

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

**REPORT ON AUDIT**

**JUNE 30, 2010**

**County of San Bernardino Special Districts  
County Service Area No. 82  
Searles Valley  
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**ROGERS, ANDERSON, MALODY & SCOTT, LLP**

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**INDEPENDENT AUDITOR'S REPORT**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and the major fund 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, 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 the major fund of the County of San Bernardino Special District County Service Area No. 82 - Searles Valley, 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 24 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

*Rogers, Anderson, Malady + Scott, LLP*

November 30, 2010

**County of San Bernardino Special Districts**  
**County Service Area No. 82 - Searles Valley**  
**Statement of Net Assets**  
**June 30, 2010**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 18,290	\$ 753,798	\$ 772,088
Accounts receivables, net	-	160,262	160,262
Interest receivable	60	1,301	1,361
Taxes receivable	-	2,970	2,970
Other receivables	-	18,896	18,896
Capital assets, net of depreciation	644	820,237	820,881
	<u>18,994</u>	<u>1,757,464</u>	<u>1,776,458</u>
Total Assets			
<b>LIABILITIES</b>			
Accounts payable	1,250	-	1,250
Due to other governments	-	439	439
	<u>1,250</u>	<u>439</u>	<u>1,689</u>
Total Liabilities			
<b>NET ASSETS</b>			
Invested in capital assets	644	820,237	820,881
Unrestricted	17,100	936,788	953,888
	<u>17,744</u>	<u>1,757,025</u>	<u>1,774,769</u>
Total Net Assets			

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

**County of San Bernardino Special Districts**  
**County Service Area No. 82 - Searles Valley**  
**Statement of Activities**  
**For the Year Ended June 30, 2010**

	Governmental Activities	Business-Type Activities	Total
<b>EXPENSES</b>			
Professional services	\$ -	\$ 29,791	\$ 29,791
Salaries and benefits	3,620	214,800	218,420
Services and supplies	19,128	109,513	128,641
Rents and leases	-	8,024	8,024
Utilities	-	4,206	4,206
Depreciation	1,103	43,894	44,997
Total Expenses	<u>23,851</u>	<u>410,228</u>	<u>434,079</u>
<b>PROGRAM REVENUE</b>			
Charges for services	-	292,657	292,657
Net Program Expense	<u>(23,851)</u>	<u>(117,571)</u>	<u>(141,422)</u>
<b>GENERAL REVENUES</b>			
Property taxes	-	58,959	58,959
Special assessments	-	24,910	24,910
Other taxes	-	719	719
State assistance	-	617	617
Investment earnings	11	8,789	8,800
Intergovernmental	-	40,854	40,854
Penalties	-	9,905	9,905
<b>TRANSFERS - INTERNAL ACTIVITIES</b>	25,046	(25,046)	-
Net book value of capital assets transferred	<u>1,747</u>	<u>-</u>	<u>1,747</u>
Total General Revenues and Transfers	<u>26,804</u>	<u>119,707</u>	<u>146,511</u>
Changes in Net Assets	2,953	2,136	5,089
<b>Net Assets - beginning</b>	<u>14,791</u>	<u>1,754,889</u>	<u>1,769,680</u>
<b>Net Assets - ending</b>	<u>\$ 17,744</u>	<u>\$ 1,757,025</u>	<u>\$ 1,774,769</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 Fund  
June 30, 2010**

	SPECIAL REVENUE FUND
	Park and Street Lighting (SOZ)
<b>ASSETS</b>	
Cash and cash equivalents	\$ 18,290
Interest receivable	60
Total Assets	\$ 18,350
<b>LIABILITIES AND FUND BALANCE</b>	
Liabilities:	
Accounts payable	\$ 1,250
Total Liabilities	1,250
Fund Balance:	
Unreserved:	
Undesignated	17,100
Total Fund Balance	17,100
Total Liabilities and Fund Balance	\$ 18,350
<b>Total Fund Balance - Governmental Fund</b>	<b>\$ 17,100</b>
Amounts reported for <i>governmental activities</i> in the statement of net assets (Exhibit "A") are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	644
Net Assets of Governmental Activities	\$ 17,744

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 Balance  
Governmental Fund  
June 30, 2010**

	SPECIAL REVENUE FUND <hr/> Park and Street Lighting (SOZ) <hr/>
<b>REVENUE</b>	
Investment earnings	\$ 11
Total Revenue	<hr/> 11
<b>EXPENDITURES</b>	
Salaries and benefits	3,620
Services and supplies	19,128
Total Expenditures	<hr/> 22,748
Excess of Revenue Over (Under) Expenditures	<hr/> (22,737)
<b>OTHER FINANCING SOURCES</b>	
Transfers in	<hr/> 25,046
Total Other Financing Sources	<hr/> 25,046
Net Change in Fund Balance	2,309
<b>Fund Balance - beginning</b>	<hr/> 14,791
<b>Fund Balance - ending</b>	<hr/> <u>\$ 17,100</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  
Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balance of the Governmental Fund to the  
Statement of Activities  
For the Year Ended June 30, 2010**

Net Change in Fund Balance - Governmental Fund	\$	2,309
<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 (\$1,103) exceeded capital outlay (\$0-) in the current period.</p>		(1,103)
<p>Capital assets transferred to and from other governments are not financial resources and, therefore, are not reported in the governmental funds.</p>		<hr style="width: 100%;"/> 1,747
Change in Net Assets of Governmental Activities	\$	<hr style="width: 100%;"/> <u>2,953</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 Net Assets**  
**Proprietary Funds**  
**June 30, 2010**

	<u>ENTERPRISE FUNDS</u>		
	<u>Administrative</u>	<u>Sewer and Street Lighting - Trona</u>	<u>Totals</u>
<b>ASSETS</b>			
Current Assets:			
Cash and cash equivalents	\$ 401,460	\$ 352,338	\$ 753,798
Accounts receivable, net	160,262	-	160,262
Interest receivable	1,301	-	1,301
Taxes receivable	2,970	-	2,970
Other receivables	18,896	-	18,896
	<u>584,889</u>	<u>352,338</u>	<u>937,227</u>
Total Current Assets			
Noncurrent Assets:			
Capital Assets:			
Land	42,809	-	42,809
Improvements to land	2,072,413	-	2,072,413
Accumulated depreciation	(1,294,985)	-	(1,294,985)
	<u>820,237</u>	<u>-</u>	<u>820,237</u>
Total Noncurrent Assets			
	<u>820,237</u>	<u>-</u>	<u>820,237</u>
Total Assets	<u>1,405,126</u>	<u>352,338</u>	<u>1,757,464</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Due to other governments	439	-	439
	<u>439</u>	<u>-</u>	<u>439</u>
Total Current Liabilities			
	<u>439</u>	<u>-</u>	<u>439</u>
Total Liabilities	<u>439</u>	<u>-</u>	<u>439</u>
<b>NET ASSETS</b>			
Invested in capital assets	820,237	-	820,237
Unrestricted	584,450	352,338	936,788
	<u>820,237</u>	<u>352,338</u>	<u>1,172,575</u>
Total Net Assets	<u>\$ 1,404,687</u>	<u>\$ 352,338</u>	<u>\$ 1,757,025</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, Expenses and Changes in Net Assets**  
**Proprietary Funds**  
**For the Year Ended June 30, 2010**

	ENTERPRISE FUNDS		
	Administrative	Sewer and Street Lighting - Trona	Totals
<b>OPERATING REVENUE</b>			
Sanitation services	\$ 292,657	\$ -	\$ 292,657
Total Operating Revenue	292,657	-	292,657
<b>OPERATING EXPENSES</b>			
Professional services	29,791	-	29,791
Salaries and benefits	214,800	-	214,800
Services and supplies	109,513	-	109,513
Rents and leases	8,024	-	8,024
Utilities	4,206	-	4,206
Depreciation	43,894	-	43,894
Total Operating Expenses	410,228	-	410,228
Operating Loss	(117,571)	-	(117,571)
<b>NONOPERATING REVENUES</b>			
Investment earnings	4,912	3,877	8,789
Property taxes	58,959	-	58,959
Special assessments	24,910	-	24,910
Other taxes	719	-	719
Intergovernmental	40,854	-	40,854
State assistance	617	-	617
Penalties	9,905	-	9,905
Total Nonoperating Revenues	140,876	3,877	144,753
Income Before Transfers	23,305	3,877	27,182
<b>TRANSFERS</b>			
Transfers out	(25,046)	-	(25,046)
Total Transfers	(25,046)	-	(25,046)
Changes in Net Assets	(1,741)	3,877	2,136
<b>Net Assets - beginning</b>	1,406,428	348,461	1,754,889
<b>Net Assets - ending</b>	\$ 1,404,687	\$ 352,338	\$ 1,757,025

**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, 2010**

	ENTERPRISE FUNDS		
	Administrative	Sewer and Street Lighting - Trona	Totals
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers	\$ 255,418	\$ -	\$ 255,418
Payments to suppliers	(198,081)	-	(198,081)
Payments to employees	(214,800)	-	(214,800)
	(157,463)	-	(157,463)
<b>Net Cash Used for Operating Activities</b>			
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Property taxes	64,972	-	64,972
Special assessments	24,910	-	24,910
Other taxes	719	-	719
State assistance	617	-	617
Penalties	9,905	-	9,905
Intergovernmental	40,854	-	40,854
Transfers to other funds	(25,046)	-	(25,046)
	116,931	-	116,931
<b>Net Cash Provided by Noncapital Financing Activities</b>			
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Investment earnings	5,726	5,496	11,222
	5,726	5,496	11,222
<b>Net Cash Provided by Investing Activities</b>			
Net Increase (Decrease) in Cash and Cash Equivalents	(34,806)	5,496	(29,310)
<b>Cash and cash equivalents - beginning of the year</b>	436,266	346,842	783,108
<b>Cash and cash equivalents - end of the year</b>	\$ 401,460	\$ 352,338	\$ 753,798

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 Cash Flows  
Proprietary Funds  
For the Year Ended June 30, 2010**

	<u>ENTERPRISE FUNDS</u>		<u>Totals</u>
	<u>Administrative</u>	<u>Sewer and Street Lighting - Trona</u>	
<b>Reconciliation of operating loss to net cash used for operating activities:</b>			
Operating loss	\$ (117,571)	\$ -	\$ (117,571)
Adjustments to reconcile operating loss to net cash used for operating activities:			
Depreciation expense	43,894	-	43,894
Change in assets and liabilities:			
Increase in accounts receivable, net	(18,343)	-	(18,343)
Increase in other receivable	(18,896)	-	(18,896)
Decrease in accounts payable	(5,940)	-	(5,940)
Decrease in due to other governments	(40,607)	-	(40,607)
<b>Net Cash Used for Operating Activities</b>	<u><u>\$ (157,463)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (157,463)</u></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  
Notes to Financial Statements  
June 30, 2010**

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, 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*.

**County of San Bernardino Special Districts**  
**County Service Area No. 82 - Searles Valley**  
**Notes to Financial Statements**  
**June 30, 2010**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

**Measurement focus, basis of accounting, and financial statement presentation**

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

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

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

The government reports the following major governmental fund:

The *special revenue fund* labeled "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.

**County of San Bernardino Special Districts**  
**County Service Area No. 82 - Searles Valley**  
**Notes to Financial Statements**  
**June 30, 2010**

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, 2010 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, 2010**

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

**County of San Bernardino Special Districts  
County Service Area No. 82 - Searles Valley  
Notes to Financial Statements  
June 30, 2010**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**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.

**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 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, 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.

**County of San Bernardino Special Districts  
County Service Area No. 82 - Searles Valley  
Notes to Financial Statements  
June 30, 2010**

**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.

**NOTE 3: ACCOUNTS RECEIVABLE**

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

<b>Business-type activities:</b>	<u>Administrative</u>
Accounts receivable	\$ 160,262
Less: allowance for uncollectibles	<u>-</u>
Total accounts receivable, net	<u><u>\$ 160,262</u></u>

**NOTE 4: CAPITAL ASSETS**

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<b>Governmental activities:</b>				
Capital assets, being depreciated:				
Improvements to land	\$ -	\$ 156,440	\$ -	\$ 156,440
Total capital assets, being depreciated	<u>-</u>	<u>156,440</u>	<u>-</u>	<u>156,440</u>
Less accumulated depreciation for:				
Improvements to land	-	(155,796)	-	(155,796)
Total accumulated depreciation	<u>-</u>	<u>(155,796)</u>	<u>-</u>	<u>(155,796)</u>
Governmental activities, capital assets, net	<u><u>\$ -</u></u>	<u><u>\$ 644</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 644</u></u>

**County of San Bernardino Special Districts  
County Service Area No. 82 - Searles Valley  
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	\$ 42,809	\$ -	\$ -	\$ 42,809
Total capital assets, not being depreciated	<u>42,809</u>	<u>-</u>	<u>-</u>	<u>42,809</u>
Capital assets, being depreciated				
Improvements to land	<u>2,072,413</u>	<u>-</u>	<u>-</u>	<u>2,072,413</u>
Total capital assets, being depreciated	<u>2,072,413</u>	<u>-</u>	<u>-</u>	<u>2,072,413</u>
Less accumulated depreciation for:				
Improvements to land	<u>(1,251,091)</u>	<u>(43,894)</u>	<u>-</u>	<u>(1,294,985)</u>
Total accumulated depreciation	<u>(1,251,091)</u>	<u>(43,894)</u>	<u>-</u>	<u>(1,294,985)</u>
Total capital assets, being depreciated, net	<u>821,322</u>	<u>(43,894)</u>	<u>-</u>	<u>777,428</u>
Business-type activities capital assets, net	<u>\$ 864,131</u>	<u>\$ (43,894)</u>	<u>\$ -</u>	<u>\$ 820,237</u>

**County of San Bernardino Special Districts  
County Service Area No. 82 - Searles Valley  
Notes to Financial Statements  
June 30, 2010**

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 (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. 82 - Searles Valley  
Notes to Financial Statements  
June 30, 2010**

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, 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.

**County of San Bernardino Special Districts**  
**County Service Area No. 82 - Searles Valley**  
**Notes to Financial Statements**  
**June 30, 2010**

NOTE 5: 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 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 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. 82 - Searles Valley  
Notes to Financial Statements  
June 30, 2010**

NOTE 7: 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 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.

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 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, 2010, the CSA made the following interfund transfers in and out:

	<u>Transfer in:</u>
	Governmental Fund - Park and Street Lighting (SOZ)
<u>Transfer out:</u>	
Proprietary Fund - Administrative	<u>\$ 25,046</u>

**County of San Bernardino Special Districts  
County Service Area No. 82 - Searles Valley  
Notes to Financial Statements  
June 30, 2010**

**NOTE 9: 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.

**Required Supplementary Information**  
**County of San Bernardino Special Districts**  
**County Service Area No. 82 - Searles Valley**  
**Budgetary Comparison Schedule - Special Revenue Fund (Park and Street Lighting)**  
**For the Year Ended June 30, 2010**

	SPECIAL REVENUE FUND			
	Park and Street Lighting (SOZ)			
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>REVENUE</b>				
Investment earnings	\$ 500	\$ 103	\$ 11	\$ (92)
Total Revenue	500	103	11	(92)
<b>EXPENDITURES</b>				
Salaries and benefits	3,620	3,620	3,620	-
Services and supplies	25,288	19,128	19,128	-
Reserves and contingencies	11,428	17,191	-	17,191
Total Expenditures	40,336	39,939	22,748	17,191
Excess of Revenues Over (Under) Expenditures	(39,836)	(39,836)	(22,737)	17,099
<b>OTHER FINANCING SOURCES</b>				
Transfers in	25,046	25,046	25,046	-
Total Other Financing Sources	25,046	25,046	25,046	-
Net Change in Fund Balance	<u>\$ (14,790)</u>	<u>\$ (14,790)</u>	2,309	<u>\$ 17,099</u>
<b>Fund Balance - beginning</b>			<u>14,791</u>	
<b>Fund Balance - ending</b>			<u>\$ 17,100</u>	