

**COUNTY OF SAN BERNARDINO
SPECIAL DISTRICTS
COUNTY SERVICE AREA No. 82
SEARLES VALLEY**

REPORT ON AUDIT

JUNE 30, 2006

**County of San Bernardino Special Districts
County Service Area No. 82
Searles Valley
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Board of Supervisors
County of San Bernardino
County of San Bernardino Special
District County Service Area
No. 82 - Searles Valley

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County of San Bernardino Special District County Service Area No. 82 - Searles Valley (CSA), a component unit of the County of San Bernardino, as of and for the year ended June 30, 2006, which collectively comprise the CSA's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the CSA's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the State Controller's Minimum Audit Requirement for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County of San Bernardino Special District County Service Area No. 82 - Searles Valley, as of June 30, 2006, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America, as well as accounting systems prescribed by the State Controller's Office and state regulations governing special districts.

The budgetary comparison information on page 27 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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The County of San Bernardino Special District County Service Area No. 82 - Searles Valley has not presented the *Management's Discussion and Analysis* that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

Rogers, Anderson, Malody + Scott, LLP

September 15, 2006

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County of San Bernardino Special Districts
County Service Area No. 82 - Searles Valley
Statement of Net Assets
June 30, 2006

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 169,699	\$ 1,289,304	\$ 1,459,003
Accounts receivable, net	-	18,635	18,635
Interest receivable	1,093	13,607	14,700
Taxes receivable	6,276	3,129	9,405
Due from other governments	4,367	-	4,367
Capital assets, net of depreciation	136,154	897,895	1,034,049
	<u>317,589</u>	<u>2,222,570</u>	<u>2,540,159</u>
Total Assets			
LIABILITIES			
Accounts payable	3,291	240,285	243,576
Salaries and benefits payable	1,563	-	1,563
Due to other governments	-	40,853	40,853
Advance from other funds	-	4,062	4,062
	<u>4,854</u>	<u>285,200</u>	<u>290,054</u>
Total Liabilities			
NET ASSETS			
Invested in capital assets	136,154	897,895	1,034,049
Unrestricted	176,581	1,039,475	1,216,056
	<u>312,735</u>	<u>1,937,370</u>	<u>2,250,105</u>
Total Net Assets			

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

County of San Bernardino Special Districts
County Service Area No. 82 - Searles Valley
Statement of Activities
For the Year Ended June 30, 2006

	Governmental Activities	Business-type Activities	Total
EXPENSES			
Professional services	\$ -	\$ 36,445	\$ 36,445
Salaries and benefits	85,231	196,183	281,414
Services and supplies	87,222	101,131	188,353
Rents and leases	-	4,609	4,609
Utilities	-	2,410	2,410
Depreciation	15,116	40,623	55,739
Other	-	1,128	1,128
Total Expenses	<u>187,569</u>	<u>382,529</u>	<u>570,098</u>
PROGRAM REVENUES			
Charges for services	-	215,842	215,842
Net Program Expense	<u>(187,569)</u>	<u>(166,687)</u>	<u>(354,256)</u>
GENERAL REVENUES			
Property taxes	86,537	15,556	102,093
Other taxes	6,569	3,285	9,854
State assistance	1,337	667	2,004
Investment earnings	2,279	41,618	43,897
Intergovernmental	180,981	60,000	240,981
Other	374	-	374
TRANSFERS - INTERNAL ACTIVITIES	<u>120,546</u>	<u>(120,546)</u>	<u>-</u>
Total General Revenues and Transfers	<u>398,623</u>	<u>580</u>	<u>399,203</u>
Change in Net Assets	211,054	(166,107)	44,947
Net Assets - beginning	<u>101,681</u>	<u>2,103,477</u>	<u>2,205,158</u>
Net Assets - ending	<u>\$ 312,735</u>	<u>\$ 1,937,370</u>	<u>\$ 2,250,105</u>

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

**County of San Bernardino Special Districts
County Service Area No. 82 - Searles Valley
Balance Sheet
Governmental Funds
June 30, 2006**

	SPECIAL REVENUE FUNDS	OTHER GOVERNMENTAL FUND	
	Argus Fire General (SOY)	Total Nonmajor Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 108,597	\$ 61,102	\$ 169,699
Interest receivable	982	111	1,093
Taxes receivable	6,276	-	6,276
Due from other governments	4,000	367	4,367
	<hr/>	<hr/>	<hr/>
Total Assets	<u>\$ 119,855</u>	<u>\$ 61,580</u>	<u>\$ 181,435</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 3,291	\$ -	\$ 3,291
Salaries and benefits payable	1,563	-	1,563
	<hr/>	<hr/>	<hr/>
Total Liabilities	4,854	-	4,854
	<hr/>	<hr/>	<hr/>
Fund Balances:			
Reserved for:			
Encumbrances	58,377	-	58,377
Unreserved:			
Undesignated	56,624	61,580	118,204
	<hr/>	<hr/>	<hr/>
Total Fund Balances	115,001	61,580	176,581
	<hr/>	<hr/>	<hr/>
Total Liabilities and Fund Balances	<u>\$ 119,855</u>	<u>\$ 61,580</u>	
Amounts reported for <i>governmental activities</i> in the statement of net assets (Exhibit A) are different because:			
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			<u>136,154</u>
Net Assets of Governmental Activities			<u>\$ 312,735</u>

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

**County of San Bernardino Special Districts
County Service Area No. 82 - Searles Valley
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2006**

	SPECIAL REVENUE FUNDS	OTHER GOVERNMENTAL FUND	Total Governmental Funds
	Argus Fire General (SOY)	Total Nonmajor Governmental Funds	
REVENUES			
Property taxes	\$ 86,537	\$ -	\$ 86,537
Other taxes	6,569	-	6,569
State assistance	1,337	-	1,337
Investment earnings	1,458	821	2,279
Other	374	-	374
	<u>96,275</u>	<u>821</u>	<u>97,096</u>
EXPENDITURES			
Salaries and benefits	79,511	5,720	85,231
Services and supplies	65,560	18,371	83,931
Capital outlay:			
Vehicles	56,407	-	56,407
Structures and improvements	3,291	8,182	11,473
	<u>204,769</u>	<u>32,273</u>	<u>237,042</u>
Excess of Revenues Over (Under) Expenditures	<u>(108,494)</u>	<u>(31,452)</u>	<u>(139,946)</u>
OTHER FINANCING SOURCES (USES)			
Transfer in	281,360	85,046	366,406
Transfer out	(64,879)	-	(64,879)
	<u>216,481</u>	<u>85,046</u>	<u>301,527</u>
Net Change in Fund Balances	107,987	53,594	161,581
Fund Balances - beginning	<u>7,014</u>	<u>7,986</u>	<u>15,000</u>
Fund Balances - ending	<u>\$ 115,001</u>	<u>\$ 61,580</u>	<u>\$ 176,581</u>

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

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**County of San Bernardino Special Districts
County Service Area No. 82 - Searles Valley
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances of Governmental Funds to the
Statement of Activities
For the Year Ended June 30, 2006**

Net Change in Fund Balances - Total Governmental Funds	\$	161,581
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Amounts reported for *governmental activities* in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay (\$64,589) exceeded depreciation expense (\$15,116) in the current period.

49,473

Change in Net Assets of Governmental Activities	\$	211,054
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211,054

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

**County of San Bernardino Special Districts
County Service Area No. 82 - Searles Valley
Statement of Net Assets
Proprietary Funds
June 30, 2006**

	ENTERPRISE FUNDS	
	Administrative	Sewer and Street Lighting - Trona
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 716,267	\$ 568,670
Accounts receivables, net	11,783	-
Interest receivable	7,658	5,634
Taxes receivable	3,129	-
Advance to other funds	-	4,000
Total Current Assets	738,837	578,304
Noncurrent Assets:		
Capital Assets:		
Land	39,809	3,000
Improvements to land	1,147,993	51,807
Equipment	-	20,513
Vehicles	-	-
Utility plant in-service	-	63,784
Construction in progress	-	266,727
Accumulated depreciation	(740,082)	(112,955)
Total Noncurrent Assets	447,720	292,876
Total Assets	1,186,557	871,180
LIABILITIES		
Current Liabilities:		
Accounts payable	6,400	233,885
Due to other governments	40,853	-
Advance from other funds	4,000	-
Total Current Liabilities	51,253	233,885
Total Liabilities	51,253	233,885
NET ASSETS		
Invested in capital assets	447,720	292,876
Unrestricted	687,584	344,419
Total Net Assets	\$ 1,135,304	\$ 637,295

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

ENTERPRISE FUNDS		
<u>Sewer - Pioneer</u>	<u>Ambulance</u>	<u>Totals</u>
\$ -	\$ 4,367	\$ 1,289,304
-	6,852	18,635
-	315	13,607
-	-	3,129
-	-	4,000
<hr/>	<hr/>	<hr/>
-	11,534	1,328,675
<hr/>	<hr/>	<hr/>
-	-	42,809
49,908	-	1,249,708
-	-	20,513
-	8,620	8,620
407,408	-	471,192
-	-	266,727
(300,017)	(8,620)	(1,161,674)
<hr/>	<hr/>	<hr/>
157,299	-	897,895
<hr/>	<hr/>	<hr/>
157,299	11,534	2,226,570
<hr/>	<hr/>	<hr/>
-	-	240,285
-	-	40,853
-	4,062	8,062
<hr/>	<hr/>	<hr/>
-	4,062	289,200
<hr/>	<hr/>	<hr/>
-	4,062	289,200
<hr/>	<hr/>	<hr/>
157,299	-	897,895
-	7,472	1,039,475
<hr/>	<hr/>	<hr/>
<u>\$ 157,299</u>	<u>\$ 7,472</u>	<u>\$ 1,937,370</u>

**County of San Bernardino Special Districts
County Service Area No. 82 - Searles Valley
Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Funds
For the Year Ended June 30, 2006**

	ENTERPRISE FUNDS	
	Administrative	Sewer and Street Lighting - Trona
OPERATING REVENUES		
Sanitation services	\$ 137,035	\$ -
Ambulance fees	-	-
Total Operating Revenues	<u>137,035</u>	<u>-</u>
OPERATING EXPENSES		
Professional services	34,220	-
Salaries and benefits	194,561	-
Services and supplies	80,326	-
Rents and leases	4,481	-
Utilities	2,391	-
Other	1,128	-
Depreciation	24,957	10,522
Total Operating Expenses	<u>342,064</u>	<u>10,522</u>
Operating Income (Loss)	<u>(205,029)</u>	<u>(10,522)</u>
NONOPERATING REVENUES		
Investment earnings	24,925	15,808
Property taxes	15,556	-
Special assessments	30,507	-
Other taxes	3,285	-
Intergovernmental	-	-
State assistance	667	-
Total Nonoperating Revenues	<u>74,940</u>	<u>15,808</u>
Income (Loss) Before Transfers	<u>(130,089)</u>	<u>5,286</u>
TRANSFERS		
Transfers out	<u>(25,046)</u>	<u>-</u>
Total Transfers	<u>(25,046)</u>	<u>-</u>
Change in Net Assets	(155,135)	5,286
Net Assets - beginning	<u>1,290,439</u>	<u>632,009</u>
Net Assets - ending	<u>\$ 1,135,304</u>	<u>\$ 637,295</u>

The accompanying notes are an integral part of these financial statements

ENTERPRISE FUNDS		
<u>Sewer - Pioneer</u>	<u>Ambulance</u>	<u>Totals</u>
\$ -	\$ -	\$ 137,035
-	48,300	48,300
<u>-</u>	<u>48,300</u>	<u>185,335</u>
-	2,225	36,445
-	1,622	196,183
-	20,805	101,131
-	128	4,609
-	19	2,410
-	-	1,128
5,144	-	40,623
<u>5,144</u>	<u>24,799</u>	<u>382,529</u>
<u>(5,144)</u>	<u>23,501</u>	<u>(197,194)</u>
-	885	41,618
-	-	15,556
-	-	30,507
-	-	3,285
-	60,000	60,000
-	-	667
<u>-</u>	<u>60,885</u>	<u>151,633</u>
<u>(5,144)</u>	<u>84,386</u>	<u>(45,561)</u>
<u>-</u>	<u>(95,500)</u>	<u>(120,546)</u>
<u>-</u>	<u>(95,500)</u>	<u>(120,546)</u>
(5,144)	(11,114)	(166,107)
<u>162,443</u>	<u>18,586</u>	<u>2,103,477</u>
<u>\$ 157,299</u>	<u>\$ 7,472</u>	<u>\$ 1,937,370</u>

**County of San Bernardino Special Districts
County Service Area No. 82 - Searles Valley
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2006**

	ENTERPRISE FUNDS	
	Administrative	Sewer and Street Lighting - Trona
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 134,875	\$ -
Payments to suppliers	(116,147)	-
Payments to employees	(194,561)	-
Net Cash Provided by (Used for) Operating Activities	(175,833)	-
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Property taxes	15,058	-
Special assessments	30,507	-
State assistance	667	-
Other nonoperating revenue	3,285	-
Transfers from (to) other funds	(25,046)	-
Net Cash Provided by (Used for) Noncapital Financing Activities	24,471	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets	-	(9,860)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment earnings	24,788	12,051
Net Increase (Decrease) in Cash and Cash Equivalents	(126,574)	2,191
Cash and Cash Equivalents - beginning of the year	842,841	566,479
Cash and Cash Equivalents - end of the year	<u>\$ 716,267</u>	<u>\$ 568,670</u>

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

ENTERPRISE FUNDS		
<u>Sewer - Pioneer</u>	<u>Ambulance</u>	<u>Totals</u>
\$ -	\$ 52,908	\$ 187,783
-	(23,177)	(139,324)
-	(1,622)	(196,183)
-	28,109	(147,724)
-	-	15,058
-	-	30,507
-	-	667
-	-	3,285
-	(35,500)	(60,546)
-	(35,500)	(11,029)
-	-	(9,860)
-	1,001	37,840
-	(6,390)	(130,773)
-	10,757	1,420,077
<u>\$ -</u>	<u>\$ 4,367</u>	<u>\$ 1,289,304</u>

**County of San Bernardino Special Districts
County Service Area No. 82 - Searles Valley
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2006**

	ENTERPRISE FUNDS	
	Administrative	Sewer and Street Lighting - Trona
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:		
Operating income (loss)	\$ (205,029)	\$ (10,522)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation expense	24,957	10,522
Change in assets and liabilities:		
(Increase) decrease in accounts receivable, net	(2,160)	-
Increase in accounts payable	6,400	-
Increase (decrease) in due to other governments	(1)	-
Net Cash Provided by (Used for) Operating Activities	\$ (175,833)	\$ -
Noncash Capital and Related Financing Activities:		
Acquisition of capital assets on account	\$ -	\$ 233,885

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

ENTERPRISE FUNDS

<u>Sewer - Pioneer</u>	<u>Ambulance</u>	<u>Totals</u>
\$ (5,144)	\$ 23,501	\$ (197,194)
5,144	-	40,623
-	546	(1,614)
-	-	6,400
-	4,062	4,061
<u>\$ -</u>	<u>\$ 28,109</u>	<u>\$ (147,724)</u>
<u>\$ -</u>	<u>\$ -</u>	

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**County of San Bernardino Special Districts
County Service Area No. 82 - Searles Valley
Notes to Financial Statements
June 30, 2006**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting entity

The County Service Area (CSA) No. 82 – Searles Valley was established by an act of the Board of Supervisors of the County of San Bernardino (the County) on January 21, 1946 under Section 4700 of the State Health & Safety Code. The CSA 82 - Zone SV-1 Searles Valley is an administrative entity for 3 improvement zones providing ambulance, sewer, street lighting, fire and park services to the community of Searles Valley. The CSA 82 - Zone SV-3 Trona and Zone SV-4 Pioneer were combined by Resolution No. 2000-132 by the Board of Supervisors on June 6, 2000 to provide sewage collection and streetlight services to 785 Equivalent Dwelling Units (EDUs) in the communities of Trona and Pioneer Point. The CSA 82 - Trona Ambulance provides ambulance transport to the Searles Valley communities of Pioneer Point, Trona, Argus, and West End areas under the administration of the San Bernardino County Fire Department.

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

The accompanying financial statements reflect only the accounts of the County Service Area No. 82 - Searles Valley of the County of San Bernardino and are not intended to present the financial position of the County taken as a whole.

Because the CSA meets the reporting entity criteria established by the Governmental Accounting Standards Board (GASB), the CSA's financial statements have also been included in the Comprehensive Annual Financial Report of the County as a "component unit" for the fiscal year ended June 30, 2006.

Government-wide and fund financial statements

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Currently, the CSA does not have any fiduciary fund types. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**County of San Bernardino Special Districts
County Service Area No. 82 - Searles Valley
Notes to Financial Statements
June 30, 2006**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement focus, basis of accounting, and financial statement presentation

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

The government reports the following major governmental fund:

The *special revenue fund* labeled "Argus Fire General" accounts for activities of the fire protection service to the community of Searles Valley.

The government reports the following major proprietary funds:

The *enterprise fund* labeled "Administrative" accounts for administration costs for the 3 improvement zones providing ambulance, sewer, street lighting, fire and park services.

The *enterprise fund* labeled "Sewer and Street Lighting - Trona" accounts for activities of the sewer and street lighting services in the community of Trona.

The *enterprise fund* labeled "Sewer - Pioneer" accounts for activities of the sewer service in the community of Pioneer Point.

The *enterprise fund* labeled "Ambulance" accounts for activities of the ambulance transport service to the Searles Valley communities of Pioneer Point, Trona, Argus, and West End areas under the administration of the County Fire Department.

County of San Bernardino Special Districts
County Service Area No. 82 - Searles Valley
Notes to Financial Statements
June 30, 2006

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for enterprise funds includes the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

Deposits and investments

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

Receivables and payables

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

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All accounts receivable are shown net of an allowance for uncollectibles when applicable. The accounts receivable balances of the Administrative and Ambulance Enterprise Funds at June 30, 2006 are net of an allowance for doubtful accounts of \$35,755 and \$55,052, respectively.

**County of San Bernardino Special Districts
County Service Area No. 82 - Searles Valley
Notes to Financial Statements
June 30, 2006**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property taxes

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

Inventories and prepaid items

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

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

Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (for improvements to land and structures and equipment) and have an estimated useful life in excess of two years. Structures with an initial cost of \$100,000 are considered capital assets. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

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

Assets	Years
Infrastructure	40 - 60
Structures and improvements	5 - 40
Equipment and vehicles	4 - 15

Fund equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**County of San Bernardino Special Districts
County Service Area No. 82 - Searles Valley
Notes to Financial Statements
June 30, 2006**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of estimates

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

Stewardship, compliance and accountability

A. Budgetary information

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

Budgets are prepared on the modified accrual basis of accounting. The legal level of budgetary control is the object level and the sub-object level for fixed assets within each fund.

Amendments or transfers of appropriations between funds or departments must be approved by the Board. Transfers at the sub-object level or cost center level may be done at the discretion of the Special District's Administration Department head. Any deficiency of budgeted revenues and other financing sources over expenditures and other financing uses is financed by beginning available fund balances as provided for in the County Budget Act.

B. Encumbrances

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding, if any, at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

NOTE 2: CASH AND DEPOSITS

Cash and cash equivalents includes the cash balance 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 equivalents are shown at the fair value as of June 30, 2006.

See the County of San Bernardino's Comprehensive Annual Financial Report (CAFR) for details of their investment policy and disclosures related to investment credit risk, concentration of credit risk, interest rate risk and custodial credit risk, as required by GASB Statement No. 40.

**County of San Bernardino Special Districts
County Service Area No. 82 - Searles Valley
Notes to Financial Statements
June 30, 2006**

NOTE 3: ACCOUNTS RECEIVABLE

At June 30, 2006, the accounts receivable was composed of the following:

	Administrative	Sewer and Street Lighting - Trona	Sewer - Pioneer	Ambulance	Totals
Business-type activities:					
Accounts receivable	\$ 47,538	\$ -	\$ -	\$ 61,904	\$ 109,442
Less: allowance for uncollectibles	(35,755)	-	-	(55,052)	(90,807)
Total accounts receivable, net	<u>\$ 11,783</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,852</u>	<u>\$ 18,635</u>

NOTE 4: CAPITAL ASSETS

Capital asset activity for year ended June 30, 2006 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 1,050	\$ -	\$ -	\$ 1,050
Construction in progress	-	8,182	-	8,182
Total capital assets, not being depreciated	<u>1,050</u>	<u>8,182</u>	<u>-</u>	<u>9,232</u>
Capital assets, being depreciated:				
Improvements to land	156,440	-	-	156,440
Structures and improvements	100,209	-	-	100,209
Vehicles	163,961	113,239	-	277,200
Equipment	40,020	-	-	40,020
Total capital assets, being depreciated	<u>460,630</u>	<u>113,239</u>	<u>-</u>	<u>573,869</u>
Less accumulated depreciation for:				
Improvements to land	(150,282)	(1,103)	-	(151,385)
Structures and improvements	(52,363)	(2,227)	-	(54,590)
Vehicles	(163,961)	(65,450)	-	(229,411)
Equipment	(8,393)	(3,168)	-	(11,561)
Total accumulated depreciation	<u>(374,999)</u>	<u>(71,948)</u>	<u>-</u>	<u>(446,947)</u>
Total capital assets, being depreciated, net	<u>85,631</u>	<u>41,291</u>	<u>-</u>	<u>126,922</u>
Governmental activities capital assets, net	<u>\$ 86,681</u>	<u>\$ 49,473</u>	<u>\$ -</u>	<u>\$ 136,154</u>

**County of San Bernardino Special Districts
County Service Area No. 82 - Searles Valley
Notes to Financial Statements
June 30, 2006**

NOTE 4: CAPITAL ASSETS (continued)

	Beginning Balance	Additions	Deletions	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 42,809	\$ -	\$ -	\$ 42,809
Construction in progress	22,982	243,745	-	266,727
Total capital assets, not being depreciated	65,791	243,745	-	309,536
Capital assets, being depreciated:				
Improvements to land	1,720,900	-	-	1,720,900
Vehicles	63,604	-	(54,984)	8,620
Equipment	20,513	-	-	20,513
Total capital assets, being depreciated	1,805,017	-	(54,984)	1,750,033
Less accumulated depreciation for:				
Improvements to land	(1,091,918)	(40,623)	-	(1,132,541)
Vehicles	(63,604)	-	54,984	(8,620)
Equipment	(20,513)	-	-	(20,513)
Total accumulated depreciation	(1,176,035)	(40,623)	54,984	(1,161,674)
Total capital assets, being depreciated, net	628,982	(40,623)	-	588,359
Business-type activities capital assets, net	<u>\$ 694,773</u>	<u>\$ 203,122</u>	<u>\$ -</u>	<u>\$ 897,895</u>

NOTE 5: INTERFUND RECEIVABLES AND PAYABLES

Interfund receivables and payables at June 30, 2006 are as follows:

Fund	Advance to Other Funds	Advance from Other Funds
Sewer and Street Lighting - Trona	\$ 4,000	\$ -
Administrative	-	4,000
Total	<u>\$ 4,000</u>	<u>\$ 4,000</u>

**County of San Bernardino Special Districts
County Service Area No. 82 - Searles Valley
Notes to Financial Statements
June 30, 2006**

NOTE 6: RETIREMENT PLAN

Plan description

The San Bernardino County Employees' Retirement Association (SBCERA) is a cost-sharing multiple-employer defined benefit pension plan (the Plan) operating under the California County Employees Retirement Act of 1937 (1937 Act). It provides retirement, death, and disability benefits to members. Although legally established as a single employer plan, the City of Big Bear Lake, the City of Chino Hills, the California State Association of Counties, the San Bernardino County Law Library, Crest Forest Fire Protection District, Mojave Desert Air Quality Management District (the MDAQMD) and the South Coast Air Quality Management District (the AQMD), were later included, along with the County of San Bernardino (the County), and are collectively referred to as the "Participating Members". The plan is governed by the San Bernardino Board of Retirement under the 1937 Act. Employees become eligible for membership on their first day of regular employment and become fully vested after 5 years. SBCERA issues a stand-alone financial report, which may be obtained by contacting the Board of Retirement, 348 W Hospitality Lane - 3rd floor, San Bernardino, California 92415-0014.

Fiduciary responsibility

The Retirement Association is controlled by its own board, the Retirement Board, which acts as a fiduciary agent for the accounting and control of member and employee contributions and investment income. The Retirement Association publishes its own Comprehensive Annual Financial Report and receives a separate independent audit. The Retirement Association is also a legally separate entity from the County and not a component unit. For these reasons, the County's Comprehensive Annual Financial Report excludes the Retirement Association pension trust fund as of June 30, 2006.

Funding policy

Participating members are required by statute (Sections 31621, 31621.2 and 31639.25 of the California Government Code) to contribute a percentage of covered salary based on certain actuarial assumptions and their age at entry to the Plan. Employee contribution rates vary according to age and classification (general or safety). Members are required to contribute 8.89% - 12.65% for general members and 10.85% - 14.77% for safety members, of their annual covered salary of which the County pays approximately 7%. County of San Bernardino employer contribution rates are as follow: County General 10.8%, County Safety 23.84%. All employers combined are required to contribute 13.01% of the current year covered payroll. For 2006, the County's annual pension cost of \$166,614,000 was equal to the County's required and actual contributions. Employee contribution rates are established and may be amended pursuant to Articles 6 and 6.8 of the 1937 Act. Employer rates are determined pursuant to Section 31453 of the 1937 Act.

**County of San Bernardino Special Districts
County Service Area No. 82 - Searles Valley
Notes to Financial Statements
June 30, 2006**

NOTE 6: RETIREMENT PLAN (continued)

The County's annual pension cost and prepaid asset, computed in accordance with GASB 27, *Accounting for Pensions by State and Local Governmental Employers*, for the year ended June 30, 2006, were as follows (in thousands):

Annual Required Contribution (County fiscal year basis)	\$ 166,614
Interest on Pension Assets	(34,207)
Adjustment to the Annual Required Contribution	40,156
Annual Pension Cost	<u>172,563</u>
Annual Contributions Made	<u>166,614</u>
Increase/(Decrease) in Pension Assets	(5,949)
Pension Assets, Beginning of Year	<u>844,882</u>
Pension Assets, End of Year	<u><u>\$ 838,933</u></u>

The following table shows the County's required contributions and percentage contributed, for the current year and two preceding years:

<u>Year Ended June 30,</u>	<u>Annual Contributions Made (in thousands)</u>		<u>Percentage Contributed</u>
	<u>SBCERA</u>	<u>County</u>	
2004	\$ 652,325	\$ 540,106	100%
2005	\$ 161,906	\$ 141,450	100%
2006	\$ 197,343	\$ 166,614	100%

The County, along with the AQMD, issued Pension Refunding Bonds (the Bonds) in November 1995 with an aggregate amount of \$420,527,000. These Bonds were issued to allow the County and the AQMD to refinance each of their unfunded accrued actuarial liabilities with respect to retirement benefits for their respective employees. The Bonds are the obligations of the employers participating in the Plan and the assets of the Plan do not secure the Bonds. The County's portion of the bond issuance was \$386,266,000. The current amount outstanding at June 30, 2006 is \$439,879,000.

On June 24, 2004, the County issued its County of San Bernardino Pension Obligation Bonds, Series 2004 A (Fixed Rate Bonds), its County of San Bernardino Pension Obligation Bonds, Series 2004 B (Auction Rate Bonds), and its County of San Bernardino Pension Obligation Bonds, Series 2004 C (Index Bonds) in a respective aggregate principal amounts of \$189,070,000, \$149,825,000 and \$125,000,000. The Bonds were issued to finance the County's share of the unfunded accrued actuarial liability of the SBCERA. The current amount outstanding at June 30, 2006 is \$461,665,000.

County of San Bernardino Special Districts
County Service Area No. 82 - Searles Valley
Notes to Financial Statements
June 30, 2006

NOTE 7: FEDERAL AND STATE GRANTS

From time to time the CSA may receive funds from various Federal and State agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantors cannot be determined at this time, although the CSA expects such amounts, if any, to be immaterial.

NOTE 8: RISK MANAGEMENT

The CSA is insured through the County's self-insurance programs for public liability, property damage, unemployment insurance, employee dental insurance, hospital and medical malpractice liability, and workers' compensation claims. Public liability claims are self-insured for up to \$1 million per occurrence. Excess insurance coverage over the Self-Insured Retention (SIR) up to \$25 million is provided through a Risk Pool Agreement with California State Association of Counties (CSAC) Excess Insurance Authority ("EIA") Liability Program II. Workers' compensation claims are self-insured up to \$2 million per occurrence, and covered by CSAC EIA for up to \$10 million for employer's liability, and up to \$50 million for workers' compensation per occurrence. Property damage claims are insured on an occurrence basis over a \$25,000 deductible, and insured with CSAC EIA Property Program.

The County supplements its self-insurance for medical malpractice claims with CSAC EIA, which provides annual coverage on a claim made form basis with a SIR of \$1 million for each claim. Maximum coverage under the policy is \$11.5 million per claim with an additional \$10 million in limits provided by the CSAC EIA General Liability II Program.

All public officials and County employees are insured under a blanket Comprehensive Disappearance, Destruction, and Dishonesty policy covering County monies and securities, also with CSAC EIA with a \$100,000 deductible, and excess limits up to \$10 million per occurrence.

The activities related to such programs are accounted for in the County's Risk Management Fund (an Internal Service Fund) except for unemployment insurance, and employee dental insurance, which are accounted for in the County's General Fund. The IBNR and IBNS liabilities stated on the Risk Management Fund's balance sheet are based upon the results of actuarial studies, and include amounts for allocated and unallocated loss adjustment expenses. The liabilities for these claims are reported using a discounted rate of 4.25%. It is the County's practice to obtain actuarial studies on an annual basis.

The County has a risk management investment program agreement with the Bank of New York to finance the self-insured general liability, automobile liability, workers' compensation, and medical malpractice programs. The County's investment in the agreement totaled \$47.7 million at June 30, 2006.

**County of San Bernardino Special Districts
County Service Area No. 82 - Searles Valley
Notes to Financial Statements
June 30, 2006**

NOTE 8: RISK MANAGEMENT (continued)

The total claims liability of \$127.2 million reported at June 30, 2006 is based on the requirements of GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements, and the amount of the loss can be reasonably estimated. Changes in the claims liability amount in fiscal years 2005 and 2006 were:

<u>Fiscal Year</u>	<u>Beginning of Fiscal Year Liability (in thousands)</u>	<u>Current Year Claims and Changes in Estimates (in thousands)</u>	<u>Claims Payments (in thousands)</u>	<u>End of Fiscal Year Liability (in thousands)</u>
2004 - 05	\$ 101,709	\$ 44,309	\$ (30,304)	\$ 115,714
2005 - 06	\$ 115,714	\$ 46,926	\$ (35,407)	\$ 127,233

NOTE 9: TRANSFERS IN/OUT

Interfund transfers are transactions used to close out a fund, reimburse an operating fund, and transfer cash between operating funds and capital project funds. At June 30, 2006, the CSA made the following interfund transfers in and out:

<u>Fund Receiving Transfers</u>	<u>Fund Making Transfers</u>	<u>Amount</u>
Apparatus Storage	Argus Fire - General	\$ 60,000
Argus Fire - General	Ambulance	95,500
Park and Street Lighting	Administrative	25,046
		<u>\$ 180,546</u>

NOTE 10: CONTINGENCIES

As of June 30, 2006, in the opinion of the CSA Administration, there are no outstanding matters, which would have a significant effect on the financial position of the CSA.

Required Supplementary Information
County of San Bernardino Special Districts
County Service Area No. 82 - Searles Valley
Budgetary Comparison Schedule - Special Revenue Funds
For the Year Ended June 30, 2006

	Special Revenue Funds			Variance with Final Budget Positive (Negative)
	Argus Fire General (SOY)			
	Original Budget	Final Budget	Actual	
REVENUES				
Property taxes	\$ 91,500	\$ 91,500	\$ 86,537	\$ (4,963)
Other taxes	-	-	6,569	6,569
State assistance	-	-	1,337	1,337
Investment earnings	75	75	1,458	1,383
Other	-	-	374	374
Total Revenues	<u>91,575</u>	<u>91,575</u>	<u>96,275</u>	<u>4,700</u>
EXPENDITURES				
Salaries and benefits	75,617	78,617	79,511	(894)
Services and supplies	58,424	95,424	65,560	29,864
Capital outlay:				
Vehicles	60,000	60,000	56,407	3,593
Structures and improvements	-	75,860	3,291	72,569
Reserves and contingencies	3,685	3,685	-	3,685
Total Expenditures	<u>197,726</u>	<u>313,586</u>	<u>204,769</u>	<u>108,817</u>
Excess of Revenues Over (Under) Expenditures	<u>(106,151)</u>	<u>(222,011)</u>	<u>(108,494)</u>	<u>113,517</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	206,373	282,233	281,360	(873)
Transfers out	(104,879)	(64,879)	(64,879)	-
Total Other Financing Sources (Uses)	<u>101,494</u>	<u>217,354</u>	<u>216,481</u>	<u>(873)</u>
Net Change in Fund Balances	<u>\$ (4,657)</u>	<u>\$ (4,657)</u>	107,987	<u>\$ 112,644</u>
Fund Balances - beginning			<u>7,014</u>	
Fund Balances - ending			<u>\$ 115,001</u>	

**County of San Bernardino Special Districts
County Service Area No. 82 - Searles Valley
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2006**

	SPECIAL REVENUE FUND	CAPITAL PROJECTS FUND		
	Park and Street Lighting (SOZ)	Rescue Tool (CFJ)	Apparatus Storage (CWV)	Total Nonmajor Funds (see Exhibit C)
ASSETS				
Cash and cash equivalents	\$ 7,340	\$ 1,945	\$ 51,817	\$ 61,102
Interest receivable	111	-	-	111
Due from other governments	-	-	367	367
Total Assets	<u>\$ 7,451</u>	<u>\$ 1,945</u>	<u>\$ 52,184</u>	<u>\$ 61,580</u>
LIABILITIES AND FUND BALANCES				
Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fund Balances:				
Unreserved:				
Undesignated	<u>7,451</u>	<u>1,945</u>	<u>52,184</u>	<u>61,580</u>
Total Fund Balances	<u>7,451</u>	<u>1,945</u>	<u>52,184</u>	<u>61,580</u>
Total Liabilities and Fund Balances	<u>\$ 7,451</u>	<u>\$ 1,945</u>	<u>\$ 52,184</u>	<u>\$ 61,580</u>

**County of San Bernardino Special Districts
County Service Area No. 82 - Searles Valley
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2006**

	SPECIAL REVENUE FUND	CAPITAL PROJECTS FUND		
	Park and Street Lighting (SOZ)	Rescue Tool (CFJ)	Apparatus Storage (CWV)	Total Nonmajor Funds (see Exhibit C)
REVENUES				
Investment earnings	\$ 408	\$ 47	\$ 366	\$ 821
Total Revenues	408	47	366	821
EXPENDITURES				
Salaries and benefits	5,720	-	-	5,720
Services and supplies	18,371	-	-	18,371
Capital outlay:				
Structures and improvements	-	-	8,182	8,182
Total Expenditures	24,091	-	8,182	32,273
Excess of Revenues Over (Under) Expenditures	(23,683)	47	(7,816)	(31,452)
OTHER FINANCING SOURCES (USES)				
Transfers in	25,046	-	60,000	85,046
Total Other Financing Sources (Uses)	25,046	-	60,000	85,046
Net Change in Fund Balances	1,363	47	52,184	53,594
Fund Balances – beginning	6,088	1,898	-	7,986
Fund Balances - ending	<u>\$ 7,451</u>	<u>\$ 1,945</u>	<u>\$ 52,184</u>	<u>\$ 61,580</u>