

**COUNTY OF SAN BERNARDINO
SPECIAL DISTRICTS
COUNTY SERVICE AREA No. 79
GREEN VALLEY LAKE**

REPORT ON AUDIT

JUNE 30, 2011

**County of San Bernardino Special Districts
County Service Area No. 79
Green Valley Lake
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ROGERS, ANDERSON, MALODY & SCOTT, LLP
CERTIFIED PUBLIC ACCOUNTANTS, SINCE 1948

735 E. Carnegie Dr. Suite 100
San Bernardino, CA 92408
909 889 0871 T
909 889 5361 F
ramscca.net

Board of Supervisors
County of San Bernardino
County of San Bernardino Special
District County Service Area
No. 79 - Green Valley Lake

PARTNERS

Phillip H. Waller, CPA
Brenda L. Odle, CPA, MST
Terry P. Shea, CPA
Kirk A. Franks, CPA
Matthew B. Wilson, CPA, MSA
Scott W. Manno, CPA
Leena Shanbhag, CPA, MST
Jay H. Zercher, CPA (Retired)

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Bradferd A. Welebir, CPA, MBA
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Katie L. Millsom, CPA
Papa Matar Thiaw, CPA, MBA
Maya S. Ivanova, CPA, MBA
Danielle E. Odgers, CPA
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INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the major fund, and the aggregate remaining fund information of the County of San Bernardino Special District County Service Area No. 79 - Green Valley Lake (CSA), a component unit of the County of San Bernardino, as of and for the year ended June 30, 2011 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, the business-type activities, the major fund, and the aggregate remaining fund information of the County of San Bernardino Special District County Service Area No. 79 - Green Valley Lake, as of June 30, 2011, and the respective changes in financial position, and, where applicable, cash flows 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.

During the year under audit, the CSA adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*

Management has omitted Management's Discussion and Analysis that accounting principles generally accepted in the United States of America requires 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 opinions on the basic financial statements are not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information 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.

Rogers Anderson Malooly & Scott, LLP

November 30, 2011

County of San Bernardino Special Districts
County Service Area No. 79 - Green Valley Lake
Statement of Net Assets
June 30, 2011

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 26,867	\$ 1,273,341	\$ 1,300,208
Accounts receivable, net	-	207,972	207,972
Interest receivable	57	2,641	2,698
Taxes receivable	190	1,951	2,141
Capital assets, net of depreciation	69,129	1,588,282	1,657,411
Total Assets	<u>96,243</u>	<u>3,074,187</u>	<u>3,170,430</u>
LIABILITIES			
Accounts payable	-	9,260	9,260
Interest payable	87	-	87
Due to other governments	-	52,836	52,836
Loan payable	26,490	-	26,490
Total Liabilities	<u>26,577</u>	<u>62,096</u>	<u>88,673</u>
NET ASSETS			
Invested in capital assets	69,129	1,588,282	1,657,411
Unrestricted	537	1,423,809	1,424,346
Total Net Assets	<u>\$ 69,666</u>	<u>\$ 3,012,091</u>	<u>\$ 3,081,757</u>

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

**County of San Bernardino Special Districts
County Service Area No. 79 - Green Valley Lake
Statement of Activities
For the Year Ended June 30, 2011**

	Governmental Activities	Business-type Activities	Total
EXPENSES			
Salaries and benefits	\$ 1,595	\$ 369,316	\$ 370,911
Services and supplies	10,043	195,519	205,562
Utilities	-	32,655	32,655
Depreciation	3,292	116,661	119,953
Professional fees	-	269,421	269,421
Filtration project	-	69,645	69,645
Interest expense	177	-	177
Intergovernmental	13,000	-	13,000
	<u>28,107</u>	<u>1,053,217</u>	<u>1,081,324</u>
Total Program Expenses			
PROGRAM REVENUES			
Charges for services	22,718	900,139	922,857
	<u>(5,389)</u>	<u>(153,078)</u>	<u>(158,467)</u>
Net Program Expense			
GENERAL REVENUES			
Property taxes	379	696	1,075
Special assessments	-	10,931	10,931
Investment earnings	187	11,351	11,538
Penalties	-	24,650	24,650
Intergovernmental	-	4,954	4,954
Other	-	3,798	3,798
	<u>566</u>	<u>56,380</u>	<u>56,946</u>
Total General Revenues			
Change in Net Assets	(4,823)	(96,698)	(101,521)
Net Assets - beginning	<u>74,489</u>	<u>3,108,789</u>	<u>3,183,278</u>
Net Assets - ending	<u>\$ 69,666</u>	<u>\$ 3,012,091</u>	<u>\$ 3,081,757</u>

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

**County of San Bernardino Special Districts
County Service Area No. 79 - Green Valley Lake
Balance Sheet
Governmental Fund
June 30, 2011**

	SPECIAL REVENUE FUND <hr/> R-1 Meadow Green Valley Lake (RCP) <hr/>
ASSETS	
Cash and cash equivalents	\$ 26,867
Interest receivable	57
Taxes receivable	190
Total Assets	<u>\$ 27,114</u>
LIABILITIES AND FUND BALANCES	
Liabilities	<u>\$ -</u>
Fund Balance:	
Restricted for:	
Road maintenance	<u>27,114</u>
Total Fund Balance	<u>27,114</u>
Total Liabilities and Fund Balance	<u>\$ 27,114</u>
Total Fund Balance - Governmental Fund	\$ 27,114
Amounts reported for <i>governmental activities</i> 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 fund.	69,129
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the fund:	
Loans payable	(26,490)
Accrued interest payable for the current portion of interest due on bonds payable has not been reported in the governmental fund.	<u>(87)</u>
Net Assets of Governmental Activities	<u>\$ 69,666</u>

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

**County of San Bernardino Special Districts
County Service Area No. 79 - Green Valley Lake
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, 2011**

Net Change in Fund Balance - Total Governmental Fund	\$ 25,046
Amounts reported for <i>governmental activities</i> 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 (\$3,292) exceeded capital outlay (\$-0-) in the current period.	(3,292)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has an effect on net assets:	
Issuance of debt	(30,000)
Principal payment on loan	3,510
Interest on long-term debt is not accrued in governmental funds, but rather, is recognized as an expenditure when due.	
Increase in interest payable	(87)
Change in Net Assets of Governmental Activities	\$ (4,823)

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

**County of San Bernardino Special Districts
County Service Area No. 79 - Green Valley Lake
Statement of Net Assets
Proprietary Fund
June 30, 2011**

	ENTERPRISE FUND
	Sewer
ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 1,273,341
Accounts receivable, net	207,972
Interest receivable	2,641
Taxes receivable	1,951
Total Current Assets	1,485,905
Noncurrent Assets:	
Capital assets:	
Improvements to land	4,738,752
Structures and improvements	159,050
Vehicles	30,985
Equipment	73,061
Construction in progress	49,927
Accumulated depreciation	(3,463,493)
Total Noncurrent Assets	1,588,282
Total Assets	3,074,187
LIABILITIES	
Current Liabilities:	
Accounts payable	9,260
Due to other governments	52,836
Total Current Liabilities	62,096
NET ASSETS	
Invested in capital assets	1,588,282
Unrestricted	1,423,809
Total Net Assets	\$ 3,012,091

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

County of San Bernardino Special Districts
County Service Area No. 79 - Green Valley Lake
Statement of Revenues, Expenses, and Changes in Net Assets
Proprietary Fund
For the Year Ended June 30, 2011

	ENTERPRISE FUND
	Sewer
OPERATING REVENUES	
Sanitation services	\$ 895,833
Permit and inspection fees	75
Connection fees	2,609
Other	1,622
Total Operating Revenues	900,139
OPERATING EXPENSES	
Professional fees	269,421
Salaries and benefits	369,316
Services and supplies	195,519
Utilities	32,655
Filtration project	69,645
Depreciation	116,661
Total Operating Expenses	1,053,217
Operating Loss	(153,078)
NONOPERATING REVENUES	
Property taxes	696
Special assessments	10,931
Investment earnings	11,351
Penalties	24,650
Intergovernmental	4,954
Other	3,798
Total Nonoperating Revenues	56,380
Change in Net Assets	(96,698)
Net Assets - beginning	3,108,789
Net Assets - ending	\$ 3,012,091

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

**County of San Bernardino Special Districts
County Service Area No. 79 - Green Valley Lake
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2011**

	ENTERPRISE FUND
	Sewer
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 949,130
Payments to suppliers	(499,081)
Payments to employees	(369,316)
Other payments	(69,645)
Net Cash Provided by Operating Activities	11,088
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Property taxes	1,096
Special assessments	10,931
Penalties	24,650
Intergovernmental revenue	4,954
Other nonoperating revenues	3,439
Net Cash Provided by Noncapital Financing Activities	45,070
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of capital assets	(31,346)
Disposal of capital assets	359
Net Cash Used for Capital and Related Financing Activities	(30,987)
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment earnings	12,441
Net Cash Provided by Investing Activities	12,441
Net Increase in Cash and Cash Equivalents	37,612
Cash and Cash Equivalents - beginning of the year	1,235,729
Cash and Cash Equivalents - end of the year	\$ 1,273,341

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

**County of San Bernardino Special Districts
County Service Area No. 79 - Green Valley Lake
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2011**

**Reconciliation of operating loss to net cash provided by
operating activities:**

Operating loss	\$	(153,078)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation expense		116,661
Change in assets and liabilities:		
Increase in accounts receivable		(15,592)
Increase in due from other governments		64,583
Increase in accounts payable		(53,654)
Increase in due to other governments		52,168
Net Cash Used for Operating Activities	\$	<u>11,088</u>

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

**County of San Bernardino Special Districts
County Service Area No. 79 - Green Valley Lake
Statement of Fiduciary Assets and Liabilities
Agency Fund
June 30, 2011**

ASSETS

Cash and cash equivalents	<u>\$ 2,370</u>
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Total Assets	<u><u>\$ 2,370</u></u>
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LIABILITIES

Due to bondholders	<u>\$ 2,370</u>
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Total Liabilities	<u><u>\$ 2,370</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. 79 - Green Valley Lake
Notes to Financial Statements
June 30, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting entity

The County Service Area (CSA) No. 79 - Green Valley Lake was established by an act of the Board of Supervisors of the County of San Bernardino (the County) on September 7, 1971 with the active powers of fire (inspection, suppression, protection, first aid, and rescue), sewer (collection and disposal), and water and road (maintenance and improvements). Currently, the governmental reporting entity consists of fire protection, emergency medical services, and an enterprise fund (sewer) for the community of Green Valley Lake. The CSA contracts sewage treatment through Running Springs County Water District which serves 1,321 households. Improvement Zone R-1, established by an act of the County of San Bernardino Board of Supervisors on September 14, 1993, provides maintenance for approximately .75 miles of paved road in "The Meadow" area of Green Valley Lake.

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. 79 - Green Valley Lake 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, 2011.

Government-wide and fund financial statements

The government-wide financial statements (e.g., the Statement of Net Assets and the Statement of Activities) report information on all of the nonfiduciary activities of the reporting entity. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. *Governmental activities* 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. Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

County of San Bernardino Special Districts
County Service Area No. 79 - Green Valley Lake
Notes to Financial Statements
June 30, 2011

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* 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. However, for revenue derived from voluntary non-exchange transactions, such as taxes and federal and state grants, the County expanded its definition of "available" to nine (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.

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 "R-1 Meadow Green Valley Lake" is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The government reports the following major proprietary fund:

The *enterprise fund* labeled "Sewer" accounts for the sewer activities of the CSA.

County of San Bernardino Special Districts
County Service Area No. 79 - Green Valley Lake
Notes to Financial Statements
June 30, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the CSA enterprise fund is charges to customers for sanitation services. Operating expenses for enterprise funds include the cost of salaries and benefits, services and supplies, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The CSA has elected not to follow subsequent private-sector guidance.

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.

Agency funds are used to account for assets held by the CSA as an agent for individuals, private organizations, other governments and/or other funds. The funds are custodial in nature (assets equal liabilities) and do not involve measurement of the results of operations. The modified accrual of accounting is used for the agency fund. The fund is used to account for the accumulation of resources for, and payment of, the bonds issued under the Improvement Act of 1915 for certain sewer improvements.

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."

County of San Bernardino Special Districts
County Service Area No. 79 - Green Valley Lake
Notes to Financial Statements
June 30, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

No allowance for uncollectibles has been recorded as of June 30, 2011 based on management's expectation that all accounts receivable will be collected through the property tax roll.

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.

Fund equity

Beginning with the current fiscal year, 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.

County of San Bernardino Special Districts
County Service Area No. 79 - Green Valley Lake
Notes to Financial Statements
June 30, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- *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.

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.

**County of San Bernardino Special Districts
County Service Area No. 79 - Green Valley Lake
Notes to Financial Statements
June 30, 2011**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 capital 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 reappropriated and honored during the subsequent year.

NOTE 2: CASH AND DEPOSITS

Cash and cash equivalents includes the cash balance of monies deposited with the County Treasurer which are pooled and invested for the purpose of increasing earnings through investment activities. Interest earned on pooled investments is deposited to the 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, 2011.

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: ACCOUNTS RECEIVABLE

At June 30, 2011, the accounts receivable were composed of the following:

	Enterprise Fund Sewer
Accounts receivable	\$ 207,972
Less: allowance for uncollectibles	-
Total accounts receivable, net	\$ 207,972

**County of San Bernardino Special Districts
County Service Area No. 79 - Green Valley Lake
Notes to Financial Statements
June 30, 2011**

NOTE 4: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2011 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Construction in progress	\$ 18,581	\$ 31,346	\$ -	\$ 49,927
Total capital assets, not being depreciated	<u>18,581</u>	<u>31,346</u>	<u>-</u>	<u>49,927</u>
Capital assets, being depreciated:				
Improvements to land	4,738,752	-	-	4,738,752
Structures and improvements	159,050	-	-	159,050
Vehicles	30,985	-	-	30,985
Equipment	73,061	-	-	73,061
Total capital assets, being depreciated	<u>5,001,848</u>	<u>-</u>	<u>-</u>	<u>5,001,848</u>
Less accumulated depreciation for:				
Improvements to land	(3,177,632)	(105,305)	-	(3,282,937)
Structures and improvements	(111,040)	(3,534)	-	(114,574)
Vehicles	(15,493)	(5,164)	-	(20,657)
Equipment	(42,667)	(2,658)	-	(45,325)
Total accumulated depreciation	<u>(3,346,832)</u>	<u>(116,661)</u>	<u>-</u>	<u>(3,463,493)</u>
Business-type activities capital assets, net	<u>\$ 1,673,597</u>	<u>\$ (85,315)</u>	<u>\$ -</u>	<u>\$ 1,588,282</u>
Governmental activities:				
Capital assets, being depreciated:				
Infrastructure	\$ 131,675	\$ -	\$ -	\$ 131,675
Total capital assets, being depreciated	<u>131,675</u>	<u>-</u>	<u>-</u>	<u>131,675</u>
Less accumulated depreciation for:				
Infrastructure	(59,254)	(3,292)	-	(62,546)
Total accumulated depreciation	<u>(59,254)</u>	<u>(3,292)</u>	<u>-</u>	<u>(62,546)</u>
Governmental activities capital assets, net	<u>\$ 72,421</u>	<u>\$ (3,292)</u>	<u>\$ -</u>	<u>\$ 69,129</u>

**County of San Bernardino Special Districts
County Service Area No. 79 - Green Valley Lake
Notes to Financial Statements
June 30, 2011**

NOTE 5: 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 Park District, SBCERA, City of Chino Hills, Crest Forest Fire Protection 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), Rim of the World Recreation and Park District (RIM-REC) and Crestline Sanitation District 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 of service credit. SBCERA issues a stand-alone financial report, which may be obtained by contacting the Board of Retirement, 348 W Hospitality Lane - 3rd Floor, San Bernardino, California 92415-0014.

Fiduciary responsibility

SBCERA is controlled by its own board, the Retirement Board, which acts as a fiduciary agent for the accounting and control of member and employee contributions and investment income. SBCERA publishes its own Comprehensive Annual Financial Report and receives a separate independent audit. SBCERA is also a legally separate entity from the County and not a component unit. For these reasons, the County's Comprehensive Annual Financial Report excludes SBCERA pension trust fund as of June 30, 2011.

Funding policy

Participating members are required by statute (Sections 31621.6 and 31639.25 of the California Government Code) to contribute a percentage of covered salary based on certain actuarial assumptions and their age at entry to the Plan. Employee contribution rates vary according to age and classification (general or safety). General members are required to contribute 7.42% - 12.96% and safety members 9.54% - 15.32% of their annual covered salaries, of which the County pays approximately 7%. County of San Bernardino employer contribution rates are as follows: County General 12.32%, County Safety 26.82%. All employers combined are required to contribute 15.4% of the current year covered payroll. For 2011, the County's annual pension cost of \$213,311,000 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 and 31454 of the 1937 Act.

**County of San Bernardino Special Districts
County Service Area No. 79 - Green Valley Lake
Notes to Financial Statements
June 30, 2011**

NOTE 5: RETIREMENT PLAN (continued)

The County's annual pension cost and prepaid asset, computed in accordance with GASB Statement No. 27, Accounting for Pensions by State and Local Governmental Employers, for the year ended June 30, 2011, were as follows (in thousands):

Annual Required Contribution (County fiscal year basis)	\$	213,311
Interest on Pension Assets		(2,331)
Adjustment to the Annual Required Contribution		24,585
Annual Pension Cost		235,565
Annual Contributions Made		213,311
Increase/(Decrease) in Pension Assets		(22,254)
Pension Assets, Beginning of Year		741,388
Pension Assets, End of Year	\$	719,134

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	
2009	\$ 246,232	\$ 200,300	100%
2010	243,773	197,097	100%
2011	258,128	213,311	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, 2011 is \$414,041,000.

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, 2011 is \$285,270,000.

County of San Bernardino Special Districts
County Service Area No. 79 - Green Valley Lake
Notes to Financial Statements
June 30, 2011

NOTE 5: 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, 2011 is \$157,735,000.

NOTE 6: 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 7: 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 AON Risk Services, Broker of Record, as follows: Primary Liability coverage of \$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 Assurance Company (AWAC); and Excess Liability coverage of \$15 million, excess of \$35 million with Great American Insurance Company of New York. In addition, Ironshore Specialty Ins. Co. provides excess liability coverage of \$10 million, excess of \$50 million; Allied World National Ins. Co. provides \$15 million, excess of \$60 million; and Arch Insurance Co. provides \$25 million in excess of \$75 million. 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 a \$10 million policy with Illinois Union Ins. Co., which provides annual coverage on a per claim basis with an SIR of \$2 million for each claim. Additional coverage of \$15 million, excess of \$10 million is provided by Steadfast 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. 79 - Green Valley Lake
Notes to Financial Statements
June 30, 2011**

NOTE 7: 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 1.17%. It is Risk Management's practice to obtain actuarial studies on an annual basis.

The total claims liability of \$151 million reported at June 30, 2011 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 2010 and 2011 were:

Fiscal Year	Beginning of Fiscal Year Liability (in thousands)	Current Year Claims and Changes in Estimates (in thousands)	Claims Payments (in thousands)	End of Fiscal Year Liability (in thousands)
2009-10	\$ 149,941	\$ 40,453	\$ (45,000)	\$ 145,394
2010-11	\$ 145,394	\$ 48,900	\$ (43,343)	\$ 150,951

NOTE 8: SPECIAL ASSESSMENT ACCOUNTING – 1915 ACT BONDS

The CSA issued bonds under the Improvement Act of 1915 to finance certain sewer improvements. The CSA reports 1915 Act Bonds according to the provisions of the Government Accounting Standards Boards Statement No. 6. The bonds are not a direct liability of the CSA and, therefore, are not reported on the CSA's financial statements. The portion of the Utility Plant in Service financed by Special Assessments amounting to \$460,662 is reported as Invested in Capital Assets, Net of Related Debt in the Enterprise Fund. The liability for each Assessment District at June 30, 2011 is \$-0-.

**NOTE 9: WASTEWATER TRANSPORTATION, TREATMENT AND DISPOSAL
AGREEMENT WITH RUNNING SPRINGS WATER DISTRICT**

The CSA entered into a forty (40) year agreement with the Running Springs County Water District (District) on May 9, 1977. The agreement provides transportation of wastewater from the CSA to a connecting point within the District wastewater system and to provide proportionate joint financing for enlargement of the District system to treat the projected flows from the CSA and the District. The District will provide final transportation, treatment and disposal of these wastewater flows and bill the CSA for their proportionate share of costs in accordance with the terms of the agreement.

**County of San Bernardino Special Districts
County Service Area No. 79 - Green Valley Lake
Notes to Financial Statements
June 30, 2011**

**NOTE 9: WASTEWATER TRANSPORTATION, TREATMENT AND DISPOSAL
AGREEMENT WITH RUNNING SPRINGS WATER DISTRICT (continued)**

As compensation for transportation, treatment and disposal of their wastewater, the CSA shall pay a proportionate share of the operation and maintenance expense of the jointly used facilities. The payment will be made based on a three-month accounting period commencing on January 1st, April 1st, July 1st, or October 1st. Additionally, an amount equal to fifteen percent (15%) of the CSA's proportionate share of operations and maintenance expenses will be paid to the District to cover overhead and indirect expenses.

Expansion, modifications or replacement of joint use facilities will be assessed to the CSA in proportion to the ratio of assessed valuation of the District, the CSA and Arrowbear at the time that the projects are approved by the District. These costs shall be included in a written notification to the CSA no later than March 1st of each year. The CSA is currently paying their proportionate share (21.08%) on a filtration project, which was financed over fifteen years beginning on September 21, 2002. The loan to the District will mature on March 21, 2017.

Any net income the District may receive from the wastewater or by-products of treatment shall be shared by the District, Arrowbear and the CSA on a proportionate-share basis.

The CSA has an option to renew the agreement for an additional forty years if they exercise the option to renew at least three years prior to the expiration date of the agreement by sending a written notice to the District. The current agreement will expire on May 9, 2017.

The CSA incurred the following costs in FY 2010/11 based on the agreement:

Wastewater transportation, treatment and disposal	\$	539,866
Expansion or modification or replacement (Filtration project)		69,645
Total Costs	\$	609,511

NOTE 10: LOAN PAYABLE

The CSA received loan proceeds from the County's Revolving Fund established under Government Code Section 25210.9c. The loan has a ten-year term as established by the Board of Supervisors. The loan balance reported on the statement of net assets at June 30, 2011 is \$26,490.

Future debt service payments for the County's revolving loan are not disclosed because there are no fixed payment dates.

**County of San Bernardino Special Districts
County Service Area No. 79 - Green Valley Lake
Notes to Financial Statements
June 30, 2011**

NOTE 11: CONTINGENCIES

As of June 30, 2011, 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 12: SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 30, 2011, 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. 79 - Green Valley Lake
Budgetary Comparison Schedule - Special Revenue Fund
For the Year Ended June 30, 2011

	SPECIAL REVENUE FUND			
	R-1 Meadow Green Valley Lake (RCP)			
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 142	\$ 379	\$ 379	\$ -
Special assessments	21,375	21,375	22,718	1,343
Investment earnings	150	1,461	187	(1,274)
Total Revenues	<u>21,667</u>	<u>23,215</u>	<u>23,284</u>	<u>69</u>
EXPENDITURES				
Salaries and benefits	1,595	1,595	1,595	-
Services and supplies	31,702	10,043	10,043	-
Intergovernmental	13,000	13,000	13,000	-
Contingencies	7,438	27,045	-	27,045
Debt service:				
Principal	-	3,000	3,510	(510)
Interest	-	600	90	510
Total Expenditures	<u>53,735</u>	<u>55,283</u>	<u>28,238</u>	<u>27,045</u>
Excess of Revenues Over (Under) Expenditures	<u>(32,068)</u>	<u>(32,068)</u>	<u>(4,954)</u>	<u>27,114</u>
OTHER FINANCING SOURCES				
Proceeds from long-term debt	<u>30,000</u>	<u>30,000</u>	<u>30,000</u>	<u>-</u>
Total Other Financing Sources	<u>30,000</u>	<u>30,000</u>	<u>30,000</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ (2,068)</u>	<u>\$ (2,068)</u>	25,046	<u>\$ 27,114</u>
Fund Balance - beginning			<u>2,068</u>	
Fund Balance - ending			<u>\$ 27,114</u>	