SAN BERNARDINO COUNTY
FLOOD CONTROL DISTRICT
(A Component Unit of the County of San Bernardino)

Annual Financial Report

Year Ended June 30, 2015

MGO Certified Public Accountants

SAN BERNARDINO COUNTY FLOOD CONTROL DISTRICT
Year Ended June 30, 2015

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Independent Auditor's Report

Board of Supervisors
County of San Bernardino
San Bernardino County Flood Control District
San Bernardino, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund and the aggregate remaining fund information of the San Bernardino County Flood Control District (the District), a component unit of the County of San Bernardino, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund and the aggregate remaining fund information of the San Bernardino County Flood Control District as of June 30, 2015, 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.

Emphasis of a Matter

As discussed in Note 2 to the basic financial statements, effective July 1, 2014, the District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27,* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68.* Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information and information related to pensions on page 41 and pages 42 and 43, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District’s basic financial statements. The combining statements by zone are presented for purposes of additional analysis and are not a required part of the District’s basic financial statements.

The combining statements by zone are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining statements by zone are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2015, on our consideration of the District'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 the District's internal control over financial reporting and compliance.

Macias Gini & O'Connell LLP

Los Angeles, California
November 20, 2015

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BASIC FINANCIAL STATEMENTS

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SAN BERNARDINO COUNTY FLOOD CONTROL DISTRICT
Statement of Net Position
June 30, 2015

	Governmental Activities
Assets	
Cash and cash equivalents	$ 50,258,560
Cash with fiscal agent	67,138,368
Cash in trust	6,015,729
Interest receivable	590,776
Taxes receivable	784,737
Other receivable	149,044
Due from other governments	3,417,217
Capital assets, net of depreciation	299,555,093
Prepaid expenses	238,736
Total assets	428,148,260
Deferred outflows of resources	
Loss on refunding of debt	554,300
Deferred outflows of resources related to pensions	3,423,234
Total deferred outflows of resources	3,977,534
Liabilities	
Accounts payable	890,045
Salaries and benefits payable	753,508
Retentions payable	194,244
Interest payable	1,319,872
Due to other governments	1,148,381
Unearned revenue	240,675
Long-term liabilities:	
Due within one year	4,541,278
Due in more than one year	104,515,738
Total liabilities	113,603,741
Deferred inflows of resources	
Deferred inflows of resources related to pensions	6,828,198
Net Position	
Net investment in capital assets	283,162,160
Restricted	13,724,983
Unrestricted	14,806,712
Total net position	$ 311,693,855

See accompanying notes to the financial statements.

SAN BERNARDINO COUNTY FLOOD CONTROL DISTRICT
Statement of Activities
Year Ended June 30, 2015

	Governmental Activities
Expenses	
Public works - flood control:	
Salaries and benefits	$ 10,224,260
Services and supplies	16,434,114
Depreciation	13,043,065
Interest	2,768,648
Total program expenses	42,470,087
Program Revenues	
Operating grants and contributions	4,928,777
Charges for services	1,109,658
Total program revenues	6,038,435
Net program expense	36,431,652
General Revenues	
Property taxes	43,554,373
Other taxes	328,805
Interest	168,479
Insurance recoveries	14,048,618
Gain on sale of capital assets	1,082,022
Other	159,263
Total general revenues	59,341,560
Change in net position	22,909,908
Net position at beginning of year, as restated	288,783,947
Net position at end of year	$ 311,693,855

See accompanying notes to the financial statements.

FUND FINANCIAL STATEMENTS

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SAN BERNARDINO COUNTY FLOOD CONTROL DISTRICT

Balance Sheet

Governmental Fund

June 30, 2015

	General Fund
Assets	
Cash and cash equivalents	$ 44,202,140
Cash with fiscal agent	67,138,368
Cash in trust	6,015,729
Interest receivable	590,776
Taxes receivable	784,737
Other receivable	149,044
Due from other governments	3,362,808
Prepaid expenses	8,663
Total assets	$ 122,252,265
Liabilities	
Accounts payable	$ 785,132
Salaries and benefits payable	753,508
Retentions payable	194,244
Due to other funds	38,357
Due to other governments	1,148,381
Unearned revenue	240,675
Total liabilities	3,160,297
Deferred inflows of resources:	
Unavailable revenue	3,366,817
Fund balance:	
Restricted for:	
Debt service	15,044,855
Assigned	3,956,163
Unassigned	96,724,133
Total fund balance	115,725,151
Total liabilities, deferred inflows of resources and fund balance	$ 122,252,265

See accompanying notes to the financial statements.

SAN BERNARDINO COUNTY FLOOD CONTROL DISTRICT

Reconciliation of the Balance Sheet of Governmental
Fund to the Statement of Net Position
June 30, 2015

Fund balance governmental fund		$ 115,725,151
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Internal service fund is used by management to charge the cost of certain activities to individual zones. The assets and liabilities are unrestricted in the statement of net position.		11,068,525
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund financial statements.		294,530,841
Long-term receivables are not available to pay for current period expenditures and, therefore, are reported as deferred inflows of resources in the fund financial statements.		3,366,817
Some liabilities are not due and payable in the current period and, therefore, are not reported in the fund financial statements.		
Bonds payable	$ (97,230,000)	
Plus: premium on debt	(863,133)	
Accrued interest payable	(1,319,872)	
Long-term compensated absences payable	(1,985,111)	
Net pension liability	(8,978,772)	(110,376,888)
Prepaid bond insurance costs are expended in the fund financial statements when paid, however, such costs are capitalized and amortized over the live of the corresponding bonds for purposes of the statement of net position.		230,073
Deferred loss on refunding of debt reported as deferred outflows of resources are not financial resources and, therefore are not reported in the governmental fund. Such costs are capitalized and amortized over the life of the corresponding bonds for purposes of the statement of net position.		554,300
Deferred outflows and inflows of resources for pensions reported in the statement of net position but not recognized in the governmental funds:		
Deferred outflows related to pensions		3,423,234
Deferred inflows related to pensions		(6,828,198)
Net position of governmental activities		$ 311,693,855

See accompanying notes to the financial statements.

SAN BERNARDINO COUNTY FLOOD CONTROL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Fund
Year Ended June 30, 2015

	General Fund
Revenues	
Property taxes	$ 43,554,373
Other taxes	328,805
Rents, concessions and royalties	492,437
Interest	141,417
Other governmental aid	4,711,891
Licenses, fees and permits	617,225
Other	159,263
Total revenues	50,005,411
Expenditures	
Salaries and benefits	11,653,066
Services and supplies	16,873,989
Capital outlay	4,860,644
Debt service:	
Principal	6,810,000
Interest	2,904,469
Total expenditures	43,102,168
Excess of revenues over expenditures	6,903,243
Other Financing Sources	
Sale of capital assets	1,262,749
Insurance recoveries	14,048,618
Total other financing sources	15,311,367
Net change in fund balance	22,214,610
Fund balance - beginning	93,510,541
Fund balance - ending	$ 115,725,151

See accompanying notes to the financial statements.

SAN BERNARDINO COUNTY FLOOD CONTROL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Fund to the Statement of Activities

Year Ended June 30, 2015

Net change in fund balance - governmental fund		$ 22,214,610
Amounts reported for governmental activities in the Statement of Activities are different because:		
Internal service fund's change in net position is "rolled into" the governmental fund's fund balance for reporting purposes in the government-wide statement of activities. This is the amount by which the internal service fund's net position decreased.		(95,874)
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 by which capital outlay of $4,860,644 was less than the depreciation expense ($12,340,408) in the current period and includes construction in progress projects that were canceled ($354,928).		(7,834,692)
Amortization of deferred outflows of resources resulting from the deferred refunding losses.		(24,100)
The issuance of long term debt provided current resources to the governmental funds, while the repayment of the principal of the long term debt consumes the current resources of governmental funds. Also, the governmental funds report the effect of the premium and similar items when the debt is first issued, whereas these amounts are deferred in the statement of activities. This is the effect of the difference in the treatment of long debt and related items:		
Amortization of deferred charges and bond premium	$ 86,390	
Principal payments on loan	3,000,000	
Principal payments on bonds	3,810,000	6,896,390
Some revenues reported in the statement of activities do not represent current financial resources and therefore are not reported as revenue in the governmental funds. The amount represents the change in deferred inflows of resources.		216,886
Some expenses reported in the statement of activities do not require the the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Decrease in accrued interest payable		73,527
Increase in compensated absences payable		(130,132)
Decrease in accrued net pension liability		1,593,293
Change in net position of governmental activities		$ 22,909,908

See accompanying notes to the financial statements.

SAN BERNARDINO COUNTY FLOOD CONTROL DISTRICT
Statement of Net Position
Proprietary Fund
June 30, 2015

	Internal Service Fund
Assets	
Current assets:	
Cash and cash equivalents	$ 6,056,420
Due from other funds	38,357
Due from other governments	54,409
Total current assets	6,149,186
Noncurrent assets:	
Capital assets being depreciated, net	5,024,252
Total noncurrent assets	5,024,252
Total assets	11,173,438
Liabilities	
Current liabilities:	
Accounts payable	104,913
Total liabilities	104,913
Net Position	
Net investment in capital assets	5,024,252
Unrestricted	6,044,273
Total net position	$ 11,068,525

See accompanying notes to the financial statements.

SAN BERNARDINO COUNTY FLOOD CONTROL DISTRICT
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Fund
Year Ended June 30, 2015

	Internal Service Fund
Operating Revenues	
Charges for services	$ 2,136,020
Total operating revenues	2,136,020
Operating Expenses	
Salaries and benefits	34,355
Services and supplies	1,696,145
Depreciation	702,657
Total operating expenses	2,433,157
Operating loss	(297,137)
Nonoperating Revenues	
Investment earnings	27,062
Gain on sale of capital assets	174,201
Total nonoperating revenues	201,263
Change in net position	(95,874)
Net position at beginning of year	11,164,399
Net position at end of year	$ 11,068,525

See accompanying notes to the financial statements.

SAN BERNARDINO COUNTY FLOOD CONTROL DISTRICT
Statement of Cash Flows
Proprietary Fund
Year Ended June 30, 2015

	Internal Service Fund
Cash Flows From Operating Activities	
Receipts from interfund services provided	$ 2,086,520
Payments to suppliers	(1,591,232)
Net cash provided by operating activities	460,933
Cash Flows From Capital and Related Financing Activities	
Proceeds from sale of capital assets	182,633
Purchase of capital assets	(1,039,948)
Net cash used by capital and related financing activities	(857,315)
Cash Flows From Investing Activities	
Investment earnings	27,062
Net cash provided by investing activities	27,062
Net decrease in cash and cash equivalents	(369,320)
Cash and cash equivalents - beginning of the year	6,425,740
Cash and cash equivalents - end of the year	$ 6,056,420
Reconciliation of operating loss to net cash provided by operating activities:	
Operating loss	$ (297,137)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation expense	702,657
Change in assets, liabilities, deferred outflows and deferred inflows of resources:	
(Increase) in due from other governments	(44,435)
(Increase) in due from other funds	(5,065)
Increase in accounts payable	104,913
Net cash provided by operating activities	$ 460,933

See accompanying notes to the financial statements.

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The San Bernardino County Flood Control District (the District) is a special district located within the County of San Bernardino (the County). The District has governmental powers as established by the County Government Charter. The County was established in 1852 as a legal subdivision of the State of California.

The District was established under Chapter 73 of the 1939 Statutes for the State of California. The District's powers are exercised through the Board of Supervisors (the Board), which is the governing body for the County. The District maintains and constructs flood control channels, basins, storm drains and dams in six geographical zones within the County. The District also works with the neighboring counties of Los Angeles, Riverside and Orange to maintain flood control systems and clean up after disasters.

The District is a component unit of the County. Component units are legally separate organizations for which the Board is financially accountable or other organizations whose nature and significant relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. Financial accountability is defined as the appointment of a voting majority of the component unit's board, and (i) either the County's ability to impose its will on the organization or (ii) there is potential for the organization to provide a financial benefit to or impose a financial burden on the County.

The District's General Fund and the Internal Service Fund have combined resources within the County to form an integrated flood drainage and water conservation system in the incorporated and unincorporated areas of the County. The six flood control zones are as follows:

Zone	Geographical Areas (Description)
1	The westerly portion of the San Bernardino Valley extending from Beech Avenue in the Fontana area to the Los Angeles County line, all south of the San Gabriel mountain range divide. This embraces the cities or communities of Upland, Montclair, Ontario, Chino, Alta Loma, Rancho Cucamonga, Etiwanda and Guasti (277 square miles).
2	The central areas of the San Bernardino Valley east of Zone 1 to approximately the Santa Ana River and City Creek demarcations. This includes the cities of Fontana, Rialto, San Bernardino, Colton and Grand Terrace, together with the communities of Devore, Muscoy, Del Rosa, and Bloomington (315 square miles).
3	The east end of the San Bernardino Valley going east from Zone 2. The zone includes the following cities and the surrounding communities of Redlands, Highland, East Highland, Mentone, Yucaipa and Loma Linda (393 square miles).
4	The Mojave River Valley from the San Bernardino mountains to Silver Lake including the cities and communities of Barstow, Hesperia, Apple Valley, Victorville, Oro Grande, Helendale, Hodge, Hinkley, Yermo and Daggett (1,129 square miles).
5	The mountainous watershed of the Mojave River on the crest and north slopes of the San Bernardino mountains including the communities of Crestline, Lake Gregory, Lake Arrowhead, Running Springs and Green Valley Lake (175 square miles).

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reporting Entity (Continued)

Zone	Geographical Areas (Description)
6	The county areas not embraced by other zones including portions of the San Gabriel and San Bernardino mountains and the semi-desert portion of the County. This embraces the cities and communities of Needles, Trona, Adelanto, Phelan, Lucerne Valley, Amboy and the Twenty-nine Palms-Morongo Valley districts (17,900 square miles).

The District also has two Local Area Drainage Plans (LADP) and the National Pollution Discharge Elimination System Program (NPDES), which are reported with the Zones.

Government-wide and fund financial statements

The government-wide financial statements (i.e., 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.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. 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.

Separate financial statements are provided for the governmental fund and proprietary fund. The General Fund is the primary operating fund of the District. It accounts for all financial resources of the District. The Internal Service Fund accounts for the activities of renting vehicles and equipment to the six zones in the District and to the County’s Department of Transportation.

Measurement focus, basis of accounting and financial statement presentation

The government-wide financial statements and proprietary fund statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and intergovernmental revenue are recognized as revenue when all eligibility requirements 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 District considers property tax revenues and interest 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 federal and state grants, and government mandated nonexchange transactions, the District expanded its definition of "available" to nine months. All of the other revenue items are considered to be measurable and available when grant requirements are met and cash is received.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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.

The District reports all operating activities in their General Fund. The Internal Service Fund accounts for the activities of renting the vehicles and equipment to the six zones in the District and the San Bernardino County Department of Transportation.

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

Cash and cash equivalents

Cash and cash equivalents are defined as cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Cash and cash equivalents include the cash balances of substantially all funds, which are pooled and invested by the County Treasurer to increase interest earnings through investment activities.

The District is required to set aside in a trust fund the principal and interest payments for their outstanding bonds six months prior to the payment due date noted in the bond indentures.

Investment activities are governed by the California Government Code (CGC) Sections 53601, 53635, and 53638 and the County's Investment Policy. Authorized investments include U.S. Government Treasury and U.S. Government Agency securities, bankers' acceptances, commercial paper, medium term notes, mutual funds, repurchase agreements, and reverse repurchase agreements.

Interest income and realized gains and losses earned on pooled investments are deposited quarterly to the District's accounts based upon the District's average daily deposit balances during the quarter. Unrealized gains and losses of the pooled investments are distributed to the District annually. Cash and cash equivalents are shown at fair value as of June 30, 2015.

Receivables

All accounts receivable are shown net of an allowance for uncollectables when applicable. The other receivable balance at June 30, 2015 was $149,044 and considered fully collectible at year end.

Prepaid bond insurance, original issue premiums, and refunding

Prepaid bond insurance costs are amortized using the straight-line method over the life of the bonds. Amortization of these balances is recorded as a component of operating expenses. In addition, bonds payable are reported net of the applicable bond premiums. Original issue premiums are amortized using the straight-line method over the life of the bonds. Loss from refunding of debt is reported as deferred outflows of resources and amortized over the shorter of the life of the refunded debt or refunding debt. Amortization of these balances is recorded as a component of interest expense.

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 if paid after December 10 and April 10, respectively. The lien date for secured property taxes is January 1 of each year. Unsecured property taxes are due on the March 1 lien date and become delinquent with penalties after August 31.

Capital assets

Capital assets, which include property, plant and equipment and infrastructure assets (e.g., dams, channels, drainage systems), are reported in the governmental activities 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, structures and equipment and vehicles) and have an estimated useful life in excess of one (1) year. Structures with an initial cost of $100,000 or more 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 estimated fair market 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 improvements are capitalized as projects are constructed.

Productive hours depreciation estimates the useful lives of the equipment and vehicles in usage hours and depreciation is taken for each usage hour the machine is utilized.

Infrastructure, buildings, equipment and vehicles are depreciated using the straight-line method or the productive hours method over the following estimated useful lives:

Basins, storm drains, channels, dams	50 to 99 years
Vehicles	6 years
Equipment	6 to 15 years
Buildings	45 years
Internal Service Fund (Proprietary)	
Equipment and vehicles	productive hours

Deferred outflows/inflows of resources

Deferred resources related to pensions as a result of the implementation of GASB No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of Statement GASB 27,* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68* are reported as deferred inflows and deferred outflows of resources. Unamortized portions of the loss on refunding debt are reported as deferred outflows of resources. In addition, when an asset is recorded in the governmental fund financial statements but the revenue is not available, a deferred inflow of resources is reported until such time as the revenue becomes available.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund equity

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

- ***Nonspendable Fund Balance:*** Amounts cannot be spent because they are: (a) not in spendable form or (b) 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. At June 30, 2015, the District General Fund had a restricted fund balance of $15,044,855.

- ***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 highest level of action available to the Board is a resolution. 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. At June 30, 2015, the District had an assigned fund balance of $3,956,163.

- ***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, unassigned fund balance is calculated as total fund balance less nonspendable, restricted, committed, or assigned 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. At June 30, 2015, the District had an unassigned fund balance of $96,724,133.

It is the District'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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Employee compensated absences

Accumulated vacation, holiday benefits, sick pay and compensatory time are recorded as an expense and liability as the benefits are paid on the fund statements but recorded when earned by the employee on the statement of net position. Compensated absences liability is recorded as a noncurrent liability. In the event of retirement or termination, an employee is paid 100% of accumulated vacation pay, and those with ten or more years of continuous services are paid 30% to 60% of their accumulated sick leave.

Pension

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

Use of estimates

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

Stewardship, compliance and accountability

Budgetary information

In accordance with provisions of Sections 29000 - 29143 of the California Government code, commonly known as the County Budget Act, the District prepares and adopts a budget on or before August 30 for each fiscal year.

Budgets are prepared on the modified accrual basis of accounting. The legal level of budgetary control is the object level and the sub object level for 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 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.

NOTE 2 – NEW ACCOUNTING PRONOUNCEMENTS

The District adopted the following Governmental Accounting Standards Board (GASB) Statements in the current fiscal year:

Effective for the year ending June 30, 2015, the District adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27.* The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement. The implementation of the provisions of this Statement resulted in a restatement of beginning net position, see Note 3 – Restatement of Net Position.

Effective for the year ended June 30, 2015, the District adopted GASB Statement No. 69, *Government Combinations and Disposals of Government Operations.* This statement establishes accounting and financial reporting standards for government combinations and disposals of government operations. This standard did not have an impact on the District's financial statements.

Effective for the year ended June 30, 2015, the District adopted GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. This Statement addresses an issue regarding application of the transition provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2014. The implementation of the provisions of this Statement resulted in a restatement of beginning net position, see Note 3 – Restatement of Net Position.

NOTE 3 – RESTATEMENT OF NET POSITION

Net position as of July 1, 2014, has been restated for the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions,* as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date.*

	Governmental Activities
Balance as of July 1, 2014 as originally reported	$ 302,760,976
Change in accounting principle due to the implementation of GASB Statement no. 68	(13,977,029)
Balance as of July 1, 2014 as restated	$ 288,783,947

NOTE 4 - CASH AND INVESTMENTS

Cash includes the cash balances of monies deposited with the County Treasurer, which are pooled and invested for the purpose of increasing earning through investment activities. Interest earned on pooled investments is deposited to the District's account based upon the District's average daily deposit balance during the allocation period. Cash and cash investments are shown at fair value as of June 30, 2015.

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

Cash and investments as of June 30, 2015, consist of the following:

Cash pooled with the County of San Bernardino Treasury	$ 50,258,560
Cash with fiscal agent	67,138,368
Cash with trustee	6,015,729
	$ 123,412,657

Investments Authorized by the California Government Code and the County's Investment Policy

The following table presents the authorized investment types per the CGC that were held by the County as of June 30, 2015, along with their respective requirements and restrictions per the CGC and the Investment Policy:

Investment Type	Maximum Maturity		Maximum % of Pool		Maximum % per issuer		Minimum Rating (2)(3)	
	CGC	Investment Policy	CGC	Investment Policy	CGC	Investment Policy	CGC	Investment Policy
U.S. Treasury Securities	5 Years	5 Years	None	None	None	None	None	None
U.S. Government Agencies	5 Years	5 Years	None	None	None	None	None	None
Negotiable Certificates of Deposit	5 Years	3 Years	30%	30%	None	5%	None	A-1/P-1/F1/A-/A3
Collateralized Certificates of Deposit	5 Years	1 Year	None	10%	None	None	None	None
Bankers Acceptances	180 days	180 days	40%	30%	30%	100MM/5%	None	A-1/P-1/F1
Commercial Paper	270 days	270 days	40%	40%	10%	5%	A-1 /A	A-1/P-1/F1
Repurchase Agreements	1 Year	180 days	None	40%	None	None	None	None
Reverse Repurchase Agreements	92 Days	92 Days	20%	10%	None	None	None	None
Municipal Debt	5 Years	5 Years	None	10%	None	None	None	AAA
Medium-Term Corporate Notes	5 Years	3 Years	30%	10%	None	100MM/5%	A	A-/A3
Insured Placement Service Accounts (1)	5 Years	Immediate Liquidity	30%	5%	10%	0MM/100MM	None	None
JPA Investment Pools	N/A	Immediate Liquidity	None	5%	None	200MM	None	AAA
Money Market Mutual Funds	N/A	Immediate Liquidity	20%	15%	10%	10%	AAAm	AAAm
Supranational Securities	5 Years	5 Years	30%	30%	None	None	AA	AA

Footnote:

(1) FICA accounts balances are fully covered by FDIC insurance. Maximum $50MM per selected depository institution. Maximum $100MM per placement service

(2) Minimum credit rating categories are without regard to ratings modifiers (+/-)

(3) Standard & Poor's Ratings (quoted) or the equivalent NRSRO rating

NOTE 4 - CASH AND INVESTMENTS (Continued)

Investments Authorized by Debt Agreements

Investment of debt proceeds held by bond trustees are governed by provisions of the trust agreements, created in connection with the issuance of debt rather than the general provisions of the California Government Code. Certificates of Participation, Pension Obligation Bond and Revenue Bond indentures specify the types of securities in which proceeds may be invested as well as any related insurance, collateral, or minimum credit rating requirements. Although requirements may vary between debt issues, money market funds are all required to be investment grade. Guaranteed investment contracts are required to be acceptable to the municipal bond insurer. The fair value of investments is based on the valuation provided by trustee banks.

Federal Treasury regulations limit the amount of tax exempt obligations that can be issued based on cash levels maintained by the agency issuing the obligations. Because of the nature of the services provided by the District, it was determined at the time the Judgment Obligation Bonds were issued that cash balances in excess of those allowed by the regulations must be maintained to ensure that the District can continue to provide the proper level of service to the public.

Taking into account the District's need for cash and in order to comply with the Federal Treasury regulations, any cash on hand in excess of what the regulations allow must be segregated from other funds in the County Treasury Pool and must be invested in certain tax-exempt securities. The Indenture requires the District to cause the calculation of excess cash to be made annually.

As of June 30, 2015, the District has on deposit $67,138,368 of segregated funds that are invested as required by the Treasury Regulations.

Investment Credit Risk

Investment credit risk exists when there is a possibility the issuer or other counterparty to an investment may be unable to fulfill its obligations. GASB Statement No. 40 requires the disclosure of credit quality ratings for investments in debt securities as well as investments in external investment pools, money market funds, and other pooled investments of fixed income securities.

California Government Code and the San Bernardino County Treasury Pool Investment Policy (where more restrictive) place limitations on the purchase of investments in the County Pool. The District's investment in the County pool is rated annually by Fitch. Purchases of commercial paper, bankers acceptances, and negotiable certificates of deposit are restricted to issuers rated in the top three long-term letter ratings by a minimum of two or three nationally recognized statistical rating organizations (NRSRO's). For an issuer of medium-term corporate notes must have a minimum letter rating of "A". Purchases of supranational issuer securities must have a minimum long-term letter rating of "AA" from one NRSRO. Municipal notes and bonds and money market mutual funds must have a minimum letter rating of "AAA" from two of three NRSRO's (if rated). JPA pools must have a minimum letter rating of "AAA" from one NRSRO. As of June 30, 2015, all investments held by the County pool were within policy limits.

NOTE 4 - CASH AND INVESTMENTS (Continued)

Investment Credit Risk (Continued)

As of June 30, 2015, all cash and investments held by the District were rated as follows:

Investment Type	S&P Rating	Moody's Rating	Fitch Rating	Fair Value at June 30, 2015
Investment in County pool	Not rated	Not rated	AAA	$ 50,258,560
Money Market Mutual Funds with Trustee	Not rated	Not rated	Not rated	6,015,729
Municipal and Other Governments:				
Columbus Ohio	AAA	AAA	AAA	4,286,040
Georgia State	AAA	AAA	AAA	4,475,920
Michigan Finance Authority	AAA	AAA	AAA	4,000,560
Minneapolis Minnesota General Obligation Various Purpose Bonds Series 2012	AAA	AA1	AAA	4,030,280
Mississippi State	AA	AA2	AA+	675,990
Nassau County NY Interim Finance Authority Sales Tax Secured Bonds Series 2012A	AAA	Not rated	AAA	4,058,000
New York, NY	AA	AA2	AA	4,102,236
North Carolina State	AAA	AAA	AAA	4,142,480
Oregon State	AAA	AA2	Not rated	4,372,790
Pennsylvania State	AA-	AA3	AA-	4,316,480
University of Washington	AA+	AAA	Not rated	2,361,251
Vermont State	AA+	AAA	AAA	2,235,725
Washington State	AA+	AA1	AA+	4,473,400
Money Market Mutual Funds	Not rated	Not rated	Not rated	19,607,216
Total				$ 123,412,657

Concentration of Credit Risk

An increased risk of loss occurs as more investments are acquired from one issuer (i.e., lack of diversification). This results in a *concentration of credit risk.*

GASB Statement No. 40 requires disclosure of investments by amount and issuer that represent five percent or more of total investments held. This requirement excludes investments issued or explicitly guaranteed by the United States Government, investments in mutual funds, external investment pools, and other pooled investments. As of June 30, 2015, none of the District’s investments by issuer represented five percent or more of the District’s total investments.

Interest Rate Risk

Interest rate risk exists when there is a possibility that changes in interest rates could adversely affect an investment’s fair value. Generally, the longer the maturity of an investment, the greater the interest rate risk associated with that investment. GASB Statement No. 40 requires that interest rate risk be disclosed using a minimum of one of five approved methods which are: segmented time distribution, specific identification, weighted average maturity, duration, and simulated model.

NOTE 4 - CASH AND INVESTMENTS (Continued)

Interest Rate Risk (Continued)

Weighted average maturity of the District's investments as of June 30, 2015, is as follows:

Investment Type	Fair Value	Weighted Average Maturity (Years)
Investment in the San Bernardino County pool	$ 50,258,560	0.94
Investment in money market mutual funds with trustee	6,015,729	0.05
Municipal bonds	47,531,152	1.64
Money market mutual funds	19,607,216	0.02
	$ 123,412,657	

Custodial Credit Risk

Custodial Credit Risk for Deposits exists when, in the event of a depository financial institution failure, a government may be unable to recover deposits, or collateral securities that are in the possession of an outside party.

GASB Statement No. 40 requires the disclosure of deposits into a financial institution that are not covered by Federal Deposit Insurance Corporation (FDIC) insurance and are uncollateralized.

California Law requires that a financial institution secure deposits made by state or local government units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

Custodial Credit Risk for Investments exists when, in the event of a failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

In order to limit *Custodial Credit Risk for Investments*, the San Bernardino County Pool Investment Policy requires that all investments and investment collateral be transacted on a delivery-vs-payment basis with a third-party custodian and registered in the County's name. All counterparties to repurchase agreements must sign a Securities Industry and Financial Markets Association (SIFMA) Global Master Repurchase Agreement and/or Tri-Party Repurchase Agreement before engaging in repurchase agreement transactions.

NOTE 4 - CASH AND INVESTMENTS (Continued)

Custodial Credit Risk (Continued)

As of June 30, 2015, cash and investments are classified in the District's accompanying financial statements as follows:

Cash and cash equivalents	$	50,258,560
Cash in trust		6,015,729
Pooled cash		56,274,289
Cash with fiscal agents		67,138,368
Total cash and investments	$	123,412,657

NOTE 5 – CAPITAL ASSETS

The cost of building and acquiring capital assets (land, buildings, dams, channels, storm drains, vehicles and equipment) financed from the General Fund are reported as expenditures in the year they are incurred, and the assets do not appear on the balance sheet. However, the Statement of Net Position includes those capital assets among the assets of the District as a whole, and their original costs are expensed annually over their useful lives. For the Internal Service Fund (ICA), capital assets are recorded at historical cost, or at estimated historical cost if actual cost is not available. During the year of acquisition, the capital assets are capitalized in the Internal Service Fund and are depreciated over their productive hours estimated life. Depreciation expense is recorded every pay period in the Internal Service Fund.

NOTE 5 – CAPITAL ASSETS (Continued)

Capital assets for the governmental type activities are as follows:

	Balance on July 1, 2014	Additions	Deletions	Balance on June 30, 2015
Governmental Activities:				
Capital assets, not being depreciated:				
Land	$ 32,646,657	$ 7,100	$ -	$ 32,653,757
Easements	1,648,593	-	-	1,648,593
Construction in progress	64,852,457	4,846,601	(21,588,252)	48,110,806
Total capital assets, not being depreciated	99,147,707	4,853,701	(21,588,252)	82,413,156
Capital assets, being depreciated:				
Buildings	759,462	-	-	759,462
Channels, drains, dams, basins	435,302,705	21,233,324	-	456,536,029
Equipment and vehicles	28,871	6,943	-	35,814
Total capital assets, being depreciated	436,091,038	21,240,267	-	457,331,305
Less accumulated depreciation for:				
Buildings	(458,806)	(19,796)	-	(478,602)
Channels, drains, dams, basins	(232,397,998)	(12,318,522)	-	(244,716,520)
Equipment and vehicles	(16,408)	(2,090)	-	(18,498)
Total accumulated depreciation	(232,873,212)	(12,340,408)	-	(245,213,620)
Capital assets, being depreciated, net	203,217,826	8,899,859	-	212,117,685
Governmental activities capital assets, net	302,365,533	13,753,560	(21,588,252)	294,530,841
Internal Service Fund (ICA):				
Capital assets, being depreciated				
Vehicles	15,296,536	1,039,948	(863,137)	15,473,347
Equipment	27,416	-	-	27,416
Total capital assets, being depreciated	15,323,952	1,039,948	(863,137)	15,500,763
Less accumulated depreciation for:				
Vehicles	(10,620,017)	(702,657)	854,705	(10,467,969)
Equipment	(8,542)	-	-	(8,542)
Total accumulated depreciation	(10,628,559)	(702,657)	854,705	(10,476,511)
Capital assets, being depreciated, net	4,695,393	337,291	(8,432)	5,024,252
Capital assets, net	$ 307,060,926	$ 14,090,851	$ (21,596,684)	$ 299,555,093

Depreciation expense for the year is $12,340,408 for governmental activities and $702,657 for the internal service fund, respectively.

Included in deletions for construction in progress is $354,928 of canceled projects.

NOTE 5 – CAPITAL ASSETS (Continued)

At June 30, 2015 the District had construction in progress for the following projects:

Construction in progress (CIP)

Zone	Description	Total CIP By Project	Totals By Zone
1	West State Street Storm Drain	$ 53,367	
1	English Channel-Carbon Canyon	1,352,996	
1	West Fontana Channel	713,606	
1	Francis Street Strom Drain	1,428	
1	San Sevaine Basins 1-4	4,482	
1	Cucamonga Basin #6	12,080,413	$ 14,206,292
2	Rialto Channel	$ 2,377,099	
2	Randall Basin	843,288	
2	Del Rosa Channel (Daley Channel)	144,761	
2	Cactus Basins	10,902,371	
2	West Fontana Channel	51,775	
2	Upper Warm Creek Channel	854,856	
2	29th Street Basin Levee	19,933	
2	Patton Basin Levee	59,620	$ 15,253,703
3	Elder Creek Channel	$ 933,068	
3	Wildwood Creek System	1,002,359	
3	San Timoteo Creek System	8,858,885	
3	Wilson Creek	88,062	$ 10,882,374
4	Amethyst Basin (Oro Grande Wash)	$ 1,840,980	
4	Bandicoot Basin (Hesperia Basin)	2,261,544	
4	Desert Knolls Wash	1,404,753	
4	Oak Hill Basin (Hesperia Basin # 2)	51,986	
4	Tussing Juniper Basin	22,016	
4	Ranchero Basin/Antelope Creek Wash	185,602	
4	Line E-01 Extension	103,134	
4	Mojave River	819,710	
4	Sheep Creek	124,395	
4	Yucca Loma Bridge Project	248	
4	Avenue I Drainage	857	$ 6,815,225
5	Rim Forest Drainage	$ 262,269	$ 262,269
6	Donnell Basin	$ 690,943	$ 690,943
	Total Construction in Progress	$ 48,110,806	$ 48,110,806

NOTE 5 – CAPITAL ASSETS (Continued)

The District has active major construction projects as of June 30, 2015. The projects are financed by government aid and property taxes and include new construction and renovations of dams, channels, basins and storm drains. At June 30, 2015, the District's commitments with contractors are as follows:

Project #	Description	Amount
F01087	West State Street Storm Drain	$ 70,927
F01312	English Canyon	533,025
F02094	Cucamonga Basin # 6	77,737
F01334	CSDP Project 3-5	112,726
F01666	Cactus Basin # 3	115,157
F01650	Upper Warm Creek Channel	55,820
F01911	Elder Creek Channel	24,102
F02129	Wildwood Creek Detention Basin	398,310
F01417	Bandicoot Basin (Hesperia Basin)	256,299
F02378	Yucca Loma Bridge Project	3,400,000
F01336	Amethyst Basin (Oro Grande Wash)	208,578
F01284	Donnel Basin	30,229
	Total	$ 5,282,910

NOTE 6 - RETENTIONS PAYABLE

Effective January 1, 2012, the District retains 5% of construction contracts until contracts are completed and approved. Prior to January 1, 2012, the retention was 10% of contract value. Some contracts require that the retention be deposited into an escrow account. For all others, the final 5% or 10% payment is not made until the work is completed and approved. At June 30, 2015, the District's retentions payable balance was $194,244.

NOTE 7 – DEFERRED INFLOWS OF RESOURCES

As of June 30, 2015, total deferred inflows of resources in the General Fund are related to the following unavailable resources:

Other governmental aid receivable	$ 3,072,614
Interest receivable	179,099
Inspection fees receivable	115,104
	$ 3,366,817

NOTE 8 - LONG-TERM OBLIGATIONS

A schedule of changes in long-term obligations of the District during fiscal year 2015 is as follows:

	Balance on July 1, 2014	Additions	Deletions	Balance on June 30, 2015	Amounts Due in One Year
Governmental Activities:					
Compensated absences	$ 1,854,979	$ 1,209,585	$ 1,079,453	$ 1,985,111	$ 496,278
Loans payable	3,000,000	-	3,000,000	-	-
Series 2007 Refunding Bonds	16,320,000	-	1,605,000	14,715,000	1,715,000
Judgment Obligation Bonds (JOBS) Series A	47,425,000	-	2,205,000	45,220,000	2,330,000
Premium	981,323	-	118,190	863,133	-
Series 2008 Refunding Bonds	37,295,000	-	-	37,295,000	-
Net pension liability	-	8,978,772	-	8,978,772	-
Total Long-Term Debt	$ 106,876,302	$ 10,188,357	$ 8,007,643	$ 109,057,016	$ 4,541,278

Loans Payable

Loans payable consist of loans from the United States Army Corps of Engineers for $3,000,000. The District entered into a loan agreement with the United States Army Corps of Engineers for the San Timoteo Creek Project. The District repaid the loan in the 2015.

Series 2007 Refunding Bonds

In May 2007, the District issued Refunding Bonds, Series 2007, in the amount of $23,845,000. Interest on the Refunding Bonds, Series 2007 is paid at a rate from 4.25% to 5.00% payable semiannually on February 1 and August 1 of each year commencing on February 1, 2008. Principal payments are due annually in various amounts commencing August 1, 2008 through 2021. The unpaid balance at June 30, 2015 was $14,715,000.

The Bonds were issued to refund the obligation of the District under a contract with the County relating to a loan made by and between the United States of America and the County, finance a reserve fund surety bond and pay certain expenses in connection with the issuance of the Bonds. The contract referred to above was entered into under the Small Reclamation Projects Act of 1956.

Judgment Obligation Bonds Series A

In May 2007, the District issued Judgment Obligation Bonds, Series A in the amount of $58,780,000. The Series A Bonds were initially issued as auction rate securities on May 29, 2007, with an initial interest rate of 5.35% for the Initial Period of one day. Pursuant to the Indenture of Trust, all of the Series A Bonds were converted to bear interest at Fixed Interest Rates on the Established Fixed Rate Conversion Date (May 30, 2007) and were reoffered. In connection with the conversion of the Series A Bonds on the established fixed rate conversion date, $425,000 principal amount of the Series A Bonds was paid, leaving a balance outstanding of $58,355,000. The unpaid balance at June 30, 2015 was $45,220,000.

Interest on the Series A Bonds is paid at a rate from 4.50% to 5.00% payable semiannually on February 1 and August 1 of each year commencing on February 1, 2008. Principal payments are due annually in various amounts commencing August 1, 2008 through 2029.

NOTE 8 - LONG-TERM OBLIGATIONS (Continued)

Judgment Obligation Bonds Series A (Continued)

The Bonds were issued to pay the obligation of the District under a settlement agreement relating to an inverse condemnation action against the District, finance a reserve fund surety bond and pay certain expenses in connection with the issuance of the Bonds.

Series 2008 Refunding Bonds

In April 2008, the District issued Refunding Bonds, Series 2008, in the amount of $37,295,000. Interest on the Refunding Bonds, Series 2008 is paid at a Weekly Rate Mode interest rate payable on the first business day of each calendar month commencing on May 1, 2008. Principal payments are due annually in various amounts commencing August 1, 2029 through 2037. The unpaid balance at June 30, 2015 was $37,295,000.

The Bonds were issued to refund all of the District's outstanding $45,000,000 San Bernardino County Flood Control District Judgment Obligation Bonds, Series B, which were issued to refund a portion of certain obligations of the District under a settlement agreement relating to an inverse condemnation action against the District, fund interest on the Series 2008 Bonds at an assumed rate of 4.85% through August 1, 2008 and costs of issuance incurred in connection with the issuance of the Series 2008 Bonds. The interest rate is variable and is shown at the assumed rate of 4.85% in the repayment schedule.

The Bonds have an optional tender provision that gives the bondholder the option of selling their Bonds back to the District, at par, upon seven days' notice. The District has obtained a direct pay, irrevocable letter of credit (LC) from Bank of America (Bank) to provide credit support, and cash for such tenders, in the event tendered Bonds cannot be immediately remarketed to another investor. The District entered into a Reimbursement Agreement and Fee Letter with the Bank in July of 2011 to document the terms related to the issuance of the LC. The District did not pay any upfront commitment fee to the Bank for this LC; however it pays a facility fee at agreed upon rates on the Available Amount of the LC (as defined in the LC agreement). This LC is an irrevocable direct pay letter of credit with an initial stated expiration date of July 5, 2013, which has been extended to July 5, 2016.

The LC is directly drawn on monthly to make the interest payment on the Bonds. The Bank is reimbursed for the monthly draw on the LC with the debt service payments made by the District. An LC draw would also occur if an investor exercises the optional tender provision and the Bonds cannot be immediately remarketed to another investor. In the event of a draw on the LC to purchase bonds that have been tendered but not remarked (Liquidity Advance) that is not repaid by the District within 90 days, the Liquidity Advance will convert to a Term Loan on the 91st day, if conditions precedent to a Term Loan are satisfied by the District.

As of June 30, 2015, there were no outstanding 2008 Judgment Obligation Bonds that have been tendered but failed to be remarketed. In accordance with the agreement, in the event any Bonds are optionally tendered and cannot be remarketed, interest on tendered Bonds for the first 90 days is paid to the Bank at the highest of a) Prime Rate in effect for such day plus 1.5%, b) overnight effective federal funds rate for such day as quoted in the "*Composition Closing Quotations for U.S. Government Securities*" published by the Federal Reserve Bank of New York plus 3%, c) 7.5% or d) the maximum rate of interest borne by Bonds that are still held by investors. If a Liquidity Advance remains outstanding after ninety days, and if conditions precedent to a Term Loan are satisfied by the District, the rate paid to the Bank on the Term Loan is the highest of a) through d) above, plus 1%.

NOTE 8 - LONG-TERM OBLIGATIONS (Continued)

Series 2008 Refunding Bonds (Continued)

The following schedule represents a debt service scenario in which all the bonds are tendered by investors on July 1, 2016 and fail to be remarketed during the Liquidity Advance and Term Loan periods. The scenario assumes that interest on the Liquidity Advance is paid at a rate of 7.5%, and that interest on the Term Loan is paid at a rate of 8.5%. Principal is amortized as required in the Reimbursement Agreement over the Term Loan period.

Years Ending June 30	Principal	Interest	Total
2016	$ 10,600,000	$ 2,823,438	$ 13,423,438
2017	10,600,000	1,741,419	12,341,419
2018	10,700,000	835,207	11,535,207
2019	5,395,000	76,639	5,471,639
	$ 37,295,000	$ 5,476,703	$ 42,771,703

The loss on refunding of debt, in the amount of $554,300 is required to be classified as deferred outflows of resources. This amount will be amortized through 2038 at $24,100 per year.

The following is a schedule of debt service requirements to maturity as of June 30, 2015, for the Bonds:

Years Ending	Bonds Payable		
June 30	Principal	Interest	Total
2016	$ 4,045,000	$ 4,511,127	$ 8,556,127
2017	4,250,000	4,322,276	8,572,276
2018	4,440,000	4,126,225	8,566,225
2019	4,640,000	3,926,579	8,566,579
2020	4,850,000	3,709,488	8,559,488
2021-2025	20,730,000	15,289,642	36,019,642
2026-2030	18,895,000	10,998,011	29,893,011
2031-2035	20,730,000	6,728,119	27,458,119
2036-2038	14,650,000	1,518,806	16,168,806
	$ 97,230,000	$ 55,130,273	$ 152,360,273

NOTE 9 - RETIREMENT PLAN

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

Plan Description

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

The Plan is governed by the SBCERA Board of Retirement (Board) under the provisions of the California County Employees' Retirement Law of 1937 (CERL), the California Public Employees' Pension Reform Act of 2013 (PEPRA). The Plan's authority to establish and amend the benefit terms are set by the CERL and PEPRA, and may be amended by the California state legislature and in some cases require approval by the County of San Bernardino Board of Supervisors and/or the SBCERA Board. SBCERA is a tax qualified plan under Section 401(a) of the Internal Revenue Code.

SBCERA publishes its own comprehensive annual financial report that includes its financial statements and required supplementary information, which can be obtained by writing to SBCERA at 348 W. Hospitality Lane, Third Floor, San Bernardino, CA 92415-0014 or visiting the website at www.SBCERA.org.

Benefits Provided

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

NOTE 9 - RETIREMENT PLAN (Continued)

Benefits Provided (Continued)

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

	General - Tier 1	General - Tier 2	Safety - Tier 1	Safety - Tier 2
Final average compensation	Highest 12 consecutive months	Highest 36 consecutive months	Highest 12 consecutive months	Highest 36 consecutive months
Normal retirement age	Age 55	Age 55	Age 50	Age 50
Early retirement: years of service required and /or age eligible for	Age 70 any years 10 years age 50 30 years any age	Age 70 any years 5 years age 52 N/A	Age 70 any years 10 years age 50 20 years any age	Age 70 any years 5 years age 50 N/A
Benefit percent per year of service for normal retirement age	2.0% per year of final average compensation for every year of service credit	2.5% per year of final average compensation for every year of service credit	3.0% per year of final average compensation for every year of service credit	2.7% 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	Reduced before age 50	Reduced before age 57
Final average compensation limitation	Internal Revenue Code section 401(a)(17)	Government Code section 7522.10	Internal Revenue Code section 401(a)(17)	Government Code section 7522.10

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

Contributions

Participating employers and active members are required by statute to contribute a percentage of covered salary to the Plan. This requirement is pursuant to Government Code sections 31453.5 and 31454, for participating employers and Government Code sections 31621.6, 31639.25, and 7522.30 for active members. The contribution requirements are established and may be amended by the SBCERA Board pursuant to Article 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, which is conducted by an

NOTE 9 - RETIREMENT PLAN (Continued)

Contributions (Continued)

independent actuary, that requires actuarial assumptions with regard to mortality, expected future service (including age at entry into the Plan, if applicable and tier), and compensation increases of the members and beneficiaries. The combined active member and employer contribution rates are expected to finance the costs of benefits for employees that are allocated during the year, with an additional amount to finance any unfunded accrued liability. Participating employers may pay a portion of the active members' contributions through negotiations and bargaining agreements.

Employee and employer contribution rates for the fiscal year ended June 30, 2015 are as follows:

	General - Tier 1	General - Tier 2	Safety - Tier 1	Safety - Tier 2
Employee contribution rates	7.07% to 13.52%	6.97% to 7.88%	9.82% to 15.91%	13.08% to 13.75%
Employer contribution dates	20.24%	18.02%	43.15%	37.02%

For the year ended June 30, 2015, the District's contribution to the Plan of $1,830,147 equaled the actuarially determined required employer contributions.

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

As of June 30, 2015, the District reported a net pension liability for its proportionate share of the County's net pension liability as follows:

	Proportionate Share of NPL	Percentage
District	$ 8,978,772	0.6245%

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportionate share of the net pension liability of the County as of June 30, 2015 and 2014 with measurement dates of June 30, 2014 and 2013 were as follows:

	Proportionate Share of NPL	Percentage
Proportionate share - June 30, 2015	$ 8,978,772	0.6245%
Proportionate share - June 30, 2014	11,787,301	0.7112%
Change - (decrease)	(2,808,529)	-0.0867%

For the year ended June 30, 2015, the District recognized pension expense of $236,854.

NOTE 9 - RETIREMENT PLAN (Continued)

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

At June 30, 2015, the District reported its proportionate share of the County's deferred outflows of resources and deferred inflows of resources related to pensions, from the following sources:

	The District's Proportionate Share
Pension contributions subsequent to measurement date	$ 1,830,147
Changes of assumptions	1,457,832
Changes in proportion and differences between employer contributions and proportionate share of contributions	135,255
Total proportionate share of deferred outflows of resources	$ 3,423,234

	The District's Proportionate Share
Differences between expected and actual experience	$ 1,710,655
Net differences between projected and actual investment earnings on pension plan investments	2,750,015
Changes in proportion differences between employer contributions and proportionate share of contributions	2,367,528
Total proportionate share of deferred inflows of resources	$ 6,828,198

The total amount of $1,830,147 reported as deferred outflows of resources related to contributions to the Plan subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30:	
2016	$ (1,330,254)
2017	(1,330,254)
2018	(1,330,254)
2019	(872,647)
2020	(322,885)
Thereafter	(48,817)
Total	$ (5,235,111)

NOTE 9 - RETIREMENT PLAN (Continued)

Actuarial Assumptions

The District's proportion of the County's total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions:

Actuarial Valuation Date	June 30, 2014
Actuarial Cost Method	Entry Age Actuarial Cost Method
Actuarial Assumptions	
Investment Rate of Return	7.50%
Inflation	3.25%
Projected Salary Increases	General: 4.60% to 13.75%; Safety: 4.55% to 13.75%
Cost of Living Adjustments	Consumer price index with a 2.00% maximum
Administrative Expenses	0.60% of payroll

Mortality rates used in the June 30, 2014 actuarial valuation were based on the RP-2000 Combined Healthy mortality table projected to 2020 using Projection Scale BB. For healthy General members, no adjustments are made. For healthy Safety members, ages are set back two years for males and one year for females. For disabled General members, ages are set forward seven years for males and set forward eight years for females. For disabled Safety members, ages are set forward two years for males and females. Beneficiaries are assumed to have the same mortality as a General member of the opposite sex who is receiving a service (non-disability) retirement.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the three year period of July 1, 2010 through June 30, 2013.

The June 30, 2014 actuarial valuation reflected new assumptions compared to the June 30, 2013 actuarial valuation, based on the June 30, 2014 experience study. The June 30, 2013 actuarial valuation reflected 7.75% for the investment rate of return, 3.50% for inflation, 4.75% to 14.00% for both general and safety for projected salary increases, 4.00% for wage inflation, and there was no offset to investment return for administrative expenses.

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

NOTE 9 - RETIREMENT PLAN (Continued)

Actuarial Assumptions (Continued)

The June 30, 2014 target allocation (approved by the SBCERA Board) and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before deducting investment expenses, used in the derivation of the long-term expected investment rate of return assumption are summarized in the table as follows:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
U.S. Equity	N/A	N/A
Large Cap U.S. Equity	5.00%	5.94%
Small Cap U.S. Equity	2.00%	6.50%
Developed International Equity	6.00%	6.87%
Emerging Market Equity	6.00%	8.06%
U.S. Core Fixed Income	2.00%	0.69%
High Yield/Credit Strategies	13.00%	3.10%
Global Core Fixed Income	1.00%	0.30%
Emerging Market Debt	6.00%	4.16%
Real Estate	9.00%	4.96%
Cash & Equivalents	2.00%	-0.03%
International Credit	10.00%	6.76%
Absolute Return	13.00%	2.88%
Real Assets	6.00%	6.85%
Long/Short Equity	3.00%	4.86%
Private Equity	16.00%	9.64%
Total	100.00%	

N/A = Asset class not considered in the calculation.

Discount Rate

The discount rate used to measure the Plan's total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed employer and member contributions will be made at rates equal to the actuarially determined contribution rates. For this purpose, only employee and employer contributions that are intended to fund benefits for current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on the Plan investments of 7.50% was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE 9 - RETIREMENT PLAN (Continued)

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

The following presents the District's proportionate share of the County's net pension liability, calculated using the discount rate of 7.50%, as well as what the District's proportionate share of the County's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
The District's proportionate share of the net pension liability	$ 15,867,572	$ 8,978,772	$ 3,273,683

Pension Plan Fiduciary Net Position

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

NOTE 10 - NET POSITION

Net position represents the difference between total assets plus deferred outflows of resources and liabilities. The net position balances are as follows:

Net investment in capital assets – This consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of related debt.

Restricted – This consists of assets restricted for debt service payments and certain flood improvement projects and training projects under contract with other governmental agencies less liabilities related to those assets.

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

Capital assets, net of depreciation	$ 299,555,093
Less: related debt	(16,392,931)
Net invested in capital assets	283,162,162
Restricted net position	13,724,983
Unrestricted net position	14,806,710
Total net position	$ 311,693,855

NOTE 11 – RISK MANAGEMENT

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

NOTE 12 - COMMITMENTS AND CONTINGENCIES

The District is involved in several pending lawsuits. District management estimates that potential claims against the District, not covered by insurance, will not have a material adverse effect on the financial position of the District.

During the year, litigation was resolved by means of a settlement agreement effective April 7, 2015, pursuant to which specified parties be obligated for flood control improvements near the extension of the 210 freeway through the City of Rialto. The settlement requires the parties to contribute to the cost of construction and the District is responsible for the design and to construct flood control facilities. The parties are required to deposit $16,000,000 into an escrow account and the District is allowed to draw from this account for the construction of the flood control facilities. At June 30, 2015, no funds have been deposited into the escrow account.

NOTE 13 – RELATED PARTY TRANSACTIONS

The District is a component unit of the County and utilizes County departments, services and employees for District operations. For the fiscal year 2015, the District paid to the County $19,832,499 for fleet management and transportation, County administrative office, facility management, risk management, real estate and surveyor services, land use and agriculture, and salaries including retirement and workers compensation programs, among others.

REQUIRED SUPPLEMENTARY INFORMATION

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SAN BERNARDINO COUNTY FLOOD CONTROL DISTRICT

Budgetary Comparison Schedule - General Fund

Year Ended June 30, 2015

	General Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Property taxes	$ 40,608,100	$ 40,608,100	$ 43,554,373	$ 2,946,273
Other taxes	361,000	361,000	328,805	(32,195)
Rents, concessions and royalties	736,000	736,000	492,437	(243,563)
Interest	127,600	127,600	141,417	13,817
Other governmental aid	3,717,555	3,717,555	4,711,891	994,336
Licenses, fees and permits	367,600	367,600	617,225	249,625
Other	116,528	116,528	159,263	42,735
Total revenues	46,034,383	46,034,383	50,005,411	3,971,028
Expenditures				
Salaries and benefits	14,013,131	14,013,131	11,653,066	2,360,065
Services and supplies	23,199,502	23,199,502	16,873,989	6,325,513
Capital outlay	37,894,000	37,894,000	4,860,644	33,033,356
Debt service:				
Principal	7,045,000	7,045,000	6,810,000	235,000
Interest	4,607,800	4,607,800	2,904,469	1,703,331
Reserves and contingencies	47,432,516	47,432,516	-	47,432,516
Total expenditures	134,191,949	134,191,949	43,102,168	91,089,781
Excess of revenues over (under) expenditures	(88,157,566)	(88,157,566)	6,903,243	95,060,809
Other Financing Sources (Uses)				
Sale of capital assets	1,203,000	1,203,000	1,262,749	59,749
Insurance recoveries	-	-	14,048,618	14,048,618
Transfers in	20,650,984	20,650,984	7,173,198	(13,477,786)
Transfers out	(19,375,984)	(19,375,984)	(7,173,198)	12,202,786
Total other financing sources (uses)	2,478,000	2,478,000	15,311,367	12,833,367
Net change in fund balance	$ (85,679,566)	$ (85,679,566)	22,214,610	$ 107,894,176
Fund balance - beginning			93,510,541	
Fund balance - ending			$ 115,725,151	

SAN BERNARDINO COUNTY FLOOD CONTROL DISTRICT

Schedule of Proportionate Share of the Net Pension Plan

Cost Sharing Defined Benefit Plan

June 30, 2015

Last 10 Fiscal Years*

		June 30, 2015
Proportion of the net pension liability		0.62%
Proportionate share of the net pension liability	$	8,978,772
Covered-employee payroll**		13,175,443
Proportionate share of the net pension liability as a percentage of its covered-employee payroll		68.15%
Plan fiduciary net position as a percentage of the total pension liability		82.47%

* Fiscal year 2015 was the first year of implementation, therefore only one year is presented.
** 2014 Covered-employee payroll

Notes to Schedule:

Changes of Assumptions

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the three year period ending June 30, 2013. Assumptions used in the June 30, 2014 valuation primarily reflect a decrease of 0.25% for both the investment and inflation rate and adjustments of projected salary increase and wage inflation to more closely reflect actual experience.

SAN BERNARDINO COUNTY FLOOD CONTROL DISTRICT

Schedule of Contributions

Cost Sharing Defined Benefit Pension Plan

June 30, 2015

Last 10 Fiscal Years*

		June 30, 2015
Contractually required contribution	$	1,830,147
Contributions in relation to the contractually required contribution		(1,830,147)
Contribution deficiency (excess)		-
Covered-employee payroll		13,578,609
Contributions as a percentage of covered-employee payroll		13.48%

* Fiscal year 2015 was the first year of implementation, therefore only one year is presented.

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OTHER INFORMATION

SAN BERNARDINO COUNTY FLOOD CONTROL DISTRICT
Combining Balance Sheet
By Zone
June 30, 2015

	Zone 1	Zone 2	Zone 3	Zone 4
Assets				
Cash and cash equivalents	$ 22,594,714	$ 3,097,850	$ 3,919,163	$ 7,495,267
Cash with fiscal agent	19,416,511	19,150,296	3,984,775	18,465,022
Cash in trust	6,015,729	-	-	-
Interest receivable	171,160	146,472	48,281	162,205
Taxes receivable	371,795	123,473	92,844	106,925
Other receivable	21,829	14,714	-	13,586
Due from other funds	5,419	4,299	2,318	6,533
Due from other governments	96,949	1,764,946	1,105,336	39,098
Prepaid expenses	-	-	-	-
Total assets	$ 48,694,106	$ 24,302,050	$ 9,152,717	$ 26,288,636
Liabilities				
Accounts payable	$ 117,422	$ -	$ 12,588	$ 135,136
Salaries and benefits payable	-	-	-	-
Retention payable	18,713	9,632	9,632	5,616
Due to other funds	503,558	455,982	300,195	179,981
Due to other governments	322,431	235,547	86,224	74,328
Unearned revenues	66,892	25,554	128,877	11,719
Total liabilities	1,029,016	726,715	537,516	406,780
Deferred inflows of resources:				
Unavailable revenue	139,780	1,824,064	1,119,973	101,857
Fund balances:				
Restricted for:				
Debt service	14,506,994	-	-	-
Assigned	-	-	-	-
Unassigned	33,018,316	21,751,271	7,495,228	25,779,999
Total fund balances	47,525,310	21,751,271	7,495,228	25,779,999
Total liabilities, deferred inflows of resources and fund balances	$ 48,694,106	$ 24,302,050	$ 9,152,717	$ 26,288,636

(Continued)

Zone 5	Zone 6	Administration	LADP/ NPDES	Eliminations	Total
$ 487,350	$ 1,468,567	$ 509,509	$ 4,629,720	$ -	$ 44,202,140
2,195,399	3,614,119	312,246	-	-	67,138,368
-	-	-	-	-	6,015,729
19,312	31,794	11,552	-	-	590,776
9,066	34,383	46,251	-	-	784,737
-	-	-	98,915	-	149,044
425	1,114	2,122,442	-	(2,142,550)	-
-	75,035	281,444	-	-	3,362,808
-	-	-	8,663	-	8,663
$ 2,711,552	$ 5,225,012	$ 3,283,444	$ 4,737,298	$ (2,142,550)	$ 122,252,265
$ 69,363	$ 10,000	$ 236,437	$ 204,186	$ -	$ 785,132
-	-	753,508	-	-	753,508
-	-	123,151	27,500	-	194,244
20,124	142,691	514,188	64,188	(2,142,550)	38,357
1,923	37,880	361,763	28,285	-	1,148,381
-	7,633	-	-	-	240,675
91,410	198,204	1,989,047	324,159	(2,142,550)	3,160,297
5,854	84,673	14,115	76,501	-	3,366,817
-	-	-	537,861	-	15,044,855
157,386	-	-	3,798,777	-	3,956,163
2,456,902	4,942,135	1,280,282	-	-	96,724,133
2,614,288	4,942,135	1,280,282	4,336,638	-	115,725,151
$ 2,711,552	$ 5,225,012	$ 3,283,444	$ 4,737,298	$ (2,142,550)	$ 122,252,265

SAN BERNARDINO COUNTY FLOOD CONTROL DISTRICT

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
By Zone
Year Ended June 30, 2015

	Zone 1	Zone 2	Zone 3	Zone 4
Revenues				
Property taxes	$ 20,930,050	$ 8,124,060	$ 4,501,021	$ 5,435,416
Other taxes	164,193	54,425	40,983	47,151
Rents, concessions and royalties	196,473	186,414	79,705	23,091
Interest	25,016	34,691	22,832	39,664
Other governmental aid	587,519	660,694	89,697	106,961
Licenses, fees and permits	153,587	23,825	80,568	13,742
Other	116,774	14,184	6,899	7,835
Total revenues	22,173,612	9,098,293	4,821,705	5,673,860
Expenditures				
Salaries and benefits	2,144,825	2,046,198	1,514,056	864,388
Services and supplies	3,932,164	2,644,129	1,752,073	4,895,183
Capital outlay	826,142	986,288	349,411	2,555,420
Debt service:				
Principal	3,810,000	-	3,000,000	-
Interest	2,920,921	-	-	-
Total expenditures	13,634,052	5,676,615	6,615,540	8,314,991
Excess of revenues over (under) expenditures	8,539,560	3,421,678	(1,793,835)	(2,641,131)
Other Financing Sources (Uses)				
Sale of capital assets	763,835	435,945	-	-
Insurance recoveries	14,000,009	41,209	-	-
Transfers in	4,350,000	79,553	381,017	-
Transfers out	(5,549,852)	(857,105)	(350,160)	(302,600)
Total other financing sources (uses)	13,563,992	(300,398)	30,857	(302,600)
Net change in fund balances	22,103,552	3,121,280	(1,762,978)	(2,943,731)
Fund balances - beginning	25,421,758	18,629,991	9,258,206	28,723,730
Fund balances - ending	$ 47,525,310	$ 21,751,271	$ 7,495,228	$ 25,779,999

(Continued)

Zone 5	Zone 6	Administration	LADP/ NPDES	Eliminations	Total
$ 363,133	$ 1,606,971	$ 2,593,722	$ -	$ -	$ 43,554,373
625	1,014	20,414	-	-	328,805
-	6,754	-	-	-	492,437
3,173	6,466	3,880	22,147	(16,452)	141,417
-	-	774	3,266,246	-	4,711,891
-	13,063	166,459	165,981	-	617,225
-	7,151	6,117	303	-	159,263
366,931	1,641,419	2,791,366	3,454,677	(16,452)	50,005,411
67,485	547,889	3,801,448	666,777	-	11,653,066
122,023	496,011	1,058,679	1,973,727	-	16,873,989
128,880	14,503	-	-	-	4,860,644
-	-	-	-	-	6,810,000
-	-	-	-	(16,452)	2,904,469
318,388	1,058,403	4,860,127	2,640,504	(16,452)	43,102,168
48,543	583,016	(2,068,761)	814,173	-	6,903,243
-	62,969	-	-	-	1,262,749
-	-	6,913	487	-	14,048,618
-	-	2,265,000	97,628	(7,173,198)	-
(22,176)	(91,305)	-	-	7,173,198	-
(22,176)	(28,336)	2,271,913	98,115	-	15,311,367
26,367	554,680	203,152	912,288	-	22,214,610
2,587,921	4,387,455	1,077,130	3,424,350	-	93,510,541
$ 2,614,288	$ 4,942,135	$ 1,280,282	$ 4,336,638	$ -	$ 115,725,151

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Certified
Public
Accountants

Sacramento
Walnut Creek
Oakland
Los Angeles
Century City
Newport Beach
San Diego

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Board of Supervisors
County of San Bernardino
San Bernardino County Flood Control District
San Bernardino, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the major fund and the aggregate remaining fund information of the San Bernardino County Flood Control District (the District), a component unit of the County of San Bernardino, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise of the District's basic financial statements, and have issued our report thereon dated November 20, 2015. Our report includes an emphasis of a matter discussing the adoption of the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27,* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68.*

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

Macias Gini & O'Connell LLP

Los Angeles, California
November 20, 2015