

# **City of San Bernardino**

San Bernardino, California

## **Annual Financial Report and Independent Auditors' Report**

*For the Year Ended June 30, 2015*





**City of San Bernardino  
Annual Financial Report  
For the Year Ended June 30, 2015**

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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, 2015, 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 96%, 103%, and 71%, 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**

<u>Opinion Unit</u>	<u>Type of Opinion</u>
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 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.

### ***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, 2015, 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, 2015, 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 23 to the financial statements, various account balances have been restated. We audited the adjustments described in Note 23 that were applied to restate the June 30, 2014 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.

*Implementation of GASB Statement No. 68 and 71*

As discussed in Note 1 and 19 to the basic financial statements, the City implemented Governmental Accounting Standards Board (“GASB”) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. The adoption of these standards required retrospective application of previously reported net position and reclassification of certain accounts as of July 1, 2014 as described in Note 14 to the basic financial statements. In addition, aggregate net pension liability is reported in the Government-Wide Statement of Net Position and Statement of Fiduciary Net Position in the amounts and of \$379,701,774 and \$5,032,781, respectively, as of June 30, 2014, the measurement date. This net pension liability is calculated by actuaries using estimates and actuarial techniques from an actuarial valuation as of June 30, 2013 which was rolled-forward by the actuaries to June 30, 2014, the measurement date. 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, Schedule of Funding Progress for Other Postemployment Benefits, Schedule of Changes in the Net Pension Liability and Related Ratios, Schedule of Proportionate Share of the Net Pension Liability and Related Ratios, and Schedule of Contributions, 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.

To the Honorable Mayor and Members of the City Council  
of the City of San Bernardino  
San Bernardino, California  
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The Combining and Individual Nonmajor Fund Financial Statements on pages 149 through 176 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.

A handwritten signature in black ink that reads "The Perini Group, LLP". The signature is written in a cursive, flowing style.

Santa Ana, California  
September 28, 2016

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## **BASIC FINANCIAL STATEMENTS**

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**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**City of San Bernardino**  
**Statement of Net Position**  
**June 30, 2015**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and investments	\$ 70,912,465	\$ 49,863,508	\$ 120,775,973
Cash and investments with fiscal agents	1,226,630	-	1,226,630
Internal balances	2,501,747	(2,501,747)	-
Receivables:			
Accounts	4,392,665	8,045,640	12,438,305
Interest	122,683	164,270	286,953
Special assessments	52,331	-	52,331
Due from other governments	9,199,760	598,003	9,797,763
Inventory	267,167	1,991,313	2,258,480
Prepaid items	635,493	437,488	1,072,981
<b>Total current assets</b>	<b>89,310,941</b>	<b>58,598,475</b>	<b>147,909,416</b>
<b>Noncurrent assets:</b>			
Notes receivable	30,435,284	-	30,435,284
Prepaid expenses	-	681,663	681,663
Restricted cash	-	8,161,700	8,161,700
Restricted investments - Consent Decree	-	21,125,203	21,125,203
Restricted - other assets	-	30,167,260	30,167,260
Property held for resale	34,585,347	-	34,585,347
Investment in joint ventures	-	25,482,376	25,482,376
Non-depreciable capital assets	127,599,416	35,279,493	162,878,909
Depreciable capital assets, net	255,319,469	219,650,006	474,969,475
<b>Total noncurrent assets</b>	<b>447,939,516</b>	<b>340,547,701</b>	<b>788,487,217</b>
<b>Total assets</b>	<b>537,250,457</b>	<b>399,146,176</b>	<b>936,396,633</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred loss on refunding	-	66,698	66,698
Pension contributions made after measurement date	16,874,254	3,500,118	20,374,372
<b>Total deferred outflows of resources</b>	<b>16,874,254</b>	<b>3,566,816</b>	<b>20,441,070</b>

**City of San Bernardino**  
**Statement of Net Position (Continued)**  
**June 30, 2015**

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
<b>LIABILITIES</b>			
<b>Current liabilities:</b>			
Accounts payable and accrued liabilities	\$ 11,083,666	\$ 5,786,438	\$ 16,870,104
Payroll and related liabilities	415,776	1,355,281	1,771,057
Interest payable	7,044,647	403,639	7,448,286
Retentions payable	256,243	-	256,243
Due to other governments	776,212	-	776,212
Unearned revenue	3,451,005	-	3,451,005
Deposits payable	86,032	583,345	669,377
CalPERS Settlement - due within one year	6,379,799	-	6,379,799
Compensated absences - due within one year	2,986,688	1,264,508	4,251,196
Claims payable - due within one year	5,753,943	-	5,753,943
Long-term debt - due within one year	57,216,746	8,051,208	65,267,954
Total current liabilities	<u>95,450,757</u>	<u>17,444,419</u>	<u>112,895,176</u>
<b>Noncurrent liabilities:</b>			
Deposits payable	-	3,274,097	3,274,097
Unearned revenue - Consent Decree	-	51,821,114	51,821,114
Due to Successor Agency	2,232,925	-	2,232,925
Aggregate net pension liability	233,237,597	48,142,332	281,379,929
Net OPEB obligation	28,320,567	2,475,255	30,795,822
Landfill closure liability	-	6,929,000	6,929,000
PARS settlement - due in more one year	580,000	-	580,000
Compensated absences - due in more than one year	6,968,937	421,259	7,390,196
Claims payable - due in more than one year	38,355,232	1,453,212	39,808,444
Long-term debt - due in more than one year	23,993,638	23,773,923	47,767,561
Total noncurrent liabilities	<u>333,688,896</u>	<u>138,290,192</u>	<u>471,979,088</u>
<b>Total liabilities</b>	<u>429,139,653</u>	<u>155,734,611</u>	<u>584,874,264</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Actual earnings in excess of projected earnings on pension plan investments	50,997,489	11,351,209	62,348,698
<b>Total deferred inflows of resources</b>	<u>50,997,489</u>	<u>11,351,209</u>	<u>62,348,698</u>
<b>NET POSITION</b>			
Net investment in capital assets	357,760,150	223,104,368	580,864,518
Restricted:			
Public safety	1,370,731	-	1,370,731
Streets and capital projects	30,012,273	-	30,012,273
Culture and recreation	749,547	-	749,547
Community development	66,541,141	-	66,541,141
Community service	767,993	-	767,993
Debt service	1,226,630	-	1,226,630
Capital related fees	-	60,084,163	60,084,163
Total restricted	<u>100,668,315</u>	<u>60,084,163</u>	<u>160,752,478</u>
Unrestricted (deficit)	<u>(384,440,896)</u>	<u>(47,561,359)</u>	<u>(432,002,255)</u>
<b>Total net position</b>	<u>\$ 73,987,569</u>	<u>\$ 235,627,172</u>	<u>\$ 309,614,741</u>

See accompanying Notes to Basic Financial Statements.

**City of San Bernardino**  
**Statement of Activities and Changes in Net Position**  
**For the Year Ended June 30, 2015**

<b>Functions/Programs</b>	Expenses	Program Revenues			Total Program Revenues
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Primary government:</b>					
<b>Governmental activities:</b>					
General government	\$ 23,792,572	\$ 2,459,211	\$ 5,804,535	\$ -	\$ 8,263,746
Public safety	93,758,051	5,242,941	4,853,124	-	10,096,065
Streets	29,610,950	12,826,107	37,285	9,801,186	22,664,578
Culture and recreation	10,805,969	1,397,431	-	-	1,397,431
Community development	3,060,294	579,930	4,499,568	-	5,079,498
Community service	5,684,705	104,608	2,688,850	-	2,793,458
Interest on long-term debt	3,994,357	-	-	-	-
Total governmental activities	<u>170,706,898</u>	<u>22,610,228</u>	<u>17,883,362</u>	<u>9,801,186</u>	<u>50,294,776</u>
<b>Business-type activities:</b>					
Integrated Waste	19,640,062	25,212,322	-	-	25,212,322
Water	35,673,702	32,334,811	2,089,637	3,905,104	38,329,552
Sewer	19,501,609	24,399,415	-	1,072,841	25,472,256
Total business-type activities	<u>74,815,373</u>	<u>81,946,548</u>	<u>2,089,637</u>	<u>4,977,945</u>	<u>89,014,130</u>
<b>Total primary government</b>	<u><u>\$ 245,522,271</u></u>	<u><u>\$ 104,556,776</u></u>	<u><u>\$ 19,972,999</u></u>	<u><u>\$ 14,779,131</u></u>	<u><u>\$ 139,308,906</u></u>

**City of San Bernardino**  
**Statement of Activities and Changes in Net Position (Continued)**  
**For the Year Ended June 30, 2015**

<b>Functions/Programs</b>	Net (Expense) Revenue and Changes in Net Position		
	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>Primary government:</b>			
<b>Governmental activities:</b>			
General government	\$ (15,528,826)	\$ -	\$ (15,528,826)
Public safety	(83,661,986)	-	(83,661,986)
Streets	(6,946,372)	-	(6,946,372)
Culture and recreation	(9,408,538)	-	(9,408,538)
Community development	2,019,204	-	2,019,204
Community service	(2,891,247)	-	(2,891,247)
Interest on long-term debt	(3,994,357)	-	(3,994,357)
Total governmental activities	(120,412,122)	-	(120,412,122)
<b>Business-type activities:</b>			
Integrated Waste	-	5,572,260	5,572,260
Water	-	2,655,850	2,655,850
Sewer	-	5,970,647	5,970,647
Total business-type activities	-	14,198,757	14,198,757
<b>Total primary government</b>	(120,412,122)	14,198,757	(106,213,365)
<b>General revenues:</b>			
Taxes:			
Property taxes	40,571,180	-	40,571,180
Sales taxes	31,187,510	-	31,187,510
Franchise taxes	3,900,853	-	3,900,853
Utilities user taxes	23,921,806	-	23,921,806
Transient occupancy taxes	3,463,262	-	3,463,262
Other taxes	7,169,083	-	7,169,083
Total taxes	110,213,694	-	110,213,694
Investment earnings	856,229	635,061	1,491,290
Miscellaneous	4,324,380	2,348,834	6,673,214
<b>Transfers</b>			
Intragovernment	2,200,000	(2,200,000)	-
From fiduciary funds	1,001	-	1,001
Total transfers	2,201,001	(2,200,000)	1,001
<b>Total general revenues and transfers</b>	117,595,304	783,895	118,379,199
<b>Changes in net position</b>	(2,816,818)	14,982,652	12,165,834
<b>Net Position - beginning of year, as restated (Note 23)</b>	76,804,387	220,644,520	297,448,907
<b>Net Position - end of year</b>	\$ 73,987,569	\$ 235,627,172	\$ 309,614,741

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## **FUND FINANCIAL STATEMENTS**

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# GOVERNMENTAL FUND FINANCIAL STATEMENTS

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**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, 2015**

	Major Funds			
	General Fund	Federal and State Grants Fund	Low and Moderate Income Housing Fund	Sales and Road Fund
<b>ASSETS</b>				
Cash and investments	\$ 12,560,325	\$ 2,172,170	\$ 1,450,679	\$ 7,231,097
Receivables:				
Accounts	3,237,272	914,008	315	-
Interest	45,574	903	2,010	11,666
Notes	-	3,591,670	26,843,614	-
Special assessments	-	-	-	-
Due from other governments	5,207,058	2,308,231	-	1,340,569
Deposits	-	-	-	-
Prepays	635,493	-	-	-
Due from other funds	4,966,638	-	-	-
Advances to other funds	-	-	65,200	-
Property held for resale	-	16,260,782	18,324,565	-
Restricted cash and investments held by fiscal agents	1,226,630	-	-	-
<b>Total assets</b>	<b>\$ 27,878,990</b>	<b>\$ 25,247,764</b>	<b>\$ 46,686,383</b>	<b>\$ 8,583,332</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 4,602,826	\$ 1,242,113	\$ -	\$ 227,273
Accrued liabilities	911,200	-	-	-
Payroll and related liabilities	381,711	32,053	-	153
Retentions payable	-	35,658	-	136,325
Due to other governments	427,902	348,310	-	-
Due to other funds	1,018,716	1,512,275	-	-
Deposits payable	43,263	-	-	-
Unearned revenue	-	2,991,051	-	-
Advances from other funds	-	-	-	-
Due to Successor Agency	2,232,925	-	-	-
<b>Total liabilities</b>	<b>9,618,543</b>	<b>6,161,460</b>	<b>-</b>	<b>363,751</b>
<b>Deferred inflows of resources:</b>				
Unavailable revenues	232,250	-	-	-
<b>Total deferred inflows of resources</b>	<b>232,250</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund Balances:</b>				
Nonspendable	635,493	19,852,452	45,233,379	-
Restricted	1,226,630	-	1,453,004	8,219,581
Committed	905,724	-	-	-
Unassigned	15,260,350	(766,148)	-	-
<b>Total fund balances</b>	<b>18,028,197</b>	<b>19,086,304</b>	<b>46,686,383</b>	<b>8,219,581</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 27,878,990</b>	<b>\$ 25,247,764</b>	<b>\$ 46,686,383</b>	<b>\$ 8,583,332</b>

(Continued)

**City of San Bernardino  
Balance Sheet (Continued)  
Governmental Funds  
June 30, 2015**

	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>		
Cash and investments	\$ 39,757,856	\$ 63,172,127
Receivables:		
Accounts	239,665	4,391,260
Interest	62,530	122,683
Notes	-	30,435,284
Special assessments	52,331	52,331
Due from other governments	343,902	9,199,760
Deposits	-	-
Prepays	-	635,493
Due from other funds	230,300	5,196,938
Advances to other funds	82,000	147,200
Property held for resale	-	34,585,347
Restricted cash and investments held by fiscal agents	-	1,226,630
<b>Total assets</b>	<b>\$ 40,768,584</b>	<b>\$ 149,165,053</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>		
<b>Liabilities:</b>		
Accounts payable	\$ 2,290,650	\$ 8,362,862
Accrued liabilities	-	911,200
Payroll and related liabilities	1,571	415,488
Retentions payable	84,260	256,243
Due to other governments	-	776,212
Due to other funds	-	2,530,991
Deposits payable	42,769	86,032
Unearned revenue	-	2,991,051
Advances from other funds	147,200	147,200
Due to Successor Agency	-	2,232,925
<b>Total liabilities</b>	<b>2,566,450</b>	<b>18,710,204</b>
<b>Deferred inflows of resources:</b>		
Unavailable revenues	634,663	866,913
<b>Total deferred inflows of resources</b>	<b>634,663</b>	<b>866,913</b>
<b>Fund Balances:</b>		
Nonspendable	82,000	65,803,324
Restricted	37,625,540	48,524,755
Committed	-	905,724
Unassigned	(140,069)	14,354,133
<b>Total fund balances</b>	<b>37,567,471</b>	<b>129,587,936</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 40,768,584</b>	<b>\$ 149,165,053</b>

*(Concluded)*

**City of San Bernardino**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**to the Government-Wide Statement of Net Position**  
**June 30, 2015**

<b>Total Fund Balances - Total Governmental Funds</b>	<u>\$ 129,587,936</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	382,918,885
Less: Internal Service Funds' capital assets	<u>(3,698,256)</u>
Total capital assets adjustment	<u>379,220,629</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>(7,044,647)</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	(6,379,799)
PARS Settlement - due in more than one year	(580,000)
Compensated absences - due within one year	(2,986,688)
Compensated absences - due in more than one year	(6,968,937)
Claims payable - due within one year	(5,753,943)
Claims payable - due in more than one year	(38,355,232)
Long-term debt - due within one year	(57,216,746)
Long-term debt - due in more than one year	(23,993,638)
Net OPEB obligation	<u>(28,320,567)</u>
Total reported in Government-Wide Statement of Net Position	<u>(170,555,550)</u>
Less: Amount reported in Internal Service Funds	
Compensated absences - due within one year	159,700
Compensated absences - due in more than one year	318,828
Capital leases payable - due within one year	630,417
Capital leases payable - due in more than one year	2,757,647
Claims payable - due within one year	5,753,943
Claims payable - due within one year	<u>38,355,232</u>
Total reported in Internal Service Funds	<u>47,975,767</u>
Net long-term liabilities	<u>(122,579,783)</u>
Pension contributions made during the year after the measurement date are reported as expenditures in governmental funds and as deferred outflow of resources in the government-wide financial statements. This amount did not include the pension contributions made during the year after the measurement date for Internal Service Funds in the amount of \$386,575.	
	16,487,679
Net pension liability is not due and payable in the current period and therefore is not reported in the governmental funds. This amount did not include the aggregate net pension liability for Internal Service Funds in the amount of \$5,350,095.	
	(227,887,502)
Difference between projected and actual earnings on pension plan investments are reported in the government-wide statements. This amount did not include the investment earnings greater than expected earnings for Internal Service Funds in the amount of \$1,261,468.	
Projected earnings over actual earnings	(49,736,021)
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	866,913
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>(44,927,635)</u>
<b>Net Position of Governmental Activities</b>	<u><u>\$ 73,987,569</u></u>

See accompanying Notes to Basic Financial Statements.

**City of San Bernardino**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2015**

	Major Funds			
	General Fund	Federal and State Grants Fund	Low and Moderate Income Housing Fund	Sales and Road Fund
<b>REVENUES:</b>				
Taxes	\$ 102,643,713	\$ -	\$ -	\$ 3,384,653
Licenses and permits	10,219,955	1,100	1,800	-
Impact fees	-	-	-	-
Fines and forfeitures	1,496,318	-	-	-
Use of money and property	238,085	13,055	75,448	77,274
Lease revenue	396,250	-	-	-
Intergovernmental	2,513,115	13,582,107	19,636	229
Charges for services	6,527,548	-	179	-
Other revenues	4,468,664	1,283,529	61,277	-
<b>Total revenues</b>	<b>128,503,648</b>	<b>14,879,791</b>	<b>158,340</b>	<b>3,462,156</b>
<b>EXPENDITURES:</b>				
Current:				
General Government	17,914,214	4,762,115	-	-
Public Safety	81,478,514	3,513,809	-	-
Streets	5,248,083	185,826	-	2,442,558
Culture and recreation	7,922,486	2,067,600	-	-
Community development	2,883,598	294,763	372,256	-
Community service	1,585,596	3,523,531	-	-
Debt service:				
Principal	8,733,983	934,052	-	6,508
Interest and fiscal charges	1,028,086	384,751	-	-
<b>Total expenditures</b>	<b>126,794,560</b>	<b>15,666,447</b>	<b>372,256</b>	<b>2,449,066</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>1,709,088</b>	<b>(786,656)</b>	<b>(213,916)</b>	<b>1,013,090</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers from Successor Agency	-	-	1,001	-
Transfers in	2,969,606	-	42,726	-
Transfers out	(40,000)	(58,812)	-	-
<b>Total other financing sources (uses)</b>	<b>2,929,606</b>	<b>(58,812)</b>	<b>43,727</b>	<b>-</b>
<b>CHANGES IN FUND BALANCES</b>	<b>4,638,694</b>	<b>(845,468)</b>	<b>(170,189)</b>	<b>1,013,090</b>
<b>FUND BALANCES (DEFICIT):</b>				
Beginning of year, as restated (Note 23)	13,389,503	19,931,772	46,856,572	7,206,491
End of year	<u>\$ 18,028,197</u>	<u>\$ 19,086,304</u>	<u>\$ 46,686,383</u>	<u>\$ 8,219,581</u>

(Continued)

**City of San Bernardino**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)**  
**Governmental Funds**  
**For the Year Ended June 30, 2015**

	Other Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>		
Taxes	\$ 2,220,414	\$ 108,248,780
Licenses and permits	1,003,838	11,226,693
Impact fees	2,915,704	2,915,704
Fines and forfeitures	363,341	1,859,659
Use of money and property	404,363	808,225
Lease revenue	-	396,250
Intergovernmental	7,096,502	23,211,589
Charges for services	3,905,095	10,432,822
Other revenues	37,569	5,851,039
<b>Total revenues</b>	<b>17,946,826</b>	<b>164,950,761</b>
<b>EXPENDITURES:</b>		
Current:		
General Government	352,013	23,028,342
Public Safety	1,121,334	86,113,657
Streets	8,902,769	16,779,236
Culture and recreation	25,612	10,015,698
Community development	-	3,550,617
Community service	-	5,109,127
Debt service:		
Principal	222,898	9,897,441
Interest and fiscal charges	75,237	1,488,074
<b>Total expenditures</b>	<b>10,699,863</b>	<b>155,982,192</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>7,246,963</b>	<b>8,968,569</b>
<b>OTHER FINANCING SOURCES (USES):</b>		
Transfer from Successor Agency	-	1,001
Transfers in	74,065	3,086,397
Transfers out	(787,585)	(886,397)
<b>Total other financing sources (uses)</b>	<b>(713,520)</b>	<b>2,201,001</b>
<b>CHANGES IN FUND BALANCES</b>	<b>6,533,443</b>	<b>11,169,570</b>
<b>FUND BALANCES (DEFICIT):</b>		
Beginning of year, as restated (Note 23)	31,034,028	118,418,366
End of year	<b>\$ 37,567,471</b>	<b>\$ 129,587,936</b>

*(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, 2015**

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<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>\$ 11,169,570</b>
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.	5,682,353
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/amortization expense for Internal Service Funds in the amount of \$854,327.	(17,525,105)
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	9,897,441
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	(722,245)
Changes in compensated absences	1,378,889
Change in PARS settlement	(580,000)
Changes in net OPEB obligation	897,254
Changes in net pension liability reported in the Statement of Activities does not require the use of current financial resources and, therefore, is not reported as an expenditure in governmental funds (Note 10).	(66,059,073)
The net effect of various miscellaneous transactions involving pension plans (i.e. deferred inflow/outflow amortization, contributions after measurement date) increased Net Position.	66,327,237
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.	(1,682,690)
Unavailable revenues were reported as deferred inflows of resources in the Governmental Funds but were reported as revenues in the Government-Wide Statement of Statement of Activities.	62,302
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>(11,662,751)</u>
<b>Change in Net Position of Governmental Activities</b>	<b><u><u>\$ (2,816,818)</u></u></b>

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# PROPRIETARY FUND FINANCIAL STATEMENTS

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**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, 2015**

	Major Funds				Governmental
	Integrated				Activities
	Waste	Water	Sewer	Total	Internal Service Funds
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents	\$ 9,147,244	\$ 12,749,403	\$ -	\$ 21,896,647	\$ 7,740,338
Investments	-	4,026,280	23,940,581	27,966,861	-
Accounts receivable	234,929	5,395,885	2,414,826	8,045,640	1,405
Interest receivable	16,535	11,684	136,051	164,270	-
Due from other governments	-	433,335	164,668	598,003	-
Due from other funds	2,523,358	2,149,088	47,865	4,720,311	-
Inventories	-	1,991,313	-	1,991,313	267,167
Current portion of prepaid items	-	297,911	139,577	437,488	-
<b>Total current assets</b>	<b>11,922,066</b>	<b>27,054,899</b>	<b>26,843,568</b>	<b>65,820,533</b>	<b>8,008,910</b>
Noncurrent assets:					
Prepaid items	-	-	681,663	681,663	-
Investments in joint ventures	-	-	25,482,376	25,482,376	-
Restricted assets:					
Cash and cash equivalents - capital-related fees	-	-	7,633,049	7,633,049	-
Cash and cash equivalents - Consent Decree	-	528,651	-	528,651	-
Investments - Consent Decree	-	21,125,203	-	21,125,203	-
Interest receivable - Consent Decree	-	65,494	-	65,494	-
Prepaid insurance - Consent Decree	-	30,101,766	-	30,101,766	-
Capital assets:					
Non-depreciable assets	-	9,177,446	26,102,047	35,279,493	-
Depreciable assets, net of accumulated depreciation	2,703,685	178,902,319	38,044,002	219,650,006	3,698,256
<b>Total capital assets, net</b>	<b>2,703,685</b>	<b>188,079,765</b>	<b>64,146,049</b>	<b>254,929,499</b>	<b>3,698,256</b>
<b>Total noncurrent assets</b>	<b>2,703,685</b>	<b>239,900,879</b>	<b>97,943,137</b>	<b>340,547,701</b>	<b>3,698,256</b>
<b>Total assets</b>	<b>14,625,751</b>	<b>266,955,778</b>	<b>124,786,705</b>	<b>406,368,234</b>	<b>11,707,166</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Deferred loss on refunding	-	-	66,698	66,698	-
Pension contributions made after measurement date	520,958	1,698,121	1,281,039	3,500,118	386,575
<b>Total deferred outflows of resources</b>	<b>520,958</b>	<b>1,698,121</b>	<b>1,347,737</b>	<b>3,566,816</b>	<b>386,575</b>

**City of San Bernardino**  
**Statement of Net Position (Continued)**  
**Proprietary Funds**  
**June 30, 2015**

	Major Funds			Total	Governmental
	Integrated	Water	Sewer		Activities
	Waste				Internal
					Service Funds
<b>LIABILITIES AND NET POSITION</b>					
<b>Liabilities:</b>					
Current liabilities:					
Accounts payable and accrued liabilities	2,044,215	1,520,236	2,221,987	5,786,438	1,809,604
Due to other funds	-	5,809,369	1,412,689	7,222,058	164,200
Payroll and related liabilities	23,939	860,556	470,786	1,355,281	288
Interest payable	17,490	241,369	144,780	403,639	-
Deposits payable	-	583,345	-	583,345	-
Unearned revenue	-	-	-	-	459,954
Long term debt - due within one year	1,438,444	1,748,054	4,864,710	8,051,208	630,417
Compensated absences - due within one year	283,603	753,511	227,394	1,264,508	159,700
Claims payable - due within one year	-	-	-	-	5,753,943
<b>Total current liabilities</b>	<b>3,807,691</b>	<b>11,516,440</b>	<b>9,342,346</b>	<b>24,666,477</b>	<b>8,978,106</b>
Noncurrent liabilities:					
Deposits payable	-	3,274,097	-	3,274,097	-
Compensated absences - due in more than one year	176,033	188,378	56,848	421,259	318,828
Unearned revenue - Consent Decree	-	51,821,114	-	51,821,114	-
Aggregate net pension liability	7,209,934	23,331,467	17,600,931	48,142,332	5,350,095
Long term debt - due in more than one year	1,214,142	19,368,473	3,191,308	23,773,923	2,757,647
Net OPEB obligation - due in more than one year	1,680,034	628,895	166,326	2,475,255	-
Landfill closure liability - due in more than one year	6,929,000	-	-	6,929,000	-
Claims payable - due in more than one year	-	1,213,539	239,673	1,453,212	38,355,232
<b>Total noncurrent liabilities</b>	<b>17,209,143</b>	<b>99,825,963</b>	<b>21,255,086</b>	<b>138,290,192</b>	<b>46,781,802</b>
<b>Total liabilities</b>	<b>21,016,834</b>	<b>111,342,403</b>	<b>30,597,432</b>	<b>162,956,669</b>	<b>55,759,908</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Actual earnings in excess of projected earnings					
on pension plan investments	1,699,990	5,501,195	4,150,024	11,351,209	1,261,468
<b>Total deferred inflows of resources</b>	<b>1,699,990</b>	<b>5,501,195</b>	<b>4,150,024</b>	<b>11,351,209</b>	<b>1,261,468</b>
<b>Net Position (Deficit):</b>					
Net investment in capital assets	51,099	166,963,238	56,090,031	223,104,368	735,044
Restricted	-	52,451,114	7,633,049	60,084,163	-
Unrestricted (deficit)	(7,621,214)	(67,604,051)	27,663,906	(47,561,359)	(45,662,679)
<b>Total net position (deficit)</b>	<b>\$ (7,570,115)</b>	<b>\$ 151,810,301</b>	<b>\$ 91,386,986</b>	<b>\$ 235,627,172</b>	<b>\$ (44,927,635)</b>

**City of San Bernardino**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**Proprietary Funds**  
**For the Year Ended June 30, 2015**

	Major Funds			Total	Governmental
	Integrated	Water	Sewer		Activities
	Waste				
					Service Funds
<b>OPERATING REVENUES:</b>					
Charges for services	\$ 25,212,322	\$ 32,334,811	\$ 24,399,415	\$ 81,946,548	\$ 20,943,413
Other operating revenues	-	786,318	335,010	1,121,328	-
<b>Total operating revenues</b>	<b>25,212,322</b>	<b>33,121,129</b>	<b>24,734,425</b>	<b>83,067,876</b>	<b>20,943,413</b>
<b>OPERATING EXPENSES:</b>					
Cost of sales and services	12,230,010	-	-	12,230,010	15,443,668
Administration and customer service	5,558,425	6,585,336	2,387,122	14,530,883	-
Utility administration	-	653,209	638,613	1,291,822	-
Engineering, operations, and distribution administration	-	6,015,448	990,463	7,005,911	-
Plant operations	-	7,813,911	8,697,724	16,511,635	-
Maintenance	-	1,988,719	2,906,853	4,895,572	-
Environmental control	-	-	594,777	594,777	-
Distribution	-	4,653,106	-	4,653,106	-
Engineering	-	2,439,170	534,226	2,973,396	-
Claims expense	-	-	-	-	16,882,837
Amortization	-	-	-	-	594,633
Depreciation	1,719,302	5,355,684	2,870,550	9,945,536	259,694
<b>Total operating expenses</b>	<b>19,507,737</b>	<b>35,504,583</b>	<b>19,620,328</b>	<b>74,632,648</b>	<b>33,180,832</b>
<b>OPERATING INCOME (LOSS)</b>	<b>5,704,585</b>	<b>(2,383,454)</b>	<b>5,114,097</b>	<b>8,435,228</b>	<b>(12,237,419)</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>					
Interest income	99,064	54,786	481,211	635,061	(15,774)
Rental income	-	181,809	700	182,509	-
Noncapital grants	-	2,089,637	-	2,089,637	-
Interest expense and fiscal charges	(132,325)	(169,119)	(227,165)	(528,609)	(101,348)
Gain (loss) on joint venture - RIX	-	-	345,884	345,884	-
Miscellaneous income	910	-	-	910	691,790
Other	-	545,840	498,247	1,044,087	-
<b>Total nonoperating revenues (expenses)</b>	<b>(32,351)</b>	<b>2,702,953</b>	<b>1,098,877</b>	<b>3,769,479</b>	<b>574,668</b>
<b>INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS</b>	<b>5,672,234</b>	<b>319,499</b>	<b>6,212,974</b>	<b>12,204,707</b>	<b>(11,662,751)</b>
<b>CAPITAL CONTRIBUTIONS AND TRANSFERS:</b>					
Capital contributions	-	3,905,104	1,072,841	4,977,945	-
Transfers out	(2,200,000)	-	-	(2,200,000)	-
<b>Total contributions and transfers</b>	<b>(2,200,000)</b>	<b>3,905,104</b>	<b>1,072,841</b>	<b>2,777,945</b>	<b>-</b>
<b>CHANGES IN NET POSITION</b>	<b>3,472,234</b>	<b>4,224,603</b>	<b>7,285,815</b>	<b>14,982,652</b>	<b>(11,662,751)</b>
<b>NET POSITION:</b>					
Beginning of year, as restated (Note 23)	(11,042,349)	147,585,698	84,101,171	220,644,520	(33,264,884)
End of year	<u>\$ (7,570,115)</u>	<u>\$ 151,810,301</u>	<u>\$ 91,386,986</u>	<u>\$ 235,627,172</u>	<u>\$(44,927,635)</u>

**City of San Bernardino**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2015**

	Major Funds			Total	Governmental Activities Internal Service Funds
	Integrated Waste	Water	Sewer		
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
Cash received from customers	\$ 24,986,088	\$ 40,145,082	\$ 27,386,210	\$ 92,517,380	\$ -
Cash received from user departments	-	-	-	-	22,392,050
Cash received from (payments to) other funds	28,630	-	-	28,630	-
Rental income	-	727,649	498,947	1,226,596	-
Cash payments to suppliers for goods and services	(12,640,168)	(24,077,838)	(11,946,389)	(48,664,395)	(16,238,584)
Cash payments to employees for services	(5,558,425)	(9,233,112)	(5,914,404)	(20,705,941)	-
Cash payments for claims and insurance	-	-	-	-	(7,646,156)
Cash received from (paid for) other activities	910	-	-	910	691,790
<b>Net cash provided by (used in) operating activities</b>	<b>6,817,035</b>	<b>7,561,781</b>	<b>10,024,364</b>	<b>24,403,180</b>	<b>(800,900)</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>					
Acquisition of capital assets	-	(7,584,022)	(11,483,816)	(19,067,838)	7,219
Drawdown of CIEDB loan	-	746,201	-	746,201	-
Principal paid on capital-related debt	(2,140,363)	(1,683,818)	(4,629,425)	(8,453,606)	(543,651)
Interest paid on capital-related debt	(144,822)	(187,153)	(242,585)	(574,560)	(101,348)
Capital grant proceeds	-	86,336	-	86,336	-
Charges to property owners for capital projects	-	3,818,768	1,072,841	4,891,609	-
<b>Net cash (used in) capital and related financing activities</b>	<b>(2,285,185)</b>	<b>(4,803,688)</b>	<b>(15,282,985)</b>	<b>(22,371,858)</b>	<b>(637,780)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>					
Consent Decree insurance drawdowns	-	2,089,637	-	2,089,637	-
Transfers (out)	(2,200,000)	-	-	(2,200,000)	-
<b>Net cash provided by (used in) noncapital financing activities</b>	<b>(2,200,000)</b>	<b>2,089,637</b>	<b>-</b>	<b>(110,363)</b>	<b>-</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>					
Sales and maturities of investments	-	17,599,300	11,588,638	29,187,938	-
Purchase of investments	-	(17,210,432)	(11,877,148)	(29,087,580)	-
Investment income	96,257	53,683	480,453	630,393	-
<b>Net cash provided by investing activities</b>	<b>96,257</b>	<b>442,551</b>	<b>191,943</b>	<b>730,751</b>	<b>-</b>
<b>Net change in cash and cash equivalents</b>	<b>2,428,107</b>	<b>5,290,281</b>	<b>(5,066,678)</b>	<b>2,651,710</b>	<b>(1,438,680)</b>
<b>CASH AND CASH EQUIVALENTS:</b>					
Beginning of year	6,719,137	7,987,773	12,699,727	27,406,637	9,179,018
End of year	<b>\$ 9,147,244</b>	<b>\$ 13,278,054</b>	<b>\$ 7,633,049</b>	<b>\$ 30,058,347</b>	<b>\$ 7,740,338</b>
<b>RECONCILIATION TO STATEMENT OF NET POSITION:</b>					
Cash and cash equivalents	\$ 9,147,244	\$ 12,749,403	\$ -	\$ 21,896,647	\$ 7,740,338
Restricted cash and cash equivalents	-	528,651	7,633,049	8,161,700	-
<b>Total cash and cash equivalents</b>	<b>\$ 9,147,244</b>	<b>\$ 13,278,054</b>	<b>\$ 7,633,049</b>	<b>\$ 30,058,347</b>	<b>\$ 7,740,338</b>

**City of San Bernardino**  
**Statement of Cash Flows**  
**Proprietary Funds (Continued)**  
**For the Year Ended June 30, 2015**

	Major Funds			Total	Governmental
	Integrated Waste	Water	Sewer		Activities Internal Service Funds
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:</b>					
Operating income (loss)	\$ 5,704,585	\$ (2,383,454)	\$ 5,114,097	\$ 8,435,228	\$ (12,237,419)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation	1,719,302	5,355,684	2,870,550	9,945,536	259,694
Amortization	-	-	-	-	594,633
Rental income	-	181,809	700	182,509	-
Other non-operating revenues (expenses)	910	545,840	498,247	1,044,997	691,790
Changes in operating assets and liabilities:					
Accounts receivable	(226,234)	2,067,276	1,626,140	3,467,182	1,173,693
Due from other governments	-	1,158,025	65,792	1,223,817	-
Inventory	-	(300,570)	-	(300,570)	(17,251)
Prepays	-	(86,465)	5,646	(80,819)	-
Due from other funds	28,630	(1,984,888)	(47,865)	(2,004,123)	-
Deferred pension contributions	(520,958)	(178,081)	(134,342)	(833,381)	(386,575)
Accounts payable and accrued liabilities	(199,035)	(989,177)	(758,749)	(1,946,961)	(455,768)
Accrued payroll and related liabilities	5,819	304,337	133,737	443,893	288
Due to other funds	-	3,524,201	1,144,076	4,668,277	(14,018)
Deposits payable	-	274,452	-	274,452	-
Unearned revenue	-	-	-	-	288,962
Claims and judgments payable	-	482,043	(28,434)	453,609	9,236,681
Compensated absences	(6,439)	(134,702)	(82,425)	(223,566)	(43,336)
Aggregate net pension liability	(1,531,789)	(6,128,232)	(4,623,053)	(12,283,074)	(1,153,742)
OPEB obligation	142,254	352,488	90,223	584,965	-
Investment earnings greater than expected earnings	1,699,990	5,501,195	4,150,024	11,351,209	1,261,468
Total adjustments	1,112,450	9,945,235	4,910,267	15,967,952	11,436,519
<b>Net cash provided by (used in) operating activities</b>	<b>\$ 6,817,035</b>	<b>\$ 7,561,781</b>	<b>\$ 10,024,364</b>	<b>\$ 24,403,180</b>	<b>\$ (800,900)</b>

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# FIDUCIARY FUND FINANCIAL STATEMENTS

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**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**  
**June 30, 2015**

	Agency Funds	Successor Agency To the Economic Development Agency of San Bernardino Private-purpose Trust Fund
<b>ASSETS</b>		
Cash and investments	\$ 5,867,232	\$ 19,062,659
Cash and investments with fiscal agents	-	31,489,376
Receivables:		
Accounts	1,989	150,092
Interest	-	26,453
Notes	-	1,233,227
Due from other governments	16,050	-
Due from City	-	2,232,925
Prepays	-	5,587
Property held for resale	-	48,907,836
Capital assets:		
Non-depreciable	-	11,620,311
Depreciable, net	-	7,251,107
<b>Total assets</b>	<b>\$ 5,885,271</b>	<b>121,979,573</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Adjustments due to positive differences in pension cost-sharing proportion		154,504
Pension contributions made after measurement date		19,656
Deferred loss on refunding of bonds		1,462,528
<b>Total deferred outflows of resources</b>		<b>1,636,688</b>
<b>LIABILITIES</b>		
Accounts payable	\$ 183,103	337,418
Accrued liabilities	-	4,536
Retentions payable	98,151	143,170
Deposits payable	4,809,932	4,532
Interest payable	-	1,774,275
Due to other governments	276,397	703,469
Due to bondholders	517,688	-
Compensated absences	-	94,834
Aggregate net pension liability	-	3,815,585
Long-term debt	-	133,472,172
Net OPEB obligation	-	1,444,840
<b>Total liabilities</b>	<b>\$ 5,885,271</b>	<b>141,794,831</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Actual earnings in excess of projected earnings on pension plan investments		1,186,905
Employer's proportionate share of contributions in excess of the Employer's actual contribution		299,468
<b>Total deferred inflows of resources</b>		<b>1,486,373</b>
<b>NET POSITION (DEFICIT)</b>		
Held in trust		(19,664,943)
<b>Total net position (deficit)</b>		<b>\$ (19,664,943)</b>

See accompanying Notes to Basic Financial Statements.

**City of San Bernardino**  
**Statement of Changes in Fiduciary Net Position**  
**Fiduciary Funds**  
**For the Year Ended June 30, 2015**

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	Successor Agency to the Economic Development Agency of San Bernardino Private-purpose Trust Fund
<b>ADDITIONS:</b>	
Taxes and special assessments	\$ 31,802,589
Investment income	246,135
Lease revenue	994,163
Other revenues	217,092
<b>Total additions</b>	<b>33,259,979</b>
<b>DEDUCTIONS:</b>	
Redevelopment	4,884,980
Debt service - interest	8,449,151
Depreciation and amortization	535,488
Transfers to City	1,001
<b>Total deductions</b>	<b>13,870,620</b>
<b>Changes in Net Position</b>	<b>19,389,359</b>
<b>NET POSITION:</b>	
Beginning of period, as restated (Note 23)	(39,054,302)
End of period	\$ (19,664,943)

## **NOTES TO BASIC FINANCIAL STATEMENTS**

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**City of San Bernardino**  
**Index of Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2015**

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**City of San Bernardino**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2015**

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**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, 2015**

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**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 Fiscal Year Ended June 30, 2015**

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**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 Fiscal Year Ended June 30, 2015**

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**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 Fiscal Year Ended June 30, 2015**

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**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 Fiscal Year Ended June 30, 2015**

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**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 Fiscal Year Ended June 30, 2015**

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**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 Fiscal Year Ended June 30, 2015**

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**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 Fiscal Year Ended June 30, 2015**

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**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 Fiscal Year Ended June 30, 2015**

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**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, 2015 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 Fiscal Year Ended June 30, 2015**

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**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. Pensions Plans**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the plans and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the plans (Note 15). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value. The following timeframes are used for pension reporting:

CalPERS:

Valuation Date	June 30, 2013
Measurement Date	June 30, 2014
Measurement Period	July 1, 2013 to June 30, 2014

Gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time. The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense. The amortization period differs depending on the source of the gain or loss. The difference between projected and actual earnings is amortized straight-line over 5 years. All other amounts are amortized straight-line over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) as of the beginning of the measurement period.

**R. 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, 2015, 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.

**City of San Bernardino**  
**Notes to Basic Financial Statements (Continued)**  
**For the Fiscal Year Ended June 30, 2015**

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

**R. Fund Balances (Continued)**

- 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.

**S. 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.

**City of San Bernardino**  
**Notes to Basic Financial Statements (Continued)**  
**For the Fiscal Year Ended June 30, 2015**

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

**T. 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.

**U. 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.

**V. Implementation of New GASB Pronouncements for the Year Ended June 30, 2015**

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, 2015. 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. 68***

GASB has issued Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. This Statement establishes standards for measuring and recognizing liabilities, deferred outflow of resources, deferred inflows of resources, and expense/expenditures for pension plans. This Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. This Statement became effective for periods beginning after June 15, 2014. See Note 23 for prior period adjustment as a result of implementation.

***GASB Statement No. 69***

GASB has issued Statement No. 69, *Government Combinations and Disposals of Government Operations*. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term government combinations includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations. This Statement became effective for periods beginning after December 15, 2013 and did not have a significant impact on the City's financial statements for year ended June 30, 2015.

**City of San Bernardino**  
**Notes to Basic Financial Statements (Continued)**  
**For the Fiscal Year Ended June 30, 2015**

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

**V. Implementation of New GASB Pronouncements for the Year Ended June 30, 2015 (Continued)**

***GASB Statement No. 71***

GASB has issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. This Statement establishes standards relating to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. This Statement became effective for periods beginning after June 15, 2014. See Note 23 for prior period adjustment as a result of implementation.

**W. 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. 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 Fiscal Year Ended June 30, 2015**

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

**W. 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.

***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.

**City of San Bernardino**  
**Notes to Basic Financial Statements (Continued)**  
**For the Fiscal Year Ended June 30, 2015**

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

**W. Upcoming Government Accounting Standards Implementation (Continued)**

*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.

**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.

**City of San Bernardino**  
**Notes to Basic Financial Statements (Continued)**  
**For the Fiscal Year Ended June 30, 2015**

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**Note 2 – Bankruptcy (Continued)**

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

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.

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.

**City of San Bernardino**  
**Notes to Basic Financial Statements (Continued)**  
**For the Fiscal Year Ended June 30, 2015**

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**Note 2 – Bankruptcy (Continued)**

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

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.

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.

**City of San Bernardino**  
**Notes to Basic Financial Statements (Continued)**  
**For the Fiscal Year Ended June 30, 2015**

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**Note 2 – Bankruptcy (Continued)**

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

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.

**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.

**City of San Bernardino**  
**Notes to Basic Financial Statements (Continued)**  
**For the Fiscal Year Ended June 30, 2015**

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**Note 2 – Bankruptcy (Continued)**

**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.

**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.

**City of San Bernardino**  
**Notes to Basic Financial Statements (Continued)**  
**For the Fiscal Year Ended June 30, 2015**

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**Note 2 – Bankruptcy (Continued)**

**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.

**J. The City’s Plan of Adjustment and Disclosure Statement**

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 October 24, 2016, and perhaps after the outcome of the appeal(s), which likely will not be resolved until 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.

**City of San Bernardino**  
**Notes to Basic Financial Statements (Continued)**  
**For the Fiscal Year Ended June 30, 2015**

**Note 2 – Bankruptcy (Continued)**

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

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](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, 2015 as follows:

	<b>Government-Wide Statement of Net Position</b>			<b>Fiduciary Funds</b>	
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>	<b>Statement of Net Position</b>	<b>Total</b>
Cash and investments	\$ 70,912,465	\$ 49,863,508	\$ 120,775,973	\$ 24,929,891	\$ 145,705,864
Cash and investments with fiscal agent	1,226,630	-	1,226,630	31,489,376	32,716,006
Restricted cash	-	8,161,700	8,161,700	-	8,161,700
Restricted investment - Consent Decree	-	21,125,203	21,125,203	-	21,125,203
<b>Total cash and investments</b>	<b>\$ 72,139,095</b>	<b>\$ 79,150,411</b>	<b>\$ 151,289,506</b>	<b>\$ 56,419,267</b>	<b>\$ 207,708,773</b>

Cash and investments at June 30, 2015, consisted of the following:

<b>Cash:</b>	
Cash on hand	\$ 14,675
Deposits with financial institution	48,285,909
<b>Total Cash</b>	<b>48,300,584</b>
<b>Investments:</b>	
Investments	126,692,183
Investments held by bond trustee	32,716,006
<b>Total Investments</b>	<b>159,408,189</b>
<b>Total Cash and Investments</b>	<b>\$ 207,708,773</b>

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.

**A. Demand Deposits**

The carrying amounts of the City’s demand deposits were \$48,285,909 at June 30, 2015. Bank balances were \$44,331,483 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.

**City of San Bernardino**  
**Notes to Basic Financial Statements (Continued)**  
**For the Fiscal Year Ended June 30, 2015**

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**Note 3 – Cash and Investments (Continued)**

**A. Demand Deposits (Continued)**

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 Fiscal Year Ended June 30, 2015**

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**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 Fiscal Year Ended June 30, 2015**

**Note 3 – Cash and Investments (Continued)**

**D. Risk Disclosures (Continued)**

*Disclosures Relating to Interest Rate Risk (Continued)*

Investment Type	Total	Investment Maturities		
		1 year or fewer	1 to 2 years	2-3 years
LAIF	\$ 4,111,467	\$ 4,111,467	\$ -	\$ -
Commercial paper	984,476	984,476	-	-
Money market mutual funds	24,585,518	24,585,518	-	-
Certificates of deposit	4,281,563	475,329	898,774	2,907,460
Negotiable certificates of deposit	1,994,002	-	1,994,002	-
Federal agency securities	63,695,843	2,637,358	4,531,994	56,526,491
U.S. Treasury obligations	12,677,858	420,630	583,536	11,673,692
Medium-term corporate notes	8,819,792	1,542,413	2,588,775	4,688,604
Asset backed securities	4,534,174	-	79,665	4,454,509
Investment contracts	1,007,490	-	-	1,007,490
Held by bond trustee:				
Money market mutual funds	31,660,006	31,660,006	-	-
Investment contracts	1,056,000	-	-	1,056,000
<b>Total Investments</b>	<b>\$ 159,408,189</b>	<b>\$ 66,417,197</b>	<b>\$ 10,676,746</b>	<b>\$ 82,314,246</b>

*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 Rating	at Year-End AA or AAA	at Year-End A	
LAIF	\$ 4,111,467	N/A	\$ -	\$ -	\$ 4,111,467
Commercial paper	984,476	A-1	-	984,476	-
Money market mutual funds	24,585,518	AA+	17,486,847	7,098,671	-
Certificates of deposit	4,281,563	N/A	1,662,824	1,374,103	1,244,636
Negotiable certificates of deposit	1,994,002	A	-	-	1,994,002
Federal agency securities	63,695,843	AA	63,695,843	-	-
U.S. Treasury obligations	12,677,858	N/A	-	-	12,677,858
Medium-term corporate notes	8,819,792	A	8,819,792	-	-
Asset backed securities	4,534,174	AA	4,534,174	-	-
Investment contracts	1,007,490	N/A	-	-	1,007,490
Held by bond trustee:					
Money market mutual funds	31,660,006	AA+	-	-	31,660,006
Investment contracts	1,056,000	N/A	-	-	1,056,000
	<b>\$ 159,408,189</b>		<b>\$ 96,199,480</b>	<b>\$ 9,457,250</b>	<b>\$ 53,751,459</b>

**City of San Bernardino**  
**Notes to Basic Financial Statements (Continued)**  
**For the Fiscal Year Ended June 30, 2015**

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**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	\$ 30,666,369	19.24%
Federal Home Loan Banks	Federal Agency Securities	22,180,200	13.91%
Federal Home Loan Mortgage Corporation	Federal Agency Securities	10,849,274	6.81%
Local Agency Investment Fund	California Pooled Investment Fund	4,111,467	2.58%

*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, 2015, the City's deposits (bank balances) were collateralized under California Law.

**City of San Bernardino**  
**Notes to Basic Financial Statements (Continued)**  
**For the Fiscal Year Ended June 30, 2015**

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**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, 2015 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, 2015, the City had \$4,111,467 invested in LAIF, which had invested 0.97% 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, 2015, 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, 2015.

**Note 4 – Notes Receivables**

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, 2015, approximately \$6.14 million of notes receivable, net of \$2.55 million allowance for doubtful accounts, were reported in the Federal and State Grants Fund major special revenue fund. At June 30, 2015, the Low and Moderate Income Housing major special revenue fund reported approximately \$34.92 million of notes receivable, net of \$8.12 million allowance for doubtful accounts, were reported. The Successor Agency has eight notes outstanding ranging in amount from approximately \$11,000 to \$463,000 totaling \$1.23 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 Fiscal Year Ended June 30, 2015**

**Note 5 - Interfund Receivables, Payables, and Transfers**

**A. Due To / From Other Funds**

Amounts due to and due from other funds at June 30, 2015, were as follows:

<b>Due From Other Funds</b>	<b>Due To Other Funds</b>					<b>Total</b>
	General Fund	Federal and State Grants Fund	Water Enterprise Fund	Sewer Enterprise Fund	Internal Service Funds	
General Fund	\$ -	\$ 1,512,275	\$ 3,454,363	\$ -	\$ -	\$ 4,966,638
Nonmajor Governmental Funds	-	-	230,300	-	-	230,300
Integrated Waste Enterprise Fund	-	-	2,124,706	398,652	-	\$ 2,523,358
Water Enterprise Fund	970,851	-	-	1,014,037	164,200	2,149,088
Sewer Enterprise Fund	47,865	-	-	-	-	47,865
Total	\$ 1,018,716	\$ 1,512,275	\$ 5,809,369	\$ 1,412,689	\$ 164,200	\$ 9,917,249

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, 2015, were as follows:

<b>Advances To Other Funds</b>	<b>Advances From Other Funds</b>	
	Nonmajor Governmental Funds	Total
Low & Moderate Income Housing Fund	\$ 65,200	\$ 65,200
Nonmajor Governmental Funds	82,000	82,000
Total	\$ 147,200	\$ 147,200

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 Fiscal Year Ended June 30, 2015**

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

**C. Transfers**

Interfund transfers during the year ended June 30, 2015, consisted of the following:

<b>Transfers In</b>	<b>Transfers Out</b>				<b>Total</b>
	General Fund	Federal and State Grants Fund	Integrated Waste Enterprise Fund	Non-major Governmental Funds	
General Fund	\$ -	\$ 16,086	\$ 2,200,000	\$ 753,520	\$ 2,969,606
Low & Moderate Income Housing Fund	-	42,726	-	-	42,726
Non-major Governmental Funds	40,000	-	-	34,065	74,065
Total	\$ 40,000	\$ 58,812	\$ 2,200,000	\$ 787,585	\$ 3,086,397

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

**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 \$18.3 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 Fiscal Year Ended June 30, 2015**

**Note 7 – Capital Assets**

**A. Governmental Activities**

The summary of changes in governmental activities capital assets for the year ended June 30, 2015, is as follows:

	<u>Balance July 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Balance June 30, 2015</u>
<b>Capital assets, not being depreciated:</b>					
Land	\$ 113,844,359	\$ -	\$ -	\$ -	\$ 113,844,359
Construction in progress	14,427,853	4,098,980	-	(4,771,776)	13,755,057
<b>Total capital assets, not being depreciated</b>	<u>128,272,212</u>	<u>4,098,980</u>	<u>-</u>	<u>(4,771,776)</u>	<u>127,599,416</u>
<b>Capital assets, being depreciated:</b>					
Infrastructure	550,143,854	-	-	4,069,912	554,213,766
Buildings and improvements	74,263,662	17,786	(775,346)	701,864	74,207,966
Machinery, vehicles, and equipment	55,599,687	1,669,132	(55,852)	-	57,212,967
<b>Subtotal</b>	<u>680,007,203</u>	<u>1,686,918</u>	<u>(831,198)</u>	<u>4,771,776</u>	<u>685,634,699</u>
<b>Less accumulated depreciation</b>					
Infrastructure	(306,049,976)	(14,517,065)	-	-	(320,567,041)
Buildings and improvements	(59,950,540)	(1,228,848)	664,583	-	(60,514,805)
Machinery, vehicles, and equipment	(50,570,382)	(2,038,886)	55,852	-	(52,553,416)
<b>Subtotal</b>	<u>(416,570,898)</u>	<u>(17,784,799)</u>	<u>720,435</u>	<u>-</u>	<u>(433,635,262)</u>
<b>Total capital assets, being depreciated</b>	<u>263,436,305</u>	<u>(16,097,881)</u>	<u>(110,763)</u>	<u>4,771,776</u>	<u>251,999,437</u>
<b>Intangible assets, being amortized:</b>					
Purchased software	5,946,327	-	-	-	5,946,327
Accumulated amortization	(2,031,662)	(594,633)	-	-	(2,626,295)
<b>Total intangible assets, being amortized</b>	<u>3,914,665</u>	<u>(594,633)</u>	<u>-</u>	<u>-</u>	<u>3,320,032</u>
<b>Total governmental activities capital assets, net</b>	<u>\$ 395,623,182</u>	<u>\$ (12,593,534)</u>	<u>\$ (110,763)</u>	<u>\$ -</u>	<u>\$ 382,918,885</u>

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

General government	\$ 159,445
Public safety	1,615,638
Streets	15,061,762
Culture and recreation	503,800
Community development	7,676
Community services	176,784
Internal service funds	854,327
<b>Total depreciation/amortization expense</b>	<u>\$ 18,379,432</u>

**City of San Bernardino**  
**Notes to Basic Financial Statements (Continued)**  
**For the Fiscal Year Ended June 30, 2015**

**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, 2015, is as follows:

	<b>Balance July 1, 2014</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30, 2015</b>
<b>Capital assets, not being depreciated:</b>				
Land and easements	\$ 17,136,331	\$ 686,112	\$ -	\$ 17,822,443
Construction in progress	15,631,658	16,344,754	(14,519,362)	17,457,050
<b>Total capital assets, not being depreciated</b>	<b>32,767,989</b>	<b>17,030,866</b>	<b>(14,519,362)</b>	<b>35,279,493</b>
<b>Capital assets, being depreciated:</b>				
Water rights, wells, and pumping	99,804,329	1,560,536	-	101,364,865
Distribution systems	138,672,711	8,007,924	-	146,680,635
Building, plant, and store yards	127,489,178	6,253,132	(248,062)	133,494,248
Other capital assets	45,308,848	983,002	(1,583)	46,290,267
<b>Subtotal</b>	<b>411,275,066</b>	<b>16,804,594</b>	<b>(249,645)</b>	<b>427,830,015</b>
<b>Less accumulated depreciation</b>				
Water rights, wells, and pumping	(34,697,421)	(1,572,391)	-	(36,269,812)
Distribution systems	(34,701,375)	(2,792,111)	-	(37,493,486)
Building, plant, and store yards	(92,228,390)	(2,687,785)	-	(94,916,175)
Other capital assets	(36,608,672)	(2,893,249)	1,385	(39,500,536)
<b>Subtotal</b>	<b>(198,235,858)</b>	<b>(9,945,536)</b>	<b>1,385</b>	<b>(208,180,009)</b>
<b>Total capital assets, being depreciated</b>	<b>213,039,208</b>	<b>6,859,058</b>	<b>(248,260)</b>	<b>219,650,006</b>
<b>Total capital assets, net</b>	<b>\$ 245,807,197</b>	<b>\$ 23,889,924</b>	<b>\$ (14,767,622)</b>	<b>\$ 254,929,499</b>

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

Integrated Waste Enterprise Fund	\$ 1,719,302
Water Enterprise Fund	5,355,684
Sewer Enterprise Fund	2,870,550
<b>Total depreciation expense</b>	<b>\$ 9,945,536</b>

**City of San Bernardino**  
**Notes to Basic Financial Statements (Continued)**  
**For the Fiscal Year Ended June 30, 2015**

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**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, 2015, is as follows:

	<b>Balance July 1, 2014</b>	<b>Additions</b>	<b>Reclassifications</b>	<b>Balance June 30, 2015</b>
<b>Capital assets, not being depreciated:</b>				
Land	\$ 11,620,311	\$ -	\$ -	\$ 11,620,311
<b>Total capital assets, not being depreciated</b>	<b>11,620,311</b>	<b>-</b>	<b>-</b>	<b>11,620,311</b>
<b>Capital assets, being depreciated:</b>				
Buildings and improvements	16,519,926	-	-	16,519,926
Machinery, vehicles, and equipment	1,282,198	-	-	1,282,198
<b>Subtotal</b>	<b>17,802,124</b>	<b>-</b>	<b>-</b>	<b>17,802,124</b>
<b>Less accumulated depreciation</b>				
Buildings and improvements	(8,900,729)	(373,430)	-	(9,274,159)
Machinery, vehicles, and equipment	(1,238,327)	(38,531)	-	(1,276,858)
<b>Subtotal</b>	<b>(10,139,056)</b>	<b>(411,961)</b>	<b>-</b>	<b>(10,551,017)</b>
<b>Total capital assets, being depreciated</b>	<b>7,663,068</b>	<b>(411,961)</b>	<b>-</b>	<b>7,251,107</b>
<b>Total capital assets, net</b>	<b>\$ 19,283,379</b>	<b>\$ (411,961)</b>	<b>\$ -</b>	<b>\$ 18,871,418</b>

**City of San Bernardino**  
**Notes to Basic Financial Statements (Continued)**  
**For the Fiscal Year Ended June 30, 2015**

**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, 2015, is as follows:

	Balance July 1, 2014	Debt Issued	Debt Retired	Balance June 30, 2015	Classification	
					Due within One Year	Due in More Than One Year
<b>Governmental Activities:</b>						
Capital leases	\$ 1,220,130	\$ -	\$ (550,957)	\$ 669,173	\$ 380,817	\$ 288,356
HUD CDBG liability	2,064,243	-	(168,761)	1,895,482	500,000	1,395,482
California Department of Finance	1,231,423	-	-	1,231,423	100,000	1,131,423
Notes payable:						
HUD Section 108 - Arden Guthrie	6,822,000	-	(354,000)	6,468,000	384,000	6,084,000
Fire maintenance facility note	1,200,000	-	(100,000)	1,100,000	-	1,100,000
New World Software Agreement	3,506,863	-	(543,651)	2,963,212	559,364	2,403,848
Total notes payable	11,528,863	-	(997,651)	10,531,212	943,364	9,587,848
Lease revenue bonds:						
City Hall Lease (Refunding Bonds, Series 1996)	6,925,000	-	(610,000)	6,315,000	645,000	5,670,000
Total lease revenue bonds	6,925,000	-	(610,000)	6,315,000	645,000	5,670,000
California Infrastructure and Economic Development Bank (CIEDB)						
Fire Station Lease	1,886,595	-	(94,188)	1,792,407	96,938	1,695,469
Street Construction	2,407,844	-	(1,189,821)	1,218,023	1,218,023	-
Harriman Place Street Exention Lease	1,012,559	-	(114,639)	897,920	117,860	780,060
Total CIEDB	5,306,998	-	(1,398,648)	3,908,350	1,432,821	2,475,529
Certificates of participation:						
1999 Certificates of Participation	4,010,000	-	(275,000)	3,735,000	290,000	3,445,000
Total certificates of participation	4,010,000	-	(275,000)	3,735,000	290,000	3,445,000
Pension obligation bonds:						
Taxable Pension Obligation Bonds, 2005 Series A	46,140,860	-	-	46,140,860	46,140,860	-
Add: interest accretion	6,061,639	722,245	-	6,783,884	6,783,884	-
Total pension obligation bonds	52,202,499	722,245	-	52,924,744	52,924,744	-
<b>Total</b>	<b>\$ 84,489,156</b>	<b>\$ 722,245</b>	<b>\$ (4,001,017)</b>	<b>\$ 81,210,384</b>	<b>\$ 57,216,746</b>	<b>\$ 23,993,638</b>

**City of San Bernardino**  
**Notes to Basic Financial Statements (Continued)**  
**For the Fiscal Year Ended June 30, 2015**

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**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, 2015 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 380,817	\$ 39,034	\$ 419,851
2017	121,228	11,542	132,770
2018	81,632	6,877	88,509
2019	85,496	3,013	88,509
<b>Total</b>	<b>\$ 669,173</b>	<b>\$ 60,466</b>	<b>\$ 729,639</b>

Assets acquired through the capital leases are as follows:

	<u>Amount</u>
Machinery, vehicles, and equipment	\$ 5,759,773
Less: accumulated depreciation	(5,115,090)
Total	<u>\$ 644,683</u>

**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 \$1,895,482 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, 2015 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 500,000	\$ -	\$ 500,000
2017	500,000	-	500,000
2018	895,482	-	895,482
<b>Total</b>	<b>\$ 1,895,482</b>	<b>\$ -</b>	<b>\$ 1,895,482</b>

**City of San Bernardino**  
**Notes to Basic Financial Statements (Continued)**  
**For the Fiscal Year Ended June 30, 2015**

**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, 2015 are as follows:

<b>Year Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2016	\$ 100,000	\$ -	\$ 100,000
2017	100,000	-	100,000
2018	100,000	-	100,000
2019	100,000	-	100,000
2020	100,000	-	100,000
2021-2025	500,000	-	500,000
2026-2028	231,423	-	231,423
<b>Total</b>	<b>\$ 1,231,423</b>	<b>\$ -</b>	<b>\$ 1,231,423</b>

**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.

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.

**City of San Bernardino**  
**Notes to Basic Financial Statements (Continued)**  
**For the Fiscal Year Ended June 30, 2015**

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**Note 8 – Long-Term Liabilities (Continued)**

**A. Governmental Activities (Continued)**

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

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, 2015 are as follows:

<b>Year Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
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	494,000	257,193	751,193
2021-2025	3,040,000	812,517	3,852,517
2026-2027	1,268,000	73,069	1,341,069
<b>Total</b>	<b>\$ 6,468,000</b>	<b>\$ 2,407,805</b>	<b>\$ 8,875,805</b>

**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.

The annual debt service requirements for the Fire Maintenance Facility note payable outstanding at June 30, 2015 are as follows:

<b>Year Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2016	\$ -	\$ 55,000	\$ 55,000
2017	-	55,000	55,000
2018	-	55,000	55,000
2019	-	55,000	55,000
2020	1,100,000	27,500	1,127,500
<b>Total</b>	<b>\$ 1,100,000</b>	<b>\$ 247,500</b>	<b>\$ 1,347,500</b>

**City of San Bernardino**  
**Notes to Basic Financial Statements (Continued)**  
**For the Fiscal Year Ended June 30, 2015**

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**Note 8 – Long-Term Liabilities (Continued)**

**A. Governmental Activities (Continued)**

**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, 2015 are as follows:

<b>Year Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2016	\$ 559,364	\$ 85,637	645,001
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
<b>Total</b>	<b>\$ 2,963,212</b>	<b>\$ 261,788</b>	<b>\$ 3,225,000</b>

**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.

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, 2015, the reserve requirement was \$1,497,030 and the amount actually held in the reserve account was \$1,045,669.

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.

**City of San Bernardino**  
**Notes to Basic Financial Statements (Continued)**  
**For the Fiscal Year Ended June 30, 2015**

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**Note 8 – Long-Term Liabilities (Continued)**

**A. Governmental Activities (Continued)**

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

The annual debt service requirements for the Lease Revenue Refunding Bonds (City Hall Project), Series 1996, outstanding at June 30, 2015 are as follows:

<b>Year Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
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	805,000	199,785	1,004,785
2021-2023	2,700,000	313,500	3,013,500
<b>Total</b>	<b>\$ 6,315,000</b>	<b>\$ 1,723,680</b>	<b>\$ 8,038,680</b>

**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, 2015 are as follows:

<b>Year Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
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	108,766	38,922	147,688
2021-2025	593,366	144,352	737,718
2026-2030	685,206	51,171	736,377
<b>Total</b>	<b>\$ 1,792,407</b>	<b>\$ 420,567</b>	<b>\$ 2,212,974</b>

**City of San Bernardino**  
**Notes to Basic Financial Statements (Continued)**  
**For the Fiscal Year Ended June 30, 2015**

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**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, 2015 are as follows:

<b>Year Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2016	1,218,023	14,434	1,232,457
<b>Total</b>	<b>\$ 1,218,023</b>	<b>\$ 14,434</b>	<b>\$ 1,232,457</b>

**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, 2015 are as follows:

<b>Year Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
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	131,676	9,565	141,241
2021-2022	274,558	7,769	282,327
<b>Total</b>	<b>\$ 897,920</b>	<b>\$ 91,106</b>	<b>\$ 989,026</b>

**City of San Bernardino**  
**Notes to Basic Financial Statements (Continued)**  
**For the Fiscal Year Ended June 30, 2015**

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**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, 2015, the reserve requirement was \$1,147,000 and the amount actually held in the reserve account was \$1,114,061. The total outstanding balance of the Certificates at June 30, 2015 was \$8,590,000 of which \$3,735,000 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 \$3,735,000 outstanding balance of the Certificates at June 30, 2015, 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 Fiscal Year Ended June 30, 2015**

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**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, 2015 are as follows:

<b>Year Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
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	360,000	126,225	486,225
2021-2025	<u>2,115,000</u>	<u>303,188</u>	<u>2,418,188</u>
<b>Total</b>	<b><u>\$ 3,735,000</u></b>	<b><u>\$ 1,117,190</u></b>	<b><u>\$ 4,852,190</u></b>

**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, 2015. Please see Note 2 Bankruptcy. Subsequent to June 30, 2015, 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 Fiscal Year Ended June 30, 2015**

**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, 2015 are as follows:

Year Ending June 30,	Principal	Interest	Total
2016	\$ 5,524,973	\$ 2,028,894	\$ 7,553,867
2017	1,418,844	2,028,894	3,447,738
2018	1,384,740	2,028,894	3,413,634
2019	1,353,495	2,028,894	3,382,389
2020	1,319,606	2,028,894	3,348,500
2021-2025	6,268,086	10,133,355	16,401,441
2026-2030	12,550,000	8,382,061	20,932,061
2031-2035	18,515,000	4,051,457	22,566,457
2036	4,590,000	129,163	4,719,163
<b>Total</b>	<b>\$ 52,924,744</b>	<b>\$ 32,840,506</b>	<b>\$ 85,765,250</b>

**B. Business-type Activities**

A summary of changes in the long-term liabilities of the business-type activities for the year ended June 30, 2015, is as follows:

	Balance July 1, 2014	Debt Issued	Debt Retired	Balance June 30, 2015	Classification	
					Due within One Year	Due in More Than One Year
<b>Business-Type Activities:</b>						
Integrated Waste equipment capital leases	\$ 4,792,949	\$ -	\$ (2,140,363)	\$ 2,652,586	\$ 1,438,444	\$ 1,214,142
Notes payable:						
2002 California Infrastructure and Economic Development Bank - Water Note	5,177,248	-	(575,228)	4,602,020	594,440	4,007,580
2007 California Infrastructure and Economic Development Bank - Water Note	7,359,166	-	(479,775)	6,879,391	492,777	6,386,614
2012 California Infrastructure and Economic Development Bank - Water Note	9,586,740	-	(424,046)	9,162,694	435,114	8,727,580
2012 San Bernardino Valley Municipal Water District Note	677,191	-	(204,769)	472,422	225,723	246,699
State Revolving Fund	3,374,135	-	(1,664,425)	1,709,710	1,709,710	-
Total notes payable	<u>26,174,480</u>	<u>-</u>	<u>(3,348,243)</u>	<u>22,826,237</u>	<u>3,457,764</u>	<u>19,368,473</u>
Certificates of participation:						
1998 Sewer Revenue Certificates of Participation	9,340,000	-	(2,965,000)	6,375,000	3,155,000	3,220,000
Less: unamortized discount	(47,636)	-	18,944	(28,692)	-	(28,692)
Total certificates of participation	<u>9,292,364</u>	<u>-</u>	<u>(2,946,056)</u>	<u>6,346,308</u>	<u>3,155,000</u>	<u>3,191,308</u>
<b>Total</b>	<b>\$ 40,259,793</b>	<b>\$ -</b>	<b>\$ (8,434,662)</b>	<b>\$ 31,825,131</b>	<b>\$ 8,051,208</b>	<b>\$ 23,773,923</b>

**City of San Bernardino**  
**Notes to Basic Financial Statements (Continued)**  
**For the Fiscal Year Ended June 30, 2015**

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**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, 2015 are as follows:

<b>Year Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2016	\$ 1,438,444	\$ 78,821	\$ 1,517,265
2017	889,209	32,560	921,769
2018	324,933	7,060	331,993
<b>Total</b>	<b>\$ 2,652,586</b>	<b>\$ 118,441</b>	<b>\$ 2,771,027</b>

Assets acquired through the capital leases are as follows:

	<b>Amount</b>
Machinery, vehicles, and equipment	\$ 19,972,082
Less: accumulated depreciation	(13,265,231)
Total	<b>\$ 6,706,851</b>

**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 Fiscal Year Ended June 30, 2015**

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**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, 2015 are as follows:

<b>Year Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2016	\$ 594,440	\$ 153,708	\$ 748,148
2017	614,294	133,854	748,148
2018	634,812	113,336	748,148
2019	656,014	92,133	748,147
2020	677,925	70,222	748,147
2021-2022	1,424,535	71,760	1,496,295
<b>Total</b>	<b>\$ 4,602,020</b>	<b>\$ 635,013</b>	<b>\$ 5,237,033</b>

**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, 2015 are as follows:

<b>Year Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2016	\$ 492,777	\$ 179,754	\$ 672,531
2017	506,131	166,219	672,350
2018	519,847	152,317	672,164
2019	533,935	138,038	671,973
2020	548,405	123,373	671,778
2021-2025	2,973,170	382,585	3,355,755
2026-2027	1,305,126	35,605	1,340,731
<b>Total</b>	<b>\$ 6,879,391</b>	<b>\$ 1,177,891</b>	<b>\$ 8,057,282</b>

**City of San Bernardino**  
**Notes to Basic Financial Statements (Continued)**  
**For the Fiscal Year Ended June 30, 2015**

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**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, 2015 are as follows:

<b>Year Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2016	\$ 435,114	\$ 233,468	\$ 668,582
2017	446,470	221,963	668,433
2018	458,123	210,158	668,281
2019	470,080	198,045	668,125
2020	482,349	185,616	667,965
2021-2025	2,607,286	729,988	3,337,274
2026-2030	2,965,768	366,828	3,332,596
2031-2032	1,297,504	34,083	1,331,587
<b>Total</b>	<b>\$ 9,162,694</b>	<b>\$ 2,180,149</b>	<b>\$ 11,342,843</b>

**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, 2015 are as follows:

<b>Year Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2016	\$ 225,723	\$ 3,504	\$ 229,227
2017	246,699	1,238	247,937
<b>Total</b>	<b>\$ 472,422</b>	<b>\$ 4,742</b>	<b>\$ 477,164</b>

**City of San Bernardino**  
**Notes to Basic Financial Statements (Continued)**  
**For the Fiscal Year Ended June 30, 2015**

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**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, 2015 are as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 1,709,710	\$ 47,872	\$ 1,757,582

**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, 2015 are as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 3,155,000	\$ 318,750	\$ 3,473,750
2016	3,220,000	161,000	3,381,000
<b>Total</b>	<b>\$ 6,375,000</b>	<b>\$ 479,750</b>	<b>\$ 6,854,750</b>

**City of San Bernardino**  
**Notes to Basic Financial Statements (Continued)**  
**For the Fiscal Year Ended June 30, 2015**

**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, 2015, is as follows:

	Balance July 1, 2014	Debt Issued	Debt Retired	Balance June 30, 2015	Classification	
					Due within One Year	Due in More Than One Year
<b>Fiduciary Activities:</b>						
Notes payable:						
HUD Section 108 - Cinema Project	\$ 2,555,000	\$ -	\$ (490,000)	\$ 2,065,000	\$ 530,000	\$ 1,535,000
CMB Infrastructure Investment Group	33,000,000	-	(12,500,000)	20,500,000	2,500,000	18,000,000
Total notes payable	<u>35,555,000</u>	<u>-</u>	<u>(12,990,000)</u>	<u>22,565,000</u>	<u>3,030,000</u>	<u>19,535,000</u>
Tax allocation bonds:						
Series 1998A, Refunding	8,190,000	-	(985,000)	7,205,000	1,040,000	6,165,000
Series 1998B, Refunding	4,195,000	-	(420,000)	3,775,000	445,000	3,330,000
Series 2002A	2,865,000	-	(85,000)	2,780,000	90,000	2,690,000
Series 2002, Refunding	18,755,000	-	(1,335,000)	17,420,000	1,415,000	16,005,000
Series 2005A, Refunding	37,175,000	-	(2,955,000)	34,220,000	3,125,000	31,095,000
Series 2005B, Refunding	13,915,000	-	(1,140,000)	12,775,000	1,205,000	11,570,000
Series 2006, Taxable	18,860,000	-	(1,555,000)	17,305,000	1,640,000	15,665,000
Series 2010A	5,965,000	-	(200,000)	5,765,000	210,000	5,555,000
Series 2010B	2,590,000	-	(150,000)	2,440,000	145,000	2,295,000
Unamortized discount	(559,016)	-	50,517	(508,499)	-	(508,499)
Unamortized premium	878,915	-	(73,244)	805,671	-	805,671
Total tax allocation bonds	<u>112,829,899</u>	<u>-</u>	<u>(8,847,727)</u>	<u>103,982,172</u>	<u>9,315,000</u>	<u>94,667,172</u>
Mortgage revenue bonds:						
Highland Senior Housing 1995	1,100,000	-	-	1,100,000	65,000	1,035,000
Casa Ramona Senior Housing 1995	970,000	-	-	970,000	60,000	910,000
Total mortgage revenue bonds	<u>2,070,000</u>	<u>-</u>	<u>-</u>	<u>2,070,000</u>	<u>125,000</u>	<u>1,945,000</u>
Certificates of participation:						
1999 Certificates of Participation	5,215,000	-	(360,000)	4,855,000	380,000	4,475,000
Total certificates of participation	<u>5,215,000</u>	<u>-</u>	<u>(360,000)</u>	<u>4,855,000</u>	<u>380,000</u>	<u>4,475,000</u>
<b>Total</b>	<u>\$ 155,669,899</u>	<u>\$ -</u>	<u>\$ (22,197,727)</u>	<u>\$ 133,472,172</u>	<u>\$ 12,850,000</u>	<u>\$ 120,622,172</u>

**City of San Bernardino**  
**Notes to Basic Financial Statements (Continued)**  
**For the Fiscal Year Ended June 30, 2015**

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**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, 2015 are as follows:

<b>Year Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
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
<b>Total</b>	<b>\$ 2,065,000</b>	<b>\$ 112,593</b>	<b>\$ 2,177,593</b>

**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.

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, 2015, \$33,000,000 has been drawn against the Loans.

**City of San Bernardino**  
**Notes to Basic Financial Statements (Continued)**  
**For the Fiscal Year Ended June 30, 2015**

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**Note 8 – Long-Term Liabilities (Continued)**

**C. Fiduciary Fund Financial Statements (Continued)**

**CMB Infrastructure Investment Group Notes Payable (Continued)**

The annual debt service requirements for the CMB Infrastructure Investment Group notes payable outstanding at June 30, 2015 are as follows:

<b>Year Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2016	\$ 2,500,000	\$ 1,010,535	\$ 3,510,535
2017	8,000,000	326,667	8,326,667
2018	10,000,000	408,333	10,408,333
<b>Total</b>	<b>\$ 20,500,000</b>	<b>\$ 1,745,535</b>	<b>\$ 22,245,535</b>

**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, 2015 was \$1,454,366. At June 30, 2015, \$7,205,000 of the bonds were outstanding.

The annual debt service requirements for the Tax Allocation Refunding Bonds, Series 1998A outstanding at June 30, 2015 are as follows:

<b>Year Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
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	1,300,000	116,438	1,416,438
2021	1,375,000	39,531	1,414,531
<b>Total</b>	<b>\$ 7,205,000</b>	<b>\$ 1,310,283</b>	<b>\$ 8,515,283</b>

**City of San Bernardino**  
**Notes to Basic Financial Statements (Continued)**  
**For the Fiscal Year Ended June 30, 2015**

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**Note 8 – Long-Term Liabilities (Continued)**

**C. Fiduciary Fund Financial Statements (Continued)**

**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, 2015, the reserve requirement was \$639,012 and the amount actually held in the reserve account was \$638,669. At June 30, 2015, \$3,775,000 of the bonds were outstanding.

The annual debt service requirements for the Tax Allocation Refunding Bonds, Series 1998B outstanding at June 30, 2015 are as follows:

<b>Year Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
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	560,000	93,000	653,000
2021	1,270,000	38,100	1,308,100
<b>Total</b>	<b>\$ 3,775,000</b>	<b>\$ 812,250</b>	<b>\$ 4,587,250</b>

**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.

**City of San Bernardino**  
**Notes to Basic Financial Statements (Continued)**  
**For the Fiscal Year Ended June 30, 2015**

**Note 8 – Long-Term Liabilities (Continued)**

**C. Fiduciary Fund Financial Statements (Continued)**

**Tax Allocation Bonds, Series 2002A (Continued)**

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, 2015, was \$258,834. At June 30, 2015, \$2,780,000 of the bonds were outstanding.

The annual debt service requirements for the Tax Allocation Bonds, Series 2002A outstanding at June 30, 2015 are as follows:

<b>Year Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
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	115,000	144,000	259,000
2021-2025	685,000	603,835	1,288,835
2026-2030	925,000	355,725	1,280,725
2031-2032	665,000	48,205	713,205
<b>Total</b>	<b>\$ 2,780,000</b>	<b>\$ 1,789,865</b>	<b>\$ 4,569,865</b>

**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.

**City of San Bernardino**  
**Notes to Basic Financial Statements (Continued)**  
**For the Fiscal Year Ended June 30, 2015**

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**Note 8 – Long-Term Liabilities (Continued)**

**C. Fiduciary Fund Financial Statements (Continued)**

**Tax Allocation Refunding Bonds, Series 2002 (Continued)**

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, 2015, was \$1,974,815. At June 30, 2015, \$17,420,000 of the bonds were outstanding.

The annual debt service requirements for the Tax Allocation Refunding Bonds, Series 2002 outstanding at June 30, 2015 are as follows:

<b>Year Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
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	1,790,000	734,590	2,524,590
2021-2025	7,660,000	1,923,238	9,583,238
2026	1,780,000	117,926	1,897,926
<b>Total</b>	<b>\$ 17,420,000</b>	<b>\$ 6,676,358</b>	<b>\$ 24,096,358</b>

**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 \$5,101,721. The balance held in the reserve account as of June 30, 2015 was \$2,086,442. At June 30, 2015, \$34,220,000 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 Fiscal Year Ended June 30, 2015**

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**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, 2015 are as follows:

<b>Year Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2016	\$ 3,125,000	\$ 1,877,806	\$ 5,002,806
2017	3,305,000	1,692,944	4,997,944
2018	3,495,000	1,497,444	4,992,444
2019	3,695,000	1,290,731	4,985,731
2020	3,905,000	1,072,231	4,977,231
2021-2025	14,140,000	2,586,063	16,726,063
2026	2,555,000	73,456	2,628,456
<b>Total</b>	<b>\$ 34,220,000</b>	<b>\$ 10,090,675</b>	<b>\$ 44,310,675</b>

**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 \$1,946,566. The balance held in the reserve account as of June 30, 2015 was \$819,204. At June 30, 2015, \$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 Fiscal Year Ended June 30, 2015**

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**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, 2015 are as follows:

<b>Year Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2016	\$ 1,205,000	\$ 699,919	\$ 1,904,919
2017	1,275,000	628,619	1,903,619
2018	1,350,000	553,150	1,903,150
2019	1,425,000	473,369	1,898,369
2020	1,510,000	388,988	1,898,988
2021-2025	5,080,000	920,575	6,000,575
2026	930,000	26,738	956,738
<b>Total</b>	<b>\$ 12,775,000</b>	<b>\$ 3,691,358</b>	<b>\$ 16,466,358</b>

**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, 40<sup>th</sup> 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, 2015 was \$2,445,247. At June 30, 2015, \$17,305,000 of the bonds were outstanding.

**City of San Bernardino**  
**Notes to Basic Financial Statements (Continued)**  
**For the Fiscal Year Ended June 30, 2015**

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**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, 2015 are as follows:

<b>Year Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
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	1,790,000	630,068	2,420,068
2021-2025	6,180,000	1,758,593	7,938,593
2026-2027	2,275,000	208,485	2,483,485
<b>Total</b>	<b>\$ 17,305,000</b>	<b>\$ 6,217,038</b>	<b>\$ 23,522,038</b>

**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 4<sup>th</sup> 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 \$685,294. The balance held in the reserve account as of June 30, 2015, was \$685,150. At June 30, 2015, \$5,765,000 of the bonds were outstanding.

**City of San Bernardino**  
**Notes to Basic Financial Statements (Continued)**  
**For the Fiscal Year Ended June 30, 2015**

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**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, 2015 are as follows:

<b>Year Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
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	280,000	436,625	716,625
2021-2025	1,785,000	1,796,650	3,581,650
2026-2030	2,765,000	812,613	3,577,613
<b>Total</b>	<b>\$ 5,765,000</b>	<b>\$ 4,973,888</b>	<b>\$ 10,738,888</b>

**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, 2015, was \$306,284. At June 30, 2015, \$2,440,000 of the bonds were outstanding.

**City of San Bernardino**  
**Notes to Basic Financial Statements (Continued)**  
**For the Fiscal Year Ended June 30, 2015**

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**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, 2015 are as follows:

<b>Year Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
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	100,000	133,400	233,400
2021-2025	255,000	589,400	844,400
2026-2028	1,565,000	253,050	1,818,050
<b>Total</b>	<b>\$ 2,440,000</b>	<b>\$ 1,584,450</b>	<b>\$ 4,024,450</b>

**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, 2015 are \$1,100,000.

The annual debt service requirements for the Highland Senior Housing Mortgage Revenue bonds outstanding at June 30, 2015 are as follows:

<b>Year Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
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	90,000	57,569	147,569
2021-2025	565,000	169,466	734,466
2026	145,000	5,528	150,528
<b>Total</b>	<b>\$ 1,100,000</b>	<b>\$ 524,982</b>	<b>\$ 1,624,982</b>

**City of San Bernardino**  
**Notes to Basic Financial Statements (Continued)**  
**For the Fiscal Year Ended June 30, 2015**

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**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, 2015 are \$970,000.

The annual debt service requirements for the Casa Ramona Senior Housing 1995 Mortgage Revenue bonds outstanding at June 30, 2015 are as follows:

<b>Year Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
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	80,000	51,975	131,975
2021-2025	495,000	152,578	647,578
2026	125,000	4,922	129,922
<b>Total</b>	<b>\$ 970,000</b>	<b>\$ 474,469</b>	<b>\$ 1,444,469</b>

**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 Fiscal Year Ended June 30, 2015**

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**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, 2015, the reserve requirement was \$1,147,000 and the amount actually held in the reserve account was \$1,114,061. The total outstanding balance of the Certificates at June 30, 2015, was \$9,225,590,000 of which \$4,855,000 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 \$3,735,000 outstanding balance of the Certificates at June 30, 2015 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, 2015 are as follows:

<b>Year Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
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	470,000	163,900	633,900
2021-2025	2,745,000	393,938	3,138,938
<b>Total</b>	<b>\$ 4,855,000</b>	<b>\$ 1,451,037</b>	<b>\$ 6,306,037</b>

**City of San Bernardino**  
**Notes to Basic Financial Statements (Continued)**  
**For the Fiscal Year Ended June 30, 2015**

**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, 2015.

Year Ending June 30,	Water Utility	Sewer Utility	Total
2016	\$ 228,408	\$ 31,152	\$ 259,560
2017	228,408	31,152	259,560
2018	228,408	31,152	259,560
<b>Total</b>	<b>\$ 685,224</b>	<b>\$ 93,456</b>	<b>\$ 778,680</b>

**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 hour 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, 2015.

**A. Governmental Activities**

A summary of changes in the compensated absences balances for the governmental activities for the year ended June 30, 2015 is as follows:

	Balance			Balance June 30, 2015	Classification	
	July 1, 2014	Additions	Deletions		Due within One Year	Due in More Than One Year
Compensated absences	\$ 11,377,850	\$ (15,610)	\$ (1,406,615)	\$ 9,955,625	\$ 2,986,688	\$ 6,968,937
<b>Total</b>	<b>\$ 11,377,850</b>	<b>\$ (15,610)</b>	<b>\$ (1,406,615)</b>	<b>\$ 9,955,625</b>	<b>\$ 2,986,688</b>	<b>\$ 6,968,937</b>

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

Governmental Funds	\$ 9,507,318
Liability Insurance	23,931
Motorpool	129,487
Telephone Support	10,797
Information Systems	274,481
Utility	5,376
Central Services	4,235
<b>Total</b>	<b>\$ 9,955,625</b>

**City of San Bernardino**  
**Notes to Basic Financial Statements (Continued)**  
**For the Fiscal Year Ended June 30, 2015**

**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, 2015 is as follows:

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015	Classification	
					Due within One Year	Due in More Than One Year
Compensated absences	\$ 1,909,333	\$ 1,623,440	\$ (1,847,006)	\$ 1,685,767	\$ 1,264,508	\$ 421,259
<b>Total</b>	<b>\$ 1,909,333</b>	<b>\$ 1,623,440</b>	<b>\$ (1,847,006)</b>	<b>\$ 1,685,767</b>	<b>\$ 1,264,508</b>	<b>\$ 421,259</b>

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

Integrated Waste Fund	\$ 459,636
Water Fund	941,889
Sewer Fund	284,242
<b>Total</b>	<b>\$ 1,685,767</b>

**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, 2015 is as follows:

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015	Classification	
					Due within One Year	Due in More Than One Year
Compensated absences	\$ 85,681	\$ 9,153	\$ -	\$ 94,834	\$ 94,834	\$ -
<b>Total</b>	<b>\$ 85,681</b>	<b>\$ 9,153</b>	<b>\$ -</b>	<b>\$ 94,834</b>	<b>\$ 94,834</b>	<b>\$ -</b>

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 Fiscal Year Ended June 30, 2015**

**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, 2015, 2014, and 2013, 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>
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
2014-2015	13,952,670	-	924,913	(425,426)	14,452,157

Changes in the workers' compensation claims liability for the governmental activities for the years ended June 30, 2015, 2014, and 2013, 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>
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
2014-2015	20,919,824	-	13,956,479	(5,219,285)	29,657,018

**B. Business-type Activities**

Changes in the workers' compensation claims liability for the business-type activities for the years ended June 30, 2015, 2014, and 2013, 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>
2012-2013	\$ 424,441	\$ 623,037	\$ (210,404)	\$ 837,074
2013-2014	837,074	545,631	(383,102)	999,603
2014-2015	999,603	1,012,935	(559,326)	1,453,212

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 Fiscal Year Ended June 30, 2015**

**Note 12 – Fund Balance Classification**

The City classifies fund balances, as shown on the *Balance Sheet – Governmental Funds*, as follows as of June 30, 2015:

	<b>Major Funds</b>					<b>Total</b>
	General Fund	Federal and State Grants Fund	Low and Moderate Income Housing Fund	Sales and Road Fund	Other Governmental Funds	
<b>Nonspendable</b>						
Notes receivable	\$ -	\$ 3,591,670	\$ 26,843,614	\$ -	\$ -	\$ 30,435,284
Deposits	-	-	-	-	-	-
Prepays	635,493	-	-	-	-	635,493
Advances to other funds	-	-	65,200	-	82,000	147,200
Property held for resale	-	16,260,782	18,324,565	-	-	34,585,347
<b>Total nonspendable</b>	<b>635,493</b>	<b>19,852,452</b>	<b>45,233,379</b>	<b>-</b>	<b>82,000</b>	<b>65,803,324</b>
<b>Restricted</b>						
Housing	-	-	1,453,004	-	-	1,453,004
Street improvements	-	-	-	8,219,581	4,616,768	12,836,349
Cable TV	-	-	-	-	747,396	747,396
Law enforcement	-	-	-	-	1,445,535	1,445,535
Transportation	-	-	-	-	1,995,738	1,995,738
Sewer	-	-	-	-	4,006,729	4,006,729
Debt service	1,226,630	-	-	-	28,552	1,255,182
Capital projects	-	-	-	-	24,784,822	24,784,822
<b>Total restricted</b>	<b>1,226,630</b>	<b>-</b>	<b>1,453,004</b>	<b>8,219,581</b>	<b>37,625,540</b>	<b>48,524,755</b>
<b>Committed</b>						
Animal control	587,907	-	-	-	-	587,907
Soccer field	317,817	-	-	-	-	317,817
<b>Total committed</b>	<b>905,724</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>905,724</b>
<b>Unassigned (deficit)</b>	<b>15,260,350</b>	<b>(766,148)</b>	<b>-</b>	<b>-</b>	<b>(140,069)</b>	<b>14,354,133</b>
<b>Total fund balances</b>	<b>\$ 18,028,197</b>	<b>\$ 19,086,304</b>	<b>\$ 46,686,383</b>	<b>\$ 8,219,581</b>	<b>\$ 37,567,471</b>	<b>\$ 129,587,936</b>

**City of San Bernardino**  
**Notes to Basic Financial Statements (Continued)**  
**For the Fiscal Year Ended June 30, 2015**

**Note 13 – Net Position and Fund Balance Deficits**

At June 30, 2015, the Governmental Activities and Business-Type Activities Statement of Net Position had an unrestricted net position deficit of \$(384,440,896) and \$(47,561,359), respectively.

At June 30, 2015, the following proprietary funds, governmental funds, fiduciary funds have deficits that are anticipated to be funded from future grants, other revenues and operating transfers:

Fund Type	Funds	Deficit
Enterprise	Integrated Waste Fund	\$ (7,570,115)
Debt Service	Assessment District #1015 Fund	(140,069)
Internal Service	Workers' Compensation Fund	(30,244,844)
Internal Service	Liability Insurance Fund	(10,066,894)
Internal Service	Motorpool Fund	(2,301,285)
Internal Service	Information Systems Fund	(2,014,511)
Internal Service	Utility Fund	(397,866)
Internal Service	Central Services Fund	(106,388)
Fiduciary	Successor Agency to the Economic Development Agency of San Bernardino Private-purpose Trust Fund	(19,664,943)

As of June 30, 2015, 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	\$ 382,918,885	\$ 254,929,499	\$ 637,848,384
Less related debt:			
Capital leases payable	(669,173)	(2,652,586)	(3,321,759)
Notes payable	(10,531,212)	(22,826,237)	(33,357,449)
Lease revenue bonds	(6,315,000)	-	(6,315,000)
California Infrastructure Certificates of participation	(3,908,350)	-	(3,908,350)
	(3,735,000)	(6,346,308)	(10,081,308)
Net investment in capital assets	<u>\$ 357,760,150</u>	<u>\$ 223,104,368</u>	<u>\$ 580,864,518</u>

**City of San Bernardino**  
**Notes to Basic Financial Statements (Continued)**  
**For the Fiscal Year Ended June 30, 2015**

**Note 15 – Pension Plans**

**A. Summary**

**Net Pension Liability**

Net Pension Liability is reported in the accompanying statements of net position as follows:

	Net Pension Liability
Miscellaneous Plan - 53	\$ 113,701,106
Safety Plan - 54	167,678,823
City's Pension Total	281,379,929
Successor Agency Plan - 1414	3,815,585
<b>Total</b>	<b>\$ 285,195,514</b>

**Deferred Outflows of Resources**

Deferred Outflows of Resources are reported in the accompanying statements of net position as follows:

	Deferred employer pension contributions made after measurement date	Adjustments due to positive differences in proportions
Miscellaneous Plan - 53	\$ 8,237,102	\$ -
Safety Plan - 54	12,137,270	-
Successor Agency Plan - 1414	19,656	154,504
<b>Total</b>	<b>\$ 20,394,028</b>	<b>\$ 154,504</b>

**Deferred Inflows of Resources**

Deferred Inflows of Resources are reported in the accompanying statements of net position as follows:

	Investment earnings greater than expected earnings	Employer's proportionate share of contributions in excess of the Employer's actual contributions
Miscellaneous Plan - 53	\$ 26,808,942	\$ -
Safety Plan - 54	35,539,756	-
Successor Agency Plan - 1414	1,186,905	299,468
<b>Total</b>	<b>\$ 63,535,603</b>	<b>\$ 299,468</b>

**Pension Expense**

Pension expenses are included in the accompanying statements of revenues, expenses, and change in net position as follows:

	Net Pension Expense
Miscellaneous Plan - 53	\$ 7,145,428
Safety Plan - 54	12,435,765
Successor Agency Plan - 1414	114,673
<b>Total</b>	<b>\$ 19,695,866</b>

**City of San Bernardino**  
**Notes to Basic Financial Statements (Continued)**  
**For the Fiscal Year Ended June 30, 2015**

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**Note 15 – Pension Plans (Continued)**

**B. City Plans**

**Plan Description**

Substantially all City employees working the equivalent of 1,000 hours per fiscal year are eligible to participate in the Safety Plan and Miscellaneous Plan Agent multiple-employer defined benefit plans administered by California Public Employees Retirement System (CalPERS), which acts as a common investment and administrative agent for its participating member employers. Benefit Provisions under the Plans are established by State statutes within the Public Employee's Retirement Law. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office – 400 P Street, Sacramento, CA 95814.

**Benefits Provided**

CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. A classic CalPERS member or PEPRA Safety member becomes eligible for Service Retirement upon attainment of age 55 with at least 5 years of credited service. PEPRA miscellaneous members become eligible for service retirement upon attainment of age 62 with at least 5 years of service. The service retirement benefit is a monthly allowance equal to the product of the benefit factor, years of service, and final compensation. The final compensation is the monthly average of the member's highest 36 or 12 consecutive months' fulltime equivalent monthly pay. Retirement benefits for classic miscellaneous employees are calculated as 2% to 2.7% of the average final 12 months compensation. Retirement benefits for PEPRA miscellaneous employees are calculated as 2% of the average final 36 months compensation. Retirement benefits for classic safety employees are calculated as 3% of the average final 12 months compensation. Retirement benefits for PEPRA safety employees are calculated as 2.7% of the average final 36 months compensation.

Participant is eligible for nonindustrial disability retirement if becomes disabled and has at least 5 years of credited service. There is no special age requirement. The standard nonindustrial disability retirement benefit is a monthly allowance equal to 1.8 percent of final compensation, multiplied by service.

Industrial disability benefits are not offered to miscellaneous employees. The City provides industrial disability retirement benefit to safety employees. The industrial disability retirement benefit is a monthly allowance equal to 50 percent of final compensation.

An employee's beneficiary may receive the basic death benefit if the employee dies while actively employed. The employee must be actively employed with the City to be eligible for this benefit. An employee's survivor who is eligible for any other pre-retirement death benefit may choose to receive that death benefit instead of this basic death benefit. The basic death benefit is a lump sum in the amount of the employee's accumulated contributions, where interest is currently credited at 7.5 percent per year, plus a lump sum in the amount of one month's salary for each completed year of current service, up to a maximum of six months' salary. For purposes of this benefit, one month's salary is defined as the member's average monthly full-time rate of compensation during the 12 months preceding death.

Upon the death of a retiree, a one-time lump sum payment of \$500 will be made to the retiree's designated survivor(s), or to the retiree's estate.

Benefit terms provide for annual cost-of-living adjustments to each employee's retirement allowance. Beginning the second calendar year after the year of retirement, retirement and survivor allowances will be annually adjusted on a compound basis by 2 percent.

**City of San Bernardino**  
**Notes to Basic Financial Statements (Continued)**  
**For the Fiscal Year Ended June 30, 2015**

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**Note 15 – Pension Plans (Continued)**

**B. City Plans (Continued)**

**Employees Covered**

At June 30, 2014, the measurement date, the following employees were covered by the benefit terms for each Plan:

	Miscellaneous	Safety
Active employees	765	345
Transferred and terminated employees	855	123
Retired employees and beneficiaries	1304	661
<b>Total</b>	<b>2924</b>	<b>1129</b>

**Contributions**

Section 20814(c) of the California Public Employees’ Retirement Law (“PERL”) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS’ annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the measurement period ended June 30, 2015, the average active miscellaneous and safety employee contribution rates were 8.00% and 9.000% of annual pay, respectively, and the employer’s contribution rates were 18.186% and 31.455% of miscellaneous and safety employee annual payroll, respectively.

For the year ended June 30, 2015, the plan’s contributions made for each Plan was as follows:

	Miscellaneous	Safety	Aggregate Total
Contributions - employer	\$ 8,237,102	\$ 12,137,270	\$ 20,374,372

**Net Pension Liability**

The City’s net pension liability is measured as the total pension liability, less the pension plan’s fiduciary net position. The net pension liability of the Plan is measured as of June 30, 2014, using an annual actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown on the following page.

**City of San Bernardino**  
**Notes to Basic Financial Statements (Continued)**  
**For the Fiscal Year Ended June 30, 2015**

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**Note 15 – Pension Plans (Continued)**

**B. City Plans (Continued)**

**Actuarial Assumptions**

The total pension liabilities in the June 30, 2013 actuarial valuations were determined using the following actuarial assumptions:

Actuarial Cost Method	Entry Age Normal in accordance with the requirement of GASB Statement No. 68
Actuarial Assumptions:	
Discount Rate	7.50%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.50% Net of Pension Plan Investment and Administrative Expenses; includes Inflation
Mortality Rate Table	Derived using CalPERS' Membership Data for all Funds.
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing

There were no changes in assumptions, benefit terms or other inputs that affected the measurement of the net pension liability. There were no changes between the measurement date of the net pension liability and the reporting date. The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2013 valuations were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can be found on the CalPERS website.

**Discount Rate**

The discount rate used to measure the total pension liability was 7.50 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.50 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.50 percent is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS' website under the GASB 68 section.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50 percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65 percent. Using this lower discount rate has resulted in a slightly higher total pension liability and net pension liability. This difference was deemed immaterial to the agent multiple-employer plan.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Council action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least fiscal year 2018. CalPERS will continue to check the materiality of the difference in calculation until such time as we have changed our methodology.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

**City of San Bernardino**  
**Notes to Basic Financial Statements (Continued)**  
**For the Fiscal Year Ended June 30, 2015**

**Note 15 – Pension Plans (Continued)**

**B. City Plans (Continued)**

**Discount Rate (Continued)**

In determining the long-term expected rate of return, staff took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

Asset Class	New Strategic Allocation	Real Return Years 1-10 <sup>1</sup>	Real Return Years 11+ <sup>2</sup>
Global Equity	47.00%	5.25%	5.71%
Global Fixed Income	19.00	0.99	2.43
Inflation Sensitive	6.00	0.45	3.36
Private Equity	12.00	6.83	6.95
Real Estate	11.00	4.50	5.13
Infrastructure and Forestland	3.00	4.50	5.09
Liquidity	2.00	-0.55	-1.05

<sup>1</sup>An expected inflation of 2.5% used for this period

<sup>2</sup>An expected inflation of 3.0% used for this period.

**Changes in the Net Pension Liability**

The following table shows the changes in net pension liability recognized over the measurement period:

	Miscellaneous Plan		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at June 30, 2013 (Valuation Date)	\$ 486,361,821	\$ 342,796,034	\$ 143,565,787
Changes in the year:			
Service cost	7,664,862	-	7,664,862
Interest on the total pension liabilities	35,857,877	-	35,857,877
Differences between expected and actual experience	-	-	-
Benefit payments, including refunds of members contributions	(24,178,446)	(24,178,446)	-
Contributions - employer	-	10,201,167	(10,201,167)
Contributions - employee	-	4,422,413	(4,422,413)
Net investment income	-	58,763,840	(58,763,840)
Administrative expenses	-	-	-
Net changes	19,344,293	49,208,974	(29,864,681)
Balance at June 30, 2014 (Measurement Date)	\$ 505,706,114	\$ 392,005,008	\$ 113,701,106

**City of San Bernardino**  
**Notes to Basic Financial Statements (Continued)**  
**For the Fiscal Year Ended June 30, 2015**

**Note 15 – Pension Plans (Continued)**

**B. City Plans (Continued)**

**Changes in the Net Pension Liability (Continued)**

	Safety Plan		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at June 30, 2013 (Valuation Date)	\$ 664,483,681	\$ 455,455,761	\$ 209,027,920
Changes in the year:			
Service cost	11,208,178	-	11,208,178
Interest on the total pension liabilities	48,966,477	-	48,966,477
Differences between expected and actual experience	-	-	-
Benefit payments, including refunds of members contributions	(34,402,815)	(34,402,815)	-
Contributions - employer	-	18,245,106	(18,245,106)
Contributions - employee	-	5,184,692	(5,184,692)
Net investment income	-	78,093,954	(78,093,954)
Administrative expenses	-	-	-
Net changes	25,771,840	67,120,937	(41,349,097)
Balance at June 30, 2014 (Measurement Date)	<u>\$ 690,255,521</u>	<u>\$ 522,576,698</u>	<u>\$ 167,678,823</u>

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate**

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

	Plan's Aggregate Net Pension Liability/(Asset)		
	Discount Rate - 1% (6.50%)	Current Discount Rate (7.50%)	Discount Rate + 1% (8.50%)
Miscellaneous Plan - 53	\$ 178,372,789	\$ 113,701,106	\$ 60,053,207
Safety Plan - 54	\$ 258,809,232	\$ 167,678,823	\$ 92,698,487
<b>Aggregate Total</b>	<u>\$ 437,182,021</u>	<u>\$ 281,379,929</u>	<u>\$ 152,751,694</u>

**Pension Plan Fiduciary Net Position** – Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

**City of San Bernardino**  
**Notes to Basic Financial Statements (Continued)**  
**For the Fiscal Year Ended June 30, 2015**

**Note 15 – Pension Plans (Continued)**

**B. City Plans (Continued)**

**Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions**

For the year ended June 30, 2015, the City recognized pension expense in the amounts of \$7,145,428 and \$12,435,765, for the miscellaneous and safety plans, respectively.

The amortization period differs depending on the source of the gain or loss. The difference between projected and actual earnings is amortized over 5-years straight line. All other amounts are amortized straight-line over the average expected remaining service lives of all members that are provided with benefits (active, inactive and retired) as of the beginning of the measurement period.

The Expected Average Remaining Service Lifetime (“EARSL”) is calculated by dividing the total future service years by the total number of plan participants (active, inactive, and retired) in the risk pool. The EARSL for risk pool for the 2013-14 measurement period is 3.8 years, which was obtained by dividing the total service years of 460,700 (the sum of remaining service lifetimes of the active employees) by 122,789 (the total number of participants: active, inactive, and retired).

At June 30, 2015 the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<b>Miscellaneous Plan</b>		
	<b>Deferred outflows of Resources</b>	<b>Deferred inflows of Resources</b>
Difference between projected and actual earning on pension plan investments	\$ -	\$ (26,808,942)
Total	\$ -	\$ (26,808,942)
<b>Safety Plan</b>		
	<b>Deferred outflows of Resources</b>	<b>Deferred inflows of Resources</b>
Difference between projected and actual earning on pension plan investments	\$ -	\$ (35,539,756)
Total	\$ -	\$ (35,539,756)
<b>Aggregate Totals</b>		
	<b>Deferred outflows of Resources</b>	<b>Deferred inflows of Resources</b>
Difference between projected and actual earning on pension plan investments	\$ -	\$ (62,348,698)
Total	\$ -	\$ (62,348,698)

**City of San Bernardino**  
**Notes to Basic Financial Statements (Continued)**  
**For the Fiscal Year Ended June 30, 2015**

**Note 15 – Pension Plans (Continued)**

**B. City Plans (Continued)**

**Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)**

For the Miscellaneous plan and Safety Plan and Miscellaneous Plan, \$8,237,102 and \$12,137,270, respectively, was reported as deferred outflows of resources related to pensions resulting from City’s contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources	
	Miscellaneous Plan	Safety Plan
2016	\$ (6,702,236)	\$ (8,884,939)
2017	(6,702,236)	\$ (8,884,939)
2018	(6,702,236)	(8,884,939)
2019	(6,702,234)	(8,884,939)
2020	-	-
Thereafter	-	-
	<u>\$ (26,808,942)</u>	<u>\$ (35,539,756)</u>

**C. 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. The Classic Plans are closed to new entrants only eligible for employees hired prior to January 1, 2013. Employees hired after January 1, 2013 are eligible to enroll in the PEPRA plans. Benefit Provisions under the Plans are established by State statutes within the Public Employee’s Retirement Law. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office – 400 P Street, Sacramento, CA 95814.

**Benefits Provided**

CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. A classic safety and miscellaneous CalPERS member becomes eligible for Service Retirement upon attainment of age 50 and 55, respectively, with at least 5 years of credited service. Public Employee Pension Reform Act (PEPRA) safety and miscellaneous members become eligible for service retirement upon attainment of age 57 and 62, respectively, with at least 5 years of service. The service retirement benefit is a monthly allowance equal to the product of the benefit factor, years of service, and final compensation. The final compensation is the monthly average of the member's highest 12 full-time equivalent monthly pay. Retirement benefits for classic safety miscellaneous employees are calculated as 3% and 2.7%, respectively, of the average final 12 months compensation. Retirement benefits for PEPRA safety and miscellaneous employees are calculated as 2.7% and 2%, respectively, of the average final 36 months compensation.

Participant is eligible for non-industrial disability retirement if becomes disabled and has at least 5 years of credited service. There is no special age requirement. The standard non-industrial disability retirement benefit is a monthly allowance equal to 1.8% of final compensation, multiplied by service. Industrial disability benefits are not offered to miscellaneous employees.

**City of San Bernardino**  
**Notes to Basic Financial Statements (Continued)**  
**For the Fiscal Year Ended June 30, 2015**

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**Note 15 – Pension Plans (Continued)**

**C. Successor Agency Plan (Continued)**

**Benefits Provided (Continued)**

An employee's beneficiary may receive the basic death benefit if the employee dies while actively employed. The employee must be actively employed with the City to be eligible for this benefit. An employee's survivor who is eligible for any other pre-retirement death benefit may choose to receive that death benefit instead of this basic death benefit. The basic death benefit is a lump sum in the amount of the employee's accumulated contributions, where interest is currently credited at 7.5% per year, plus a lump sum in the amount of one month's salary for each completed year of current service, up to a maximum of six months' salary. For purposes of this benefit, one month's salary is defined as the member's average monthly full-time rate of compensation during the 12 months preceding death.

Upon the death of a retiree, a one-time lump sum payment of \$500 will be made to the retiree's designated survivor(s), or to the retiree's estate.

Benefit terms provide for annual cost-of-living adjustments to each employee's retirement allowance. Beginning the second calendar year after the year of retirement, retirement and survivor allowances will be annually adjusted on a compound basis by 2%.

**Employees Covered**

At June 30, 2015 the following employees were covered by the benefit terms the Plan:

	Successor Agency
Active employees	1
Transferred and terminated employees	44
Retired employees and beneficiaries	68
<b>Total</b>	<b>113</b>

**Contributions**

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through the CalPERS' annual actuarial valuation process. For public agency cost-sharing plans covered by the Miscellaneous risk pools, the Plan's actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs of benefits earned by employees during the year, and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the measurement period ended June 30, 2015 (the measurement date), the active contribution rate was 8% of annual payroll for the Miscellaneous Classic Plan which was paid for by the employer. The average employer's contribution rate was 22.024% of annual payroll for the Miscellaneous Classic Plan.

For the year ended June 30, 2015, employer contributions made for the Successor Agency Miscellaneous Cost-sharing Plan was as follows:

Contributions - employer	\$	19,656
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**City of San Bernardino**  
**Notes to Basic Financial Statements (Continued)**  
**For the Fiscal Year Ended June 30, 2015**

**Note 15 – Pension Plans (Continued)**

**C. Successor Agency Plan (Continued)**

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

The City’s net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plans is measured as of June 30, 2015, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013 rolled forward to June 30, 2015 using standard update procedures. The City’s proportion of the net pension liability was based on a projection of the City’s long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined.

As of June 30, 2015, the City reported net pension liability for its proportionate shares of the net pension liability of the Successor Agency Miscellaneous Plan as follows:

	<b>Increase (Decrease)</b>		
<b>Plan Total Pension Liability</b>	<b>Plan Fiduciary Net Position</b>	<b>Plan Net Pension Liability/(Asset)</b>	
Balance at: 6/30/13 (Valuation date)	\$ 19,910,241	\$ 14,816,615	\$ 5,093,626
Balance at: 6/30/14 (Measurement date)	21,095,092	17,279,507	3,815,585
Net Changes during 2013-2014	1,184,851	2,462,892	(1,278,041)

The following is the approach established by the plan actuary to allocate the net pension liability and pension expense to the individual employers within the risk pool.

- (1) In determining a cost-sharing plan’s proportionate share, total amounts of liabilities and assets are first calculated for the risk pool as a whole on the valuation date (June 30, 2013). The risk pool’s fiduciary net position (“FNP”) subtracted from its total pension liability (“TPL”) determines the net pension liability (“NPL”) at the valuation date.
- (2) Using standard actuarial roll forward methods, the risk pool TPL is then computed at the measurement date (June 30, 2015). Risk pool FNP at the measurement date is then subtracted from this number to compute the NPL for the risk pool at the measurement date. For purposes of FNP in this step and any later reference thereto, the risk pool’s FNP at the measurement date denotes the aggregate risk pool’s FNP at June 30, 2015 less the sum of all additional side fund (or unfunded liability) contributions made by all employers during the measurement period (2013-14).
- (3) The individual plan’s TPL, FNP and NPL are also calculated at the valuation date.
- (4) Two ratios are created by dividing the plan’s individual TPL and FNP as of the valuation date from (3) by the amounts in step (1), the risk pool’s total TPL and FNP, respectively.
- (5) The plan’s TPL as of the Measurement Date is equal to the risk pool TPL generated in (2) multiplied by the TPL ratio generated in (4). The plan’s FNP as of the Measurement Date is equal to the FNP generated in (2) multiplied by the FNP ratio generated in (4) plus any additional side fund (or unfunded liability) contributions made by the employer on behalf of the plan during the measurement period.
- (6) The plan’s NPL at the Measurement Date is the difference between the TPL and FNP calculated in (5).

**City of San Bernardino**  
**Notes to Basic Financial Statements (Continued)**  
**For the Fiscal Year Ended June 30, 2015**

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**Note 15 – Pension Plans (Continued)**

**C. Successor Agency Plan (Continued)**

**Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)**

The City’s proportionate share of the net pension liability for the Successor Agency Miscellaneous Plan as of June 30, 2013 and 2014 was as follows:

Proportion June 30, 2013	0.15545%
Proportion June 30, 2014	0.15438%
Change - Increase (Decrease)	-0.00107%

For the year ended June 30, 2015, the City recognized pension expense in the amount of \$114,673 for the Successor Agency Miscellaneous Plan.

The amortization period differs depending on the source of the gain or loss. The difference between projected and actual earnings is amortized over 5-years straight line. All other amounts are amortized straight-line over the average expected remaining service lives of all members that are provided with benefits (active, inactive and retired) as of the beginning of the measurement period.

The Expected Average Remaining Service Lifetime (“EARSL”) is calculated by dividing the total future service years by the total number of plan participants (active, inactive, and retired) in the risk pool. The EARSL for risk pool for the 2013-14 measurement period is 3.8 years, which was obtained by dividing the total service years of 460,700 (the sum of remaining service lifetimes of the active employees) by 122,789 (the total number of participants: active, inactive, and retired).

At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred outflows of Resources</b>	<b>Deferred inflows of Resources</b>
Difference between projected and actual earning on pension plan investments	\$ -	\$ (1,186,905)
Adjustment due to positive differences in proportions	154,504	-
Employer's proportionate share of contributions share of contributions in excess of the Employer's actual contributions	-	(299,468)
<b>Total</b>	<b>\$ 154,504</b>	<b>\$ (1,486,373)</b>

**City of San Bernardino**  
**Notes to Basic Financial Statements (Continued)**  
**For the Fiscal Year Ended June 30, 2015**

**Note 15 – Pension Plans (Continued)**

**C. Successor Agency Plan (Continued)**

**Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)**

For the Successor Agency Miscellaneous Plan, \$19,656 was reported as deferred outflows of resources related to pensions resulting from City’s contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/ (Inflows) of Resources
2016	\$ (348,499)
2017	(348,499)
2018	(338,144)
2019	(296,727)
2020	-
Thereafter	-
	\$ (1,331,869)

**Actuarial Methods and Assumptions Used to Determine Total Pension Liability**

For the measurement period ended June 30, 2015 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2013 total pension liability. Both the June 30, 2013 and the June 30, 2015 total pension liabilities were based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal in accordance with the requirement of GASB Statement No. 68
Actuarial Assumptions:	
Discount Rate	7.50%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.50% Net of Pension Plan Investment and Administrative Expenses; includes Inflation
Mortality Rate Table	Derived using CalPERS’ Membership Data for all Funds.
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing

All other actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS’ website under Forms and Publications.

**Discount Rate**

The discount rate used to measure the total pension liability was 7.50%. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.50% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.50% is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called “GASB Crossover Testing Report” that can be obtained at CalPERS’ website under the GASB 68 section.

**City of San Bernardino**  
**Notes to Basic Financial Statements (Continued)**  
**For the Fiscal Year Ended June 30, 2015**

**Note 15 – Pension Plans (Continued)**

**C. Successor Agency Plan (Continued)**

**Discount Rate (Continued)**

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50% investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65%. Using this lower discount rate has resulted in a slightly higher total pension liability and net pension liability. This difference was deemed immaterial to the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as we have changed our methodology.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, staff took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent. The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

Asset Class	New Strategic Allocation	Real Return Years 1-10 <sup>1</sup>	Real Return Years 11+ <sup>2</sup>
Global Equity	47.00%	5.25%	5.71%
Global Fixed Income	19.00	0.99	2.43
Inflation Sensitive	6.00	0.45	3.36
Private Equity	12.00	6.83	6.95
Real Estate	11.00	4.50	5.13
Infrastructure and Forestland	3.00	4.50	5.09
Liquidity	2.00	-0.55	-1.05

<sup>1</sup>An expected inflation of 2.5% used for this period

<sup>2</sup>An expected inflation of 3.0% used for this period.

**City of San Bernardino**  
**Notes to Basic Financial Statements (Continued)**  
**For the Fiscal Year Ended June 30, 2015**

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**Note 15 – Pension Plans (Continued)**

**C. Successor Agency Plan (Continued)**

**Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate**

The following presents the City’s proportionate share of the net pension liability for the Successor Agency Miscellaneous Plan, calculated using the discount rate for the Successor Agency Miscellaneous Plan, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

Plan's Aggregate Net Pension Liability/(Asset)		
Discount Rate - 1% (6.50%)	Current Discount Rate (7.50%)	Discount Rate + 1% (8.50%)
\$ 6,614,118	\$ 3,815,585	\$ 1,493,069

**Pension Plan Fiduciary Net Position**

Detailed information about each pension plan’s fiduciary net position is available in the separately issued CalPERS financial reports.

**Payable to the Pension Plan**

At June 30, 2015, the Successor Agency reported a payable of \$0 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2015.

**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.

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.

**City of San Bernardino**  
**Notes to Basic Financial Statements (Continued)**  
**For the Fiscal Year Ended June 30, 2015**

**Note 16 – Settlement with CalPERS (Continued)**

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, 2015 are as follows:

<b>Year Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2016	\$ 6,379,799	\$ 248,581	\$ 6,628,380
<b>Total</b>	<b>\$ 6,379,799</b>	<b>\$ 248,581</b>	<b>\$ 6,628,380</b>

**Note 17 – Settlement with PARS Employees**

The City has entered into a settlement with the holders of the PARS Claims. Pursuant to the settlement: (i) 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 as of the date of termination of the PARS Plans, (ii) the amounts remaining in the PARS Trust and the 415 Trust (approximately \$1.92 million) will be distributed to the PARS Participants pursuant to agreed-upon allocations, and the City will endeavor to make each such distributions in a manner that will minimize adverse tax consequences for each PARS Participant, (iii) the City will make a distribution of \$290,000 on the later of the Effective Date or July 5, 2017, and a distribution \$290,000 on the later of the Effective Date or July 5, 2018, in each case to the PARS Participants pursuant to agreed-upon allocations, and (iv) the City will be discharged from any and all obligations to further fund any PARS Plan or to make any other distributions on account of the PARS Claims.

**Note 18 – Other Post-Employment Benefits**

**A. Summary**

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

	<b>City Plan</b>	<b>Water Department Plan</b>	<b>Total</b>
Governmental Activities	\$ 28,320,567	\$ -	\$ 28,320,567
Integrated Waste Fund	1,680,034	-	1,680,034
Water Fund	-	628,895	628,895
Sewer Fund	-	166,326	166,326
<b>Total</b>	<b>\$ 30,000,601</b>	<b>\$ 795,221</b>	<b>\$ 30,795,822</b>

**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 Fiscal Year Ended June 30, 2015**

**Note 18 – 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 2015, the City contributed \$213,174 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:

	2015	2014	2013
Annual required contribution	\$ 542,000	\$ 4,803,000	\$ 4,482,000
Interest on net OPEB obligation	1,215,000	1,153,000	1,036,000
Adjustment to the annual required contribution	(1,795,000)	(1,588,000)	(1,368,000)
Net OPEB cost	(38,000)	4,368,000	4,150,000
Contributions made:			
Benefit payments (cash subsidy)	(235,174)	(557,952)	(567,000)
Benefit payments (implied subsidy)	(481,826)	(891,048)	(815,000)
Changes in net OPEB obligation	(755,000)	2,919,000	2,768,000
Net OPEB obligation, beginning of the year	30,755,601	27,836,601	25,068,601
Net OPEB obligation, end of year	\$ 30,000,601	\$ 30,755,601	\$ 27,836,601

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2015 and the two preceding years were as follows:

Fiscal Year	Annual OPEB Cost	Actual Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	\$ 4,150,000	\$ 567,000	23%	\$ 27,836,601
2014	4,368,000	557,952	13%	30,755,601
2015	(38,000)	235,174	-619%	30,000,601

**City of San Bernardino**  
**Notes to Basic Financial Statements (Continued)**  
**For the Fiscal Year Ended June 30, 2015**

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**Note 18 – 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, 2015, 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 Fiscal Year Ended June 30, 2015**

**Note 18 – 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 2015, the Department has funded \$2,256,321 for the current year. 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:

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Annual required contribution	\$ 2,707,000	\$ 2,438,000	\$ 2,361,000
Interest on net OPEB obligation	22,032	111,711	-
Adjustment to the annual required contribution	(30,000)	(111,711)	-
Net OPEB cost	2,699,032	2,438,000	2,361,000
Contributions made:	<u>(2,256,321)</u>	<u>(3,872,869)</u>	<u>(573,621)</u>
Changes in net OPEB obligation	442,711	(1,434,869)	1,787,379
Net OPEB obligation, beginning of the year	<u>352,510</u>	<u>1,787,379</u>	<u>-</u>
Net OPEB obligation, end of year	<u>\$ 795,221</u>	<u>\$ 352,510</u>	<u>\$ 1,787,379</u>

The Department’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2015 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>
2013	\$ 2,361,000	\$ 573,621	360%	\$ 1,787,379
2014	2,438,000	3,872,869	24%	352,510
2015	2,699,032	2,256,321	84%	795,221

**City of San Bernardino**  
**Notes to Basic Financial Statements (Continued)**  
**For the Fiscal Year Ended June 30, 2015**

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**Note 18 – Other Post-Employment Benefits (Continued)**

**C. Water Department (Continued)**

*Funded Status and Funding Progress*

As of June 30, 2014, the Plan was 38,22% funded. The actuarial accrued liability for benefits was \$35,012,000 and the actuarial value of assets was \$13,380,000 resulting in unfunded actuarial accrued liabilities (UAAL) of \$21,632,000. The covered payroll (annual payroll of active employees covered by the plan) was \$15,531,000 and the percentage of the UAAL to covered payroll was 139.28%.

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, 2014 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 7.5% initially, reduced by increments to an ultimate rate of 5% in 2012. 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, 2015 was 19 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.

**City of San Bernardino**  
**Notes to Basic Financial Statements (Continued)**  
**For the Fiscal Year Ended June 30, 2015**

**Note 18 – Other Post-Employment Benefits (Continued)**

**D. Successor Agency (Continued)**

***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 2015, the Agency contributed \$24,499 to the plan, which was 100% of the total current premiums.

***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>2015</u>	<u>2014</u>	<u>2013</u>
Annual required contribution	\$ 211,490	\$ 211,490	\$ 211,490
Interest on net OPEB obligation	58,224	50,905	43,095
Adjustment to the annual required contribution	<u>(94,241)</u>	<u>(76,905)</u>	<u>(61,038)</u>
Net OPEB cost	175,473	185,490	193,547
Contributions made:	<u>(24,499)</u>	<u>(22,848)</u>	<u>(19,992)</u>
Increase in net OPEB obligation	150,974	162,642	173,555
Net OPEB obligation, beginning of the year	<u>1,293,866</u>	<u>1,131,224</u>	<u>957,669</u>
Net OPEB obligation, end of year	<u><u>\$ 1,444,840</u></u>	<u><u>\$ 1,293,866</u></u>	<u><u>\$ 1,131,224</u></u>

The Agency’s annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2015 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>
2013	\$ 193,547	\$ 19,992	24%	\$ 1,131,224
2014	185,490	22,848	24%	1,293,866
2015	175,473	24,499	14%	1,444,840

***Funded Status and Funding Progress***

As of June 30, 2008, 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 42.47%.

**City of San Bernardino**  
**Notes to Basic Financial Statements (Continued)**  
**For the Fiscal Year Ended June 30, 2015**

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**Note 18 – 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.

**Note 19 – Jointly Governed Organizations and Joint Ventures**

*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.

**City of San Bernardino**  
**Notes to Basic Financial Statements (Continued)**  
**For the Fiscal Year Ended June 30, 2015**

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**Note 19 – Jointly Governed Organizations and Joint Ventures (Continued)**

***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.

***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.

**City of San Bernardino**  
**Notes to Basic Financial Statements (Continued)**  
**For the Fiscal Year Ended June 30, 2015**

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**Note 20 – 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.

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, 2015 is \$21,125,203.

**Note 21 – 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, 2015, measured using the expected cash flow technique.

**City of San Bernardino**  
**Notes to Basic Financial Statements (Continued)**  
**For the Fiscal Year Ended June 30, 2015**

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**Note 21 – Landfill Closure Liability (Continued)**

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.

**Note 22 – 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, 2015, 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, 2015. 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 \$44.11 million for the primary government as of June 30, 2015. 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. 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.

**C. 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 Fiscal Year Ended June 30, 2015**

**Note 23 – Restatement of Prior Year Balances**

**A. Government-Wide Financial Statements**

The beginning net position at July 1, 2014 of the Government-wide Financial Statements was restated as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Net position at July 1, 2014, as originally reported	\$ 409,663,060	\$ 278,394,025
Prior period adjustments:		
Net pension liability due to the implementation of GASB 68	(321,952,269)	(57,749,505)
Notes receivable adjustment	(10,906,404)	-
Net position at July 1, 2014, as restated	<u>\$ 76,804,387</u>	<u>\$ 220,644,520</u>

**B. Governmental Fund Financial Statements**

The beginning fund balances at July 1, 2014 for the governmental funds were restated as follows:

	<u>Major Funds</u>	
	<u>Federal and State Grants Fund</u>	<u>Low and Moderate Income Housing Fund</u>
Fund balance (deficit) at July 1, 2014, as originally stated	\$ 19,642,193	\$ 58,052,555
Adjust notes receivable	289,579	(11,195,983)
Net position at July 1, 2014, as restated	<u>\$ 19,931,772</u>	<u>\$ 46,856,572</u>

**C. Proprietary Fund Financial Statements**

The beginning fund balances at July 1, 2014 for the proprietary funds were restated as follows:

	<u>Enterprise Funds</u>		
	<u>Integrated Waste Fund</u>	<u>Water Fund</u>	<u>Sewer Fund</u>
Net position (deficit) at July 1, 2014, as originally reported	\$ (2,309,785)	\$ 175,525,354	\$ 105,178,460
Net pension liability due to the implementation of GASB 68	(8,732,564)	(27,939,656)	(21,077,289)
Net position at July 1, 2014, as restated	<u>\$ (11,042,349)</u>	<u>\$ 147,585,698</u>	<u>\$ 84,101,171</u>

**City of San Bernardino**  
**Notes to Basic Financial Statements (Continued)**  
**For the Fiscal Year Ended June 30, 2015**

**Note 23 – Restatement of Prior Year Balances (Continued)**

**C. Proprietary Fund Financial Statements (Continued)**

	Internal Service Funds						
	Workers' Compensation Fund	Liability Insurance Fund	Motorool Fund	Telephone Support Fund	Information Systems Fund	Utility Fund	
Net position (deficit) at July 1, 2014, as originally reported	\$ (20,009,355)	\$ (9,536,141)	\$ 555,078	\$ 696,092	\$ 1,801,099	\$ (277,431)	\$ 2,265
Net pension liability due to the implementation of GASB 68	(213,293)	(189,295)	(2,784,119)	(420,879)	(2,775,796)	(3,499)	(109,610)
Net position at July 1, 2014, as restated	<u>\$ (20,222,648)</u>	<u>\$ (9,725,436)</u>	<u>\$ (2,229,041)</u>	<u>\$ 275,213</u>	<u>\$ (974,697)</u>	<u>\$ (280,930)</u>	<u>\$ (107,345)</u>

**D. Fiduciary Fund Financial Statements**

The beginning fund balances at July 1, 2014 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, 2014, as originally reported	\$ (34,021,521)
Prior period adjustments:	
Net pension liability due to the implementation of GASB 68	(5,032,781)
Net position at July 1, 2014, as restated	<u><u>\$ (39,054,302)</u></u>

**Note 24 – 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 Fiscal Year Ended June 30, 2015**

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**Note 24 – 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, 2015.

**City of San Bernardino**  
**Notes to Basic Financial Statements (Continued)**  
**For the Fiscal Year Ended June 30, 2015**

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**Note 24 – 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, 2015.

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 25 – 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 Fiscal Year Ended June 30, 2015**

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**Note 25 – 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.

**E. Loans with the San Bernardino Valley Municipal Water District**

On December 1st, 2015, the Board of Water Commissioners approved a loan with the San Bernardino Valley Municipal Water District up to \$1.2 million for the UV System Rehabilitation Project.

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**REQUIRED SUPPLEMENTARY INFORMATION**

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**City of San Bernardino**  
**Required Supplementary Information (Unaudited)**  
**Budgetary Information**  
**For the Year Ended June 30, 2015**

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**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.

The City does not adopt a budget for the Low and Moderate Income Housing Special Revenue Fund.

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, 2015**

**Budgetary Comparison Schedules – General Fund**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES:</b>				
Taxes	\$ 96,397,200	\$ 97,447,200	\$ 102,643,713	\$ 5,196,513
Licenses and permits	9,734,449	9,734,449	10,219,955	485,506
Fines and forfeitures	2,457,172	2,774,172	1,496,318	(1,277,854)
Use of money and property	33,000	33,000	238,085	205,085
Lease revenue	870,100	870,100	396,250	(473,850)
Intergovernmental	1,751,982	2,891,570	2,513,115	(378,455)
Charges for services	7,454,914	7,454,914	6,527,548	(927,366)
Other revenues	4,126,433	4,126,433	4,468,664	342,231
<b>Total revenues</b>	<b>122,825,250</b>	<b>125,331,838</b>	<b>128,503,648</b>	<b>3,171,810</b>
<b>EXPENDITURES:</b>				
Current:				
General government	15,561,262	20,609,472	17,914,214	2,695,258
Public safety	85,520,518	87,541,277	81,478,514	6,062,763
Streets	4,936,364	5,080,140	5,248,083	(167,943)
Culture and recreation	6,957,331	7,410,753	7,922,486	(511,733)
Community development	3,806,157	3,533,215	2,883,598	649,617
Community service	1,383,275	1,566,575	1,585,596	(19,021)
Debt service:				
Principal	2,171,615	2,171,615	8,733,983	(6,562,368)
Interest and fiscal charges	704,942	704,942	1,028,086	(323,144)
<b>Total expenditures</b>	<b>121,041,464</b>	<b>128,617,989</b>	<b>126,794,560</b>	<b>1,823,429</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>1,783,786</b>	<b>(3,286,151)</b>	<b>1,709,088</b>	<b>4,995,239</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	5,161,214	5,161,214	2,969,606	(2,191,608)
Transfers out	(2,341,214)	(2,341,214)	(40,000)	2,301,214
<b>Total other financing sources (uses)</b>	<b>2,820,000</b>	<b>2,820,000</b>	<b>2,929,606</b>	<b>109,606</b>
<b>Net change in fund balance</b>	<b>\$ 4,603,786</b>	<b>\$ (466,151)</b>	<b>4,638,694</b>	<b>\$ 5,104,845</b>
<b>Fund Balance:</b>				
Beginning of year			13,389,503	
End of year			<u>\$ 18,028,197</u>	

**City of San Bernardino**  
**Required Supplementary Information (Unaudited) (Continued)**  
**For the Year Ended June 30, 2015**

**Budgetary Comparison Schedules – Federal and State Grants Special Revenue Fund**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES:</b>				
Licenses and permits	\$ -	\$ -	\$ 1,100	\$ 1,100
Use of money and property	-	-	13,055	13,055
Intergovernmental	19,582,628	22,038,197	13,582,107	(8,456,090)
Other revenues	-	-	1,283,529	1,283,529
<b>Total revenues</b>	<b>19,582,628</b>	<b>22,038,197</b>	<b>14,879,791</b>	<b>(7,158,406)</b>
<b>EXPENDITURES:</b>				
Current:				
General government	6,839,869	11,009,468	4,762,115	(6,247,353)
Public safety	3,198,049	4,185,622	3,513,809	(671,813)
Streets	637,145	637,145	185,826	(451,319)
Culture and recreation	1,371,535	1,874,535	2,067,600	193,065
Community development	232,500	1,002,963	294,763	(708,200)
Community service	3,683,526	3,943,526	3,523,531	(419,995)
Debt Service:				
Principal	488,900	934,052	934,052	-
Interest and fiscal charges	-	337,524	384,751	47,227
<b>Total expenditures</b>	<b>16,451,524</b>	<b>23,924,835</b>	<b>15,666,447</b>	<b>(8,258,388)</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>3,131,104</b>	<b>(1,886,638)</b>	<b>(786,656)</b>	<b>(15,416,794)</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers out	-	-	(58,812)	(58,812)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>(58,812)</b>	<b>(58,812)</b>
<b>CHANGE IN FUND BALANCE</b>	<b>\$ 3,131,104</b>	<b>\$ (1,886,638)</b>	<b>(845,468)</b>	<b>\$ 1,041,170</b>
<b>FUND BALANCE:</b>				
Beginning of year, as restated (Note 23)			19,931,772	
End of year			<u>\$ 19,086,304</u>	

**City of San Bernardino**  
**Required Supplementary Information (Unaudited) (Continued)**  
**For the Year Ended June 30, 2015**

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

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES:</b>				
Licenses and permits	\$ -	\$ -	\$ 1,800	\$ 1,800
Use of money and property	-	-	75,448	75,448
Intergovernmental	-	-	19,636	19,636
Charges for services	-	-	179	179
Other revenues	-	-	61,277	61,277
<b>Total revenues</b>	<u>-</u>	<u>-</u>	<u>158,340</u>	<u>158,340</u>
<b>EXPENDITURES:</b>				
Current:				
Community development	-	-	372,256	372,256
<b>Total expenditures</b>	<u>-</u>	<u>-</u>	<u>372,256</u>	<u>372,256</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>-</u>	<u>-</u>	<u>(213,916)</u>	<u>530,596</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers from Successor Agency	-	-	1,001	1,001
Transfers in	-	-	42,726	42,726
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>-</u>	<u>43,727</u>	<u>43,727</u>
<b>CHANGE IN FUND BALANCE</b>	<u>\$ -</u>	<u>\$ -</u>	<u>(170,189)</u>	<u>\$ (170,189)</u>
<b>FUND BALANCE:</b>				
Beginning of year, as restated (Note 23)			<u>46,856,572</u>	
End of year			<u>\$ 46,686,383</u>	

**City of San Bernardino**  
**Required Supplementary Information (Unaudited) (Continued)**  
**For the Year Ended June 30, 2015**

**Budgetary Comparison Schedules – Sales and Road Special Revenue Fund**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES:</b>				
Taxes	\$ 3,055,630	3,055,630	\$ 3,384,653	\$ 329,023
Use of money and property	-	-	77,274	77,274
Intergovernmental	-	-	229	229
<b>Total revenues</b>	<u>3,055,630</u>	<u>3,055,630</u>	<u>3,462,156</u>	<u>406,526</u>
<b>EXPENDITURES:</b>				
Current:				
Streets	9,938,174	9,938,174	2,442,558	(7,495,616)
Debt Service:				
Principal	-	-	6,508	6,508
<b>Total expenditures</b>	<u>9,938,174</u>	<u>9,938,174</u>	<u>2,449,066</u>	<u>(7,489,108)</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(6,882,544)</u>	<u>(6,882,544)</u>	<u>1,013,090</u>	<u>(7,082,582)</u>
<b>CHANGE IN FUND BALANCE</b>	<u>\$ (6,882,544)</u>	<u>\$ (6,882,544)</u>	<u>1,013,090</u>	<u>\$ 7,895,634</u>
<b>FUND BALANCE:</b>				
Beginning of year			<u>7,206,491</u>	
End of year			<u>\$ 8,219,581</u>	

**City of San Bernardino**  
**Required Supplementary Information (Unaudited) (Continued)**  
**For the Year Ended June 30, 2015**

**Schedules of Funding Progress – Other Postemployment Benefit Plans**

<b>Actuarial Valuation Date</b>	<b>Actuarial Assets Value</b>	<b>Entry Age Actuarial Accrued Liability</b>	<b>Unfunded Actuarial Accrued Liability</b>	<b>Funded Ratio</b>	<b>Covered Payroll</b>	<b>Unfunded Actuarial Liability as Percentage of Covered Payroll</b>
<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>						
6/30/2010	\$ -	\$ 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%
6/30/2014*	13,380,000	35,012,000	21,632,000	38.22%	15,531,000	139.28%
<i>Successor Agency</i>						
6/30/2008*	\$ -	\$ 749,208	\$ 749,208	0.00%	\$ 1,764,100	42.47%

\* Most recent actuarial valuation available

**City of San Bernardino**  
**Required Supplementary Information (Unaudited) (Continued)**  
**For the Year Ended June 30, 2015**

**Schedules of Changes in the Net Position Liability and Related Ratios – Last Ten Years\***

**City Miscellaneous Plan - 53**  
**As of June 30, 2015**

<b>Total Pension Liability</b>	<u><b>2013-14</b></u>
Service cost	\$ 7,664,862
Interest on total pension liability	35,857,877
Differences between expected and actual experience	-
Changes in assumptions	-
Changes in benefit terms	-
Benefit payments, including refunds of employee contributions	(24,178,446)
<b>Net change in total pension liability</b>	<u>19,344,293</u>
<b>Total pension liability - beginning</b>	486,361,821
<b>Total pension liability - ending (a)</b>	<u><u>\$ 505,706,114</u></u>
<b>Plan fiduciary net position</b>	
Contributions - employer	\$ 10,201,167
Contributions - employee	4,422,413
Investment income (net of administrative expenses)	58,763,840
Benefit payments	(24,178,446)
Other	-
<b>Net change in plan fiduciary net position</b>	<u>49,208,974</u>
<b>Plan fiduciary net position - beginning</b>	342,796,034
<b>Plan fiduciary net position - ending (b)</b>	<u><u>\$ 392,005,008</u></u>
<b>Net pension liability - ending (a)-(b)</b>	<u><u>\$ 113,701,106</u></u>
Plan fiduciary net position as a percentage of the total pension liability	77.52%
Covered-employee payroll	\$ 41,173,517
Net pension liability as a percentage of covered- employee payroll	276.15%

**Notes to Schedule:**

**Benefit changes:** the figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2013. This applies for voluntary benefit changes as well as any offers of Two Years of Additional Service Credit (a.k.a. Golden Handshakes).

**Changes in assumptions:** there were no changes in assumptions.

**City of San Bernardino**  
**Required Supplementary Information (Unaudited) (Continued)**  
**For the Year Ended June 30, 2015**

**Schedules of Changes in the Net Position Liability and Related Ratios – Last Ten Years\* (Continued)**

**City Safety Plan - 54**  
**As of June 30, 2015**

<b>Total Pension Liability</b>	<u><b>2013-14</b></u>
Service cost	\$ 11,208,178
Interest on total pension liability	48,966,477
Differences between expected and actual experience	-
Changes in assumptions	-
Changes in benefit terms	-
Benefit payments, including refunds of employee contributions	(34,402,815)
<b>Net change in total pension liability</b>	<u>25,771,840</u>
<b>Total pension liability - beginning</b>	664,483,681
<b>Total pension liability - ending (a)</b>	<u><u>\$ 690,255,521</u></u>
<b>Plan fiduciary net position</b>	
Contributions - employer	\$ 18,245,106
Contributions - employee	5,184,692
Investment income (net of administrative expenses)	78,093,954
Benefit payments	(34,402,815)
Other	-
<b>Net change in plan fiduciary net position</b>	<u>67,120,937</u>
<b>Plan fiduciary net position - beginning</b>	455,455,761
<b>Plan fiduciary net position - ending (b)</b>	<u><u>\$ 522,576,698</u></u>
<b>Net pension liability - ending (a)-(b)</b>	<u><u>\$ 167,678,823</u></u>
Plan fiduciary net position as a percentage of the total pension liability	75.71%
Covered-employee payroll	\$ 39,718,552
Net pension liability as a percentage of covered-employee payroll	422.17%

**Notes to Schedule:**

**Benefit changes:** the figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2013. This applies for voluntary benefit changes as well as any offers of Two Years of Additional Service Credit (a.k.a. Golden Handshakes).

**Changes in assumptions:** there were no changes in assumptions.

**City of San Bernardino**  
**Required Supplementary Information (Unaudited) (Continued)**  
**For the Year Ended June 30, 2015**

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**Schedule of the Successor Agency's Proportionate Share of the Net Pension Liability and Related Ratios – Last Ten Years\***

**Successor Agency Plan-1414**  
**For the Year Ended June 30, 2015**

Measurement Period	June 30, 2014 <sup>1</sup>
Successor Agency's Proportion of the Net Pension Liability	0.06132%
Successor Agency's Proportionate Share of the net Pension Liability	\$ 3,815,585
Successor Agency's Covered-Employee Payroll	\$ 451,000
Successor Agency's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered-Employee Payroll	69.16%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Total Pension Liability	83.77%

<sup>1</sup> Historical information is required only for measurement periods for which GASB 68 is applicale.

**City of San Bernardino**  
**Required Supplementary Information (Unaudited) (Continued)**  
**For the Year Ended June 30, 2015**

**Schedule of Contributions – Last Ten Years\***

**City Miscellaneous Plan - 53**  
**As of June 30, 2015**

	<b>2014-15<sup>1</sup></b>	<b>2013-14<sup>1</sup></b>
Actuarially determined contribution	\$ 8,237,102	\$ 10,201,167
Contributions in relation to the actuarially determined contributions <sup>2</sup>	(8,237,102)	(10,201,167)
<b>Contribution deficiency (excess)</b>	<b>\$ -</b>	<b>\$ -</b>
Covered-employee payroll <sup>3,4</sup>	\$ 42,408,723	\$ 41,173,517
Contributions as a percentage of covered-employee payroll <sup>3</sup>	19.42%	24.78%

<sup>1</sup> Historical information is required only for measurement periods for which GASB 68 is applicable.

<sup>2</sup> Employers are assumed to make contributions equal to the actuarially determined contributions. However, some employers may choose to make additional contributions towards their unfunded liability. Employer contributions for such plans exceed the actuarially determined contributions.

<sup>3</sup> Covered-Employee Payroll represented above is based on pensionable earnings provided by the employer. However, GASB 68 defines covered-employee payroll as the total payroll of employees that are provided pensions through the pension plan. Accordingly, if pensionable earnings are different than total earnings for covered-employees, the employer should display in the disclosure footnotes the payroll based on total earnings for the covered group and recalculate the required payroll-related ratios.

<sup>4</sup> Payroll from prior year (\$39,374,288) was assumed to increase by the 3.00% payroll growth assumption.

**Notes to Schedule**

Valuation date: 6/30/2013

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2013-14 were from the June 30, 2011 public agency valuations.

**Methods and assumptions used to determine contribution rates:**

Actuarial cost method	Entry Age Normal
Amortization method/period	For details, see June 30, 2011 Funding Valuation Report
Asset valuation method	Actuarial Value of Assets. For details, see June 30, 2011 Funding Valuation Report.
Inflation	2.75%
Salary increases	Varies by entry age and service
Payroll growth	3.00%
Investment rate of return	7.50%, net of pension plan investment and administrative expenses, including inflation
Retirement age	The probabilities of retirement are based on the 2010 CalPERS Experience study for the period from 1997 to 2007.
Mortality	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.

**City of San Bernardino**  
**Required Supplementary Information (Unaudited) (Continued)**  
**For the Year Ended June 30, 2015**

**Schedule of Contributions – Last Ten Years\* (Continued)**

**City Safety Plan - 54**  
**As of June 30, 2015**

	<u>2014-15<sup>1</sup></u>	<u>2013-14<sup>1</sup></u>
Actuarially determined contribution	\$ 12,137,270	\$ 18,245,106
Contributions in relation to the actuarially determined contributions <sup>2</sup>	(12,137,270)	(18,245,106)
<b>Contribution deficiency (excess)</b>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll <sup>3,4</sup>	\$ 40,910,109	\$ 39,718,552
Contributions as a percentage of covered-employee payroll <sup>3</sup>	29.67%	45.94%

<sup>1</sup> Historical information is required only for measurement periods for which GASB 68 is applicable.

<sup>2</sup> Employers are assumed to make contributions equal to the actuarially determined contributions. However, some employers may choose to make additional contributions towards their unfunded liability. Employer contributions for such plans exceed the actuarially determined contributions.

<sup>3</sup> Covered-Employee Payroll represented above is based on pensionable earnings provided by the employer. However, GASB 68 defines covered-employee payroll as the total payroll of employees that are provided pensions through the pension plan. Accordingly, if pensionable earnings are different than total earnings for covered-employees, the employer should display in the disclosure footnotes the payroll based on total earnings for the covered group and recalculate the required payroll-related ratios.

<sup>4</sup> Payroll from prior year (\$38,561,701) was assumed to increase by the 3.00% payroll growth assumption.

**Notes to Schedule**

Valuation date: 6/30/2013

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2013-14 were from the June 30, 2011 public agency valuations.

**Methods and assumptions used to determine contribution rates:**

Actuarial cost method	Entry Age Normal
Amortization method/period	For details, see June 30, 2011 Funding Valuation Report
Asset valuation method	Actuarial Value of Assets. For details, see June 30, 2011 Funding Valuation Report.
Inflation	2.75%
Salary increases	Varies by entry age and service
Payroll growth	3.00%
Investment rate of return	7.50%, net of pension plan investment and administrative expenses, including inflation
Retirement age	The probabilities of retirement are based on the 2010 CalPERS Experience study for the period from 1997 to 2007.
Mortality	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.

**City of San Bernardino**  
**Required Supplementary Information (Unaudited) (Continued)**  
**For the Year Ended June 30, 2015**

**Schedule of Contributions – Last Ten Years\* (Continued)**

**Successor Agency Plan - 1414**  
**As of June 30, 2015**

	<u>2014-15<sup>1</sup></u>	<u>2013-14<sup>1</sup></u>
Actuarially determined contribution	\$ 19,656	\$ 60,842
Contributions in relation to the actuarially determined contributions <sup>2</sup>	(19,656)	(60,842)
<b>Contribution deficiency (excess)</b>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll <sup>3,4</sup>	\$ 464,530	\$ 451,000
Contributions as a percentage of covered-employee payroll <sup>3</sup>	4.23%	13.49%

<sup>1</sup> Historical information is required only for measurement periods for which GASB 68 is applicable.

<sup>2</sup> Employers are assumed to make contributions equal to the actuarially determined contributions. However, some employers may choose to make additional contributions towards their unfunded liability. Employer contributions for such plans exceed the actuarially determined contributions.

<sup>3</sup> Covered-Employee Payroll represented above is based on pensionable earnings provided by the employer. However, GASB 68 defines covered-employee payroll as the total payroll of employees that are provided pensions through the pension plan. Accordingly, if pensionable earnings are different than total earnings for covered-employees, the employer should display in the disclosure footnotes the payroll based on total earnings for the covered group and recalculate the required payroll-related ratios.

<sup>4</sup> Payroll from prior year (\$437,864) was assumed to increase by the 3.00% payroll growth assumption.

**Notes to Schedule**

Valuation date: 6/30/2013

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2013-14 were from the June 30, 2011 public agency valuations.

**Methods and assumptions used to determine contribution rates:**

Actuarial cost method	Entry Age Normal
Amortization method/period	For details, see June 30, 2011 Funding Valuation Report
Asset valuation method	Actuarial Value of Assets. For details, see June 30, 2011 Funding Valuation Report.
Inflation	2.75%
Salary increases	Varies by entry age and service
Payroll growth	3.00%
Investment rate of return	7.50%, net of pension plan investment and administrative expenses, including inflation
Retirement age	The probabilities of retirement are based on the 2010 CalPERS Experience study for the period from 1997 to 2007.
Mortality	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.

## **SUPPLEMENTARY INFORMATION**

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# NON-MAJOR GOVERNMENTAL FUNDS

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## **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 Verdemon Fire Station.

## **DEBT SERVICE FUNDS:**

***Assessment District #987 Fund*** - This fund is used to account for the collection of the Verdemon 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.

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# NON-MAJOR GOVERNMENTAL FUNDS

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## **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 #1015 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, 2015**

	Special Revenue				
	Cable TV	Asset Seizure	Alternative Transportation	Special Gas Tax	Traffic Safety
<b>ASSETS</b>					
Cash and investments	\$ 747,591	\$ 1,416,272	\$ 696,590	\$ 5,059,175	\$ 1,671,569
Receivables:					
Accounts	67,762	32,775	24	-	-
Interest	1,206	2,324	1,124	8,092	-
Special assessments	-	-	-	-	-
Due from other governments	-	-	69,254	-	55
Due from other funds	-	-	-	-	-
Advances to other funds	-	-	-	-	-
<b>Total assets</b>	<b>\$ 816,559</b>	<b>\$ 1,451,371</b>	<b>\$ 766,992</b>	<b>\$ 5,067,267</b>	<b>\$ 1,671,624</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 67,745	\$ 64,260	\$ 50	\$ 450,499	\$ 442,828
Accrued payroll and related liabilities	1,418	-	-	-	-
Deposits	-	20,000	-	-	-
Retentions payable	-	-	-	-	-
Advances from other funds	-	-	-	-	-
<b>Total liabilities</b>	<b>69,163</b>	<b>84,260</b>	<b>50</b>	<b>450,499</b>	<b>442,828</b>
<b>Deferred inflows of resources:</b>					
Unavailable revenues	-	-	-	-	-
<b>Total deferred inflows of resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund Balances:</b>					
Nonspendable	-	-	-	-	-
Restricted	747,396	1,367,111	766,942	4,616,768	1,228,796
Unassigned (deficit)	-	-	-	-	-
<b>Total fund balances</b>	<b>747,396</b>	<b>1,367,111</b>	<b>766,942</b>	<b>4,616,768</b>	<b>1,228,796</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 816,559</b>	<b>\$ 1,451,371</b>	<b>\$ 766,992</b>	<b>\$ 5,067,267</b>	<b>\$ 1,671,624</b>

(Continued)

**City of San Bernardino**  
**Combining Balance Sheet (Continued)**  
**Non-Major Governmental Funds**  
**June 30, 2015**

	Special Revenue		Debt Service		Capital Projects
	Sewerline Maintenance	Fire Station	Assessment District #987	Assessment District #1015	Verdemont
<b>ASSETS</b>					
Cash and investments	\$ 3,889,359	\$ 354,862	\$ -	\$ 6,574	\$ 267,044
Receivables:					
Accounts	-	-	-	-	-
Interest	6,800	1,743	-	98	430
Special assessments	-	-	-	52,331	-
Due from other governments	-	640	-	459	-
Due from other funds	230,300	-	-	-	-
Advances to other funds	41,000	-	-	-	-
<b>Total assets</b>	<b>\$ 4,167,459</b>	<b>\$ 357,245</b>	<b>\$ -</b>	<b>\$ 59,462</b>	<b>\$ 267,474</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 119,730	\$ -	\$ -	\$ -	\$ 3,465
Accrued payroll and related liabilities	-	-	-	-	-
Deposits	-	-	-	-	-
Retentions payable	-	-	-	-	-
Advances from other funds	-	-	-	147,200	-
<b>Total liabilities</b>	<b>119,730</b>	<b>-</b>	<b>-</b>	<b>147,200</b>	<b>3,465</b>
<b>Deferred inflows of resources:</b>					
Unavailable revenues	-	278,821	-	52,331	-
<b>Total deferred inflows of resources</b>	<b>-</b>	<b>278,821</b>	<b>-</b>	<b>52,331</b>	<b>-</b>
<b>Fund Balances:</b>					
Nonspendable	41,000	-	-	-	-
Restricted	4,006,729	78,424	-	-	264,009
Unassigned (deficit)	-	-	-	(140,069)	-
<b>Total fund balances</b>	<b>4,047,729</b>	<b>78,424</b>	<b>-</b>	<b>(140,069)</b>	<b>264,009</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 4,167,459</b>	<b>\$ 357,245</b>	<b>\$ -</b>	<b>\$ 59,462</b>	<b>\$ 267,474</b>

(Continued)

**City of San Bernardino**  
**Combining Balance Sheet (Continued)**  
**Non-Major Governmental Funds**  
**June 30, 2015**

	Capital Projects				
	Fire Equipment Acquisition	Park Construction Fee	Cemetery Construction	Sewerline Construction	Storm Drain Construction
<b>ASSETS</b>					
Cash and investments	\$ 48,828	\$ 396,295	\$ -	\$ 3,211,886	\$ 3,557,261
Receivables:					
Accounts	-	-	-	-	-
Interest	79	639	-	5,143	5,739
Special assessments	-	-	-	-	-
Due from other governments	-	-	-	-	-
Due from other funds	-	-	-	-	-
Advances to other funds	-	-	-	41,000	-
<b>Total assets</b>	<b>\$ 48,907</b>	<b>\$ 396,934</b>	<b>\$ -</b>	<b>\$ 3,258,029</b>	<b>\$ 3,563,000</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts payable	\$ -	\$ -	\$ -	\$ 14,704	\$ 23,732
Accrued payroll and related liabilities	-	-	-	-	153
Deposits	-	-	-	-	-
Retentions payable	-	47,900	-	-	12,804
Advances from other funds	-	-	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>47,900</b>	<b>-</b>	<b>14,704</b>	<b>36,689</b>
<b>Deferred inflows of resources:</b>					
Unavailable revenues	-	-	-	-	-
<b>Total deferred inflows of resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund Balances:</b>					
Nonspendable	-	-	-	41,000	-
Restricted	48,907	349,034	-	3,202,325	3,526,311
Unassigned (deficit)	-	-	-	-	-
<b>Total fund balances</b>	<b>48,907</b>	<b>349,034</b>	<b>-</b>	<b>3,243,325</b>	<b>3,526,311</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 48,907</b>	<b>\$ 396,934</b>	<b>\$ -</b>	<b>\$ 3,258,029</b>	<b>\$ 3,563,000</b>

(Continued)

**City of San Bernardino**  
**Combining Balance Sheet (Continued)**  
**Non-Major Governmental Funds**  
**June 30, 2015**

	Capital Projects				
	Special Assessments	Cultural Development Construction Fee	Assessment District #1015	Impact Fees	Street Construction
<b>ASSETS</b>					
Cash and investments	\$ 216,189	\$ 2,797,142	\$ -	\$ 14,055,097	\$ 196,671
Receivables:					
Accounts	-	-	-	-	139,104
Interest	20	4,513	-	22,693	-
Special assessments	-	-	-	-	-
Due from other governments	12,334	-	-	261,160	-
Due from other funds	-	-	-	-	-
Advances to other funds	-	-	-	-	-
<b>Total assets</b>	<b>\$ 228,543</b>	<b>\$ 2,801,655</b>	<b>\$ -</b>	<b>\$ 14,338,950</b>	<b>\$ 335,775</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 114,782	\$ 8,880	\$ -	\$ 720,273	\$ 257,335
Accrued payroll and related liabilities	-	-	-	-	-
Deposits	22,769	-	-	-	-
Retentions payable	-	-	-	-	7,537
Advances from other funds	-	-	-	-	-
<b>Total liabilities</b>	<b>137,551</b>	<b>8,880</b>	<b>-</b>	<b>720,273</b>	<b>264,872</b>
<b>Deferred inflows of resources:</b>					
Unavailable revenues	-	-	-	261,160	42,351
<b>Total deferred inflows of resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>261,160</b>	<b>42,351</b>
<b>Fund Balances:</b>					
Nonspendable	-	-	-	-	-
Restricted	90,992	2,792,775	-	13,357,517	28,552
Unassigned (deficit)	-	-	-	-	-
<b>Total fund balances</b>	<b>90,992</b>	<b>2,792,775</b>	<b>-</b>	<b>13,357,517</b>	<b>28,552</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 228,543</b>	<b>\$ 2,801,655</b>	<b>\$ -</b>	<b>\$ 14,338,950</b>	<b>\$ 335,775</b>

(Continued)

**City of San Bernardino**  
**Combining Balance Sheet (Continued)**  
**Non-Major Governmental Funds**  
**June 30, 2015**

	Capital Projects		
	Public Improvements	Prop 1B Local Street	Total Other Governmental Funds
<b>ASSETS</b>			
Cash and investments	\$ 1,103,290	\$ 66,161	\$ 39,757,856
Receivables:			
Accounts	-	-	239,665
Interest	1,780	107	62,530
Special assessments	-	-	52,331
Due from other governments	-	-	343,902
Due from other funds	-	-	230,300
Advances to other funds	-	-	82,000
<b>Total assets</b>	<b>\$ 1,105,070</b>	<b>\$ 66,268</b>	<b>\$ 40,768,584</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable	\$ -	\$ 2,367	\$ 2,290,650
Accrued payroll and related liabilities	-	-	1,571
Deposits	-	-	42,769
Retentions payable	-	16,019	84,260
Advances from other funds	-	-	147,200
<b>Total liabilities</b>	<b>-</b>	<b>18,386</b>	<b>2,566,450</b>
<b>Deferred inflows of resources:</b>			
Unavailable revenues	-	-	634,663
<b>Total deferred inflows of resources</b>	<b>-</b>	<b>-</b>	<b>634,663</b>
<b>Fund Balances:</b>			
Nonspendable	-	-	82,000
Restricted	1,105,070	47,882	37,625,540
Unassigned (deficit)	-	-	(140,069)
<b>Total fund balances</b>	<b>1,105,070</b>	<b>47,882</b>	<b>37,567,471</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 1,105,070</b>	<b>\$ 66,268</b>	<b>\$ 40,768,584</b>

*(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, 2015**

	Special Revenue				
	Cable TV	Asset Seizure	Alternative Transportation	Special Gas Tax	Traffic Safety
<b>REVENUES:</b>					
Taxes	\$ 265,329	\$ -	\$ -	\$ -	\$ -
Licenses and Permits	-	-	-	-	-
Impact fees	-	-	-	-	-
Fines and forfeitures	-	-	-	-	363,341
Use of money and property	7,624	13,339	7,987	50,509	-
Intergovernmental	-	476,895	265,618	5,322,606	27,962
Charges for Services	120	-	-	-	-
Other revenues	37,569	-	-	-	-
<b>Total revenues</b>	<b>310,642</b>	<b>490,234</b>	<b>273,605</b>	<b>5,373,115</b>	<b>391,303</b>
<b>EXPENDITURES:</b>					
Current:					
General government	270,404	-	65,997	-	-
Public safety	-	228,718	-	-	166,816
Streets	-	-	-	4,367,244	-
Culture and recreation	-	-	-	-	-
Debt service:					
Principal	-	-	4,339	3,615	-
Interest and fiscal charges	-	-	-	-	-
<b>Total expenditures</b>	<b>270,404</b>	<b>228,718</b>	<b>70,336</b>	<b>4,370,859</b>	<b>166,816</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>40,238</b>	<b>261,516</b>	<b>203,269</b>	<b>1,002,256</b>	<b>224,487</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>CHANGE IN FUND BALANCE</b>	<b>40,238</b>	<b>261,516</b>	<b>203,269</b>	<b>1,002,256</b>	<b>224,487</b>
<b>FUND BALANCE:</b>					
Beginning of year	707,158	1,105,595	563,673	3,614,512	1,004,309
End of year	\$ 747,396	\$ 1,367,111	\$ 766,942	\$ 4,616,768	\$ 1,228,796

(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, 2015**

	Special Revenue		Debt Service		Capital Projects
	Sewerline Maintenance	Fire Station	Assessment District #987	Assessment District #1015	Verdemont
<b>REVENUES:</b>					
Taxes	\$ -	\$ 732,044	\$ -	\$ 62,917	\$ -
Licenses and Permits	-	-	-	-	-
Impact fees	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-
Use of money and property	47,332	9,497	-	557	2,715
Intergovernmental	-	-	-	-	-
Charges for Services	3,080,742	-	-	-	33,011
Other revenues	-	-	-	-	-
<b>Total revenues</b>	<b>3,128,074</b>	<b>741,541</b>	<b>-</b>	<b>63,474</b>	<b>35,726</b>
<b>EXPENDITURES:</b>					
Current:					
General government	-	-	-	-	-
Public safety	-	725,800	-	-	-
Streets	2,045,537	-	6,725	10,882	20,965
Culture and recreation	-	-	-	-	-
Debt service:					
Principal	61,463	-	-	-	-
Interest and fiscal charges	-	-	-	15,864	-
<b>Total expenditures</b>	<b>2,107,000</b>	<b>725,800</b>	<b>6,725</b>	<b>26,746</b>	<b>20,965</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>1,021,074</b>	<b>15,741</b>	<b>(6,725)</b>	<b>36,728</b>	<b>14,761</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers in	-	-	-	34,065	-
Transfers out	(700,000)	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>(700,000)</b>	<b>-</b>	<b>-</b>	<b>34,065</b>	<b>-</b>
<b>CHANGES IN FUND BALANCES</b>	<b>321,074</b>	<b>15,741</b>	<b>(6,725)</b>	<b>70,793</b>	<b>14,761</b>
<b>FUND BALANCES:</b>					
Beginning of year	3,726,655	62,683	6,725	(210,862)	249,248
End of year	<b>\$ 4,047,729</b>	<b>\$ 78,424</b>	<b>\$ -</b>	<b>\$ (140,069)</b>	<b>\$ 264,009</b>

(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, 2015**

	Capital Projects				
	Fire Equipment Acquisition	Park Construction Fee	Cemetery Construction	Sewerline Construction	Storm Drain Construction
<b>REVENUES:</b>					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and Permits	-	-	-	-	-
Impact fees	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-
Use of money and property	473	3,068	-	36,488	35,572
Intergovernmental	-	223,841	-	-	-
Charges for Services	-	-	-	422,848	368,374
Other revenues	-	-	-	-	-
<b>Total revenues</b>	<b>473</b>	<b>226,909</b>	<b>-</b>	<b>459,336</b>	<b>403,946</b>
<b>EXPENDITURES:</b>					
Current:					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Streets	-	253	-	19,479	162,137
Culture and recreation	-	-	-	-	-
Debt service:					
Principal	-	-	-	1,446	4,339
Interest and fiscal charges	-	-	-	-	-
<b>Total expenditures</b>	<b>-</b>	<b>253</b>	<b>-</b>	<b>20,925</b>	<b>166,476</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>473</b>	<b>226,656</b>	<b>-</b>	<b>438,411</b>	<b>237,470</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers in	-	-	-	-	-
Transfers out	-	-	(53,520)	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>(53,520)</b>	<b>-</b>	<b>-</b>
<b>CHANGES IN FUND BALANCES</b>	<b>473</b>	<b>226,656</b>	<b>(53,520)</b>	<b>438,411</b>	<b>237,470</b>
<b>FUND BALANCES:</b>					
Beginning of year	48,434	122,378	53,520	2,804,914	3,288,841
End of year	<b>\$ 48,907</b>	<b>\$ 349,034</b>	<b>\$ -</b>	<b>\$ 3,243,325</b>	<b>\$ 3,526,311</b>

(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, 2015**

	Capital Projects				
	Special Assessments	Cultural Development Construction Fee	Assessment District #1015	Impact Fees	Street Construction
<b>REVENUES:</b>					
Taxes	\$ 1,160,124	\$ -	\$ -	\$ -	\$ -
Licenses and Permits	-	1,003,838	-	-	-
Impact fees	-	-	-	2,915,704	-
Fines and forfeitures	-	-	-	-	-
Use of money and property	-	28,426	-	148,812	-
Intergovernmental	-	-	-	-	779,580
Charges for Services	-	-	-	-	-
Other revenues	-	-	-	-	-
<b>Total revenues</b>	<b>1,160,124</b>	<b>1,032,264</b>	<b>-</b>	<b>3,064,516</b>	<b>779,580</b>
<b>EXPENDITURES:</b>					
Current:					
General government	-	15,612	-	-	-
Public safety	-	-	-	-	-
Streets	1,112,074	-	-	853,531	303,512
Culture and recreation	25,612	-	-	-	-
Debt service:					
Principal	47,001	-	-	96,357	723
Interest and fiscal charges	-	-	-	59,373	-
<b>Total expenditures</b>	<b>1,184,687</b>	<b>15,612</b>	<b>-</b>	<b>1,009,261</b>	<b>304,235</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(24,563)</b>	<b>1,016,652</b>	<b>-</b>	<b>2,055,255</b>	<b>475,345</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers in	40,000	-	-	-	-
Transfers out	-	-	(34,065)	-	-
<b>Total other financing sources (uses)</b>	<b>40,000</b>	<b>-</b>	<b>(34,065)</b>	<b>-</b>	<b>-</b>
<b>CHANGES IN FUND BALANCES</b>	<b>15,437</b>	<b>1,016,652</b>	<b>(34,065)</b>	<b>2,055,255</b>	<b>475,345</b>
<b>FUND BALANCES:</b>					
Beginning of year	75,555	1,776,123	34,065	11,302,262	(446,793)
End of year	\$ 90,992	\$ 2,792,775	\$ -	\$ 13,357,517	\$ 28,552

(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, 2015**

	Capital Projects		Total Other Governmental Funds
	Public Improvements	Prop 1B Local Street	
<b>REVENUES:</b>			
Taxes	\$ -	\$ -	\$ 2,220,414
Licenses and Permits	-	-	1,003,838
Impact fees	-	-	2,915,704
Fines and forfeitures	-	-	363,341
Use of money and property	11,249	715	404,363
Intergovernmental	-	-	7,096,502
Charges for Services	-	-	3,905,095
Other revenues	-	-	37,569
<b>Total revenues</b>	11,249	715	17,946,826
<b>EXPENDITURES:</b>			
Current:			
General government	-	-	352,013
Public safety	-	-	1,121,334
Streets	-	430	8,902,769
Culture and recreation	-	-	25,612
Debt service:			
Principal	-	3,615	222,898
Interest and fiscal charges	-	-	75,237
<b>Total expenditures</b>	-	4,045	10,699,863
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	11,249	(3,330)	7,246,963
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers in	-	-	74,065
Transfers out	-	-	(787,585)
<b>Total other financing sources (uses)</b>	-	-	(713,520)
<b>CHANGE IN FUND BALANCE</b>	11,249	(3,330)	6,533,443
<b>FUND BALANCE:</b>			
Beginning of year	1,093,821	51,212	31,034,028
End of year	\$ 1,105,070	\$ 47,882	\$ 37,567,471

*(Concluded)*

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# INTERNAL SERVICE FUNDS

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**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, 2015**

	Unemployment Insurance	Workers' Compensation	Liability Insurance	Motorpool	Telephone Support
<b>ASSETS</b>					
Current assets:					
Cash and investments	\$ 46,805	\$ 107,962	\$ 4,626,886	\$ 545,145	\$ 801,617
Accounts receivable	-	-	-	-	1,025
Inventories	-	-	-	267,167	-
<b>Total current assets</b>	<b>46,805</b>	<b>107,962</b>	<b>4,626,886</b>	<b>812,312</b>	<b>802,642</b>
Noncurrent assets:					
Capital assets, net	-	-	-	45,764	-
<b>Total noncurrent assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>45,764</b>	<b>-</b>
<b>Total assets</b>	<b>46,805</b>	<b>107,962</b>	<b>4,626,886</b>	<b>858,076</b>	<b>802,642</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Pension contributions made after measurement date	-	12,148	11,144	165,989	25,108
<b>Total deferred outflows of resources</b>	<b>-</b>	<b>12,148</b>	<b>11,144</b>	<b>165,989</b>	<b>25,108</b>
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable	38,912	9,998	37,958	356,956	103,273
Payroll and related liabilities	-	-	288	-	-
Due to other funds	-	-	-	-	88,000
Unearned revenue	-	459,954	-	-	-
Long-term debt - due within one year	-	-	-	-	-
Compensated absences - due within one year	-	18,000	14,000	42,000	4,000
Claims payable - due within one year	-	5,571,121	182,822	-	-
<b>Total current liabilities</b>	<b>38,912</b>	<b>6,059,073</b>	<b>235,068</b>	<b>398,956</b>	<b>195,273</b>
Noncurrent liabilities:					
Long-term debt - due in more than one year	-	-	-	-	-
Aggregate net pension liability	-	168,122	154,226	2,297,252	347,488
Compensated absences - due in more than one year	-	12,221	9,931	87,487	6,797
Claims payable - due in more than one year	-	24,085,897	14,269,335	-	-
<b>Total noncurrent liabilities</b>	<b>-</b>	<b>24,266,240</b>	<b>14,433,492</b>	<b>2,384,739</b>	<b>354,285</b>
<b>Total liabilities</b>	<b>38,912</b>	<b>30,325,313</b>	<b>14,668,560</b>	<b>2,783,695</b>	<b>549,558</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Actual earnings in excess of projected earnings on pension plan investments	-	39,641	36,364	541,655	81,932
<b>Total deferred inflows of resources</b>	<b>-</b>	<b>39,641</b>	<b>36,364</b>	<b>541,655</b>	<b>81,932</b>
<b>NET POSITION</b>					
Net investment in capital assets	-	-	-	45,764	-
Unrestricted (deficit)	7,893	(30,244,844)	(10,066,894)	(2,347,049)	196,260
<b>Total net position</b>	<b>\$ 7,893</b>	<b>\$ (30,244,844)</b>	<b>\$ (10,066,894)</b>	<b>\$ (2,301,285)</b>	<b>\$ 196,260</b>

(Continued)

**City of San Bernardino**  
**Combining Statement of Net Position (Continued)**  
**All Internal Service Funds**  
**June 30, 2015**

	Information Systems	Utility	Central Services	Total
<b>ASSETS</b>				
Current assets:				
Cash and investments	\$ 540,523	\$ 1,065,485	\$ 5,915	\$ 7,740,338
Accounts receivable	-	-	380	1,405
Inventories	-	-	-	267,167
<b>Total current assets</b>	<b>540,523</b>	<b>1,065,485</b>	<b>6,295</b>	<b>8,008,910</b>
Noncurrent assets:				
Capital assets, net	3,650,571	1,921	-	3,698,256
<b>Total noncurrent assets</b>	<b>3,650,571</b>	<b>1,921</b>	<b>-</b>	<b>3,698,256</b>
<b>Total assets</b>	<b>4,191,094</b>	<b>1,067,406</b>	<b>6,295</b>	<b>11,707,166</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension contributions made after measurement date	165,649	-	6,537	386,575
<b>Total deferred outflows of resources</b>	<b>165,649</b>	<b>-</b>	<b>6,537</b>	<b>386,575</b>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	224,275	1,035,044	3,188	1,809,604
Payroll and related liabilities	-	-	-	288
Due to other funds	76,200	-	-	164,200
Unearned revenue	-	-	-	459,954
Long-term debt - due within one year	559,364	71,053	-	630,417
Compensated absences - due within one year	78,000	2,200	1,500	159,700
Claims payable - due within one year	-	-	-	5,753,943
<b>Total current liabilities</b>	<b>937,839</b>	<b>1,108,297</b>	<b>4,688</b>	<b>8,978,106</b>
Noncurrent liabilities:				
Long-term debt - due in more than one year	2,403,848	353,799	-	2,757,647
Aggregate net pension liability	2,292,541	-	90,466	5,350,095
Compensated absences - due in more than one year	196,481	3,176	2,735	318,828
Claims payable - due in more than one year	-	-	-	38,355,232
<b>Total noncurrent liabilities</b>	<b>4,892,870</b>	<b>356,975</b>	<b>93,201</b>	<b>46,781,802</b>
<b>Total liabilities</b>	<b>5,830,709</b>	<b>1,465,272</b>	<b>97,889</b>	<b>55,759,908</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Actual earnings in excess of projected earnings on pension plan investments	540,545	-	21,331	1,261,468
<b>Total deferred inflows of resources</b>	<b>540,545</b>	<b>-</b>	<b>21,331</b>	<b>1,261,468</b>
<b>NET POSITION</b>				
Net investment in capital assets	687,359	1,921	-	735,044
Unrestricted (deficit)	(2,701,870)	(399,787)	(106,388)	(45,662,679)
<b>Total net position</b>	<b>\$ (2,014,511)</b>	<b>\$ (397,866)</b>	<b>\$ (106,388)</b>	<b>\$ (44,927,635)</b>

*(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, 2015**

	Unemployment Insurance	Workers' Compensation	Liability Insurance	Motorpool	Telephone Support
<b>OPERATING REVENUES:</b>					
Charges for services	229,226	4,983,194	2,570,635	4,573,267	987,762
<b>Total operating revenues</b>	<b>229,226</b>	<b>4,983,194</b>	<b>2,570,635</b>	<b>4,573,267</b>	<b>987,762</b>
<b>OPERATING EXPENSES:</b>					
Cost of sales and services	3,825	1,048,911	193,541	5,275,499	987,339
Claims expense	217,508	13,956,479	2,708,850	-	-
Amortization	-	-	-	-	-
Depreciation	-	-	-	61,909	80,043
<b>Total operating expenses</b>	<b>221,333</b>	<b>15,005,390</b>	<b>2,902,391</b>	<b>5,337,408</b>	<b>1,067,382</b>
<b>Operating income (loss)</b>	<b>7,893</b>	<b>(10,022,196)</b>	<b>(331,756)</b>	<b>(764,141)</b>	<b>(79,620)</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>					
Interest income	-	-	(9,702)	(1,189)	(1,644)
Interest expense	-	-	-	-	-
Miscellaneous income	-	-	-	693,086	2,311
<b>Total nonoperating revenues (expenses)</b>	<b>-</b>	<b>-</b>	<b>(9,702)</b>	<b>691,897</b>	<b>667</b>
<b>Income (loss) before transfers</b>	<b>7,893</b>	<b>(10,022,196)</b>	<b>(341,458)</b>	<b>(72,244)</b>	<b>(78,953)</b>
<b>Changes in net position</b>	<b>7,893</b>	<b>(10,022,196)</b>	<b>(341,458)</b>	<b>(72,244)</b>	<b>(78,953)</b>
<b>NET POSITION:</b>					
Beginning of year, as restated (Note 23)	-	(20,222,648)	(9,725,436)	(2,229,041)	275,213
End of year	<b>\$ 7,893</b>	<b>\$ (30,244,844)</b>	<b>\$ (10,066,894)</b>	<b>\$ (2,301,285)</b>	<b>\$ 196,260</b>

*(Continued)*

**City of San Bernardino**  
**Combining Statement of Revenues, Expenses, and Changes in Net Position (Continued)**  
**All Internal Service Funds**  
**For the Year Ended June 30, 2015**

	Information Systems	Utility	Central Services	Total
<b>OPERATING REVENUES:</b>				
Charges for services	2,441,758	5,040,073	117,498	20,943,413
<b>Total operating revenues</b>	<b>2,441,758</b>	<b>5,040,073</b>	<b>117,498</b>	<b>20,943,413</b>
<b>OPERATING EXPENSES:</b>				
Cost of sales and services	2,667,431	5,150,581	116,541	15,443,668
Claims expense	-	-	-	16,882,837
Amortization	594,633	-	-	594,633
Depreciation	111,314	6,428	-	259,694
<b>Total operating expenses</b>	<b>3,373,378</b>	<b>5,157,009</b>	<b>116,541</b>	<b>33,180,832</b>
<b>Operating income (loss)</b>	<b>(931,620)</b>	<b>(116,936)</b>	<b>957</b>	<b>(12,237,419)</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>				
Interest income	(3,239)	-	-	(15,774)
Interest expense	(101,348)	-	-	(101,348)
Gain (loss) on disposal of capital assets	(3,607)	-	-	691,790
<b>Total nonoperating revenues (expenses)</b>	<b>(108,194)</b>	<b>-</b>	<b>-</b>	<b>574,668</b>
<b>Income (loss) before transfers</b>	<b>(1,039,814)</b>	<b>(116,936)</b>	<b>957</b>	<b>(11,662,751)</b>
<b>Changes in net position</b>	<b>(1,039,814)</b>	<b>(116,936)</b>	<b>957</b>	<b>(11,662,751)</b>
<b>NET POSITION:</b>				
Beginning of year, as restated (Note 23)	(974,697)	(280,930)	(107,345)	(33,264,884)
End of year	<u>\$ (2,014,511)</u>	<u>\$ (397,866)</u>	<u>\$ (106,388)</u>	<u>\$ (44,927,635)</u>

*(Concluded)*

**City of San Bernardino**  
**Combining Statement of Cash Flows**  
**All Internal Service Funds**  
**For the Year Ended June 30, 2015**

	Unemployment Insurance	Workers' Compensation	Liability Insurance	Motorpool	Telephone Support
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
Cash received from user departments	\$ 229,226	\$ 6,428,733	\$ 2,570,635	\$ 4,573,267	\$ 987,483
Cash payments to suppliers and employees for goods and services	(41,874)	(1,101,486)	(203,909)	(5,369,670)	(964,722)
Cash payments for claims and insurance	(217,508)	(5,219,285)	(2,209,363)	-	-
Cash received from (paid for) other activities	-	-	-	693,086	2,311
<b>Net cash provided by (used in) operating activities</b>	<u>(30,156)</u>	<u>107,962</u>	<u>157,363</u>	<u>(103,317)</u>	<u>25,072</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>					
Principal payments on long term debt	-	-	-	-	-
Acquisition of capital assets	-	-	-	-	-
Interest paid	-	-	-	-	-
<b>Net cash provided by (used in) capital and related financing activities</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net change in cash and cash equivalents</b>	(30,156)	107,962	157,363	(103,317)	25,072
<b>CASH AND CASH EQUIVALENTS:</b>					
Beginning of year	76,961	-	4,469,523	648,462	776,545
End of year	<u>\$ 46,805</u>	<u>\$ 107,962</u>	<u>\$ 4,626,886</u>	<u>\$ 545,145</u>	<u>\$ 801,617</u>

*(Continued)*

**City of San Bernardino**  
**Combining Statement of Cash Flows (Continued)**  
**All Internal Service Funds**  
**For the Year Ended June 30, 2015**

	Information Systems	Utility	Central Services	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Cash received from user departments	\$ 2,445,498	\$ 5,040,073	\$ 117,135	\$ 22,392,050
Cash payments to suppliers and employees for goods and services	(2,722,678)	(5,714,323)	(119,922)	(16,238,584)
Cash payments for claims and insurance	-	-	-	(7,646,156)
Cash received from (paid for) other activities	(3,607)	-	-	691,790
<b>Net cash provided by (used in) operating activities</b>	<b>(280,787)</b>	<b>(674,250)</b>	<b>(2,787)</b>	<b>(800,900)</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Principal payments on long term debt	(543,651)	-	-	(543,651)
Acquisition of capital assets	(103,545)	110,764	-	7,219
Interest paid	(101,348)	-	-	(101,348)
<b>Net cash provided by (used in) capital and related financing activities</b>	<b>(748,544)</b>	<b>110,764</b>	<b>-</b>	<b>(637,780)</b>
<b>Net change in cash and cash equivalents</b>	<b>(1,029,331)</b>	<b>(563,486)</b>	<b>(2,787)</b>	<b>(1,438,680)</b>
<b>CASH AND CASH EQUIVALENTS:</b>				
Beginning of year	1,569,854	1,628,971	8,702	9,179,018
End of year	<u>\$ 540,523</u>	<u>\$ 1,065,485</u>	<u>\$ 5,915</u>	<u>\$ 7,740,338</u>

*(Concluded)*

**City of San Bernardino**  
**Combining Statement of Cash Flows (Continued)**  
**All Internal Service Funds**  
**For the Year Ended June 30, 2015**

	Unemployment Insurance	Workers' Compensation	Liability Insurance	Motorpool	Telephone Support
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:</b>					
Operating income (loss)	\$ 7,893	\$ (10,022,196)	\$ (331,756)	\$ (764,141)	\$ (79,620)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation	-	-	-	61,909	80,043
Amortization	-	-	-	-	-
Other non-operating revenues	-	-	-	693,086	2,311
Changes in operating assets and liabilities:					
Accounts receivable	-	1,146,929	-	-	54
Inventories	-	-	-	(17,251)	-
Deferred pension contributions	-	(12,148)	(11,144)	(165,989)	(25,108)
Accounts payable	(38,049)	(6,645)	20,909	44,523	40,188
Payroll and related liabilities	-	-	288	-	-
Due to other funds	-	(14,018)	-	-	-
Unearned revenue	-	312,628	-	-	(333)
Aggregate net pension liability	-	(45,706)	(35,348)	(489,843)	(73,833)
Compensated absences	-	(27,717)	(21,437)	(7,266)	(562)
Claims and judgments payable	-	8,737,194	499,487	-	-
Investment earnings greater than expected earnings	-	39,641	36,364	541,655	81,932
Total adjustments	(38,049)	10,130,158	489,119	660,824	104,692
<b>Net cash provided by (used in) operating activities</b>	<b>\$ (30,156)</b>	<b>\$ 107,962</b>	<b>\$ 157,363</b>	<b>\$ (103,317)</b>	<b>\$ 25,072</b>

*(Continued)*

**City of San Bernardino**  
**Combining Statement of Cash Flows (Continued)**  
**All Internal Service Funds**  
**For the Year Ended June 30, 2015**

	Information Systems	Utility	Central Services	Total
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:</b>				
Operating income (loss)	\$ (931,620)	\$ (116,936)	\$ 957	\$ (12,237,419)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	111,314	6,428	-	259,694
Amortization	594,633	-	-	594,633
Other non-operating revenues	(3,607)	-	-	691,790
Changes in operating assets and liabilities:				
Accounts receivable	27,073	-	(363)	1,173,693
Inventories	-	-	-	(17,251)
Deferred pension contributions	(165,649)	-	(6,537)	(386,575)
Accounts payable	40,384	(558,269)	1,191	(455,768)
Payroll and related liabilities	-	-	-	288
Due to other funds	-	-	-	(14,018)
Unearned revenue	(23,333)	-	-	288,962
Aggregate net pension liability	(486,137)	(3,615)	(19,260)	(1,153,742)
Compensated absences	15,610	(1,858)	(106)	(43,336)
Claims and judgments payable	-	-	-	9,236,681
Investment earnings greater than expected earnings	540,545	-	21,331	1,261,468
Total adjustments	650,833	(557,314)	(3,744)	11,436,519
<b>Net cash provided by (used in) operating activities</b>	<b>\$ (280,787)</b>	<b>\$ (674,250)</b>	<b>\$ (2,787)</b>	<b>\$ (800,900)</b>

*(Concluded)*

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# FIDUCIARY FUNDS

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## 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**  
**Agency Funds**  
**June 30, 2015**

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	Assessment District #961	Assessment District #977A	Assessment District #977B	Assessment District #1003	Special Deposits
<b>ASSETS</b>					
Cash and investments	\$ 370,055	\$ 63,124	\$ 26,751	\$ 57,758	\$ 4,616,727
Accounts receivable	-	-	-	-	1,989
Due from other governments	-	-	-	-	16,050
<b>Total assets</b>	<b>\$ 370,055</b>	<b>\$ 63,124</b>	<b>\$ 26,751</b>	<b>\$ 57,758</b>	<b>\$ 4,634,766</b>
<b>LIABILITIES</b>					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 183,103
Retention payable	-	-	-	-	98,151
Due to other governments	-	-	-	-	276,397
Deposits payable	-	-	-	-	4,077,115
Due to bondholders	370,055	63,124	26,751	57,758	-
<b>Total liabilities</b>	<b>\$ 370,055</b>	<b>\$ 63,124</b>	<b>\$ 26,751</b>	<b>\$ 57,758</b>	<b>\$ 4,634,766</b>

(Continued)

**City of San Bernardino**  
**Combining Statement of Fiduciary Assets and Liabilities (Continued)**  
**Agency Funds**  
**June 30, 2015**

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	Cemetery Perpetual Care	San Bernardino Regional Water Resource Authority	Total
<b>ASSETS</b>			
Cash and investments	\$ 659,796	\$ 73,021	\$ 5,867,232
Accounts receivable	-	-	1,989
Due from other governments	-	-	16,050
<b>Total assets</b>	<b>\$ 659,796</b>	<b>\$ 73,021</b>	<b>\$ 5,885,271</b>
<b>LIABILITIES</b>			
Accounts payable	\$ -	\$ -	\$ 183,103
Retention payable	-	-	98,151
Due to other governments	-	-	276,397
Deposits payable	659,796	73,021	4,809,932
Due to bondholders	-	-	517,688
<b>Total liabilities</b>	<b>\$ 659,796</b>	<b>\$ 73,021</b>	<b>\$ 5,885,271</b>

(Concluded)

**City of San Bernardino**  
**Combining Statement of Changes in Fiduciary Assets and Liabilities**  
**Agency Funds**  
**For Year Ended June 30, 2015**

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015
<b><u>Assessment District #961</u></b>				
<b>Assets:</b>				
Cash and investments	\$ 370,055	\$ -	\$ -	\$ 370,055
<b>Total assets</b>	<b>\$ 370,055</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 370,055</b>
<b>Liabilities:</b>				
Due to bondholders	\$ 370,055	\$ -	\$ -	\$ 370,055
<b>Total liabilities</b>	<b>\$ 370,055</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 370,055</b>
<b><u>Assessment District #977A</u></b>				
<b>Assets:</b>				
Cash and investments	\$ 63,124	\$ -	\$ -	\$ 63,124
<b>Total assets</b>	<b>\$ 63,124</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 63,124</b>
<b>Liabilities:</b>				
Due to bondholders	\$ 63,124	\$ -	\$ -	\$ 63,124
<b>Total liabilities</b>	<b>\$ 63,124</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 63,124</b>
<b><u>Assessment District #977B</u></b>				
<b>Assets:</b>				
Cash and investments	\$ 26,751	\$ -	\$ -	\$ 26,751
<b>Total assets</b>	<b>\$ 26,751</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 26,751</b>
<b>Liabilities:</b>				
Due to bondholders	\$ 26,751	\$ -	\$ -	\$ 26,751
<b>Total liabilities</b>	<b>\$ 26,751</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 26,751</b>
<b><u>Assessment District #1003</u></b>				
<b>Assets:</b>				
Cash and investments	\$ 57,758	\$ -	\$ -	\$ 57,758
<b>Total assets</b>	<b>\$ 57,758</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 57,758</b>
<b>Liabilities:</b>				
Due to bondholders	\$ 57,758	\$ -	\$ -	\$ 57,758
<b>Total liabilities</b>	<b>\$ 57,758</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 57,758</b>

**City of San Bernardino**  
**Combining Statement of Changes in Fiduciary Assets and Liabilities (Continued)**  
**Agency Funds**  
**For Year Ended June 30, 2015**

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015
<b><u>Special Deposits</u></b>				
<b>Assets:</b>				
Cash and investments	\$ 3,845,930	\$ 770,797	\$ -	\$ 4,616,727
Accounts receivable	98	1,891	-	1,989
Due from other governments	44,796	-	(28,746)	16,050
<b>Total assets</b>	<b>\$ 3,890,824</b>	<b>\$ 772,688</b>	<b>\$ (28,746)</b>	<b>\$ 4,634,766</b>
<b>Liabilities:</b>				
Accounts payable	\$ 152,150	\$ 30,953	\$ -	\$ 183,103
Retention payable	-	98,151	-	98,151
Due to other governments	276,397	-	-	276,397
Deposits payable	3,462,277	614,838	-	4,077,115
<b>Total liabilities</b>	<b>\$ 3,890,824</b>	<b>\$ 743,942</b>	<b>\$ -</b>	<b>\$ 4,634,766</b>
<b><u>Cemetery Perpetual Care</u></b>				
<b>Assets:</b>				
Cash and investments	\$ 659,756	\$ 40	-	\$ 659,796
<b>Total assets</b>	<b>\$ 659,756</b>	<b>\$ 40</b>	<b>\$ -</b>	<b>\$ 659,796</b>
<b>Liabilities:</b>				
Deposits payable	\$ 659,756	\$ 40	\$ -	\$ 659,796
<b>Total liabilities</b>	<b>\$ 659,756</b>	<b>\$ 40</b>	<b>\$ -</b>	<b>\$ 659,796</b>
<b><u>San Bernardino Regional Water Resource Authority</u></b>				
<b>Assets:</b>				
Cash and investments	\$ 73,416	\$ -	\$ (395)	\$ 73,021
<b>Total assets</b>	<b>\$ 73,416</b>	<b>\$ -</b>	<b>\$ (395)</b>	<b>\$ 73,021</b>
<b>Liabilities:</b>				
Deposits payable	\$ 73,416	\$ -	\$ (395)	\$ 73,021
<b>Total liabilities</b>	<b>\$ 73,416</b>	<b>\$ -</b>	<b>\$ (395)</b>	<b>\$ 73,021</b>

**City of San Bernardino**  
**Combining Statement of Changes in Fiduciary Assets and Liabilities (Continued)**  
**Agency Funds**  
**For Year Ended June 30, 2015**

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015
<b><u>Total All Agency Funds</u></b>				
<b>Assets:</b>				
Cash and investments	\$ 5,096,790	\$ 770,837	\$ (395)	\$ 5,867,232
Accounts receivable	98	1,891	-	1,989
Due from other governments	44,796	-	(28,746)	16,050
<b>Total assets</b>	<b>\$ 5,141,684</b>	<b>\$ 772,728</b>	<b>\$ (29,141)</b>	<b>\$ 5,885,271</b>
<b>Liabilities:</b>				
Accounts payable	\$ 152,150	\$ 30,953	\$ -	\$ 183,103
Retention payable	-	98,151	-	98,151
Due to other governments	276,397	-	-	276,397
Deposits payable	4,195,449	614,878	(395)	4,809,932
Due to bondholders	517,688	-	-	517,688
<b>Total liabilities</b>	<b>\$ 5,141,684</b>	<b>\$ 743,982</b>	<b>\$ (395)</b>	<b>\$ 5,885,271</b>

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