

**COUNTY OF SAN BERNARDINO SPECIAL DISTRICT
COUNTY SERVICE AREA NO. 42 ORO GRANDE
FINANCIAL STATEMENTS
JUNE 30, 2018**

**COUNTY OF SAN BERNARDINO SPECIAL DISTRICT
COUNTY SERVICE AREA NO. 42 ORO GRANDE
TABLE OF CONTENTS
June 30, 2018**

TABLE OF CONTENTS

	<u>Page</u>
<u>FINANCIAL SECTION:</u>	
Independent Auditor's Report	1
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	4
Statement of Activities	6
Fund Financial Statements:	
Balance Sheet - Governmental Funds	8
Statement of Revenues, Expenditures and Changes in Fund Balances	9
Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	10
Statement of Net Position - Proprietary Funds	11
Statement of Revenues, Expenditures and Changes in Fund Balances - Proprietary Funds	13
Statement of Cash Flows - Proprietary Funds	15
Notes to the Financial Statements	17
Required Supplementary Information	
Budgetary Comparison Schedule - Special Revenue Funds (General)	33



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Board of Supervisors
County of San Bernardino
County of San Bernardino Special
District County Service Area
No. 42 Oro Grande

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the County of San Bernardino Special District County Service Area No. 42 Oro Grande (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.

Board of Supervisors
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County of San Bernardino Special
District County Service Area
No. 42 Oro Grande

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, the business-type activities, and each major fund, of the County of San Bernardino Special District County Service Area No. 42 Oro Grande as of June 30, 2018 and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America, 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
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County of San Bernardino Special
District County Service Area
No. 42 Oro Grande

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 HP

December 21, 2018
Riverside, California

COUNTY OF SAN BERNARDINO SPECIAL DISTRICT
 COUNTY SERVICE AREA NO. 42 - ORO GRANDE
 Statement of Net Position
 June 30, 2018

	2018		Total
	Governmental Activities	Business-type Activities	
Assets			
Cash and investments	\$ 23,044	\$ 1,298,284	\$ 1,321,328
Accounts receivable, net	-	52,645	52,645
Taxes receivable	786	-	786
Special assessments receivable	-	-	-
Capital assets, net of depreciation	118,011	466,501	584,512
Total assets	<u>141,841</u>	<u>1,817,430</u>	<u>1,959,271</u>
Deferred outflows of resources			
Pension	-	44,855	44,855
Liabilities			
Current:			
Due to other funds	221	1,225	1,446
Due to other governments	-	9,939	9,939
Accounts payable	-	-	-
Deposits and deferred	-	303	303
Long-term: Net pension liability	-	90,927	90,927
Total liabilities	<u>221</u>	<u>102,394</u>	<u>102,615</u>
Deferred inflows of resources			
Pension	-	20,309	20,309
Net position			
Net investment in capital assets	118,011	466,501	584,512
Restricted for park and recreation	23,609	-	23,609
Unrestricted	-	1,273,081	1,273,081
Total net position	<u>\$ 141,620</u>	<u>\$ 1,739,582</u>	<u>\$ 1,881,202</u>

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

COUNTY OF SAN BERNARDINO SPECIAL DISTRICT
COUNTY SERVICE AREA NO. 42 - ORO GRANDE
Statement of Net Position (continued)
June 30, 2018

	For Comparative Purposes Only		
	2017		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and investments	\$ 3,773	\$ 1,222,994	\$1,226,767
Accounts receivable, net	-	40,700	40,700
Taxes receivable	413	-	413
Special assessments receivable	-	924	924
Capital assets, net of depreciation	128,191	445,836	574,027
Total assets	<u>132,377</u>	<u>1,710,454</u>	<u>1,842,831</u>
Deferred outflows of resources			
Pension	-	49,227	49,227
Liabilities			
Current:			
Due to other funds	-	23,319	23,319
Due to other governments			
Accounts payable	-	6,338	6,338
Deposits and deferred	-	303	303
Long-term: Net pension liability	-	99,762	99,762
Total liabilities	<u>-</u>	<u>129,722</u>	<u>129,722</u>
Deferred inflows of resources			
Pension	-	22,418	22,418
Net position			
Net investment in capital assets	128,191	445,836	574,027
Restricted for park and recreation	4,186	-	4,186
Unrestricted	-	1,161,705	1,161,705
Total net position	<u>\$ 132,377</u>	<u>\$ 1,607,541</u>	<u>\$1,739,918</u>

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

COUNTY OF SAN BERNARDINO SPECIAL DISTRICT
COUNTY SERVICE AREA NO. 42 - ORO GRANDE
Statement of Activities
For the Year Ended June 30, 2018

	2018		
	Governmental Activities	Business-type Activities	Total
Expenses			
Professional fees	\$ 2,660	\$ (14,807)	\$ (12,147)
Salaries and benefits	5,771	103,491	109,262
Services and supplies	14,525	145,838	160,363
Utilities	4,744	141,509	146,253
Depreciation	10,180	19,342	29,522
Total expenses	<u>37,880</u>	<u>395,373</u>	<u>433,253</u>
Program revenues			
Charges for services	-	412,377	412,377
Federal assistance	-	59,333	59,333
Operating grants and contributions-State assistance	277	-	277
Total program revenues	<u>277</u>	<u>471,710</u>	<u>471,987</u>
Net Program Revenue (Expense)	<u>(37,603)</u>	<u>76,337</u>	<u>38,734</u>
General revenues			
Property taxes	31,692	-	31,692
Special assessments	-	14,802	14,802
Investment earnings	154	9,107	9,261
Penalties	-	11,037	11,037
Total general revenues	<u>31,846</u>	<u>34,946</u>	<u>66,792</u>
Other financing sources (uses)			
Transfers in from County	<u>15,000</u>	<u>10,000</u>	<u>25,000</u>
Total other financing sources (uses)	<u>15,000</u>	<u>10,000</u>	<u>25,000</u>
Change in net position	9,243	121,283	130,526
Net position at beginning of year	<u>132,377</u>	<u>1,607,541</u>	<u>1,739,918</u>
Net position at end of year	<u>\$ 141,620</u>	<u>\$ 1,728,824</u>	<u>\$ 1,870,444</u>

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

COUNTY OF SAN BERNARDINO SPECIAL DISTRICT
COUNTY SERVICE AREA NO. 42 - ORO GRANDE
Statement of Activities (continued)
For the Year Ended June 30, 2018

	For Comparative Purposes Only		
	2017		
	Governmental Activities	Business-type Activities	Total
Expenses			
Professional fees	\$ 1,113	\$ 122,032	\$ 123,145
Salaries and benefits	10,123	105,855	115,978
Services and supplies	13,144	60,079	73,223
Utilities	3,578	1,348	4,926
Depreciation	11,628	19,342	30,970
Total expenses	39,586	308,656	348,242
Program revenues			
Charges for services	-	482,270	482,270
Federal assistance	-	-	-
Operating grants and contributions-State assistance	164	-	164
Total program revenues	164	482,270	482,434
Net Program Revenue (Expense)	(39,422)	173,614	134,192
General revenues			
Property taxes	16,677	-	16,677
Special assessments	-	8,424	8,424
Investment earnings	39	5,300	5,339
Penalties	-	7,773	7,773
Total general revenues	16,716	21,497	38,213
Other financing sources (uses)			
Transfers in	-	-	-
Total other financing sources (uses)	-	-	-
Change in net position	(22,706)	195,111	172,405
Net position at beginning of year	155,083	1,412,430	1,567,513
Net position at end of year	\$ 132,377	\$ 1,607,541	\$ 1,739,918

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

COUNTY OF SAN BERNARDINO SPECIAL DISTRICT
COUNTY SERVICE AREA NO. 42 - ORO GRANDE

Balance Sheet
Governmental Funds
June 30, 2018

	2018 SPECIAL REVENUE FUNDS	For Comparative Purposes Only 2017 SPECIAL REVENUE FUNDS
	<u>Park (1336)</u>	<u>Park (1336)</u>
Assets		
Cash and investments	\$ 23,044	\$ 3,773
Taxes Receivable	<u>786</u>	<u>413</u>
Total assets	<u>\$ 23,830</u>	<u>\$ 4,186</u>
Liabilities and Fund Balances		
Liabilities:		
Due to other governments	<u>\$ 221</u>	<u>\$ -</u>
Total liabilities	<u>221</u>	<u>-</u>
Fund balances:		
Restricted for park services	<u>23,609</u>	<u>4,186</u>
Total fund balances	<u>23,609</u>	<u>4,186</u>
Total liabilities and fund balances	<u>\$ 23,830</u>	<u>\$ 4,186</u>
Reconciliation of balance sheet of governmental funds to Statement of Net Position:		
Total Fund Balance - Governmental Funds	\$ 23,609	\$ 4,186
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets, net used in governmental activities are not financial resources and, therefore, are not reported in the funds.	<u>118,011</u>	<u>128,191</u>
Net Position of Governmental Activities	<u>\$ 141,620</u>	<u>\$ 132,377</u>

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

COUNTY OF SAN BERNARDINO SPECIAL DISTRICT
 COUNTY SERVICE AREA NO. 42 - ORO GRANDE
 Statement of Revenues, Expenditures and Changes in Fund Balances
 Governmental Funds
 For the Year Ended June 30, 2018

	2018 SPECIAL REVENUE FUNDS <hr/> Park (1336) <hr/>	For Comparative Purposes Only 2017 SPECIAL REVENUE FUNDS <hr/> Park (1336) <hr/>
Revenues		
Property taxes	\$ 31,692	\$ 16,677
Intergovernmental-State Assistance	277	164
Investment Earnings	154	39
Total Revenues	<hr/> 32,123 <hr/>	<hr/> 16,880 <hr/>
Expenditures		
Current - parks and recreation:		
Salaries and benefits	5,771	10,123
Services and supplies	17,185	14,257
Utilities	4,744	3,578
	<hr/> 27,700 <hr/>	<hr/> 27,958 <hr/>
Excess of revenues over (under) expenditures	<hr/> 4,423 <hr/>	<hr/> (11,078) <hr/>
Other financing sources (uses)		
Transfers in from County	<hr/> 15,000 <hr/>	<hr/> - <hr/>
Total other financing sources (uses)	<hr/> 15,000 <hr/>	<hr/> - <hr/>
Net Changes in Fund Balances	19,423	(11,078)
Fund Balance - beginning	<hr/> 4,186 <hr/>	<hr/> 15,264 <hr/>
Fund Balances - ending	<hr/> \$ 23,609 <hr/>	<hr/> \$ 4,186 <hr/>

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

COUNTY OF SAN BERNARDINO SPECIAL DISTRICT
 COUNTY SERVICE AREA NO. 42 - ORO GRANDE
 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 Balances - Total Governmental Funds	\$ 19,423	\$ (11,078)
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>		
<p>Governmental funds report capital outlays as expenditures in the year an asset is purchased. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as a depreciation expense. This is the amount by which capital outlay (\$0) was exceeded by depreciation expense in the current period.</p>	(10,180)	(11,628)
Change in Net Position of Governmental Activities	\$ 9,243	\$ (22,706)

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

COUNTY OF SAN BERNARDINO SPECIAL DISTRICT
 COUNTY SERVICE AREA NO. 42 - ORO GRANDE
 Statement of Net Position
 Proprietary Funds
 June 30, 2018

	2018		
	ENTERPRISE FUNDS		
	Sewer	Water	Total
Assets			
Current Assets:			
Cash and investments	\$ 323,581	\$ 963,945	\$ 1,287,526
Accounts receivable	28,269	24,376	52,645
Special assessments receivable	-	-	-
Total Current Assets	<u>351,850</u>	<u>988,321</u>	<u>1,340,171</u>
Noncurrent Assets:			
Capital Assets:			
Land	-	44,800	44,800
Improvements to land	199,373	523,330	722,703
Structures and improvements	-	51,800	51,800
Construction in progress	-	92,490	92,490
Accumulated depreciation	<u>(144,745)</u>	<u>(300,547)</u>	<u>(445,292)</u>
Total Noncurrent Assets	<u>54,628</u>	<u>411,873</u>	<u>466,501</u>
Total Assets	<u>406,478</u>	<u>1,400,194</u>	<u>1,806,672</u>
Deferred outflows of resources			
Pension	<u>23,846</u>	<u>21,009</u>	<u>44,855</u>
Liabilities and Fund Balances			
Current Liabilities:			
Accounts payable	-	-	-
Due to other funds	631	594	1,225
Due to other governments	9,939	-	9,939
Deposits and deferred revenue	-	303	303
Long-term - Net pension liability	<u>48,339</u>	<u>42,588</u>	<u>90,927</u>
Total liabilities	<u>58,909</u>	<u>43,485</u>	<u>102,394</u>
Deferred inflows of resources			
Pension	<u>10,797</u>	<u>9,512</u>	<u>20,309</u>
Net Position			
Net Investment in capital assets	54,628	411,873	466,501
Unrestricted	<u>305,990</u>	<u>956,333</u>	<u>1,262,323</u>
Total Net Position	<u>\$ 360,618</u>	<u>\$ 1,368,206</u>	<u>\$ 1,728,824</u>

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

COUNTY OF SAN BERNARDINO SPECIAL DISTRICT
COUNTY SERVICE AREA NO. 42 - ORO GRANDE
Statement of Net Position (continued)
Proprietary Funds
June 30, 2018

	For Comparative Purposes Only		
	2017		
	ENTERPRISE FUNDS		
	Sewer	Water	Total
Assets			
Current Assets:			
Cash and investments	\$ 309,864	\$ 913,130	\$ 1,222,994
Accounts receivable	25,459	15,241	40,700
Special assessments receivable	139	785	924
Total Current Assets	335,462	929,156	1,264,618
Noncurrent Assets:			
Capital Assets:			
Land	-	44,800	44,800
Improvements to land	199,373	523,330	722,703
Structures and improvements	-	51,800	51,800
Construction in progress	-	52,483	52,483
Accumulated depreciation	(139,854)	(286,096)	(425,950)
Total Noncurrent Assets	59,519	386,317	445,836
Total Assets	394,981	1,315,473	1,710,454
Deferred outflows of resources			
Pension	25,489	23,738	49,227
			-
Liabilities and Fund Balances			
Current Liabilities:			
Accounts payable	-	6,338	6,338
Due to other funds	-	4,227	4,227
Due to other governments	19,092	-	19,092
Deposits and deferred revenue	-	303	303
Long-term - Net pension liability	51,656	48,106	99,762
Total liabilities	70,748	58,974	129,722
Deferred inflows of resources			
Pension	11,608	10,810	22,418
Net Position			
Invested in capital assets	59,519	386,317	445,836
Unrestricted	278,595	883,110	1,161,705
Total Net Position	\$ 338,114	\$ 1,269,427	\$ 1,607,541

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

COUNTY OF SAN BERNARDINO SPECIAL DISTRICT
 COUNTY SERVICE AREA NO. 42 - ORO GRANDE
 Statement of Revenues, Expenditures and Changes in Fund Balance
 Proprietary Fund
 For the Year Ended June 30, 2018

	2018		
	ENTERPRISE FUNDS		
	Sewer	Water	Total
Operating Revenues			
Sanitation services	\$ 182,359	\$ -	\$ 182,359
Connection fees	-	890	890
Water sales	332	137,603	137,935
Charges for services	490	90,703	91,193
Federal assistance	-	59,333	59,333
Total Operating Revenues	<u>183,181</u>	<u>288,529</u>	<u>471,710</u>
Operating Expenses			
Professional fees	(18,368)	3,561	(14,807)
Salaries and benefits	35,657	67,834	103,491
Services and supplies	27,164	118,674	145,838
Utilities	135,681	5,828	141,509
Depreciation	4,891	14,451	19,342
Total Expenditures	<u>185,025</u>	<u>210,348</u>	<u>395,373</u>
Operating Income (loss)	<u>(1,844)</u>	<u>78,181</u>	<u>76,337</u>
Nonoperating Revenues			
Special Assessments	7,003	7,799	14,802
Investment earnings	2,431	6,676	9,107
Penalties	4,914	6,123	11,037
Total Nonoperating Revenues	<u>14,348</u>	<u>20,598</u>	<u>34,946</u>
Other financing sources (uses)			
Transfers in from County	<u>10,000</u>	-	<u>10,000</u>
Total other financing sources (uses)	<u>10,000</u>	-	<u>10,000</u>
Change in Net Position	22,504	98,779	121,283
Fund Balance - beginning	<u>338,114</u>	<u>1,269,427</u>	<u>1,607,541</u>
Fund Balances - ending	<u>\$ 360,618</u>	<u>\$ 1,368,206</u>	<u>\$ 1,728,824</u>

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

COUNTY OF SAN BERNARDINO SPECIAL DISTRICT
 COUNTY SERVICE AREA NO. 42 - ORO GRANDE
 Statement of Revenues, Expenditures and Changes in Fund Balance
 Proprietary Fund
 For the Year Ended June 30, 2018

	For Comparative Purposes Only 2017		
	ENTERPRISE FUNDS		
	Sewer	Water	Total
Operating Revenues			
Sanitation services	\$ 181,608	\$ -	\$ 181,608
Water sales	-	299,812	299,812
Charges for services	625	225	850
Total Operating Revenues	182,233	300,037	482,270
Operating Expenses			
Professional fees	107,403	14,629	122,032
Salaries and benefits	53,726	52,129	105,855
Services and supplies	25,457	34,622	60,079
Utilities	-	1,348	1,348
Depreciation	4,891	14,451	19,342
Total Expenditures	191,477	117,179	308,656
Operating Income (loss)	(9,244)	182,858	173,614
Nonoperating Revenues			
Special Assessments	3,510	4,914	8,424
Investment earnings	1,377	3,923	5,300
Penalties	4,455	3,318	7,773
Total Nonoperating Revenues	9,342	12,155	21,497
Change in Net Position	98	195,013	195,111
Fund Balance - beginning	338,016	1,074,414	1,412,430
Fund Balances - ending	\$ 338,114	\$ 1,269,427	\$ 1,607,541

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

COUNTY OF SAN BERNARDINO SPECIAL DISTRICT
COUNTY SERVICE AREA NO. 42 - ORO GRANDE
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2018

	2018		
	ENTERPRISE FUNDS		
	Sewer	Water	Total
Cash Flows from operating activities			
Receipts from customers	\$ 180,371	\$ 279,394	\$ 459,765
Payments to suppliers	(35,686)	(132,732)	(168,418)
Payments to employees	(38,142)	(67,834)	(105,976)
Payments to other services	(117,313)	(9,389)	(126,702)
Net Cash Provided by Operating Activities	(10,770)	69,439	58,669
Cash Flows from noncapital financing activities			
Special assessments	7,142	8,584	15,726
Penalties	4,914	6,123	11,037
Transfers in / out	10,000	-	10,000
Net Cash Provided by noncapital financing activities	22,056	14,707	36,763
Cash Flows from capital and related financing activities			
Purchase and construction of capital assets	-	(40,007)	(40,007)
Net Cash Used for capital and related financing activities	-	(40,007)	(40,007)
Cash Flows from investing activities			
Investment earnings	2,431	6,676	9,107
Net Cash provided by investing activities	2,431	6,676	9,107
Net Increase in Cash and Investments	13,717	50,815	64,532
Cash and investments - beginning of the year	309,864	913,130	1,222,994
Cash and investments - end of the year	\$ 323,581	\$ 963,945	\$ 1,287,526
Reconciliation of operating income to net cash used for operating activities			
Operating income (loss)	\$ (1,844)	\$ 78,181	\$ 76,337
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation expense	4,891	14,451	19,342
Change in assets and liabilities:			
(Increase) Decrease in accounts receivable, net	(2,810)	(9,135)	(11,945)
Increase (Decrease) in account payable	-	(6,338)	(6,338)
Increase (Decrease) in due to other governments	(8,522)	(3,633)	(12,155)
Increase (Decrease) in deposit and deferred revenue	-	-	-
Increase (Decrease) in net pension liability (deferred inflows and outflows of resources)	(2,485)	(4,087)	(6,572)
Net Cash provided by operating activities	\$ (10,770)	\$ 69,439	\$ 58,669

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

COUNTY OF SAN BERNARDINO SPECIAL DISTRICT
COUNTY SERVICE AREA NO. 42 - ORO GRANDE
Statement of Cash Flows (continued)
Proprietary Funds
For the Year Ended June 30, 2018

	For Comparative Purposes Only		
	2017		
	<u>ENTERPRISE FUNDS</u>		
	<u>Sewer</u>	<u>Water</u>	<u>Total</u>
Cash Flows from operating activities			
Receipts from customers	\$ 179,894	\$ 298,066	\$ 477,960
Payments to suppliers	(19,997)	(27,070)	(47,067)
Payments to employees	(63,971)	(52,129)	(116,100)
Payments to other services	(107,403)	(15,977)	(123,380)
Net Cash Provided by Operating Activities	<u>(11,477)</u>	<u>202,890</u>	<u>191,413</u>
Cash Flows from noncapital financing activities			
Special assessments	7,673	4,804	12,477
Penalties	4,455	3,318	7,773
Transfers in / out	-	-	-
Net Cash Provided by noncapital financing activities	<u>12,128</u>	<u>8,122</u>	<u>20,250</u>
Cash Flows from capital and related financing activities			
Purchase and construction of capital assets	-	(7,008)	(7,008)
Net Cash Used for capital and related financing activities	<u>-</u>	<u>(7,008)</u>	<u>(7,008)</u>
Cash Flows from investing activities			
Investment earnings	1,377	3,923	5,300
Net Cash provided by investing activities	<u>1,377</u>	<u>3,923</u>	<u>5,300</u>
Net Increase in Cash and Investments	2,028	207,927	209,955
Cash and investments - beginning of the year	307,836	705,203	1,013,039
Cash and investments - end of the year	<u>\$ 309,864</u>	<u>\$ 913,130</u>	<u>\$ 1,222,994</u>
Reconciliation of operating income to net cash used for operating activities			
Operating income (loss)	\$ (9,244)	\$ 182,858	\$ 173,614
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation expense	4,891	14,451	19,342
Change in assets and liabilities:			
(Increase) Decrease in accounts receivable, net	(2,339)	(371)	(2,710)
Increase (Decrease) in account payable	-	6,338	6,338
Increase (Decrease) in due to other governments	5,460	3,615	9,075
Increase (Decrease) in deposit and deferred revenue	-	(1,600)	(1,600)
Increase (Decrease) in net pension liability (deferred inflows and outflows of resources)	(10,245)	(2,401)	(12,646)
Net Cash provided by operating activities	<u>\$ (11,477)</u>	<u>\$ 202,890</u>	<u>\$ 191,413</u>

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

COUNTY OF SAN BERNARDINO SPECIAL DISTRICT
COUNTY SERVICE AREA NO. 42 – ORO GRANDE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the County Service Area (CSA) No. 42 - Oro Grande 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. 42 - Oro Grande is a special district located within the County of San Bernardino. The CSA has governmental powers as established by the San Bernardino County Government Charter. The County of San Bernardino (County) was established in 1852 as a legal subdivision of the State of California. The CSA was established by an act of the Board of Supervisors of the County (Board) on December 27, 1965 to provide sewer, water, park, refuse collection and street lighting services to the community of Oro Grande. The CSA provides services to 194 households for sewer, 136 households for water, 123 households for park, and 40 streetlights.

The CSA is a component unit of the County of San Bernardino and is governed by the action of the County Board of Supervisors. The accompanying financial statements reflect only the accounts of the County Service Area No. 42 – Oro Grande 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, 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 nonfiduciary activities of the reporting entity. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. *Governmental activities* 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. Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues.

COUNTY OF SAN BERNARDINO SPECIAL DISTRICT
COUNTY SERVICE AREA NO. 42 – ORO GRANDE
NOTES TO THE 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. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting* as are the proprietary fund 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. However, for revenue derived from voluntary non-exchange transactions, such as taxes and federal and state grants, the County expanded its definition of “available” to 9 months. 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. 42 – ORO GRANDE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

The District reports the following major governmental funds:

The *special revenue fund* labeled “Park” is the government’s primary operating fund for park services provided to the community of Oro Grande. It accounts for all financial resources of the general government related to park services, except those required to be accounted for in another fund.

The government reports the following major proprietary fund:

The *enterprise fund* labeled “Sewer” is the government’s operating fund to provide sewer services. This sanitation CSA is funded by user fees and service charges. The sewage collection system is operated by the Department and the Victor Valley Wastewater Reclamation Authority (VWVRA) provides sewer services.

The *enterprise fund* labeled “Water” is the government’s operating fund to provide water services. This sanitation CSA is funded by user fees and service charges. This water CSA provides financing for the operation and maintenance of water connections for its customers.

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

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

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

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenue of the CSA’s enterprise fund is charges to customers for sanitation services. Operating expenses for enterprise funds include the cost of salaries and benefits, services and supplies, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

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

COUNTY OF SAN BERNARDINO SPECIAL DISTRICT
COUNTY SERVICE AREA NO. 42 – ORO GRANDE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and investments

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

Interfund receivables and payables

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as either “due to/from other funds” (e.g., the current portion of interfund loans) or “advances to/from other funds” (e.g., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

Property taxes

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

Accounts receivable

No allowance for uncollectibles was recorded at June 30, 2018, based on management’s expectation that all accounts receivable will be collected through the property tax roll.

Inventories and prepaid items

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

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

Fund equity

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

**COUNTY OF SAN BERNARDINO SPECIAL DISTRICT
COUNTY SERVICE AREA NO. 42 – ORO GRANDE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund equity (continued)

- *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.
- *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.

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.

**COUNTY OF SAN BERNARDINO SPECIAL DISTRICT
COUNTY SERVICE AREA NO. 42 – ORO GRANDE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital assets

Capital assets, which include property, plant and equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (for improvements to land and structures and equipment) and have an estimated useful life in excess of one (1) year. 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 acquisition value at the date of donation in accordance with GASB Statement No. 72.

The cost of normal maintenance and repairs that does not add to the value of the asset or materially extend asset life is not capitalized.

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

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

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

Use of estimates

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

Stewardship, compliance and accountability

A. Budgetary information

In accordance with provisions of Section 29000 - 29143 of the Government code of the State of California, commonly known as the County Budget Act, the CSA prepares and adopts a budget on or before August 30 for each fiscal year. Budgets are prepared on the modified accrual basis of accounting. The legal level of budgetary control is the object level and the sub-object level for capital assets within each fund. Amendments or transfers of appropriations between funds or departments must be approved by the Board. Transfers at the sub-object level or cost center level may be done at the discretion of the Special District’s Administration Department head. Any deficiency of budgeted revenues and other financing sources over expenditures and other financing uses is financed by beginning available fund balances as provided for in the County Budget Act.

**COUNTY OF SAN BERNARDINO SPECIAL DISTRICT
COUNTY SERVICE AREA NO. 42 – ORO GRANDE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Stewardship, compliance and accountability (continued)

B. Encumbrances

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

Deferred Outflows/ Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow or resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Long-Term Debt and Interest Payable

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

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

COUNTY OF SAN BERNARDINO SPECIAL DISTRICT
COUNTY SERVICE AREA NO. 42 – ORO GRANDE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

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.”

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.

NOTE 2: CASH AND INVESTMENTS

Cash and investments includes balances of monies deposited with the County Treasurer which are pooled and invested for the purpose of increasing earnings through investment activities. Interest earned on pooled investments is deposited to the CSA’s account based upon the CSA’s average daily deposit balance during the allocation period. Cash and investments are shown at the fair value as of June 30, 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>.

**COUNTY OF SAN BERNARDINO SPECIAL DISTRICT
COUNTY SERVICE AREA NO. 42 – ORO GRANDE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018**

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:				
Land	\$ 9,930	\$ -	\$ -	\$ 9,930
Total capital assets, not being depreciated	<u>9,930</u>	<u>-</u>	<u>-</u>	<u>9,930</u>
Capital assets, being depreciated:				
Improvements to land	392,292	-	-	392,292
Structures and improvements	16,145	-	-	16,145
Equipment	<u>6,493</u>	<u>-</u>	<u>-</u>	<u>6,493</u>
Total capital assets, being depreciated	<u>414,930</u>	<u>-</u>	<u>-</u>	<u>414,930</u>
Less accumulated depreciation for:				
Improvements to land	(281,902)	(9,373)	-	(291,275)
Structures and improvements	(8,274)	(807)	-	(9,081)
Equipment	<u>(6,493)</u>	<u>-</u>	<u>-</u>	<u>(6,493)</u>
Total accumulated depreciation	<u>(296,669)</u>	<u>(10,180)</u>	<u>-</u>	<u>(306,849)</u>
Total capital assets, being depreciated, net	<u>118,261</u>	<u>(10,180)</u>	<u>-</u>	<u>108,081</u>
Total capital assets, net	<u>\$ 128,191</u>	<u>\$ (10,180)</u>	<u>\$ -</u>	<u>\$ 118,011</u>

**COUNTY OF SAN BERNARDINO SPECIAL DISTRICT
COUNTY SERVICE AREA NO. 42 – ORO GRANDE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018**

Business-type activities:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 44,800	\$ -	\$ -	\$ 44,800
Construction in progress	52,483	40,007	-	92,490
Total capital assets, not being depreciated	97,283	40,007	-	137,290
Capital assets, being depreciated:				
Improvements to land	722,703	-	-	722,703
Structures and improvements	51,800	-	-	51,800
Total capital assets, being depreciated	774,503	-	-	774,503
Less accumulated depreciation for:				
Improvements to land	(397,244)	(16,752)	-	(413,996)
Structures and improvements	(28,706)	(2,590)	-	(31,296)
Total accumulated depreciation	(425,950)	(19,342)	-	(445,292)
Total capital assets, being depreciated, net	348,553	(19,342)	-	329,211
 Total capital assets, net	 \$ 445,836	 \$ 20,665	 \$ -	 \$ 466,501

NOTE 4: LONG-TERM LEASE AGREEMENT

On March 13, 2007, the Board of Supervisors approved an agreement with Oro Grande School District to lease Rainbow Park, an unused 2.92 acre parcel located on property contiguous to Oro Grande School, to the school for a period of 43 years at a total cost of \$43. The purpose of the lease is to construct additional charter school facilities on the site at the cost of the school district. Oro Grande School District must relocate the existing park equipment to the Community Center Park at the expense of the school district. The lease will be for the period February 1, 2007 to January 31, 2050.

COUNTY OF SAN BERNARDINO SPECIAL DISTRICT
COUNTY SERVICE AREA NO. 42 – ORO GRANDE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

NOTE 5: RETIREMENT PLAN

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

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

**COUNTY OF SAN BERNARDINO SPECIAL DISTRICT
COUNTY SERVICE AREA NO. 42 – ORO GRANDE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018**

NOTE 5: RETIREMENT PLAN (continued)

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

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

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

COUNTY OF SAN BERNARDINO SPECIAL DISTRICT
COUNTY SERVICE AREA NO. 42 – ORO GRANDE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

NOTE 5: RETIREMENT PLAN (continued)

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.

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 \$90,927 which represents 1.25% 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 2017 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.

**COUNTY OF SAN BERNARDINO SPECIAL DISTRICT
COUNTY SERVICE AREA NO. 42 – ORO GRANDE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018**

NOTE 5: RETIREMENT PLAN (continued)

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%)
\$ 159,612	\$ 90,927	\$ 34,432

Pension benefits recognized amounted to \$2,485 for the year ended June 30, 2018.

At June 30, 2018, the CSA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Deferred Outflows of Resources*</u>	<u>Deferred Inflows of Resources**</u>
<u>\$ 44,855</u>	<u>\$ 20,309</u>

* 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,.

**COUNTY OF SAN BERNARDINO SPECIAL DISTRICT
COUNTY SERVICE AREA NO. 42 – ORO GRANDE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018**

NOTE 5: RETIREMENT PLAN (continued)

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 \$13,480 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:

	Total
Year Ended June 30,	
2019	\$ 1,467
2020	4,589
2021	3,001
2022	(1,047)
2023	2,554
Thereafter	502
Total	\$ 11,066

NOTE 6: RISK MANAGEMENT

The County has self-insurance programs for public liability, property damage, unemployment insurance, employee dental insurance, hospital and medical malpractice liability, 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

COUNTY OF SAN BERNARDINO SPECIAL DISTRICT
COUNTY SERVICE AREA NO. 42 – ORO GRANDE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

NOTE 6: RISK MANAGEMENT (continued)

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.

NOTE 6: RISK MANAGEMENT (Continued)

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 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 7: 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 8: 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.

COUNTY OF SAN BERNARDINO SPECIAL DISTRICT
COUNTY SERVICE AREA NO. 42 - ORO GRANDE
Budgetary Comparison Schedule - Special Revenue Funds (General)
For the Year Ended June 30, 2018

	SPECIAL REVENUE FUNDS			
	PARK (1336)			
	Budgeted Amounts		Actual	Variances with
Original	Final	Final Budget		
				Positive (Negative)
Revenues				
Property Taxes	\$ 30,000	\$ 30,000	\$31,692	\$ 1,692
Intergovernmental-State assistance	299	299	277	(22)
Investment Earnings	-	-	154	154
Total revenues	<u>30,299</u>	<u>30,299</u>	<u>32,123</u>	<u>1,824</u>
Expenditures				
Current - parks and recreation:				
Salaries and benefits	12,449	5,710	5,771	(61)
Services and supplies	21,013	19,588	17,185	2,403
Utilities	7,500	7,500	4,744	2,756
Total expenditures	<u>40,962</u>	<u>32,798</u>	<u>27,700</u>	<u>5,098</u>
Excess of revenues over (under) expenditures	<u>(10,663)</u>	<u>(2,499)</u>	<u>4,423</u>	<u>6,922</u>
Other financing sources (uses):				
Transfers in from County	-	-	15,000	15,000
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>15,000</u>	<u>15,000</u>
Net change in fund balance	<u><u>\$(10,663)</u></u>	<u><u>\$ (2,499)</u></u>	19,423	<u><u>\$ 21,922</u></u>
Fund balance - beginning			<u>4,186</u>	
Fund balance - ending			<u><u>\$23,609</u></u>	

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