

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

REPORT ON AUDIT

JUNE 30, 2006

**County of San Bernardino Special Districts
County Service Area No. 42
Oro Grande
Table of Contents**

	Exhibit	Page
INDEPENDENT AUDITOR'S REPORT		1 - 2
BASIC FINANCIAL STATEMENTS		
Government-Wide Financial Statements		
Statement of Net Assets	A	3
Statement of Activities	B	4
Fund Financial Statements		
Balance Sheet - Governmental Funds	C	5
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	D	6
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	E	7
Statement of Net Assets - Proprietary Fund	F	8
Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Fund	G	9
Statement of Cash Flows - Proprietary Fund	H	10
Notes to Financial Statements		11 - 21
Required Supplementary Information	Schedule	
Budgetary Comparison Schedule - Special Revenue Fund (Park)	One	22

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.

Rogers, Anderson, Molodt & Scott, LLP

September 15, 2006

County of San Bernardino Special Districts
County Service Area No. 42 - Oro Grande
Statement of Net Assets
June 30, 2006

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 125	\$ 279,483	\$ 279,608
Accounts receivable, net	-	28,891	28,891
Interest receivable	-	2,392	2,392
Taxes receivable	2,205	-	2,205
Capital assets, net of depreciation	91,864	225,118	316,982
	<u>94,194</u>	<u>535,884</u>	<u>630,078</u>
LIABILITIES			
Accounts payable	-	2,978	2,978
Bank overdraft	945	-	945
Due to other governments	-	4,843	4,843
	<u>945</u>	<u>7,821</u>	<u>8,766</u>
NET ASSETS			
Invested in capital assets	91,864	225,118	316,982
Unrestricted	1,385	302,945	304,330
	<u>93,249</u>	<u>528,063</u>	<u>621,312</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, 2006

	Governmental Activities	Business-type Activities	Total
EXPENSES			
Salaries and benefits	\$ 16,290	\$ -	\$ 16,290
Services and supplies	22,343	141,708	164,051
Utilities	-	5,210	5,210
Depreciation	7,519	7,999	15,518
Professional fees	-	25,921	25,921
Total Program Expenses	<u>46,152</u>	<u>180,838</u>	<u>226,990</u>
PROGRAM REVENUES			
Charges for services	10,452	190,806	201,258
Net Program Expense (Revenue)	<u>(35,700)</u>	<u>9,968</u>	<u>(25,732)</u>
GENERAL REVENUES			
Property taxes	13,738	737	14,475
Other taxes	2,348	-	2,348
State assistance	469	5,279	5,748
Investment earnings	147	7,095	7,242
Penalties	-	705	705
Intergovernmental	-	51,800	51,800
Other	-	23,177	23,177
Total General Revenues	<u>16,702</u>	<u>88,793</u>	<u>105,495</u>
Change in Net Assets	(18,998)	98,761	79,763
Net Assets - beginning	<u>112,247</u>	<u>429,302</u>	<u>541,549</u>
Net Assets - ending	<u>\$ 93,249</u>	<u>\$ 528,063</u>	<u>\$ 621,312</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, 2006**

	SPECIAL REVENUE FUND	OTHER GOVERNMENTAL FUND	Total Governmental Funds
	Park (SIV)	Street Lights (SIY)	
ASSETS			
Cash and cash equivalents	\$ -	\$ 125	\$ 125
Taxes receivable	2,205	-	2,205
	\$ 2,205	\$ 125	\$ 2,330
LIABILITIES AND FUND BALANCES			
Liabilities:			
Bank overdraft	\$ 945	\$ -	\$ 945
	945	-	945
Fund Balances:			
Reserved for:			
Imprest cash	100	-	100
Unreserved:			
Undesignated	1,160	125	1,285
	1,260	125	1,385
Total Fund Balances	1,260	125	1,385
Total Liabilities and Fund Balances	\$ 2,205	\$ 125	

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.

	91,864
Net Assets of Governmental Activities	\$ 93,249

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, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2006

	SPECIAL REVENUE FUND <u>Park (SIV)</u>	OTHER GOVERNMENTAL FUND <u>Street Lights (SIY)</u>	Total Governmental Funds
REVENUES			
Property taxes	\$ 8,738	\$ 5,000	\$ 13,738
Other taxes	2,348	-	2,348
State assistance	469	-	469
Investment earnings	108	39	147
Service fees	10,452	-	10,452
	<u>22,115</u>	<u>5,039</u>	<u>27,154</u>
EXPENDITURES			
Salaries and benefits	14,384	1,906	16,290
Services and supplies	17,352	4,991	22,343
	<u>31,736</u>	<u>6,897</u>	<u>38,633</u>
Net Change in Fund Balances	(9,621)	(1,858)	(11,479)
Fund Balances - beginning	<u>10,881</u>	<u>1,983</u>	<u>12,864</u>
Fund Balances - ending	<u>\$ 1,260</u>	<u>\$ 125</u>	<u>\$ 1,385</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, 2006**

Net Change in Fund Balances - Total Governmental Funds	\$	(11,479)
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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 (\$7,519) exceeded capital outlay (\$-0-) in the current period.

(7,519)

Change in Net Assets of Governmental Activities	\$	<u>(18,998)</u>
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(18,998)

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, 2006**

	ENTERPRISE FUND
	Refuse, Water, Sewer
ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 279,483
Accounts receivable, net	28,891
Interest receivable	2,392
	310,766
Total Current Assets	
Noncurrent Assets:	
Capital assets:	
Land	44,800
Improvement to land	396,266
Structures and improvements	51,800
Construction in progress	30,746
Accumulated depreciation	(298,494)
	225,118
Total Noncurrent Assets	225,118
Total Assets	535,884
LIABILITIES	
Current Liabilities:	
Accounts payable	2,978
Due to other governments	4,843
	7,821
Total Current Liabilities	7,821
NET ASSETS	
Invested in capital assets	225,118
Unrestricted	302,945
	528,063
Total Net Assets	\$ 528,063

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 Fund Net Assets
Proprietary Fund
For the Year Ended June 30, 2006**

	<u>ENTERPRISE FUND</u> <u>Refuse, Water, Sewer</u>
OPERATING REVENUES	
Charges for services	\$ 187,335
Other	3,471
Total Operating Revenues	<u>190,806</u>
OPERATING EXPENSES	
Professional fees	25,921
Services and supplies	141,708
Utilities	5,210
Depreciation	7,999
Total Operating Expenses	<u>180,838</u>
Operating Income	<u>9,968</u>
NONOPERATING REVENUES	
Property taxes	737
Special assessments	5,279
Investment earnings	7,095
Penalties	705
Other	23,177
Total Nonoperating Revenues	<u>36,993</u>
Income Before Transfers	<u>46,961</u>
TRANSFERS	
Transfers in	115,028
Transfers out	(63,228)
Total Transfers	<u>51,800</u>
Change in Net Assets	98,761
Total Net Assets - beginning	<u>429,302</u>
Total Net Assets - ending	<u><u>\$ 528,063</u></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 Cash Flows
Proprietary Fund
For the Year Ended June 30, 2006**

	<u>ENTERPRISE FUND</u> Refuse, Water, Sewer
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 175,915
Payments to suppliers	<u>(174,680)</u>
Net Cash Provided by Operating Activities	<u>1,235</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Property taxes	737
Special assessments	5,279
Penalties	705
Other nonoperating revenue	23,177
Transfers in (out)	<u>51,800</u>
Net Cash Provided by Noncapital Financing Activities	<u>81,698</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of capital assets	<u>(51,800)</u>
Net Cash Used for Capital and Related Financing Activities	<u>(51,800)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment earnings	<u>6,117</u>
Net Cash Provided by Investing Activities	<u>6,117</u>
Net Increase in Cash and Cash Equivalents	37,250
Cash and Cash Equivalents - beginning of the year	<u>242,233</u>
Cash and Cash Equivalents - end of the year	<u>\$ 279,483</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 9,968
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	7,999
Change in assets and liabilities:	
Increase in accounts receivable, net	(14,891)
Decrease in accounts payable	<u>(1,841)</u>
Net Cash Provided by Operating Activities	<u>\$ 1,235</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
Notes to Financial Statements
June 30, 2006**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting entity

The County Service Area (CSA) No. 42 was established by an act of the Board of Supervisors of the County of San Bernardino (the County) to provide water sanitation, sewer, park, refuse collection and street lighting services to the community of Oro Grande.

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. 42 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, 2006.

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 nonfiduciary 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 any 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. 42 - Oro Grande
Notes to Financial Statements
June 30, 2006**

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. 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 "Park" provides park services to the community of Oro Grande.

The government reports the following major proprietary fund:

The *enterprise fund* labeled "Refuse, Water, Sewer" accounts for the activities of the CSA, a blended component unit of the County. The CSA operates refuse collection, water, and sewer services in the community of Oro Grande.

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, 2006

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 revenues of the CSA enterprise fund are charges to customers for refuse, water and sewer services. Operating expenses for enterprise funds include the cost of salaries and benefits, service and supplies, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition 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, 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."

All accounts receivable are shown net of an allowance for uncollectibles when applicable. The accounts receivable balance of the Refuse, Water, Sewer Enterprise Fund at June 30, 2006 is net of an allowance for doubtful accounts of \$9,088.

**County of San Bernardino Special Districts
County Service Area No. 42 - Oro Grande
Notes to Financial Statements
June 30, 2006**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 the March 1 lien date 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 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 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 asset or materially extend assets' lives are not capitalized.

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

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

Assets	Years
Infrastructure	40 - 60
Structures and improvements	5 - 40
Equipment and vehicles	4 - 15

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.

County of San Bernardino Special Districts
County Service Area No. 42 - Oro Grande
Notes to Financial Statements
June 30, 2006

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Stewardship, compliance and accountability

A. Budgetary information

In accordance with provisions of Section 29000 - 29143 of the Government code of the State of California, commonly known as the County Budget Act, the District 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 are reported as reservations of fund balances and 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 include 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, 2006.

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, 2006**

NOTE 3: ACCOUNTS RECEIVABLE

At June 30, 2006, the accounts receivable balance was composed of the following:

	<u>Refuse/Water/Sewer</u>
Accounts receivable	\$ 37,979
Less: allowance for uncollectibles	<u>(9,088)</u>
Total accounts receivable, net	<u>\$ 28,891</u>

NOTE 4: CAPITAL ASSETS

Capital asset activity for year ended June 30, 2006 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 9,930	\$ -	\$ -	\$ 9,930
Total capital assets, not being depreciated	<u>9,930</u>	<u>-</u>	<u>-</u>	<u>9,930</u>
Capital assets, being depreciated:				
Improvements to land	227,485	-	-	227,485
Equipment	11,493	-	-	11,493
Total capital assets, being depreciated	<u>238,978</u>	<u>-</u>	<u>-</u>	<u>238,978</u>
Less accumulated depreciation for:				
Improvements to land	(142,432)	(7,086)	-	(149,518)
Structure and improvements	-	-	-	-
Equipment	(7,093)	(433)	-	(7,526)
Total accumulated depreciation	<u>(149,525)</u>	<u>(7,519)</u>	<u>-</u>	<u>(157,044)</u>
Total capital assets, being depreciated, net	<u>89,453</u>	<u>(7,519)</u>	<u>-</u>	<u>81,934</u>
Total capital assets, net	<u>\$ 99,383</u>	<u>\$ (7,519)</u>	<u>\$ -</u>	<u>\$ 91,864</u>

**County of San Bernardino Special Districts
County Service Area No. 42 - Oro Grande
Notes to Financial Statements
June 30, 2006**

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	30,746	-	-	30,746
Total capital assets, not being depreciated	75,546	-	-	75,546
Capital assets, being depreciated:				
Improvements to land	396,266	-	-	396,266
Structures and improvements	-	51,800	-	51,800
Total capital assets, being depreciated	396,266	51,800	-	448,066
Less accumulated depreciation for:				
Improvements to land	(290,495)	(7,999)	-	(298,494)
Total accumulated depreciation	(290,495)	(7,999)	-	(298,494)
Total capital assets being depreciated, net	105,771	43,801	-	149,572
Total capital assets, net	<u>\$ 181,317</u>	<u>\$ 43,801</u>	<u>\$ -</u>	<u>\$ 225,118</u>

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, the City of Chino Hills, the California State Association of Counties, the San Bernardino County Law Library, Crest Forest Fire Protection District, Mojave Desert Air Quality Management District (the MDAQMD) and the South Coast Air Quality Management District (the AQMD), 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.

**County of San Bernardino Special Districts
County Service Area No. 42 - Oro Grande
Notes to Financial Statements
June 30, 2006**

NOTE 5: RETIREMENT PLAN (continued)

Fiduciary responsibility

The Retirement Association 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. The Retirement Association publishes its own Comprehensive Annual Financial Report and receives a separate independent audit. The Retirement Association 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 the Retirement Association pension trust fund as of June 30, 2006.

Funding policy

Participating members are required by statute (Sections 31621, 31621.2 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 8.89% - 12.65% for general members and 10.85% - 14.77% for safety members, of their annual covered salary of which the County pays approximately 7%. County of San Bernardino employer contribution rates are as follow: County General 10.8%, County Safety 23.84%. All employers combined are required to contribute 13.01% of the current year covered payroll. For 2006, the County's annual pension cost of \$166,614,000 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.

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, 2006, were as follows (in thousands):

Annual Required Contribution (County fiscal year basis)	\$ 166,614
Interest on Pension Assets	(34,207)
Adjustment to the Annual Required Contribution	40,156
Annual Pension Cost	<u>172,563</u>
Annual Contributions Made	<u>166,614</u>
Increase/(Decrease) in Pension Assets	(5,949)
Pension Assets, Beginning of Year	<u>844,882</u>
Pension Assets, End of Year	<u><u>\$ 838,933</u></u>

**County of San Bernardino Special Districts
County Service Area No. 42 - Oro Grande
Notes to Financial Statements
June 30, 2006**

NOTE 5: RETIREMENT PLAN (continued)

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

<u>Year Ended June 30,</u>	<u>Annual Contributions Made (in thousands)</u>		<u>Percentage Contributed</u>
	<u>SBCERA</u>	<u>County</u>	
2004	\$ 652,325	\$ 540,106	100%
2005	\$ 161,906	\$ 141,450	100%
2006	\$ 197,343	\$ 166,614	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 current amount outstanding at June 30, 2006 is \$439,879,000.

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 a 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. The current amount outstanding at June 30, 2006 is \$461,665,000.

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.

County of San Bernardino Special Districts
County Service Area No. 42 - Oro Grande
Notes to Financial Statements
June 30, 2006

NOTE 7: RISK MANAGEMENT

The CSA is insured through the County's 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 \$1 million per occurrence. Excess insurance coverage over the Self-Insured Retention (SIR) up to \$25 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 \$2 million per occurrence, and covered by CSAC EIA for up to \$10 million for employer's liability, and up to \$50 million for workers' compensation per occurrence. Property damage claims are insured on an occurrence basis over a \$25,000 deductible, and insured with CSAC EIA Property Program.

The County supplements its self-insurance for medical malpractice claims with CSAC EIA, which provides annual coverage on a claim made form basis with a SIR of \$1 million for each claim. Maximum coverage under the policy is \$11.5 million per claim with an additional \$10 million in limits provided by the CSAC EIA General Liability II Program.

All public officials and County employees are insured under a blanket Comprehensive Disappearance, Destruction, and Dishonesty policy covering County monies and securities, also with CSAC EIA with a \$100,000 deductible, and excess limits up to \$10 million per occurrence.

The activities related to such programs are accounted for in the County's Risk Management Fund (an Internal Service Fund) except for unemployment insurance, and employee dental insurance, which are accounted for in the County's General Fund. The IBNR and IBNS liabilities stated on the Risk Management Fund'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 4.25%. It is the County's practice to obtain actuarial studies on an annual basis.

The County has a risk management investment program agreement with the Bank of New York to finance the self-insured general liability, automobile liability, workers' compensation, and medical malpractice programs. The County's investment in the agreement totaled \$47.7 million at June 30, 2006.

**County of San Bernardino Special Districts
County Service Area No. 42 - Oro Grande
Notes to Financial Statements
June 30, 2006**

NOTE 7: RISK MANAGEMENT (continued)

The total claims liability of \$127.2 million reported at June 30, 2006 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 2005 and 2006 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>Claims Payments (in thousands)</u>	<u>End of Fiscal Year Liability (in thousands)</u>
2004 - 05	\$ 101,709	\$ 44,309	\$ (30,304)	\$ 115,714
2005 - 06	\$ 115,714	\$ 46,926	\$ (35,407)	\$ 127,233

NOTE 8: CONTINGENCIES

As of June 30, 2006, 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.

Required Supplementary Information
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, 2006

	Special Revenue Fund			Variance with Final Budget Positive (Negative)
	Park (SIV)			
	Original Budget	Final Budget	Actual	
REVENUES				
Property taxes	\$ 13,062	\$ 13,062	\$ 8,738	\$ (4,324)
Other taxes	878	878	2,348	1,470
State assistance	1,174	1,174	469	(705)
Investment earnings	750	750	108	(642)
Service fees	14,300	14,300	10,452	(3,848)
 Total Revenues	 30,164	 30,164	 22,115	 (8,049)
EXPENDITURES				
Salaries and benefits	14,242	14,442	14,384	58
Services and supplies	26,602	26,402	17,352	9,050
 Total Expenditures	 40,844	 40,844	 31,736	 9,108
 Net Change in Fund Balance	 <u>\$ (10,680)</u>	 <u>\$ (10,680)</u>	 (9,621)	 <u>\$ 1,059</u>
 Fund Balance - beginning			 10,881	
 Fund Balance - ending			 <u>\$ 1,260</u>	