

**COUNTY OF SAN BERNARDINO SPECIAL DISTRICT
COUNTY SERVICE AREA NO. 70 COUNTYWIDE
FINANCIAL STATEMENTS
June 30, 2017**

**COUNTY OF SAN BERNARDINO SPECIAL DISTRICT
COUNTY SERVICE AREA NO. 70 COUNTYWIDE
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June 30, 2017**

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Board of Supervisors
County of San Bernardino
County of San Bernardino Special
District CSA No. 70 Countywide

Independent Auditors' Report

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the County of San Bernardino Special District County Service Area No. 70 (CSA) Countywide, a component unit of the County of San Bernardino, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise CSA'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 conducted our audit in accordance with auditing standards generally accepted in the United States of America and the minimum audit requirements and reporting guidelines for California Special Districts required by the Office of the State Controller. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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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 entity'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 entity'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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the County of San Bernardino Special District County Service Area No. 70 Countywide as of June 30, 2017 and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America, as well as accounting systems prescribed by the State Controller's Office and state regulations governing special districts.

Other Matters

Prior-Year Comparative Information

Prior year data has been included with the basic financial statements for comparative purposes only. The financial statements of the County of San Bernardino Special District County Service Area No. 70 Countywide as of June 30, 2016, were audited by other auditors whose report dated November 28, 2016 expressed unmodified opinions on those statements.

Required Supplementary Information

Management has omitted Management's Discussion and Analysis and Schedules of Pension Plan Contributions and Proportionate Share of Net Pension Liability that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information as listed in the 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 County of San Bernardino Special District County Service Area No. 70 Countywide's basic financial statements. The combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual non-major fund financial statements 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.

Eadie and Payne, LLP

January 25, 2018
Riverside, California

COUNTY OF SAN BERNARDINO SPECIAL DISTRICT
COUNTY SERVICE AREA NO. 70 - COUNTYWIDE
Statement of Net Position
June 30, 2017

	2017	For Comparative Purposes Only 2016
	<u>Governmental Activities</u>	<u>Governmental Activities</u>
Assets:		
Cash and investments	\$ 15,815,831	\$ 15,545,393
Due from other governments	1,188,383	-
Due from other funds	39,829	882,817
Interest receivable	34,828	50,545
Loan receivable	250,000	250,000
Capital assets, net of accumulated depreciation	<u>2,177,014</u>	<u>2,061,209</u>
Total assets	<u>19,505,885</u>	<u>18,789,964</u>
Deferred outflows of resources:		
Pensions	<u>283,549</u>	<u>48,067</u>
Liabilities:		
Current:		
Accounts payable	318,641	146,658
Salaries and benefits payable	422,031	290,934
Due to other governments	132,609	
Due to other funds	39,829	63,295
Unearned revenue	2,592,685	-
Compensated absences payable	57,472	-
Long-term:		
Loan payable	-	1,397,932
Net pension liability	574,641	382,450
Compensated absences payable	<u>1,202,048</u>	<u>1,202,048</u>
Total liabilities	<u>5,339,956</u>	<u>3,483,317</u>
Deferred inflows of resources:		
Pensions	<u>129,133</u>	<u>133,820</u>
Net position:		
Net investment in capital assets	2,177,014	2,061,209
Unrestricted	<u>12,143,331</u>	<u>13,159,685</u>
Total net position	<u>\$ 14,320,345</u>	<u>\$ 15,220,894</u>

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

COUNTY OF SAN BERNARDINO SPECIAL DISTRICT
COUNTY SERVICE AREA NO. 70 - COUNTYWIDE
Statement of Activities
For the Year Ended June 30, 2017

	2017	For Comparative Purposes Only 2016
	Governmental Activities	Governmental Activities
Expenses		
General government:		
Salaries and benefits	\$ 1,701,186	\$ 1,363,920
Professional fees	1,236,272	-
Depreciation	365,429	338,905
Services and supplies	2,541,975	743,010
Total expenses - general government	<u>5,844,862</u>	<u>2,445,835</u>
Program revenues		
Charges for services	4,451,984	2,352,924
Operating grants and contributions	216	5,304
Total program revenues	<u>4,452,200</u>	<u>2,358,228</u>
 Net program revenue (expense)	 <u>(1,392,662)</u>	 <u>(87,607)</u>
General revenues		
Special Assessments		5,876
Investment earnings	61,850	103,123
Penalties	29	-
Sale of fixed assets	25,450	-
Other revenue	53,881	187,169
Total general revenues	<u>141,210</u>	<u>296,168</u>
Other financing sources (uses)		
Transfers in from County	929,219	330,411
Transfers in/(out) other CSAs	(111,064)	-
Total other financing sources (uses)	<u>818,155</u>	<u>330,411</u>
 Change in net position	 <u>(433,297)</u>	 <u>538,972</u>
 Net position at beginning of year as previously reported	 15,220,894	
Prior-Period Adjustment	<u>(467,252)</u>	
Net assets at beginning of year as restated	<u>14,753,642</u>	<u>14,681,922</u>
 Net position at end of year	 <u>\$ 14,320,345</u>	 <u>\$ 15,220,894</u>

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

COUNTY OF SAN BERNARDINO SPECIAL DISTRICT
COUNTY SERVICE AREA NO. 70 - COUNTYWIDE
Governmental Funds
Balance Sheet
June 30, 2017

	2017					Totals
	Special Revenue Funds		Capital Projects Fund			
	General	Term	Augmentation	Lake Gregory	Other	
	(SKV)	Benefit (SKW)	Reserve (CAN)	Dam Rehab (CJA)	Governmental Funds	
Assets						
Cash and investments	\$ 4,634,770	\$ 2,543,957	\$ 4,333,865	\$ 3,523,951	\$ 779,288	\$ 15,815,831
Receivables:						
Loan	-	-	-	-	250,000	250,000
Interest	8,179	7,499	13,003	4,201	1,946	34,828
Due from other funds	39,829	-	-	-	-	39,829
Due from other governments	1,188,100	-	-	-	283	1,188,383
Total assets	<u>\$ 5,870,878</u>	<u>\$ 2,551,456</u>	<u>\$ 4,346,868</u>	<u>\$ 3,528,152</u>	<u>\$ 1,031,517</u>	<u>\$ 17,328,871</u>
Liabilities						
Accounts payable	\$ 32,127	\$ -	\$ -	\$ 286,514	\$ -	\$ 318,641
Salaries and benefits payable	422,031	-	-	-	-	422,031
Due to other funds	-	-	-	39,829	-	39,829
Due to other governments	106,701	-	-	25,908	-	132,609
Unearned revenue	671,881	-	-	1,920,804	-	2,592,685
Total liabilities	<u>1,232,740</u>	<u>-</u>	<u>-</u>	<u>2,273,055</u>	<u>-</u>	<u>3,505,795</u>
Fund balances						
Assigned	<u>4,638,138</u>	<u>2,551,456</u>	<u>4,346,868</u>	<u>1,255,097</u>	<u>1,031,517</u>	<u>13,823,076</u>
Total fund balances	<u>4,638,138</u>	<u>2,551,456</u>	<u>4,346,868</u>	<u>1,255,097</u>	<u>1,031,517</u>	<u>13,823,076</u>
Total liabilities and fund balances	<u>\$ 5,870,878</u>	<u>\$ 2,551,456</u>	<u>\$ 4,346,868</u>	<u>\$ 3,528,152</u>	<u>\$ 1,031,517</u>	<u>\$ 17,328,871</u>

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

COUNTY OF SAN BERNARDINO SPECIAL DISTRICT
COUNTY SERVICE AREA NO. 70 - COUNTYWIDE

Governmental Funds

Balance Sheet

June 30, 2017

For Comparative Purposes Only
2016

	Special Revenue Funds		Capital Projects Fund		Other Governmental Funds	Totals
	General (SKV)	Term Benefit (SKW)	Augmentation Reserve (CAN)	Warehouse (CJA)		
Assets						
Cash and investments	\$ 6,940,432	\$ 2,534,809	\$ 4,480,451	\$ 1,000,488	\$ 589,213	\$ 15,545,393
Receivables:						
Loan	-	-	-	-	250,000	250,000
Interest	35,546	4,473	7,829	898	1,799	50,545
Due from other funds	882,817	-	-	-	-	882,817
Due from other governments	-	-	-	-	-	-
Total assets	<u>\$ 7,858,795</u>	<u>\$ 2,539,282</u>	<u>\$ 4,488,280</u>	<u>\$ 1,001,386</u>	<u>\$ 841,012</u>	<u>\$ 16,728,755</u>
Liabilities:						
Accounts payable	\$ 114,172	\$ -	\$ -	\$ -	\$ 32,486	\$ 146,658
Salaries and benefits payable	290,934	-	-	-	-	290,934
Due to other funds	63,295	-	-	-	-	63,295
Due to other governments	-	-	-	-	-	-
Total liabilities	<u>468,401</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>32,486</u>	<u>500,887</u>
Fund balances (deficits):						
Assigned	<u>7,390,394</u>	<u>2,539,282</u>	<u>4,488,280</u>	<u>1,001,386</u>	<u>808,526</u>	<u>16,227,868</u>
Total fund balances	<u>7,390,394</u>	<u>2,539,282</u>	<u>4,488,280</u>	<u>1,001,386</u>	<u>808,526</u>	<u>16,227,868</u>
Total liabilities and fund balances	<u>\$ 7,858,795</u>	<u>\$ 2,539,282</u>	<u>\$ 4,488,280</u>	<u>\$ 1,001,386</u>	<u>\$ 841,012</u>	<u>\$ 16,728,755</u>

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

COUNTY OF SAN BERNARDINO SPECIAL DISTRICT
COUNTY SERVICE AREA NO. 70 - COUNTYWIDE
Governmental Funds
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Position
June 30, 2017

	2017	For Comparative Purposes Only 2016
Fund balances of governmental funds	\$ 13,823,076	\$ 16,227,868
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets net of depreciation have not been included as financial resources in governmental fund activity.		
Capital assets, net	2,177,014	2,061,209
Deferred outflows related to change in assumptions, change in proportion and contributions made after the actuarial measurement date for the net pension liability.		
	283,549	48,067
Deferred inflows related to unrecognized actuarial gains and losses for the net pension liability.		
	(129,133)	(133,820)
Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and, accordingly, are not reported as governmental fund liabilities. All liabilities (both current and long-term) are reported in the Statement of Net Position.		
Proportionate share of net pension liability	(574,641)	(382,450)
Loan payable	-	(1,397,932)
Compensated absences	(1,259,520)	(1,202,048)
Net position of governmental activities	\$ 14,320,345	\$ 15,220,894

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

COUNTY OF SAN BERNARDINO SPECIAL DISTRICT
COUNTY SERVICE AREA NO. 70 - COUNTYWIDE
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2017

	2017					Totals
	Special Revenue Funds		Capital Projects Fund			
	General (SKV)	Term Benefit (SKW)	Augmentation Reserve (CAN)	Lake Gregory Dam Rehab (CJA)	Other Governmental Funds	
Revenues:						
Charges for services	\$ 3,372,788	\$ -	\$ -	\$ 1,079,196	\$ -	\$ 4,451,984
Investment earnings	19,084	12,174	21,002	8,131	1,459	61,850
Penalties	29	-	-	-	-	29
Other	54,097	-	-	-	-	54,097
Total revenues	<u>3,445,998</u>	<u>12,174</u>	<u>21,002</u>	<u>1,087,327</u>	<u>1,459</u>	<u>4,567,960</u>
Expenditures:						
Current-general government:						
Salaries and Benefits	1,613,808	-	-	-	-	1,613,808
Services and supplies	466,210	-	-	-	-	466,210
Professional fees	1,236,272	-	-	-	-	1,236,272
Capital outlay	1,500,054	-	-	1,033,616	23,329	2,556,999
Total expenditures	<u>4,816,344</u>	<u>-</u>	<u>-</u>	<u>1,033,616</u>	<u>23,329</u>	<u>5,873,289</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,370,346)</u>	<u>12,174</u>	<u>21,002</u>	<u>53,711</u>	<u>(21,870)</u>	<u>(1,305,329)</u>
Other financing sources (uses):						
Sale of capital assets	25,450	-	-	-	-	25,450
Transfers in from County	929,219	-	-	-	-	929,219
Transfers in/(out) other CSAs	(111,064)	-	-	-	-	(111,064)
Transfers in	-	-	42,586	200,000	255,000	497,586
Transfers out	<u>(250,000)</u>	<u>-</u>	<u>(205,000)</u>	<u>-</u>	<u>(42,586)</u>	<u>(497,586)</u>
Total other financing sources and (uses)	<u>593,605</u>	<u>-</u>	<u>(162,414)</u>	<u>200,000</u>	<u>212,414</u>	<u>843,605</u>
Net change in fund balances	<u>(776,741)</u>	<u>12,174</u>	<u>(141,412)</u>	<u>253,711</u>	<u>190,544</u>	<u>(461,724)</u>
Fund balances, beginning of year, as previously stated	7,390,394	2,539,282	4,488,280	1,001,386	808,526	16,227,868
Prior-period adjustments	<u>(1,975,515)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>32,447</u>	<u>(1,943,068)</u>
Fund balances, beginning of year, as restated	5,414,879	2,539,282	4,488,280	1,001,386	840,973	14,284,800
Fund balances, end of year	<u>\$ 4,638,138</u>	<u>\$ 2,551,456</u>	<u>\$ 4,346,868</u>	<u>\$ 1,255,097</u>	<u>\$ 1,031,517</u>	<u>13,823,076</u>

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

Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2017

For Comparative Purposes Only
2016

	Special Revenue Funds		Capital Projects Fund			Totals
	General (SKV)	Term Benefit (SKW)	Augmentation Reserve (CAN)	Warehouse (CJA)	Other Governmental Funds	
Revenues:						
Intergovernmental	\$ 5,304	\$ -	\$ -	\$ -	\$ -	\$ 5,304
Charges for services	2,352,924	-	-	-	-	2,352,924
Special Assessments	5,876	-	-	-	-	5,876
Investment earnings	37,192	19,549	35,203	1,386	9,793	103,123
Penalties	-	-	-	-	-	-
Other	187,169	-	-	-	-	187,169
Total revenues	<u>2,588,465</u>	<u>19,549</u>	<u>35,203</u>	<u>1,386</u>	<u>9,793</u>	<u>2,654,396</u>
Expenditures:						
Current-general government:						
Salaries and Benefits	1,115,611	-	-	-	-	1,115,611
Services and supplies	895,777	-	-	-	-	895,777
Capital outlay:						
Improvements to land	-	-	-	-	26,787	26,787
Debt service:						
Principal	2,410,271	-	-	-	-	2,410,271
Total expenditures	<u>4,421,659</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>26,787</u>	<u>4,448,446</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,833,194)</u>	<u>19,549</u>	<u>35,203</u>	<u>1,386</u>	<u>(16,994)</u>	<u>(1,794,050)</u>
Other financing sources (uses):						
Sale of capital assets	-	-	-	-	-	-
Proceeds of long-term debt	2,090,000	-	-	-	-	2,090,000
Transfers in from County	330,411	-	-	-	-	330,411
Transfers in	805,466	-	74,469	1,000,000	335,000	2,214,935
Transfers out	(882,105)	-	(300,000)	-	(1,032,830)	(2,214,935)
Total other financing sources and (uses)	<u>2,343,772</u>	<u>-</u>	<u>(225,531)</u>	<u>1,000,000</u>	<u>(697,830)</u>	<u>2,420,411</u>
Net change in fund balances	510,578	19,549	(190,328)	1,001,386	(714,824)	626,361
Fund balances, beginning of year, as restated	<u>6,879,816</u>	<u>2,519,733</u>	<u>4,678,608</u>	<u>-</u>	<u>1,523,350</u>	<u>15,601,507</u>
Fund balances, end of year	<u>\$ 7,390,394</u>	<u>\$ 2,539,282</u>	<u>\$ 4,488,280</u>	<u>\$ 1,001,386</u>	<u>\$ 808,526</u>	<u>\$ 16,227,868</u>

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

COUNTY OF SAN BERNARDINO SPECIAL DISTRICT
COUNTY SERVICE AREA NO. 70 - COUNTYWIDE
Governmental Funds
Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2017

	2017	For Comparative Purposes Only 2016
Net change in fund balances - total governmental funds	\$ (461,724)	\$ 626,361
Amounts reported for governmental activities in the Statement of Activities are different because:		
When capital assets that are to be used in governmental activities are purchased or constructed, the resources expended for those assets are reported as expenditures in governmental funds. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. As a result, fund balance decreases by the amount of financial resources expended, whereas net assets decreased by the amount of depreciation expense charged for the year, net of disposals.		
Capital outlay, net of disposals	481,234	274,086
Depreciation expense	(365,429)	(338,905)
Revenues in the government-wide statement of activities that did not provide current financial resources were not reported as revenues in the governmental funds:		
This amount represents the write off of previous recognized revenues.	-	(94,532)
Pension obligation expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	(29,906)	(155,405)
In the statement of activities, only long term debt payable is reported. However, in the governmental funds, principal payments decrease financial resources. Thus the change in net assets differs from the change in fund balance by the principal payments, as well as , issuance of debt.		
Debt service principal payments	-	2,410,271
Proceeds of long-term debt	-	(2,090,000)
Changes in compensated absences payable is an expenditure in the governmental funds, but the expenditure increases long-term liabilities in the statement of net assets.	(57,472)	(92,904)
Changes in net position of governmental activities	\$ (433,297)	\$ 538,972

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

COUNTY OF SAN BERNARDINO SPECIAL DISTRICT
 COUNTY SERVICE AREA NO. 70 - COUNTYWIDE
 Statement of Fiduciary Net Position - Agency Funds
 June 30, 2017

	<u>2017</u>	For Comparative Purposes Only <u>2016</u>
	<u>Totals</u>	<u>Totals</u>
Assets:		
Cash and investments	\$ <u>112,949</u>	\$ <u>531,758</u>
Total assets	\$ <u><u>112,949</u></u>	\$ <u><u>531,758</u></u>
Liabilities:		
Due to agent	\$ <u>112,949</u>	\$ <u>531,758</u>
Total liabilities	\$ <u><u>112,949</u></u>	\$ <u><u>531,758</u></u>

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

COUNTY OF SAN BERNARDINO SPECIAL DISTRICT
COUNTY SERVICE AREA NO. 70 – COUNTYWIDE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of County Service Area (CSA) No. 70 Countywide conform to generally accepted accounting principles as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Reporting entity

The County Service Area (CSA) No. 70 Countywide was established by an act of the Board of Supervisors of the County of San Bernardino (the County) on December 29, 1969 to provide the centralized mechanism for administration of personnel who serve all board governed special districts. The employees are engaged in multi-district operations funded by the various sanitation, water, road, streetlights, parks and recreation districts. Staff provides centralized and regional management services, administration, engineering, budget and finance, human resources, lien administration, park maintenance, payroll and information services, road maintenance and inspection.

The CSA is a component unit of the County of San Bernardino and is governed by the actions of the County Board of Supervisors.

The accompanying financial statements reflect only the accounts of the County Service Area No. 70 Countywide of the County of San Bernardino and are not intended to present the financial position of the County taken as a whole.

Because the CSA meets the reporting entity criteria established by the Governmental Accounting Standards Board (GASB), the CSA's financial statements have also been included in the Comprehensive Annual Financial Report of the County as a "component unit" for the fiscal year ended June 30, 2017.

Government-wide and fund financial statements

The government-wide financial statements (e.g., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the reporting entity. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

COUNTY OF SAN BERNARDINO SPECIAL DISTRICT
COUNTY SERVICE AREA NO. 70 – COUNTYWIDE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government-wide and fund financial statements (continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Currently, the CSA does not report any proprietary fund types. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting* as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes are considered to be susceptible to accrual and have been recognized as revenues in the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

COUNTY OF SAN BERNARDINO SPECIAL DISTRICT
COUNTY SERVICE AREA NO. 70 – COUNTYWIDE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement focus, basis of accounting, and financial statement presentation (continued)

The County has established a materiality level for recording year-end accruals. For Special Districts with appropriations of less than \$500,000, individual items of less than \$1,000 are not accrued at year end. For Special Districts with appropriations over \$500,000, individual items of less than \$5,000 are not accrued at year end.

The government reports the following major governmental funds:

The *special revenue fund* labeled “General” is the government’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *special revenue fund* labeled “Term Benefit” is used to pay out termination benefits, such as sick leave, holiday and vacation balances for employees that terminate.

The *capital projects fund* labeled “Augmentation Reserve” is used to support unforeseen funding needs.

The *capital projects fund* labeled “Lake Gregory Dam Rehab” is used for recording activity related to the rehabilitation of Lake Gregory Dam.

Financial reporting is based upon all GASB pronouncements including the Codification of Accounting and Financial Reporting Guidelines.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for enterprise funds include the cost of salaries and benefits, service and supplies, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, and then unrestricted resources as they are needed.

**COUNTY OF SAN BERNARDINO SPECIAL DISTRICT
COUNTY SERVICE AREA NO. 70 – COUNTYWIDE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and investments

Cash and investments are considered to be cash on hand, demand deposits and short term investments with original maturities of three months or less from the date of acquisition.

Interfund receivables and payables

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" (e.g., the current portion of interfund loans) or "advances to/from other funds" (e.g., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Property taxes

Secured property taxes are levied in two equal installments, November 1 and February 1. They become delinquent with penalties on December 10 and April 10, respectively. The lien date is January 1 of each year. Unsecured property taxes are due on March 1 and become delinquent with penalties on August 31.

Accounts receivable

No allowance for uncollectibles was recorded at June 30, 2017, based on management's expectation that all accounts receivable will be collected through the property tax roll.

Inventories and prepaid items

Inventories, if any, are valued at cost using the first-in/first-out method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

**COUNTY OF SAN BERNARDINO SPECIAL DISTRICT
COUNTY SERVICE AREA NO. 70 – COUNTYWIDE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (for improvements to land and structures and equipment) and have an estimated useful life in excess of two years. Structures with an initial cost of \$100,000 are considered capital assets. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation in accordance with GASB Statement No. 72.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment of the government is depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Infrastructure	40-60
Structure and improvements	5-40
Equipment and vehicles	4-15

Fund equity

The CSA implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which the resources can be used:

- *Nonspendable Fund Balance*: Amounts cannot be spent because they are: (a) not in spendable form or (b) legally or contractually required to be maintained intact. Due to the nature or form of the resources, they generally cannot be expected to be converted into cash or a spendable form.
- *Restricted Fund Balance*: Amounts are restricted by external parties, i.e., creditors, grantors, contributors, or laws/regulations of other governments or restricted by law through constitutional provisions or enabling legislation.

**COUNTY OF SAN BERNARDINO SPECIAL DISTRICT
COUNTY SERVICE AREA NO. 70 – COUNTYWIDE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund equity (continued)

- *Committed Fund Balance:* Amounts can only be used for a specific purpose pursuant to constraints imposed by formal action of the government’s highest level of decision making authority (the Board of Supervisors). The formal action must occur prior to the end of the reporting period, however, the amount may be determined in the subsequent period. These are self-imposed limitations on available resources. These committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same level of action it employed to previously commit those amounts. These committed amounts would be approved and adopted by formal action of the Board.
- *Assigned Fund Balance:* Amounts are constrained by the government’s intent to be used for specific purposes that are neither restricted nor committed. The intent will be expressed by the body or official to which the governing body has delegated the authority, i.e. the County Administrative Office. The County Administrative Office will assign fund balance for specific departmental projects through the use of the respective department’s general fund savings. Such projects would not normally be feasible for the department without reserving funding over a multiple year period.
- *Unassigned Fund Balance:* The General Fund, as the principal operating fund, often has net resources in excess of what can properly be classified in one of the four categories already described. Therefore, in order to calculate unassigned fund balance, total fund balance less nonspendable, restricted, committed, or assigned equals unassigned fund balance. This amount is available for any purpose and will be placed in either the General Purpose Reserve, General Fund – Mandatory Contingencies or the General Fund - Uncertainties Contingencies until allocated for a specific purpose by the Board, by a four-fifths vote.

When both restricted and unrestricted resources are available for use when an expenditure is incurred, it is the County’s policy to use restricted resources first, then unrestricted resources as they are needed. It is the County’s policy to consider committed amounts as being reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Employee compensated absences

Accumulated vacation, holiday benefits, sick pay and compensatory time are recorded as an expense and liability as the benefits are earned. Compensated absence liabilities are recorded as a current liability. The CSA is not obligated to pay for unused sick leave if an employee terminates or retires.

**COUNTY OF SAN BERNARDINO SPECIAL DISTRICT
COUNTY SERVICE AREA NO. 70 – COUNTYWIDE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee compensated absences (continued)

Compensated absences activity for the year ended June 30, 2017 was as follows:

Beginning balance	Additions	Deletions	Ending balance	Due within one year	LT Comp. Absences
\$ 1,202,048	\$ 667,320	\$ 609,848	\$ 1,259,520	\$ 57,472	\$ 1,202,048

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Stewardship, compliance and accountability

A. Budgetary information

In accordance with provisions of Section 29000 - 29143 of the Government code of the State of California, commonly known as the County Budget Act, the CSA prepares and adopts a budget on or before August 30 for each fiscal year.

Budgets are prepared on the modified accrual basis of accounting. The legal level of budgetary control is the object level and the sub-object level for capital assets within each fund.

Amendments or transfers of appropriations between funds or departments must be approved by the Board. Transfers at the sub-object level or cost center level may be done at the discretion of the Special District’s Administration Department head. Any deficiency of budgeted revenues and other financing sources over expenditures and other financing uses is financed by beginning available fund balances as provided for in the County Budget Act.

B. Encumbrances

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end do not constitute expenditures or liabilities because the commitments will be re-appropriated and honored during the subsequent year.

Deferred Outflows/ Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, 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 or resources (expense/expenditure) until then.

COUNTY OF SAN BERNARDINO SPECIAL DISTRICT
COUNTY SERVICE AREA NO. 70 – COUNTYWIDE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred Outflows/ Inflows of Resources (continued)

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, 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.

Long-Term Debt and Interest Payable

In the Government-Wide Financial Statements, long-term debt and other long-term obligations are reported as liabilities in the appropriate activities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are immediately expensed when incurred in the Government- Wide Financial Statements in addition to the Proprietary and Fiduciary Fund Statements in accordance with GASB No. 65. In the Fund Financial Statements, with the exception of advances from other funds, long-term liabilities are not presented. Consequently, long term debt is shown as a reconciling item in the Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position.

In the Government-Wide Financial Statements, interest payable on long-term debt is recognized as the liability is incurred for governmental activities and business-type activities. In the Fund Financial Statements, only propriety fund types recognize the interest payable when the liability is incurred.

Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

In the Government-Wide Financial Statements, net position are classified in the following categories: *Net Investment in Capital Assets* consists of capital assets net of accumulated depreciation and reduced by outstanding debt that attributed to the acquisition, construction, or improvement of the assets. Restricted Net position is restricted by external creditors, grantors, contributors, laws or regulations of other governments. Unrestricted Net position is all net position that does not meet the definition of “net investment in capital assets” or “restricted net position.”

COUNTY OF SAN BERNARDINO SPECIAL DISTRICT
COUNTY SERVICE AREA NO. 70 – COUNTYWIDE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the CSA's plan and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by San Bernardino County Employee's Retirement Association. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTE 2: CASH AND DEPOSITS

Cash and investments includes balances of monies deposited with the County Treasurer which are pooled and invested for the purpose of increasing earnings through investment activities. Interest earned on pooled investments is deposited to the CSA's account based upon the CSA's average daily deposit balance during the allocation period. Cash and investments are shown at the fair value as of June 30, 2017. Changes in fair value that occur during a fiscal year are recognized as *investment earnings* reported for that fiscal year. *Investment earnings* reports interest earnings, changes in fair value, and any gains or losses realized upon the liquidation, maturity, or sale of investments. The County's practice is to hold investments until maturity.

See the County of San Bernardino's Comprehensive Annual Financial Report (CAFR) for details of their investment policy and disclosures related to investment credit risk, concentration of credit risk, interest rate risk and custodial credit risk, as required by GASB Statement No. 40, and fair value hierarchy disclosures required by GASB Statement No. 72. The County of San Bernardino's CAFR may be obtained from their website <http://sbcounty.gov/ATC>.

**COUNTY OF SAN BERNARDINO SPECIAL DISTRICT
COUNTY SERVICE AREA NO. 70 – COUNTYWIDE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017**

NOTE 3: CAPITAL ASSETS

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets, not being depreciated:				
Development in progress	\$ 150,667	\$ 172,845	\$ -	\$ 323,512
Total capital assets, not being depreciated	<u>150,667</u>	<u>172,845</u>	<u>-</u>	<u>323,512</u>
Capital assets, being depreciated:				
Improvements to land	859,500	-	-	859,500
Structures and improvements	267,806	-	-	267,806
Vehicles	5,042,536	296,503	(280,068)	5,058,971
Equipment	510,695	11,886	-	522,581
Capitalized software	51,876	-	-	51,876
Total capital assets, being depreciated	<u>6,732,413</u>	<u>308,389</u>	<u>(280,068)</u>	<u>6,760,734</u>
Less accumulated depreciation for:				
Improvements to land	(527,197)	(39,523)	-	(566,720)
Structures and improvements	(124,514)	(8,814)	-	(133,328)
Vehicles	(3,842,303)	(277,328)	280,068	(3,839,563)
Equipment	(311,059)	(29,389)	-	(340,448)
Capitalized software	(16,798)	(10,375)	-	(27,173)
Total accumulated depreciation	<u>(4,821,871)</u>	<u>(365,429)</u>	<u>280,068</u>	<u>(4,907,232)</u>
Total capital assets, being depreciated, net	<u>1,910,542</u>	<u>(57,040)</u>	<u>-</u>	<u>1,853,502</u>
Total capital assets, net	<u>\$ 2,061,209</u>	<u>\$ 115,805</u>	<u>\$ -</u>	<u>\$ 2,177,014</u>

Development in progress: As of June 30, 2017 contractual commitments for the development and improvement of capital projects were estimated at \$4,775,752.

NOTE 4: LOAN RECEIVABLE

The CSA's County's Revolving Fund entered into an agreement with CSA 70 W-4 Pioneer Town under government code 26909 to provide funding for a pipeline project. The County's Revolving Fund advanced the amount of \$250,000 to cover cost of this project. The loan will be repaid within 3 to 18 months after completion of the project. The amount outstanding at June 30, 2017, is \$250,000.

COUNTY OF SAN BERNARDINO SPECIAL DISTRICT
COUNTY SERVICE AREA NO. 70 – COUNTYWIDE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

NOTE 5: RETIREMENT PLAN

Plan Description. Employees of the CSA participate in the County of San Bernardino's (County) cost-sharing multiple-employer defined benefit retirement plan (the Plan) administered by the San Bernardino County Employee's Retirement Association (SBCERA). The Plan is governed by the San Bernardino Board of Retirement (Board) under the California County Employees' Retirement Law of 1937 (CERL) and the California Public Employees' Pension Reform Act of 2013 (PEPRA). The Plan's authority to establish and amend the benefit terms are set by the CERL and PEPRA, and may be amended by the California state legislature and in some cases require approval by the County of San Bernardino Board of Supervisors and/or the SBCERA Board. SBCERA issues a stand-alone financial report, which may be obtained by contacting the Board of Retirement, 348 W. Hospitality Lane, 3rd Floor, San Bernardino, California 92415-0014.

Benefits Provided. SBCERA provides retirement, disability, death and survivor benefits. SBCERA administers the Plan which provides benefits for two membership classifications, General and Safety, and those benefits are tiered based upon date of SBCERA membership. Safety membership is extended to those involved in active law enforcement and fire suppression. All other members, including the CSA's employees, are classified as General members. Generally, those who become members prior to January 1, 2013 are Tier 1 members. All other members are Tier 2. An employee who is appointed to a regular position, whose service is greater than fifty percent of the full standard of hours required are members of SBCERA, and are provided with pension benefits pursuant to Plan requirements.

**COUNTY OF SAN BERNARDINO SPECIAL DISTRICT
COUNTY SERVICE AREA NO. 70 – COUNTYWIDE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017**

NOTE 5: RETIREMENT PLAN (Continued)

The CERL and PEPRA establish benefit terms. Retirement benefits for the General Tier 1 and General Tier 2 Plans are calculated on the basis of age, average final compensation and service credit as follows:

	General – Tier 1	General – Tier 2
Final Average Compensation	Highest 12 months	Highest 36 consecutive months
Normal Retirement Age	Age 55	Age 55
Early Retirement: Years of service required and/or eligible for	Age 70 any years	Age 70 any years
	10 years age 50	5 years age 52
	30 years any age	N/A
Benefit percent per year of service for normal retirement age	2% per year of final average compensation for every year of service credit	At age 67, 2.5% per year of final average compensation for every year of service credit
Benefit Adjustments	Reduced before age 55, increased after 55 up to age 65	Reduced before age 67
Final Average Compensation Limitation	Internal Revenue Code section 401(a)(17)	Government Code section 7522.10

Contributions. Participating employers and active members, including the CSA and the CSA’s employees, are required by statute to contribute a percentage of covered salary to the Plan. This requirement is pursuant to Government Code sections 31453.5 and 31454, for participating employers and Government Code sections 31621.6, 31639.25 and 7522.30 for active members. The contribution requirements are established and may be amended by the SBCERA Board pursuant to Article 1 of the CERL, which is consistent with the Plan’s actuarial funding policy. The contribution rates are adopted yearly, based on an annual actuarial valuation, conducted by an independent actuary, that requires actuarial assumptions with regard to mortality, expected future service (including age at entry into the Plan, if applicable and tier), and compensation increases of the members and beneficiaries. The combined active member and employer contribution rates are expected to finance the costs of benefits for employees that are allocated during the year, with an additional amount to finance any unfunded accrued liability. Participating employers may pay a portion of the active members’ contributions through negotiations and bargaining agreements.

Employee contribution rates for the fiscal year ended June 30, 2017 ranged between 7.89% and 14.22% for Tier 1 General members and between 7.73% and 8.37% for Tier 2 General members.

**COUNTY OF SAN BERNARDINO SPECIAL DISTRICT
COUNTY SERVICE AREA NO. 70 – COUNTYWIDE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017**

NOTE 5: RETIREMENT PLAN (Continued)

Employer contribution rates for fiscal year ended June 30, 2017 were 22.33% and 19.2% for Tier 1 and Tier 2, respectively.

Actuarial Assumptions and Discount Rates

See the County of San Bernardino’s Comprehensive Annual Financial Report (CAFR) for details of actuarial assumptions and discount rates for the year ended June 30, 2016.

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

At June 30, 2017, the CSA reported a liability of \$574,641 which represents 7.62% of the County of San Bernardino Special District's proportionate share of the County's net pension liability. The CSA's proportion was allocated based on FY 2017 total salaries and benefits relative to the total salaries and benefits of the County of San Bernardino Special Districts as a whole.

The County of San Bernardino Special District's proportionate share of the County's net pension liability was based on its contributions to the pension plan relative to the County's contributions for FY 2016 as a whole. The County's net pension liability was allocated by SBCERA based on the actual employer contributions in each cost group.

The Plan's net pension liability was measured as of June 30, 2016 based upon the results of an actuarial valuation as of the same date. Plan fiduciary net position and the total pension liability were valued as of the measurement dates.

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

The following presents the CSA’s proportionate share of the net pension liability of the Plan as of the measurement date, calculated using the discount rate of 7.5 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.5 percent) or 1 percentage-point higher (8.5 percent) than the current rate:

1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
\$ 959,888	\$ 574,641	\$ 255,405

Pension expense recognized amounted to \$16,508 for the year ended June 30, 2017.

**COUNTY OF SAN BERNARDINO SPECIAL DISTRICT
COUNTY SERVICE AREA NO. 70 – COUNTYWIDE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017**

NOTE 5: RETIREMENT PLAN (continued)

Sensitivity of the Proportionate Share of the Net Pension Liability/Asset to Changes in the Discount Rate (continued)

At June 30, 2017, the CSA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Deferred Outflows of Resources*	Deferred Inflows of Resources**
\$ 283,549	\$ (129,133)

* Total deferred outflows includes change in assumptions, change in proportion and differences between share of contributions, and contributions after measurement date.

** Total deferred inflows includes differences in expected and actual expense, and net difference between projected and actual earnings on pension plan investments.

The deferred outflows of resources related to pensions, resulting from the CSA’s contributions to the plan subsequent to the measurement date of \$82,142, will be recognized as a reduction of the net pension liability in the following year. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in future pension expense as follows:

Year Ended June 30,	
2018	\$ (4,164)
2019	16,004
2020	36,742
2021	25,607
2022	(2,041)
Thereafter	126
Total	\$ 72,275

COUNTY OF SAN BERNARDINO SPECIAL DISTRICT
COUNTY SERVICE AREA NO. 70 – COUNTYWIDE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

NOTE 6: RISK MANAGEMENT

The County has self-insurance programs for public liability, property damage, unemployment insurance, employee dental insurance, hospital and medical malpractice liability, and workers' compensation claims. Public liability claims are self-insured for up to \$3.0 million per occurrence. Excess insurance coverage over the Self-Insured Retention (SIR) up to \$54 million is provided through a combination of insurance policies as recommended by Alliant Insurance Services Inc., Insurance Broker as follows: Primary Liability coverage \$10 million excess of \$3.0 million self-insured retention with Security National Insurance Company (AM TRUST); Excess Liability coverage for \$4 million, excess of \$13 million with Evanston Insurance Company (Markel); and Excess Liability coverage of \$15 million, excess of \$17 million with National Casualty. Allied World Assurance Co. (AWAC) provides excess liability coverage of \$25 million, excess of \$32 million. No settlements related to these programs have exceeded insurance coverage in the last three years.

The Workers' Compensation program was restructured by joining CSAC-EIA (California State Association of Counties – Excess Insurance Authority) Excess Workers' Compensation Program and purchasing a policy with a \$2 million SIR and statutory limits with National Union Fire Insurance Company of Pittsburgh, PA. Property damage claims are insured on an occurrence basis over a \$25 thousand deductible, and insured through CSAC-EIA and reinsured with Lexington Insurance Co. and with several insurers like AWAC, Ironshore, Partner RE, and Lloyd's of London, among others.

The County supplements its self-insurance for medical malpractice claims with a \$25 million policy (\$35 million aggregate) with BETA Risk Management Authority, which provides annual coverage on a claim made form basis with a SIR of \$1 million for each claim.

All public officials and County employees are insured under a blanket Comprehensive Disappearance, Destruction, and Dishonesty policy covering County monies and securities, with Berkley Regional Insurance Co. with a \$100 thousand deductible, and excess limits up to \$10 million per occurrence.

The activities related to such programs are accounted for in the Risk Management Department's internal service funds ("Funds"), except for unemployment insurance, and employee dental insurance, which are accounted for in the General Fund. The liabilities recorded in these Funds are based on the results of actuarial studies and include amounts for allocated and unallocated loss adjustment expenses. The liabilities for these claims are reported using a discounted rate of 0.615% and an actuarially-determined 80% confidence level. It is the County's practice to obtain actuarial studies on an annual basis.

See the County of San Bernardino's Comprehensive Annual Financial Report (CAFR) for details of their claims liability in accordance with GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, at June 30, 2017.

**COUNTY OF SAN BERNARDINO SPECIAL DISTRICT
COUNTY SERVICE AREA NO. 70 – COUNTYWIDE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017**

NOTE 7: DUE TO/FROM OTHER GOVERNMENTS

The majority of the amounts due from other governments are for MOUs with Regional Parks and various professional services paid on behalf of other CSAs. Due to other governments consists of payables for reimbursements to various CSAs for project costs.

DUE FROM OTHER GOVERNMENTS

	General Fund (SKV)	Nonmajor	Total
Other CSAs	\$ 584,259	\$ 283	584,542
Regional Parks	603,841		603,841
	<u>\$ 1,188,100</u>	<u>\$ 283</u>	<u>\$ 1,188,383</u>

DUE TO OTHER GOVERNMENTS

	General Fund (SKV)	Capital Fund (CJA)	Total
Other CSAs	\$ 106,701	\$ 25,908	\$ 132,609

NOTE 8: TRANSFERS IN/OUT

Interfund transfers are transactions used to close out a fund, reimburse an operating fund, and transfer cash between operating funds and capital projects funds. At June 30, 2017, the CSA made the following interfund transfers in and out:

	Transfers In					
Transfers Out	General Fund (SKV)	Augmentation Reserve (CAN)	Lake Gregory Dam Rehab (CJA)	Other CSAs	Nonmajor Funds	Total
General Fund (SKV)	\$ -	\$ -	\$ 200,000	\$ 111,064	\$ 50,000	\$ 361,064
Augmentation Reserve (CAN)	-	-	-	-	205,000	205,000
County	929,219	-	-	-	-	929,219
Nonmajor Funds	-	42,586	-	-	-	42,586
Total	<u>\$ 929,219</u>	<u>\$ 42,586</u>	<u>\$ 200,000</u>	<u>\$ 111,064</u>	<u>\$ 255,000</u>	<u>\$ 1,537,869</u>

NOTE 9: CONTINGENCIES

**COUNTY OF SAN BERNARDINO SPECIAL DISTRICT
COUNTY SERVICE AREA NO. 70 – COUNTYWIDE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017**

As of June 30, 2017 in the opinion of the CSA Administration, there are no outstanding matters, which would have a significant effect on the financial position of the CSA.

NOTE 10: SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 25, 2018, which is the date the financial statements were available to be issued, and has determined that there are no transactions that will have a significant impact on the CSA.

NOTE 11: PRIOR-PERIOD ADJUSTMENTS

The net position as of the beginning of the year was reduced by \$467,252 to correct errors made in the prior year. The deferred outflow of resources for pension contributions of \$77,884 made subsequent to the measurement date was not recognized. Had the error not been made, the net position would have increased by \$77,884. In addition in the prior year Kaiser Commerce Center Fiduciary fund was erroneously included as a non-major special revenue fund with an ending deficit fund balance of \$32,447. Had the error not been made the net position would have increased by \$32,447. The net position was also adjusted to correct the treatment of funding for services to be performed for other County departments, which were previously been treated as loan payable instead of unearned revenue. Had the error not been made, the change in net position would have decreased by \$577,583.

Governmental fund balances have been adjusted as follows:

	General (SKV)	Other Governmental Funds
Beginning fund balances as previously stated	\$ 7,390,394	\$ 808,526
Correction of errors		
To record unearned revenue for Lake Gregory, previously stated as long term debt	(1,397,932)	
To record unearned revenue for Highline Project	(577,583)	
To remove negative fund balance of fiduciary fund	-	32,447
Beginning fund balances as restated	<u>\$ 5,414,879</u>	<u>\$ 840,973</u>

COUNTY OF SAN BERNARDINO SPECIAL DISTRICT
 COUNTY SERVICE AREA NO. 70 - COUNTYWIDE
 General Fund (SKV)
 Budgetary Comparison Schedule
 For the Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variances with
	Original	Final		Final Budget Positive (Negative)
Revenues:				
Charges for services	\$ 4,174,895	\$ 4,174,895	\$ 3,372,788	\$ (802,107)
Special Assessments	5,871	5,871	5,869	(2)
Investment earnings	16,000	16,000	19,084	3,084
Penalties	-	-	29	29
Other	262,000	262,000	48,228	(213,772)
Total revenues	4,458,766	4,458,766	3,445,998	(1,012,768)
Expenditures:				
Current-general government:				
Salaries and Benefits	2,050,088	2,135,631	1,613,808	521,823
Services and supplies	1,258,927	801,252	466,210	335,042
Professional fees	944,179	1,639,612	1,236,272	403,340
Capital outlay:				
Improvements to land	666,020	1,373,695	1,500,054	(126,359)
Debt Service:				
Principal	100,000	890,825	-	890,825
Total expenditures	5,019,214	6,841,015	4,816,344	1,133,846
Excess (deficiency) of revenues over expenditures	(560,448)	(2,382,249)	(1,370,346)	1,011,903
Other financing sources (uses):				
Sale of capital assets	-	-	25,450	25,450
Transfer in from County	-	798,000	929,219	131,219
Transfers in/(out) other CSAs	-	-	(111,064)	(111,064)
Transfers in	24,175	117,000	-	(117,000)
Transfers out	(3,597,444)	(3,597,444)	(250,000)	3,347,444
Total other financing sources (uses)	(3,573,269)	(2,682,444)	593,605	3,230,444
Net change in fund balance	\$ (4,133,717)	\$ (5,064,693)	(776,741)	\$ 4,287,952
Fund balance, beginning, as restated			5,414,879	
Fund balance, ending			\$ 4,638,138	

COUNTY OF SAN BERNARDINO SPECIAL DISTRICT
 COUNTY SERVICE AREA NO. 70 - COUNTYWIDE
 Term Benefit (SKW)
 Budgetary Comparison Schedule
 For the Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variances with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Special Assessments	\$ -	-	-	-
Investment Earnings	-	-	\$ 12,174	\$ 12,174
Total revenues	-	-	12,174	12,174
Expenditures:				
Current-general government:				
Salaries and Benefits	-	-	-	-
Services and supplies	-	-	-	-
Total expenditures	-	-	-	-
Net change in fund balance	\$ -	\$ -	12,174	\$ 12,174
Fund balance, beginning			2,539,282	
Fund balance, ending			\$ 2,551,456	

COUNTY OF SAN BERNARDINO SPECIAL DISTRICT
 COUNTY SERVICE AREA NO. 70 - COUNTYWIDE
 Non-Major Funds
 Combining Balance Sheet
 June 30, 2017

	Special Revenue Funds		Capital Projects	
	General Building Reserve <u>(SKU)</u>	Revolving Loan Fund <u>(SKI)</u>	Countywide Improvements <u>(CLO)</u>	<u>Totals</u>
Assets				
Cash and investments	\$ 47	\$ 749,872	\$ 29,369	\$ 779,288
Receivables:				
Loan	-	250,000	-	250,000
Interest	84	1,763	99	1,946
Due from other funds	-	283	-	283
Total assets	<u>\$ 131</u>	<u>\$ 1,001,918</u>	<u>\$ 29,468</u>	<u>\$ 1,031,517</u>
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances				
Assigned	<u>131</u>	<u>1,001,918</u>	<u>29,468</u>	<u>1,031,517</u>
Total fund balances	<u>131</u>	<u>1,001,918</u>	<u>29,468</u>	<u>1,031,517</u>
Total liabilities and fund balances	<u>\$ 131</u>	<u>1,001,918</u>	<u>\$ 29,468</u>	<u>\$ 1,031,517</u>

COUNTY OF SAN BERNARDINO SPECIAL DISTRICT
 COUNTY SERVICE AREA NO. 70 - COUNTYWIDE
 Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
 For the Year Ended June 30, 2017

	<u>Special Revenue Funds</u>		<u>Capital Projects</u>	
	General Building Reserve <u>(SKU)</u>	Revolving Loan Fund <u>(SKI)</u>	Countywide Improvements <u>(CLO)</u>	<u>Totals</u>
Revenues:				
Investment earnings	\$ (2,178)	\$ 3,460	\$ 177	\$ 1,459
Total revenues	<u>(2,178)</u>	<u>3,460</u>	<u>177</u>	<u>1,459</u>
Expenditures:				
Capital Outlay:				
Improvements to land	-	-	23,329	23,329
Total expenditures	<u>-</u>	<u>-</u>	<u>23,329</u>	<u>23,329</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,178)</u>	<u>3,460</u>	<u>(23,152)</u>	<u>(21,870)</u>
Other financing sources (uses):				
Transfers in	-	205,000	50,000	255,000
Transfers out	<u>(42,586)</u>	<u>-</u>	<u>-</u>	<u>(42,586)</u>
Total other financing sources and (uses)	<u>(42,586)</u>	<u>205,000</u>	<u>50,000</u>	<u>212,414</u>
Net change in fund balances	(44,764)	208,460	26,848	190,544
Fund balances, beginning of year	<u>44,895</u>	<u>793,458</u>	<u>2,620</u>	<u>840,973</u>
Fund balances, end of year	<u>\$ 131</u>	<u>\$ 1,001,918</u>	<u>\$ 29,468</u>	<u>\$ 1,031,517</u>

COUNTY OF SAN BERNARDINO SPECIAL DISTRICT
 COUNTY SERVICE AREA NO. 70 - COUNTYWIDE
 Combining Schedule of Fiduciary Net Position - Agency Funds
 June 30, 2017

	CSA 70 Project Impact- FEMA (NAW)	CSA 70 Rhine Road Improvement (NEH)	CSA 70 Rancho Lucerne Dev Agency (NUL)	CSA 70 Trust Cargill (NUM)	Kaiser Commerce Center (NEG)
Assets:					
Cash and investments	\$ 19	\$ 590	\$ 4	\$ 41	\$ 57
Total assets	<u>\$ 19</u>	<u>\$ 590</u>	<u>\$ 4</u>	<u>\$ 41</u>	<u>\$ 57</u>
Liabilities:					
Due to agent	\$ 19	\$ 590	\$ 4	\$ 41	\$ 57
Total liabilities	<u>\$ 19</u>	<u>\$ 590</u>	<u>\$ 4</u>	<u>\$ 41</u>	<u>\$ 57</u>

COUNTY OF SAN BERNARDINO SPECIAL DISTRICT
 COUNTY SERVICE AREA NO. 70 - COUNTYWIDE
 Combining Schedule of Fiduciary Net Position - Agency Funds
 June 30, 2017 (continued)

	CSA 70 Universal Crest Project (NUQ)	Lytle Creek North CFD (NUS)	CSA 70 Crafton Hills Formtn (NUW)	CSA 70 CFD 2003-1 Debt Admin (VIA)	CSA70 CFD 2002-1 Debt Admin (VIB)
Assets:					
Cash and investments	\$ 7	56,946	\$ -	\$ 94	\$ 31,476
Total assets	<u>\$ 7</u>	<u>56,946</u>	<u>\$ -</u>	<u>\$ 94</u>	<u>\$ 31,476</u>
Liabilities:					
Due to agent	\$ 7	\$ 56,946	\$ -	\$ 94	\$ 31,476
Total liabilities	<u>\$ 7</u>	<u>\$ 56,946</u>	<u>\$ -</u>	<u>\$ 94</u>	<u>\$ 31,476</u>

COUNTY OF SAN BERNARDINO SPECIAL DISTRICT
 COUNTY SERVICE AREA NO. 70 - COUNTYWIDE
 Combining Schedule of Fiduciary Net Position - Agency Funds
 June 30, 2017 (continued)

	CSA70 CFD 2006-1 1-A-4 (VKI)	CSA70 CFD 2003-1 Citrus Plaza (VJX)	CSA70 CFD 2006-1 Area 2 (VJZ)	CSA70 CFD2006-1 1-A-3 (VKG)	CSA70 CFD2006-1 1-A-5 (VKO)	Totals
Assets:						
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ 23,715	\$ 112,949
Total assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 23,715</u>	<u>\$ 112,949</u>
Liabilities:						
Due to agent	\$ -	\$ -	\$ -	\$ -	\$ 23,715	\$ 112,949
Total liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 23,715</u>	<u>\$ 112,949</u>