

San Bernardino County
Department of Public Works - Special Districts
County Service Area No. 69 Lake Arrowhead Road

FINANCIAL STATEMENTS

JUNE 30, 2023

*San Bernardino County
Department of Public Works – Special Districts
County Service Area No. 69 Lake Arrowhead Road*

**Basic Financial Statements
For the Year Ended June 30, 2023**

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Independent Auditor's Report

Board of Supervisors
San Bernardino County
Department of Public Works-Special Districts
County Service Area No.69 Lake Arrowhead Road

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Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities and each major governmental fund of the San Bernardino County Department of Public Works-Special Districts County Service Area No. 69 Lake Arrowhead Road (CSA), a component unit of San Bernardino County, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the CSA's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities and each major governmental fund of the CSA, as of June 30, 2023, and the respective changes in financial position thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America, as well as accounting systems prescribed by the State Controller's Office and state regulations governing special districts.

Basis for Opinions

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

MANAGERS / STAFF

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MEMBERS

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Emphasis of Matter

As discussed in Note 1, the financial statements present only the CSA and do not purport to, and do not present fairly the financial position of San Bernardino County, as of June 30, 2023, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our 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 GAAS 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 GAAS 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 CSA's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

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

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

Required Supplementary Information

Management has omitted Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions 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 statement, 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 April 10, 2024 on our consideration of the CSA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering San Bernardino County Department of Public Works-Special Districts County Service Area No. 69 Lake Arrowhead Road's internal control over financial reporting and compliance.

Rogers, Anderson, Malody & Scott, LLP.

San Bernardino, California
April 10, 2024

San Bernardino County
Department of Public Works - Special Districts
County Service Area No. 69 Lake Arrowhead Road

Statement of Net Position
June 30, 2023

	<u>Governmental Activities</u>
ASSETS	
Current assets	
Cash and investments	\$ 309,349
Receivables, net:	
Special assessments	
Taxes	2,025
Due from County special districts	79
Capital assets, net of depreciation	714,841
Total assets	<u>1,026,294</u>
LIABILITIES	
Due to County special districts	<u>2,318</u>
Total liabilities	<u>2,318</u>
NET POSITION	
Net investment in capital assets	714,841
Restricted for:	
Road maintenance and snow removal	<u>309,135</u>
Total net position	<u>\$ 1,023,976</u>

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

San Bernardino County
Department of Public Works - Special Districts
County Service Area No. 69 Lake Arrowhead Road

Statement of Activities
For the Year Ended June 30, 2023

Functions/Programs	Program Revenues			Net (Expenses)
	Expenses	Charges for Services	Operating Grants and Contributions	Revenues and Change in Net Position
Primary government				
Governmental activities:				
Public works	\$ 59,163	\$ 38,789	\$ 259	\$ (20,115)
Total governmental activities	59,163	38,789	259	(20,115)
Total primary government	\$ 59,163	\$ 38,789	\$ 259	(20,115)
General revenues:				
Property taxes				43,434
Unrestricted investment earnings				5,565
Total general revenues				48,999
Change in net position				28,884
Net position, beginning				995,092
Net position, ending				\$ 1,023,976

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

*San Bernardino County
Department of Public Works – Special Districts
County Service Area No. 69 Lake Arrowhead Road*

**Balance Sheet
Governmental Funds
June 30, 2023**

	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Total Governmental Funds</u>
	<u>General (445-1372)</u>	<u>Roads (445-3590)</u>	
ASSETS			
Cash and investments	\$ 274,908	\$ 34,441	\$ 309,349
Receivables, net:			
Taxes	2,025	-	2,025
Due from County special districts	79	-	79
	<u>\$ 277,012</u>	<u>\$ 34,441</u>	<u>\$ 311,453</u>
LIABILITIES			
Due to County special districts	\$ -	\$ 2,318	\$ 2,318
Total liabilities	<u>-</u>	<u>2,318</u>	<u>2,318</u>
FUND BALANCES			
Restricted for:			
Road maintenance and snow removal	277,012	32,123	309,135
Total fund balances	<u>277,012</u>	<u>32,123</u>	<u>309,135</u>
	<u>\$ 277,012</u>	<u>\$ 34,441</u>	<u>\$ 311,453</u>

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

San Bernardino County
Department of Public Works - Special Districts
County Service Area No. 69 Lake Arrowhead Road

**Reconciliation of the Balance Sheet of Governmental Funds to the
Statement of Net Position
June 30, 2023**

Total fund balances - governmental funds \$ 309,135

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 714,841

Net position of governmental funds \$ 1,023,976

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

San Bernardino County
Department of Public Works – Special Districts
County Service Area No. 69 Lake Arrowhead Road

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2023

	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Total Governmental Funds</u>
	<u>General (445-1372)</u>	<u>Roads (445-3590)</u>	
REVENUES			
Property taxes	\$ 43,432	\$ -	\$ 43,432
Special assessments	38,407	-	38,407
Intergovernmental - State assistance	259	-	259
Investment earnings	3,715	1,851	5,566
Permit and inspection fees	383	-	383
Total revenues	<u>86,196</u>	<u>1,851</u>	<u>88,047</u>
EXPENDITURES			
Current - public works:			
Salaries and benefits	9,100	2,318	11,418
Services and supplies	11,083	-	11,083
Capital outlay	-	84,503	84,503
Total expenditures	<u>20,183</u>	<u>86,821</u>	<u>107,004</u>
Net change in fund balances	66,013	(84,970)	(18,957)
Fund balances, beginning	210,999	117,093	328,092
Fund balances, ending	<u>\$ 277,012</u>	<u>\$ 32,123</u>	<u>\$ 309,135</u>

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

San Bernardino County
Department of Public Works - Special Districts
County Service Area No. 69 Lake Arrowhead Road

**Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balance of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2023**

Net change in fund balances - governmental funds \$ (18,957)

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

Governmental funds report capital outlays as expenditures. However,
in the statement of activities the cost of those assets is allocated over
their estimated useful lives and reported as depreciation expense. This
is the amount of depreciation expense that exceeded capital outlay in
the current year.

47,841

Change in net position of governmental activities \$ 28,884

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

*San Bernardino County
Department of Public Works – Special Districts
County Service Area No. 69 Lake Arrowhead Road*

**Notes to the Financial Statements
June 30, 2023**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the San Bernardino County Department of Public Works - Special District County Service Area No. 69 Lake Arrowhead Road (the District) conform to generally accepted accounting principles as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Reporting Entity

The District was established by an act of the Board of Supervisors of the San Bernardino County (the County) on December 22, 1969 under Section 4700 of the State Health & Safety Code to maintain 4 miles of paved roads.

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

The accompanying financial statements reflect only the accounts of the CSA 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, 2023.

Government-wide and Fund Financial Statements

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants 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
Department of Public Works – Special Districts
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Notes to the Financial Statements
June 30, 2023

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. Currently, the CSA does not have a proprietary or fiduciary fund types. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statements Presentation

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible 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. 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. 69 Lake Arrowhead Road

Notes to the Financial Statements
June 30, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The government reports the following major governmental fund:

The *special revenue fund* labeled “General” is the government’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *capital project fund* labeled “Roads” is used to account for financial resources for road maintenance and improvements.

Financial reporting is based upon 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.

Cash and Investments

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

Interfund Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (e.g., the current portion of interfund loans) or “advances to/from other funds” (e.g., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.” Currently, the CSA does not have any business-type activities.

*San Bernardino County
Department of Public Works – Special Districts
County Service Area No. 69 Lake Arrowhead Road*

**Notes to the Financial Statements
June 30, 2023**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property Taxes

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

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.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the governmental column 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 two years. Structures with an initial cost of \$100,000 are considered capital assets. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

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

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

Property, plant and equipment of the government is 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

*San Bernardino County
Department of Public Works – Special Districts
County Service Area No. 69 Lake Arrowhead Road*

**Notes to the Financial Statements
June 30, 2023**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Equity Classifications

The following fund equity 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 such as 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.

*San Bernardino County
Department of Public Works – Special Districts
County Service Area No. 69 Lake Arrowhead Road*

**Notes to the Financial Statements
June 30, 2023**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Equity Classifications (Continued)

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

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

Net Position/Fund Balance Flow Assumption

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.

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

*San Bernardino County
Department of Public Works – Special Districts
County Service Area No. 69 Lake Arrowhead Road*

**Notes to the Financial Statements
June 30, 2023**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows/Inflows of Resources

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

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.

Pensions

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

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.

San Bernardino County
Department of Public Works – Special Districts
County Service Area No. 69 Lake Arrowhead Road

Notes to the Financial Statements
June 30, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Budgetary information (Continued)

Stewardship, Compliance and Accountability (Continued)

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 commitment will be re-appropriated and honored during the subsequent year.

NOTE 2: CASH AND INVESTMENTS

Cash and investments include balances of monies deposited with the County Treasurer which are pooled and invested for the purpose of increasing earnings through investment activities. Interest earned on pooled investments is deposited to the CSA's account based upon the CSA's average daily deposit balance during the allocation period. Cash and investments are shown at the fair value as of June 30, 2023. 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.sbcountyatc.gov/Services/Documents>.

*San Bernardino County
Department of Public Works – Special Districts
County Service Area No. 69 Lake Arrowhead Road*

**Notes to the Financial Statements
June 30, 2023**

NOTE 3: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2023 was as follows:

Governmental activities:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets, being depreciated:				
Improvements to land	\$ 253,655	\$ 87,946	\$ -	\$ 341,601
Infrastructure	859,794	-	-	859,794
Total capital assets, being depreciated	<u>1,113,449</u>	<u>87,946</u>	<u>-</u>	<u>1,201,395</u>
Less accumulated depreciation for:				
Improvements to land	(169,027)	(12,444)	-	(181,471)
Infrastructure	<u>(277,422)</u>	<u>(27,661)</u>	<u>-</u>	<u>(305,083)</u>
Total accumulated depreciation	<u>(446,449)</u>	<u>(40,105)</u>	<u>-</u>	<u>(486,554)</u>
Total capital assets, being depreciated, net	<u>667,000</u>	<u>47,841</u>	<u>-</u>	<u>714,841</u>
Total capital assets, net	<u>\$ 667,000</u>	<u>\$ 47,841</u>	<u>\$ -</u>	<u>\$ 714,841</u>

NOTE 4: RISK MANAGEMENT

The County has self-insurance programs for public liability, unemployment insurance, employee dental insurance, property damage, workers' compensation claims, hospital and medical malpractice liability, environmental liability, and cyber security.

Public liability claims are self-insured for up to \$3 million per occurrence with a one-time corridor retention of \$2 million. 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 PRISM (Public Risk Innovation, Solutions, and Management) as follows:

Primary Liability Coverage:

- \$7 million excess of \$3 million self-insured retention with PRISM; QBE Insurance; and reinsurance provided by ACE American Insurance Company.
- \$5 million, excess of \$10 million with PRISM with quota share reinsurance provided by Great American Insurance Company, Everest Reinsurance Company, Arcadian Risk Capital LRD, and Greenlight Reinsurance LTD.
- \$10 million in excess of \$15 million provided by PRISM with reinsurance provided by Safety National Casualty Corporations.

*San Bernardino County
Department of Public Works – Special Districts
County Service Area No. 69 Lake Arrowhead Road*

**Notes to the Financial Statements
June 30, 2023**

NOTE 4: RISK MANAGEMENT (Continued)

Secondary Liability Coverage:

- \$10 million in excess of \$25 million with Allied World National Assurance Co.
- \$5 million in excess of \$35 million with Great American Excess & Surplus Co.
- \$10 million in excess of \$40 million with PRISM, reinsured with Munich Reinsurance America, Inc.

The County has excess liability coverage for specified Human Services departments with \$2.5 million coverage in excess of \$500,000 self-insured retention provided by PRISM.

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.

The Worker's Compensation program continued under the Prism 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 Corp.

The County Supplements its self-insurance for medical malpractice claims with a \$25 million per claim 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. Environmental claims are self-insured up to \$1 million per occurrence, with excess coverage provided through a combination of policies as follows:

- \$10 million per pollution condition and aggregate limits provides by Illinois Union Insurance Company.
- \$15 million for each claim and aggregate limits in excess of \$10 million provided by Tokio Marine Specialty Insurance Company.
- \$25 million for each claim and aggregate limits in excess of \$25 million provided by Fireman's Fund Indemnity Corporation (Allianz).

The County extends environmental coverage to County contractors with a \$25 million per incident and \$25 million aggregate in excess of \$100,000 self-insurance retention.

*San Bernardino County
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**Notes to the Financial Statements
June 30, 2023**

NOTE 4: RISK MANAGEMENT (Continued)

Coverage for data breaches and cyber security breaches are self-insured for \$1.5 million per occurrence with excess coverage provided as follows:

- \$5 million per claim and \$5 million aggregate in excess of \$1.5 million SIR provided by Indian Harbor Insurance Company.
- \$5 million per claim in excess of \$5 million provided by Starr Surplus Lines Insurance.
- \$5 million per claim in excess of \$10 million provided by Liberty Surplus Insurance Corporation.
- \$5 million per claim in excess of \$15 million provided by Berkley Assurance Company.
- \$10 million per claim in excess of \$20 million provided by Lloyd's of London Syndicate.

Property damage claims are insured on an occurrence basis over a \$100,000 deductible through PRISM and reinsured with Fidelis Insurance and several other insurers/reinsurers including Westchester Fire Insurance Company, Aspen Specialty Insurance Company, Ironshore Indemnity Inc., Munich Reinsurance America, Inc., and several other insurance companies.

All public officials and County employees are insured under a blanket Comprehensive Disappearance, Destruction, and Dishonesty policy covering County monies and securities, with National Union Fire Insurance Company or Pittsburgh, PA with a \$100 thousand deductible and excess limits up to \$5 million per occurrence.

The claims related to the above referenced programs are accounted for in the Department of Risk Management'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 adjustments expenses. The liabilities for these claims are reported using a discounted rate of 0.79% and an actuarially determined 80% confidence level. It is the County's practice to obtain actuarial studies on an annual basis.

See the San Bernardino County's Annual Comprehensive Financial Report (ACFR) for details of their claims liability at June 30, 2023.

NOTE 5: CONTINGENCIES

As of June 30, 2023, 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
Department of Public Works – Special Districts
County Service Area No. 69 Lake Arrowhead Road

Required Supplementary Information
Budgetary Comparison Schedule – Special Revenue Fund (General)
For the Year Ended June 30, 2023

	Special Revenue Fund			
	General (445-1372)			
	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Property taxes	\$ 35,050	\$ 35,050	\$ 43,432	\$ 8,382
Special assessments	40,200	40,200	38,407	(1,793)
State assistance	200	200	259	59
Investment earnings	3,000	3,000	3,715	715
Permit and inspection fees	500	500	383	(117)
Total revenues	<u>78,950</u>	<u>78,950</u>	<u>86,196</u>	<u>7,246</u>
EXPENDITURES				
Current - public works:				
Salaries and benefits	4,045	4,045	9,100	(5,055)
Services and supplies	44,986	44,986	11,083	33,903
Total expenditures	<u>49,031</u>	<u>49,031</u>	<u>20,183</u>	<u>28,848</u>
Net change in fund balance	<u>\$ 29,919</u>	<u>\$ 29,919</u>	66,013	<u>\$ 36,094</u>
Fund balance, beginning			210,999	
Fund balance, ending			<u>\$ 277,012</u>	