

## CSA 70 M Wonder Valley

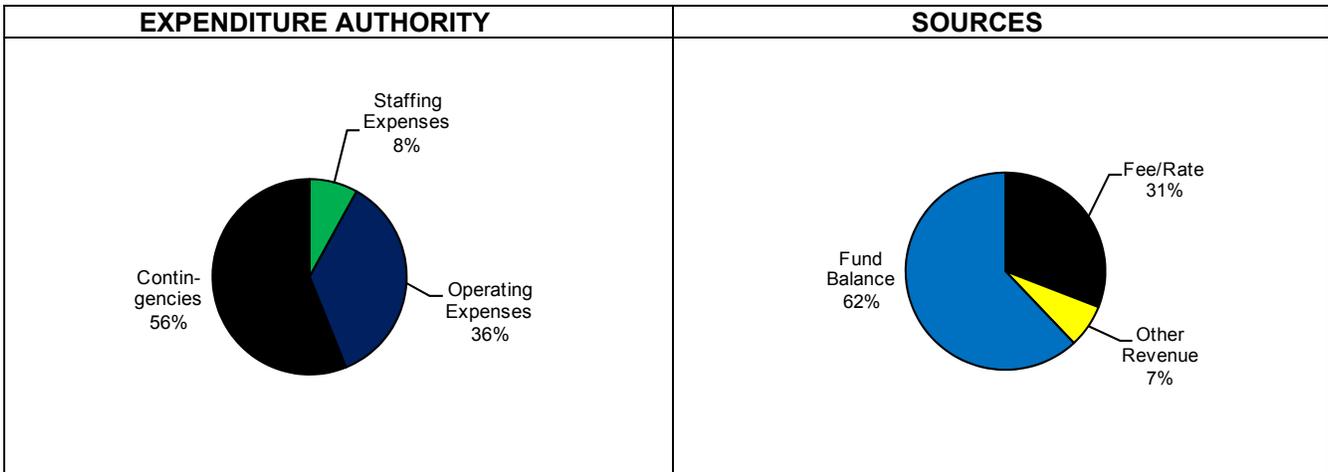
### DESCRIPTION OF MAJOR SERVICES

County Service Area (CSA) 70, Zone M is located ten miles east of Twentynine Palms and was established by an act of the County of San Bernardino Board of Supervisors (Board) on July 1, 1991 to provide park services to the community of Wonder Valley. This District has a Board appointed Advisory Commission and utilizes the Wonder Valley Community Center for meetings.

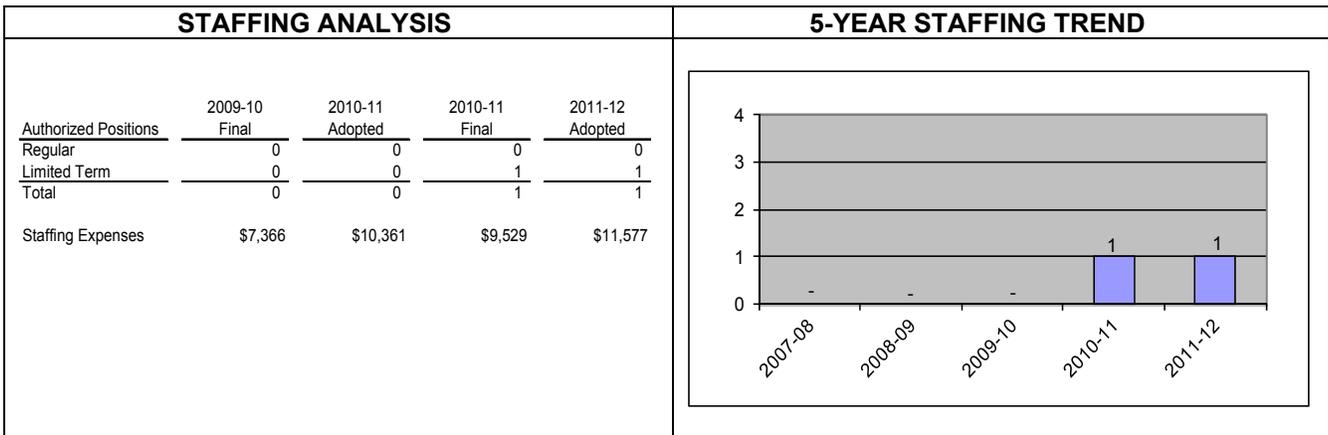
#### Budget at a Glance

Total Expenditure Authority	\$144,875
Total Sources	\$54,929
Fund Balance	\$89,946
Total Staff	1

### 2011-12 ADOPTED BUDGET



### BUDGETED STAFFING



PARK



### ANALYSIS OF 2011-12 ADOPTED BUDGET

GROUP: Operations and Community Services  
 DEPARTMENT: Special Districts  
 FUND: CSA 70 M Wonder Valley

BUDGET UNIT: SYR 205  
 FUNCTION: Operating  
 ACTIVITY: Park and Recreation

	2007-08 Actual	2008-09 Actual	2009-10 Actual	2010-11 Actual	2010-11 Final Budget	2011-12 Adopted Budget	Change From 2010-11 Final Budget
<b>Appropriation</b>							
Staffing Expenses	11,620	9,502	7,366	9,482	9,529	11,577	2,048
Operating Expenses	46,862	67,033	41,782	45,918	45,918	52,063	6,145
Capital Expenditures	0	0	0	0	0	0	0
Contingencies	0	0	0	0	90,000	81,235	(8,765)
Total Exp Authority	58,482	76,535	49,148	55,400	145,447	144,875	(572)
Reimbursements	0	0	0	0	0	0	0
Total Appropriation	58,482	76,535	49,148	55,400	145,447	144,875	(572)
Operating Transfers Out	0	0	0	0	0	0	0
Total Requirements	58,482	76,535	49,148	55,400	145,447	144,875	(572)
<b>Departmental Revenue</b>							
Taxes	0	0	0	0	0	0	0
Realignment	0	0	0	0	0	0	0
State, Fed or Gov't Aid	0	0	0	70	0	0	0
Fee/Rate	54,425	47,395	46,514	48,190	48,261	44,731	(3,530)
Other Revenue	5,097	11,441	10,557	10,376	10,266	10,198	(68)
Total Revenue	59,522	58,836	57,071	58,637	58,527	54,929	(3,598)
Operating Transfers In	0	0	0	0	0	0	0
Total Sources	59,522	58,836	57,071	58,637	58,527	54,929	(3,598)
				Fund Balance	86,920	89,946	3,026
				Budgeted Staffing	1	1	0

### BUDGET CHANGES AND OPERATIONAL IMPACT

Staffing expenses of \$11,577 fund 1 public service employee position. The increase of \$2,048 is due to additional hours for park maintenance projects.

Operating expenses of \$52,063 include costs for utilities, maintenance, vehicle charges, insurance, administrative support, and COWCAP charges. The increase of \$6,145 is primarily due to increased cost of general maintenance and utilities.

Contingencies of \$81,235 are decreasing by \$8,765 due to reduced departmental revenue.

Departmental revenue of \$54,929 primarily represents service charges, park program fees, concessions and rent, interest earnings, and miscellaneous revenue and is decreasing by \$3,598 based on projected revenue.

### 2011-12 POSITION SUMMARY

Division	Regular	Limited Term	Total	Filled	Vacant	New	Total
Operations	0	1	1	1	0	0	1
Total	0	1	1	1	0	0	1

Operations
1 Public Service Employee



PARK

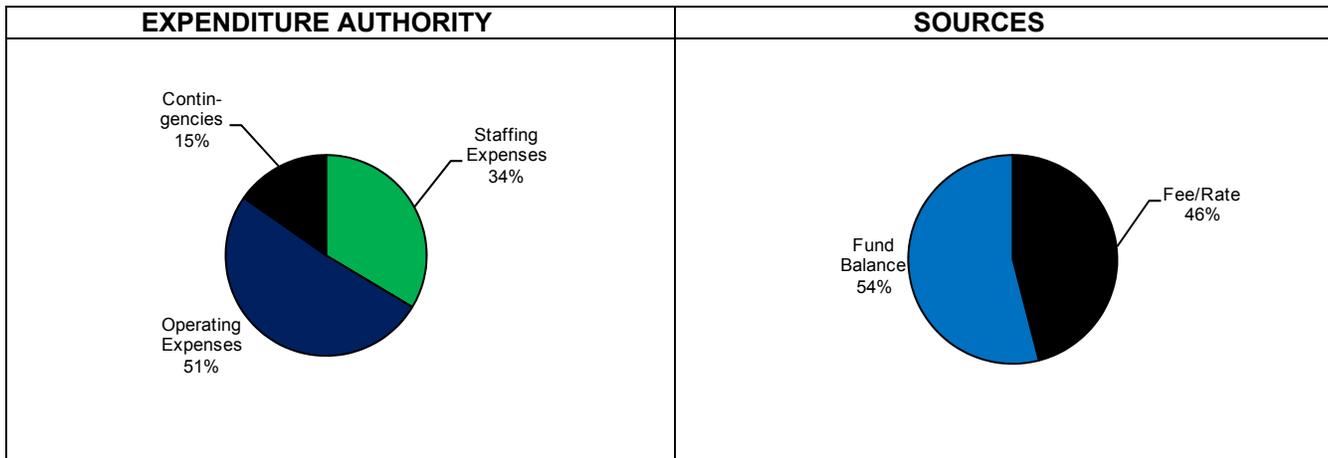
## CSA 70 M Wonder Valley

### DESCRIPTION OF MAJOR SERVICES

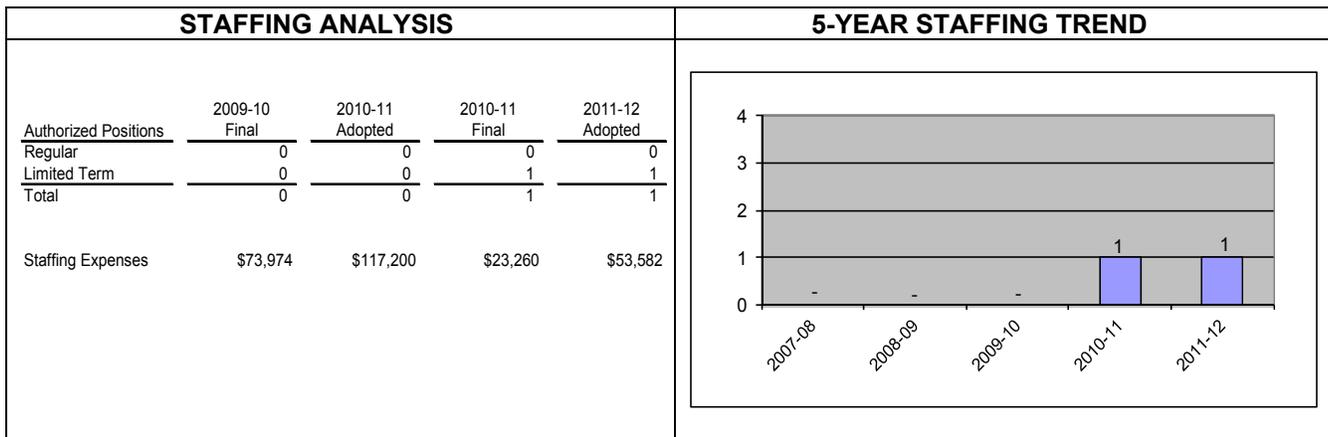
County Service Area (CSA) 70, Zone M was established by an act of the County of San Bernardino Board of Supervisors (Board) on August 14, 1972 to provide road maintenance for the community of Wonder Valley. This Road District is located 10 miles east of Twenty-Nine Palms and receives a per parcel service charge to fund its maintenance service. This District has a Board appointed Advisory Commission and utilizes the Wonder Valley Community Center for meetings.

Budget at a Glance	
Total Expenditure Authority	\$159,526
Total Sources	\$73,657
Fund Balance	\$85,869
Total Staff	1

### 2011-12 ADOPTED BUDGET



### BUDGETED STAFFING



ROAD



## ANALYSIS OF 2011-12 ADOPTED BUDGET

GROUP: Operations and Community Services  
 DEPARTMENT: Special Districts  
 FUND: CSA 70 M Wonder Valley

BUDGET UNIT: SLP 180  
 FUNCTION: Operating  
 ACTIVITY: Road

	2007-08 Actual	2008-09 Actual	2009-10 Actual	2010-11 Actual	2010-11 Final Budget	2011-12 Adopted Budget	Change From 2010-11 Final Budget
<b>Appropriation</b>							
Staffing Expenses	54,005	73,220	73,974	23,148	23,260	53,582	30,322
Operating Expenses	60,472	69,490	63,067	71,075	71,075	81,564	10,489
Capital Expenditures	0	0	0	0	0	0	0
Contingencies	0	0	0	0	85,911	24,380	(61,531)
Total Exp Authority	114,477	142,710	137,041	94,223	180,246	159,526	(20,720)
Reimbursements	(36,463)	(104,946)	(42,016)	0	0	0	0
Total Appropriation	78,014	37,764	95,025	94,223	180,246	159,526	(20,720)
Operating Transfers Out	0	0	0	0	0	0	0
Total Requirements	78,014	37,764	95,025	94,223	180,246	159,526	(20,720)
<b>Departmental Revenue</b>							
Taxes	0	0	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	75,692	61,734	71,069	72,257	72,256	73,057	801
Other Revenue	3,877	31,221	1,591	881	805	600	(205)
Total Revenue	79,569	92,955	72,660	73,138	73,061	73,657	596
Operating Transfers In	0	0	0	0	0	0	0
Total Sources	79,569	92,955	72,660	73,138	73,061	73,657	596
				Fund Balance	107,185	85,869	(21,316)
				Budgeted Staffing	1	1	0

### BUDGET CHANGES AND OPERATIONAL IMPACT

Staffing expenses of \$53,582 fund 1 public service employee and are increasing by \$30,322 due to an increase in hours for winter 2011 storm damage repairs.

Operating expenses of \$81,564 represent road maintenance, other costs, and transfers for salaries and benefits and services and supplies support from CSA 70 Countywide. The increase of \$10,489 is due to reimbursements to CSA 70 Countywide for shared positions.

Contingencies of \$24,380 are decreasing by \$61,531 to fund current year operations and due to less available fund balance.

Departmental revenue of \$73,657 represents service charges and interest revenue and is increasing by \$596 based on projected revenue.

### 2011-12 POSITION SUMMARY

Division	Regular	Limited Term	Total	Filled	Vacant	New	Total
Operations	0	1	1	1	0	0	1
Total	0	1	1	1	0	0	1

<u>Operations</u>
1 Public Service Employee Equipment Operator

ROAD



**COUNTY OF SAN BERNARDINO  
SPECIAL DISTRICTS  
COUNTY SERVICE AREA No. 70  
ZONE M - WONDER VALLEY**

**REPORT ON AUDIT**

**JUNE 30, 2010**

**County of San Bernardino Special Districts  
County Service Area No. 70  
Zone M - Wonder Valley  
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**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 Special  
District County Service Area  
No. 70 - Zone M - Wonder Valley

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CHRISTOPHER MONTOYA, C.P.A.  
DANIELLE E. ODGERS, C.P.A.

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities and each major fund of the County of San Bernardino Special District County Service Area No. 70 - Zone M - Wonder Valley (CSA), a component unit of the County of San Bernardino, as of and for the year ended June 30, 2010, which collectively comprise the CSA's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the CSA's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the State Controller's Minimum Audit Requirement for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the County of San Bernardino Special District County Service Area No. 70 - Zone M - Wonder Valley, 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 budgetary comparison information on pages 18 - 19 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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CERTIFIED PUBLIC ACCOUNTANTS

The County of San Bernardino Special District County Service Area No. 70 - Zone M - Wonder Valley has not presented the *Management's Discussion and Analysis* that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

*Rogers, Anderson, Malody & Scott, LLP*

November 30, 2010

**County of San Bernardino Special Districts**  
**County Service Area No. 70 - Zone M - Wonder Valley**  
**Statement of Net Assets**  
**June 30, 2010**

**ASSETS**

Cash and cash equivalents	\$ 195,731
Interest receivable	484
Special assessments receivable	5,202
Capital assets, net of depreciation	<u>111,252</u>
 Total Assets	 <u>312,669</u>

**LIABILITIES**

Accounts payable	3,780
Salaries and benefits payable	<u>340</u>
 Total Liabilities	 <u>4,120</u>

**NET ASSETS**

Invested in capital assets	111,252
Unrestricted	<u>197,297</u>
 Total Net Assets	 <u><u>\$ 308,549</u></u>

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

**County of San Bernardino Special Districts**  
**County Service Area No. 70 - Zone M - Wonder Valley**  
**Statement of Activities**  
**For the Year Ended June 30, 2010**

**EXPENSES**

Salaries and benefits	\$ 90,270
Services and supplies	46,990
Depreciation	16,182
Total Program Expenses	<u>153,442</u>

**PROGRAM REVENUE**

Charges for services	<u>109,310</u>
Net Program Expense	<u>(44,132)</u>

**GENERAL REVENUES**

Property taxes	6,791
Rents, concessions and royalties	9,425
Investment earnings	1,640
Contributions from other governments	30,160
Gain on sale of capital assets	218

Total General Revenues	<u>48,234</u>
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Change in Net Assets	4,102
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<b>Net Assets - beginning</b>	<u>304,447</u>
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<b>Net Assets - ending</b>	<u><u>\$ 308,549</u></u>
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The accompanying notes are an integral part of these financial statements.

**County of San Bernardino Special Districts**  
**County Service Area No. 70 - Zone M - Wonder Valley**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2010**

	SPECIAL REVENUE FUNDS		Total Governmental Funds
	Road (SLP)	Park (SYR)	
<b>ASSETS</b>			
Cash and cash equivalents	\$ 110,453	\$ 85,278	\$ 195,731
Interest receivable	238	246	484
Special assessments receivable	3,109	2,093	5,202
	<u>3,109</u>	<u>2,093</u>	<u>5,202</u>
Total Assets	<u>\$ 113,800</u>	<u>\$ 87,617</u>	<u>\$ 201,417</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 3,780	\$ -	\$ 3,780
Salaries and benefits payable	-	340	340
	<u>-</u>	<u>340</u>	<u>340</u>
Total Liabilities	<u>3,780</u>	<u>340</u>	<u>4,120</u>
Fund Balances:			
Reserved	-	300	300
Unreserved:			
Undesignated	110,020	86,977	196,997
	<u>110,020</u>	<u>86,977</u>	<u>196,997</u>
Total Fund Balances	<u>110,020</u>	<u>87,277</u>	<u>197,297</u>
Total Liabilities and Fund Balances	<u>\$ 113,800</u>	<u>\$ 87,617</u>	

Amounts reported for *governmental activities* in the statement of net assets (Exhibit "A") are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

111,252

Net Assets of Governmental Activities

\$ 308,549

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

**County of San Bernardino Special Districts**  
**County Service Area No. 70 - Zone M - Wonder Valley**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2010**

	SPECIAL REVENUE FUNDS		Total Governmental Funds
	Road (SLP)	Park (SYR)	
<b>REVENUES</b>			
Property taxes	\$ 4,058	\$ 2,733	\$ 6,791
Service fees	-	124	124
Special assessments	65,529	43,657	109,186
Investment earnings	821	819	1,640
Rents, concessions and royalties	-	9,425	9,425
Total Revenues	<u>70,408</u>	<u>56,758</u>	<u>127,166</u>
<b>EXPENDITURES</b>			
Salaries and benefits	61,441	31,370	92,811
Services and supplies	29,268	17,722	46,990
Total Expenditures	<u>90,709</u>	<u>49,092</u>	<u>139,801</u>
Excess of Revenues Over (Under) Expenditures	<u>(20,301)</u>	<u>7,666</u>	<u>(12,635)</u>
<b>OTHER FINANCING SOURCES</b>			
Sale of capital asset	<u>218</u>	<u>-</u>	<u>218</u>
Total Other Financing Sources	<u>218</u>	<u>-</u>	<u>218</u>
Net Change in Fund Balances	(20,083)	7,666	(12,417)
<b>Fund Balances - beginning</b>	<u>130,103</u>	<u>79,611</u>	<u>209,714</u>
<b>Fund Balances - ending</b>	<u>\$ 110,020</u>	<u>\$ 87,277</u>	<u>\$ 197,297</u>

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

**County of San Bernardino Special Districts  
County Service Area No. 70 - Zone M - Wonder Valley  
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	\$	(12,417)
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Amounts reported for *governmental activities* in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense (\$16,182) exceeded capital outlay (\$-0-) in the current period.		(16,182)
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Capital assets transferred to/from other governments are not financial resources and therefore are not reported in the governmental funds.		30,160
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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.

Decrease in compensated absences payable		2,541
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Change in Net Assets of Governmental Activities	\$	4,102
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The accompanying notes are an integral part of these financial statements.

**County of San Bernardino Special Districts**  
**County Service Area No. 70 - Zone M - Wonder Valley**  
**Notes to Financial Statements**  
**June 30, 2010**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Reporting entity**

The County Service Area (CSA) No. 70 - Zone M was established by an act of the Board of Supervisors of the County of San Bernardino (the County) to provide fire protection, park services and road maintenance to 370 miles of road to the community of Wonder Valley.

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

The accompanying financial statements reflect only the accounts of the County Service Area No. 70 - Zone M of the County of San Bernardino and are not intended to present the financial position of the County taken as a whole.

Because the CSA meets the reporting entity criteria established by the Governmental Accounting Standards Board (GASB), the CSA's financial statements have also been included in the Comprehensive Annual Financial Report of the County as a "component unit" for the fiscal year ended June 30, 2010.

**Government-wide and fund financial statements**

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

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

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

**County of San Bernardino Special Districts**  
**County Service Area No. 70 - Zone M - Wonder Valley**  
**Notes to Financial Statements**  
**June 30, 2010**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

The government reports the following major governmental funds:

The *special revenue fund* labeled "Road" provides maintenance to 370 miles of road.

The *special revenue fund* labeled "Park" provides park services to the community of Wonder Valley.

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

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

**County of San Bernardino Special Districts**  
**County Service Area No. 70 - Zone M - Wonder Valley**  
**Notes to Financial Statements**  
**June 30, 2010**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

**Property taxes**

Secured property taxes are levied in two equal installments, November 1 and February 1. They become delinquent with penalties on December 10 and April 10, respectively. The lien date is January 1 of each year. Unsecured property taxes are due on March 1st and become delinquent with penalties on August 31st.

**Inventories and prepaid items**

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

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

**County of San Bernardino Special Districts  
County Service Area No. 70 - Zone M - Wonder Valley  
Notes to Financial Statements  
June 30, 2010**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**Capital assets**

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

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

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

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

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

**Fund equity**

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

**Employee compensated absences**

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

**County of San Bernardino Special Districts**  
**County Service Area No. 70 - Zone M - Wonder Valley**  
**Notes to Financial Statements**  
**June 30, 2010**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Beginning Balance	Additions	Deletions	Ending Balance
\$ 2,541	\$ -	\$ 2,541	\$ -

**Use of estimates**

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

**Stewardship, compliance and accountability**

A. Budgetary information

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

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

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

B. Encumbrances

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitment will be reappropriated and honored during the subsequent year.

**County of San Bernardino Special Districts**  
**County Service Area No. 70 - Zone M - Wonder Valley**  
**Notes to Financial Statements**  
**June 30, 2010**

NOTE 2: CASH AND DEPOSITS

Cash and cash equivalents includes the cash balance of monies deposited with the County Treasurer which are pooled and invested for the purpose of increasing earnings through investment activities. Interest earned on pooled investments is deposited to the CSA's account based upon the CSA's average daily deposit balance during the allocation period. Cash and cash equivalents are shown at the fair value as of June 30, 2010.

See the County of San Bernardino's Comprehensive Annual Financial Report (CAFR) for details of their investment policy and disclosures related to investment credit risk, concentration of credit risk, interest rate risk and custodial credit risk, as required by GASB Statement No. 40.

NOTE 3: CAPITAL ASSETS

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<b>Governmental activities:</b>				
Capital assets, being depreciated:				
Land improvements	\$ 109,684	\$ 70,920	\$ -	\$ 180,604
Vehicles	187,314	-	(17,443)	169,871
Total capital assets, being depreciated	<u>296,998</u>	<u>70,920</u>	<u>(17,443)</u>	<u>350,475</u>
Less accumulated depreciation for:				
Land improvements	(37,112)	(47,959)	-	(85,071)
Vehicles	(162,612)	(8,983)	17,443	(154,152)
Total accumulated depreciation	<u>(199,724)</u>	<u>(56,942) *</u>	<u>17,443</u>	<u>(239,223)</u>
Total capital assets, being depreciated net	<u>\$ 97,274</u>	<u>\$ 13,978</u>	<u>\$ -</u>	<u>\$ 111,252</u>

\* This amount includes current year depreciation expense of \$16,182 and \$40,760 for accumulated depreciation as of June 30, 2010 for improvements to land with a cost of \$70,920 transferred to the CSA in the current year.

**County of San Bernardino Special Districts  
County Service Area No. 70 - Zone M - Wonder Valley  
Notes to Financial Statements  
June 30, 2010**

NOTE 4: RETIREMENT PLAN

**Plan Description**

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

**Fiduciary Responsibility**

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

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

**County of San Bernardino Special Districts**  
**County Service Area No. 70 - Zone M - Wonder Valley**  
**Notes to Financial Statements**  
**June 30, 2010**

NOTE 4: RETIREMENT PLAN (continued)

**Funding Policy**

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**  
**County Service Area No. 70 - Zone M - Wonder Valley**  
**Notes to Financial Statements**  
**June 30, 2010**

NOTE 4: RETIREMENT PLAN (continued)

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

NOTE 5: FEDERAL AND STATE GRANTS

From time to time, the CSA may receive funds from various Federal and State agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantors cannot be determined at this time, although the CSA expects such amounts, if any, to be immaterial.

NOTE 6: RISK MANAGEMENT

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

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

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

**County of San Bernardino Special Districts  
County Service Area No. 70 - Zone M - Wonder Valley  
Notes to Financial Statements  
June 30, 2010**

NOTE 6: RISK MANAGEMENT (continued)

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

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

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

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

NOTE 7: PROPOSITION 111 APPROPRIATIONS LIMITS

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

NOTE 8: CONTINGENCIES

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

**Required Supplementary Information**  
**County of San Bernardino Special Districts**  
**County Service Area No. 70 - Zone M - Wonder Valley**  
**Budgetary Comparison Schedule - Special Revenue Funds**  
**For the Year Ended June 30, 2010**

	SPECIAL REVENUE FUNDS			
	Road (SLP)			
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Property taxes	\$ 4,716	\$ 3,768	\$ 4,058	\$ 290
Service fees	-	-	-	-
Special assessments	64,459	64,459	65,529	1,070
Investment earnings	3,500	1,136	821	(315)
Rents, concessions and royalties	-	-	-	-
Total Revenues	<u>72,675</u>	<u>69,363</u>	<u>70,408</u>	<u>1,045</u>
<b>EXPENDITURES</b>				
Salaries and benefits	78,909	64,276	61,441	2,835
Services and supplies	44,069	31,016	29,268	1,748
Reserves and contingencies	79,166	103,758	-	103,758
Total Expenditures	<u>202,144</u>	<u>199,050</u>	<u>90,709</u>	<u>108,341</u>
Excess of Revenues Over (Under) Expenditures	<u>(129,469)</u>	<u>(129,687)</u>	<u>(20,301)</u>	<u>109,386</u>
<b>OTHER FINANCING SOURCES</b>				
Sale of capital asset	-	218	218	-
Total Other Financing Sources	<u>-</u>	<u>218</u>	<u>218</u>	<u>-</u>
Net Change in Fund Balances	<u>\$ (129,469)</u>	<u>\$ (129,469)</u>	(20,083)	<u>\$ 109,386</u>
<b>Fund Balances - beginning</b>			<u>130,103</u>	
<b>Fund Balances - ending</b>			<u>\$ 110,020</u>	

SPECIAL REVENUE FUNDS			
Park (SYR)			
Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
\$ 3,177	\$ 2,538	\$ 2,733	\$ 195
-	-	124	124
39,959	41,883	43,657	1,774
3,000	1,256	819	(437)
<u>9,055</u>	<u>9,055</u>	<u>9,425</u>	<u>370</u>
<u>55,191</u>	<u>54,732</u>	<u>56,758</u>	<u>2,026</u>
40,852	33,426	31,370	2,056
35,631	15,722	17,722	(2,000)
<u>57,279</u>	<u>84,155</u>	<u>-</u>	<u>84,155</u>
<u>133,762</u>	<u>133,303</u>	<u>49,092</u>	<u>84,211</u>
<u>(78,571)</u>	<u>(78,571)</u>	<u>7,666</u>	<u>86,237</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ (78,571)</u>	<u>\$ (78,571)</u>	7,666	<u>\$ 86,237</u>
		<u>79,611</u>	
		<u>\$ 87,277</u>	