

**COUNTY OF SAN BERNARDINO SPECIAL DISTRICT
COUNTY SERVICE AREA No. 70 IMPROVEMENT ZONE GH
FINANCIAL STATEMENTS
JUNE 30, 2018**

**COUNTY OF SAN BERNARDINO SPECIAL DISTRICT
COUNTY SERVICE AREA No. 70
IMPROVEMENT ZONE GH
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June 30, 2018**

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Board of Supervisors
County of San Bernardino
County of San Bernardino Special
District County Service Area
No. 70 – Improvement Zone GH

Independent Auditor’s Report

We have audited the accompanying financial statements of the governmental activities the business-type activities, each major fund, information of the County of San Bernardino Special District County Service Area No. 70 – Improvement Zone GH (CSA), a component unit of the County of San Bernardino, as of and for the year ended June 30, 2018, 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, the standards applicable to financial audit contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, 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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Board of Supervisors
County of San Bernardino
County of San Bernardino Special
District County Service Area
No. 70 – Improvement Zone GH

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, business-type activities, and each major fund, of the CSA as of June 30, 2018 and the respective changes in financial position and cash flows, 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.

Board of Supervisors
County of San Bernardino
County of San Bernardino Special
District County Service Area
No. 70 – Improvement Zone GH

Required Supplementary Information

Management has omitted Management's Discussion and Analysis and the 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2018, on our consideration of the CSA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the CSA's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the CSA's internal control over financial reporting and compliance.

Eddie and Payne LLP

December 21, 2018
Riverside, California

COUNTY OF SAN BERNARDINO SPECIAL DISTRICT
 COUNTY SERVICE AREA No. 70
 IMPROVEMENT ZONE GH
 Statement of Net Position
 June 30, 2018

	2018		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and investments	\$ 613,972	\$ 1,511,998	\$2,125,970
Accounts receivable, net	-	212,306	212,306
Special assessments receivable	2,788	-	2,788
Taxes receivables	-	-	-
Due from other governments	-	2,700	2,700
Capital assets, net of depreciation	<u>3,384,564</u>	<u>3,603,852</u>	<u>6,988,416</u>
Total Assets	<u>4,001,324</u>	<u>5,330,856</u>	<u>9,332,180</u>
Deferred outflows of resources			
Pensions	<u>-</u>	<u>135,313</u>	<u>135,313</u>
Liabilities			
Current:			
Accounts payable	5,774	16,513	22,287
Retentions payable	-	-	-
Due to other funds	180	42,467	42,647
Customer deposits	-	(2,867)	(2,867)
Long-term:			
Net pension liability	<u>-</u>	<u>274,300</u>	<u>274,300</u>
Total Liabilities	<u>5,954</u>	<u>330,413</u>	<u>336,367</u>
Deferred inflows of resources			
Pensions	<u>-</u>	<u>61,267</u>	<u>61,267</u>
Net position			
Net investment in capital assets	3,384,564	3,603,852	6,988,416
Restricted for streetlighting	161,514	-	161,514
Restricted for detension basin	436,041	-	436,041
Unrestricted	<u>13,251</u>	<u>1,470,637</u>	<u>1,483,888</u>
Total Net Position	<u>\$ 3,995,370</u>	<u>\$ 5,074,489</u>	<u>\$9,069,859</u>

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

COUNTY OF SAN BERNARDINO SPECIAL DISTRICT
 COUNTY SERVICE AREA No. 70
 IMPROVEMENT ZONE GH
 Statement of Net Position (continued)
 June 30, 2018

	For Comparative Purposes Only		
	2017		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and investments	\$ 554,043	\$ 1,673,439	\$2,227,482
Accounts receivable, net	-	196,862	196,862
Special assessments receivable	286	508	794
Taxes receivables	-	-	-
Due from other governments	-	-	-
Capital assets, net of depreciation	<u>3,428,395</u>	<u>3,583,979</u>	<u>7,012,374</u>
Total Assets	<u>3,984,403</u>	<u>5,472,618</u>	<u>9,457,021</u>
Deferred outflows of resources			
Pensions	<u>-</u>	<u>134,177</u>	<u>134,177</u>
Liabilities			
Current:			
Accounts payable	5,343	38,129	43,472
Retentions payable	-	-	-
Due to other funds	-	975	975
Customer deposits	-	1,572	1,572
Long-term:			
Net pension liability	-	271,923	271,923
Total Liabilities	<u>5,343</u>	<u>312,599</u>	<u>317,942</u>
Deferred inflows of resources			
Pensions	<u>-</u>	<u>61,106</u>	<u>61,106</u>
Net position			
Net invested in capital assets	3,428,395	3,583,979	7,012,374
Restricted for public works	124,368	-	124,368
Restricted for community services	413,144	-	413,144
Unrestricted	<u>13,153</u>	<u>1,649,111</u>	<u>1,662,264</u>
Total Net Position	<u>\$ 3,979,060</u>	<u>\$ 5,233,090</u>	<u>\$9,212,150</u>

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

COUNTY OF SAN BERNARDINO SPECIAL DISTRICT
 COUNTY SERVICE AREA No. 70
 IMPROVEMENT ZONE GH
 Statement of Activities
 For the Year Ended June 30, 2018

	2018		
	Governmental Activities	Business-type Activities	Total
Expenses			
Professional services	\$ -	\$ -	\$ -
Salaries and benefits	12,022	631,026	643,048
Services and supplies	81,472	440,989	522,461
Utilities	5,202	92,345	97,547
Other	-	16,097	16,097
Depreciation	43,832	173,793	217,625
Total Expenses	<u>142,528</u>	<u>1,354,250</u>	<u>1,496,778</u>
Program Revenues (Expenses)			
Charges for services	<u>5,385</u>	<u>945,719</u>	<u>951,104</u>
Net Program Revenue (Expense)	<u>(137,143)</u>	<u>(408,531)</u>	<u>(545,674)</u>
General Revenues			
Special assessments	148,483	22,177	170,660
Investment earnings	4,283	13,432	17,715
Penalties and interest	308	38,408	38,716
Contributions from private sources	-	139,353	139,353
Other	379	36,560	36,939
Total General Revenues	<u>153,453</u>	<u>249,930</u>	<u>403,383</u>
Other Financing Sources (Uses)			
Transfers in	-	-	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Change in net position	<u>16,310</u>	<u>(158,601)</u>	<u>(142,291)</u>
Net position at beginning of year	3,979,060	5,233,090	9,212,150
Net position at end of year	<u><u>\$ 3,995,370</u></u>	<u><u>\$ 5,074,489</u></u>	<u><u>\$ 9,069,859</u></u>

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

COUNTY OF SAN BERNARDINO SPECIAL DISTRICT
COUNTY SERVICE AREA No. 70
IMPROVEMENT ZONE GH
Statement of Activities (continued)
For the Year Ended June 30, 2018

	For Comparative Purposes Only		
	2017		
	Governmental	Business-type	
	Activities	Activities	Total
Expenses			
Professional services	\$ -	\$ 35,613	\$ 35,613
Salaries and benefits	12,494	331,015	343,509
Services and supplies	17,261	320,579	337,840
Utilities	-	75,093	75,093
Other	61,459	45,692	107,151
Depreciation	43,047	172,934	215,981
Total Expenses	<u>134,261</u>	<u>980,926</u>	<u>1,115,187</u>
Program Revenues (Expenses)			
Charges for services	<u>11,018</u>	<u>722,120</u>	<u>733,138</u>
Net Program Revenue (Expense)	<u>(123,243)</u>	<u>(258,806)</u>	<u>(382,049)</u>
Property taxes	111	38	149
Special assessments	125,016	24,868	149,884
Investment earnings	2,751	7,616	10,367
Penalties	-	13,243	13,243
Contributions from private sources	-	246,316	246,316
Other	12,477	33,180	45,657
Total General Revenues	<u>140,355</u>	<u>325,261</u>	<u>465,616</u>
Other Financing Sources (Uses)			
Transfer in from/to County	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Change in net position	17,112	66,455	83,567
Net position at beginning of year	<u>3,961,948</u>	<u>5,166,635</u>	<u>9,128,583</u>
Net position at end of year	<u>\$ 3,979,060</u>	<u>\$ 5,233,090</u>	<u>\$ 9,212,150</u>

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

COUNTY OF SAN BERNARDINO SPECIAL DISTRICT
 COUNTY SERVICE AREA No. 70
 IMPROVEMENT ZONE GH
 Balance Sheet
 Governmental Funds
 June 30, 2018

	2018			
	Special Revenue Funds			
	Streetlighting (1452)	Detention Basin (1450)	Capital Projects (3634)	Total Governmental Funds
Assets				
Cash and investments	\$ 165,399	\$ 435,322	\$ 13,251	\$ 613,972
Special assessments receivable	<u>2,069</u>	<u>719</u>	<u>-</u>	<u>2,788</u>
Total Assets	<u>\$ 167,468</u>	<u>\$ 436,041</u>	<u>\$ 13,251</u>	<u>\$ 616,760</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 5,774	\$ -	\$ -	\$ 5,774
Due to other funds	<u>180</u>	<u>-</u>	<u>-</u>	<u>180</u>
Total Liabilities	<u>5,954</u>	<u>-</u>	<u>-</u>	<u>5,954</u>
Fund balances:				
Restricted for:				
Streetlighting	161,514	-	-	161,514
Detention Basin	-	436,041	-	436,041
Unrestricted	<u>-</u>	<u>-</u>	<u>13,251</u>	<u>13,251</u>
Total Fund Balances	<u>161,514</u>	<u>436,041</u>	<u>13,251</u>	<u>610,806</u>
Total Liabilities and Fund Balance	<u>\$ 167,468</u>	<u>\$ 436,041</u>	<u>\$ 13,251</u>	<u>\$ 616,760</u>
Reconciliation of balance sheet of governmental funds to statement of net position:				
Total Fund Balance - Governmental Fund				\$ 610,806
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.				
Capital assets, net of depreciation				<u>3,384,564</u>
Net Position of Governmental Activities				<u>\$ 3,995,370</u>

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

COUNTY OF SAN BERNARDINO SPECIAL DISTRICT
 COUNTY SERVICE AREA No. 70
 IMPROVEMENT ZONE GH
 Balance Sheet (continued)
 Governmental Funds
 June 30, 2018

For Comparative Purposes Only
2017

	Special Revenue Funds			
	Streetlighting (1452)	Detention Basin (1450)	Capital Projects (3634)	Total Governmental Funds
Assets				
Cash and investments	\$ 129,507	\$ 413,062	\$ 13,153	\$ 555,722
Special assessments receivable	<u>204</u>	<u>82</u>	<u>-</u>	<u>286</u>
Total Assets	<u>\$ 129,711</u>	<u>\$ 413,144</u>	<u>\$ 13,153</u>	<u>\$ 556,008</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 5,343	\$ -	\$ -	\$ 5,343
Due to other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>5,343</u>	<u>-</u>	<u>-</u>	<u>5,343</u>
Fund balances:				
Restricted for:				
Streetlighting	124,368	-	-	124,368
Detention Basin	<u>-</u>	<u>413,144</u>	<u>13,153</u>	<u>426,297</u>
Total Fund Balances	<u>124,368</u>	<u>413,144</u>	<u>13,153</u>	<u>550,665</u>
Total Liabilities and Fund Balance	<u>\$ 129,711</u>	<u>\$ 413,144</u>	<u>\$ 13,153</u>	<u>\$ 556,008</u>
Total Fund Balance - Governmental Fund				\$ 550,665
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.				
Capital assets, net of depreciation				<u>3,428,395</u>
Net Position of Governmental Activities				<u>\$ 3,979,060</u>

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

COUNTY OF SAN BERNARDINO SPECIAL DISTRICT
 COUNTY SERVICE AREA No. 70
 IMPROVEMENT ZONE GH
 Statement of Revenues, Expenditures and Changes in Fund Balances
 Governmental Funds
 For the Year Ended June 30, 2018

	2018			
	Special Revenue Funds			
	Streetlighting	Detention Basin	Capital Projects	Total Governmental
	(1452)	(1450)	(3634)	Funds
Revenues				
Special assessments	\$ 104,329	\$ 44,153	\$ -	\$ 148,482
Other services	5,385	-	-	5,385
Other revenues	737	(358)	-	379
Penalties and interest	165	142	-	307
Investment earnings	<u>1,018</u>	<u>3,167</u>	<u>98</u>	<u>4,283</u>
Total Revenues	<u>111,634</u>	<u>47,104</u>	<u>98</u>	<u>158,836</u>
Expenditures				
Salaries and benefits	3,035	8,987	-	12,022
Services and supplies	66,251	15,220	-	81,471
Utilities	5,202	-	-	5,202
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>74,488</u>	<u>24,207</u>	<u>-</u>	<u>98,695</u>
Excess of Revenues Over (Under) Expenditures	<u>37,146</u>	<u>22,897</u>	<u>98</u>	<u>60,043</u>
Other Financing Sources (Uses)				
Transfer in	-	-	-	-
Transfer out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	37,146	22,897	98	60,141
Fund Balance - beginning	<u>124,368</u>	<u>413,144</u>	<u>13,153</u>	<u>550,665</u>
Fund Balance - ending	<u>\$ 161,514</u>	<u>\$ 436,041</u>	<u>\$ 13,251</u>	<u>\$ 610,806</u>

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

COUNTY OF SAN BERNARDINO SPECIAL DISTRICT
 COUNTY SERVICE AREA No. 70
 IMPROVEMENT ZONE GH
 Statement of Revenues, Expenditures and Changes in Fund Balances
 Governmental Funds
 For the Year Ended June 30, 2018

	For Comparative Purposes Only			
	2017			
	Special Revenue Funds		Capital	Total
	Streetlighting	Detention Basin	Projects	Governmental
	(1452)	(1450)	(3634)	Funds
Revenues				
Property taxes	\$ 64	\$ 47	\$ -	\$ 111
Special assessments	80,844	44,172	-	125,016
Other services	11,018	-	-	11,018
Other revenues	12,477	-	-	12,477
Investment earnings	621	2,051	79	2,672
Total Revenues	105,024	46,270	79	151,294
Expenditures				
Salaries and benefits	7,234	5,260	-	12,494
Services and supplies	63,422	15,298	-	78,720
Utilities				
Capital outlay	-	-	26,926	26,926
Total Expenditures	70,656	20,558	26,926	118,140
Excess of Revenues Over(Under) Expenditures	34,368	25,712	(26,847)	60,080
Other Financing Sources (Uses)				
Transfer in	-	-	40,000	40,000
Transfer out	-	(40,000)	-	(40,000)
Total other financing sources(uses)	-	(40,000)	40,000	-
Net change in Fund balance	34,368	(14,288)	13,153	33,233
Fund Balance - beginning	90,000	427,432	-	517,432
Fund Balance - ending	\$ 124,368	\$ 413,144	\$ 13,153	\$ 550,665

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

COUNTY OF SAN BERNARDINO SPECIAL DISTRICT
 COUNTY SERVICE AREA No. 70
 IMPROVEMENT ZONE GH
 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, 2018

	2018	For Comparative Purposes Only 2017
Net Change in Fund Balance - Total Governmental Funds	\$ 60,141	\$ 33,233
<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 depreciation expense exceeded capital outlay in the current year.</p>		
	(43,831)	(16,121)
Change in Net Position of Governmental Activities	\$ 16,310	\$ 17,112

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

COUNTY OF SAN BERNARDINO SPECIAL DISTRICT
COUNTY SERVICE AREA No. 70
IMPROVEMENT ZONE GH
Statement of Net Position
Proprietary Funds
June 30, 2018

	2018	For Comparative Purposes Only 2017
	<u>Enterprise Funds</u>	<u>Enterprise Funds</u>
Assets		
Current assets:		
Cash and investments	1,511,998	1,678,269
Accounts receivable, net	212,306	209,862
Special Assessment Receivable	-	508
Due from other funds	2,700	-
Total current assets	<u>1,727,004</u>	<u>1,888,639</u>
Noncurrent assets:		
Capital assets:		
Land	21,626	21,626
Improvements to land	4,263,288	4,263,288
Construction in progress	357,365	163,699
Accumulated depreciation	<u>(1,038,427)</u>	<u>(864,634)</u>
Total noncurrent assets	<u>3,603,852</u>	<u>3,583,979</u>
Total Assets	<u>5,330,856</u>	<u>5,472,618</u>
Deferred outflows of resources		
Pensions	<u>135,313</u>	<u>134,177</u>
Liabilities		
Current liabilities:		
Accounts payable	16,513	38,129
Retentions payable	-	-
Due to other funds	42,467	975
Customer deposits	<u>(2,867)</u>	<u>1,572</u>
Total current liabilities	<u>56,113</u>	<u>40,676</u>
Long-term liabilities		
Net pension liability	<u>274,300</u>	<u>271,923</u>
Total long-term liabilities	<u>274,300</u>	<u>271,923</u>
Total Liabilities	<u>330,413</u>	<u>312,599</u>
Deferred inflows of resources		
Pensions	<u>61,267</u>	<u>61,106</u>
Net position		
Net investment in capital assets	3,603,852	3,583,979
Unrestricted	<u>1,470,637</u>	<u>1,649,111</u>
Total Net Position	<u>\$ 5,074,489</u>	<u>\$ 5,233,090</u>

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

COUNTY OF SAN BERNARDINO SPECIAL DISTRICT
 COUNTY SERVICE AREA No. 70
 IMPROVEMENT ZONE GH
 Statement of Revenues, Expenses and Changes in Net Position
 Proprietary Funds
 For the Year Ended June 30, 2018

	2018	For Comparative Purposes Only 2017
	<u>Enterprise Funds</u>	<u>Enterprise Funds</u>
Operating Revenues		
Sanitation services	\$ 920,122	\$ 698,765
Other services	<u>25,597</u>	<u>23,355</u>
Total Operating Revenues	<u>945,719</u>	<u>722,120</u>
Operating Expenses		
Professional services	-	35,613
Salaries and benefits	631,026	331,015
Services and supplies	440,989	320,579
Utilities	92,345	75,093
Other	16,097	45,692
Depreciation	<u>173,793</u>	<u>172,934</u>
Total Operating Expenses	<u>1,354,250</u>	<u>980,926</u>
Operating Loss	<u>(408,531)</u>	<u>(258,806)</u>
Nonoperating Revenues		
Investment earnings	13,432	7,616
Property taxes	-	-
Special assessments	22,177	24,868
Penalties	38,408	13,281
Contributions from private sources	139,353	246,316
Other	<u>36,560</u>	<u>33,180</u>
Total Nonoperating Revenues	<u>249,930</u>	<u>325,261</u>
Transfers		
Transfers in	-	660,000
Transfers out	<u>-</u>	<u>(660,000)</u>
Total Transfers	<u>-</u>	<u>-</u>
Change in Net Position	<u>(158,601)</u>	<u>66,455</u>
Net position at beginning of year	<u>5,233,090</u>	<u>5,166,635</u>
Net Position - ending	<u>\$ 5,074,489</u>	<u>\$ 5,233,090</u>

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

COUNTY OF SAN BERNARDINO SPECIAL DISTRICT
 COUNTY SERVICE AREA No. 70
 IMPROVEMENT ZONE GH
 Statement of Cash Flows
 Proprietary Funds
 For the Year Ended June 30, 2018

	2018	For Comparative Purposes Only 2017
	<u>Enterprise Funds</u>	<u>Enterprise Funds</u>
Cash Flows from Operating Activities		
Receipts from customers	\$ 928,464	\$ 1,270,851
Payments to suppliers	(529,555)	(1,184,651)
Payments to employees	<u>(621,952)</u>	<u>(350,507)</u>
Net cash provided by operating activities	<u>(223,043)</u>	<u>(264,307)</u>
Cash Flows from Noncapital Financing Activities		
Special assessments	22,685	24,360
Property Taxes	-	-
Penalties	38,408	13,281
Contributions from private sources	139,353	246,316
Other nonoperating revenues	36,560	33,180
Transfers in	-	660,000
Transfers out	<u>-</u>	<u>(660,000)</u>
Net cash provided by noncapital financing activities	<u>237,006</u>	<u>317,137</u>
Cash Flows from Capital and Related Financing Activities		
Acquisition of capital assets	<u>(193,666)</u>	<u>(112,473)</u>
Net cash used for capital and related financing activities	<u>(193,666)</u>	<u>(112,473)</u>
Cash Flows from Investing Activities		
Investment earnings	<u>13,432</u>	<u>7,616</u>
Net cash provided by investing activities	<u>13,432</u>	<u>7,616</u>
Net decrease in cash and investments	(166,271)	(52,027)
Cash and Investments - beginning	<u>1,678,269</u>	<u>1,730,296</u>
Cash and Investments - ending	<u>\$ 1,511,998</u>	<u>\$ 1,678,269</u>

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

COUNTY OF SAN BERNARDINO SPECIAL DISTRICT
 COUNTY SERVICE AREA No. 70
 IMPROVEMENT ZONE GH
 Statement of Cash Flows (continued)
 Proprietary Funds
 For the Year Ended June 30, 2018

	2018	For Comparative Purposes Only 2017
	<u>Enterprise Funds</u>	<u>Enterprise Funds</u>
Reconciliation of operating loss to net cash used for operating activities:		
Operating loss	\$ (408,531)	\$ (258,806)
Adjustments to reconcile operating loss to net cash used for operating activities:		
Depreciation expense	173,793	172,934
Changes in assets and liabilities:		
Accounts receivable, net	(10,116)	(8,941)
Customer deposits	(4,439)	-
Due from other funds	(2,700)	550,000
Accounts payable	(13,944)	(139,705)
Retentions payable	-	(6,925)
Due to other funds	41,492	(553,372)
Net pension liability, net of deferred outflows and inflows	<u>1,402</u>	<u>(19,492)</u>
Net cash used for operating activities	<u>\$ (223,043)</u>	<u>\$ (264,307)</u>

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

COUNTY OF SAN BERNARDINO SPECIAL DISTRICT
COUNTY SERVICE AREA No. 70
IMPROVEMENT ZONE GH
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the County of San Bernardino Special District County Service Area No.70 – Improvement Zone GH 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 Improvement Zone GH was established by an act of the Board of Supervisors of the County of San Bernardino (the County) on August 24, 2004 to provide park and recreation, sanitation, and streetlight services to the Glen Helen area. The CSA provides sanitation services to the San Bernardino Sheriff's Department Detention facility as well as a Master Planned community currently in development. The CSA provides sewer service to 217 Equivalent Dwelling Units (EDUs).

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 Improvement Zone GH of the County of San Bernardino and are not intended to present the financial position of the Count 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, 2018.

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.

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*.

COUNTY OF SAN BERNARDINO SPECIAL DISTRICT
COUNTY SERVICE AREA No. 70
IMPROVEMENT ZONE GH
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government-wide and fund financial statements (continued)

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 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.

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.

COUNTY OF SAN BERNARDINO SPECIAL DISTRICT
COUNTY SERVICE AREA No. 70
IMPROVEMENT ZONE GH
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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 *special revenue fund* labeled “Detention Basin” accounts for all financial resources of the general government related to detention basin services.

The government reports the following major proprietary fund:

The *enterprise* accounts for sewer activities of the CSA.

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 investments 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.

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.”

COUNTY OF SAN BERNARDINO SPECIAL DISTRICT
COUNTY SERVICE AREA No. 70
IMPROVEMENT ZONE GH
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Receivables and payables (continued)

All accounts receivable are shown net of an allowance for uncollectibles when applicable. An allowance of \$33,338 has been recorded as of June 30, 2018 based on management's expectation for amounts that will be collected through the regular tax roll.

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. 70
IMPROVEMENT ZONE GH
NOTES TO FINANCIAL STATEMENTS
June 30, 2018**

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:

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

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.

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.

COUNTY OF SAN BERNARDINO SPECIAL DISTRICT
COUNTY SERVICE AREA No. 70
IMPROVEMENT ZONE GH
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund equity (continued)

- *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.
- *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.

Net Position

Net position comprise the various net earnings from operating and nonoperating revenues, expenses and contribution of capital. Net position are classified in the following three components:

Net Investment in capital assets -This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

**COUNTY OF SAN BERNARDINO SPECIAL DISTRICT
COUNTY SERVICE AREA No. 70
IMPROVEMENT ZONE GH
NOTES TO FINANCIAL STATEMENTS
June 30, 2018**

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Position (continued)

Restricted -This component of net position consists of constraints placed on net asset use through external constraints imposed by creditors, grantors, contributors, or laws or regulations, of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted -This component of net position consist of net position of the CSA that is not restricted for any project or other purpose.

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.

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. 70
IMPROVEMENT ZONE GH
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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. 70
IMPROVEMENT ZONE GH
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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, 2018. 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, 2018 was as follows:

Governmental activities:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets, not being depreciated:				
Easements	\$2,000,000	\$ -	\$ -	\$2,000,000
Total capital assets, not being depreciated	<u>2,000,000</u>	<u>-</u>	<u>-</u>	<u>2,000,000</u>
Capital assets, being depreciated:				
Improvements to land	26,926	-	-	26,926
Infrastructure	1,699,431	-	-	1,699,431
Total capital assets, being depreciated	<u>1,726,357</u>	<u>-</u>	<u>-</u>	<u>1,726,357</u>
Less accumulated depreciation for:				
Improvements to land	(561)	(1,346)	-	(1,907)
Infrastructure	(297,401)	(42,485)	-	(339,886)
Total accumulated depreciation	<u>(297,962)</u>	<u>(43,831)</u>	<u>-</u>	<u>(341,793)</u>
Total capital assets, being depreciated, net	<u>1,428,395</u>	<u>(43,831)</u>	<u>-</u>	<u>1,384,564</u>
Governmental activities capital assets, net	<u>\$3,428,395</u>	<u>\$ (43,831)</u>	<u>\$ -</u>	<u>\$3,384,564</u>

COUNTY OF SAN BERNARDINO SPECIAL DISTRICT
COUNTY SERVICE AREA No. 70
IMPROVEMENT ZONE GH
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 3: CAPITAL ASSETS (continued)

Business-type activities:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 21,626	\$ -	\$ -	\$ 21,626
Construction in progress	<u>163,699</u>	<u>193,666</u>		<u>357,365</u>
Total capital assets, not being depreciated	<u>185,325</u>	<u>193,666</u>	<u>-</u>	<u>378,991</u>
Capital assets, being depreciated:				
Improvements to land	<u>4,263,288</u>	<u>-</u>	<u>-</u>	<u>4,263,288</u>
Total capital assets, being depreciated	<u>4,263,288</u>	<u>-</u>	<u>-</u>	<u>4,263,288</u>
Less accumulated depreciation for:				
Improvements to land	<u>(864,634)</u>	<u>(173,793)</u>	<u>-</u>	<u>(1,038,427)</u>
Total accumulated depreciation	<u>(864,634)</u>	<u>(173,793)</u>	<u>-</u>	<u>(1,038,427)</u>
Total capital assets, being depreciated, net	<u>3,398,654</u>	<u>(173,793)</u>	<u>-</u>	<u>3,224,861</u>
Business-type activities capital assets, net	<u>\$3,583,979</u>	<u>\$ 19,873</u>	<u>\$ -</u>	<u>\$3,603,852</u>

Note 4: LAND EASEMENT SALE CONTRACT

On January 8, 2008, the CSA and the County of San Bernardino entered into a Land Easement Sale Contract. The contract conveyed an easement over 10.2 acres of County-owned property to the CSA for the construction, operation, and maintenance of detention basins. The contract required the CSA to purchase the easement by making a one-time lump sum payment of \$2 million to the County. If the detention basins are constructed but the easement ceases to be used for the detention basins for a period of one year or more, the County shall have the power to terminate this Agreement and the Deed given under this Agreement. A private development company agreed to contribute the \$2 million needed by the CSA for the purchase of the easement (See Note 5).

COUNTY OF SAN BERNARDINO SPECIAL DISTRICT
COUNTY SERVICE AREA No. 70
IMPROVEMENT ZONE GH
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 5: DETENTION BASIN AGREEMENT

On January 8, 2008, the CSA and a private development company (Company) entered into a Detention Basin Agreement. The Company is responsible for the construction of detention basins for the purpose of collecting storm runoff in the Lytle Creek North Planned Development Project. The agreement requires the Company to pay the CSA \$2 million for the right to construct and use the basins on the CSA's Easement Property (See Note 4). When construction is complete, ownership will be transferred to the CSA which will be responsible for maintaining and monitoring the basins' operations. Additionally, the Company has paid an additional \$250,000 to the CSA for the cost to operate and maintain the basins for approximately the first two years after completion. Both the \$2 million and the \$250,000 were received during Fiscal Year 2008. During Fiscal Year 2009, the \$250,000 paid by the Company was transferred from the business-type activity to the governmental activity. On April 22, 2010, the CSA took ownership of the detention basins.

Note 6: WASTEWATER SYSTEM AGREEMENT

On August 24, 2004, the CSA and a private development company (Company) entered into a Wastewater System Agreement. The Company is responsible for the construction of a Waste Water Treatment Plant to serve the Lytle Creek North Planned Development Project, the San Bernardino County Sheriff's detention facility, and future expansion within the CSA. When construction is complete and final acceptance is granted by Special Districts Department on behalf of the CSA, ownership will be transferred to the CSA which will be responsible for maintaining and monitoring the Waste Water Treatment Plant. On July 25, 2006, the Special Districts Department issued preliminary acceptance, which transferred possession of the Waste Water Treatment Plant, but not ownership, to the CSA. As of June 30, 2018, final acceptance has not been granted; thus ownership has not transferred to the CSA.

COUNTY OF SAN BERNARDINO SPECIAL DISTRICT
COUNTY SERVICE AREA No. 70
IMPROVEMENT ZONE GH
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 7: FAIR-SHARE CONTRIBUTION AGREEMENT

On April 19, 2005, the CSA and a private development company (Company) entered into a Fair-Share Contribution Agreement. The Company is required to pay an annual fair-share contribution to mitigate operating cost deficits in connection with the operation and maintenance of the Waste Water Treatment Plant and all related appurtenances and facilities including the trunk sewer and effluent treatment ponds, and the Lytle North Sewer Collection Systems commencing upon 'Final Acceptance' of the Waste Water Treatment Plant by the Special Districts Department and continues until either the certificates of occupancy have been issued for residences and other buildings constituting at least 2,093 equivalent dwelling units or until such time as there has been no operating cost deficit for two consecutive fiscal years. The Company is required to make this contribution annually for each fiscal year and shall be in an amount equal to the amount, if any, by which the sum of 88% of the Waste Water Treatment Costs plus 100% of the Lytle North Sewer Collection System Costs exceeds user fee revenues. In addition, the San Bernardino County Sheriff's Department is required to pay 12% of the Waste Water Treatment Plant Costs and 100% of the pretreatment costs in consideration of the sewer services provided for the County Sheriff's facilities serviced by the Waste Water Treatment Plant. During fiscal year 2018, the CSA recorded revenues of \$139,353 from the Company.

Note 8: 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
IMPROVEMENT ZONE GH
NOTES TO FINANCIAL STATEMENTS
June 30, 2018**

Note 8: 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, 2018 ranged between 7.90% and 14.87% for Tier 1 General members and was 8.45% for Tier 2 General members.

**COUNTY OF SAN BERNARDINO SPECIAL DISTRICT
COUNTY SERVICE AREA No. 70
IMPROVEMENT ZONE GH
NOTES TO FINANCIAL STATEMENTS
June 30, 2018**

Note 8: RETIREMENT PLAN (continued)

Employer contribution rates for fiscal year ended June 30, 2018 were 22.41% and 19.36% 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, 2018.

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

At June 30, 2018, the CSA reported a liability of \$274,300 which represents 3.77% 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 2018 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 2018 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, 2017 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 (7.25 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 (6.25 percent) or 1 percentage-point higher (8.25 percent) than the current rate:

1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
\$ 481,503	\$ 274,300	\$ 103,871

Pension expense recognized amounted to \$32,692 for the year ended June 30, 2018.

**COUNTY OF SAN BERNARDINO SPECIAL DISTRICT
COUNTY SERVICE AREA No. 70
IMPROVEMENT ZONE GH
NOTES TO FINANCIAL STATEMENTS
June 30, 2018**

Note 8: RETIREMENT PLAN (continued)

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

At June 30, 2018, 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 **
\$ 135,313	\$ 61,267

* 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 \$40,664, 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,	
2019	\$ 4,425
2020	13,843
2021	9,052
2022	(3,159)
2023	7,706
Thereafter	1,515
Total	\$ 33,383

COUNTY OF SAN BERNARDINO SPECIAL DISTRICT
COUNTY SERVICE AREA No. 70
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NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 9: RISK MANAGEMENT

The County has self-insurance programs for public liability, property damage, unemployment insurance, employee dental insurance, hospital and medical malpractice liability, environmental 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 \$50 million is provided through a combination of insurance policies as recommended by Alliant Insurance Services Inc., Insurance Broker through CSAC-EIA (California State Association of Counties – Excess Insurance Authority), as follows: Primary Liability coverage \$25 million excess of \$3 million self-insured retention with QBE Insurance, Munich Reinsurance America, Inc., Markel Corp., Great American Ins., Brit Global Specialty USA, and Lloyd's of London ANNV syndicate. Excess Liability coverage for \$10 million, excess of \$25 million with Brit Global Specialty USA and Great American Ins. Company. Allied World Assurance Co. (AWAC) provides excess liability coverage of \$15 million, excess of \$35 million. In addition, the actuary has recommended that the County maintains a \$24 million reserve to cover SIR exposure for auto and general liability programs. No settlements related to these programs have exceeded insurance coverage in the last three years.

The Workers' Compensation program continued under CSAC-EIA Excess Workers' Compensation Program with a policy of \$2 million SIR and statutory limits with Great American Insurance Co., ACE American Insurance Co., and Liberty Insurance Corporation. 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/reinsurers 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 claims made basis with a SIR of \$1 million for each claim.

Environmental claims are expected to occur infrequently, but have the potential to be expensive when they do occur. The County has experienced only two significant environmental liability claims since it began self-insuring this exposure in 1983. Given that environmental liability is an extremely volatile coverage, which is characterized by low frequency and high severity, the County has taken a conservative stance, as recommended by the actuary, by setting aside a minimum of \$10 million to cover future environmental liability claims.

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

COUNTY OF SAN BERNARDINO SPECIAL DISTRICT
COUNTY SERVICE AREA No. 70
IMPROVEMENT ZONE GH
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 9: RISK MANAGEMENT (Continued)

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 1.392% 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, 2018.

Note 10: CONTINGENCIES

As of June 30, 2018, 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 11: SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 21, 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.

REQUIRED SUPPLEMENTARY INFORMATION
 COUNTY OF SAN BERNARDINO SPECIAL DISTRICT
 COUNTY SERVICE AREA No. 70
 IMPROVEMENT ZONE GH
 Budgetary Comparison Schedule - Special Revenue Funds (Streetlighting)
 For the Year Ended June 30, 2018

	Special Revenue Funds			
	Streetlighting (1452)			
	Original Budget	Final Budget	Actual	Variances with Final Budget Positive (Negative)
Revenues				
Penalties and interest	\$ 341	\$ 341	\$ 165	\$ (176)
Special assessments	83,558	84,558	104,329	19,771
Other services	4,825	4,825	5,385	560
Other revenues	750	750	737	(13)
Investment earnings	<u>304</u>	<u>304</u>	<u>1,018</u>	<u>714</u>
Total Revenues	<u>89,778</u>	<u>90,778</u>	<u>111,634</u>	<u>20,856</u>
Expenditures				
Salaries and benefits	3,035	3,035	3,035	-
Services and supplies	70,493	70,493	66,251	4,242
Utilities	<u>-</u>	<u>1,000</u>	<u>5,202</u>	<u>(4,202)</u>
Total Expenditures	<u>73,528</u>	<u>74,528</u>	<u>74,488</u>	<u>40</u>
Excess of Revenues Over (Under) Expenditures	<u>16,250</u>	<u>16,250</u>	<u>37,146</u>	<u>20,896</u>
Net Change in Fund Balance	<u>\$ 16,250</u>	<u>\$ 16,250</u>	37,146	<u>\$ 20,896</u>
Fund Balance - beginning			<u>124,368</u>	
Fund Balance - ending			<u>\$ 161,514</u>	

REQUIRED SUPPLEMENTARY INFORMATION
 COUNTY OF SAN BERNARDINO SPECIAL DISTRICT
 COUNTY SERVICE AREA No. 70
 IMPROVEMENT ZONE GH
 Budgetary Comparison Schedule - Special Revenue Fund (Detention Basin)
 For the Year Ended June 30, 2018

	Special Revenue Funds			
	Detention Basin (1450)			
	Original Budget	Final Budget	Actual	Variances with Final Budget Positive (Negative)
Revenues				
Penalties and interest	\$ 45	\$ 45	\$ 142	\$ 97
Special assessments	44,300	44,300	44,153	(147)
Other revenues	-	-	(358)	(358)
Investment earnings	<u>1,300</u>	<u>1,300</u>	<u>3,167</u>	<u>1,867</u>
Total Revenues	<u>45,645</u>	<u>45,645</u>	<u>47,104</u>	<u>1,459</u>
Expenditures				
Salaries and benefits	8,987	8,987	8,987	-
Services and supplies	<u>28,332</u>	<u>28,332</u>	<u>15,220</u>	<u>13,112</u>
Total Expenditures	<u>37,319</u>	<u>37,319</u>	<u>24,207</u>	<u>13,112</u>
Excess of Revenues Over (Under) Expenditures	<u>8,326</u>	<u>8,326</u>	<u>22,897</u>	<u>14,571</u>
Net Change in Fund Balance	<u>\$ 8,326</u>	<u>\$ 8,326</u>	22,897	<u>\$ 14,571</u>
Fund Balance - beginning			<u>413,144</u>	
Fund Balance - ending			<u>\$ 436,041</u>	