

*SAN BERNARDINO COUNTY*  
*DEPARTMENT OF PUBLIC WORKS - SPECIAL DISTRICTS*  
*COUNTY SERVICE AREA NO. 60 APPLE VALLEY AIRPORT*

**FINANCIAL STATEMENTS**

**JUNE 30, 2022**

*San Bernardino County  
Department of Public Works – Special Districts  
County Service Area No. 60 Apple Valley Airport*

**Basic Financial Statements  
For the Year Ended June 30, 2022**

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ROGERS, ANDERSON, MALODY & SCOTT, LLP  
CERTIFIED PUBLIC ACCOUNTANTS, SINCE 1948

## *Independent Auditor's Report*

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## **Report on the Audit of the Financial Statements**

### ***Opinion***

We have audited the financial statements of the business-type activities of the San Bernardino County Department of Public Works-Special Districts County Service Area No. 60 Apple Valley Airport (CSA), a component unit of San Bernardino County, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the CSA's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the business-type activities of the CSA, as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal 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.

### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the State Controller's *Minimum Audit Requirements for California Special Districts*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the CSA and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



### ***Emphasis of Matter***

As discussed in Note 1, the financial statements present only the CSA and do not purport to, and do not present fairly the financial position of San Bernardino County, as of June 30, 2022, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

### ***Responsibilities of Management for the Financial Statements***

The CSA's 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the CSA's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 CSA's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the CSA's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

### ***Required Supplementary Information***

Management has omitted Management's Discussion and Analysis 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.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2023 on our consideration of the CSA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering San Bernardino County Department of Public Works-Special Districts County Service Area No. 60 Apple Valley Airport's internal control over financial reporting and compliance.

*Rogers, Anderson, Malody & Scott, LLP.*

San Bernardino, California  
March 31, 2023

*San Bernardino County  
 Department of Public Works - Special Districts  
 County Service Area No. 60 Apple Valley Airport*

**Statement of Net Position  
 Proprietary Funds  
 June 30, 2022**

	<b>Enterprise Fund</b>
<b>ASSETS</b>	
Current assets:	
Cash and investments	\$ 25,510,470
Total current assets	<u>25,510,470</u>
Noncurrent assets:	
Loan receivable	102,468
Capital assets, not depreciated	4,486,030
Capital assets, net of depreciation	<u>6,467,546</u>
Total noncurrent assets	<u>11,056,044</u>
Total assets	<u><u>36,566,514</u></u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	85,732
Due to County special districts	115,496
Unearned revenue	<u>39,230</u>
Total liabilities	<u>240,458</u>
<b>NET POSITION</b>	
Net investment in capital assets	10,953,576
Unrestricted	<u>25,372,480</u>
Total net position	<u><u>\$ 36,326,056</u></u>

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

*San Bernardino County  
Department of Public Works – Special Districts  
County Service Area No. 60 Apple Valley Airport*

**Statement of Revenues, Expenses and Changes in Net Position  
Proprietary Funds  
For the Year Ended June 30, 2022**

	<b>Enterprise Fund</b>
<b>OPERATING REVENUES</b>	
Charges for services	\$ 576,198
Other services	29,381
Total operating revenues	<u>605,579</u>
<b>OPERATING EXPENSES</b>	
Salaries and benefits	499,065
Services and supplies	982,820
Depreciation	433,259
Total operating expenses	<u>1,915,144</u>
Operating income (loss)	<u>(1,309,565)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>	
Investment earnings	(443,890)
Property taxes	4,076,703
State assistance	16,075
Federal assistance	37,114
Penalties	90
Other revenues	32,099
Total nonoperating revenues (expenses)	<u>3,718,191</u>
Change in net position	2,408,626
Net position, beginning	33,917,430
<b>Net position, ending</b>	<u><u>\$ 36,326,056</u></u>

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

*San Bernardino County  
Department of Public Works – Special Districts  
County Service Area No. 60 Apple Valley Airport*

**Statement of Cash Flows  
Proprietary Funds  
For the Year Ended June 30, 2022**

	<b>Enterprise Funds</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers	\$ 657,678
Payments to suppliers	(840,371)
Payments to employees	(499,065)
Net cash used for operating activities	<u>(681,758)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Property taxes	4,076,703
Other revenues	85,378
Transfers	-
Net cash provided by noncapital financing activities	<u>4,162,081</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Purchase of capital assets	(178,452)
Net cash used for capital and related financing activities	<u>(178,452)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Investment earnings	(443,890)
Net cash used for investing activities	<u>(443,890)</u>
Net increase in cash and investments	2,857,981
Cash and investments, beginning	<u>22,652,489</u>
<b>Cash and investments, ending</b>	<u><u>\$ 25,510,470</u></u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED FOR OPERATING ACTIVITIES:</b>	
Operating loss	\$ (1,309,565)
Adjustments to reconcile operating loss to net cash used for operating activities:	
Depreciation expense	433,259
Change in assets and liabilities:	
(Increase) decrease in interest income	49,793
(Increase) decrease in due from County special districts	2,306
Increase (decrease) in accounts payable	51,569
Increase (decrease) in due to County special districts	79,537
Increase (decrease) in unearned revenue	11,343
Net cash used for operating activities	<u><u>\$ (681,758)</u></u>

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



*San Bernardino County  
Department of Public Works – Special Districts  
County Service Area No. 60 Apple Valley Airport*

**Notes to the Financial Statements  
June 30, 2022**

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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of San Bernardino County Department of Public Works – Special Districts County Service Area No. 60 Apple Valley Airport (the District) 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 District was established on December 19, 1966 by an act of the Board of Supervisors of the San Bernardino County (the County) to provide and maintain public airports and landing places for aerial traffic and related activities. Currently, the CSA funds the operations and maintenance of Apple Valley Airport, which is administered and staffed by the San Bernardino County Department of Airports.

The CSA is a component unit of San Bernardino County and is governed by the actions of the County Board of Supervisors. The Board of Supervisors has established and appoints a seven (7) member Airport Commission which advises the Department of Airports on matters related to the operation of County owned airports and the Apple Valley Airport.

The accompanying financial statements reflect only the accounts of the District 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 Annual Comprehensive Financial Report of the County as a "component unit" for the fiscal year ended June 30, 2022.

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The CSA's financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. 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.

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

*San Bernardino County  
Department of Public Works – Special Districts  
County Service Area No. 60 Apple Valley Airport*

**Notes to the Financial Statements  
June 30, 2022**

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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation  
(Continued)**

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.

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

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. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

**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.

**Interfund Receivables and Payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (e.g., the current portion of interfund loans) or "advances to/from other funds" (e.g., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds" Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances." Currently, the CSA has no governmental activities. All accounts receivable are shown net of an allowance for uncollectibles when applicable.

*San Bernardino County  
Department of Public Works – Special Districts  
County Service Area No. 60 Apple Valley Airport*

**Notes to the Financial Statements  
June 30, 2022**

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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Property Taxes**

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

**Accounts Receivable**

No allowance for uncollectibles has been recorded as of June 30, 2022 based on management's expectation that all accounts receivable will be collected through the regular tax roll.

**Inventories and Prepaid Items**

Inventories, if any, are valued at cost using the first-in/first-out method.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

**Deferred Revenue**

Amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met, are recorded on the basic financial statements as deferred revenue.

**Capital Assets**

Capital assets, which include property, plant, and equipment are reported in the financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (for improvements to land and structures and equipment) and have an estimated useful life in excess of two years. Structures with an initial cost of \$100,000 are considered capital assets. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

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

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

*San Bernardino County  
Department of Public Works – Special Districts  
County Service Area No. 60 Apple Valley Airport*

**Notes to the Financial Statements  
June 30, 2022**

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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Capital Assets (Continued)**

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

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

**Use of Estimates**

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

**Stewardship, Compliance and Accountability**

Although the CSA prepares and adopts an annual budget, budgetary information is not presented because the CSA is not legally required to adopt a budget.

**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.

**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.

*San Bernardino County  
Department of Public Works – Special Districts  
County Service Area No. 60 Apple Valley Airport*

**Notes to the Financial Statements  
June 30, 2022**

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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Net Position Flow Assumption (Continued)**

In the Statement of Net Position, net position is 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.”

NOTE 2: CASH AND INVESTMENTS

Cash and investments include balances of monies deposited with the County Treasurer which are pooled and invested for the purpose of increasing earnings through investment activities. Interest earned on pooled investments is deposited to the CSA’s account based upon the CSA’s average daily deposit balance during the allocation period. Cash and investments are shown at the fair value as of June 30, 2022. 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 San Bernardino County’s Annual Comprehensive Financial Report (ACFR) 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 San Bernardino County’s ACFR may be obtained from their website <https://www.sbcounty.gov/ATC/Services/Documents>.

NOTE 3: LOAN RECEIVABLE

The CSA entered into four separate agreements with Apple Valley Ranchos Water Company (Utility) to construct distribution facilities for the purpose of furnishing public utility water service to Apple Valley Airport. The CSA advanced the amount of \$260,585 to cover cost of these facilities. The CSA is reimbursed by the Utility 2 ½ percent of the cost per year for 40 years. The amount outstanding at June 30, 2022 is \$102,468.

*San Bernardino County  
Department of Public Works – Special Districts  
County Service Area No. 60 Apple Valley Airport*

**Notes to the Financial Statements  
June 30, 2022**

NOTE 4: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2022 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 3,291,381	\$ -	\$ -	\$ 3,291,381
Development in progress	1,016,197	178,452	-	1,194,649
Total capital assets, not being depreciated	<u>4,307,578</u>	<u>178,452</u>	<u>-</u>	<u>4,486,030</u>
Capital assets, being depreciated:				
Improvements to land	9,079,170	-	-	9,079,170
Structures and improvements	8,773,540	-	-	8,773,540
Vehicles	615,881	-	-	615,881
Equipment	158,739	-	-	158,739
Total capital assets, being depreciated	<u>18,627,330</u>	<u>-</u>	<u>-</u>	<u>18,627,330</u>
Less accumulated depreciation for:				
Improvements to land	(6,843,997)	(228,435)	-	(7,072,432)
Structures and improvements	(4,131,869)	(196,582)	-	(4,328,451)
Vehicles	(606,486)	(3,637)	-	(610,123)
Equipment	(144,173)	(4,605)	-	(148,778)
Total accumulated depreciation	<u>(11,726,525)</u>	<u>(433,259)</u>	<u>-</u>	<u>(12,159,784)</u>
Total capital assets, being depreciated, net	<u>6,900,805</u>	<u>(433,259)</u>	<u>-</u>	<u>6,467,546</u>
Total capital assets, net	<u>\$ 11,208,383</u>	<u>\$ (254,807)</u>	<u>\$ -</u>	<u>\$ 10,953,576</u>

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, environmental liability, and workers' compensation claims. Public liability claims are self-insured for up to \$3.0 million per occurrence. Excess insurance coverage over the Self-Insured Retention (SIR) up to \$50 million is provided through a combination of insurance policies as recommended by Alliant Insurance Services Inc., Insurance Broker through CSAC-EIA (California State Association of Counties - Excess Insurance Authority), as follows: Primary liability coverage \$25 million excess of \$3 million self-insured retention with QBE Insurance, Munich Reinsurance America, Inc., Markel Corp., Great American Ins., Brit Global Specialty USA, and Lloyd's of London ANNV syndicate. Excess liability coverage for \$10 million, excess of \$25 million with Brit Global Specialty USA and Great American Ins. Company. Allied World Assurance Co. (AWAC) provides excess liability coverage of \$15 million, excess of \$35 million. In addition, the actuary has recommended that the County maintains a \$24 million reserve to cover SIR exposure for auto and general liability programs. No settlements related to these programs have exceeded insurance coverage in the last three years.

*San Bernardino County  
Department of Public Works – Special Districts  
County Service Area No. 60 Apple Valley Airport*

**Notes to the Financial Statements  
June 30, 2022**

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NOTE 5: RISK MANAGEMENT (Continued)

The Workers' Compensation program continued under CSAC-EIA Excess Workers' Compensation Program with a policy of \$2 million SIR and statutory limits with Great American Insurance Co., ACE American Insurance Co., and Liberty Insurance Corporation. Property damage claims are insured on an occurrence basis over a \$25 thousand deductible, and insured through CSAC-EIA and reinsured with Lexington Insurance Co. and with several insurers/reinsurers like AWAC, Ironshore, Partner RE, and Lloyd's of London, among others.

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

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

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

The activities related to such programs are accounted for in the Risk Management Department's internal service funds ("Funds"), except for unemployment insurance, and employee dental insurance, which are accounted for in the General Fund. The liabilities recorded in these Funds are based on the results of actuarial studies and include amounts for allocated and unallocated loss adjustment expenses. The liabilities for these claims are reported using a discounted rate of 1.392% and an actuarially-determined 80% confidence level. It is the County's practice to obtain actuarial studies on an annual basis.

See the San Bernardino County's Annual Comprehensive Financial Report (ACFR) for details of their claims liability at June 30, 2022.

NOTE 6: CONTINGENCIES

As of June 30, 2022 in the opinion of the CSA Administration, there are no outstanding matters which would have a significant effect of the financial position of the CSA.