

COUNTY OF SAN BERNARDINO SPECIAL DISTRICTS
COUNTY SERVICE AREA No. 70
IMPROVEMENT ZONE GH

FINANCIAL STATEMENTS

JUNE 30, 2012

**COUNTY OF SAN BERNARDINO SPECIAL DISTRICTS
COUNTY SERVICE AREA No. 70
IMPROVEMENT ZONE GH
TABLE OF CONTENTS
June 30, 2012**

TABLE OF CONTENTS

	<u>Page</u>
<u>FINANCIAL SECTION:</u>	
Independent Auditors' Report	1-2
Basic Financial Statements:	
Government-wide Financial Statements	
Statement of Net Assets	3
Statement of Activities	4
Fund Financial Statements	
Balance Sheet - Governmental Funds	5
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	6
Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	7
Statement of Net Assets – Proprietary Fund	8
Statement of Revenues, Expenses, and Changes in Net Assets – Proprietary Fund	9
Statement of Cash Flows – Proprietary Fund	10
Notes to Financial Statements	12-22
Required Supplementary Information	
Budgetary Comparison Schedule - Special Revenue Fund (Streetlighting and Detention Basin)	23-24



An Independent CPA Firm

Board of Supervisors
County of San Bernardino
County of San Bernardino Special
District Improvement Zone GH

Independent Auditors' Report

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the County of San Bernardino Special District County Service Area No.70 – Improvement Zone GH (CSA), a component unit of the County of San Bernardino, as of and for the year ended June 30, 2012, 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 an opinion 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 States 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 of 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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the County of San Bernardino Special District County Service Area No.70 – Improvement Zone GH as of June 30, 2012, 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.

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 opinion on the basic financial statements is not affected by this missing information.

Board of Supervisors
County of San Bernardino
County of San Bernardino Special
District Improvement Zone GH

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.

David L. Gruber and Associates, Inc.

David L. Gruber and Associates Inc.
Huntington Beach, California
December 5, 2012

COUNTY OF SAN BERNARDINO SPECIAL DISTRICTS
COUNTY SERVICE AREA No. 70
IMPROVEMENT ZONE GH
Statement of Net Assets

June 30, 2012

	Governmental Activities	Business-type Activities	Total
<u>Assets</u>			
Cash and cash equivalents	\$ 339,861	\$ 1,914,753	\$ 2,254,614
Accounts receivable, net	-	403,765	403,765
Interest receivable	-	1,097	1,097
Special assessments receivable	350	-	350
Taxes receivables	23	-	23
Due from other governments	-	4,490	4,490
Capital assets, net of depreciation	3,614,459	2,585,055	6,199,514
Total Assets	3,954,693	4,909,160	8,863,853
<u>Liabilities</u>			
Accounts payable	-	298	298
Customer deposits	-	1,500	1,500
Total liabilities	-	1,798	1,798
<u>Net assets</u>			
Invested in capital assets	3,614,459	2,585,055	6,199,514
Restricted for public works	12,558	-	12,558
Restricted for community services	327,676	-	327,676
Unrestricted	-	2,322,307	2,322,307
Total net assets	\$ 3,954,693	\$ 4,907,362	\$ 8,862,055

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

COUNTY OF SAN BERNARDINO SPECIAL DISTRICTS
COUNTY SERVICE AREA No. 70
IMPROVEMENT ZONE GH
Statement of Activities

For the Year Ended June 30, 2012

	Governmental Activities	Business-type Activities	Total
<u>Expenses</u>			
Professional services	\$ 4,114	\$ 26,036	\$ 30,150
Salaries and benefits	2,278	334,826	337,104
Services and supplies	49,765	170,936	220,701
Utilities	-	68,713	68,713
Depreciation	42,486	109,944	152,430
Total Expenses	<u>98,643</u>	<u>710,455</u>	<u>809,098</u>
<u>Program Revenues</u>			
Charges for services	-	628,502	628,502
Net Program Revenue	<u>(98,643)</u>	<u>(81,953)</u>	<u>(180,596)</u>
<u>General Revenues</u>			
Property taxes	80	-	80
Special assessments	57,915	5,412	63,327
Investment earnings	1,340	6,678	8,018
Penalties	-	4,786	4,786
Contributions from private sources	-	343,051	343,051
Other	-	12,084	12,084
Intergovernmental	14,979	-	14,979
Total general revenues	<u>74,314</u>	<u>372,011</u>	<u>446,325</u>
Change in net assets	(24,329)	290,058	265,729
Net assets at beginning of year	<u>3,979,022</u>	<u>4,617,304</u>	<u>8,596,326</u>
Net assets at end of year	<u>\$ 3,954,693</u>	<u>\$ 4,907,362</u>	<u>\$ 8,862,055</u>

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

COUNTY OF SAN BERNARDINO SPECIAL DISTRICTS
 COUNTY SERVICE AREA No. 70
 IMPROVEMENT ZONE GH
 Balance Sheet
 Governmental Funds
 June 30, 2012

	Special Revenue Fund		Total
	Streetlighting (RWX)	Detention Basin (CXI)	Governmental Funds
Assets			
Cash and cash equivalents	\$ 12,236	\$ 327,625	\$ 339,861
Taxes receivable	23	-	23
Special assessments receivable	299	51	350
Total assets	\$ 12,558	\$ 327,676	\$ 340,234
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ -
Total liabilities			
Fund balances:			
Restricted for:			
Streetlighting	12,558	-	12,558
Detention Basin	-	327,676	327,676
Total Fund Balances	12,558	327,676	340,234
Total Liabilities and Fund Balance	\$ 12,558	\$ 327,676	

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

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

Capital assets	3,699,431
Accumulated depreciation	(84,972)
Net Assets of Governmental Activities	\$ 3,954,693

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

COUNTY OF SAN BERNARDINO SPECIAL DISTRICTS
 COUNTY SERVICE AREA No. 70
 IMPROVEMENT ZONE GH
 Statement of Revenues, Expenditures and Changes in Fund Balance
 Governmental Fund
 For the Year Ended June 30, 2012

	<u>Special Revenue Funds</u>		Total Governmental Funds
	<u>Streetlighting (RWX)</u>	<u>Detention Basin (CXI)</u>	
Revenues			
Property taxes	\$ 69	\$ 11	\$ 80
Special assessments	32,994	24,922	57,916
Intergovernmental	14,979	-	14,979
Investment earnings	55	1,285	1,340
Total Revenues	<u>48,097</u>	<u>26,218</u>	<u>74,315</u>
Expenditures			
Salaries and benefits	1,496	782	2,278
Services and supplies	41,206	12,674	53,880
Total Expenditures	<u>42,702</u>	<u>13,456</u>	<u>56,158</u>
Net Change in Fund Balance	5,395	12,762	18,157
Fund Balance - beginning	<u>7,163</u>	<u>314,914</u>	<u>322,077</u>
Fund Balance - ending	<u>\$ 12,558</u>	<u>\$ 327,676</u>	<u>\$ 340,234</u>

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

COUNTY OF SAN BERNARDINO SPECIAL DISTRICTS
COUNTY SERVICE AREA No. 70
IMPROVEMENT ZONE GH
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, 2012

Net Change in Fund Balance - Total Government Funds \$ 18,157

Amounts reported for *governmental activities* in the statement of activities
are different because:

Governmental funds report capital outlays as expenditures. However, in the
statement of activities the cost of those assets is allocated over their estimated useful
lives and reported as depreciation expense. This is the amount by which depreciation
expense (\$42,486) exceeded capital outlay (\$-0) in the current year.

(42,486)

Change in Net Assets of Governmental Activities

\$ (24,329)

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

COUNTY OF SAN BERNARDINO SPECIAL DISTRICTS
 COUNTY SERVICE AREA No. 70
 IMPROVEMENT ZONE GH
 Statement of Net Assets
 Proprietary Fund

June 30, 2012

	<u>Enterprise Fund</u>
<u>Assets</u>	
Current assets:	
Cash and cash equivalents	\$ 1,914,753
Accounts receivable, net	403,765
Interest receivable	1,097
Due from other governments	4,490
Total current assets	2,324,105
Noncurrent assets:	
Capital assets:	
Improvements to land	2,728,118
Construction in progress	30,917
Accumulated depreciation	(173,980)
Total noncurrent assets	2,585,055
Total assets	4,909,160
<u>Liabilities</u>	
Current liabilities:	
Accounts payable	298
Customer deposits	1,500
Total current liabilities	1,798
Total liabilities	1,798
<u>Net assets</u>	
Invested in capital assets	2,585,055
Unrestricted	3,322,307
Total net assets	\$ 4,907,362

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

COUNTY OF SAN BERNARDINO SPECIAL DISTRICTS
 COUNTY SERVICE AREA No. 70
 IMPROVEMENT ZONE GH
 Statement of Revenues, Expenses and Changes in Net Assets
 Proprietary Fund
 For the Year Ended June 30, 2012

	<u>Enterprise Fund</u>
Operating Revenues	
Service fees	\$ 628,502
Total Operating Revenues	628,502
Operating Expenses	
Professional services	26,036
Salaries and benefits	334,826
Services and supplies	170,936
Utilities	68,713
Depreciation	109,944
Total Operating Expenses	710,455
Operating Loss	(81,953)
Nonoperating Revenues	
Investment earnings	6,678
Special assessments	5,412
Penalties	4,786
Contributions from private sources	343,051
Other	12,084
Total Nonoperating Revenues	372,011
Net Change in Net Assets	290,058
Fund Balance - beginning	4,617,304
Fund Balance - ending	\$ 4,907,362

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

COUNTY OF SAN BERNARDINO SPECIAL DISTRICTS
 COUNTY SERVICE AREA No. 70
 IMPROVEMENT ZONE GH
 Statement of Cash Flows
 Proprietary Fund
 For the Year Ended June 30, 2012

	<u>Enterprise Fund</u>
Cash Flows from Operating Activities	
Receipts from customers	\$ 876,053
Payments to suppliers	(272,162)
Payments to employees	(334,826)
Net cash provided by operating activities	269,065
Cash Flows from Noncapital Financing Activities	
Special assessments	5,652
Penalties	4,786
Other nonoperating revenues	391,475
Net cash provided by noncapital financing activities	401,913
Cash Flows from Investing Activities	
Investment earnings	8,453
Net cash provided by investing activities	8,453
Net decrease in cash and cash equivalents	679,431
Cash and Cash Equivalents - beginning	1,235,322
Cash and Cash Equivalents - ending	\$ 1,914,753

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

COUNTY OF SAN BERNARDINO SPECIAL DISTRICTS
 COUNTY SERVICE AREA No. 70
 IMPROVEMENT ZONE GH
 Statement of Cash Flows (continued)
 Proprietary Fund
 For the Year Ended June 30, 2012

	<u>Enterprise Fund</u>
Reconciliation of operating loss to net cash used for operating activities:	
Operating loss	\$ (81,953)
Adjustments to reconcile operating loss to net cash used for operating activities:	
Depreciation expense:	109,944
Change in assets and liabilities:	
Increase in accounts receivable, net	(375,439)
Decrease in other receivables	604,078
Decrease in due from other governments	18,912
Decrease in accounts payable	(6,382)
Decrease in due to other governments	(95)
	(95)
Net cash used for operating activities	\$ 269,065

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

COUNTY OF SAN BERNARDINO SPECIAL DISTRICTS
COUNTY SERVICE AREA No. 70
IMPROVEMENT ZONE GH
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the County of San Bernardino Special District County Service Area No.70 – Improvement Zone GH conform to generally accepted accounting principles as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Reporting Entity

The County Service Area (CSA) No. 70 - Improvement Zone GH was established by an act of the Board of Supervisors of the County of San Bernardino (the County) on July 12, 2005 to provide park and recreation, sanitation, and streetlight services to the Glen Helen area. The CSA provides sanitation services to the San Bernardino Sheriff's Department Detention facility as well as a Master Planned community currently in development. The CSA provides sewer service to 217 Equivalent Dwelling Units (EDUs).

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

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

Because the CSA meets the reporting entity criteria established by the Governmental Accounting Standards Board (GASB), the CSA's financial statements have also been included in the Comprehensive Annual Financial Report of the County as a "component unit" for the fiscal year ended June 30, 2012.

Government-wide and fund financial statements

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

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

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

COUNTY OF SAN BERNARDINO SPECIAL DISTRICTS
COUNTY SERVICE AREA No. 70
IMPROVEMENT ZONE GH
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement focus, basis of accounting, and financial statements presentation

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

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

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

The government reports the following major governmental fund:

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

The *special revenue fund* labeled "Detention Basin" accounts for all financial resources of the general government related to detention basin services.

The government reports the following major proprietary fund:

The *enterprise* accounts for sewer activities of the CSA.

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

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contribution, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes. When both restricted and unrestricted resources are available for us, it is the government's policy to use restricted resources first, and then unrestricted resources as they are needed.

COUNTY OF SAN BERNARDINO SPECIAL DISTRICTS
COUNTY SERVICE AREA No. 70
IMPROVEMENT ZONE GH
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 date of acquisition.

Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (e.g., the current portion of interfund loans) or "advances to/from other funds" (e.g., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances." Currently, the CSA does not have any business-type activities.

Property Taxes

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

Inventories and prepaid items

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

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

Capital assets

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

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

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

**COUNTY OF SAN BERNARDINO SPECIAL DISTRICTS
COUNTY SERVICE AREA No. 70
IMPROVEMENT ZONE GH
NOTES TO FINANCIAL STATEMENTS
June 30, 2012**

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital assets (continued)

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

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

Long-term obligations

Long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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 CSA that are not restricted for any project or other purpose.

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. 70
IMPROVEMENT ZONE GH
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

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 fixed assets within each fund.

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

B. Encumbrances

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end do not constitute expenditures or liabilities because the commitment will be re-appropriated and honored during the subsequent year.

Note 2: CASH AND DEPOSITS

Cash and cash equivalents includes cash balance of monies deposited with the County Treasurer which are pooled and invested for the purpose of increasing earnings through investment activities. Interest earned on pooled investments is deposited to the CSA's account based upon the CSA's average daily deposit balance during the allocation period. Cash and cash equivalents are shown at the fair value as of June 30, 2012.

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, 2012, the accounts receivable was composed of the following:

	Enterprise Fund
Accounts receivable	\$ 403,765
Less: allowance for uncollectibles	-
Total accounts receivable, net	\$ 372,817

COUNTY OF SAN BERNARDINO SPECIAL DISTRICTS
COUNTY SERVICE AREA No. 70
IMPROVEMENT ZONE GH
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 4: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2012 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Easements	\$ 2,000,000	\$ -	\$ -	\$ 2,000,000
Total capital assets, not being depreciated:	2,000,000	-	-	2,000,000
Capital assets, being depreciated:				
Infrastructure	1,699,431	-	-	1,699,431
Total capital assets, being depreciated	1,699,431	-	-	1,699,431
Less accumulated depreciation for:				
Infrastructure	(42,486)	(42,486)	-	(84,972)
Total accumulated depreciation	(42,486)	(42,486)	-	(84,972)
Total capital assets, being depreciated, net	1,656,945	(42,486)	-	1,614,459
Governmental activities capital assets	\$ 3,656,945	\$ (42,486)	\$ -	\$ 3,614,459
Business-type activities:				
Capital assets, not being depreciated:				
Construction in progress	\$ 2,346,534	\$ -	\$ (2,315,617)	\$ 30,917
Total capital assets, not being depreciated:	2,346,534	-	(2,315,617)	30,917
Capital assets, being depreciated:				
Improvements to land	448,841	2,279,277	-	2,728,118
Total capital assets, being depreciated	448,841	2,279,277	-	2,728,118
Less accumulated depreciation for:				
Improvements to land	(64,036)	(109,944)	-	(173,980)
Total accumulated depreciation	(64,036)	(109,944)	-	(173,980)
Total capital assets, being depreciated, net	384,805	2,169,333	-	2,554,138
Business-type activities capital assets, net	\$ 2,731,339	\$ 2,169,333	\$ (2,315,617)	\$ 2,585,055

COUNTY OF SAN BERNARDINO SPECIAL DISTRICTS
COUNTY SERVICE AREA No. 70
IMPROVEMENT ZONE GH
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 5: LAND EASEMENT SALE CONTRACT

On January 8, 2008, the CSA and the County of San Bernardino entered into a Land Easement Sale Contract. The contract conveyed an easement over 10.2 acres of County-owned property to the CSA for the construction, operation, and maintenance of detention basins. The contract required the CSA to purchase the easement by making a one-time lump sum payment of \$2 million to the County. If the detention basins are constructed but the easement ceases to be used for the detention basins for a period of one year or more, the County shall have the power to terminate this Agreement and the Deed given under this Agreement. A private development company agreed to contribute the \$2 million needed by the CSA for the purchase of the easement (See Note 6).

Note 6: DETENTION BASIN AGREEMENT

On January 8, 2008, the CSA and a private development company (Company) entered into a Detention Basin Agreement. The Company is responsible for the construction of detention basins for the purpose of collecting storm runoff in the Lytle Creek North Planned Development Project. The agreement requires the Company to pay the CSA \$2 million for the right to construct and use the basins on the CSA's Easement Property (See Note 5). When construction is complete, ownership will be transferred to the CSA which will be responsible for maintaining and monitoring the basins' operations. Additionally, the Company has paid an additional \$250,000 to the CSA for the cost to operate and maintain the basins for approximately the first two years after completion. Both the \$2 million and the \$250,000 were received during Fiscal Year 2008. During Fiscal Year 2009, the \$250,000 paid by the Company was transferred from the business-type activity to the governmental activity. On April 22, 2010, the CSA took ownership of the detention basins.

Note 7: WASTEWATER SYSTEM AGREEMENT

On August 24, 2004, the CSA and a private development company (Company) entered into a Wastewater System Agreement. The Company is responsible for the construction of a Waste Water Treatment Plant to serve the Lytle Creek North Planned Development Project, the San Bernardino County Sheriff's detention facility, and future expansion within the CSA. When construction is complete and final acceptance is granted by Special Districts Department on behalf of the CSA, ownership will be transferred to the CSA which will be responsible for maintaining and monitoring the Waste Water Treatment Plant. On July 25, 2006, the Special Districts Department issued preliminary acceptance, which transferred possession of the Waste Water Treatment Plant, but not ownership, to the CSA. As of June 30, 2012, final acceptance has not been granted; thus ownership has not transferred to the CSA.

COUNTY OF SAN BERNARDINO SPECIAL DISTRICTS
COUNTY SERVICE AREA No. 70
IMPROVEMENT ZONE GH
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 8: FAIR-SHARE CONTRIBUTION AGREEMENT

On April 19, 2005, the CSA and a private development company (Company) entered into a Fair-Share Contribution Agreement. The Company is required to pay an annual fair-share contribution to mitigate operating cost deficits in connection with the operation and maintenance of the Waste Water Treatment Plant and all related appurtenances and facilities including the trunk sewer and effluent treatment ponds, and the Lytle North Sewer Collection Systems commencing upon 'Final Acceptance' of the Waste Water Treatment Plant by the Special Districts Department and continues until either the certificates of occupancy have been issued for residences and other buildings constituting at least 2,093 equivalent dwelling units or until such time as there has been no operating cost deficit for two consecutive fiscal years. The Company is required to make this contribution annually for each fiscal year and shall be in an amount equal to the amount, if any, by which the sum of 88% of the Waste Water Treatment Costs plus 100% of the Lytle North Sewer Collection System Costs exceeds user fee revenues. During fiscal year 2011, the CSA recorded revenues of \$343,051 from the Company. In addition, the San Bernardino County Sheriff's Department is required to pay 12% of the Waste Water Treatment Plant Costs and 100% of the pretreatment costs in consideration of the sewer services provided for the County Sheriff's facilities serviced by the Waste Water Treatment Plant.

Note 9: 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 Law of 1937 (the 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), Department of Water and Power for the City of Big Bear Lake and Crestline Sanitation District were later included, along with the County, and are collectively referred to as the "Plan Sponsors" or "employers". 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.

COUNTY OF SAN BERNARDINO SPECIAL DISTRICTS
COUNTY SERVICE AREA No. 70
IMPROVEMENT ZONE GH
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 9: RETIREMENT PLAN (continued)

Fiduciary Responsibility

SBCERA is controlled by its own board, the Board of Retirement, which acts as a fiduciary agent for the accounting and control of employer and employee contributions and investment income. SBCERA publishes its own Comprehensive Annual Financial Report and receives a separate independent audit. SBCERA is also a legally separate entity from the County and not a component unit.

Funding Policy

Participating 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). Members are required to contribute 7.42% - 12.95% for general members and 9.54% - 15.32% for safety members (refundable rates), of their annual covered salary of which the County pays approximately 7% (for certain employee units). County of San Bernardino employer contribution rates are as follows: County General 14.50%, County Safety 30.89%. All employers combined are required to contribute an average 17.85% of the current year covered payroll. 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.

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, 2012, were as follows (in thousands):

Annual Required Contribution (County fiscal year basis)	\$ 229,169
Interest on Pension Assets	(55,733)
Adjustment to the Annual Required Contribution	<u>73,086</u>
Annual Pension Cost	246,522
Annual Contributions Made	<u>229,169</u>
Increase/(Decrease) in Pension Assets	(17,353)
Pension Assets, Beginning of Year	<u>719,134</u>
Pension Assets, End of Year	<u>\$ 701,781</u>

The following table shows the County's required contribution and percentage contributed for the current year and two preceding years:

Year Ended <u>June 30,</u>	Annual Contributions Made (in thousands)		Percentage <u>Contributed</u>
	<u>SBCERA</u>	<u>County</u>	
2010	\$ 243,773	\$ 197,097	100%
2011	258,128	213,311	100%
2012	278,091	229,169	100%

COUNTY OF SAN BERNARDINO SPECIAL DISTRICTS
COUNTY SERVICE AREA No. 70
IMPROVEMENT ZONE GH
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 9: RETIREMENT PLAN (continued)

The County, along with the SCAQMD, issued Pension Refunding Bonds (Bonds) in November 1995 with an aggregate amount of \$420,527. These Bonds were issued to allow the County and the SCAQMD to refinance each of their unfunded accrued actuarial liabilities with respect to retirement benefits for their respective employees. The Bonds are the obligations of the employers participating in the Plan and the assets of the Plan do not secure the Bonds. The County's portion of the bond issuance was \$386,266.

On June 24, 2004, the County issued its County of San Bernardino Pension Obligation Bonds, Series 2004 A (Fixed Rate Bonds), its County of San Bernardino Pension Obligation Bonds, Series 2004 B (Auction Rate Bonds), and its County of San Bernardino Pension Obligation Bonds, Series 2004 C (Index Bonds) in a respective aggregate principal amounts of \$189,070, \$149,825, and \$125,000. The Bonds were issued to finance the County's share of the unfunded accrued actuarial liability of the SBCERA. In April 2008, the County refunded all of the 2004 Series B.

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

Note 10: FEDERAL AND STATE GRANTS

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

Note 11: RISK MANAGEMENT

The County has self-insurance programs for public liability, property damage, unemployment insurance, employee dental insurance, hospital and medical malpractice liability, and workers' compensation claims. Public liability claims are self-insured for up to \$2.5 million per occurrence. Excess insurance coverage over the Self-Insured Retention (SIR) up to \$100 million is provided through a combination of insurance policies as recommended by Arthur J. Gallagher & Co., Broker of Record, as follows: Primary Liability coverage \$25 million excess of \$2.5 million self-insured retention with Starr Indemnity & Liability Co.; Excess Liability coverage of \$10 million, excess of \$25 million with Allied World Assurance Co.; and

Excess Liability coverage \$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 Assurance 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 \$10 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.

**COUNTY OF SAN BERNARDINO SPECIAL DISTRICTS
COUNTY SERVICE AREA No. 70
IMPROVEMENT ZONE GH
NOTES TO FINANCIAL STATEMENTS
June 30, 2012**

Note 11: RISK MANAGEMENT (continued)

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 claim made form basis with a 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.

The activities related to such programs are accounted for in Risk Management except for unemployment insurance, and employee dental insurance, which are accounted for in the General Fund. The IBNR (Incurred But Not Reported) and IBNS (Incurred But Not Settled) liabilities stated on Risk Management's balance sheet are based upon the results of actuarial studies, and include amounts for allocated and unallocated loss adjustment expenses. The liabilities for these claims are reported using a discounted rate of 0.493%. It is Risk Management's practice to obtain actuarial studies on an annual basis.

The total claims liability of \$167 million reported at June 30, 2012 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 2011 and 2012 were:

<u>Fiscal Year</u>	<u>Beginning of Fiscal Year Liability (in thousands)</u>	<u>Current Year Claims and Changes in Estimates (in thousands)</u>	<u>Current Year Claim Payments (in thousands)</u>	<u>End of Fiscal Year Liability (in thousands)</u>
2010-11	\$ 145,394	\$ 40,832	\$ (35,275)	\$ 150,951
2011-12	\$ 150,951	\$ 58,008	\$ (42,010)	\$ 166,589

Note 12: CONTINGENCIES

As of June 30, 2012, 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 13: SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 5, 2012, 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. 70
IMPROVEMENT ZONE GH

Budgetary Comparison Schedule - Special Revenue Fund (Streetlighting and Detention Basin)
For the Year Ended June 30, 2012

	Special Revenue Fund			Variances with Final Budget Positive (Negative)
	Streetlighting (RWX)			
	Original Budget	Final Budget	Actual	
Revenues				
Property taxes	\$ 85	\$ 85	\$ 69	\$ (16)
Special assessments	28,717	32,994	32,994	-
Intergovernmental	-	15,000	14,979	(21)
Contributions/donations	15,000	-	-	-
Investment earnings	100	100	55	(45)
Total Revenues	<u>43,902</u>	<u>48,179</u>	<u>48,097</u>	<u>(82)</u>
Expenditures				
Salaries and benefits	1,496	1,496	1,496	-
Services and supplies	48,751	41,204	41,206	(2)
Reserves and contingencies	777	12,601	-	12,601
Total Expenditures	<u>51,024</u>	<u>55,301</u>	<u>42,702</u>	<u>12,599</u>
Net Change in Fund Balance	<u>\$ (7,122)</u>	<u>\$ (7,122)</u>	5,395	<u>\$ (12,681)</u>
Fund Balance - beginning			<u>7,163</u>	
Fund Balance - ending			<u>\$ 12,558</u>	

Special Revenue Fund
Detention Basin (CXI)

Original Budget	Final Budget	Actual	Variances with Final Budget Positive (Negative)
\$ 15	\$ 15	\$ 11	\$ (4)
26,992	24,922	24,922	-
-	-	-	-
-	-	-	-
<u>3,462</u>	<u>1,583</u>	<u>1,285</u>	<u>(298)</u>
<u>30,469</u>	<u>26,520</u>	<u>26,218</u>	<u>(302)</u>
782	782	782	-
38,761	12,674	12,674	-
<u>305,127</u>	<u>327,265</u>	<u>-</u>	<u>(327,265)</u>
<u>344,670</u>	<u>340,721</u>	<u>13,456</u>	<u>(327,265)</u>
<u>\$ (314,201)</u>	<u>\$ (314,201)</u>	12,762	<u>\$ 326,963</u>
		<u>314,914</u>	
		<u>\$ 327,676</u>	