

COUNTY OF SAN BERNARDINO

CALIFORNIA

AUDIT REPORT

CITY-COUNTY ANIMAL SERVICES JOINT POWERS AUTHORITY

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Prepared by:

**Internal Audits Section
Office of the Auditor-Controller/Treasurer/Tax Collector
January 13, 2011**

**County of San Bernardino
City-County Animal Services Joint Powers Authority**

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COUNTY OF SAN BERNARDINO

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Independent Auditor's Report

January 13, 2011

Brian Cronin, Secretary

City-County Animal Services Joint Powers Authority
351 N Mt. View Avenue, 3rd Floor
San Bernardino, CA 92415

**SUBJECT: AUDIT OF THE CITY-COUNTY ANIMAL SERVICES JOINT POWERS
AUTHORITY FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

Introductory Remarks

In compliance with Section 6505 of the California Government Code, we have completed an audit of the City-County Animal Services Joint Powers Authority, (Animal Services JPA), for the fiscal year ended June 30, 2010.

Auditor's Report

We have audited the accompanying financial statements of the governmental activities and the major fund of the Animal Services JPA, as of and for the year ended June 30, 2010, which collectively comprise the Animal Services JPA's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Animal Services JPA'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 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 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.

Audrpt/Brian Cronin, Secretary
City-County Animal Services Joint Powers Authority
January 13, 2011
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In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Animal Services JPA, 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 the state regulations governing Special Districts.

The Animal Services JPA 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.

Larry Walker
Auditor-Controller/Treasurer/Tax Collector

By:

Mary Ethel Barber, CPA
Internal Audits Manager

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**County of San Bernardino
City-County Animal Services Joint Powers Authority
Statement of Net Assets
June 30, 2010**

	Governmental Activities
ASSETS	
Current assets:	
Cash and cash equivalents (Note 2)	\$ 435,026
Interest receivable	1,271
Prepaid Insurance (Note 4)	2,597
Total assets	\$ 438,894
 LIABILITIES	
Total liabilities	\$ -
 NET ASSETS	
Unrestricted	438,894
Total net assets	438,894
Total liabilities and net assets	\$ 438,894

The notes to the financial statements are an integral part of this statement.

**County of San Bernardino
City-County Animal Services Joint Powers Authority
Statement of Activities
June 30, 2010**

	Governmental Activities
EXPENSES	
Insurance	\$ 1,856
Total program expenses	1,856
 PROGRAM REVENUES	
Contributions from members (Note 3)	437,500
Total program revenues	437,500
Net program revenue (expense)	435,644
 GENERAL REVENUES	
Investment earnings	3,250
Total general revenues	3,250
Change in net assets	438,894
Net assets - beginning	-
Net assets - ending	\$ 438,894

The notes to the financial statements are an integral part of this statement.

**County of San Bernardino
City-County Animal Services Joint Powers Authority
Balance Sheet
Governmental Fund
For the Fiscal Year Ended June 30, 2010**

	General (MSF)	Total Governmental Funds
ASSETS		
Current assets:		
Cash and cash equivalents (Note 2)	\$ 435,026	\$ 435,026
Interest receivable	1,271	1,271
Prepaid Insurance (Note 4)	2,597	2,597
Total current assets	438,894	438,894
Total assets	\$ 438,894	\$ 438,894
LIABILITIES AND FUND BALANCES		
Liabilities	\$ -	\$ -
Fund Balance		
Reserved for construction (Note 5)	438,894	438,894
Total fund balance	438,894	438,894
Total liabilities and fund balance	\$ 438,894	
Amounts to reconcile to net assets reported in the statement of net assets:		-
Net assets of governmental activities		\$ 438,894

The notes to the financial statements are an integral part of this statement.

**County of San Bernardino
City-County Animal Services Joint Powers Authority
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Fund
For the Fiscal Year Ended June 30, 2010**

	General (MSF)	Total Governmental Funds
REVENUES		
Contributions from members (Note 3)	\$ 437,500	\$ 437,500
Investment earnings	3,250	3,250
Total revenues	440,750	440,750
EXPENDITURES		
Insurance	1,856	1,856
Total expenditures	1,856	1,856
Excess of revenues over expenditures	438,894	438,894
OTHER FINANCING SOURCES (USES)		
Total other financing sources (uses)	-	-
Change in fund balance	438,894	438,894
Fund balance, July 1, 2009	-	-
Fund balance, June 30, 2010	\$ 438,894	\$ 438,894

The notes to the financial statements are an integral part of this statement.

County of San Bernardino
City-County Animal Services Joint Powers Authority
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund
Balance of Governmental Fund to the Statement of Activities
For the Fiscal Year Ended June 30, 2010

Net change in Fund Balance – Governmental Fund	\$ 438,894
Amounts to reconcile to governmental activities reported in the Statement of Activities	-
Change in Net Assets of Governmental Activities	<u>\$ 438,894</u>

The notes to the financial statements are an integral part of this statement.

**County of San Bernardino
City-County Animal Services Joint Powers Authority
Notes to the Financial Statements
For the Year Fiscal Ended June 30, 2010**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The City-County Animal Services Joint Powers Authority, (Animal Services JPA), was established under a Joint Powers Agreement between the County of San Bernardino and the Town of Yucca Valley on November 18, 2008. It was established for the construction, design, financing, maintenance and operation of animal shelter(s) in the unincorporated County areas in the Morongo Basin region of the County and Town of Yucca Valley areas. The City-County Animal Services Joint Powers Authority was subsequently renamed the Animal Care Joint Powers Authority on July 13, 2010.

The Animal Services JPA is self-governed by a Board of Directors, which is comprised of four Directors designated as follows:

San Bernardino County shall be represented by its Third District Supervisor and a second Director recommended for appointment by the Third District Supervisor and appointed by action of the San Bernardino County Board of Supervisors who must be an elected or appointed official of San Bernardino County.

The Town of Yucca Valley (Town) shall be represented by one of its Councilpersons and a second Director appointed by action of the Town Council of the Town of Yucca Valley who must be an elected official of the Town of Yucca Valley.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the nonfiduciary activities of the reporting entity. *Governmental activities* normally are supported by taxes and intergovernmental revenues.

The Statement of Activities demonstrates the degree to which the program expenses of a given function or segment are offset by program revenues. *Program expenses* are those that are clearly identifiable with a specific function or segment. Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

**County of San Bernardino
City-County Animal Services Joint Powers Authority
Notes to the Financial Statements
For the Year Fiscal Ended June 30, 2010**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - *Continued*

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. 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. However, for revenue derived from voluntary non-exchange transactions, such as federal and state grants, the definition of "available" is expanded to 9 months. 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.

Animal Services JPA reports the following major governmental fund:

The *general fund MSF* accounts for the obligations received in accordance with the JPA agreement and the subsequent use of this revenue to finance the construction of the animal shelter.

**County of San Bernardino
City-County Animal Services Joint Powers Authority
Notes to the Financial Statements
For the Year Fiscal Ended 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 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.

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.

Net Assets

Net assets comprise the various net earnings from operating and nonoperating revenues, expenses and contribution of capital. Net assets are classified in the following three components:

- Invested in capital assets, net of related debt – This component of net assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted – This component of net assets consists of constraints placed on net asset use through external constraints imposed by creditors, grantors, contributors, or laws or regulations, of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted – This component of net assets consist of net assets of the Animal Services JPA that are not restricted for any project or other purpose.

Fund Balance

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
City-County Animal Services Joint Powers Authority
Notes to the Financial Statements
For the Year Fiscal Ended June 30, 2010**

NOTE 2: CASH AND CASH EQUIVALENTS

Cash and investments include the cash balances 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 Animal Services JPA's account based upon the Animal Services JPA's average daily deposit balance during the allocation period. As of June 30, 2010, Cash and Investments are reported in Animal Services JPA's financial statement as cash and cash equivalents in the amount of \$435,026.

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

NOTE 3: CONTRIBUTIONS FROM MEMBERS

The Town and the County have agreed to provide equal, matching contributions of the capital costs of constructing an animal shelter in or near Yucca Valley, California (the facility) in accordance with the minimum standards prescribed by the State of California and the governing Health Department. The total cost of the facility shall not exceed Three Million Five Hundred Thousand Dollars (\$3,500,000). The Town has provided their first payment of funds in the amount of \$437,500.

NOTE 4: PREPAID INSURANCE

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. The Animal Services JPA entered into an agreement for the period of February 11, 2010 through February 11, 2011 for annual insurance coverage. General Liability Insurance for the Animal Services JPA was obtained from Penn-Starr Insurance Company. Directors and Officers Insurance was obtained through RSUI Indemnity Company. The prepayment balance for the Animal Services JPA insurance agreements is \$2,597 as of June 30, 2010.

**County of San Bernardino
City-County Animal Services Joint Powers Authority
Notes to the Financial Statements
For the Year Fiscal Ended June 30, 2010**

NOTE 5: RESERVED FUND BALANCE

In the fund financial statements, reserves segregate portions of fund balance that are either not available or have been earmarked for specific purposes. The various reserves are established by actions of the Board and management and can be increased, reduced or eliminated by similar actions. Fund balances which are not available for appropriation at June 30, 2010 are reserved for the following purposes:

Reserved for Construction: \$438,894

NOTE 6: RELATED PARTY TRANSACTIONS

The County of San Bernardino and the Town of Yucca Valley are related parties to the Animal Services JPA. Neil Derry, 3rd District County Supervisor, serves on both the County and the JPA's Boards. George Huntington, Yucca Valley Town Councilmember, and Lori Herbel, Yucca Valley Town Councilmember, serve on the Town Council and the JPA Board. For fiscal year 2010, the Town submitted its first member contribution of \$437,000 which was approved by the Town Board. In addition, the County has set aside \$1,750,000 to be contributed to the JPA in the future.