Financial Statements
June 30, 2022

San Bernardino County Flood Control District

(a Component Unit of San Bernardino County)

Independent Auditor's Report

To the Honorable Board of Supervisors
San Bernardino County Flood Control District
San Bernardino, California

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the general fund, and the aggregate remaining fund information of the San Bernardino County Flood Control District (District), a component unit of San Bernardino County, California (County), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the general fund, and the aggregate remaining fund information of the District, as of June 30, 2022, 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.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information, schedule of proportionate share of the net pension liability, and the schedule of contributions on pages as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 opinions on the basic financial statements are not affected by the missing information.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the general fund 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 general fund 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 has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement 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 general fund combining statements by zone are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 2023, 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, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Eide Bailly LLP

Rancho Cucamonga, California
February 28, 2023

	Governmental Activities
Assets	
Cash and cash equivalents	$ 76,398,331
Cash and investments with fiscal agent	139,805,233
Restricted	
Cash in escrow	4,951,869
Cash and investments in trust	4,018,181
Interest receivable	908,467
Accounts receivable	369,542
Taxes receivable	1,399,290
Due from other governments	1,286,761
Prepaid expenses	92,075
Capital assets, not being depreciated	147,033,167
Capital assets being depreciated, net	270,208,138
Total assets	646,471,054
Deferred Outflows of Resources	
Loss on refunding of debt	385,600
Deferred outflows related to pensions	5,079,324
Total deferred outflows of resources	5,464,924
Total assets and deferred outflows of resources	651,935,978
Liabilities	
Accounts payable	850,986
Salaries and benefits payable	783,248
Retentions payable	1,018,933
Interest payable	201,681
Due to other governments	407,362
Deposits payable	98,474
Unearned revenue	4,298,307
Long-term liabilities:	
Due within one year	3,715,000
Due in more than one year	43,215,361
Net pension liability	4,795,029
Total liabilities	59,384,381
Deferred Inflows of Resources	
Gain on refunding of debt	36,000
Deferred inflows related to pensions	8,963,999
Total deferred inflows of resources	8,999,999
Net Position	
Net investment in capital assets	415,371,386
Restricted for	
Debt service	5,127,433
Unrestricted	163,052,779
Total net position	$ 583,551,598

	Governmental Activities
Expenses	
Public works - flood control:	
Salaries and benefits	$ 11,610,492
Services and supplies	12,284,457
Depreciation	11,667,328
Interest	274,444
Total program expenses	35,836,721
Program Revenues	
Operating grants and contributions	9,294,210
Charges for services	1,886,854
Total program revenues	11,181,064
Net program expense	24,655,657
General Revenues	
Property taxes	78,406,425
Other taxes	322,070
Interest	(1,739,394)
Other	85,596
Gain on sale of capital assets	392,910
Total general revenues	77,467,607
Change in net position before County contributions	52,811,950
Contributions to County	(3,428,831)
Change in Net Position	49,383,119
Net Position, Beginning of Year	534,168,479
Net Position, End of Year	$ 583,551,598

	General Fund
Assets	
Cash and cash equivalents	$ 73,156,652
Cash and investments with fiscal agent	139,805,233
Cash in escrow	4,951,869
Cash and investments in trust	4,018,181
Interest receivable	908,467
Accounts receivable	369,542
Taxes receivable	1,399,290
Due from other governments	1,281,069
Prepaid items	65,187
Total assets	$ 225,955,490
Liabilities, Deferred Inflows of Resources, and Fund Balance	
Liabilities	
Accounts payable	$ 837,051
Salaries and benefits payable	783,248
Retentions payable	1,018,933
Due to other governments	716,350
Unearned revenue	4,298,307
Deposits payable	98,474
Total liabilities	7,752,363
Deferred Inflows of Resources	
Unavailable revenue	1,966,545
Fund Balance	
Nonspendable	
Prepaid items	65,187
Restricted for	
Debt service	5,127,433
Assigned for	
Flood improvement projects	5,283,225
NPDES program	862,307
Unassigned	204,898,430
Total fund balance	216,236,582
Total liabilities, deferred inflows of resources and fund balance	$ 225,955,490

Fund Balance Governmental Fund		$ 216,236,582
Amounts reported for governmental activities in the Statement of Net Position are different because:		
The internal service fund is used by management to charge the cost of certain activities to individual zones.		12,595,503
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the fund financial statements.		408,188,226
Certain receivables are not available to pay for current period expenditures and, therefore, are reported as deferred inflows of resources in the governmental fund financial statements.		1,966,545
Certain liabilities are not due and payable in the current period and, therefore, are not reported in the governmental fund financial statements.		
Bonds payable	$ (44,780,000)	
Accrued interest payable	(201,681)	
Compensated absences payable	(2,150,361)	
Net pension liability	(4,795,029)	(51,927,071)
Prepaid bond insurance costs are expenditures in the governmental fund financial statements when paid, however, such costs are capitalized and amortized over the life of the corresponding bonds in the statement of net position.		26,888
Deferred loss on refunding of debt are not current financial resources and, therefore are not reported in the governmental fund. These items are amortized over the life of the corresponding bonds in the statement of net position.		385,600
Deferred gain on refunding of debt are not current financial resources and, therefore are not reported in the governmental fund. These items are amortized over the life of the corresponding bonds in the statement of net position.		(36,000)
Deferred outflows and inflows related to pensions reported in the statement of net position are not current financial resources, and therefore are not recognized in the governmental funds:		
Deferred outflows related to pensions		5,079,324
Deferred inflows related to pensions		(8,963,999)
Net Position of Governmental Activities		$ 583,551,598

	General Fund
Revenues	
Property taxes	$ 78,406,425
Other taxes	322,070
Rents, concessions and royalties	516,340
Interest	(1,669,697)
Other governmental aid	8,376,696
Licenses, fees and permits	1,370,514
Other	85,596
Total revenues	87,407,944
Expenditures	
Current	
Public works - flood control:	
Salaries and benefits	14,544,567
Services and supplies	14,092,092
Capital outlay	3,477,933
Debt service	
Principal	6,580,000
Interest	286,344
Total expenditures	38,980,936
Excess of Revenues over Expenditures	48,427,008
Other Financing Sources (Uses)	
Sale of capital assets	290,251
Contributions to County	(3,428,831)
Transfers out to internal service fund	(500,000)
Total other financing sources (uses)	(3,638,580)
Net Change in Fund Balance	44,788,428
Fund Balance, Beginning	171,448,154
Fund Balance, Ending	$ 216,236,582

Net change in fund balance - governmental fund		$ 44,788,428
Amounts reported for governmental activities in the Statement of Activities are different because:		
Internal services funds are used by management to charge the costs of certain activities, such as insurance, and vehicle and computer replacement, to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities.		1,127,145
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 in the current period.		
Capital outlay	$ 3,477,933	
Depreciation expense	(10,453,877)	(6,975,944)
Amortization of deferred inflows and outflows of resources resulting from the deferred amounts on refunding.		(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 term debt and related items:		
Amortization of deferred charges	36,000	
Retirement of bonds	6,580,000	6,616,000
Certain 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 a decrease in deferred inflows of resources at the government fund level.		917,514
Amounts payable for accrued interest on long term liabilities, compensated absences, and pension related items do not use current financial resources. This is the net change in these expenses.		
Decrease in compensated absences payable		62,919
Changes in the net pension liability		2,871,157
Change in net position of governmental activities		$ 49,383,119

	Internal Service Fund
Assets	
Current assets	
Cash and cash equivalents	$ 3,241,679
Due from other County funds	308,988
Due from other governments	5,692
Total current assets	3,556,359
Noncurrent assets	
Capital assets being depreciated, net	9,053,079
Total assets	12,609,438
Liabilities	
Current liabilities	
Accounts payable	13,935
Total current liabilities	13,935
Net Position	
Investment in capital assets	9,053,079
Unrestricted	3,542,424
Total net position	$ 12,595,503

	Internal Service Fund
Operating Revenues	
Charges for services	$ 4,022,697
Total operating revenues	4,022,697
Operating Expenses	
Services and supplies	2,215,062
Depreciation	1,213,451
Total operating expenses	3,428,513
Operating gain	594,184
Nonoperating Revenues	
Investment loss	(69,697)
Gain on sale of capital assets	102,658
Total nonoperating revenues	32,961
Income before transfers	627,145
Transfers in from District	500,000
Change in Net Position	1,127,145
Net Position, Beginning of Year	11,468,358
Net Position, End of Year	$ 12,595,503

	Internal Service Fund
Operating Activities	
Receipts from interfund services provided	$ 3,841,679
Payments to suppliers	(2,528,191)
Net Cash provided by Operating Activities	1,313,488
Capital and Related Financing Activities	
Proceeds from sale of capital assets	76,251
Purchase of capital assets	(1,663,541)
Net Cash used by Capital and Related Financing Activities	(1,587,290)
Investing Activities	
Investment loss	(69,697)
Net Decrease in Cash and Cash Equivalents	(343,499)
Cash and Cash Equivalents - Beginning of the Year	3,585,178
Cash and Cash Equivalents - End of the Year	$ 3,241,679
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Gain	$ 594,184
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation expense	1,213,451
Change in assets, liabilities, deferred outflows and deferred inflows of resources:	
(Increase) in due from other County funds	(181,193)
Decrease in due from other governments	175
(Decrease) in accounts payable	(313,129)
Net Cash Provided by Operating Activities	$ 1,313,488
Noncash Capital and Related Financing Activities	
Capital asset transfers from County	$ 500,000

Note 1 - Summary of Significant Accounting Policies

Reporting Entity

The San Bernardino County Flood Control District (District) is a special district located within San Bernardino County, California (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 of San Bernardino. Component units are legally separate organizations for which the primary government 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).
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 Twentynine 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 c*urrent 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.

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.

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 and is classified as cash and investments with fiscal agent.

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, 2022.

Cash in Escrow and Investments in Trust

Cash in escrow represents unexpended proceeds and interest thereon received for and restricted by settlement agreements for flood control improvements in addition to amounts withheld for retainage related to ongoing construction projects as required by the construction contract. The settlement agreement requires that these proceeds be maintained and expended in accordance with the specifications outlined by the terms of the agreement. Amounts in escrow related to retainage are required to be maintained until the work is completed and approved.

Accounts Receivable

All accounts receivable are shown net of an allowance for uncollectable when applicable. The accounts receivable balance at June 30, 2022, was $369,542 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 program 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. Gain or loss from refunding of debt is reported as deferred outflows or inflows 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.

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 land, structures, improvements, equipment, software, land use rights, and infrastructure assets (dams, channels, drainage systems), are reported in the governmental activities in the government-wide financial statements. These capital assets have an initial useful life in excess of one (1) year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the estimated acquisition value at the date of donation.

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

The capitalization threshold is $5,000 except for the following assets:

Structures and infrastructure: $100,000
Internally generated software: $100,000
Easements/right-of-way: $10,000

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	5 to 15 years
Buildings	45 years
Internal Service Fund (Proprietary)	
Equipment and vehicles	Productive hours

Deferred Outflows/Inflows of Resources

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

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

The deferred amounts on refunding reported in the statement of net position as a deferred outflows and inflows of resources results from differences in the carrying values of refunded debts and the reacquisition prices. These amounts are deferred and amortized over the shorter of the life of the refunded or refunding debt.

Other amounts reported as deferred outflows of resources and deferred inflows of resources are related to the District's proportion of the County's pension plan and will be recognized in pension expense in future periods.

The District also reports deferred inflows of resources in the governmental fund balance sheet which arise only under a modified accrual basis of accounting. Accordingly, the item, unavailable revenue, is only reported in the governmental fund balance sheet. The governmental fund balance sheet reports unavailable revenues for amounts due from other governments that will not be collected within the District's period of availability. As such, these amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Fund Equity

The following fund balance 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. At June 30, 2022, the District General Fund had a nonspendable fund balance of $65,187.

- ***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, 2022, the District General Fund had a restricted fund balance of $5,127,433.

- ***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, 2022, the District had an assigned fund balance of $6,145,532.

- ***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, and 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, 2022, the District had an unassigned fund balance of $204,898,430.

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

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 percent of accumulated vacation pay, and those with ten or more years of continuous services are paid 30 to 60 percent 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 allocation of the County's share of the 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.

Fair Value Measurement

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District does not have any investments that are measured using Level 3 inputs. The valuation of 2a7 money market mutual funds are at one-dollar net asset value (NAV) per share. The redemption frequency is daily, and redemption notice period of inter-daily. This type of investment primarily invests in short term U.S. Treasury and government securities (including repurchase agreements collateralized by U.S. Treasury and government agency securities).

Current Accounting Pronouncements

Effective in Current Year

GASB Statement No. 87 – In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. The requirements of this Statement are effective for periods beginning after June 15, 2021. This Statement did not have a material impact on the District's financial statements.

GASB Statement No. 89 – In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period.* The objective of this Statement is to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period. The requirements of this Statement are effective for periods beginning after December 15, 2020. This Statement did not have a material impact on the District's financial statements.

GASB Statement No. 92 – In January 2020, the GASB issued Statement No. 92, *Omnibus 2020*. The primary objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement is effective for periods beginning after June 15, 2021. This Statement did not have a material impact on the District's financial statements.

GASB Statement No. 93 – In March 2020, the GASB issued Statement No. 93, *Replacement of Interbank Offered Rates (IBOR)*. The primary objectives of this Statement are to address the accounting and financial reporting implications that result from the replacement of an IBOR. This Statement is effective for periods beginning after June 15, 2021. This Statement did not have a material impact on the District's financial statements.

GASB Statement No. 98 – In October 2021, the GASB issued Statement No. 98, *The Annual Comprehensive Financial Report*. The statement establishes the term annual comprehensive financial report and its acronym ACFR. The new term and acronym replaces instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments. This statement effective for periods ending after December 15, 2021. This Statement did not have a material impact on the District's financial statements.

GASB Statement No. 99 – In April 2022, the GASB issued Statement No. 99, *Omnibus 2022.* The primary objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. This Statement is effective for fiscal years beginning after June 15, 2022. This Statement did not have a material impact on the District's financial statements.

Effective in Future Years

GASB Statement No. 94 – In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment*. The primary objectives of this Statement are to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). This Statement is effective for periods beginning after June 15, 2022. The District has not determined its effect on the financial statements.

GASB Statement No. 96 – In May 2020, the GASB issued Statement No. 96, *Subscription-based Information Technology Arrangements*. The primary objective of this Statement is to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). The Statement is effective for reporting periods beginning after June 15, 2022. The District has not determined its effect on the financial statements.

GASB Statement No. 100 – In June 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections.* The primary objectives of this Statement are to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. This Statement is effective for fiscal years beginning after June 15, 2023. The District has not determined its effect on the financial statements.

GASB Statement No. 101 – In June 2022, the GASB issued Statement No. 101, *Compensated Absences.* The primary objectives of this Statement are to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. The objectives are achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The Statement is effective for fiscal year ending June 30, 2024. The District has not determined its effect on the financial statements.

Note 2 - 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 earnings through investment activities. Interest earned on pooled investments is deposited to the District's account based upon the District's average daily deposit balance during the allocation period. Cash and cash investments are shown at fair value as of June 30, 2022.

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 San Bernardino County. 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. The treasury pool is rated by Fitch ratings (NRSRO) at AAAf/S1 and is governed by the Treasury Oversight Committee.

Cash and investments as of June 30, 2022, consist of the following:

Cash on hand	$ 130,003
Cash pooled with the San Bernardino County Treasury	76,268,328
Cash and cash equivalents	76,398,331
Cash and investments with fiscal agent	139,805,233
Cash in escrow	4,951,869
Cash and investments in trust	4,018,181
Restricted Cash and Investments	8,970,050
Total cash and investments	$ 225,173,614

The District has the following amounts held in escrow accounts as of June 30, 2022:

Settlement funds in escrow for construction of Cactus Basin 4 and 5	$ 4,102,556
Construction contract retainage in escrow	849,313
Total cash in escrow	$ 4,951,869

The investment balances are made up of the following accounts as of June 30, 2022:

San Bernardino County Pool	$ 76,268,328
Money market mutual funds with trustee	4,018,181
Money market mutual funds with fiscal agent	139,805,233
	$ 220,091,742

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, 2022, 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 (1)(2)	
	CGC	Investment Policy	CGC	Investment Policy	CGC	Investment Policy	CGC	Investment Policy (3)
U.S. Treasury Securities	5 years	5 years & 6 months (4)	None	None	None	None	None	None
U.S. Government Agencies	5 years	5 years & 6 months (4)	None	None	None	None	None	None
Negotiable Certificates of Deposit	5 years	38 months	30%	30%	None	5%	None	A-1/P-1/F1/A-/A3/A-
Collateralized Certificates of Deposit	5 years	1 year	None	10%	None	None	None	None
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 (5)	92 Days (5)	20%	10%	None	None	None (6)	None (6)
Municipal Debt	5 years	5 years	None	10%	None	None	None	AAA by 2 NRSROs
Medium-Term Corporate Notes	5 years	38 months	30%	15%/20% (7)	None	5%	A-	A-A3 by 2 NRSROs
Insured Placement Service Accounts	5 years	Immediate liquidity	50%	5%	None	100MM, 100MM (9)	None	Not applicable
JPA Investment Pools	Not applicable	Immediate liquidity	None	5%	None	None	None	AAA
Money Market Mutual Funds	Not applicable	Immediate liquidity	20%	20%	None	10%	AAAm by 2 NRSROs	AAA by 2 NRSROs
Supranational Securities	5 years	5 years	30%	30%	None	None	AA-	AA
Asset-Backed Securities	5 years	5 years	20%	15%	None	5% (8)	A/AA-	AA

Footnote:
(1) Minimum credit rating categories are without regard to rating modifiers (+/-). Short-term rating appears before long-term rating.
(2) Standard & Poor's Ratings (quoted) or its equivalent nationally recognized statistical rating organization (NRSRO) rating or better.
(3) The County uses the credit ratings issued by the following nationally recognized statistical rating organizations: Standard & Poor's Ratings Services, Moody's Investors Service, and Fitch Ratings.
(4) California Government Code Section 53601 allows for purchases of Treasury and Agency securities beyond 5 years with approval of the Board of Supervisors.
(5) May exceed 92 days if the agreement includes a written codicil guaranteeing a minimum earning or spread for the entire period between the sale and final maturity dates of the same security.
(6) Must have held the securities used for the agreements for at least 30 days.
(7) Maximum portfolio Medium-Term Corporate Note exposure is 20%, with a limit of 15% on maturities over 13 months.
(8) Subject to 5% overall special purpose entity limit - a legally separated pass-through entity, trust or equivalent that makes its obligation secure and independent from the parent entity.
(9) FICA account balances are fully covered by FDIC insurance. Term deposits are not permitted. Maximum $100MM per selected depository institution. Maximum $100MM per placement service.

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, 2022, the District had $139,805,233 of money market mutual funds with fiscal agent that are 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. Generally accepted accounting principles 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, banker's 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, 2022, all investments held by the County pool were within policy limits.

As of June 30, 2022, all cash and investments held by the District were rated as follows:

Investment Type	S&P Rating	Moody's Rating	Fitch Rating	Amount at June 30, 2022
Investment in County Pool	Not Rated	Not Rated	AAAf/S1	$ 76,268,328
Money Market Mutual Funds with Trustee	AAAm	Aaa-mf	Not Rated	4,018,181
Investments with Fiscal Agent:				
Money Market Mutual Funds	AAAm	Aaa-mf	Not Rated	139,805,233
Total				$ 220,091,742

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. Generally accepted accounting principles 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.

Weighted average maturity of the District's investments as of June 30, 2022, is as follows:

Investment Type	Fair Value	Weighted Average Maturity (Years)
Investment in the San Bernardino County Pool	$ 76,268,328	1.36
Money market mutual funds with trustee	4,018,181	0.07
Money market mutual funds with fiscal agent	139,805,233	0.05
	$ 220,091,742	

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.

Generally accepted accounting principles 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 percent 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 percent 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.

Bank balances are insured by FDIC depository insurance up to $250,000 and the remainder, when applicable, is collateralized, as required by California Government Code Section 53652.

Fair Value Measurements

The District is a participant in the San Bernardino Treasurer's Pool (County Pool). The County Pool is an external investment pool and is not registered with the Securities Exchange Commission (SEC). The County Pool is rated by Fitch ratings (NRSRO) at AAAf/S1. The San Bernardino County Treasury Oversight Committee conducts County Pool oversight. Cash on deposit in the County Pool at June 30, 2022, is stated at fair value. The County Pool values participant shares on an amortized cost basis during the year and adjusts to fair value at year-end. The fair value adjustment at June 30, 2022, decreased the District's investment income by $1,114,118. For further information regarding the County Pool, refer to San Bernardino County Annual Comprehensive Financial Report.

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

<u>Level 1</u> — Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the District has the ability to access.

<u>Level 2</u> — Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

<u>Level 3</u> — Inputs to the valuation methodology are unobservable and significant to the fair value measurement. Unobservable inputs reflect the Districts' own assumptions about the inputs market participants would use in pricing the asset or liability (including assumptions about risk). Unobservable inputs are developed based on the best information available in the circumstances and may include the District's own data.

The asset's level within the hierarchy is based on the lowest level of input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The determination of what constitutes observable requires judgment by the District's management. District management considers observable data to be that market data, which is readily available, regularly distributed or updated, reliable, and verifiable, not proprietary, and provided by multiple independent sources that are actively involved in the relevant market. The categorization of an investment within the hierarchy is based upon the relative observability of the inputs to its fair value measurement and does not necessarily correspond to District management's perceived risk of that investment.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The District's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability. Deposits and withdrawals in the County Treasury Pool are made on the basis of $1 and not fair value. Accordingly, the District's proportionate share of investments in the County Pool at June 30, 2022, of $76,268,328 is an uncategorized input not defined as a Level 1, Level 2, or Level 3 input.

The following is a description of the valuation methods and assumptions used by the District to estimate the fair value of its investments. There have been no changes in the methods and assumptions used at June 30, 2022. The methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. District management believes its valuation methods are appropriate and consistent with other market participants. The use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

When available, quoted prices are used to determine fair value. When quoted prices in active markets are available, investments are classified within Level 1 of the fair value hierarchy. For investments classified within Level 2 of the fair value hierarchy, the District's custodians generally uses a multi-dimensional relational model. Inputs to their pricing models are based on observable market inputs in active markets. The inputs to the pricing models are typically benchmark yields, reported trades, broker-dealer quotes, issuer spreads and benchmark securities, among others. The District's Level 2 investments consist of investments in municipal bonds that did not trade on the District's fiscal year end date. The valuation of money market mutual funds is at one-dollar net asset (NAV) per share. The redemption frequency is daily and redemption notice of period of intra-daily. This type of investment primarily invests in short term U.S. Treasury and government securities (including repurchase agreements collateralized by U.S. Treasury and government agency securities). The District has the following recurring fair value measurements as of June 30, 2022:

Investments by Fair Value Level	**Total**
Non-leveled investments:	
Investment in the San Bernardino County Pool	$ 76,268,328
Investments measured at the net asset value (NAV):	
Money market mutual funds with trustee	4,018,181
Money market mutual funds with fiscal agent	139,805,233
Total investments measured at the net asset value (nav)	143,823,414
Total investments	$ 220,091,742

Note 3 - 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 governmental fund 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, 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.

Capital assets for the governmental activities and internal service fund are as follows:

	Balance June 30, 2021	Additions	Deletions	Balance June 30, 2022
Governmental Activities				
Capital assets, not being depreciated:				
Land	$ 36,452,591	$ 389,835	$ -	$ 36,842,426
Easements	1,764,309	-	-	1,764,309
Construction in progress	117,079,750	2,809,478	(11,462,796)	108,426,432
Total capital assets, not being depreciated	155,296,650	3,199,313	(11,462,796)	147,033,167
Capital assets, being depreciated:				
Buildings	779,574	-	-	779,574
Channels, drains, dams, basins	566,928,116	11,480,775	-	578,408,891
Equipment and vehicles	1,357,751	260,642	-	1,618,393
Internally generated software	186,831	-	-	186,831
Total capital assets, being depreciated	569,252,272	11,741,417	-	580,993,689
Less accumulated depreciation for:				
Buildings	(602,746)	(19,594)	-	(622,340)
Channels, drains, dams, basins	(308,263,871)	(10,248,910)	-	(318,512,781)
Equipment and vehicles	(444,962)	(166,690)	-	(611,652)
Internally generated software	(73,174)	(18,683)	-	(91,857)
Total accumulated depreciation	(309,384,753)	(10,453,877)	-	(319,838,630)
Capital assets, being depreciated, net	259,867,519	1,287,540	-	261,155,059
Governmental activities capital assets, net	415,164,169	4,486,853	(11,462,796)	408,188,226
Internal Service Fund				
Capital assets, being depreciated				
Vehicles	16,853,866	2,163,541	(135,558)	18,881,849
Equipment	131,092	-	-	131,092
Total capital assets being depreciated	16,984,958	2,163,541	(135,558)	19,012,941
Less accumulated depreciation for:				
Vehicles	(8,876,780)	(1,213,451)	161,965	(9,928,266)
Equipment	(31,596)	-		(31,596)
Total accumulated depreciation	(8,908,376)	(1,213,451)	161,965	(9,959,862)
Total internal service fund capital assets being depreciated, net	8,076,582	950,090	26,407	9,053,079
Total capital assets, net-governmental activities	$ 423,240,751	$ 5,436,943	$ (11,436,389)	$ 417,241,305

Depreciation and amortization expense for the year is $11,667,328 for governmental activities, of which, $1,213,451 relates to the internal service fund.

At June 30, 2022, 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	$ 1,119,632	
1	West Fontana Channel	71,782,353	
1	West Fontana Channel-Hickory Basin to Banana Basin	1,813,819	
1	Hawker Crawford Channel	614,762	
1	Carbon Canyon Channel	1,001,019	
1	Grove Basin Outlet Storm Drain	418,826	
1	Rancho Yard Building	322,409	
1	San Antonio Storm Drain	3,663	$ 77,076,483
2	Del Rosa Channel (Daley Channel)	156,878	
2	Cactus Basins	14,959,276	
2	Rialto Channel-Willow to Etiwanda Ave	2,042,718	
2	Devil Creek Channel	123,933	
2	City Creek Bypass Channel	4,840	
2	City Creek Levee Repair	84,081	17,371,726
3	Wildwood Channel	41,204	
3	Elder Creek Channel	2,453,519	2,494,723
4	Bandicoot Basin (Hesperia Basin) Phase I	4,956,941	
4	Desert Knolls Wash	2,436,201	
4	Avenue I Drainage	3,938	
4	Seneca Basin	83,237	
4	Oak Hill Basin (Hesperia Basin #2)	148,677	
4	Tussing Juniper Basin	70,292	
4	Bandicoot Basin (Hesperia Basin) Phase II	130	
4	Ranchero Basin	185,602	
4	Line E-01 Extension	103,134	7,988,152
5	Rim Forest Drainage	1,992,622	1,992,622
6	Donnell Basin	1,009,547	
6	El Rey Crossing Project	493,179	1,502,726
	Total Construction in Progress	$ 108,426,432	$ 108,426,432

The District has active major construction projects as of June 30, 2022. 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, 2022, the District's commitments with contractors are as follows:

Project #	Description	Commitment Amount
F01087	West State Street Storm Drain	$ 34,589
F01452	West Fontana Channel	2,239,641
F02651	Carbon Canyon Channel	57,843
F01667	Cactus Basin #4 & #5	4,025,973
F01417	Bandicoot Basin	157,279
F01911	Elder Creek Channel	9,500
F02377	Rim Forest Drainage	122,929
	Total	$ 6,647,754

Note 4 - Retentions Payable

Effective January 1, 2012, the District retains 5 percent of construction contracts until contracts are completed and approved. Some contracts require that the retention be deposited into an escrow account. For all others, the final 5 percent or 10 percent payment is not made until the work is completed and approved. At June 30, 2022, the District's retentions payable balance was $1,018,933.

Note 5 - Deferred Inflows of Resources

As of June 30, 2022, total deferred inflows of resources in the General Fund are related to the following unavailable resources:

Other governmental aid receivable	$ 1,966,545

Note 6 - Long-Term Liabilities

During the year ended June 30, 2022, in addition to Net Pension Liability in Note 7, the District had the following changes in long-term obligations:

	Balance on July 01, 2021	Additions	Deletions	Balance on June 30, 2022	Amounts Due In One Year
Governmental Activities					
Series 2007 Refunding Bonds	$ 2,920,000	$ -	$ 2,920,000	$ -	$ -
Series 2008 Refunding Bonds	37,295,000	-	-	37,295,000	-
Bonds Payable, net	40,215,000	-	2,920,000	37,295,000	-
Direct Placement 2016 Refunding JOBS, Series A	11,145,000	-	3,660,000	7,485,000	3,715,000
Compensated absences	2,213,280	1,386,535	1,449,454	2,150,361	-
Total Governmental Activities	$ 53,573,280	$ 1,386,535	$ 8,029,454	$ 46,930,361	$ 3,715,000

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 percent 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 bond was fully paid as of June 30, 2022.

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.

The bonds contain a provision that in the event principal and interest are not paid when due, the District is in default and all outstanding principal and interest accrued thereon are immediately due. All amounts held in the bonds' debt service reserve account are collateral for the bond holders.

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 remaining balance at June 30, 2022, 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 percent 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 percent 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 a current stated expiration date of July 5, 2022.

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, 2022, 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 percent, 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 percent, c) 7.5 percent 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 one percent.

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. At June 30, 2022, the District's unamortized loss on refunding of debt balance was $385,600.

The bonds contain a provision that in the event principal and interest are not paid when due, the District is in default and all outstanding principal and interest accrued thereon are immediately due. All amounts held in the bonds' debt service reserve account are collateral for the bond holders.

The following schedule represents a debt service scenario in which all the bonds are tendered by investors on July 1, 2022, 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 percent, and that interest on the Term Loan is paid at a rate of 8.5 percent. Principal is amortized as required in the Reimbursement Agreement over the Term Loan period.

Year Ending June 30,	Principal	Interest	Total
2023	$ 10,600,000	$ 2,820,543	$ 13,420,543
2024	10,600,000	1,745,358	12,345,358
2025	10,700,000	834,167	11,534,167
2026	5,395,000	76,639	5,471,639
Total	$ 37,295,000	$ 5,476,707	$ 42,771,707

The following schedule of debt service requirements to maturity as of June 30, 2022, for the Refunding Bonds, Series 2008:

Year Ending June 30,	Principal	Interest	Total
2023	$ -	$ 1,808,808	$ 1,808,808
2024	-	1,808,808	1,808,808
2025	-	1,810,879	1,810,879
2026	-	1,806,736	1,806,736
2027	-	1,808,808	1,808,808
2028-2032	9,665,000	8,673,256	18,338,256
2033-2037	22,540,000	4,602,949	27,142,949
2038	5,090,000	246,582	5,336,582
Total	$ 37,295,000	$ 22,566,826	$ 59,861,826

Direct Placement Bonds - 2016 Refunding Judgment Obligation Bonds, Series A

In February 2016, the District issued direct placement Refunding Judgment Obligation Bonds, Series A, in the amount of $27,870,000. Interest on the Refunding Judgment Obligation Bonds, Series A is paid at a fixed rate of 1.54 percent payable annually on August 1 of each year commencing on August 1, 2016. Principal payments are due annually in various amounts commencing August 1, 2016, through 2023. The remaining balance at June 30, 2022 was $7,485,000.

Proceeds from the 2016 Refunding Judgment Obligation Bonds, Series A, along with other District funds, were used to pay in full the outstanding principal balance of the 2007 Judgment Obligation Bonds, Series A. The refunding resulted in a gain in the amount of $252,000 and is reported as a deferred inflow of resources. The deferred gain will be amortized through 2024 at $36,000 per year as a reduction to interest expense. At June 30, 2022, the District’s unamortized deferred gain balance was $36,000.

If the district does not make punctual payment and performance, conform to the extension of payment of the bonds provisions of the indenture, conform to the additional obligations provision of the indenture, debt service coverage ratio of the indenture, other replacement proceeds provision of the indenture, budgets provision of the indenture, tax covenant provisions of the indenture, or further assurances provisions of the indenture, the District will be considered in default. In the event of default, upon written direction of the owners or not less than a majority in aggregate principal amount of the outstanding bonds, may declare immediately due and payable the unpaid principal and accrued interest thereon of all the outstanding bonds. In addition, an acceleration fee shall become immediately due and payable provided however that the Trustee shall not declare an acceleration until at least seven days after the occurrence of an event default.

The following schedule of debt service requirements to maturity as of June 30, 2022, for the Direct Placement Bonds - 2016 Refunding Judgment Obligation Bonds, Series A

Year Ending June 30,	Principal	Interest	Total
2023	$ 3,715,000	$ 115,269	$ 3,830,269
2024	3,770,000	58,058	3,828,058
Total	$ 7,485,000	$ 173,327	$ 7,658,327

Note 7 - 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 San Bernardino County Board of Supervisors and/or the SBCERA Board. SBCERA is a tax qualified plan under Section 401(a) of the Internal Revenue Code.

SBCERA publishes its own annual comprehensive financial report that includes its financial statements and required supplementary information, which can be obtained by writing to SBCERA, attention Fiscal Services Department, 348 W. Hospitality Lane, San Bernardino, California 92408 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.

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
Final average compensation	Highest 12 consecutive months	Highest 36 consecutive months
Normal retirement age	The later of age 55 or the age at which the member vests in his/her benefits under the CERL, but not later than age 70	The later of age 55 or the age at which the member vests in his/her benefits under the CERL, but not later than age 70
Early retirement: years of services 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
Benefit	At normal retirement age, 2.0% per year of final average compensation for every year of service credit	At age 67, 2.5% per year of final average compensation for every year of service credit
Benefit adjustments	Reduced before age 55, increased after 55 up to age 65	Reduced before age 67
Final average compensation limitation	Internal Revenue Code section 401(a)(17)	Government Code section 7522.10

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 percent per year. Any increase greater than 2 percent is banked and may be used in years where the CPI is less than 2 percent. There is a one-time 7 percent 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 independent actuary, that requires actuarial assumptions with regard to mortality, expected future service (including age at entry into the Plan, if applicable and tier), and compensation increases of the members and beneficiaries. The combined active member and employer contribution rates are expected to finance the costs of benefits for employees that are allocated during the year, with an additional amount to finance any unfunded accrued liability. Participating employers may pay a portion of the active members' contributions through negotiations and bargaining agreements.

Employee and employer contribution rates for the fiscal year ended June 30, 2022 are as follows:

	General - Tier 1	General - Tier 2
Employee contribution rates	9.05% to 15.77%	9.09%
Employer contribution rates	28.49%	25.34%

For the year ended June 30, 2022, the District's contributed $2,772,477.

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

As of June 30, 2022, the District reported a net pension liability for its proportionate share of the County's net pension liability of $4,795,029.

The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportionate share of the net pension liability of the County as of June 30, 2022 and 2021 with measurement dates as of June 30, 2021 and 2020 was .4489 percent and .6920 percent, respectively.

For the year ended June 30, 2022, the District recognized a negative pension expense of $(117,647).

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

	Deferred Outflows Related to Pensions	Deferred Inflows Related to Pensions
Pension contributions subsequent to measurement date	$ 2,772,477	$ -
Net differences between projected and actual investment earnings on pension plan investments	-	5,013,148
Difference between expected and actual experience	288,778	28,684
Changes of assumptions	1,146,738	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	871,331	3,922,167
Total proportionate share of deferred outflows of resources	$ 5,079,324	$ 8,963,999

The total amount of $2,772,477 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, 2023. 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:	
2023	$ (1,049,278)
2024	(1,284,807)
2025	(1,522,086)
2026	(2,410,266)
2027	(390,715)
Total	$ (6,657,152)

Actuarial Assumptions

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

Actuarial Valuation Date	June 30, 2021
Actuarial Cost Method	Entry Age Actuarial Cost Method
Actuarial Assumptions	
Investment Rate of Return	7.25%, net of pension plan investment expenses
Inflation	2.75%
Projected Salary Increases	General: 4.55% to 12.75%
Cost of Living Adjustments	Consumer price index with a 2.00% maximum
Administrative Expenses	0.85% of payroll

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

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

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.

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

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

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

Discount Rate

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

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

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
The District's proportionate share of the net pension liability	$ 16,952,333	$ 4,795,029	$ (5,151,179)

Detailed information about the Plan's fiduciary net position is available in the separately issued SBCERA and San Bernardino County annual comprehensive financial reports.

Note 8 - Net Position

Net position represents the difference between total assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. 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.

The following is a summary of the District's net position as of June 30, 2022:

Capital assets, net of depreciation	$ 417,241,305
Less: construction related payables	(850,986)
Less: retentions payable	(1,018,933)
Net investment in capital assets	415,371,386
Restricted net position	5,127,433
Unrestricted net position	163,052,779
Total Net Position	$ 583,551,598

Note 9 - 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 10 - 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.

Note 11 - Unearned Revenue

In accordance with the settlement agreement effective April 7, 2015, which obligated specified parties for flood control improvements near the extension of the 210 freeway through the City of Rialto, $16,000,000 was deposited into an escrow account from which the District is allowed to draw from for the construction of the flood control facilities upon the satisfaction of certain milestones. In the fiscal year ending June 30, 2016, the District accomplished the first milestone and recognized $4,000,000 of the escrow deposit as settlement revenue. In the fiscal year ending June 30, 2018, the District accomplished the second milestone and recognized an additional $4,000,000 of the escrow deposit as settlement revenue. In the fiscal year ending June 30, 2019, the District accomplished the third milestone and recognized an additional $4,000,000 of the escrow deposit as settlement revenue. The remainder of the proceeds from the settlement agreement of $4,102,556 including interest accrued, is reported in cash in escrow on the District's balance sheet. Of the $4,102,556, $4,000,000 will be recognized into settlement revenue as the remaining milestones are accomplished by the District and the interest accrued on the monies will not as it does not belong to the District. As such, the $4,102,556 along with other amounts, is included in unearned revenues on the District's balance sheet.

Note 12 - Transactions with the County

The District uses the treasury function of the County and at times maintains a cash overdraft with the County, which can be repaid only through collection of receivables. The District had no cash overdrafts as of June 30, 2022.

The District uses the functions of the Department of the Auditor-Controller/Treasurer/Tax Collector, including those of the Tax Collector, Controller, Disbursements and Treasury Divisions. Additionally, the District uses functions from other County Departments including Real Estate Services, Project and Facilities Management, the County Administrative Office, and the Human Resources departments.

The County contributed $3,875,902 during the year ended June 30, 2022, of which $1,300,000 was for the NPDES program and $2,575,902 for the Rim Forest Drainage project. Contributions from the County are reported in other governmental aid in the District's general fund and as operating grants and contributions in the District's statement of activities.

Contributions to the County in the amount of $3,428,831 for the year ended June 30, 2022, were primarily for funding of the construction of a new Department of Public Works Administration building.

Note 13 - Interfund Transfers

Transfers to the internal service fund from the general fund in the amount of $500,000 for the year ended June 30, 2022, were for equity in capital equipment that was acquired with general fund proceeds.

Required Supplementary Information
June 30, 2022

San Bernardino County Flood Control District

	General Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Property taxes	$ 63,308,422	$ 63,308,422	$ 78,406,425	$ 15,098,003
Other taxes	350,600	350,600	322,070	(28,530)
Rents, concessions and royalties	582,500	582,500	516,340	(66,160)
Interest	140,000	140,000	(1,669,697)	(1,809,697)
Other governmental aid	3,655,887	3,663,750	8,376,696	4,712,946
Licenses, fees and permits	1,060,645	1,060,645	1,370,514	309,869
Other	2,000	2,000	85,596	83,596
Total revenues	69,100,054	69,107,917	87,407,944	18,300,027
Expenditures				
Current				
Public works - flood control:				
Salaries and benefits	20,558,492	20,566,335	14,544,567	6,021,768
Services and supplies	11,314,370	12,044,390	14,092,092	(2,047,702)
Capital outlay	90,707,819	90,707,819	3,477,933	87,229,886
Debt service				
Principal	3,715,000	3,715,000	6,580,000	(2,865,000)
Interest	1,924,077	1,924,077	286,344	1,637,733
Reserves and contingencies	107,726,389	106,996,389	-	106,996,389
Total expenditures	235,946,147	235,954,010	38,980,936	196,973,074
Excess of Revenues over (Under) Expenditures	(166,846,093)	(166,846,093)	48,427,008	215,273,101
Other Financing Sources (Uses)				
Transfers in	22,572,648	22,572,648	15,453,467	(7,119,181)
Transfers out	(22,810,455)	(22,810,455)	(15,453,467)	7,356,988
Settlements and insurance recoveries	4,000,000	4,000,000	-	(4,000,000)
Sale of capital assets	1,258,351	1,258,351	290,251	(968,100)
Contributions to County	-	-	(3,428,831)	(3,428,831)
Transfers out to internal service fund	(500,000)	(500,000)	(500,000)	-
Total other financing sources (uses)	4,520,544	4,520,544	(3,638,580)	(8,159,124)
Net Change in Fund Balance	$ (162,325,549)	$ (162,325,549)	44,788,428	$ 207,113,977
Fund Balance, Beginning			171,448,154	
Fund Balance, Ending			$ 216,236,582	

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 sum object level for capital assets within each fund. The budgetary report is available from the Auditor-Controller/Treasurer/Tax Collector's office at 268 W. Hospitality Lane, 4th Floor, San Bernardino, California 92415-0018.

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 by the District's Administration Department. 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.

San Bernardino County Flood Control District

Schedule of the District's Proportionate Share of the Net Pension Liability

Last 10 Fiscal Years*

	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Proportion of the net pension liability	0.4489%	0.6920%	0.6554%	0.6432%	0.6564%	0.6533%	0.6334%	0.6245%
Proportionate share of the net pension liability	$ 4,795,029	$ 23,025,660	$ 14,558,026	$ 13,288,341	$ 14,314,949	$ 13,402,058	$ 10,281,544	$ 8,978,772
Covered payroll	$ 10,514,877	$ 10,979,767	$ 10,534,965	$ 9,954,294	$ 9,677,484	$ 9,018,132	$ 9,038,851	$ 8,533,945
Proportionate share of the net pension liability as a percentage of its covered payroll	45.60%	209.71%	138.19%	133.49%	147.92%	148.61%	113.75%	105.21%
Plan fiduciary net position as a percentage of the total pension liability	91.19%	71.96%	79.61%	79.89%	77.90%	76.86%	80.98%	82.47%
Measurement date	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014

Notes to Schedule

*Fiscal year 2015 was the first year of implementation, and therefore, only eight years are shown.

In 2022, there were no changes of assumptions. Amounts reported in 2022 primarily reflect the 32.61% return on the market value of assets during 2020-2021 that was higher than the assumed return of 7.25% and the changes in benefit terms based on a decision in the Alameda County Deputy Sheriffs' Assn. et al. v. Alameda County Employees' Retirement Assn. litigation issued by the California Supreme Court on July 30, 2020. The Board of Retirement adopted Resolution 2020-5, which detailed the implementation of the Alameda decision including reclassifying certain pay items for inclusion in compensation earnable. The results in this valuation reflect the reclassification of those pay codes, which reduced the Plan's net pension liability by $132.8 million. In 2021, the actuarial assumptions used the June 30, 2020 valuation were based on the results of the actuarial experience study for the period from July 1, 2016 through June 30, 2019. Amounts reported in 2021 primarily reflect a decrease of 0.25% inflation rate, an increase of 0.15% payroll for administrative expenses, and adjustments of projected salary increases and mortality rates to more closely reflect actual experience. Mortality rates were based on the Pub-2010 Amount-Weighted Above-Median Mortality Table projected generationally with the two-dimensional MP-2019 projection scale. In 2019 and 2020, there were no changes of assumptions. In 2018, the actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the three year period of July 1, 2013 through June 30, 2016. Amounts reported in 2018 primarily reflect a decrease of 0.25% for both the investment rate of return and inflation rate, an increase of 0.1% of payroll for administrative expenses, and adjustments of projected salary increases and mortality rates to more closely reflect actual experience. Mortality rates used in the June 30, 2017 actuarial valuation were based on the Headcount-Weighted RP 2014 Health Annuitant Mortality Table rather than on the RP-2000 Combined Healthy Mortality Table, which was used to determine amounts reported prior to 2018.

	June 30, 2022	June 30, 2021***	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017 **	June 30, 2016	June 30, 2015
Contractually required contribution	$ 2,772,477	$ 2,649,879	$ 2,729,991	$ 2,618,309	$ 2,202,039	$ 2,124,120	$ 2,015,092	$ 1,830,147
Contributions in relation to the contractually required contribution	(2,772,477)	(2,649,879)	(2,729,991)	(2,618,309)	(2,202,039)	(2,124,120)	(2,015,092)	(1,830,147)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 10,146,223	$ 10,514,877	$ 10,979,767	$ 10,534,965	$ 9,954,294	$ 9,677,484	$ 9,018,132	$ 9,038,851
Contributions as a percentage of covered payroll	27.33%	25.20%	24.86%	24.85%	22.12%	21.95%	22.34%	20.25%

Notes to Schedule

* Fiscal year 2015 was the first year of implementation, and therefore, only eight years are shown.
**In fiscal 2017 the County adopted GASB 82, which required the restatement of covered employee payroll to covered payroll, and covered payroll includes only pensionable earnings.
***2021 Contributions have been revised due to the Plan correction of an error on the 415 replacement benefit plan adjustment.

Other Information
June 30, 2022

San Bernardino County Flood Control District

	Zone 1	Zone 2	Zone 3	Zone 4	Zone 5
Assets					
Cash and cash equivalents	$ 27,820,840	$ 8,298,141	$ 9,415,765	$ 11,617,011	$ 3,333,765
Cash and investments with fiscal agent	52,689,429	28,134,568	12,500,369	32,532,476	5,008,341
Cash in escrow	849,313	4,102,556	-	-	-
Cash and investments in trust	4,018,181	-	-	-	-
Interest receivable	341,987	182,327	81,078	212,329	32,613
Accounts receivable	299,066	35,371	5,976	6,060	-
Taxes receivable	686,406	230,656	160,902	171,805	14,692
Due from other funds	44,552	29,556	11,622	20,561	3,720
Due from other governments	81,057	751,743	106,915	335,096	-
Prepaid items	-	-	-	-	-
Total assets	$ 86,830,831	$ 41,764,918	$ 22,282,627	$ 44,895,338	$ 8,393,131
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities					
Accounts payable	$ 242,370	$ 348,893	$ (90,374)	$ 30,941	$ -
Salaries and benefits payable	-	-	-	-	-
Retention payable	990,887	-	-	-	-
Due to other funds	317,249	423,480	163,625	87,620	9,148
Due to other governments	51,925	2,816	1,433	8,261	14,903
Unearned revenues	50,983	4,121,653	125,671	-	-
Deposits payable	65,232	15,189	18,053	-	-
Total liabilities	1,718,646	4,912,031	218,408	126,822	24,051
Deferred inflows of resources					
Unavailable revenue	546,963	724,454	100,252	502,326	24,755
Fund balances					
Nonspendable					
Prepaid items	-	-	-	-	-
Restricted for					
Debt service	5,127,433	-	-	-	-
Assigned for					
Flood improvement projects	2,273,500	1,062,090	622,077	664,425	141,774
NPDES program	-	-	-	-	-
Unassigned	77,164,289	35,066,343	21,341,890	43,601,765	8,202,551
Total fund balances	84,565,222	36,128,433	21,963,967	44,266,190	8,344,325
Total liabilities, deferred inflows of resources and fund balances	$ 86,830,831	$ 41,764,918	$ 22,282,627	$ 44,895,338	$ 8,393,131

	Zone 6	Administration	LADP/ NPDES	Eliminations	Total
Assets					
Cash and cash equivalents	$ 2,663,483	$ 1,730,683	$ 8,276,964	$ -	$ 73,156,652
Cash and investments with fiscal agent	7,446,166	1,493,884	-	-	139,805,233
Cash in escrow	-	-	-	-	4,951,869
Cash and investments in trust	-	-	-	-	4,018,181
Interest receivable	48,371	9,762	-	-	908,467
Accounts receivable	9,293	-	13,776	-	369,542
Taxes receivable	51,777	83,052	-	-	1,399,290
Due from other funds	5,018	2,332,604	-	(2,447,633)	-
Due from other governments	-	6,258	-	-	1,281,069
Prepaid items	-	44,100	21,087	-	65,187
Total assets	$ 10,224,108	$ 5,700,343	$ 8,311,827	$ (2,447,633)	$ 225,955,490
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities					
Accounts payable	$ 29,050	$ 74,781	$ 201,390	$ -	$ 837,051
Salaries and benefits payable	-	783,248	-	-	783,248
Retention payable	-	28,046	-	-	1,018,933
Due to other funds	95,360	1,909,371	69,098	(3,074,951)	-
Due to other governments	9,694	-	-	627,318	716,350
Unearned revenues	-	-	-	-	4,298,307
Deposits payable	-	-	-	-	98,474
Total liabilities	134,104	2,795,446	270,488	(2,447,633)	7,752,363
Deferred inflows of resources					
Unavailable revenue	46,009	13,668	8,118	-	1,966,545
Fund balances					
Nonspendable					
Prepaid items	-	44,100	21,087	-	65,187
Restricted for					
Debt service	-	-	-	-	5,127,433
Assigned for					
Flood improvement projects	65,361	453,998	-	-	5,283,225
NPDES program	-	-	862,307	-	862,307
Unassigned	9,978,634	2,393,131	7,149,827	-	204,898,430
Total fund balances	10,043,995	2,891,229	8,033,221	-	216,236,582
Total liabilities, deferred inflows of resources and fund balances	$ 10,224,108	$ 5,700,343	$ 8,311,827	$ (2,447,633)	$ 225,955,490

	Zone 1	Zone 2	Zone 3	Zone 4	Zone 5
Revenues					
Property taxes	$ 36,175,859	$ 17,137,784	$ 7,643,511	$ 10,215,424	$ 497,796
Other taxes	158,624	52,169	37,153	39,655	3,394
Rents, concessions and royalties	111,074	294,940	96,832	12,510	-
Interest	(120,495)	(111,748)	(100,213)	(106,794)	(19,242)
Other governmental aid	1,715,338	1,684,998	880,594	8,111	2,575,902
Licenses, fees and permits	604,884	433,237	77,424	13,350	-
Other	1,235	(18,315)	101,496	1,285	-
Total revenues	38,646,519	19,473,065	8,736,797	10,183,541	3,057,850
Expenditures					
Current					
Public works - flood control					
Salaries and benefits	2,144,476	2,777,030	1,881,394	832,485	94,051
Services and supplies	3,059,408	3,073,544	2,704,459	671,630	51,747
Capital outlay	1,423,624	809,640	149,510	769,735	115,957
Debt service					
Principal	6,580,000	-	-	-	-
Interest	286,344	-	-	-	-
Total expenditures	13,493,852	6,660,214	4,735,363	2,273,850	261,755
Excess of Revenues Over (Under) Expenditures	25,152,667	12,812,851	4,001,434	7,909,691	2,796,095
Other Financing Sources (Uses)					
Transfers in	8,050,119	-	258,835	-	-
Transfers out	(7,540,258)	(5,678,777)	(779,509)	(1,048,101)	(62,531)
Sale of capital assets	269,451	20,800	-	-	-
Contributions to County	(363,620)	(143,032)	(81,210)	(118,890)	(5,690)
Transfers out to internal service fund	(242,410)	(105,270)	(54,140)	(79,260)	(3,800)
Total other financing sources (uses)	173,282	(5,906,279)	(656,024)	(1,246,251)	(72,021)
Net Change in Fund Balances	25,325,949	6,906,572	3,345,410	6,663,440	2,724,074
Fund Balances, Beginning	59,239,273	29,221,861	18,618,557	37,602,750	5,620,251
Fund Balances, Ending	$ 84,565,222	$ 36,128,433	$ 21,963,967	$ 44,266,190	$ 8,344,325

	Zone 6	Administration	LADP/ NPDES	Eliminations	Total
Revenues					
Property taxes	$ 2,080,374	$ 4,655,677	$ -	$ -	$ 78,406,425
Other taxes	11,965	19,110	-	-	322,070
Rents, concessions and royalties	984	-	-	-	516,340
Interest	(24,819)	(1,005,058)	(181,328)	-	(1,669,697)
Other governmental aid	-	9,669	1,502,084	-	8,376,696
Licenses, fees and permits	15,599	86,267	139,753	-	1,370,514
Other	-	(105)	-	-	85,596
Total revenues	2,084,103	3,765,560	1,460,509	-	87,407,944
Expenditures					
Current					
Public works - flood control					
Salaries and benefits	230,554	5,873,726	710,851	-	14,544,567
Services and supplies	308,381	2,472,337	1,750,586	-	14,092,092
Capital outlay	209,467	-	-	-	3,477,933
Debt service					
Principal	-	-	-	-	6,580,000
Interest	-	-	-	-	286,344
Total expenditures	748,402	8,346,063	2,461,437	-	38,980,936
Excess of Revenues Over (Under) Expenditures	1,335,701	(4,580,503)	(1,000,928)	-	48,427,008
Other Financing Sources (Uses)					
Transfers in	-	7,144,513	-	-	15,453,467
Transfers out	(253,089)	-	(91,202)	-	(15,453,467)
Sale of capital assets	-	-	-	-	290,251
Contributions to County	(22,680)	(2,693,709)	-	-	(3,428,831)
Transfers out to internal service fund	(15,120)	-	-	-	(500,000)
Total other financing sources (uses)	(290,889)	4,450,804	(91,202)	-	(3,638,580)
Net Change in Fund Balances	1,044,812	(129,699)	(1,092,130)	-	44,788,428
Fund Balances, Beginning	8,999,183	3,020,928	9,125,351	-	171,448,154
Fund Balances, Ending	$ 10,043,995	$ 2,891,229	$ 8,033,221	$ -	$216,236,582

CPAs & BUSINESS ADVISORS

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*

To the Honorable Board of Supervisors
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 general fund, and the aggregate remaining fund information of the San Bernardino County Flood Control District (District), a component unit of San Bernardino County, California (County), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 28, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our 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.

Report on Compliance and Other Matters

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

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.

Eide Bailly LLP

Rancho Cucamonga, California
February 28, 2023