

San Bernardino County Fire Protection District

(A Component Unit of San Bernardino County)

San Bernardino, California

Annual Financial Report

For the Year Ended June 30, 2022



San Bernardino County Fire Protection District
Annual Financial Report
For the Year Ended June 30, 2022

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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

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Santa Ana, California 92707



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Board of Directors
San Bernardino County
San Bernardino County Fire Protection District
San Bernardino, California

Report on the Audit of Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the San Bernardino County Fire Protection District (the "District"), 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 District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2022, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, 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 opinions.

Emphasis of a Matter

Implementation of GASB Statement No. 87

As described in Note 1 and 17 to the basic financial statements, the District implemented GASB Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

Prior Period Adjustments

As described in Note 17 to the basic financial statements, amount was restated due to the incorrect worker's compensation payments that were reported in the previous year in the Valley Regional Service Zone Fund. Accordingly, net position of the governmental activities and the fund balance of the Valley Regional Service Zone Fund was restated to reflect the correction of this error. Our opinions are not modified with respect to these matters.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 District'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.

Auditors' 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 opinions. 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 auditing standards generally accepted in the United States of America and *Government Auditing Standards* 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 auditing standards generally accepted in the United States of America and *Government Auditing Standards*, 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 District'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 District'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

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedules, the Schedule of the District's Proportionate Share of the Plan's Net Pension Liability, and the Schedule of the District's Contributions to the Pension Plan 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.

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America requires 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Combining and Individual Nonmajor Fund Financial Statements, the Budgetary Comparison Schedule – Office Emergency Services, the Budgetary Comparison Schedule – Public Safety Power Shutoff, and the Budgetary Comparison Schedule – Community Facilities District 2002-2 Pass Thru, and the Budgetary Comparison Schedule – Emergency Medical Services, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Combining and Individual Fund Financial Statements, the Budgetary Comparison Schedule – Office Emergency Services, the Budgetary Comparison Schedule – Public Safety Power Shutoff, the Budgetary Comparison Schedule – Community Facilities District 2002-2 Pass Thru, and the Budgetary Comparison Schedule – Emergency Medical Services are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Combining and Individual Nonmajor Fund Financial Statements and the Budgetary Comparison Schedule – Office Emergency Services, the Budgetary Comparison Schedule – Public Safety Power Shutoff, the Budgetary Comparison Schedule – Community Facilities District 2002-2 Pass Thru, and the Budgetary Comparison Schedule – Emergency Medical Services are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated February 27, 2023, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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Santa Ana, California
February 27, 2023

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Independent Auditors' Report

Board of Directors
San Bernardino County
San Bernardino County Fire Protection District
San Bernardino, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the San Bernardino County Fire Protection District (the "District"), a component unit of San Bernardino County, as of and for the year ended June 30, 2022, and the related notes to the basic financial statements, which collectively comprises the District's basic financial statements, and have issued our report thereon dated February 27, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify one deficiency in internal control, described in the accompanying schedule of findings as item 2022-001, that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The District's Responses to Findings

Government Auditing Standards require that the auditor perform limited procedures on the District's response to the findings identified in our audit and described in the accompanying Schedule of Findings. The District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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Santa Ana, California
February 27, 2023

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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San Bernardino County Fire Protection District
Statement of Net Position
June 30, 2022

	Governmental Activities
ASSETS	
Current assets:	
Cash and cash equivalents (Note 2)	\$ 215,619,566
Taxes and assessments receivable	3,782,483
Accounts receivable, net	1,127,642
Interest receivable	470,702
Due from other governments	3,695,104
Prepaid items	8,785,159
Total current assets	233,480,656
Non-current assets:	
Capital assets – not being depreciated or amortized (Note 4)	8,648,791
Capital assets – being depreciated and amortized, net (Note 4)	64,494,345
Total non-current assets	73,143,136
Total assets	306,623,792
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources related to pensions (Note 7)	137,363,083
Total deferred outflows of resources	137,363,083
LIABILITIES	
Current liabilities:	
Accounts payable	5,481,237
Accrued salaries and benefits	8,074,928
Due to other governments	1,178,212
Advances from others (Note 3)	925,756
Accrued interest payable	32,497
Long-term liabilities – due in one year:	
Compensated absences (Note 5)	6,607,506
Debt payable (Note 6)	584,796
Total current liabilities	22,884,932
Non-current liabilities:	
Long-term liabilities – due in more than one year:	
Compensated absences (Note 5)	9,911,258
Debt payable (Note 6)	1,706,207
Net pension liability (Note 7)	127,608,880
Total non-current liabilities	139,226,345
Total liabilities	162,111,277
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to pensions (Note 7)	153,804,979
Total deferred inflows of resources	153,804,979
NET POSITION	
Net investment in capital assets (Note 8)	70,852,133
Restricted	122,937,373
Unrestricted (deficit) (Note 9)	(65,718,887)
Total net position	\$ 128,070,619

San Bernardino County Fire Protection District
Statement of Activities
For the Year Ended June 30, 2022

	Governmental Activities
Expenses:	
Public safety – fire protection and emergency services:	
Salaries and benefits	\$ 175,948,414
Materials and services	39,509,814
Intergovernmental	1,941,098
Depreciation and amortization expense	7,289,230
Interest expense	210,124
Total expenses	224,898,680
Program revenues:	
Charges for services	68,910,869
Intergovernmental	37,427,802
Claim cost recoveries	399,910
Operating grants and contributions	10,298,625
Capital grants and contributions	69,419
Total program revenues	117,106,625
Loss from operations	(107,792,055)
General revenues:	
Property taxes	118,916,141
Special assessments	47,319,550
Investment earnings	(3,157,800)
Loss on disposal of capital assets	(214,436)
Other revenues	2,829,613
Total general revenues	165,693,068
Change in net position	57,901,013
Net position:	
Beginning of year, as restated (Note 17)	70,169,606
End of year	\$ 128,070,619

FUND FINANCIAL STATEMENTS

San Bernardino County Fire Protection District
Balance Sheet
Governmental Funds
June 30, 2022

	Special Revenue Funds				
	General Fund	Hazardous Materials	Mountain Regional Service Zone	North Desert Regional Service Zone	South Desert Regional Service Zone
ASSETS					
Cash and cash equivalents	\$ 89,434,450	\$ 17,444,952	\$ 8,402,332	\$ 20,756,890	\$ 18,714,336
Taxes and assessments receivable	322,890	15,844	675,981	827,400	667,041
Accounts receivable – net	238,358	-	-	186,878	-
Interest receivable	156,752	41,353	23,142	47,486	32,611
Due from other governments	1,613,167	58,274	480	318,338	828
Prepaid items	8,785,159	-	-	-	-
Due from other funds (Note 10)	3,782,115	24,890	19,944	102,185	44,122
Total assets	\$ 104,332,891	\$ 17,585,313	\$ 9,121,879	\$ 22,239,177	\$ 19,458,938
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 5,016,054	\$ 202,511	\$ 51,942	\$ 49,941	\$ 11,405
Accrued salaries and benefits	1,238,530	345,581	632,055	1,239,847	586,776
Due to other governments	393,632	50,473	14,789	26,312	12,047
Due to other funds (Note 10)	2,801,525	28,455	72,939	108,220	42,955
Advances from others (Note 3)	-	11,675	-	-	-
Total liabilities	9,449,741	638,695	771,725	1,424,320	653,183
Deferred Inflows of Resources:					
Unavailable revenue	29,831	-	-	-	-
Total deferred inflows of resources	29,831	-	-	-	-
Fund Balance: (Note 11)					
Nonspendable	8,785,159	-	-	-	-
Restricted	-	16,946,618	8,350,154	20,814,857	18,805,755
Unassigned	86,068,160	-	-	-	-
Total fund balance	94,853,319	16,946,618	8,350,154	20,814,857	18,805,755
Total liabilities, deferred inflows of resources, and fund balance	\$ 104,332,891	\$ 17,585,313	\$ 9,121,879	\$ 22,239,177	\$ 19,458,938

(Continued)

San Bernardino County Fire Protection District
Balance Sheets (Continued)
Governmental Funds
June 30, 2022

	<u>Special Revenue Funds</u>			
	<u>Valley Regional Service Zone</u>	<u>State Homeland Security Grant</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 57,131,351	\$ -	\$ 3,735,255	\$ 215,619,566
Taxes and assessments receivable	1,273,327	-	-	3,782,483
Accounts receivable – net	-	-	702,406	1,127,642
Interest receivable	156,110	-	13,248	470,702
Due from other governments	283,748	1,420,269	-	3,695,104
Prepaid items	-	-	-	8,785,159
Due from other funds (Note 10)	354,602	-	-	4,327,858
Total assets	<u>\$ 59,199,138</u>	<u>\$ 1,420,269</u>	<u>\$ 4,450,909</u>	<u>\$ 237,808,514</u>
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 125,095	\$ -	\$ 24,289	\$ 5,481,237
Accrued salaries and benefits	3,599,330	-	432,809	8,074,928
Due to other governments	212,312	468,647	-	1,178,212
Due to other funds (Note 10)	320,964	812,136	140,664	4,327,858
Advances from others (Note 3)	914,081	-	-	925,756
Total liabilities	<u>5,171,782</u>	<u>1,280,783</u>	<u>597,762</u>	<u>19,987,991</u>
 Deferred Inflows of Resources:				
Unavailable revenue	-	-	-	29,831
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>29,831</u>
 Fund Balance: (Note 11)				
Nonspendable	-	-	-	8,785,159
Restricted	54,027,356	139,486	3,853,147	122,937,373
Unassigned	-	-	-	86,068,160
Total fund balance	<u>54,027,356</u>	<u>139,486</u>	<u>3,853,147</u>	<u>217,790,692</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 59,199,138</u>	<u>\$ 1,420,269</u>	<u>\$ 4,450,909</u>	<u>\$ 237,808,514</u>

(Concluded)

San Bernardino County Fire Protection District
Reconciliation of the Balance Sheets of Governmental Funds to the
Government-Wide Statement of Net Position
June 30, 2022

Fund Balances – Governmental Funds	<u>\$ 217,790,692</u>
Amounts reported for governmental activities in the statement of net position are different because:	
Receivables are not available to pay for current period expenditures and, therefore are reported as deferred inflows of resources in the governmental funds.	29,831
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet. However, the statement of net position includes those assets as capital assets.	73,143,136
Deferred outflows of resources related to pensions used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet. However, the statement of net position includes those deferred outflows of resources.	137,363,083
Long-term liabilities of the District are not due and payable in the current period and are not reported as fund liabilities accordingly. All liabilities, both current and long-term, are reported in the statement of net position as follows:	
Accrued interest payable	(32,497)
Compensated absences	(16,518,764)
Loans payable	(2,291,003)
Net pension liability	(127,608,880)
Deferred inflows of resources related to pensions used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet. However, the statement of net position includes those deferred inflows of resources.	<u>(153,804,979)</u>
Total adjustments	<u>(89,720,073)</u>
Net Position of Governmental Activities	<u><u>\$ 128,070,619</u></u>

San Bernardino County Fire Protection District
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2022

	Special Revenue Funds				
	General Fund	Hazardous Materials	Mountain Regional Service Zone	North Desert Regional Service Zone	South Desert Regional Service Zone
REVENUES:					
Property taxes	\$ 13,681,691	\$ 12,060	\$ 16,400,304	\$ 18,957,547	\$ 8,656,926
Special assessments	-	587,209	5,622,417	13,170,453	9,871,978
Charges for services	6,218,096	9,133,359	47,137	5,906,400	14,582
Intergovernmental	13,779,876	-	2,162,123	7,414,428	14,071,315
Claim cost recoveries	111,425	167,642	3,026	89,133	9,001
Federal assistance	3,695,727	5,280	480	480	828
State assistance	-	397,470	-	-	-
Local assistance	-	2,337,990	-	-	-
Investment earnings (loss)	(998,676)	(315,392)	(146,441)	(402,647)	(179,941)
Other revenues	399,216	992,797	141,535	64,787	54,332
Total revenues	36,887,355	13,318,415	24,230,581	45,200,581	32,499,021
EXPENDITURES:					
Current:					
Salaries and benefits	13,998,248	9,159,171	17,123,748	30,584,024	15,778,029
Materials and services	5,915,651	3,075,210	3,305,111	7,707,249	2,679,288
Intergovernmental	745,986	-	-	-	-
Capital outlay	8,447,883	524,420	349,838	453,768	149,639
Debt service:					
Principal	265,839	-	159,244	100,364	40,144
Interest	-	-	96,238	33,856	26,377
Total expenditures	29,373,607	12,758,801	21,034,179	38,879,261	18,673,477
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	7,513,748	559,614	3,196,402	6,321,320	13,825,544
OTHER FINANCING SOURCES (USES):					
Transfers in (Note 12)	20,567,782	212,445	-	-	-
Transfers out (Note 12)	(21,258,172)	(321,656)	(1,373,243)	(2,547,096)	(1,146,262)
Proceeds from sale of capital assets	66,365	4,815	3,000	3,750	-
Total other financing sources (uses)	(624,025)	(104,396)	(1,370,243)	(2,543,346)	(1,146,262)
NET CHANGES IN FUND BALANCE	6,889,723	455,218	1,826,159	3,777,974	12,679,282
FUND BALANCE (DEFICIT):					
Beginning of year, as restated (Note 17)	87,963,596	16,491,400	6,523,995	17,036,883	6,126,473
End of year	<u>\$ 94,853,319</u>	<u>\$ 16,946,618</u>	<u>\$ 8,350,154</u>	<u>\$ 20,814,857</u>	<u>\$ 18,805,755</u>

(Continued)

San Bernardino County Fire Protection District
Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)
Governmental Funds
For the Year Ended June 30, 2022

	<u>Special Revenue Funds</u>			
	<u>Valley Regional Service Zone</u>	<u>State Homeland Security Grant</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES:				
Property taxes	\$ 61,207,613	\$ -	\$ -	\$ 118,916,141
Special assessments	17,781,754	-	285,739	47,319,550
Charges for services	38,257,843	-	9,333,452	68,910,869
Intergovernmental	-	-	60	37,427,802
Claim cost recoveries	19,683	-	-	399,910
Federal assistance	3,992	2,567,378	1,289,000	7,563,165
State assistance	-	-	-	397,470
Local assistance	-	-	-	2,337,990
Investment earnings (loss)	(1,068,173)	-	(46,530)	(3,157,800)
Other revenues	1,146,636	-	30,310	2,829,613
Total revenues	<u>117,349,348</u>	<u>2,567,378</u>	<u>10,892,031</u>	<u>282,944,710</u>
EXPENDITURES:				
Current:				
Salaries and benefits	92,462,970	189,992	12,051,555	191,347,737
Materials and services	12,346,543	984,091	2,805,889	38,819,032
Intergovernmental	-	1,195,112	-	1,941,098
Capital outlay	997,487	-	-	10,923,035
Debt service:				
Principal	-	-	-	565,591
Interest	134,887	-	-	291,358
Total expenditures	<u>105,941,887</u>	<u>2,369,195</u>	<u>14,857,444</u>	<u>243,887,851</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>11,407,461</u>	<u>198,183</u>	<u>(3,965,413)</u>	<u>39,056,859</u>
OTHER FINANCING SOURCES (USES):				
Transfers in (Note 12)	2,259,698	-	6,394,040	29,433,965
Transfers out (Note 12)	(2,787,536)	-	-	(29,433,965)
Proceeds from sale of capital assets	1,000	-	-	78,930
Total other financing sources (uses)	<u>(526,838)</u>	<u>-</u>	<u>6,394,040</u>	<u>78,930</u>
NET CHANGES IN FUND BALANCE	10,880,623	198,183	2,428,627	39,135,789
FUND BALANCE (DEFICIT):				
Beginning of year, as restated (Note 17)	43,146,733	(58,697)	1,424,520	178,654,903
End of year	<u>\$ 54,027,356</u>	<u>\$ 139,486</u>	<u>\$ 3,853,147</u>	<u>\$ 217,790,692</u>

(Concluded)

San Bernardino County Fire Protection District
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balance of Governmental Funds to the Government-Wide Statement of Activities
For the Year Ended June 30, 2022

Net Change in Fund Balances – Governmental Funds \$ 39,135,789

Amounts reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those capitalized assets is allocated over their estimated useful lives as depreciation expense.

Capital outlay	10,232,253
Depreciation and amortization expense	(7,289,230)
Disposal of capital assets	(293,366)

Some expenses reported in the statement of activities do not require the use of current financial resources. Therefore, those expenses are not reported as expenditures in governmental funds as follows:

Net change in compensated absences	(1,722,889)
Net change in net pension liability and related deferred outflows and inflows of resources	17,122,212
Net change in accrued interest payable	81,234

Principal repayment of long-term debt is reported as an expenditure in governmental funds. However, principal repayments reduce liabilities in the statement of net position and do not result in expenses in the statement of activities.

Principal repayment of long-term debt	<u>565,591</u>
Total adjustments	<u><u>18,765,224</u></u>

Change in Net Position of Governmental Activities \$ 57,901,013

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FIDUCIARY FUND FINANCIAL STATEMENTS

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San Bernardino County Fire Protection District
Fiduciary Activities
Statement of Fiduciary Net Position
June 30, 2022

	APSA State Surcharge Custodial Fund	CalARP State Service Fee Custodial Fund	County Fire HazMat Facility Fee Custodial Fund	County Fire HazMat Permits Custodial Fund	Hazardous Substance Storage Custodial Fund	Total
ASSETS						
Cash and cash equivalents	\$ 7,605	\$ 7,576	\$ 165,749	\$ 141	\$ 39,245	\$ 220,316
Due from other governments	14	15	241	-	-	270
Total assets	<u>7,619</u>	<u>7,591</u>	<u>165,990</u>	<u>141</u>	<u>39,245</u>	<u>220,586</u>
LIABILITIES						
Due to other governments	-	-	154,186	-	8,180	162,366
Total liabilities	<u>-</u>	<u>-</u>	<u>154,186</u>	<u>-</u>	<u>8,180</u>	<u>162,366</u>
NET POSITION (DEFICIT)						
Held for other organizations or governments	7,619	7,591	11,804	141	31,065	58,220
Total net position	<u>\$ 7,619</u>	<u>\$ 7,591</u>	<u>\$ 11,804</u>	<u>\$ 141</u>	<u>\$ 31,065</u>	<u>\$ 58,220</u>

San Bernardino County Fire Protection District
Fiduciary Activities
Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2022

	APSA State Surcharge Custodial Fund	CalARP State Service Fee Custodial Fund	County Fire HazMat Facility Fee Custodial Fund	County Fire HazMat Permits Custodial Fund	Hazardous Substance Storage Custodial Fund	Total
ADDITIONS:						
Trust transactions	\$ 5,211	\$ 2,971	\$ 4,980	\$ 569	\$ 656	\$ 14,387
Investment earnings	(172)	(176)	(2,345)	-	-	(2,693)
Total additions	<u>5,039</u>	<u>2,795</u>	<u>2,635</u>	<u>569</u>	<u>656</u>	<u>11,694</u>
DEDUCTIONS:						
Trust transactions	-	-	-	569	-	569
Total deductions	<u>-</u>	<u>-</u>	<u>-</u>	<u>569</u>	<u>-</u>	<u>569</u>
Changes in net position	5,039	2,795	2,635	-	656	11,125
NET POSITION (deficit):						
Beginning of year	2,580	4,796	9,169	141	30,409	47,095
End of year	<u>\$ 7,619</u>	<u>\$ 7,591</u>	<u>\$ 11,804</u>	<u>\$ 141</u>	<u>\$ 31,065</u>	<u>\$ 58,220</u>

NOTES TO THE BASIC FINANCIAL STATEMENTS

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San Bernardino County Fire Protection District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2022

Note 1 – Reporting Entity and Summary of Significant Accounting Policies

Organization and Operations of the Reporting Entity

The San Bernardino County Fire Protection District (the “District”) is a special district located within San Bernardino County (the “County”). The District was established per the San Bernardino County Local Agency Formation Commission (LAFCO) Resolution 2986/2989 (adopted on January 16, 2008), effective July 1, 2008. The Resolution dissolved County Service Area 70, County Fire Administration and transferred all funds to the expanded Yucca Valley Fire Protection District which was renamed in the same resolution that established the District.

The District provides services through administration of four regional service zones and maintains various service contracts. Services provided include fire management, administration, ambulance billing, vehicle maintenance, warehousing, communications, training, fire prevention, hazardous materials, household hazardous waste, information systems, human resources, fiscal and the office of emergency services.

The governmental reporting entity consists of administration, hazardous materials, office of emergency services, and four regional service zones and their related ambulance programs. The District is a component unit of the County and is governed by the Board of Directors who are comprised of the County Board of Supervisors.

The four regional service zones are as follows:

Mountain Regional Service Zone

The Mountain Regional Service Zone provides fire protection services to the areas of Angelus Oaks (Station 98), Fawnskin (Station 96), Forest Falls (Station 99), Green Valley Lake (Station 95), and Lake Arrowhead (Stations 91, 92, 93, 94). This Service Zone supports the eight fire stations' administrative staff and their Paid-Call Firefighter Programs. This Service Zone also provides fire protection services to the former communities within the Crest Forest Fire Protection District through annexation (Stations 24, 25, 26, 28, 29 and 30). Ambulance transportation and paramedic services are also provided to the Crest Forest and Lake Arrowhead communities.

North Desert Regional Service Zone

The North Desert Regional Service Zone provides fire protection services to the areas of Spring Valley Lake (Station 22), Oak Hills (Station 40), Summit Valley (Station 48), Lucerne Valley (Stations 7, 8), Silver Lakes (Station 4), Phelan (Station 10), Wrightwood (Station 14), Pinon Hills (Station 13), El Mirage (Station 11), Baldy Mesa (Station 16), Harvard (Station 52), Baker (Station 53), Hinkley (Station 56), Searles Valley (Station 57), and Hesperia (Stations 302, 304, and 305). This Service Zone supports the nineteen fire stations' administrative staff and their Paid-Call Firefighter Programs. Ambulance transportation and paramedic services are provided to the communities of Lucerne Valley, Searles Valley, Wrightwood, and Hesperia.

South Desert Regional Service Zone

The South Desert Regional Service Zone provides fire protection services to the areas of Big River (Station 17), Black Meadow Landing (Station 55), Havasu Landing (Station 18), Johnson Valley (Station 43), Joshua Tree (Station 36), Landers (Station 19), Needles (Station 32), Panorama Heights (Station 35), Parker Strip (Station 21), Twentynine Palms (Station 44) and Yucca Valley (Stations 41, 42). This Service Zone supports the thirteen fire stations' administrative staff and their Paid-Call Firefighter Programs. Ambulance transportation and paramedic services are provided to the communities of Havasu, and Yucca Valley.

San Bernardino County Fire Protection District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2022

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

Organization and Operations of the Reporting Entity (Continued)

Valley Regional Service Zone

The Valley Regional Service Zone provides fire protection and paramedic services to the areas of San Bernardino (Stations 221, 222, 224, 226, 227, 228, 229, 231, 232, and 233) Colton, Devore (Station 2), San Antonio Heights (Station 12), Lytle Creek (Station 20), Mt. Baldy (Station 200), Muscoy (Station 75), Bloomington (Station 76), Loma Linda, Grand Terrace (Station 23), Mentone (Station 9), Oak Glen, Upland (Stations 161, 163 and 164) and Highland. This Service Zone supports 22 fire stations and two communities contracted to outside agencies and Paid-Call Firefighter Programs.

County-Wide

The District contracts with the City of Adelanto and with the Fontana Fire District, which include provisions for suppression staff, firefighters and administrative staff. Fire, rescue ambulance transportation, and emergency medical services are provided by full-time firefighters, and the Paid-Call Firefighter Programs.

The District also provides the administration and operation of various grants including Homeland Security Grant Programs.

The accompanying financial statements reflect only the accounts of the San Bernardino County Fire Protection District and are not intended to present the financial position of the County taken as a whole.

Basis of Presentation

The District's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP). The Governmental Accounting Standards Board (GASB) is the acknowledged standards setting body for establishing accounting and financial reporting standards followed by governmental entities in the United States.

Basis of Accounting and Measurement Focus

Government-Wide Financial Statements

The government-wide 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 the liability is incurred, regardless of the timing of the 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 identified.

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all the activities of the primary government. The effect of inter-fund activity has been removed from these statements and eliminations have been made to minimize the double counting of internal activities. 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 is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

San Bernardino County Fire Protection District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2022

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

Basis of Accounting and Measurement Focus (Continued)

Fund Financial Statements

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Governmental funds are reported using the “*current financial resources*” measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. In the fund financial statements, property tax revenues are recognized in the fiscal year for which they are levied, provided they are due and collected within sixty days after fiscal year-end. Property taxes are recorded as deferred inflows of resources when not received within sixty days after fiscal year-end. In the government-wide financial statements, property taxes are recorded as revenue when levied regardless of when the cash is collected. Charges for services and interest are accrued when their receipt occurs within sixty days after the end of the accounting period, and recognized as revenue.

The District considers items available if received within nine-months of year end, for voluntary non-exchange transactions such as federal and state grants and government-mandated non-exchange transactions. Expenditures are generally 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 the payment is due. General capital assets acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and capital leases are reported as other financing sources.

The District reports items as deferred inflows of resources when all eligibility requirements are met except for timing requirements or resources recognized as assets that do not meet the availability criterion for recognition as revenue in governmental funds.

The District reports the following major governmental funds:

Governmental Funds:

General Fund is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Hazardous Materials Fund is used to account for all services related to oversight and regulation of commercial hazardous materials and household hazardous wastes to all businesses in all cities within the County.

Mountain Regional Service Zone is used to provide fire, emergency response, and ambulance service to its designated operational area.

North Desert Regional Service Zone is used to provide fire, emergency response, and ambulance service to its designated operational area.

South Desert Regional Service Zone is used to provide fire, emergency response, and ambulance service to its designated operational area.

Valley Regional Service Zone is used to provide fire and emergency response service to its designated operational area.

State Homeland Security Grant Fund is used to account for State Homeland Security grant transactions.

San Bernardino County Fire Protection District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2022

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

Basis of Accounting and Measurement Focus (Continued)

Fiduciary Fund Financial Statements

Fiduciary fund financial statements include a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position. The District's Fiduciary Funds include custodial funds that are used to account for State surcharges levied to County businesses for oversight and regulatory services at the State level. These funds are accounted for using the accrual basis of accounting.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, deferred inflows of resources and disclosures of contingent assets and liabilities at the date of the financial statements and the reported changes in District net position during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents are considered to be cash on hand, and amounts deposited in the San Bernardino County Pool (County Pool). Cash and investments are shown at fair value as of June 30, 2022.

U.S. GAAP establishes a framework for measuring fair value and establishes disclosures about fair value measurement. Investments, unless otherwise specified, recorded at fair value in the statement of net position and balance sheet, are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Levels of inputs are as follows:

Level 1 – Inputs are unadjusted, quoted prices for identical assets or liabilities in active markets at the measurement date.

Level 2 – Inputs, other than quoted prices included in Level 1, that are observable for the assets or liabilities through corroboration with market data at the measurement date.

Level 3 – Unobservable inputs that reflect management's best estimate of what market participants would use in pricing the assets or liabilities at the measurement date.

Property Taxes and Special Assessments

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

Capital Assets

Capital assets, which include property, plant, equipment, and structures and improvements, are reported under the governmental activities in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 (for improvements to land and structures and equipment) and have an estimated useful life in excess of one year. Structures with an initial cost of \$100,000 or greater 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 (an entry price) at the date of donation.

San Bernardino County Fire Protection District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2022

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

Capital Assets (Continued)

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Property, plant and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

Asset Class	Useful Lives
Structures and improvements	5 - 40 years
Equipment, software, and vehicles	4 - 15 years

Leases

Lessee

The District has a policy to recognize a lease liability and a “right-to-use” lease asset (lease asset) in the financial statements with an initial, individual value of \$5,000 or more with a lease term greater than one year. Variable payments based on future performance or usage of the underlying assets are not included in the measurement of the lease liability.

At the commencement of a lease, the lease liability is measured at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made.

Lease assets are recorded at the amount of the initial measurement of the lease liabilities and modified by any lease payments made to the lessor at or before the commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease term along with any initial direct costs that are ancillary charges necessary to place the lease assets into service. Lease assets are amortized using the straight-line method over the shorter of the lease term or the useful life of the underlying asset, unless the lease contains a purchase option that the District has determined is reasonably certain of being exercised. In this case, the lease asset is amortized over the useful life of the underlying asset.

Key estimates and judgments related to leases include how the District determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancelable period of the lease, plus any option periods that are reasonably certain to be exercised.
- Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the District is reasonably certain to exercise. The District monitors changes in circumstances that would require a remeasurement of a lease and will remeasure any lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported as “right-to-use” along with other capital assets and lease liabilities are reported on the statement of net position.

San Bernardino County Fire Protection District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2022

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

Deferred Outflows/Inflows of Resources

In accordance with U.S. GAAP, the Statement of Net Position reports separate sections for Deferred Outflows of Resources, and Deferred Inflows of Resources, when applicable.

Deferred Outflows of Resources represent outflows of resources (consumption of net position) that apply to future periods and that, therefore, will not be recognized as an expense until that time.

Deferred Inflows of Resources represent inflows of resources (acquisition of net position) that apply to future periods and that, therefore, are not recognized as a revenue until that time.

In subsequent periods, when both revenue recognition criteria (“*measurable*” and “*available*”) are met, or when the District has a legal claim to the resources, the Deferred Inflow is removed from the balance sheet and revenue is recognized.

Compensated Absences

Accumulated vacation, holiday benefits, sick pay and compensatory time off, are recorded as an expense and liability as the benefits are paid on the fund statements but recorded when earned by the employee on the statement of net position. In the event of retirement or termination, an employee is paid 100% of accumulated vacation pay. The District is obligated to pay for a portion or percentage of unused sick leave if an employee works ten or more years continuous District service from date of hire in a regular position and upon retirement, death, or separation.

Pension Plan

For purposes of measuring the net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense related to pensions, information about the fiduciary net position of the District's San Bernardino County Employees' Retirement Association (“SBCERA”) plan (the “Plan”) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by SBCERA. For this purpose, employer and employee contributions are recognized in the period the related salaries are earned and become measurable pursuant to formal commitments, statutory or contractual requirements, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms, and investments are reported at fair value.

SBCERA

Valuation date	June 30, 2021
Measurement date	June 30, 2021
Measurement period	July 1, 2020 to June 30, 2021

Gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time. The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense. The amortization period differs depending on the source of the gain or loss. The difference between projected and actual earnings is amortized straight-line over 5 years. All other amounts are amortized straight-line over the average expected remaining service lives of all members that are provided with benefits (active, inactive and retirees) as of the beginning of the measurement period.

San Bernardino County Fire Protection District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2022

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

Net Position

Net position is categorized as follows:

Net Investment in Capital Assets – This component of net position consists of capital assets, net of accumulated depreciation and amortization and reduced by any outstanding debt outstanding against the acquisition, construction or improvement of those assets.

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

Unrestricted – This component of net position consists of net amount of assets that are not included in the determination of *restricted* or *net investment in capital assets*.

Stewardship, Compliance and Accountability

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

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 re-appropriated and honored during the subsequent year.

Fund Balance

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Types Definitions*, the following classifications describe the relative strength of the spending constraints placed on the purposes for which the resources can be used:

Nonspendable Fund Balance: Amounts cannot be spent because they are: (a) not in spendable form or (b) are legally or contractually required to be maintained intact. Due to the nature or form of the resources, they generally cannot be expected to be converted into cash or a spendable form.

Restricted Fund Balance: Amounts are restricted by external parties, i.e., creditors, grantors, contributors, or laws/regulations of other governments or restricted by law through constitutional provisions or enabling legislation.

San Bernardino County Fire Protection District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2022

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

Fund Balance (Continued)

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 Directors). 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 of Supervisors.

Assigned Fund Balance: Amounts are constrained by the government's intent to be used for specific purposes that are neither restricted nor committed. The intent will be expressed by the body or official to which the governing body has delegated the authority, i.e., the County Administrative Office. The County Administrative Office will assign fund balance for specific departmental projects through the use of the respective department's general fund savings. Such projects would not normally be feasible for the department without reserving funding over a multiple year period.

Unassigned Fund Balance: The General Fund, as the principal operating fund, often has net resources in excess of what can properly be classified in one of the four categories already described. Therefore, in order to calculate unassigned fund balance, total fund balance less nonspendable, restricted, committed, or assigned equals unassigned fund balance. This amount is available for any purpose and will be placed in either the General Fund – General Purpose, General Fund – Mandatory Contingencies or the General Fund – Uncertainties Contingencies until allocated for a specific purpose by the Board, by a four-fifths vote. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

It is the District's policy to consider committed amounts as being utilized 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.

Implementation of New GASB Pronouncements

During fiscal year ended June 30, 2022, the District implemented the following new GASB pronouncements:

GASB Statement No. 87 – In June 2017, GASB issued Statement No. 87, *Leases* (GASB Statement No. 87), to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It also establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Implementation of this Statement had a significant effect on the District's financial statements for the fiscal year ended June 30, 2022. See Note 17.

San Bernardino County Fire Protection District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2022

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

Implementation of New GASB Pronouncements (Continued)

GASB Statement No. 89 – In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre–November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business–type activity or enterprise fund. Implementation of this Statement did not have a significant effect on the District’s financial statements for the fiscal year ended June 30, 2022.

GASB Statement No. 92 – In January 2020, GASB issued Statement No. 92, *Omnibus 2020*. The primary objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. Implementation of this Statement did not have a significant effect on the District’s financial statements for the fiscal year ended June 30, 2022.

GASB Statement No. 93 – In March 2020, GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. Some governments have entered into agreements in which variable payments made or received depend on an interbank offered rate (IBOR)—most notably, the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate. The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR. Implementation of this Statement did not have a significant effect on the District’s financial statements for the fiscal year ended June 30, 2022.

GASB Statement No. 99 – In April 2022, GASB issued Statement No. 99, *Omnibus 2022*. Implementation of this Statement did not have a significant effect on the District’s financial statements for the fiscal year ended June 30, 2022.

Note 2 – Cash and Cash Equivalents

Cash and cash equivalents as of June 30, 2022 consisted of the following:

Description	Governmental Activities	Fiduciary Activities	Total
Cash on hand	\$ 2,855	\$ -	\$ 2,855
Cash in financial institutions	398,968	-	398,968
Cash pooled with the San Bernardino County Treasury	215,217,743	220,316	215,438,059
Total cash and cash equivalents	\$ 215,619,566	\$ 220,316	\$ 215,839,882

San Bernardino County Fire Protection District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2022

Note 2 – Cash and Cash Equivalents (Continued)

Cash and cash equivalents include the cash 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 District's account based upon the District's average daily deposit balance during the allocation period.

The District pools its cash and investments with the County. The District's portion or share of the County's cash and investment pool is reflected on the balance sheet and statement of net position as cash and cash equivalents. The District has no separate investments in the pool and the District's equity in the cash and investment pool is managed by the San Bernardino County Treasury. The District is a component unit of the County and is required to participate in the pool.

Custodial Credit Risk

Custodial Credit Risk for Deposits exists when, in the event of a depository financial institution failure, a government may be unable to recover deposits, or recover collateral securities that are in the possession of an outside party. The District does not have a deposit policy for custodial credit risk. However, the *California Government Code* requires that financial institutions secure deposits made by state or local government units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure County deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. As of June 30, 2022 the book balance of the District's deposits of \$398,968 was entirely insured and collateralized as described above.

San Bernardino County Treasury Pool

California Law and San Bernardino County Treasury Pool Investment Policy (where more restrictive) place limitations on the purchase of investments in the County Pool. The District's investment in the County pool is rated annually and currently has a rating of AAA/V1 from Fitch.

Deposits and withdrawals in the County Treasury are made on the basis of \$1 and not fair value. Accordingly, the District's proportionate share of investments in the County Treasury at June 30, 2022 is an uncategorized input not defined as a Level 1, Level 2, or Level 3 input. At June 30, 2022, the District's balance in the County pool was \$215,217,743 and an additional \$220,316 was held by fiduciary funds.

Note 3 – Advances from Others

At June 30, 2022, the balance of advances from others consisted of the following:

Description	Balance
City of San Bernardino fire department workers' compensation claims	\$ 914,081
Charges for services	11,675
Total	\$ 925,756

On July 1, 2016, the City of San Bernardino Fire Department was annexed into the District. The San Bernardino Local Agency Formation Commission (LAFCO) and San Bernardino County required that the City of San Bernardino advance fund \$1,336,587 to the District for the City of San Bernardino Fire Department's workers' compensation self-insurance claims payable balance prior to the July 1, 2016 reorganization date. In 2022, \$19,868 of workers' compensation claims were paid, leaving a balance of \$914,081 as of June 30, 2022.

San Bernardino County Fire Protection District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2022

Note 4 – Capital Assets

Changes in capital assets for the year ended June 30, 2022 were as follows:

	Balance July 1, 2021 as Restated	Additions	Deletions	Transfers	Balance June 30, 2022
Non-depreciable and amortizable capital assets:					
Land	\$ 6,792,436	\$ -	\$ -	\$ -	\$ 6,792,436
Construction-in-process	2,243,971	711,992	-	(1,099,608)	1,856,355
Total non-depreciable and amortizable capital assets	9,036,407	711,992	-	(1,099,608)	8,648,791
Depreciable and amortizable capital assets:					
Improvements to land	3,149,724	16,436	-	309,429	3,475,589
Structures and improvements	51,452,461	256,754	-	789,978	52,499,193
Vehicles and heavy equipment	70,819,802	8,474,719	(404,179)	(101,946)	78,788,396
Equipment	11,527,265	841,771	(672,654)	(61,398)	11,634,984
Software	171,760	-	-	-	171,760
Right-to-use lease assets	1,575,841	-	(282,647)	-	1,293,194
Total depreciable and amortizable capital assets	138,696,853	9,589,680	(1,359,480)	936,063	147,863,116
Accumulated depreciation and amortization:					
Improvements to land	(1,555,154)	(143,300)	-	-	(1,698,454)
Structures and improvements	(19,610,516)	(1,356,979)	-	-	(20,967,495)
Vehicles and heavy equipment	(51,271,690)	(4,452,415)	404,179	161,498	(55,158,428)
Equipment	(4,758,065)	(848,354)	661,935	2,047	(4,942,437)
Software	(113,775)	(34,352)	-	-	(148,127)
Right-to-use lease assets	-	(453,830)	-	-	(453,830)
Total accumulated depreciation and amortization	(77,309,200)	(7,289,230)	1,066,114	163,545	(83,368,771)
Total depreciable and amortizable capital assets, net	61,387,653	2,300,450	(293,366)	1,099,608	64,494,345
Total capital assets, net	\$ 70,424,060	\$ 3,012,442	\$ (293,366)	\$ -	\$ 73,143,136

Note 5 – Compensated Absences

Changes in the compensated absences balance for the year ended June 30, 2022 was as follows:

Balance July 1, 2021	Additions	Deletions	Balance June 30, 2022	Current Portion	Long-Term Portion
\$ 14,795,875	\$ 9,985,729	\$ (8,262,840)	\$ 16,518,764	\$ 6,607,506	\$ 9,911,258

San Bernardino County Fire Protection District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2022

Note 6 – Long-Term Debt

Changes in long-term debt payable amounts for the year ended June 30, 2022 were as follows:

Long-Term Debt	Balance July 1, 2021 (as restated)	Additions	Payments	Balance June 30, 2022	Current Portion	Long-Term Portion
Direct borrowings and placements:						
Crest Forest Loan	\$ 1,563,400	\$ -	\$ (119,100)	\$ 1,444,300	\$ 129,700	\$ 1,314,600
Stryker Medical Lease	541,955	-	(180,652)	361,303	180,652	180,651
Building Lease	751,239	-	(265,839)	485,400	274,444	210,956
Total	<u>\$ 2,856,594</u>	<u>\$ -</u>	<u>\$ (565,591)</u>	<u>\$ 2,291,003</u>	<u>\$ 584,796</u>	<u>\$ 1,706,207</u>

Crest Forest Loan

In August 2010, Crest Forest Fire Protection District (dissolved and annexed into the District effective July 2015) entered into a direct borrowing lease/leaseback agreement with Municipal Finance Corporation (“MFC”) in the amount of \$2,286,000. The agreement contains (1) a provision that, in the event of default, the District shall remain liable until the amount in default has been fully paid with interest at a rate of 8% per annum, (2) a provision that, in the event of default, MFC may terminate the lease and re-lease all or any portion of the leased property. The District agrees to pay to MFC all costs, loss or damages occurring payable at the same time and in the same manner of the lease payments. There shall be no right, under any circumstances, to accelerate the lease payments to be immediately due and payable.

The annexation of the Crest Forest Fire Protection District included the assumption of an installment loan with City National Bank. The loan is secured by structures and improvements, bears interest at 5.4% and matures in fiscal year 2031. Principal and interest payments are due on August 1 and February 1. Remaining maturities are as follows:

Fiscal Year	Principal	Interest	Total
2023	\$ 129,700	\$ 76,264	\$ 205,964
2024	135,000	69,190	204,190
2025	145,200	61,765	206,965
2026	160,500	53,719	214,219
2027	170,700	44,917	215,617
2028-2031	703,200	78,414	781,614
Total	<u>\$ 1,444,300</u>	<u>\$ 384,269</u>	<u>\$ 1,828,569</u>

Stryker Medical Lease

The lease purchase agreement with Stryker Medical (Stryker) was to acquire battery-powered hydraulic patient lifting and loading system totaling \$1,043,259. The District will make annual lease purchase payments, at 0% interest, for a period of six years beginning in 2018-19 and make annual service plan payments for a period of seven years beginning in 2018-19. At the end of this period, the District will own the equipment.

Fiscal Year	Lease Purchase Payment	Service Plan Payment	Total
2023	\$ 180,652	\$ 62,526	\$ 243,178
2024	180,651	62,526	243,177
Total	<u>\$ 361,303</u>	<u>\$ 125,052</u>	<u>\$ 486,355</u>

San Bernardino County Fire Protection District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2022

Note 6 – Long-Term Debt (Continued)

Building Lease

The District leases certain “right-to-use” property located at 620 South E. Street in San Bernardino, CA. The amended lease agreement’s terms run through March 31, 2024. Monthly base rental payments of \$22,120 began in April 2021 and increase to \$23,466 in April 2024 through the end of the lease term. Interest has been imputed on the lease using an incremental borrowing rate of 0.38%. The remaining payments on the lease are as follows at June 30, 2022:

Fiscal Year	Principal	Interest	Total
2023	\$ 274,444	\$ 1,010	\$ 275,454
2024	210,956	247	211,203
Total	\$ 485,400	\$ 1,257	\$ 486,657

Note 7 – Net Pension Liability and Pension Plan

The District participates in the following County-Wide Retirement Plan. The District contributes to the plan an amount determined by the County.

Plan Description

The County provides pension benefits to eligible employees through a cost sharing multiple-employer defined benefit pension plan (the “Plan”) administered by the San Bernardino County Employees' Retirement Association (“SBCERA”).

The Plan is governed by the SBCERA Board of Retirement (Board) under the provisions of the California County Employees' Retirement Law of 1937 (“CERL”), 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 San Bernardino County Board of Supervisors and/or the SBCERA Board. SBCERA is a tax qualified plan under Section 401 (a) of the Internal Revenue Code.

SBCERA publishes its own annual comprehensive financial report that includes its financial statements and required supplementary information, which can be obtained by writing to SBCERA, Attention: Fiscal Services Department, 348 W. Hospitality Lane, San Bernardino, CA 92408 or visiting their website at www.SBCERA.org.

San Bernardino County Fire Protection District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2022

Note 7 – Net Pension Liability and Pension Plan (Continued)

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 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 or contract position, whose service is at least fifty percent of the full standard of hours required is a member of SBCERA, and is provided with pension benefits pursuant to Plan requirements. The CBRL and PEPRA establish benefit terms. Retirement benefits are calculated on the basis of age, average final compensation and service credit as follows:

<u>Description</u>	<u>General - Tier 1</u>	<u>General - Tier 2</u>	<u>Safety - Tier 1</u>	<u>Safety - Tier 2</u>
Final average compensation	Highest 12 consecutive months	Highest 36 consecutive months	Highest 12 consecutive months	Highest 36 consecutive months
Service requirement	Age 50 with 10 years of service, or age 70 regardless of service, or after 30 years, regardless of age (§31663.25).	Age 52 with 5 years of service (§7522.20(a)) or age 70 regardless of service (§31672.3).	Age 50 with 10 years of service, or age 70 regardless of service, or after 20 years, regardless of age (§31663.25).	Age 50 with 5 years of service (§7522.25(a)) or age 70 regardless of service (§31672.3).
Early retirement years of service required and/or age eligible:	Age 70 - any years 10 years age 50 30 years any age	Age 70 - any years 5 years age 52 N/A	Age 70 - any years 10 years age 50 20 years any age	Age 70 - any years 5 years age 50 N/A
Benefit percent per year of service for retirement age	2.00% of final compensation times years of accrued retirement service credit times age factor from Section 31676.15.	The final compensation multiplied by years of accrued retirement credit multiplied by the age factor from Section 7522.20(a).	3.00% of final compensation times years of accrued retirement service credit times age factor from Section 31664.1.	the final compensation multiplied by years of accrued retirement credit multiplied by the age factor from Section 7522.25(d).
Benefit adjustments	Reduced before age 55, increased after 55 up to age 65	Reduced before age 67	Reduced before age 50	Reduced before age 57
Final Average Compensation Limitation	Internal Revenue Code Section 401(a)(17)	Government Code Section 7522.10	Internal Revenue Code Section 401(a)(17)	Government Code Section 7522.10

An automatic cost of living adjustment is provided to benefit recipients based on changes in the local region Consumer Price Index (“CPI”) up to a maximum of 2% per year. Any increase greater than 2% is banked and may be used in years where the CPI is less than 2%. There is a one-time 7% increase at retirement for members hired before August 19, 1975. The Plan also provides disability and death benefits to eligible members and their beneficiaries, respectively. For retired members, the death benefit is determined by the retirement benefit option chosen. For all other members, the beneficiary is entitled to benefits based on the members’ years of service or if the death was caused by employment. General members are also eligible for survivor benefits which are payable upon a member's death.

San Bernardino County Fire Protection District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2022

Note 7 – Net Pension Liability and Pension Plan (Continued)

Contributions

Participating employers and active members 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 I 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, which is 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 and employer contribution rates for the fiscal year ended June 30, 2022 are as follows:

<u>Description</u>	<u>General - Tier 1</u>	<u>General - Tier 2</u>	<u>Safety - Tier 1</u>	<u>Safety - Tier 2</u>
Employee contribution rates	9.05% - 15.77%	9.09%	12.44% - 18.48%	16.06%
Employer contribution rates	28.49%	25.34%	61.66%	53.34%

For the year ended June 30, 2022, the District's contribution to the Plan of \$40,244,266 equaled the actuarially determined required employer contributions. Employer contributions paid by the employee are classified as employer contributions for purposes of allocating the net pension liability and are included as part of the actuarially determined contribution by the Plan starting the year ended June 30, 2015. Previously, these amounts were excluded from the allocation.

Net Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

At June 30, 2022, the District reported a liability of \$127,608,880 for its proportionate share of the County's net pension liability. The net pension liability was measured as of June 30, 2021, 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 fiscal year 2021 actual contributions to the County's pension plan relative to the total contributions of the County as a whole. At June 30, 2021, the District's proportion was 11.946 percent, which was an increase of 3.3543 percent from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the District recognized pension expense of \$22,874,597.

San Bernardino County Fire Protection District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2022

Note 7 – Net Pension Liability and Pension Plan (Continued)

Net Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

At June 30, 2022, the District reported its proportionate share of the County's deferred outflows of resources and deferred inflows of resources related to pensions, from the following sources:

Type of Account	Balance as of June 30, 2022
Deferred Outflows of Resources:	
Pension contributions subsequent to the measurement date	\$ 40,244,266
Changes in proportion and differences between employer contributions and proportionate share of contributions	58,915,795
Differences between expected and actual experience	7,685,182
Changes of assumptions	30,517,840
Total deferred outflows of resources	\$ 137,363,083

Type of Account	Balance as of June 30, 2022
Deferred Inflows of Resources:	
Changes in proportion and differences between employer contributions and proportionate share of contributions	\$ 19,627,987
Net differences between projected and actual investment earnings on pension plan investments	133,413,639
Differences between expected and actual experience	763,353
Total deferred inflows of resources	\$ 153,804,979

The total amount of \$40,244,266 reported as deferred outflows of resources related to contributions to the Plan subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2023. The resulting net amount of \$(56,686,162) reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ending June 30,	Balance
2023	\$ 205,120
2024	(8,186,423)
2025	(16,511,943)
2026	(37,309,085)
2027	5,116,169
Total	\$ (56,686,162)

San Bernardino County Fire Protection District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2022

Note 7 – Net Pension Liability and Pension Plan (Continued)

Actuarial Assumptions

The District's proportion of the County's total pension liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions:

Actuarial Valuation Date	June 30, 2021
Actuarial Cost Method	Entry age actuarial cost method
Actuarial Assumptions:	
Investment rate of return	7.25%, net of pension plan investment expenses, including inflation
Inflation rate	2.75%
Real across-the-board salary increase	0.50%
Projected salary increases	General: 4.55% to 12.75% and Safety: 4.75% to 12.25%
Cost of living adjustments	2.00% (actual increases contingent upon CPI increases with a 2% maximum)
Administrative expenses	0.85% of payroll allocated to both the employer and member based on the components of the total contribution rate (before expenses) for the employer and member.

Mortality rates used in the June 30, 2021 actuarial valuation were based on Pub-2010 Amount-Weighted Above-Median Mortality Table projected generationally using the two-dimensional MP-2019 projection scale. For healthy General members, the General Healthy Retiree rates increased by 10% were used. For healthy Safety members, the Safety Healthy Retiree rates were used. For disabled General members, the Non-Safety Disabled Retiree rates were used. For disabled Safety members, the Safety Disabled Retiree rates were used. For beneficiaries, the General Contingent Survivor rates increased by 10% were used.

The actuarial assumptions used to determine the total pension liability as of June 30, 2021 were based on the results of the June 30, 2019 Actuarial Experience Study, which covered the period from July 1, 2016 through June 30, 2019. They are the same assumptions used in the June 30, 2021 actuarial valuations.

The long-term expected rate of return on the Plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adding expected inflation, and subtracting expected investment expenses and a risk margin.

San Bernardino County Fire Protection District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2022

Note 7 – Net Pension Liability and Pension Plan (Continued)

Actuarial Assumptions (Continued)

The June 30, 2021 target allocation (approved by the SBCERA Board) and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before deducting investment expenses, used in the derivation of the long-term expected investment rate of return assumption are summarized in the table as follows:

<u>Investment Type</u>	<u>Investment Classification</u>	<u>Target Allocation¹</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Large Cap Equity	Domestic Common and Preferred Stock	11.00%	5.42%
U.S. Small Cap Equity	Domestic Common and Preferred Stock	2.00%	6.21%
Developed International Equity	Foreign Common and Preferred Stock	9.00%	6.50%
Emerging Market Equity	Foreign Common and Preferred Stock	6.00%	8.80%
U.S. Core Fixed Income	U.S. Government and Municipal/Domestic Bonds	2.00%	1.13%
High Yield /Credit Strategies	Corporate Bonds/Foreign Bonds	13.00%	3.40%
International Core Fixed Income	Foreign Bonds	1.00%	-0.04%
Emerging Market Debt	Emerging Market Debt	8.00%	3.44%
Real Estate	Real Estate	3.50%	4.57%
Value Added Real Estate	Real Estate	3.50%	6.53%
Cash and Equivalents	Short-Term Cash Investment Funds	2.00%	-0.03%
International Credit	Foreign Alternatives	11.00%	5.89%
Absolute Return	Domestic Alternatives/Foreign Alternatives	7.00%	3.69%
Real Assets	Domestic Alternatives/Foreign Alternatives	5.00%	10.64%
Private Equity	Domestic Alternatives/Foreign Alternatives	16.00%	10.70%
Total		<u>100.00%</u>	

¹ For actuarial purposes, target allocations only change once every three years based on the actuarial experience study.

Discount Rate

The discount rate used to measure the Plan's total pension liability was 7.25% for the year ended June 30, 2021. The projection of cash flows used to determine the discount rate assumed employer and member contributions will be made at rates equal to the actuarially determined contribution rates. For this purpose, only employee and employer contributions that are intended to fund benefits for current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of returns on the Plan investments of 7.25% was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2021.

San Bernardino County Fire Protection District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2022

Note 7 – Net Pension Liability and Pension Plan (Continued)

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

The following presents the District's proportionate share of the County's net pension liability, calculated using the discount rate of 7.25%, as well as what the District's proportionate share of the County's net pension liability would be if it were calculated using a discount rate that is 1 -percentage-point lower (6.25%) or 1 -percentage-point higher (8.25%) than the current rate:

<u>Description</u>	<u>Discount Rate - 1%</u> <u>6.25%</u>	<u>Current Discount</u> <u>Rate 7.25%</u>	<u>Discount Rate + 1%</u> <u>8.25%</u>
District's proportionate share of the net pension liability	\$ 250,660,410	\$ 127,608,880	\$ 26,937,215

Pension Plan Fiduciary Net Position

Detailed information about the Plan's fiduciary net position is available in the separately issued SBCERA annual comprehensive financial report.

Note 8 – Net Investment in Capital Assets

Net investment in capital assets as of June 30, 2022 consisted of the following:

<u>Description</u>	<u>Balance</u>
Capital assets – not being depreciated or amortized	\$ 8,648,791
Capital assets – being depreciated and amortized, net	64,494,345
Debt payable – current portion	(584,796)
Debt payable – noncurrent portion	(1,706,207)
Total net investment in capital assets	<u>\$ 70,852,133</u>

Note 9 – Unrestricted (Deficit) Net Position

As of June 30, 2022, the District has an unrestricted net deficit of \$(65,718,887). Due to the nature of the deficit from the net pension liability of \$127,608,880, the District will continue to make its actuarial determined contributions to SBCERA and annually review its outstanding net pension obligation funding requirements for future periods to reduce the deficit position.

San Bernardino County Fire Protection District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2022

Note 10 – Due To/From Other Funds

The short-term inter-fund receivables and payables at June 30, 2022 were as follows:

Fund Name	Due From Other Funds	Due To Other Funds
General Fund	\$ 3,782,115	\$ 2,801,525
Hazardous Materials	24,890	28,455
Mountain Regional Service Zone	19,944	72,939
North Desert Regional Service Zone	102,185	108,220
South Desert Regional Service Zone	44,122	42,955
Valley Regional Service Zone	354,602	320,964
State Homeland Security Grant	-	812,136
Other Governmental Funds	-	140,664
Total	<u>\$ 4,327,858</u>	<u>\$ 4,327,858</u>

The balance of \$4,327,858 of inter-fund receivables and payables represents reimbursements within the funds for shared costs of salaries and benefits, services and supplies occurring due to movement of firefighters between zones, capital assets and/or coverage of a fund's shortfall for operations.

Note 11 – Fund Balance

Fund balance classifications as of June 30, 2022 are as follows:

Description	General Fund	Hazardous Materials	Fire ¹ Regional Service Zones	State Homeland Security Grant	Other Governmental Funds	Total Governmental Funds
Nonspendable:						
Prepaid items	\$ 8,785,159	\$ -	\$ -	\$ -	\$ -	\$ 8,785,159
Total nonspendable	<u>8,785,159</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,785,159</u>
Restricted:						
Hazardous materials	-	16,946,618	-	-	-	16,946,618
Fire protection	-	-	101,998,122	-	-	101,998,122
State Homeland Security Grant	-	-	-	139,486	-	139,486
Office of Emergency Services	-	-	-	-	23,278	23,278
Public safety power shutoff	-	-	-	-	1,379,386	1,379,386
CFD 2002-2 pass thru	-	-	-	-	8,953	8,953
Emergency medical services	-	-	-	-	2,441,530	2,441,530
Total restricted	<u>-</u>	<u>16,946,618</u>	<u>101,998,122</u>	<u>139,486</u>	<u>3,853,147</u>	<u>122,937,373</u>
Unassigned	<u>86,068,160</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>86,068,160</u>
Total fund balance	<u>\$ 94,853,319</u>	<u>\$ 16,946,618</u>	<u>\$ 101,998,122</u>	<u>\$ 139,486</u>	<u>\$ 3,853,147</u>	<u>\$ 217,790,692</u>

San Bernardino County Fire Protection District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2022

Note 12 – Transfers In/Out

Inter-fund transfers are transactions used to close out a fund, reimburse an operating fund, and transfer cash between operating funds and capital projects funds. For the year ended June 30, 2022, the District made the following inter-fund transfers in and out.

<u>Fund Name</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 20,567,782	\$ 21,258,172
Hazardous Materials	212,445	321,656
Mountain Regional Service Zone	-	1,373,243
North Desert Regional Service Zone	-	2,547,096
South Desert Regional Service Zone	-	1,146,262
Valley Regional Service Zone	2,259,698	2,787,536
Other Governmental Funds	6,394,040	-
Total	<u>\$ 29,433,965</u>	<u>\$ 29,433,965</u>

Note 13 – Risk Management

The District is exposed to various risks of loss related to torts, theft, damage to and destruction of assets, errors and omissions, general liabilities, workers' compensation, injuries to employees and others, and natural disasters. Through the County, internal service funds are utilized where assets are set aside for claim settlements up to certain limits and the County has obtained excess liability coverage through a combination of insurance policies. No claim settlements have exceeded insurance coverage in any of the past three years.

Note 14 – Related Party Transactions

County Services

The District is a component unit of the County and utilizes County departments, services and employees for District operations. For the fiscal year 2022, the County General Fund subsidized the District by \$23,941,256 for its operations, reported as intergovernmental revenue, and the District paid to the County \$23,427,584 for fleet management and transportation, County Administrative Office services, County treasury functions, facility management, risk management, real estate and surveyor services, land use, and salaries including retirement and workers' compensation programs, among others.

Consolidated Fire Agencies of the East Valley (“CONFIRE”)

Additionally, the District together with five other agencies participates in a joint-powers agreement (“JPA”) with the Consolidated Fire Agencies of the East Valley. CONFIRE is governed by its by-laws and has its own board of directors which consists of one representative of the governing board of its member agencies. The member agencies are responsible for providing the funds for CONFIRE's activities in the form of annual member contributions in exchange for a cost-effective cooperative program of fire protection and related functions as mutually agreed upon in the said JPA which shall remain in effect unless terminated by unanimous consent of all signatories. Upon termination the non-grant assets including any surplus cash shall be disposed of in proportion to the contributions made and any grant funded asset shall be disposed of in accordance with federal or state regulation, as applicable. The annual contribution of funds is apportioned based on the number of fires in each agency's jurisdiction over the immediately preceding two-year period. During the fiscal year ended June 30, 2022, the District contributed \$6,039,519 to CONFIRE towards its share of funds.

San Bernardino County Fire Protection District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2022

Note 14 – Related Party Transactions (Continued)

As of and for the year ended June 30, 2022, the latest available information, CONFIRE’s audited financial information is as follows:

Total assets	\$ 17,220,232
Deferred outflows of resources	2,755,320
Total assets and deferred outflows of resources	\$ 19,975,552
Current liabilities	\$ 507,648
Noncurrent liabilities	2,249,094
Deferred inflows of resources	2,812,522
CONFIRE equity	14,406,288
Total liabilities, deferred inflows of resources, and CONFIRE equity	\$ 19,975,552
Total revenues	\$ 13,441,355
Total expenses	(12,011,976)
Change in net position	\$ 1,429,379

Note 15 – Expenditures Over Appropriations

For the year ended June 30, 2022, the following funds had expenditures over appropriations:

	Appropriation	Expenditures	Expenditures over Appropriation
Major Governmental Funds:			
General Fund:			
Debt service:			
Principal	\$ -	\$ 265,839	\$ 265,839

Note 16 – Commitments and Contingencies

Lease Agreement

On December 7, 2021, the Board of Directors approved the execution of a lease agreement with Inland Valley Development Agency and Tax-Exempt Financing for a New Headquarters Facility for the District in San Bernardino. The annual lease payment of \$1,900,000 also includes the impact of a one-time, \$8,500,000 partial prepayment of the lease payments that is allowed pursuant to the Lease Agreement. The District has set aside \$8,500,000 in a reserve fund for this purpose. Pursuant to the Lease Agreement, this prepayment must be made within 90 days of the Lease Commencement Date. The rent, paid over the 25-year lease term, plus the District’s \$8,500,000 prepayment is equivalent to approximately \$55,900,000. The lease commences upon completion and acceptance of the facility after an approximately 22-month build period from date of approval. This annual lease payment is partially offset by the reduction of costs (\$500,000) that will result when current facilities are vacated, for a net increase in costs of \$1,400,000 annually, funded by District revenue. It is estimated that construction will be completed in December 2023.

San Bernardino County Fire Protection District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2022

Note 16 – Commitments and Contingencies

As of June 30, 2022, in the opinion of the District administration, there are no other outstanding matters which would have a significant effect on the financial position of the District.

Note 17 – Prior Period Adjustments

The District recorded the following prior period adjustments to the beginning net position/fund balance in order to implement GASB Statement No. 87, *Leases*, and to adjust worker’s compensation payments that were recorded incorrectly in the previous year. A summary of the adjustments is as follows:

	Governmental Activities		
	Originally Reported	Adjustments	As Restated
GASB 87 implementation:			
GASB 87 - Capital and lease assets, net	\$ 69,671,309	\$ 751,239	\$ 70,422,548
GASB 87 - Long-term debt	(2,105,355)	(751,239)	(2,856,594)
Net GASB 87 adjustment		-	
Worker's compensation adjustment		(955,649)	
Net position	\$ 71,123,743	\$ (955,649)	\$ 70,168,094
		Valley Regional Service Zone	
Fund balance at July 1, 2021, as previously reported		\$ 44,102,382	
To adjust workers compensation payments		(955,649)	
Fund balance at July 1, 2021, as restated		\$ 43,146,733	

Note 18 – Potential Repeal of Special Tax

An initiative petition entitled “Initiative to Repeal the Special Tax Associated With Fire Protection Service Zone Five (FP-5)” was filed with the Registrar of Voters on May 13, 2021, by a member(s) of the public. On or about October 26, 2021, the proponent(s) submitted signatures in support of the initiative to the San Bernardino County Registrar of Voters (ROV). The ROV determined the initiative had a sufficient number of valid registered voter signatures within the prescribed time period, and the District Board of Directors submitted the initiative petition/measure, without alteration, to the voters pursuant to Elections Code section 1405 for the June 7, 2022 election (Measure Z). The FP-5 tax is a special tax which is currently \$166.84 per parcel. The total estimated revenue from the FP-5 special tax for 2022-23 is approximately \$46.9 million. The District filed a challenge to Measure Z with the San Bernardino County Superior Court and on May 31, 2022, the trial court entered a judgment which provides that Measure Z on the June 7, 2022 ballot is invalid and shall not be enforced or given legal effect. At the June 7, 2022 election, Measure Z received a majority vote in support of the measure. The trial court’s judgment has been appealed to the Court of Appeal of the State of California, Fourth Appellate District, Division Two. The District has also submitted for filing to the San Bernardino County Superior Court a post-election challenge to Measure Z.

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**REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)**

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San Bernardino County Fire Protection District
Required Supplementary Information (Unaudited)
Budgetary Comparison Schedule – General Fund
For the Year Ended June 30, 2022

	Adopted Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Property taxes	\$ 12,693,502	\$ 12,693,502	\$ 13,681,691	\$ 988,189
Charges for services	4,726,677	4,726,677	6,218,096	1,491,419
Intergovernmental	-	-	13,779,876	13,779,876
Claim cost recoveries	24,849	24,849	111,425	86,576
Federal assistance	-	2,920,362	3,695,727	775,365
Investment earnings (loss)	547,202	547,202	(998,676)	(1,545,878)
Other revenues	421,155	520,901	399,216	(121,685)
Total revenues	18,413,385	21,433,493	36,887,355	15,453,862
EXPENDITURES:				
Current:				
Salaries and benefits	15,989,840	15,643,767	13,998,248	1,645,519
Materials and services	15,857,468	15,925,233	5,915,651	10,009,582
Intergovernmental	-	2,913,654	745,986	2,167,668
Capital outlay	10,333,400	10,541,660	8,447,883	2,093,777
Debt service:				
Principal	-	-	265,839	(265,839)
Interest	68,477	68,477	-	68,477
Total expenditures	42,249,185	45,092,791	29,373,607	15,719,184
REVENUES OVER (UNDER) EXPENDITURES	(23,835,800)	(23,659,298)	7,513,748	31,173,046
OTHER FINANCING SOURCES (USES):				
Transfers in	43,317,388	42,933,128	20,567,782	(22,365,346)
Transfers out	(27,782,442)	(32,365,160)	(21,258,172)	11,106,988
Proceeds from sale of capital assets	-	-	66,365	66,365
Total other financing sources (uses)	15,534,946	10,567,968	(624,025)	(11,191,993)
NET CHANGE IN FUND BALANCE	\$ (8,300,854)	\$ (13,091,330)	6,889,723	\$ 19,981,053
FUND BALANCE:				
Beginning of year			87,963,596	
End of year			<u>\$ 94,853,319</u>	

San Bernardino County Fire Protection District
Required Supplementary Information (Unaudited)
Budgetary Comparison Schedule – Hazardous Materials Fund
For the Year Ended June 30, 2022

	Adopted Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Property taxes	\$ -	\$ -	\$ 12,060	\$ 12,060
Special assessments	597,165	597,165	587,209	(9,956)
Charges for services	8,750,577	8,750,577	9,133,359	382,782
Claim cost recoveries	107,381	107,381	167,642	60,261
Federal assistance	-	5,280	5,280	-
State assistance	533,459	533,459	397,470	(135,989)
Local assistance	2,336,372	2,336,372	2,337,990	1,618
Investment earnings (loss)	227,450	227,450	(315,392)	(542,842)
Other revenues	884,351	884,351	992,797	108,446
Total revenues	13,436,755	13,442,035	13,318,415	(123,620)
EXPENDITURES:				
Current:				
Salaries and benefits	9,685,852	9,658,669	9,159,171	499,498
Materials and services	3,842,762	4,320,225	3,075,210	1,245,015
Capital outlay	665,312	875,076	524,420	350,656
Total expenditures	14,193,926	14,853,970	12,758,801	2,095,169
REVENUES OVER (UNDER) EXPENDITURES	(757,171)	(1,411,935)	559,614	1,971,549
OTHER FINANCING SOURCES (USES):				
Transfers in	1,155,763	1,215,608	212,445	(1,003,163)
Transfers out	(1,264,974)	(1,324,819)	(321,656)	1,003,163
Proceeds from sale of capital assets	-	-	4,815	4,815
Total other financing sources(uses)	(109,211)	(109,211)	(104,396)	4,815
NET CHANGE IN FUND BALANCE	\$ (866,382)	\$ (1,521,146)	455,218	\$ 1,976,364
FUND BALANCE:				
Beginning of year			16,491,400	
End of year			<u>\$ 16,946,618</u>	

San Bernardino County Fire Protection District
Required Supplementary Information (Unaudited)
Budgetary Comparison Schedule – Mountain Regional Service Zone
For the Year Ended June 30, 2022

	Adopted Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Property taxes	\$ 15,348,639	\$ 15,348,639	\$ 16,400,304	\$ 1,051,665
Special assessments	5,602,070	5,602,070	5,622,417	20,347
Charges for services	41,420	41,420	47,137	5,717
Intergovernmental	-	-	2,162,123	2,162,123
Claim cost recoveries	-	-	3,026	3,026
Federal assistance	-	480	480	-
Investment earnings (loss)	91,369	91,369	(146,441)	(237,810)
Other revenues	-	-	141,535	141,535
Total revenues	21,083,498	21,083,978	24,230,581	3,146,603
EXPENDITURES:				
Current:				
Salaries and benefits	16,877,294	17,132,774	17,123,748	9,026
Materials and services	4,332,968	4,071,468	3,305,111	766,357
Capital outlay	363,392	369,892	349,838	20,054
Debt service:				
Principal	159,247	159,247	159,244	3
Interest	247,508	247,508	96,238	151,270
Total expenditures	21,980,409	21,980,889	21,034,179	946,710
REVENUES OVER (UNDER) EXPENDITURES	(896,911)	(896,911)	3,196,402	4,093,313
OTHER FINANCING SOURCES (USES):				
Transfers in	2,162,123	2,162,123	-	(2,162,123)
Transfers out	(1,373,243)	(1,373,243)	(1,373,243)	-
Proceeds from sale of capital assets	-	-	3,000	3,000
Total other financing sources (uses)	788,880	788,880	(1,370,243)	(2,159,123)
NET CHANGE IN FUND BALANCE	\$ (108,031)	\$ (108,031)	1,826,159	\$ 1,934,190
FUND BALANCE:				
Beginning of year			6,523,995	
End of year			<u>\$ 8,350,154</u>	

San Bernardino County Fire Protection District
Required Supplementary Information (Unaudited)
Budgetary Comparison Schedule – North Desert Regional Service Zone
For the Year Ended June 30, 2022

	Adopted Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Property taxes	\$ 17,236,023	\$ 17,236,023	\$ 18,957,547	\$ 1,721,524
Special assessments	13,055,713	13,055,713	13,170,453	114,740
Charges for services	5,645,822	5,645,822	5,906,400	260,578
Intergovernmental	-	-	7,414,428	7,414,428
Claim cost recoveries	-	-	89,133	89,133
Federal assistance	-	480	480	-
Investment earnings (loss)	288,959	288,959	(402,647)	(691,606)
Other revenues	55,302	55,302	64,787	9,485
Total revenues	36,281,819	36,282,299	45,200,581	8,918,282
EXPENDITURES:				
Current:				
Salaries and benefits	31,962,944	31,963,424	30,584,024	1,379,400
Materials and services	8,739,910	8,720,510	7,707,249	1,013,261
Capital outlay	913,866	1,054,983	453,768	601,215
Debt service:				
Principal	100,364	100,364	100,364	-
Interest	70,636	70,636	33,856	36,780
Total expenditures	41,787,720	41,909,917	38,879,261	3,030,656
REVENUES OVER (UNDER) EXPENDITURES	(5,505,901)	(5,627,618)	6,321,320	11,948,938
OTHER FINANCING SOURCES (USES):				
Transfers in	7,414,428	7,414,428	-	(7,414,428)
Transfers out	(2,547,096)	(2,547,096)	(2,547,096)	-
Proceeds from sale of capital assets	-	-	3,750	3,750
Total other financing sources (uses)	4,867,332	4,867,332	(2,543,346)	(7,410,678)
NET CHANGE IN FUND BALANCE	\$ (638,569)	\$ (760,286)	3,777,974	\$ 4,538,260
FUND BALANCE:				
Beginning of year			17,036,883	
End of year			<u>\$ 20,814,857</u>	

San Bernardino County Fire Protection District
Required Supplementary Information (Unaudited)
Budgetary Comparison Schedule – South Desert Regional Service Zone
For the Year Ended June 30, 2022

	Adopted Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Property taxes	\$ 7,815,536	\$ 7,815,536	\$ 8,656,926	\$ 841,390
Special assessments	9,836,614	9,836,614	9,871,978	35,364
Charges for services	32,551	32,551	14,582	(17,969)
Intergovernmental	-	12,000,000	14,071,315	2,071,315
Claim cost recoveries	-	-	9,001	9,001
Federal assistance	-	828	828	-
Investment earnings (loss)	125,719	125,719	(179,941)	(305,660)
Other revenues	11,518	193,518	54,332	(139,186)
Total revenues	17,821,938	30,004,766	32,499,021	2,494,255
EXPENDITURES:				
Current:				
Salaries and benefits	15,276,557	15,787,385	15,778,029	9,356
Materials and services	3,381,074	3,321,074	2,679,288	641,786
Capital outlay	50,000	11,981,500	149,639	11,831,861
Debt service:				
Principal	40,147	40,147	40,144	3
Interest	43,588	43,588	26,377	17,211
Total expenditures	18,791,366	31,173,694	18,673,477	12,500,217
REVENUES OVER (UNDER) EXPENDITURES	(969,428)	(1,168,928)	13,825,544	14,994,472
OTHER FINANCING SOURCES (USES):				
Transfers in	2,071,315	14,071,315	-	(14,071,315)
Transfers out	(1,146,262)	(13,146,262)	(1,146,262)	12,000,000
Total other financing sources (uses)	925,053	925,053	(1,146,262)	(2,071,315)
NET CHANGE IN FUND BALANCE	\$ (44,375)	\$ (243,875)	12,679,282	\$ 12,923,157
FUND BALANCE:				
Beginning of year			6,126,473	
End of year			<u>\$ 18,805,755</u>	

San Bernardino County Fire Protection District
Required Supplementary Information (Unaudited)
Budgetary Comparison Schedule – Valley Regional Service Zone
For the Year Ended June 30, 2022

	Adopted Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Property taxes	\$ 53,888,385	\$ 53,888,385	\$ 61,207,613	\$ 7,319,228
Special assessments	16,264,267	16,264,267	17,781,754	1,517,487
Charges for services	36,283,968	36,470,019	38,257,843	1,787,824
Claim cost recoveries	-	-	19,683	19,683
Federal assistance	-	2,255	3,992	1,737
Investment earnings (loss)	753,387	753,387	(1,068,173)	(1,821,560)
Other revenues	6,042,000	6,042,000	1,146,636	(4,895,364)
Total revenues	113,232,007	113,420,313	117,349,348	3,929,035
EXPENDITURES:				
Current:				
Salaries and benefits	91,248,140	92,704,967	92,462,970	241,997
Materials and services	15,042,234	15,066,213	12,346,543	2,719,670
Capital outlay	21,896,954	20,942,175	997,487	19,944,688
Debt service:				
Interest	224,887	224,887	134,887	90,000
Total expenditures	128,412,215	128,938,242	105,941,887	22,996,355
REVENUES OVER (UNDER) EXPENDITURES	(15,180,208)	(15,517,929)	11,407,461	26,925,390
OTHER FINANCING SOURCES (USES):				
Transfers in	9,259,698	9,259,698	2,259,698	(7,000,000)
Transfers out	(9,787,536)	(9,787,536)	(2,787,536)	7,000,000
Proceeds from sale of capital assets	-	-	1,000	1,000
Total other financing sources (uses)	(527,838)	(527,838)	(526,838)	1,000
NET CHANGE IN FUND BALANCE	\$ (15,708,046)	\$ (16,045,767)	10,880,623	\$ 26,926,390
FUND BALANCE:				
Beginning of year, as restated			43,146,733	
End of year			<u>\$ 54,027,356</u>	

San Bernardino County Fire Protection District
Required Supplementary Information (Unaudited)
Budgetary Comparison Schedule – State Homeland Security Grant Fund
For the Year Ended June 30, 2022

	Adopted Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Federal assistance	\$ 6,392,703	\$ 6,392,703	\$ 2,567,378	\$ (3,825,325)
Investment earnings (loss)	1,697	1,697	-	(1,697)
Total revenues	6,394,400	6,394,400	2,567,378	(3,827,022)
EXPENDITURES:				
Current:				
Salaries and benefits	745,740	745,740	189,992	555,748
Materials and services	1,934,259	1,934,259	984,091	950,168
Intergovernmental	2,073,376	2,073,376	1,195,112	878,264
Total expenditures	4,753,375	4,753,375	2,369,195	2,384,180
NET CHANGE IN FUND BALANCE	\$ 1,641,025	\$ 1,641,025	198,183	\$ (1,442,842)
FUND BALANCE:				
Beginning of year			(58,697)	
End of year			<u>\$ 139,486</u>	

San Bernardino County Fire Protection District
Required Supplementary Information (Unaudited)
Schedule of the District's Proportionate Share of the Plan's Net Pension Liability

Last Ten Fiscal Years

San Bernardino County Employees Retirement Association – Cost Sharing Defined Benefit Plan

Fiscal Year:	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Measurement Date:	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014 ¹
District's Proportion of the Net Pension Liability	11.95%	8.59%	9.51%	9.65%	9.07%	7.48%	7.50%	7.12%
District's Proportionate Share of the Net Pension Liability	\$127,608,880	\$285,901,347	\$211,214,403	\$199,406,747	\$197,830,431	\$153,455,263	\$121,705,250	\$102,437,673
District's Covered Payroll ²	\$ 71,454,275	\$ 70,310,560	\$ 67,556,285	\$ 64,246,603	\$ 57,656,164	\$ 46,035,323	\$ 43,114,236	\$ 40,957,686
District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	178.59%	406.63%	312.65%	310.38%	343.12%	333.34%	282.29%	250.11%
Plan's Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	91.19%	71.96%	79.61%	79.89%	77.90%	76.86%	80.98%	82.47%

¹ Historical information is presented only for measurement periods after GASB Statement No. 68 implementation.

² Covered payroll is the actual amount based on the queries generated from EMACS provided by the San Bernardino County.

Notes to Schedule:

Changes of Assumptions: In 2019 and 2020, there were no changes of assumptions. In 2018, the actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the three year period of July 1, 2013 through June 30, 2016. Amount reported in 2018 primarily reflect a decrease of 0.25% for both the investment rate of return and inflation rate, an increase of 0.1% of payroll for administrative expenses, and adjustments of projected salary increases and mortality rates to more closely reflect actual experience. Mortality rates used in the June 30, 2017 actuarial valuation are based on the Headcount-Weighted RP-2014 Healthy Annuitant Mortality Table rather than on the RP-2000 Combined Healthy Mortality Table, which was used to determine amounts reported prior to 2018.

In 2021, the actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2019. Amounts reported in 2021 primarily reflect a decrease of 0.25% inflation rate, an increase of 0.15% payroll for administrative expenses, and adjustments of projected salary increases and mortality rates to more closely reflect actual experience. Mortality rates were based on Pub-2010 Amount-Weighted Above-Median Mortality Table projected generationally with the two-dimensional MP-2019 projection scale.

In 2022, there were no changes of assumptions. Amounts reported in 2022 primarily reflect the 32.61% return on the market value of assets during 2020-2021 that was higher than the assumed return of 7.25% and the changes in benefit terms based on a decision in the Alameda County Deputy Sheriffs' Association et al. v. Alameda County Employees' Retirement Association litigation issued by the California Supreme Court on July 30, 2020. The Board of Retirement adopted Resolution 2020-5, which detailed the implementation of the Alameda decision including reclassifying certain pay items for inclusion in compensation earnable. The results of this valuation reflect the reclassification of those pay codes, which reduced the Plan's net pension liability by \$132.9 million.

**San Bernardino County Fire Protection District
Required Supplementary Information (Unaudited)
Schedule of the District's Contributions to the Pension Plan**

Last Ten Fiscal Years

San Bernardino County Employees Retirement Association – Cost Sharing Defined Benefit Plan

Fiscal Year:	June 30, 2022	6/30/2021³	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015¹
Contractually Required Contribution	\$ 40,244,266	\$ 34,570,231	\$ 32,684,024	\$ 32,181,381	\$ 27,562,873	\$ 25,267,220	\$ 19,304,654	\$ 16,151,746
Contributions in Relation to the Contractually Required Contribution	(40,244,266)	(34,570,231)	(32,684,024)	(32,181,381)	(27,562,873)	(25,267,220)	(19,304,654)	(16,151,746)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's Covered Payroll ²	\$ 78,471,576	\$ 71,454,275	\$ 70,310,560	\$ 67,556,285	\$ 64,246,603	\$ 57,656,164	\$ 46,035,323	\$ 43,114,236
Contributions as a Percentage of Covered Payroll	51.29%	48.38%	46.49%	47.64%	42.90%	43.82%	41.93%	37.46%

¹ Historical information is presented only for measurement periods after GASB Statement No. 68 implementation.

² Covered payroll is the actual amount based on the queries generated from EMACS provided by the San Bernardino County.

³ 2021 Contributions have been revised due to the Plan correction of an error on the 415 replacement benefit plan adjustment.

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SUPPLEMENTARY INFORMATION

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NONMAJOR GOVERNMENTAL FUNDS

Office of Emergency Services Special Revenue Fund – effective 07/01/2019, OES activity moved to San Bernardino County. The fund remains to account for residual activity for the Office of Emergency Services shown on the San Bernardino County Fire Protection Districts' Report.

Public Safety Power Shutoff Special Revenue Fund – to account for funds from the California Governor's Office of Emergency Services (Cal OES) public power shutoff transactions.

Community Facility District 2002-2 Pass Thru Special Revenue Fund – to account for funds received from special assessments on property owners to provide fire, emergency response, and ambulance services in CFD 2002-2.

Emergency Medical Services Special Revenue Fund – to account for funds related to emergency medical services, emergency ambulance services, and medical supply distribution.

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San Bernardino County Fire Protection District
Combining Balance Sheets
Nonmajor Special Revenue Funds
June 30, 2022

	<u>Office of Emergency Services</u>	<u>Public Safety Power Shutoff</u>	<u>Community Facility District 2002-2 Pass Thru</u>	<u>Emergency Medical Services</u>	<u>Total</u>
ASSETS					
Assets:					
Cash and cash equivalents	\$ 24,381	\$ 1,376,373	\$ 8,811	\$ 2,325,690	\$ 3,735,255
Accounts receivable, net	-	-	-	702,406	702,406
Interest receivable	53	3,013	142	10,040	13,248
Total assets	<u>\$ 24,434</u>	<u>\$ 1,379,386</u>	<u>\$ 8,953</u>	<u>\$ 3,038,136</u>	<u>\$ 4,450,909</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 1,156	\$ -	\$ -	\$ 23,133	\$ 24,289
Accrued salaries and benefits	-	-	-	432,809	432,809
Due to other funds	-	-	-	140,664	140,664
Total liabilities	<u>1,156</u>	<u>-</u>	<u>-</u>	<u>596,606</u>	<u>597,762</u>
Fund Balances:					
Restricted	23,278	1,379,386	8,953	2,441,530	3,853,147
Total fund balance	<u>23,278</u>	<u>1,379,386</u>	<u>8,953</u>	<u>2,441,530</u>	<u>3,853,147</u>
Total liabilities and fund balances	<u>\$ 24,434</u>	<u>\$ 1,379,386</u>	<u>\$ 8,953</u>	<u>\$ 3,038,136</u>	<u>\$ 4,450,909</u>

San Bernardino County Fire Protection District
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2022

	<u>Office of Emergency Services</u>	<u>Public Safety Power Shutoff</u>	<u>Community Facility District 2002-2 Pass Thru</u>	<u>Emergency Medical Services</u>	<u>Total</u>
REVENUES:					
Special assessments	\$ -	\$ -	\$ 285,739	\$ -	\$ 285,739
Charges for services	-	-	-	9,333,452	9,333,452
Intergovernmental	-	-	-	60	60
Federal assistance	-	-	-	1,289,000	1,289,000
Investment earnings (loss)	(446)	(22,714)	(679)	(22,691)	(46,530)
Other revenues	11,288	-	-	19,022	30,310
Total revenues	<u>10,842</u>	<u>(22,714)</u>	<u>285,060</u>	<u>10,618,843</u>	<u>10,892,031</u>
EXPENDITURES:					
Current:					
Salaries and benefits	-	-	-	12,051,555	12,051,555
Materials and services	-	-	286,091	2,519,798	2,805,889
Total expenditures	<u>-</u>	<u>-</u>	<u>286,091</u>	<u>14,571,353</u>	<u>14,857,444</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>10,842</u>	<u>(22,714)</u>	<u>(1,031)</u>	<u>(3,952,510)</u>	<u>(3,965,413)</u>
OTHER FINANCING SOURCES:					
Transfers in	-	-	-	6,394,040	6,394,040
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,394,040</u>	<u>6,394,040</u>
NET CHANGE IN FUND BALANCES	10,842	(22,714)	(1,031)	2,441,530	2,428,627
FUND BALANCES:					
Beginning of year	12,436	1,402,100	9,984	-	1,424,520
End of year	<u>\$ 23,278</u>	<u>\$ 1,379,386</u>	<u>\$ 8,953</u>	<u>\$ 2,441,530</u>	<u>\$ 3,853,147</u>

San Bernardino County Fire Protection District
Budgetary Comparison Schedule – Office Emergency Services
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2022

	Adopted Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Investment earnings (loss)	\$ -	\$ -	\$ (446)	\$ (446)
Other revenues	-	-	11,288	11,288
Total revenues	-	-	10,842	10,842
NET CHANGE IN FUND BALANCE (DEFICIT)	\$ -	\$ -	10,842	\$ 10,842
FUND BALANCE (DEFICIT):				
Beginning of year			12,436	
End of year			\$ 23,278	

San Bernardino County Fire Protection District
Budgetary Comparison Schedule – Public Safety Power Shutoff
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2022

	<u>Adopted Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:				
Investment earnings (loss)	\$ 16,889	\$ 16,889	\$ (22,714)	\$ (39,603)
Total revenues	<u>16,889</u>	<u>16,889</u>	<u>(22,714)</u>	<u>(39,603)</u>
EXPENDITURES:				
Current:				
Materials and services	915,630	308,750	-	308,750
Capital outlay	393,000	999,880	-	999,880
Total expenditures	<u>1,308,630</u>	<u>1,308,630</u>	<u>-</u>	<u>1,308,630</u>
NET CHANGE IN FUND BALANCE (DEFICIT)	<u>\$ (1,291,741)</u>	<u>\$ (1,291,741)</u>	<u>(22,714)</u>	<u>\$ 1,269,027</u>
FUND BALANCE:				
Beginning of year			<u>1,402,100</u>	
End of year			<u>\$ 1,379,386</u>	

San Bernardino County Fire Protection District
Budgetary Comparison Schedule – Community Facilities District 2002-2 Pass Thru
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2022

	Adopted Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Special assessments	\$ 303,100	\$ 303,100	\$ 285,739	\$ (17,361)
Investment earnings (loss)	227	227	(679)	(906)
Total revenues	<u>303,327</u>	<u>303,327</u>	<u>285,060</u>	<u>(18,267)</u>
EXPENDITURES:				
Current:				
Materials and services	303,100	303,100	286,091	17,009
Total expenditures	<u>303,100</u>	<u>303,100</u>	<u>286,091</u>	<u>17,009</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>227</u>	<u>227</u>	<u>(1,031)</u>	<u>(35,276)</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	(303,100)	(303,100)	-	303,100
Total other financing sources (uses)	<u>(303,100)</u>	<u>(303,100)</u>	<u>-</u>	<u>303,100</u>
NET CHANGE IN FUND BALANCE	<u>\$ (302,873)</u>	<u>\$ (302,873)</u>	<u>(1,031)</u>	<u>\$ 267,824</u>
FUND BALANCE:				
Beginning of year			9,984	
End of year			<u>\$ 8,953</u>	

San Bernardino County Fire Protection District
Budgetary Comparison Schedule – Emergency Medical Services
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2022

	Adopted Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Charges for services	\$ 8,636,450	\$ 8,636,450	\$ 9,333,452	\$ 697,002
Intergovernmental	-	-	60	60
Federal assistance	2,236,112	2,236,758	1,289,000	(947,758)
Investment earnings (loss)	40	40	(22,691)	(22,731)
Other revenues	-	-	19,022	19,022
Total revenues	10,872,602	10,873,248	10,618,843	(254,405)
EXPENDITURES:				
Current:				
Salaries and benefits	10,248,406	12,182,610	12,051,555	131,055
Materials and services	3,218,236	3,218,236	2,519,798	698,438
Total expenditures	13,466,642	15,400,846	14,571,353	829,493
REVENUES OVER (UNDER) EXPENDITURES	(2,594,040)	(4,527,598)	(3,952,510)	(1,083,898)
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	6,394,040	6,394,040
Transfers out	(3,218,236)	(3,218,236)	-	3,218,236
Total other financing sources (uses)	(3,218,236)	(3,218,236)	6,394,040	9,612,276
NET CHANGE IN FUND BALANCE	\$ (5,812,276)	\$ (7,745,834)	2,441,530	\$ 8,528,378
FUND BALANCE:				
Beginning of year			-	
End of year			<u>\$ 2,441,530</u>	

SCHEDULE OF FINDINGS

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San Bernardino County Fire Protection District
Schedule of Findings
For the Year Ended June 30, 2022

SECTION I – FINANCIAL STATEMENT FINDINGS

A. Current Year Financial Statement Findings

Finding 2022-001 Internal Control Over Financial Reporting/Accounting Close and Accuracy in Financial Reporting (Material Weakness)

Criteria:

Management is responsible for designing, implementing, and maintaining appropriate internal control over financial reporting and compliance. Effective internal control over financial reporting provides reasonable assurance for the completeness and accuracy of accounting records and proper year-end closing. Internal control is defined as a process implemented and monitored by the board of directors, management, and other personnel that provides reasonable assurance that the objectives of the District will be achieved. Internal control is not one event, but a series of events that occur throughout an entity's operations. The District's internal control system should be designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

- Reliability of financial reporting for internal and external use;
- Effectiveness and efficiency of operations; and
- Compliance with applicable laws and regulations.

The internal control framework would include establishing or enhancing guidance in the following areas:

- *Control environment* sets the tone of an organization, influencing the control consciousness of its people. It is the foundation for all other components of internal control, providing discipline and structure.
- *Risk assessment* is the entity's identification and analysis of relevant risks to achievement of its objectives, forming a basis for developing appropriate risk responses.
- *Control activities* are the actions management establishes through policies and procedures to achieve objectives and respond to risks in the internal control system.
- *Information and communication* systems support the identification, capture, and exchange of information in a form and time frame that enables people to carry out their responsibilities.
- *Monitoring* consists of activities management establishes and operates to assess the quality of performance over time.

Condition and Context:

In fiscal year 2021, the District incorrectly posted workers' compensation-related entries to the general ledger. A prior period adjustment was recorded in fiscal year 2022 to correct the erroneous entries. Due to this oversight, a prior period adjustment was recorded to the fund balance in the Valley Regional Service Zone Fund and the net position of the Governmental Activities in the amount of \$(955,649).

Cause:

A breakdown in internal control over financial reporting occurred wherein incorrect journal entries were not reviewed and approved in a timely manner in order to detect and prevent a material misstatement to the 2021 financial statements.

San Bernardino County Fire Protection District
Schedule of Findings (Continued)
For the Year Ended June 30, 2022

SECTION I – FINANCIAL STATEMENT FINDINGS (Continued)

A. Current Year Financial Statement Findings (Continued)

Finding 2022-001 Internal Control Over Financial Reporting/Accounting Close and Accuracy in Financial Reporting (Material Weakness) – (Continued)

Identification as a Repeat Finding, if Applicable:

Repeat of finding 2021-001.

Effect:

The beginning net position in the Government-wide Statement of Activities and the beginning fund balance in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds (Valley Regional Service Zone Special Revenue Fund), was overstated by \$955,649.

Recommendation:

The District should enhance its review processes over journal entries to ensure that they are reviewed and approved in a timely manner in order to prevent material misstatements.

Views of Responsible Officials:

The District agrees with the finding and recommendation. The District will work to enhance the review process over the financial statements in order to ensure that all transactions have been properly noted and reported in a timely manner.

B. Prior Year Financial Statement Findings

Finding 2021-001 Internal Control Over Financial Reporting/Accounting Close and Accuracy in Financial Reporting (Material Weakness)

Criteria:

Management is responsible for designing, implementing, and maintaining appropriate internal control over financial reporting and compliance. Effective internal control over financial reporting provides reasonable assurance for the completeness and accuracy of accounting records and proper year-end closing. Internal control is defined as a process implemented and monitored by the board of directors, management, and other personnel that provides reasonable assurance that the objectives of the District will be achieved. Internal control is not one event, but a series of events that occur throughout an entity's operations. The District's internal control system should be designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

- Reliability of financial reporting for internal and external use;
- Effectiveness and efficiency of operations; and
- Compliance with applicable laws and regulations.

San Bernardino County Fire Protection District
Schedule of Findings (Continued)
For the Year Ended June 30, 2022

SECTION I – FINANCIAL STATEMENT FINDINGS (Continued)

B. Prior Year Financial Statement Findings (Continued)

Finding 2021-001 Internal Control Over Financial Reporting/Accounting Close and Accuracy in Financial Reporting (Material Weakness) (Continued)

The internal control framework would include establishing or enhancing guidance in the following areas:

- *Control environment* sets the tone of an organization, influencing the control consciousness of its people. It is the foundation for all other components of internal control, providing discipline and structure.
- *Risk assessment* is the entity's identification and analysis of relevant risks to achievement of its objectives, forming a basis for developing appropriate risk responses.
- *Control activities* are the actions management establishes through policies and procedures to achieve objectives and respond to risks in the internal control system.
- *Information and communication* systems support the identification, capture, and exchange of information in a form and time frame that enables people to carry out their responsibilities.
- *Monitoring* consists of activities management establishes and operates to assess the quality of performance over time.

Condition and Context:

In fiscal year 2020, the County posted entries to record COVID-19 relief funds and capital assets transfers that were not recorded to the District's general ledger. Due to this oversight, prior period adjustments were recorded to the General Fund in the amount of \$7,146,964, the Hazardous Materials Fund in the amount of \$1,622, the Mountain Regional Service Zone Fund in the amount of \$(871,201), the North Desert Regional Service Zone Fund in the amount of \$(2,257,145), the South Desert Regional Service Zone Fund in the amount of \$(960,117), and the Valley Regional Service Zone Fund in the amount of \$(586,568) and the governmental activities in the amount of \$2,678,730 in order to record transactions that should have been reported in the prior year's financial statements.

Cause:

Due to the District using San Bernardino County's accounting system, occasionally there are entries that only get booked on the District's financial statements that will not post in the County's accounting system and because there is a lack of internal control procedures over final fund balance reconciliation between the District and the County, certain transactions from 2020 were not posted and recorded to the District's 2020 financial statements.

Identification as a Repeat Finding, if Applicable:

Repeat of finding 2020-001.

Effect:

The beginning net position in the Government-wide Statement of Activities and the beginning fund balance in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds (North Desert Regional Service Zone Special Revenue Fund), was understated by \$2,678,730.

San Bernardino County Fire Protection District
Schedule of Findings (Continued)
For the Year Ended June 30, 2022

SECTION I – FINANCIAL STATEMENT FINDINGS (Continued)

B. Prior Year Financial Statement Findings (Continued)

Finding 2021-001 Internal Control Over Financial Reporting/Accounting Close and Accuracy in Financial Reporting (Material Weakness) (Continued)

Recommendation:

The District should enhance its review processes over the financial statements to include reconciling ending balances per the general ledger to the audited financial statements and to the County's records.

Views of Responsible Officials:

The District agrees with the finding and recommendation. The District will work to enhance the review process over the financial statements in order to ensure that all transactions have been properly noted and reported in a timely manner.

Status:

Not implemented.