

**COUNTY OF SAN BERNARDINO  
SPECIAL DISTRICT  
COUNTY SERVICE AREA No. 79 R-1 GREEN VALLEY LAKE  
FINANCIAL STATEMENTS  
JUNE 30, 2017**

**County of San Bernardino Special District  
County Service Area No. 79 R-1  
Green Valley Lake  
June 30, 2017**

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Board of Supervisors  
County of San Bernardino  
County of San Bernardino Special  
District County Service Area  
No. 79 R-1 Green Valley Lake

### **Independent Auditors' 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. 79 R-1 Green Valley Lake (CSA), a component unit of the County of San Bernardino, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise CSA's basic financial statements as listed in the table of contents.

#### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the minimum audit requirements and reporting guidelines for California Special Districts required by the Office of the State Controller. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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.



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No. 79 Green Valley Lake

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. 79 R-1 Green Valley Lake as of June 30, 2017, 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. The financial statements of the County of San Bernardino Special District County Service Area No. 79 R-1 Green Valley Lake as of June 30, 2016, were audited by other auditors whose report dated November 28, 2016 expressed unmodified opinions on those statements.

### *Required Supplementary Information*

Management has omitted Management's Discussion and Analysis and 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.

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Accounting principles generally accepted in the United States of America require that the budgetary comparison information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Eadie and Payne, LLP*

November 22, 2017  
Riverside, California

COUNTY OF SAN BERNARDINO SPECIAL DISTRICT  
COUNTY SERVICE AREA NO. 79 R-1 GREEN VALLEY LAKE  
Statement of Net Position  
June 30, 2017

	2017		
	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and investments	\$ 86,177	\$ 1,313,762	\$ 1,399,939
Accounts receivable, net	-	210,874	210,874
Interest receivable	263	9,299	9,562
Special assessment receivable	880	1,283	2,163
Capital assets, net of depreciation	49,378	1,464,509	1,513,887
Total assets	<u>136,698</u>	<u>2,999,727</u>	<u>3,136,425</u>
<b>Deferred outflows of resources</b>			
Pensions	-	136,783	136,783
<b>Liabilities</b>			
Current:			
Accounts payable	2,600	131,834	134,434
Due to other governments	-	63,086	63,086
Long-term:			
Net pension liability	-	277,203	277,203
Total liabilities	<u>2,600</u>	<u>472,123</u>	<u>474,723</u>
<b>Deferred inflows of resources</b>			
Pensions	-	62,293	62,293
<b>Net position</b>			
Net investment in capital assets	49,378	1,464,509	1,513,887
Restricted for road maintenance	84,720	-	84,720
Unrestricted	-	1,137,585	1,137,585
Total net position	<u>\$ 134,098</u>	<u>\$ 2,602,094</u>	<u>\$ 2,736,192</u>

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

COUNTY OF SAN BERNARDINO SPECIAL DISTRICT  
COUNTY SERVICE AREA NO. 79 R-1 GREEN VALLEY LAKE  
Statement of Net Position (continued)  
June 30, 2017

	For Comparative Purposes Only 2016		
	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and investments	\$ 82,087	\$ 1,254,198	\$ 1,336,285
Accounts receivable, net	-	194,687	194,687
Interest receivable	156	2,379	2,535
Special assessment receivable	215	5,806	6,021
Capital assets, net of depreciation	52,670	1,522,923	1,575,593
Total assets	135,128	2,979,993	3,115,121
<b>Deferred outflows of resources</b>			
Pensions	-	26,282	26,282
<b>Liabilities</b>			
Current:			
Accounts payable	-	29,070	29,070
Due to other governments	1,142	49,395	50,537
Long-term:			
Net pension liability	-	209,113	209,113
Total liabilities	1,142	287,578	288,720
<b>Deferred inflows of resources</b>			
Pensions	-	73,169	73,169
<b>Net position</b>			
Net investment in capital assets	52,670	1,522,923	1,575,593
Restricted for public works	81,316	-	81,316
Unrestricted	-	1,122,605	1,122,605
Total net position	\$ 133,986	\$ 2,645,528	\$ 2,779,514

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

COUNTY OF SAN BERNARDINO SPECIAL DISTRICT  
 COUNTY SERVICE AREA NO. 79 R-1 GREEN VALLEY LAKE  
 Statement of Activities  
 For the Year Ended June 30, 2017

	2017		Total
	Governmental Activities	Business-type Activities	
<b>Expenses</b>			
Salaries and benefits	3,814	\$ 353,480	\$ 357,294
Services and supplies	18,005	134,098	152,103
Utilities	-	25,272	25,272
Depreciation	3,292	131,493	134,785
Professional fees	194	401,496	401,690
Filtration project	-	69,645	69,645
<b>Total Expenses</b>	<u>25,305</u>	<u>1,115,484</u>	<u>1,140,789</u>
<b>Program revenues</b>			
Charges for services	-	960,972	960,972
Permit and inspection fees	-	75	75
Connection fees	-	3,002	3,002
<b>Net Program Revenues (Expense)</b>	<u>(25,305)</u>	<u>(151,435)</u>	<u>(182,894)</u>
<b>General revenues</b>			
Special assessments	24,831	48,813	73,644
Investment earnings	435	7,019	7,454
Penalties	-	3,330	3,330
Other	151	6,254	6,405
<b>Total general revenues</b>	<u>25,417</u>	<u>65,416</u>	<u>90,833</u>
Change in net position	<u>112</u>	<u>(86,019)</u>	<u>(85,907)</u>
Net position at beginning of year, as previously stated	133,986	2,645,528	2,779,514
Prior-period adjustment		42,585	42,585
Net position at beginning of year, as restated	<u>133,986</u>	<u>2,688,113</u>	<u>2,822,099</u>
<b>Net position at end of year</b>	<u>\$ 134,098</u>	<u>\$ 2,602,094</u>	<u>\$ 2,736,192</u>

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

COUNTY OF SAN BERNARDINO SPECIAL DISTRICT  
 COUNTY SERVICE AREA NO. 79 R-1 GREEN VALLEY LAKE  
 Statement of Activities (Continued)  
 For the Year Ended June 30, 2017

	For Comparative Purposes Only		
	2016		
<b>Expenses</b>	Governmental Activities	Business-type Activities	Total
Salaries and benefits	3,841	\$ 346,819	\$ 350,660
Services and supplies	17,683	149,974	167,657
Utilities	-	26,871	26,871
Depreciation	3,292	131,491	134,783
Professional fees	-	222,810	222,810
Filtration project	-	69,645	69,645
Total Expenses	24,816	947,610	972,426
<b>Program revenues</b>			
Charges for services	-	940,303	940,303
Permit and inspection fees	-	-	-
Connection fees	-	-	-
Net Program Revenues (Expense)	(24,816)	(7,307)	(32,123)
<b>General revenues</b>			
Special assessments	32,015	75,290	107,305
Investment earnings	614	10,292	10,906
Penalties	-	22,886	22,886
Other	3,478	13,249	16,727
Total general revenues	36,107	121,717	157,824
Change in net position	11,291	114,410	125,701
<b>Net position at beginning of year</b>	122,695	2,531,118	2,653,813
<b>Net position at end of year</b>	\$ 133,986	\$ 2,645,528	\$ 2,779,514

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

COUNTY OF SAN BERNARDINO SPECIAL DISTRICT  
COUNTY SERVICE AREA NO. 79 R-1 GREEN VALLEY LAKE  
Governmental Funds  
Balance Sheet  
June 30, 2017

	2017 SPECIAL REVENUE FUND <u>R-1 Meadow Green Valley Lake (RCP)</u>	For Comparative Purposes Only 2016 SPECIAL REVENUE FUND <u>R-1 Meadow Green Valley Lake (RCP)</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 86,177	\$ 82,087
Interest receivable	263	156
Special assessment receivable	880	215
Total assets	<u>\$ 87,320</u>	<u>\$ 82,458</u>
<b>Liabilities and Fund Balances</b>		
Due to other funds	\$ -	\$ 1,142
Accounts payable	2,600	-
Total liabilities	<u>2,600</u>	<u>1,142</u>
Fund Balance:		
Restricted for:		
Road maintenance	\$ 84,720	\$ 81,316
Total Fund Balance	<u>84,720</u>	<u>81,316</u>
 Total Liabilities and Fund Balance	 <u>\$ 87,320</u>	 <u>\$ 82,458</u>
Reconciliation of balance sheet of governmental funds to Statement of Net Position:		
Total Fund Balance - Governmental Fund	\$ 84,720	\$ 81,316
Amounts reported for governmental activities 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 fund.		
Net capital assets	<u>49,378</u>	<u>52,670</u>
Net Position of Governmental Activities	<u>\$ 134,098</u>	<u>\$ 133,986</u>

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

COUNTY OF SAN BERNARDINO SPECIAL DISTRICT  
 COUNTY SERVICE AREA NO. 79 R-1 GREEN VALLEY LAKE  
 Statement of Revenues, Expenditures and Changes in Fund Balance  
 Governmental Fund  
 For the Year Ended June 30, 2017

	2017 SPECIAL REVENUE FUND	For Comparative Purposes Only 2016 SPECIAL REVENUE FUND
	R-1 Meadow Green Valley Lake (RCP)	R-1 Meadow Green Valley Lake (RCP)
<b>Revenues</b>		
Special assessments	\$ 24,831	\$ 32,015
Investment earnings	435	614
Other	151	3,478
Total revenues	25,417	36,107
<b>Expenditures</b>		
Salaries and benefits	3,814	3,841
Services and supplies	18,005	17,683
Professional fees	194	-
Total Expenditures	22,013	21,524
Net change in fund balance	3,404	14,583
<b>Fund Balance - beginning</b>	81,316	66,733
<b>Fund Balance - ending</b>	\$ 84,720	\$ 81,316

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

COUNTY OF SAN BERNARDINO SPECIAL DISTRICT  
COUNTY SERVICE AREA NO. 79 R-1 GREEN VALLEY LAKE  
Governmental Funds

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

	2017	For Comparative Purposes Only 2016
Net change in fund balances - total governmental funds	\$ 3,404	\$ 14,583
<p>Amounts reported for governmental activities in the Statement of  Activities are different because:</p> <p style="margin-left: 40px;">Governmental fund 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 (\$3,292) exceeded capital outlay (\$-0-) in the current  period.</p>		
	(3,292)	(3,292)
Change in Net Position of Governmental Activities	\$ 112	\$ 11,291

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

COUNTY OF SAN BERNARDINO SPECIAL DISTRICT  
 COUNTY SERVICE AREA NO. 79 R-1 GREEN VALLEY LAKE  
 Statement of Net Position  
 Proprietary Fund  
 June 30, 2017

	2017	For Comparative Purposes Only 2016
	ENTERPRISE FUND	ENTERPRISE FUND
	<u>Sewer</u>	<u>Sewer</u>
<b>Assets</b>		
Current Assets:		
Cash and investments	\$ 1,313,762	\$ 1,254,198
Accounts receivable, net	210,874	194,687
Interest receivable	9,299	2,379
Special assessment receivable	1,283	5,806
Total Current Assets	<u>1,535,218</u>	<u>1,457,070</u>
Non-current Assets:		
Capital Assets		
Improvements to land	5,216,517	5,216,517
Structures and improvements	159,050	159,050
Vehicles	64,440	64,440
Equipment	31,006	31,006
Construction in progress	173,406	100,327
Accumulated depreciation	(4,179,910)	(4,048,417)
Total noncurrent assets	<u>1,464,509</u>	<u>1,522,923</u>
Total Assets	<u>2,999,727</u>	<u>2,979,993</u>
<b>Deferred outflows of resources</b>		
Pensions	<u>136,783</u>	<u>26,282</u>
<b>Liabilities</b>		
Current Liabilities:		
Accounts payable	131,834	29,070
Due to other governments	63,086	49,395
Total current liabilities	<u>194,920</u>	<u>78,465</u>
Long-term Liabilities:		
Net pension liability	<u>277,203</u>	<u>209,113</u>
Total liabilities	472,123	287,578
<b>Deferred inflows of resources</b>		
Pensions	<u>62,293</u>	<u>73,169</u>
<b>Net position</b>		
Net invested in capital assets	1,464,509	1,522,923
Unrestricted	1,137,585	1,122,605
Total net position	<u>\$ 2,602,094</u>	<u>\$ 2,645,528</u>

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

COUNTY OF SAN BERNARDINO SPECIAL DISTRICT  
 COUNTY SERVICE AREA NO. 79 R-1 GREEN VALLEY LAKE  
 Statement of Revenues, Expenses, and Changes in Net Position  
 Proprietary Fund  
 For the Year Ended June 30, 2017

	2017	For Comparative Purposes Only
	ENTERPRISE	2016
	FUND	ENTERPRISE
	<u>Sewer</u>	<u>FUND</u>
	<u>Sewer</u>	<u>Sewer</u>
<b>Operating Revenues</b>		
Sanitation services	\$ 960,972	\$ 940,303
Permit and inspection fees	75	-
Connection fees	3,002	-
Total Operating Revenues	<u>964,049</u>	<u>940,303</u>
<b>Operating Expenses</b>		
Professional fees	401,496	222,808
Salaries and benefits	353,480	346,819
Services and supplies	134,098	149,974
Utilities	25,272	26,871
Filtration project	69,645	69,645
Depreciation	131,493	131,493
Total Operating Expenses	<u>1,115,484</u>	<u>947,610</u>
Operating Loss	<u>(151,435)</u>	<u>(7,307)</u>
<b>Nonoperating Revenues</b>		
Special assessments	48,813	75,290
Investment earnings	7,019	10,292
Penalties	3,330	22,886
Other	6,254	13,249
Total Nonoperating Revenues	<u>65,416</u>	<u>121,717</u>
<b>Change in Net Position</b>	<u>(86,019)</u>	114,410
Net position at beginning of year as previously reported	2,645,528	<u>2,531,118</u>
Prior-Period Adjustment	42,585	
Net assets at beginning of year as restated	<u>2,688,113</u>	
<b>Net Position - ending</b>	<u>\$ 2,602,094</u>	<u>\$ 2,645,528</u>

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

COUNTY OF SAN BERNARDINO SPECIAL DISTRICT  
COUNTY SERVICE AREA NO. 79 - GREEN VALLEY LAKE  
Statement of Cash Flows  
Proprietary Fund  
For the Year Ended June 30, 2017

	2017	For Comparative Purposes Only 2016
	ENTERPRISE FUND	ENTERPRISE FUND
	<u>Sewer</u>	<u>Sewer</u>
<b>Cash Flows from Operating Activities</b>		
Receipts from customers	\$ 947,862	\$ 953,653
Payments to suppliers	(514,056)	(540,182)
Payments to employees	(364,182)	(372,786)
Other payments	-	(69,645)
Net Cash Provided by Operating Activities	<u>69,624</u>	<u>(28,960)</u>
<b>Cash Flows from Noncapital Financing Activities</b>		
Special assessments	53,336	75,290
Penalties	3,330	22,886
Other nonoperating revenues	6,254	13,249
Net Cash Provided by Noncapital Financing Activities	<u>62,920</u>	<u>111,425</u>
<b>Cash Flows from Capital and related Financing Activities</b>		
Purchase of capital assets	<u>(73,079)</u>	<u>(122,767)</u>
Net Cash Used for Capital and related Financing Activities	<u>(73,079)</u>	<u>(122,767)</u>
<b>Cash Flows from Investment Activities</b>		
Investment earnings	<u>99</u>	<u>11,614</u>
Net Cash Provided by Investment Activities	<u>99</u>	<u>11,614</u>
Net Increase in Cash and Investments	59,564	(28,688)
<b>Cash and investments - beginning</b>	<u>1,254,198</u>	<u>1,282,886</u>
<b>Cash and investments - ending</b>	<u>\$ 1,313,762</u>	<u>\$ 1,254,198</u>

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

COUNTY OF SAN BERNARDINO SPECIAL DISTRICT  
 COUNTY SERVICE AREA NO. 79 R-1 GREEN VALLEY LAKE  
 Statement of Cash Flows (continued)  
 Proprietary Fund  
 For the Year Ended June 30, 2017

	2017	For Comparative Purposes Only 2016
Reconciliation of operating loss to net cash provided by operating activities:		
Operating loss	\$ (151,435)	\$ (7,307)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation expense	131,493	131,493
Change in assets and liabilities:		
(Increase) Decrease in accounts receivable	(16,187)	16,025
(Increase) Decrease in special assessment rec	-	(2,675)
Increase (Decrease) in accounts payable	102,764	(73,635)
Increase (Decrease) in due to other governments	13,691	(66,894)
Increase (Decrease) in net pension liability, net of deferred outflows and inflows	(10,702)	(25,967)
Net Cash Provided by (Used for) Operating Activities	\$ 69,624	\$ (28,960)

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

COUNTY OF SAN BERNARDINO SPECIAL DISTRICT  
 COUNTY SERVICE AREA NO. 79 R-1 GREEN VALLEY LAKE  
 Statement of Fiduciary Assets and Liabilities  
 Agency Fund  
 June 30, 2017

	2017	For Comparative Purposes Only 2016
<b>Assets</b>		
Cash and cash equivalents	\$ 2,441	\$ 2,423
Total assets	\$ 2,441	\$ 2,423
 <b>Liabilities</b>		
Due to bondholders	\$ 2,441	\$ 2,423
Total liabilities	\$ 2,441	\$ 2,423

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

**County of San Bernardino Special District  
County Service Area No. 79 – Green Valley Lake  
Notes to Financial Statements  
June 30, 2017**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of County Service Area (CSA) No. 79 R-1 Green Valley Lake 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. 79 Green Valley Lake was established by an act of the Board of Supervisors of the County of San Bernardino (the County) on September 7, 1971 with the active powers of fire (inspection, suppression, protection, first aid, and rescue), sewer (collection and disposal). Currently, the governmental reporting entity consists of an enterprise fund (sewer) for the community of Green Valley Lake. The CSA contracts sewage treatment through Running Springs County Water District. Improvement Zone R-1, established by an act of the county of San Bernardino Board of Supervisors on September 14, 1993, provides maintenance for approximately .75 miles of paved road in “The Meadow” area of Green Valley Lake.

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 statement reflect only the accounts of the County Service Area No. 79 Green Valley Lake of the County of San Bernardino and are not intended to present the financial position of the County taken as a whole.

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

**Government-wide and fund financial statements**

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

**County of San Bernardino Special District  
County Service Area No. 79 – Green Valley Lake  
Notes to Financial Statements  
June 30, 2017**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**Government-wide and fund financial statements (continued)**

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants 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.

Separate financial statements are provided from 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 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 with the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

**County of San Bernardino Special District  
County Service Area No. 79 – Green Valley Lake  
Notes to Financial Statements  
June 30, 2017**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

The government reports the following major governmental funds:

The *special revenue fund* labeled “R-1 Meadow Green Valley Lake” 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 government reports the following major proprietary fund:

The enterprise fund labeled “Sewer” accounts for the sewer activities of the CSA.

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 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.

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

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

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.

Agency funds are used to account for assets held by the CSA as an agent for individuals, private-organizations, other governments and/or other funds. The funds are custodial in nature (assets equal liabilities) and do not involve measurement of the results of operations. The modified accrual of accounting is used for the agency fund. The fund is used to account for the accumulation of resources for, and payment of, the bonds issued under the Improvement Act of 1915 for certain sewer improvements.

**County of San Bernardino Special District  
County Service Area No. 79 – Green Valley Lake  
Notes to Financial Statements  
June 30, 2017**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**Cash and Investments**

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

All accounts receivable are shown net of an allowance for uncollectibles when applicable. No allowance for uncollectibles was recorded at June 30, 2017 based on management’s expectation that all accounts receivable will be collected.

**Property Taxes and Accounts Receivable**

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.

No allowance for uncollectibles has been recorded as of June 30, 2017 based on management’s expectation that all accounts receivable will be collected through the property tax roll.

**Inventories and prepaid items**

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

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

**County of San Bernardino Special District  
County Service Area No. 79 – Green Valley Lake  
Notes to Financial Statements  
June 30, 2017**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**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 classification describes the relative strength of the spending constraints placed on the purpose 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.
- *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 provision 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 balances. 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.

**County of San Bernardino Special District  
County Service Area No. 79 – Green Valley Lake  
Notes to Financial Statements  
June 30, 2017**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**Fund Equity (continued)**

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 been 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.

**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 CSA's Administration Department head. Any deficiency of budgeted revenues and other financing sources over expenditures and other financing uses is financed by beginning available fund balances as provided for in the County Budget Act.

B. Encumbrances

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

**County of San Bernardino Special District  
County Service Area No. 79 – Green Valley Lake  
Notes to Financial Statements  
June 30, 2017**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**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.

**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.

**County of San Bernardino Special District  
County Service Area No. 79 – Green Valley Lake  
Notes to Financial Statements  
June 30, 2017**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**Net Position Flow Assumption (continued)**

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, 2017. Changes in fair value that occur during a fiscal year are recognized as *investment earnings* reported for that fiscal year. *Investment earnings* reports interest earnings, changes in fair value, and any gains or losses realized upon the liquidation, maturity, or sale of investments. The County’s practice is to hold investments until maturity.

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

**County of San Bernardino Special District  
County Service Area No. 79 – Green Valley Lake  
Notes to Financial Statements  
June 30, 2017**

NOTE 3: CAPITAL ASSETS

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

**Governmental activities:**

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets, being depreciated:				
Infrastructure	\$ 131,675	\$ -	\$ -	\$ 131,675
Total capital assets, being depreciated	<u>131,675</u>	<u>-</u>	<u>-</u>	<u>131,675</u>
Less accumulated depreciation for:				
Infrastructure	(79,005)	(3,292)	-	(82,297)
Total accumulated depreciation	<u>(79,005)</u>	<u>(3,292)</u>	<u>-</u>	<u>(82,297)</u>
Total capital assets, being depreciated, net	<u>52,670</u>	<u>(3,292)</u>	<u>-</u>	<u>49,378</u>
Governmental activities capital assets, net	<u>\$ 52,670</u>	<u>\$ (3,292)</u>	<u>\$ -</u>	<u>\$ 49,378</u>

**Business-type:**

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets, not being depreciated:				
Development in progress	\$ 100,327	\$ 73,079	\$ -	\$ 173,406
Total capital assets, not being depreciated	<u>100,327</u>	<u>73,079</u>	<u>-</u>	<u>173,406</u>
Capital assets, being depreciated:				
Improvements to land	5,216,517	-	-	5,216,517
Structures and improvements	159,050	-	-	159,050
Equipment	31,006	-	-	31,006
Vehicle	<u>64,440</u>	<u>-</u>	<u>-</u>	<u>64,440</u>
Total capital assets, being depreciated	<u>5,471,013</u>	<u>-</u>	<u>-</u>	<u>5,471,013</u>
Less accumulated depreciation for:				
Improvements to land	(3,835,173)	(125,301)	-	(3,960,474)
Structures and improvements	(132,246)	(3,534)	-	(135,780)
Equipment	(27,942)	(428)	-	(28,370)
Vehicle	<u>(53,056)</u>	<u>(2,230)</u>	<u>-</u>	<u>(55,286)</u>
Total accumulated depreciation	<u>(4,048,417)</u>	<u>(131,493)</u>	<u>-</u>	<u>(4,179,910)</u>
Total capital assets, being depreciated, net	<u>1,422,596</u>	<u>(131,493)</u>	<u>-</u>	<u>1,291,103</u>
Business-type capital assets, net	<u>\$ 1,522,923</u>	<u>\$ (58,414)</u>	<u>\$ -</u>	<u>\$ 1,464,509</u>

**County of San Bernardino Special District  
County Service Area No. 79 – Green Valley Lake  
Notes to Financial Statements  
June 30, 2017**

NOTE 3: CAPITAL ASSETS (continued)

*Development in progress:* As of June 30, 2017 contractual commitments for the development and improvement of capital projects were estimated at \$171,594.

NOTE 4: RETIREMENT PLAN

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

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

**County of San Bernardino Special District  
County Service Area No. 79 – Green Valley Lake  
Notes to Financial Statements  
June 30, 2017**

NOTE 4: RETIREMENT PLAN (continued)

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

	<b>General – Tier 1</b>	<b>General – Tier 2</b>
<b>Final Average Compensation</b>	Highest 12 months	Highest 36 consecutive months
<b>Normal Retirement Age</b>	Age 55	Age 55
<b>Early Retirement: Years of service required and/or eligible for</b>	Age 70 any years	Age 70 any years
	10 years age 50	5 years age 52
	30 years any age	N/A
<b>Benefit percent per year of service for normal retirement age</b>	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
<b>Benefit Adjustments</b>	Reduced before age 55, increased after 55 up to age 65	Reduced before age 67
<b>Final Average Compensation Limitation</b>	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. 79 – Green Valley Lake  
Notes to Financial Statements  
June 30, 2017**

NOTE 4: RETIREMENT PLAN (continued)

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

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

**Actuarial Assumptions and Discount Rates**

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

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

At June 30, 2017, the CSA reported a liability of \$ 277,203 which represents 3.67% of the County of San Bernardino Special District's proportionate share of the County's net pension liability. The CSA's proportion was allocated based on FY 2017 total salaries and benefits relative to the total salaries and benefits of the County of San Bernardino Special Districts as a whole.

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

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

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

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

1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
\$ 463,044	\$ 277,203	\$ 123,206

**County of San Bernardino Special District  
County Service Area No. 79 – Green Valley Lake  
Notes to Financial Statements  
June 30, 2017**

NOTE 4: RETIREMENT PLAN (continued)

Pension benefits recognized amounted to \$10,702 for the year ended June 30, 2017.

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

<u>Deferred Outflows of Resources*</u>	<u>Deferred Inflows of Resources**</u>
<u>\$ 136,783</u>	<u>\$ (62,293)</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.

The deferred outflows of resources related to pensions, resulting from the CSA's contributions to the plan subsequent to the measurement date of \$39,625, will be recognized as a reduction of the net pension liability in the following year. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in future pension expense as follows:

Year Ended June 30,		
	2018	\$ (2,009)
	2019	7,720
	2020	17,724
	2021	12,353
	2022	(984)
	Thereafter	<u>61</u>
	Total	\$ 34,865

**County of San Bernardino Special District**  
**County Service Area No. 79 – Green Valley Lake**  
**Notes to Financial Statements**  
**June 30, 2017**

NOTE 5: RISK MANAGEMENT

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

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

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

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

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

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

**County of San Bernardino Special District  
County Service Area No. 79 – Green Valley Lake  
Notes to Financial Statements  
June 30, 2017**

**NOTE 6: WASTEWATER TRANSPORTATION, TREATMENT AND DISPOSAL AGREEMENT**

The CSA entered into a forty (40) year agreement with the Running Springs County Water District (District) on May 9, 1977. The agreement provides transportation of wastewater from the CSA to a connecting point within the District wastewater system and to provide proportionate joint financing for enlargement of the District system to treat the projected flows from the CSA and the District. The District will provide final transportation, treatment, and disposal of these wastewater flows and bill the CSA for their proportionate share of costs in accordance with the terms of the agreement.

As compensation for transportation, treatment and disposal of their wastewater, the CSA shall pay a proportionate share of the operation and maintenance expense of the jointly used facilities. The payment will be made based on a three-month accounting period commencing on January 1st, April 1st, July 1st, or October 1st. Additionally, an amount equal to fifteen percent (15%) of the CSA’s proportionate share of operations and maintenance expenses will be paid to the District to cover overhead and indirect expenses.

Expansion, modifications or replacement of joint use facilities will be assessed to the CSA in proportion to the ratio of assessed valuation of the District. These costs shall be included in a written notification to the CSA no later than March 1st of each year. The CSA is currently paying their proportionate share (21.8%) on a filtration project, which was financed over fifteen years beginning on September 21, 2002. The loan to the District matured on March 21, 2017.

Any net income the District may receive from the wastewater or by products of treatment shall be shared by the District, Arrowbear and the CSA on a proportionate-share basis.

The agreement expired on May 9, 2017. Services are currently being provided on a month to month basis.

The CSA incurred the following costs in FY 2016/17 based on the agreement:

Wastewater transportation, treatment and Disposal	\$ 221,212
Expansion or modification or replacement (Filtration project)	<u>69,645</u>
Total Costs	<u>\$ 290,857</u>

**NOTE 7: CONTINGENCIES**

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

**County of San Bernardino Special District  
County Service Area No. 79 – Green Valley Lake  
Notes to Financial Statements  
June 30, 2017**

NOTE 8: SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 22, 2017, which is the date the financial statements were available to be issued, and has determined that there are no transactions that will have significant impact on the CSA.

NOTE 9: PRIOR-PERIOD ADJUSTMENT

The net position as of the beginning of the year was adjusted to correct an error made in recording the pension expense for the year ended June 30, 2016. The deferred outflow of resources for pension contributions of \$42,585 made subsequent to the measurement date was not recognized. Had the error not been made, the change in net position would have decreased by \$42,585.

Required Supplementary Information  
COUNTY OF SAN BERNARDINO SPECIAL DISTRICT  
COUNTY SERVICE AREA NO. 79 R-1 GREEN VALLEY LAKE  
Budgetary Comparison Schedule - Special Revenue Fund  
For the Year Ended June 30, 2017

	SPECIAL REVENUE FUND			
	R-1 Green Valley Lake (RCP)			
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues</b>				
Special assessments	\$ 25,136	\$ 25,136	\$ 24,831	\$ (305)
Investment earnings	245	245	435	190
Other	150	150	151	1
Total revenues	<u>25,531</u>	<u>25,531</u>	<u>25,417</u>	<u>(114)</u>
<b>Expenditures</b>				
Salaries and benefits	3,814	3,814	3,814	-
Services and supplies	18,363	83,363	18,005	65,358
Professional fees	-	-	194	(194)
Total Expenditures	<u>22,177</u>	<u>87,177</u>	<u>22,013</u>	<u>65,164</u>
Net Change in Fund Balance	<u>\$ 3,354</u>	<u>\$ (61,646)</u>	3,404	<u>\$ 65,050</u>
<b>Fund balances - beginning</b>			81,316	
<b>Fund balances - ending</b>			<u>\$ 84,720</u>	