

REPORT/COMMENDATION TO THE BOARD OF SUPERVISORS
SAN BERNARDINO COUNTY, CALIFORNIA
AND RECORD OF ACTION

CSA 70 R-41

March 26, 2002

FROM: EMIL A. MARZULLO, Director
Special Districts Department

SUBJECT: PUBLIC HEARING TO CONSIDER THE FORMATION OF AN IMPROVEMENT
ZONE FOR ROAD MAINTENANCE AND STREETLIGHT SERVICE AND
AUTHORIZE A SERVICE CHARGE FOR ROAD MAINTENANCE AND
STREETLIGHTS IN THE QUAIL SUMMIT TRACT WITHIN THE OAK HILLS
AREA

RECOMMENDATION: Acting as governing body of County Service Area 70:

1. Conduct public hearing to consider the formation of an improvement zone for road maintenance and streetlight service in the Oak Hills area, and the establishment of an annual service charge to finance this service.

****On Call of the Chairman, no further testimony is taken and the hearing is closed.**

2. Declare official the results of the mailed ballot proceeding for County Service Area 70, Improvement Zone R-41, as certified by the Clerk of the Board of Supervisors.

3. Adopt **Resolution No. 2002-62** approving the formation of County Service Area 70, Improvement Zone R-41 (Quail Summit) in the Oak Hills area and the annual service charge of \$166 with an annual inflationary increase of 1.5%.

4. Authorize the Auditor/Controller-Recorder's Office to place a service charge of \$166 per parcel per year with an annual inflationary increase of 1.5% on the FY 2002/03 tax roll for road and streetlight maintenance within Improvement Zone R-41.

BACKGROUND INFORMATION: On January 29, 2002, the Board approved an action authorizing the Special Districts Department to conduct a mailed ballot proceeding to place a service charge of \$166 per parcel per year with an annual inflationary increase of 1.5% on the tax bill of each parcel within the improvement zone and to form an improvement zone for Tract 15999 in the Oak Hills area.

The service charge is for the road maintenance and streetlight services within the District. The ballots were mailed on January 29, 2002 and were received by March 15, 2002. The results of the mailed ballot proceeding determined that a simple majority of the property owners who returned their ballots voted in favor of the service charge.

Page 1 of 2

cc: SDD-Marzullo/Vandervoort
County Counsel-Krahelski
St. Board of Equal. w/check
Assessor-R. Schneider,
Mapping Services
Auditor-Sandy Kelly
ED/PSG
1st Supervisorial District
Recorder
Registrar of Voters
Surveyor
File

nh

Record of Action of the Board of Supervisors

RESOLUTION NO. 2002-62

APPROVED BOARD OF SUPERVISORS
COUNTY OF SAN BERNARDINO

MOTION	MOV	AYE	AYE
	1	4	5

J. RENEE BASTIAN, CLERK OF THE BOARD

BY *[Signature]*

DATED: March 26, 2002

**BOARD OF SUPERVISORS
FORMATION OF COUNTY SERVICE AREA 70 R-41 (QUAIL SUMMIT)
MARCH 26, 2002
Page 2 of 2**

With the approval of recommendation Numbers 2 and 3, the parcels subject to the service charge will be provided to the Auditor/Controller-Recorder's Office to be placed on the 2002/03 tax roll.

REVIEW BY OTHERS: This action has been reviewed by County Counsel (L. Thomas Krahelski) on March 19, 2002, County Administrative Office (Tom Forster, Administrative Analyst) on March 19, 2002, and coordinated with the First Supervisorial District.

FINANCIAL IMPACT: A budget for CSA 70, Improvement Zone R-41, will be established and included in the FY 2002/2003 budget. The developer has paid for all administration costs including election and overhead costs and will be responsible for the energy bills of the streetlights until January 1, 2003.

SUPERVISORIAL DISTRICT(S): First **PRESENTER:** **EMIL A. MARZULLO 387-5950.**

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RESOLUTION NO. 2002-62

RESOLUTION OF THE BOARD OF SUPERVISORS OF THE COUNTY OF SAN BERNARDINO, STATE OF CALIFORNIA ACTING IN ITS CAPACITY AS THE GOVERNING BODY OF COUNTY SERVICE AREA 70, APPROVING FORMATION OF IMPROVEMENT ZONE R-41 (QUAIL SUMMIT) OF COUNTY SERVICE AREA 70, CONFIRMING THE RESULTS OF A SPECIAL ELECTION AND PROVIDING FOR THE COLLECTION OF SERVICE CHARGES ON THE TAX ROLL

On Tuesday, March 26, 2002, on motion of Supervisor Postmus, duly seconded by Supervisor Hansberger and carried, the following resolution is adopted:

SECTION 1. The Board of Supervisors of the County of San Bernardino hereby finds and determines:

(a) That County Service Area 70 is organized and operated under the authority of Chapter 2.2 of Division 2, Title 3 of the Government Code (commencing with Section 25210.1) and is authorized to provide road maintenance and streetlight services, among other functions.

(b) That the proceedings for formation of certain described territory into an improvement zone of County Service Area 70, to be known as Improvement Zone R-41, were initiated by this Board at the request of affected property owners.

(c) That the exterior boundaries of the territory proposed to be formed into the said improvement zone are described and set forth in Exhibit "A", attached hereto and incorporated herein by this reference.

(d) That the territory hereinabove described is in need of road maintenance and streetlight services and will benefit thereby; that said services may be extended to such territory and can most conveniently be provided to such territory by formation of

1 said improvement zone.

2 (e) That the County Surveyor and the County Assessor have reviewed the
3 proposed boundary description. Their report states that boundaries are definite and
4 certain, as described herein, and do not split any lines of ownership as shown on the
5 last equalized assessment roll or by documents of record.
6

7 (f) That this Board called for a public hearing on the proposed formation to
8 be held on March 26, 2002, at 10:00 a.m., at the Chambers of the Board of
9 Supervisors, County Government Center, 385 North Arrowhead Avenue, First Floor,
10 San Bernardino, California, and directed the Clerk of the Board to give notice of the
11 hearing.
12

13 (g) That required notice was given and a public hearing was held on said
14 date and all parties desiring to be heard have been heard and testimony and evidence
15 for and against the proposed formation, if any, were duly considered.
16

17 (h) That County staff has determined that this action is exempt from
18 environmental review under the California Environmental Quality Act.
19

20 SECTION 2. The Board of Supervisors of the County of San
21 Bernardino, acting in its capacity as the governing body of County Service Area 70,
22 therefore, hereby resolves and orders:
23

24 (a) That the territory described on Exhibit "A" should be, and it hereby is,
25 ordered formed into Improvement Zone R-41 with the power to provide road
26 maintenance and streetlight services therein.

27 (b) That pursuant to the results of a mailed ballot election, wherein a
28

1 majority of the property owners voted in favor of the service charge, there is hereby
2 established a yearly service charge of \$166, with an annual inflationary increase of
3 1.5%, per parcel on real property within the boundaries of the improvement zone and
4 said service charge shall be collected on the tax bills for the affected properties.
5

6 (c) That the Clerk of the Board is hereby directed to certify to the passage of
7 this resolution and to file copies of same and a map or plat indicating the boundaries
8 of the affected territory with the County Assessor and the State Board of Equalization;
9 the Clerk is further directed to request the recordation of this resolution in the official
10 records of San Bernardino County and to forward copies of this resolution and the
11 map or plat to the following: The Registrar of Voters of the County of San Bernardino,
12 the Surveyor of the County of San Bernardino, and the Auditor of the County of San
13 Bernardino; the Clerk is further directed to file an appropriate Notice of Exemption in
14 connection therewith.
15

16 (d) That there will be no exchange of property tax revenue between the
17 affected taxing agencies as the result of this formation.
18

19
20 PASSED AND ADOPTED by the Board of Supervisors of San Bernardino
21 County, State of California, by the following vote:

22 AYES: Supervisors: Postmus, Mikels, Hansberger, Eaves, Aguiar

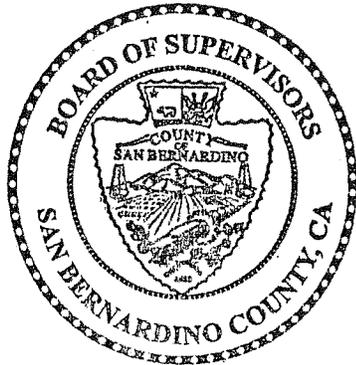
23 NOES: Supervisors: None

24 ABSENT: Supervisors: None
25

26
27 STATE OF CALIFORNIA)
28 COUNTY OF SAN BERNARDINO) ss.

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I, J. RENEE BASTIAN, Clerk of the Board of Supervisors of San Bernardino County, California, hereby certify the foregoing to be a full, true, and correct copy of the record of this action as the same appears in the Official Minutes of said Board at its meeting of March 26, 2002.



J. RENEE BASTIAN
Clerk of the Board of Supervisors of the County
of San Bernardino

By *Ane Hernandez*
Deputy

CSA 70 R-41 QUAIL SUMMIT (RGY-557)
ACTIVITY: ROADS, STREETLIGHTS

DESCRIPTION OF MAJOR SERVICES

County Service Area (CSA) 70, Improvement Zone R-41 was approved by the County of San Bernardino Board of Supervisors on January 29, 2002 to maintain approximately 1.3 miles of paved road and 11 streetlights in the Quail Summit tract in Oak Hills. This Road District receives a \$168.49 service charge, with an annual inflationary increase of 1.5%, on each of 49 parcels of land to fund road maintenance. This District does not utilize an Advisory Commission or MAC. Meetings are held with residents as needed.

BUDGET AND ACTUAL HISTORY

	<u>2006-07</u> <u>Actuals</u>	<u>2007-08</u> <u>Year-End</u> <u>Estimates</u>	<u>2007-08</u> <u>Adopted</u> <u>Budget</u>	<u>2007-08</u> <u>Proposed</u> <u>Adjustments</u>	<u>2008-09</u> <u>Proposed</u> <u>Budget</u>
Appropriations:					
Salaries and Benefits	-	-	-	-	-
Services and Supplies	4,066	2,332	4,725	13,470	18,195
Central Computer	-	-	-	-	-
Travel and Related Charges	-	-	-	-	-
Other Charges	-	-	-	-	-
Land/Structures/Improvements	-	-	-	-	-
Equipment/Vehicles	-	-	-	-	-
Lease/Purchases	-	-	-	-	-
Transfers Out	5,325	4,910	4,910	(2,604)	2,306
Reimbursements	-	-	-	-	-
Operating Transfers Out	-	-	-	-	-
Reserves & Contingencies	-	-	10,370	(10,370)	-
Total Appropriations	<u>9,391</u>	<u>7,242</u>	<u>20,005</u>	<u>496</u>	<u>20,501</u>
Revenue:					
Taxes	-	-	-	-	-
Licenses and Permits	-	-	-	-	-
Fines and Forfeitures	-	-	-	-	-
Use Of Money and Property	492	293	400	(107)	293
State, Fed or Gov't Aid	-	-	-	-	-
Current Services	7,934	7,826	8,100	(274)	7,826
Other Revenue	3	-	-	-	-
Operating Transfers In	-	-	-	-	-
Total Revenue	<u>8,429</u>	<u>8,119</u>	<u>8,500</u>	<u>(381)</u>	<u>8,119</u>
Fund Balance			11,505	877	12,382
Budgeted Staffing			-	-	-

CSA 70 R-41 QUAIL SUMMIT (RGY-557)

2008-09 PROPOSED BUDGET

	<u>Budgeted Staffing</u>	<u>Amount</u>
APPROPRIATIONS:		
Salaries and Benefits	-	-
Services and Supplies		18,195
* \$13,689 Road maintenance and slurry seal		
* \$ 2,065 Equipment Rents and Leases		
* \$ 2,441 General operating expenses		
Change from prior year: \$13,470 increase primarily attributed to scheduled road maintenance and slurry seal project		
Central Computer	-	-
Travel and Related Charges	-	-
Other Charges	-	-
Land/Structures/Improvements	-	-
Equipment/Vehicles	-	-
Lease/Purchases	-	-
Transfers Out		2,306
* \$1,611 Salaries and Benefits to SKV 105 (CSA 70 Countywide) to provide for management and support services		
* \$ 495 Services and Supplies to SKV 105 (CSA 70 Countywide) to provide for management and support services		
* \$ 200 Salaries and Benefits to SLA 130 (CSA 70 D-1 Lake Arrowhead Dam) for share of Equipment Operator		
Change from prior year: \$2,604 decrease from Salaries/Benefits and Services/Supplies allocation of management and support services costs		
Reimbursements	-	-
Operating Transfers Out	-	-
Reserves & Contingencies	-	-
Change from prior year: \$10,370 decrease to fund current year operations		
Total Appropriation and Budgeted Staffing	<u>-</u>	<u>20,501</u>

CSA 70 R-41 QUAIL SUMMIT (RGY-557)

2008-09 PROPOSED BUDGET (Continued)

REVENUE:	<u>Amount</u>
Taxes	-
Licenses and Permits	-
Fines and Forfeitures	-
Use of Money and Property	293
* Interest	
Change from prior year: \$107 decrease to align with FY 07/08 estimate	
State, Fed or Gov't Aid	-
Current Services	7,826
* \$7,550 Service Charges - Current Year	
* \$ 249 Service Charges - Prior years	
* \$ 27 Penalty and interest on delinquencies	
Other Revenue	-
Operating Transfers In	-
 Total Revenue	 <u><u>8,119</u></u>

COUNTY OF SAN BERNARDINO
SPECIAL DISTRICTS DEPARTMENT
SUMMARY OF PROPOSED FEE CHANGES FY 2008/09

District Location	Supv District	District Name	FY 2007/08 Ordinance/Resolution	Fee Title	Description	Fee		Change	%
						Current	Proposed		
Recreation and Park Districts continued									
Bloomington continued									
PARK SERVICE CHARGES									
Montclair	4	CSA 70 P-12	Resolution No. 2007-265		Park, landscape maintenance and streetlight service charge per parcel with a 1.5 annual inflation increase	\$ 710.50	\$ 721.16	10.66	1.5%
El Rancho Verde	5	CSA 70 P-13	Resolution No. 2007-265		Park, landscape maintenance and streetlight service charge per parcel with a 2.5 annual inflation increase	\$ 123.00	\$ 126.08	3.08	2.5%
Mentone	3	CSA 70 P-14	Resolution No. 2007-265		Park, landscape maintenance and streetlight service charge per parcel with a 2.5 annual inflation increase	\$ 1,100.00	\$ 1,127.50	27.50	2.5%
Fontana	2	CSA 70 P-15	Resolution No. 2007-265		Park, landscape maintenance and streetlight service charge per parcel with a 2.5 annual inflation increase	\$ 1,781.00	\$ 1,825.53	44.53	2.5%
Mentone/Eagle Crest	3	CSA 70 P-16	Resolution No. 2007-265		Park, landscape maintenance and streetlight service charge per parcel with a 2.5 annual inflation increase	\$ 388.00	\$ 397.70	9.70	2.5%
DETENTION BASIN MAINTENANCE									
Bloomington	5	CSA 70 DB1	Resolution No. 2007-271		Detention Basin Maintenance, Landscape and Streetlight charges per parcel with a 2.5 % annual inflation increase	\$ 546.00	\$ 559.65	13.65	2.5%
ROADS									
Cedarpines Park	2	CSA 18	Resolution 2007-264		Roads Collection Fees (Cedarpines Park)				
Lake Arrowhead	3	CSA 69	Resolution 2007-264		Road Maintenance Service Charge per parcel	\$ 50.00	\$ 100.00	50.00	100.0%
Riverside Terrace	4	CSA 70 R-8	Resolution 2007-264		Road Maintenance Service Charge per parcel with a 2.5% annual inflation increase	\$ 350.00	\$ 358.75	8.75	2.5%
Big Bear City	3	CSA 70 R-33	Resolution 2007-264		Deletes (Area A: 8/88 annexation)	\$ 442.00	\$ -	(442.00)	delete
Quail Summit Tract	1	CSA 70 R-41	Resolution 2007-264		Road Maintenance and Streetlights Service Charge per parcel with a 1.5% annual inflation increase	\$ 168.49	\$ 171.02	2.53	1.5%
STREETLIGHTS									
Glen Helen	2	CSA 70 GH	Resolution No. 2007-264		Streetlights Collection Fees Streetlight Service Charge per parcel with a 2.5% annual inflation increase	\$ 41.71	\$ 42.75	1.04	2.5%

**COUNTY OF SAN BERNARDINO
SPECIAL DISTRICTS
COUNTY SERVICE AREA No. 70
ZONE R-41 - OAK HILLS**

REPORT ON AUDIT

JUNE 30, 2007

**County of San Bernardino Special Districts
County Service Area No. 70 - Zone R-41
Oak Hills
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ROGERS, ANDERSON, MALODY & SCOTT, LLP
 CERTIFIED PUBLIC ACCOUNTANTS

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Board of Supervisors
 County of San Bernardino
 County of San Bernardino Special
 District County Service Area
 No. 70 - Zone R-41 - Oak Hills

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying basic financial statements of the County of San Bernardino Special District County Service Area No. 70 - Zone R-41 - Oak Hills (CSA), a component unit of the County of San Bernardino, as of and for the year ended June 30, 2007, 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 an opinion 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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the County of San Bernardino Special District County Service Area No. 70 - Zone R-41 - Oak Hills, as of June 30, 2007, and the respective changes in financial position 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 16 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.

MEMBERS

AMERICAN INSTITUTE OF
 CERTIFIED PUBLIC ACCOUNTANTS

PCPS THE AICPA ALLIANCE FOR CPA FIRMS

CALIFORNIA SOCIETY OF
 CERTIFIED PUBLIC ACCOUNTANTS

The County of San Bernardino Special District County Service Area No. 70 - Zone R-41 - Oak Hills 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

September 26, 2007

**County of San Bernardino Special Districts
County Service Area No. 70 - Zone R-41 - Oak Hills
Statement of Net Assets
June 30, 2007**

ASSETS

Cash and cash equivalents	\$ 11,385
Interest receivable	120
	<hr/>
Total Assets	11,505
	<hr/>

LIABILITIES

-

NET ASSETS

Unrestricted	11,505
	<hr/>
Total Net Assets	\$ 11,505
	<hr/> <hr/>

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

**County of San Bernardino Special Districts
County Service Area No. 70 - Zone R-41 - Oak Hills
Statement of Activities
For the Year Ended June 30, 2007**

EXPENSES	
Salaries and benefits	\$ 2,646
Services and supplies	6,746
Total Program Expenses	<u>9,392</u>
PROGRAM REVENUES	
Charges for services	<u>7,888</u>
Net Program Expense	<u>(1,504)</u>
GENERAL REVENUES	
Property taxes	46
Investment earnings	551
Total General Revenues	<u>597</u>
Change in Net Assets	(907)
Net Assets - beginning	<u>12,412</u>
Net Assets - ending	<u>\$ 11,505</u>

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

**County of San Bernardino Special Districts
County Service Area No. 70 - Zone R-41 - Oak Hills
Balance Sheet
Governmental Fund
June 30, 2007**

	SPECIAL REVENUE FUND
	General (RGY)
ASSETS	
Cash and cash equivalents	\$ 11,385
Interest receivable	120
Total Assets	\$ 11,505
LIABILITIES AND FUND BALANCE	
Liabilities	\$ -
Fund Balance:	
Unreserved:	
Undesignated	11,505
Total Fund Balance	11,505
Total Liabilities and Fund Balance	\$ 11,505
Total Fund Balance - Governmental Fund	\$ 11,505
Amounts reported for <i>governmental activities</i> in the statement of net assets (Exhibit A) are different because:	
None	-
Net Assets of Governmental Activities	\$ 11,505

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

**County of San Bernardino Special Districts
 County Service Area No. 70 - Zone R-41 - Oak Hills
 Statement of Revenues, Expenditures and Changes in Fund Balance
 Governmental Fund
 For the Year Ended June 30, 2007**

	<u>SPECIAL REVENUE FUND</u> General (RGY)
REVENUES	
Property taxes	\$ 46
Special assessments	7,888
Investment earnings	<u>551</u>
Total Revenues	<u>8,485</u>
EXPENDITURES	
Salaries and benefits	2,646
Services and supplies	<u>6,746</u>
Total Expenditures	<u>9,392</u>
Net Change in Fund Balance	(907)
Fund Balance - beginning	<u>12,412</u>
Fund Balance - ending	<u><u>\$ 11,505</u></u>

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

**County of San Bernardino Special Districts
 County Service Area No. 70 - Zone R-41 - Oak Hills
 Reconciliation of the Statement of Revenues, Expenditures and
 Changes in Fund Balance of Governmental Fund to the
 Statement of Activities
 For the Year Ended June 30, 2007**

Net Change in Fund Balance - Total Governmental Fund	\$	(907)
<p>Amounts reported for <i>governmental activities</i> in the statement of activities are different because:</p>		
None		-
Change in Net Assets of Governmental Activities	\$	(907)

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

County of San Bernardino Special Districts
County Service Area No. 70 - Zone R-41 - Oak Hills
Notes to Financial Statements
June 30, 2007

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting entity

The County Service Area (CSA) No. 70 - Zone R-41 was established by an act of the Board of Supervisors of the County of San Bernardino (the County) on January 29, 2002 under Section 4700 of the State Health & Safety Code to maintain 1.3 miles of paved road and 11 streetlights.

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. 70 - Zone R-41 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, 2007.

Government-wide and fund financial statements

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

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

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

County of San Bernardino Special Districts
County Service Area No. 70 - Zone R-41 - Oak Hills
Notes to Financial Statements
June 30, 2007

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. 70 - Zone R-41 - Oak Hills
Notes to Financial Statements
June 30, 2007

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 the March 1 lien date and become delinquent with penalties on August 31.

Inventories and prepaid items

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

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

Capital assets

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

County of San Bernardino Special Districts
County Service Area No. 70 - Zone R-41 - Oak Hills
Notes to Financial Statements
June 30, 2007

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:

<u>Assets</u>	<u>Years</u>
Infrastructure	40 - 60
Structures and improvements	5 - 40
Equipment and vehicles	4 - 15

Currently, the CSA does not have any capital assets.

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 District prepares and adopts a budget on or before August 30 for each fiscal year.

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

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

County of San Bernardino Special Districts
County Service Area No. 70 - Zone R-41 - Oak Hills
Notes to Financial Statements
June 30, 2007

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 District's account based upon the District's average daily deposit balance during the allocation period. Cash and cash equivalents are shown at the fair value as of June 30, 2007.

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: RETIREMENT PLAN

Plan Description

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

Fiduciary Responsibility

The Retirement Association is controlled by its own board, the Retirement Board, which acts as a fiduciary agent for the accounting and control of member and employee contributions and investment income. The Retirement Association publishes its own Comprehensive Annual Financial Report and receives a separate independent audit. The Retirement Association is also a legally separate entity from the County and not a component unit. For these reasons, the County's Comprehensive Annual Financial Report excludes the Retirement Association pension trust fund as of June 30, 2007.

**County of San Bernardino Special Districts
County Service Area No. 70 - Zone R-41 - Oak Hills
Notes to Financial Statements
June 30, 2007**

NOTE 3: RETIREMENT PLAN (continued)

Funding Policy

Participating members are required by statute (Sections 31621, 31621.2 and 31639.25 of the California Government Code) to contribute a percentage of covered salary based on certain actuarial assumptions and their age at entry to the Plan. Employee contribution rates vary according to age and classification (general or safety). Members are required to contribute 8.97% - 12.84% for general members and 11.14% - 15.09% for safety members, of their annual covered salary of which the County pays approximately 7%. County of San Bernardino employer contribution rates are as follows: County General 12.03%, County Safety 24.84%. All employers combined are required to contribute 14.46% of the current year covered payroll. For 2007, the County's annual pension cost of \$194,130,000 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.

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, 2007, were as follows (in thousands):

Annual Required Contribution (County fiscal year basis)	\$ 194,130
Interest on Pension Assets	(33,738)
Adjustment to the Annual Required Contribution	<u>44,069</u>
Annual Pension Cost	204,461
Annual Contributions Made	<u>194,130</u>
Increase/(Decrease) in Pension Assets	(10,331)
Pension Assets, Beginning of Year	<u>838,933</u>
Pension Assets, End of Year	<u><u>\$ 828,602</u></u>

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

<u>Year Ended June 30,</u>	<u>Annual Contributions Made (in thousands)</u>		<u>Percentage Contributed</u>
	<u>SBCERA</u>	<u>County</u>	
2005	\$ 161,906	\$ 141,450	100%
2006	\$ 197,343	\$ 166,614	100%
2007	\$ 239,857	\$ 194,130	100%

County of San Bernardino Special Districts
County Service Area No. 70 - Zone R-41 - Oak Hills
Notes to Financial Statements
June 30, 2007

NOTE 3: RETIREMENT PLAN (continued)

The County, along with the AQMD, issued Pension Refunding Bonds (the "Bonds") in November 1995 with an aggregate amount of \$420,527,000. These Bonds were issued to allow the County and the AQMD to refinance each of their unfunded accrued actuarial liabilities with respect to retirement benefits for their respective employees. The Bonds are the obligations of the employers participating in the Plan and the assets of the Plan do not secure the Bonds. The County's portion of the bond issuance was \$386,266,000. The current amount outstanding at June 30, 2007 is \$438,668,000.

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 \$189,070,070, \$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 S.B.C.E.R.A. The current amount outstanding at June 30, 2007 is \$459,930,000.

NOTE 4: 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 5: RISK MANAGEMENT

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

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

**County of San Bernardino Special Districts
County Service Area No. 70 - Zone R-41 - Oak Hills
Notes to Financial Statements
June 30, 2007**

NOTE 5: RISK MANAGEMENT (continued)

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

The activities related to such programs are accounted for in the County's Risk Management Fund (an Internal Service Fund) except for unemployment insurance and employee dental insurance, which are accounted for in the County's General Fund. The IBNR and IBNS liabilities stated on the Risk Management Fund's balance sheet are based upon the results of actuarial studies, and include amounts for allocated and unallocated loss adjustment expenses. The liabilities for these claims are reported using a discounted rate of 4.75%. It is the County's practice to obtain actuarial studies on an annual basis.

The County has a risk management investment program agreement with the Bank of New York to finance the self-insured general liability, automobile liability, workers' compensation and medical malpractice programs. The County's investment in the agreement totaled \$50.3 million at June 30, 2007.

The total claims liability of \$129.7 million reported at June 30, 2007 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 2006 and 2007 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>
2005-06	\$ 115,714	\$ 46,926	\$ (35,407)	\$ 127,233
2006-07	\$ 127,233	\$ 34,312	\$ (31,862)	\$ 129,683

NOTE 6: CONTINGENCIES

As of June 30, 2007, 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. 70 - Zone R-41 - Oak Hills
Budgetary Comparison Schedule - Special Revenue Fund (General)
For the Year Ended June 30, 2007

	Special Revenue Fund			Variance with Final Budget Positive (Negative)
	General (RGY)			
	Original Budget	Final Budget	Actual	
REVENUES				
Property taxes	\$ -	\$ -	\$ 46	\$ 46
Special assessments	8,324	8,324	7,888	(436)
Investment earnings	100	100	551	451
Total Revenues	<u>8,424</u>	<u>8,424</u>	<u>8,485</u>	<u>61</u>
EXPENDITURES				
Salaries and benefits	2,646	2,646	2,646	-
Services and supplies	9,901	9,901	6,746	3,155
Reserves and contingencies	8,344	8,344	-	8,344
Total Expenditures	<u>20,891</u>	<u>20,891</u>	<u>9,392</u>	<u>11,499</u>
Net Change in Fund Balance	<u>\$ (12,467)</u>	<u>\$ (12,467)</u>	(907)	<u>\$ 11,560</u>
Fund Balance - beginning			<u>12,412</u>	
Fund Balance - ending			<u>\$ 11,505</u>	