

**COUNTY OF SAN BERNARDINO
SPECIAL DISTRICTS
COUNTY SERVICE AREA No. 42
ORO GRANDE**

REPORT ON AUDIT

JUNE 30, 2009

**County of San Bernardino Special Districts
County Service Area No. 42
Oro Grande
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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. 42 – Oro Grande (CSA), a component unit of the County of San Bernardino, as of and for the year ended June 30, 2009, 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. 42 – Oro Grande, as of June 30, 2009, 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.

The budgetary comparison information on page 22 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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The County of San Bernardino Special District County Service Area No. 42 – Oro Grande has not presented the *Management's Discussion and Analysis* that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

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

Rogers, Anderson, Malady + Scott, LLP

November 15, 2009

County of San Bernardino Special Districts
County Service Area No. 42 - Oro Grande
Statement of Net Assets
June 30, 2009

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 5,768	\$ 477,311	\$ 483,079
Accounts receivable, net	-	26,058	26,058
Interest receivable	-	2,098	2,098
Taxes receivable	2,352	-	2,352
Capital assets, net of depreciation	108,980	215,926	324,906
 Total Assets	 <u>117,100</u>	 <u>721,393</u>	 <u>838,493</u>
LIABILITIES			
Accounts payable	-	13,247	13,247
Salaries and benefits payable	825	-	825
Due to other governments	-	5,089	5,089
 Total Liabilities	 <u>825</u>	 <u>18,336</u>	 <u>19,161</u>
NET ASSETS			
Invested in capital assets	108,980	215,926	324,906
Unrestricted	7,295	487,131	494,426
 Total Net Assets	 <u>\$ 116,275</u>	 <u>\$ 703,057</u>	 <u>\$ 819,332</u>

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

County of San Bernardino Special Districts
County Service Area No. 42 - Oro Grande
Statement of Activities
For the Year Ended June 30, 2009

	Governmental Activities	Business-type Activities	Total
EXPENSES			
Professional fees	\$ -	\$ 70,897	\$ 70,897
Salaries and benefits	13,482	104,667	118,149
Services and supplies	24,820	51,471	76,291
Utilities	-	5,987	5,987
Depreciation	8,092	11,553	19,645
Total Program Expenses	<u>46,394</u>	<u>244,575</u>	<u>290,969</u>
PROGRAM REVENUE			
Charges for services	2,468	198,494	200,962
Net Program Expense	<u>(43,926)</u>	<u>(46,081)</u>	<u>(90,007)</u>
GENERAL REVENUES			
Property taxes	29,125	134	29,259
Other taxes	942	-	942
State assistance	332	3,369	3,701
Investment earnings	169	15,298	15,467
Penalties	-	4,564	4,564
Other	-	46,521	46,521
Total General Revenues	<u>30,568</u>	<u>69,886</u>	<u>100,454</u>
Change in Net Assets	(13,358)	23,805	10,447
Net Assets - beginning	<u>129,633</u>	<u>679,252</u>	<u>808,885</u>
Net Assets - ending	<u>\$ 116,275</u>	<u>\$ 703,057</u>	<u>\$ 819,332</u>

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

County of San Bernardino Special Districts
County Service Area No. 42 - Oro Grande
Balance Sheet
Governmental Funds
June 30, 2009

	SPECIAL REVENUE FUND		OTHER GOVERNMENTAL FUNDS	Total Governmental Funds
	Park (SIV)			
ASSETS				
Cash and cash equivalents	\$ 5,761	\$	7	\$ 5,768
Taxes receivable	2,352	-		2,352
Total Assets	\$ 8,113	\$	7	\$ 8,120
LIABILITIES AND FUND BALANCES				
Liabilities:				
Salaries and benefits payable	\$ 825	\$	-	\$ 825
Total Liabilities	825	-		825
Fund Balances:				
Reserved for:				
Imprest cash	100	-		100
Unreserved:				
Undesignated	7,188	7		7,195
Total Fund Balances	7,288	7		7,295
Total Liabilities and Fund Balances	\$ 8,113	\$	7	

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

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

108,980

Net Assets of Governmental Activities

\$ 116,275

County of San Bernardino Special Districts
County Service Area No. 42 - Oro Grande
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2009

	SPECIAL REVENUE FUND		OTHER GOVERNMENTAL FUNDS	Total Governmental Funds
	Park (SIV)			
REVENUES				
Property taxes	\$ 21,560	\$	7,565	\$ 29,125
Other taxes	942		-	942
State assistance	332		-	332
Investment earnings	33		136	169
Service fees	2,468		-	2,468
	<u>25,335</u>		<u>7,701</u>	<u>33,036</u>
EXPENDITURES				
Salaries and benefits	12,584		898	13,482
Services and supplies	15,016		9,804	24,820
Capital outlay:				
Improvements to land	-		397	397
	<u>27,600</u>		<u>11,099</u>	<u>38,699</u>
Excess of Revenues Over (Under) Expenditures	<u>(2,265)</u>		<u>(3,398)</u>	<u>(5,663)</u>
OTHER FINANCING SOURCES (USES)				
Transfer in	1,460		300	1,760
Transfer out	(300)		(1,460)	(1,760)
	<u>1,160</u>		<u>(1,160)</u>	<u>-</u>
Net Change in Fund Balances	(1,105)		(4,558)	(5,663)
Fund Balances - beginning	<u>8,393</u>		<u>4,565</u>	<u>12,958</u>
Fund Balances - ending	<u>\$ 7,288</u>	\$	<u>7</u>	<u>\$ 7,295</u>

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

**County of San Bernardino Special Districts
County Service Area No. 42 - Oro Grande
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances of Governmental Funds to the
Statement of Activities
For the Year Ended June 30, 2009**

Net Change in Fund Balances - Total Governmental Funds	\$	(5,663)
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Amounts reported for *governmental activities* in the statement of activities are different because:

Governmental funds report capital outlays as expenditures in the year an asset is purchased. 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 (\$8,092) exceeded capital outlay (\$397) in the current period.

(7,695)

Change in Net Assets of Governmental Activities	\$	<u>(13,358)</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. 42 - Oro Grande
Statement of Net Assets
Proprietary Fund
June 30, 2009

	ENTERPRISE FUND
	Refuse, Water, Sewer
ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 477,311
Accounts receivable, net	26,058
Interest receivable	2,098
	505,467
Total Current Assets	
Noncurrent Assets:	
Capital Assets:	
Land	44,800
Improvements to land	426,102
Structures and improvements	51,800
Construction in progress	25,510
Accumulated depreciation	(332,286)
	215,926
Total Noncurrent Assets	
	721,393
Total Assets	
LIABILITIES	
Current Liabilities:	
Accounts payable	13,247
Due to other governments	5,089
	18,336
Total Current Liabilities	
NET ASSETS	
Invested in capital assets	215,926
Unrestricted	487,131
	703,057
Total Net Assets	\$ 703,057

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

**County of San Bernardino Special Districts
County Service Area No. 42 - Oro Grande
Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Fund
For the Year Ended June 30, 2009**

	ENTERPRISE FUND
	Refuse, Water, Sewer
OPERATING REVENUES	
Sanitation services	\$ 75,925
Connection fees	2,513
Water sales	109,077
Other	10,979
Total Operating Revenues	198,494
OPERATING EXPENSES	
Professional fees	70,897
Salaries and benefits	104,667
Services and supplies	51,471
Utilities	5,987
Depreciation	11,553
Total Operating Expenses	244,575
Operating (Loss)	(46,081)
NONOPERATING REVENUES	
Property taxes	134
Special assessments	3,369
Investment earnings	15,298
Penalties	4,564
Other	46,521
Total Nonoperating Revenues	69,886
Change in Net Assets	23,805
Total Net Assets - beginning	679,252
Total Net Assets - ending	\$ 703,057

The accompanying notes are an integral part of these financial statements

**County of San Bernardino Special Districts
County Service Area No. 42 - Oro Grande
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2009**

	ENTERPRISE FUND
	Refuse, Water, Sewer
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 190,305
Payments to suppliers	(121,560)
Payments to employees	(104,667)
Net Cash Provided by Operating Activities	(35,922)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Property taxes	134
Special assessments	3,369
Penalties	4,564
Other nonoperating revenues	46,521
Net Cash Provided by Noncapital Financing Activities	54,588
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of capital assets	(21,828)
Net Cash (Used for) Capital and Related Financing Activities	(21,828)
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment earnings	17,189
Net Cash Provided by Investing Activities	17,189
Net Increase in Cash and Cash Equivalents	14,027
Cash and Cash Equivalents - beginning of the year	463,284
Cash and Cash Equivalents - end of the year	\$ 477,311
Reconciliation of operating (loss) to net cash (used for) operating activities:	
Operating (loss)	\$ (46,081)
Adjustments to reconcile operating (loss) to net cash (used for) operating activities:	
Depreciation expense	11,553
Change in assets and liabilities:	
Increase in accounts receivable	(8,189)
Increase in accounts payable	6,549
Increase in due to other governments	246
Net Cash (Used for) Operating Activities	\$ (35,922)

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

County of San Bernardino Special Districts
County Service Area No. 42 - Oro Grande
Notes to Financial Statements
June 30, 2009

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting entity

The County Service Area (CSA) No. 42 - Oro Grande District is a special district located within the County of San Bernardino. The CSA has governmental powers as established by the San Bernardino County Government Charter. The County of San Bernardino (County) was established in 1852 as a legal subdivision of the State of California.

The CSA was established by an act of the Board of Supervisors of the County (Board) on December 27, 1965 to provide sewer, water, park, refuse collection and street lighting services to the community of Oro Grande. The CSA serves 154 households for sewer, 135 households for water, 123 households for park, and services 39 streetlights.

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

The accompanying financial statements reflect only the accounts of the County Service Area No. 42 – Oro Grande 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, 2009.

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.

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.

County of San Bernardino Special Districts
County Service Area No. 42 - Oro Grande
Notes to Financial Statements
June 30, 2009

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement focus, basis of accounting, and financial statement presentation

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. 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 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 District reports the following major governmental fund:

The *special revenue fund* labeled "Park" is the government's primary operating fund for park services provided to the community of Oro Grande. It accounts for all financial resources of the general government related to park services, except those required to be accounted for in another fund.

The government reports the following major proprietary fund:

The *enterprise fund* labeled "Refuse, Water, Sewer" accounts for the refuse, water and sewer activities of the District.

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

County of San Bernardino Special Districts
County Service Area No. 42 - Oro Grande
Notes to Financial Statements
June 30, 2009

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

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 District's 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.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, and then unrestricted resources as they are needed.

Deposits and investments

Cash and cash equivalents are considered to be cash on hand, demands 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 is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is 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."

No allowance for uncollectibles was recorded at June 30, 2009, 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 1st and become delinquent with penalties on August 31st.

County of San Bernardino Special Districts
County Service Area No. 42 - Oro Grande
Notes to Financial Statements
June 30, 2009

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories and prepaid items

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

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

Fund equity

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

Capital assets

Capital assets, which include property, plant and equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (for improvements to land and structures and equipment) and have an estimated useful life in excess of one (1) year. 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 does not add to the value of the asset or materially extend asset life is not capitalized.

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

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

<u>Assets</u>	<u>Years</u>
Structures & improvements	5 - 45
Equipment and vehicles	6 - 15
Utility plant in service	45

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. 42 - Oro Grande
Notes to Financial Statements
June 30, 2009

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 are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

NOTE 2: CASH AND DEPOSITS

Cash and cash equivalents includes the cash balance of monies deposited with the County Treasurer which are pooled and invested for the purpose of increasing earnings through investment activities. Interest earned on pooled investments is deposited to the District's account based upon the District's average daily deposit balance during the allocation period. Cash and cash equivalents are shown at the fair value as of June 30, 2009.

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

**County of San Bernardino Special Districts
County Service Area No. 42 - Oro Grande
Notes to Financial Statements
June 30, 2009**

NOTE 3: ACCOUNTS RECEIVABLE

At June 30, 2009, the accounts receivable were composed of the following:

	Sewer
Accounts receivable	\$ 26,058
Less: allowance for uncollectibles	-
Net Total Accounts Receivable	\$ 26,058

NOTE 4: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2009 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 9,930	\$ -	\$ -	\$ 9,930
Construction in progress	24,713	397	-	25,110
Total capital assets, not being depreciated	34,643	397	-	35,040
Capital assets, being depreciated:				
Improvements to land	227,485	-	-	227,485
Structures and improvements	16,145	-	-	16,145
Equipment	6,493	-	-	6,493
Total capital assets, being depreciated	250,123	-	-	250,123
Less accumulated depreciation for:				
Improvements to land	(163,691)	(6,852)	-	(170,543)
Structures and improvements	(1,009)	(807)	-	(1,816)
Equipment	(3,391)	(433)	-	(3,824)
Total accumulated depreciation	(168,091)	(8,092)	-	(176,183)
Total capital assets, being depreciated, net	82,032	(8,092)	-	73,940
Governmental activities capital assets, net	\$ 116,675	\$ (7,695)	\$ -	\$ 108,980

County of San Bernardino Special Districts
County Service Area No. 42 - Oro Grande
Notes to Financial Statements
June 30, 2009

NOTE 4: CAPITAL ASSETS (continued)

	Beginning Balance	Additions	Deletions	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 44,800	\$ -	\$ -	\$ 44,800
Construction in progress	3,682	21,828	-	25,510
Total capital assets, not being depreciated	<u>48,482</u>	<u>21,828</u>	<u>-</u>	<u>70,310</u>
Capital assets, being depreciated:				
Improvements to land	426,102	-	-	426,102
Structures and improvements	51,800	-	-	51,800
Total capital assets, being depreciated	<u>477,902</u>	<u>-</u>	<u>-</u>	<u>477,902</u>
Less accumulated depreciation for:				
Improvements to land	(315,337)	(8,963)	-	(324,300)
Structures and improvements	(5,396)	(2,590)	-	(7,986)
Total accumulated depreciation	<u>(320,733)</u>	<u>(11,553)</u>	<u>-</u>	<u>(332,286)</u>
Total capital assets, being depreciated, net	<u>157,169</u>	<u>(11,553)</u>	<u>-</u>	<u>145,616</u>
Business-type activities capital assets, net	<u>\$ 205,651</u>	<u>\$ 10,275</u>	<u>\$ -</u>	<u>\$ 215,926</u>

NOTE 5: LONG-TERM LEASE AGREEMENT

On March 13, 2007 the Board of Supervisors approved an agreement with Oro Grande School District to lease Rainbow Park, an unused 2.92 acre parcel located on property contiguous to Oro Grande School, to the school for a period of 43 years at total cost of \$43. The purpose of the lease is to construct additional charter school facilities on the site at the cost of the school district. Oro Grande School District must relocate the existing park equipment to the Community Center Park at the expense of the school district. The lease will be for the period February 1, 2007 to January 31, 2050.

**County of San Bernardino Special Districts
County Service Area No. 42 - Oro Grande
Notes to Financial Statements
June 30, 2009**

NOTE 6: 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 (AQMD), San Bernardino Associated Governments (SANBAG), Local Agency Formation Commission (LAFCO), San Bernardino County Law Library, Barstow Fire Protection District, Hesperia Parks and Recreation, San Bernardino County Employees' Retirement Association (SBCERA), City of Chino Hills, Crest Forest Fire District, Mojave Desert Air Quality Management District (MDAQMD), California Electronic Recording Transaction Authority (CERTNA), Inland Valley Development Agency (IVDA), San Bernardino International Airport Authority (SBIAA), and the Superior Courts were later included, along with the County of San Bernardino (the County), and are collectively referred to as the "Participating Members." The plan is governed by the San Bernardino Board of Retirement under the 1937 Act. Employees become eligible for membership on their first day of regular employment and become fully vested after 5 years. SBCERA issues a stand-alone financial report, which may be obtained by contacting the Board of Retirement, 348 W Hospitality Lane - 3rd floor, San Bernardino, California 92415-0014.

Fiduciary Responsibility

SBCERA is controlled by its own board, the Retirement Board, which acts as a fiduciary agent for the accounting and control of member and employee contributions and investment income. SBCERA publishes its own Comprehensive Annual Financial Report and receives a separate independent audit. SBCERA is also a legally separate entity from the County and not a component unit. For these reasons, the County's Comprehensive Annual Financial Report excludes SBCERA pension trust fund as of June 30, 2009.

Funding Policy

Participating members are required by statute (Sections 31621, 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 7.68% - 12.96% and safety members 9.85% - 15.29% of their annual covered salaries, of which the County pays approximately 7%. County of San Bernardino employer contribution rates are as follows: County General 11.25%, County Safety 24.46%. All employers combined are required to contribute 13.95% of the current year covered payroll. For 2009, the County's annual pension cost of \$200,300,000 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 Section 31453 of the 1937 Act.

County of San Bernardino Special Districts
County Service Area No. 42 - Oro Grande
Notes to Financial Statements
June 30, 2009

NOTE 6: RETIREMENT PLAN (continued)

The County's annual pension cost and prepaid asset, computed in accordance with GASB 27, Accounting for Pensions by State and Local Governmental Employers, for the year ended June 30, 2009, were as follows (in thousands):

Annual Required Contribution (County fiscal year basis)	\$	200,300
Interest on Pension Assets		(7,834)
Adjustment to the Annual Required Contribution		51,805
Annual Pension Cost		244,271
Annual Contributions Made		200,300
Increase/(Decrease) in Pension Assets		(43,971)
Pension Assets, Beginning of Year		813,716
Pension Assets, End of Year	\$	769,745

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	
2007	\$ 239,857	\$ 194,130	100%
2008	\$ 241,721	\$ 203,712	100%
2009	\$ 246,232	\$ 200,300	100%

The County, along with the AQMD, 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 AQMD 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, 2009 is \$430,784,000.

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, 2009 is \$301,595,000.

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, 2009 is \$158,889,000.

**County of San Bernardino Special Districts
County Service Area No. 42 - Oro Grande
Notes to Financial Statements
June 30, 2009**

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 million per occurrence. Excess insurance coverage over the Self-Insured Retention (SIR) up to \$50 million is provided through a Risk Pool Agreement with California State Association of Counties (CSAC) Excess Insurance Authority (EIA) Liability Program II. 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 Zurich Ins. Co., which provides annual coverage on a per claim basis with an SIR of \$2 million for each claim. Maximum coverage under the policy is \$25 million in limits per claim provided by Illinois Union Ins. Co.

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

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 2.75%. It is the Risk Management's practice to obtain actuarial studies on an annual basis.

The total claims liability of \$149.9 million reported at June 30, 2009 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 2008 and 2009 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)
2007-08	\$ 129,683	\$ 51,702	\$ (32,064)	\$ 149,321
2008-09	\$ 149,321	\$ 32,909	\$ (32,289)	\$ 149,941

**County of San Bernardino Special Districts
County Service Area No. 42 - Oro Grande
Notes to Financial Statements
June 30, 2009**

NOTE 8: 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 9: 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, 2009, the CSA made the following interfund transfers in and out:

	Transfers in:		
	Park (SIV)	Community Center (CSS)	Total
<u>Transfers out:</u>			
Park (SIV)	\$ -	\$ 300	\$ 300
Streetlights (SIY)	1,443	-	1,443
Community Center Floor improvement (CQE)	17	-	17
	\$ 1,460	\$ 300	\$ 1,760

NOTE 10: PROPOSITION 111 APPROPRIATION LIMITS

Proposition 111, which added Article XIIIB to the State Constitution, established limits on budget appropriations in order to restrict government spending. We have reviewed the proceeds of taxes received by the District during the 2008-2009 fiscal year, and have found the revenue to be within the guidelines established by Proposition 111.

NOTE 11: CONTINGENCIES

As of June 30, 2009, 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.

**County of San Bernardino Special Districts
County Service Area No. 42 - Oro Grande
Budgetary Comparison Schedule
Special Revenue Fund - Park
For the Year Ended June 30, 2009**

	Special Revenue Fund			Variance with Final Budget Positive (Negative)
	Park (SIV)			
	Original Budget	Final Budget	Actual	
REVENUES				
Property taxes	\$ 16,469	\$ 16,469	\$ 21,560	\$ 5,091
Other taxes	2,050	2,050	942	(1,108)
State assistance	100,384	100,384	332	(100,052)
Investment earnings	-	-	33	33
Service fees	5,000	5,000	2,468	(2,532)
Total Revenues	123,903	123,903	25,335	(98,568)
EXPENDITURES				
Salaries and benefits	9,594	9,594	12,584	(2,990)
Services and supplies	19,526	19,526	15,016	4,510
Reserves and contingencies	2,339	2,339	-	2,339
Total Expenditures	31,459	31,459	27,600	3,859
Excess Revenues Over (Under) Expenditures	92,444	92,444	(2,265)	(94,709)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	1,460	1,460
Transfers out	(100,000)	(100,000)	(300)	99,700
Total Other Financing Sources (Uses)	(100,000)	(100,000)	1,160	101,160
Net Change in Fund Balance	\$ (7,556)	\$ (7,556)	(1,105)	\$ 6,451
Fund Balance - beginning			8,393	
Fund Balance - ending			\$ 7,288	

**County of San Bernardino Special Districts
County Service Area No. 42 - Oro Grande
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2009**

	SPECIAL REVENUE FUND	CAPITAL PROJECTS FUNDS		Total Nonmajor Governmental Funds (see Exhibit "C")
	Street Lights (SIY)	Community Center Floor Improvement (CQE)	Community Center (CSS)	
ASSETS				
Cash and cash equivalents	\$ -	\$ -	\$ 7	\$ 7
Total Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7</u>	<u>\$ 7</u>
LIABILITIES AND FUND BALANCES				
Liabilities	\$ -	\$ -	\$ -	\$ -
Fund Balances:				
Unreserved:				
Undesignated	-	-	7	7
Total Fund Balances	-	-	7	7
Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7</u>	<u>\$ 7</u>

County of San Bernardino Special Districts
County Service Area No. 42 - Oro Grande
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2009

	SPECIAL REVENUE FUND	CAPITAL PROJECTS FUNDS		Total Nonmajor Governmental Funds (see Exhibit "D")
	Street Lights (SIY)	Community Center Floor Improvement (CQE)	Community Center (CSS)	
REVENUES				
Property taxes	\$ 7,565	\$ -	\$ -	\$ 7,565
Investment earnings	115		21	136
Total Revenues	<u>7,680</u>	<u>-</u>	<u>21</u>	<u>7,701</u>
EXPENDITURES				
Salaries and benefits	898	-	-	898
Services and supplies	9,804	-	-	9,804
Capital outlay:				
Improvements to land	-	-	397	397
Total Expenditures	<u>10,702</u>	<u>-</u>	<u>397</u>	<u>11,099</u>
Excess Revenues Over (Under) Expenditures	<u>(3,022)</u>	<u>-</u>	<u>(376)</u>	<u>(3,398)</u>
OTHER FINANCING SOURCES (USES)				
Transfer in	-	-	300	300
Transfer out	<u>(1,443)</u>	<u>(17)</u>	<u>-</u>	<u>(1,460)</u>
Total Other Financing Sources (Uses)	<u>(1,443)</u>	<u>(17)</u>	<u>300</u>	<u>(1,160)</u>
Net Change in Fund Balances	(4,465)	(17)	(76)	(4,558)
Fund Balances - beginning	<u>4,465</u>	<u>17</u>	<u>83</u>	<u>4,565</u>
Fund Balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7</u>	<u>\$ 7</u>