

**SAN BERNARDINO COUNTY
DEPARTMENT OF PUBLIC WORKS-SPECIAL DISTRICTS
COUNTY SERVICE AREA NO. 42 ORO GRANDE
FINANCIAL STATEMENTS
JUNE 30, 2021**

**SAN BERNARDINO COUNTY
DEPARTMENT OF PUBLIC WORKS-SPECIAL DISTRICTS
COUNTY SERVICE AREA NO. 42 ORO GRANDE
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JUNE 30, 2021**

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Board of Supervisors
San Bernardino County
Department of Public Works-Special Districts
County Service Area No. 42 Oro Grande

Independent Auditor's Report

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the San Bernardino County-Department of Public Works-Special Districts County Service Area No. 42 Oro Grande (CSA), a component unit of the San Bernardino County, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the CSA's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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



Eadie Payne, LLP

3880 Lemon St., Ste. 300
Riverside, CA 92501

P.O. Box 1529
Riverside, CA 92502-1529

Office: 951-241-7800
www.eadiepaynellp.com

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund, of the San Bernardino County-Department of Public Works-Special Districts County Service Area No. 42 Oro Grande as of June 30, 2021 and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America, as well as accounting systems prescribed by the State Controller's Office and state regulations governing special districts.

Other Matters

Prior-Year Comparative Information

We have previously audited the CSA's 2020 financial statements, and we expressed unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, and each major fund in our report dated December 30, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

The financial statements include summarized prior-year comparative information. Such information does not include all of the information required to constitute a presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the government's financial statements for the year ended June 30, 2020, from which such summarized information was derived.

Required Supplementary Information

Management has omitted Management's Discussion and Analysis and the Schedules of Pension Plan Contribution and Proportionate Share of Net Pension Liability that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 24, 2021, on our consideration of the CSA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the CSA's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the CSA's internal control over financial reporting and compliance.

Eadie and Payne LLP

November 24, 2021
Riverside, California

SAN BERNARDINO COUNTY
DEPARTMENT OF PUBLIC WORKS-SPECIAL DISTRICTS
COUNTY SERVICE AREA NO. 42 - ORO GRANDE
Statement of Net Position
June 30, 2021

	2021		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and investments	\$ 1,386,588	\$ 1,698,391	\$ 3,084,979
Accounts receivable, net	-	43,139	43,139
Taxes receivable	387	-	387
Special assessments receivable	-	248	248
Capital assets, net of depreciation	90,929	551,068	641,997
Total assets	<u>1,477,904</u>	<u>2,292,846</u>	<u>3,770,750</u>
Deferred outflows of resources			
Pension	-	76,324	76,324
Total deferred outflows of resources	<u>-</u>	<u>76,324</u>	<u>76,324</u>
Liabilities			
Current:			
Due to other governments	7,098	23,077	30,175
Accounts payable	660	41,212	41,872
Deposits and deferred	-	303	303
Long-term			
Net pension liability	-	154,987	154,987
Total liabilities	<u>7,758</u>	<u>219,579</u>	<u>227,337</u>
Deferred inflows of resources			
Pension	-	7,172	7,172
Total deferred inflows of resources	<u>-</u>	<u>7,172</u>	<u>7,172</u>
Net position			
Net investment in capital assets	90,929	551,068	641,997
Restricted for park and recreation	1,379,217	-	1,379,217
Unrestricted	-	1,591,351	1,591,351
Total net position	<u>\$ 1,470,146</u>	<u>\$ 2,142,419</u>	<u>\$ 3,612,565</u>

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

SAN BERNARDINO COUNTY
DEPARTMENT OF PUBLIC WORKS-SPECIAL DISTRICTS
COUNTY SERVICE AREA NO. 42 - ORO GRANDE
Statement of Net Position (continued)
June 30, 2021

	For Comparative Purposes Only 2020		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and investments	\$ 793,151	\$ 1,571,871	\$ 2,365,022
Accounts receivable, net	-	43,605	43,605
Taxes receivable	852	130	982
Special assessments receivable	-	289	289
Capital assets, net of depreciation	99,448	522,209	621,657
Total assets	893,451	2,138,104	3,031,555
Deferred outflows of resources			
Pension	-	32,630	32,630
Total deferred outflows of resources	-	32,630	32,630
Liabilities			
Current:			
Due to other governments	15,073	46,630	61,703
Accounts payable	-	12,424	12,424
Deposits and deferred	-	303	303
Long-term			
Net pension liability	-	86,757	86,757
Total liabilities	15,073	146,114	161,187
Deferred inflows of resources			
Pension	-	10,240	10,240
Total deferred inflows of resources	-	10,240	10,240
Net position			
Net investment in capital assets	99,448	522,209	621,657
Restricted for park and recreation	778,930	-	778,930
Unrestricted	-	1,492,171	1,492,171
Total net position	\$ 878,378	\$ 2,014,380	\$ 2,892,758

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

SAN BERNARDINO COUNTY
DEPARTMENT OF PUBLIC WORKS-SPECIAL DISTRICTS
COUNTY SERVICE AREA NO. 42 - ORO GRANDE
Statement of Activities
For the Year Ended June 30, 2021

	2021		
	Governmental Activities	Business-type Activities	Total
Expenses			
Professional fees	\$ -	\$ 50	\$ 50
Salaries and benefits	15,861	110,786	126,647
Services and supplies	21,320	68,461	89,781
Utilities	14,930	105,397	120,327
Depreciation	8,519	17,788	26,307
Total expenses	<u>60,630</u>	<u>302,482</u>	<u>363,112</u>
Program revenues			
Charges for services	-	308,357	308,357
Operating grants and contributions-State assistance	222	-	222
Total program revenues	<u>222</u>	<u>308,357</u>	<u>308,579</u>
Net Program Revenue (Expense)	<u>(60,408)</u>	<u>5,875</u>	<u>(54,533)</u>
General revenues			
Property taxes	640,237	-	640,237
Special assessments	-	19,853	19,853
Investment earnings	11,939	46	11,985
Penalties	-	2,107	2,107
Other	-	100,158	100,158
Total general revenues	<u>652,176</u>	<u>122,164</u>	<u>774,340</u>
Other financing sources (uses)			
Transfers in	-	-	-
Transfers out	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Change in net position	591,768	128,039	719,807
Net position at beginning of year	878,378	2,014,380	2,892,758
Net position at end of year	<u>\$ 1,470,146</u>	<u>\$ 2,142,419</u>	<u>\$ 3,612,565</u>

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

SAN BERNARDINO COUNTY
DEPARTMENT OF PUBLIC WORKS-SPECIAL DISTRICTS
COUNTY SERVICE AREA NO. 42 - ORO GRANDE
Statement of Activities (continued)
For the Year Ended June 30, 2021

	For Comparative Purposes Only		
	2020		
	Governmental Activities	Business-type Activities	Total
Expenses			
Professional fees	\$ 7,727	\$ 9,383	\$ 17,110
Salaries and benefits	11,181	127,324	138,505
Services and supplies	25,922	62,091	88,013
Utilities	9,025	104,812	113,837
Depreciation	8,521	17,791	26,312
Total expenses	62,376	321,401	383,777
Program revenues			
Charges for services	-	314,659	314,659
Operating grants and contributions-State assistance	239	-	239
Total program revenues	239	314,659	314,898
Net Program Revenue (Expense)	(62,137)	(6,742)	(68,879)
General revenues			
Property taxes	717,449	-	717,449
Special assessments	-	5,117	5,117
Investment earnings	8,309	49,011	57,320
Penalties	-	3,865	3,865
Other	-	103,717	103,717
Total general revenues	725,758	161,710	887,468
Other financing sources (uses)			
Transfers in	-	25,238	25,238
Transfers out	-	(25,238)	(25,238)
Total other financing sources (uses)	-	-	-
Change in net position	663,621	154,968	818,589
Net position at beginning of year	214,757	1,859,412	2,074,169
Net position at end of year	\$ 878,378	\$ 2,014,380	\$ 2,892,758

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

SAN BERNARDINO COUNTY
DEPARTMENT OF PUBLIC WORKS-SPECIAL DISTRICTS
COUNTY SERVICE AREA NO. 42 - ORO GRANDE
Balance Sheet
Governmental Funds
June 30, 2021

	2021 SPECIAL REVENUE FUNDS Park (1336)	For Comparative Purposes Only 2020 SPECIAL REVENUE FUNDS Park (1336)
Assets		
Cash and investments	\$ 1,386,588	\$ 793,151
Taxes receivable	388	852
Total assets	\$ 1,386,976	\$ 794,003
Liabilities		
Accounts payable	\$ 660	\$ -
Due to other governments	7,098	15,073
Total liabilities	7,758	15,073
Fund balances		
Restricted for park services	1,379,218	778,930
Total fund balances	1,379,218	778,930
Total liabilities and fund balances	\$ 1,386,976	\$ 794,003
Reconciliation of balance sheet of governmental funds to Statement of Net Position:		
Total Fund Balance - Governmental Funds	\$ 1,379,218	\$ 778,930
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets, net used in governmental activities are not financial resources and, therefore, are not reported in the funds.	90,929	99,448
Net Position of Governmental Activities	\$ 1,470,146	\$ 878,378

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

SAN BERNARDINO COUNTY
DEPARTMENT OF PUBLIC WORKS-SPECIAL DISTRICTS
COUNTY SERVICE AREA NO. 42 - ORO GRANDE
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2021

	2021	For Comparative Purposes Only 2020
	SPECIAL REVENUE FUNDS	SPECIAL REVENUE FUNDS
	<u>Park (1336)</u>	<u>Park (1336)</u>
Revenues		
Property taxes	\$ 640,237	\$ 717,449
Intergovernmental-State Assistance	222	239
Investment earnings	11,939	8,309
Total revenues	<u>652,398</u>	<u>725,997</u>
Expenditures		
Current - parks and recreation:		
Salaries and benefits	15,861	11,181
Services and supplies	21,319	33,649
Utilities	14,930	9,025
Total expenses	<u>52,110</u>	<u>53,855</u>
Excess of revenues over (under) expenditures	<u>600,288</u>	<u>672,142</u>
Net Changes in Fund Balances	600,288	672,142
Fund Balance - beginning	<u>778,930</u>	<u>106,788</u>
Fund Balance - ending	<u><u>\$1,379,218</u></u>	<u><u>\$ 778,930</u></u>

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

SAN BERNARDINO COUNTY
DEPARTMENT OF PUBLIC WORKS-SPECIAL DISTRICTS
COUNTY SERVICE AREA NO. 42 - ORO GRANDE
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2021

	2021	For Comparative Purposes Only 2020
Net Change in Fund Balances - Total Governmental Funds	<u>\$ 600,288</u>	<u>\$ 672,142</u>
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p> <p>Governmental funds report capital outlays as expenditures in the year an asset is purchased. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as a depreciation expense. This is the amount by which capital outlay was exceeded by depreciation expense in the current period.</p>		
	<u>(8,520)</u>	<u>(8,521)</u>
Change in Net Position of Governmental Activities	<u>\$ 591,768</u>	<u>\$ 663,621</u>

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

SAN BERNARDINO COUNTY
DEPARTMENT OF PUBLIC WORKS-SPECIAL DISTRICTS
COUNTY SERVICE AREA NO. 42 - ORO GRANDE
Statement of Net Position
Proprietary Funds
June 30, 2021

	2021		
	ENTERPRISE FUNDS		
	Sewer	Water	Total
Assets			
Current Assets:			
Cash and investments	\$ 455,044	\$ 1,243,347	\$ 1,698,391
Accounts receivable	21,446	21,693	43,139
Taxes receivable	-	-	-
Special assessments receivable	<u>36</u>	<u>212</u>	<u>248</u>
Total current assets	<u>476,526</u>	<u>1,265,252</u>	<u>1,741,778</u>
Noncurrent Assets:			
Capital Assets:			
Land	-	44,800	44,800
Improvements to land	199,373	523,330	722,703
Structures and improvements	-	51,800	51,800
Construction in progress	-	230,425	230,425
Accumulated depreciation	<u>(154,777)</u>	<u>(343,883)</u>	<u>(498,660)</u>
Total noncurrent assets	<u>44,596</u>	<u>506,472</u>	<u>551,068</u>
Total assets	<u>521,122</u>	<u>1,771,724</u>	<u>2,292,846</u>
Deferred outflows of resources			
Pension	<u>23,547</u>	<u>52,777</u>	<u>76,324</u>
Total deferred outflows of resources	<u>23,547</u>	<u>52,777</u>	<u>76,324</u>
Liabilities			
Current Liabilities:			
Accounts payable	16,444	24,768	41,212
Due to other governments	10,897	12,180	23,077
Deposits and deferred revenue	-	303	303
Long-term liabilities:			
Net pension liability	<u>47,816</u>	<u>107,171</u>	<u>154,987</u>
Total liabilities	<u>75,157</u>	<u>144,422</u>	<u>219,579</u>
Deferred inflows of resources			
Pension	<u>2,213</u>	<u>4,959</u>	<u>7,172</u>
Total deferred inflows of resources	<u>2,213</u>	<u>4,959</u>	<u>7,172</u>
Net Position			
Net Investment in capital assets	44,596	506,472	551,068
Unrestricted	<u>422,703</u>	<u>1,168,648</u>	<u>1,591,351</u>
Total net position	<u>\$ 467,299</u>	<u>\$ 1,675,120</u>	<u>\$ 2,142,419</u>

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

SAN BERNARDINO COUNTY
DEPARTMENT OF PUBLIC WORKS-SPECIAL DISTRICTS
COUNTY SERVICE AREA NO. 42 - ORO GRANDE
Statement of Net Position (continued)
Proprietary Funds
June 30, 2021

	For Comparative Purposes Only 2020		
	ENTERPRISE FUNDS		
	Sewer	Water	Total
Assets			
Current Assets:			
Cash and investments	\$ 408,747	\$ 1,163,124	\$ 1,571,871
Accounts receivable	23,719	19,886	43,605
Taxes receivable	33	97	130
Special assessments receivable	62	227	289
Total current assets	432,561	1,183,334	1,615,895
Noncurrent Assets:			
Capital Assets:			
Land	-	44,800	44,800
Improvements to land	199,373	523,330	722,703
Structures and improvements	-	51,800	51,800
Construction in progress	-	183,778	183,778
Accumulated depreciation	(151,433)	(329,439)	(480,872)
Total noncurrent assets	47,940	474,269	522,209
Total assets	480,501	1,657,603	2,138,104
Deferred outflows of resources			
Pension	16,952	15,678	32,630
Total deferred outflows of resources	16,952	15,678	32,630
Liabilities and Fund Balances			
Current Liabilities:			
Accounts payable	8,560	3,864	12,424
Due to other governments	17,025	29,605	46,630
Deposits and deferred revenue	-	303	303
Long-term liabilities:			
Net pension liability	45,072	41,685	86,757
Total liabilities	70,657	75,457	146,114
Deferred inflows of resources			
Pension	5,320	4,920	10,240
Total deferred inflows of resources	5,320	4,920	10,240
Net Position			
Invested in capital assets	47,940	474,269	522,209
Unrestricted	373,536	1,118,635	1,492,171
Total net position	\$ 421,476	\$ 1,592,904	\$ 2,014,380

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

SAN BERNARDINO COUNTY
DEPARTMENT OF PUBLIC WORKS-SPECIAL DISTRICTS
COUNTY SERVICE AREA NO. 42 - ORO GRANDE
Statement of Revenues, Expenditures and Changes in Fund Balances
Proprietary Funds
For the Year Ended June 30, 2021

	2021		
	ENTERPRISE FUNDS		
	Sewer	Water	Total
Operating Revenues			
Sanitation services	\$ 176,074	\$ -	\$ 176,074
Water sales	-	132,259	132,259
Charges for services	-	24	24
Total operating revenues	<u>176,074</u>	<u>132,283</u>	<u>308,357</u>
Operating Expenses			
Professional fees	-	50	50
Salaries and benefits	(2,684)	113,470	110,786
Services and supplies	41,212	27,249	68,461
Utilities	100,110	5,287	105,397
Depreciation	3,344	14,444	17,788
Total expenditures	<u>141,982</u>	<u>160,500</u>	<u>302,482</u>
Operating Income (loss)	<u>34,092</u>	<u>(28,217)</u>	<u>5,875</u>
Nonoperating Revenues			
Special assessments	10,432	9,421	19,853
Investment earnings	(37)	83	46
Penalties	1,183	924	2,107
Other revenues	153	100,005	100,158
Total nonoperating revenues	<u>11,731</u>	<u>110,433</u>	<u>122,164</u>
Other financing sources (uses)			
Transfers in	-	-	-
Transfers out	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Change in net position	45,823	82,216	128,039
Fund Balance - beginning	421,476	1,592,904	2,014,380
Fund Balance - ending	<u>\$ 467,299</u>	<u>\$ 1,675,120</u>	<u>\$ 2,142,419</u>

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

SAN BERNARDINO COUNTY
DEPARTMENT OF PUBLIC WORKS-SPECIAL DISTRICTS
COUNTY SERVICE AREA NO. 42 - ORO GRANDE
Statement of Revenues, Expenditures and Changes in Fund Balances (continued)
Proprietary Funds
For the Year Ended June 30, 2021

	For Comparative Purposes Only 2020		
	ENTERPRISE FUNDS		
	Sewer	Water	Total
Operating Revenues			
Sanitation services	\$ 179,496	\$ -	\$ 179,496
Water sales	-	134,680	134,680
Charges for services	-	483	483
Total operating revenues	179,496	135,163	314,659
Operating Expenses			
Professional fees	315	9,068	9,383
Salaries and benefits	41,322	86,002	127,324
Services and supplies	24,190	37,901	62,091
Utilities	92,856	11,956	104,812
Depreciation	3,344	14,447	17,791
Total expenditures	162,027	159,374	321,401
Operating Income (loss)	17,469	(24,211)	(6,742)
Nonoperating Revenues			
Special Assessments	487	4,630	5,117
Investment earnings	13,127	35,884	49,011
Penalties	1,774	2,091	3,865
Other revenues	298	103,419	103,717
Total nonoperating revenues	15,686	146,024	161,710
Other financing sources (uses)			
Transfers in	-	25,238	25,238
Transfers out	-	(25,238)	(25,238)
Total other financing sources (uses)	-	-	-
Change in net position	33,155	121,813	154,968
Fund Balance - beginning	388,321	1,471,091	1,859,412
Fund Balance - ending	\$ 421,476	\$ 1,592,904	\$ 2,014,380

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

SAN BERNARDINO COUNTY
DEPARTMENT OF PUBLIC WORKS-SPECIAL DISTRICTS
COUNTY SERVICE AREA NO. 42 - ORO GRANDE
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2021

	2021		
	ENTERPRISE FUNDS		
	Sewer	Water	Total
Cash Flows from operating activities			
Receipts from customers	\$ 178,380	\$ 130,573	\$ 308,953
Payments to suppliers	(139,566)	(631)	(140,197)
Payments to employees	(4,274)	(113,470)	(117,744)
Payments to service providers	-	(50)	(50)
Net Cash Provided by Operating Activities	<u>34,540</u>	<u>16,422</u>	<u>50,962</u>
Cash Flows from noncapital financing activities			
Special assessments	10,458	9,436	19,894
Penalties	1,183	924	2,107
Other	153	100,005	100,158
Net Cash Provided by noncapital financing activities	<u>11,794</u>	<u>110,365</u>	<u>122,159</u>
Cash Flows from capital and related financing activities			
Purchase and construction of capital assets	-	(46,647)	(46,647)
Net Cash Used for capital and related financing activities	<u>-</u>	<u>(46,647)</u>	<u>(46,647)</u>
Cash Flows from investing activities			
Investment earnings	(37)	83	46
Net Cash provided by investing activities	<u>(37)</u>	<u>83</u>	<u>46</u>
Net Increase in Cash and Investments	<u>46,297</u>	<u>80,223</u>	<u>126,520</u>
Cash and investments - beginning of the year	408,747	1,163,124	1,571,871
Cash and investments - end of the year	<u>\$ 455,044</u>	<u>\$ 1,243,347</u>	<u>\$ 1,698,391</u>
Reconciliation of operating income to net cash used for operating activities			
Operating income (loss)	\$ 34,092	\$ (28,217)	\$ 5,875
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation expense	3,344	14,444	17,788
Change in assets and liabilities:			
(Increase) Decrease in accounts receivable, net	2,306	(1,710)	596
(Increase) Decrease in due from other funds	-	-	-
Increase (Decrease) in accounts payable	7,884	20,904	28,788
Increase (Decrease) in due to other funds	-	-	-
Increase (Decrease) in due to other governments	(6,128)	(17,425)	(23,553)
Increase (Decrease) in net pension liability (deferred inflows and outflows of resources)	(6,958)	28,426	21,468
Net Cash provided by operating activities	<u>\$ 34,540</u>	<u>\$ 16,422</u>	<u>\$ 50,962</u>

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

SAN BERNARDINO COUNTY
DEPARTMENT OF PUBLIC WORKS-SPECIAL DISTRICTS
COUNTY SERVICE AREA NO. 42 - ORO GRANDE
Statement of Cash Flows (continued)
Proprietary Funds
For the Year Ended June 30, 2021

	For Comparative Purposes Only		
	2020		
	ENTERPRISE FUNDS		
	Sewer	Water	Total
Cash Flows from operating activities			
Receipts from customers	\$ 181,107	\$ 143,212	\$ 324,319
Payments to suppliers	(111,158)	(18,882)	(130,040)
Payments to employees	(44,997)	(86,002)	(130,999)
Payments to service providers	(315)	(9,068)	(9,383)
Net Cash Provided by Operating Activities	<u>24,637</u>	<u>29,260</u>	<u>53,897</u>
Cash Flows from noncapital financing activities			
Special assessments	430	4,418	4,848
Penalties	1,774	2,091	3,865
Other	298.00	103,419	103,717
Net Cash Provided by noncapital financing activities	<u>2,502</u>	<u>109,928</u>	<u>112,430</u>
Cash Flows from capital and related financing activities			
Purchase and construction of capital assets	-	(37,350)	(37,350)
Net Cash Used for capital and related financing activities	<u>-</u>	<u>(37,350)</u>	<u>(37,350)</u>
Cash Flows from investing activities			
Investment earnings	13,127	35,884	49,011
Net Cash provided by investing activities	<u>13,127</u>	<u>35,884</u>	<u>49,011</u>
Net Increase in Cash and Investments	<u>40,266</u>	<u>137,722</u>	<u>177,988</u>
Cash and investments - beginning of the year	368,481	1,025,402	1,393,883
Cash and investments - end of the year	<u>\$ 408,747</u>	<u>\$ 1,163,124</u>	<u>\$ 1,571,871</u>
Reconciliation of operating income to net cash used for operating activities			
Operating income (loss)	\$ 17,469	\$ (24,211)	\$ (6,742)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation expense	3,344	14,447	17,791
Change in assets and liabilities:			
(Increase) Decrease in accounts receivable, net	1,611	(235)	1,376
(Increase) Decrease in due from other government	-	8,284	8,284
Increase (Decrease) in account payable	6,542	3,864	10,406
Increase (Decrease) in due to other funds	(8,284)	-	(8,284)
Increase (Decrease) in due to other governments	7,630	28,482	36,112
Increase (Decrease) in net pension liability (deferred inflows and outflows of resources)	(3,675)	(1,371)	(5,046)
Net Cash provided by operating activities	<u>\$ 24,637</u>	<u>\$ 29,260</u>	<u>\$ 53,897</u>

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

**SAN BERNARDINO COUNTY
DEPARTMENT OF PUBLIC WORKS-SPECIAL DISTRICTS
COUNTY SERVICE AREA NO. 42 – ORO GRANDE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021**

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the County Service Area (CSA) No. 42 - Oro Grande conform to generally accepted accounting principles as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Reporting entity

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

The CSA is a component unit of San Bernardino County and is governed by the action of the County Board of Supervisors.

The accompanying financial statements reflect only the accounts of the County Service Area No. 42 – Oro Grande of San Bernardino County and are not intended to present the financial position of the County taken as a whole.

Because the CSA meets the reporting entity criteria established by the Governmental Accounting Standards Board (GASB), the CSA’s financial statements have also been included in the Annual Comprehensive Financial Report of the County as a “component unit” for the fiscal year ended June 30, 2021.

Government-wide and fund financial statements

The government-wide financial statements (e.g., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the reporting entity. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. *Governmental activities* normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues.

SAN BERNARDINO COUNTY
DEPARTMENT OF PUBLIC WORKS-SPECIAL DISTRICTS
COUNTY SERVICE AREA NO. 42 – ORO GRANDE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government-wide and fund financial statements (continued)

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting* as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. However, for revenue derived from voluntary non-exchange transactions, such as taxes and federal and state grants, the County expanded its definition of “available” to 9 months. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

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

SAN BERNARDINO COUNTY
DEPARTMENT OF PUBLIC WORKS-SPECIAL DISTRICTS
COUNTY SERVICE AREA NO. 42 – ORO GRANDE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

The government reports the following major governmental funds:

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

The government reports the following major proprietary funds:

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

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

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

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

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

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

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

SAN BERNARDINO COUNTY
DEPARTMENT OF PUBLIC WORKS-SPECIAL DISTRICTS
COUNTY SERVICE AREA NO. 42 – ORO GRANDE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and investments

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

Interfund receivables and payables

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

Property taxes

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

Accounts receivable

Accounts receivable as of June 30, 2021 are presented net of allowance for uncollectibles in the amounts of:

Business-type			
<u>Activities</u>	<u>Water Funds</u>	<u>Sewer Funds</u>	
<u>\$ (20,947)</u>	<u>\$ (10,016)</u>	<u>\$ (10,931)</u>	

Inventories and prepaid items

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

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

SAN BERNARDINO COUNTY
DEPARTMENT OF PUBLIC WORKS-SPECIAL DISTRICTS
COUNTY SERVICE AREA NO. 42 – ORO GRANDE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund equity

The CSA implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following 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) legally or contractually required to be maintained intact. Due to the nature or form of the resources, they generally cannot be expected to be converted into cash or a spendable form.
- *Restricted Fund Balance*: Amounts are restricted by external parties, i.e., creditors, grantors, contributors, or laws/regulations of other governments or restricted by law through constitutional provisions or enabling legislation.
- *Committed Fund Balance*: Amounts can only be used for a specific purpose pursuant to constraints imposed by formal action of the government's highest level of decision making authority (the Board of Supervisors). The formal action must occur prior to the end of the reporting period, however, the amount may be determined in the subsequent period. These are self-imposed limitations on available resources. These committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same level of action it employed to previously commit those amounts. These committed amounts would be approved and adopted by formal action of the Board.
- *Assigned Fund Balance*: Amounts are constrained by the government's intent to be used for specific purposes that are neither restricted nor committed. The intent will be expressed by the body or official to which the governing body has delegated the authority, i.e. the County Administrative Office. The County Administrative Office will assign fund balance for specific departmental projects through the use of the respective department's general fund savings. Such projects would not normally be feasible for the department without reserving funding over a multiple year period.
- *Unassigned Fund Balance*: The General Fund, as the principal operating fund, often has net resources in excess of what can properly be classified in one of the four categories already described. Therefore, in order to calculate unassigned fund balance, total fund balance less nonspendable, restricted, committed, or assigned equals unassigned fund balance. This amount is available for any purpose and will be placed in the General Purpose Reserve, General Fund.

**SAN BERNARDINO COUNTY
DEPARTMENT OF PUBLIC WORKS-SPECIAL DISTRICTS
COUNTY SERVICE AREA NO. 42 – ORO GRANDE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund equity (continued)

When both restricted and unrestricted resources are available for use when an expenditure is incurred, it is the County’s policy to use restricted resources first, then unrestricted resources as they are needed. It is the County’s policy to consider committed amounts as being reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Capital assets

Capital assets, which include property, plant and equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (for improvements to land and structures and equipment) and have an estimated useful life in excess of one (1) year. Structures with an initial cost of \$100,000 are considered capital assets. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation in accordance with GASB Statement No. 72.

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

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

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

<u>Assets</u>	<u>Years</u>
Infrastructure	40-60
Structure and improvements	5-40
Equipment and vehicles	4-15

Use of estimates

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

**SAN BERNARDINO COUNTY
DEPARTMENT OF PUBLIC WORKS-SPECIAL DISTRICTS
COUNTY SERVICE AREA NO. 42 – ORO GRANDE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Stewardship, compliance and accountability

A. Budgetary information

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

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

B. Encumbrances

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

Deferred Outflows/ Inflows of Resources

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

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

**SAN BERNARDINO COUNTY
DEPARTMENT OF PUBLIC WORKS-SPECIAL DISTRICTS
COUNTY SERVICE AREA NO. 42 – ORO GRANDE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Long-Term Debt and Interest Payable

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

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

Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the Government-wide and Proprietary Fund Financial Statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

In the Government-wide Financial Statements, net position are classified in the following categories: *Net Investment in Capital Assets* consists of capital assets net of accumulated depreciation and reduced by outstanding debt that attributed to the acquisition, construction, or improvement of the assets. Restricted net position is restricted by external creditors, grantors, contributors, laws or regulations of other governments. Unrestricted net position is all net position that does not meet the definition of “net investment in capital assets” or “restricted net position.”

Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the CSA’s plan and additions to/deductions from the plans’ fiduciary net position have been determined on the same basis as they are reported by SBCERA. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

SAN BERNARDINO COUNTY
DEPARTMENT OF PUBLIC WORKS-SPECIAL DISTRICTS
COUNTY SERVICE AREA NO. 42 – ORO GRANDE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 2: CASH AND INVESTMENTS

Cash and investments includes balances of monies deposited with the County Treasurer which are pooled and invested for the purpose of increasing earnings through investment activities. Interest earned on pooled investments is deposited to the CSA’s account based upon the CSA’s average daily deposit balance during the allocation period. Cash and investments are shown at the fair value as of June 30, 2021. Changes in fair value that occur during a fiscal year are recognized as *investment earnings* reported for that fiscal year. *Investment earnings* reports interest earnings, changes in fair value, and any gains or losses realized upon the liquidation, maturity, or sale of investments. The County’s practice is to hold investments until maturity.

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

NOTE 3: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2021 was as follows:

Governmental activities:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 9,930	\$ -	\$ -	\$ 9,930
Total capital assets, not being depreciated	<u>9,930</u>	<u>-</u>	<u>-</u>	<u>9,930</u>
Capital assets, being depreciated:				
Improvements to land	392,292	-	-	392,292
Structures and improvements	16,145	-	-	16,145
Equipment	6,493	-	-	6,493
Total capital assets, being depreciated	<u>414,930</u>	<u>-</u>	<u>-</u>	<u>414,930</u>
Less accumulated depreciation for:				
Improvements to land	(308,223)	(7,712)	-	(315,935)
Structures and improvements	(10,696)	(807)	-	(11,503)
Equipment	(6,493)	-	-	(6,493)
Total accumulated depreciation	<u>(325,412)</u>	<u>(8,519)</u>	<u>-</u>	<u>(333,931)</u>
Total capital assets, being depreciated, net	<u>89,518</u>	<u>(8,519)</u>	<u>-</u>	<u>80,999</u>
Total capital assets, net	<u>\$ 99,448</u>	<u>\$ (8,519)</u>	<u>\$ -</u>	<u>\$ 90,929</u>

**SAN BERNARDINO COUNTY
DEPARTMENT OF PUBLIC WORKS-SPECIAL DISTRICTS
COUNTY SERVICE AREA NO. 42 – ORO GRANDE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 3: CAPITAL ASSETS (continued)

Business-type activities:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 44,800	\$ -	\$ -	\$ 44,800
Construction in progress	183,778	46,647	-	230,425
Total capital assets, not being depreciated	<u>228,578</u>	<u>46,647</u>	<u>-</u>	<u>275,225</u>
Capital assets, being depreciated:				
Improvements to land	722,703	-	-	722,703
Structures and improvements	51,800	-	-	51,800
Total capital assets, being depreciated	<u>774,503</u>	<u>-</u>	<u>-</u>	<u>774,503</u>
Less accumulated depreciation for:				
Improvements to land	(444,396)	(15,198)	-	(459,594)
Structures and improvements	(36,476)	(2,590)	-	(39,066)
Total accumulated depreciation	<u>(480,872)</u>	<u>(17,788)</u>	<u>-</u>	<u>(498,660)</u>
Total capital assets, being depreciated, net	<u>293,631</u>	<u>(17,788)</u>	<u>-</u>	<u>275,843</u>
Total capital assets, net	<u>\$ 522,209</u>	<u>\$ 28,859</u>	<u>\$ -</u>	<u>\$ 551,068</u>

NOTE 4: LONG-TERM LEASE AGREEMENT

On March 13, 2007, the Board of Supervisors approved an agreement with Oro Grande School District to lease Rainbow Park, an unused 2.92 acre parcel located on property contiguous to Oro Grande School, to the school for a period of 43 years at a total cost of \$43,000. The purpose of the lease is to construct additional charter school facilities on the site at the cost of the school district. Oro Grande School District was required to relocate the existing park equipment to the Community Center Park at the expense of the school district. The lease will be for the period February 1, 2007 to January 31, 2050.

SAN BERNARDINO COUNTY
DEPARTMENT OF PUBLIC WORKS-SPECIAL DISTRICTS
COUNTY SERVICE AREA NO. 42 – ORO GRANDE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 5: RETIREMENT PLAN

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

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

**SAN BERNARDINO COUNTY
DEPARTMENT OF PUBLIC WORKS-SPECIAL DISTRICTS
COUNTY SERVICE AREA NO. 42 – ORO GRANDE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 5: RETIREMENT PLAN (continued)

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

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

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

**SAN BERNARDINO COUNTY
DEPARTMENT OF PUBLIC WORKS-SPECIAL DISTRICTS
COUNTY SERVICE AREA NO. 42 – ORO GRANDE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 5: RETIREMENT PLAN (continued)

Employee contribution rates for the fiscal year ended June 30, 2021 ranged between 9.50% and 15.77% for Tier 1 General members and was 9.09% for Tier 2 General members.

Employer contribution rates for fiscal year ended June 30, 2021 were 25.84% and 23.32% for Tier 1 and Tier 2, respectively.

Actuarial Assumptions and Discount Rates

See the San Bernardino County's Annual Comprehensive Financial Report (ACFR) for details of actuarial assumptions and discount rates for the year ended June 30, 2021.

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

At June 30, 2021, the CSA reported a liability of \$154,987 which represents 1.50% of the San Bernardino County Special District's proportionate share of the County's net pension liability. The CSA's proportion was allocated based on FY 2021 total salaries and benefits relative to the total salaries and benefits of the San Bernardino County Special Districts as a whole.

The San Bernardino County Special District's proportionate share of the County's net pension liability was based on its contributions to the pension plan relative to the County's contributions for FY 2020 as a whole. The County's net pension liability was allocated by SBCERA based on the actual employer contributions in each cost group.

The Plan's net pension liability was measured as of June 30, 2020 based upon the results of an actuarial valuation as of the same date. Plan fiduciary net position and the total pension liability were valued as of the measurement dates.

**SAN BERNARDINO COUNTY
DEPARTMENT OF PUBLIC WORKS-SPECIAL DISTRICTS
COUNTY SERVICE AREA NO. 42 – ORO GRANDE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 5: RETIREMENT PLAN (continued)

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

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

CSA 42

1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
\$ 239,938	\$ 154,987	\$ 85,427

Pension expenses recognized amounted to \$21,468 for the year ended June 30, 2021.

At June 30, 2021, the CSA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Deferred Outflows of Resources*	Deferred Inflows of Resources**
\$76,324	\$7,172

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

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

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JUNE 30, 2021**

NOTE 5: RETIREMENT PLAN (continued)

Sensitivity of the Proportionate Share of the Net Pension Liability/Asset to Changes in the Discount Rate (continued)

The deferred outflows of resources related to pensions, resulting from the CSA’s contributions to the plan subsequent to the measurement date of \$19,832 will be recognized as a reduction of the net pension liability in the following year. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in future pension expense as follows:

<u>Year Ended June 30,</u>		
2022	\$	9,869
2023		13,860
2024		12,574
2025		10,809
2026		<u>2,208</u>
Total	\$	<u><u>49,320</u></u>

NOTE 6: RISK MANAGEMENT

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

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JUNE 30, 2021

NOTE 6: RISK MANAGEMENT (continued)

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

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

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

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

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

See the San Bernardino County's Annual Comprehensive Financial Report (ACFR) for details of their claims liability in accordance with GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, at June 30, 2021.

NOTE 7: CONTINGENCIES

As of June 30, 2021, in the opinion of the CSA Administration, there are no outstanding matters, which would have a significant effect on the financial position of the CSA.

**SAN BERNARDINO COUNTY
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NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 8: RISKS AND UNCERTAINTIES

During March 2020, a global pandemic was declared by the World Health Organization related to the rapidly growing outbreak of a novel strain of coronavirus (COVID- 19). The pandemic has significantly impacted the economic conditions in the U.S., accelerating through the rest of 2020 and 2021, as federal, state, and local government react to the public health crisis, creating significant uncertainties in the U.S. economy. These uncertainties could negatively impact the CSA's operations and financial results.

Note 9: SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 24, 2021, which is the date the financial statements were available to be issued. No events occurred through this date requiring disclosure.

SAN BERNARDINO COUNTY
DEPARTMENT OF PUBLIC WORKS-SPECIAL DISTRICTS
COUNTY SERVICE AREA NO. 42 - ORO GRANDE
Budgetary Comparison Schedule - Special Revenue Funds (General)
For the Year Ended June 30, 2021

	SPECIAL REVENUE FUNDS			
	PARK (1336)			
	Original Budget	Final Budget	Actual	Variances with Final Budget Positive (Negative)
Revenues				
Property taxes	\$ 29,750	\$ 29,750	\$ 640,237	\$ 610,487
Intergovernmental-State assistance	250	250	222	(28)
Investment earnings	1,100	1,100	11,939	10,839
Total revenues	<u>31,100</u>	<u>31,100</u>	<u>652,398</u>	<u>621,298</u>
Expenditures				
Current - parks and recreation:				
Salaries and benefits	9,931	20,821	15,861	4,960
Services and supplies	11,219	100,329	21,319	79,010
Utilities	9,950	9,950	14,930	(4,980)
Total expenditures	<u>31,100</u>	<u>131,100</u>	<u>52,110</u>	<u>78,990</u>
Excess of revenues over (under) expenditures	<u>-</u>	<u>(100,000)</u>	<u>600,288</u>	<u>700,288</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (100,000)</u>	600,288	<u>\$ 700,288</u>
Fund balance - beginning			<u>778,930</u>	
Fund balance - ending			<u>\$ 1,379,218</u>	