

**COUNTY OF SAN BERNARDINO
SPECIAL DISTRICTS
COUNTY SERVICE AREA No. 79
GREEN VALLEY LAKE**

FINANCIAL STATEMENTS

JUNE 30, 2016

County of San Bernardino Special Districts
County Service Are No. 79
Green Valley Lake
June 30, 2016

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An Independent CPA Firm

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

Independent Auditors' Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County of San Bernardino Special District County Service Area No. 79 Green Valley Lake (CSA), a component unit of the County of San Bernardino, as of and for the year ended June 30, 2016, 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.

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, each major fund, and the aggregate remaining fund information of the County CSA, as of June 30, 2016, 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.

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Emphasis of Matter

As described in Note 1 to the financial statements, during the year ended June 30, 2016, the CSA implemented GASB Nos. 72, 73, and 79. Our opinion is not modified with respect to this matter.

Other Matters

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.

David L. Gruber and Associates, Inc.
David L. Gruber and Associates, Inc.
Newport Beach, California
November 28, 2016

COUNTY OF SAN BERNARDINO SPECIAL DISTRICTS
COUNTY SERVICE AREA NO. 79 - GREEN VALLEY LAKE
Statement of Net Position
June 30, 2016

	Governmental Activities	Business-type Activities	Total
Assets			
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
	<u>135,128</u>	<u>2,979,993</u>	<u>3,115,121</u>
Deferred outflows of resources			
Pensions	-	26,282	26,282
Liabilities			
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
	<u>1,142</u>	<u>287,578</u>	<u>288,720</u>
Deferred inflows of resources			
Pensions	-	73,169	73,169
Net position			
Invested 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
	<u>-</u>	<u>1,122,605</u>	<u>1,122,605</u>
Total net position	<u>\$ 133,986</u>	<u>\$ 2,645,528</u>	<u>\$ 2,779,514</u>

See accompanying notes to basic financial statements.

COUNTY OF SAN BERNARDINO SPECIAL DISTRICTS
COUNTY SERVICE AREA NO. 79 - GREEN VALLEY LAKE
Statement of Activities
Year ended June 30, 2016

Expenses	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	131,493	134,785
Professional fees	-	222,808	222,808
Filtration project	-	69,645	69,645
Total Expenses	24,816	947,610	972,426
Program revenues			
Charges for services	-	940,303	940,303
Net Program Revenues (Expense)	(24,816)	(7,307)	(32,123)
General revenues			
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
Net position at beginning of year	122,695	2,531,118	2,653,813
Net position at end of year	\$ 133,986	\$ 2,645,528	\$ 2,779,514

See accompanying notes to basic financial statements.

COUNTY OF SAN BERNARDINO SPECIAL DISTRICTS
COUNTY SERVICE AREA NO. 79 - GREEN VALLEY LAKE

Governmental Funds

Balance Sheet

June 30, 2016

	SPECIAL REVENUE FUND R-1 Meadow Green Valley Lake (RCP)
Assets	
Cash and cash equivalents	\$ 82,087
Interest Receivable	156
Special assessment receivable	215
Total assets	\$ 82,458
 Liabilities and Fund Balances	
Due to other funds	\$ 1,142
Total liabilities	1,142
 Fund Balance:	
Restricted for:	
Road maintenance	\$ 81,316
Total Fund Balance	81,316
Total Liabilities and Fund Balance	\$ 82,458
 Total Fund Balance - Governmental Fund	\$ 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.	
Capital assets	131,675
Accumulated depreciation	(79,005)
Net Position of Governmental Activities	\$ 133,986

See accompanying notes to basic financial statements.

COUNTY OF SAN BERNARDINO SPECIAL DISTRICTS
 COUNTY SERVICE AREA NO. 79 - GREEN VALLEY LAKE
 Statement of Revenues, Expenditures and Changes in Fund Balance
 Governmental Fund
 Year ended June 30, 2016

	SPECIAL REVENUE FUND R-1 Meadow Green Valley Lake (RCP)
Revenues	
Special assessments	\$ 32,015
Investment earnings	614
Other	3,478
Total revenues	36,107
Expenditures	
Current - public works:	
Salaries and benefits	3,841
Services and supplies	17,683
Total Expenditures	21,524
Net change in fund balance	14,583
Fund Balance - beginning	66,733
Fund Balance - ending	\$ 81,316

See accompanying notes to basic financial statements.

COUNTY OF SAN BERNARDINO SPECIAL DISTRICTS
COUNTY SERVICE AREA NO. 79 - 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
Year ended June 30, 2016

Net change in fund balances - total governmental funds \$ 14,583

Amounts reported for governmental activities in the Statement of Activities are different because:

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.

(3,292)

Change in Net Position of Governmental Activities

\$ 11,291

See accompanying notes to basic financial statements.

COUNTY OF SAN BERNARDINO SPECIAL DISTRICTS
 COUNTY SERVICE AREA NO. 79 - GREEN VALLEY LAKE
 Statement of Net Position
 June 30, 2016

	ENTERPRISE FUND
	Sewer
Assets	
Current Assets:	
Cash and cash equivalents	\$ 1,254,198
Accounts receivable, net	194,687
Interest receivable	2,379
Special assessment receivable	5,806
Total Current Assets	1,457,070
Non-current Assets:	
Capital Assets	
Improvements to land	5,216,517
Structures and improvements	159,050
Vehicles	64,440
Equipment	31,006
Construction in progress	100,327
Accumulated depreciation	(4,048,417)
Total noncurrent assets	1,522,923
Total Assets	2,979,993
Deferred outflows of resources	
Pensions	26,282
Liabilities	
Current Liabilities:	
Accounts payable	29,070
Due to other governments	49,395
Total current liabilities	78,465
Long-term Liabilities:	
Net pension liability	209,113
Total liabilities	287,578
Deferred inflows of resources	
Pensions	73,169
Net position	
Invested in capital assets	1,522,923
Unrestricted	1,122,605
Total net position	\$ 2,645,528

See accompanying notes to basic financial statements

COUNTY OF SAN BERNARDINO SPECIAL DISTRICTS
 COUNTY SERVICE AREA NO. 79 - GREEN VALLEY LAKE
 Statement of Revenues, Expenses, and Changes in Net Position
 Proprietary Fund
 Year ended June 30, 2016

	ENTERPRISE FUND
	Sewer
Operating Revenues	
Sanitation services	\$ 940,303
Total Operating Revenues	940,303
Operating Expenses	
Professional fees	222,808
Salaries and benefits	346,819
Services and supplies	149,974
Utilities	26,871
Filtration project	69,645
Depreciation	131,493
Total Operating Expenses	947,610
Operating Loss	(7,307)
Nonoperating Revenues	
Special assessments	75,290
Investment earnings	10,292
Penalties	22,886
Other	13,249
Total Nonoperating Revenues	121,717
Income (loss) before transfers	114,410
Change in Net Position	114,410
Net Position - beginning	2,531,118
Net Position - ending	\$ 2,645,528

See accompanying notes to basic financial statements.

COUNTY OF SAN BERNARDINO SPECIAL DISTRICTS
 COUNTY SERVICE AREA NO. 79 - GREEN VALLEY LAKE
 Statement of Cash Flows
 Proprietary Fund
 Year ended June 30, 2016

	ENTERPRISE FUND
	Sewer
Cash Flows from Operating Activities	
Receipts from customers	\$ 953,653
Payments to suppliers	(540,182)
Payments to employees	(372,786)
Other payments	(69,645)
	(28,960)
Cash Flows from Noncapital Financing Activities	
Property taxes	-
Special assessments	75,290
Penalties	22,886
Other nonoperating revenues	13,249
	111,425
Cash Flows from Capital and related Financing Activities	
Purchase of capital assets	(122,767)
	(122,767)
Cash Flows from Investment Activities	
Investment earnings	11,614
	11,614
Net Increase in Cash and Cash Equivalents	(28,688)
Cash and cash equivalents - beginning	1,282,886
Cash and cash equivalents - ending	\$ 1,254,198

See accompanying notes to basic financial statements

COUNTY OF SAN BERNARDINO SPECIAL DISTRICTS
 COUNTY SERVICE AREA NO. 79 - GREEN VALLEY LAKE
 Statement of Cash Flows (continued)
 Proprietary Fund
 Year ended June 30, 2016

Reconciliation of operating loss to net cash provided by operating activities:	
Operating loss	\$ (7,307)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation expense	131,493
Change in assets and liabilities:	
(Increase) Decrease in accounts receivable	16,025
(Increase) Decrease in tax receivable	-
(Increase) Decrease in due from other governments	(2,675)
Increase (Decrease) in accounts payable	(73,635)
Increase (Decrease) in due to other governments	(66,894)
Increase (Decrease) in net pension liability, net of deferred outflows and inflows	<u>(25,967)</u>
Net Cash Used for Operating Activities	<u><u>\$ (28,960)</u></u>

See accompanying notes to basic financial statements

COUNTY OF SAN BERNARDINO SPECIAL DISTRICTS
COUNTY SERVICE AREA NO. 79 - GREEN VALLEY LAKE
Statement of Fiduciary Assets and Liabilities
Agency Fund
June 30, 2016

Assets

Cash and cash equivalents

\$ 2,423

Total assets

\$ 2,423

Liabilities

Due to bondholders

\$ 2,423

Total liabilities

\$ 2,423

See accompanying notes to basic financial statements.

County of San Bernardino Special Districts
County Service Area No. 79 – Green Valley Lake
Notes to Financial Statements
June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of County Service Area (CSA) No. 79- 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), and water and road (maintenance and improvement). Currently, the governmental reposting entity consists of fire protection, emergency medical services, and an enterprise fund (sewer) for the community of Green Valley Lake. The CSA contracts sewage treatment through Running Springs County Water District which serves 1,321 households. 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, 2016.

Government-wide and fund financial statements

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

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

County of San Bernardino Special Districts
County Service Area No. 79 – Green Valley Lake
Notes to Financial Statements
June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 non operating 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.

**County of San Bernardino Special Districts
County Service Area No. 79 – Green Valley Lake
Notes to Financial Statements
June 30, 2016**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Cash and Investments

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

Receivables and payables

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

Property Taxes 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, 2016 based on management's expectation that all accounts receivable will be collected through the property tax roll.

County of San Bernardino Special Districts
County Service Area No. 79 – Green Valley Lake
Notes to Financial Statements
June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 though 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.

County of San Bernardino Special Districts
County Service Area No. 79 – Green Valley Lake
Notes to Financial Statements
June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- *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.

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 fixed 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 Districts
County Service Area No. 79 – Green Valley Lake
Notes to Financial Statements
June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New Accounting Pronouncements

The District adopted Statement on Governmental Accounting Standards (GASB Statement) No. 72, *Fair Value Measurement and Application*, GASB Statement No. 73 *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB 68*, and GASB Statement No. 79 *Certain External Investment Pools and Pool Participants*.

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. The government has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds of the balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

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, as well as issuance costs, 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 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 Districts
County Service Area No. 79 – Green Valley Lake
Notes to Financial Statements
June 30, 2016

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 are restricted by external creditors, grantors, contributors, laws or regulations of other governments. Unrestricted Net position is all net position that do not meet the definition of “invested in capital assets, net of related debt” 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 San Bernardino County Employee’s Retirement Association (SBCERA) plan (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, cash equivalents, 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, cash equivalents, and investments are shown at the fair value as of June 30, 2016. 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.

**County of San Bernardino Special Districts
County Service Area No. 79 – Green Valley Lake
Notes to Financial Statements
June 30, 2016**

NOTE 3: ACCOUNTS RECEIVABLE

At June 30, 2016, the accounts receivable were composed of the following:

	Enterprise Fund
	<u>Sewer</u>
Accounts Receivable	\$ 194,687
Less: allowance for uncollectible	<u> -</u>
Total accounts receivable, net	<u>\$ 194,687</u>

NOTE 4: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2016 was as follows

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental activities:				
Capital assets, being depreciated:				
Infrastructure	\$ 131,675	\$ -	\$ -	\$ 131,675
Total capital assets, being depreciated:	131,675	-	-	131,675
Less accumulated depreciation for:				
Infrastructure	(75,713)	(3,292)	-	(79,005)
Total accumulated depreciation	(75,713)	(3,292)	-	(79,005)
Total capital assets, being depreciated, net	(75,713)	(3,292)	-	(79,005)
Governmental activities capital assets, net	\$ 55,962	\$ (3,292)	\$ -	\$ 52,670
 Business-type activities:				
Capital assets, not being depreciated:				
Construction in progress	\$ 422,154	100,327	\$ (422,154)	\$ 100,327
Total capital assets, not being depreciated:	422,154	100,327	(422,154)	100,327
Capital assets, being depreciated:				
Improvements to land	4,771,923	444,594	-	5,216,517
Structures and improvements	159,050	-	-	159,050
Vehicles	30,985	-	-	30,985
Equipment	64,461	-	-	64,461
Total capital assets, being depreciated:	5,026,419	444,594	-	5,471,013
Less accumulated depreciation for:				
Improvements to land	(3709,872)	(125,301)	-	(3,835,173)
Structures and improvements	(128,712)	(3,534)	-	(132,246)
Vehicles	(30,985)	-	-	(30,985)
Equipment	(47,355)	(2,658)	-	(50,013)
Total accumulated depreciation	(3,916,924)	(131,493)	-	(4,048,417)
Total capital assets, being depreciated, net	1,109,495	313,101	-	1,422,596
Governmental activities capital assets, net	\$ 1,531,649	\$ 413,428	\$ (422,154)	\$ 1,522,923

**County of San Bernardino Special Districts
County Service Area No. 79 – Green Valley Lake
Notes to Financial Statements
June 30, 2016**

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.

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.

**County of San Bernardino Special Districts
County Service Area No. 79 – Green Valley Lake
Notes to Financial Statements
June 30, 2016**

NOTE 5: RETIREMENT PLAN (continued)

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

Employee contribution rates for the fiscal year ended June 30, 2016 ranged between 7.81% and 14.21% for Tier 1 General members and between 7.70% and 8.40% for Tier 2 General members.

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

At June 30, 2016, the CSA’s reported a liability of \$209,113 for its proportionate share of the County’s net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District’s proportion of the County’s net pension liability was based on the District’s FY 2015 actual contributions to the County’s pension plan relative to the total contributions of the County as a whole.

At June 30, 2016, the District 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>\$ 26,282</u>	<u>\$ (73,169)</u>

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

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

The \$26,282 reported as deferred outflows of resources related to pensions, resulting from the District’s contributions to the County’s plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2017.

County of San Bernardino Special Districts
County Service Area No. 79 – Green Valley Lake
Notes to Financial Statements
June 30, 2016

NOTE 5: RETIREMENT PLAN (continued)

See the County of San Bernardino's Comprehensive Annual Financial Report (CAFR) for details of their pension liabilities, pension expense, deferred outflows and inflows of resources related to pensions, actuarial assumptions, and discount rates, for the current year and two preceding years computed in accordance with GASB 68, *Accounting and Reporting for Pension Plans*, for the year ended June 30, 2016.

NOTE 6: FEDERAL AND STATE GRANTS

From time to time the CSA may receive funds from various Federal and State agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantors cannot be determined at this time, although the CSA expects such amounts, if any, to be immaterial.

NOTE 7: 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.

County of San Bernardino Special Districts
County Service Area No. 79 – Green Valley Lake
Notes to Financial Statements
June 30, 2016

NOTE 7: 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 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, 2016.

NOTE 8: 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 will mature on March 21, 2017.

County of San Bernardino Special Districts
County Service Area No. 79 – Green Valley Lake
Notes to Financial Statements
June 30, 2016

NOTE 8: WASTEWATER TRANSPORTATION, TREATMENT AND DISPOSAL AGREEMENT
(continued)

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 CSA has no option to renew the agreement for an additional forty years if they exercise the option to renew at least three years prior to the expiration date of the agreement by sending a written notice to the District. The current agreement will expire on May 9, 2017.

The CSA incurred the following costs in FY 2015/16 based on the agreement:

Wastewater transportation, treatment and Disposal	\$ 222,808
Expansion or modification or replacement (Filtration project)	<u>69,645</u>
Total Costs	<u>\$ 292,453</u>

NOTE 10: CONTIGENCIES

As of June 30, 2016, in the opinion of the CSA Administration, there are no outstanding matters, which would have a significant effect on the financial position of the CSA.

NOTE 11: SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 28, 2016, 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.

Required Supplementary Information
COUNTY OF SAN BERNARDINO SPECIAL DISTRICTS
COUNTY SERVICE AREA NO. 79 - GREEN VALLEY LAKE
Budgetary Comparison Schedule - Special Revenue Fund
June 30, 2016

SPECIAL REVENUE FUND

	R-1 Meadow Green Valley Lake (RCP)			
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Special assessments	\$ 23,420	\$ 23,420	\$ 32,015	\$ 8,595
Investment earnings	58	58	614	556
Other	56	56	3,478	3,422
Total revenues	23,534	23,534	36,107	12,573
Expenditures				
Current - public works:				
Salaries and benefits	4,861	4,861	3,841	1,020
Services and supplies	17,160	17,160	17,683	(523)
Total Expenditures	22,021	22,021	21,524	497
Net Change in Fund Balance	<u>\$ 1,513</u>	<u>\$ 1,513</u>	14,583	<u>\$ 13,070</u>
Fund balances - beginning			66,733	
Fund balances - ending			<u>\$ 81,316</u>	