

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

REPORT ON AUDIT

JUNE 30, 2009

**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, 2009, 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, 2009, 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 30 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the CSA's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly presented in all material respects in relation to the component unit financial statements taken as a whole.

Rogers, Anderson, Malody & Scott, CPA

November 15, 2009

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County of San Bernardino Special Districts
County Service Area No. 82 - Searles Valley
Statement of Net Assets
June 30, 2009

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 14,696	\$ 783,108	\$ 797,804
Accounts receivable, net	-	141,919	141,919
Interest receivable	95	3,734	3,829
Taxes receivable	-	8,983	8,983
Capital assets, net of depreciation	-	864,131	864,131
	<hr/>	<hr/>	<hr/>
Total Assets	14,791	1,801,875	1,816,666
LIABILITIES			
Accounts payable	-	5,940	5,940
Due to other governments	-	41,046	41,046
	<hr/>	<hr/>	<hr/>
Total Liabilities	-	46,986	46,986
NET ASSETS			
Invested in capital assets	-	864,131	864,131
Unrestricted	14,791	890,758	905,549
	<hr/>	<hr/>	<hr/>
Total Net Assets	<u>\$ 14,791</u>	<u>\$ 1,754,889</u>	<u>\$ 1,769,680</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 Activities
For the Year Ended June 30, 2009

	Governmental Activities	Business-Type Activities	Total
EXPENSES			
Professional services	\$ -	\$ 40,075	\$ 40,075
Salaries and benefits	4,408	219,048	223,456
Services and supplies	20,768	84,750	105,518
Rents and leases	-	6,752	6,752
Utilities	-	4,044	4,044
Depreciation	4,427	43,893	48,320
Other	5	-	5
Total Expenses	<u>29,608</u>	<u>398,562</u>	<u>428,170</u>
PROGRAM REVENUE			
Charges for services	-	237,456	237,456
Net Program Expense	<u>(29,608)</u>	<u>(161,106)</u>	<u>(190,714)</u>
GENERAL REVENUES			
Property taxes	-	54,403	54,403
Special assessments	-	11,203	11,203
Other taxes	-	888	888
State assistance	-	570	570
Investment earnings	955	27,546	28,501
Penalties	-	20,995	20,995
Other	-	109,998	109,998
TRANSFERS - INTERNAL ACTIVITIES	25,046	(25,046)	-
Transfers to San Bernardino County			
Fire Protection District	(15,341)	-	(15,341)
Net book value of capital assets transferred	(154,630)	-	(154,630)
SPECIAL ITEM			
Transfer to San Bernardino County			
Fire Protection District	-	(58,890)	(58,890)
Total General Revenues, Transfers and Special Item	<u>(143,970)</u>	<u>141,667</u>	<u>(2,303)</u>
Change in Net Assets	(173,578)	(19,439)	(193,017)
Net Assets - beginning	<u>188,369</u>	<u>1,774,328</u>	<u>1,962,697</u>
Net Assets - ending	<u>\$ 14,791</u>	<u>\$ 1,754,889</u>	<u>\$ 1,769,680</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, 2009

	SPECIAL REVENUE FUNDS	
	Argus Fire General (SOY)	Park and Street Lighting (SOZ)
ASSETS		
Cash and cash equivalents	\$ -	\$ 14,696
Interest receivable	-	95
	-	14,791
Total Assets	\$ -	\$ 14,791
 LIABILITIES AND FUND BALANCES		
Liabilities	\$ -	\$ -
Fund Balances:		
Unreserved:		
Undesignated	-	14,791
Total Fund Balances	-	14,791
Total Liabilities and Fund Balances	\$ -	\$ 14,791

Amounts reported for *governmental activities* in the statement of net assets (Exhibit A) are different because:

None

Net Assets of Governmental Activities

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

OTHER GOVERNMENTAL FUNDS	
Total Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 14,696
-	95
<u>\$ -</u>	<u>\$ 14,791</u>
\$ -	-
-	14,791
-	14,791
<u>\$ -</u>	
	-
	<u>\$ 14,791</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
June 30, 2009

	SPECIAL REVENUE FUNDS	
	Argus Fire General (SOY)	Park and Street Lighting (SOZ)
REVENUES		
Investment earnings	\$ -	\$ 955
Total Revenues	-	955
EXPENDITURES		
Salaries and benefits	-	4,408
Services and supplies	-	20,768
Other	-	-
Total Expenditures	-	25,176
Excess of Revenues Over (Under) Expenditures	-	(24,221)
OTHER FINANCING SOURCES (USES)		
Transfers in	-	25,046
Transfer to San Bernardino County Fire Protection District	(15,341)	-
Total Other Financing Sources (Uses)	(15,341)	25,046
Net Change in Fund Balances	(15,341)	825
Fund Balances - beginning	15,341	13,966
Fund Balances - ending	\$ -	\$ 14,791

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

OTHER GOVERNMENTAL FUNDS	
Total Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 955
-	955
-	4,408
-	20,768
5	5
5	25,181
(5)	(24,226)
-	25,046
-	(15,341)
-	9,705
(5)	(14,521)
5	29,312
\$ -	\$ 14,791

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, 2009**

Net Change in Fund Balances - Total Governmental Funds	\$	(14,521)
<p>Amounts reported for <i>governmental activities</i> in the statement of activities are different because:</p>		
<p>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 depreciation expense (\$4,427) exceeded capital outlay (\$-0-) in the current period.</p>		
		(4,427)
<p>Net capital contributions to other governments decrease net assets in the statement of activities, but do not appear in the governmental funds because they are not financial resources.</p>		
		(154,630)
Change in Net Assets of Governmental Activities	\$	(173,578)

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, 2009

	ENTERPRISE FUNDS		
	Administrative	Sewer and Street Lighting - Trona	Ambulance
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 436,266	\$ 346,842	\$ -
Accounts receivable, net	141,919	-	-
Interest receivable	2,115	1,619	-
Taxes receivable	8,983	-	-
Total Current Assets	589,283	348,461	-
Noncurrent Assets:			
Capital Assets:			
Land	42,809	-	-
Improvements to land	2,072,413	-	-
Accumulated depreciation	(1,251,091)	-	-
Total Noncurrent Assets	864,131	-	-
Total Assets	1,453,414	348,461	-
LIABILITIES			
Current Liabilities:			
Accounts payable	5,940	-	-
Due to other governments	41,046	-	-
Total Current Liabilities	46,986	-	-
Total Liabilities	46,986	-	-
NET ASSETS			
Invested in capital assets	864,131	-	-
Unrestricted	542,297	348,461	-
Total Net Assets	\$ 1,406,428	\$ 348,461	\$ -

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

OTHER PROPRIETARY FUND	
Sewer - Pioneer	Totals
\$ -	\$ 783,108
-	141,919
-	3,734
-	8,983
-	937,744
-	42,809
-	2,072,413
-	(1,251,091)
-	864,131
-	1,801,875
-	5,940
-	41,046
-	46,986
-	46,986
-	864,131
-	890,758
\$ -	\$ 1,754,889

**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, 2009**

	ENTERPRISE FUNDS		
	Administrative	Sewer and Street Lighting - Trona	Ambulance
OPERATING REVENUE			
Sanitation services	\$ 237,456	\$ -	\$ -
Total Operating Revenue	<u>237,456</u>	<u>-</u>	<u>-</u>
OPERATING EXPENSES			
Professional services	40,075	-	-
Salaries and benefits	219,048	-	-
Services and supplies	84,750	-	-
Rents and leases	6,752	-	-
Utilities	4,044	-	-
Depreciation	43,893	-	-
Total Operating Expenses	<u>398,562</u>	<u>-</u>	<u>-</u>
Operating Income (Loss)	<u>(161,106)</u>	<u>-</u>	<u>-</u>
NONOPERATING REVENUES			
Investment earnings	15,750	11,796	-
Property taxes	54,403	-	-
Special assessments	11,203	-	-
Other taxes	888	-	-
State assistance	570	-	-
Penalties	20,995	-	-
Other	109,998	-	-
Total Nonoperating Revenues	<u>213,807</u>	<u>11,796</u>	<u>-</u>
Income (Loss) Before Transfers and Special Item	<u>52,701</u>	<u>11,796</u>	<u>-</u>
Transfers in	514,467	437	-
Transfers out	<u>(25,483)</u>	<u>(367,459)</u>	<u>-</u>
Total Transfers	<u>488,984</u>	<u>(367,022)</u>	<u>-</u>
Special item - transfer to San Bernardino County Fire Protection District	<u>-</u>	<u>-</u>	<u>(58,890)</u>
Total Transfers and Special Item	<u>488,984</u>	<u>(367,022)</u>	<u>(58,890)</u>
Change in Net Assets	541,685	(355,226)	(58,890)
Net Assets - beginning	<u>864,743</u>	<u>703,687</u>	<u>58,890</u>
Net Assts - ending	<u>\$ 1,406,428</u>	<u>\$ 348,461</u>	<u>\$ -</u>

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

OTHER PROPRIETARY FUND	
Sewer - Pioneer	Totals
\$ -	\$ 237,456
-	237,456
-	40,075
-	219,048
-	84,750
-	6,752
-	4,044
-	43,893
-	398,562
-	(161,106)
-	27,546
-	54,403
-	11,203
-	888
-	570
-	20,995
-	109,998
-	225,603
-	64,497
-	514,904
(147,008)	(539,950)
(147,008)	(25,046)
-	(58,890)
(147,008)	(83,936)
(147,008)	(19,439)
147,008	1,774,328
\$ -	\$ 1,754,889

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, 2009

	ENTERPRISE FUNDS	
	Administrative	Sewer and Street Lighting - Trona
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 91,537	\$ 4,000
Payments to suppliers	(137,833)	-
Payments to employees	(219,048)	-
	(265,344)	4,000
 Net Cash Provided by (Used for) Operating Activities	 (265,344)	 4,000
 CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Property taxes	48,259	-
Special assessments	11,203	-
State assistance	570	-
Penalties	20,995	-
Other nonoperating revenue	110,886	-
Transfers from (to) other funds	(21,045)	(4,001)
	170,868	(4,001)
 Net Cash Provided by (Used for) Noncapital Financing Activities	 170,868	 (4,001)
 CASH FLOWS FROM INVESTING ACTIVITIES		
Investment earnings	18,964	13,576
	18,964	13,576
 Net Cash Provided by Investing Activities	 18,964	 13,576
 Net Increase (Decrease) in Cash and Cash Equivalents	 (75,512)	 13,575
 Cash and Cash Equivalents - beginning of the year	 511,778	 333,267
 Cash and Cash Equivalents - end of the year	 \$ 436,266	 \$ 346,842

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

OTHER PROPRIETARY FUND	
Sewer – Pioneer	Totals
\$ -	\$ 95,537
-	(137,833)
-	(219,048)
-	(261,344)
-	48,259
-	11,203
-	570
-	20,995
-	110,886
-	(25,046)
-	166,867
-	32,540
-	32,540
-	(61,937)
-	845,045
<u>\$ -</u>	<u>\$ 783,108</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, 2009

	ENTERPRISE FUNDS	
	Administrative	Sewer and Street Lighting - Trona
Reconciliation of operating loss to net cash provided by (used for) operating activities:		
Operating loss	\$ (161,106)	\$ -
Adjustments to reconcile operating loss to net cash provided by (used for) operating activities:		
Depreciation expense	43,893	-
Change in assets and liabilities:		
Increase in accounts receivable, net	(141,919)	-
Decrease in advance from other funds	-	4,000
Increase in accounts payable	5,940	-
Decrease in advance to other funds	(4,000)	-
Decrease in other payable	(8,345)	-
Increase in due to other governments	193	-
	\$ (265,344)	\$ 4,000
Net Cash Provided by (Used for) Operating Activities	\$ (265,344)	\$ 4,000

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

OTHER PROPRIETARY FUND	
<u>Sewer – Pioneer</u>	<u>Totals</u>
\$ -	\$ (161,106)
-	43,893
-	(141,919)
-	4,000
-	5,940
-	(4,000)
-	(8,345)
-	193
<u>\$ -</u>	<u>\$ (261,344)</u>

**County of San Bernardino Special Districts
County Service Area No. 82 - Searles Valley
Notes to Financial Statements
June 30, 2009**

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 June 28, 1976 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 sewer, street lighting, and park services to the community of Searles Valley. The District maintains the roadside park in Searles Valley which serves approximately 800 park users. 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 780 Equivalent Dwelling Units (EDUs) in the communities of Trona and Pioneer Point.

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, 2009.

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, 2009

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 funds:

The *special revenue fund* labeled "Argus Fire General" accounts for activities of the fire protection service to the community of Searles Valley. This fund dissolved in the current year; the remaining fund balance was transferred to San Bernardino County Fire Protection District (see Note 10).

The *special revenue fund* labeled "Park and Street Lighting" accounts for activities of the park and street lighting services 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 sewer, street lighting, 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 "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. Current year activity in this fund was transferred to San Bernardino County Fire Protection District as part of the reorganization (see Note 10).

County of San Bernardino Special Districts
County Service Area No. 82 - Searles Valley
Notes to Financial Statements
June 30, 2009

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."

No allowance for uncollectibles was recorded at June 30, 2009 based on management's expectation that all accounts receivable will be collected through the property tax roll.

**County of San Bernardino Special Districts
County Service Area No. 82 - Searles Valley
Notes to Financial Statements
June 30, 2009**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property taxes

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

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, 2009

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, 2009.

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, 2009**

NOTE 3: ACCOUNTS RECEIVABLE

At June 30, 2009, the accounts receivable was composed of the following:

	Administrative
Business-type activities:	
Accounts receivable	\$ 141,919
Less: allowance for uncollectibles	-
Total accounts receivable, net	\$ 141,919

NOTE 4: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2009 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 1,050	\$ -	\$ (1,050)	\$ -
Total capital assets, not being depreciated	1,050	-	(1,050)	-
Capital assets, being depreciated:				
Improvements to land	189,345	-	(189,345)	-
Structures and improvements	100,209	-	(100,209)	-
Vehicles	469,320	-	(469,320)	-
Equipment	77,966	-	(77,966)	-
Total capital assets, being depreciated	836,840	-	(836,840)	-
Less accumulated depreciation for:				
Improvements to land	(155,510)	(2,200)	157,710	-
Structures and improvements	(59,043)	(2,227)	61,270	-
Vehicles	(420,522)	-	420,522	-
Equipment	(43,758)	-	43,758	-
Total accumulated depreciation	(678,833)	(4,427)	683,260	-
Total capital assets, being depreciated, net	158,007	(4,427)	(153,580)	-
Governmental activities capital assets, net	\$ 159,057	\$ (4,427)	\$(154,630)	\$ -

County of San Bernardino Special Districts
County Service Area No. 82 - Searles Valley
Notes to Financial Statements
June 30, 2009

NOTE 4: CAPITAL ASSETS (continued)

	Beginning Balance	Additions	Deletions	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 42,809	\$ -	\$ -	\$ 42,809
Total capital assets, not being depreciated	42,809	-	-	42,809
Capital assets, being depreciated:				
Improvements to land	2,072,413	-	-	2,072,413
Equipment	20,513	-	(20,513)	-
Total capital assets, being depreciated	2,092,926	-	(20,513)	2,072,413
Less accumulated depreciation for:				
Improvements to land	(1,207,198)	(43,893)	-	(1,251,091)
Equipment	(20,513)	-	20,513	-
Total accumulated depreciation	(1,227,711)	(43,893)	20,513	(1,251,091)
Total capital assets, being depreciated, net	865,215	(43,893)	-	821,322
Business-type activities capital assets, net	<u>\$ 908,024</u>	<u>\$ (43,893)</u>	<u>\$ -</u>	<u>\$ 864,131</u>

**County of San Bernardino Special Districts
County Service Area No. 82 - Searles Valley
Notes to Financial Statements
June 30, 2009**

NOTE 5: 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, California State Association of Counties, South Coast Air Quality Management District (AQMD), San Bernardino Associated Governments (SANBAG), Local Agency Formation Commission (LAFCO), San Bernardino County Law Library, Barstow Fire Protection District, Hesperia Parks and Recreation, San Bernardino County Employees' Retirement Association (SBCERA), City of Chino Hills, Crest Forest Fire District, Mojave Desert Air Quality Management District (MDAQMD), California Electronic Recording Transaction Authority (CERTNA), Inland Valley Development Agency (IVDA), San Bernardino International Airport Authority (SBIAA), and the Superior Courts 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

SBCERA 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. SBCERA publishes its own Comprehensive Annual Financial Report and receives a separate independent audit. SBCERA 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 SBCERA pension trust fund as of June 30, 2009.

Funding Policy

Participating members are required by statute (Sections 31621, 31621.6 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). General members are required to contribute 7.68% - 12.96% and safety members 9.85% - 15.29% of their annual covered salaries, of which the County pays approximately 7%. County of San Bernardino employer contribution rates are as follows: County General 11.25%, County Safety 24.46%. All employers combined are required to contribute 13.95% of the current year covered payroll. For 2009, the County's annual pension cost of \$200,300,000 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, 2009**

NOTE 5: 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, 2009, were as follows (in thousands):

Annual Required Contribution (County fiscal year basis)	\$	200,300
Interest on Pension Assets		(7,834)
Adjustment to the Annual Required Contribution		51,805
Annual Pension Cost		244,271
Annual Contributions Made		200,300
Increase/(Decrease) in Pension Assets		(43,971)
Pension Assets, Beginning of Year		813,716
Pension Assets, End of Year	\$	769,745

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

Year Ended June 30,	Annual Contributions Made (in thousands)		Percentage Contributed
	SBCERA	County	
2007	\$ 239,857	\$ 194,130	100%
2008	\$ 241,721	\$ 203,712	100%
2009	\$ 246,232	\$ 200,300	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 outstanding liability at June 30, 2009 is \$430,784,000.

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 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. In April 2008, the County refunded all of the 2004 Series B. The outstanding liability at June 30, 2009 is \$301,595,000.

In April 2008, the County of San Bernardino issued its \$160,900,000 in Pension Obligation Refunding Bonds (POB), Series 2008 (the Series 2008 Bonds). The outstanding liability at June 30, 2009 is \$158,889,000.

**County of San Bernardino Special Districts
County Service Area No. 82 - Searles Valley
Notes to Financial Statements
June 30, 2009**

NOTE 6: 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 7: RISK MANAGEMENT

The County has 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 \$2 million per occurrence. Excess insurance coverage over the Self-Insured Retention (SIR) up to \$50 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 \$5 million per occurrence, and covered by Arch Ins. Co. for up to \$3 million for employer's liability, and up to statutory limits for workers' compensation per occurrence. Property damage claims are insured on an occurrence basis over a \$25 thousand deductible, and insured with several insurers like Lexington Ins. Co., Affiliated FM, and Lloyd's of London, among others.

The County supplements its self-insurance for medical malpractice claims with Zurich Ins. Co., which provides annual coverage on a per claim basis with an SIR of \$2 million for each claim. Maximum coverage under the policy is \$25 million in limits per claim provided by Illinois Union Ins. Co.

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

The activities related to such programs are accounted for in Risk Management except for unemployment insurance, and employee dental insurance, which are accounted for in the General Fund. The IBNR (Incurred But Not Reported) and IBNS (Incurred But Not Settled) liabilities stated on Risk Management'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 2.75%. It is the Risk Management's practice to obtain actuarial studies on an annual basis.

The total claims liability of \$149.9 million reported at June 30, 2009 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.

**County of San Bernardino Special Districts
County Service Area No. 82 - Searles Valley
Notes to Financial Statements
June 30, 2009**

NOTE 7: RISK MANAGEMENT (continued)

Changes in the claims liability amount in fiscal years 2008 and 2009 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>
2007-08	\$ 129,683	\$ 51,702	\$ (32,064)	\$ 149,321
2008-09	\$ 149,321	\$ 32,909	\$ (32,289)	\$ 149,941

NOTE 8: 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, 2009, the CSA made the following interfund transfers in and out:

<u>Transfers out:</u>	<u>Transfers in:</u>			<u>Total</u>
	<u>Governmental Fund – Park and Street Lighting</u>	<u>Proprietary Fund – Administrative</u>	<u>Proprietary Fund – Sewer and Streetlighting - Trona</u>	
Proprietary Fund -Administrative	\$ 25,046	\$ -	\$ 437	\$ 25,483
Proprietary Fund - Sewer and Street Lighting – Trona	-	367,459	-	367,459
Other Proprietary Fund	-	147,008	-	147,008
	<u>\$ 25,046</u>	<u>\$ 514,467</u>	<u>\$ 437</u>	<u>\$ 539,950</u>

NOTE 9: CONTINGENCIES

As of June 30, 2009, 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.

**County of San Bernardino Special Districts
County Service Area No. 82 - Searles Valley
Notes to Financial Statements
June 30, 2009**

NOTE 10: REORGANIZATION

On January 16, 2008, the Local Agency Formation Commission of the County of San Bernardino approved Resolution No. 2989, which reorganized the County of San Bernardino's Fire Districts, County Service Areas (CSA) and Special Assessment Zones. This resolution took effect on July 1, 2008, and detached, dissolved or renamed the specific Fire Districts, CSAs and Special Assessment Zones related to the reorganization into the San Bernardino County Fire Protection District.

The purpose of the reorganization was to continue to provide a financial means to maintain current and meet future levels of service to those areas within the County of San Bernardino. Prior to the reorganization, some of the Districts and CSAs were beginning to fail financially, and were in danger of not being able to maintain the current required level of service. With the reorganization, County Fire was able to better consolidate resources by geographic regions in order to continue the ability to provide a consistent level of service to those areas.

In the reorganization, the applicable property taxes remained in the established regions in which the original Districts, CSAs and Special Assessment Zones are located. Additionally, this reorganization binds the new entities to the original budgets approved by the Board of Supervisors.

The activity in the major enterprise fund labeled "Ambulance" was transferred to San Bernardino County Fire Protection District in the current year. No statement of cash flows was prepared for this fund.

The major special revenue fund labeled "Argus Fire General" dissolved in the current year. The remaining fund balance was transferred to San Bernardino County Fire Protection District. No budget was prepared for this fund in the current year.

Required Supplementary Information
County of San Bernardino Special Districts
County Service Area No. 82 - Searles Valley
Budgetary Comparison Schedule - Special Revenue Fund
For the Year Ended June 30, 2009

	SPECIAL REVENUE FUND			Variance with Final Budget Positive (Negative)
	Park and Street Lighting (SOZ)			
	Original Budget	Final Budget	Actual	
REVENUES				
Investment earnings	\$ 200	\$ 200	\$ 955	\$ 755
Total Revenues	200	200	955	755
EXPENDITURES				
Salaries and benefits	4,408	4,408	4,408	-
Services and supplies	25,556	25,556	20,768	4,788
Reserves and contingencies	9,248	9,248	-	9,248
Total Expenditures	39,212	39,212	25,176	14,036
Excess of Revenues Over (Under) Expenditures	(39,012)	(39,012)	(24,221)	14,791
OTHER FINANCING SOURCES (USES)				
Transfers in	25,046	25,046	25,046	-
Total Other Financing Sources (Uses)	25,046	25,046	25,046	-
Net Change in Fund Balances	<u>\$ (13,966)</u>	<u>\$ (13,966)</u>	825	<u>\$ 14,791</u>
Fund Balances - beginning			13,966	
Fund Balances - ending			<u>\$ 14,791</u>	

**County of San Bernardino Special Districts
County Service Area No. 82 - Searles Valley
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2009**

	<u>CAPITAL PROJECTS FUNDS</u>		Total Nonmajor Governmental Funds (see Exhibit C)
	Apparatus Storage Bldg (CWV)	Rescue Tool (CFJ)	
ASSETS	\$ -	\$ -	\$ -
LIABILITIES AND FUND BALANCES			
Liabilities	\$ -	\$ -	\$ -
Fund Balances:			
Unreserved:			
Undesignated	-	-	-
Total Fund Balances	-	-	-
Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</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, 2009

	<u>CAPITAL PROJECTS FUNDS</u>		Total Nonmajor Governmental Funds (see Exhibit D)
	Apparatus Storage Bldg (CWW)	Rescue Tool (CFJ)	
REVENUES	\$ -	\$ -	\$ -
EXPENDITURES			
Other	3	2	5
Total Expenditures	3	2	5
Net Change in Fund Balances	(3)	(2)	(5)
Fund Balances - beginning	3	2	5
Fund Balances - ending	\$ -	\$ -	\$ -