

**REVISED AUDIT FOR  
COUNTY SERVICE AREA 120  
RECEIVED OCTOBER 8, 2014**

**Attachment 3**

**COUNTY OF SAN BERNARDINO SPECIAL DISTRICTS  
COUNTY SERVICE AREA No. 120  
NORTH ETIWANDA PRESERVE**

**FINANCIAL STATEMENTS**

**JUNE 30, 2013**

**RECEIVED**  
OCT 09 2014

**LAFCO**  
San Bernardino County

**COUNTY OF SAN BERNARDINO SPECIAL DISTRICTS**  
**COUNTY SERVICE AREA No. 120**  
**NORTH ETIWANDA PRESERVE**  
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**June 30, 2013**

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An Independent CPA Firm

Board of Supervisors  
County of San Bernardino  
County of San Bernardino Special  
District County Service Area  
No. 120 – North Etiwanda Preserve

### Independent Auditors' 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 County Service Area No. 120 – North Etiwanda Preserve (CSA), a component unit of the County of San Bernardino, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise CSA's basic financial statements as listed in the table of contents.

#### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### **Auditor's Responsibility**

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 minimum audit requirements and reporting guidelines for California Special Districts required by the Office of the State Controller. 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### **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 CSA, as of June 30, 2013, and the respective changes in financial position, for the year then ended in accordance 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.

Board of Supervisors  
County of San Bernardino Special  
District County Service Area  
No. 120 – North Etiwanda Preserve  
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**Other Matters**

*Required Supplementary Information*

Management has omitted Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**David L. Gruber and Associates, Inc.**  
*David L. Gruber and Associates, Inc.*  
Huntington Beach, California  
November 25, 2013

COUNTY OF SAN BERNARDINO SPECIAL DISTRICTS  
COUNTY SERVICE AREA No. 120  
NORTH ETIWANDA PRESERVE  
Statement of Net Position

June 30, 2013

Assets

Cash and cash equivalents	\$ 1,661,768
Interest receivable	1,239
Capital assets, net of depreciation	<u>1,549,745</u>
Total Assets	<u>3,212,752</u>

Liabilities

Due to other funds	<u>146</u>
Total Liabilities	<u>146</u>

Net position

Invested in capital assets	1,549,745
Unrestricted	<u>1,662,861</u>
Total Net Position	<u>\$ 3,212,606</u>

The accompanying notes are an integral part of these financial statements.  
See accompanying independent auditors' report.

COUNTY OF SAN BERNARDINO SPECIAL DISTRICTS  
COUNTY SERVICE AREA No. 120  
NORTH ETIWANDA PRESERVE  
Statement of Activities

For the Year Ended June 30, 2013

<u>Expenses</u>	
Salaries and benefits	\$ 1,734
Services and supplies	13,066
Depreciation	86,750
Total Program Expenses	<u>101,550</u>
 <u>Program revenues</u>	
Charges of services	3,339
State assistance	-
Net Program Expense	<u>(98,211)</u>
 <u>General revenues</u>	
Interest earnings	6,952
Net increase in fair value of investments	10,955
Total General Revenues	<u>17,907</u>
Transfer in from County	<u>30,000</u>
Change in net position	(50,304)
Net position at beginning of year	<u>3,262,910</u>
Net position at end of year	<u>\$ 3,212,606</u>

The accompanying notes are an integral part of these financial statements.  
See accompanying independent auditors' report.

COUNTY OF SAN BERNARDINO SPECIAL DISTRICTS  
 COUNTY SERVICE AREA No. 120  
 NORTH ETIWANDA PRESERVE  
 Balance Sheet  
 Governmental Funds  
 June 30, 2013

	Special Revenue Fund	Permanent Fund	Nonmajor Capital Projects Fund	Total Governmental Funds
	General (SOH)	Preserve (VFG)	Etiwanda Preserve (CAT)	
<b>Assets</b>				
Cash and cash equivalents	\$ 38,900	\$ 1,622,866	\$ 2	\$ 1,661,768
Interest receivable	29	1,210	-	1,239
Total Assets	\$ 38,929	\$ 1,624,076	\$ 2	\$ 1,663,007
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Due to other funds	146	-	-	146
Total Liabilities	146	-	-	146
<b>Fund balances:</b>				
Non-spendable: Permanent endowment	-	1,624,076		1,624,076
Assigned	38,783	-	2	38,785
Total Fund Balances	38,783	1,624,076	2	1,662,861
Total Liabilities and Fund Balance	\$ 38,929	\$ 1,624,076	\$ 2	\$ 1,663,007
Amounts reported for <i>governmental activities</i> in the statement of net position are different because:				\$ 1,662,861
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.				1,549,745
Net Assets of Governmental Activities				\$ 3,212,606

The accompanying notes are an integral part of these financial statements.  
 See accompanying independent auditors' report.

COUNTY OF SAN BERNARDINO SPECIAL DISTRICTS  
 COUNTY SERVICE AREA No. 120  
 NORTH ETIWANDA PRESERVE  
 Statement of Revenues, Expenditures and Changes in Fund Balance  
 Governmental Fund  
 For the Year Ended June 30, 2013

	Special Revenue Fund	Permanent Fund	Nonmajor Capital Projects Fund	Total Governmental Funds
	General (SOH)	Preserve (VFG)	Etiwanda Preserve (CAT)	
<b>Revenues</b>				
Interest earnings	\$ 117	\$ 6,844	\$ (9)	\$ 6,952
Net increase in fair value of investments	282	10,673		10,955
State assistance	-	-	-	-
Other services	3,339	-	-	3,339
<b>Total Revenues</b>	<u>3,738</u>	<u>17,517</u>	<u>(9)</u>	<u>21,246</u>
<b>Expenditures</b>				
Salaries and benefits	1,734	-	-	1,734
Services and supplies	13,066	-	-	13,066
Capital outlay:				
Improvements on land	-	-	-	-
<b>Total Expenditures</b>	<u>14,800</u>	<u>-</u>	<u>-</u>	<u>14,800</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	<u>(11,062)</u>	<u>17,517</u>	<u>(9)</u>	<u>6,446</u>
<b>Other Financing Sources (Uses)</b>				
Transfer in from County	30,000	-	-	30,000
Transfer out	5,635			5,635
Transfer out	-	(5,635)	-	(5,635)
<b>Total Other Financing Sources (Uses)</b>	<u>35,635</u>	<u>(5,635)</u>	<u>-</u>	<u>30,000</u>
<b>Net Change in Fund Balance</b>	24,573	11,882	(9)	36,446
<b>Fund Balance - beginning</b>	<u>14,210</u>	<u>1,612,194</u>	<u>11</u>	<u>1,626,415</u>
<b>Fund Balance - ending</b>	<u>\$ 38,783</u>	<u>\$ 1,624,076</u>	<u>\$ 2</u>	<u>\$ 1,662,861</u>

The accompanying notes are an integral part of these financial statements.  
 See accompanying independent auditors' report.

COUNTY OF SAN BERNARDINO SPECIAL DISTRICTS  
COUNTY SERVICE AREA No. 120  
NORTH ETIWANDA PRESERVE  
Reconciliation of the Statement of Revenues, Expenditures and Changes in  
Fund Balance of Governmental Fund to the Statement of Activities

For the Year Ended June 30, 2013

Net Change in Fund Balance - Total Government Funds \$ 36,446

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 (\$86,750) exceeded capital outlay (\$-0-) in the current year.

(86,750)

Change in Net Position of Governmental Activities

\$ (50,304)

The accompanying notes are an integral part of these financial statements.  
See accompanying independent auditors' report.

**COUNTY OF SAN BERNARDINO SPECIAL DISTRICTS**  
**COUNTY SERVICE AREA No. 70 – ZONE OS-1**  
**NORTH ETIWANDA FONTANA OPEN**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2013**

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the County of San Bernardino Special District County Service Area No. 120 – North Etiwanda Preserve conform to generally accepted accounting principles as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

**Reporting Entity**

The County Service Area (CSA) No. 120 – North Etiwanda Preserve was established by an act of the Board of Supervisors of the County of San Bernardino (the County) under Resolution 94-98 on May 17, 1994 to provide for management, protection and operations of 762 acres of a preserved Riversidian Coastal Sage Habitat located north of Rancho Cucamonga and east of Day Creek.

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. 120 – North Etiwanda Preserve of the County of San Bernardino and are not intended to present the financial position of the Count 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, 2013.

**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 non-fiduciary 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 a 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 OS-1**  
**NORTH ETIWANDA FONTANA OPEN**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2013**

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

The government reports the following major governmental fund:

The *special revenue fund* labeled “General” is the government’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

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

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

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contribution, 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 us, it is the government’s policy to use restricted resources first, and then unrestricted resources as they are needed.

**Cash 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 date of acquisition.

**COUNTY OF SAN BERNARDINO SPECIAL DISTRICTS**  
**COUNTY SERVICE AREA No. 70 – ZONE OS-1**  
**NORTH ETIWANDA FONTANA OPEN**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2013**

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**Interfund 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 1 and become delinquent with penalties on August 31.

**Inventories and prepaid items**

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

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

**Capital assets**

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

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

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

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

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

**COUNTY OF SAN BERNARDINO SPECIAL DISTRICTS**  
**COUNTY SERVICE AREA No. 70 – ZONE OS-1**  
**NORTH ETIWANDA FONTANA OPEN**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2013**

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**Fund equity**

The CSA implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which the resources can be used:

- *Nonspendable Fund Balance*: Amounts cannot be spent because they are: (a) not in spendable form or (b) legally or contractually required to be maintained intact. Due to the nature or form of the resources, they generally cannot be expected to be converted into cash or a spendable form.
- *Restricted Fund Balance*: Amounts are restricted by external parties, i.e., creditors, grantors, contributors, or laws/regulations of other governments or restricted by law through constitutional provisions or enabling legislation.
- *Committed Fund Balance*: Amounts can only be used for a specific purpose pursuant to constraints imposed by formal action of the government's highest level of decision making authority (the Board of Supervisors). The formal action must occur prior to the end of the reporting period, however, the amount may be determined in the subsequent period. These are self-imposed limitations on available resources. These committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same level of action it employed to previously commit those amounts. These committed amounts would be approved and adopted by formal action of the Board.
- *Assigned Fund Balance*: Amounts are constrained by the government's intent to be used for specific purposes that are neither restricted nor committed. The intent will be expressed by the body or official to which the governing body has delegated the authority, i.e. the County Administrative Office. The County Administrative Office will assign fund balance for specific departmental projects through the use of the respective department's general fund savings. Such projects would not normally be feasible for the department without reserving funding over a multiple year period.
- *Unassigned Fund Balance*: The General Fund, as the principal operating fund, often has net resources in excess of what can properly be classified in one of the four categories already described. Therefore, in order to calculate unassigned fund balance, total fund balance less nonspendable, restricted, committed, or assigned equals unassigned fund balance. This amount is available for any purpose and will be placed in either the General Purpose Reserve, General Fund – Mandatory Contingencies or the General Fund - Uncertainties Contingencies until allocated for a specific purpose by the Board, by a four-fifths vote.

When both restricted and unrestricted resources are available for use when an expenditure is incurred, it is the County's policy to use restricted resources first, then unrestricted resources as they are needed. It is the County's policy to consider committed amounts as being reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

**COUNTY OF SAN BERNARDINO SPECIAL DISTRICTS**  
**COUNTY SERVICE AREA No. 70 – ZONE OS-1**  
**NORTH ETIWANDA FONTANA OPEN**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2013**

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**Fund equity (continued)**

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.

**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 do not constitute expenditures or liabilities because the commitment will be re-appropriated and honored during the subsequent year.

**New Accounting Pronouncements**

The District adopted Statement on Governmental Accounting Standards (GASB Statement) No. 60, *Accounting and Reporting for Services Concession Arrangements*, GASB Statement No. 61 *Financial Reporting Entity: Omnibus*, GASB Statement No. 62 *Codification of Accounting and Financial Reporting Guidance contained in Pre-November 30, 1989 FASB and AICPA*, No. 63 *Financial Reporting for Deferred Outflows and Inflows*, and GASB Statement No. 64 *Derivative Instruments*. The adoption of the aforementioned pronouncements did not have a material effect on the District's June 30, 2013 financial statements.

**COUNTY OF SAN BERNARDINO SPECIAL DISTRICTS**  
**COUNTY SERVICE AREA No. 70 – ZONE OS-1**  
**NORTH ETIWANDA FONTANA OPEN**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2013**

Note 2: CASH AND DEPOSITS

Cash and cash equivalents includes 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, 2013.

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, 2013 was as follows:

<b>Governmental activities:</b>	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 75,000	\$ -	\$ -	\$ 75,000
Construction in progress	-			-
Total capital assets, not being depreciated	75,000	-	-	75,000
Capital assets, being depreciated:				
Improvements to land	1,171,294	-	-	1,171,294
Structures and improvements	563,700	-	-	563,700
Total capital assets, being depreciated	1,734,994	-	-	1,734,994
Less accumulated depreciation for:				
Improvements to land	(117,129)	(58,565)	-	(175,694)
Structures and improvements	(56,370)	(28,185)	-	(84,555)
Total accumulated depreciation	(173,499)	(86,750)	-	(260,249)
Total capital assets, being depreciated, net	1,561,495	(86,750)	-	1,474,745
Governmental activities capital Assets, net	\$ 1,636,495	\$ (86,750)	\$ -	\$ 1,549,745

**COUNTY OF SAN BERNARDINO SPECIAL DISTRICTS**  
**COUNTY SERVICE AREA No. 70 – ZONE OS-1**  
**NORTH ETIWANDA FONTANA OPEN**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2013**

Note 4: RETIREMENT PLAN

**Plan Description**

San Bernardino County Employees' Retirement Association (SBCERA) administers the SBCERA pension plan – a cost sharing multiple employer defined benefit pension plan (the Plan) operating under the California County Employees' Retirement Law of 1937 (the 1937 Act). SBCERA provides pensions for 18 active plan sponsors (employers) which are: The County of San Bernardino (and its Special Districts), Barstow Fire Protection District, California Electronic Recording Transaction Network Authority, California State Association of Counties, Crest Forest Fire Protection District, City of Big Bear Lake, City of Chino Hills, Crestline Sanitation District, Department of Water and Power for the City of Big Bear Lake, Hesperia Recreation and Park District, Inland Library System, Law Library for San Bernardino County, Local Agency Formation Commission, Mojave Desert Air Quality Management District, San Bernardino Associated Governments, SBCERA, South Coast Air Quality Management District (SCAQMD) and Superior Court of California County of San Bernardino.

Employees (members) become eligible for membership on their first day of regular employment and members become fully vested after 5 years of service credit. SBCERA administers retirement benefits for two membership classifications, General and Safety, and those benefits are tiered based upon date of SBCERA membership. Generally, those who become members prior to January 1, 2013 are Tier 1 members. All other members are Tier 2. 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 Board of Retirement, which acts as a fiduciary agent for the accounting and control of employer 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.

**Funding Policy**

Participating active members are required by statute (Government Code sections 31621.6, 31639.25 and 7522.30) to contribute a percentage of covered salary based on certain actuarial assumptions, their age at entry into the Plan and their tier. Participating employers are required by Government Code sections 31453.5 and 31454 to contribute a percentage of covered salary to the Plan. The contribution requirements of participating active members and employers are established and may be amended by the SBCERA Board of Retirement pursuant to Article 1 of the 1937 Act.

See the County of San Bernardino's Comprehensive Annual Financial Report (CAFR) for details of their annual pension cost, prepaid asset, required contributions, annual pension cost and net pension asset, for the current year and two preceding years computed in accordance with GASB 27, *Accounting for Pensions by State and Local Governmental Employers*, for the year ended June 30, 2013.

The County, along with the SCAQMD, issued Pension Refunding Bonds (Bonds) in November 1995 with an aggregate amount of \$420,527. 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.

**COUNTY OF SAN BERNARDINO SPECIAL DISTRICTS**  
**COUNTY SERVICE AREA No. 70 – ZONE OS-1**  
**NORTH ETIWANDA FONTANA OPEN**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2013**

Note 4: RETIREMENT PLAN (continued)

**Funding Policy (continued)**

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 a respective aggregate principal amounts of \$189,070, \$149,825, and \$125,000. 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.

In April 2008, the County of San Bernardino issued its \$160,900 in Pension Obligation Refunding Bonds (POB), Series 2008 (Series 2008 Bonds).

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 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 \$2.5 million per occurrence. Excess insurance coverage over the Self-Insured Retention (SIR) up to \$100 million is provided through a combination of insurance policies as recommended by Arthur J. Gallagher & Co., Broker of Record, as follows: Primary Liability coverage \$25 million excess of \$2.5 million self-insured retention with Starr Indemnity & Liability Co.; Excess Liability coverage of \$10 million, excess of \$25 million with Allied World Assurance Co.; and Excess Liability coverage \$25 million, excess of \$35 million with Great American Insurance Company of New York. In addition, Allied World Assurance Co. provides excess liability coverage of \$15 million, excess of \$60 million; and Arch Insurance Co. provides \$25 million in excess of \$75 million. The Workers' Compensation program was restructured to include a cash flow SIR that applies per accident/per payment year as follows: \$2,000,000 1<sup>st</sup> year; \$1,000,000 2<sup>nd</sup> year; \$500,000 3<sup>rd</sup> year and each year thereafter, with coverage provided by Star Insurance Co. for up to \$3 million for employer's liability, and up to \$150 million limits for workers' compensation per occurrence. Property damage claims are insured on an occurrence basis over a \$25,000 deductible, and insured with several insurers like Affiliated FM, and Alterra Excess Ins. Co., and Lloyd's of London, among others.

The County supplements its self-insurance for medical malpractice claims with a \$25 million policy with Illinois Union Ins. Co., which provides annual coverage on a claim made form basis with a SIR of \$2 million for each claim. All public officials and County employees are insured under a blanket Comprehensive Disappearance, Destruction, and Dishonesty policy covering County monies and

**COUNTY OF SAN BERNARDINO SPECIAL DISTRICTS**  
**COUNTY SERVICE AREA No. 70 – ZONE OS-1**  
**NORTH ETIWANDA FONTANA OPEN**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2013**

Note 6: RISK MANAGEMENT (continued)

securities, with Berkley Regional Insurance Co. with a \$100,000 deductible, and excess limits up to \$10 million per occurrence.

The activities related to such programs are accounted for in Risk Management except for unemployment insurance, and employee dental insurance, which are accounted for in the General Fund. The IBNR (Incurred But Not Reported) and IBNS (Incurred But Not Settled) liabilities stated on Risk Management’s balance sheet are based upon the results of actuarial studies, and include amounts for allocated and unallocated loss adjustment expenses. The liabilities for these claims are reported using a discounted rate of 0.438% and an actuarially-determined 80% confidence level. It is Risk Management’s practice to obtain actuarial studies on an annual basis.

See the County of San Bernardino’s Comprehensive Annual Financial Report (CAFR) for details of their claims liability in accordance with GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, at June 30, 2013.

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, 2013, the CSA made the following interfund transfers in and out:

	Transfer In:
Transfer out:	Major Fund
	Special Revenues (SOH)
Major Fund:	
Permanent Fund (VFG)	\$ 5,635

Note 8: CONTINGENCIES

As of June 30, 2013, 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.

Note 9: SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 25, 2013, which is the date the financial statements were available to be issued, and has determined that there are no transactions that will have a significant impact on the CSA.

REQUIRED SUPPLEMENTARY INFORMATION  
COUNTY OF SAN BERNARDINO SPECIAL DISTRICTS  
COUNTY SERVICE AREA No. 120  
NORTH ETIWANDA PRESERVE  
Budgetary Comparison Schedule - Special Revenue Fund (General)  
For the Year Ended June 30, 2013

	Special Revenue Fund			
	General (SOH)			
	Original Budget	Final Budget	Actual	Variances with Final Budget Positive (Negative)
<b>Revenues</b>				
Interest earnings	\$ -	\$ -	\$ 117	\$ 117
Net increase in fair value of investments	-	-	282	282
State assistance	20,000	20,000	-	(20,000)
Other services	5,000	(6,000)	3,339	9,339
Total Revenues	<u>25,000</u>	<u>14,000</u>	<u>3,738</u>	<u>(10,262)</u>
<b>Expenditures</b>				
Salaries and benefits	1,734	1,734	1,734	-
Services and supplies	44,001	74,001	13,066	60,935
Reserves and contingencies	4,454	4,454	-	4,454
Total Expenditures	<u>50,189</u>	<u>80,189</u>	<u>14,800</u>	<u>65,389</u>
Excess of Revenues Over (Under) Expenditures	<u>(25,189)</u>	<u>(66,189)</u>	<u>(11,062)</u>	<u>(75,651)</u>
Other Financing Sources (Uses)				
Transfer in	11,000	52,000	35,635	(16,365)
Transfer out	-	-	-	-
Total Other Financing Sources (Uses)	<u>11,000</u>	<u>52,000</u>	<u>35,635</u>	<u>(16,365)</u>
Net Change in Fund Balance	<u>\$ (14,189)</u>	<u>\$ (14,189)</u>	24,573	<u>\$ (92,016)</u>
<b>Fund Balance - beginning</b>			<u>14,210</u>	
<b>Fund Balance - ending</b>			<u>\$ 38,783</u>	