accounting Policies (Continued)

V. Upcoming Government Accounting Standards Implementation (Continued)

GASB Statement No. 76

In June 2015, GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. This statement reduces the generally accepted accounting principles (GAAP) hierarchy to two categories of authoritative GAAP from the four categories under GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The first category of authoritative GAAP consists of GASB Statements of Governmental Accounting Standards. The second category comprises GASB Technical Bulletins and Implementation Guides, as well as guidance from the American Institute of Certified Public Accountants that is cleared by the GASB. Application of this statement is effective for the City's fiscal year ending June 30, 2016.

GASB Statement No. 77

In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures*. This statement establishes financial reporting standards for tax abatement agreements entered into by state and local governments. Application of this statement is effective for the City's fiscal year ending June 30, 2017.

GASB Statement No. 78

In December 2015, GASB issued Statement No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*. This Statement amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above. Application of this statement is effective for the City's fiscal year ending June 30, 2017.

GASB Statement No. 79

In December 2015, GASB issued Statement No. 79, *Certain External Investment Pools and Pool Participants*. This Statement establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. Those disclosures for both the qualifying external investment pools and their participants include information about any limitations or restrictions on participant withdrawals. Application of this statement is effective for the City's fiscal year ending June 30, 2017.

City of San Bernardino
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2014

Note 1 – Summary of Significant Accounting Policies (Continued)

V. Upcoming Government Accounting Standards Implementation (Continued)

GASB Statement No. 80

In December 2015, GASB issued Statement No. 80, *Blending Requirements for Certain Component Units – An Amendment of GASB Statement No. 14*. This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. Application of this statement is effective for the City’s fiscal year ending June 30, 2017.

GASB Statement No. 81

In December 2015, GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period. Application of this statement is effective for the City’s fiscal year ending June 30, 2018.

GASB Statement No. 82

In December 2015, GASB issued Statement No. 82, *Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73*. This Statement clarifies that payments that are made by an employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements should be classified as plan member contributions for purposes of Statement 67 and as employee contributions for purposes of Statement 68. It also requires that an employer’s expense and expenditures for those amounts be recognized in the period for which the contribution is assessed and classified in the same manner as the employer classifies similar compensation other than pensions (for example, as salaries and wages or as fringe benefits). Application of this statement is effective for the City’s fiscal year ending June 30, 2018.

City of San Bernardino
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2014

Note 2 – Bankruptcy

A. Factors Precipitating the City’s Chapter 9 Bankruptcy Filing On August 1, 2012

Beginning or around May 2012, the City’s Finance Department (led by a newly hired Finance Director) began the process of preparing a proposed budget for the City’s 2012-13 fiscal year. In late June 2012, the City’s Finance Department completed a report entitled, “San Bernardino Budgetary Analysis and Recommendations for Budget Stabilization” (the “Budget Report”) which determined that: (i) the City faced a projected budget deficit of over \$45.8 million in the 2012-13 fiscal year and the budget deficit was projected to grow even larger for each of the following five years due to, among other things, continued stagnation in General Fund revenues, the poor housing market and economy, increasing pension and other post-retirement benefit costs, and unfunded liabilities in the City’s retiree health, worker’s compensation and general liability accounts, (ii) the City had depleted all of its General Fund reserves to cover substantial budget deficits for four consecutive fiscal years beginning with the 2008-2009 fiscal year and had an estimated \$18.2 million negative cash balance in its General Fund, (iii) immediate and substantial action had to be taken to reduce spending and preserve cash for the City to continue to provide essential services to its residents, (iv) an analysis of the City’s General Fund revealed that the fund balances at the start of fiscal years 2010-2011 and 2011-2012 had been erroneously reported by City staff and that fund balances had actually totaled at least \$4.5 million (estimated) less than reported, and (v) the City did not have sufficient unrestricted cash available to pay its financial obligations as and when they were due or to become due and owing.

Several factors led to the late discovery of the scope and extent of the City’s financial problems. Beginning in late 2011 and continuing through early May of 2012, key City management personnel retired or resigned, and the City’s Finance Department fell behind in performing various financial tasks which was exacerbated by the implementation of a new financial software system. As late as April 2012, and in connection with the City’s mid-year budget review, the City Manager at that time believed that the City’s estimated budget shortfall for fiscal year 2011-12 would be just over \$3.1 million and could be remedied by cuts to department budgets, continuing a hiring freeze on filling vacant positions and making revenue adjustments.

The Budget Report found that the City had been hit hard by the major recession that began in late 2007. In addition, the housing market collapse in the Inland Empire region, the loss of redevelopment funds and declines in revenue to the General Fund from sales tax, property tax, franchise fees, utility users tax and licenses and permits all had significant detrimental impact on the City. The Budget Report also found that the City’s operational costs continued to exceed revenues despite the City’s efforts to cut costs by negotiated reductions in employee costs, job cuts, service cuts, sales of assets, implementation of revenue measures, increased transfers from other funds, and use and then exhaustion of its General Fund reserves. As of June 2012, the City’s unemployment rate was 16.9% (more than double the national unemployment rate), and the City had one of the highest home foreclosure rates in the nation.

The City also prepared a Staff Report (the “Staff Report”) dated July 18, 2012, which determined that (i) it was unlikely that, at that time, the City could meet its payroll and other financial obligations in the next thirty (30) to sixty (60) days (including debt obligations and lease payments for critical City assets), (ii) an unusually large number of employees were retiring and leaving the City triggering immediate cash-outs of vacation and sick leave accruals, (iii) the City’s credit line had been terminated, (iv) vendors were demanding cash up front before providing essential materials, goods and services to the City, (v) the City had no ability to access short term credit markets to solve its cash flow problems and no General Fund reserves, and (vi) cash flow projections showed that the City had projected monthly General Fund deficits ranging between \$2 million and \$5.6 million from July through September.

City of San Bernardino
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2014

Note 2 – Bankruptcy (Continued)

A. Factors Precipitating the City’s Chapter 9 Bankruptcy Filing On August 1, 2012 (Continued)

On July 18, 2012, the Mayor and Common Council of the City enacted Resolution No. 2012-205 declaring a fiscal emergency (the “Fiscal Emergency Resolution”) based on information presented in the Budget Report, Staff Report and at public meetings of the Mayor and Common Council held on July 10, July 16 and July 18, 2012. Pursuant to the Fiscal Emergency Resolution, the Common Council found that the City was unable to pay its obligations within the next sixty (60) days and that the financial state of the City jeopardized the health, safety or well-being of the City’s residents absent the protections of Chapter 9 of the Bankruptcy Code and given the City’s dire financial condition it was in the best interest of the City to declare a fiscal emergency. On July 18, 2012, the Mayor and Common Council of the City also enacted Resolution No. 2012-206 which determined that the City was insolvent in its current fiscal year and unable to meet its payroll without the protections afforded by Chapter 9 of the Bankruptcy Code which would endanger the health, safety and welfare of its residents, and authorized and directed certain City officials and employees to execute and file all petitions, schedules, lists and other papers and to take any and all actions necessary and proper to file a petition under Chapter 9 of the Bankruptcy Code.

As an initial step in a multi-phase and multi-step process of developing a budget for operating in bankruptcy called a Pendency Plan, on July 24, 2012 the City approved a “Fiscal Emergency Operating Plan – July 2012 to September 2012” (the “Fiscal Emergency Plan”). Pursuant to the Fiscal Emergency Plan, the City did not make payments for (i) debt payments due, including a payment for pension bond obligations due on July 20, 2012 in the amount of over \$3.3 million, (ii) bi-monthly payments to fund retiree health obligations due in the first quarter in the amount of over \$2.2 million, (iii) deferred equipment purchases and capital projects, (iv) payment on a note for its financial accounting software system, and (v) other trade payables due and owing in an amount over \$6 million. In addition, the City did not make over \$1.4 million in payments under certain settlement agreements in three lawsuits. Pursuant to the Fiscal Emergency Plan, City staff also determined that the City would not be able to borrow money from the private credit markets to meet its obligations because it could not demonstrate the ability to pay such debts back with revenues generated in the current fiscal year.

B. The City’s Chapter 9 Bankruptcy Filing

Given the City’s financial crisis described above, on August 1, 2012 (“Petition Date”) the City commenced a bankruptcy case under Chapter 9 of the Bankruptcy Code (the “Bankruptcy Case”) by filing a voluntary petition for relief in the United States Bankruptcy Court for the Central District of California (Riverside Division) (the “Bankruptcy Court”) on an emergency basis. On August 3, 2012, Judge Meredith A. Jury was designated as the bankruptcy judge overseeing the City’s Chapter 9 Bankruptcy Case.

C. Approval and Implementation of the City’s Pendency Plan and Budgets

The City promptly took the next step in the multi-step and multi-phase process of formulating its Pendency Plan by preparing its Pre-Pendency Plan. On August 30, 2012, a budget for fiscal year 2012-2013 was presented to the City’s Common Council to remain effective until a Pendency Plan was finalized and approved. On September 17, 2012 and October 1, 2012, the Common Council approved certain cuts and budget offsets set forth in the Pre-Pendency Plan and a 9 Point Adjustment Plan, which the City estimated would eliminate approximately \$29.78 million of the City’s overall \$45.8 million budget deficit. During this time, the City deferred payment of certain obligations in order to curtail the increasing deficit in the General Fund and the City’s dire liquidity crisis. These deferred payments include employer pension contribution payments to the California Public Employees’ Retirement System (“CalPERS”), bond debt and certain trade debt.

City of San Bernardino
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2014

Note 2 – Bankruptcy (Continued)

C. Approval and Implementation of the City’s Pendency Plan and Budgets (Continued)

On November 26, 2012, the Common Council adopted a Pendency Plan which incorporated the Pre-Pendency Plan. The Pendency Plan served to balance the City’s budget during the Bankruptcy Case using tools available under Chapter 9 of the Bankruptcy Code. The City implemented its Pendency Plan through, among other things, the process of: (a) meeting, conferring and negotiating with all seven of its unions, including participating in mediation with two of its unions; (b) implementing changes to collective bargaining agreements with the three unions for which the City was unable to reach consensual resolutions through resolutions adopted by the City’s Common Council; and (c) rejecting the collective bargaining agreements with the three dissenting unions as described below.

On February 19, 2013, the City Manager issued and made available the Budget Message and the Fiscal Year 2012-13 and Fiscal Year 2013-14 Proposed Budget for the General Fund. On April 22, 2013, the City adopted its budget for the General Fund and other funds for fiscal years 2012-13 and 2013-14. On June 30, 2014, the City adopted its budget for fiscal year 2014-15 which continued certain of the expenditure reductions in the Pendency Plan and implemented other measures to align expenditures with revenues. On June 30, 2015, the City adopted its budget for fiscal year 2015-16 which again continued certain of the expenditure reductions in the Pendency Plan and implemented other measures to align expenditures with revenues. These efforts have enabled the City to survive financially, manage its ongoing fiscal emergency, and provide essential governmental services to its residents until a plan of adjustment is approved.

D. The Bankruptcy Court’s Determination of City Eligibility for Chapter 9 Relief

In the first few weeks of the Bankruptcy Case, the City filed a motion requesting that the Court set a deadline to file objections to the City’s eligibility for Chapter 9 relief. On August 24, 2012, the Court entered its “Order Directing And Approving Form Of Notice And Setting Deadline For Filing Objections To The City Of San Bernardino, California’s Petition” which established the deadline to file and serve all objections to eligibility as October 24, 2012. Prior to October 12, 2012, the City provided over 15,000 pages of documents pursuant to stipulations with various creditors respecting its financial condition and eligibility for Chapter 9 relief. Although the City has numerous creditors – U.S. and German financial institutions holding the City’s bonds, Wall Street bond insurers, hundreds of trade creditors, thousands of retirees receiving pensions and retiree health care benefits, and seven unions representing the City’s current employees – only one creditor, CalPERS, objected to the City’s eligibility to be a chapter 9 debtor. With respect to CalPERS, the City dedicated substantial resources in its Finance Department to providing information, running numbers, attending meetings and responding to CalPERS’ requests. The City provided additional documents totaling over 40,000 pages of documents in the hope that CalPERS would withdraw its objection to the City’s eligibility.

At a status conference in June 2013, the Bankruptcy Court set a briefing schedule for a motion for summary judgment on the City’s eligibility for Chapter 9 relief. CalPERS objected and asserted that it was entitled to additional discovery on the City’s eligibility. On August 28, 2013, after extensive briefing by the City and CalPERS, the Bankruptcy Court determined based upon uncontroverted facts that the City had satisfied the requirements for eligibility in Bankruptcy Code section 109(c) and that it had filed its petition in good faith pursuant to Bankruptcy Code section 921(c), and subsequently issued orders to that effect (the “Eligibility Orders”). The Bankruptcy Court found that the City was authorized under California law to be a chapter 9 debtor, the City was insolvent, the City had filed its bankruptcy case in good faith and with the desire to effect a plan of adjustment of debts, and, under the circumstances, it was impracticable for the City to have conducted pre-bankruptcy negotiations with its creditors.

City of San Bernardino
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2014

Note 2 – Bankruptcy (Continued)

E. CalPERS' Appeal of the Bankruptcy Court's Eligibility Orders

CalPERS appealed from the Eligibility Orders, and the U.S. District Court for the Central District of California certified the appeal for review by this U.S. Court of Appeals for the Ninth Circuit. The Ninth Circuit granted CalPERS' petition for leave to appeal the Eligibility Orders, established a briefing schedule and set oral argument on CalPERS' appeal on its August 2014 calendar. By its appeal, CalPERS is challenging the Bankruptcy Court's Eligibility Orders and seeks dismissal of the City's chapter 9 case. The City believes that dismissal of its chapter 9 case would be a catastrophic blow to the City and its citizens as they struggle to recover from the effects of the economic downturn and housing bubble burst. Such a dismissal would deny the City the tools and breathing room afforded municipalities under bankruptcy law to reorganize and adjust its debts, and establish a plan of adjustment for a sound financial future. The CalPERS appeal remains pending, but CalPERS is not pursuing the appeal as long as the City complies with the CalPERS Interim Agreement.

F. The City's Debt Obligations and Creditor Claims

The Bankruptcy Court established February 7, 2014 as the deadline for all creditors, other than governmental units of the City, to file proofs of claims, and March 21, 2014 as the deadline for governmental units to file proofs of claims. The City's proposed plan of adjustment will address claims timely filed against the City and the City's outstanding obligations including, but not limited to, the following which were in existence as of August 31, 2012 (unless otherwise noted):

- **Unsecured Pension Costs and Unfunded Pension Liabilities** – The City has outstanding unfunded liability owed to CalPERS.
- **Other Post-Employment Benefits** – The City's retirement plans provide for other post-employment benefits ("OPEBs"), consisting primarily of retiree medical care. The City's unfunded liability for OPEBs was set forth in the City's last audit.
- **Pension Obligation Bond Indebtedness** – To address growing public safety pension obligations, the City issued pension obligation bonds ("POBs") in 2005 which reduced unfunded pension liabilities. The City has not made payments under the POB's since prior to the Petition Date.
- **Lease And Other Financial Obligations** – The City has outstanding lease obligations for critical City assets such as City Hall and police, library and fire facilities. The City also leases equipment critical to the health, safety and welfare of its residents such as fire engines, police vehicles, fire station alerting system, refuse trucks and other critical equipment.
- **Capital Improvement Loans** – In addition to its bonded indebtedness, loans, and capital leases, the City has infrastructure loans for capital improvements.

Debt service obligations paid from dedicated special use restricted resources and/or funds that are not within the General Fund, such as sewer improvement bonds and infrastructure bank loans secured by restricted "special revenues," and/or obligations paid from dedicated special/restricted funds, are currently unimpaired and remain unimpaired under the City's proposed plan of adjustment.

City of San Bernardino
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2014

Note 2 – Bankruptcy (Continued)

G. Component Units and Restricted Funds

The Bankruptcy Case seeks the adjustment of the obligations of the City and does not extend to the City's component units that are separate legal entities. In addition, the City's restricted resources and/or special use funds are funds of the City and, as such, are accounted for in the City's Bankruptcy Case. As noted above, obligations of the restricted/special funds are currently unimpaired and remain unimpaired under the City's proposed plan of adjustment.

H. Impact of the Bankruptcy Case on the City's Ability to Provide Services

The City continues to provide essential services to its residents and is committed to continuing to provide such services throughout the Bankruptcy Case. The goal for the Chapter 9 process is to allow the City the time it needs to correct its structural budget imbalance and cash flow problems and set it on a sound financial course moving forward.

I. The City's Plan of Adjustment and Disclosure Statement

On May 18, 2015, the City Council approved a Recovery Plan in support of the Plan of Adjustment. The City continues to work towards a consensual plan of adjustment with its creditors and, if a consensual plan cannot be achieved, then confirmation of a plan of adjustment over potential objections from creditors.

The bankruptcy court established May 30, 2015 as the deadline for the City to file a plan of adjustment. The City filed its plan of adjustment and disclosure statement on May 29, 2015. Some creditors filed objections to the adequacy of the disclosure statement, and the City filed a response to those objections on October 1, 2015. On October 8, 2015, the bankruptcy court held a hearing on the adequacy of the disclosure statement. The bankruptcy court held a hearing on the disclosure statement and status conference on December 23, 2015, at which it set deadlines for a second amended plan and disclosure statement and further briefing, and at a status conference held on February 4, 2016, the Court revised those dates and provided that the City is to file a second amended disclosure statement and motion on solicitation procedures on March 30, 2016. On March 30, 2015, the City filed its second amended disclosure statement and appendix of exhibits in support thereof, its second amended plan for the adjustment of debts of the City, and a solicitation motion. Certain objections to the second amended disclosure statement or such motion were filed by the deadline of April 13, 2016, the City's response to filed objections to the second amended disclosure statement or such motion was filed on April 20, 2016, and the hearings on the amended disclosure statement and such motion were held on April 27, 2016. On May 27, 2016, the City filed its third amended disclosure statement and appendix of exhibits in support thereof, its third amended plan for the adjustment of debts of the City, reflecting the changes agreed to by the City and various parties to settlements that were not fully reflected in the second amended disclosure statement and changes to clarify the treatment of holders of personal injury claims that may be able to obtain payment from the City's participation in the Big Independent Cities Excess Pool Joint Powers Authority ("BICEP"). Responses to the third amended disclosure statement were due by June 3, 2016, provided however that responses are limited to matters that changed between the second and third amended disclosure statements, except that BICEP, San Bernardino Associated Governments, and the Retiree Committee will be allowed to file objections on any matter in the third amended disclosure statement; the City's reply to response to the third amended disclosure statement is due on June 10, 2016, and the hearings on the disclosure statement and motion on solicitation procedures (to which no objection was filed) were continued to June 16, 2016.

City of San Bernardino
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2014

Note 2 – Bankruptcy (Continued)

I. The City’s Plan of Adjustment and Disclosure Statement (Continued)

The aggregate gain expected to occur by re-measuring liabilities subject to the proposed plan of adjustment and contingent claims are not able to be reasonably measured or estimated, given that the ultimate outcome of the confirmation hearing will not be made by U.S. Bankruptcy Court until at least fiscal year 2016/2017, and perhaps after the outcome of the appeal(s), which likely will not be resolved until late fiscal year 2016/2017, if then. The plan of adjustment does not contemplate termination of services, discontinuance of operations, or termination of the City.

The City expects to file additional modifications to the Proposed Plan prior to reflect new or finalized settlements and fix certain clerical errors. Any plan for adjustment of the City’s debts finally confirmed by the Court is likely to provide for material modifications of the City’s obligations with respect to its debts and could include a schedule of payments substantially different than the originally scheduled debt service. The City expects to file additional disclosure notices and reports on the Electronic Municipal Market Access (“EMMA”) website from time to time updating information concerning its General Fund financial condition and Chapter 9 filing.

The City expects to file additional disclosure notices and reports that will update information concerning its General Fund financial condition and Chapter 9 process with EMMA from time to time. The full Plan of Adjustment and related bankruptcy filings can be found on the City’s website at: http://www.ci.san-bernardino.ca.us/home_nav/chapter_9_bankruptcy/default.asp

Note 3 – Cash and Investments

Cash and investments are presented in the accompanying financial statements at June 30, 2014 as follows:

	Government-Wide Statement of Net Position			Fiduciary Funds	
	Governmental Activities	Business-Type Activities	Total	Statement of Net Position	Total
Cash and investments	\$ 60,440,863	\$ 47,476,705	\$ 107,917,568	\$ 28,161,306	\$ 136,078,874
Cash and investments with fiscal agent	1,208,016	-	1,208,016	31,648,223	32,856,239
Restricted cash	-	7,585,801	7,585,801	-	7,585,801
Restricted investment - Consent Decree	-	21,259,686	21,259,686	-	21,259,686
Total cash and investments	\$ 61,648,879	\$ 76,322,192	\$ 137,971,071	\$ 59,809,529	\$ 197,780,600

Cash and investments at June 30, 2014, consisted of the following:

Cash:	
Cash on hand	\$ 14,575
Deposits with financial institution	37,531,907
Total Cash	37,546,482
Investments:	
Investments	127,377,879
Investments held by bond trustee	32,856,239
Total Investments	160,234,118
Total Cash and Investments	\$ 197,780,600

As part of the City's investment guidelines, the City continually seeks ways to increase investment income while not risking investment principal. One way the City accomplishes this is by “sweeping”, on a nightly basis, any excess cash held in its non-interest bearing checking account to an interest bearing money market account with the same bank.

City of San Bernardino
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2014

Note 3 – Cash and Investments (Continued)

A. Demand Deposits

The carrying amounts of the City’s demand deposits were \$37,531,907 at June 30, 2014. Bank balances were \$37,329,024 at that date, the total amount of which was collateralized or insured with securities held by the pledging financial institutions in the City’s name as discussed below.

The California Government Code requires California banks and savings and loan associations to secure the City’s cash deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in the City's name.

The market value of pledged securities must equal at least 110% of the City's cash deposits. California law also allows institutions to secure City’s deposits by pledging first trust deed mortgage notes having a value of 150% of the City’s total cash deposits. The City may waive collateral requirements for cash deposits, which are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation (“FDIC”). The City, however, has not waived the collateralization requirements.

B. Investments Authorized by the California Government Code and the City’s Investment Policy

The table below identifies the investment types that are authorized for the City by the California Government Code and the City's investment policy. The table also identifies certain provisions of the California Government Code (or the City's investment policy, if more restrictive) that address interest rate risk and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustees that are governed by the provisions of debt agreements of the City, rather than the general provisions of the California Government Code or the City's investment policy.

Authorized Investment Types	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer*
United States Treasury Obligations	5 years	None	None
United States Federal Agency securities	5 years	None	None
Bonds, Notes or Registered Warrants Issue by the State of California or Local Agencies within the State of California	5 years	None	None
Bankers' Acceptances	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Time Certificates of Deposit	N/A	25%	None
Medium-term Corporates Notes	5 years	30%	15%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass - through Securities	5 years	20%	None
Local Agency Investment (LAIF)	N/A	None	\$50 million

* Based on state law requirements or City investment policy requirements, whichever is more restrictive.

City of San Bernardino
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2014

Note 3 – Cash and Investments (Continued)

C. Investments Authorized by Debt Agreements

Investment of debt proceeds held by fiscal agent's are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the City's investment policy. The table below identifies the investment types that are authorized for investments held by fiscal agents. The table also identifies certain provisions of these debt agreements that address interest rate risk and concentration of credit risk.

Authorized Investment Types	Maximum Maturity	Maximum Percentage Allowed	Maximum Investment in One Issuer
United States Treasury Obligations	None	None	N/A
United States Federal Agency Securities	None	None	None
Bonds, Notes or Registered Warrants Issued by the State of California or Local Agencies within the State of California	5 yrs	None	None
Bankers' Acceptances	180-360 days	None	None
Commercial Paper	90-180 days	None	None
Medium-term Corporate Notes	None	None	None
Money Market Mutual Funds	N/A	None	None
Investment Contracts	None	None	None

D. Risk Disclosures

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest 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. One of the ways that the City manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the City's investments (including investments held by bond trustee) to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity. For purposes of the schedule shown below, any callable securities are assumed to be held to maturity.

City of San Bernardino
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2014

Note 3 – Cash and Investments (Continued)

D. Risk Disclosures (Continued)

Disclosures Relating to Interest Rate Risk

Investment Type	Total	Investment Maturities		
		1 year or fewer	1 to 2 years	2-3 years
LAIF	\$ 12,591,145	\$ 12,591,145	\$ -	\$ -
Commercial paper	479,647	479,647	-	-
Money market mutual funds	24,358,864	24,358,864	-	-
Certificates of deposit	3,218,771	1,000,680	973,455	1,244,636
Negotiable certificates of deposit	2,242,118	248,368	248,000	1,745,750
Federal agency securities	58,368,345	3,481,157	8,328,604	46,558,584
U.S. Treasury obligations	13,804,276	761,338	5,164,800	7,878,138
Medium-term corporate notes	9,308,983	264,581	2,604,043	6,440,359
Asset backed securities	3,005,730	432,034	580,931	1,992,765
Held by bond trustee:				
Money market mutual funds	29,792,711	29,792,711	-	-
Federal agency securities	2,007,528	1,817,280	190,248	-
Investment contracts	1,056,000	-	-	1,056,000
Total Investments	\$ 160,234,118	\$ 75,227,805	\$ 18,090,081	\$ 66,916,232

Disclosures Relating to Credit Risk

Generally, 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. However, some issuers do not seek a credit rating. For instance, the California Local Agency Investment Fund (LAIF) has not sought or received a credit rating. In these cases, the purchaser is solely responsible for performing their own due diligence before purchasing an investment or participating in an external investment pool. Certificates of deposit of \$250,000 or less are fully insured by the Federal Deposit Insurance Corporation (FDIC), and therefore, do not seek a credit rating.

Presented below is the minimum rating required by (where applicable) the California Government Code, the City's investment policy, or debt agreements, and the actual rating as of year-end for each investment type.

Investment Type	Total	Minimum	Ratings	Rating	Not Rated
		Legal	at Year-End	at Year-End	
		Rating	AA or AAA	A	
LAIF	\$ 12,591,145	N/A	\$ -	\$ -	\$ 12,591,145
Commercial paper	479,647	A-1	-	479,647	-
Money market mutual funds	24,358,864	AA+	307,570	-	24,051,294
Certificates of deposit	3,218,771	N/A	500,143	1,473,992	1,244,636
Negotiable certificates of deposit	2,242,118	A	-	-	2,242,118
Federal agency securities	58,368,345	AA	58,368,345	-	-
U.S. Treasury obligations	13,804,276	N/A	-	-	13,804,276
Medium-term corporate notes	9,308,983	A	6,990,184	1,304,424	1,014,375
Asset backed securities	3,005,730	AA	3,005,730	-	-
Held by bond trustee:					
Money market mutual funds	29,792,711	AA+	-	-	29,792,711
Federal agency securities	2,007,528	N/A	2,007,528	-	-
Investment contracts	1,056,000	N/A	-	-	1,056,000
	\$ 160,234,118		\$ 71,179,500	\$ 3,258,063	\$ 85,796,555

City of San Bernardino
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2014

Note 3 – Cash and Investments (Continued)

D. Risk Disclosures (Continued)

Disclosure Relating to Concentration of Credit Risk

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond that stipulated in the Gov't Code. GASB Statement No. 40 requires disclosure by amount and issuer, of investments in any one issuer that represent 5% or more of total investments. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represents 5% or more of the City's total investments are as follows:

<u>Issuer</u>	<u>Investment Type</u>	<u>Reported Amount</u>	<u>Percentage of Portfolio</u>
Federal National Mortgage Association	Federal Agency Securities	\$ 16,450,609	10.27%
Federal Home Loan Banks	Federal Agency Securities	8,590,973	5.36%
Federal Home Loan Mortgage Corporation	Federal Agency Securities	26,657,394	16.64%
Local Agency Investment Fund	California Pooled Investment Fund	12,591,145	7.86%

Disclosures Relating to Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. At June 30, 2014, the City's deposits (bank balances) were collateralized under California Law.

City of San Bernardino
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2014

Note 3 – Cash and Investments (Continued)

E. Investment in State Investment Pool

The City is a participant in LAIF which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The City's investments in LAIF at June 30, 2014 included a portion of pool funds invested in Structure Notes and Asset-Backed Securities:

Structured Notes are debt securities (other than asset-backed securities) whose cash-flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options.

Asset-Backed Securities, the bulk of which are mortgage-backed securities, entitle their purchasers to receive a share of the cash flows from pool of assets such as principal and interest repayments from a pool of mortgages (such as Collateralized Mortgage Obligations) or credit card receivables.

As of June 30, 2013, the City had \$12,591,145 invested in LAIF, which had invested 1.86% of the pool investment funds in Structured Notes and Asset-Back Securities. LAIF determines fair value on its investment portfolio based on market quotations for those securities where market quotations are readily available and based on amortized cost or best estimate for those securities where market value is not readily available. The City valued its investments in LAIF as of June 30, 2014, by multiplying its account balance with LAIF times a fair value factor determined by LAIF. This fair value factor was determined by dividing all LAIF participants' total aggregate amortized cost by total aggregate fair value. The fair value of the City's position in the pool is the same value of the pool shares. The credit quality rating of LAIF is unrated as of June 30, 2014.

Note 4 – Notes Receivable

Notes receivable represent loan agreements entered into between the City or the former EDA and unrelated non-governmental entities as part of the City's redevelopment activities, including single-family home buyer assistance, and real estate development and construction loans. At June 30, 2014, approximately \$6.64 million of notes receivable, net of \$3.26 million allowance for doubtful accounts, were reported in the Federal and State Grants Fund major special revenue fund. At June 30, 2014, the Low and Moderate Income Housing major special revenue fund reported approximately \$38.72 million of notes receivable but the City has not done an analysis of the collectability of these notes receivable. The Successor Agency has five notes outstanding ranging in amount from approximately \$11,000 to \$609,000 totaling \$1.84 million. Collection of these notes receivable is subject to the terms of each individual loan agreement.

City of San Bernardino
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2014

Note 5 - Interfund Receivables, Payables, and Transfers

A. Due To / From Other Funds

Amounts due to and due from other funds at June 30, 2014, were as follows:

Due From Other Funds	Due To Other Funds				Total
	Water Enterprise Fund	Sewer Enterprise Fund	Internal Service Funds	Nonmajor Governmental Funds	
General Fund	\$ 1,793	\$ -	\$ 14,018	\$ 377,767	\$ 393,578
Integrated Waste Enterprise Fund	2,283,375	268,613	-	-	2,551,988
Water Enterprise Fund	-	-	164,200	-	164,200
Total	\$ 2,285,168	\$ 268,613	\$ 178,218	\$ 377,767	\$ 3,109,766

Amounts due to and due from other funds reflect (a) Monies owed to the Integrated Waste Enterprise (IWE) fund from Water Enterprise and Sewer Enterprise funds for monies for services collected by the Water Department on behalf of the IWE fund; and (b) inter-fund borrowings to cover short-term operating deficits and cash overdrafts.

B. Advances To / From Other Funds

Advance to and advances from other funds at June 30, 2014, were as follows:

Advances To Other Funds	Advances From Other Funds	
	Nonmajor Governmental Funds	Total
Low & Moderate Income Housing Fund	\$ 116,800	\$ 116,800
Nonmajor Governmental Funds	147,600	147,600
Total	\$ 264,400	\$ 264,400

The interfund advances above resulted from loans to fund infrastructure and other capital improvements in the Arden-Guthrie and New Pine Assessment Districts and are expected to be repaid through special assessments on property owners in those districts.

City of San Bernardino
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2014

Note 5 – Interfund Receivables, Payables, and Transfers (Continued)

C. Transfers

Interfund transfers during the year ended June 30, 2014, consisted of the following:

Transfers In	Transfers Out			Total
	General Fund	Integrated Waste Enterprise Fund	Non-major Governmental Funds	
General Fund	\$ -	\$ 2,200,000	\$ 820,719	\$ 3,020,719
Non-major Governmental Funds	3,937,273	-	-	3,937,273
Total	<u>\$ 3,937,273</u>	<u>\$ 2,200,000</u>	<u>\$ 820,719</u>	<u>\$ 6,957,992</u>

Interfund transfers were principally used to (a) fund operating deficits in non-major funds, (b) fund debt service payments, (c) reimburse costs of the General Fund for City-provided services, (d) eliminate deficit fund balances, and (e) subsidize capital expenditures.

Note 6 – Property Held for Resale

Property held for resale represents single-family, multi-family, commercial, and retail real estate acquired by the City under its Low and Moderate Income Housing Fund, the Federal and State Grant Fund. Approximately 60 properties are reported in the Federal and State Grants Fund major special revenue fund ranging in amount from approximately \$78,000 to \$640,000, and totaling \$16.3 million. The Low and Moderate Income Housing major special revenue fund includes approximately 30 properties ranging in amount from approximately \$5,000 to \$11.8 million, and totaling \$18.4 million. Property held for resale is recorded at acquisition cost plus improvement costs in non-accordance with accounting principles generally accepted in the United States of America. These costs will be charged to current year project expenditures when the related properties are sold or disposed.

Property held for resale in the Successor Agency represents vacant land and commercial and retail real estate acquired by the EDA as part of its redevelopment activities. Over 55 properties, reported at acquisition cost plus improvement costs in non-accordance with accounting principles generally accepted in the United States, ranging from under \$1,000 to \$16.4 million each, and totaling \$48.9 million, were transferred to the Successor Agency upon dissolution of the redevelopment agency. These properties are being held for disposition in accordance with applicable laws and regulations.

City of San Bernardino
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2014

Note 7 – Capital Assets

A. Governmental Activities

The summary of changes in governmental activities capital assets for the year ended June 30, 2014, is as follows:

	Balance July 1, 2013 as restated	Additions	Deletions	Transfers	Balance June 30, 2014
Capital assets, not being depreciated:					
Land	\$ 113,844,359	\$ -	\$ -	\$ -	\$ 113,844,359
Construction in progress	10,907,743	5,405,412	-	(1,885,302)	14,427,853
Total capital assets, not being depreciated	124,752,102	5,405,412	-	(1,885,302)	128,272,212
Capital assets, being depreciated:					
Infrastructure	548,258,552	-	-	1,885,302	550,143,854
Buildings and improvements	74,263,662	-	-	-	74,263,662
Machinery, vehicles, and equipment	55,043,696	600,643	(44,652)	-	55,599,687
Subtotal	677,565,910	600,643	(44,652)	1,885,302	680,007,203
Less accumulated depreciation					
Infrastructure	(291,451,160)	(14,598,816)	-	-	(306,049,976)
Buildings and improvements	(58,539,116)	(1,411,424)	-	-	(59,950,540)
Machinery, vehicles, and equipment	(48,131,924)	(2,483,110)	44,652	-	(50,570,382)
Subtotal	(398,122,200)	(18,493,350)	44,652	-	(416,570,898)
Total capital assets, being depreciated	279,443,710	(17,892,707)	-	1,885,302	263,436,305
Intangible assets, being amortized:					
Purchased software	5,946,327	-	-	-	5,946,327
Accumulated amortization	(1,437,029)	(594,633)	-	-	(2,031,662)
Total intangible assets, being amortized	4,509,298	(594,633)	-	-	3,914,665
Total governmental activities capital assets, net	\$ 408,705,110	\$ (13,081,928)	\$ -	\$ -	\$ 395,623,182

Depreciation and amortization expense was charged to the functions/programs of the governmental activities as follows:

General government	\$ 245,152
Public safety	1,739,918
Streets	15,229,180
Culture and recreation	469,877
Community development	25,841
Community services	199,992
Internal service funds	1,178,023
Total depreciation/amortization expense	\$ 19,087,983

City of San Bernardino
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2014

Note 7 – Capital Assets (Continued)

B. Business-Type Activities

The summary of changes in business-type activities capital assets for the year ended June 30, 2014, is as follows:

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
Capital assets, not being depreciated:				
Land and easements	\$ 17,207,654	\$ 4,046	\$ (75,369)	\$ 17,136,331
Construction in progress	24,724,783	15,483,211	(24,576,336)	15,631,658
Total capital assets, not being depreciated	41,932,437	15,487,257	(24,651,705)	32,767,989
Capital assets, being depreciated:				
Water rights, wells, and pumping	83,414,194	14,557,423	-	97,971,617
Distribution systems	124,990,205	13,032,904	(1,040,877)	136,982,232
Building, plant, and store yards	122,980,384	759,707	(127,247)	123,612,844
Other capital assets	42,493,652	1,993,646	(386,510)	44,100,788
Subtotal	373,878,435	30,343,680	(1,554,634)	402,667,481
Less accumulated depreciation				
Water rights, wells, and pumping	(32,190,724)	(2,432,714)	-	(34,623,438)
Distribution systems	(31,368,626)	(2,575,218)	932,949	(33,010,895)
Building, plant, and store yards	(83,832,426)	(3,388,844)	118,013	(87,103,257)
Other capital assets	(31,636,052)	(3,565,727)	311,096	(34,890,683)
Subtotal	(179,027,828)	(11,962,503)	1,362,058	(189,628,273)
Total capital assets, being depreciated	194,850,607	18,381,177	(192,576)	213,039,208
Total capital assets, net	\$ 236,783,044	\$ 33,868,434	\$ (24,844,281)	\$ 245,807,197

Depreciation expense was charged to the functions/programs of the business-type activities as follows:

Integrated Waste Enterprise Fund	\$ 2,564,350
Water Enterprise Fund	5,971,638
Sewer Enterprise Fund	3,426,515
Total depreciation expense	\$ 11,962,503

City of San Bernardino
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2014

Note 7 – Capital Assets (Continued)

C. Fiduciary Fund Financial Statements

The summary of changes in fiduciary activities capital assets for the year ended June 30, 2014, is as follows:

	Balance July 1, 2013	Additions	Reclassifications	Balance June 30, 2014
Capital assets, not being depreciated:				
Land	\$ 11,631,572	\$ -	\$ (11,261)	\$ 11,620,311
Total capital assets, not being depreciated	11,631,572	-	(11,261)	11,620,311
Capital assets, being depreciated:				
Buildings and improvements	16,508,665	-	11,261	16,519,926
Machinery, vehicles, and equipment	1,282,198	-	-	1,282,198
Subtotal	17,790,863	-	11,261	17,802,124
Less accumulated depreciation				
Buildings and improvements	(8,570,943)	(329,786)	-	(8,900,729)
Machinery, vehicles, and equipment	(1,188,646)	(49,681)	-	(1,238,327)
Subtotal	(9,759,589)	(379,467)	-	(10,139,056)
Total capital assets, being depreciated	8,031,274	(379,467)	11,261	7,663,068
Total capital assets, net	\$ 19,662,846	\$ (379,467)	\$ -	\$ 19,283,379

City of San Bernardino
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2014

Note 8 – Long-Term Liabilities

A. Governmental Activities

A summary of changes in the long-term liabilities of the governmental activities for the year ended June 30, 2014, is as follows:

	Balance July 1, 2013 as restated	Debt Issued	Debt Retired	Balance June 30, 2014	Classification	
					Due within One Year	Due in More Than One Year
Governmental Activities:						
Capital leases	\$ 1,845,254	\$ -	\$ (625,124)	\$ 1,220,130	\$ 622,010	\$ 598,120
HUD CDBG liability	2,064,243	-	-	2,064,243	168,761	1,895,482
California Department of Finance	1,231,423	-	-	1,231,423	-	1,231,423
Notes payable:						
HUD Section 108 - Arden Guthrie	7,166,000	-	(344,000)	6,822,000	354,000	6,468,000
Fire maintenance facility note	1,200,000	-	-	1,200,000	100,000	1,100,000
New World Software Agreement	4,035,245	-	(528,382)	3,506,863	543,652	2,963,211
Total notes payable	12,401,245	-	(872,382)	11,528,863	997,652	10,531,211
Lease revenue bonds:						
City Hall Lease (Refunding Bonds, Series 1996)	7,505,000	-	(580,000)	6,925,000	610,000	6,315,000
Total lease revenue bonds	7,505,000	-	(580,000)	6,925,000	610,000	6,315,000
California Infrastructure and Economic Development Bank (CIEDB)						
Fire Station Lease	1,978,110	-	(91,515)	1,886,595	94,188	1,792,407
Street Construction	3,570,116	-	(1,162,272)	2,407,844	1,189,821	1,218,023
Harriman Place Street Extension Lease	1,124,064	-	(111,505)	1,012,559	114,639	897,920
Total CIEDB	6,672,290	-	(1,365,292)	5,306,998	1,398,648	3,908,350
Certificates of participation:						
1999 Certificates of Participation	4,270,000	-	(260,000)	4,010,000	275,000	3,735,000
Total certificates of participation	4,270,000	-	(260,000)	4,010,000	275,000	3,735,000
Pension obligation bonds:						
Taxable Pension Obligation Bonds, 2005 Series A	46,140,860	-	-	46,140,860	46,140,860	-
Add: interest accretion	5,358,618	703,021	-	6,061,639	6,061,639	-
Total pension obligation bonds	51,499,478	703,021	-	52,202,499	52,202,499	-
Total	\$ 87,488,933	\$ 703,021	\$ (3,702,798)	\$ 84,489,156	\$ 56,274,570	\$ 28,214,586

City of San Bernardino
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2014

Note 8 – Long-Term Liabilities (Continued)

A. Governmental Activities (Continued)

Capital Leases Payable

The City has entered into several lease agreements for the financing of fire vehicles and equipment, air conditioners, and police vehicles. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of future minimum lease payments as of the date of inception.

The annual debt service requirements for the capital leases payable outstanding at June 30, 2014 are as follows:

Year Ending June 30,	Principal	Interest	Total
2015	\$ 622,010	\$ 43,920	\$ 665,930
2016	309,764	21,578	331,342
2017	121,228	11,542	132,770
2018	81,632	6,877	88,509
2019	85,496	3,013	88,509
Total	\$ 1,220,130	\$ 86,930	\$ 1,307,060

Assets acquired through the capital leases are as follows:

	Amount
Machinery, vehicles, and equipment	\$ 5,759,773
Less: accumulated depreciation	(4,455,848)
Total	\$ 1,303,925

HUD CDBG Liability

The City was subject to an audit of its Community Development Block Grant Program (CDBG), administered by the United States Department of Housing and Urban Development (HUD). The audit was conducted by the Office of the Inspector General of HUD. The City and HUD agreed on actions to resolve monetary findings related to ineligible or unsupported expenditures and unreported program income. The City has accrued the total of \$2,064,243 owed to its CDBG line of credit as a liability of the governmental activities opinion unit. The City has acknowledged that if it does not honor the payment schedule below, it will result in funds being reduced from the City's CDBG line of credit.

The annual debt service requirements for the HUD CDBG liability outstanding at June 30, 2014 are as follows:

Year Ending June 30,	Principal	Interest	Total
2015	\$ 168,761	-	\$ 168,761
2016	500,000	-	500,000
2017	500,000	-	500,000
2018	895,482	-	895,482
Total	\$ 2,064,243	\$ -	\$ 2,064,243

City of San Bernardino
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2014

Note 8 – Long-Term Liabilities (Continued)

A. Governmental Activities (Continued)

California Department of Finance Liability

As a result of the California Department of Finance’s (DOF) original Due Diligence Review of the Low and Moderate Income Housing Fund’s uncommitted tax increment to be returned to DOF, the DOF determined City-contested amounts ranging from \$14,041,882 to \$1,231,423 were due to DOF. At June 30, 2013, the Low and Moderate Income Housing Fund reported a liability to DOF in the amount \$3,415,155 for this liability. Subsequent to June 30, 2013, the DOF and the City agreed, via an installment payment agreement as determined according to Health and Safety Code Section 34179.5, that the City will pay DOF \$1,231,423 through December 15, 2027. The adjusted liability has been removed from the Low and Moderate Income Housing fund and added to the governmental activities long-term debt as of July 1, 2013.

The annual debt service requirements for the California Department of Finance liability outstanding at June 30, 2014 are as follows:

Year Ending June 30,	Principal	Interest	Total
2015	\$ -	\$ -	\$ -
2016	100,000	-	100,000
2017	100,000	-	100,000
2018	100,000	-	100,000
2019	100,000	-	100,000
2020-2024	500,000	-	500,000
2025-2028	331,423	-	331,423
Total	\$ 1,231,423	\$ -	\$ 1,231,423

HUD Section 108 – Arden Guthrie Focused Neighborhood Revitalization Project Note Payable

The City of San Bernardino entered into a Contract for Loan Guarantee Assistance, a Master Fiscal Agency Agreement, and executed a promissory note with the United States Department of Housing and Urban Development pursuant to Section 108 of the Housing and Community Development Act of 1974, as amended (Section 108 Loan). The proceeds of the loan were then loaned to the EDA to be used for the Arden-Guthrie Focused Neighborhood Revitalization Project, which affects approximately 20 acres of land located at the northwest corner of Arden Avenue and 20th Street (Arden-Guthrie Site). Once the Arden-Guthrie Site is sold to a third-party, the proceeds of the sale are required to be paid to the City. All of the debt service payments on the Section 108 Loan are the responsibility of the City. The source of funds available for the repayment of the Loan is the CDBG Program Revenue of the City.

City of San Bernardino
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2014

Note 8 – Long-Term Liabilities (Continued)

A. Governmental Activities (Continued)

HUD Section 108 – Arden Guthrie Focused Neighborhood Revitalization Project Note Payable (Continued)

During the initial phase interest is payable from the date of each advance to the “Public Offering Date” and shall accrue on the unpaid principal balance of the Note and shall be paid in quarterly installments on the first day of February, May, August and November, “Interim Payment Date”. The amount of interest payable on each Interim Payment Date will represent interest accrued on the unpaid balance during the three month period ending before the Interim Payment Date, in the case of the first Interim Payment Date, the period from the date of this Note to the day before the first Interim Payment Date. The initial interest rate will be set on the date of such advance at a rate per annum equal to 20 basis points (.2%) above the Applicable LIBOR Rate on such Reset Date.

Interest payments are due semiannually on February 1 and August 1 and continue through August 1, 2026. Principal payments are due annually on August 1, and continue through August 1, 2026.

The annual debt service requirements for the HUD Section 108 – Arden Guthrie note payable outstanding at June 30, 2014 are as follows:

Year Ending June 30,	Principal	Interest	Total
2015	\$ 354,000	\$ 366,716	\$ 720,716
2016	384,000	347,969	731,969
2017	404,000	327,874	731,874
2018	424,000	306,316	730,316
2019	454,000	282,867	736,867
2020-2024	2,880,000	978,098	3,858,098
2025-2027	1,922,000	164,681	2,086,681
Total	\$ 6,822,000	\$ 2,774,521	\$ 9,596,521

Fire Maintenance Facility Note Payable

On August 1, 2009, the City entered into a note agreement with a property owner for the purchase of land to be used for the City’s Fire Department Maintenance Facility. The note is for the amount of \$1,200,000 with a maturity date of July 1, 2019 and bears interest at 5.0% per annum. Principal payment is due on July 1, 2019, but the City has an option to prepay the principal. The City made a principal payment of \$100,000 in December 2014. Interest payments are due semiannually on January 1 and July 1, commencing on January 1, 2010 through July 1, 2019.

City of San Bernardino
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2014

Note 8 – Long-Term Liabilities (Continued)

A. Governmental Activities (Continued)

Fire Maintenance Facility Note Payable (Continued)

The annual debt service requirements for the Fire Maintenance Facility note payable outstanding at June 30, 2014 are as follows:

Year Ending June 30,	Principal	Interest	Total
2015	\$ 100,000	\$ 57,500	\$ 157,500
2016	-	55,000	55,000
2017	-	55,000	55,000
2018	-	55,000	55,000
2019	-	55,000	55,000
2020	1,100,000	55,000	1,155,000
Total	\$ 1,200,000	\$ 332,500	\$ 1,532,500

New World Note Payable

In 2011, the City entered into a subscription agreement for the acquisition of computer software. The agreement has the substance of a note payable for accounting purposes and has been recorded at the present value of the annual payments of \$645,000, calculated using a discount rate of 2.89%. The final payment is due July 1, 2019.

The annual debt service requirements for the New World note payable outstanding at June 30, 2014 are as follows:

Year Ending June 30,	Principal	Interest	Total
2015	\$ 543,652	\$ 101,348	645,000
2016	559,363	85,637	645,000
2017	575,529	69,471	645,000
2018	592,162	52,838	645,000
2019	609,275	35,725	645,000
2020	626,882	18,117	644,999
Total	\$ 3,506,863	\$ 363,137	\$ 3,870,000

Lease Revenue Refunding Bonds (City Hall Project), Series 1996

\$16,320,000 of Lease Revenue Refunding Bonds (City Hall Project), Series 1996, were issued to refund the Central City Project, \$12,000,000 Certificates of Participation (Series 1992) and to finance the acquisition of certain equipment and other capital improvements by the City. These bonds consisted of: \$4,235,000 of serial bonds with interest rates varying from 4.15% to 5.00%, and \$1,690,000 of term bonds bearing interest at 5.10%, \$865,000 of term bonds, bearing interest of 5.30%, and \$3,215,000 of term bonds, bearing interest at 5.60% and \$6,315,000 of term bonds, bearing interest at 5.70%. Interest is payable semiannually on January 1 and July 1. Remaining term bonds are due January 1, 2015, and January 1, 2023, and shall be called and redeemed before maturity from money deposited into the term bond sinking fund.

City of San Bernardino
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2014

Note 8 – Long-Term Liabilities (Continued)

A. Governmental Activities (Continued)

Lease Revenue Refunding Bonds (City Hall Project), Series 1996 (Continued)

The bonds are subject to optional redemption as a whole or in part at the times and prices (expressed as a percentage of the principal amount so redeemed) as set forth in the bond documents. A reserve account is required to be maintained in accordance with the bond documents. As of June 30, 2014, the reserve requirement was \$1,008,190 and the amount actually held in the reserve account was \$1,008,331.

The bonds and the interest thereon were previously payable from, and secured by a pledge of, lease payments to be paid by the City of San Bernardino pursuant to a lease purchase agreement between the EDA as lessor and the City as lessee. In order for the City to secure its obligations pursuant to the lease agreement, the City will grant to the former EDA, which will be assigned to First Trust of California National Association, as trustee, its interest in the lease agreement, which includes its rights to acquire the leased premises, upon payment of principal of and interest on the bonds. Upon dissolution of the EDA, the bonds became a liability of the City.

The annual debt service requirements for the Lease Revenue Refunding Bonds (City Hall Project), Series 1996, outstanding at June 30, 2014 are as follows:

Year Ending June 30,	Principal	Interest	Total
2015	\$ 610,000	\$ 394,115	\$ 1,004,115
2016	645,000	359,955	1,004,955
2017	685,000	323,190	1,008,190
2018	720,000	284,145	1,004,145
2019	760,000	243,105	1,003,105
2020-2023	3,505,000	513,285	4,018,285
Total	\$ 6,925,000	\$ 2,117,795	\$ 9,042,795

California Infrastructure and Economic Development Bank – Fire Station Lease

On August 2, 2004, the California Infrastructure and Economic Development Bank (CIEDB) and the City entered into a lease agreement in regard to the purchase of a Fire Station for an amount of \$2,550,000. Subject to the provisions of the lease, the City agrees to pay to the CIEDB as rental for use and occupancy of the Fire Station lease payments upon a term of 25 years from the effective day at an interest rate of 2.92% per annum. The base rental payments are due on February 1 and August 1 of each year, commencing on February 1, 2005, through August 1, 2029.

The annual debt service requirements for the Fire Station Lease outstanding at June 30, 2014 are as follows:

Year Ending June 30,	Principal	Interest	Total
2015	\$ 94,188	\$ 53,713	\$ 147,901
2016	96,938	50,923	147,861
2017	99,769	48,051	147,820
2018	102,682	45,095	147,777
2019	105,680	42,053	147,733
2020-2024	576,531	161,433	737,964
2025-2030	810,807	73,013	883,820
Total	\$ 1,886,595	\$ 474,281	\$ 2,360,876

City of San Bernardino
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2014

Note 8 – Long-Term Liabilities (Continued)

A. Governmental Activities (Continued)

California Infrastructure and Economic Development Bank – Street Construction Lease

On September 27, 2005, the California Infrastructure and Economic Development Bank (CIEDB) and the City entered into a financing agreement for pavement reconstruction and 25.5 miles of pavement rehabilitation projects on public streets throughout the City for an amount of \$10,000,000. Interest rate is 2.37% per annum. The City agrees to pay the CIEDB on August 1 and February 1, commencing on August 1, 2006, through August 1, 2015.

The annual debt service requirements for the Street Construction Lease outstanding at June 30, 2014 are as follows:

Year Ending June 30,	Principal	Interest	Total
2015	\$ 1,189,821	\$ 42,967	\$ 1,232,788
2016	1,218,023	14,434	1,232,457
Total	\$ 2,407,844	\$ 57,401	\$ 2,465,245

California Infrastructure and Economic Development Bank – Harriman Place Extension Lease

On August 28, 2001, the California Infrastructure and Economic Development Bank (CIEDB) and the City entered into a lease agreement in regard to the Harriman Place Street Extension Project (Project) for an amount of \$2,000,000. Interest rate is 2.81% per annum. The Project is located on real property owned by the City. Subject to the provisions of the lease, the City agrees to pay to the CIEDB as rental for use and occupancy of the Harriman Street Extension lease payments on February 1 and August 1 of each year, commencing on August 1, 2004, through August 1, 2021.

The annual debt service requirements for the Harriman Place Extension Lease outstanding at June 30, 2014 are as follows:

Year Ending June 30,	Principal	Interest	Total
2015	\$ 114,639	\$ 26,842	\$ 141,481
2016	117,860	23,576	141,436
2017	121,172	20,217	141,389
2018	124,577	16,764	141,341
2019	128,077	13,215	141,292
2020-2022	406,234	17,334	423,568
Total	\$ 1,012,559	\$ 117,948	\$ 1,130,507

City of San Bernardino
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2014

Note 8 – Long-Term Liabilities (Continued)

A. Governmental Activities (Continued)

1999 Certificates of Participation

On September 23, 1999, the San Bernardino Joint Powers Financing Authority issued \$15,480,000 of Refunding Certificates of Participation (Certificates). The Certificates were issued to retire \$2,325,000 outstanding of Refunding Certificates of Participation (South Valle Public Improvement Project) dated April 1, 1987, and \$5,910,000 outstanding of Certificates of Participation (1995 Police Station Financing Project) dated April 1, 1995, and to provide funds for capital improvements (201 Building Projects).

The Certificates mature on September 1 of each year through September 1, 2024, in amounts ranging from \$330,000 to \$1,080,000. The interest represented by the Certificates is calculated on the basis of a 360-day year of twelve 30-day months, from September 1, 1999, at the rates per annum set forth in the bond documents and will represent the sum of the portions of the lease payments designated as interest coming due during the six months preceding each interest payment date. The interest rates will range approximately from 3.70% to 5.50% per annum.

The Certificates maturing on September 1, 2020, are subject to mandatory sinking fund redemption in part on September 1 in each year on or after September 1, 2010, from the principal components of the lease payments required to be paid by the City pursuant to the Lease Agreements with respect to each such redemption date, at a redemption price equal to the principal amount thereof to be redeemed, together with interest accrued thereon to the date fixed for redemption, without premium, in accordance with the terms identified in the bond documents. The Certificates maturing on September 1, 2024, are subject to mandatory sinking fund redemption in part on September 1, 2021, from the principal components of the lease payments required to be paid by the City pursuant to the Lease Agreements with respect to each such redemption date, at a redemption price equal to the principal amount thereof to be redeemed, together with interest accrued thereon to the date fixed for redemption, without premium, in accordance with the terms identified in the bond documents.

The Certificates represent direct, undivided fractional interest in lease payments to be made by the City under the lease agreements. A reserve fund is required to be maintained in an amount equal to the maximum annual debt service. At June 30, 2014, the reserve requirement was \$1,147,000 and the amount actually held in the reserve account was \$1,079,222. The total outstanding balance of the Certificates at June 30, 2014 was \$9,225,000 of which \$4,010,000 is reported as a long-term liability of the City, which is the portion of the Certificates that represent the Police Station portion. Repayment of this portion of the Certificates is funded from the City's general revenues under the terms of the lease agreement. The remaining \$5,215,000 outstanding balance of the Certificates at June 30, 2014, is reported as a long-term liability of the Successor Agency, which is the portion of the Certificates that represents the South Valle Refunding and 201 Building Projects portions.

City of San Bernardino
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2014

Note 8 – Long-Term Liabilities (Continued)

A. Governmental Activities (Continued)

1999 Certificates of Participation (Continued)

The annual debt service requirements for the 1999 Certificates of Participation outstanding at June 30, 2014 are as follows:

Year Ending June 30,	Principal	Interest	Total
2015	\$ 275,000	\$ 212,988	\$ 487,988
2016	290,000	197,451	487,451
2017	305,000	181,088	486,088
2018	325,000	163,763	488,763
2019	340,000	145,475	485,475
2020-2024	2,005,000	416,485	2,421,485
2025	470,000	12,925	482,925
Total	\$ 4,010,000	\$ 1,330,175	\$ 5,340,175

Taxable Pension Obligation Bonds, 2005 Series A

In October 2005, the City issued City of San Bernardino Taxable Pension Obligation Bonds, 2005 Series A, consisting of \$36,050,000 principal amount of Taxable Pension Obligation Bonds, Series A-1 (standard bonds) and \$14,351,583 principal amount of Taxable Pension Obligation Bonds, 2005 Series A-2 (capital appreciation bonds). The City issued the bonds in order to prepay its unfunded accrued actuarial liability related to the City's safety retirement plan.

The standard bonds are dated October 1, 2005, with an interest rate of 5.628% per annum, maturing annually commencing October 1, 2024, through October 1, 2035. Interest is due semiannually on April 1 and October 1, commencing on October 1, 2006 through October 1, 2035. The capital appreciation bonds are dated October 1, 2005, with interest rates varying from 4.993% to 5.877% per annum, maturing annually commencing October 1, 2007, through October 1, 2024. Interest is due semiannually on April 1 and October 1, 2006 through October 1, 2035.

The City is in default on these bonds since the City did not pay interest or principal on these bonds beginning in fiscal year 2013 and has recorded the full amount of the outstanding principal as a current portion of their long-term debt as of June 30, 2014. Please see Note 2 Bankruptcy. Subsequent to June 30, 2014, the City reached a settlement agreement with the bond creditors which is contingent upon the Bankruptcy Court's confirmation of the City's Plan of Adjustment. Pursuant to the settlement agreement, bond creditors' claims against the City will be reduced to \$50.7 million payable in installments over a 30 year term. Please see Note 25 Subsequent Events.

City of San Bernardino
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2014

Note 8 – Long-Term Liabilities (Continued)

A. Governmental Activities (Continued)

Taxable Pension Obligation Bonds, 2005 Series A (Continued)

The annual debt service requirements for the Taxable Pension Obligation Bonds, 2005 Series A, outstanding at June 30, 2014 are as follows:

Year Ending June 30,	Principal	Interest	Total
2015	\$ 4,060,866	\$ 2,028,894	\$ 6,089,760
2016	1,369,028	2,028,894	3,397,922
2017	1,342,966	2,028,894	3,371,860
2018	1,309,663	2,028,894	3,338,557
2019	1,279,525	2,028,894	3,308,419
2020-2024	6,790,451	10,144,470	16,934,921
2025-2029	10,015,000	9,504,567	19,519,567
2030-2034	17,175,000	6,386,787	23,561,787
2035-2036	8,860,000	1,118,005	9,978,005
Total	\$ 52,202,499	\$ 37,298,299	\$ 89,500,798

B. Business-type Activities

A summary of changes in the long-term liabilities of the business-type activities for the year ended June 30, 2014, is as follows:

	Balance July 1, 2013 as restated	Debt Issued	Debt Retired	Balance June 30, 2014	Classification	
					Due within One Year	Due in More Than One Year
Business-Type Activities:						
Integrated Waste equipment capital leases	\$ 7,343,367	\$ -	\$ (2,550,418)	\$ 4,792,949	\$ 2,140,362	\$ 2,652,587
Notes payable:						
2002 California Infrastructure and Economic Development Bank - Water Note	5,733,883	-	(556,635)	5,177,248	575,227	4,602,021
2007 California Infrastructure and Economic Development Bank - Water Note	7,826,282	-	(467,116)	7,359,166	479,775	6,879,391
2012 California Infrastructure and Economic Development Bank - Water Note	10,000,000	-	(413,260)	9,586,740	424,046	9,162,694
2012 San Bernardino Valley Municipal Water District Note	898,445	-	(221,254)	677,191	223,478	453,713
State Revolving Fund	4,993,225	-	(1,619,090)	3,374,135	1,664,425	1,709,710
Total notes payable	<u>29,451,835</u>	<u>-</u>	<u>(3,277,355)</u>	<u>26,174,480</u>	<u>3,366,951</u>	<u>22,807,529</u>
Certificates of participation:						
1998 Sewer Revenue Certificates of Participation	12,145,000	-	(2,805,000)	9,340,000	2,965,000	6,375,000
Less: unamortized discount	<u>(67,308)</u>	<u>-</u>	<u>19,676</u>	<u>(47,632)</u>	<u>-</u>	<u>(47,632)</u>
Total certificates of participation	<u>12,077,692</u>	<u>-</u>	<u>(2,785,324)</u>	<u>9,292,368</u>	<u>2,965,000</u>	<u>6,327,368</u>
Total	\$ 48,872,894	\$ -	\$ (8,613,097)	\$ 40,259,797	\$ 8,472,313	\$ 31,787,484

City of San Bernardino
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2014

Note 8 – Long-Term Liabilities (Continued)

B. Business-type Activities (Continued)

Integrated Waste Equipment Capital Leases Payable

The City entered into several lease purchase agreements for the financing of the acquisition of refuse trucks and street sweepers. The terms of leases are 84 months each, with individual semi-annual payments ranging from \$165,999 to \$945,575. Interest rate ranges from 2.89% to 3.78%. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of future minimum lease payments as of the date of inception. These lease agreements qualify as capital leases for accounting purposes, and therefore, have been recorded at the present value of the future minimum lease payments as of the date of inception.

The annual debt service requirements for the Integrated Waste capital leases payable outstanding at June 30, 2014 are as follows:

Year Ending June 30,	Principal	Interest	Total
2015	\$ 2,140,362	\$ 145,780	\$ 2,286,142
2016	1,438,444	78,821	1,517,265
2017	889,209	32,560	921,769
2018	324,934	7,060	331,994
Total	\$ 4,792,949	\$ 264,221	\$ 5,057,170

Assets acquired through the capital leases are as follows:

	Amount
Machinery, vehicles, and equipment	\$ 19,972,082
Less: accumulated depreciation	(11,610,493)
	\$ 8,361,589

2002 California Infrastructure and Economic Development Bank (CIEDB) – Water Note

In April 2002, CIEDB issued a \$10,000,000 note to the City Water Department to provide funding for transmission mains, booster stations and a reservoir identified in the Water System Reliability Schedule of Improvements. The note was issued with an interest rate of 3.34% per annum with interest payable semiannually on February 1 and August 1. Principal payments are due annually on February 1.

City of San Bernardino
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2014

Note 8 – Long-Term Liabilities (Continued)

B. Business-type Activities (Continued)

2002 California Infrastructure and Economic Development Bank (CIEDB) – Water Note (Continued)

The annual debt service requirements for the 2002 CIEDB Water note payable outstanding at June 30, 2014 are as follows:

Year Ending June 30,	Principal	Interest	Total
2015	\$ 575,227	\$ 172,921	\$ 748,148
2016	594,440	153,708	748,148
2017	614,294	133,854	748,148
2018	634,812	113,336	748,148
2019	656,014	70,222	726,236
2020-2022	2,102,461	71,760	2,174,221
Total	\$ 5,177,248	\$ 715,801	\$ 5,893,049

2007 California Infrastructure and Economic Development Bank (CIEDB) – Water Note

In July 2007, CIEDB issued a \$10,000,000 note to the City Water Department to provide funding for booster stations and transmission mains in the Verdemonst area. The note was issued with an interest rate of 2.71% per annum with interest payable semiannually on February 1 and August 1. Principal payments are due annually on August 1.

The annual debt service requirements for the 2007 CIEDB Water note payable outstanding at June 30, 2014 are as follows:

Year Ending June 30,	Principal	Interest	Total
2015	\$ 479,775	\$ 192,932	\$ 672,707
2016	492,777	179,754	672,531
2017	506,131	166,219	672,350
2018	519,847	152,317	672,164
2019	533,935	145,274	679,209
2020-2024	2,894,723	501,320	3,396,043
2025-2027	1,931,978	105,644	2,037,622
Total	\$ 7,359,166	\$ 1,443,460	\$ 8,802,626

City of San Bernardino
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2014

Note 8 – Long-Term Liabilities (Continued)

B. Business-type Activities (Continued)

2012 California Infrastructure and Economic Development Bank (CIEDB) – Water Note

In May 2012, CIEDB issued a \$10,000,000 note to the City Water Department to provide funding for the construction of the 12 million gallon Ogden Reservoir and certain pipeline improvements. The note was issued with an interest rate of 2.61% per annum with interest payable semiannually on February 1 and August 1. Principal payments are due annually on August 1.

The annual debt service requirements for the 2012 CIEDB Water note payable outstanding at June 30, 2014 are as follows:

Year Ending June 30,	Principal	Interest	Total
2015	\$ 424,046	\$ 244,680	\$ 668,726
2016	435,114	233,468	668,582
2017	446,470	221,963	668,433
2018	458,123	210,158	668,281
2019	470,080	204,180	674,260
2020-2024	2,540,966	830,332	3,371,298
2025-2029	2,890,330	480,970	3,371,300
2030-2032	1,921,611	405,950	2,327,561
Total	\$ 9,586,740	\$ 2,831,701	\$ 12,418,441

2012 San Bernardino Valley Municipal Water District Note

In July 2012, the Department closed escrow on the purchase of real property from the San Bernardino Valley Municipal Water District (SBVMWD), which included a down payment of \$1,000,000 and a promissory note of \$1,117,500 to be paid in sixty (60) monthly installments due on or before the 1st of each month.

The annual debt service requirements for the 2012 San Bernardino Valley Municipal Water District note payable outstanding at June 30, 2014 are as follows:

Year Ending June 30,	Principal	Interest	Total
2015	\$ 223,478	\$ 5,749	\$ 229,227
2016	225,723	3,504	229,227
2017	227,990	1,238	229,228
Total	\$ 677,191	\$ 10,491	\$ 687,682

City of San Bernardino
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2014

Note 8 – Long-Term Liabilities (Continued)

B. Business-type Activities (Continued)

State Revolving Fund

The State Water Resources Control Board issued a note to Santa Ana Watershed Authority to provide funding the San Bernardino/Colton Rapid Infiltration Extraction (RIX) project in the amount of \$25,978,599. In April 2001, the agreement was amended to transfer the note obligation to the successors in interest being the City of San Bernardino Board of Water Commissioners, and the City of Colton. The City Water Department will use revenues from the sewer treatment utility fund towards repayment of the note. The note matures in 2016 and bear interest at a rate of 2.80% per annum.

The annual debt service requirements for the State Revolving Fund note payable outstanding at June 30, 2014 are as follows:

Year Ending June 30,	Principal	Interest	Total
2015	\$ 1,664,425	\$ 94,475	\$ 1,758,900
2016	1,709,710	47,872	1,757,582
Total	\$ 3,374,135	\$ 142,347	\$ 3,516,482

1998 Refunding Sewer Revenue Certificates of Participation

In 1998, the sewer treatment utility issued \$36,230,000 in Certificates of Participation to advance refund the 1992 Sewer Certificates of Participation and fund additional capital improvements. The 1992 Certificates originally provided for the construction of certain capital improvements. The proceeds of the 1998 Certificates were invested and used to pay interest on the 1998 issue until February 1, 2001, when the 1992 Certificates were called at a prepayment premium of two percent. The City Water Department now pays the installment payments on the 1998 Certificates from the net revenues of the sewer treatment system. Interest is payable semiannually on February 1, and August 1. The issue has interest rates ranging between 3.95% and 5.25% per annum, annual debt service payments ranging from \$1,697,000 to \$3,474,000, and a maturity date of 2017.

The annual debt service requirements for the 1999 Refunding Sewer Revenue Certificates of Participation outstanding at June 30, 2014 are as follows:

Year Ending June 30,	Principal	Interest	Total
2015	\$ 2,965,000	\$ 474,412	\$ 3,439,412
2016	3,155,000	318,750	3,473,750
2017	3,220,000	161,000	3,381,000
Total	\$ 9,340,000	\$ 954,162	\$ 10,294,162

City of San Bernardino
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2014

Note 8 – Long-Term Liabilities (Continued)

C. Fiduciary Fund Financial Statements

A summary of changes in the long-term liabilities of the fiduciary fund financial statements for the year ended June 30, 2014, is as follows:

	Balance July 1, 2013 as restated	Debt Issued	Debt Retired	Balance June 30, 2014	Classification	
					Due within One Year	Due in More Than One Year
Fiduciary Activities:						
Notes payable:						
HUD Section 108 - Cinema Project	\$ 3,015,000	\$ -	\$ (460,000)	\$ 2,555,000	\$ 490,000	\$ 2,065,000
CMB Infrastructure Investment Group	33,000,000	-	-	33,000,000	-	33,000,000
Total notes payable	36,015,000	-	(460,000)	35,555,000	490,000	35,065,000
Tax allocation bonds:						
Series 1998A, Refunding	9,130,000	-	(940,000)	8,190,000	985,000	7,205,000
Series 1998B, Refunding	4,590,000	-	(395,000)	4,195,000	420,000	3,775,000
Series 2002A	2,945,000	-	(80,000)	2,865,000	85,000	2,780,000
Series 2002, Refunding	20,015,000	-	(1,260,000)	18,755,000	1,335,000	17,420,000
Series 2005A, Refunding	39,970,000	-	(2,795,000)	37,175,000	2,955,000	34,220,000
Series 2005B, Refunding	14,995,000	-	(1,080,000)	13,915,000	1,140,000	12,775,000
Series 2006, Taxable	20,330,000	-	(1,470,000)	18,860,000	1,555,000	17,305,000
Series 2010A	6,155,000	-	(190,000)	5,965,000	200,000	5,765,000
Series 2010B	2,745,000	-	(155,000)	2,590,000	150,000	2,440,000
Unamortized discount	(609,533)	-	50,517	(559,016)	-	(559,016)
Unamortized premium	952,158	-	(73,243)	878,915	-	878,915
Total tax allocation bonds	121,217,625	-	(8,387,726)	112,829,899	8,825,000	104,004,899
Mortgage revenue bonds:						
Highland Senior Housing 1995	1,220,000	-	(120,000)	1,100,000	-	1,100,000
Casa Ramona Senior Housing 1995	1,075,000	-	(105,000)	970,000	-	970,000
Total mortgage revenue bonds	2,295,000	-	(225,000)	2,070,000	-	2,070,000
Certificates of participation:						
1999 Certificates of Participation	5,555,000	-	(340,000)	5,215,000	360,000	4,855,000
Total certificates of participation	5,555,000	-	(340,000)	5,215,000	360,000	4,855,000
Total	\$ 165,082,625	\$ -	\$ (9,412,726)	\$ 155,669,899	\$ 9,675,000	\$ 145,994,899

City of San Bernardino
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2014

Note 8 – Long-Term Liabilities (Continued)

C. Fiduciary Fund Financial Statements (Continued)

HUD Section 108 – Cinema Project Note Payable

The City of San Bernardino EDA and MDA-San Bernardino Associates, LLC (MDA) entered into a HUD Section 108 Loan Agreement in December of 1998. The proceeds of the EDA Loan, together with other sources of funds, were used and applied by MDA for the payment of the costs of the development, construction, improvement and financing of a multi-screen cinema complex and related common area improvements. In order for the EDA to be able to make the loan, the EDA entered into a Contract for Loan Guarantee Assistance, a Master Fiscal Agency Agreement, and executed promissory notes with the United States of America through its Department of Housing and Urban Development pursuant to Section 108 of the Housing and Community Development Act of 1974, as amended.

Interest payments are due semiannually on February 1 and August 1 through August 1, 2018. Principal payments are to be made annually on August 1, and continue through August 1, 2018.

The annual debt service requirements for the HUD Section 108 – Cinema Project note payable outstanding at June 30, 2014 are as follows:

Year Ending June 30,	Principal	Interest	Total
2015	\$ 490,000	\$ 60,116	\$ 550,116
2016	530,000	49,876	579,876
2017	560,000	36,598	596,598
2018	605,000	20,347	625,347
2019	370,000	5,772	375,772
Total	\$ 2,555,000	\$ 172,709	\$ 2,727,709

CMB Infrastructure Investment Group Notes Payable

On October 5, 2009, the former EDA entered into a Loan Agreement (Loan) for borrowing funds from CMB Infrastructure Investment Group III, in the amount of \$15,000,000, in accordance with the Employment-Based Immigration Fifth Preference (EB-5) Immigrant Investor Visa Program. The Note matures on September 30, 2015. Interest only payments are due on the first day of each quarter at the rate of 5.25% per annum.

City of San Bernardino
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2014

Note 8 – Long-Term Liabilities (Continued)

C. Fiduciary Fund Financial Statements (Continued)

CMB Infrastructure Investment Group Notes Payable (Continued)

On September 1, 2010, the former EDA entered into a Loan Agreement (Loan) for borrowing funds from CMB Infrastructure Investment Group V, in the amount of \$8,000,000, in accordance with the EB-5 Immigrant Investor Visa Program. The Note matures on October 1, 2016. Interest only payments are due on the first day of each quarter at the rate of 5.25% per annum.

On March 1, 2011, the former EDA entered into a Loan Agreement (Loan) for borrowing funds from CMB Infrastructure Investment Group VI-C, in the amount of \$10,000,000, in accordance with the EB-5 Immigrant Investor Visa Program. The Note matures on January 1, 2018. Interest only payments are due on the first day of each quarter at the rate of 5.25% per annum.

As of June 30, 2014, \$33,000,000 has been drawn against the Loans.

The annual debt service requirements for the CMB Infrastructure Investment Group notes payable outstanding at June 30, 2014 are as follows:

Year Ending June 30,	Principal	Interest	Total
2015	\$ -	\$ 1,732,500	\$ 1,732,500
2016	15,000,000	1,338,750	16,338,750
2017	18,000,000	735,000	18,735,000
Total	\$ 33,000,000	\$ 3,806,250	\$ 36,806,250

Tax Allocation Refunding Bonds, Series 1998A

The \$19,000,000 of tax allocation refunding bonds, issue of 1998, Series A, consist of serial bonds with varying interest rates from 3.600% to 5.750% per annum. Interest is payable semiannually on January 1 and July 1. Serial bonds mature annually on July 1 through July 1, 2020.

The proceeds of the 1998 Series A Tax Allocation Refunding Bonds along with the proceeds of the 1998 Series B Subordinated Tax Allocation Refunding Bonds were used to advance refund \$20,990,000 of outstanding Central City Project Tax Allocation Refunding Bonds, 1991 Series A and \$4,005,000 of outstanding Central City Project Subordinated Tax Allocation Bonds 1991 Series B.

The Series A bonds are not subject to optional redemption. The bonds are secured by a pledge of property tax apportionments from the Central City Project Area. A reserve account is required to be maintained in accordance with the bond documents. A reserve account is required to be maintained in the amount of \$1,456,515. The balance held in the reserve account as of June 30, 2014 was \$1,452,208. At June 30, 2014, \$8,190,000 of the bonds were outstanding.

City of San Bernardino
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2014

Note 8 – Long-Term Liabilities (Continued)

C. Fiduciary Fund Financial Statements (Continued)

Tax Allocation Refunding Bonds, Series 1998A (Continued)

The annual debt service requirements for the Tax Allocation Refunding Bonds, Series 1998A outstanding at June 30, 2014 are as follows:

Year Ending June 30,	Principal	Interest	Total
2015	\$ 985,000	\$ 442,606	\$ 1,427,606
2016	1,040,000	384,388	1,424,388
2017	1,100,000	322,863	1,422,863
2018	1,160,000	257,888	1,417,888
2019	1,230,000	189,175	1,419,175
2020-2021	2,675,000	155,969	2,830,969
Total	\$ 8,190,000	\$ 1,752,889	\$ 9,942,889

Tax Allocation Refunding Bonds, Series 1998B

The \$8,590,000 of subordinated tax allocation refunding bonds, issue of 1998 Series B, consists of \$4,815,000 of serial bonds with varying interest rates from 4.500% to 5.875% per annum and \$3,775,000 of term bonds, bearing interest at 6.000% per annum. Interest is payable semiannually on January 1 and July 1. Serial bonds mature annually on July 1 through July 1, 2014. Term bonds are due July 1, 2020, and shall be called and redeemed before maturity from money deposited into the Term Bond Sinking Fund on July 1, 2015, to July 1, 2020, without premium.

The proceeds of the 1998 Series B subordinated Tax Allocation Refunding Bonds along with the 1998 Series A Tax Allocation Refunding Bonds were used to advance refund \$20,990,000 of outstanding Central City Project Tax Allocation Refunding Bonds, 1991 Series A and \$4,005,000 of outstanding Central City Project Subordinated Tax Allocation Bonds, 1991 Series B.

Bonds maturing on or after July 1, 2009, are subject to redemption before maturity, at the option of the former EDA, from available funds, on any date after July 1, 2008. Such bonds will be redeemed at the times and prices (expressed as a percentage of the principal amount so redeemed) as set forth in the bond documents. The bonds are secured by a pledge of property tax apportionments from the Central City Project Area. A reserve account is required to be maintained in accordance with the bond documents. As of June 30, 2014, the reserve requirement was \$639,012 and the amount actually held in the reserve account was \$634,630. At June 30, 2014, \$4,195,000 of the bonds were outstanding.

City of San Bernardino
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2014

Note 8 – Long-Term Liabilities (Continued)

C. Fiduciary Fund Financial Statements (Continued)

Tax Allocation Refunding Bonds, Series 1998B (Continued)

The annual debt service requirements for the Tax Allocation Refunding Bonds, Series 1998B outstanding at June 30, 2014 are as follows:

Year Ending June 30,	Principal	Interest	Total
2015	\$ 420,000	\$ 238,838	\$ 658,838
2016	445,000	213,150	658,150
2017	470,000	185,700	655,700
2018	500,000	156,600	656,600
2019	530,000	125,700	655,700
2020-2021	1,830,000	131,100	1,961,100
Total	\$ 4,195,000	\$ 1,051,088	\$ 5,246,088

Tax Allocation Bonds, Series 2002A

In January 2002, the San Bernardino Joint Powers Financing Authority issued \$3,635,000 in tax allocation bonds to fund certain capital improvement projects in the Mount Vernon Project Area, to fund a reserve fund, and to pay costs of issuance of the bonds. Interest on the bonds is payable June 1, 2002, and semi-annually thereafter on June 1 and December 1 of each year at rates ranging from 4.7% to 6.2% per annum. The bonds consist of term bonds ranging in amounts from \$285,000 to \$2,025,000 maturing from 2006 to 2031. Principal installments are payable annually on December 1 ranging in amount from \$50,000 to \$445,000 through December 1, 2031.

Term bonds maturing on December 1, 2012, are subject to mandatory prepayment, on each December 1, commencing on December 1, 2007, through December 1, 2012. Term bonds maturing on December 1, 2021, are subject to mandatory prepayment on each December 1, commencing on December 1, 2013, through December 1, 2021. Term bonds maturing on December 1, 2031, are subject to mandatory prepayment, on each December 1, commencing on December 1, 2022.

A reserve account is required to be maintained in the amount of \$263,625. The balance held in the reserve account as of June 30, 2014, was \$259,258. At June 30, 2014, \$2,865,000 of the bonds were outstanding.

City of San Bernardino
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2014

Note 8 – Long-Term Liabilities (Continued)

C. Fiduciary Fund Financial Statements (Continued)

Tax Allocation Bonds, Series 2002A (Continued)

The annual debt service requirements for the Tax Allocation Bonds, Series 2002A outstanding at June 30, 2014 are as follows:

Year Ending June 30,	Principal	Interest	Total
2015	\$ 85,000	\$ 173,400	\$ 258,400
2016	90,000	168,150	258,150
2017	95,000	162,600	257,600
2018	100,000	156,750	256,750
2019	105,000	150,600	255,600
2020-2024	645,000	644,450	1,289,450
2025-2029	875,000	411,525	1,286,525
2030-2032	870,000	95,790	965,790
Total	\$ 2,865,000	\$ 1,963,265	\$ 4,828,265

Tax Allocation Refunding Bonds, Series 2002

In April 2002, the San Bernardino Joint Powers Financing Authority issued \$30,330,000 in tax allocation refunding bonds to refund the 1995B Tax Allocation Bonds, to finance certain redevelopment activities in the former EDA's project areas, to fund a reserve fund for the bonds, fund the interest account, and pay costs of issuance of the bonds. As a result, the refunded bonds are considered defeased and the liability has been removed from the financial statements.

The bonds consist of term bonds of \$7,100,000 maturing from 2013 to 2018 in annual installments ranging from \$1,190,000 to \$1,500,000, term bonds of \$3,475,000 maturing from 2019 to 2020 in annual installments ranging from \$1,685,000 to \$1,790,000, and term bonds of \$9,440,000 maturing from 2021 to 2026 in annual installments ranging from \$1,120,000 to \$2,770,000. Interest is payable semi-annually on October 1 and April 1 at rates ranging from 3.25% to 5.625% per annum.

The term bonds maturing on April 1, 2018, are subject to mandatory prepayment, on each April 1, commencing on April 1, 2013, through April 1, 2018. Term bonds maturing on April 1, 2020, are subject to mandatory prepayment, on April 1, 2019, and April 1, 2020. Term bonds maturing on April 1, 2026, are subject to mandatory prepayment on each April 1, commencing on April 1, 2021, through April 1, 2026.

The former EDA agreed to pay the Authority principal and interest payments solely from the EDA's surplus tax revenues from the Central City North, State College No. 4, Southeast Industrial Park, Northwest, South Valle, Uptown and Tri-City Redevelopment Project Areas.

A reserve account is required to be maintained in the amount of \$2,683,230. The balance held in the reserve account as of June 30, 2014, was \$1,977,290. At June 30, 2014, \$18,755,000 of the bonds were outstanding.

City of San Bernardino
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2014

Note 8 – Long-Term Liabilities (Continued)

C. Fiduciary Fund Financial Statements (Continued)

Tax Allocation Refunding Bonds, Series 2002 (Continued)

The annual debt service requirements for the Tax Allocation Refunding Bonds, Series 2002 outstanding at June 30, 2014 are as follows:

Year Ending June 30,	Principal	Interest	Total
2015	\$ 1,335,000	\$ 1,187,776	\$ 2,522,776
2016	1,415,000	1,107,676	2,522,676
2017	1,500,000	1,022,776	2,522,776
2018	1,590,000	932,776	2,522,776
2019	1,685,000	837,376	2,522,376
2020-2024	8,215,000	2,458,084	10,673,084
2025-2026	3,015,000	317,670	3,332,670
Total	\$ 18,755,000	\$ 7,864,134	\$ 26,619,134

Tax Allocation Refunding Bonds, Series 2005A

In September 2005, the San Bernardino Joint Powers Financing Authority issued \$55,800,000 in tax allocation refunding bonds to current refund \$55,800,000 of the outstanding 1995A Tax Allocation Refunding Bonds. The remaining portion of the 1995A Bonds was refunded with the proceeds of the Authority's Tax Allocation Refunding Bonds, Series 2005B (see following section). As a result, the 1995A Tax Allocation Refunding Bonds are considered to be defeased and the liability has been removed from the financial statements.

The Series 2005A bonds consist of serial bonds with varying interest rates from 5.15% to 5.75% per annum. Interest is payable semi-annually on April 1 and October 1. Serial bonds mature annually on October 1 through October 1, 2025.

The Series 2005A bonds are not subject to optional redemption. The former EDA agreed to pay the Authority principal and interest payments solely from the EDA's tax revenues from the Central City North, State College Project No. 4, Southeast Industrial Park, Northwest, South Valle, Uptown, and Tri-City Redevelopment Project Areas.

A reserve account is required to be maintained in the amount of \$1,141,000. The balance held in the reserve account as of June 30, 2014 was \$2,087,639. At June 30, 2014, \$37,175,000 of the bonds were outstanding.

The reacquisition price exceeded the net carrying amount of the old debt by \$1,116,000. This amount is being netted against the new debt and being amortized over the life of the new debt. The advance refunding resulted in an increase in debt service payments over the next 20 years of \$18,089 and resulted in an economic gain of \$1,940,000.

City of San Bernardino
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2014

Note 8 – Long-Term Liabilities (Continued)

C. Fiduciary Fund Financial Statements (Continued)

Tax Allocation Refunding Bonds, Series 2005A (Continued)

The annual debt service requirements for the Tax Allocation Refunding Bonds, Series 2005A outstanding at June 30, 2014 are as follows:

Year Ending June 30,	Principal	Interest	Total
2015	\$ 2,955,000	\$ 2,137,563	\$ 5,092,563
2016	3,125,000	1,967,650	5,092,650
2017	3,305,000	1,787,963	5,092,963
2018	3,495,000	1,597,925	5,092,925
2019	3,695,000	1,396,963	5,091,963
2020-2024	15,625,000	3,891,025	19,516,025
2025-2026	4,975,000	432,975	5,407,975
Total	\$ 37,175,000	\$ 13,212,064	\$ 50,387,064

Tax Allocation Revenue Refunding Bonds, Series 2005B

In September 2005, the San Bernardino Joint Powers Financing Authority issued \$21,105,000 in tax allocation refunding bonds to current refund \$21,105,000 of the outstanding 1995A Tax Allocation Refunding Bonds. The remaining portion of the 1995A Bonds was refunded with the proceeds of the Authority's Tax Allocation Refunding Bonds, Series 2005A (see preceding section). As a result, the 1995A Tax Allocation Refunding Bonds are considered to be defeased and the liability has been removed from the financial statements.

The Series 2005B bonds consist of serial bonds with varying interest rates from 5.15% to 5.75% per annum. Interest is payable semi-annually on April 1 and October 1. Serial bonds mature annually on October 1 through October 1, 2025.

The Series 2005B bonds are not subject to optional redemption. The former EDA agreed to pay the Authority principal and interest payments solely from the EDA's tax revenues from the Central City North, State College Project No. 4, Southeast Industrial Park, Northwest, South Valle, Uptown and Tri-City Redevelopment Project Areas.

A reserve account is required to be maintained in the amount of \$490,000. The balance held in the reserve account as of June 30, 2014 was \$820,734. At June 30, 2014, \$13,915,000 of the bonds were outstanding.

The reacquisition price exceeded the net carrying amount of the old debt by \$422,100. This amount is being netted against the new debt and being amortized over the life of the new debt.

City of San Bernardino
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2014

Note 8 – Long-Term Liabilities (Continued)

C. Fiduciary Fund Financial Statements (Continued)

Tax Allocation Refunding Bonds, Series 2005B (Continued)

The annual debt service requirements for the Tax Allocation Refunding Bonds, Series 2005B outstanding at June 30, 2014 are as follows:

Year Ending June 30,	Principal	Interest	Total
2015	\$ 1,140,000	\$ 800,113	\$ 1,940,113
2016	1,205,000	734,563	1,939,563
2017	1,275,000	665,275	1,940,275
2018	1,350,000	591,963	1,941,963
2019	1,425,000	514,338	1,939,338
2020-2024	5,715,000	1,395,238	7,110,238
2025-2026	1,805,000	157,263	1,962,263
Total	\$ 13,915,000	\$ 4,858,753	\$ 18,773,753

Tax Allocation Bonds, Taxable Series 2006

In April 2006, the San Bernardino Joint Powers Financing Authority issued \$28,665,000 in tax allocation bonds to fund the acquisition, demolition and relocation of certain occupants of the Central City North Project Area and provide for other redevelopment activities within the City of San Bernardino, as provided in the Redevelopment Plan, fund the reserve fund, and pay costs of issuance associated with the bonds.

The 2006 bonds consist of term bonds of \$4,665,000 maturing from 2012 to 2016 in annual installments ranging from \$1,315,000 to \$1,640,000, and term bonds of \$15,665,000 maturing from 2017 to 2027 in annual installments ranging from \$1,015,000 to \$1,850,000. Interest is payable semi-annually on May 1 and November 1 at interest rates ranging from 5.20% to 6.15% per annum.

The bonds maturing on or prior to May 1, 2016, shall not be subject to call and redemption prior to maturity. The bonds maturing on or after May 1, 2017, shall be subject to redemption on or after May 1, 2016, and any date thereafter as a whole or in part by lot, at the option of the former EDA, at par, plus accrued interest, without premium.

The former EDA agreed to pay the Authority principal and interest payments solely from the EDA's Housing Revenues from the Central City North, Central City Merged, Central City West, Mount Vernon, State College Project No. 4, Southeast Industrial Park, Northwest, South Valle, Uptown, 40th Street and Tri-City Redevelopment Project Areas.

A reserve account is required to be maintained in the amount of \$2,698,116. The balance held in the reserve account as of June 30, 2014 was \$2,444,972. At June 30, 2014, \$18,860,000 of the bonds were outstanding.

City of San Bernardino
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2014

Note 8 – Long-Term Liabilities (Continued)

C. Fiduciary Fund Financial Statements (Continued)

Tax Allocation Bonds, Taxable Series 2006 (Continued)

The annual debt service requirements for the Tax Allocation Bonds, Taxable Series 2006 outstanding at June 30, 2014 are as follows:

Year Ending June 30,	Principal	Interest	Total
2015	\$ 1,555,000	\$ 1,143,116	\$ 2,698,116
2016	1,640,000	1,055,648	2,695,648
2017	1,730,000	963,398	2,693,398
2018	1,840,000	857,003	2,697,003
2019	1,850,000	743,843	2,593,843
2020-2024	6,860,000	2,180,483	9,040,483
2025-2027	3,385,000	416,663	3,801,663
Total	\$ 18,860,000	\$ 7,360,154	\$ 26,220,154

Tax Allocation Bonds, Series 2010A

In December 2010, the San Bernardino Joint Powers Financing Authority issued \$7,065,000 in tax allocation bonds to finance certain redevelopment activities of the 4th Street Corridor project, to fund a reserve fund for the bonds, fund the interest account, and pay all costs of issuance related to the bonds.

The outstanding Series 2010A bonds consist of term bonds of \$6,155,000 maturing from April 1, 2015, to April 1, 2030 in annual installments ranging from \$190,000 to \$655,000. Term bonds of \$390,000 are due on April 1, 2015, term bonds of \$1,515,000 are due on April 1, 2021, and term bonds of \$4,250,000 are due on April 1, 2030. Interest is payable semi-annually on April 1 and October 1 at rates ranging from 3.5% to 9.3% per annum.

The term bonds maturing on April 2015 are subject to mandatory prepayment, on each April 1, commencing on April 1, 2012, through April 1, 2015. Term bonds maturing on April 1, 2021, are subject to mandatory prepayment, on each April 1, commencing on April 1, 2016, through April 1, 2021. Term bonds maturing on April 1, 2030, are subject to mandatory prepayment on each April 1, commencing on April 1, 2022, through April 1, 2030.

The former EDA agreed to pay the Authority principal and interest payments solely from the Tax Revenues from the Northwest Redevelopment Project Area.

A reserve account is required to be maintained in the amount of \$686,974. The balance held in the reserve account as of June 30, 2014, was \$685,488. At June 30, 2014, \$5,965,000 of the bonds were outstanding.

City of San Bernardino
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2014

Note 8 – Long-Term Liabilities (Continued)

C. Fiduciary Fund Financial Statements (Continued)

Tax Allocation Bonds, Series 2010A (Continued)

The annual debt service requirements for the Tax Allocation Bonds, Series 2010A outstanding at June 30, 2014 are as follows:

Year Ending June 30,	Principal	Interest	Total
2015	\$ 200,000	\$ 517,750	\$ 717,750
2016	210,000	506,750	716,750
2017	225,000	491,000	716,000
2018	240,000	474,125	714,125
2019	260,000	456,125	716,125
2020-2024	1,645,000	1,938,663	3,583,663
2025-2030	3,185,000	1,107,225	4,292,225
Total	\$ 5,965,000	\$ 5,491,638	\$ 11,456,638

Tax Allocation Bonds, Series 2010B

In January 2011, the San Bernardino Joint Powers Financing Authority issued \$3,220,000 in tax allocation bonds to finance certain redevelopment activities of the Northwest project area, to fund a reserve fund for the bonds, fund the interest account, and pay all costs of issuance of the bonds.

The outstanding Series 2010B bonds consist of term bonds of \$2,745,000 maturing from April 1, 2020, to April 1, 2028 in annual installments ranging from \$25,000 to \$690,000. Term bonds of \$925,000 are due on April 1, 2020 and term bonds of \$1,820,000 are due on April 1, 2028. Interest is payable annually on April 1 at rates ranging from 3.0% to 7.0% per annum.

The term bonds maturing in April 2020 are subject to mandatory prepayment, on each April 1, commencing on April 1, 2013, through April 1, 2020. Term bonds maturing on April 1, 2028, are subject to mandatory prepayment, on each April 1, commencing on April 1, 2021, through April 1, 2028.

The former EDA agreed to pay the Authority principal and interest payments solely from the EDA's tax revenues from the Northwest Redevelopment Project Area.

A reserve account is required to be maintained in the amount of \$309,567. The balance held in the reserve account as of June 30, 2014, was \$306,699. At June 30, 2014, \$2,590,000 of the bonds were outstanding.

City of San Bernardino
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2014

Note 8 – Long-Term Liabilities (Continued)

C. Fiduciary Fund Financial Statements (Continued)

Tax Allocation Bonds, Series 2010B (Continued)

The annual debt service requirements for the Tax Allocation Bonds, Series 2010B outstanding at June 30, 2014 are as follows:

Year Ending June 30,	Principal	Interest	Total
2015	\$ 150,000	\$ 173,600	\$ 323,600
2016	145,000	164,600	309,600
2017	135,000	155,900	290,900
2018	125,000	147,800	272,800
2019	115,000	140,300	255,300
2020-2024	330,000	611,500	941,500
2025-2028	1,590,000	364,350	1,954,350
Total	\$ 2,590,000	\$ 1,758,050	\$ 4,348,050

Highland Senior Housing 1995 Mortgage Revenue Bonds

The Multifamily Housing Revenue Bonds 1995 Series (Highland Lutheran Senior Housing Project) were issued on June 29, 1995 for \$1,220,000. The mortgage revenue bonds are special obligations payable solely from payments made on and secured by a pledge of the acquired mortgage loans and certain reserve funds and other monies in connection therewith, all pledged under the resolution authorizing the issuance of the bonds. The Bonds shall mature on July 1, 2015 and shall bear interest at the rate of 7.625% per annum. Interest is payable annually on July 1. The bonds are payable from revenues or assets of the EDA. Multifamily Housing Revenue Bonds (Highland Lutheran Senior Housing Project) 1995 Series mortgage revenue bonds outstanding as of June 30, 2014 are \$1,100,000.

The annual debt service requirements for the Highland Senior Housing Mortgage Revenue bonds outstanding at June 30, 2014 are as follows:

Year Ending June 30,	Principal	Interest	Total
2015	\$ -	\$ 41,938	\$ 41,938
2016	65,000	81,397	146,397
2017	70,000	76,250	146,250
2018	80,000	70,531	150,531
2019	85,000	64,241	149,241
2020-2024	525,000	211,022	736,022
2025-2026	275,000	21,541	296,541
Total	\$ 1,100,000	\$ 566,920	\$ 1,666,920

City of San Bernardino
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2014

Note 8 – Long-Term Liabilities (Continued)

C. Fiduciary Activities (Continued)

Casa Ramona Senior Housing 1995 Mortgage Revenue Bonds

The Multifamily Housing Revenue Bonds 1995 Series (Casa Ramona Senior Housing Complex Project) were issued on June 29, 1995 for \$1,075,000. The mortgage revenue bonds are special obligations payable solely from payments made on and secured by a pledge of the acquired mortgage loans and certain reserve funds and other monies in connection therewith, all pledged under the resolution authorizing the issuance of the bonds. The Bonds shall mature on July 1, 2015 and shall bear interest at the rate of 7.875% per annum. Interest is payable annually on July 1. The bonds are payable from revenues or assets of the EDA. Multifamily Housing Revenue Bonds (Casa Ramona Senior Housing Project) 1995 Series mortgage revenue bonds outstanding as of June 30, 2014 are \$970,000.

The annual debt service requirements for the Casa Ramona Senior Housing 1995 Mortgage Revenue bonds outstanding at June 30, 2014 are as follows:

Year Ending June 30,	Principal	Interest	Total
2015	\$ -	\$ 38,194	\$ 38,194
2016	60,000	74,025	134,025
2017	65,000	69,103	134,103
2018	70,000	63,788	133,788
2019	75,000	58,078	133,078
2020-2024	460,000	190,181	650,181
2025-2026	240,000	19,294	259,294
Total	\$ 970,000	\$ 512,663	\$ 1,482,663

1999 Certificates of Participation

On September 23, 1999, the San Bernardino Joint Powers Financing Authority issued \$15,480,000 of Refunding Certificates of Participation (Certificates). The Certificates were issued to retire \$2,325,000 outstanding of Refunding Certificates of Participation (South Valle Public Improvement Project) dated April 1, 1987, and \$5,910,000 outstanding of Certificates of Participation (1995 Police Station Financing Project) dated April 1, 1995, and to provide funds for capital improvements (201 Building Projects).

The Certificates mature on September 1 of each year through September 1, 2024, in amounts ranging from \$330,000 to \$1,080,000. The interest represented by the Certificates is calculated on the basis of a 360-day year of twelve 30-day months, from September 1, 1999, at the rates per annum set forth in the bond documents and will represent the sum of the portions of the lease payments designated as interest coming due during the six months preceding each interest payment date. The interest rates will range approximately from 3.70% to 5.50% per annum.

City of San Bernardino
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2014

Note 8 – Long-Term Liabilities (Continued)

C. Fiduciary Activities (Continued)

1999 Certificates of Participation (Continued)

The Certificates maturing on September 1, 2020, are subject to mandatory sinking fund redemption in part on September 1 in each year on or after September 1, 2010, from the principal components of the lease payments required to be paid by the City pursuant to the Lease Agreements with respect to each such redemption date, at a redemption price equal to the principal amount thereof to be redeemed, together with interest accrued thereon to the date fixed for redemption, without premium, in accordance with the terms identified in the bond documents. The Certificates maturing on September 1, 2024, are subject to mandatory sinking fund redemption in part on September 1, 2021, from the principal components of the lease payments required to be paid by the City pursuant to the Lease Agreements with respect to each such redemption date, at a redemption price equal to the principal amount thereof to be redeemed, together with interest accrued thereon to the date fixed for redemption, without premium, in accordance with the terms identified in the bond documents.

The Certificates represent direct, undivided fractional interest in lease payments to be made by the City under the lease agreements. A reserve fund is required to be maintained in an amount equal to the maximum annual debt service. At June 30, 2014, the reserve requirement was \$1,147,000 and the amount actually held in the reserve account was \$1,079,222. The total outstanding balance of the Certificates at June 30, 2014, was \$9,225,000 of which \$5,215,000 is reported as a long-term liability of the Successor Agency, which is the portion of the Certificates that represent the South Valle Refunding and 201 Building Projects portions. Repayments of these portions of the Certificates are funded from the Redevelopment Property Tax Trust Fund, as a result of the dissolution of the redevelopment agency. The remaining \$4,010,000 outstanding balance of the Certificates at June 30, 2014 is reported as a long-term liability of the City, which is the portion of the Certificates that represents the Police Station portion.

The annual debt service requirements for the 1999 Certificates of Participation outstanding at June 30, 2014 are as follows:

Year Ending June 30,	Principal	Interest	Total
2015	\$ 360,000	\$ 276,925	\$ 636,925
2016	380,000	256,574	636,574
2017	400,000	235,125	635,125
2018	420,000	212,575	632,575
2019	440,000	188,925	628,925
2020-2025	3,215,000	557,840	3,772,840
Total	\$ 5,215,000	\$ 1,727,964	\$ 6,942,964

City of San Bernardino
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2014

Note 9 – Operating Leases

Effective December 15, 2008, the City’s Water Department took possession of leased space from Superior Homes LLC for administrative office and warehouse space for a term of ten years. The Water Department has options to extend the lease for 3 additional terms of 5 years apiece for up to a total of 15 years. The following is a schedule of minimum lease payments as of June 30, 2014.

Year Ending June 30,	Water Utility	Sewer Utility	Total
2015	\$ 228,408	\$ 31,152	\$ 259,560
2016	228,408	31,152	259,560
2017	228,408	31,152	259,560
2018	228,408	31,152	259,560
Total	\$ 913,632	\$ 124,608	\$ 1,038,240

Note 10 – Compensated Absences

City employees receive between 10 and 25 vacation days each year depending upon length of service. An employee may accumulate earned vacation time to a maximum not to exceed 60 days. Upon termination, employees are paid the full value of their unused vacation time determined at their present salary rate. City employees receive 12 personal necessity/sick leave days each year. Upon separation from the City, employees having six or more years of service can convert unused sick leave to a post-employment health care plan or a 401(a) retirement plan as follows: 288 hours or fewer accrued = 0; 289-479 hours accrued = 20% of accrued sick leave; 480-959 hours = 25%; 960 hours or more = 35%. Prior to the Mayor and Common Council adoption of the Side Letter Agreements to the City’s bargaining groups’ Memoranda of Understanding, all bargaining groups were paid 50% of their accrued sick leave balances at the time of separation. During fiscal year 2013, the City suspended leave accrual payments for separated employees. The unpaid leave is included in the total compensated absences balance outstanding as of June 30, 2014.

A. Governmental Activities

A summary of changes in the compensated absences balances for the governmental activities for the year ended June 30, 2014 is as follows:

	Balance			Balance June 30, 2014	Classification	
	July 1, 2013	Additions	Deletions		Due within One Year	Due in More Than One Year
Compensated absences	\$ 12,048,192	\$ 2,133,013	\$ (2,803,355)	\$ 11,377,850	\$ 3,413,355	\$ 7,964,495
Total	\$ 12,048,192	\$ 2,133,013	\$ (2,803,355)	\$ 11,377,850	\$ 3,413,355	\$ 7,964,495

Compensated absences in the governmental activities are obligations of the following funds:

Governmental Funds	\$ 10,913,924
Liability Insurance	45,368
Motorpool	136,753
Telephone Support	11,359
Information Systems	258,871
Utility	7,234
Central Services	4,341
Total	\$ 11,377,850

City of San Bernardino
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2014

Note 10 – Compensated Absences (Continued)

B. Business-type Activities

A summary of changes in the compensated absences balances for the business-type activities for the year ended June 30, 2014 is as follows:

	Balance			Balance June 30, 2014	Classification	
	July 1, 2013	Additions	Deletions		Due within One Year	Due in More Than One Year
Compensated absences	\$ 2,104,751	\$ 882,889	\$ (1,078,307)	\$ 1,909,333	\$ 882,108	\$ 1,027,225
Total	\$ 2,104,751	\$ 882,889	\$ (1,078,307)	\$ 1,909,333	\$ 882,108	\$ 1,027,225

Compensated absences in the business-type activities are obligations of the following funds:

Integrated Waste Fund	\$ 466,075
Water Fund	1,076,591
Sewer Fund	366,667
Total	\$ 1,909,333

C. Fiduciary Fund Financial Statements

A summary of changes in the compensated absences balances for the fiduciary fund financial statements for the year ended June 30, 2014 is as follows:

	Balance			Balance June 30, 2014	Classification	
	July 1, 2013	Additions	Deletions		Due within One Year	Due in More Than One Year
Compensated absences	\$ 279,814	\$ -	\$ (194,133)	\$ 85,681	\$ 85,681	\$ -
Total	\$ 279,814	\$ -	\$ (194,133)	\$ 85,681	\$ 85,681	\$ -

All compensated absences liabilities in the fiduciary fund financial statements belong to the Redevelopment Obligation Retirement Fund (Successor Agency).

Note 11 – Claims and Judgments Payable

The City of San Bernardino is self-insured for its liability, unemployment and long-term disability programs. The accrued liability for estimated claims represents an estimate of the eventual loss on claims arising prior to year-end including claims incurred but not yet reported and estimates of loss adjustment expense.

Currently, the City is a member of the Big Independent Cities Excess Pool (BICEP), which covers general liability claims. BICEP pools catastrophic general liability, automobile liability, and public officials' errors and omissions losses. BICEP intends to pool covered catastrophic losses incurred by its members, thereby eliminating the need for excess commercial insurance protection. As a result, each member's share of pooled costs will depend on the catastrophic losses of all the members. In addition, the cost of a member city will also depend on that member's own loss experience. Entities with a consistent record of costly claims will pay more than entities with a consistent record of limited serious claims activity. The following public entities are members of BICEP: Huntington Beach, Oxnard, West Covina, San Bernardino and Santa Ana.

City of San Bernardino
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2014

Note 11 – Claims and Judgments Payable (Continued)

For liability claims, the City is self-insured for the first \$1 million. The first million in excess of the self-insured limit is divided up proportionately among the BICEP members. In addition, the City has obtained excess liability coverage using a tiered system with three carriers totaling \$25 million per occurrence.

The City is a member of the CSAC Excess Insurance Authority (the Authority) for its workers' compensation claims. For these claims, the City is self-insured for the first \$1 million. The first \$4 million in excess of the self-insured limit is insured through the Authority. In addition, for amounts in excess of the \$5 million self-insurance and Authority coverage, the City has obtained an additional \$45 million in liability coverage from ACE American Insurance Company.

Settled claims for general liability and workers' compensation have not exceeded insurance coverage during the past three years.

A. Governmental Activities

Changes in the *general liability* claims liability for the governmental activities for the years ended June 30, 2014, 2013, and 2012, are as follows:

	<u>Beginning of Fiscal Year Liability</u>	<u>Prior Period Adjustment</u>	<u>Claims and Changes in Estimates</u>	<u>Claims Payments</u>	<u>Balance at Fiscal Year End</u>
2011-2012	\$ 9,733,570	\$ -	\$ 741,863	\$ (2,153,183)	\$ 8,322,250
2012-2013	8,322,250	-	(200,200)	(633)	8,121,417
2013-2014	8,121,417	3,978,808	3,704,890	(1,852,445)	13,952,670

Changes in the workers' compensation claims liability for the governmental activities for the years ended June 30, 2014, 2013, and 2012, are as follows:

	<u>Beginning of Fiscal Year Liability</u>	<u>Prior Period Adjustment</u>	<u>Claims and Changes in Estimates</u>	<u>Claims Payments</u>	<u>Balance at Fiscal Year End</u>
2011-2012	\$ 10,408,449	\$ -	\$ 4,889,070	\$ (2,697,797)	\$ 12,599,722
2012-2013	12,599,722	-	13,135,834	(3,121,931)	22,613,625
2013-2014	22,613,625	(5,044,419)	8,142,403	(4,791,785)	20,919,824

B. Business-type Activities

Changes in the workers' compensation claims liability for the business-type activities for the years ended June 30, 2014, 2013, and 2012, are as follows:

	<u>Beginning of Fiscal Year Liability</u>	<u>Claims and Changes in Estimates</u>	<u>Claims Payments</u>	<u>Balance at Fiscal Year End</u>
2011-2012	\$ 288,683	\$ 233,438	\$ (97,680)	\$ 424,441
2012-2013	424,441	623,037	(210,404)	837,074
2013-2014	837,074	545,631	(383,102)	999,603

The City maintains third party insurance coverage for general liability claims in business-type activities.

City of San Bernardino
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2014

Note 12 – Fund Balance Classification

The City classifies fund balances, as shown on the *Balance Sheet – Governmental Funds*, as follows as of June 30, 2014:

	Major Funds					Total
	General Fund	Federal and State Grants Fund	Low and Moderate Income Housing Fund	Sales and Road Fund	Other Governmental Funds	
Nonspendable						
Notes receivable	\$ -	\$ 3,337,628	\$ 38,719,786	\$ -	\$ -	\$ 42,057,414
Deposits	-	-	200,000	-	-	200,000
Prepays	415,286	32,966	-	-	8,000	456,252
Advances to other funds	-	-	116,800	-	147,600	264,400
Property held for resale	-	16,296,266	18,425,466	-	-	34,721,732
Total nonspendable	415,286	19,666,860	57,462,052	-	155,600	77,699,798
Restricted						
Housing	-	-	590,503	-	-	590,503
Special revenues	-	-	-	7,206,491	10,088,628	17,295,119
Debt service	1,208,016	-	-	-	6,725	1,214,741
Capital projects	-	-	-	-	20,826,573	20,826,573
Total restricted	1,208,016	-	590,503	7,206,491	30,921,926	39,926,936
Committed						
Animal control	822,861	-	-	-	-	822,861
Baseball field	-	-	-	-	-	-
Soccer field	616,270	-	-	-	-	616,270
Total committed	1,439,131	-	-	-	-	1,439,131
Unassigned (deficit)	10,327,070	(24,667)	-	-	(657,655)	9,644,748
Total fund balances	\$ 13,389,503	\$ 19,642,193	\$ 58,052,555	\$ 7,206,491	\$ 30,419,871	\$ 128,710,613

City of San Bernardino
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2014

Note 13 – Fund Deficits and Expenditures in Excess of Appropriations

A. Deficit Net Position/Fund Balances

At June 30, 2014, the Governmental Activities on the Statement of Net Position had an unrestricted net position deficit of (\$74,661,663).

At June 30, 2014, the following funds had a fund balance (deficit) or unrestricted net position (deficit), which will be eliminated through the through the reduction in future expenditures and/or the use of new funding sources:

Fund Type	Funds	Deficit
Enterprise	Integrated Waste Fund	\$ (2,309,785)
Debt Service	Assessment District #1015 Fund	(210,862)
Capital Projects	Street Construction Fund	(446,793)
Internal Service	Workers' Compensation Fund	(20,009,355)
Internal Service	Liability Insurance Fund	(9,536,141)
Internal Service	Utility Fund	(277,431)
Fiduciary	Successor Agency to the Economic Development Agency of San Bernardino Private-purpose Trust Fund	\$ (42,268,414)

As of June 30, 2014, the General Fund does not have the financial capacity to fund such accumulated deficits. Therefore, management expects that funding for the accumulated deficits will be accomplished over a period of years. The accumulated deficits of the Workers' Compensation Internal Service Fund and the Liability Insurance Internal Service Fund are due to higher claims experienced over a period of years, versus amounts charged to the various departments. Both these funds operate on a pay-as-you-go basis; as such the deficits in these funds are expected to change as claims are made. Management has paid and expects to pay for all accepted claims as and when they become due.

Note 14 – Net Investment in Capital Assets

The Government-wide Statement of Net Position reports net investment in capital assets as follows:

	Governmental Activities	Business-type Activities	Total
Total capital assets, net	\$ 395,623,182	\$ 245,807,197	\$ 641,430,379
Plus note proceeds held by State	-	746,201	746,201
Less related debt:			
Capital leases payable	(1,220,130)	(4,792,949)	(6,013,079)
Notes payable	(11,528,863)	(26,174,480)	(37,703,343)
Lease revenue bonds	(6,925,000)	-	(6,925,000)
California Infrastructure	(5,306,998)	-	(5,306,998)
Certificates of participation	(4,010,000)	(9,292,368)	(13,302,368)
Net investment in capital assets	<u>\$ 366,632,191</u>	<u>\$ 206,293,601</u>	<u>\$ 572,925,792</u>

City of San Bernardino
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2014

Note 15 – Defined Benefit Pension Plan

The City of San Bernardino (excluding water) contributes to; the Safety Plan of the City of San Bernardino, the Miscellaneous Plan of the City of San Bernardino, and the Miscellaneous Plan of the San Bernardino Economic Development Agency, which are all part of the Public Agency portion of the California Public Employees’ Retirement System (CalPERS), and the City of San Bernardino Retirement Enhancement Plan, a customized supplemental retirement plan administered by Public Agency Retirement Services (PARS) to provide certain police safety or police management employees employed as of January 1, 2004, meeting specific requirements as outlined in the Plan document, supplemental retirement benefits in addition to the benefits employees will receive from the California Public Employees’ Retirement System (CalPERS).

CalPERS is an agent multiple-employer agency trust, that acts as a common investment and administrative agent for participating public entities in the State of California, providing retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. CalPERS benefits are payable monthly for life in an amount equal to a certain percent of the employees highest annual salary. Benefit provisions and all other requirements are established by State statute and City ordinance. Copies of the CalPERS comprehensive annual financial report may be obtained from the CalPERS Executive Office, 400 Q Street, Sacramento, CA, 95811.

PARS is an agent multiple-employer agency trust that acts as a common investment and administrative agent for participating public entities in the State of California. Annual financial reports for the aggregate Plan may be obtained from the PARS Office, 4350 Von Karman Ave, Suite 100, Newport Beach, CA, 92660.

A. Summary

Net Pension Asset is reported in the accompanying Statement of Net Position as follows:

	Safety Plan
Governmental Activities	\$ 55,231,576

Net Pension Obligation is reported in the accompanying financial statements as follows:

	Miscellaneous Plan	Enhancement Plan	Total
Governmental Activities	\$ 56,908	\$ 654,123	\$ 711,031
Integrated Waste Fund	9,159	-	9,159
Total	\$ 66,067	\$ 654,123	\$ 720,190

City of San Bernardino
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2014

Note 15 – Defined Benefit Pension Plan (Continued)

B. Safety Plan

Plan Description – The Safety Plan of the City of San Bernardino is for sworn Police and Fire employees. The contribution requirements of the members and the City are established and may be amended by CalPERS. The Plans’ provisions and benefits in effect at June 30, 2014, are summarized as follows:

	Safety	
	Prior to January 1, 2013	After January 1, 2013
Hire date		
Benefit vesting schedule	5 years service	5 years service
Benefit Payments	monthly for life	monthly for life
Retirement Age	50	57
Required employee contribution rates	9.000%	12.250%
Required employer contribution rates	31.455%	31.455%

Annual Pension Cost – For the year ended June 30, 2014, the City’s Safety Plan annual pension costs were \$10,798,570. The annual pension costs were more than the City’s required and actual contributions of \$11,159,863 due to positive interest earnings on the net pension asset offset by a negative adjustment to the annual required contribution. This was due to a declining active payroll percentage contribution. The required contribution rates were determined as part of the June 30, 2011 actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percentage of pay. The actuarial assumptions included (a) 7.50% investment rate of return (net of administrative expenses); (b) projected salary increases that vary depending on age, service, and type of employment from 3.30% to 14.20%; (c) inflation of 2.75%; and (d) payroll growth of 3.00%. The actuarial value of the Safety Plan’s assets were determined using techniques that smooth the effects of short-term volatility in the market value of investments over a 15-year period. The City’s CalPERS unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. Based on the actuarial valuation dated June 30, 2011, the remaining average amortization period was 32 years for the Safety Plan.

Funded Status and Funding Progress – As of June 30, 2014 the Safety Plan was 76.2% funded. The actuarial accrued liability for benefits was \$684,279,693. The actuarial value of assets was \$521,708,134 resulting in an unfunded actuarial accrued liability (UAAL) of \$162,571,559. The covered payroll (annual payroll of active employees covered by the plan) was \$35,478,820, and the ratio of the UAAL to covered payroll was 458.22%.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

City of San Bernardino
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2014

Note 15 – Defined Benefit Pension Plan (Continued)

B. Safety Plan (Continued)

Pension Asset – The City prepaid its Annual Required Contributions (ARC) with proceeds from the Taxable Pension Obligation Bonds, 2005 Series A (Note 8). The City’s net pension asset was determined in accordance with the provisions of GASB Statement No. 27 and represents contributions in excess of the ARC. The pension asset is being amortized over a 30 year period. The pension asset balance at June 30, 2014 is \$55,231,576 for the Safety Plan.

The City’s annual pension cost and change in the net pension asset related to the Safety Plan for the years ended June 30, 2014, 2013 and 2012, were as follows:

	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>June 30, 2012</u>
Annual required contribution	\$ 11,159,863	\$ 11,612,856	\$ 12,487,995
Interest on beginning net pension asset	(3,389,708)	(4,074,562)	(4,153,002)
Adjustment to the annual required contribution	<u>3,019,415</u>	<u>3,540,773</u>	<u>3,412,627</u>
Annual pension cost	10,789,570	11,079,067	11,747,620
Contributions made	20,825,036	1,947,683	12,487,995
Less: annual pension cost	<u>(10,789,570)</u>	<u>(11,079,067)</u>	<u>(11,747,620)</u>
Change in net pension asset	10,035,466	(9,131,384)	740,375
Net pension asset, beginning of the year	<u>45,196,110</u>	<u>54,327,494</u>	<u>53,587,119</u>
Net pension asset, end of the year	<u>\$ 55,231,576</u>	<u>\$ 45,196,110</u>	<u>\$ 54,327,494</u>

Three Year Trend Information

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Actual Contributions</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Asset</u>
6/30/2012	\$ 11,747,620	\$ 12,487,995	106.30%	\$ 54,327,494
6/30/2013	\$ 11,079,067	\$ 1,947,683	17.58%	\$ 45,196,110
6/30/2014	\$ 10,789,570	\$ 20,825,036	193.01%	\$ 55,231,576

C. Miscellaneous Plan

Plan Description – The Miscellaneous Plan is available to full time employees not enrolled in the Safety Plan. Part-time employees must meet specific criteria for participation. City employees are eligible for service or normal retirement at age 55 or older with a minimum of five years CalPERS service. The contribution requirements of the plan members and the City are established by CalPERS and may be amended. The Plans’ provisions and benefits in effect at June 30, 2014, are summarized below:

	<u>Miscellaneous - City</u>	
	<u>Prior to January 1, 2013</u>	<u>After January 1, 2013</u>
Hire date	5 years service	5 years service
Benefit vesting schedule	monthly for life	monthly for life
Benefit Payments	55	62
Retirement Age	8.00%	6.25%
Required employee contribution rates	18.186%	18.186%
Required employer contribution rates		

City of San Bernardino
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2014

Note 15 – Defined Benefit Pension Plan (Continued)

C. Miscellaneous Plan (Continued)

Annual Pension Cost – For the year ended June 30, 2014, the City's Miscellaneous Plan annual pension costs were \$7,553,368. The annual pension costs were more than the City's required and actual contributions of \$7,487,301 due to negative interest earnings on the net pension obligation offset by a positive adjustment to the annual required contribution. This was due to a declining active payroll percentage contribution. The required contribution rates were determined as part of the June 30, 2010 actuarial valuations using the entry age normal actuarial cost method with the contributions determined as a percent of pay. The actuarial assumptions included (a) 7.50% investment rate of return (net of administrative expenses); (b) projected salary increases that vary depending on age, service, and type of employment from 3.30% to 14.20%; (c) inflation of 2.75%; and (d) payroll growth of 3.00%. The actuarial value of the Miscellaneous Plan's assets were determined using techniques that smooth the effects of short-term volatility in the market value of investments over a 15-year period. The City's CalPERS unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. Based on the actuarial valuation dated June 30, 2011, the remaining average amortization was 27 years for the Miscellaneous Plan.

Funded Status and Funding Progress – As of June 30, 2014, the Miscellaneous Plan was 78.1% funded. The actuarial accrued liability for benefits was \$501,077,609 and the actuarial value of assets was \$391,353,584 resulting in unfunded actuarial accrued liabilities (UAAL) of \$109,724,025. The covered payroll (annual payroll of active employees covered by the plan) was \$41,170,684 and the percentage of the UAAL to covered payroll was 266.51%.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

The City's annual pension costs and changes in net pension obligation related to the Miscellaneous Plan for the years ended June 30, 2014, 2013, and 2012, were as follows:

	June 30, 2014	June 30, 2013	June 30, 2012
Annual required contribution	\$ 7,487,301	\$ 6,937,538	\$ 8,244,842
Interest on net pension obligation	288,941	-	-
Adjustment to the annual required contribution	(222,874)	-	-
Annual pension cost	7,553,368	6,937,538	8,244,842
Contributions made	11,339,852	3,084,987	8,244,842
Less: annual pension cost	(7,553,368)	(6,937,538)	(8,244,842)
Change in net pension asset	3,786,484	(3,852,551)	-
Net pension obligation, beginning of the year	(3,852,551)	-	-
Net pension obligation, end of the year	\$ (66,067)	\$ (3,852,551)	\$ -

City of San Bernardino
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2014

Note 15 – Defined Benefit Pension Plan (Continued)

C. Miscellaneous Plan (Continued)

Three Year Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Actual Contributions	Percentage of APC Contributed	Net Pension Obligation
6/30/2012	\$ 8,244,842	\$ 8,244,842	100.00%	\$ -
6/30/2013	\$ 6,937,538	\$ 3,084,987	44.47%	\$ (3,852,551)
6/30/2014	\$ 7,553,368	\$ 11,339,852	150.13%	\$ (66,067)

D. Successor Agency Plan

Plan Description – The Successor Agency Plan of the City of San Bernardino is available to full time employees employed by the Successor Agency to the San Bernardino Economic Development Agency. Part-time employees must meet specific criteria for participation. City employees are eligible for service or normal retirement at age 55 or older with a minimum of five years CalPERS service. The contribution requirements of the plan members and the City are established by CalPERS and may be amended. The Plans’ provisions and benefits in effect at June 30, 2014, are summarized below:

	Miscellaneous - Successor Agency	
	Prior to January 1, 2013	After January 1, 2013
Hire date	Prior to January 1, 2013	After January 1, 2013
Benefit vesting schedule	5 years service	5 years service
Benefit Payments	monthly for life	monthly for life
Retirement Age	55	62
Required employee contribution rates	9.00%	11.25%
Required employer contribution rates	18.625%	18.625%

Annual Pension Cost – For the year ended June 30, 2014, the City's Successor Agency Plan annual pension costs were \$15,951 and the City’s contributions were \$15,951. The required contribution rates were determined as part of the June 30, 2011 actuarial valuations using the entry age normal actuarial cost method with the contributions determined as a percent of pay. The actuarial assumptions included (a) 7.50% investment rate of return (net of administrative expenses); (b) projected salary increases that vary depending on age, service, and type of employment from 3.30% to 14.20%; (c) inflation of 2.75%; and (d) payroll growth of 3.00%. The actuarial value of the Miscellaneous Plan’s assets were determined using techniques that smooth the effects of short-term volatility in the market value of investments over a 15-year period. The City’s CalPERS unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. Based on the actuarial valuation dated June 30, 2011, the remaining average amortization was 27 years for the Miscellaneous Plan.

Funded Status and Funding Progress – As of June 30, 2014, the Successor Agency Plan was 80.0% funded. The actuarial accrued liability for benefits was \$19,629,085 and the actuarial value of assets was \$15,711,159 resulting in unfunded actuarial accrued liabilities (UAAL) of \$3,917,926. The covered payroll (annual payroll of active employees covered by the plan) was \$85,716 and the percentage of the UAAL to covered payroll was 4570.82%.

City of San Bernardino
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2014

Note 15 – Defined Benefit Pension Plan (Continued)

D. Successor Agency Plan (Continued)

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

The City’s annual pension cost related to the Successor Agency Plan for the years ended June 30, 2014, 2013, and 2012, were as follows:

Three Year Trend Information					
Fiscal Year Ended	Annual Pension Cost (APC)	Actual Contributions	Percentage of APC Contributed	Net Pension Obligation	
6/30/2012	\$ 205,024	\$ 205,024	100.00%	\$	-
6/30/2013	\$ 79,893	\$ 79,893	100.00%	\$	-
6/30/2014	\$ 15,965	\$ 15,965	100.00%	\$	-

E. Enhancement Plan

Plan Description – Effective January 1, 2004, pursuant to sections 401(a) and 501(a) of the Internal Revenue Code, the City adopted a tax-qualified governmental defined benefit plan, the City of San Bernardino Public Agency Retirement System (PARS) – Retirement Enhancement Plan (the Plan). The Plan is administered by the City and was established to provide certain police safety or police management employees employed as of January 1, 2004, meeting specific requirements as outlined in the Plan document, supplemental retirement benefits in addition to the benefits employees will receive from the California Public Employees’ Retirement System (CalPERS).

Funding Policy – The City is required to make contributions at an actuarially determined rate. The rate was 1.7% of annual covered payroll. As part of the agreement, the City pays for the entire benefit obligation. A level dollar contribution amortized over 20 years is used to determine the City contribution. The contribution requirements of the plan may be amended depending on future actuarial valuations and earnings levels.

Annual Pension Cost – For the year ended June 30, 2014, the City's Miscellaneous Plan annual pension costs were \$413,597. The annual pension costs were more than the City’s required and actual contributions of \$208,695 due to negative interest earnings on the net pension obligation offset by a positive adjustment to the annual required contribution. This was due to a declining active payroll percentage contribution. The required contribution rate was determined as part of the actuarial valuation, using the entry age normal actuarial cost method with contributions determined as a percentage of pay. The actuarial assumptions included (a) 5.75% investment rate of return (net of administrative expenses); (b) projected salary increases of 3.25%; (c) inflation of 3.0%; (d) payroll growth of 3.0%. The actuarial value of the REPs assets were determined using techniques that smooth the effects of short-term volatility in the market value of investments over time. The City’s REPs unfunded actuarial accrued liability is being amortized as a level dollar amount over a 15 year amortization period.

Funded Status and Funding Progress – The REP began on January 1, 2004. As of June 30, 2008, the most recent actuarial valuation date, the REP was 17.0% funded. The actuarial accrued liability (AAL) for benefits was \$5,549, 000 and the actuarial value of plan assets was \$942,000, resulting in an unfunded actuarial accrued liability (UAAL) of \$4,607,000.

City of San Bernardino
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2014

Note 15 – Defined Benefit Pension Plan (Continued)

E. Enhancement Plan (Continued)

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

The City’s annual pension costs and changes in net pension obligation related to the Retirement Enhancement Plan for the years ended June 30, 2014, 2013, and 2012, were as follows:

	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>June 30, 2012</u>
Annual required contribution	\$ 417,715	\$ 470,363	\$ 518,084
Interest on net pension obligation	25,830	-	-
Adjustment to the annual required contribution	<u>(29,948)</u>	<u>-</u>	<u>-</u>
Annual pension cost	413,597	470,363	518,084
Contributions made	208,695	21,142	518,084
Less: annual pension cost	<u>(413,597)</u>	<u>(470,363)</u>	<u>(518,084)</u>
Change in net pension asset	(204,902)	(449,221)	-
Net pension obligation, beginning of the year	<u>(449,221)</u>	<u>-</u>	<u>-</u>
Net pension obligation, end of the year	<u><u>\$ (654,123)</u></u>	<u><u>\$ (449,221)</u></u>	<u><u>\$ -</u></u>

Three Year Trend Information

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Actual Contributions</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/2012	\$ 518,084	\$ 518,084	100.00%	\$ -
6/30/2013	\$ 470,363	\$ 21,142	4.49%	\$ (449,221)
6/30/2014	\$ 413,597	\$ 208,695	50.46%	\$ (654,123)

Note 16 – Settlement with CalPERS

The City deferred payment of the employer portion of retirement contributions to CalPERS for a period of time due to its severe liquidity crisis. The deferrals of the City’s employer portion of retirement contributions to CalPERS first occurred on July 31, 2012, as reported by the City in a press release dated October 29, 2012. On November 27, 2012, CalPERS filed a motion for relief from the automatic stay to pursue the City in relation to the deferral, alleging that the City had violated, among other laws, the Public Employees Retirement Law (Cal. Gov. Code, § 20000, et seq.), the California Labor Code and the California Constitution. CalPERS sought relief from the stay in order to commence a state court action against the City to attempt to recoup the deferred payments, and to compel the payment of future pension contributions from the City. The Bankruptcy Court denied CalPERS’ motion for relief from the automatic stay. Beginning in July 2013, the City resumed payments of the City’s employer portion of retirement contributions to CalPERS.

City of San Bernardino
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2014

Note 16 – Settlement with CalPERS (Continued)

The unpaid arrearage for the period from August 1, 2012 through June 30, 2013 amounted to \$13.6 million (the “Arrearage”). Because CalPERS could have asserted a contract termination claim that alone exceeded all other claims against the City combined, and an additional large claim for penalties associated with the Arrearage, and the City’s unions and retirees had a substantial stake in the resolution of the CalPERS’ claims and the City’s contractual relationship with CalPERS, the City first focused its mediation efforts on reaching a settlement with CalPERS. An interim agreement between the City and CalPERS entitled “Mediator’s Order” was approved by the Judge Zive on June 9, 2014, and became what is now known as the "CalPERS Interim Agreement." The CalPERS Interim Agreement addressed the understanding between the City and CalPERS and provided for, among other things: (i) payment of certain arrearages to CalPERS; (ii) payment of certain additional administrative costs of CalPERS; and (iii) a covenant not to impair CalPERS under the Plan.

This agreement required that City make monthly payments of \$602,580 to CalPERS starting on July 1, 2014 through June 1, 2016.

The annual debt service requirements for the CalPERS Settlement outstanding at June 30, 2014 are as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 5,882,688	\$ 745,692	\$ 6,628,380
2016	6,937,186	293,774	7,230,960
Total	\$ 12,819,874	\$ 1,039,466	\$ 13,859,340

Note 17 – Other Post-Employment Benefits

A. Summary

Net OPEB Obligation is reported in the accompanying financial statements as follows:

	<u>City</u> <u>Plan</u>	<u>Water Department</u> <u>Plan</u>	<u>Total</u>
Governmental Activities	\$ 29,217,821	\$ -	\$ 29,217,821
Integrated Waste Fund	1,537,780	-	1,537,780
Water Fund	-	276,407	276,407
Sewer Fund	-	76,103	76,103
Total	\$ 30,755,601	\$ 352,510	\$ 31,108,111

B. City – Excluding Water Department (Water Enterprise Fund and Sewer Enterprise Fund)

Plan Description

The City administers a single employer defined benefit healthcare plan (the Plan). The Plan currently provides healthcare and life insurance for eligible retirees and their surviving spouses through the City’s group health insurance plan, which is administered by Mercer. Life insurance premiums are paid 100% by retirees. The Plan covers both active and retired members. Benefits provisions are established through negotiations between the City and various union bargaining groups. The Plan does not issue a publicly available financial report.

City of San Bernardino
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2014

Note 17 – Other Post-Employment Benefits (Continued)

B. City – Excluding Water Department (Water Enterprise Fund and Sewer Enterprise Fund)(Continued)

Funding Policy

Contribution requirements of the Plan are established through negotiations between the City and union representatives. The required contribution is based on pay-as-you-go financing requirements. For fiscal year 2014, the City contributed \$567,000 to the Plan. The City currently contributes \$115 per month of the required premium costs of active employees. Retired employees are permitted to participate with active employees in the health-care plan, but retirees must pay all premiums as calculated by Mercer, less the City's payment of \$115 per month, assigned to them, except for sworn police employees. The City's monthly contribution for sworn police employees is in accordance with the following schedule:

Years of service	Monthly Contribution
20	\$ 200
25	350
30	450

Annual OPEB Cost and Net OPEB Obligation

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

	2014	2013	2012
Annual required contribution	\$ 4,803,000	\$ 4,482,000	\$ 7,293,000
Interest on net OPEB obligation	1,153,000	1,036,000	998,000
Adjustment to the annual required contribution	(1,588,000)	(1,368,000)	(1,666,000)
Net OPEB cost	4,368,000	4,150,000	6,625,000
Contributions made:			
Benefit payments (cash subsidy)	(557,952)	(567,000)	(627,000)
Benefit payments (implied subsidy)	(891,048)	(815,000)	(886,000)
Increase in net OPEB obligation	2,919,000	2,768,000	5,112,000
Net OPEB obligation, beginning of the year	27,836,601	25,068,601	19,956,601
Net OPEB obligation, end of year	\$ 30,755,601	\$ 27,836,601	\$ 25,068,601

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2014 and the two preceding years were as follows:

Fiscal Year	Annual OPEB Cost	Actual Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	\$ 6,625,000	\$ 627,000	23%	\$ 25,068,601
2013	5,547,000	567,000	10%	27,836,601
2014	4,368,000	557,952	13%	30,755,601

City of San Bernardino
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2014

Note 17 – Other Post-Employment Benefits (Continued)

B. City – Excluding Water Department (Water Enterprise Fund and Sewer Enterprise Fund)(Continued)

Funded Status and Funding Progress

As of June 30, 2014, the Plan was 0.0% funded. The actuarial accrued liability for benefits was \$7,822,000 and the actuarial value of assets was \$0 resulting in unfunded actuarial accrued liabilities (UAAL) of \$7,822,000. The covered payroll (annual payroll of active employees covered by the plan) was \$62,980,000 and the percentage of the UAAL to covered payroll was 12.42%.

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

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial assets, consistent with long-term perspective of the calculations.

In the June 30, 2012 actuarial valuation, which was used to determine the ARC for fiscal year 2013, the actuarial cost method used for determining the benefit obligations is the entry age normal cost method. The actuarial assumptions included a 4.25% discount rate, which is the assumed rate of the expected long-term investment returns on plan assets calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 8.5% initially, reduced by increments of 0.5% per year to an ultimate rate of 5.0%. The unfunded actuarial accrued liability (UAAL) at June 30, 2012 is being amortized as a level percent of payroll over a 21-year fixed (closed) period. Future assumption changes, plan changes, and gain/losses are amortized over a 15-year fixed (closed) period. The maximum combined period amortization is 30-years. It is assumed the City's payroll will increase 3.25% per year.

C. Water Department

Plan Description

The City Water Department (Department) provides health benefits to all qualifying retirees and their spouses in accordance with Memorandums of Understanding under various labor agreements. The Department maintains the financial activity of the plan as a trust fund, and no separate financial report is publically available. Employees are eligible for retiree health benefits if they retire from the Department on or after age 50 with at least 10, 12, or 15 years of service, depending on bargaining unit, and are eligible for a PERS pension.

City of San Bernardino
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2014

Note 17 – Other Post-Employment Benefits (Continued)

C. Water Department (Continued)

Funding Policy

The contribution requirements of plan members and the Department are established and may be amended by the Board of Water Commissioners. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually by the Board of Water Commissioners. For fiscal year 2014, the Department has funded \$573,621 for the current year. Plan members receiving benefits contributed \$138,538 (approximately 19.4% of total premiums) through their required contribution. The Department pays up to the entire cost of health benefits for eligible retirees and their spouses, subject to the City’s vesting schedule.

Annual OPEB Cost and Net OPEB Obligation

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

Annual OPEB Cost and Net OPEB Obligation (Continued)

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Annual required contribution	\$ 2,438,000	\$ 2,361,000	\$ 2,729,000
Interest on net OPEB obligation	111,711	-	327,000
Adjustment to the annual required contribution	(111,711)	-	(546,000)
Net OPEB cost	2,438,000	2,361,000	2,510,000
Contributions made:	(3,872,869)	(573,621)	(9,040,000)
Increase in net OPEB obligation	(1,434,869)	1,787,379	(6,530,000)
Net OPEB obligation, beginning of the year	1,787,379	-	6,530,000
Net OPEB obligation, end of year	<u>\$ 352,510</u>	<u>\$ 1,787,379</u>	<u>\$ -</u>

The Department’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014 and the two preceding years were as follows:

<u>Fiscal Year</u>	<u>Annual OPEB Cost</u>	<u>Actual Contributions</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2012	\$ 2,510,000	\$ 9,040,000	360%	\$ -
2013	2,361,000	573,621	24%	1,787,379
2014	2,438,000	3,872,869	159%	352,510

City of San Bernardino
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2014

Note 17 – Other Post-Employment Benefits (Continued)

C. Water Department (Continued)

Funded Status and Funding Progress

As of June 30, 2012, the Plan was 29.68% funded. The actuarial accrued liability for benefits was \$28,831,000 and the actuarial value of assets was \$8,556,000 resulting in unfunded actuarial accrued liabilities (UAAL) of \$20,275,000. The covered payroll (annual payroll of active employees covered by the plan) was \$14,765,000 and the percentage of the UAAL to covered payroll was 137.32%.

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

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial assets, consistent with long-term perspective of the calculations.

In the June 30, 2012 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a rate of return of 6.25% and annual healthcare costs trend rates of 8.5% initially, reduced by increments to an ultimate rate of 5% after ten years. Both rates included a 3% inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2014 was 20 years.

D. Successor Agency

Plan Description

The Successor Agency (Agency) administers a single employer defined benefit healthcare plan (the Plan). The Agency provides medical and dental plan coverage for retirees and their eligible surviving dependents. This coverage is available for employees who satisfy the requirements for retirement under the California Public Employees' Retirement System (PERS), which is age 50 or older with at least eight years of Agency service. The Plan does not issue a publicly available financial report.

Funding Policy

The contribution requirements of the Agency are established and may be amended by the Agency's Board. The required contribution is based on pay-as-you-go financing requirements. For fiscal year 2014, the Agency contributed \$19,992 to the plan, which was 100% of the total current premiums.

City of San Bernardino
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2014

Note 17 – Other Post-Employment Benefits (Continued)

D. Successor Agency (Continued)

Annual OPEB Cost and Net OPEB Obligation

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

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Annual required contribution	\$ 211,490	\$ 211,490	\$ 211,490
Interest on net OPEB obligation	50,905	43,095	34,926
Adjustment to the annual required contribution	<u>(76,905)</u>	<u>(61,038)</u>	<u>(46,559)</u>
Net OPEB cost	185,490	193,547	199,857
Contributions made:	<u>(22,848)</u>	<u>(19,992)</u>	<u>(18,326)</u>
Increase in net OPEB obligation	162,642	173,555	181,531
Net OPEB obligation, beginning of the year	<u>1,131,224</u>	<u>957,669</u>	<u>776,138</u>
Net OPEB obligation, end of year	<u><u>\$ 1,293,866</u></u>	<u><u>\$ 1,131,224</u></u>	<u><u>\$ 957,669</u></u>

Annual OPEB Cost and Net OPEB Obligation (Continued)

The Agency’s annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2014 and the two preceding years were as follows:

<u>Fiscal Year</u>	<u>Annual OPEB Cost</u>	<u>Actual Contributions</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2012	\$ 199,857	\$ 18,326	24%	\$ 957,669
2013	193,547	19,992	24%	1,131,224
2014	185,490	22,848	12%	1,293,866

Funded Status and Funding Progress

As of June 30, 2018, the Plan was 0.0% funded. The actuarial accrued liability for benefits was \$749,208 and the actuarial value of assets was \$0 resulting in unfunded actuarial accrued liabilities (UAAL) of \$749,208. The covered payroll (annual payroll of active employees covered by the plan) was \$1,764,100 and the percentage of the UAAL to covered payroll was 42.49%.

City of San Bernardino
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2014

Note 17 – Other Post-Employment Benefits (Continued)

D. Successor Agency (Continued)

Funded Status and Funding Progress (Continued)

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

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial assets, consistent with long-term perspective of the calculations.

The actuarial cost method used for determining the benefit obligations is the entry age normal cost method. The actuarial assumptions included a 4.5% discount rate, which is the assumed rate of the expected long-term investment returns on plan assets calculated based on the funded level of the Plan at the valuation date, and an annual healthcare cost trend rate of zero percent initially, which increases to 5.0% in the fourteenth year. The UAAL is being amortized as level percentage of projected payroll over 20 years.

City of San Bernardino
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2014

Note 18 – Jointly Governed Organizations and Joint Venture

Inland Valley Development Agency

In January 1990, the City entered into a joint powers agreement with the Cities of Colton and Loma Linda and the County of San Bernardino to form the Inland Valley Development Agency (IVDA). The IVDA adopted a redevelopment plan, and its primary purpose is to promote the redevelopment of the former Norton Air Force Base and other areas within its project area. The IVDA board is comprised of three members from the City and two each from the other members. The primary sources of funding are tax increment and lease income. Additional financial information can be obtained by contacting the IVDA at 1601 E. Third Street, San Bernardino, CA 92408.

San Bernardino International Airport Authority

In May 1992, the City entered into a joint powers agreement with the Cities of Colton, Loma Linda, Highland and Redlands and the County of San Bernardino to form the San Bernardino International Airport Authority (SBIAA). SBIAA was created primarily for the purpose of acquiring, operating, repairing, maintaining and administering the aviation related portions of the former Norton Air Force Base property located in San Bernardino. Effective April 19, 1996, the City of Redlands withdrew from its membership in SBIAA. The board is comprised of two members from the City and one each from the other members. The primary sources of funding are loans, federal grants and lease income. Additional financial information can be obtained by contacting SBIAA at 1601 E. Third Street, San Bernardino, CA 92408.

San Bernardino Regional Water Resource Authority

In August 1998, the City entered into a joint powers agreement with the Inland Valley Development Agency (IVDA) and the San Bernardino Valley Municipal Water District (the District) to form the San Bernardino Regional Water Resources Authority (the Authority). The Authority was created primarily for the purpose of conducting a water resource and storage project. The Authority board is comprised of three members from the City, one member from IVDA and two from the District. The primary sources of funding are loans and grants. Additional financial information can be obtained by contacting the Authority at 201 North "E" Street, Third Floor, San Bernardino, CA 92401.

Colton / San Bernardino Regional Tertiary Treatment and Water Reclamation Authority

On August 2, 1994, the City of San Bernardino, through the Water Department formed a joint powers authority with the City of Colton to construct, operate, use and maintain tertiary wastewater treatment, disposal and water reclamations systems, including the Regional Rapid Infiltration and Extraction Facility (RIX). This authority is governed by a separate board consisting of four members; two appointed by the City through the Water Department's Board of Water Commissioners and two appointed by the City Council of the City of Colton. Construction of RIX was administered by the Santa Ana Watershed Project Authority and was substantially completed during 1996. Administration and operation was turned over at that time. The cities of San Bernardino and Colton each have an undivided interest in the real property and any related debt of the RIX projects based on an 80% / 20% split, respectively. Substantially all of the assets of RIX are in the form of capital assets. RIX has no liabilities. Annual revenues (in the form of contributions from the two member cities) are equal to annual expenses. The Water Department's equity interest in this joint venture has been reported as an investment in joint venture in the accompanying statement of net position.

City of San Bernardino
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2014

Note 18 – Jointly Governed Organizations and Joint Venture (Continued)

San Bernardino Public Safety Authority

On April 1, 1968, the City of San Bernardino and the County of San Bernardino formed the San Bernardino Public Safety Authority (PSA), a joint powers authority, as a financing vehicle to construct public safety buildings and improvements to the wastewater treatment plant. In accordance with the terms of an installment purchase agreement, title to the capital assets financed through the PSA were recognized as capital assets of the City at the inception of the installment purchase agreement between the City and the PSA. The City's remaining interest in the joint venture is in the form of cash and investments held by the PSA for debt service related activity. The Water Department's equity interest in these assets has been recognized in the accompanying statement of net position as an investment in joint venture.

West End Water Development, Treatment and Conservation Joint Powers Authority

On August 15, 1990, the City of San Bernardino joined the West End Water Development, Treatment and Conservation Joint Powers Authority (WEJPA) as a financing vehicle for construction of water facilities. A three-member board consisting of one representative from each agency's governing body governs the WEJPA. This joint venture was formed to provide a financing vehicle for the three member agencies. This joint venture is currently inactive.

Note 19 – Consent Decree

In 1996, the City of San Bernardino filed a complaint against the United States of America, Department of the Army to recover damages, response costs and other available remedies relating to contamination alleged to have originated at a World War II army installation known as Camp Ono. In March 2005, the United States District Court, Central Division entered judgment, in the form of a Consent Decree, in the matter of City of San Bernardino v. United States of America. The Consent Decree settles the City's and the State's claims arising from the groundwater contamination allegedly caused by the Army. The Consent Decree contains a number of provisions obligating the City (through the City's Water Department) to operate and maintain the Newmark Groundwater Superfund site (Site). The Site consists of two operable units, the Newmark Operable Unit and the Muscoy Operable Unit. The Newmark Operable Unit was declared operational and functional in 1998. The Muscoy Operable unit was declared operational and functional in 2007.

The Consent Decree provided for a payment of \$69 million from the Army to the City for performance of the work outlined in the Consent Decree. Upon acceptance of the Consent Decree, the Department received title to all facilities constructed by the United States Environmental Protection Agency (EPA) of the Site and agreed to operate and maintain the groundwater extraction and treatment system for a period of 50 years. The \$69 million payment consisted of \$59 million for operations and maintenance and \$10 million for the construction of certain capital facilities that would be required in the future; the funds are subject to strict limitations, contained in the Consent Decree, as to how the money may be spent.

Pursuant to the Consent Decree, \$10 million, including interest earned, has been set aside to be used only for (i) funding construction of treatment and directly related transmission systems that expand the Water Department's capacity to deliver potable water and (ii) funding work performed by the Water Department to complete construction of the Muscoy Operable Unit extraction system. These capital facility funds may not be used for costs incurred to operate, maintain, repair or retrofit components of the site extraction of treatment systems constructed by EPA.

City of San Bernardino
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2014

Note 19 – Consent Decree (Continued)

In March 2006, the Water Department entered into a Guaranteed Investment Contract with AIG Match Funding Corporation. The Department invested \$16,482,039 of excess Consent Decree funds into an interest bearing Escrow Fund investment with an interest rate of 4.95% per annum. These funds were invested to pay costs associated with the water facilities defined in the Consent Decree for years 2035-2056. An additional \$50 million was used to purchase a blended insurance policy to provide a financial vehicle that provides cost cap coverage for the first 30 years of expenses.

The terms of the Guaranteed Investment Contract only provided the Department with the position of a secured creditor with respect to an AIG bankruptcy. As concerns rose regarding AIG's financial credibility, in October 2009, the Department negotiated and accepted a "payout" in the amount of \$18,661,876, which represented the principal and accrued interest as of that date. These funds are currently invested in a diversified portfolio managed by PFM Asset Management. The balance of restricted investments held at June 30, 2014 is \$21,259,686.

Note 20 – Landfill Closure Liability

The City operated a municipal non-hazardous solid waste facility, identified as the "Waterman Landfill", from 1950 to 1960. The City is the primary responsible party for pollution remediation obligations related to the Waterman Landfill. During the 1990s, groundwater monitoring wells were installed and placed into service as part of the overall remediation plan. In 2004, it was determined that additional work was required to comply with state regulations. State regulatory agencies approved a plan for final closure of the Waterman Landfill in 2012. The City is currently in the design phase of the remediation project, and anticipates the construction phase to begin in 2016. Pollution remediation costs for the closure of the Waterman Landfill are estimated at \$6,929,000 at June 30, 2014, measured using the expected cash flow technique.

This estimate is subject to change in future periods due to various factors including changes in the remediation plan or operating conditions, the type of equipment and services that will be used, price increases or reductions for specific outlay elements such as ongoing monitoring requirements, changes in technology, or changes in legal or regulatory requirements. The liability is reported in the Integrated Waste Fund in the accompanying financial statements.

City of San Bernardino
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2014

Note 21 – Commitments and Contingencies

A. Litigation

The City is a defendant in numerous lawsuits and is also subject to other claims, including claims for workers' compensation payments. The City uses in-house and, where necessary, outside counsel to adjudicate lawsuits. Each case is initially rated by the City Supervising or Senior attorney handling or overseeing the case with respect to its viability for success against the City. Only cases rated 'probable' for recovery from the City are reported for financial statement purposes. The dollar value reserved for any eventual payout on any said case is based upon the facts of the case, industry standards relative to the type of injury or damage involved, and the experience of the Supervising or Senior attorney. The legal reserve as of June 30, 2014, is a product of this analysis. The City used a third-party actuary to perform a workers' compensation reserve analysis (estimated loss reserve) as of June 30, 2014. The actuary used a general approach that relied upon actual loss development patterns for the City of San Bernardino to the extent they are available, and is augmented with industry benchmark loss development patterns based on insurance industry sources and patterns to project ultimate losses. While it is not possible to project the final outcome of these lawsuits and claims, the City and its legal department have estimated that the liability for all such litigation and claims totaled approximately \$35.87 million for the primary government as of June 30, 2014. These lawsuits and claims may be compromised and/or discharged pursuant to a plan of adjustment confirmed in the Bankruptcy Case and are therefore considered an estimated contingency amount and are not reflected in the financial statements.

B. Contractual Obligations

Commitments in the form of signed contracts for costs to complete construction projects or other improvements, including street repairs and infrastructure improvements, at June 30, 2014, amounted to \$6,610,353 in the Water Enterprise Fund and \$29,286,549 in the Sewer Enterprise Fund.

C. Federal and State Grants

Amounts received or receivable from grantor agencies are subject to audits or adjustments by grantor agencies, principally the federal and state governments. Such audits could lead to disallowed claims under the terms of the grants, including amounts already collected, which may constitute a liability of the City.

D. Gas Tax Revenues

The City is subject to periodic audits of its use of gas tax revenues by the State Controller's Office. The City used a portion of gas tax revenues to make certain debt service payments on a note payable related to pavement rehabilitation (street-related) projects. State guidelines relating to gas tax expenditures limit the amount of revenue available for debt service expenditures, as well as the type of debt that may be paid. State regulatory authorities have not issued an opinion on the matter and the potential exposure to the City's General Fund is uncertain, and therefore, no contingent liability related to this matter has been accrued in the accompanying financial statements.

City of San Bernardino
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2014

Note 22 – Restatement of Prior Year Balances

A. Government-Wide Financial Statements

The beginning net position at July 1, 2013 of the Government-wide Financial Statements was restated as follows:

	Governmental Activities	Business-Type Activities
Net position at July 1, 2013	\$ 353,607,679	\$ 262,588,742
Record net pension asset	45,196,110	-
Remove Due to CalPERS	12,687,157	-
Record Net Pension Obligation for Miscellaneous and PARS Plans	(3,330,076)	-
Adjust Pension Obligation Bonds accretion	363,004	-
Adjust Net OPEB Obligation	1,432,000	-
Adjust accrued liabilities	(199,833)	-
Adjust general liability claims payable	(3,978,808)	-
Adjust workers' compensation claims payable	5,044,419	-
Record unpaid interest on pension obligation bonds	(2,028,894)	-
Record PARS liability	449,222	-
Remove State DOF liability from govt. funds	3,415,155	-
Record State DOF liability	(1,231,423)	-
Adjust due from other governments	(322,681)	-
Adjust notes receivable	(159,160)	-
Remove other assets	(214,671)	-
Adjust cash receipts recorded in incorrect period	(1,066,140)	-
Adjust landfill closure liability	-	141,748
Net position at July 1, 2013, as restated	\$ 409,663,060	\$ 262,730,490

City of San Bernardino
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2014

Note 22 – Restatement of Prior Year Balances (Continued)

B. Governmental Fund Financial Statements

The beginning fund balances at July 1, 2013 for the governmental funds were restated as follows:

Major Funds

	General Fund	Federal and State Grants Fund	Low and Moderate Income Housing Fund	Sales and Road Fund
Fund balance (deficit) at July 1, 2013	\$ (7,146,155)	\$ 10,924,168	\$ 63,891,555	\$ 6,244,366
Adjust Due to CalPERS	12,224,573	206,657		12,317
Remove other assets	-	-	-	-
Adjust revenue recorded in incorrect period	-	(816,140)	-	-
Adjust accrued liabilities	(199,833)	-	-	-
Record PARS liability on government-wide	449,222	-	-	-
Adjust due from other governments	(306,389)	-	-	(16,292)
Eliminate advances from/to other funds	-	9,347,332	(9,347,332)	-
Record State DOF liability on government-wide	-	-	3,415,155	-
Adjust notes receivable	-	(159,160)	-	-
Net position at July 1, 2013, as restated	<u>\$ 5,021,418</u>	<u>\$ 19,502,857</u>	<u>\$ 57,959,378</u>	<u>\$ 6,240,391</u>

Other Governmental Funds

	Alternative Transportation Fund	Alternative Transportation Fund	Sewerline Maintenance Fund	Sewerline Construction Fund	Storm Drain Construction Fund
Fund balance (deficit) at July 1, 2013	\$ 327,574	\$ 1,042,914	\$ 2,679,581	\$ 2,790,419	\$ 3,568,379
Adjust Due to CalPERS	8,212	6,843	116,330	2,737	8,212
Remove other assets	-	-	-	(214,671)	-
Adjust revenue recorded in incorrect period	-	-	-	-	-
Net position at July 1, 2013, as restated	<u>\$ 335,786</u>	<u>\$ 1,049,757</u>	<u>\$ 2,795,911</u>	<u>\$ 2,578,485</u>	<u>\$ 3,576,591</u>

Other Governmental Funds

	Special Assessments Fund	Impact Fees Fund	Street Construction Fund	Prob 1b Local Street Fund	Total
Fund balance (deficit) at July 1, 2013	\$ (395,904)	\$ 11,245,902	\$ (1,855,217)	\$ 49,392	\$ 19,453,040
Adjust Due to CalPERS	88,958	4,106	1,369	6,843	243,610
Remove other assets	-	-	-	-	(214,671)
Adjust revenue recorded in incorrect period	-	-	(250,000)	-	(250,000)
Net position at July 1, 2013, as restated	<u>\$ (306,946)</u>	<u>\$ 11,250,008</u>	<u>\$ (2,103,848)</u>	<u>\$ 56,235</u>	<u>\$ 19,231,979</u>

City of San Bernardino
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2014

Note 22 – Restatement of Prior Year Balances (Continued)

C. Proprietary Fund Financial Statements

The beginning fund balances at July 1, 2013 for the proprietary funds were restated as follows:

	Enterprise Funds			Internal Service Funds		
	Integrated Waste Fund	Water Fund	Sewer Fund	Workers' Compensation Fund	Liability Insurance Fund	Information Systems Fund
Net position (deficit) at July 1, 2013	\$ (4,901,726)	\$ 168,892,031	\$ 108,295,855	\$ (23,631,790)	\$ (4,711,871)	\$ 1,545,549
Adjust landfill closure liability	141,748	-	-	-	-	-
Adjustment to adjust the value of their investment in joint venture - RIX	-	-	(1,090,102)	-	-	-
Adjustment to remove salvage values included in capital assets	-	(3,023,270)	(5,584,046)	-	-	-
Adjust workers' compensation claims payable	-	-	-	5,044,419	-	-
Adjust general liability claims payable	-	-	-	-	(3,978,808)	-
Net position at July 1, 2013, as restated	<u>\$ (4,759,978)</u>	<u>\$ 165,868,761</u>	<u>\$ 101,621,707</u>	<u>\$ (18,587,371)</u>	<u>\$ (8,690,679)</u>	<u>\$ 1,545,549</u>

D. Fiduciary Fund Financial Statements

The beginning fund balances at July 1, 2013 for the fiduciary activities were restated as follows:

	Successor Agency To the Economic Development Agency of San Bernardino Private-purpose Trust Fund
Net position at July 1, 2013	\$ (42,484,502)
Remove Yellow Freight participation agreement	216,088
Net position at July 1, 2013, as restated	<u>\$ (42,268,414)</u>

Note 23 – Successor Agency Trust for Assets of Former Redevelopment Agency

On December 29, 2011, the California Supreme Court upheld Assembly Bill X1 26 (the “Bill”) that provides for the dissolution of all redevelopment agencies in the State of California. This action impacted the reporting entity of the City since the City had previously reported its redevelopment agency (commonly referred to as the “Economic Development Agency” or “EDA”) as a blended component unit on the City’s financial statements.

The Bill provides that upon dissolution of the redevelopment agency, either the city or another unit of local government may serve as the “successor agency” to hold the assets of the dissolved redevelopment agency until they are disposed of in accordance with applicable laws and regulations. On January 9, 2012, the City Council adopted resolution 2012-12, electing to serve as the Successor Agency to the former redevelopment agency of the City of San Bernardino in accordance with the Bill. On January 23, 2012, the City Council adopted resolution 2012-19 to have the City of San Bernardino serve as the Successor Housing Agency to the former redevelopment agency of the City of San Bernardino.

City of San Bernardino
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2014

Note 23 – Successor Agency Trust for Assets of Former Redevelopment Agency (Continued)

After enactment of the law, which occurred on June 28, 2011, redevelopment agencies in the State of California were prohibited from entering into new projects, obligations or commitments. Subject to the control of a newly established oversight board, remaining assets can only be used to pay enforceable obligations in existence at the date of dissolution, including the completion of any unfinished projects that were subject to legally enforceable contractual commitments.

In future fiscal years, successor agencies will only be allocated tax increment revenue (to the extent available in the Redevelopment Property Tax Trust Fund, or “RPTTF”, as maintained by the County Auditor/Controller) in the amount that is necessary to pay the estimated annual payments on enforceable obligations of the former redevelopment agency until all enforceable obligations of the prior redevelopment agency have been paid in full and all assets have been redistributed or liquidated.

The Bill directs the State Controller of the State of California to review the propriety of any transfers of assets between redevelopment agencies and other public bodies that occurred after January 1, 2011. If the public body that received such transfers is not contractually committed to a third party for the expenditure or encumbrance of those assets, the State Controller is required to order the available assets to be transferred to the public body designated as the successor agency by the Bill.

In accordance with the timeline set forth in the Bill (as modified by the California Supreme Court on December 29, 2011) all redevelopment agencies in the State of California were dissolved and ceased to operate as a legal entity as of February 1, 2012. After the date of dissolution, the assets, liabilities, and activities of the dissolved redevelopment agency are reported in the Low and Moderate Income Housing Fund, a City special revenue fund (for housing assets, liabilities, and activities), and a private-purpose trust fund, a type of fiduciary fund (for non-housing assets, liabilities, and activities), in the financial statements of the City.

The EDA and the Successor Agency to the EDA conducted some of their activities through three affiliated entities: San Bernardino Economic Development Corporation (SBEDC), Affordable Housing Solutions (AHS), and Sustainable Communities Reinvestment Partnership (SCRIP). The financial activities of these affiliated entities are reported in the fiduciary funds of the accompanying financial statements, as components of the Successor Agency.

San Bernardino Economic Development Corporation – SBEDC was incorporated in 1973 as a nonprofit public benefit corporation. SBEDC’s purpose is to assist the EDA in promoting development and redevelopment of properties within the City of San Bernardino (City). SBEDC currently holds title to approximately 300 parcels of real property in the City pursuant to a March 2011 Funding Agreement with the EDA, under which the EDA transferred properties to SBEDC, and SBEDC committed to develop the properties using funding provided by the EDA. These parcels include 128 parcels for the Bice Property project, 74 parcels for the Arden-Guthrie Property project, and 5 parcels for the Carousel Mall (an approximately 650,000 square foot indoor mall), which is owned and operated through the Carousel Mall LLC (a single-member limited liability company with SBEDC as the single member). The funding agreement and the transfer of the properties were validated in a judgment entered on July 27, 2011 by the Superior Court of the State of California, County of San Bernardino, in an action brought by the EDA as Case No. CIVDS1103893 (Validation Judgment). Subsequently, however, the State Controller’s Office (SCO), as authorized by the June 2011 and June 2012 legislation providing for the dissolution of redevelopment agencies, conducted a review of the transfers and issued a report dated March 6, 2013 (SCO’s “City of San Bernardino Economic Development Agency – Asset Transfer Review Report.”). The SCO contended in the report that the transfers were unallowable and that the Validation Judgment was not effective. The Successor Agency contested these contentions but the matter remains unresolved and the ultimate disposition of the properties is undetermined. These properties were reported in the Successor Agency as of June 30, 2014.

City of San Bernardino
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2014

Note 23 – Successor Agency Trust for Assets of Former Redevelopment Agency (Continued)

Affordable Housing Solutions (AHS) was incorporated in 2005 as a nonprofit public benefit corporation and was acquired by the EDA in 2009 to assist it in promoting economic development and increasing the availability of low and moderate income housing in the City. AHS has developed several successful affordable housing projects, including Phoenix Square and the Magnolia Square Project. AHS is also the City’s contracted Neighborhood Stabilization Program administrator as well as its property holding entity for the Home Investment Partnership Program (HOME) and the Low and Moderate Income Housing Fund (LMHIF). AHS, like SBEDC, entered into an agreement with the EDA in March 2011 for the receipt of properties and funding from the EDA. This agreement, and property transfers made pursuant to it, was validated in the Validation Judgment. As with SBEDC, the SCO disputed the validity of the EDA-AHS transactions. These properties were reported in the Successor Agency as of June 30, 2014.

Sustainable Communities Reinvestment Partnership (SCRIP) was organized as a limited liability company in 2009 to pursue renewable energy and sustainability projects in the City to help improve energy efficiency and reduce greenhouse gas emissions in the region. SCRIP’s priorities include the development of solar power systems and coordination with the City-owned geothermal energy operation that serves governmental and private users in the City. In 2010, SCRIP facilitated the construction of a 250kW photovoltaic solar power system on the roof of a city-occupied building at 201 North “E” Street, San Bernardino. SCRIP also facilitated construction of a 448kW solar power system at the San Bernardino International Airport in conjunction with the Inland Valley Development Agency.

On September 22, 2015, Senate Bill 107, which amends various sections of the California Health and Safety Code related to the dissolution of redevelopment agencies, was signed into law. SB 107 contains various provisions which may impact, among other things, (i) the repayment of prior City/Redevelopment loans, (ii) treatment of City loans to the Successor Agency to pay enforceable obligations, including bonded debt, and administrative costs, and (iii) the treatment of special levies.

Note 24 – Subsequent Events

A. Annexation of San Bernardino City Fire Department to San Bernardino County Fire Protection District

On May 18, 2015, the Mayor and Common Council approved the City Recovery Plan which included numerous measures to increase revenues and reduce expenditures, including regionalization or contracting of fire services. On August 24, 2015, the Mayor and Common Council authorized a filing of application for the City’s fire department operations to be annexed to the San Bernardino County Fire Protection District (SBCFPD). The City reached agreement with the San Bernardino City Professional Firefighters Union, Local 891 on the annexation in January of 2016. The employment transition for all 140 impacted City fire employees began in March 2016 and is expected to be completed in May 2016. The full transition to SBCFPD is effective July 1, 2016.

On or before July 1, 2016, the City will transfer to the County Fire District the cash value of up to 96 hours of sick leave and up to 96 hours of vacation leave for each SBCPF member's accrued vacation and sick leave balances to the extent owing, of each of the hired employees. In addition the City will make several transfers to Trust Accounts on behalf of firefighters in full settlement of cost-sharing and other pension related claims, all claims arising in or related to the Post-Petition Litigation (other than arising in connection with cost-sharing), and all claims relating to “salary comparability” arising from implementation of Annexation. The total of these transfers will be approximately \$5.7 million.

City of San Bernardino
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2014

Note 24 – Subsequent Events (Continued)

B. Outsourcing of Integrated Waste Fund Operations to Franchisee

On January 25, 2016, the Mayor and Common Council unanimously approved a ten year exclusive franchise agreement with Burrtec Waste Industries, Inc. to provide solid waste, street sweeping and right-of-way cleanup services to the residents of the City. Effective April 1, 2016, the City will no longer be providing services through its Integrated Waste enterprise fund and the fund's operations will be shut down, with any residual balances being transferred to the General Fund.

C. 2005 Pension Obligation Bonds Settlement

On March 21, 2016, the Mayor and Common Council approved a settlement in the City's Chapter 9 bankruptcy case between the City and the holders of the City-issued 2005 Pension Obligation Bonds that have been in default since 2012. In the settlement agreement dated March 29, 2016, the settlement reduces the City's payments to the bondholders by approximately \$45 million. The payments are scheduled to be made over a 30 year period starting one year after the City's Chapter 9 plan is confirmed by the bankruptcy courts. Under the settlement, the bondholders will receive payment equal to approximately 40 percent of their debt on a present value basis, discounted using the existing coupon rate.

D. Settlement with PARS Participants

On May 5, 2016, the Mayor and Common Council approved a settlement in the City's Chapter 9 bankruptcy case between the City and the PARS Participants. In accordance with the PARS Settlement, the PARS Plans will be rejected, and the City will waive any and all claims to the funds held within the PARS Trust and the 415 Trust. The amounts remaining in the PARS Trust and the 415 Trust will be distributed to the PARS Participants and the City will make two additional distributions of \$290,000 to the PARS Participants in subsequent years.

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REQUIRED SUPPLEMENTARY INFORMATION

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City of San Bernardino
Required Supplementary Information (Unaudited)
For the Year Ended June 30, 2014

Budgetary Information

The annual budget adopted by the Common Council provides for the City's general operations, and includes proposed expenditures and estimated revenues. The City Manager and Common Council are authorized to make the necessary changes to the budget to ensure adequate and proper standards of services.

Following approval of the final budget by the Mayor and Common Council, budget transfers within a department budget, in an amount not to exceed \$25,000 per transfer, shall be approved or disapproved according to established Finance Department policies and procedures and on forms approved by the Finance Department, with notice to the Director of Finance, and written notice to the Mayor and Common Council, as long as the total department budget allocation is not increased, and as long as no transfers into or out of the budget allocation for personnel salaries and benefits are approved. The legal level of budgetary control is personnel salaries and benefits versus other expenditures in each department.

The budget is formally integrated into the accounting system and employed as a managed control device during the year for the General Fund.

Budgets are not legally adopted for the other City funds.

The General Fund budget is adopted on a basis consistent with generally accepted accounting principles.

At fiscal year end, operating budget appropriations lapse; however, appropriations for incomplete capital improvements, equipment purchases, and contractual obligations can be carried over to the following fiscal year.

Under Article XIII B of the California Constitution (the Gann Spending Limitation Initiative), the City is restricted as to the amount of annual appropriations from the proceeds of taxes, and if proceeds of taxes exceed allowed appropriations, the excess must either be refunded to the State Controller, returned to the taxpayers through revised tax rates or revised fee schedules, or an excess in one year may be offset against a deficit in the following year. Further, Section 5 of Article XIII B allows the City to designate a portion of fund balance for general contingencies to be used in future years without limitation.

City of San Bernardino
Required Supplementary Information (Unaudited) (Continued)
For the Year Ended June 30, 2014

Budgetary Comparison Schedules – General Fund

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Taxes	\$ 90,603,247	\$ 95,227,159	\$ 98,422,231	\$ 3,195,072
Licenses and permits	8,953,400	9,422,651	9,367,281	(55,370)
Fines and forfeitures	2,548,200	2,316,246	2,108,990	(207,256)
Use of money and property	33,150	33,150	204,295	171,145
Lease revenue	732,000	732,000	704,726	(27,274)
Intergovernmental	1,586,925	1,736,170	1,817,393	81,223
Charges for services	7,389,200	7,040,993	7,576,976	535,983
Other revenues	4,792,400	5,004,544	4,111,481	(893,063)
Total revenues	<u>116,638,522</u>	<u>121,512,913</u>	<u>124,313,373</u>	<u>2,800,460</u>
EXPENDITURES:				
Current:				
General government	13,951,652	17,310,026	14,729,092	2,580,934
Public safety	87,455,721	89,356,150	80,793,365	8,562,785
Streets	8,142,077	9,452,450	3,688,475	5,763,975
Culture and recreation	5,175,863	6,860,653	6,545,614	315,039
Community development	3,447,055	3,112,600	2,796,048	316,552
Community service	1,716,128	1,797,203	1,565,203	232,000
Debt service:				
Principal	1,097,405	3,942,071	2,850,564	1,091,507
Interest and fiscal charges	749,595	1,355,018	2,060,373	(705,355)
Total expenditures	<u>121,735,496</u>	<u>133,186,171</u>	<u>115,028,734</u>	<u>18,157,437</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(5,096,974)</u>	<u>(11,673,258)</u>	<u>9,284,639</u>	<u>20,957,897</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	11,452,986	13,558,334	3,020,719	(10,537,615)
Transfers out	(42,500)	-	(3,937,273)	(3,937,273)
Total other financing sources (uses)	<u>11,410,486</u>	<u>13,558,334</u>	<u>(916,554)</u>	<u>(14,474,888)</u>
Net change in fund balance	<u>\$ 6,313,512</u>	<u>\$ 1,885,076</u>	<u>8,368,085</u>	<u>\$ 6,483,009</u>
Fund Balance:				
Beginning of year, as restated (Note 22)			<u>5,021,418</u>	
End of year			<u>\$ 13,389,503</u>	

City of San Bernardino
Required Supplementary Information (Unaudited) (Continued)
For the Year Ended June 30, 2014

Budgetary Comparison Schedules – Federal and State Grants Special Revenue Fund

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Licenses and permits	\$ -	\$ -	\$ 150	\$ 150
Use of money and property	-	-	49,107	49,107
Intergovernmental	12,990,249	15,421,283	13,465,663	(1,955,620)
Other revenues	-	-	392,331	392,331
Total revenues	\$ 12,990,249	\$ 15,421,283	\$ 13,907,251	\$ (1,514,032)
EXPENDITURES:				
Current:				
General government	-	6,012,156	2,311,508	(3,700,648)
Public safety	-	928,748	5,298,157	4,369,409
Streets	100,000	100,000	249,996	149,996
Culture and recreation	315,000	315,000	842,408	527,408
Community development	20,000	20,000	32,573	12,573
Community service	2,778,965	3,285,464	3,757,132	471,668
Debt Service:				
Principal	852,269	852,269	856,834	4,565
Interest and fiscal charges	419,307	419,307	419,307	-
Total expenditures	4,485,541	11,932,944	13,767,915	1,834,971
REVENUES OVER (UNDER) EXPENDITURES	8,504,708	3,488,339	139,336	320,939
OTHER FINANCING SOURCES (USES):				
Transfers out	2,720,386	3,792,934	-	(3,792,934)
Total other financing sources (uses)	2,720,386	3,792,934	-	(3,792,934)
CHANGE IN FUND BALANCE	\$ 11,225,094	\$ 7,281,273	139,336	\$ (7,141,937)
FUND BALANCE:				
Beginning of year, as restated (Note 22)			19,502,857	
End of year			\$ 19,642,193	

City of San Bernardino
Required Supplementary Information (Unaudited) (Continued)
For the Year Ended June 30, 2014

Budgetary Comparison Schedules – Low and Moderate Income Housing Special Revenue Fund

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Licenses and permits	\$ -	\$ -	\$ 825	\$ 825
Use of money and property	-	-	40,802	40,802
Other revenues	-	-	49,445	49,445
Total revenues	<u>-</u>	<u>-</u>	<u>91,072</u>	<u>91,072</u>
EXPENDITURES:				
Current:				
Community development	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>-</u>	<u>91,072</u>	<u>91,072</u>
OTHER FINANCING SOURCES (USES):				
Transfers from Successor Agency	-	-	2,105	2,105
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>2,105</u>	<u>2,105</u>
CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>93,177</u>	<u>\$ 93,177</u>
FUND BALANCE:				
Beginning of year, as restated (Note 22)			<u>57,959,378</u>	
End of year			<u>\$ 58,052,555</u>	

City of San Bernardino
Required Supplementary Information (Unaudited) (Continued)
For the Year Ended June 30, 2014

Budgetary Comparison Schedules – Sales and Road Special Revenue Fund

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Taxes	\$ 2,995,716	2,995,716	\$ 3,433,884	\$ 438,168
Use of money and property	2,000	2,000	44,572	42,572
Intergovernmental	-	-	502,129	502,129
Total revenues	<u>\$ 2,997,716</u>	<u>\$ 2,997,716</u>	<u>\$ 3,980,585</u>	<u>\$ 982,869</u>
EXPENDITURES:				
Current:				
Streets	2,956,754	3,603,921	3,012,569	(591,352)
Debt Service:				
Principal	-	-	1,916	1,916
Total expenditures	<u>2,956,754</u>	<u>3,603,921</u>	<u>3,014,485</u>	<u>(589,436)</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>40,962</u>	<u>(606,205)</u>	<u>966,100</u>	<u>393,433</u>
CHANGE IN FUND BALANCE	<u>\$ 40,962</u>	<u>\$ (606,205)</u>	<u>966,100</u>	<u>\$ 1,572,305</u>
FUND BALANCE:				
Beginning of year, as restated (Note 22)			<u>6,240,391</u>	
End of year			<u>\$ 7,206,491</u>	

City of San Bernardino
Required Supplementary Information (Unaudited) (Continued)
For the Year Ended June 30, 2014

Schedules of Funding Progress – Defined Benefit Pension Plans

Actuarial Valuation Date	Actuarial Assets Value	Entry Age Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Actuarial Liability as Percentage of Covered Payroll
Miscellaneous Plan						
6/30/2012	\$ 316,290,288	\$ 446,677,440	\$130,387,152	70.81%	\$ 47,801,727	272.77%
6/30/2013	346,176,839	462,716,487	116,539,648	74.81%	39,974,288	291.54%
6/30/2014*	391,353,584	501,077,609	109,724,025	78.10%	41,170,684	266.51%
Safety Plan						
6/30/2012	\$ 422,274,719	\$ 614,962,254	\$192,687,535	68.67%	\$ 44,163,084	436.31%
6/30/2013	463,930,661	633,088,050	169,157,389	73.28%	38,561,701	438.67%
6/30/2014*	521,708,134	684,279,693	162,571,559	76.24%	35,478,820	458.22%
Successor Agency						
6/30/2012	\$ 13,723,710	\$ 18,719,717	\$ 4,996,007	73.31%	\$ 1,151,690	433.80%
6/30/2013	14,909,317	19,072,933	4,163,616	78.17%	437,864	950.89%
6/30/2014*	15,711,159	19,629,085	3,917,926	80.04%	85,716	4570.82%
Enhancement Plan						
6/30/2008*	\$ 942,000	\$ 5,549,000	\$ 4,607,000	17.0%	N/A	N/A

* Most recent actuarial valuation available

City of San Bernardino
Required Supplementary Information (Unaudited) (Continued)
For the Year Ended June 30, 2014

Schedules of Funding Progress – Other Postemployment Benefit Plans

Actuarial Valuation Date	Actuarial Assets Value	Entry Age Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Actuarial Liability as Percentage of Covered Payroll
<i>City</i>						
6/30/2009	\$ -	\$ 61,371,000	\$ 61,371,000	0.00%	\$ 78,951,000	77.73%
6/30/2012	-	48,819,000	48,819,000	0.00%	84,166,000	58.00%
6/30/2014*	-	7,822,000	7,822,000	0.00%	62,980,000	12.42%
<i>Water Department</i>						
6/30/2008	\$ -	\$ 26,190,000	\$ 26,190,000	0.00%	\$ 12,755,000	205.33%
6/30/2010	-	28,676,000	28,676,000	0.00%	12,619,000	227.24%
6/30/2012*	8,556,000	28,831,000	20,275,000	29.68%	14,765,000	137.32%
<i>Successor Agency</i>						
6/30/2008*	\$ -	\$ 749,208	\$ 749,208	0.00%	\$ 1,764,100	42.47%

* Most recent actuarial valuation available

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SUPPLEMENTARY INFORMATION

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NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS:

Cable TV Fund - This fund is used to account for the regulatory oversight of the City's cable companies for franchise compliance, consumer protection, and franchise renewal negotiations, as well as operating two access channels.

Asset Seizure Fund - This fund is used for the investigation, detection, and prosecution of criminal activities. Funding is provided by criminal assets seized under existing state and federal statutes.

Alternative Transportation Fund - This fund is used to account for the receipt and disbursement of funds received per Transportation Development Act Article 3 (SB 821) of the Bikeway & Pedestrian Program and the State and Local Fiscal Assistance Act of 1972.

Special Gas Tax Fund - This fund is used to account for the receipt of gasoline tax revenue paid to the City as a subvention from the State of California. These funds are transferred to the General Fund to partially support maintenance activities and to finance street construction projects as provided by State law.

Traffic Safety Fund - This fund is used for the recording of the City's share of California Vehicle Code fines collected by San Bernardino County.

Sewerline Maintenance Fund - This fund is used to account for the cost of maintaining sewer lines as paid for from a portion of sewer revenues.

Fire Station Fund - This fund is used to account for the operation and maintenance of the Verdemont Fire Station.

DEBT SERVICE FUNDS:

Assessment District #985 Fund - This fund is used to account for the collection of assessments from property owners and for the remittance of such assessments to bondholders as required by the Improvement Bond Act of 1915 and related California State statutes for this district.

Assessment District #987 Fund - This fund is used to account for the collection of the Verdemont infrastructure fees on developing properties used to repay a loan from bondholders as required by the Improvement Bond Act of 1915 and related California State statutes for this district.

Assessment District #1015 Fund - This fund is used to account for the collection of assessments from property owners and for the remittance of such assessments to the Successor Agency of the former redevelopment agency (Economic Development Agency) and other City funds as required by the Improvement Bond Act of 1915 and related California State statutes for this district.

NON-MAJOR GOVERNMENTAL FUNDS

CAPITAL PROJECTS FUNDS:

Verdemont Fund - This fund is used to account for development fees collected for improvements in the Verdemont area.

Fire Equipment Fund - This fund is used for the acquisition of fire equipment from lease proceeds.

Park Construction Fee Fund - This fund is used for park land acquisition and development. Principal revenue sources are parks acquisition and development fees collected from developers and state revenues for park development.

Cemetery Construction Fund - This fund is used for improvements to the City-owned cemetery from a portion of fees collected for services.

Sewerline Construction Fund - This fund is used for construction of sewer collection systems from development revenues.

Storm Drain Construction Fund - This fund is used for construction of storm drain facilities through the City from development revenues.

Special Assessments Fund - This fund is used to account for assessment districts related to improvement, construction, and maintenance, including landscape maintenance, sewerline maintenance, and security paid by assessments on properties.

Cultural Development Construction Fee Fund - This fund is used for collection of development fees used to pay for cultural improvements and activities.

Assessment Distric #105 Fund - This fund is used for constructionn of improvements from loans related to Assessment District #1015.

Impact Fees Fund - This fund is used to account for the specific revenue sources that are legally restricted to fund expenditures of developer impact fees.

Street Construction Fund - This fund is used to account for right-of-way acquisition, construction, and improvments related to the City's street system. These projects are funded by various state and federal programs and matching City funds.

Public Improvements Fund - This fund is used to for maintenance and construction of improvements around the Indian Bingo Casino located on the reservation.

Prop 1B Local Street Fund - This fund was established to account for monies received from the State through Prop 1B. This proposition provided \$19 billion in bond funds for a variety of transportation projects, including \$2 billion for cities and counties for maintenance and improvements of local transportation facilities.

**City of San Bernardino
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2014**

	Special Revenue				
	Cable TV	Asset Seizure	Alternative Transportation	Special Gas Tax	Traffic Safety
ASSETS					
Cash and investments	\$ 648,048	\$ 1,344,535	\$ 495,474	\$ 3,220,449	\$ 1,314,788
Receivables:					
Accounts	69,118	-	48	(614,157)	-
Interest	1,417	2,650	380	6,360	2,862
Special assessments	-	-	-	-	-
Due from other governments	-	-	68,504	614,157	34,884
Advances to other funds	-	-	-	-	-
Prepaid items	8,000	-	-	-	-
Total assets	\$ 726,583	\$ 1,347,185	\$ 564,406	\$ 3,226,809	\$ 1,352,534
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 17,716	\$ 221,590	\$ 733	\$ 226,454	\$ 348,225
Accrued payroll and related liabilities	1,709	-	-	-	-
Deposits	-	20,000	-	-	-
Retentions payable	-	-	-	-	-
Due to other funds	-	-	-	-	-
Advances from other funds	-	-	-	-	-
Total liabilities	19,425	241,590	733	226,454	348,225
Deferred inflows of resources:					
Unavailable revenues	-	-	-	-	-
Total deferred inflows of resources	-	-	-	-	-
Fund Balances:					
Nonspendable	8,000	-	-	-	-
Restricted	699,158	1,105,595	563,673	3,000,355	1,004,309
Unassigned (deficit)	-	-	-	-	-
Total fund balances	707,158	1,105,595	563,673	3,000,355	1,004,309
Total liabilities, deferred inflows of resources and fund balances	\$ 726,583	\$ 1,347,185	\$ 564,406	\$ 3,226,809	\$ 1,352,534

(Continued)

City of San Bernardino
Combining Balance Sheet (Continued)
Non-Major Governmental Funds
June 30, 2014

	Special Revenue		Debt Service		
	Sewerline Maintenance	Fire Station	Assessment District #985	Assessment District #987	Assessment District #1015
ASSETS					
Cash and investments	\$ 3,465,250	\$ 351,522	\$ -	\$ 6,681	\$ 52,908
Receivables:					
Accounts	6,210	-	-	-	-
Interest	7,337	760	-	44	186
Special assessments	-	-	-	-	163,804
Due from other governments	281,337	-	-	-	444
Advances to other funds	73,800	-	-	-	-
Prepaid items	-	-	-	-	-
Total assets	\$ 3,833,934	\$ 352,282	\$ -	\$ 6,725	\$ 217,342
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 107,279	\$ -	\$ -	\$ -	\$ -
Accrued payroll and related liabilities	-	-	-	-	-
Deposits	-	-	-	-	-
Retentions payable	-	-	-	-	-
Due to other funds	-	-	-	-	-
Advances from other funds	-	-	-	-	264,400
Total liabilities	107,279	-	-	-	264,400
Deferred inflows of resources:					
Unavailable revenues	-	289,599	-	-	163,804
Total deferred inflows of resources	-	289,599	-	-	163,804
Fund Balances:					
Nonspendable	73,800	-	-	-	-
Restricted	3,652,855	62,683	-	6,725	-
Unassigned (deficit)	-	-	-	-	(210,862)
Total fund balances	3,726,655	62,683	-	6,725	(210,862)
Total liabilities, deferred inflows of resources and fund balances	\$ 3,833,934	\$ 352,282	\$ -	\$ 6,725	\$ 217,342

(Continued)

City of San Bernardino
Combining Balance Sheet (Continued)
Non-Major Governmental Funds
June 30, 2014

	Capital Projects				
	Verdemont	Fire Equipment Acquisition	Park Construction Fee	Cemetery Construction	Sewerline Construction
ASSETS					
Cash and investments	\$ 248,710	\$ 55,246	\$ 169,910	\$ 53,404	\$ 2,739,858
Receivables:					
Accounts	-	-	-	-	-
Interest	538	120	368	116	5,960
Special assessments	-	-	-	-	-
Due from other governments	-	-	-	-	-
Advances to other funds	-	-	-	-	73,800
Prepaid items	-	-	-	-	-
Total assets	\$ 249,248	\$ 55,366	\$ 170,278	\$ 53,520	\$ 2,819,618
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	\$ 6,932	\$ -	\$ -	\$ 14,704
Accrued payroll and related liabilities	-	-	-	-	-
Deposits	-	-	-	-	-
Retentions payable	-	-	47,900	-	-
Due to other funds	-	-	-	-	-
Advances from other funds	-	-	-	-	-
Total liabilities	-	6,932	47,900	-	14,704
Deferred inflows of resources:					
Unavailable revenues	-	-	-	-	-
Total deferred inflows of resources	-	-	-	-	-
Fund Balances:					
Nonspendable	-	-	-	-	73,800
Restricted	249,248	48,434	122,378	53,520	2,731,114
Unassigned (deficit)	-	-	-	-	-
Total fund balances	249,248	48,434	122,378	53,520	2,804,914
Total liabilities, deferred inflows of resources and fund balances	\$ 249,248	\$ 55,366	\$ 170,278	\$ 53,520	\$ 2,819,618

(Continued)

City of San Bernardino
Combining Balance Sheet (Continued)
Non-Major Governmental Funds
June 30, 2014

	Capital Projects				
	Storm Drain Construction	Special Assessments	Cultural Development Construction Fee	Assessment District #1015	Impact Fees
ASSETS					
Cash and investments	\$ 3,525,149	\$ 190,178	\$ 1,772,324	\$ 33,991	\$ 12,785,749
Receivables:					
Accounts	-	-	-	-	-
Interest	7,616	-	3,799	74	23,894
Special assessments	-	-	-	-	-
Due from other governments	-	11,346	-	-	-
Advances to other funds	-	-	-	-	-
Prepaid items	-	-	-	-	-
Total assets	\$ 3,532,765	\$ 201,524	\$ 1,776,123	\$ 34,065	\$ 12,809,643
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 231,120	\$ 109,100	\$ -	\$ -	\$ 1,500,424
Accrued payroll and related liabilities	-	-	-	-	-
Deposits	-	16,869	-	-	-
Retentions payable	12,804	-	-	-	6,957
Due to other funds	-	-	-	-	-
Advances from other funds	-	-	-	-	-
Total liabilities	243,924	125,969	-	-	1,507,381
Deferred inflows of resources:					
Unavailable revenues	-	-	-	-	-
Total deferred inflows of resources	-	-	-	-	-
Fund Balances:					
Nonspendable	-	-	-	-	-
Restricted	3,288,841	75,555	1,776,123	34,065	11,302,262
Unassigned (deficit)	-	-	-	-	-
Total fund balances	3,288,841	75,555	1,776,123	34,065	11,302,262
Total liabilities, deferred inflows of resources and fund balances	\$ 3,532,765	\$ 201,524	\$ 1,776,123	\$ 34,065	\$ 12,809,643

(Continued)

City of San Bernardino
Combining Balance Sheet (Continued)
Non-Major Governmental Funds
June 30, 2014

	Capital Projects			Total Other Governmental Funds
	Street Construction	Public Improvements	Prop 1B Local Street	
ASSETS				
Cash and investments	\$ -	\$ 1,091,458	\$ 69,460	\$ 33,635,092
Receivables:				
Accounts	402,863	-	-	(135,918)
Interest	-	2,363	138	66,982
Special assessments	-	-	-	163,804
Due from other governments	-	-	-	1,010,672
Advances to other funds	-	-	-	147,600
Prepaid items	-	-	-	8,000
Total assets	\$ 402,863	\$ 1,093,821	\$ 69,598	\$ 34,896,232
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 323,236	\$ -	\$ 2,367	\$ 3,109,880
Accrued payroll and related liabilities	-	-	-	1,709
Deposits	-	-	-	36,869
Retentions payable	8,000	-	16,019	91,680
Due to other funds	377,767	-	-	377,767
Advances from other funds	-	-	-	264,400
Total liabilities	709,003	-	18,386	3,882,305
Deferred inflows of resources:				
Unavailable revenues	140,653	-	-	594,056
Total deferred inflows of resources	140,653	-	-	594,056
Fund Balances:				
Nonspendable	-	-	-	155,600
Restricted	-	1,093,821	51,212	30,921,926
Unassigned (deficit)	(446,793)	-	-	(657,655)
Total fund balances	(446,793)	1,093,821	51,212	30,419,871
Total liabilities, deferred inflows of resources and fund balances	\$ 402,863	\$ 1,093,821	\$ 69,598	\$ 34,896,232

(Concluded)

City of San Bernardino
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
For the Year Ended June 30, 2014

	Special Revenue				
	Cable TV	Asset Seizure	Alternative Transportation	Special Gas Tax	Traffic Safety
REVENUES:					
Taxes	\$ 309,792	\$ -	\$ -	\$ -	\$ -
Licenses and Permits	-	-	-	-	-
Impact fees	-	-	-	-	-
Fines and forfeitures	-	-	-	-	381,659
Use of money and property	4,860	8,109	1,601	22,963	2,862
Intergovernmental	-	515,979	222,860	5,980,203	37,990
Charges for Services	30	-	-	-	-
Other revenues	30,701	-	5,200	-	-
Total revenues	345,383	524,088	229,661	6,003,166	422,511
EXPENDITURES:					
Current:					
General government	155,224	-	89,636	-	-
Public safety	-	617,421	-	-	-
Streets	-	-	-	4,041,503	-
Culture and recreation	-	-	-	-	-
Community development	-	-	-	10,000	-
Debt service:					
Principal	-	-	1,278	1,065	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	155,224	617,421	90,914	4,052,568	-
REVENUES OVER (UNDER) EXPENDITURES	190,159	(93,333)	138,747	1,950,598	422,511
OTHER FINANCING SOURCES (USES):					
Transfers in	-	-	89,140	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	89,140	-	-
CHANGE IN FUND BALANCE	190,159	(93,333)	227,887	1,950,598	422,511
FUND BALANCE:					
Beginning of year, as restated (Note 22)	516,999	1,198,928	335,786	1,049,757	581,798
End of year	<u>\$ 707,158</u>	<u>\$ 1,105,595</u>	<u>\$ 563,673</u>	<u>\$ 3,000,355</u>	<u>\$ 1,004,309</u>

(Continued)

City of San Bernardino
Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Continued)
Non-Major Governmental Funds
For the Year Ended June 30, 2014

	Special Revenue		Debt Service		
	Sewerline Maintenance	Fire Station	Assessment District #985	Assessment District #987	Assessment District #1015
REVENUES:					
Taxes	\$ -	\$ 613,488	\$ -	\$ 1,018	\$ 61,286
Licenses and Permits	-	-	-	-	-
Impact fees	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-
Use of money and property	28,082	2,636	149	43	484
Intergovernmental	-	-	-	-	-
Charges for Services	3,455,685	-	-	-	-
Other revenues	50	17,408	-	6,725	-
Total revenues	<u>3,483,817</u>	<u>633,532</u>	<u>149</u>	<u>7,786</u>	<u>61,770</u>
EXPENDITURES:					
Current:					
General government	-	-	-	-	-
Public safety	-	585,600	-	-	-
Streets	1,834,971	1,196	-	-	1,886
Culture and recreation	-	-	-	-	-
Community development	-	-	-	-	-
Debt service:					
Principal	18,102	-	-	-	-
Interest and fiscal charges	-	-	-	-	17,622
Total expenditures	<u>1,853,073</u>	<u>586,796</u>	<u>-</u>	<u>-</u>	<u>19,508</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>1,630,744</u>	<u>46,736</u>	<u>149</u>	<u>7,786</u>	<u>42,262</u>
OTHER FINANCING SOURCES (USES):					
Transfers in	-	-	-	-	-
Transfers out	(700,000)	-	(68,689)	(13,455)	-
Total other financing sources (uses)	<u>(700,000)</u>	<u>-</u>	<u>(68,689)</u>	<u>(13,455)</u>	<u>-</u>
CHANGES IN FUND BALANCES	930,744	46,736	(68,540)	(5,669)	42,262
FUND BALANCES:					
Beginning of year, as restated (Note 22)	<u>2,795,911</u>	<u>15,947</u>	<u>68,540</u>	<u>12,394</u>	<u>(253,124)</u>
End of year	<u>\$ 3,726,655</u>	<u>\$ 62,683</u>	<u>\$ -</u>	<u>\$ 6,725</u>	<u>\$ (210,862)</u>

(Continued)

City of San Bernardino
Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Continued)
Non-Major Governmental Funds
For the Year Ended June 30, 2014

	Capital Projects				
	Verdemont	Fire Equipment Acquisition	Park Construction Fee	Cemetery Construction	Sewerline Construction
REVENUES:					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and Permits	-	-	-	-	-
Impact fees	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-
Use of money and property	1,581	354	1,081	341	22,423
Intergovernmental	-	-	-	-	-
Charges for Services	-	-	-	260	212,473
Other revenues	-	-	-	-	-
Total revenues	<u>1,581</u>	<u>354</u>	<u>1,081</u>	<u>601</u>	<u>234,896</u>
EXPENDITURES:					
Current:					
General government	-	-	-	-	-
Public safety	-	20,432	-	-	-
Streets	-	-	280	-	8,041
Culture and recreation	-	-	-	-	-
Community development	-	-	-	-	-
Debt service:					
Principal	-	-	-	-	426
Interest and fiscal charges	-	-	-	-	-
Total expenditures	<u>-</u>	<u>20,432</u>	<u>280</u>	<u>-</u>	<u>8,467</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>1,581</u>	<u>(20,078)</u>	<u>801</u>	<u>601</u>	<u>226,429</u>
OTHER FINANCING SOURCES (USES):					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
CHANGES IN FUND BALANCES	1,581	(20,078)	801	601	226,429
FUND BALANCES:					
Beginning of year, as restated (Note 22)	247,667	68,512	121,577	52,919	2,578,485
End of year	<u>\$ 249,248</u>	<u>\$ 48,434</u>	<u>\$ 122,378</u>	<u>\$ 53,520</u>	<u>\$ 2,804,914</u>

(Continued)

City of San Bernardino
Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Continued)
Non-Major Governmental Funds
For the Year Ended June 30, 2014

	Capital Projects				
	Storm Drain Construction	Special Assessments	Cultural Development Construction Fee	Assessment District #1015	Impact Fees
REVENUES:					
Taxes	\$ -	\$ 1,285,082	\$ -	\$ -	\$ -
Licenses and Permits	-	-	338,544	-	-
Impact fees	-	-	-	-	1,761,012
Fines and forfeitures	-	-	-	-	-
Use of money and property	22,176	439	11,454	29	72,080
Intergovernmental	-	-	-	-	-
Charges for Services	162,819	-	-	-	-
Other revenues	-	-	-	-	-
Total revenues	<u>184,995</u>	<u>1,285,521</u>	<u>349,998</u>	<u>29</u>	<u>1,833,092</u>
EXPENDITURES:					
Current:					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Streets	471,467	2,003,683	-	-	1,587,749
Culture and recreation	-	360,561	-	-	-
Community development	-	-	-	-	-
Debt service:					
Principal	1,278	13,842	-	-	92,155
Interest and fiscal charges	-	-	-	-	62,359
Total expenditures	<u>472,745</u>	<u>2,378,086</u>	<u>-</u>	<u>-</u>	<u>1,742,263</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(287,750)</u>	<u>(1,092,565)</u>	<u>349,998</u>	<u>29</u>	<u>90,829</u>
OTHER FINANCING SOURCES (USES):					
Transfers in	-	1,475,066	265,650	-	-
Transfers out	-	-	-	-	(38,575)
Total other financing sources (uses)	<u>-</u>	<u>1,475,066</u>	<u>265,650</u>	<u>-</u>	<u>(38,575)</u>
CHANGES IN FUND BALANCES	<u>(287,750)</u>	<u>382,501</u>	<u>615,648</u>	<u>29</u>	<u>52,254</u>
FUND BALANCES:					
Beginning of year, as restated (Note 22)	<u>3,576,591</u>	<u>(306,946)</u>	<u>1,160,475</u>	<u>34,036</u>	<u>11,250,008</u>
End of year	<u>\$ 3,288,841</u>	<u>\$ 75,555</u>	<u>\$ 1,776,123</u>	<u>\$ 34,065</u>	<u>\$ 11,302,262</u>

(Continued)

City of San Bernardino
Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Continued)
Non-Major Governmental Funds
For the Year Ended June 30, 2014

	Capital Projects			Total Other Governmental Funds
	Street	Public	Prop 1B	
	Construction	Improvements	Local Street	
REVENUES:				
Taxes	\$ -	\$ -	\$ -	\$ 2,270,666
Licenses and Permits	-	-	-	338,544
Impact fees	-	-	-	1,761,012
Fines and forfeitures	-	-	-	381,659
Use of money and property	-	6,945	501	211,193
Intergovernmental	1,148,815	-	-	7,905,847
Charges for Services	-	-	-	3,831,267
Other revenues	-	-	-	60,084
Total revenues	1,148,815	6,945	501	16,760,272
EXPENDITURES:				
Current:				
General government	-	-	-	244,860
Public safety	-	-	-	1,223,453
Streets	1,598,964	786	4,459	11,554,985
Culture and recreation	-	-	-	360,561
Community development	-	-	-	10,000
Debt service:				
Principal	213	-	1,065	129,424
Interest and fiscal charges	-	-	-	79,981
Total expenditures	1,599,177	786	5,524	13,603,264
REVENUES OVER (UNDER) EXPENDITURES	(450,362)	6,159	(5,023)	3,157,008
OTHER FINANCING SOURCES (USES):				
Transfers in	2,107,417	-	-	3,937,273
Transfers out	-	-	-	(820,719)
Total other financing sources (uses)	2,107,417	-	-	3,116,554
CHANGE IN FUND BALANCE	1,657,055	6,159	(5,023)	6,273,562
FUND BALANCE:				
Beginning of year, as restated (Note 22)	(2,103,848)	1,087,662	56,235	24,146,309
End of year	\$ (446,793)	\$ 1,093,821	\$ 51,212	\$ 30,419,871

(Concluded)

INTERNAL SERVICE FUNDS

Internal Service Funds are used to finance and account for special activities and services performed by a designated City department for other departments on a cost reimbursement basis. The City maintains the following Internal Service Funds for the purposes indicated:

Unemployment Insurance Fund - This fund is used for administration of unemployment insurance claims paid to the Employment Development Department of the State of California.

Workers' Compensation Fund - This fund is for administration of the City's self-insurance for workers' compensation.

Liability Insurance Fund - This fund is for the administration of the City's liability claims, combined self-insurance and umbrella coverage for liability.

Motorpool Fund - This fund is used to account for the maintenance and operating costs for the City's fleet of vehicles.

Telephone Support Fund - This fund is used to account for the operating cost and acquisition of the City's telephone communications systems.

Information Systems Fund - This fund is used to account for the acquisition and maintenance of the City's computer and emergency communications systems.

Utility Fund - This fund is used to account for the control and allocation of the City's utility costs.

Central Services Fund - This fund is used to account for the provision of printing, duplication, and postal services and operations of City Stores for supply costs.

City of San Bernardino
Combining Statement of Net Position
All Internal Service Funds
June 30, 2014

	Unemployment Insurance	Workers' Compensation	Liability Insurance	Motorpool	Telephone Support
ASSETS					
Current assets:					
Cash and investments	\$ 76,961	\$ -	\$ 4,469,523	\$ 648,462	\$ 776,545
Accounts receivable	-	1,146,929	-	-	1,079
Interest receivable	-	-	9,702	1,189	1,644
Inventories	-	-	-	249,916	-
Total current assets	<u>76,961</u>	<u>1,146,929</u>	<u>4,479,225</u>	<u>899,567</u>	<u>779,268</u>
Noncurrent assets:					
Capital assets, net	-	-	-	107,672	80,043
Total noncurrent assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>107,672</u>	<u>80,043</u>
Total assets	<u>76,961</u>	<u>1,146,929</u>	<u>4,479,225</u>	<u>1,007,239</u>	<u>859,311</u>
LIABILITIES					
Current liabilities:					
Accounts payable	76,961	16,643	17,049	312,433	63,085
Due to other funds	-	14,018	-	-	88,000
Unearned revenue	-	147,326	-	-	333
Long-term debt - due within one year	-	-	-	-	-
Compensated absences - due within one year	-	17,381	13,610	41,026	3,408
Claims payable - due within one year	-	3,131,021	2,088,264	-	-
Total current liabilities	<u>76,961</u>	<u>3,326,389</u>	<u>2,118,923</u>	<u>353,459</u>	<u>154,826</u>
Noncurrent liabilities:					
Long-term debt - due in more than one year	-	-	-	-	-
Net pension obligation	-	535	279	2,975	442
Compensated absences - due in more than one year	-	40,557	31,758	95,727	7,951
Claims payable - due in more than one year	-	17,788,803	11,864,406	-	-
Total noncurrent liabilities	<u>-</u>	<u>17,829,895</u>	<u>11,896,443</u>	<u>98,702</u>	<u>8,393</u>
Total liabilities	<u>76,961</u>	<u>21,156,284</u>	<u>14,015,366</u>	<u>452,161</u>	<u>163,219</u>
NET POSITION (DEFICIT)					
Net investment in capital assets	-	-	-	107,672	80,043
Unrestricted (deficit)	-	(20,009,355)	(9,536,141)	447,406	616,049
Total net position (deficit)	<u>\$ -</u>	<u>\$ (20,009,355)</u>	<u>\$ (9,536,141)</u>	<u>\$ 555,078</u>	<u>\$ 696,092</u>

(Continued)

City of San Bernardino
Combining Statement of Net Position
All Internal Service Funds (Continued)
June 30, 2014

	Information Systems	Utility	Central Services	Total
ASSETS				
Current assets:				
Cash and investments	\$ 1,569,854	\$ 1,628,971	\$ 8,702	\$ 9,179,018
Accounts receivable	27,073	-	17	1,175,098
Interest receivable	3,239	-	-	15,774
Inventories	-	-	-	249,916
Total current assets	<u>1,600,166</u>	<u>1,628,971</u>	<u>8,719</u>	<u>10,619,806</u>
Noncurrent assets:				
Capital assets, net	<u>4,252,973</u>	<u>119,113</u>	<u>-</u>	<u>4,559,801</u>
Total noncurrent assets	<u>4,252,973</u>	<u>119,113</u>	<u>-</u>	<u>4,559,801</u>
Total assets	<u>5,853,139</u>	<u>1,748,084</u>	<u>8,719</u>	<u>15,179,607</u>
LIABILITIES				
Current liabilities:				
Accounts payable	183,891	1,593,313	1,997	2,265,372
Due to other funds	76,200	-	-	178,218
Unearned revenue	23,333	-	-	170,992
Long-term debt - due within one year	543,652	71,053	-	614,705
Compensated absences - due within one year	77,661	2,170	1,302	156,558
Claims payable - due within one year	-	-	-	5,219,285
Total current liabilities	<u>904,737</u>	<u>1,666,536</u>	<u>3,299</u>	<u>8,605,130</u>
Noncurrent liabilities:				
Long-term debt - due in more than one year	2,963,211	353,799	-	3,317,010
Net pension obligation	2,882	116	116	7,345
Compensated absences - due in more than one year	181,210	5,064	3,039	365,306
Claims payable - due in more than one year	-	-	-	29,653,209
Total noncurrent liabilities	<u>3,147,303</u>	<u>358,979</u>	<u>3,155</u>	<u>33,342,870</u>
Total liabilities	<u>4,052,040</u>	<u>2,025,515</u>	<u>6,454</u>	<u>41,948,000</u>
NET POSITION (DEFICIT)				
Net investment in capital assets	746,110	119,113	-	1,052,938
Unrestricted (deficit)	<u>1,054,989</u>	<u>(396,544)</u>	<u>2,265</u>	<u>(27,821,331)</u>
Total net position (deficit)	<u>\$ 1,801,099</u>	<u>\$ (277,431)</u>	<u>\$ 2,265</u>	<u>\$ (26,768,393)</u>

(Concluded)

City of San Bernardino
Combining Statement of Revenues, Expenses, and Changes in Net Position
All Internal Service Funds
For the Year Ended June 30, 2014

	Unemployment Insurance	Workers' Compensation	Liability Insurance	Motorpool	Telephone Support
OPERATING REVENUES:					
Charges for services	\$ 633,102	\$ 6,841,372	\$ 3,137,947	\$ 4,493,284	\$ 1,065,491
Other	-	-	-	-	-
Total operating revenues	<u>633,102</u>	<u>6,841,372</u>	<u>3,137,947</u>	<u>4,493,284</u>	<u>1,065,491</u>
OPERATING EXPENSES:					
Cost of sales and services	3,712	1,097,636	255,882	5,837,597	675,740
Claims expense	322,448	7,165,720	3,737,229	-	-
Amortization	-	-	-	-	-
Depreciation	-	-	-	186,045	80,044
Total operating expenses	<u>326,160</u>	<u>8,263,356</u>	<u>3,993,111</u>	<u>6,023,642</u>	<u>755,784</u>
Operating income (loss)	<u>306,942</u>	<u>(1,421,984)</u>	<u>(855,164)</u>	<u>(1,530,358)</u>	<u>309,707</u>
NONOPERATING REVENUES (EXPENSES):					
Interest income	-	-	9,702	1,189	1,644
Interest expense	-	-	-	-	-
Miscellaneous income	-	-	-	487,481	3,592
Total nonoperating revenues (expenses)	<u>-</u>	<u>-</u>	<u>9,702</u>	<u>488,670</u>	<u>5,236</u>
Income (loss) before transfers	<u>306,942</u>	<u>(1,421,984)</u>	<u>(845,462)</u>	<u>(1,041,688)</u>	<u>314,943</u>
Changes in net position	<u>306,942</u>	<u>(1,421,984)</u>	<u>(845,462)</u>	<u>(1,041,688)</u>	<u>314,943</u>
NET POSITION:					
Beginning of year, as restated (Note 22)	<u>(306,942)</u>	<u>(18,587,371)</u>	<u>(8,690,679)</u>	<u>1,596,766</u>	<u>381,149</u>
End of year	<u>\$ -</u>	<u>\$ (20,009,355)</u>	<u>\$ (9,536,141)</u>	<u>\$ 555,078</u>	<u>\$ 696,092</u>

(Continued)

City of San Bernardino
Combining Statement of Revenues, Expenses, and Changes in Net Position
All Internal Service Funds (Continued)
For the Year Ended June 30, 2014

	Information Systems	Utility	Central Services	Total
OPERATING REVENUES:				
Charges for services	\$ 3,774,154	\$ 7,285,003	\$ 242,635	\$ 27,472,988
Other	-	-	-	-
Total operating revenues	<u>3,774,154</u>	<u>7,285,003</u>	<u>242,635</u>	<u>27,472,988</u>
OPERATING EXPENSES:				
Cost of sales and services	2,610,726	5,169,209	109,714	15,760,216
Claims expense	-	-	-	11,225,397
Amortization	594,633	-	-	594,633
Depreciation	200,110	117,191	-	583,390
Total operating expenses	<u>3,405,469</u>	<u>5,286,400</u>	<u>109,714</u>	<u>28,163,636</u>
Operating income (loss)	<u>368,685</u>	<u>1,998,603</u>	<u>132,921</u>	<u>(690,648)</u>
NONOPERATING REVENUES (EXPENSES):				
Interest income	3,239	-	-	15,774
Interest expense	(116,619)	(10,726)	-	(127,345)
Gain (loss) on disposal of capital assets	245	-	-	491,318
Total nonoperating revenues (expenses)	<u>(113,135)</u>	<u>(10,726)</u>	<u>-</u>	<u>379,747</u>
Income (loss) before transfers	<u>255,550</u>	<u>1,987,877</u>	<u>132,921</u>	<u>(310,901)</u>
Changes in net position	<u>255,550</u>	<u>1,987,877</u>	<u>132,921</u>	<u>(310,901)</u>
NET POSITION:				
Beginning of year, as restated (Note 22)	1,545,549	(2,265,308)	(130,656)	(26,457,492)
End of year	<u>\$ 1,801,099</u>	<u>\$ (277,431)</u>	<u>\$ 2,265</u>	<u>\$ (26,768,393)</u>

(Concluded)

City of San Bernardino
Combining Statement of Cash Flows
All Internal Service Funds
For the Year Ended June 30, 2014

	Unemployment Insurance	Workers' Compensation	Liability Insurance	Motorpool	Telephone Support
CASH FLOWS FROM OPERATING ACTIVITIES:					
Cash received from user departments	\$ 417,270	\$ 4,883,427	\$ 4,104,965	\$ 4,598,673	\$ 1,055,867
Cash payments to suppliers and employees for goods and services	(17,861)	(1,068,325)	(122,994)	(5,698,394)	(725,660)
Cash payments for claims and insurance	(322,448)	(3,815,102)	(1,884,784)	-	-
Cash received from (paid for) other activities	-	-	-	487,481	3,592
Net cash provided by (used in) operating activities	<u>76,961</u>	<u>-</u>	<u>2,097,187</u>	<u>(612,240)</u>	<u>333,799</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Principal payments on long term debt	-	-	-	-	-
Acquisition of capital assets	-	-	-	(1)	(1)
Interest paid	-	-	-	-	-
Net cash provided by (used in) capital and related financing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1)</u>	<u>(1)</u>
Net change in cash and cash equivalents	76,961	-	2,097,187	(612,241)	333,798
CASH AND CASH EQUIVALENTS:					
Beginning of year	-	-	2,372,336	1,260,703	442,747
End of year	<u>\$ 76,961</u>	<u>\$ -</u>	<u>\$ 4,469,523</u>	<u>\$ 648,462</u>	<u>\$ 776,545</u>
RECONCILIATION TO STATEMENT OF NET POSITION:					
Cash and investments	<u>\$ 76,961</u>	<u>\$ -</u>	<u>\$ 4,469,523</u>	<u>\$ 648,462</u>	<u>\$ 776,545</u>
Total cash and cash equivalents	<u>\$ 76,961</u>	<u>\$ -</u>	<u>\$ 4,469,523</u>	<u>\$ 648,462</u>	<u>\$ 776,545</u>

(Continued)

City of San Bernardino
Combining Statement of Cash Flows
All Internal Service Funds (Continued)
For the Year Ended June 30, 2014

	Information Systems	Utility	Central Services	Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from user departments	\$ 5,002,646	\$ 6,392,098	\$ 126,297	\$ 26,581,243
Cash payments to suppliers and employees for goods and services	(3,399,878)	(4,718,872)	(116,417)	(15,868,401)
Cash payments for claims and insurance	-	-	(1,178)	(6,023,512)
Cash received from (paid for) other activities	245	-	-	491,318
Net cash provided by (used in) operating activities	<u>1,603,013</u>	<u>1,673,226</u>	<u>8,702</u>	<u>5,180,648</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Principal payments on long term debt	(528,382)	(33,528)	-	(561,910)
Acquisition of capital assets	(73,912)	-	-	(73,914)
Interest paid	(116,619)	(10,727)	-	(127,346)
Net cash provided by (used in) capital and related financing activities	<u>(718,913)</u>	<u>(44,255)</u>	<u>-</u>	<u>(763,170)</u>
Net change in cash and cash equivalents	884,100	1,628,971	8,702	4,417,478
CASH AND CASH EQUIVALENTS:				
Beginning of year	685,754	-	-	4,761,540
End of year	<u>\$ 1,569,854</u>	<u>\$ 1,628,971</u>	<u>\$ 8,702</u>	<u>\$ 9,179,018</u>
RECONCILIATION TO STATEMENT OF NET POSITION:				
Cash and investments	<u>\$ 1,569,854</u>	<u>\$ 1,628,971</u>	<u>\$ 8,702</u>	<u>\$ 9,179,018</u>
Total cash and cash equivalents	<u><u>\$ 1,569,854</u></u>	<u><u>\$ 1,628,971</u></u>	<u><u>\$ 8,702</u></u>	<u><u>\$ 9,179,018</u></u>

(Concluded)

City of San Bernardino
Combining Statement of Cash Flows
All Internal Service Funds (Continued)
For the Year Ended June 30, 2014

	Unemployment Insurance	Workers' Compensation	Liability Insurance	Motorpool	Telephone Support
RECONCILIATION OF OPERATING INCOME					
TO NET CASH PROVIDED BY (USED IN)					
OPERATING ACTIVITIES:					
Operating income (loss)	\$ 306,942	\$ (1,421,984)	\$ (855,164)	\$ (1,530,358)	\$ 309,707
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation	-	-	-	186,045	80,044
Amortization	-	-	-	-	-
Other non-operating revenues	-	-	-	487,481	3,592
Changes in operating assets and liabilities:					
Accounts receivable	-	(1,146,929)	-	5,166	(147)
Due from other governments	-	-	-	100,223	-
Due from other funds	-	-	967,018	-	-
Inventories	-	-	-	2,170	-
Prepays	-	-	126,383	-	-
Accounts payable	(14,149)	2,315	3,252	275,097	(17,149)
Accrued liabilities	-	-	-	-	-
Due to other funds	(215,832)	(958,342)	-	-	(9,810)
Unearned revenue	-	147,326	-	-	333
Net pension obligation	-	(30,942)	(16,144)	(172,204)	(25,561)
Compensated absences	-	57,938	19,397	34,140	(7,210)
Claims and judgments payable	-	3,350,618	1,852,445	-	-
Total adjustments	(229,981)	1,421,984	2,952,351	918,118	24,092
Net cash provided by (used in) operating activities	\$ 76,961	\$ -	\$ 2,097,187	\$ (612,240)	\$ 333,799

(Continued)

City of San Bernardino
Combining Statement of Cash Flows
All Internal Service Funds (Continued)
For the Year Ended June 30, 2014

	Information Systems	Utility	Central Services	Total
RECONCILIATION OF OPERATING INCOME				
TO NET CASH PROVIDED BY (USED IN)				
OPERATING ACTIVITIES:				
Operating income (loss)	\$ 368,685	\$ 1,998,603	\$ 132,921	\$ (690,648)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	200,110	117,191	-	583,390
Amortization	594,633	-	-	594,633
Other non-operating revenues	245	-	-	491,318
Changes in operating assets and liabilities:				
Accounts receivable	(21,473)	-	1,355	(1,162,028)
Due from other governments	-	-	-	100,223
Due from other funds	1,226,430	-	-	2,193,448
Inventories	-	-	-	2,170
Prepays	-	-	-	126,383
Accounts payable	(617,066)	456,574	(687)	88,187
Accrued liabilities	(1,158)	-	-	(1,158)
Due to other funds	202	(892,905)	(117,693)	(2,194,380)
Unearned revenue	23,333	-	-	170,992
Net pension obligation	(166,823)	(6,727)	(6,727)	(425,128)
Compensated absences	(4,105)	490	711	101,361
Claims and judgments payable	-	-	(1,178)	5,201,885
Total adjustments	<u>1,234,328</u>	<u>(325,377)</u>	<u>(124,219)</u>	<u>5,871,296</u>
Net cash provided by (used in) operating activities	<u>\$ 1,603,013</u>	<u>\$ 1,673,226</u>	<u>\$ 8,702</u>	<u>\$ 5,180,648</u>

(Concluded)

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FIDUCIARY FUNDS

AGENCY FUNDS

The Agency Funds are used to account for assets held by the City in a trustee capacity for individuals, private organizations, other governments, and/or other funds. The City maintains the following Agency Funds for the purposes indicated:

Assessment District #961 - This fund is used to account for the collection of assessments from property owners and for the remittance of such assessments to bondholders as required by the Improvement Bond Act of 1915 and related California State statutes for this district.

Assessment District #977A - This fund is used to account for the collection of assessments from property owners and for the remittance of such assessments to bondholders as required by the Improvement Bond Act of 1915 and related California State statutes for this district.

Assessment District #977B - This fund is used to account for the collection of assessments from property owners and for the remittance of such assessments to bondholders as required by the Improvement Bond Act of 1915 and related California State statutes for this district.

Assessment District #1003 - This fund is used to account for the collection of assessments from property owners and for the remittance of such assessments to bondholders as required by the Improvement Bond Act of 1915 and related California State statutes for this district.

Special Deposits - This fund accounts for all deposits made by developers, other government agencies or others for disposition under the terms for which the deposits were made.

Cemetery Perpetual Care - This fund accounts for all money collected for the perpetual maintenance of the City owned and operated Cemetery.

San Bernardino Water Resource Authority - This fund accounts for the collection and disposition of funds received for the San Bernardino Regional Water Resource Authority.

City of San Bernardino
Combining Statement of Fiduciary Assets and Liabilities
June 30, 2014

	Assessment District #961	Assessment District #977A	Assessment District #977B	Assessment District #1003	Special Deposits
ASSETS					
Cash and investments	\$ 370,055	\$ 63,124	\$ 26,751	\$ 57,758	\$ 3,845,930
Accounts receivable	-	-	-	-	98
Due from other governments	-	-	-	-	44,796
Total assets	\$ 370,055	\$ 63,124	\$ 26,751	\$ 57,758	\$ 3,890,824
LIABILITIES					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 152,150
Interest payable	-	-	-	-	276,397
Deposits payable	-	-	-	-	3,462,277
Due to bondholders	370,055	63,124	26,751	57,758	-
Total liabilities	\$ 370,055	\$ 63,124	\$ 26,751	\$ 57,758	\$ 3,890,824

(Continued)

City of San Bernardino
Combining Statement of Fiduciary Assets and Liabilities (Continued)
June 30, 2014

	Cemetery Perpetual Care	San Bernardino Regional Water Resource Authority	Total
ASSETS			
Cash and investments	\$ 659,756	\$ 73,416	\$ 5,096,790
Accounts receivable	-	-	98
Due from other governments	-	-	44,796
Total assets	\$ 659,756	\$ 73,416	\$ 5,141,684
LIABILITIES			
Accounts payable	\$ -	\$ -	\$ 152,150
Interest payable	-	-	276,397
Deposits payable	659,756	73,416	4,195,449
Due to bondholders	-	-	517,688
Total liabilities	\$ 659,756	\$ 73,416	\$ 5,141,684

(Concluded)

City of San Bernardino
Statement of Changes in Fiduciary Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2014

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
<u>Assessment District #961</u>				
Assets:				
Cash and investments	\$ 370,055	\$ -	\$ -	\$ 370,055
Total assets	\$ 370,055	\$ -	\$ -	\$ 370,055
Liabilities:				
Due to bondholders	\$ 370,055	\$ -	\$ -	\$ 370,055
Total liabilities	\$ 370,055	\$ -	\$ -	\$ 370,055
<u>Assessment District #977A</u>				
Assets:				
Cash and investments	\$ 63,124	\$ -	\$ -	\$ 63,124
Total assets	\$ 63,124	\$ -	\$ -	\$ 63,124
Liabilities:				
Due to bondholders	\$ 63,124	\$ -	\$ -	\$ 63,124
Total liabilities	\$ 63,124	\$ -	\$ -	\$ 63,124
<u>Assessment District #977B</u>				
Assets:				
Cash and investments	\$ 26,751	\$ -	\$ -	\$ 26,751
Total assets	\$ 26,751	\$ -	\$ -	\$ 26,751
Liabilities:				
Due to bondholders	\$ 26,751	\$ -	\$ -	\$ 26,751
Total liabilities	\$ 26,751	\$ -	\$ -	\$ 26,751
<u>Assessment District #1003</u>				
Assets:				
Cash and investments	\$ 57,758	\$ -	\$ -	\$ 57,758
Total assets	\$ 57,758	\$ -	\$ -	\$ 57,758
Liabilities:				
Due to bondholders	\$ 57,758	\$ -	\$ -	\$ 57,758
Total liabilities	\$ 57,758	\$ -	\$ -	\$ 57,758

City of San Bernardino
Statement of Changes in Fiduciary Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2014

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
<u>Special Deposits</u>				
Assets:				
Cash and investments	\$ 3,181,570	\$ 1,968,960	\$ (1,304,600)	\$ 3,845,930
Accounts receivable	16,650	-	(16,552)	98
Due from other governments	-	44,796	-	44,796
Prepays	238	85	(323)	-
Total assets	\$ 3,198,458	\$ 2,013,841	\$ (1,321,475)	\$ 3,890,824
Liabilities:				
Accounts payable	\$ 227,693	\$ 554,449	\$ (629,992)	\$ 152,150
Interest payable	-	276,397	-	276,397
Deposits payable	2,970,765	491,512	-	3,462,277
Total liabilities	\$ 3,198,458	\$ 1,322,358	\$ (629,992)	\$ 3,890,824
<u>Cemetery Perpetual Care</u>				
Assets:				
Cash and investments	\$ 659,526	\$ 230	\$ -	\$ 659,756
Total assets	\$ 659,526	\$ 230	\$ -	\$ 659,756
Liabilities:				
Deposits payable	\$ 659,526	\$ 230	\$ -	\$ 659,756
Total liabilities	\$ 659,526	\$ 230	\$ -	\$ 659,756
<u>San Bernardino Regional Water Resource Authority</u>				
Assets:				
Cash and investments	\$ 73,792	\$ -	\$ (376)	\$ 73,416
Total assets	\$ 73,792	\$ -	\$ (376)	\$ 73,416
Liabilities:				
Deposits payable	\$ 73,792	\$ -	\$ (376)	\$ 73,416
Total liabilities	\$ 73,792	\$ -	\$ (376)	\$ 73,416
<u>Total All Agency Funds</u>				
Assets:				
Cash and investments	\$ 4,432,576	\$ 1,969,190	\$ (1,304,976)	\$ 5,096,790
Accounts receivable	16,650	-	(16,552)	98
Due from other governments	-	44,796	-	44,796
Prepays	238	85	(323)	-
Total assets	\$ 4,449,464	\$ 2,014,071	\$ (1,321,851)	\$ 5,141,684
Liabilities:				
Accounts payable	\$ 227,693	\$ 554,449	\$ (629,992)	\$ 152,150
Interest payable	-	276,397	-	276,397
Deposits payable	3,704,083	491,742	(376)	4,195,449
Due to bondholders	517,688	-	-	517,688
Total liabilities	\$ 4,449,464	\$ 1,322,588	\$ (630,368)	\$ 5,141,684

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