

**COUNTY OF SAN BERNARDINO  
SPECIAL DISTRICTS  
COUNTY SERVICE AREA No. 42  
ORO GRANDE**

**REPORT ON AUDIT**

**JUNE 30, 2010**

**County of San Bernardino Special Districts  
County Service Area No. 42  
Oro Grande  
Table of Contents**

	Exhibit	Page
INDEPENDENT AUDITOR'S REPORT		1 - 2
BASIC FINANCIAL STATEMENTS		
<b>Government-Wide Financial Statements</b>		
Statement of Net Assets	A	3
Statement of Activities	B	4
<b>Fund Financial Statements</b>		
Balance Sheet – Governmental Funds	C	5
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	D	6
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	E	7
Statement of Net Assets – Proprietary Fund	F	8
Statement of Revenues, Expenses and Changes in Net Assets – Proprietary Fund	G	9
Statement of Cash Flows – Proprietary Fund	H	10
Notes to Financial Statements		11 - 22
<b>Required Supplementary Information</b>	<b>Schedule</b>	
Budgetary Comparison Schedule - Special Revenue Fund (Park)	One	23



**ROGERS, ANDERSON, MALODY & SCOTT, LLP**

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Board of Supervisors  
County of San Bernardino  
County of San Bernardino Special  
District County Service Area  
No. 42 - Oro Grande

**INDEPENDENT AUDITOR'S REPORT**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the County of San Bernardino Special District County Service Area No. 42 – Oro Grande (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, the business-type activities, and each major fund of the County of San Bernardino Special District County Service Area No. 42 – Oro Grande, 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 23 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. 42 – Oro Grande 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, CPA*

November 30, 2010

**County of San Bernardino Special Districts**  
**County Service Area No. 42 - Oro Grande**  
**Statement of Net Assets**  
**June 30, 2010**

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 51,971	\$ 537,314	\$ 589,285
Accounts receivable, net	-	41,195	41,195
Interest receivable	-	1,551	1,551
Taxes receivable	1,751	-	1,751
Capital assets, net of depreciation	158,981	205,420	364,401
 Total Assets	 <u>212,703</u>	 <u>785,480</u>	 <u>998,183</u>
<b>LIABILITIES</b>			
Accounts payable	56,017	9,056	65,073
Salaries and benefits payable	385	-	385
Due to other governments	7,095	510	7,605
 Total Liabilities	 <u>63,497</u>	 <u>9,566</u>	 <u>73,063</u>
<b>NET ASSETS</b>			
Invested in capital assets	158,981	205,420	364,401
Unrestricted	(9,775)	570,494	560,719
 Total Net Assets	 <u>\$ 149,206</u>	 <u>\$ 775,914</u>	 <u>\$ 925,120</u>

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

**County of San Bernardino Special Districts**  
**County Service Area No. 42 - Oro Grande**  
**Statement of Activities**  
**For the Year Ended June 30, 2010**

	Governmental Activities	Business-type Activities	Total
<b>EXPENSES</b>			
Professional fees	\$ -	\$ 80,562	\$ 80,562
Salaries and benefits	15,843	109,978	125,821
Services and supplies	28,664	60,613	89,277
Utilities	-	6,719	6,719
Depreciation	7,764	11,348	19,112
Other	-	500	500
Intergovernmental	36,750	-	36,750
Total Program Expenses	<u>89,021</u>	<u>269,720</u>	<u>358,741</u>
<b>PROGRAM REVENUE</b>			
Charges for services	2,347	274,207	276,554
Net Program Revenue (Expense)	<u>(86,674)</u>	<u>4,487</u>	<u>(82,187)</u>
<b>GENERAL REVENUES</b>			
Property taxes	28,759	22	28,781
Special assessments	-	2,662	2,662
Other taxes	453	-	453
State assistance	80,361	-	80,361
Investment earnings	12	5,927	5,939
Penalties	-	6,329	6,329
Intergovernmental	10,000	-	10,000
Other	-	53,450	53,450
<b>TRANSFERS - INTERNAL ACTIVITIES</b>	<u>20</u>	<u>(20)</u>	<u>-</u>
Total General Revenues	<u>119,605</u>	<u>68,370</u>	<u>187,975</u>
Change in Net Assets	32,931	72,857	105,788
<b>Net Assets - beginning</b>	<u>116,275</u>	<u>703,057</u>	<u>819,332</u>
<b>Net Assets - ending</b>	<u>\$ 149,206</u>	<u>\$ 775,914</u>	<u>\$ 925,120</u>

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

**County of San Bernardino Special Districts**  
**County Service Area No. 42 - Oro Grande**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2010**

	SPECIAL REVENUE FUND	CAPITAL PROJECTS FUND	
	Park (SIV)	Community Center (CSS)	Total Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 2,037	\$ 49,934	\$ 51,971
Taxes receivable	1,751	-	1,751
	<u>3,788</u>	<u>49,934</u>	<u>53,722</u>
Total Assets	<u>\$ 3,788</u>	<u>\$ 49,934</u>	<u>\$ 53,722</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ -	\$ 56,017	\$ 56,017
Salaries and benefits payable	385	-	385
Due to other governments	-	7,095	7,095
	<u>385</u>	<u>63,112</u>	<u>63,497</u>
Total Liabilities	<u>385</u>	<u>63,112</u>	<u>63,497</u>
Fund Balances:			
Reserved for:			
Imprest cash	100	-	100
Unreserved:			
Undesignated	3,303	(13,178)	(9,875)
	<u>3,403</u>	<u>(13,178)</u>	<u>(9,775)</u>
Total Fund Balances	<u>3,403</u>	<u>(13,178)</u>	<u>(9,775)</u>
Total Liabilities and Fund Balances	<u>\$ 3,788</u>	<u>\$ 49,934</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.

158,981

Net Assets of Governmental Activities

\$ 149,206

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

**County of San Bernardino Special Districts**  
**County Service Area No. 42 - Oro Grande**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2010**

	SPECIAL REVENUE FUND	CAPITAL PROJECTS FUND	Total Governmental Funds
	Park (SIV)	Community Center (CSS)	
<b>REVENUES</b>			
Property taxes	\$ 28,759	\$ -	\$ 28,759
Other taxes	453	-	453
State assistance	80,361	-	80,361
Investment earnings	-	12	12
Service fees	2,347	-	2,347
Intergovernmental	10,000	-	10,000
	<u>121,920</u>	<u>12</u>	<u>121,932</u>
<b>EXPENDITURES</b>			
Salaries and benefits	15,843	-	15,843
Services and supplies	20,022	-	20,022
Capital outlay:			
Improvements to land	-	66,407	66,407
Intergovernmental	36,750	-	36,750
	<u>72,615</u>	<u>66,407</u>	<u>139,022</u>
Excess of Revenues Over (Under) Expenditures	<u>49,305</u>	<u>(66,395)</u>	<u>(17,090)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	20	53,210	53,230
Transfers out	(53,210)	-	(53,210)
	<u>(53,190)</u>	<u>53,210</u>	<u>20</u>
Total Other Financing Sources (Uses)	<u>(53,190)</u>	<u>53,210</u>	<u>20</u>
Net Change in Fund Balances	(3,885)	(13,185)	(17,070)
<b>Fund Balances - beginning</b>	<u>7,288</u>	<u>7</u>	<u>7,295</u>
<b>Fund Balances - ending</b>	<u>\$ 3,403</u>	<u>\$ (13,178)</u>	<u>\$ (9,775)</u>

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

**County of San Bernardino Special Districts  
County Service Area No. 42 - Oro Grande  
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 \$ (17,070)

Amounts reported for *governmental activities* in the statement of activities are different because:

Governmental funds report capital outlays as expenditures in the year an asset is purchased. 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 (\$7,764) was exceeded by capital outlay (\$57,765) in the current period.

50,001

Change in Net Assets of Governmental Activities

\$ 32,931

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

**County of San Bernardino Special Districts**  
**County Service Area No. 42 - Oro Grande**  
**Statement of Net Assets**  
**Proprietary Fund**  
**June 30, 2010**

	<b>ENTERPRISE FUND</b> <hr/> Refuse, Water, Sewer <hr/>
<b>ASSETS</b>	
Current Assets:	
Cash and cash equivalents	\$ 537,314
Accounts receivable, net	41,195
Interest receivable	1,551
	<hr/>
Total Current Assets	580,060
	<hr/>
Noncurrent Assets:	
Capital Assets:	
Land	44,800
Improvements to land	426,102
Structures and improvements	51,800
Construction in progress	26,352
Accumulated depreciation	(343,634)
	<hr/>
Total Noncurrent Assets	205,420
	<hr/>
Total Assets	785,480
	<hr/>
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts payable	9,056
Due to other governments	510
	<hr/>
Total Current Liabilities	9,566
	<hr/>
<b>NET ASSETS</b>	
Invested in capital assets	205,420
Unrestricted	570,494
	<hr/>
Total Net Assets	\$ 775,914
	<hr/> <hr/>

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

**County of San Bernardino Special Districts**  
**County Service Area No. 42 - Oro Grande**  
**Statement of Revenues, Expenses and Changes in Net Assets**  
**Proprietary Fund**  
**For the Year Ended June 30, 2010**

	<b>ENTERPRISE FUND</b> <hr/> Refuse, Water, Sewer <hr/>
<b>OPERATING REVENUES</b>	
Sanitation services	\$ 144,556
Water sales	121,480
Other	8,171
Total Operating Revenues	<hr/> <u>274,207</u>
<b>OPERATING EXPENSES</b>	
Professional fees	80,562
Salaries and benefits	109,978
Services and supplies	60,613
Utilities	6,719
Depreciation	11,348
Other	500
Total Operating Expenses	<hr/> <u>269,720</u>
Operating Income	<hr/> <u>4,487</u>
<b>NONOPERATING REVENUES</b>	
Property taxes	22
Special assessments	2,662
Investment earnings	5,927
Penalties	6,329
Other revenues	53,450
Total Nonoperating Revenues	<hr/> <u>68,390</u>
Income Before Transfer	72,877
Transfer out	<hr/> <u>(20)</u>
Change in Net Assets	72,857
<b>Total Net Assets - beginning</b>	<hr/> <u>703,057</u>
<b>Total Net Assets - ending</b>	<hr/> <u>\$ 775,914</u>

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

**County of San Bernardino Special Districts  
County Service Area No. 42 - Oro Grande  
Statement of Cash Flows  
Proprietary Fund  
For the Year Ended June 30, 2010**

	<u>ENTERPRISE FUND</u> Refuse, Water, Sewer
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers	\$ 259,070
Payments to suppliers	(157,164)
Payments to employees	(109,978)
Net Cash Used for Operating Activities	<u>(8,072)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Property taxes	22
Special assessments	2,662
Penalties	6,329
Other nonoperating revenues	53,450
Transfers out	(20)
Net Cash Provided by Noncapital Financing Activities	<u>62,443</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Acquisition of capital assets	(842)
Net Cash Used for Capital and Related Financing Activities	<u>(842)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Investment earnings	6,474
Net Cash Provided by Investing Activities	<u>6,474</u>
Net Increase in Cash and Cash Equivalents	60,003
<b>Cash and Cash Equivalents - beginning of the year</b>	<u>477,311</u>
<b>Cash and Cash Equivalents - end of the year</b>	<u>\$ 537,314</u>
<b>Reconciliation of operating income to net cash used for operating activities:</b>	
Operating income	\$ 4,487
Adjustments to reconcile operating income to net cash used for operating activities:	
Depreciation expense	11,348
Change in assets and liabilities:	
Increase in accounts receivable, net	(15,137)
Decrease in accounts payable	(4,191)
Decrease in due to other governments	(4,579)
Net Cash Used for Operating Activities	<u>\$ (8,072)</u>

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

**County of San Bernardino Special Districts**  
**County Service Area No. 42 - Oro Grande**  
**Notes to Financial Statements**  
**June 30, 2010**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Reporting entity**

The County Service Area (CSA) No. 42 - Oro Grande is a special district located within the County of San Bernardino. The CSA has governmental powers as established by the San Bernardino County Government Charter. The County of San Bernardino (County) was established in 1852 as a legal subdivision of the State of California.

The CSA was established by an act of the Board of Supervisors of the County (Board) on December 27, 1965 to provide sewer, water, park, refuse collection and street lighting services to the community of Oro Grande. The CSA serves 154 households for sewer, 135 households for water, 123 households for park, and services 39 streetlights.

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

The accompanying financial statements reflect only the accounts of the County Service Area No. 42 – Oro Grande 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 Activities) report information on all of the nonfiduciary activities of the reporting entity. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. *Governmental activities* normally are supported by taxes and intergovernmental revenues, 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. 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.

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. 42 - Oro Grande**  
**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* 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. However, for revenue derived from voluntary non-exchange transactions, such as taxes and federal and state grants, the County expanded its definition of "available" to 9 months. 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 District reports the following major governmental funds:

The *special revenue fund* labeled "Park" is the government's primary operating fund for park services provided to the community of Oro Grande. It accounts for all financial resources of the general government related to park services, except those required to be accounted for in another fund.

The *capital projects fund* labeled "Community Center" accounts for the acquisition and construction of major capital facilities in the community of Oro Grande.

The government reports the following major proprietary fund:

The *enterprise fund* labeled "Refuse, Water, Sewer" accounts for the refuse, water and sewer activities of the CSA.

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.

**County of San Bernardino Special Districts**  
**County Service Area No. 42 - Oro Grande**  
**Notes to Financial Statements**  
**June 30, 2010**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. The principal operating revenue of the CSA's enterprise fund is charges to customers for sanitation services. Operating expenses for enterprise funds include the cost of salaries and benefits, services and supplies, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting these definitions 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 is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is 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, 2010, based on management's expectation that all accounts receivable will be collected through the property tax roll.

**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.

**County of San Bernardino Special Districts  
County Service Area No. 42 - Oro Grande  
Notes to Financial Statements  
June 30, 2010**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**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.

**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.

**Capital assets**

Capital assets, which include property, plant and equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns 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 one (1) year. 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 does not add to the value of the asset or materially extend asset life is not capitalized.

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

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

Assets	Years
Structures & improvements	5 - 45
Equipment and vehicles	6 - 15
Utility plant in service	45

**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. 42 - Oro Grande**  
**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 capital assets within each fund.

Amendments or transfers of appropriations between funds or departments must be approved by the Board. Transfers at the sub-object level or cost center level may be done at the discretion of the 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 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 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. 42 - Oro Grande  
Notes to Financial Statements  
June 30, 2010**

NOTE 3: ACCOUNTS RECEIVABLE

At June 30, 2010, the accounts receivable were composed of the following:

	Sewer
Accounts receivable	\$ 41,195
Less: allowance for uncollectibles	-
Net Total Accounts Receivable	\$ 41,195

NOTE 4: 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	\$ 9,930	\$ -	\$ -	\$ 9,930
Construction in progress	25,110	57,765	-	82,875
Total capital assets, not being depreciated	35,040	57,765	-	92,805
Capital assets, being depreciated:				
Improvements to land	227,485	-	-	227,485
Structures and improvements	16,145	-	-	16,145
Equipment	6,493	-	-	6,493
Total capital assets, being depreciated	250,123	-	-	250,123
Less accumulated depreciation for:				
Improvements to land	(170,543)	(6,524)	-	(177,067)
Structures and improvements	(1,816)	(807)	-	(2,623)
Equipment	(3,824)	(433)	-	(4,257)
Total accumulated depreciation	(176,183)	(7,764)	-	(183,947)
Total capital assets, being depreciated, net	73,940	(7,764)	-	66,176
Governmental activities capital assets, net	\$ 108,980	\$ 50,001	\$ -	\$ 158,981

**County of San Bernardino Special Districts  
County Service Area No. 42 - Oro Grande  
Notes to Financial Statements  
June 30, 2010**

NOTE 4: CAPITAL ASSETS (continued)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<b>Business-type activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 44,800	\$ -	\$ -	\$ 44,800
Construction in progress	25,510	842	-	26,352
Total capital assets, not being depreciated	<u>70,310</u>	<u>842</u>	<u>-</u>	<u>71,152</u>
Capital assets, being depreciated:				
Improvements to land	426,102	-	-	426,102
Structures and improvements	51,800	-	-	51,800
Total capital assets, being depreciated	<u>477,902</u>	<u>-</u>	<u>-</u>	<u>477,902</u>
Less accumulated depreciation for:				
Improvements to land	(324,300)	(8,758)	-	(333,058)
Structures and improvements	(7,986)	(2,590)	-	(10,576)
Total accumulated depreciation	<u>(332,286)</u>	<u>(11,348)</u>	<u>-</u>	<u>(343,634)</u>
Total capital assets, being depreciated, net	<u>145,616</u>	<u>(11,348)</u>	<u>-</u>	<u>134,268</u>
Business-type activities capital assets, net	<u>\$ 215,926</u>	<u>\$ (10,506)</u>	<u>\$ -</u>	<u>\$ 205,420</u>

NOTE 5: LONG-TERM LEASE AGREEMENT

On March 13, 2007, the Board of Supervisors approved an agreement with Oro Grande School District to lease Rainbow Park, an unused 2.92 acre parcel located on property contiguous to Oro Grande School, to the school for a period of 43 years at total cost of \$43. The purpose of the lease is to construct additional charter school facilities on the site at the cost of the school district. Oro Grande School District must relocate the existing park equipment to the Community Center Park at the expense of the school district. The lease will be for the period February 1, 2007 to January 31, 2050.

**County of San Bernardino Special Districts  
County Service Area No. 42 - Oro Grande  
Notes to Financial Statements  
June 30, 2010**

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, 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, 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 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 of San Bernardino (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, 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 Section 31453 of the 1937 Act.

**County of San Bernardino Special Districts  
County Service Area No. 42 - Oro Grande  
Notes to Financial Statements  
June 30, 2010**

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, 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		32,488
Annual Pension Cost		225,454
Annual Contributions Made		197,097
Increase/(Decrease) in Pension Assets		(28,357)
Pension Assets, Beginning of Year		769,745
Pension Assets, End of Year	\$	741,388

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 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, 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.

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.

**County of San Bernardino Special Districts**  
**County Service Area No. 42 - Oro Grande**  
**Notes to Financial Statements**  
**June 30, 2010**

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 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.

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 the 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.

**County of San Bernardino Special Districts  
County Service Area No. 42 - Oro Grande  
Notes to Financial Statements  
June 30, 2010**

NOTE 7: RISK MANAGEMENT (continued)

Changes in the claims liability amount in fiscal years 2009 and 2010 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>
2008-09	\$ 149,321	\$ 32,909	\$ (32,289)	\$ 149,941
2009-10	\$ 149,941	\$ 37,441	\$ (45,000)	\$ 142,382

NOTE 8: 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 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 projects funds. At June 30, 2010, the CSA made the following interfund transfers in and out:

<u>Transfers out:</u>	<u>Transfers in:</u>		
	<u>Park (SIV)</u>	<u>Community Center (CSS)</u>	<u>Total</u>
Park (SIV)	\$ -	\$ 53,210	\$ 53,210
Proprietary Fund (CKX)	20	-	20
	<u>\$ 20</u>	<u>\$ 53,210</u>	<u>\$ 53,230</u>

NOTE 10: PROPOSITION 111 APPROPRIATION LIMITS

Proposition 111, which added Article XIII B to the State Constitution, established 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.

**County of San Bernardino Special Districts  
County Service Area No. 42 - Oro Grande  
Notes to Financial Statements  
June 30, 2010**

**NOTE 11: 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.

**County of San Bernardino Special Districts  
County Service Area No. 42 - Oro Grande  
Budgetary Comparison Schedule  
Special Revenue Fund - Park  
For the Year Ended June 30, 2010**

	SPECIAL REVENUE FUND			
	Park (SIV)			
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Property taxes	\$ 24,835	\$ 24,835	\$ 28,759	\$ 3,924
Other taxes	1,225	1,225	453	(772)
State assistance	100,350	100,350	80,361	(19,989)
Service fees	3,000	3,000	2,347	(653)
Intergovernmental	-	-	10,000	10,000
<b>Total Revenues</b>	<u>129,410</u>	<u>129,410</u>	<u>121,920</u>	<u>(7,490)</u>
<b>EXPENDITURES</b>				
Salaries and benefits	16,628	16,628	15,843	785
Services and supplies	19,913	20,913	20,022	891
Intergovernmental	41,000	40,590	36,750	3,840
<b>Total Expenditures</b>	<u>77,541</u>	<u>78,131</u>	<u>72,615</u>	<u>5,516</u>
Excess Revenues Over (Under) Expenditures	<u>51,869</u>	<u>51,279</u>	<u>49,305</u>	<u>(1,974)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	20	20
Transfers out	<u>(59,000)</u>	<u>(58,410)</u>	<u>(53,210)</u>	<u>5,200</u>
<b>Total Other Financing Sources (Uses)</b>	<u>(59,000)</u>	<u>(58,410)</u>	<u>(53,190)</u>	<u>5,220</u>
<b>Net Change in Fund Balance</b>	<u>\$ (7,131)</u>	<u>\$ (7,131)</u>	(3,885)	<u>\$ 3,246</u>
<b>Fund Balance - beginning</b>			<u>7,288</u>	
<b>Fund Balance - ending</b>			<u>\$ 3,403</u>	