

**COUNTY OF SAN BERNARDINO SPECIAL DISTRICT
COUNTY SERVICE AREA No. 40 ELEPHANT MOUNTAIN
FINANCIAL STATEMENTS
JUNE 30, 2017**

**COUNTY OF SAN BERNARDINO SPECIAL DISTRICT
COUNTY SERVICE AREA No. 40
ELEPHANT MOUNTAIN
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June 30, 2017**

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**Certified Public Accountants
& Business Advisors**

Board of Supervisors
County of San Bernardino
County of San Bernardino Special
District County Service Area
No. 40 Elephant Mountain

Independent Auditors' Report

We have audited the accompanying financial statements of the governmental activities and each major fund of the County of San Bernardino Special District County Service Area No. 40 Elephant Mountain (CSA), 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.

Board of Supervisors
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District County Service Area
No. 40 Elephant Mountain

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 and each major fund of the County of San Bernardino Special District County Service Area No. 40 Elephant Mountain 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. 40 Elephant Mountain as of June 30, 2016, were audited by other auditors whose report dated November 28, 2016 expressed unmodified opinions on those statements.

Board of Supervisors
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No. 40 Elephant Mountain

Required Supplementary Information

Management has omitted Management's Discussion and Analysis and Schedules of Pension Plan Contribution 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.

Eadie and Payne, LLP

November 22, 2017
Riverside, California

COUNTY OF SAN BERNARDINO SPECIAL DISTRICT
COUNTY SERVICE AREA No. 40
ELEPHANT MOUNTAIN
Statement of Net Position
June 30, 2017

	2017 Governmental Activities	For Comparative Purposes Only 2016 Governmental Activities
Assets		
Cash and investments	\$ 1,426,675	\$ 1,289,256
Taxes receivable	7,298	7,663
Interest receivable	4,125	2,209
Capital assets, net of depreciation	<u>143,284</u>	<u>162,081</u>
Total Assets	<u>1,581,382</u>	<u>1,461,209</u>
 Deferred outflows of resources		
Pensions	<u>83,326</u>	<u>11,409</u>
 Liabilities		
Current:		
Accounts payable	1,328	2,384
Salaries and benefits payable	7,844	5,400
Due to other funds	-	3,267
Compensated absences payable	11,045	8,988
Long-term:		
Net pension liability	<u>168,867</u>	<u>90,777</u>
Total Liabilities	<u>189,084</u>	<u>110,816</u>
 Deferred inflows of resources		
Pensions	<u>37,948</u>	<u>31,763</u>
 Net position		
Net investment in capital assets	143,284	162,081
Restricted to provide VHF and UHF television translator service	<u>1,294,392</u>	<u>1,167,958</u>
Total Net Position	<u>\$ 1,437,676</u>	<u>\$ 1,330,039</u>

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

COUNTY OF SAN BERNARDINO SPECIAL DISTRICT
 COUNTY SERVICE AREA No. 40
 ELEPHANT MOUNTAIN
 Statement of Activities
 For the Year Ended June 30, 2017

	2017 Governmental Activities	For Comparative Purposes Only 2016 Governmental Activities
Expenses		
Salaries and benefits	\$ 198,311	\$ 118,068
Services and supplies	98,695	128,515
Disposal of capital asset	-	8,913
Depreciation	18,216	7,842
Total Program Expenses	315,222	263,338
Program revenues		
Charges for services	30,967	18,635
Net Program Expense	(284,255)	(244,703)
General revenues		
Property taxes	320,983	312,490
Investment earnings	6,690	9,307
Other revenue	42,680	45,931
Other taxes	3,053	2,922
Total General Revenues	373,406	370,650
Change in net position	89,151	125,947
Net position at beginning of year as previously reported	1,330,039	1,204,092
Prior-Period Adjustment	18,486	
Net assets at beginning of year as restated	1,348,525	
Net position at end of year	\$ 1,437,676	\$ 1,330,039

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

COUNTY OF SAN BERNARDINO SPECIAL DISTRICT
COUNTY SERVICE AREA No. 40
ELEPHANT MOUNTAIN

Balance Sheet
Governmental Fund
June 30, 2017

	2017		
	Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
	General (SIS)	Improvements (CLY)	
Assets			
Cash and investments	\$ 1,325,064	\$ 101,611	\$ 1,426,675
Taxes receivable	7,298	-	7,298
Interest receivable	3,825	300	4,125
Total Assets	\$ 1,336,187	\$ 101,911	\$ 1,438,098
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 1,328	\$ -	\$ 1,328
Salaries and benefits payable	7,844	-	7,844
Due to other funds	-	-	-
Total Liabilities	9,172	-	9,172
Fund balance:			
Restricted for:			
To provide VHF and UHF television translator service	1,327,015	101,911	1,428,926
Total Fund Balance	1,327,015	101,911	1,428,926
Total Liabilities and Fund Balance	\$ 1,336,187	\$ 101,911	\$ 1,438,098
Reconciliation of balance sheet of governmental funds to Statement of Net Position:			
Total Fund Balance - Governmental Fund			\$ 1,428,926
Amounts reported for <i>governmental activities</i> in the statement of net position are different because:			
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			143,284
Compensated absences payable are not financial resources and, therefore, are not reported in the funds.			(11,045)
Deferred outflows of resources, deferred inflows of resources, and long-term liability related to the pension plan are not financial resources or due and payable in the current period and, therefore, are not reported in the governmental funds.			(123,489)
Net Position of Governmental Activities			\$ 1,437,676

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

COUNTY OF SAN BERNARDINO SPECIAL DISTRICT
COUNTY SERVICE AREA No. 40
ELEPHANT MOUNTAIN
Balance Sheet
Governmental Fund
June 30, 2017

For Comparative Purposes Only

	2016		
	Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
	General (SIS)	Improvements (CLY)	
Assets			
Cash and investments	\$ 1,188,295	\$ 100,961	\$ 1,289,256
Taxes receivable	7,663	-	7,663
Interest receivable	2,017	192	2,209
Total Assets	\$ 1,197,975	\$ 101,153	\$ 1,299,128
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 2,384	\$ -	\$ 2,384
Salaries and benefits payable	5,400	-	5,400
Due to other funds	2,958	309	3,267
Total Liabilities	10,742	309	11,051
Fund balance:			
Restricted for:			
To provide VHF and UHF television translator service	1,187,233	100,844	1,288,077
Total Fund Balance	1,187,233	100,844	1,288,077
Total Liabilities and Fund Balance	\$ 1,197,975	\$ 101,153	\$ 1,299,128
Total Fund Balance - Governmental Fund			\$ 1,288,077
Amounts reported for <i>governmental activities</i> in the statement of net position are different because:			
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			162,081
Compensated absences payable are not financial resources and, therefore, are not reported in the funds.			(8,988)
Deferred outflows related to contributions made after the actuarial measurement date for the net pension liability.			11,409
Deferred inflows related to unrecognized actuarial gains and losses for the net pension liability.			(31,763)
Proportionate share of net pension liability has not been included in governmental fund activity			(90,777)
Net Position of Governmental Activities			\$ 1,330,039

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

COUNTY OF SAN BERNARDINO SPECIAL DISTRICT
 COUNTY SERVICE AREA No. 40
 ELEPHANT MOUNTAIN
 Statement of Revenues, Expenditures and Changes in Fund Balance
 Governmental Fund
 For the Year Ended June 30, 2017

	2017		
	Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
	General (SIS)	Improvements (CLY)	
Revenues			
Property taxes	\$ 320,983	\$ -	\$ 320,983
Special assessments	30,967	-	30,967
Investment earnings	6,204	486	6,690
Other revenue	42,680	-	42,680
Other taxes	3,053	-	3,053
Total Revenues	\$ 403,887	\$ 486	\$ 404,373
Expenditures			-
General Government			
Salaries and benefits	165,410	-	165,410
Services and supplies	98,695	-	98,695
Capital outlay:			
Improvements to Land	-	(581)	(581)
Total Expenditures	264,105	(581)	263,524
Net Change in Fund Balance	139,782	1,067	140,849
Fund Balance - beginning	1,187,233	100,844	1,288,077
Fund Balance - ending	\$ 1,327,015	\$ 101,911	\$ 1,428,926

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

COUNTY OF SAN BERNARDINO SPECIAL DISTRICT
 COUNTY SERVICE AREA No. 40
 ELEPHANT MOUNTAIN
 Statement of Revenues, Expenditures and Changes in Fund Balance
 Governmental Fund
 For the Year Ended June 30, 2017

	For Comparative Purposes Only		
	2016		
	Special Revenue Fund	Capital Projects Fund	Total
	General (SIS)	Improvements (CLY)	Governmental Funds
Revenues			
Property taxes	\$ 312,490	\$ -	\$ 312,490
Special assessments	18,635	-	18,635
Investment earnings	8,487	820	9,307
Other revenue	45,931	-	45,931
Other taxes	2,922	-	2,922
Total Revenues	\$ 388,465	\$ 820	\$ 389,285
Expenditures			-
General Government			
Salaries and benefits	126,756	-	126,756
Services and supplies	119,096	-	119,096
Capital outlay:			
Improvements to Land	-	9,419	9,419
Total Expenditures	245,852	9,419	255,271
Excess of Revenues Over (Under) Expenditures	142,613	(8,599)	134,014
Other Financing Sources (Uses)			
Transfer in	20,637	99,983	120,620
Transfer out	(99,983)	(20,637)	(120,620)
Total Other Financing Sources (Uses)	(79,346)	79,346	-
Net Change in Fund Balance	63,267	70,747	134,014
Fund Balance - beginning	1,123,966	30,097	1,154,063
Fund Balance - ending	\$ 1,187,233	\$ 100,844	1,288,077

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

COUNTY OF SAN BERNARDINO SPECIAL DISTRICT
 COUNTY SERVICE AREA No. 40
 ELEPHANT MOUNTAIN
 Reconciliation of the Statement of Revenues, Expenditures and Changes in
 Fund Balance of Governmental Fund to the Statement of Activities
 For the Year Ended June 30, 2017

	2017	For Comparative Purposes Only 2016
Net Change in Fund Balance - Total Government Fund	\$ 140,849	\$ 134,014
<p>Amounts reported for <i>governmental activities</i> in the statement of activities are different because:</p>		
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay, net of disposals exceeded depreciation expense in the current year.</p>	(18,797)	(16,755)
<p>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 the governmental fund.</p>		
Change in compensated absences payable	(2,057)	1,169
<p>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.</p>	(30,844)	7,519
Change in Net Position of Governmental Activities	\$ 89,151	\$ 125,947

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

COUNTY OF SAN BERNARDINO SPECIAL DISTRICT
COUNTY SERVICE AREA No. 40
ELEPHANT MOUNTAIN
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the County of San Bernardino Special District County Service Area No.40 Elephant Mountain 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 No.40 (CSA) was established by an act of the Board of Supervisors of the County of San Bernardino (the County) on August 11, 1969 under Section 4700 of the State Health & Safety Code to provide ten channels of UHF television translator service broadcast from Elephant Mountain, and five channels of VHF television translator service broadcast from Newberry Springs to the 100 square mile area encompassing Barstow, Daggett, Hinkley, Newberry Springs and Yermo.

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.40 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 non-fiduciary 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. 40
ELEPHANT MOUNTAIN
NOTES TO 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 have a proprietary or fiduciary fund types. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement focus, basis of accounting, and financial statements 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 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. 40
ELEPHANT MOUNTAIN
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement focus, basis of accounting, and financial statements 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 fund:

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 *capital projects fund* labeled “Improvements” is used to account for financial resources to be used for the maintenance and improvements to Elephant Mountain broadcast equipment.

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 contribution, 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.

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

Cash and Investments

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

COUNTY OF SAN BERNARDINO SPECIAL DISTRICT
COUNTY SERVICE AREA No. 40
ELEPHANT MOUNTAIN
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.” Currently, the CSA does not have any business-type activities.

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.

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.

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 column 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 estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvement are capitalized as projects are constructed.

COUNTY OF SAN BERNARDINO SPECIAL DISTRICT
COUNTY SERVICE AREA No. 40
ELEPHANT MOUNTAIN
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital assets (continued)

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

<u>Assets</u>	<u>Years</u>
Infrastructure	40-60
Structure and improvements	5-40
Equipment and vehicles	4-15

Fund equity

The CSA follow the provisions of 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. *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.

COUNTY OF SAN BERNARDINO SPECIAL DISTRICT
COUNTY SERVICE AREA No. 40
ELEPHANT MOUNTAIN
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund equity (continued)

- *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.

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.

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.

COUNTY OF SAN BERNARDINO SPECIAL DISTRICT
COUNTY SERVICE AREA No. 40
ELEPHANT MOUNTAIN
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.”

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.

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 SBCERA. 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.

**COUNTY OF SAN BERNARDINO SPECIAL DISTRICT
COUNTY SERVICE AREA No. 40
ELEPHANT MOUNTAIN
NOTES TO FINANCIAL STATEMENTS
June 30, 2017**

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 long-term liability. The CSA is not obligated to pay for unused sick leave if an employee terminates or retires.

Beginning balance	Additions	Deletions	Ending balance	Due within one year	LT Comp. Absences
8,988	3,548	1,491	11,045	11,045	-

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 commitment will be re-appropriated and honored during the subsequent year.

COUNTY OF SAN BERNARDINO SPECIAL DISTRICT
COUNTY SERVICE AREA No. 40
ELEPHANT MOUNTAIN
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 2: CASH AND INVESTMENTS

Cash and investments include 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>.

Note 3: CAPITAL ASSETS

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

Governmental activities:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 92,958	\$ -	\$ -	\$ 92,958
Construction in progress	9,419	(581)	-	8,838
Total capital assets, not being depreciated	<u>102,377</u>	<u>(581)</u>	<u>-</u>	<u>101,796</u>
Capital assets, being depreciated:				
Improvements to land	125,201	-	-	125,201
Vehicle	37,317	-	-	37,317
Equipment	246,706	-	-	246,706
Total capital assets, being depreciated	<u>409,224</u>	<u>-</u>	<u>-</u>	<u>409,224</u>
Less accumulated depreciation for:				
Improvements to land	(119,564)	(1,217)	-	(120,781)
Vehicle	(37,317)	-	-	(37,317)
Equipment	(192,639)	(16,999)	-	(209,638)
Total accumulated depreciation	<u>(349,520)</u>	<u>(18,216)</u>	<u>-</u>	<u>(367,736)</u>
Total capital assets, being depreciated, net	<u>59,704</u>	<u>(18,216)</u>	<u>-</u>	<u>41,488</u>
Total capital assets, net	<u>\$ 162,081</u>	<u>\$ (18,797)</u>	<u>\$ -</u>	<u>\$ 143,284</u>

COUNTY OF SAN BERNARDINO SPECIAL DISTRICT
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NOTES TO FINANCIAL STATEMENTS
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Note 4: 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
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NOTES TO FINANCIAL STATEMENTS
June 30, 2017**

Note 4: 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.

**COUNTY OF SAN BERNARDINO SPECIAL DISTRICT
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ELEPHANT MOUNTAIN
NOTES TO FINANCIAL STATEMENTS
June 30, 2017**

Note 4: RETIREMENT PLAN (continued)

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.

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 \$168,867 which represents 2.24% 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%)
\$ 282,078	\$ 168,867	\$ 75,055

**COUNTY OF SAN BERNARDINO SPECIAL DISTRICT
COUNTY SERVICE AREA No. 40
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NOTES TO FINANCIAL STATEMENTS
June 30, 2017**

Note 4: RETIREMENT PLAN (continued)

Pension expenses recognized amounted to \$30,844 for the year ended June 30, 2017.

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**
\$ 83,326	\$ (37,948)

* 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,.

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

The deferred outflows of resources related to pensions, resulting from the CSA's contributions to the plan subsequent to the measurement date of \$24,139, 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	\$ (1,224)
2019	4,703
2020	10,797
2021	7,525
2022	(600)
Thereafter	37
Total	\$ 21,239

COUNTY OF SAN BERNARDINO SPECIAL DISTRICT
COUNTY SERVICE AREA No. 40
ELEPHANT MOUNTAIN
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 5: 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.

COUNTY OF SAN BERNARDINO SPECIAL DISTRICT
COUNTY SERVICE AREA No. 40
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NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 5: RISK MANAGEMENT (continued)

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.

Note 6: CONTINGENCIES

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 7: SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 22, 2017, 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 8: PRIOR-PERIOD ADJUSTMENT

The net position as of the beginning of the year was adjusted to correct an error made in recording the pension expense for the year ended June 30, 2016. The deferred outflow of resources for pension contributions of \$18,486 made subsequent to the measurement date was not recognized. Had the error not been made, the change in net position would have decreased by \$18,486.

REQUIRED SUPPLEMENTARY INFORMATION
 COUNTY OF SAN BERNARDINO SPECIAL DISTRICT
 COUNTY SERVICE AREA No. 40
 ELEPHANT MOUNTAIN
 Budgetary Comparison Schedule - Special Revenue Fund (General)
 For the Year Ended June 30, 2017

	Special Revenue Fund			
	General (SIS)			
	Original Budget	Final Budget	Actual	Variances with Final Budget Positive (Negative)
Revenues				
Property taxes	\$ 282,081	\$ 282,081	\$ 320,983	\$ 38,902
Special assessments	-	-	30,967	30,967
Investment earnings	4,296	4,296	6,204	1,908
Other revenue	46,898	46,898	42,680	(4,218)
Other taxes	2,800	2,800	3,053	253
Total Revenues	<u>336,075</u>	<u>336,075</u>	<u>403,887</u>	<u>67,812</u>
Expenditures				
General Government				
Salaries and benefits	144,636	153,236	165,410	12,174
Services and supplies	213,155	204,555	98,695	(105,860)
Total Expenditures	<u>357,791</u>	<u>357,791</u>	<u>264,105</u>	<u>(93,686)</u>
Excess of Revenues Over (Under) Expenditures	<u>(21,716)</u>	<u>(21,716)</u>	<u>139,782</u>	<u>161,498</u>
Net Change in Fund Balance	<u>\$ (21,716)</u>	<u>\$ (21,716)</u>	139,782	<u>\$ 161,498</u>
Fund Balance - beginning			<u>1,187,233</u>	
Fund Balance - ending			<u>\$ 1,327,015</u>	