

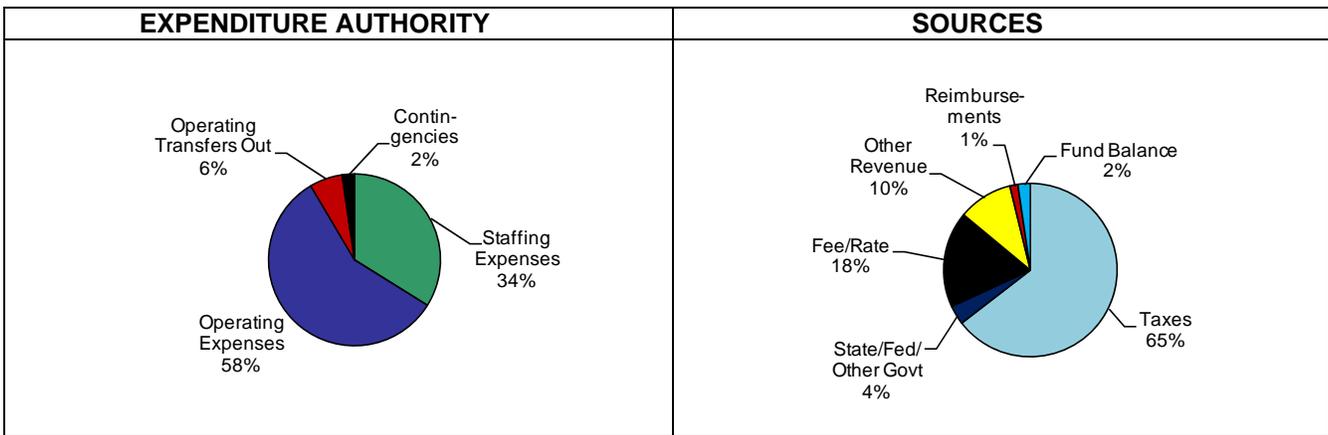
Big Bear Valley Recreation and Park

DESCRIPTION OF MAJOR SERVICES

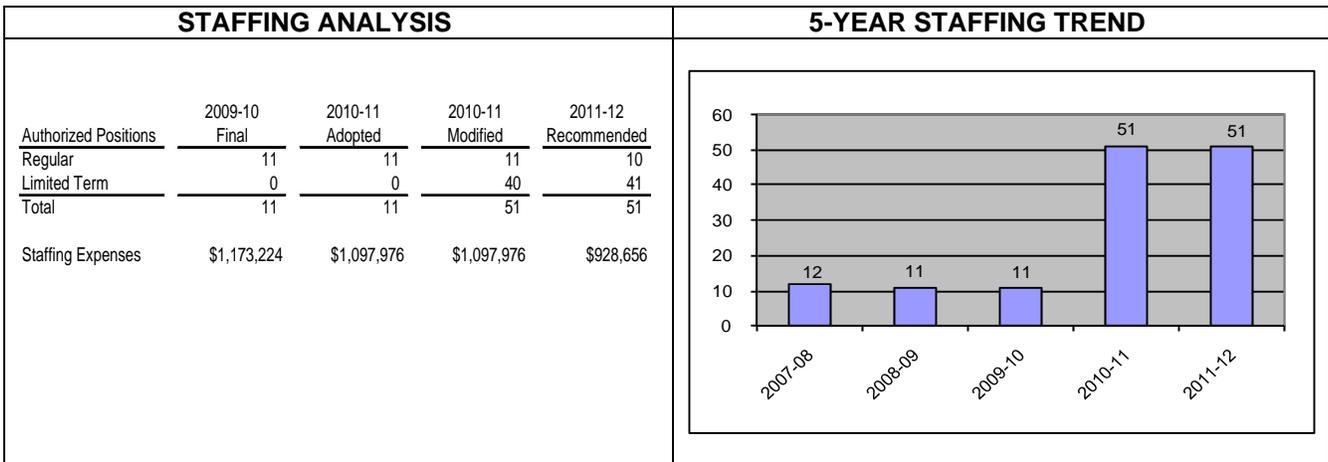
The Big Bear Valley Recreation and Park District was established by an act of the County of San Bernardino Board of Supervisors (Board) on April 23, 1934. The District currently maintains 6 developed parks, 2 undeveloped parks, several community buildings including the Big Bear Valley Senior Center, 3 ball fields, and a swim beach. This District has a Board appointed Advisory Commission that meets monthly at the Big Bear Senior Center.

Budget at a Glance	
Total Expenditure Authority	\$2,746,371
Total Sources	\$2,682,657
Fund Balance	\$63,714
Total Staff	51

2011-12 RECOMMENDED BUDGET



BUDGETED STAFFING



SPECIAL DISTRICTS



ANALYSIS OF 2011-12 RECOMMENDED BUDGET

GROUP: Operations and Community Services
 DEPARTMENT: Special Districts
 FUND: Big Bear Valley Rec & Park

BUDGET UNIT: SSA 620
 FUNCTION: Operating
 ACTIVITY: Park & Recreation

	2007-08 Actual	2008-09 Actual	2009-10 Actual	2010-11 Estimate	2010-11 Modified Budget	2011-12 Recommended Budget	Change From 2010-11 Modified Budget
Appropriation							
Staffing Expenses	1,196,364	1,304,404	1,173,224	1,085,151	1,097,976	928,656	(169,320)
Operating Expenses	924,951	1,397,248	1,329,543	1,337,299	1,475,851	1,579,409	103,558
Capital Expenditures	0	21,375	12,140	9,393	46,000	5,000	(41,000)
Contingencies	0	0	0	0	114,526	63,306	(51,220)
Total Exp Authority	2,121,315	2,723,027	2,514,908	2,431,843	2,734,353	2,576,371	(157,982)
Reimbursements	0	(54,267)	(65,698)	(54,002)	(41,003)	(41,003)	0
Total Appropriation	2,121,315	2,668,760	2,449,210	2,377,841	2,693,350	2,535,368	(157,982)
Operating Transfers Out	394,000	564,197	589,076	241,968	2,890,000	170,000	(2,720,000)
Total Requirements	2,515,315	3,232,957	3,038,286	2,619,809	5,583,350	2,705,368	(2,877,982)
Departmental Revenue							
Taxes	1,746,285	1,922,412	1,778,388	1,770,112	1,802,861	1,772,654	(30,207)
Realignment	0	0	0	0	0	0	0
State, Fed or Gov't Aid	105,427	23,202	263,512	36,434	2,524,821	97,500	(2,427,321)
Fee/Rate	448,523	515,157	450,623	423,338	536,811	493,000	(43,811)
Other Revenue	138,055	81,145	168,450	138,282	403,500	48,500	(355,000)
Total Revenue	2,438,290	2,541,916	2,660,973	2,368,166	5,267,993	2,411,654	(2,856,339)
Operating Transfers In	49,593	269,821	265,000	0	0	230,000	230,000
Total Financing Sources	2,487,883	2,811,737	2,925,973	2,368,166	5,267,993	2,641,654	(2,626,339)
				Fund Balance	315,357	63,714	(251,643)
				Budgeted Staffing	51	51	0

BUDGET CHANGES AND OPERATIONAL IMPACT

Staffing expenses of \$928,656 fund 7 regular budgeted positions and 44 public service employee (PSE) positions. The decrease of \$169,320 is due to a reduction in hours for budgeted staff.

Operating expenses of \$1,579,409 include costs for utilities, maintenance, professional services for recreational classes, vehicle charges, equipment leases, insurance, administrative support, and COWCAP charges. The increase of \$103,558 is primarily due to repayment of short-term loan to CSA 70 Countywide.

Capital expenditures of \$5,000 is for purchase of a new water slide at Swim Beach. The decrease of \$41,000 is due to reduced equipment purchases for 2011-12.

Contingencies of \$63,306 are decreasing by \$51,220 to fund current year operations and due to reduced departmental revenue and available fund balance.

Reimbursements of \$41,003 are for costs of shared Park General Manager position with CSA 29 Lucerne Valley Park.

Operating transfers out of \$170,000 includes a \$100,000 transfer of shared property taxes to Moonridge Zoo and a transfer to fund Bear City Park capital improvement project. The decrease of \$2,720,000 is due primarily to a reduction in Proposition 84 grant funding for Paradise Park.

Total revenue of \$2,411,654 primarily represents property taxes, park program fees, grant funds, concessions and rent, interest earnings, and other miscellaneous revenue and are decreasing by \$2,856,339 due to no Proposition 84 grant funding expected in 2011-12.

Operating transfers in of \$230,000 represents short term loan from CSA 70 Countywide for cash flow purposes and a contribution for Big Bear City Park through the Third Supervisorial District.



2011-12 POSITION SUMMARY

<u>Division</u>	<u>Regular</u>	<u>Limited Term</u>	<u>Total</u>	<u>Filled</u>	<u>Vacant</u>	<u>New</u>	<u>Total</u>
Administration	2	0	2	2	0	0	2
Maintenance	4	4	8	6	2	0	8
Recreation	1	40	41	32	9	0	41
Total	7	44	51	40	11	0	51

<u>Administration</u>	<u>Maintenance</u>	<u>Recreation</u>
1 General Manager	1 Park Maint. Superintendent	1 Recreation Superint.
1 Office Assistant II	1 Park Maintenance Worker II	40 Public Service Employee
	2 Maintenance Worker I	
	4 Public Service Employees	

SPECIAL DISTRICTS



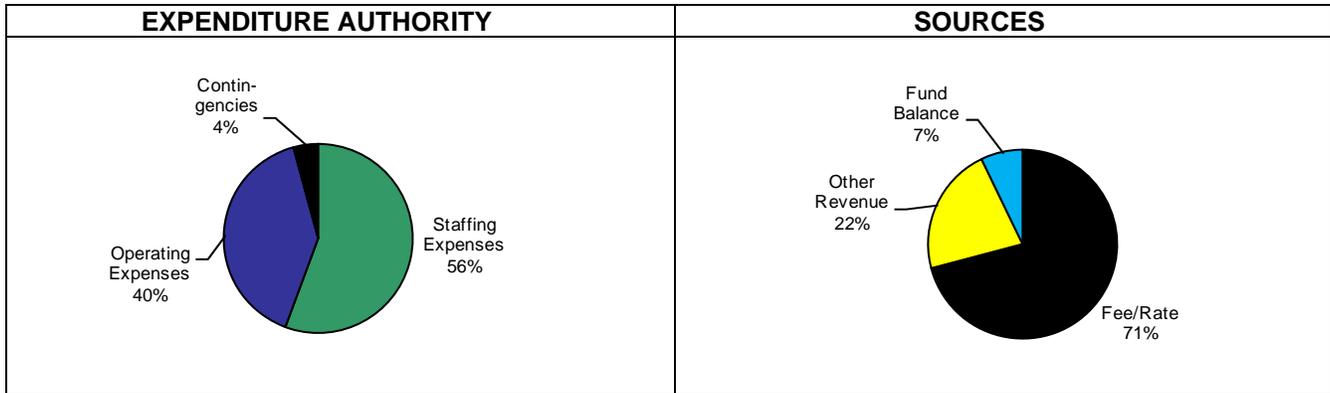
Moonridge Animal Park

DESCRIPTION OF MAJOR SERVICES

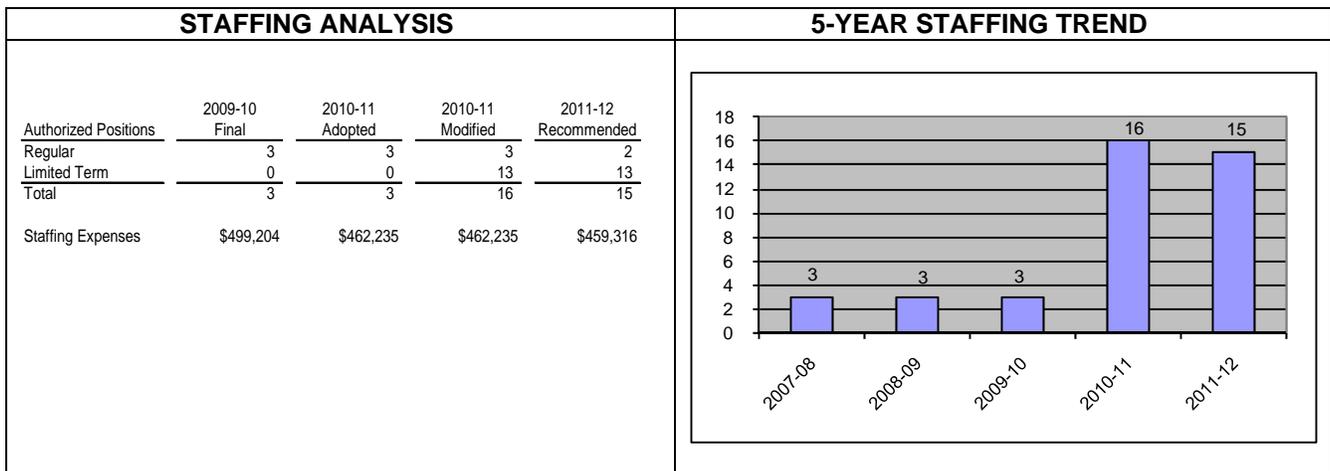
The Moonridge Animal Park Zoo is administered by the Big Bear Valley Recreation and Park District. The Zoo is open year round for visitors to see alpine species on exhibit. The Zoo receives approximately 99,600 visitors annually. The Big Bear Valley Park advisory commission also serves as advisory to this district.

Budget at a Glance	
Total Expenditure Authority	\$825,300
Total Sources	\$766,146
Fund Balance	\$59,154
Total Staff	15

2011-12 RECOMMENDED BUDGET



BUDGETED STAFFING



SPECIAL DISTRICTS



ANALYSIS OF 2011-12 RECOMMENDED BUDGET

GROUP: Operations and Community Services
 DEPARTMENT: Special Districts
 FUND: Moonridge Animal Park

BUDGET UNIT: SSF 620
 FUNCTION: Operating
 ACTIVITY: Park

	2007-08 Actual	2008-09 Actual	2009-10 Actual	2010-11 Estimate	2010-11 Modified Budget	2011-12 Recommended Budget	Change From 2010-11 Modified Budget
Appropriation							
Staffing Expenses	359,588	458,124	499,204	436,198	462,235	459,316	(2,919)
Operating Expenses	214,596	278,302	338,105	296,067	328,604	331,060	2,456
Capital Expenditures	0	0	0	0	18,700	0	(18,700)
Contingencies	0	0	0	0	0	34,924	34,924
Total Exp Authority	574,184	736,426	837,309	732,265	809,539	825,300	15,761
Reimbursements	0	0	0	0	(11,000)	0	11,000
Total Appropriation	574,184	736,426	837,309	732,265	798,539	825,300	26,761
Operating Transfers Out	0	0	0	0	0	0	0
Total Requirements	574,184	736,426	837,309	732,265	798,539	825,300	26,761
Departmental Revenue							
Taxes	111,700	118,890	0	0	0	0	0
Realignment	0	0	0	0	0	0	0
State, Fed or Gov't Aid	0	0	0	0	0	0	0
Fee/Rate	499,338	578,974	487,671	574,350	568,219	585,000	16,781
Other Revenue	22,106	(5,762)	33,381	6,337	17,620	6,146	(11,474)
Total Revenue	633,144	692,102	521,052	580,687	585,839	591,146	5,307
Operating Transfers In	0	115,386	59,076	173,309	175,277	175,000	(277)
Total Financing Sources	633,144	807,488	580,128	753,996	761,116	766,146	5,030
Fund Balance					37,423	59,154	21,731
Budgeted Staffing					16	15	(1)

BUDGET CHANGES AND OPERATIONAL IMPACT

Staffing expenses of \$459,316 fund 2 regular budgeted positions and 13 public service employee (PSE) positions and are decreasing by \$2,919 and one PSE position.

Operating expenses of \$331,060 include costs for animal feed, veterinary services, utilities, maintenance, and administrative support. The net increase of \$2,456 is primarily due to an increase in agricultural services.

Capital expenditures are decreasing by \$18,700 due to no improvement projects being programmed in this budget unit in 2011-12.

Contingencies of \$34,924 are to support future year operations.

Reimbursements are decreasing by \$11,000 due to no Community Development and Housing grant funding in 2011-12.

Total revenue of \$591,146 includes gate fees, park program fees, concessions, interest earnings, and miscellaneous revenue and are increasing by \$5,307 primarily due to park and recreation fee revenue based on projected trends.

Operating transfers in of \$175,000 includes \$100,000 of shared tax revenue with Big Bear Recreation and Park and \$75,000 from interest earned on the relocation fund (CRR-620) to help defray lease payments until zoo relocation takes place.



2011-12 POSITION SUMMARY

Division	Regular	Limited Term	Total	Filled	Vacant	New	Total
Operations	2	13	15	15	0	0	15
Total	2	13	15	15	0	0	15

<u>Operations</u> 1 Animal Keeper I 1 Zoo Curator 13 Public Service Employee

SPECIAL DISTRICTS



2011-12 CAPITAL IMPROVEMENT PROJECTS ADMINISTERED BY SPECIAL DISTRICTS DEPARTMENT By Supervisorial District by Function

# Proj.	CIP Log #	District Type	District Name	Project Name	Description	Proj. Type	Fund Dept Org	Local Funds	Restricted Funding	Fund Balance	Total	Funding Source
First District Cont'd												
23	1018	Water	CSA 70 J Oak Hills	Pressure Relief Stations Replacement	Replace existing undersized pressure relief valves with full line sized valves to meet fire flow requirements	RP	CQR 165 1018	0	0	125,000	125,000	
24	1Z03	Water	CSA 70 J Oak Hills	Pipeline Replacement	Replace approximately 2,500-feet of existing waterlines that have reached their service life or have repeated failures	RP	CQR 165 165	1,850	0	98,787	100,637	
25	1Z04	Water	CSA 70 J Oak Hills	Booster 3B Replacement	Construct a new replacement booster station to pump additional water to high pressure zone in the District	C	CQS 165 165	2,500	0	122,214	124,714	
Total First District								1,921,611	1,465,000	3,730,518	7,117,129	
Second District												
26	1Z39	General	CSA 70 Countywide	Devore Water System Improvements	Water system improvements as directed by the Devore Mutual Water Company	RU	CLA 105 001	1,000	0	53,261	54,261	
27	2008	General	CSA 70 Countywide	Snow Drop Road Project	Design, design review, environmental assessment and assessment engineering for a \$3,000,000 road project	PL	CLO 105 2008	100,000	0	50,000	150,000	
28	2007	Road	CSA 18 Cedarpines Park	Road Rehabilitation Project	Repave approximately 37,000 SF of road surface and replace existing culvert piping	C	CKO 190 2007	164,000	0	64,319	228,319	
29	1Z40	Sanitation	CSA 70 GH Glen Helen	GH Recycled Water	Complete design of Phase II of the Glen Helen recycled water program at the Sheriff's Glen Helen facility	PL	CAC 306 306	4,200	0	363,604	367,804	
30	2011	Sanitation	CSA 70 GH Glen Helen	GH Prefab Building	Design and construction of a pre-fabricated steel building to house maintenance equipment for the District	BN	CVX 306 100	250,000	0	20,519	270,519	
31	1Z41	Sanitation	CSA 70 GH Glen Helen	Vactor Dump Basin	Install a dump manhole and piping for vactor truck unloading at the new Lytle Creek North wastewater treatment plant	C	CVX 306 306	450	0	20,339	20,789	
32	1Z42	Sanitation	CSA 70 GH Glen Helen	SCADA Alarms	Install new SCADA alarms for the process equipment at the new Lytle Creek North wastewater treatment plant	RU	CXL 306 306	500	0	46,223	46,723	
33	1Z43	Sanitation	CSA 70 S-3 Lytle Creek	Manhole Sealing	Spray application sealant of approximately 29 existing manholes that currently allow significant water inflow	RU	CCU 305 100	225	0	30,162	30,387	
Total Second District								520,375	0	648,427	1,168,802	
Third District												
34	1Z01	General	CSA 70 D-1 Lake Arrowhead Dam	Park Improvements	Design and construction of a new passive use park in the Lake Arrowhead community	C	CSY 130 130	5,000	0	443,471	448,471	
35	0015	Park	CSA 20 Joshua Tree	Joshua Tree Entry Sign	Purchase and installation of a monument entry sign to the community park	C	CEW 200 0015	50,000	0	0	50,000	
36	1011	Park	CSA 20 Joshua Tree	Parking Pavement	Rehabilitate/repave existing community center parking lot	RU	CEW 200 1011	50,000	0	0	50,000	
37	1Z05	Park	CSA 20 Joshua Tree	Park Improvements - Desert View Conservation Area	Design and construct improvements for an interpretive trail system	C	CFU 200 200	0	950,000	0	950,000	Prop 84 Grant
38	1026	Park	CSA 20 Joshua Tree	Community Center Room Partition	Purchase and installation of a series of floating partition walls to divide up the community center great room	RE	CQB 200 1026	300	125,000	27,572	152,872	CIF Grant
39	1Z44	Park	Big Bear Recreation & Park District	Paradise Park Improvements	Design and construction of a new 5.28 acre park with multiple features including skate park, tennis courts, etc.	C	CGS 620 620	0	2,500,000	0	2,500,000	Prop 84 Grant
40	1023	Park	Big Bear Recreation & Park District	Erwin Ranch Pool Renovation	Refurbishing of the existing pool and expansion to double the pool capacity along with a restroom facility	RU	CSZ 620 1023	0	0	380,000	380,000	
41	2003	Park	Big Bear Recreation & Park District	Bear City Park Non-ARRA	Installation of new walk paths and landscaping at the existing Bear City Park	C	CSZ 620 2003	70,000	0	0	70,000	
42	2004	Park	Big Bear Recreation & Park District	Erwin Park Building Renovation	Renovation of the existing park building that was heavily damaged due to flooding and upgrade to meet current code requirements	RU	CSZ 620 2004	0	250,000	0	250,000	Insurance Coverage

SPECIAL DISTRICTS



2011-12 CAPITAL IMPROVEMENT PROJECTS ADMINISTERED BY SPECIAL DISTRICTS DEPARTMENT By Supervisorial District by Function

# Proj.	CIP Log #	District Type	District Name	Project Name	Description	Proj. Type	Fund Dept Org	Local Funds	Restricted Funding	Fund Balance	Total	Funding Source
Third District Cont'd												
43	AR03	Park	Big Bear Recreation & Park District	Bear City Park - ARRA	Installation of new walk paths and landscaping at the existing Bear City Park	C	CSZ 620 AR03	0	0	28,500	28,500	
44	1Z19	Park	Moonridge Animal Park	Animal Park Relocation	Design, construct new zoo, and relocate existing zoo to new site	C	CRR 620 620	75,000	0	6,458,950	6,533,950	
45	1028	Road	CSA 69 Lake Arrowhead	Road Paving Project	Reconstruction and repaving of San Benito Lane	RE	CFB 445 1028	105,000	0	0	105,000	
46	2012	Road	CSA 69 Lake Arrowhead	Disaster Debris Management Program	Repair damage to CSA 69 roads due to clean up efforts from Grass Valley Fire	C	CFB 445 445	0	500,000	0	500,000	Grant
47	0011	Road	CSA 70 R-15 Landers	Road Improvements	Pave approximately 30,000 square feet of existing dirt roadway	C	CAI 280 0011	70,000	0	10,000	80,000	
48	1029	Road	CSA 70 R-46 South Fairway Drive	Road Improvements	Pave approximately 23,000 square feet of existing dirt roadway	C	CPY 566 1029	65,000	0	0	65,000	
49	1Z13	Sanitation	CSA 53 B Fawnskin	Vacuum System Improvements	Replace the existing electrical panel and add enclosure for the vacuum system pump station	RE/RU	EAI 365 365	6,125	0	52,657	58,782	
50	2013	Sanitation	CSA 53 B Fawnskin	Manhole Sealing	Spray application sealant of approximately 55 existing manholes that currently allow significant water inflow	RU	EBB 365 100	550	0	60,337	60,887	
51	1005	Sanitation	CSA 79 Green Valley Lake	Sewer Slip Lining	Rehabilitation of approximately 1,000 feet of existing sewerline by slip lining (introduce new PVC liner)	RU	ENF 485 100	0	0	59,500	59,500	
52	1006	Sanitation	CSA 79 Green Valley Lake	Manhole Sealing	Spray application sealant of approximately 50 existing manholes that currently allow significant water inflow	RU	ENF 485 101	0	0	59,500	59,500	
53	2016	Sanitation	CSA 79 Green Valley Lake	Pump Rehabilitation	Replacement of existing pump and motor assemblies for new energy efficient assemblies	RP	ENF 485 102	70,000	0	0	70,000	
54	1Z28	Sanitation	CSA 79 Green Valley Lake	Ahwahnee Lift Station Rehab	Construction of 50,000-gallons of additional wet well capacity to extend the needed emergency response time	C	ENF 485 485	2,850	0	213,763	216,613	
55	1Z15	Water	CSA 70 CG Cedar Glen	Water System Design	Design of approximately 20,000 feet of water pipelines, 3 new water reservoirs, and drilling for a new well	PL	CRD 563 563	0	350,000	181,064	531,064	RD Grant
56	1Z16	Water	CSA 70 CG Cedar Glen	Water System Construction	Construction of approximately 20,000 feet of water pipelines, 3 new water reservoirs, and drilling for a new well	C	CRL 563 563	0	3,000,000	143,167	3,143,167	RD Grant
57	1Z27	Water	CSA 70 W-4 Pioneertown	Offsite Pipeline/Supply Project	Design and construction of a 3.5-mile water pipeline, a 75,000-gallon water reservoir and a 200-gpm pump station	C	CQP 360 360	0	2,250,000	0	2,250,000	
58	2015	Water	CSA 70 W-4 Pioneertown	Manifold Piping Wells 4 & 5	Construction of necessary piping to interconnect two existing wells for blending of the water	C	END 360 360	220	0	21,067	21,287	
Total Third District								570,045	9,925,000	8,139,548	18,634,593	
Fifth District												
59	0016	General	CSA 70 Countywide	Muscoy Skate Park	Design and construction of a new modular / pre-fabricated skate park with misc. site and road improvements	C	CLO 105 0016	0	0	277,257	277,257	
60	0009	Park	Bloomington Recreation & Park	Kessler Park Improvements	Multiple phased project to construct new facilities at an existing park including tot lot, baseball fields, skate park, concession building & equestrian facilities	C	CNJ 625 0009	5,000	1,293,452	739,969	2,038,421	Prop 84 Grant
61	1017	Park	Bloomington Recreation & Park	Bloomington Education Center	Installation of new flooring and fencing at existing facility	RE	CAQ 625 625	500	0	45,879	46,379	
62	1Z18	Park	Bloomington Recreation & Park	Ayala Park Improvements	Design and construct five fitness stations along a 1/4-mile fitness course	C	CAR 625 625	77,900	0	31,129	109,029	
Total Fifth District								83,400	1,293,452	1,094,234	2,471,086	
62	TOTAL PROJECTS							3,095,431	12,683,452	13,612,727	29,391,610	

SPECIAL DISTRICTS



**COUNTY OF SAN BERNARDINO
SPECIAL DISTRICTS
BIG BEAR VALLEY PARK
AND RECREATION DISTRICT**

REPORT ON AUDIT

JUNE 30, 2010

**County of San Bernardino Special Districts
Big Bear Valley Park and Recreation District
Table of Contents**

	Exhibit	Page
INDEPENDENT AUDITOR'S REPORT		1 - 2
BASIC FINANCIAL STATEMENTS		
Government-Wide Financial Statements		
Statement of Net Assets	A	3
Statement of Activities	B	4
Fund Financial Statements		
Balance Sheet - Governmental Funds	C	5 - 6
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	D	7 - 8
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	E	9
Notes to Financial Statements		10 - 21
Required Supplementary Information	Schedule	
Budgetary Comparison Schedule - Special Revenue Funds (General, Zoo)	One	22 - 23
Combining Schedules		
Combining Balance Sheet - Nonmajor Governmental Funds	Two	24 - 25
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds	Three	26 - 27



ROGERS, ANDERSON, MALODY & SCOTT, LLP

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OF COUNSEL
JAY H. ZERCHER, C.P.A.

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County of San Bernardino
County of San Bernardino Special
District Big Bear Valley Park
and Recreation District

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INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the County of San Bernardino Special District Big Bear Valley Park and Recreation District (the "District"), a component unit of the County of San Bernardino, as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District'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, each major fund and the aggregate remaining fund information of the County of San Bernardino Special District Big Bear Valley Park and Recreation District, as of June 30, 2010, 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 budget comparison information on page 22 - 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.

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 Big Bear Valley Park and Recreation District has not presented the *Management's Discussion and Analysis* that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

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

Rogers, Anderson, Malody + Scott, LLP

November 30, 2010

**County of San Bernardino Special Districts
Big Bear Valley Park and Recreation District
Statement of Net Assets
June 30, 2010**

ASSETS

Cash and cash equivalents	\$ 6,003,076
Accounts receivable	4,231
Interest receivable	23,128
Taxes receivable	108,391
Due from other governments	1,508,339
Capital assets, net of depreciation	<u>7,002,338</u>
 Total Assets	 <u>14,649,503</u>

LIABILITIES

Accounts payable	71,520
Salaries and benefits payable	54,838
Due to other governments	3,456
Compensated absences payable	136,443
Retention payable	<u>5,283</u>
 Total Liabilities	 <u>271,540</u>

NET ASSETS

Invested in capital assets	7,002,338
Unrestricted	<u>7,375,625</u>
 Total Net Assets	 <u>\$ 14,377,963</u>

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

**County of San Bernardino Special Districts
Big Bear Valley Park and Recreation District
Statement of Activities
For the Year Ended June 30, 2010**

EXPENSES

Salaries and benefits	\$ 2,009,595
Services and supplies	1,278,504
Depreciation	171,278
Intergovernmental	450,000
Total Program Expenses	<u>3,909,377</u>

PROGRAM REVENUES

Charges for services	692,328
Federal assistance	26,851
State assistance	1,547,380
Contributions from other governments	1,514
Total Program Revenues	<u>2,268,073</u>

Net Program Expense	<u>(1,641,304)</u>
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GENERAL REVENUES

Property taxes	1,729,265
Other taxes	26,743
Rents, concessions and royalties	
Investment earnings	105,295
Intergovernmental	465,000
Other	351,432
Total General Revenues	<u>2,677,735</u>

Change in Net Assets	1,036,431
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Net Assets - beginning	<u>13,341,532</u>
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Net Assets - ending	<u><u>\$ 14,377,963</u></u>
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The accompanying notes are an integral part of these financial statements.

**County of San Bernardino Special Districts
Big Bear Valley Park and Recreation District
Balance Sheet
Governmental Funds
June 30, 2010**

	SPECIAL REVENUE FUNDS	
	General (SSA)	Zoo (SSF)
ASSETS		
Cash and cash equivalents	\$ 301,370	\$ 53,646
Accounts receivable	-	-
Interest receivable	1,089	219
Taxes receivable	108,391	-
Due from other governments	-	-
	\$ 410,850	\$ 53,865
Total Assets	\$ 410,850	\$ 53,865
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable	\$ 23,971	\$ -
Salaries and benefits payable	40,848	13,990
Due to other governments	939	341
Retention payable	-	-
	65,758	14,331
Total Liabilities	65,758	14,331
Fund Balances:		
Unreserved:		
Undesignated	345,092	39,534
	345,092	39,534
Total Fund Balances	345,092	39,534
Total Liabilities and Fund Balances	\$ 410,850	\$ 53,865

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.

Compensated absences payable are not financial resources and, therefore, are not reported in the funds.

Net Assets of Governmental Activities

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

<u>CAPITAL PROJECTS FUNDS</u>		<u>OTHER NONMAJOR GOVERNMENTAL FUNDS</u>		<u>Total Governmental Funds</u>
<u>Moonridge Animal Park Relocation (CRR)</u>	<u>Erwin Park Improvements (CSZ)</u>			
\$ 5,554,798	\$ 83,001	\$ 10,261	\$ 6,003,076	
4,231	-	-	4,231	
21,820	-	-	23,128	
-	-	-	108,391	
1,508,339	-	-	1,508,339	
<u>\$ 7,089,188</u>	<u>\$ 83,001</u>	<u>\$ 10,261</u>	<u>\$ 7,647,165</u>	
\$ -	\$ 47,549	\$ -	\$ 71,520	
-	-	-	54,838	
238	1,605	333	3,456	
-	5,283	-	5,283	
<u>238</u>	<u>54,437</u>	<u>333</u>	<u>135,097</u>	
<u>7,088,950</u>	<u>28,564</u>	<u>9,928</u>	<u>7,512,068</u>	
<u>7,088,950</u>	<u>28,564</u>	<u>9,928</u>	<u>7,512,068</u>	
<u>\$ 7,089,188</u>	<u>\$ 83,001</u>	<u>\$ 10,261</u>		
			7,002,338	
			<u>(136,443)</u>	
			<u>\$ 14,377,963</u>	

**County of San Bernardino Special Districts
Big Bear Valley Park and Recreation District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2010**

	<u>SPECIAL REVENUE FUNDS</u>	
	<u>General (SSA)</u>	<u>Zoo (SSF)</u>
REVENUES		
Property taxes	\$ 1,729,265	\$ -
Other taxes	26,743	-
Federal assistance	26,851	-
State assistance	39,041	-
Rents, concessions and royalties	66,787	-
Investment earnings	2,760	28,058
Service fees	467,761	157,780
Intergovernmental	465,000	-
Other	17,292	334,140
	<u>2,841,500</u>	<u>519,978</u>
Total Revenues		
EXPENDITURES		
Salaries and benefits	1,448,583	549,190
Services and supplies	992,019	286,008
Intergovernmental	450,000	-
Capital outlay:		
Land	-	-
Improvements to land	1,436	-
Equipment	8,985	-
	<u>2,901,023</u>	<u>835,198</u>
Total Expenditures		
Excess of Revenues Over (Under) Expenditures	<u>(59,523)</u>	<u>(315,220)</u>
OTHER FINANCING SOURCES (USES)		
Transfer in	64,033	59,076
Transfer out	<u>(139,076)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(75,043)</u>	<u>59,076</u>
Net Change in Fund Balances	(134,566)	(256,144)
Fund Balances - beginning	<u>479,658</u>	<u>295,678</u>
Fund Balances - ending	<u>\$ 345,092</u>	<u>\$ 39,534</u>

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

CAPITAL PROJECTS FUNDS		OTHER NONMAJOR GOVERNMENTAL FUNDS		Total Governmental Funds
Moonridge Animal Park Relocation (CRR)	Erwin Park Improvements (CSZ)			
\$ -	\$ -	\$ -		\$ 1,729,265
-	-	-		26,743
-	-	-		26,851
1,508,339	-	-		1,547,380
-	-	-		66,787
75,525	-	(1,048)		105,295
-	-	-		625,541
-	-	-		465,000
-	-	-		351,432
<u>1,583,864</u>	<u>-</u>	<u>(1,048)</u>		<u>4,944,294</u>
-	-	-		1,997,773
-	-	-		1,278,027
-	-	-		450,000
2,066,007	-	-		2,066,007
13,705	55,758	4,274		75,173
-	-	-		8,985
<u>2,079,712</u>	<u>55,758</u>	<u>4,274</u>		<u>5,875,965</u>
<u>(495,848)</u>	<u>(55,758)</u>	<u>(5,322)</u>		<u>(931,671)</u>
-	80,000	-		203,109
-	-	(64,033)		(203,109)
-	80,000	(64,033)		-
(495,848)	24,242	(69,355)		(931,671)
<u>7,584,798</u>	<u>4,322</u>	<u>79,283</u>		<u>8,443,739</u>
<u>\$ 7,088,950</u>	<u>\$ 28,564</u>	<u>\$ 9,928</u>		<u>\$ 7,512,068</u>

**County of San Bernardino Special Districts
Big Bear Valley Park and Recreation District
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	\$ (931,671)
<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 capital outlay (\$2,149,688) exceeded depreciation expense (\$171,278) in the current period.</p>	1,978,410
<p>Capital assets transferred to/from other governments are not financial resources and, therefore, are not reported in the governmental funds.</p>	1,514
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>	
<p>Increase in compensated absences payable</p>	<u>(11,822)</u>
Change in Net Assets of Governmental Activities	<u><u>\$ 1,036,431</u></u>

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

**County of San Bernardino Special Districts
Big Bear Valley Park and Recreation District
Notes to Financial Statements
June 30, 2010**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting entity

The Big Bear Valley Park and Recreation District (the "District") was established by an act of the Board of Supervisors of the County of San Bernardino (the County) on April 23, 1934. The District maintains nine parks, including a zoo, swim beach, and senior center.

The District 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 Big Bear Valley Park and Recreation District of the County of San Bernardino and are not intended to present the financial position of the County taken as a whole.

Because the District meets the reporting entity criteria established by the Governmental Accounting Standards Board (GASB), the District'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. 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 District 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
Big Bear Valley Park and Recreation District
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. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

The government reports the following major governmental funds:

The *special revenue fund* labeled "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.

The *special revenue fund* labeled "Zoo" accounts for the Moonridge Animal Park Zoo.

The *capital projects fund* labeled "Moonridge Animal Park Relocation" is used to account for financial resources to be used for the acquisition or construction of major capital facilities for the zoo.

The *capital projects fund* labeled "Erwin Park Improvements" is used to account for financial resources to be used for the acquisition or construction of major capital facilities for Erwin Park.

**County of San Bernardino Special Districts
Big Bear Valley Park and Recreation District
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.

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."

All accounts receivable are shown net of an allowance for uncollectibles when applicable.

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
Big Bear Valley Park and Recreation District
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.

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 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 two years. Structures with an initial cost of \$100,000 are considered capital assets. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

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

Assets	Years
Infrastructure	40 - 60
Structures and improvements	5 - 40
Equipment and vehicles	4 - 15

Fund equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**County of San Bernardino Special Districts
Big Bear Valley Park and Recreation District
Notes to Financial Statements
June 30, 2010**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee compensated absences

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

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

Beginning Balance	Additions	Deletions	Ending Balance
\$ 124,621	\$ 87,305	\$ 75,483	\$ 136,443

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Stewardship, compliance and accountability

A. Budgetary information

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

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

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

B. Encumbrances

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding 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
Big Bear Valley Park and Recreation District
Notes to Financial Statements
June 30, 2010**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Excess of expenditures over appropriations

For the year ended June 30, 2010, expenditures exceeded appropriations in the *special revenue fund* labeled "General" by \$265,945.

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, 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
Big Bear Valley Park and Recreation District
Notes to Financial Statements
June 30, 2010**

NOTE 3: 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>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 1,465,939	\$ 2,066,007	\$ -	\$ 3,531,946
Construction in progress	562,531	74,745	(147,553)	489,723
Total capital assets, not being depreciated	<u>2,028,470</u>	<u>2,140,752</u>	<u>(147,553)</u>	<u>4,021,669</u>
Capital assets, being depreciated:				
Improvements to land	2,220,910	147,553	-	2,368,463
Structures and improvements	2,310,119	-	-	2,310,119
Vehicles	150,591	21,424	-	172,015
Equipment	27,353	8,936	(27,353)	8,936
Total capital assets, being depreciated	<u>4,708,973</u>	<u>177,913</u>	<u>(27,353)</u>	<u>4,859,533</u>
Less accumulated depreciation for:				
Improvements to land	(775,122)	(93,907)	-	(869,029)
Structures and improvements	(781,619)	(73,863)	-	(855,482)
Vehicles	(150,590)	(3,316)	-	(153,906)
Equipment	(7,698)	(447)	7,698	(447)
Total accumulated depreciation	<u>(1,715,029)</u>	<u>(171,533) *</u>	<u>7,698</u>	<u>(1,878,864)</u>
Total capital assets, being depreciated, net	<u>2,993,944</u>	<u>6,380</u>	<u>(19,655)</u>	<u>2,980,669</u>
Governmental activities capital assets, net	<u>\$ 5,022,414</u>	<u>\$ 2,147,132</u>	<u>\$ (167,208)</u>	<u>\$ 7,002,338</u>

* This amount includes current year depreciation expense of \$171,278 and \$255 for accumulated depreciation as of June 30, 2010 for vehicles with a cost of \$21,424 transferred to the District in the current year.

**County of San Bernardino Special Districts
Big Bear Valley Park and Recreation District
Notes to Financial Statements
June 30, 2010**

NOTE 4: RETIREMENT PLAN

Plan Description

The San Bernardino County Employees' Retirement Association (SBCERA) is a cost-sharing multiple-employer defined benefit pension plan (the Plan) operating under the California County Employees' Retirement Act of 1937 (1937 Act). It provides retirement, death and disability benefits to members. Although legally established as a single employer plan, the City of Big Bear Lake, California State Association of Counties, South Coast Air Quality Management District (SCAQMD), San Bernardino Associated Governments (SANBAG), Local Agency Formation Commission (LAFCO), San Bernardino County Law Library, Barstow Fire Protection District, Hesperia Recreation and Parks District, SBCERA, City of Chino Hills, Crest Forest Fire District, Mojave Desert Air Quality Management District (MDAQMD), California Electronic Recording Transaction Network Authority (CERTNA), Inland Valley Development Agency (IVDA), San Bernardino International Airport Authority (SBIAA), the San Bernardino County Superior Court Inland Library System (ILS) and Rim of the World Recreation and Parks District (RIM-REC) were later included, along with the County, and are collectively referred to as the "Participating Members." The plan is governed by the SBCERA Board of Retirement under the 1937 Act. Employees become eligible for membership on their first day of regular employment and become fully vested after 5 years. SBCERA issues a stand-alone financial report, which may be obtained by contacting the Board of Retirement, 348 W Hospitality Lane - 3rd Floor, San Bernardino, California 92415-0014.

Fiduciary Responsibility

SBCERA is controlled by its own board, the Retirement Board, which acts as a fiduciary agent for the accounting and control of member and employee contributions and investment income. SBCERA publishes its own Comprehensive Annual Financial Report and receives a separate independent audit. SBCERA is also a legally separate entity from the County and not a component unit. For these reasons, the County's Comprehensive Annual Financial Report excludes SBCERA pension trust fund as of June 30, 2010.

Funding Policy

Participating members are required by statute (Sections 31621.6 and 31639.25 of the California Government Code) to contribute a percentage of covered salary based on certain actuarial assumptions and their age at entry to the Plan. Employee contribution rates vary according to age and classification (general or safety). General members are required to contribute 7.42% - 12.96% and safety members 9.52% - 15.29% of their annual covered salaries, of which the County pays approximately 7%. County of San Bernardino employer contribution rates are as follows: County General 11.25%, County Safety 24.46%. All employers combined are required to contribute 13.95% of the current year covered payroll. For 2010, the County's annual pension cost of \$197,097,000 was equal to the County's required and actual contributions. Employee contribution rates are established and may be amended pursuant to Articles 6 and 6.8 of the 1937 Act. Employer rates are determined pursuant to Sections 31453 of the 1937 Act.

County of San Bernardino Special Districts
Big Bear Valley Park and Recreation District
Notes to Financial Statements
June 30, 2010

NOTE 4: RETIREMENT PLAN (continued)

The County's annual pension cost and prepaid asset, computed in accordance with GASB 27, Accounting for Pensions by State and Local Governmental Employers, for the year ended June 30, 2010, were as follows (in thousands):

Annual Required Contribution (County fiscal year basis)	\$ 197,097
Interest on Pension Assets	(4,131)
Adjustment to the Annual Required Contribution	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 SCAQMD, issued Pension Refunding Bonds (the Bonds) in November 1995 with an aggregate amount of \$420,527,000. These Bonds were issued to allow the County and the SCAQMD to refinance each of their unfunded accrued actuarial liabilities with respect to retirement benefits for their respective employees. The Bonds are the obligations of the employers participating in the Plan and the assets of the Plan do not secure the Bonds. The County's portion of the bond issuance was \$386,266,000. The outstanding liability at June 30, 2010 is \$423,652,000.

On June 24, 2004, the County issued its County of San Bernardino Pension Obligation Bonds, Series 2004 A (Fixed Rate Bonds), its County of San Bernardino Pension Obligation Bonds, Series 2004 B (Auction Rate Bonds), and its County of San Bernardino Pension Obligation Bonds, Series 2004 C (Index Bonds) in respective aggregate principal amounts of \$189,070,000, \$149,825,000 and \$125,000,000. The Bonds were issued to finance the County's share of the unfunded accrued actuarial liability of the SBCERA. In April 2008, the County refunded all of the 2004 Series B. The outstanding liability at June 30, 2010 is \$294,515,000.

**County of San Bernardino Special Districts
Big Bear Valley Park and Recreation District
Notes to Financial Statements
June 30, 2010**

NOTE 4: RETIREMENT PLAN (continued)

In April 2008, the County of San Bernardino issued its \$160,900,000 in Pension Obligation Refunding Bonds (POB), Series 2008 (the Series 2008 Bonds). The outstanding liability at June 30, 2010 is \$158,327,000.

NOTE 5: FEDERAL AND STATE GRANTS

From time to time the District 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 District expects such amounts, if any, to be immaterial.

NOTE 6: RISK MANAGEMENT

The County has self-insurance programs for public liability, property damage, unemployment insurance, employee dental insurance, hospital and medical malpractice liability, and workers' compensation claims. Public liability claims are self-insured for up to \$2 million per occurrence. Excess insurance coverage over the Self-Insured Retention (SIR) up to \$50 million is provided through a combination of insurance policies as recommended by AON Risk Services, Broker of Record, as follows: Primary Liability coverage \$25 million excess of \$2.5 million SIR with CV Starr/Everest; Excess Liability coverage of \$10 million, excess of \$25 million with Allied World Insurance Company (AWAC); and Excess Liability coverage \$15 million, excess of \$35 million with Great American Insurance Company of New York. Workers' compensation claims are self-insured up to \$5 million per occurrence, and covered by Arch Ins. Co. for up to \$3 million for employer's liability, and up to statutory limits for workers' compensation per occurrence. Property damage claims are insured on an occurrence basis over a \$25 thousand deductible, and insured with several insurers like Lexington Ins. Co., Affiliated FM, and Lloyd's of London, among others.

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

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

**County of San Bernardino Special Districts
Big Bear Valley Park and Recreation District
Notes to Financial Statements
June 30, 2010**

NOTE 6: RISK MANAGEMENT (continued)

The activities related to such programs are accounted for in Risk Management except for unemployment insurance, and employee dental insurance, which are accounted for in the General Fund. The IBNR (Incurred But Not Reported) and IBNS (Incurred But Not Settled) liabilities stated on Risk Management's balance sheet are based upon the results of actuarial studies, and include amounts for allocated and unallocated loss adjustment expenses. The liabilities for these claims are reported using a discounted rate of 1.70%. It is Risk Management's practice to obtain actuarial studies on an annual basis.

The total claims liability of \$145.4 million reported at June 30, 2010 is based on the requirements of GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements, and the amount of the loss can be reasonably estimated.

Changes in the claims liability amount in fiscal years 2009 and 2010 were:

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

County of San Bernardino Special Districts
Big Bear Valley Park and Recreation District
Notes to Financial Statements
June 30, 2010

NOTE 7: TRANSFERS IN/OUT

Interfund transfers are transactions used to close out a fund, reimburse an operating fund, and transfer cash between operating funds and capital projects funds. At June 30, 2010, the District made the following interfund transfers in and out:

	Transfers in:			
	General (SSA)	Zoo (SSF)	Erwin Park Improvements (CSZ)	Total
<u>Transfers out:</u>				
General (SSA)	\$ -	\$ 59,076	\$ 80,000	\$ 139,076
Nonmajor Capital Project Funds	64,033	-	-	64,033
Total	\$ 64,033	\$ 59,076	\$ 80,000	\$ 203,109

NOTE 8: PROPOSITION 111 APPROPRIATION LIMITS

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

NOTE 9: CONTINGENCIES

As of June 30, 2010, in the opinion of the District Administration, there are no outstanding matters, which would have a significant effect on the financial position of the District.

**Required Supplementary Information
County of San Bernardino Special Districts
Big Bear Valley Park and Recreation District
Budgetary Comparison Schedule - Special Revenue Fund
For the Year Ended June 30, 2010**

	SPECIAL REVENUE FUND			
	General (SSA)			
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 1,643,867	\$ 1,643,867	\$ 1,729,265	\$ 85,398
Other taxes	68,279	3,750	26,743	22,993
Federal assistance	-	-	26,851	26,851
State assistance	1,429,753	285,892	39,041	(246,851)
Rents, concessions and royalties	150,000	150,000	66,787	(83,213)
Investment earnings	15,000	(81,102)	2,760	83,862
Service fees	650,577	476,862	467,761	(9,101)
Intergovernmental	-	-	465,000	465,000
Other	(19,772)	8,191	17,292	9,101
Total Revenues	<u>3,937,704</u>	<u>2,487,460</u>	<u>2,841,500</u>	<u>354,040</u>
EXPENDITURES				
Salaries and benefits	1,686,293	1,443,149	1,448,583	(5,434)
Services and supplies	1,207,914	993,203	992,019	1,184
Intergovernmental	-	-	450,000	(450,000)
Capital outlay:				
Improvements to land	21,500	70,704	1,436	69,268
Structures and improvements	-	-	-	-
Equipment	-	-	8,985	(8,985)
Reserves and contingencies	145,582	128,022	-	128,022
Total Expenditures	<u>3,061,289</u>	<u>2,635,078</u>	<u>2,901,023</u>	<u>(265,945)</u>
Excess of Revenues Over (Under) Expenditures	<u>876,415</u>	<u>(147,618)</u>	<u>(59,523)</u>	<u>88,095</u>
OTHER FINANCING SOURCES (USES)				
Transfer in	-	329,033	64,033	(265,000)
Transfer out	(1,284,076)	(589,076)	(139,076)	450,000
Total Other Financing Sources (Uses)	<u>(1,284,076)</u>	<u>(260,043)</u>	<u>(75,043)</u>	<u>185,000</u>
Net Change in Fund Balances	<u>\$ (407,661)</u>	<u>\$ (407,661)</u>	(134,566)	<u>\$ 273,095</u>
Fund Balances - beginning			<u>479,658</u>	
Fund Balances - ending			<u>\$ 345,092</u>	

SPECIAL REVENUE FUND			
Zoo (SSF)			
Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
11,000	-	-	-
-	-	-	-
8,000	28,913	28,058	(855)
175,000	175,000	157,780	(17,220)
-	-	-	-
<u>460,000</u>	<u>316,920</u>	<u>334,140</u>	<u>17,220</u>
<u>654,000</u>	<u>520,833</u>	<u>519,978</u>	<u>(855)</u>
632,817	551,301	549,190	2,111
291,255	285,894	286,008	(114)
-	-	-	-
-	-	-	-
41,000	-	-	-
-	-	-	-
<u>27,143</u>	<u>21,853</u>	<u>-</u>	<u>21,853</u>
<u>992,215</u>	<u>859,048</u>	<u>835,198</u>	<u>23,850</u>
<u>(338,215)</u>	<u>(338,215)</u>	<u>(315,220)</u>	<u>22,995</u>
59,076	59,076	59,076	-
-	-	-	-
<u>59,076</u>	<u>59,076</u>	<u>59,076</u>	<u>-</u>
<u>\$ (279,139)</u>	<u>\$ (279,139)</u>	<u>(256,144)</u>	<u>\$ 22,995</u>
		<u>295,678</u>	
		<u>\$ 39,534</u>	

**County of San Bernardino Special Districts
Big Bear Valley Park and Recreation District
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2010**

	CAPITAL PROJECTS FUNDS		
	Paradise Park (CGS)	Meadow Park (CQG)	Sugarloaf Park (CRG)
ASSETS			
Cash and cash equivalents	\$ 10,261	\$ -	\$ -
Total Assets	<u>\$ 10,261</u>	<u>\$ -</u>	<u>\$ -</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Due to other governments	\$ 333	\$ -	\$ -
Total Liabilities	<u>333</u>	<u>-</u>	<u>-</u>
Fund Balances:			
Unreserved:			
Undesignated	<u>9,928</u>	<u>-</u>	<u>-</u>
Total Fund Balances	<u>9,928</u>	<u>-</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ 10,261</u>	<u>\$ -</u>	<u>\$ -</u>

CAPITAL PROJECTS FUNDS			Total Nonmajor Governmental Funds (see Exhibit "C")
Erwin Soccer Complex (CRQ)	Meadow Park Improvements (CXE)	Swim Beach Improvements (CXF)	
\$ -	\$ -	\$ -	\$ 10,261
\$ -	\$ -	\$ -	\$ 10,261
\$ -	\$ -	\$ -	\$ 333
-	-	-	333
-	-	-	9,928
-	-	-	9,928
\$ -	\$ -	\$ -	\$ 10,261

**County of San Bernardino Special Districts
Big Bear Valley Park and Recreation District
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2010**

	CAPITAL PROJECTS FUNDS		
	Paradise Park (CGS)	Meadow Park (CQG)	Sugarloaf Park (CRG)
REVENUES			
Investment earnings	\$ -	\$ (141)	\$ (452)
Total Revenues	-	(141)	(452)
EXPENDITURES			
Capital outlay:			
Improvements to land	5,283	(619)	(390)
Total Expenditures	5,283	(619)	(390)
Excess of Revenues Over (Under) Expenditures	(5,283)	478	(62)
OTHER FINANCING SOURCES (USES)			
Transfers out	-	(1,593)	(9,102)
Total Other Financing Sources	-	(1,593)	(9,102)
Net Change in Fund Balances	(5,283)	(1,115)	(9,164)
Fund Balances - beginning	15,211	1,115	9,164
Fund Balances - ending	\$ 9,928	\$ -	\$ -

CAPITAL PROJECTS FUNDS			Total Nonmajor Governmental Funds (see Exhibit "D")
Erwin Soccer Complex (CRQ)	Meadow Park Improvements (CXE)	Swim Beach Improvements (CXF)	
\$ 75	\$ (283)	\$ (247)	\$ (1,048)
75	(283)	(247)	(1,048)
-	-	-	4,274
-	-	-	4,274
75	(283)	(247)	(5,322)
(53,094)	(71)	(173)	(64,033)
(53,094)	(71)	(173)	(64,033)
(53,019)	(354)	(420)	(69,355)
53,019	354	420	79,283
\$ -	\$ -	\$ -	\$ 9,928

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COUNTY OF SAN BERNARDINO

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LARRY WALKER

Auditor/Controller-Recorder
County Clerk

ELIZABETH A. STARBUCK

Assistant Auditor/Controller-Recorder
Assistant County Clerk

April 28, 2009

Jeffrey Rigney, Director
Special Districts Department
157 W. Fifth Street, 2nd Floor
San Bernardino, CA 92415-0450

**Subject: MANAGEMENT LETTER – BIG BEAR VALLEY PARK AND
RECREATION DISTRICT FOR THE FISCAL YEAR ENDED
JUNE 30, 2008**

We have completed an audit of the Big Bear Valley Park and Recreation District (District) governmental funds, for the fiscal year ended June 30, 2008 and have issued our report thereon dated April 28, 2009. In planning and performing our audit of the financial statements of the District's governmental funds as of and for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. However, as discussed below, we identified deficiencies in internal control that we consider to be material weaknesses or significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles (GAAP) such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the following deficiencies constitute a material weakness:

Material Weakness #1 - The overall accounting and internal controls related to the Special Activities account are not adequate.

Good business practice dictates that an organization comply with the policies, laws, and regulations that govern its business operations.

- 1) All revenue, including federal grants and private donations, and expenditure activity should be properly recorded in FAS.
- 2) Treasury Regulations, Subchapter A, Sec. 1.6041-1 general rule requires an information return for payments of \$600 or more. Under these requirements, information is reported to the Internal Revenue Service (IRS) and Form 1099-MISC, *Miscellaneous Income* should be furnished for each person paid at least \$600 in rents, services, prizes and awards and other income payments.
- 3) EMACS procedures state that an employee is required to submit and complete an Employee Reimbursement Form to claim employee expense reimbursement for work-related reimbursements and travel.
- 4) All payment documents must be approved by persons with signing authority.

The processes over handling and accounting for the receipt and disbursement of cash for recreational activities could be improved. Currently, the Big Bear office is using a special activities checking account for the deposit of all revenues received, including grant funding and donations, and the payment of expenditures incurred for the District's programs and recreational activities. The account had a balance of \$22,707 and (\$4,666) at June 30, 2008 and June 30, 2007, respectively. Our audit of the Special Activities account disclosed the following deficiencies:

- 1A) The gross revenue and all expenditures for park programs and recreational activities are not being recorded in the financial accounting system (FAS).
 1. During fiscal year 2008, the District generated \$596,758 in cash receipts and \$274,419 in expenditures in the Special Activities account.
 2. The District deposited \$294,966 from the Special Activities account into the Clearing account that transferred to the County Treasury and was recorded as revenue in FAS. The expenditures made from the Special Activities account were not recognized in FAS.
- 1B) Revenue from federally funded programs and private donations are not being reported in FAS.
 1. The District is the subrecipient of Community Development Block Grants (CDBG). CDBG funding was received from the following organizations:
 - i. The Soroptimist International of Big Bear Valley, \$22,088
 - ii. The Hummingbird Project, \$5,300

2. Donations from private citizens exceeded \$15,000.
 - 2A) Instructor services rendered for program and recreational activities that exceeded \$600 were paid out of the checking account and a 1099-MISC form was not provided by the District for the services rendered. The cost of services rendered requiring a 1099-MISC form was approximately \$90,000.
 - 2B) Service contracts were not submitted to the Purchasing Agent to be properly approved prior to executing the contracts with the service providers.
 - 3A) The Special Activities Account was used to reimburse employees for various expenses, including:
 1. gasoline
 2. mileage
 3. golf fees
 4. supplies
 5. parking
 6. cameras
 7. clothing
 8. food
 - 4A) Invoices for special activity expenditures were paid without any evidence of management approval (i.e., initials and date).

The District personnel at the Big Bear office did not have a familiarity with County policies, as they relate to internal controls and purchase contract procedures. If the District does not improve its business practices by gaining an understanding of the County's policies and procedures, then the District will continue to be adversely impacted by the following:

- 1) Revenue and expenditure transactions will not be properly recorded in FAS, which may result in the financial statements being materially misstated.
- 2) The District will be in violation of Internal Revenue Code Section 6721, which states:

"A person who is required to file information returns but who fails to do so by the due date for the returns is subject to a penalty of \$50 for each return with respect to which such a failure occurs, up to a maximum of \$250,000 in any calendar year".
- 3) Employee reimbursements that are not processed through EMACS may not be properly reported on the employees' W-2's.
- 4) There would be no appropriate supporting documentation to indicate that District's finances are being properly managed.

Recommendation

Based on the nature of the deficiencies discovered, we recommend that the District proceed with the following corrective actions:

- **Discontinuance of the Special Activities Account**
The District should immediately discontinue the use of the special activities checking account and begin processing expenditures using payment vouchers (PV) submitted to the Accounts Payable Section for payment. Furthermore, all cash receipts should be deposited directly into the District's Clearing account so that the revenue can be transferred into the County Treasury. Implementing these changes will help ensure that all of the District's accounting activity is recorded in FAS and the financial statements will not be misstated.
- **Purchase Contracts for Service Providers**
The District needs to adhere to the policies and procedures in the County's Policy Manual, Section 11-05SP2, by submitting the contracts for service providers to the Purchasing Agent for the appropriate approval and processing. Complying with the policies and procedures outlined in the County's Policy Manual will help ensure that the District obtains the required level of approval prior to executing the purchase contracts.
- **Approval for vendor invoices**
Management must initial and date all payment documents prior to submitting them to Accounts Payable. Management's formal review and approval of vendor invoices will reduce the risk of unauthorized purchases and vendor payments.
- **Petty Cash Account**
The District should request a cash increase for the Petty Cash account to pay for miscellaneous expenses or charges incurred while performing official County business. The guidelines set forth in the County's Internal Control and Cash Manual should be used for executing Petty Cash transactions.

Management's Response

- 1) All revenue will be recorded in FAS with the elimination of the Special Activity Account.
- 2) With the elimination of the Special Activity Account, all payments to "instructors" will be done through FAS thereby prompting issuance of 1099 forms by the Auditor/ Controller-Recorder.
- 3) Employee Reimbursement Forms will become standard procedure in all cases where employees are being reimbursed.
- 4) All payment documents will be approved by persons with signing authority.

- 2B) All Service contracts have been brought into compliance and will be kept up to date and monitored by administrative staff.

Management will initial and date all payment documents prior to submission to Accounts Payable.

District administration will not need to increase petty cash account.

Management Response Summary

The District will comply with each stated recommendation toward the elimination of existing deficiencies noting the following exceptions to findings:

The Big Bear Valley Recreation and Park District and several other Districts have been using the Special Activity Account system for over 25 years. This system has been audited at least six times that I am aware of and during that time deficiencies and/or recommendations were not presented by audit staff. Over the past 2 years the District has significantly improved the reconciling process for revenue/cash deposits. The District did not change or invent new ways of doing business that the county was unaware of, and in fact has streamlined what we thought were past unsafe practices including the reconciliation of donations to our various programs.

To provide one example, the District (and all other Park Districts) has never provided 1099 forms to instructors, despite the District Manager questioning every previous auditor on why this practice did not take place. The management letter seems to be drafted in a tone which suggests that this and several other previously audited "standard" practices were a result of managements disinterest or inexperience when in fact the very contract provided by the county and governing the instructor class program (this contract has been in existence for 25 years as well) stipulates "The Instructor shall be solely responsible for properly reporting all monies as a result of work done for the District, to the State and Federal Governments. District shall have no responsibility for reports of income for tax purposes."

The District is prepared to close the Special Activities Account as of June 22, 2009 while needed assistance with the following concerns:

1. Method and procedure for payment to recreation class instructors – though payments \$3,000 and below will be paid via Low Value/Payment Request method.
2. Method and procedure for refunding rental deposits and program participants.

Auditor's Response

In the management letter for the FY 2004 audit, the Internal Audits Division documented deficiencies and recommendations regarding closure of the Special Activities Account. The recommendations were not implemented. Nonetheless, the current Management response addresses actions that have been implemented, as well as planned actions to correct the deficiencies noted in the audit finding.

Material Weakness #2 - The Big Bear Sports Ranch purchase was not recorded in the Financial Accounting System (FAS).

The District purchased a sports ranch to provide various recreational activities for the residents of Big Bear Lake. The overall purchase included land, a hockey rink, basketball courts, tennis courts, a dining hall, dormitories, and a swimming pool. The District received \$2,500,000 in Proposition 12 grant funding from the State to finance the sports ranch purchase. However, the funding for the purchase and the related capital expenditures were not recorded in FAS.

All financial transactions, including those related to major capital purchases, are required to be recorded in FAS so that the accounting records and financial statements are complete and accurate in accordance with generally accepted accounting principles.

Since the Proposition 12 grant funding was directly submitted by the State to the escrow company associated with purchase, the transaction was never recorded in FAS by the department. The District's financial statements could be materially misstated if significant transactions are not being properly recorded in the financial accounting records.

Recommendation

Management must comply with the County's accounting policies by ensuring that all supporting documentation for capital asset purchases is submitted to General Accounting for the appropriate processing. Consistently complying with the County's accounting policies will serve to prevent the financial statements from being materially misstated and will help ensure that the accounting information in the financial statements is being reported in accordance with GAAP.

Management's Response

District management was under the assumption that Real Estate Services was the responsible party for transaction recordation. With direction that this responsibility is the District's, administrative staff will perform this function in any future case.

Auditor's Response

Management response addresses planned actions to correct the deficiency noted in the audit finding.

We consider the following deficiencies to be significant deficiencies in internal control.

Significant Deficiency #1 - Bank reconciliations were not being performed.

The District has 3 bank accounts, which include the Clearing Account, Special Activities Account, and the Petty Cash Account. The accounting records for these accounts were not being reconciled to the bank statements.

The Internal Control and Cash Manual (January 2008), Chapter 9 – Bank Accounts, states that departments are to reconcile their records to the bank statements each month.

The District personnel in the Big Bear office considered the reconciliation summary produced by their Quicken system to be an appropriate bank reconciliation. However, the reconciliation summary did not show evidence that the check register was reconciled to the monthly bank statement. The bank reconciliation is a key element in providing assurance as to the integrity and accuracy of the financial records. By not properly performing the monthly bank reconciliations, the District's exposure to accounting errors and the misappropriation of cash assets is significantly increased.

Recommendation

The District Manager needs to ensure that the District staff is consistently following the policies outlined in the County's Internal Control and Cash Manual when performing the duties related to the District's bank accounts, which include performing timely and accurate bank reconciliations. Furthermore, management should review the monthly bank reconciliations to help ensure that cash transactions are properly recorded in the accounting records.

Management's Response

District administration disagrees with the statement that the accounting records are not reconciled to the bank statements. In fact they are reconciled on a monthly basis by the Assistant Regional Manager and reviewed by the Regional Manager. Regardless, the District will be switching to the Quick Books system on July 1, 2009 so that we are using a system which is compatible with County FAS.

The Regional manager will ensure that staff is following County's Internal Control and Cash Manual.

Clearing account and petty cash account will be reconciled with bank statements. A/C-R has provided a sample reconciliation form which will be used; records of reconciliation will be kept on file at the District office.

Auditor's Response

The District did not provide evidence of a bank reconciliation during the course of the audit. Nevertheless, Management's response addresses planned actions to correct deficiencies noted in the audit finding.

Significant Deficiency #2 - The District lacks appropriate segregation of duties for their accounting functions.

The Assistant District Manager at the Big Bear office has full autonomy over most of the District's accounting functions, which include the following duties:

- 1) recording transactions in the Quicken accounting system
- 2) depositing the cash receipts into the District's bank account at Union Bank
- 3) maintaining custody of the prenumbered, blank checks
- 4) issuing checks as an authorized check signer on the bank account

Proper segregation of duties is an essential part of the control environment. Strong internal controls require the segregation of authorizing transactions, recording financial information, and maintaining custody of assets.

The District Manager was not aware that the Assistant District Manager was performing incompatible job functions. Therefore, the conflicting duties were not appropriately segregated among the District personnel. When various job functions are not properly segregated, the risk of committing and concealing fraudulent financial activity increases. In addition, this weakness in the control environment also prevents errors from being detected in a timely manner.

Recommendation

The District should establish an appropriate segregation of duties among the District staff. Ideally, the responsibilities of authorizing, recording, and custody should be delegated to individual staff members. However, if staffing limitations prevent segregating these functions, then management should implement mitigating controls to reduce the risk of unintentional errors and fraudulent financial reporting.

Management's Response

District will confer with Special District's Budget/Fiscal Division regarding segregation of duties, and will comply with their recommendations with consideration of the limited number of positions available.

Final note: BBVRPD administrative staff looks forward to complying/correcting audit findings and subsequent meetings to solve the minor issues associated with closing the Special Activities Account. Thank you for your time and interest in helping our District to comply with County policies and procedures. We truly appreciate your time and assistance.

Auditor's Response

Management response addresses planned actions to correct deficiencies noted in the audit finding.

ML/ Jeffrey Rigney, Director
Special Districts Department
April 28, 2009
Page 9

This communication is intended solely for the information and use of management, the Audit Committee, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

Larry Walker
Auditor/Controller-Recorder

By: _____
Howard M. Ochi
Chief Deputy Auditor

Quarterly copies to:

County Administrative Officer
Board of Supervisors
Audit Committee Representative
Grand Jury (2)
Audit file (2)

Date Report Distributed: 7/17/09

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May 25, 2010

Jeffrey Rigney, Director
Special Districts Department
157 W. Fifth Street, 2nd Floor
San Bernardino, CA 92415-0450

**Subject: MANAGEMENT LETTER – BIG BEAR VALLEY PARK AND
RECREATION DISTRICT FOR THE FISCAL YEAR ENDED
JUNE 30, 2009**

We have completed an audit of the Big Bear Valley Park and Recreation District (District) governmental funds for the fiscal year ended June 30, 2009 and have issued our report thereon dated March 26, 2010. In planning and performing our audit of the financial statements of the District's governmental funds as of and for the year ended June 30, 2009, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. However, as discussed below, we identified two deficiencies in internal control that we consider to be material weaknesses and another that we consider to be a control deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles (GAAP) such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the following deficiencies constitute a material weakness:

Material Weakness #1 - The overall accounting and internal controls related to the District's bank accounts are not adequate.

The Internal Control and Cash Manual (January 2010), Chapter 9 – Bank Accounts, states that departments are to reconcile their records to the bank statements each month. Proper internal controls require that the district maintain an accounting of all revenues received. Proper segregation of duties is an essential part of the control environment. Strong internal controls require the segregation of authorizing transactions, recording financial information, and maintaining custody of assets. The County's Internal Control and Cash Manual further states the cash deposited into the County Treasury is used for investing purposes.

As of June 30, 2009 the District had 3 bank accounts, which include the Clearing Account, Special Activities Account, and the Petty Cash Account. The Special Activities account was closed on August 18, 2009 in response to the prior year's Management Letter recommendations. The observations made for the June 30, 2008 audit were still present during FY2009 due to the timing of the audits. However, since the Special Activities account was closed, we are only noting the controls that still need improvement over the remaining bank accounts. The following ongoing issues were still noted in the bank accounts:

- The accounting records for these accounts were not being reconciled to the bank statement as of June 30, 2009. Individual transactions from the bank statements were traced back to accounting records, but a reconciliation of the actual balance at year end per accounting records to the June 30, 2009 bank statement was not performed.
- Our review of deposits into bank accounts did not agree with the District's accounting records (Quicken). There were errors and plug figures used in Quicken in an attempt to make Quicken agree with the deposits shown on the bank statements. It was noted that accounting records could be changed by a single employee without any approval or review.
- The Assistant District Manager has full autonomy over all of the District's accounting functions, which include the following duties:
 - 1) recording transactions in the Quicken accounting system
 - 2) maintaining custody of the prenumbered, blanks checks
 - 3) issuing checks as an authorized check signer on the bank account
 - 4) preparing reconciliations of the bank accounts

- Since the District does not participate in the County's Consolidated Banking program, the District must transfer cash deposits by issuing checks to the County Treasury. However, during the current fiscal year, the District only made 14 transfers to the County Treasury on 8 separate dates. The amount of cash receipts that is generated on a weekly basis is substantial enough for the District to have made more deposits into the County Treasury.

The District considered the reconciliation summary produced by their Quicken system to be an appropriate bank reconciliation. However, the reconciliation summary did not show evidence that the check register was reconciled to the monthly bank statement. The lack of a proper segregation of duties allowed the records to be manipulated to agree to bank statements. Conflicting duties were not appropriately segregated; the District did not feel there was an adequate amount of staff to segregate the accounting duties over the bank accounts.

The bank reconciliation is a key element in providing assurance as to the integrity and accuracy of the financial records. By not properly performing the monthly bank reconciliations, the District's exposure to accounting errors and the misappropriation of cash assets is significantly increased. When any single employee is able to change accounting records without any tracking or approval controls, the integrity of the entire accounting system is compromised. When various job functions are not properly segregated, the risk of committing and concealing fraudulent financial activity increases. In addition, this weakness in the control environment also prevents errors from being detected in a timely manner. The cash deposited into the County Treasury is used for investment purposes. When departments do not make timely deposits, the County is losing interest on days the money is not in the Treasury pool.

Recommendation

The District Manager needs to ensure that the administrative staff is consistently following the policies outlined in the County's Internal Control and Cash Manual when performing the duties related to the District's bank accounts, which include performing timely and accurate bank reconciliations. Furthermore, management should review the monthly bank reconciliations to ensure that all cash transactions are properly recorded in the accounting records.

The District should establish an appropriate segregation of duties among the staff. Ideally, the responsibilities of authorizing, recording, reconciling and custody should be delegated to individual staff members. However, if staffing limitations prevent segregating these functions, then management should implement mitigating controls to reduce the risk of unintentional errors and fraudulent financial reporting.

The District needs to deposit their cash receipts into the County Treasury on a weekly basis. Increasing the frequency of the deposits into the County Treasury provides for an opportunity to use a larger cash base for investing purposes.

Management's Response

The General Manager will begin immediately reconciling the bank account in Quicken. Staff has read and become familiar with the Bank Reconciliation section of the Internal Controls and Cash Manual and will begin completing the paperwork correctly.

Policy has been implemented forbidding any changes made to financial documents or records without the General Managers approval.

The District Staff consists of a General Manager, Assistant Regional Manager, Office Assistant II, 2 Recreation Superintendents, a Maintenance Superintendent and a seasonal office PSE. Fiscal accountability and participant/employee safety are our highest priorities. In the General Manager's opinion, fiscal accountability can be best obtained in our geographically isolated District through limiting the number of persons in the process. The GM and Assistant Regional Manager are the only local staff qualified to review and oversee.

After reviewing the Auditor's suggestions, duties have been segregated as follows:

Cashiers will prepare and deposit their daily deposits into Union Bank on a daily basis.

A seasonal PSE employee will verify deposits are deposited into the bank.

The Assistant Regional Manager will record the deposits into the Quicken accounting system.

The Assistant Regional Manager will maintain control and prepare the pre numbered checks for payment, but will no longer sign checks. She will remain as an authorized signer on the account, which allows inquiries to be performed with the local bank.

As there are three different departments making deposits to the same account on a daily basis, the District has tried to reconcile the bank accounts before clearing funds to assure accuracy. Should there be a shortage or overage in a deposit, we would be made aware of it before issuing a check to the County for deposit. The District will clear funds on a weekly basis, stipulating that there may be exceptions due to unforeseen circumstances.

The General Manager will require to Assistant Regional Manager, the Office Assistant II and all cashiers to reread the Cash Handling Manual.

Auditor's Response

The District's response addresses planned action to prevent reoccurrence of this finding.

Material Weakness #2 – Necessary-year-end entry was not recorded.

Generally Accepted Accounting Principles require the recording of liabilities as of fiscal year-end. During our audit an adjustment of \$200,000 was made to record money owed to Special District Administration at June 30, 2009. This money was borrowed by the District to cover expenses until the District received its grant reimbursement. The money was subsequently returned to Special District Administration, but the liability was not properly recorded as of June 30, 2009. Not preparing necessary year-end entries can potentially have a material effect on the financial statements.

Recommendations:

Become more familiar with the year-end closing manual provided by the General Accounting Section of the Auditor-Controller to ensure all possible year-end entries are being made and included in the District's year-end accrual package. Follow the instructions in the manual and ask for guidance from General Accounting if needed.

Management's Response:

The General Manager will meet with the SDD Fiscal Department head to either become familiar with the responsibilities and process associated with the finding, or determine that SDD fiscal personnel will address this issue when repayments are necessary.

Auditor's Response

The District's response addresses planned action to prevent reoccurrence of this finding.

Control Deficiency #1 - Internal controls over fixed assets could be improved.

Tracking and securing fixed assets provides internal control to safeguard the assets from impairment or misappropriation. During our field visit test of fixed assets, we noted the following conditions:

- One asset, an all-terrain vehicle, could not be observed as the district noted that it was buried under snow.
- One trailer did not have a County issued tag.

The District was not prepared for the snowstorm and did not have a chance to secure the all-terrain vehicle. The District had not yet gotten around to requesting a tag for the trailer. Assets may be impaired by being exposed to harsh physical elements. They also cannot be secured against theft if they are not accessible by District staff. Without County issued tags, it may be difficult to track, identify and account for assets.

Recommendation

Management needs to ensure that all assets are tagged and secured from impairment and misappropriation. In order to accomplish this, we recommend that the all-terrain vehicle be parked under cover at all times throughout the winter.

Management's Response

The District has an excellent track record of managing winter weather events. The storm that buried the Zoo ATV was a record storm that accumulated over seven feet of snow at the zoo location. The ATV does not need to be parked under the extremely limited cover available at the Zoo, as it is tarped and easily accessible excepting the 50 year snow storm that occurred this past winter. The District would literally have to build a cover to accommodate, which would cost more than the ATV is worth.

When the District purchased the Big Bear Sports Ranch in August of 2007, the previous owner donated the trailer in question to the District as an afterthought. The District acknowledges that the trailer should have been registered with a County tag and has no response other than the Parks Maintenance Superintendent is now aware of the importance of tagging assets should this situation arise in the future.

Auditor's Response

The District's response addresses planned action to prevent reoccurrence of this finding.

This communication is intended solely for the information and use of management, the Audit Committee, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

Larry Walker

Auditor-Controller/Recorder/Treasurer/Tax Collector

By:

MARK COUSINEAU
Chief Deputy Auditor

Quarterly copies to:

County Administrative Officer
Board of Supervisors
Audit Committee Representative
Grand Jury (2)
Audit file (2)
Date Report Distributed: 5/25/10

LDW:HMO:RLA:mah