

**COUNTY OF SAN BERNARDINO  
SPECIAL DISTRICTS  
COUNTY SERVICE AREA No. 20  
JOSHUA TREE**

**REPORT ON AUDIT**

**JUNE 30, 2010**

**County of San Bernardino Special Districts  
County Service Area No. 20  
Joshua Tree  
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INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, the major fund, and the remaining aggregate fund information of the County of San Bernardino Special District County Service Area No. 20 – Joshua Tree (CSA), a component unit of the County of San Bernardino, as of and for the year ended June 30, 2010, 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 and the major fund of the County of San Bernardino Special District County Service Area No. 20 – Joshua Tree as of June 30, 2010, 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 19 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. 20 – Joshua Tree 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*

November 30, 2010

**County of San Bernardino Special Districts**  
**County Service Area No. 20 - Joshua Tree**  
**Statement of Net Assets**  
**June 30, 2010**

**ASSETS**

Cash and cash equivalents	\$ 707,560
Interest receivable	2,014
Taxes receivable	28,899
Special assessments receivable	7,034
Due from other governments	21,856
Capital assets, net of depreciation	<u>1,948,622</u>
 Total Assets	 <u>2,715,985</u>

**LIABILITIES**

Salaries and benefits payable	8,065
Compensated absences payable	13,074
Due to other governments	<u>165</u>
 Total Liabilities	 <u>21,304</u>

**NET ASSETS**

Invested in capital assets	1,948,622
Unrestricted	<u>746,059</u>
 Total Net Assets	 <u><u>\$ 2,694,681</u></u>

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

**County of San Bernardino Special Districts  
County Service Area No. 20 - Joshua Tree  
Statement of Activities  
For the Year Ended June 30, 2010**

**EXPENSES**

Salaries and benefits	\$ 401,700
Services and supplies	372,847
Intergovernmental	80
Depreciation	97,672
Total Program Expenses	<u>872,299</u>

**PROGRAM REVENUES**

Special assessments	181,172
Service fees	36,330
Total Program Revenues	<u>217,502</u>

Net Program Expense	<u>(654,797)</u>
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**GENERAL REVENUES**

Property taxes	463,252
Investment earnings	7,412
State assistance	5,875
Other assistance	25,530
Rents, concessions and royalties	23,228
Intergovernmental	34
Other taxes	13,076
Other	47,602
Total General Revenues	<u>586,009</u>

Change in Net Assets	(68,788)
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<b>Net Assets - beginning</b>	<u>2,763,469</u>
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<b>Net Assets - ending</b>	<u><u>\$ 2,694,681</u></u>
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The accompanying notes are an integral part of these financial statements.

**County of San Bernardino Special Districts**  
**County Service Area No. 20 - Joshua Tree**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2010**

	SPECIAL REVENUE FUND	Other	Total
	General	Governmental	Governmental
	(SGD)	Funds	Funds
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 658,939	\$ 48,621	\$ 707,560
Interest receivable	1,931	83	2,014
Taxes receivable	28,899	-	28,899
Special assessments receivable	7,034	-	7,034
Due from other governments	21,856	-	21,856
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total Assets	<u>\$ 718,659</u>	<u>\$ 48,704</u>	<u>\$ 767,363</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Salaries and benefits	\$ 8,065	\$ -	\$ 8,065
Due to other governments	165	-	165
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total Liabilities	<u>8,230</u>	<u>-</u>	<u>8,230</u>
Fund Balances:			
Unreserved:			
Undesignated	710,429	48,704	759,133
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total Fund Balances	<u>710,429</u>	<u>48,704</u>	<u>759,133</u>
Total Liabilities and Fund Balances	<u>\$ 718,659</u>	<u>\$ 48,704</u>	

Amounts reported for *governmental activities* 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. 1,948,622

Compensated absences payables are not due and payable in the current period and, therefore, are not reported in the governmental funds. (13,074)

Net Assets of Governmental Activities \$ 2,694,681

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

**County of San Bernardino Special Districts**  
**County Service Area No. 20 - Joshua Tree**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2010**

	SPECIAL REVENUE FUND	Other Governmental Funds	Total Governmental Funds
	General (SGD)		
<b>REVENUES</b>			
Property taxes	\$ 463,252	\$ -	\$ 463,252
Special assessments	181,172	-	181,172
Other taxes	13,076	-	13,076
State assistance	5,875	-	5,875
Other assistance	25,530	-	25,530
Rents, concessions and royalties	23,228	-	23,228
Investment earnings	6,962	450	7,412
Service fees	36,330	-	36,330
Intergovernmental	34	-	34
Other	22,077	25,525	47,602
	<u>777,536</u>	<u>25,975</u>	<u>803,511</u>
Total Revenues			
<b>EXPENDITURES</b>			
Salaries and benefits	415,758	-	415,758
Services and supplies	370,520	210	370,730
Intergovernmental	-	80	80
Capital outlay:			
Improvements to land	-	33,864	33,864
Equipment	23,459	-	23,459
Structures and improvements	-	26,048	26,048
	<u>809,737</u>	<u>60,202</u>	<u>869,939</u>
Total Expenditures			
Excess of Revenues Over (Under) Expenditures	<u>(32,201)</u>	<u>(34,227)</u>	<u>(66,428)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	408	42,000	42,408
Transfers out	<u>(42,000)</u>	<u>(408)</u>	<u>(42,408)</u>
Total Other Financing Sources (Uses)	<u>(41,592)</u>	<u>41,592</u>	<u>-</u>
Net Change in Fund Balances	(73,793)	7,365	(66,428)
<b>Fund Balances - beginning</b>	<u>784,222</u>	<u>41,339</u>	<u>825,561</u>
<b>Fund Balances - ending</b>	<u>\$ 710,429</u>	<u>\$ 48,704</u>	<u>\$ 759,133</u>

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

**County of San Bernardino Special Districts  
County Service Area No. 20 - Joshua Tree  
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, 2010**

Net Change in Fund Balances - Total Governmental Funds	\$	(66,428)
<p>Amounts reported for governmental activities 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 (\$97,672) exceeded capital outlay (\$81,254) in the current period.</p>		
		(16,418)
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
Increase in compensated absences		14,058
Change in Net Assets of Governmental Activities	\$	(68,788)

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

**County of San Bernardino Special Districts  
County Service Area No. 20 - Joshua Tree  
Notes to Financial Statements  
June 30, 2010**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Reporting entity**

The County Service Area (CSA) No. 20 - Joshua Tree was established by an act of the Board of Supervisors of the County of San Bernardino (the County) on April 27, 1964 pursuant to the authority granted by Article 11, Chapter 2.2, Division 2, Title 3 of the Government Code, consisting of Sections 25212.1 through 25212.7 to provide financing for four parks, three ball fields, a swimming pool, two recreation center buildings, a 12,000 sq. ft. community center, and maintenance of 329 street lights. The annual contract for fire protection with CSA 38 was discontinued as of June 30, 2008. Fire protection costs are now paid equally between the CSA and County Fire.

The CSA is a component unit of the County 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. 20 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, 2010.

**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. Major individual governmental funds are reported as separate columns in the fund financial statements.

**County of San Bernardino Special Districts**  
**County Service Area No. 20 - Joshua Tree**  
**Notes to Financial Statements**  
**June 30, 2010**

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*. 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 "General" is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

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.

**County of San Bernardino Special Districts**  
**County Service Area No. 20 - Joshua Tree**  
**Notes to Financial Statements**  
**June 30, 2010**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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." Currently, the CSA does not have any business-type activities.

**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.

**County of San Bernardino Special Districts  
County Service Area No. 20 - Joshua Tree  
Notes to Financial Statements  
June 30, 2010**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

**Employee compensated absences**

Accumulated vacation, holiday benefits, sick pay and compensatory time are recorded as an expense and liability as the benefits are earned. Compensated absence liabilities are recorded as a noncurrent liability. The CSA is not obligated to pay for unused sick leave if an employee terminates or retires.

Compensated absences activity for the year ended June 30, 2010 was as follows:

Beginning Balance	Additions	Deletions	Ending Balance
\$ 27,132	\$ 12,519	\$ 26,577	\$ 13,074

**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.

**County of San Bernardino Special Districts**  
**County Service Area No. 20 - Joshua Tree**  
**Notes to Financial Statements**  
**June 30, 2010**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**Stewardship, compliance and accountability**

A. Budgetary information

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

Budgets are prepared on the modified accrual basis of accounting. The legal level of budgetary control is the object level and the sub-object level for 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 at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitment 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 CSA's account based upon the CSA's average daily deposit balance during the allocation period. Cash and cash equivalents are shown at the fair value as of June 30, 2010.

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. 20 - Joshua Tree  
Notes to Financial Statements  
June 30, 2010**

NOTE 3: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2010 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
<b>Governmental activities:</b>				
Capital assets, not being depreciated				
Land	\$ 51,235	\$ -	\$ -	\$ 51,235
Construction in progress	38,252	26,048	(20,885)	43,415
Total capital assets, not being depreciated	<u>89,487</u>	<u>26,048</u>	<u>(20,885)</u>	<u>94,650</u>
Capital assets, being depreciated:				
Improvements to land	1,608,253	52,632	-	1,660,885
Structures and improvements	1,489,651	-	-	1,489,651
Vehicles	21,147	23,459	-	44,606
Equipment	7,841	-	-	7,841
Total capital assets, being depreciated	<u>3,126,892</u>	<u>76,091</u>	<u>-</u>	<u>3,202,983</u>
Less accumulated depreciation for:				
Improvements to land	(587,044)	(55,342)	-	(642,386)
Structures and improvements	(635,307)	(38,420)	-	(673,727)
Vehicles	(21,147)	(3,910)	-	(25,057)
Equipment	(7,841)	-	-	(7,841)
Total accumulated depreciation	<u>(1,251,339)</u>	<u>(97,672)</u>	<u>-</u>	<u>(1,349,011)</u>
Total capital assets, being depreciated, net	<u>1,875,553</u>	<u>(21,581)</u>	<u>-</u>	<u>1,853,972</u>
Governmental activities capital assets, net	<u>\$ 1,965,040</u>	<u>\$ 4,467</u>	<u>\$ (20,885)</u>	<u>\$ 1,948,622</u>

**County of San Bernardino Special Districts**  
**County Service Area No. 20 - Joshua Tree**  
**Notes to Financial Statements**  
**June 30, 2010**

NOTE 4: 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 (SCAQMD), San Bernardino Associated Governments (SANBAG), Local Agency Formation Commission (LAFCO), San Bernardino County Law Library, Barstow Fire Protection District, Hesperia Recreation and Parks District, SBCERA, City of Chino Hills, Crest Forest Fire District, Mojave Desert Air Quality Management District (MDAQMD), California Electronic Recording Transaction Network Authority (CERTNA), Inland Valley Development Agency (IVDA), San Bernardino International Airport Authority (SBIAA), the San Bernardino County Superior Court Inland Library System (ILS) and Rim of the World Recreation and Parks District (RIM-REC) were later included, along with the County, and are collectively referred to as the "Participating Members." The plan is governed by the SBCERA 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 - 3<sup>rd</sup> 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, 2010.

**Funding Policy**

Participating members are required by statute (Sections 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 7.42% - 12.96% and safety members 9.52% - 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 2010, the County's annual pension cost of \$197,097,000 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 Sections 31453 of the 1937 Act.

**County of San Bernardino Special Districts  
County Service Area No. 20 - Joshua Tree  
Notes to Financial Statements  
June 30, 2010**

NOTE 4: 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, 2010, were as follows (in thousands):

Annual Required Contribution (County fiscal year basis)	\$ 197,097
Interest on Pension Assets	(4,131)
Adjustment to the Annual Required Contribution	<u>32,488</u>
Annual Pension Cost	225,454
Annual Contributions Made	<u>197,097</u>
Increase/(Decrease) in Pension Assets	(28,357)
Pension Assets, Beginning of Year	<u>769,745</u>
Pension Assets, End of Year	<u><u>\$ 741,388</u></u>

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	
2008	\$ 241,721	\$ 203,712	100%
2009	246,232	200,300	100%
2010	243,773	197,097	100%

The County, along with the SCAQMD, 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 SCAQMD 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, 2010 is \$423,652,000.

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, 2010 is \$294,515,000.

**County of San Bernardino Special Districts**  
**County Service Area No. 20 - Joshua Tree**  
**Notes to Financial Statements**  
**June 30, 2010**

NOTE 4: RETIREMENT PLAN (continued)

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, 2010 is \$158,327,000.

NOTE 5: 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 6: 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 combination of insurance policies as recommended by AON Risk Services, Broker of Record, as follows: Primary Liability coverage \$25 million excess of \$2.5 million SIR with CV Starr/Everest; Excess Liability coverage of \$10 million, excess of \$25 million with Allied World Insurance Company (AWAC); and Excess Liability coverage \$15 million, excess of \$35 million with Great American Insurance Company of New York. 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 Steadfast 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.

**County of San Bernardino Special Districts  
County Service Area No. 20 - Joshua Tree  
Notes to Financial Statements  
June 30, 2010**

NOTE 6: RISK MANAGEMENT (continued)

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 1.70%. It is Risk Management's practice to obtain actuarial studies on an annual basis.

The total claims liability of \$145.4 million reported at June 30, 2010 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 2009 and 2010 were:

<b>Fiscal Year</b>	<b>Beginning of Fiscal Year Liability (in thousands)</b>	<b>Current Year Claims and Changes in Estimates (in thousands)</b>	<b>Claims Payments (in thousands)</b>	<b>End of Fiscal Year Liability (in thousands)</b>
2008-09	\$ 149,321	\$ 32,909	\$ (32,289)	\$ 149,941
2009-10	\$ 149,941	\$ 37,441	\$ (45,000)	\$ 142,382

NOTE 7: 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 projects funds. At June 30, 2010, the CSA made the following interfund transfer in and out:

	Transfers in:		
	General (SGD)	Nonmajor Capital Projects Funds	Total
<u>Transfers out:</u>			
General (SGD)	\$ -	\$ 42,000	\$ 42,000
Nonmajor Capital Project Funds	408	-	408
Total	<u>\$ 408</u>	<u>\$ 42,000</u>	<u>\$ 42,408</u>

**County of San Bernardino Special Districts  
County Service Area No. 20 - Joshua Tree  
Notes to Financial Statements  
June 30, 2010**

**NOTE 8: CONTINGENCIES**

As of June 30, 2010, 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.

**NOTE 9: PROPOSITION 111 APPROPRIATION LIMITS**

Proposition 111, which added Article XIII B to the State Constitution, establishes limits on budget appropriations in order to restrict government spending. We have reviewed the proceeds of taxes received by the CSA during the 2009-2010 fiscal year, and have found the revenue to be within the guidelines established by Proposition 111.

**Required Supplementary Information**  
**County of San Bernardino Special Districts**  
**County Service Area No. 20 - Joshua Tree**  
**Budgetary Comparison Schedule - Special Revenue Fund (General)**  
**For the Year Ended June 30, 2010**

	Special Revenue Fund			Variance with Final Budget Positive (Negative)
	General (SGD)			
	Original Budget	Final Budget	Actual	
<b>REVENUES</b>				
Property taxes	\$ 525,116	\$ 408,673	\$ 463,252	\$ 54,579
Special assessments	176,038	176,038	181,172	5,134
Other taxes	37,579	37,579	13,076	(24,503)
State assistance	75,000	80,875	5,875	(75,000)
Other assistance	-	-	25,530	25,530
Rents, concessions and royalties	27,500	27,500	23,228	(4,272)
Investment earnings	15,000	3,071	6,962	3,891
Service fees	99,500	30,236	36,330	6,094
Intergovernmental	-	-	34	34
Other	100,000	52,979	22,077	(30,902)
<b>Total Revenues</b>	<u>1,055,733</u>	<u>816,951</u>	<u>777,536</u>	<u>(39,415)</u>
<b>EXPENDITURES</b>				
Salaries and benefits	503,978	415,155	415,758	(603)
Services and supplies	349,261	371,220	370,520	700
Capital outlay:				
Equipment	100,000	-	23,459	(23,459)
Reserves and contingencies	475,006	666,530	-	666,530
<b>Total Expenditures</b>	<u>1,428,245</u>	<u>1,452,905</u>	<u>809,737</u>	<u>643,168</u>
Excess of Revenues Over (Under) Expenditures	<u>(372,512)</u>	<u>(635,954)</u>	<u>(32,201)</u>	<u>603,753</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer in	-	442	408	(34)
Transfer out	(305,000)	(42,000)	(42,000)	-
<b>Total Other Financing Sources (Uses)</b>	<u>(305,000)</u>	<u>(41,558)</u>	<u>(41,592)</u>	<u>(34)</u>
<b>Net Change in Fund Balance</b>	<u><u>\$ (677,512)</u></u>	<u><u>\$ (677,512)</u></u>	<u>(73,793)</u>	<u><u>\$ 603,719</u></u>
<b>Fund Balance - beginning</b>			<u>784,222</u>	
<b>Fund Balance - ending</b>			<u><u>\$ 710,429</u></u>	

**County of San Bernardino Special Districts  
County Service Area No. 20 - Joshua Tree  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2010**

	<u>CAPITAL PROJECTS FUNDS</u>			Total Nonmajor Governmental Funds (see Exhibit "C")
	Ball Park Improvements (CEW)	Replace Kitchen Center (CQB)	Playground Curb and Sidewalk (CQC)	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 20,019	\$ 28,602	\$ -	\$ 48,621
Interest receivable	-	83	-	83
<b>Total Assets</b>	<u>\$ 20,019</u>	<u>\$ 28,685</u>	<u>\$ -</u>	<u>\$ 48,704</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities	\$ -	\$ -	\$ -	\$ -
Fund Balances:				
Unreserved:				
Undesignated	20,019	28,685	-	48,704
<b>Total Fund Balances</b>	<u>20,019</u>	<u>28,685</u>	<u>-</u>	<u>48,704</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 20,019</u>	<u>\$ 28,685</u>	<u>\$ -</u>	<u>\$ 48,704</u>

**County of San Bernardino Special Districts**  
**County Service Area No. 20 - Joshua Tree**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2010**

	CAPITAL PROJECTS FUNDS			Total Nonmajor Governmental Funds (see Exhibit "D")
	Ball Park Improvements (CEW)	Replace Kitchen Center (CQB)	Playground Curb and Sidewalk (CQC)	
<b>REVENUES</b>				
Investment earnings	\$ 30	\$ 420	\$ -	\$ 450
Other	-	25,525	-	25,525
<b>Total Revenues</b>	<u>30</u>	<u>25,945</u>	<u>-</u>	<u>25,975</u>
<b>EXPENDITURES</b>				
Service and supplies	204	-	6	210
Intergovernmental	-	-	80	80
Capital outlay:				
Improvements to land	2,118	-	31,746	33,864
Structures and improvements	-	26,048	-	26,048
<b>Total Expenditures</b>	<u>2,322</u>	<u>26,048</u>	<u>31,832</u>	<u>60,202</u>
Excess of Revenues Over (Under) Expenditures	<u>(2,292)</u>	<u>(103)</u>	<u>(31,832)</u>	<u>(34,227)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	20,000	20,000	2,000	42,000
Transfers out	-	-	(408)	(408)
<b>Total Other Financing Sources (Uses)</b>	<u>20,000</u>	<u>20,000</u>	<u>1,592</u>	<u>41,592</u>
<b>Net Change in Fund Balances</b>	17,708	19,897	(30,240)	7,365
<b>Fund Balances - beginning</b>	<u>2,311</u>	<u>8,788</u>	<u>30,240</u>	<u>41,339</u>
<b>Fund Balances - ending</b>	<u>\$ 20,019</u>	<u>\$ 28,685</u>	<u>\$ -</u>	<u>\$ 48,704</u>