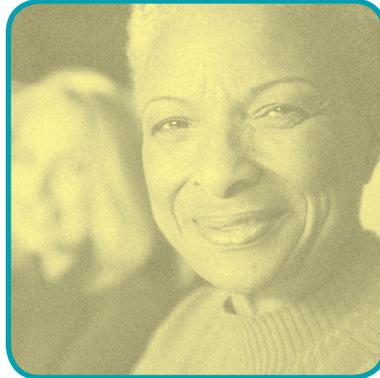


San Bernardino
County



State of California



Comprehensive Annual Financial Report

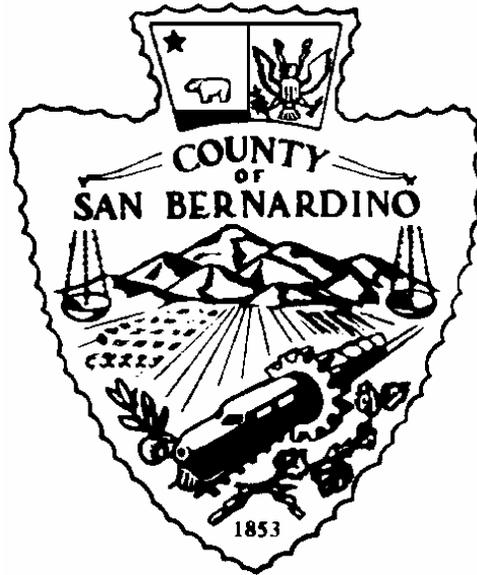
For the Year Ended
June 30, 2006

Larry Walker,
Auditor/Controller-Recorder



**COMPREHENSIVE ANNUAL
FINANCIAL REPORT
YEAR ENDED JUNE 30, 2006**

**COUNTY OF SAN BERNARDINO
STATE OF CALIFORNIA
1853**



Supervisor Bill Postmus, Chairman.....First District
Supervisor Paul Biane, Vice Chairman..... Second District
Supervisor Dennis HansbergerThird District
Supervisor Gary Ovitt..... Fourth District
Supervisor Josie GonzalesFifth District

Mark Uffer –County Administrative Officer

*Prepared by the Office of the Auditor/Controller-Recorder
Larry Walker, Auditor/Controller-Recorder*

**COUNTY OF SAN BERNARDINO
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 JUNE 30, 2006**

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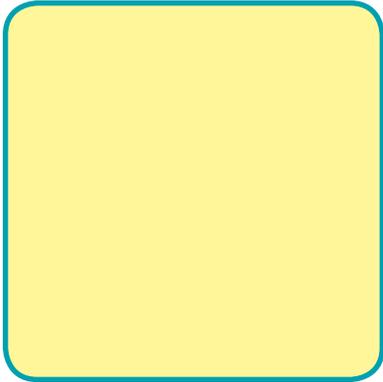
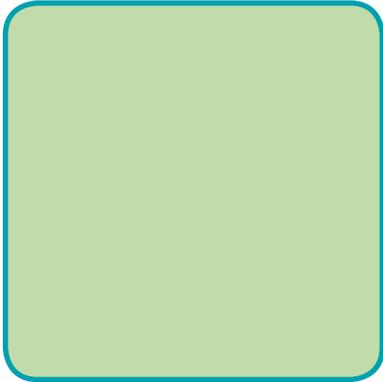
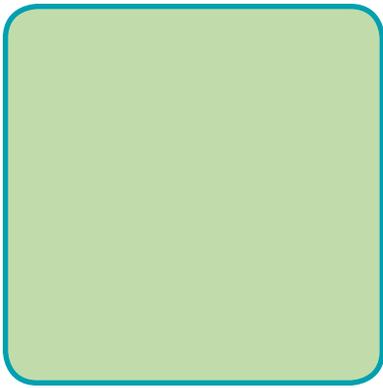
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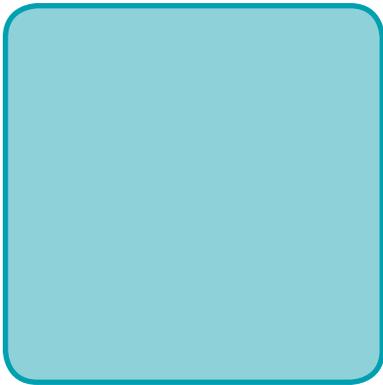
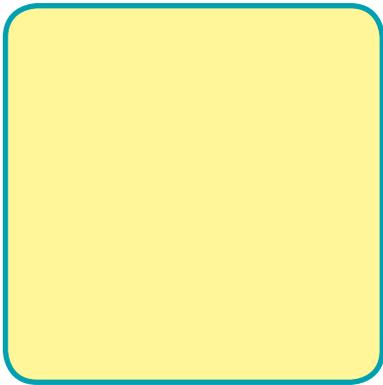
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Introductory
Section



Comprehensive Annual
Financial Report



AUDITOR/CONTROLLER-RECORDER COUNTY CLERK



COUNTY OF SAN BERNARDINO

AUDITOR/CONTROLLER • 222 West Hospitality Lane, Fourth Floor
San Bernardino, CA 92415-0018 • (909) 387-8322 • Fax (909) 386-8830

RECORDER • COUNTY CLERK • 222 West Hospitality Lane, First Floor
San Bernardino, CA 92415-0022 • (909) 387-8306 • Fax (909) 386-8940

LARRY WALKER

Auditor/Controller-Recorder
County Clerk

ELIZABETH A. STARBUCK

Assistant Auditor/Controller-Recorder
Assistant County Clerk

November 10, 2006

**THE HONORABLE BOARD OF SUPERVISORS
COUNTY OF SAN BERNARDINO
County Government Center
385 North Arrowhead Avenue
San Bernardino, CA 92415-0110**

Honorable Board Members:

The Comprehensive Annual Financial Report of the County of San Bernardino for the fiscal year ended June 30, 2006 is submitted herewith in compliance with Section 25253 of the Government Code of the State of California and Article V, Section 8 of the Charter of the County of San Bernardino.

The accompanying Basic Financial Statements were prepared in accordance with generally accepted accounting principles as promulgated by the Governmental Accounting Standards Board, the accepted standard setting body for establishing governmental accounting and financial reporting principles.

The responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the County. We believe the data is presented in a manner designed to fairly set forth the financial position and results of operations of the County, and that all disclosures necessary to enable the reader to gain a full understanding of the County's financial activities have been included.

The Comprehensive Annual Financial Report is presented in three sections:

- The Introductory Section includes this transmittal letter, the County's organizational chart, and a list of principal County officials.
- The Financial Section includes the independent auditor's report, Management's Discussion and Analysis (MD&A), the basic financial statements and notes, and supplemental statements and schedules necessary to fairly present the financial position and the results of operations of the County in conformity with generally accepted accounting principles. The County's MD&A can be found immediately following the report of the independent auditors.
- The Statistical Section includes selected financial and demographic information of the County, generally on a multi-year basis, and is unaudited.

The County is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996 and the U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations." Information related to this single audit, including the schedule of expenditures of federal awards, schedule of findings and questioned costs, and the independent auditor's report on compliance and internal control, are published separately from this report.

THE REPORTING ENTITY AND ITS SERVICES

The County of San Bernardino, located in Southern California, was established by an act of the State Legislature on April 26, 1853, forming the County from the eastern part of Los Angeles County. The County is a charter law county divided into five supervisorial districts on the basis of population. The County encompasses an area of over 20,164 square miles and includes twenty-four incorporated cities. In terms of land area, it is the largest county in the contiguous United States. The County is also one of the fastest growing areas in the nation and is the fourth most populous of the 58 counties in California.

The County provides a wide range of services to its residents including police protection, criminal prosecution, medical and health services, education, senior citizen assistance, roads, library services, support for judicial institutions, airport service, cultural and environmental services, parks and a variety of public assistance programs. Special districts and county service areas provide services to remote geographical areas and rapidly growing communities. These services include fire protection, parks, flood control, water, sewer, street lighting, and roads.

The accompanying Basic Financial Statements include all organizations and other entities, functions and activities of the County for which the County Board of Supervisors is financially accountable. Also included are numerous self-governed school and special districts, for which the County acts as depository. The financial reporting for these entities, which are governed and act independently of the County of San Bernardino, is limited to reporting, as Investment Trust Funds, the total amount of cash and investments and other assets collected for, disbursed by, and held for, these entities.

INTERNAL CONTROLS

The County's internal accounting control system exists to provide reasonable, but not absolute, assurance that assets are safeguarded against loss or unauthorized disposition and to provide reliable records for preparing financial statements and maintaining accountability for assets. The County's Internal Audits Division actively participates in evaluating and upgrading the internal accounting control system.

As a recipient of federal and state financial awards, the County also is responsible for ensuring that an adequate internal control structure is in place to assure compliance with applicable laws and regulations related to public assistance programs. This internal control structure is subject to periodic evaluation by management and the internal audit staff.

The County uses the modified accrual basis of accounting for its Governmental Funds. Revenues are recognized when they become measurable and available to finance operations of the year. Expenditures are generally recognized when the related fund liability is incurred except for principal and interest on long-term obligations, which is recognized when payment is due. The accrual basis of accounting is used for all Proprietary Fund Types and the Trust Funds. Revenues are recognized when they are earned and become measurable and expenses are recorded when they are incurred.

The objective of budgetary control is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the County's Board of Supervisors. Budgets are adopted for the General Fund, certain Special Revenue, Debt Service, and Capital Project Funds. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is maintained at the expenditure object level. Encumbrance accounting is utilized to assure effective budgetary control; purchase orders and contracts are reviewed and a determination is made that valid and sufficient appropriations exist for payment for ordered goods and services. Encumbrances outstanding at year-end do not constitute expenditures or liabilities. Unencumbered appropriations expire at year-end and encumbrances outstanding at that time are reported as reservations of fund balance for subsequent year expenditures.

CASH MANAGEMENT

The County Pool represents monies entrusted to the County Treasurer by the County of San Bernardino, and by school and special districts, and other entities within the County. State law requires that all operating monies of the County, school districts and certain special districts be held by the County Treasurer. In addition, there are approximately \$56.8 million in "discretionary deposits." The County Pool does not include investments of the Deferred Compensation program or the County Employees' Retirement Association, which are separately managed.

The County by law pools its cash to facilitate investment opportunities for increasing interest income. The County's pooled cash and investments include U.S. Government and agency securities, commercial paper, money market mutual funds, negotiable certificates of deposits and repurchase agreements. The average rate of return on investments during fiscal year 2005-06 was 3.77%.

In accordance with GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools," the pooled cash and investments held in the County Treasury are reported at their fair value at June 30, 2006, which is \$27.6 million less than amortized cost.

Monies deposited in the County Pool by the participants represent an individual interest in all assets and investments in the County Pool based upon the amount deposited. Interest income, gains and losses are distributed quarterly to the participants based on their average daily balance. Currently, Standard & Poor's Ratings Service rates this investment pool S1+ for market risk and AAf for credit quality, which are the highest ratings attainable. Fitch's current rating for the County pool is AAA/V-1+, for meeting the highest credit quality standards for underlying assets, diversification, management and operational capabilities. Moody's Investors Service also rates the investment pool at its highest credit rating, Aaa, and safest market risk rating, MR1. Amounts held in the County investment pool are invested in the Pooled Investment Fund of the County ("County Pool"), which invests in securities according to the Investment Policy adopted by the Board of Supervisors for the County Treasurer-Tax Collector as authorized by Section 53601 of the Government Code of California.

The Treasurer's investment policy allows for the purchase of a variety of securities with limitations as to exposure, maturity and ratings varying with each security type. The composition of the portfolio will change over time as old investments mature or are sold, and as new investments are made. The Pool provides monthly reporting of its assets by sector, average life, fair value and other features to both the Board of Supervisors and the County Treasury Oversight Committee who also review and approve the investment policy.

The County's Investment policy does not allow investments in derivative instruments in the treasury pool. None of the securities held by the County Pool are considered structured notes that incorporate "derivative" features, i.e., interest rates tied to alternative indices, formulas or other pricing features. Derivative securities exclude traditional floating rate securities tied to indices such as LIBOR, T-Bills, Fed Funds, etc. In addition, the County Pool does not invest in, nor has it ever invested in, "inverse floaters" nor does it invest in reverse repurchase agreements.

The fair value of the Pool will depend upon, among other factors, the maturities and types of investments and general market conditions. The current June 30, 2006 market value analysis indicates an unrealized loss of approximately \$27.6 million. Historically, the Pool has held most of its securities to their respective maturity dates.

CASH MANAGEMENT - Continued

At June 30, 2006, approximately \$56.8 million of the Pool assets are attributable to "discretionary" participants who are not legally required to deposit funds in the Pool. Such participants may withdraw their funds from the Pool upon 30 days' notice to the Treasurer, and only with prior approval of the Treasurer. The liquidity of the Pool will vary depending upon the mix and type of investments therein, and the net cash inflows and outflows at any given time. The Treasurer-Tax Collector manages the Pool to ensure sufficient liquidity exists, given reasonable anticipated cash needs. Current liquidity in the portfolio, consisting of cash, cash equivalents and investments with maturities of less than 60 days, is approximately \$769,431,000. The weighted average maturity of all investments at June 30, 2006 was 326 days, with an effective duration of 0.84 years.

The County believes that the County Pool is prudently invested and that investments therein are scheduled to mature at the times and in the amounts that are necessary to meet the County's expenditures and other scheduled withdrawals.

The County utilizes a Countywide banking program with a major bank, which is referred to as "Consolidated Banking," which accelerates the collection and deposit of monies by participating departments into the County Treasury making them readily available for investment.

DEBT MANAGEMENT

The County maintained the top debt rating for short-term issues throughout fiscal year 2005-06. For other issues, Standard & Poor's rating is A with stable outlook, and Moody's rating is A2. The following is a summary of the County's short-term borrowing highlights of 2005-06.

SHORT-TERM BORROWING

In July 2005, the County issued Tax and Revenue Anticipation Notes totaling \$210,000,000. The notes were issued at a nominal rate of 1.50% and a true interest cost of 0.804%. Standard & Poor's Rating Service and Moody's assigned ratings of SP-1+ and MIG1 respectively. These notes matured on June 30, 2006. The proceeds of the notes were used to meet the County's cash flow needs including General Fund expenditures (both current and capital expenditures).

RISK MANAGEMENT

The County has self-insurance programs for public liability, unemployment insurance, employee dental insurance, hospital and medical malpractice liability and Workers' Compensation. Public Liability claims are self-insured up to \$1,000,000 per claim or occurrence. Excess insurance coverage over the SIR up to \$25,000,000 is with CSAC Excess Insurance Authority Liability Program II (CSAC EIA).

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 limit up to \$10,000,000 per claim or occurrence.

Workers' Compensation claims are self-insured up to \$2,000,000 per claim or occurrence. Excess limits up to \$2,000,000 for Employers' Liability and statutory Workers' Compensation limits are provided by an excess Workers' Compensation Insurance Policy through the CSAC EIA.

Property damage claims are insured with the CSAC EIA through the Property Program over a \$25,000 deductible.

The activities related to such programs are accounted for in the Risk Management Fund (an Internal Service Fund) except for unemployment insurance and employee dental insurance which is accounted for in the General Fund. The liabilities included in the Risk Management Fund are based on the results of actuarial studies and

MAJOR INITIATIVES - Continued

include amounts for claims incurred but not reported and allocated loss adjustment expenses. It is the County's practice to obtain actuarial studies on an annual basis. Revenues of the Risk Management Fund together with funds to be provided in the future, via the Security Payment Program or GIC, will provide adequate resources to meet public liability, workers' compensation, property and hospital and medical malpractice liabilities as they come due.

MAJOR INITIATIVES

Sheriff-Coroner Merger

In 2004, the Sheriff, Public Administrator/Coroner, Board of Supervisors and County Administrative Office outlined the operational efficiencies to be gained by merging Coroner operations with the Sheriff's Department. Due to rapid population growth, an increase in staffing and departmental restructuring was needed to enhance overall service levels. It was agreed that additional advantages would result from coordination of efforts with Sheriff's personnel; therefore, staff analysis centered upon a scenario that offered both the greatest benefit to service delivery and the ability to create reform as swiftly and effectively as possible. Both the 2003-04 Grand Jury and the San Bernardino County Safety Employees Benefit Association supported the merger.

The Board of Supervisors approved an ordinance to consolidate the Sheriff-Coroner position and related operations in 2005. At that time, several changes were implemented. Trained sheriff's deputies began providing preliminary Coroner investigative services in outlying County areas, thereby reducing wait and travel time. Coroner communications and dispatch activities were integrated into the Sheriff's existing emergency communications system. Coroner participation in emergency and field operations was integrated with the Sheriff's Mobile Command Post and search and rescue functions. Sheriff's Department staff and systems provided technology support for Coroner operations, and overall administrative support was enhanced. The Sheriff's Department also instituted a policy and protocol whereby a neighboring county would conduct autopsies in cases of officer-involved or in-custody deaths that involve Sheriff's personnel.

In response to facility concerns, a \$1 million project to expand the work areas and refrigeration and shelving units in the morgue was already underway. Following an operational evaluation by Sheriff-Coroner staff, the project was expanded to \$2.8 million in 2006 to include replacement of the morgue's air conditioning system, enlargement of the refrigeration space, addition of an emergency generator to accommodate increased refrigeration space, new freezer space, establishment of a forensic anthropology area and a dedicated tissue harvesting room, replacement flooring and drainage modification, replacement of the roof, creation of a covered body release area, addition and remodel of offices, additional fenced parking and creation of an additional employee entrance. These changes will streamline the entire morgue process to better serve the needs of the medical examiners, mortuaries, employees, and families of decedents.

Initially, following consolidation, four deputy coroner Investigators and one additional contract deputy medical examiner were added to the Coroner Division of the Sheriff's Department. In 2006, 10 new vehicles and 14 additional positions were added—seven deputy coroner investigators, five autopsy assistants, and two sheriff's service specialists. With the addition of the aforementioned staff, there has been a planned decrease in body assessments, allowing for an increase in autopsies. The Coroner Division has seen a 4% increase in reportable deaths in the County in the past year, which will mean an estimated 623 additional cases to be processed by the Division.

The Sheriff's Department also added two portable morgue/refrigerator transport semi-trucks, acquired through Homeland Security grant funding, to increase the Department's body transportation-storage capacity, supplement transport vendors and for use as on-site portable morgues and autopsy stations during unforeseen mass fatalities.

The Sheriff's Department recently initiated several measures to enhance recruitment, including the creation of an Autopsy Assistant Trainee classification to enable the Department to hire and further train applicants for the

MAJOR INITIATIVES - Continued

regular classification, and development of an internship program for local community college students and fourth-year university students. The Coroner Division also maintains active volunteers, the majority of which are college students interested in careers in the medico legal investigative field.

Under the leadership of the Sheriff's Department, and with the support of the Board of Supervisors, the Coroner Division has made significant progress in resolving many outstanding issues revealed by the merger, and will continue to seek improvements to provide better service to the County's residents.

Enterprise Risk Management

In July 2006, the Board of Supervisors created the Department of Risk Management. Historically Risk Management had been a division of the Human Resources Department. Elevating Risk Management to department status is recognition of the critical role that Risk Management plays in County administration.

For many years the Risk Management division was described as the "in-house insurance company." The division purchased insurance, managed claims and over time, developed safety and loss control programs. Annually the division conducted an actuarial study and established assessments charged to departments based upon these projections for self-insured exposures and premiums charged to the County for insured programs. Departments had little to no involvement in or understanding of the rate setting process or decisions regarding risk transfer or retention.

Enterprise Risk Management is a more holistic approach to managing risk. It is the process of aligning the County's strategy, processes, people, technology and knowledge to collectively meet its objectives while managing the risks. This approach requires that risks be evaluated in terms of the overall mission of the County. Simply stated, there are inherent risks in County operations that cannot be avoided if the County is to successfully meet its obligations to the public. The ERM approach looks beyond risk avoidance and risk transfer to a broader managerial approach for managing risk while achieving the County's mission and obligations to the public. It seeks to involve management at all organizational levels in understanding risks associated with their activities and making conscious decisions regarding the management of these risks in the context of the mission of the County.

Department of Behavioral Health

The Mental Health Services Act (MHSA), passed by voters on November 2, 2004 as Proposition 63, established a state personal income tax surcharge of 1 percent on millionaires. This tax provides funding to expand and transform mental health services in California. The San Bernardino County Department of Behavioral Health's MHSA Community Services and Supports (CSS) Plan was approved by the State Department of Mental Health on June 26, 2006 and DBH received approval from the Board of Supervisors to receive the 2006-07 allocation from the State on July 18, 2006.

Over the next three years, DBH will receive over \$50 million to implement the programs and services outlined in the CSS Plan. These funds will enable the department to assist underserved populations, including individuals who are frequent users of inpatient services, and individuals who are exiting from the foster care system, juvenile hall and the county jail programs. Programs have been developed to address specific mental health needs of children and youth, transitional age youth (between 18 and 25), adults and older adults, who are isolated and need mobile outreach services to receive care. Over the next three years, the CSS Plan expects to provide services to an estimated 12,568 individuals through its Full Service Partnership and other programs.

CHILDREN & YOUTH PROGRAMS

The Comprehensive Child/Family Support System will establish a "seamless" system of care for children and families in San Bernardino County to negotiate multiple agencies and funding sources. The goal is to help families with children that suffer with severe mental illness to meet their needs and move toward recovery and

MAJOR INITIATIVES - Continued

increased resilience.

An expanded Children's Crisis Response Team will provide needed crisis response within the county. These services will reduce hospitalizations and out-of-home placements and help children and youth return to their families.

TRANSITIONAL AGE YOUTH (TAY) PROGRAMS

One Stop TAY Centers will provide integrated services to the unserved, underserved, and inappropriately served TAY (18-25 years) who are severely and persistently mentally ill, high users of acute facilities, homeless, have co-occurring disorders, incarcerated, institutionalized, and recidivists with significant functional impairment. Consumers, youth, and their families will be an integral part in the development of the age appropriate services that reflect developmental and special needs of TAY. Services provided will address employment, educational opportunities, housing and community life necessary for wellness and recovery.

ADULT PROGRAMS

Consumer Operated Peer Support Services is a countywide peer support recovery program that will utilize peer education, peer advocacy, peer counselors/specialists, employment support services, life skills development classes, and social/recreational activities.

Clubhouse Enhancement will provide expanded capacity for social and community rehabilitation activities for underserved seriously mentally ill adults in San Bernardino and in the High Desert region of San Bernardino County. Consumers will be hired for paid staff positions in the clubhouses.

Forensic Integrated Mental Health Services will expand the Crisis Intervention Training Program, Mental Health Court treatment, and implement a Forensic Assertive Community Treatment program. These programs will result in a reduction in homelessness, incarceration, hospitalization, emergency room care, involuntary mental health care, and increase consumers' ability to work and manage their independence in the community.

Assertive Community Treatment Teams will provide community-based assertive case management and support, Crisis Walk-In Centers will expand DBH's current walk-in clinics into three 24/7 Crisis Walk-In Centers (CWIC), which will provide urgent mental health services 24/7 for seriously mentally ill persons of all ages needing immediate access to crisis mental health services, and will provide integrated substance abuse treatment services for dually diagnosed clients.

A Triage Diversion Team at ARMC will screen and divert clients who present for services at the hospital's emergency room, who may not be in actual need of hospitalization. Approximately 40% of persons going to the ER can be provided services in a less restrictive environment and give them opportunities to increase their coping skills and decrease their reliance on hospitalization. Preventing unnecessary acute hospitalizations promotes recovery and resiliency, decreases dependency on "the system", and promotes responsible wellness.

OLDER ADULT PROGRAMS

The Circle of Care program will extend mental health treatment and case management services to older adults in all regions of San Bernardino County. The program will enhance existing Senior Peer Counseling programs with a focus on wellness and recovery to assist older adults in remaining independent and active in their communities and pursuing individualized personal goals for as long as possible. Partnerships will be developed between staff, volunteers and community providers with specific expertise with older adults to

ensure community collaboration, ongoing training and supervision for staff and volunteers, and culturally competent and evidence-based services for older adults. The new programs will provide crisis response and crisis prevention, comprehensive mental health and substance abuse screening, integrated geriatric assessment, benefits eligibility, information, linkages and referrals to clients, family and care providers through outreach to isolated seniors in their homes and to the homeless in vivo settings, including on-site services such as senior centers, nutrition sites, churches, and other community settings.

Economic Development Agency

On May 3, 2006 the Board approved the formation of the Economic Development Agency (EDA), which consolidated all economic, workforce, community and housing development, and redevelopment functions within one Agency.

EDA's overall mission is to facilitate the creation of new jobs and improve the quality of life for all County residents helping to ensure the County's long term fiscal health. In addition, EDA will focus on economic opportunities for the county's businesses and position the county as a highly competitive region. Some of the major components of the economic development program consist of the following:

- Select sponsorships and tradeshow that would maximize the County's visibility with businesses in offering an economic return to the local economy.
- Design an advertising campaign that is intended to market the County as an opportunity for businesses to locate in an area of Southern California that has ample land with a diverse workforce.
- Develop and implement a national media outreach of the County of San Bernardino's enhanced Economic Development Program. This national launch focuses on editorial placement in regional, national and international news media and business publications which San Bernardino County identifies as an ideal location for business and opportunity.
- Sponsor and/or collaborate in special events that will market the County as a location of choice, provide business support services, facilitate business networking opportunities and match making qualified job seekers of all skill sets with demand driven requests from the private sector.
- Develop an international trade program that will be designed to assist businesses with developing global markets for goods and services. This program will help identify the international markets with the most opportune industry sectors and environments.
- Expand film and tourism program to manage the existing film and video production events as well as to attract additional film and video production opportunities to San Bernardino County. In addition, Economic Development will oversee a program to market San Bernardino County as a destination for tourism and travel.
- Initiate and oversee various economic studies to include industry sectors, identifying growth and emerging industries, economic trends, and other economic studies to keep San Bernardino County competitive.

The Economic Development Agency consists of the Department of Community Development and Housing, the Department of Economic Development, the Department of Workforce Development, and the Redevelopment Agency.

ECONOMIC CONDITION AND OUTLOOK

San Bernardino County, which lies northeast of Los Angeles and Orange Counties, north of Riverside County and south of Kern County, contains an area of more than 20,164 square miles, consists of 24 incorporated cities and towns, and is Board governed by 5 Supervisorial Districts. About 90 percent of the county is desert; the remainder consists of the San Bernardino Mountains and the San Bernardino Valley. Popular attractions in the area include the San Bernardino National Forest, Joshua Tree National Monument, Death Valley National

Monument, and the East Mojave Scenic Area.

According to the California State Department of Finance, the County's population grew 2.1% from 1,950,806 in January 2005 to 1,991,829 in January 2006. The County's population is estimated to grow to 2.4 million by 2020.

San Bernardino County continues to be one of the fastest growing and most populous counties in the State, ranking fourth after Los Angeles, Orange, and San Diego counties. While businesses continue to relocate to San Bernardino County for its available land, families look towards the affordable housing offered as compared to neighboring Los Angeles and Orange Counties.

The County continued to have another year of expansion and growth in 2005. Major economic indicators for job creation, income, retail sales, spending, and construction all show improvement from the previous year. San Bernardino County's labor force numbered 863,400 in 2005, an increase of 28,600 or 3.4 percent from the previous year. Its unemployment rate declined to 5 percent in 2005, 0.4 percentage points lower than the State's rate for the same year.

Sales of new and existing homes in San Bernardino County continued to rise due to the increased demand for housing in the region. This demand is directly related to the job growth of the area and the continued migration of families from the higher priced coastal counties of California. The County is a major part of the growth engine of new housing in Southern California and this distinction is expected to continue.

Between September 2004 and September 2005, the median price of a single family home in the County increased 34.6% from \$260,000 to \$350,000. Between September 2005 and September 2006, the price rose a modest 3.7% to \$363,250. Small increases in median prices have been seen throughout Southern California and are attributable to a larger than average inventory of homes for sale.

With the expansion of many businesses and the influx of new families into San Bernardino County, educational institutions continue to advance the knowledge of the citizenry. Intercollegiate collaboration has created a diverse labor force that is comprised of a wide range of talent and skill levels. The Metrolink commuter rail service links San Bernardino County commuters with other rail and bus lines in the Los Angeles and Orange County areas—thereby allowing most of Southern California to benefit from the County's proficient work force. The County's diverse labor force is one of its greatest economic assets, second only to its strategic location that is supported by a superb transportation network.

San Bernardino County's overall economy is sustained through its outstanding transportation network that includes Ontario International Airport, Southern California Logistics Airport, two major transcontinental railroads with inter-modal facilities and classification yards, and many miles of quality interstate highways. The strategic location of the region allows logistic distribution operations to be positioned within close proximity of the West's two largest ports: Los Angeles and Long Beach. Businesses located within the County effectively and efficiently serve markets throughout California, the Western US, and the Pacific Rim. Ensuring the County's role as a major transportation center is its desirable Southern California location that allows for the many cargo carriers entering or leaving California to pass through San Bernardino County on their way to the world.

A progressive approach to business and education, an attractive Southern California location, an unprecedented transportation network, and one of the last sources of affordable and available land within the greater Los Angeles area, assure San Bernardino County's economic viability in the twenty-first century.

INDEPENDENT AUDIT

The County's financial statements have been audited by Vavrinek, Trine, Day & Co., LLP, Certified Public Accountants and independent auditors. The auditors' report is included in the financial section, which is an integral part of this Comprehensive Annual Financial Report.

CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the County of San Bernardino for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2005. This was the eighteenth consecutive year that the County has received this prestigious award.

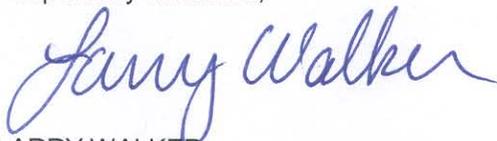
In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, the contents of which conform to certificate program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement Program requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

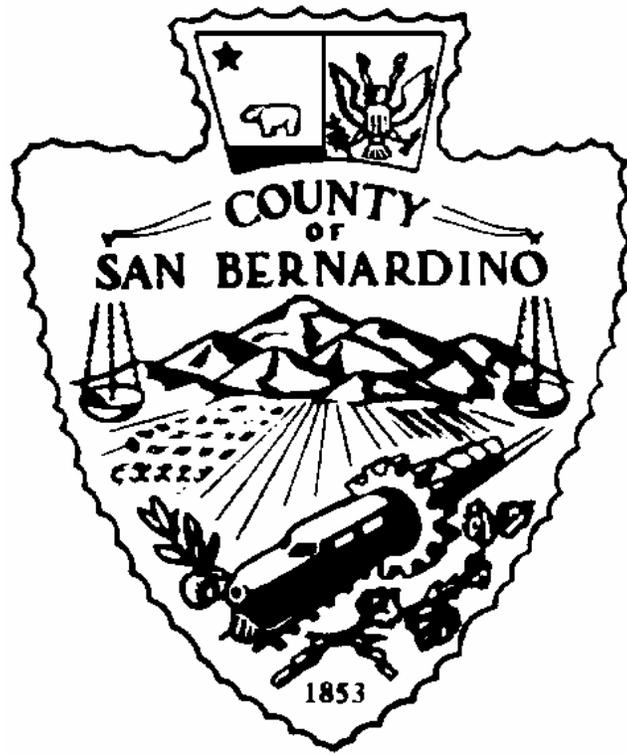
ACKNOWLEDGEMENTS

The preparation of the Comprehensive Annual Financial Report and its timely issuance is the result of a concentrated, dedicated and coordinated effort by the entire Auditor/Controller staff. I would like to acknowledge the special efforts of the General Accounting, Internal Audits, and Reimbursable Projects staff and our independent auditors, Vavrinek, Trine, Day & Co., LLP, for their assistance in the report preparation. I would also like to thank all County departments who have participated in its preparation.

Respectfully submitted,



LARRY WALKER
AUDITOR/CONTROLLER-RECORDER



**COUNTY OF SAN BERNARDINO
DIRECTORY OF COUNTY OFFICIALS**

ELECTED

COUNTY SUPERVISOR, FIRST DISTRICT (CHAIRMAN)BILL POSTMUS

COUNTY SUPERVISOR, SECOND DISTRICT (VICE CHAIRMAN) PAUL BIANE

COUNTY SUPERVISOR, THIRD DISTRICT DENNIS HANSBERGER

COUNTY SUPERVISOR, FOURTH DISTRICTGARY C. OVITT

COUNTY SUPERVISOR, FIFTH DISTRICTJOSIE GONZALES

ASSESSOR..... DONALD E. WILLIAMSON

AUDITOR/CONTROLLER-RECORDERLARRY WALKER

DISTRICT ATTORNEY MIKE RAMOS

SHERIFF -CORONER..... GARY PENROD

SUPERINTENDENT OF SCHOOLS.....DR. HERBERT R. FISCHER

TREASURER-TAX COLLECTOR - PUBLIC ADMINISTRATOR..... RICHARD LARSEN

**UNTY OF SAN BERNARDINO
DIRECTORY OF COUNTY OFFICIALS**

APPOINTED

AGING AND ADULT SERVICES	COLLEEN KRYGIER
AGRICULTURAL COMMISSIONER/SEALER	EDOUARD P. LAYAYE
AIRPORTS.....	BILL INGRAHAM
ARCHITECTURE AND ENGINEERING	CARL ALBAN
ARROWHEAD REGIONAL MEDICAL CENTER	JUNE GRIFFITH-COLLISON
BEHAVIORAL HEALTH	ALLAN RAWLAND
CHILD SUPPORT SERVICES	CONNIE BRUNN
CHILDREN'S SERVICES.....	CATHY CIMBALO
CLERK OF THE BOARD OF SUPERVISORS	DENA SMITH
COMMUNITY ACTION PARTNERSHIP.....	PATRICIA L. NICKOLS
COMMUNITY DEVELOPMENT & HOUSING	THOMAS R. LAURIN
COUNTY ADMINISTRATIVE OFFICER.....	MARK UFFER
COUNTY COUNSEL	RON REITZ
COUNTY LIBRARIAN.....	ED KIECZYKOWSKI
FACILITIES MANAGEMENT.....	DAVE GIBSON
FIRE DEPARTMENT/FIRE WARDEN.....	PETER R. HILLS
FLEET MANAGEMENT.....	ROGER G. WEAVER
HUMAN RESOURCES	ANDREW LAMBERTO
HUMAN SERVICES GROUP	LINDA HAUGAN
INFORMATION SERVICES (INTERIM)	STEPHEN HALL
LAND USE SERVICES.....	MICHAEL HAYS
LEGISLATIVE AFFAIRS	JIM LINDLEY
MUSEUM	ROBERT McKERNAN
PRESCHOOL SERVICES	RON GRIFFIN
PROBATION.....	JERRY L. HARPER
PUBLIC DEFENDER (INTERIM)	GERALD FARBER
PUBLIC HEALTH	JAMES FELTEN
PUBLIC & SUPPORT SERVICES GROUP.....	NORM KANOLD
PUBLIC WORKS	PATRICK MEAD
PURCHASING	AURELIO W. DE LA TORRE
REAL ESTATE SERVICES.....	DAVID H. SLAUGHTER
REDEVELOPMENT AGENCY	JOHN NOWAK
REGIONAL PARKS	THOMAS POTTER
REGISTRAR OF VOTERS	KARI VERJIL
RISK MANAGEMENT	LAURIE MILHISER
SPECIAL DISTRICTS	TOM SUTTON
TRANSITIONAL ASSISTANCE DEPARTMENT.....	NANCY SWANSON
VETERANS' AFFAIRS.....	BILL J. MOSELEY
WORKFORCE DEVELOPMENT	BARBARA HALSEY

Certificate of Achievement for Excellence in Financial Reporting

Presented to

County of San Bernardino,
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2005

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

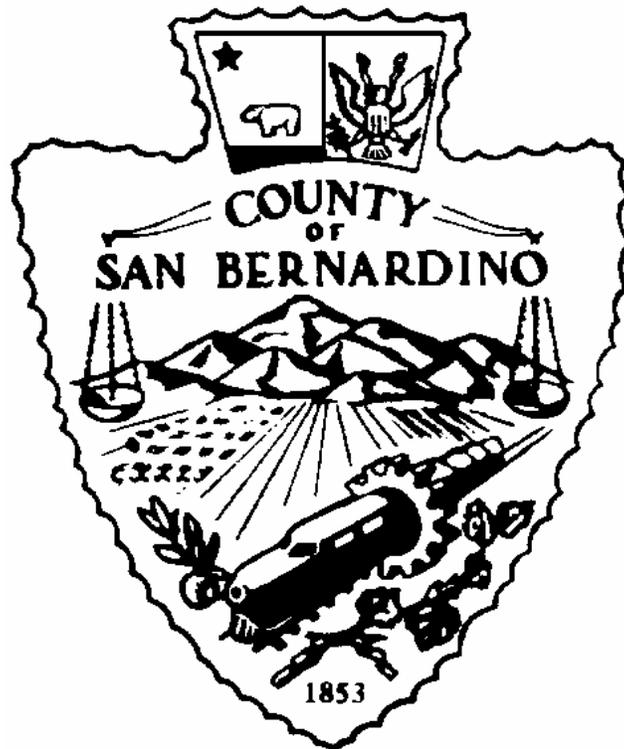


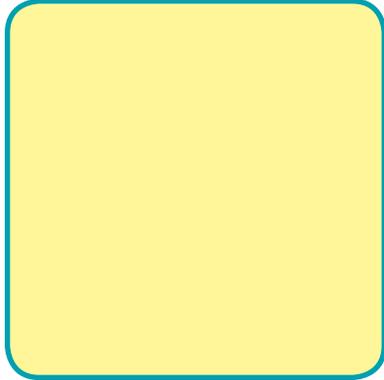
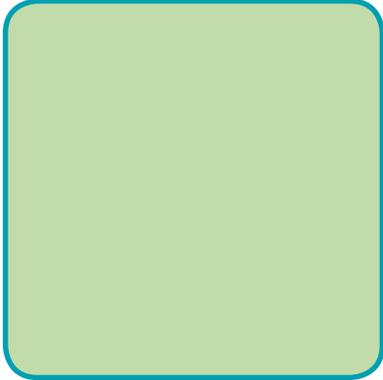
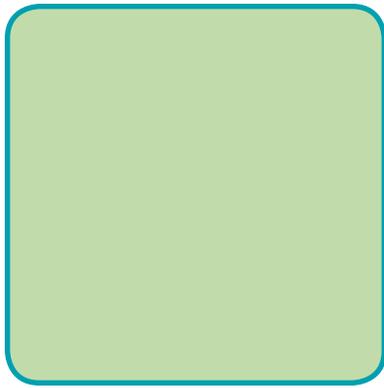
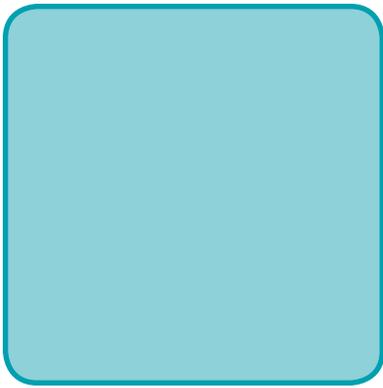
Carla E. Perry

President

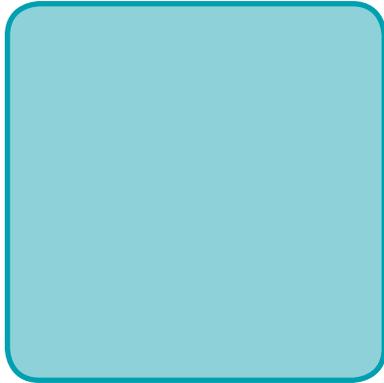
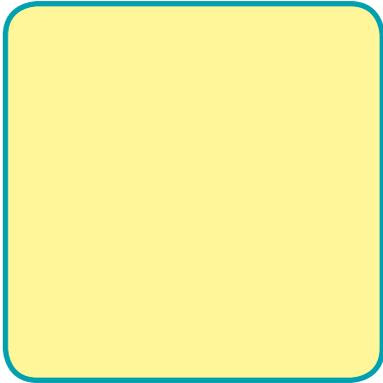
Jeffrey R. Emery

Executive Director



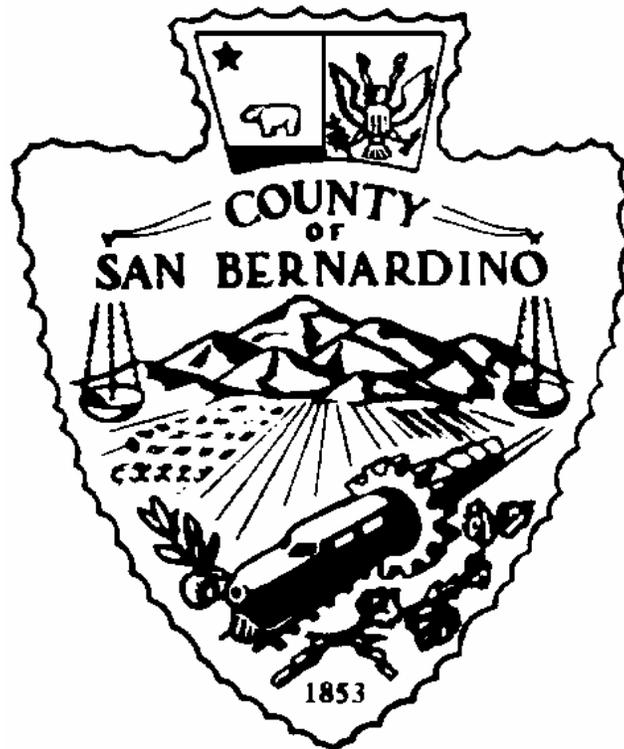


Financial
Section



Comprehensive Annual
Financial Report







INDEPENDENT AUDITORS' REPORT

The Honorable Members of the Board of Supervisors
County of San Bernardino, California

We have audited the accompanying financial statements of the governmental activities, business-types activities, discretely-presented component unit, each major fund, and the aggregate remaining fund information of the County of San Bernardino, California (the County), as of and for the year ended June 30, 2006, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of First Five of San Bernardino County, which represents 100% of the assets, net assets and revenues of the discretely presented component unit as of and for the fiscal year ended June 30, 2006. The financial statements for the First Five of San Bernardino County was audited by other auditors whose report thereon have been furnished to us, and our opinion, insofar as it relates to amounts included for this entity, is based on reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, 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 aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of San Bernardino, as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

On November 28, 2006, the County entered into a litigation settlement of \$102 million. The subsequent settlement is disclosed in the notes to the financial statements as a subsequent event at Note 23 and is recorded as a liability in the governmental activities' statement of net assets and as a special item expense in the governmental activities' statement of activities.

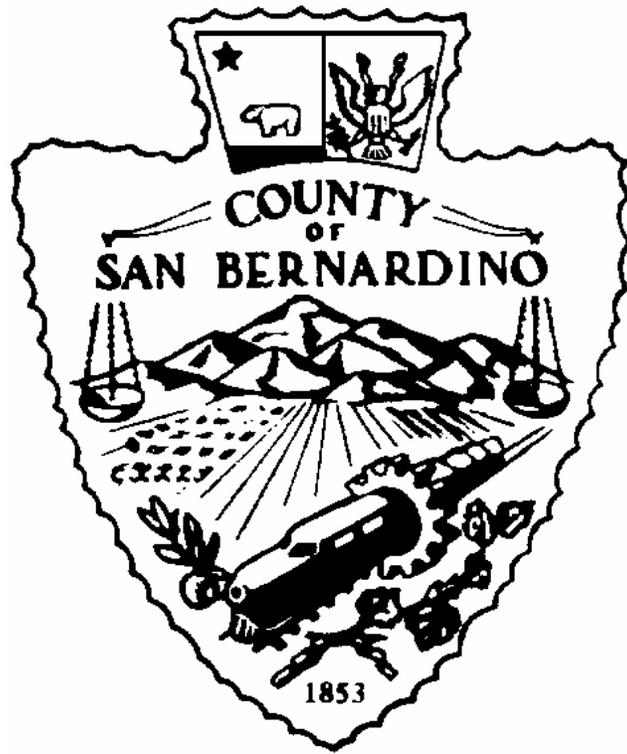
In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2006 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

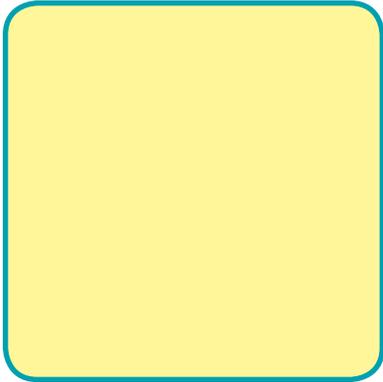
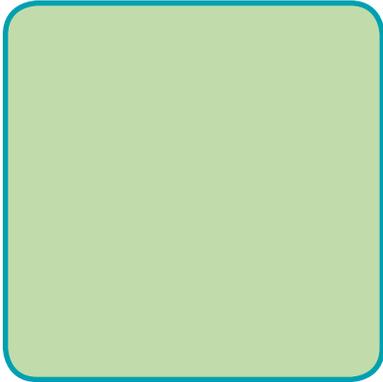
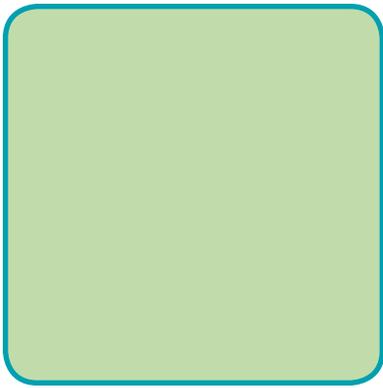
The management's discussion and analysis on pages 21 through 39 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We and the other auditors have applied certain limited procedures, 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The introductory section, and combining individual non-major fund statements and schedules, and statistical section as listed in the table of contents are presented for purpose of additional analysis and are not a required part of the basic financial statements. The combining, individual non-major fund statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and the statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

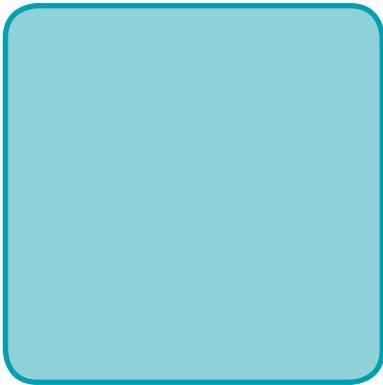
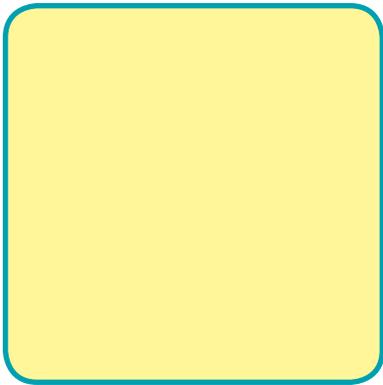
Vannik, Tami, Day & Co., LLP

Rancho Cucamonga, California
November 10, 2006
(except for note 23, as to which
the date is December 20, 2006)





Management's
Discussion and
Analysis



Comprehensive Annual
Financial Report





MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ended June 30, 2006

This section of the County's annual financial report presents a discussion and analysis of the County's financial performance during the fiscal year ended June 30, 2006. Please read it in conjunction with the transmittal letter at the front of this report and the County's basic statements following this section.

FINANCIAL HIGHLIGHTS (Amounts in thousands)

- The County's total net assets increased by \$114,518. The net increase is attributable to the \$66,168 increase in governmental activities net assets and the \$48,350 increase in business-type activities net assets.
- As of June 30, 2006, the County governmental funds reported combined fund balances of \$876,854, an increase of \$86,579 in comparison with the prior year. Approximately 83% of the combined fund balances, \$731,209 is available to meet the County's current and future needs (*unreserved fund balance*).
- At the end of the fiscal year, unreserved fund balance for the general fund was \$365,058, or 21% of the total general fund expenditures.
- The County's total capital assets increased by \$131,549 in comparison with the prior year. (See further detail on page 36)
- The County's total long-term debt increased by \$128,287 in comparison with the prior year. (See further detail on pages 36).

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements are comprised of three components 1) **Government-wide** financial statements; 2) **Fund** financial statements and 3) **Notes** to the basic financial statements.

Government-Wide Financial Statements are designed to provide readers with a broad overview of County finances, in a manner similar to a private-sector business. These statements include *all* assets and liabilities of the County using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

Management's Discussion and Analysis (Amounts in thousands)

The statement of net assets presents information on all County assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The statement of activities presents information showing how net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollectible taxes and earned but unused vacation leave).

Both of these government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or part of their costs through user fees and charges (business-type activities). The governmental activities of the County include general government, public protection, public ways and facilities, health and sanitation, public assistance, education, recreation and cultural services. The business-type activities of the County include the Medical Center, the Crestline Sanitation District, the Water and Sewer Facilities, the Fire Protection Districts – Ambulance, the Waste Systems Division, the Museum Gift Shop, and the Regional Parks Snack Bar Operations.

Component units are blended in the basic financial statements and consist of legally separate entities for which the County is financially accountable and that have substantially the same board as the County or provided services entirely to the County. The following component units have been blended into the basic financial statements: Fire Protection Districts, Flood Control District, Park and Recreation Districts, Crestline Sanitation District, County Service Areas, various Joint Powers Authorities, (“JPAs”) including a Public Benefits Corporation created for the benefit of the County, Inland Empire Facilities Corporation, San Bernardino County Financing Authority and the Crestline Financing Authority.

The government-wide financial statements also include a discretely presented component unit, FIRST 5 of San Bernardino County. FIRST 5 is a discretely presented component unit as its governing body is not substantially the same as that of the County and FIRST 5 does not provide services entirely or almost entirely to the County but rather to the citizenry.

The government-wide financial statements can be found on pages 42 - 43 of this report.

Fund Financial Statements are groupings of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate finance-related legal compliance. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a county's near-term financing requirements.

Management's Discussion and Analysis (Amounts in thousands)

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The County maintains thirty-three individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances for the General Fund. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The governmental fund financial statements can be found on pages 46-48 of this report.

Proprietary funds are maintained in two ways. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide statements. The County uses enterprise funds to account for the Medical Center, the Crestline Sanitation District, the Water and Sewer Facilities, the Fire Protection Districts – Ambulance, the Waste Systems Division, the Museum Gift Shop, and the Regional Parks Snack Bar Operations. Internal service funds are an accounting device used to accumulate and allocate costs internally among the County's various functions. The County uses internal service funds to account for its printing services, records management, central mail services, telephone services, computer operations, vehicle services, self-insured worker's compensation, public liability, property conservation, and safety programs. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The Medical Center and Waste Systems Division are considered to be major funds of the County. The County's six internal service funds are combined into a single, aggregated presentation in the proprietary funds financial statements. Individual fund data for the internal service funds is provided in the form of combining statements in this report.

The proprietary fund financial statements can be found on pages 49-51 of this report.

Fiduciary funds are used to account for resources held for the benefit of parties outside the primary government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support County programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The fiduciary fund financial statements can be found on pages 52-53 of this report.

Notes to the Basic Financial Statements provide additional information that is essential to a full understanding of the data provided in the Government-Wide and Fund financial statements. The notes can be found on pages 55 - 104 of this report.

Management's Discussion and Analysis (Amounts in thousands)

Supplemental Information

The Supplemental Information section of this report contains the combining statements and additional budgetary comparison schedules as well as the statistical section. This section is presented to provide additional information that is useful to the users of these financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the County, assets exceed liabilities by \$1,748,264 at the close of the most recent fiscal year.

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Current and other assets	\$ 2,048,137	\$ 1,884,406	\$ 375,407	\$ 321,240	\$ 2,423,544	\$ 2,205,646
Capital assets	1,276,451	1,186,626	570,889	598,811	1,847,340	1,785,437
Total assets	<u>3,324,588</u>	<u>3,071,032</u>	<u>946,296</u>	<u>920,051</u>	<u>4,270,884</u>	<u>3,991,083</u>
Current and other liabilities	183,856	145,494	44,661	46,027	228,517	191,521
Long-term Liabilities	1,540,271	1,391,245	753,832	774,571	2,294,103	2,165,816
Total liabilities	<u>1,724,127</u>	<u>1,536,739</u>	<u>798,493</u>	<u>820,598</u>	<u>2,522,620</u>	<u>2,357,337</u>
Net assets:						
Invested in capital assets, net of related debt	984,605	919,051	(50,023)	(45,032)	934,582	874,019
Restricted (Note 5)	571,483	465,540	46,444	47,908	617,927	513,448
Unrestricted	44,373	149,702	151,382	96,577	195,755	246,279
Total Net Assets	<u>\$ 1,600,461</u>	<u>\$ 1,534,293</u>	<u>\$ 147,803</u>	<u>\$ 99,453</u>	<u>\$ 1,748,264</u>	<u>\$ 1,633,746</u>

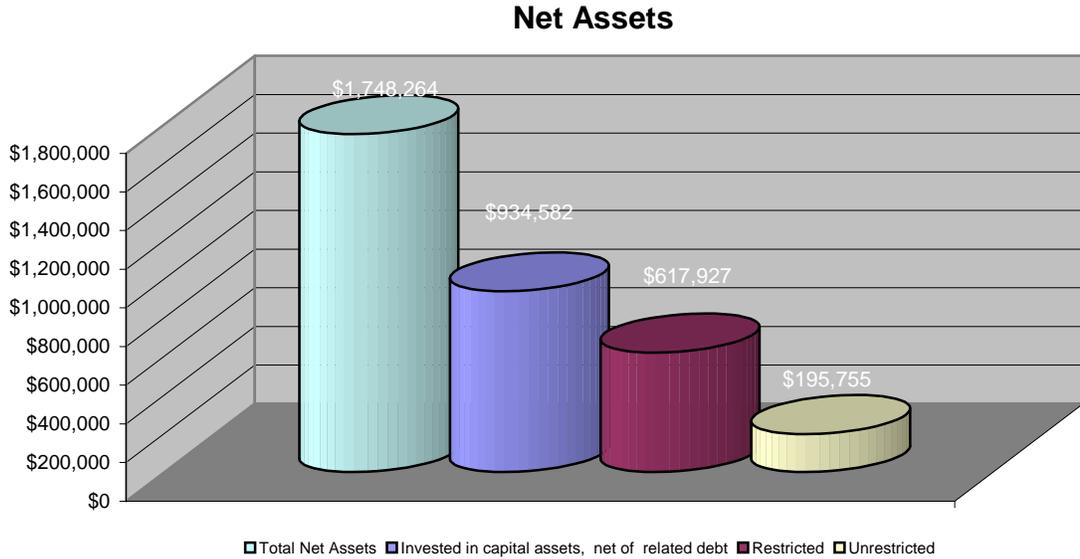
The largest portion of the County's net assets of \$934,582 reflects its investment in capital assets (e.g. land and easements, structures and improvements, infrastructure, and equipment), less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Another significant portion of County net assets are restricted net assets of \$617,927. This category reflects external restrictions imposed by creditors, grantors, contributors, or laws and regulation of other governments, and restrictions imposed by law through constitutional provisions or enabling legislation.

The final component of net assets is unrestricted net assets. Unrestricted net assets are resources that the County may use to meet its current and ongoing obligations to citizens and creditors. The unrestricted net assets balance decreased by \$50,524 during the current year, primarily related to governmental activities' special item – litigation settlement for the amount of \$102 million and business-type activities' revenues exceeding expenses by approximately \$55 million. The \$102 million decrease is due to litigation arising out of construction of a portion of the 210 Freeway extension and the resulting construction of a storm drain and a basin system

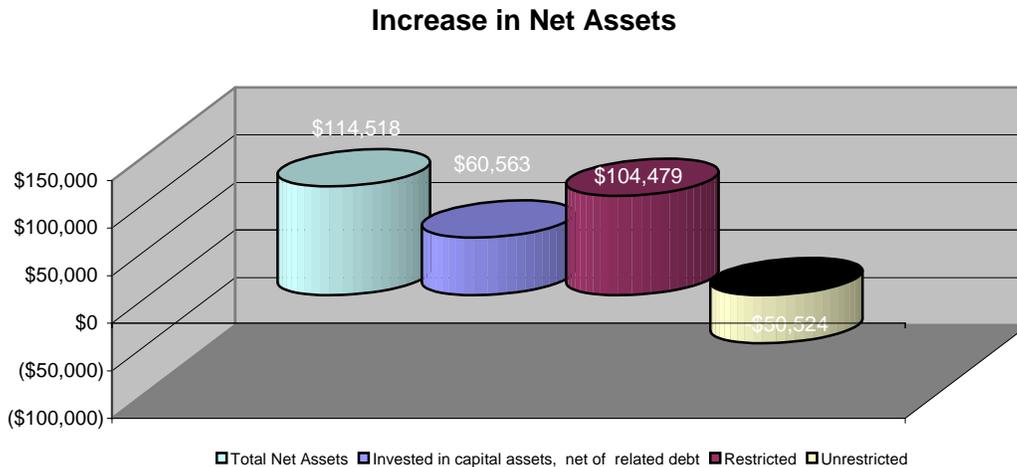
Management's Discussion and Analysis (Amounts in thousands)

(Note 23). The \$55 million increase is due to the \$28 million resulting from the Waste System division's gain on sale of surplus land (Note 22); and \$6 million and \$10 million resulting respectively from the Waste division and the Medical Center's overall revenues exceeding expenses.



For business-type activities, the County reported a negative balance of \$50,023 invested in capital assets, net of related debt – an overall decrease of \$4,991 from prior year. Although still negative, this balance is primarily due to the Medical Center's capital assets being depreciated faster than the related debt schedule payments.

The County's net assets increased \$114,518 (\$66,168 in governmental activities and \$48,350 in business-type activities) during the current fiscal year mostly from increases in property taxes and revenues from use of money and property.



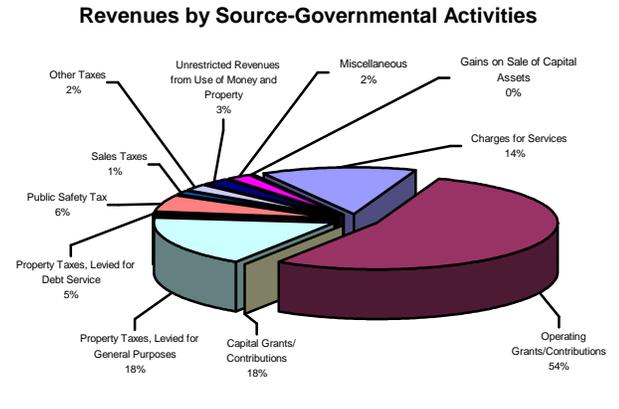
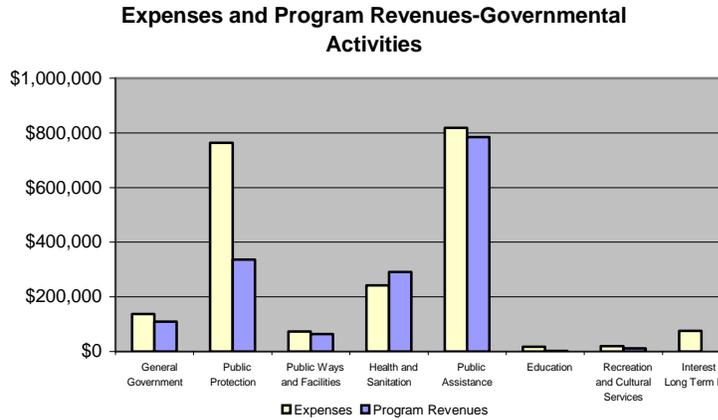
Management's Discussion and Analysis (Amounts in thousands)

The following table indicates the changes in net assets for governmental and business-type activities.

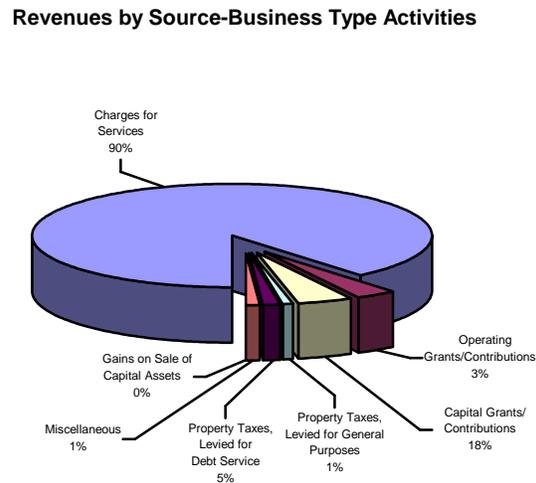
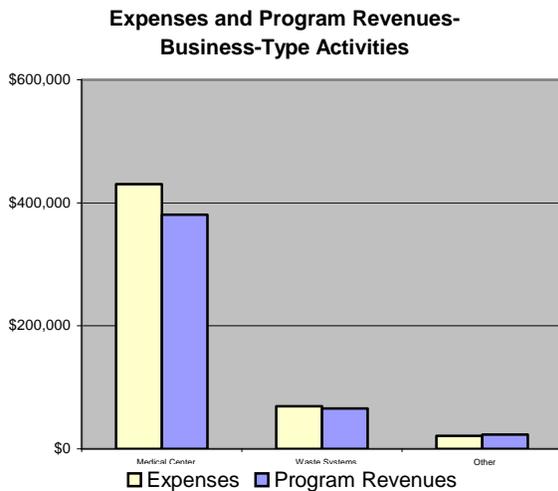
	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Revenues:						
Program Revenues						
Charges for Services	\$ 327,053	\$ 408,884	\$ 431,745	511,368	\$ 758,798	\$ 920,252
Operating Grants/Contributions	1,270,663	1,238,663	15,972	15,761	1,286,635	1,254,424
Capital Grants/Contributions	322	6,129	21,521	20,259	21,843	26,388
General Revenue						
Property Taxes, Levied for General Purposes	418,703	213,644	4,768	5,432	423,471	219,076
Property Taxes, Levied for Debt Service	8,375	3,557	-	-	8,375	3,557
Public Safety Tax	140,855	125,222	-	-	140,855	125,222
Sales Taxes	30,875	26,683	-	-	30,875	26,683
Other Taxes	54,221	37,453	-	-	54,221	37,453
Motor Vehicle In-Lieu taxes	-	175,266	-	-	-	175,266
Unrestricted Revenues from Use of Money and Property	61,590	43,762	5,994	9,695	67,584	53,457
Miscellaneous	51,784	63,545	5,705	6,687	57,489	70,232
Gains on Sale of Capital Assets	5,523	4,857	157	20	5,680	4,877
Total Revenues	2,369,964	2,347,665	485,862	569,222	2,855,826	2,916,887
Expenses:						
General Government	137,092	125,760	-	-	137,092	125,760
Public Protection	764,154	702,624	-	-	764,154	702,624
Public Ways and Facilities	73,014	61,786	-	-	73,014	61,786
Health and Sanitation	241,795	329,669	-	-	241,795	329,669
Public Assistance	817,924	827,800	-	-	817,924	827,800
Education	17,612	16,243	-	-	17,612	16,243
Recreation and Cultural Services	19,355	21,185	-	-	19,355	21,185
Interest on Long Term Debt	75,350	72,041	-	-	75,350	72,041
Medical Center	-	-	430,459	496,437	430,459	496,437
Waste Systems	-	-	69,320	53,835	69,320	53,835
Other	-	-	21,463	19,446	21,463	19,446
Total Expenses	2,146,296	2,157,108	521,242	569,718	2,667,538	2,726,825
Excess (Deficit) before Special Items and Transfers	223,668	190,557	(35,380)	(496)	188,288	190,061
Special Item - Gain on Sale of Surplus Land	-	-	28,230	-	28,230	-
Special item - Litigation Settlement	(102,000)	-	-	-	(102,000)	-
Transfers	(55,500)	(26,618)	55,500	26,618	-	-
Increase in Net Assets	66,168	163,939	48,350	26,122	114,518	190,061
Net Assets -- Beginning of Year	1,534,293	1,370,354	99,453	73,331	1,633,746	1,443,685
Net Assets -- End of Year	\$ 1,600,461	\$ 1,534,293	\$ 147,803	\$ 99,453	\$ 1,748,264	\$ 1,633,746

Management's Discussion and Analysis (Amounts in thousands)

Governmental Activities increased the County's net assets by \$66,168 despite the litigation settlement amount of \$102,000. The overall increase in net assets is the result of ongoing and one-time revenues exceeding ongoing expenditures.



Business-type Activities increased the County's net assets by \$48,350 primarily due to activities of the Waste Systems Division which account for \$32,695 of the increase; while activities of the Medical Center account for another \$10,095 of the increase. In FY2006, the Waste Systems division sold land for \$47,000 at a public auction resulting in a \$28,230 gain as discussed in Note 22.



Management's Discussion and Analysis (Amounts in thousands)

FINANCIAL ANALYSIS OF COUNTY FUNDS

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds: The general government functions are contained in the General, Special Revenue, Debt Service, and Capital Project funds. Included in these funds are the special districts governed by the Board of Supervisors. The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At June 30, 2006, the County's governmental funds reported a total fund balance of \$876,854, an increase of \$86,579 in comparison with the prior year. Approximately 83.3% of the total fund balance, \$731,209 constitutes unreserved fund balance, which is available to meet the County's current and future needs. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has been committed: 1) to pay debt service of \$26,260; 2) to reflect inventories, prepaid assets and amounts due from other funds that are long-term in nature of \$2,888; 3) to reflect land held for resale of \$2,754; 4) to reflect amounts due as loans receivable that are long-term in nature of \$16,745 5) to liquidate contractual commitments of the period of \$83,326; and 6) to reflect the mandated 1% reserve for property tax losses of \$13,672.

The General fund is the chief operating fund of the County. At June 30, 2006, unreserved fund balance of the General fund was \$365,058 while total fund balance reached \$413,045. As a measure of the General fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 21% of total fund expenditures, while total fund balance represents 24% of the same amount.

County management also designates unreserved fund balance to a particular function, project or activity. Fund balance may also be designated for purposes beyond the current year; however, designated fund balance is available for appropriation at any time. Of the \$365,058 General fund unreserved fund balance, 35% is designated. The most significant designations include \$41,736 for General Purpose, \$32,075 for Medical Center Debt Service, \$14,900 for Future Retirement Rate, \$6,075 for Teeter Plan (reserve for property tax losses), and \$7,000 for Future Financing. Unreserved undesignated fund balance at year-end was \$237,331.

Management's Discussion and Analysis
(Amounts in thousands)

Revenues for governmental functions totaled \$2,360,219 in fiscal year 2005-2006, which represents an increase of 0.7% from fiscal year 2004-2005.

The following table presents the amount of revenue from various sources as well as the changes from the prior year.

Revenues	2005-06		Over (Under) 2004-05	
	Amount	Percent of Total	Amount	Percent
Taxes	\$ 644,390	27%	\$ 243,744	38%
Licenses, Permits and Franchises	22,462	1%	1,498	7%
Fines, Forfeitures and Penalties	18,656	1%	(88)	0%
Revenues From Use of Money and Property	62,919	3%	18,714	30%
Aid From Other Governmental Agencies	1,273,869	54%	(151,963)	-12%
Charges for Current Services	285,935	12%	(83,241)	-29%
Other Revenues	51,988	2%	(12,239)	-24%
Total Revenues	<u>\$ 2,360,219</u>	<u>100%</u>	<u>\$ 16,425</u>	

The County's three major funding sources; taxes, aid from other governmental agencies, and charges for current services constitute 93.4% of all revenues.

Taxes increased by \$243,744. Increases in Public Safety Tax and Sales Taxes in amounts of \$15,633 and \$4,192, respectively, along with a continued rise in the assessed valuation and general growth contributed to the increase. In addition, VLF monies reported as Aid from Other Governmental Agencies are now reported as taxes.

Aid from other governmental agencies decreased by \$151,963. This decrease is primarily due to the amount of \$175,266 for Motor Vehicle In-Lieu Taxes in fiscal year 2004-2005. Included in this amount was \$37,300 received from the VLF loan and \$11,038 in VLF "true-up" per the State Controller's Office in the prior year. These VLF revenues are now reported as taxes.

Revenues from use of money and property increased by \$18,714 due to an increase in investment earnings resulting from higher interest rates.

Charges for current services decreased by \$83,241 primarily due to changes made by the State of California to make payments to the County for Medi-Cal Patients according to SB 855 and SB1255.

Other revenue decreased by \$12,239 in the current year. The most significant decreases are due to a one-time \$2 million refund in FY05 from the Retirement Board for FY04 retirement overpayment and the net decrease of \$4.6 million in GASB 31 fair value adjustments.

Management's Discussion and Analysis
(Amounts in thousands)

The following table presents expenditures by function compared to prior year amounts.

<u>Expenditures</u>	<u>2005-06</u>		<u>Over (Under) 2004-05</u>	
	<u>Amount</u>	<u>Percent of Total</u>	<u>Amount</u>	<u>Percent</u>
Current:				
General Government	\$ 137,547	6%	\$ 14,335	10%
Public Protection	749,900	33%	63,044	8%
Public Ways and Facilities	75,416	3%	28,052	37%
Health and Sanitation	245,187	11%	(84,408)	-34%
Public Assistance	827,230	36%	401	0%
Education	17,469	1%	1,557	9%
Recreation and Cultural Services	16,443	1%	(2,047)	-12%
Debt Service				
Principal	37,596	2%	5,709	15%
Interest and Fiscal Charges	54,968	2%	10,890	20%
Bond Issuance Costs	2,297	0%	2,297	100%
Advance Refunding Escrow	1,622	0%	1,622	100%
Capital Outlay	107,057	5%	53,143	50%
Total Expenditures	<u>\$ 2,272,732</u>	<u>100%</u>	<u>\$ 94,596</u>	

Total County expenditures increased \$94,596 or 4.3% from fiscal year 2004-2005 to fiscal year 2005-2006.

Public Protection expenditures increased by \$63,044. Of this amount, approximately \$56 million is due to staffing increases, and salary and benefit adjustments for law and justice departments.

Public Ways and Facilities increased by \$28,052. Of this amount, approximately \$10 million is attributed to the Fort Irwin Road Rehabilitation in the current year.

Health and sanitation expenditures decreased by \$84,408 primarily due to changes made by the State of California to pay hospitals for treating Medi-Cal patients. The new payment system revises financing for Medicaid hospital care costs by limiting the use of County General Fund transfers to the State for the Non-federal share of Medicaid funds. The new system also establishes a level funded Safety Net Care Pool to provide a fixed amount of federal dollars to cover uncompensated health care costs, and Certified Public Expenditures as the means for calculating federal health funding.

Debt service principal payments increased by \$5,709; and debt service interest payments increased by \$10,890. Of this amount, approximately \$5 million and \$6.7 million of the increases in principal and interest payments are attributed primarily to the 2004 Pension Obligation Bond, and the remaining amount is mostly due to the overall increase in interest rates affecting the interest payments due on Certificates of Participation with variable interest rates.

Capital Outlay increased by \$53,143. In fiscal year 2005-2006, the County purchased Adelanto Jail for \$30.5 million and five helicopters from American Eurocopter Corporation for \$14 million.

Management's Discussion and Analysis
(Amounts in thousands)

Other financing sources and uses are presented below to illustrate changes from the prior year.

Other Financing Sources (Uses)
Governmental Funds

	2005-06	Increase 2004-05	
		Amount	Percent
Transfers to Other Funds	\$ (296,777)	\$ (98,238)	49%
Transfers from Other Funds	246,806	74,752	43%
Refunding Bonds Issued	58,275	58,275	-
Premium on Refunding Bonds	1,270	1,270	-
Payment to Refunded Bonds Escrow Agent	(18,792)	(18,792)	-
Long-Term Debt Issued	2,118	1,178	125%
Inception of Capital Lease Obligations	823	27	3%
Sale of Capital Assets	5,369	513	11%
Total Other Financing Sources and (Uses)	<u>\$ (908)</u>	<u>\$ 18,985</u>	

Total Other Financing Sources and (Uses) increased by \$18,985.

Transfers to other funds increased by \$98,238 in 2005-06. The key elements of this increase are as follows:

- Increase of \$30,000 is due to a one-time transfer from the General Fund to Capital Projects for the Arrowhead Regional Medical Center 6th floor remodel.
- Increase of \$23,964 is due to a lease payment transfer to the Arrowhead Regional Medical Center.
- Increase of \$22,020 is due to a transfer from General Fund to Capital Projects for financing of the Adelanto Jail.
- Increase of \$8,724 in transfers from the General Fund to the 2004 POB Pension Obligation Debt Service Fund.
- Increase of \$7,450 in transfers from the transportation department to Capital Projects for street improvements and safe route to schools.
- Increase of \$4,900 in transfers from the General Fund to Capital Projects for Park Improvements.

Transfers from other funds increased by \$74,752 in 2005-06. The key elements of this increase are as follows:

- Increase of \$30,000 due to a one-time transfer to Capital Projects for the Arrowhead Regional Medical Center 6th floor remodel from the General Fund.
- Increase of \$22,020 due to a transfer to Capital Projects for financing of the Adelanto Jail from General Fund.
- Increase of \$9,985 in transfers to the 2004 POB Pension Obligation Debt Service Fund from the General Fund.
- Increase of \$4,900 in transfers to Capital Projects from the General Fund for Park Improvements.
- Increase of \$7,450 in transfers to Capital Projects from the transportation department for street improvements and safe route to schools.

Management's Discussion and Analysis
(Amounts in thousands)

- The refunding bond issued amount of \$58,275 is due to the fact that in November, 2005, the Redevelopment Agency (San Sevaire Redevelopment Project) of the County issued "2005 Series A" Tax Allocation Bonds in the amount of \$58,275.
- Long-term debt issued increased by \$1,178 mainly due from United States Department of Agriculture for the Lenwood/High Desert Estates Sewer Construction Project.
- Sale of capital assets increased by \$513, resulting mainly from a sale of surplus helicopters by the Sheriff department in the amount of \$1.2 million and other various transactions.

Schedule of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds

	Governmental Activities		Total Governmental Funds
	General Fund	Other Governmental Funds	
Revenues	\$ 1,915,550	\$ 444,669	\$ 2,360,219
Expenditures	(1,743,703)	(529,029)	(2,272,732)
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	171,847	(84,360)	87,487
Total Other Financing Sources and (Uses)	(207,538)	206,630	(908)
Net Change In Fund Balance	(35,691)	122,270	86,579
Fund Balance, July 1, 2005	448,736	341,539	790,275
Fund Balance, June 30, 2006	<u>\$ 413,045</u>	<u>\$ 463,809</u>	<u>\$ 876,854</u>

In fiscal year 2005-06, the fund balance of total governmental funds increased by \$86,579. This increase is the result of ongoing and one-time revenues exceeding ongoing expenditures.

Management's Discussion and Analysis (Amounts in thousands)

Proprietary funds: County proprietary funds provide the same type of format found in the governmental-wide financial statements, but in more detail.

At June 30, 2006, the Medical Center had a total deficit in net assets of \$9,424. The net assets deficit is attributable to capital assets being depreciated faster than the related debt repayment.

The following table shows actual revenues, expenses and results of operations for the current fiscal year:

	Business-Type Activities -- Enterprise Funds			Total Enterprise Funds
	Medical Center	Waste Systems Division	Other Enterprise Funds	
Revenues				
Net Patient Care and Services	\$ 345,923	\$ -	\$ -	\$ 345,923
Charges for Current Services	-	64,988	20,206	85,194
Other	13,147	628	-	13,775
Total Operating Revenues	<u>359,070</u>	<u>65,616</u>	<u>20,206</u>	<u>444,892</u>
Operating Expenses				
Professional Services	36,697	27,999	1,919	66,615
Salaries and Employee Benefits	170,812	5,103	8,310	184,225
Self insurance claims	-	-	1	1
Services and Supplies	166,750	25,168	7,444	199,362
Depreciation and Amortization	18,241	7,599	2,811	28,651
Other	6,906	-	626	7,532
Total Operating Expenses	<u>399,406</u>	<u>65,869</u>	<u>21,111</u>	<u>486,386</u>
Operating Income (Loss)	<u>(40,336)</u>	<u>(253)</u>	<u>(905)</u>	<u>(41,494)</u>
Nonoperating Revenues (Expenses)				
Interest Revenue	333	4,117	1,544	5,994
Interest Expense	(30,313)	(3,451)	(352)	(34,116)
Tax Revenue	495	-	4,273	4,768
Grant Revenue	21,521	-	2,825	24,346
Gain (Loss) on Sale of Capital Assets	-	150	7	157
Other Nonoperating Revenues	-	4,739	966	5,705
Other Nonoperating Expenses	(740)	-	-	(740)
Total Nonoperating Revenues (Expenses)	<u>(8,704)</u>	<u>5,555</u>	<u>9,263</u>	<u>6,114</u>
Income (Loss) Before Special Item and Transfers	(49,040)	5,302	8,358	(35,380)
Special Item - Gain on Sale of Surplus Land	-	28,230	-	28,230
Transfers to Other Funds	(4,513)	(837)	(3,446)	(8,796)
Transfers from Other Funds	63,648	-	648	64,296
Change in Net Assets (Deficit)	10,095	32,695	5,560	48,350
Net Assets (Deficit), July 1, 2005	(19,519)	19,157	99,815	99,453
Net Assets (Deficit), June 30, 2006	<u>\$ (9,424)</u>	<u>\$ 51,852</u>	<u>\$ 105,375</u>	<u>\$ 147,803</u>

The net increase in net assets was primarily due to activities in the Waste Systems Division. The key factor in the increase was due to Waste System division's gain on sale of surplus land. See Note 22 on page 102.

The non-major enterprise fund net assets increased by \$5,560 as a result of increased user fees over expenses.

Management's Discussion and Analysis

(Amounts in thousands)

GENERAL FUND BUDGETARY HIGHLIGHTS

The County's final expenditure budget differs from the original budget by approximately 2.3%. The net decrease in appropriations of \$48,936 was approved during the fiscal year. The significant components of this net decrease are summarized below:

- On July 12, 2005, the Board adopted a budget amendment to increase the budget of the Sheriff department by \$1,438. This increase was for providing additional contracted law enforcement services to the City of Rancho Cucamonga.
- On September 20, 2005, the Board adopted a budget amendment to increase the budgets of the Sheriff's department by \$694 and the Public Health Department by \$910. These increases were due to the receipt of a Homeland Security Grant. This grant was used to increase the capability in San Bernardino County for responding to Weapons of Mass Destruction (WMD).
- On November 15, 2005, the Board adopted a budget amendment to increase the budget of the Sheriff's department by \$1,124. This salary increase was for the Sheriff's Department for providing additional contracted court security services to the Superior Court.
- On December 13, 2005, the Board adopted a budget amendment to use the budget set aside for the County Fire Department by \$1,600 to fund ongoing additional Captain and Firefighter/Paramedic staffing at fire stations due to the County Fire Department's workload increase.
- On April 4, 2006, the Board adopted a budget amendment to increase the budget of the Department of Mental Health by \$1,322. This increase is due to the receipt of Proposition 63 Mental Health Services Act funds from the State Department of Mental Health. The funds will be used to increase staffing for the MHSA as well as continue the outreach effort started through initial planning activities for the Community Services and Supports (CSS).
- On May 16, 2006, the Board adopted a budget amendment to increase the budget for the Department of Public Health by \$1,344. This increase is in order to use carryover grant funds for Public Health Preparedness and Response to Bioterrorism.
- On May 16, 2006, the Board adopted a budget amendment to decrease the budget in Realignment contingencies by \$30,000. This decrease is to fund the Arrowhead Regional Medical Center 6th Floor Med-Surg Remodel Project, which will remodel the 6th floor of the Patient Tower at ARMC to provide new medical-surgical beds and create relocation space for the administrative staff.
- On June 27, 2006, the Board adopted a budget amendment to increase the budget for the Sheriff's department by \$2,924. This increase utilized excess Prop 172 Public Safety Tax monies to fund reimbursement of the Inland Regional Narcotics Enforcement Team and High Intensity Drug Trafficking Area.
- On November 1, 2005, the Board adopted a budget amendment to increase the budget for contingencies by \$10,359 and \$45,297. These increases were for the mid year budget

Management's Discussion and Analysis

(Amounts in thousands)

adjustment for contingencies due to the increase in general purpose revenue and due to the State budget impact respectively.

- On November 1, 2005, the Board adopted a budget amendment to increase the budget for the Sheriff's department by \$2,847. This increase is for the mid year budget adjustment for salaries due to new labor agreements and twelve additional deputies to patrol unincorporated areas.
- On November 1, 2005, the Board adopted a budget amendment to increase the budget for the District Attorney by \$1,324. This increase is for the mid year budget adjustment for salaries due to new labor agreements and six new DA investigators for the Bureau of Investigations.
- On November 1, 2005, the Board adopted a budget amendment to decrease the budget for the Human Services Group Administration Department by \$2,081. This decrease is due to the mid year budget adjustment for salaries due to new labor agreements and movement of the County Ethics Program from Human Services System to County Administrative Office.
- On November 1, 2005, the Board adopted a budget amendment to increase the budget for the Public Defender by \$1,082. This increase is for the mid year budget adjustment for salaries due to new labor agreements and ten new positions to address workload issues.
- On November 1, 2005, the Board adopted a budget amendment to increase the budget for Public Health by \$1,713. The increase is to fund mandated costs for the California Children Services program.
- On November 1, 2005, the Board adopted a budget amendment to increase the budget for Probation-Administration by \$1,299. This increase is for the mid year budget adjustment for salaries due to new labor agreements and one Supervising Probation Officer for Gang Unit.
- On November 1, 2005, the Board adopted a budget amendment to increase the budget for Probation – Detention Corrections by \$1,209. This increase is for the mid year budget adjustment for salaries due to new labor agreements.

Management's Discussion and Analysis

(Amounts in thousands)

The County's final Other Financing Sources/Uses budget differs from the original budget by approximately 62%. Supplemental appropriations of \$79,534 were approved during the fiscal year. The significant elements of this increase are summarized below:

- On November 1, 2005, the Board adopted a budget amendment to increase the Capital Improvement Program budget by \$33,145. This amendment is due to one-time transfers from the General fund to Capital Project fund for deferred maintenance/infrastructure projects.
- On May 16, 2006, the Board adopted a budget amendment to increase the budget in Realignment transfers out by \$30,000. This increase is to fund the Arrowhead Regional Medical Center 6th Floor Med-Surg Remodel Project, which will remodel the 6th floor of the Patient Tower at ARMC to provide new medical-surgical beds and create relocation space for the administrative staff.

The General fund budget to actual statement can be found on page 48 of this report.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets

The County's equity investment in capital assets for governmental and business-type activities as of June 30, 2006, amounted to \$934,582 - net of related debt. This investment in capital assets includes land and easements, improvements to land, structures and improvements, equipment and vehicles, construction-in-progress (CIP), and infrastructure less bonds and capital leases payable related to those assets.

Major capital asset events during the current fiscal year include the following:

- The Waste Systems Division sold at auction three parcels of surplus land adjacent to the Milliken Landfill. The sale created a \$17,966 decrease in land for Business-type Activities.
- The Flood Control funds have various flood control channel facilities under construction with a CIP value of \$51,098. The flood control facilities were primarily comprised of the West State Street Drain in the amount of \$13,795, the Etiwanda Levees and Creek in the amount of \$16,686, and the San Timoteo project with a CIP value of \$9,315.
- The Capital Improvement Fund had approximately \$16,416 in additions to CIP comprised of the following large projects: 1) 303 Building Improvement project in the amount of \$3,684; 2) Remodel of Auditor/Controller-Recorder 4th Floor project in the amount of \$882; 3) Rehab of a building in Redlands at 222 Brookside in the amount of \$815; and 4) Improvements to the Glen Helen Water Distribution System in the amount of \$984.
- The primary increase in Structures and Improvements consisted of the purchase and improvement of the Adelanto Detention Center in the amount of \$30,660.
- The primary increase in Equipment and Vehicles consisted of the purchase of five helicopters by the Sheriff's Department in the amount of \$14,007.

Management's Discussion and Analysis
(Amounts in thousands)

Capital assets for the governmental and business-type activities are presented below to illustrate changes from the prior year:

	Governmental Activities		Business Activities		Total		Increase/ (decrease) Percent
	2006	2005	2006	2005	2006	2005	of Change
Land	\$ 63,234	\$ 61,780	\$ 22,572	\$ 39,505	\$ 85,806	\$ 101,285	-15.28%
Capitalized Software	6,759	2,708	-	-	6,759	2,708	149.59%
Construction in progress	111,531	79,340	15,664	20,855	127,195	100,195	26.95%
Improvement other than Buildings	138,698	128,484	232,647	219,074	371,345	347,558	6.84%
Structures and Improvements	542,691	500,855	513,726	508,765	1,056,417	1,009,620	4.64%
Equipment	221,465	201,980	103,071	100,433	324,536	302,413	7.32%
Infrastructure	1,056,716	1,033,446	-	-	1,056,716	1,033,446	2.25%
Total	<u>\$ 2,141,094</u>	<u>\$ 2,008,593</u>	<u>\$ 887,680</u>	<u>\$ 888,632</u>	<u>\$ 3,028,774</u>	<u>\$ 2,897,225</u>	<u>4.54%</u>

Additional information on the County's capital assets can be found on Note 9 on pages 79-80 of this report.

The County's infrastructure assets are recorded at historical cost in the government-wide financial statements as required by GASB No. 34.

Long-term debt

Major long-term debt events during the current fiscal year include the following:

- Issued new Tax Allocation Bonds (San Savaine Redevelopment Project) totaling \$58,275.
- Tax Allocation Bonds totaling \$18,350 were defeased by proceeds from the new debt issue.
- Amortization of deferred amount of refunding and discounts totaling \$21,737.
- Principal payments made on debt for a total of \$63,203.
- Special Item – Litigation Settlement Payable totaling \$102,000.
- The estimated liability for closure/postclosure care costs increased by \$2,027.

Management's Discussion and Analysis
(Amounts in thousands)

Long-term debt of the governmental and business-type activities are presented below to illustrate changes from the prior year:

	Governmental Activities		Business Activities		Total		Increase/ (decrease) Percent
	2006	2005	2006	2005	2006	2005	of Change
Certificates of Participation	\$ 200,528	\$ 212,704	\$ 618,099	\$ 645,146	\$ 818,627	\$ 857,850	-4.57%
General Obligation Bonds	-	-	1,930	2,045	1,930	2,045	-5.62%
Revenue Bonds	439,879	439,539	-	-	439,879	439,539	0.08%
Other Bonds and Notes Payable	522,835	484,409	6,905	4,435	529,740	488,844	8.37%
Compensated Absences	116,562	104,522	8,729	7,936	125,291	112,458	11.41%
Capital lease Obligations	3,889	4,457	2,438	1,305	6,327	5,762	9.81%
Estimated Liability for							
Litigation and Self-Insured claims	127,233	115,714	-	-	127,233	115,714	9.95%
Estimated Liability for Closure /							
Postclosure Care cost	-	-	115,731	113,704	115,731	113,704	1.78%
Special item :							
Litigation Settlement Payable	102,000	-	-	-	102,000	-	0.00%
Other Long-Term Debt	27,345	29,900	-	-	27,345	29,900	-8.55%
Total	<u>\$ 1,540,271</u>	<u>\$ 1,391,245</u>	<u>\$ 753,832</u>	<u>\$ 774,571</u>	<u>\$ 2,294,103</u>	<u>\$ 2,165,816</u>	<u>5.92%</u>

Additional information on the County's long-term debt can be found in Note 11 on pages 82-90 of this report.

ECONOMIC FACTORS AND FY06 BUDGETING

1. Property tax revenues have increased due to a rise in assessed valuation resulting from rising home prices and sales volume activity.
2. Sales of new and existing homes in the County continue to rise due to the increased demand for affordable housing in the region. This demand is directly related to the job growth of the area and the continued migration of families from higher priced coastal counties of California.
3. The Board continued to focus the County's resources on public safety. The 2005-06 final budget saw increased appropriations to the Law and Justice Departments.
4. The capital projects budget increased by financing for the purchase and remodel of the new Adelanto jail facility, for the purchase and remodel of an office building in the City of San Bernardino, and for various projects in 2005-06.
5. As the population of the County continues to increase, the needs of the County continue to grow. Among the County financing issues on the horizon are:
 - Jail Expansion
 - Hospital Expansion

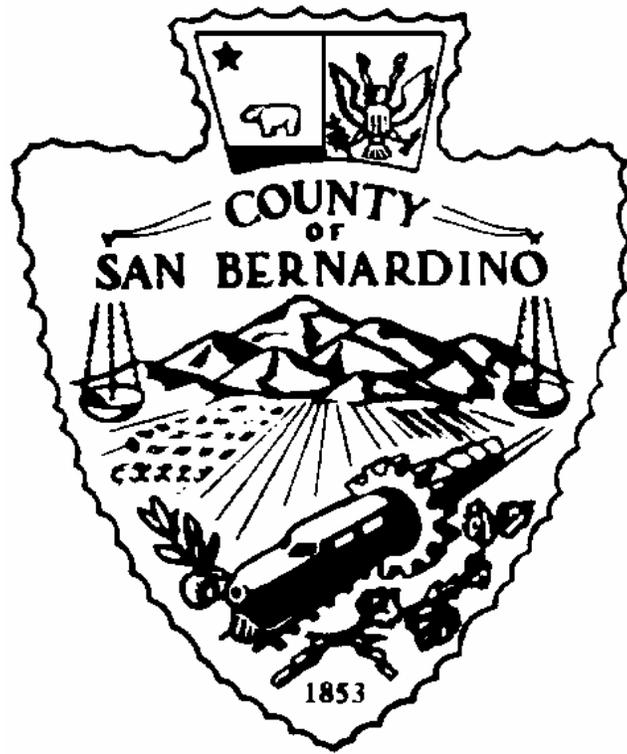
Management's Discussion and Analysis

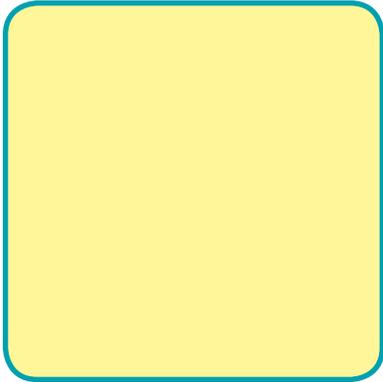
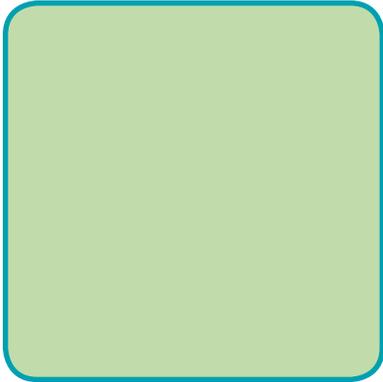
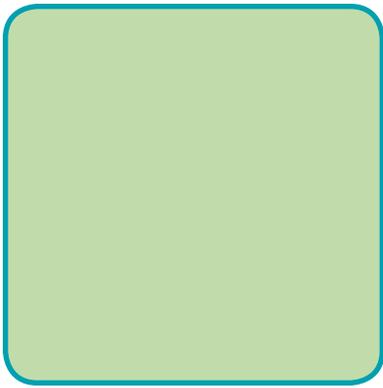
(Amounts in thousands)

- State Financing Issues
- New Judgeships
- Building Needs
- Redevelopment Needs

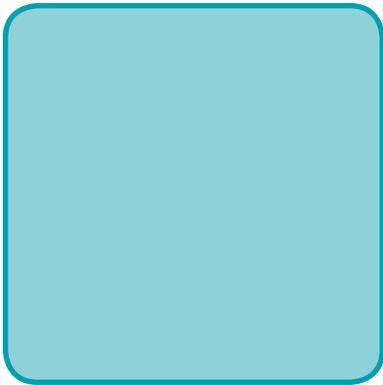
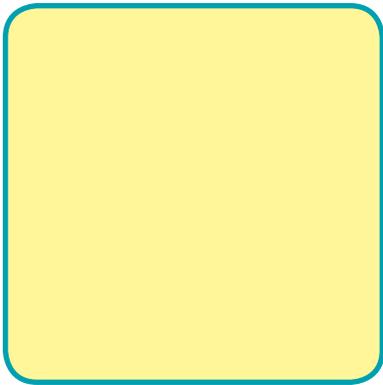
CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have questions about this report, separate reports of the County's component units or need any additional financial information, contact the Auditor/Controller-Recorder Office, 222 W. Hospitality Lane, County of San Bernardino, California, 92415.



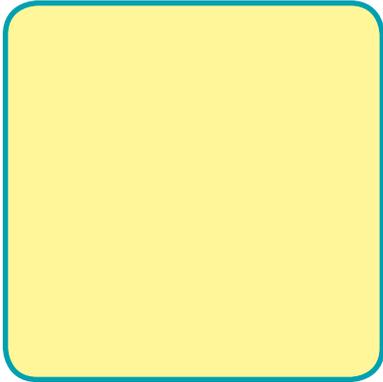
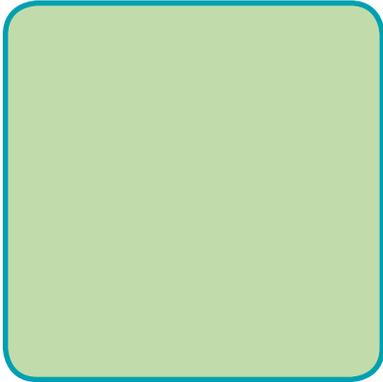
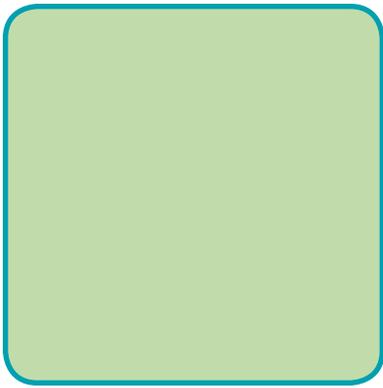


Basic Financial
Statements

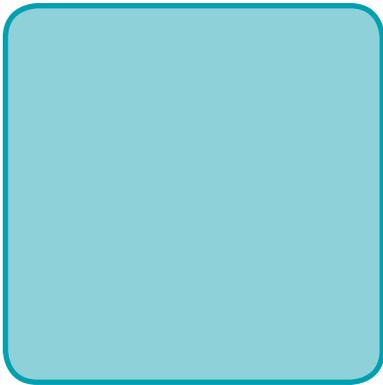
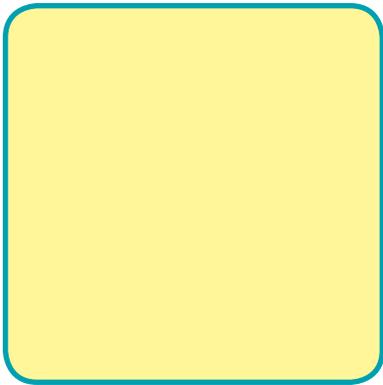


Comprehensive Annual
Financial Report



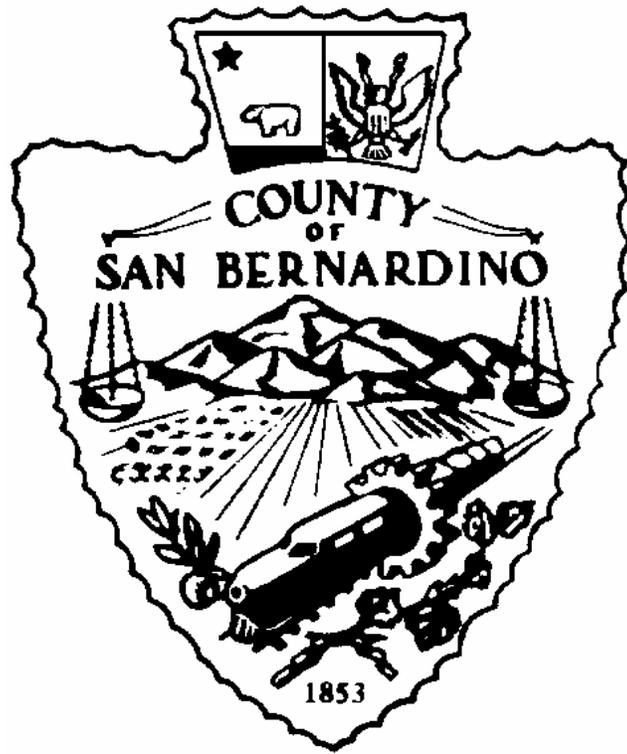


Government-
Wide Financial
Statements



Comprehensive Annual
Financial Report





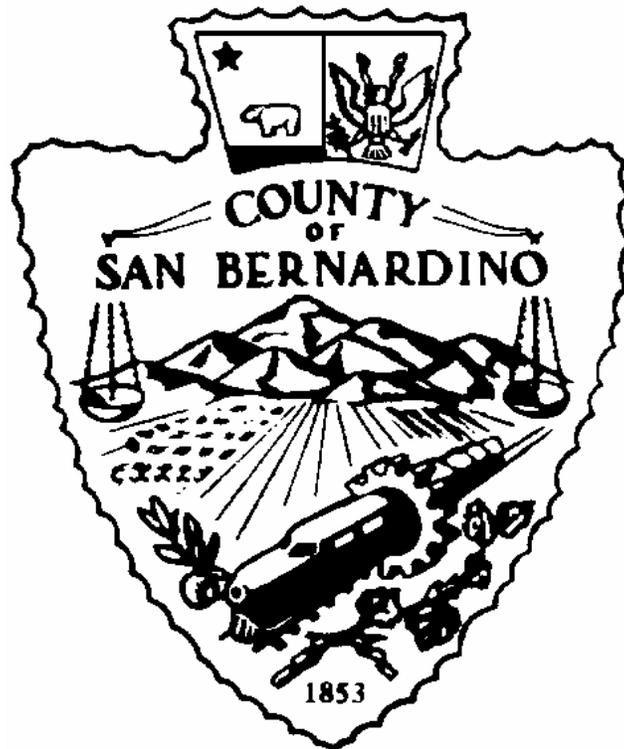
COUNTY OF SAN BERNARDINO
STATEMENT OF NET ASSETS
JUNE 30, 2006 (IN THOUSANDS)

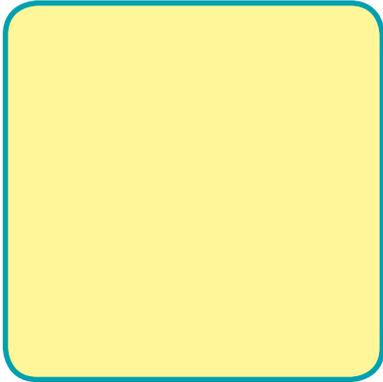
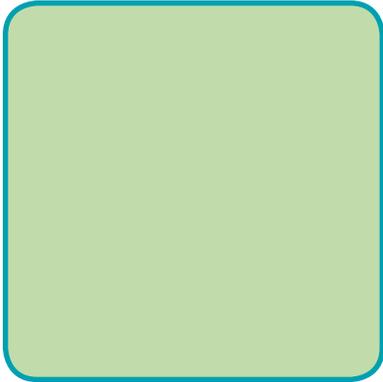
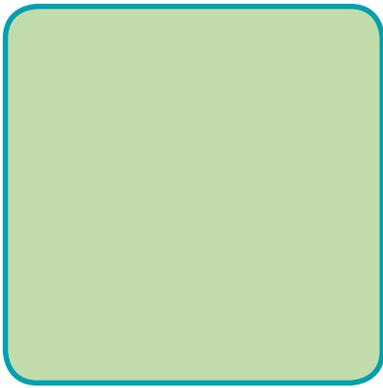
	PRIMARY GOVERNMENT			COMPONENT UNIT
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	FIRST 5 SAN BERNARDINO
ASSETS				
CASH AND CASH EQUIVALENTS (NOTE 6)	\$ 965,071	\$ 104,715	\$ 1,069,786	\$ 85,225
INVESTMENTS	13,193	-	13,193	-
ACCOUNTS RECEIVABLE - NET (NOTE 2)	3,748	58,300	62,048	-
TAXES RECEIVABLE (NOTE 2)	34,709	674	35,383	-
INTEREST RECEIVABLE	6,458	-	6,458	-
LOAN RECEIVABLE	3,309	-	3,309	-
OTHER RECEIVABLES	53	453	506	-
DUE FROM OTHER GOVERNMENTS	166,042	13,229	179,271	4,966
INTERNAL BALANCES	749	(749)	-	-
DUE FROM PRIMARY GOVERNMENT	-	-	-	768
LAND HELD FOR RESALE (NOTE 2)	2,754	-	2,754	-
INVENTORIES	2,591	1,463	4,054	-
PREPAID ITEMS	1,626	12,299	13,925	16
NOTE RECEIVABLE	-	1,067	1,067	-
DEFERRED CHARGES	8,727	1,629	10,356	-
RESTRICTED CASH AND INVESTMENTS (NOTE 6 & 8)	174	173,867	174,041	-
OTHER ASSETS	-	8,460	8,460	-
PREPAID PENSION ASSET	838,933	-	838,933	-
LAND (NOTE 9)	63,234	22,572	85,806	-
STRUCTURES, IMPROVEMENTS, AND INFRASTRUCTURE (NOTE 9)	1,738,105	746,373	2,484,478	-
EQUIPMENT (NOTE 9)	221,465	103,071	324,536	277
CAPITALIZED SOFTWARE (NOTE 9)	6,759	-	6,759	-
ACCUMULATED DEPRECIATION AND AMORTIZATION (NOTE 9)	(864,643)	(316,791)	(1,181,434)	(148)
CONSTRUCTION IN PROGRESS (NOTE 9)	111,531	15,664	127,195	-
TOTAL ASSETS	3,324,588	946,296	4,270,884	91,104
LIABILITIES				
ACCOUNTS PAYABLE AND OTHER CURRENT LIABILITIES	51,120	19,686	70,806	2,401
SALARIES AND BENEFITS PAYABLE	59,928	10,821	70,749	110
DUE TO OTHER GOVERNMENTS	22,120	1,331	23,451	850
INTEREST PAYABLE	12,811	12,802	25,613	-
DEFERRED REVENUE	37,877	21	37,898	-
NONCURRENT LIABILITIES (NOTE 11):				
PORTION DUE OR PAYABLE IN ONE YEAR:				
COMPENSATED ABSENCES PAYABLE (NOTE 11)	66,771	7,322	74,093	16
COP BONDS AND NOTES PAYABLE (NOTE 11)	36,892	31,643	68,535	-
CAPITAL LEASE OBLIGATIONS (NOTE 11 & 13)	1,122	844	1,966	-
OTHER LONG TERM LIABILITIES (NOTE 11)	185	-	185	-
ESTIMATED LIABILITY FOR CLOSURE/POST-CLOSURE CARE COSTS (NOTE 11&16)	-	20,965	20,965	-
ESTIMATED LIABILITY FOR LITIGATION AND SELF-INSURED CLAIMS (NOTE 10&11)	39,122	-	39,122	-
SPECIAL ITEM - LITIGATION SETTLEMENT PAYABLE (NOTE 23)	22,000	-	22,000	-
PORTION DUE OR PAYABLE AFTER ONE YEAR:				
COMPENSATED ABSENCES PAYABLE (NOTE 11)	49,791	1,407	51,198	54
COP BONDS AND NOTES PAYABLE, NET (NOTE 11)	1,126,350	595,291	1,721,641	-
CAPITAL LEASE OBLIGATIONS (NOTE 11 & 13)	2,767	1,594	4,361	-
OTHER LONG TERM LIABILITIES (NOTE 11)	27,160	-	27,160	-
ESTIMATED LIABILITY FOR CLOSURE/POST-CLOSURE CARE COSTS (NOTE 11&16)	-	94,766	94,766	-
ESTIMATED LIABILITY FOR LITIGATION AND SELF-INSURED CLAIMS (NOTE 10&11)	88,111	-	88,111	-
SPECIAL ITEM - LITIGATION SETTLEMENT PAYABLE (NOTE 23)	80,000	-	80,000	-
	1,724,127	798,493	2,522,620	3,431
NET ASSETS:				
INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT RESTRICTED (NOTE 5)	984,605	(50,023)	934,582	129
LEGALLY SEGREGATED SPECIAL REVENUE FUNDS FOR GRANTS AND OTHER PURPOSES	294,533	-	294,533	1,054
DEBT SERVICE	26,260	46,444	72,704	-
CAPITAL PROJECT FUNDS	142,499	-	142,499	-
PERMANENT FUNDS	517	-	517	-
STATE REALIGNMENT FUNDS	107,674	-	107,674	-
UNRESTRICTED	44,373	151,382	195,755	86,490
TOTAL NET ASSETS	\$ 1,600,461	\$ 147,803	\$ 1,748,264	\$ 87,673

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

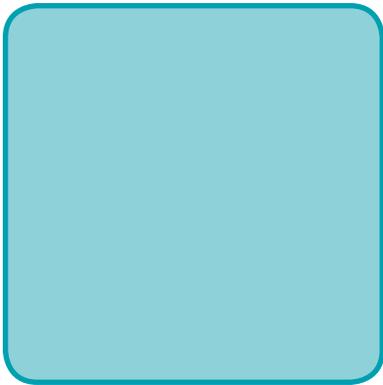
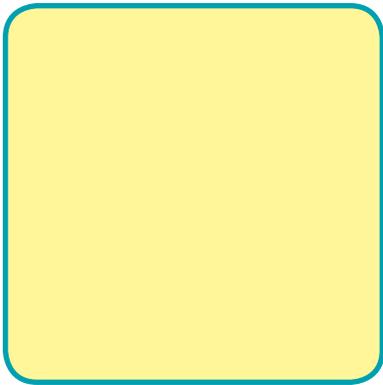
COUNTY OF SAN BERNARDINO
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2006 (IN THOUSANDS)

	PRIMARY GOVERNMENT					COMPONENT UNIT		
	PROGRAM REVENUES			NET (EXPENSE)/REVENUE AND CHANGES IN NET ASSETS				
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES	TOTAL
FUNCTIONS/PROGRAMS								
PRIMARY GOVERNMENT:								
GENERAL GOVERNMENT ACTIVITIES:								
GENERAL GOVERNMENT	\$ 137,092	\$ 99,452	\$ 9,438	\$ -	\$ (28,202)	\$ -	\$ (28,202)	
PUBLIC PROTECTION	764,154	168,524	168,369	-	(427,261)	-	(427,261)	
PUBLIC WAYS AND FACILITIES	73,014	4,933	58,946	322	(8,813)	-	(8,813)	
HEALTH AND SANITATION	241,795	42,713	247,842	-	48,760	-	48,760	
PUBLIC ASSISTANCE	817,924	3,296	780,819	-	(33,809)	-	(33,809)	
EDUCATION	17,612	1,105	987	-	(15,520)	-	(15,520)	
RECREATION AND CULTURAL SERVICES	19,355	7,030	4,262	-	(8,063)	-	(8,063)	
INTEREST ON LONG TERM DEBT	75,350	-	-	-	(75,350)	-	(75,350)	
TOTAL GOVERNMENTAL ACTIVITIES	2,146,296	327,053	1,270,663	322	(548,258)	-	(548,258)	
BUSINESS-TYPE ACTIVITIES:								
MEDICAL CENTER	430,459	345,923	13,147	21,521	-	(49,868)	(49,868)	
WASTE SYSTEMS	69,320	65,616	-	-	-	(3,704)	(3,704)	
OTHER	21,463	20,206	2,825	-	-	1,568	1,568	
TOTAL BUSINESS-TYPE ACTIVITIES	521,242	431,745	15,972	21,521	-	(52,004)	(52,004)	
TOTAL PRIMARY GOVERNMENT	\$ 2,667,538	\$ 758,798	\$ 1,286,635	\$ 21,843	\$ (548,258)	\$ (52,004)	\$ (600,262)	
COMPONENT UNIT								
FIRST 5 SAN BERNARDINO	\$ 21,642	\$ -	\$ 26,725	\$ -	\$ -	\$ -	\$ -	5,083
GENERAL REVENUES:								
PROPERTY TAXES, LEVIED FOR GENERAL PURPOSES					418,703	4,768	423,471	
PROPERTY TAXES, LEVIED FOR DEBT SERVICE					8,375	-	8,375	
PUBLIC SAFETY TAX					140,855	-	140,855	
SALES TAXES					30,875	-	30,875	
OTHER TAXES					54,221	-	54,221	
UNRESTRICTED REVENUES FROM USE OF MONEY AND PROPERTY					61,590	5,994	67,584	2,316
MISCELLANEOUS					51,784	5,705	57,489	6
GAINS ON SALE OF CAPITAL ASSETS					-	157	157	
SPECIAL ITEM - GAIN ON SALE OF SURPLUS LAND					-	28,230	28,230	
SPECIAL ITEM - LITIGATION SETTLEMENT					(102,000)	-	(102,000)	
TRANSFERS					(55,500)	55,500	-	
TOTAL GENERAL REVENUES, SPECIAL ITEMS AND TRANSFERS					614,426	100,354	714,780	2,322
CHANGE IN NET ASSETS					66,168	48,350	114,518	7,405
NET ASSETS - BEGINNING					1,534,293	99,453	1,633,746	
NET ASSETS - BEGINNING, AS RESTATED (NOTE 3)								80,268
NET ASSETS - ENDING					\$ 1,600,461	\$ 147,803	\$ 1,748,264	\$ 87,673

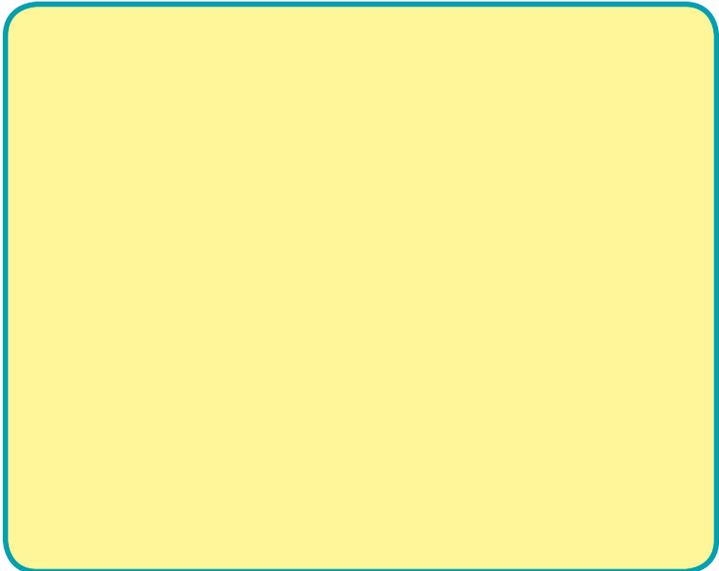


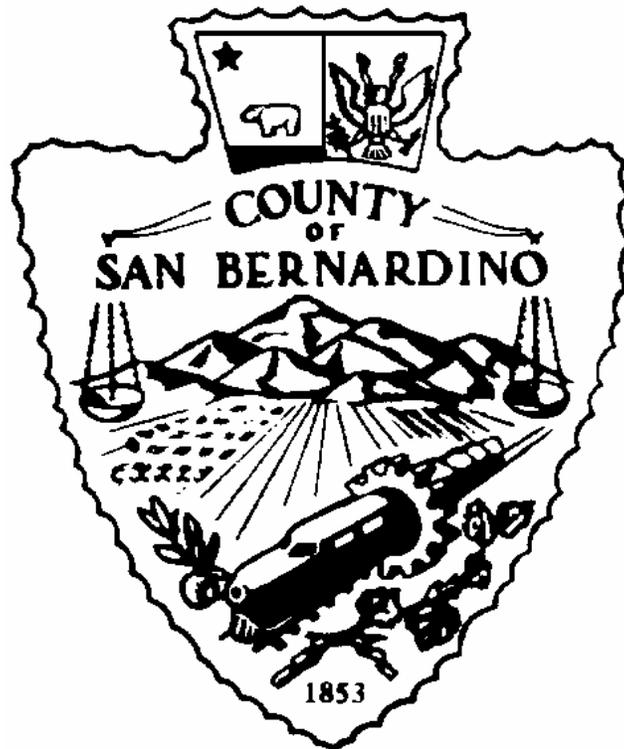


Fund Financial
Statements



Comprehensive Annual
Financial Report





COUNTY OF SAN BERNARDINO
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2006 (IN THOUSANDS)

	GENERAL FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS			
CASH AND CASH EQUIVALENTS (NOTE 6)	\$ 360,952	\$ 465,223	\$ 826,175
INVESTMENTS (NOTE 6)	-	13,193	13,193
ACCOUNTS RECEIVABLES - NET (NOTE 2)	2,639	187	2,826
TAXES RECEIVABLE (NOTE 2)	22,384	12,325	34,709
INTEREST RECEIVABLE	6,240	218	6,458
LOANS RECEIVABLE	16,745	-	16,745
OTHER RECEIVABLES	44	9	53
DUE FROM OTHER FUNDS (NOTE 7)	26,532	17,942	44,474
DUE FROM OTHER GOVERNMENTS (NOTE 2)	126,548	20,298	146,846
LAND HELD FOR RESALE (NOTE 2)	-	2,754	2,754
INVENTORIES	296	185	481
PREPAID ITEMS	7	-	7
INTERFUND RECEIVABLE (NOTE 7)	2,000	400	2,400
RESTRICTED CASH AND INVESTMENTS (NOTES 6 & 8)	-	174	174
TOTAL ASSETS	<u>\$ 564,387</u>	<u>\$ 532,908</u>	<u>\$ 1,097,295</u>
LIABILITIES AND FUND BALANCES			
ACCOUNTS PAYABLE	\$ 30,733	\$ 16,685	\$ 47,418
SALARIES AND BENEFITS PAYABLE	49,087	8,856	57,943
DUE TO OTHER FUNDS (NOTE 7)	6,453	18,071	24,524
DUE TO OTHER GOVERNMENTS	19,294	2,826	22,120
LOAN PAYABLE	-	16,709	16,709
DEFERRED REVENUE	45,775	5,302	51,077
INTERFUND PAYABLE (NOTE 7)	-	650	650
TOTAL LIABILITIES	<u>151,342</u>	<u>69,099</u>	<u>220,441</u>
FUND BALANCES (NOTE 5):			
RESERVED FOR:			
ENCUMBRANCES	15,267	68,059	83,326
PREPAID ITEMS	7	-	7
NONCURRENT INTERFUND RECEIVABLES	2,000	400	2,400
LAND HELD FOR RESALE	-	2,754	2,754
INVENTORIES	296	185	481
LOANS RECEIVABLE	16,745	-	16,745
DEBT SERVICE	-	26,260	26,260
TEETER	13,672	-	13,672
UNRESERVED, REPORTED IN:			
DESIGNATED	127,727	-	127,727
UNDESIGNATED			
GENERAL FUND	237,331	-	237,331
SPECIAL REVENUE FUNDS	-	241,105	241,105
CAPITAL PROJECTS FUNDS	-	124,529	124,529
PERMANENT FUNDS	-	517	517
TOTAL FUND BALANCES	<u>413,045</u>	<u>463,809</u>	<u>876,854</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 564,387</u>	<u>\$ 532,908</u>	

Amounts reported for governmental activities in the statement of net assets are different due to the following (NOTE 4):

Capital assets used in governmental activities that are not financial resources and, therefore, are not reported in the funds.	1,254,028
Other long-term assets that are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.	25,500
Net Pension Obligation Bond	838,933
Internal service funds that are used by management to charge the costs of general services, telephone services, computer operations, vehicle services, risk management, and flood control equipment to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net assets.	27,241
Interest Payable	(12,811)
Special Item - Litigation Settlement Payable	(102,000)
Long-term liabilities, including bonds payable, that are not due and payable in the current period and therefore are not reported in the funds.	(1,307,284)
Net assets of governmental activities (page 42)	<u>\$ 1,600,461</u>

COUNTY OF SAN BERNARDINO
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2006 (IN THOUSANDS)

	GENERAL FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES			
TAXES	\$ 535,031	\$ 109,359	\$ 644,390
LICENSES, PERMITS AND FRANCHISES	22,170	292	22,462
FINES, FORFEITURES AND PENALTIES	10,383	8,273	18,656
REVENUES FROM USE OF MONEY AND PROPERTY	46,065	16,854	62,919
AID FROM OTHER GOVERNMENTAL AGENCIES	1,047,674	226,195	1,273,869
CHARGES FOR CURRENT SERVICES	246,203	39,732	285,935
OTHER REVENUES	8,024	43,964	51,988
TOTAL REVENUES	1,915,550	444,669	2,360,219
EXPENDITURES:			
CURRENT:			
GENERAL GOVERNMENT	123,793	13,754	137,547
PUBLIC PROTECTION	589,194	160,706	749,900
PUBLIC WAYS AND FACILITIES	2,249	73,167	75,416
HEALTH AND SANITATION	240,981	4,206	245,187
PUBLIC ASSISTANCE	742,432	84,798	827,230
EDUCATION	2,629	14,840	17,469
RECREATION AND CULTURAL SERVICES	10,777	5,666	16,443
DEBT SERVICE			
PRINCIPAL	244	37,352	37,596
INTEREST AND FISCAL CHARGES	6,336	48,632	54,968
BOND ISSUANCE COSTS	-	2,297	2,297
ADVANCE REFUNDING ESCROW	-	1,622	1,622
CAPITAL OUTLAY	25,068	81,989	107,057
TOTAL EXPENDITURE	1,743,703	529,029	2,272,732
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	171,847	(84,360)	87,487
OTHER FINANCING SOURCES (USES):			
TRANSFERS TO OTHER FUNDS (NOTE 7)	(242,844)	(53,933)	(296,777)
TRANSFERS FROM OTHER FUNDS (NOTE 7)	32,508	214,298	246,806
REFUNDING BONDS ISSUED (NOTE 11)	-	58,275	58,275
PREMIUM ON REFUNDING BONDS (NOTE 11)	-	1,270	1,270
PAYMENT TO REFUNDED BOND ESCROW AGENT (NOTE 11)	-	(18,792)	(18,792)
LONG-TERM DEBT ISSUED (NOTE 11)	-	2,118	2,118
INCEPTION OF CAPITAL LEASE OBLIGATIONS (NOTE 11)	201	622	823
SALE OF CAPITAL ASSETS	2,597	2,772	5,369
TOTAL OTHER FINANCING SOURCES AND (USES)	(207,538)	206,630	(908)
NET CHANGE IN FUND BALANCE	(35,691)	122,270	86,579
FUND BALANCE, JULY 1, 2005	448,736	341,539	790,275
FUND BALANCE, JUNE 30, 2006	\$ 413,045	\$ 463,809	\$ 876,854

NET CHANGES IN FUND BALANCES -- TOTAL GOVERNMENTAL

\$ 86,579

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 capital outlay exceeds depreciation in the current period.

86,434

Internal service funds are used by management to charge the costs of general service group, telephone services, computer operations, vehicle services, risk management, and flood control equipment. The net revenues of the internal service funds is reported within governmental activities.

31,765

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.

3,749

Expenses in the statement of activities that do not require the use of the current financial resources and, therefore, are not reported as expenditures in the governmental funds.

(18,540)

Special Item - Litigation Settlement

(102,000)

Amortization of the 95 POBs prepaid asset and the amortization of the 04 POB deferred costs.

(6,158)

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds, report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

(15,661)

Changes in net assets of governmental activities (page 43)

\$ 66,168

COUNTY OF SAN BERNARDINO
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL ON A BUDGETARY BASIS
YEAR ENDED JUNE 30, 2006 (IN THOUSANDS)

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES				
TAXES	\$ 483,068	\$ 494,493	\$ 535,031	\$ 40,538
LICENSES, PERMITS AND FRANCHISES	22,009	22,057	22,170	113
FINES, FORFEITURES AND PENALTIES	7,680	7,680	10,383	2,703
REVENUES FROM USE OF MONEY AND PROPERTY	33,069	33,844	46,065	12,221
AID FROM OTHER GOVERNMENTAL AGENCIES	1,078,360	1,086,503	1,047,674	(38,829)
CHARGES FOR CURRENT SERVICES	351,623	360,918	246,203	(114,715)
OTHER REVENUES	13,361	13,560	8,024	(5,536)
TOTAL REVENUES	1,989,170	2,019,055	1,915,550	(103,505)
EXPENDITURES:				
CURRENT:				
GENERAL GOVERNMENT	223,212	172,969	123,209	49,760
PUBLIC PROTECTION	595,887	617,531	588,501	29,030
PUBLIC WAYS AND FACILITIES	2,429	2,251	2,251	-
HEALTH AND SANITATION	410,758	386,320	236,247	150,073
PUBLIC ASSISTANCE	806,938	807,029	742,020	65,009
EDUCATION	2,235	2,635	2,629	6
RECREATION AND CULTURAL SERVICES	11,173	11,481	10,722	759
DEBT SERVICE	-	-	-	-
PRINCIPAL	413	413	244	169
INTEREST AND FISCAL CHARGES	6,592	6,592	6,336	256
CAPITAL OUTLAY	11,793	15,273	13,790	1,483
TOTAL EXPENDITURE	2,071,430	2,022,494	1,725,949	296,545
EXCESS OF REVENUES OVER EXPENDITURES	(82,260)	(3,439)	189,601	193,040
OTHER FINANCING SOURCES (USES):				
TRANSFERS TO OTHER FUNDS (NOTE 7)	(175,314)	(263,216)	(242,844)	20,372
TRANSFERS FROM OTHER FUNDS (NOTE 7)	44,902	53,270	32,508	(20,762)
INCEPTION OF CAPITAL LEASE OBLIGATIONS (NOTE 11)	201	201	201	-
SALE OF CAPITAL ASSETS	1,030	1,030	2,597	1,567
TOTAL OTHER FINANCING SOURCES AND (USES)	(129,181)	(208,715)	(207,538)	1,177
NET CHANGE IN FUND BALANCE	(211,441)	(212,154)	(17,937)	194,217
FUND BALANCE, JULY 1, 2005	415,715	415,715	415,715	-
FUND BALANCE, JUNE 30, 2006	<u>\$ 204,274</u>	<u>\$ 203,561</u>	<u>\$ 397,778</u>	<u>\$ 194,217</u>

COUNTY OF SAN BERNARDINO
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2006 (IN THOUSANDS)

	BUSINESS-TYPE ACTIVITIES --			TOTAL ENTERPRISE FUNDS	GOVERNMENTAL ACTIVITIES -- INTERNAL SERVICE FUNDS
	ENTERPRISE FUNDS				
	MEDICAL CENTER	WASTE SYSTEMS DIVISION	OTHER ENTERPRISE FUNDS		
ASSETS					
CURRENT ASSETS:					
CASH AND CASH EQUIVALENTS (NOTE 6)	\$ 9,267	\$ 50,200	\$ 45,248	\$ 104,715	\$ 138,896
ACCOUNTS RECEIVABLE - NET (NOTE 2)	43,635	11,328	3,337	58,300	922
TAXES RECEIVABLE	-	674	-	674	-
INTEREST RECEIVABLE	-	-	-	-	-
OTHER RECEIVABLES	-	-	453	453	-
DUE FROM OTHER FUNDS (NOTE 7)	2,222	1,380	668	4,270	674
DUE FROM OTHER GOVERNMENTS	10,602	2,307	320	13,229	528
INVENTORIES	1,401	-	62	1,463	2,110
PREPAID ITEMS	3,209	9,090	-	12,299	1,619
TOTAL CURRENT ASSETS	<u>70,336</u>	<u>74,979</u>	<u>50,088</u>	<u>195,403</u>	<u>144,749</u>
NONCURRENT ASSETS:					
NOTE RECEIVABLE	-	1,067	-	1,067	-
DEFERRED CHARGES	-	1,629	-	1,629	-
RESTRICTED CASH AND INVESTMENTS (NOTE 6 & 8)	59,733	114,134	-	173,867	-
OTHER ASSETS	8,460	-	-	8,460	-
LAND, STRUCTURE, IMPROVEMENTS, AND INFRASTRUCTURE	513,540	142,544	112,861	768,945	7,659
EQUIPMENT	97,728	1,804	3,539	103,071	56,020
ACCUMULATED DEPRECIATION AND AMORTIZATION	(168,540)	(91,775)	(56,476)	(316,791)	(41,256)
CONSTRUCTION IN PROGRESS	368	8,751	6,545	15,664	-
TOTAL NONCURRENT ASSETS	<u>511,289</u>	<u>178,154</u>	<u>66,469</u>	<u>755,912</u>	<u>22,423</u>
TOTAL ASSETS	<u>581,625</u>	<u>253,133</u>	<u>116,557</u>	<u>951,315</u>	<u>167,172</u>
LIABILITIES					
CURRENT LIABILITIES:					
ACCOUNTS PAYABLE AND OTHER CURRENT LIABILITIES	12,813	5,535	1,338	19,686	3,702
SALARIES AND BENEFITS PAYABLE	10,474	341	6	10,821	1,985
DUE TO OTHER FUNDS (NOTE 7)	3,430	775	814	5,019	957
DUE TO OTHER GOVERNMENTS	-	1,290	41	1,331	-
INTEREST PAYABLE	12,584	92	126	12,802	-
DEFERRED REVENUE	-	-	21	21	300
COMPENSATED ABSENCES PAYABLE (NOTE 11)	7,187	135	-	7,322	1,766
BONDS AND NOTES PAYABLE (NOTE 11)	25,735	5,450	458	31,643	-
CAPITAL LEASE OBLIGATIONS (NOTE 11)	844	-	-	844	27
ESTIMATED LIABILITY FOR CLOSURE/POST-CLOSURE CARE COSTS	-	20,965	-	20,965	-
ESTIMATED LIABILITY FOR LITIGATION AND SELF-INSURED CLAIMS	-	-	-	-	39,122
TOTAL CURRENT LIABILITIES	<u>73,067</u>	<u>34,583</u>	<u>2,804</u>	<u>110,454</u>	<u>47,859</u>
NONCURRENT LIABILITIES:					
INTERFUND PAYABLE (NOTE 7)	-	-	-	-	2,000
COMPENSATED ABSENCES PAYABLE	1,071	334	2	1,407	1,915
BONDS AND NOTES PAYABLE	515,317	71,598	8,376	595,291	-
CAPITAL LEASE OBLIGATIONS	1,594	-	-	1,594	46
ESTIMATED LIABILITY FOR CLOSURE/POST-CLOSURE CARE COSTS	-	94,766	-	94,766	-
ESTIMATED LIABILITY FOR LITIGATION AND SELF-INSURED CLAIMS	-	-	-	-	88,111
TOTAL NONCURRENT LIABILITIES	<u>517,982</u>	<u>166,698</u>	<u>8,378</u>	<u>693,058</u>	<u>92,072</u>
TOTAL LIABILITIES	<u>591,049</u>	<u>201,281</u>	<u>11,182</u>	<u>803,512</u>	<u>139,931</u>
NET ASSETS					
INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT	(91,934)	(15,724)	57,635	(50,023)	20,905
RESTRICTED FOR:					
DEBT SERVICE	46,444	-	-	46,444	-
UNRESTRICTED	36,066	67,576	47,740	151,382	6,336
TOTAL NET ASSETS	<u>\$ (9,424)</u>	<u>\$ 51,852</u>	<u>\$ 105,375</u>	<u>\$ 147,803</u>	<u>\$ 27,241</u>

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

COUNTY OF SAN BERNARDINO
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2006 (IN THOUSANDS)

	BUSINESS-TYPE ACTIVITIES -- ENTERPRISE FUNDS			TOTAL ENTERPRISE FUNDS	GOVERNMENTAL ACTIVITIES -- INTERNAL SERVICE FUNDS
	MEDICAL CENTER	WASTE SYSTEMS DIVISION	OTHER ENTERPRISE FUNDS		
OPERATING REVENUES:					
NET PATIENT CARE AND SERVICE CHARGES FOR CURRENT SERVICES	\$ 345,923	\$ -	\$ -	\$ 345,923	\$ -
OTHER	-	64,988	20,206	85,194	179,729
	13,147	628	-	13,775	-
TOTAL OPERATING REVENUES	359,070	65,616	20,206	444,892	179,729
OPERATING EXPENSES:					
PROFESSIONAL SERVICES	36,697	27,999	1,919	66,615	6,724
SALARIES AND EMPLOYEE BENEFITS	170,812	5,103	8,310	184,225	31,219
SELF-INSURANCE CLAIMS	-	-	1	1	47,577
SERVICES AND SUPPLIES	166,750	25,168	7,444	199,362	55,147
DEPRECIATION AND AMORTIZATION	18,241	7,599	2,811	28,651	5,750
OTHER	6,906	-	626	7,532	340
TOTAL OPERATING EXPENSES	399,406	65,869	21,111	486,386	146,757
OPERATING INCOME (LOSS)	(40,336)	(253)	(905)	(41,494)	32,972
NONOPERATING REVENUES (EXPENSES)					
INTEREST REVENUE	333	4,117	1,544	5,994	3,831
INTEREST EXPENSE	(30,313)	(3,451)	(352)	(34,116)	(4)
TAX REVENUE	495	-	4,273	4,768	-
GRANT REVENUE	21,521	-	2,825	24,346	-
GAIN (LOSS) ON SALE OF CAPITAL ASSETS	-	150	7	157	480
OTHER NONOPERATING REVENUES	-	4,739	966	5,705	15
OTHER NONOPERATING EXPENSES	(740)	-	-	(740)	-
TOTAL NONOPERATING REVENUES (EXPENSES)	(8,704)	5,555	9,263	6,114	4,322
CHANGE IN NET ASSETS BEFORE SPECIAL ITEM AND TRANSFERS	(49,040)	5,302	8,358	(35,380)	37,294
SPECIAL ITEM - GAIN ON SALE OF SURPLUS LAND (NOTE 22)	-	28,230	-	28,230	-
TRANSFERS TO OTHER FUNDS (NOTE 7)	(4,513)	(837)	(3,446)	(8,796)	(5,773)
TRANSFERS FROM OTHER FUNDS (NOTE 7)	63,648	-	648	64,296	244
CHANGE IN NET ASSETS	10,095	32,695	5,560	48,350	31,765
TOTAL NET ASSETS, JULY 1, 2005	(19,519)	19,157	99,815	99,453	(4,524)
TOTAL NET ASSETS (DEFICIT), JUNE 30, 2006	\$ (9,424)	\$ 51,852	\$ 105,375	\$ 147,803	\$ 27,241

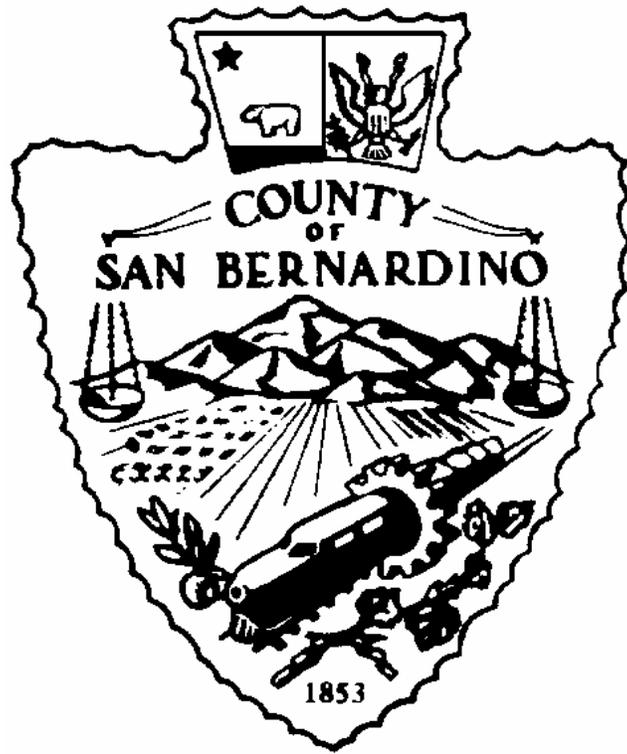
The notes to the basic financial statements are an integral part of this statement.

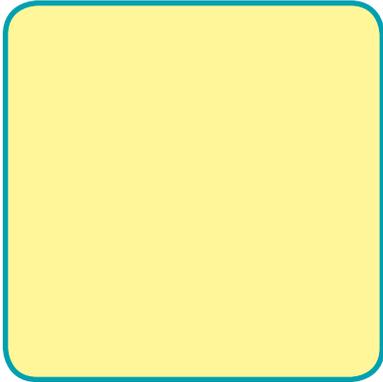
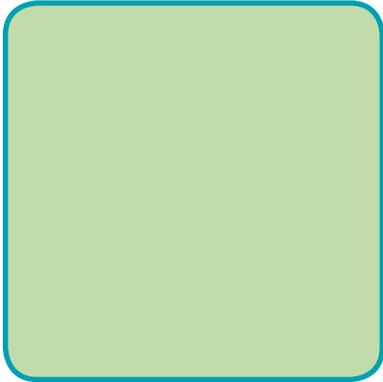
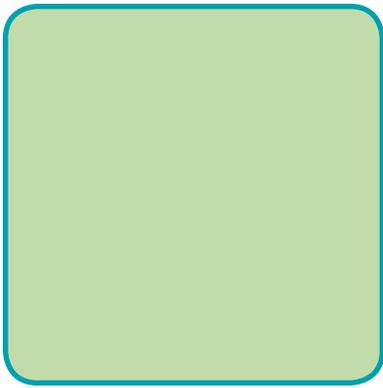
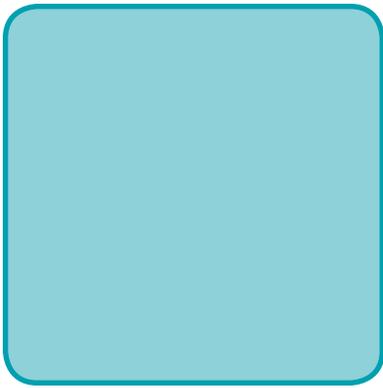
COUNTY OF SAN BERNARDINO
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2006 (IN THOUSANDS)

	<u>TOTAL</u>	<u>INVESTMENT TRUST</u>	<u>AGENCY</u>
ASSETS			
CASH AND CASH EQUIVALENTS (NOTE 6)	\$ 2,103,704	\$ 1,744,954	\$ 358,750
INVESTMENTS (NOTE 6)	1,675	-	1,675
ACCOUNTS RECEIVABLE - NET	52	52	-
TAXES RECEIVABLE	173,134	-	173,134
INTEREST RECEIVABLE	53	1	52
LOANS RECEIVABLE	45	45	-
DUE FROM OTHER FUNDS (NOTE 7)	17,891	17,618	273
DUE FROM OTHER GOVERNMENTS	253	253	-
PREPAID ITEMS	118	118	-
INTERFUND RECEIVABLE	250	-	250
TOTAL ASSETS	<u>2,297,175</u>	<u>1,763,041</u>	<u>534,134</u>
LIABILITIES AND FUND BALANCE			
LIABILITIES:			
DUE TO OTHER FUNDS (NOTE 7)	36,809	961	35,848
DUE TO OTHER GOVERNMENTS	498,286	-	498,286
TOTAL LIABILITIES	<u>535,095</u>	<u>961</u>	<u>\$ 534,134</u>
NET ASSETS			
NET ASSETS HELD IN TRUST FOR INVESTMENT POOL PARTICIPANTS	<u>\$ 1,762,080</u>	<u>\$ 1,762,080</u>	

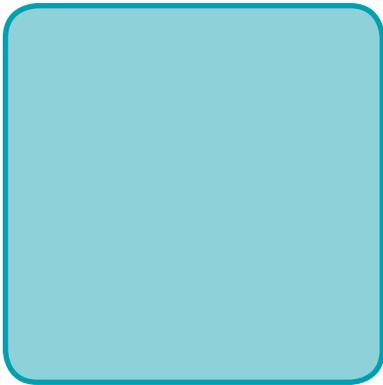
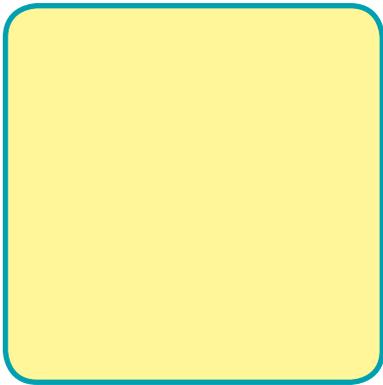
COUNTY OF SAN BERNARDINO
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - FIDUCIARY FUNDS
INVESTMENT TRUST FUND
YEAR ENDED JUNE 30, 2006 (IN THOUSANDS)

	<u>INVESTMENT TRUST FUND</u>
ADDITIONS:	
CONTRIBUTIONS ON POOLED INVESTMENTS	\$ 8,145,021
NET DECREASE IN FAIR VALUE OF INVESTMENTS	(10,698)
INTEREST INCOME ON CASH AND SECURITIES	<u>53,724</u>
TOTAL ADDITIONS	8,188,047
DEDUCTIONS:	
DISTRIBUTIONS FROM POOLED INVESTMENTS	<u>8,015,119</u>
TOTAL DEDUCTIONS	<u>8,015,119</u>
NET DECREASE IN NET ASSETS	172,928
NET ASSETS HELD IN TRUST, JULY 1, 2005	<u>1,589,152</u>
NET ASSETS HELD IN TRUST, JUNE 30, 2006	<u>\$ 1,762,080</u>





Notes to the
Basic Financial
Statements



Comprehensive Annual
Financial Report



COUNTY OF SAN BERNARDINO
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2006
(Amounts in thousands)

NOTE 1 – THE FINANCIAL REPORTING ENTITY

(a) Reporting Entity

The County of San Bernardino (the "County"), which was established by an act of the State Legislature on April 26, 1853, is a legal subdivision of the State of California charged with governmental powers. The County's powers are exercised through a five-member Board of Supervisors (the "Board") which, as the governing body of the County, is responsible for the legislative and executive control of the County. As required by generally accepted accounting principles, these basic financial statements present the primary government and its component units, which are, in substance, although legally separate entities, part of the County's operations and so data from these units are blended with the data of the primary government. Each blended component unit has a June 30 year-end.

The County's Comprehensive Annual Financial Report does not include the financial statements of the San Bernardino County Employee's Retirement Association (SBCERA). The Retirement Board controls the Retirement Association acting as fiduciary agent for the accounting and control of member and employee contributions and investment income. The Retirement Association publishes a separate Comprehensive Annual Financial Report and receives a separate independent audit. The Retirement Association is also a legally separate entity from the County and was determined not to be a component unit according to the criteria set forth in Governmental Accounting Standards Board, the Financial Reporting Entity (GASB 39).

Additional detailed financial information for each of these entities, including the blended component units below, can be obtained from the Auditor/Controller's Office at 222 W. Hospitality Lane, San Bernardino, CA 92415-0018.

(b) Blended Component Units

Using the criteria set forth in Governmental Accounting Standards Board (GASB) Statement No. 39 - The Financial Reporting Entity, management determined that the following component units should be blended:

- Fire Protection Districts
- Flood Control District
- Park and Recreation Districts
- Crestline Sanitation District
- County Service Areas
- Various joint powers authorities (JPAs)
- The Inland Empire Facilities Corporation, created for the benefit of the County
- San Bernardino County Financing Authority
- Crestline Financing Authority
- Redevelopment Agency of the County of San Bernardino

The County is financially accountable for each of the above component units through the County's elected officials and descriptions of these component units are contained in subsequent sections of this Comprehensive Annual Financial Report. Acting as the governing

COUNTY OF SAN BERNARDINO
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2006
(Amounts in thousands)

body of the component units, the Board of Supervisors demonstrates financial accountability. Because of their relationship with the County and the nature of their operations, each of the component units is, in substance, part of the County's operations and, accordingly, the activities of these component units are combined (blended) with the activities of the County for purposes of reporting in the accompanying basic financial statements.

(c) Discretely Presented Component Unit

FIRST 5 of San Bernardino County, formerly known as the Children and Families First Commission, was formed in 1998 under the California Health and Safety Code - Section 10110, Chapter 29 of Title 1 of the San Bernardino County Code, and the California Children and Families First Act of 1998. The Commission was created for the purpose of promoting, supporting and improving the early development of children from the prenatal stage to five years of age and is funded by allocations of California Proposition 10 Tobacco Tax. Their board consists of seven members, three of who are officers of the County, while the remaining four are appointed by the San Bernardino County Board of Supervisors. The FIRST 5 is a discretely presented component unit as its governing body is not substantially the same as that of the County and the FIRST 5 does not provide services entirely or almost entirely to the County but rather to the citizenry.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Presentation

In accordance with Governmental Accounting Standards Board Statement (GASB) No. 34 (GASB 34), the basic financial statements consist of the following:

- Government-wide financial statements,
- Fund financial statements, and
- Notes to the basic financial statements.

Government – Wide Financial Statements

The Statement of Net Assets and Statement of Activities display information about the primary government (the County) and its component units. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the County. Governmental activities, which normally are supported by taxes and inter-governmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees charged to external parties.

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the County and for each function of the County's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include 1) charges paid by the recipient for goods or services offered by the

COUNTY OF SAN BERNARDINO
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2006
(Amounts in thousands)

program and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements

The fund financial statements provide information about the County's funds, including fiduciary funds and blended component units. Separate statements for each fund category – governmental, proprietary and fiduciary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are separately aggregated and reported as nonmajor funds.

The County reports only one major governmental fund:

- *The General Fund* is used to account for all revenues and expenditures necessary to carry out basic governmental activities of the County that are not accounted for through other funds. For the County, the General Fund includes such activities as General Government, Public Protection, Public Ways and Facilities, Health and Sanitation, Public Assistance, Education, and Recreation and Cultural Services.

The County reports the following major enterprise funds.

- *The County Medical Center Fund* accounts for inpatient and outpatient care including emergency room services and indigent care to County residents. The fund is financed primarily by patient care services.
- *The Waste Systems Division Fund* accounts for refuse disposal services provided to the public by twenty landfill sites. The waste disposal program is financed by funds derived from gate fees at the San Bernardino Valley landfill sites and from land use fees charged to property owners in both the mountain and desert areas.

The County reports the following additional fund types in their fund financial statements:

- *Internal Service Funds* account for printing services, records management, central mail, telephone services, computer operations, vehicle services, risk management, and flood control equipment operations that provide services to other departments or agencies of the County on a cost reimbursement basis
- The *Investment Trust Fund* accounts for the pooled investments of numerous self-governed school and special districts for which cash and investments are held by the County Treasurer. The financial reporting for these governmental entities, which are independent of the County, is limited to the total amount of cash and investments and other assets, and the related fiduciary responsibility of the County for disbursements of these assets. Activities of the school districts and special districts are administered by their own separate elected boards and are independent of the County Board of Supervisors. The County Auditor/Controller makes disbursements upon the request of the responsible school and self-governed district officers. The County Board of

COUNTY OF SAN BERNARDINO
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2006
(Amounts in thousands)

Supervisors has no effective authority to govern, manage, approve budgets, assume financial responsibility, establish revenue limits, nor to appropriate surplus funds available in these entities. Therefore, these entities are fiscally independent of the County.

- The *Agency Funds* account for assets held by the County as an agent for various local governments.

(b) Basis of Accounting

The government-wide, proprietary, and investment/agency trust fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

Nonexchange transactions, in which the County gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes and sales taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from sales tax are recognized when the underlying transactions take place. Revenues from grants and donations are recognized in the fiscal year in which all eligible requirements have been satisfied.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Property and sales taxes, interest, certain state and federal grants and charges for services are accrued when their receipt occurs within sixty days after the end of the accounting period, and recognized as revenue. The County considers items available if received within 9 months of year end, for voluntary non-exchange transactions such as federal and state grants. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when the payment is due. General capital assets acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and capital leases are reported as other financing sources.

Proprietary funds are used to account for business-type activities, which are financed mainly by fees and charges to users of the services provided by the funds' operations. 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. 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, then unrestricted resources as they are needed.

Pursuant to GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the County has elected not to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB) issued after November 30, 1989.

COUNTY OF SAN BERNARDINO
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2006
(Amounts in thousands)

(c) Capital Assets And Long-Term Debt

GASB Statement No. 34 eliminates the presentation of account groups, but provides for these records to be maintained and incorporates the information into the government-wide Statement of Net Assets.

(d) Due From Other Governments

At June 30, 2006, the General Fund accrued \$126,548 of receivables from other governments, of which \$93,821 was due from the State of California. Of the amount owed by the State, \$36,479 was for Health Care Services, \$11,931 was for Public Social Services, \$39,006 was for motor vehicle license fees and sales tax monies, and the remaining \$6,405 was for other services. Amounts owed from cities for booking fees and other services were \$5,533. The remaining amount of \$27,194 was due from the federal government and other governmental agencies.

(e) Taxes and Accounts Receivable

The \$34,709 taxes receivable balance in the Governmental Activities column of the statement of net assets at June 30, 2006 is net of an allowance of doubtful accounts of \$1,171. The \$43,635 accounts receivable balance of the Medical Center Enterprise Fund at June 30, 2006 is net of an allowance for doubtful accounts of \$262,871.

The \$365 accounts receivable balance of the Fire Protection Districts – Ambulance Fund at June 30, 2006 is net of an allowance for doubtful accounts of \$1,156. The \$304 accounts receivable balance of the Crestline Sanitation District Fund at June 30, 2006 is net of an allowance for doubtful accounts of \$31. These funds are reflected as part of the enterprise funds on the statement of net assets.

COUNTY OF SAN BERNARDINO
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2006
(Amounts in thousands)

(f) Deferred Revenue

In the fund financial statements, governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At June 30, 2006, the various components of *deferred revenue* and *unearned revenue* reported in the governmental funds were as follows.

	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
Governmental Funds			
General Fund			
Developer Deposits	\$ -	\$ 20,285	\$ 20,285
Property Tax Receivable	9,462		9,462
Due from governmental agencies	-	16,028	16,028
Nonmajor funds			
Property Tax Receivable	5,210	-	5,210
Due from governmental agencies	-	92	92
	<u>-</u>	<u>92</u>	<u>92</u>
Total Governmental Funds	<u>\$ 14,672</u>	<u>\$ 36,405</u>	<u>\$ 51,077</u>

(g) Cash and Cash Equivalents

For purposes of the statement of cash flows, the County considers all pooled investments and other highly liquid investments with maturity of three months or less when purchased to be cash equivalents.

(h) Investments

The County's investments are governed by the California Government Code and the County's Investment Policy. These approved investments include U.S. Government Treasury and Agency securities, bankers' acceptances, commercial paper, medium term notes, mutual funds, repurchase agreements and reverse repurchase agreements as authorized by the Government Code Sections 53601, 53635 and 53638 which limit the investments to certain maximum percentages by investment type in the pool.

The County's investments and securities are reported at fair value based upon quoted market prices. Securities having no sales are valued based upon last reported bid prices. The County intends to either hold investments until maturity or until market values equal or exceed cost. The value of the various investments will fluctuate on a daily basis as a result of a multitude of factors, including generally prevailing interest rates and other economic conditions.

COUNTY OF SAN BERNARDINO
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2006
(Amounts in thousands)

(i) Inventories and Prepaid Items

Inventories, which consist principally of materials and supplies held for consumption, are valued at cost (first-in, first-out basis) for governmental fund types and at an amount which approximates the lower of average cost or market for proprietary fund types. Inventories of the governmental and business-type activities are accounted for as expenses when the inventory items are consumed. In the governmental fund financial statements, reported inventories are offset with a corresponding reservation of fund balance because these amounts are not available for appropriation and expenditure.

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

(j) Property Taxes

The County levies, collects and apportions property taxes for all taxing jurisdictions within the County, including school and special districts. Property taxes are determined by applying approved rates to the assessed values of properties. The total 2005-06 gross assessed valuation of the County of San Bernardino was \$95,829,459 (after deducting \$33,066,418 for the redevelopment tax allocation increment).

Article XIII A of the State of California Constitution limits the property tax levy to support general government services of the various taxing jurisdictions to \$1.00 per \$100.00 of assessed value. Taxes levied to service voter-approved debt prior to June 30, 1978 are excluded from this limitation.

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.

The term "unsecured" refers to taxes on personal property other than land and buildings. These taxes are secured by liens on the property being taxed. In the fund financial statements, property tax revenues are recognized in the fiscal year for which they are levied, provided they are due and collected within sixty days after fiscal year-end. Property taxes are recorded as deferred revenue when not received within sixty days after fiscal year-end. In the government – wide financial statements, property taxes are recorded as revenue when levied regardless of when the cash is collected.

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(k) Capital Assets

Capital assets, which include property, plant, equipment, software and infrastructure assets (roadways, bridges, roadway signage, guardrails, drainage systems, traffic lights, dams, and flood control), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the County as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. 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.

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

Infrastructure	10 to 100 years
Structure and improvements	Up to 45 years
Equipment	5 to 15 years
Software	5 to 10 years

The County has six networks of infrastructure assets – roads, runways/taxiways, water/sewer, lighting, drainage, and flood control.

(l) Employee Compensated Absences

Liabilities for vacation, holiday benefits, sick pay and compensatory time are accrued when incurred in the government-wide and proprietary fund financial statements. In the event of retirement or termination, an employee is paid 100% of accumulated vacation pay, and those with ten or more years of continuous services are paid 30% to 50% of their accumulated sick leave. Up to two times the annual vacation accrual rate may be carried over from one year to the next. In accordance with GASB Interpretation No. 6, a liability for these amounts is reported in the governmental funds financial statements only if they have matured, for example, as a result of employee resignations and retirements prior to year-end and are paid by the County subsequent to year-end.

(m) Interfund Transactions

Interfund transactions are reflected as loans, services-provided, reimbursements or transfers. Loans are reported as receivables and payables as appropriate, are subject to elimination upon consolidation and are referred to as either “Due to/from other funds” (i.e., the current portion of interfund loans) or “Interfund receivables/payables”(i.e., the noncurrent portion of interfund loans). Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as “internal balances”. Interfund receivables, as reported in the fund financial statements, are offset by the fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not available financial resources.

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Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide presentation.

(n) Land Held for Resale

The Redevelopment Agency has acquired several parcels of land as part of its primary purposes. The Agency records these parcels as land held for resale in its financial records. The properties are being carried in the Capital Project and Special Revenue funds at the lower of cost or estimated net realizable value, until such time as there is an event which would indicate an agreed-upon sales price. At June 30, 2006, the land held for resale is being carried at a cost of \$2,754 (Special Revenue Funds at \$2,497 and Capital Project Funds at \$257) and is offset by a reservation of fund balance.

(o) Use of Estimates

The presentation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

(p) Implemented Accounting Pronouncements

Governmental Accounting Standards Board Statement No. 42

During fiscal year 2005-2006, the County adopted the provisions of Governmental Accounting Standards Board Statement No. 42, Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries.

Governmental Accounting Standards Board Statement No. 44

During fiscal year 2005-2006, the County adopted the provisions of Governmental Accounting Standards Board Statement No. 44, Economic Condition Reporting: The Statistical Section – an amendment of NCGA Statement 1.

Governmental Accounting Standards Board Statement No. 46

During fiscal year 2005-2006, the County adopted the provisions of Governmental Accounting Standards Board Statement No. 46, *Net Assets Restricted by Enabling Legislation—an amendment of GASB Statement No. 34.*

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Governmental Accounting Standards Board Statement No. 47

There were no termination benefits during fiscal year 2005-2006, as established in the provisions of Governmental Accounting Standards Board Statement No. 47, *Accounting for Termination Benefits*.

NOTE 3 – RESTATEMENT OF NET ASSETS

Discretely Presented Component Unit - First 5 San Bernardino

The Commission’s net assets for the year ended June 30, 2005 were decreased for the correction of an error in the recording of retention incentive revenue received from the State of California. Specifically, the Commission failed to meet the 4 to 1 match stipulated as part of receiving the revenue. The effect of the correction of the error was to decrease change in net assets by \$531 for the year ended June 30, 2005.

Restatement to the Government-Wide Financial Statements:

	<u>Component Unit</u>
Beginning Net Assets, as previously reported	80,799
Revenue Received	<u>(531)</u>
Beginning Net Assets, as restated	<u><u>\$ 80,268</u></u>

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NOTE 4 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Amounts reported for governmental activities in the statement of net assets are different from those reported for governmental funds in the balance sheet. The following provides a reconciliation of those differences.

	Total Governmental Funds (Page 46)	Long-Term Assets and Liabilities (1)	Internal Service Funds (2) (Page 49)	Eliminations	Statement of Net Assets Totals (Page 42)
ASSETS					
CASH AND CASH EQUIVALENTS	\$ 826,175	\$ -	\$ 138,896	\$ -	\$ 965,071
INVESTMENTS	13,193	-	-	-	13,193
ACCOUNTS RECEIVABLE - NET	2,826	-	922	-	3,748
TAXES RECEIVABLE	34,709	-	-	-	34,709
INTEREST RECEIVABLE	6,458	-	-	-	6,458
LOAN RECEIVABLE	16,745	3,273	-	(16,709)	3,309
OTHER RECEIVABLES	53	-	-	-	53
DUE FROM OTHER FUNDS	44,474	-	674	(45,148)	-
DUE FROM OTHER GOVERNMENTS	146,846	-	528	18,668	166,042
INTERNAL BALANCES	-	-	-	749	749
LAND HELD FOR RESALE	2,754	-	-	-	2,754
INVENTORIES	481	-	2,110	-	2,591
PREPAID ITEMS	7	-	1,619	-	1,626
DEFERRED CHARGES	-	8,727	-	-	8,727
INTERFUND RECEIVABLE	2,400	-	-	(2,400)	-
RESTRICTED CASH AND INVESTMENTS	174	-	-	-	174
PREPAID PENSION ASSET	-	838,933	-	-	838,933
LAND	-	62,838	396	-	63,234
STRUCTURES, IMPROVEMENTS, AND INFRASTRUCTURE	-	1,730,842	7,263	-	1,738,105
EQUIPMENT	-	165,445	56,020	-	221,465
CAPITALIZED SOFTWARE	-	6,759	-	-	6,759
ACCUMULATED DEPRECIATION AND AMORTIZATION	-	(823,387)	(41,256)	-	(864,643)
CONSTRUCTION IN PROGRESS	-	111,531	-	-	111,531
TOTAL ASSETS	<u>\$ 1,097,295</u>	<u>\$ 2,104,961</u>	<u>\$ 167,172</u>	<u>\$ (44,840)</u>	<u>\$ 3,324,588</u>
LIABILITIES					
ACCOUNTS PAYABLE AND OTHER CURRENT LIABILITIES	\$ 47,418	\$ -	\$ 3,702	\$ -	\$ 51,120
SALARIES AND BENEFITS PAYABLE	57,943	-	1,985	-	59,928
DUE TO OTHER FUNDS	24,524	-	957	(25,481)	-
DUE TO OTHER GOVERNMENTS	22,120	-	-	-	22,120
INTEREST PAYABLE	-	12,811	-	-	12,811
LOAN PAYABLE	16,709	-	-	(16,709)	-
DEFERRED REVENUE	51,077	(13,500)	300	-	37,877
INTERFUND PAYABLE	650	-	2,000	(2,650)	-
COMPENSATED ABSENCES PAYABLE	-	112,881	3,681	-	116,562
COP BONDS AND NOTES PAYABLE	-	1,479,954	-	-	1,479,954
CAPITAL LEASE OBLIGATIONS	-	3,816	73	-	3,889
OTHER LONG TERM LIABILITIES	-	27,345	-	-	27,345
ESTIMATED LIABILITY FOR LITIGATION AND SELF-INSURED CLAIMS	-	-	127,233	-	127,233
SPECIAL ITEM - LITIGATION SETTLEMENT PAYABLE	-	102,000	-	-	102,000
DEFERRED AMOUNT ON REFUNDING	-	(6,748)	-	-	(6,748)
PREMIUM	-	4,792	-	-	4,792
DISCOUNT	-	(314,756)	-	-	(314,756)
TOTAL LIABILITIES	<u>220,441</u>	<u>1,408,595</u>	<u>139,931</u>	<u>(44,840)</u>	<u>1,724,127</u>
FUND BALANCE/NET ASSETS	<u>876,854</u>	<u>696,366</u>	<u>27,241</u>	<u>-</u>	<u>1,600,461</u>
TOTAL LIABILITIES & FUND BALANCE/NET ASSETS	<u>\$ 1,097,295</u>	<u>\$ 2,104,961</u>	<u>\$ 167,172</u>	<u>\$ (44,840)</u>	<u>\$ 3,324,588</u>

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(1) Capital assets used in governmental activities that are not financial resources and, therefore, are not reported in the funds.				
Land		62,838		
Structures, Improvements, and Infrastructure	\$	1,730,842		
Equipment		165,445		
Capitalized software		6,759		
Accumulated Depreciation and Amortization		(823,387)		
Construction in Progress		111,531		
		\$	1,254,028	
(1) Other long-term assets that are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.			25,500	
(1) Net Pension Obligation Bond			838,933	
(1) Interest Payable			(12,811)	
(1) Special Item - Litigation Settlement Payable			(102,000)	
(1) Long-term liabilities, including bonds payable, that are not due and payable in the current period and therefore are not reported in the funds.				
Compensated Absences Payable		(112,881)		
COP Bonds and Notes Payable		(1,479,954)		
Capital Lease Obligations		(3,816)		
Other Long Term Liabilities		(27,345)		
Deferred Amount on Refunding		6,748		
Premium		(4,792)		
Discount		314,756		
		(1,307,284)		
		\$	696,366	
(2) Internal service funds that are used by management to charge the costs of general services, telephone services, computer operations, vehicle services, risk management, and flood control equipment to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net assets.			\$	27,241

NOTE 5 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

(a) Budgetary Information

In accordance with the provisions of Section 29000 – 29143 of the Government Code of the State of California, commonly known as the County Budget Act, the County prepares and adopts a budget on or before August 30, for each fiscal year. Budgets are adopted for the

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General Fund, certain Special Revenue Funds, and certain Capital Projects Funds. Budgets are prepared on the modified accrual basis of accounting, except that current year encumbrances are budgeted as expenditures.

Annual budgets are not adopted for the following funds: Pension Obligation Bonds Debt Service, Joint Powers Authorities Special Revenue, Debt Service and Capital Projects.

The legal level of budgetary control is maintained at the object level and sub-object level for capital assets within departments. However, presentation of the basic financial statements at the legal level of control is not feasible due to excessive length. Because of the large volume of detail, the budget and the actual statements have been aggregated by function. The County does prepare a separate final budget document at the object and sub-object level that is made available to the public by the office of the Auditor/Controller.

Amendments or transfers of appropriations between funds or departments must be approved by the Board. Supplemental appropriations necessary and normally financed by unanticipated revenues during the year must also be approved by the Board. From time to time during the year, supplemental appropriations were necessary and approved by the Board. Amendments or transfers of appropriations between object levels within the same department may be approved by the Board or the County Administrative Office. Transfers at the sub-object level or cost center level may be done at the discretion of the department head. Any deficiency of the budgeted revenues and other financing sources over expenditures and other financing uses is financed by beginning available fund balances as provided in the County Budget Act.

(b) Excess of Expenditures Over Appropriations

For fiscal year 2005-06, there were no instances in which expenditures exceed appropriations.

(c) Net Deficits of Individual Funds

The Medical Center expects to eliminate its net deficit of \$ 9,424 in future years through rate increases and/or possible contributions from the General Fund.

The Risk Management Division incurred a net deficit of \$ 15,974 is expected to be eliminated over the next five years through rate increases.

(d) Reconciliation of Budgetary Basis to GAAP Basis

The annual County Budget is prepared, approved and adopted in accordance with provisions of the County Budget Act. In preparing the budget, the County utilizes a basis of accounting which is different from the basis prescribed by generally accepted accounting principles ("GAAP"). The accompanying General Fund Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual on a Budgetary Basis presents a comparison of the legally adopted budget and the actual data on a budgetary basis.

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The following adjustments are necessary to provide a meaningful comparison of the actual results of operations with the budget:

	General Fund
Fund balance - budgetary basis	\$ 397,778
Outstanding encumbrances for budgeted funds	15,267
Fund balance - GAAP basis	\$ 413,045

Net Assets/Fund Balances

The government-wide and business-type activities fund financial statements utilize a net assets presentation. Net assets are categorized as invested capital assets (net of related debt), restricted and unrestricted.

- *Invested In Capital Assets, Net of Related Debt* – This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets as well as any premium or discount paid on debt reduce the balance in this category.

- *Restricted Net Assets* – This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulation of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. Examples of restricted net assets include federal and state grants that are restricted by grant agreements for specific purposes and restricted cash set aside for debt service payments. At June 30, 2006, the County reported restricted net assets of \$571,483 restricted for the following purposes:

Restricted for:	Amount
Legally segregated special revenue funds for grants and other purposes	\$ 294,533
Debt Service	26,260
Capital project funds	142,499
Permanent funds	517
State Realignment Funds	107,674
	\$ 571,483

- *Unrestricted Net Assets* – This category represents net assets of the County, not restricted for any project or other purpose.

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In the fund financial statements, reserves and designations segregate portions of fund balance that are either not available or have been earmarked for specific purposes. The various reserves and designations are established by actions of the Board and management and can be increased, reduced or eliminated by similar actions.

Fund balances which are not available for appropriation at June 30, 2006 are reserved or designated for the following purposes:

Reserved Fund Balance

	Governmental Activities		Total
	General Fund	Nonmajor Funds	
Encumbrances	\$ 15,267	\$ 68,059	\$ 83,326
Prepaid Items	7	-	7
Noncurrent Interfund Receivables	2,000	400	2,400
Debt Service	-	26,260	26,260
Land Held For Resale	-	2,754	2,754
Inventories	296	185	481
Loans Receivable	16,745	-	16,745
Teeter Plan	13,672	-	13,672
Total	<u>\$ 47,987</u>	<u>\$ 97,658</u>	<u>\$ 145,645</u>

Designated Fund Balance

	General Fund
General Purpose	\$ 41,736
Medical Center Debt Service	32,075
Justice Facilities	638
West Valley Maximum Security	5,693
Future Retirement Rate	14,900
Teeter Plan	6,075
Restitution	1,865
Equity Pool	1,507
Insurance	3,000
Hall of Paleontology	3,703
Electronic Voter System	500
Capital Projects	4,000
Business Process Improvement	2,511
Board Approved Loans	800
Future Financing	7,000
SWBPI - Law & Justice	1,724
Total Designated Fund Balance	<u><u>\$ 127,727</u></u>

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NOTE 6 – CASH AND INVESTMENTS

Cash and investments include the cash balances of substantially all funds which are pooled (the “pool”) and invested by the County Treasurer for the purpose of increasing interest earnings through investment activities. The pool is not registered as an investment company with the Securities and Exchange Commission (SEC) nor is it an SEC Rule 2a7 – like pool. The pool does not issue a separate report. Included also are cash and investments held by certain joint powers authorities and cash held by various trustee financial institutions in accordance with the California Government Code.

State law now requires that all operating monies of the County, school districts, and certain special districts be held by the County Treasurer. The net asset value associated with legally mandated participants in the asset pool was \$1,705,312 at June 30, 2006.

As of June 30, 2006, the fair value of the County pool was \$3.34 billion. Approximately 11% of the County pool is attributable to the County General Fund, with the remainder of the balance comprised of other County funds, school districts and special districts. Additionally, as of June 30, 2006, \$56,678 of the amounts deposited in the County pool was attributable to depositors who are not required to, but choose to, invest in the County pool.

INVESTMENTS AUTHORIZED BY DEBT AGREEMENT

Investment of debt proceeds held by bond trustees are governed by provisions of the trust agreements, created in connection with the issuance of debt (see Note 11) rather than the general provisions of the California Government Code. Certificates of Participation and Revenue Bond indentures specify the types of securities in which proceeds may be invested as well as any related insurance, collateral, or minimum credit rating requirements. Although requirements may vary between debt issues, money market funds are all required to be investment grade. Guaranteed investment contracts are required to be acceptable to the municipal bond insurer. The fair value of investments is based on the valuation provided by trustee banks.

INVESTMENT CREDIT RISK

Investment credit risk exists when there is a possibility the issuer or other counterparty to an investment may be unable to fulfill its obligations. GASB Statement No. 40 requires the disclosure of credit quality ratings for investments in debt securities as well as investments in external investment pools, money market funds, and other pooled investments of fixed income securities.

California Law and San Bernardino County Treasury Pool Investment Policy (where more restrictive) place limitations on the purchase of investments in the County Pool. Purchases of commercial paper and negotiable certificates of deposit are restricted to the top two ratings issued by a minimum of two of three nationally recognized statistical rating organizations (NRSRO’s). For an issuer of short-term debt, the rating must be no less than A-1 (S&P), P-1 (Moody’s), or F-1 (Fitch) while an issuer of long-term corporate debt must have a minimum letter rating of “AA”. Federal Agency notes and bonds, municipal notes and bonds, and money

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market mutual funds must have a minimum letter rating of “AAA”. Limits are also placed on the maximum percentage investment by sector and by individual issuer (see schedule). As of June 30, 2006, all investments held by the County Pool were within policy limits.

CONCENTRATION OF CREDIT RISK

An increased risk of loss occurs as more investments are acquired from one issuer (i.e. lack of diversification). This results in a *concentration of credit risk*.

GASB Statement No. 40 requires disclosure of investments by amount and issuer that represent five-percent or more of total investments held. This requirement excludes investments issued or explicitly guaranteed by the United States Government, investments in mutual funds, external investment pools, and other pooled investments. As of June 30, 2006, the following issuers represented more than five-percent of the County Pool balance:

<u>Issuer</u>	<u>Fair Value</u>	<u>% of Portfolio</u>
FHLB	\$ 732,581	21.97%
FNMA	\$ 672,629	20.17%
FHLMC	\$ 336,007	10.07%
FFCB	\$ 260,926	7.82%
UBS	\$ 174,619	5.24%

INTEREST RATE RISK

Interest rate risk exists when there is a possibility that changes in interest rates could adversely affect an investment’s fair value. Generally, the longer the maturity of an investment, the greater the interest rate risk associated with that investment.

GASB Statement No. 40 requires that *interest rate risk* be disclosed using a minimum of one of five approved methods which are: *segmented time distribution, specific identification, weighted average maturity, duration, and simulated model*.

The County manages its exposure to interest rate risk by carefully matching cash flows and maturing positions to meet expenditures, limiting 40% of the County Pool to maturities of one year or less, and by maintaining an overall *effective duration* of 1.5 years or less. *Duration* is a measure of a fixed income’s cash flow using present values, weighted for cash flows as a percentage of the investments full price. *Effective duration* makes assumptions regarding the most likely timing and amounts of variable cash flows arising from such investments as callable bonds.

California Law and where more restrictive, the San Bernardino County Pool Investment Policy, place limitations on the maximum maturity of investments to be purchased by sector (see

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schedule). As of June 30, 2006, all investments held by the County Pool were within policy limits.

<u>Security Type</u>	<u>Fair Value</u>	<u>Maturity Range (Days)</u>	<u>Maturity Limits</u>	<u>Average Maturity</u>	<u>Effective Duration</u>
Certificates of Deposit	\$ 636,403	3 - 294	365 days	165	0.44
Commercial Paper	\$ 381,378	3 - 102	270 days	11	0.03
Federal Agencies	\$2,002,144	5 - 1,039	5 years	444	1.14
Money Market Funds	\$ 35,000	1	Imm. Liq.	1	0.003
Repurchase Agreements	\$ 100,001	3	180 days	3	0.008
U.S. Treasuries	\$ 180,288	319 - 1,142	5 years	505	1.29
Total Securities	<u>\$3,335,214</u>			<u>326</u>	<u>0.84</u>

CUSTODIAL CREDIT RISK

Custodial Credit Risk for Deposits exists when, in the event of a depository financial institution failure, a government may be unable to recover deposits, or recover collateral securities that are in the possession of an outside party.

GASB Statement No. 40 requires the disclosure of deposits into a financial institution that are not covered by FDIC depository insurance and are uncollateralized.

California Law requires that a financial institution secure deposits made by state or local government units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure County deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

As of June 30, 2006, the carrying amount of the County's deposits was an overdraft of \$22,446 and the corresponding bank balance was \$35,037. The difference of \$57,483 was primarily due to outstanding warrants, wires and deposits in transit. Of the bank balance, \$200 was insured by the FDIC depository insurance and \$34,837 was uncollateralized and not insured by FDIC depository insurance.

Custodial Credit Risk for Investments exists when, in the event of a failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

In order to limit *Custodial Credit Risk for Investments*, San Bernardino County Pool Investment Policy requires that all investments and investment collateral be transacted on a delivery versus payment basis with a third-party custodian and registered in the County's name. All counterparties to repurchase agreements must sign a PSA Master Repurchase Agreement and/or Tri-Party Repurchase Agreement before engaging in repurchase agreement transactions.

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A summary of the investments held by the County Treasurer is as follows:

<u>Investment Type</u>	<u>Cost</u>	<u>Fair Value</u>	<u>S&P Rating</u>	<u>Moody's Rating</u>	<u>Fitch Rating</u>	<u>Maximum Allowed % of Portfolio</u>	<u>Individual Issuer Limitations</u>	<u>% of Pool 06/30/06</u>
U.S. Treasury Securities	\$ 184,051	\$ 180,288	AAA	Aaa	AAA	100%	None	5.41%
U.S. Government Agencies	1,949,091	1,925,444	AAA	Aaa	AAA	75%	None	57.73%
U.S. Agency Discount Notes	74,788	76,700	A1+	P1	F1+	75%	None	2.30%
Negotiable Certificates of Deposit	638,704	636,403	A1+	P1	F1+	30%	\$100MM	19.08%
Commercial Paper	281,790	281,847	A1+	P1	F1+	40%	10%/10%	8.45%
Commercial Paper	99,439	99,531	A1	P1	F1	40%	10%/10%	2.98%
Money Market Mutual Funds	35,000	35,000	AAA	Aaa	AAA	15%	10%	1.05%
Repurchase Agreements	100,000	100,001	A1	P1	F1+	40%	None	3.00%
Total Treasurer's Pooled Investments	<u>\$ 3,362,863</u>	<u>\$ 3,335,214</u>						
Investments Controlled by Fiscal Agents:								
Money Market Funds	14,456	14,456						
Mutual Funds	2,217	2,217						
Municipal Bonds	1,674	1,674						
Guaranteed Investment Contracts	35,918	35,918						
U.S. Treasury Securities	73,988	73,988						
U.S. Agency Discount Notes	6,603	6,603						
Total Investments Controlled by Fiscal Agents	<u>\$ 134,856</u>	<u>\$ 134,856</u>						
Total Investments	<u>\$ 3,497,719</u>	<u>\$ 3,470,070</u>						
Cash in Banks:								
Non-Interest Bearing Deposits		\$ (22,446)						
Total Cash and Investments		<u>\$ 3,447,624</u>						

As of June 30, 2006, Cash and Investments are classified in the accompanying financial statements as follows:

	<u>Total Governmental Activities</u>	<u>Total Business-type Activities</u>	<u>Total Fiduciary Funds</u>	<u>Discretely Presented Component Unit</u>	<u>Total</u>
Cash and Investments	\$ 978,264	\$ 104,715	\$ 2,105,379	\$ 85,225	\$ 3,273,583
Restricted Cash and Investments	174	173,867	-	-	174,041
Total Cash and Investments	<u>\$ 978,438</u>	<u>\$ 278,582</u>	<u>\$ 2,105,379</u>	<u>\$ 85,225</u>	<u>\$ 3,447,624</u>

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The following represents a condensed statement of net assets and changes in net assets for the Treasurer's investment pool as of June 30, 2006:

Statement of Net Assets	
Equity of internal pool participants	\$ 1,573,134
Equity of external pool participants:	
Voluntary	56,768
Involuntary	1,705,312
Total Net Assets held for pool participants	\$ 3,335,214

Statement of Changes in Net Assets	
Net Assets at July 1, 2005	\$ 2,872,359
Net change in investments by pool participants	462,855
Net Assets at June 30, 2006	\$ 3,335,214

COUNTY OF SAN BERNARDINO
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NOTE 7 – INTERFUND TRANSACTIONS

Due to/from other funds at June 30, 2006 are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Nonmajor Governmental Funds	\$ 13,683
	Medical Center	3,406
	Waste Systems Division	753
	Nonmajor Enterprise Funds	23
	Internal Service Funds	84
	Investment Funds	944
	Agency Funds	7,639
		<u>26,532</u>
Nonmajor Governmental Funds	General Fund	4,779
	Nonmajor Governmental Funds	3,900
	Waste Systems Division	22
	Nonmajor Enterprise Funds	791
	Internal Service Funds	761
	Investment Funds	17
	Agency Funds	7,672
	<u>17,942</u>	
Medical Center	General Fund	1,632
	Agency Funds	590
		<u>2,222</u>
Waste Systems Division	Nonmajor Governmental Funds	21
	Internal Service Funds	95
	Agency Funds	1,264
		<u>1,380</u>
Nonmajor Enterprise Funds	Agency Funds	647
	Nonmajor Governmental Funds	21
		<u>668</u>
Internal Service Funds	General Fund	42
	Nonmajor Governmental Funds	196
	Medical Center	24
	Internal Service Funds	17
	Agency Funds	395
	<u>674</u>	
Investment Funds	Agency Funds	17,618
		<u>17,618</u>
Agency Funds	Agency Funds	23
	Nonmajor Governmental Funds	250
		<u>273</u>
Total		<u>\$ 67,309</u>

COUNTY OF SAN BERNARDINO
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Interfund Receivable/Payable at June 30, 2006 are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Internal Service Funds	2,000
		<u>2,000</u>
Nonmajor Governmental Funds	Nonmajor Governmental Funds	400
		<u>400</u>
Agency Funds	Nonmajor Governmental Funds	250
		<u>250</u>
	Total	<u>\$ 2,650</u>

COUNTY OF SAN BERNARDINO
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Transfers To/From Other Funds for the year ended June 30, 2006 are as follows:

Transfers are indicative of funding for capital projects, lease payments or debt service, subsidies of various County operations and re-allocations of special revenues. The following schedule briefly summarizes the County's transfer activity:

(a) Between Governmental and Business-type Activities:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>
General Fund	Medical Center	\$ 63,648
	Internal Service Funds	244
		<u>63,892</u>
Nonmajor Governmental Funds	Nonmajor Enterprise Funds	648
		<u>648</u>
Internal Service Funds	Nonmajor Governmental Funds	5,676
	General Fund	97
		<u>5,773</u>
Waste Systems Division	General Fund	665
	Nonmajor Governmental Funds	172
		<u>837</u>
Medical Center	Nonmajor Governmental Funds	4,513
		<u>4,513</u>
Nonmajor Enterprise Funds	General Fund	-
	Nonmajor Governmental Funds	3,446
		<u>3,446</u>
	Total	<u>\$ 79,109</u>

(b) Between Funds within the Governmental or Business-type Activities (1)

General Fund	Nonmajor Governmental Funds	178,952
		<u>178,952</u>
Nonmajor Governmental Funds	General Fund	31,746
	Nonmajor Governmental Funds	21,539
		<u>53,285</u>
Total		<u>\$ 232,237</u>

Amounts transferred out of the General Fund to the Medical Center are the results of year-end budgeted transfer, and the annual transfer from health care cost to the Medical Center.

Amounts transferred from the General Fund to the Nonmajor Governmental Funds are the results of the joint power authorities' debt service payments and the pension obligation bond debt service payments.

COUNTY OF SAN BERNARDINO
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NOTE 8 – RESTRICTED CASH AND INVESTMENTS

Cash and cash equivalents that are restricted by legal or contractual requirements at June 30, 2006 are comprised of the following:

Special Revenue Funds

Flood Control District:

The Flood Control District has set aside a total of \$174 of which \$61 is to be used for the construction of the Etiwanda/San Sevaine Project. The remaining \$113 is for use in case of emergencies or disasters.

Enterprise Funds

Medical Center:

Restricted cash and cash equivalents of \$59,733 represent funds set aside for debt service payments.

Waste System Division:

Restricted cash and cash equivalents of \$114,134 represent funds set aside as specified by bond covenants and for a waste water treatment facility, groundwater detection, treatment and remediation, and for State mandated site closure and maintenance costs.

COUNTY OF SAN BERNARDINO
NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 9 – CAPITAL ASSETS

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

Primary Government

	Balance July 1, 2005	Additions	Decreases	Balance June 30, 2006
Governmental Activities				
Capital assets, non-depreciable:				
Land	\$ 61,780	\$ 4,281	\$ 2,827	\$ 63,234
Capitalized Software	2,708	4,051	-	6,759
Construction in progress	79,340	40,283	8,092	111,531
Total assets, non-depreciable	<u>143,828</u>	<u>48,615</u>	<u>10,919</u>	<u>181,524</u>
Capital Assets, depreciable:				
Improvements other than Buildings	128,484	10,214	-	138,698
Structures and Improvements	500,855	43,511	1,675	542,691
Equipment	201,980	43,010	23,525	221,465
Infrastructure	1,033,446	23,270	-	1,056,716
Total assets-depreciable	<u>1,864,765</u>	<u>120,005</u>	<u>25,200</u>	<u>1,959,570</u>
Less accumulated depreciation for :				
Improvements other than Buildings	62,470	5,698	-	68,168
Structures and Improvements	141,086	11,894	438	152,542
Equipment	135,746	24,245	20,833	139,158
Infrastructure	482,665	22,110	-	504,775
Total accumulated depreciation	<u>821,967</u>	<u>63,947</u>	<u>21,271</u>	<u>864,643</u>
Total capital assets, depreciable, net	<u>1,042,798</u>	<u>56,058</u>	<u>3,929</u>	<u>1,094,927</u>
Governmental activities capital assets, net	<u>\$ 1,186,626</u>	<u>\$ 104,673</u>	<u>\$ 14,848</u>	<u>\$ 1,276,451</u>
Business-type Activities				
Capital assets, non-depreciable:				
Land	\$ 39,505	\$ 1,035	\$ 17,968	\$ 22,572
Construction in progress	20,855	11,475	16,666	15,664
Total assets, non-depreciable	<u>60,360</u>	<u>12,510</u>	<u>34,634</u>	<u>38,236</u>
Capital Assets, depreciable:				
Improvements other than Buildings	219,074	15,234	1,661	232,647
Structures and Improvements	508,765	5,019	58	513,726
Equipment	100,433	3,058	420	103,071
Total capital assets-depreciable	<u>828,272</u>	<u>23,311</u>	<u>2,139</u>	<u>849,444</u>
Less accumulated depreciation for :				
Improvements other than Buildings	127,323	9,300	921	135,702
Structures and Improvements	85,229	12,803	1	98,031
Equipment	77,269	6,195	406	83,058
Total accumulated depreciation	<u>289,821</u>	<u>28,298</u>	<u>1,328</u>	<u>316,791</u>
Total capital assets, depreciable, net	<u>538,451</u>	<u>(4,987)</u>	<u>811</u>	<u>532,653</u>
Business-type activities capital assets, net	<u>\$ 598,811</u>	<u>\$ 7,523</u>	<u>\$ 35,445</u>	<u>\$ 570,889</u>

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Depreciation

Depreciation expense was charged to governmental functions as follows:

General Government	\$	9,599
Public Protection		27,272
Public Ways and Facilities		21,515
Health and Sanitation		648
Public Assistance		1,641
Education		278
Recreation and Cultural Services		<u>2,994</u>
Total depreciation expense - governmental functions	\$	<u><u>63,947</u></u>

Depreciation expense was charged to the business-type functions as follows:

Medical Center	\$	18,240
Waste Systems Divison		7,237
Nonmajor Funds		<u>2,821</u>
Total depreciation expense - business type functions	\$	<u><u>28,298</u></u>

Construction in Progress

Construction in Progress consists of the following projects

	Governmental Activities	Business-Type Activities
Flood Control Projects	51,098	-
Other County Projects	<u>60,433</u>	<u>15,664</u>
Total	<u><u>\$ 111,531</u></u>	<u><u>\$ 15,664</u></u>

Discretely Presented Component Unit

Activity for the FIRST 5 of San Bernardino for the year ended June 30, 2006, was as follows:

	Balance July 1, 2005	Additions	Decreases	Balance June 30, 2006
Capital assets, being depreciated:				
Furniture and Computer Equipment	<u>\$ 249</u>	<u>\$ 54</u>	<u>\$ 26</u>	<u>\$ 277</u>
Less accumulated depreciation for:				
Furniture and Computer Equipment	<u>112</u>	<u>36</u>	<u>-</u>	<u>148</u>
District capital assets, net	<u><u>\$ 137</u></u>	<u><u>\$ 18</u></u>	<u><u>\$ 26</u></u>	<u><u>\$ 129</u></u>

COUNTY OF SAN BERNARDINO
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NOTE 10 – SELF INSURANCE

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 \$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 thousand 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 an 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 Department except for unemployment insurance and employee dental insurance, which are accounted for in the General Fund. The IBNR and IBNS liabilities stated on the Department'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 Department's practice to obtain actuarial studies on an annual basis.

The Department 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 Department's investment in the agreement totaled \$47.7 million at June 30, 2006.

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.

COUNTY OF SAN BERNARDINO
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Changes in the claims liability amount in fiscal years 2005 and 2006 were:

<u>Fiscal Year</u>	<u>Beginning of Fiscal Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claims Payments</u>	<u>Balance at Fiscal Year-end</u>
2004-05	\$101,709	\$44,309	(\$30,304)	\$115,714
2005-06	\$115,714	\$46,926	(\$35,407)	\$127,233

NOTE 11 – LONG TERM DEBT

Primary Government

The following is a summary of long-term liability transactions for the year ended June 30, 2006:

	Balance July 1, 2005	Additions	Reductions	Ending Balance June 30, 2006	Due Within One Year
Governmental Activities					
Certificates of Participation, net	\$ 212,704	\$ 744	\$ 12,920	\$ 200,528	\$ 12,945
Revenue Bonds, net	439,539	18,540	18,200	439,879	21,200
Other Bonds and Notes	484,409	59,368	20,942	522,835	2,747
Compensated Absences	104,522	79,034	66,994	116,562	66,771
Capital Lease Obligation	4,457	823	1,391	3,889	1,122
Estimated Liability for Litigation and Self-Insured Claims	115,714	46,926	35,407	127,233	39,122
Special Item - Litigation Settlement Payable	-	102,000	-	102,000	22,000
Other Long-Term Liabilities	29,900	2,122	4,677	27,345	185
	<u>\$ 1,391,245</u>	<u>\$ 309,557</u>	<u>\$ 160,531</u>	<u>\$ 1,540,271</u>	<u>\$ 166,092</u>
Business-type Activities					
Certificates of Participation, net	\$ 645,146	\$ 2,453	\$ 29,500	\$ 618,099	\$ 31,185
General Obligation Bonds	2,045		115	1,930	165
Notes	4,435	2,721	251	6,905	293
Compensated Absences	7,936	8,766	7,973	8,729	7,322
Capital Lease Obligation	1,305	1,648	515	2,438	844
Estimated Liability for Closure/Postclosure Care Costs	113,704	10,926	8,899	115,731	20,965
	<u>\$ 774,571</u>	<u>\$ 26,514</u>	<u>\$ 47,253</u>	<u>\$ 753,832</u>	<u>\$ 60,774</u>
Total Governmental Activities - Long-term Liabilities					
Total Business-type Activities - Long-term Liabilities					

Special Item – Litigation Settlement Payable of \$102,000 represents the total monetary consideration for the significant litigation settlement between the County and the San Bernardino County Flood Control District with Colonies Partners, L.P. As required by the settlement, \$22,000 is payable on November 29, 2006. The remaining \$80,000 shall be due and payable to Colonies within 180 days of the November 28, 2006 effective date of the settlement. This event is fully discussed in Note 23 to the Financial Statements.

COUNTY OF SAN BERNARDINO
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Other Long-Term Liabilities include \$15,789 relating to construction of the San Sevaine Creek Water Project; \$3,273 for the Day Creek Project; \$6,165 relating to the San Timoteo Creek Project; and \$2,118 relating to the Lenwood/High Desert Estates Sewer Construction Project.

At June 30, 2006 the \$15,789 is owed to the United States Department of the Interior, Bureau of Reclamation, for construction of the San Sevaine Creek Water Project, and the \$6,165 is owed to the United States Army Corp of Engineers (\$6,000) and the City of Loma Linda Redevelopment Agency (\$165) for the construction of the San Timoteo Creek Project. The \$2,118 for the septic to sewer conversion is due to United States Department of Agriculture. Amounts owed to the Bureau of Reclamation are determined annually until the project is completed (approximately 8 years) based on costs incurred but not exceeding \$20 million. After the project completion, the County has 15 years to pay back the liability along with 7% interest. The loan payable to the United States Army Corp of Engineers will be paid back over 15 years after the completion of the project and interest will be charged at the federal prime rate in effect upon the completion of the project. The loan payable of \$165 to the City of Loma Linda Redevelopment Agency is non-interest bearing and will be paid back over the next 2 years.

In October 1986, the Flood Control District entered into a loan agreement with the Federal Government for construction of the Day Creek Project for \$13,400. A subsequent agreement between the County (on behalf of the District) and the City of Rancho Cucamonga Redevelopment Agency provides the terms and conditions for repayment of the loan. Payments are reflected in the Flood Control District as other revenue (from the City of Rancho Cucamonga) and debt service-principal (to the Bureau of Reclamation). This agreement is to be in force approximately 24 years or until the project is complete and the federal loan is repaid. Payments commenced in 1992 and the remaining balance of the loan as of June 30, 2006, is \$3,273.

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A summary of bonds and notes payable recorded in the governmental activities and payable from Debt Service Funds is as follows:

<u>Certificates of Participation</u>	<u>Interest Rates (%)</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Original Issue Amount</u>	<u>Outstanding as of 6-30-06</u>
Capital Improvement Refinancing (1996)	Variable	06-21-96	11-01-25	\$ 9,200	\$ 7,700
County Center Refinancing (1996)	Variable	07-11-96	07-01-15	39,600	25,500
Public Improvement Project (1997)	3.85 to 5.00	10-01-97	10-01-25	17,790	13,475
West Valley Detention Center (2001 A)	4.00 to 4.60	10-25-01	11-01-18	8,365	8,295
West Valley Detention Center (2001 B)	3.50 to 4.00	10-25-01	11-01-12	42,075	34,575
Justice Center/Airport Improvement	3.00 to 5.00	03-01-02	07-01-16	68,100	56,010
West Valley Detention Center (2002 A)	4.50 to 5.25	08-6-02	11-01-18	44,480	43,815
Glen Helen Blockbuster (2003 A)	Variable	05-1-03	03-01-24	9,825	8,825
Glen Helen Blockbuster (2003 B)	Variable	05-1-03	03-01-24	9,875	5,375
Subtotal					<u>203,570</u>
Deferred Amount on Refunding:					
West Valley Detention Center (2001 B)					(2,416)
Justice Center/Airport Improvement					(1,844)
West Valley Detention Center (2002 A)					(2,326)
Premium(Discounts):					
West Valley Detention Center (2001 B)					974
Justice Center/Airport Improvement					1,222
West Valley Detention Center (2002 A)					1,348
Net Certificates of Participation					<u>200,528</u>
Revenue Bonds					
Pension Obligation Bonds (1995)	5.68 to 7.72	11-22-95	08-01-21	386,266	754,635
(Discounts)					(314,756)
Net Revenue Bonds					<u>439,879</u>
Other Bonds and Notes					
San Sevaine Redevelopment Bonds (2005)	4.00 to 5.00	11-30-05	09-01-35	58,275	58,275
County Library Note	3.41	07-18-01	02-01-31	1,982	1,809
Pension Obligation Bonds (2004)	Fixed/Variable	06-24-04	08-01-23	463,895	461,665
Subtotal					<u>521,749</u>
Deferred Amount on Refunding:					
San Sevaine Redevelopment Bonds (2005)					(162)
Premium(Discounts):					
San Sevaine Redevelopment Bonds (2005)					1,248
Net Other Bonds and Notes					<u>522,835</u>
Total Bonds And Notes Payable, Governmental Activities					<u>\$ 1,163,242</u>

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A summary of bonds and notes payable recorded in the business-type activities is as follows:

Medical Center	Interest Rates (%)	Issue Date	Maturity Date	Original Issue Amount	Outstanding as of 6-30-06
Certificates of Participation:					
Medical Center Project (Series 1994)	4.60 to 7.00	02-01-94	08-01-28	\$ 283,245	\$ 186,405
Medical Center Project (Series 1995)	4.80 to 7.00	06-01-95	08-01-22	363,265	117,160
Medical Center Project (Series 1996)	5.00 to 5.25	01-01-96	08-01-28	65,070	65,070
Medical Center Project (Series 1997)	4.30 to 5.50	09-01-97	08-01-08	121,095	46,815
Medical Center Project (Series 1998)	4.1895	10-22-98	08-01-26	176,510	176,510
					<u>591,960</u>
Less:					
Deferred Amount on Refunding					(37,852)
Discounts					(13,056)
Subtotal					<u>541,052</u>
Waste Systems Division					
Certificates of Participation:					
Solid Waste Financing (Series 2003 B)	Variable	05-01-03	03-01-17	93,875	79,175
Less:					
Deferred Amount on Refunding					(2,128)
Subtotal					<u>77,047</u>
Net Certificates of Participation					<u>618,099</u>
County Service Areas					
General Obligation Bonds:					
Spring Valley Lake Sewer Facilities:					
Series A	6.50 to 6.75	02-15-72	02-15-02	1,300	15
Series B	6.10 to 6.15	04-01-74	04-01-04	1,000	15
Helendale Sewer Facilities:					
Series A	5.00	06-01-78	06-01-98	1,550	5
Helendale Water Facilities:					
Series B	7.00	09-01-82	06-01-97	1,450	5
Pinon Hills Water Distribution:					
Series A	5.00	03-01-78	03-01-18	1,708	885
Series B	5.00	03-01-78	03-01-18	275	120
Series C	9.00 to 11.00	11-01-84	03-01-05	1,518	5
Landers Water Distribution System	5.00	06-01-79	06-01-19	1,540	875
Oak Hills Water Distribution Facilities	7.00	09-01-74	09-01-94	750	5
General Obligation Bonds					<u>1,930</u>
Notes Payable:					
Hacienda Water Facilities (Note)	5.00	07-14-67	07-14-07	114	7
Crestline Sanitation District (Loan)	1.719	01-01-97	03-01-18	2,160	1,162
Morongo Valley Water Facilities (Loan)	-	08-17-99	08-17-04	80	31
Pinon Hills Water (Loan)	-	12-17-02	12-17-32	3,581	3,287
Oak Hills Water (Loan)	-	11-25-03	08-25-33	2,235	2,183
Helendale Water (Loan)	-			235	235
Notes Payable					<u>6,905</u>
Total Business-type Activities					<u>\$ 626,934</u>

County Service Area 70, Improvement Zone L (CSA 70L) and the California Infrastructure and Economic Development Bank (CIEDB) entered into an agreement dated December 17, 2002 for the funding of a water tank project. Under the terms of the agreement, the project construction must begin no later than twelve months after May 28, 2002 and invoices must be to CIEDB for the entire amount of the project fund of \$4,001 no later than thirty-five months after December 17, 2002. As of June 30, 2006, a total of \$3,581 was approved and received from CIEDB.

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General Obligation Bonds are issued to provide funds for the acquisition and construction of major capital facilities. These bonds are backed by the full faith and credit of the County and revenue for the retirement of such bonds is provided by ad valorem taxes on property within the jurisdiction of the governmental unit issuing the bonds.

Certificates of Participation (COP) are secured by annual lease payments payable by the County for use of the facilities constructed or acquired from the COP proceeds. The County has created nonprofit organizations and joint powers authorities to issue the Certificates. The County leases various projects from the authorities. The lease payments are used by the authorities to pay interest on, and principal of, the COPs.

The Certificates of Participation contain certain bond covenants, which are deemed by the County to be duties imposed by law. The County must include the applicable lease-purchase payments due each year in its annual budget and make the necessary appropriations. The County is also covenanted to maintain certain levels of liability, property damage, casualty, rental interruption and earthquake insurance in connection with each lease-purchase agreement. The County is in compliance with all significant financial restrictions and requirements as set forth in its various debt covenants.

In prior years, the County has defeased certain Certificates of Participation by placing the proceeds of new certificates in an irrevocable trust to provide for all future debt service payments on the old certificates. Accordingly, the trust account assets and the liability for the defeased certificates are not included in the County's basis financial statements. At June 30, 2006, approximately \$61,070 of outstanding debt is considered defeased.

One of the joint powers authorities issued revenue bonds in November 1995 for the purpose of enabling the County to finance outstanding pension indebtedness. The net outstanding balance of the revenue bonds at June 30, 2006 is \$439,879.

The County's Board of Supervisors adopted a resolution to authorize the issuance of the County of San Bernardino pension obligation debenture in order to finance the County's share of the unfunded accrued actuarial liability of the S.B.C.E.R.A. 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 have various maturity dates ranging from: 2005 to 2018 for Fixed Rate bonds; 2004 to 2023 for Auction Rate Bonds; 2004 to 2023 for Index Bonds. Series 2004 A Fixed Rate Bonds has fixed interest rates that range from 2.43% to 5.86%. Series 2004 B-1 Auction Rate Bonds have variable rates that reset daily via auction. Series 2004B-2 and 2004 B-b Auction Rate Bonds have variable rates that that reset every 28 days via auction.

In November, 2005, the Redevelopment Agency (San Sevaire Redevelopment Project) of the County issued "2005 Series A" Tax Allocation Bonds in the amount of \$58,275. The 2005 Bonds have stated interest rates ranging from 4.00% to 5.00% over the life of the bonds. The 2005 Bonds maturing on or before September 1, 2015, are not subject to optional redemption prior to maturity. The 2005 Bonds maturing after September 1, 2016, are subject to redemption

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at the option of the County. Proceeds from the issuance of the 2005 Series A Bonds are to provide funds for the acquisition and construction of various projects in the San Sevaine Redevelopment Area and were used to advance refund the 2000 Series A Bonds issued in 2000. As a result of the advance refunding, the 2000 Series A Bonds are considered defeased and their liability has been removed from the Financial Statements. The advance refunding was undertaken to reduce total debt service payments over the next 24 years by \$6,726 and resulted in an economic gain of \$2,076.

The following is a schedule of principal debt service requirements to maturity as of June 30, 2006 for bonds and notes payable in the governmental activities:

Years Ending June 30	Certificates of Participation	Revenue Bonds	Other Long-Term Debt	Total
2007	\$ 12,945	\$ 21,200	\$ 2,747	\$ 36,892
2008	13,530	24,510	4,364	42,404
2009	13,855	28,155	6,210	48,220
2010	14,440	32,180	8,172	54,792
2011	14,945	36,615	10,384	61,944
2012-2016	82,230	237,015	92,483	411,728
2017-2021	41,415	307,050	197,261	545,726
2022-2026	10,210	67,910	170,491	248,611
2027-2031			13,297	13,297
2032-2036			16,340	16,340
Total Principal	203,570	754,635	521,749	1,479,954
Plus Premium	3,544		1,248	4,792
Less:				
Deferred Amount on Refunding	(6,586)		(162)	(6,748)
Discount		(314,756)		(314,756)
Total Bonds and Notes Payable	<u>\$ 200,528</u>	<u>\$ 439,879</u>	<u>\$ 522,835</u>	<u>\$ 1,163,242</u>

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The following is a schedule of interest expense requirements to maturity as of June 30, 2006 for bonds and notes payable in the governmental activities:

Years Ending June 30	Certificates of Participation	Revenue Bonds	Other Long-Term Debt	Total
2007	\$ 9,720	\$ 12,053	\$ 30,928	\$ 52,701
2008	8,046	10,504	30,962	49,512
2009	7,548	8,703	30,593	46,844
2010	6,999	6,619	30,274	43,892
2011	6,372	4,222	29,833	40,427
2012-2016	21,673	1,471	137,464	160,608
2017-2021	5,743		96,269	102,012
2022-2026	1,006		23,357	24,363
2027-2031			5,800	5,800
2032-2036			2,122	2,122
Total Interest	\$ 67,107	\$ 43,572	\$ 417,602	\$ 528,281

The following is a schedule of principal debt service requirements to maturity as of June 30, 2006 for bonds and notes payable in the business-type activities:

Years Ending June 30	Certificates of Participation	General Obligation Bonds	Notes Payable	Total
2007	\$ 31,185	\$ 165	\$ 293	\$ 31,643
2008	32,930	120	262	33,312
2009	35,845	125	270	36,240
2010	20,985	130	277	21,392
2011	22,360	140	521	23,021
2012-2016	131,485	785	1,552	133,822
2017-2021	128,535	465	1,457	130,457
2022-2026	154,835		1,472	156,307
2027-2031	112,975		608	113,583
2032-2036			193	193
Total Principal	671,135	1,930	6,905	679,970
Less:				
Deferred Amount on Refunding	(39,980)			(39,980)
Discount	(13,056)			(13,056)
Total Bonds and Notes Payable	\$ 618,099	\$ 1,930	\$ 6,905	\$ 626,934

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The following is a schedule of interest expense requirements to maturity as of June 30, 2006 for bonds and notes payable in the business-type activities:

Years Ending June 30	Certificates of Participation	General Obligation Bonds	Notes Payable	Total
2007	\$ 33,735	\$ 94	\$ 20	\$ 33,849
2008	31,991	88	18	32,097
2009	30,101	82	17	30,200
2010	28,457	76	15	28,548
2011	27,133	70	14	27,217
2012-2016	116,279	237	44	116,560
2017-2021	81,786	42	6	81,834
2022-2026	46,360			46,360
2027-2021	8,470			8,470
2032-2036				0
Total Interest	<u>\$ 404,312</u>	<u>\$ 689</u>	<u>\$ 134</u>	<u>\$ 405,135</u>

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Non-Obligation Debt

The County issues Single Family Mortgage Revenue Bonds to provide funds to purchase mortgage loans secured by first trust deeds on newly constructed and existing single-family residences. Additionally, the County issues Multi-Family Mortgage Revenue Bonds to finance the construction of multi-family apartment projects in the County. These programs assist persons and families of low and moderate income within the County to afford the costs of decent, safe and sanitary housing. The bonds will be payable solely from and secured by a pledge of payment received on the acquired mortgage loans, certain insurance with respect thereto, and other monies pledged under the bond resolution. The bonds do not represent a liability of the County and, as such, do not appear in the accompanying basic financial statements.

The County acts as an agent for the property owners benefited by the projects financed from special assessment bond proceeds, in collecting the assessments, forwarding the collections to bondholders and initiating foreclosure proceedings, if appropriate. Special assessment bonds of \$3,245 at June 30, 2006 do not represent a liability of the County and, as such, do not appear in the accompanying basic financial statements.

Discretely Presented Component Units

Long-term liability transactions for the FIRST 5 of San Bernardino for the year ended June 30, 2006, was as follows:

	<u>Balance July 1, 2005</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2006</u>	<u>Due Within One Year</u>
Compensated Absences	<u>\$ 46</u>	<u>\$ 137</u>	<u>\$ 113</u>	<u>\$ 70</u>	<u>\$ 16</u>

NOTE 12 – INTEREST RATE SWAP

(a) Medical Center Series 1998 A Certificates of Participation

Objective of the Interest Rate Swap. As a means to lower financing costs, and to reduce the risks to the County associated with the fluctuation in market interest rates, the County entered into an interest rate swap in connection with the Medical Center Series 1998A Certificates of Participation (COP) in the amount of \$176,510. The intention of the swap was to effectively change the variable interest rate on the bonds to a synthetic fixed-rate of 4.1895 percent.

Terms. The COPs and the related swap agreement mature on August 1, 2026, and the swap's notional amount of \$176,510 matches the \$176,510 variable-rate COPs. The swap was effective at the same time the COPs were issued on October 22, 1998. Starting in fiscal year 2008-09, the notional value of the swap and the principal amount of the associate debt will decline. Under the swap agreement, through August 1, 2005, the County pays Merrill Lynch a fixed rate of 4.1895 percent and Merrill Lynch pays the County an amount equal to the variable rate interest payable on the outstanding COPs. After August 1, 2005 the County pays Merrill Lynch Capital Services (MLCS), Inc. a fixed payment of 4.1895 percent and receives from

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Merrill Lynch a variable payment computed as 73 percent of the monthly London Interbank Offered Rate (LIBOR). Conversely, the COPs variable-rate coupons have historically been similar to the Bond Market Association Municipal Swap Index (BMA).

Fair Value. Because interest rates have increased since execution of the swap, the swap had a positive fair value of \$16,421 as of June 30, 2006. The swap's positive fair value may be countered by an increase total anticipation future interest payments required under the variable-rate bonds, creating a higher synthetic interest rate. Because the coupons on the variable-rate series 1998 Certificates adjust to changing interest rates, the Series 1998 Certificates do not have a corresponding fair value increase. The fair value was the quoted market price from Merrill Lynch & Co. at June 30, 2006.

Credit Risk. The swap counterparty was rated Aa3 by Moody's and A+ by Standard & Poor as of June 30, 2006. The swap agreement specifies that if the long-term senior unsecured debt rating of Merrill Lynch & Co. is withdrawn, suspended or falls below A- (Standard & Poor) or A3 (Moody's), a collateral agreement will be executed within 30 days or the swap agreement will terminate.

Basis Risk. The swap exposes the Corporation to basis risk should the relationship between LIBOR and BMA converge, changing the synthetic rate on the Series 1998 Certificates. If a change occurs that results in the rates moving to convergence, the expected cost savings may not be realized. As of June 30, 2006, the BMA rate was 3.97 percent, the actual variable interest rate was 3.87 percent and 73 percent of LIBOR was 3.89 percent.

Termination Risk. The County or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. The swap may be terminated by the Corporation if Merrill Lynch's credit quality rating falls below A- as issued by Standard & Poor or A3 by Moody's. If the swap is terminated, the variable-rate Series 1998 certificates would no longer carry a synthetic interest rate. Also, if at the time of termination the swap has a negative fair value, the County would be liable to the MLCS for a payment equal to the swap's fair value.

Swap payments and associated debt. Using rates as of June 30, 2006, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rate remain the same for their term, were as follows. As rates vary, variable rate Series 1998 Certificates interest payments and net swap payments will vary.

Fiscal Year	Variable-Rate Bonds		Interest Rate Swaps, Net	Total
	Principal	Interest		
2006/07	-	6,831	521	7,352
2007/08	-	6,831	521	7,352
2008/09	1,000	6,812	520	8,332
2009/10	1,100	6,771	517	8,388
2010/11	1,200	6,726	513	8,439
2012-2027	173,210	60,262	4,600	238,072
	<u>\$ 176,510</u>	<u>\$ 94,233</u>	<u>\$ 7,192</u>	<u>\$ 277,935</u>

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(b) Pension Obligation Series 2004 C Bonds

Objective of the interest rate swap. As a means to lower financing costs, and to reduce the risks to the County associated with the fluctuation in market interest rates, the County entered into an interest rate swap in connection with the Pension Obligation Series 2004 C Bonds (POB) in the amount of \$125,000. The intention of the swap was to effectively change the variable interest rate on the bonds to a synthetic fixed-rate of 6.3820 percent.

Terms. The POBs and the related swap agreement mature on August 1, 2023, and the swap's notional amount of \$125,000 matches the \$125,000 variable-rate POBs. The swap was effective at the same time the POBs were issued on June 24, 2004. Starting in fiscal year 2019-20 the notional value of the swap and the principal amount of the associated debt decline by \$25,000 per year until the debt is completely retired. Under the swap agreement, the County pays Goldman Sachs Mitsui Marine Derivative Products (GSMMDP) L.P. a fixed rate of 6.3820 percent and GSMMDP pays the County a variable rate computed as the monthly London Interbank Offered Rate (LIBOR), plus a LIBOR margin equal to 23 basis points (.23%)

Fair Value. As of June 30, 2006, the swap had a negative fair value of \$1,318. The swap's negative fair value may be countered by a reduction in total interest payments required under the variable-rate bonds, creating a lower synthetic interest rate. Because the coupons on the variable-rate POBs adjust to changing interest rates, the POBs do not have a corresponding fair value decrease. The fair value was the quoted market price from GSMMDP at June 30, 2006.

Credit Risk. As of June 30, 2006, the County was not exposed to credit risk because the swap had a negative fair value. However, should interest rates change and the fair value of the swap becomes positive, the County would be exposed to credit risk in the amount of the swap's fair value. The swap counterparty was rated Aaa by Moody's and AAA by Standard & Poor as of June 30, 2006. To mitigate the potential for credit risk, if the long-term senior unsecured debt rating of GSMMDP is withdrawn, suspended or falls below A (Standard & Poor) or A2 (Moody's), the fair value of the swap will be fully collateralized by the counterparty with U.S. Government securities. Collateral would be posted with a third-party custodian.

Termination Risk. The County or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. The swap may be terminated by the County if GSMMDP credit quality rating falls below A as issued by Standard & Poor or A2 by Moody's. If the swap is terminated, the variable-rate POB would no longer carry a synthetic interest rate. Also, if at the time of termination the swap has a negative fair value, the County would be liable to the GSMMDP for a payment equal to the swap's fair value.

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Swap payments and associated debt. Using rates as of June 30, 2006, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rate remain the same for their term, were as follows. As rates vary, variable-rate POB interest payments and net swap payments will vary.

Fiscal Year	Variable-Rate Bonds		Interest Rate Swaps, Net	Total
	Principal	Interest		
2006/07	-	6,950	1,028	7,978
2007/08	-	6,950	1,028	7,978
2008/09	-	6,950	1,028	7,978
2009-10	-	6,950	1,028	7,978
2010-11	-	6,950	1,028	7,978
2011-2027	125,000	72,975	10,788	208,763
	<u>\$ 125,000</u>	<u>\$ 107,725</u>	<u>\$ 15,928</u>	<u>\$ 248,653</u>

NOTE 13 – LEASES

Capital Leases

The County has entered into certain capital lease agreements under which the related equipment will become the property of the County when all terms of the lease agreements are met.

Equipment and related accumulated amortization under capital lease are as follows:

	Governmental Activities	Business-type Activities
Asset:		
Equipment	\$ 8,421	\$ 6,556
Less: Accumulated depreciation	4,655	4,043
Total	<u>\$ 3,766</u>	<u>\$ 2,513</u>

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The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2006, were as follows:

<u>Year Ending June 30:</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
2007	\$ 1,469	\$ 1,004
2008	1,329	1,004
2009	835	650
2010	399	
2011	125	-
2012-2016	-	-
Total Minimum Lease Payments	<u>4,157</u>	<u>2,658</u>
Less: Amount Representing Interest	<u>268</u>	<u>220</u>
Present Value of Minimum Lease Payments	<u>\$ 3,889</u>	<u>\$ 2,438</u>

Operating Leases

The following is a schedule by years of future minimum rental payments, principally for the General Fund, required under operating leases entered into by the County that have initial or remaining non-cancelable lease term in excess of one year as of June 30, 2006:

<u>Year Ending June 30,</u>	
2007	\$ 36,858
2008	30,585
2009	19,673
2010	14,234
2011	9,573
2012-2020	<u>15,750</u>
Total Minimum Payments	<u>\$ 126,673</u>

The County incurred rental expenditures of \$33,450, principally in the General Fund, for the year ending June 30, 2006.

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NOTE 14 – COLLATERIZED FACILITIES

The following County Facilities have been pledged as collateral in certain County financing transactions:

<u>Facilities</u>	<u>Beginning</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending</u>
Foothill Law and Justice	\$ 42,642	\$ -	\$ -	\$ 42,642
Victorville Law Center	8,644			8,644
West Valley Detention Center	146,327			146,327
Courthouse & Annex	9,450			9,450
Mid-Valley Landfill	59,260			59,260
West Valley Juvenile Detention Center	5,077			5,077
Information Services Bldg	500			500
Central Jail	10,819			10,819
Offices and Bindery	4,247			4,247
Vehicle Services Garage	3,469			3,469
Coroner's Office	1,212			1,212
Fontana Government Center	566			566
Fontana Government Center	2,274			2,274
Arrowhead Regional Medical Center	490,481			490,481
Hall of Records (New)	12,666			12,666
Hall of Records (Old)	2,054			2,054
Glen Helen Pavilion Amphitheater	26,174			26,174
Civic Center	5,117			5,117
Sheriff's Admin Bldg	13,416			13,416
County Gov Center	25,711			25,711
	<u>\$ 870,106</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 870,106</u>

NOTE 15 – MEDICARE AND MEDI-CAL PROGRAMS

The Medical Center provides services to eligible patients under Medi-Cal and Medicare programs. For the years ended June 30, 2006 and 2005, the Medi-Cal program represented approximately 38% and 47%, and the Medicare program represented approximately 18% and 10%, respectively, of the Medical Center's net patient service revenues. Medi-Cal inpatient services are reimbursed at contractually agreed-upon per diem rates and outpatient services are reimbursed under a schedule of maximum allowances. Medicare inpatient services are reimbursed based upon pre-established rates for diagnostic-related groups. Outpatient services and defined capital and medical education costs related to Medicare beneficiaries are paid based on a cost-reimbursement methodology. Final reimbursement is determined as a result of audits by the intermediary of annual cost reports submitted by the Medical Center. Reports on the results of such audits have been received through June 30, 2002 for Medicare and June 30, 2003 for Medi-Cal. Adjustments as a result of such audits are recorded in the year the amount can be determined.

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NOTE 16 – CLOSURE AND POSTCLOSURE CARE COST

State Financial Assurance Mechanism regulations require landfill operators to set aside funds, or provide alternative funding mechanisms, to fund the closure and postclosure maintenance of landfills. The funding must be completed prior to the final date of closure. These regulations apply only to those landfills operating prior to 1989. The closure and postclosure care costs of other landfills not subject to these State regulations are funded separately in the Site Closure and Maintenance Fund.

Closure and postclosure care costs include, but are not limited to, such items as final cover, groundwater monitoring, well installations and landfill gas monitoring systems.

The twenty (20) landfills listed below (with their capacity used and estimated remaining lives) are those currently subject to the State regulations:

<i>LANDFILL</i>	Capacity Used	YEARS Remaining	<i>LANDFILL</i>	Capacity Used	YEARS Remaining
Apple Valley	33%	Inactive	Milliken	92%	Inactive
Baker	6%	Inactive	Morongo Valley	81%	Inactive
Barstow	69%	4	Needles	100%	Inactive
Big Bear	100%	Inactive	Newberry Springs	100%	Inactive
Colton	85%	1	Phelan	60%	Inactive
Hesperia	55%	Inactive	San Timoteo	67%	2
Landers	40%	6	Trona-Argus	18%	Inactive
Lenwood-Hinkley	6%	Inactive	Twentynine Palms	14%	Inactive
Lucerne Valley	100%	Inactive	Victorville	71%	1
Mid-Valley	73%	2	Yermo	70%	Inactive

The landfill closure and postclosure care cost estimates of \$120,525 and \$96,930, respectively, are based upon the most recently submitted Closure/Postclosure Maintenance Plan documents filed with the State and Federal permitting agencies. If, at some future date, these closure cost estimates are adjusted (due to changes in inflation, technology, regulations, etc.), the County is required to make corresponding changes in the amount of funds deposited for closure.

Each year a portion of each landfill's estimated closure and postclosure cost is recognized as an expense and liability based upon the amount of capacity used during the year. The Mid-Valley landfill Unit 3 Phase 5A liner construction project increased capacity by 1,168 tons due to expansion.

As of June 30, 2006, the cumulative liability recorded by the County based upon individual landfill capacity usage was \$184,252. The remaining \$33,203 of estimated closure and postclosure costs will be recorded and funded as landfill capacity is used. Closure and postclosure related expenditures of \$68,522 have been paid which reduced the landfill closure and postclosure liability to \$115,731 at June 30, 2006.

Current State regulations allow public agencies to demonstrate financial assurance for postclosure maintenance costs through a “pledge of revenue” mechanism. This mechanism allows agencies to pledge a reliable future revenue source to fund the required postclosure maintenance at each landfill site for thirty years after landfill closure. The County has pledged a portion of its future tipping fees and investment earnings from the Waste Systems Division enterprise funds to fund these costs.

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NOTE 17 – 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 (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.

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 bases 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 was equal to the County's required and actual contributions. Employee contribution rates are established and may be amended pursuant to Articles 6 and 6.8 of the 1937 Act. Employer rates are determined pursuant to Sections 31453 of the 1937 Act.

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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:

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

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		Percentage Contributed
	SBCERA	County	
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. 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. The current amount outstanding at June 30, 2006 is \$439,879 (see Note 11).

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 S.B.C.E.R.A. The current amount outstanding at June 30, 2006 is \$461,665.

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NOTE 18 – LEASE/LEASEBACK

In May 1997, the County entered into a lease agreement whereby seven separate County facilities, valued at a total of approximately \$146 million, were leased to a financing institution. The County simultaneously entered into a sublease agreement to lease the buildings back, and received a prepayment of \$96.2 million from the financing institution, as the investor parent. The County then deposited \$87.6 million with the defeasance bank. After transaction expenses of \$1 million, the net benefit to the County was \$7.6 million. The deposit amount provides payments equal to the County's obligation under the sublease and purchase option. As a result, obligations under this lease/leaseback arrangement are considered to be economically, although not legally defeased. Therefore, the trust assets and the related debt have been excluded from the County's financial statements.

The term of the full lease with the financing institution ends in 2034. However, the term of the agreement with the defeasance bank ends in 2014, at which time the County may either exercise the early purchase option or renegotiate the agreement to the end of the full lease term. The decision will then be based on the prevailing interest rates at the time.

The Tax Increase Prevention and Reconciliation Act of 2005 ("TIPRA"), enacted on May 17, 2006, includes new excise taxes and disclosure rules that target certain tax shelter transactions to which a tax-exempt entity is a party. In August 2006, the County received notice from SBMB Inc., the investor on the County's 1997 lease-leaseback transaction that the transaction is a prohibited tax shelter transaction as defined in the new TIPRA legislation. The IRS has yet to issue any regulations relating to TIPRA and as a result, it is not possible to determine at this time whether the County would be subject to any excise taxes and penalties under the new legislation.

NOTE 19 – COMMITMENTS AND CONTINGENCIES

- (a) The County has been named as a defendant in numerous lawsuits and claims arising in the normal course of operations. In the aggregate, these claims seek monetary damages in significant amounts. To the extent the outcome of such litigation has been determined to result in probable loss to the County; such loss has been accrued in the accompanying basic financial statements. In the opinion of County management and County Counsel, the ultimate outcome of the remaining claims cannot be determined at this time.
- (b) The County recognizes as revenue, grant monies received as reimbursement for costs incurred in certain Federal and State programs it administers. Although the County's grant programs are being audited through June 30, 2006 in accordance with the provisions of the Single Audit Act of 1996, these programs are still subject to financial and compliance audits and resolution of previously identified questioned costs. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the County expects such amounts, if any, to be immaterial.
- (c) During federal fiscal years 2001 and 2002, the State of California's error rate for the food-stamp program exceeded the tolerance thresholds established by the Federal

COUNTY OF SAN BERNARDINO
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2006
(Amounts in thousands)

Government. The State has settled with the United States Department of Agriculture whereby the State has agreed to place \$12.5 million a year at-risk for program reinvestment for federal fiscal years 2003 to 2007, with a target error rate of 7.4%. If the State does not reach the target error rate, the County may have to pay some of the at-risk investments.

- (d) The County has entered into several contractual agreements for the construction and/or improvement of several capital projects. These commitments include \$16,693 for various projects of the Capital Improvements Fund.
- (e) The County is a defendant in two lawsuits that involve water contamination alleged to arise from the Mid-Valley Landfill operated by the Solid Waste Management Department (SWMD) and is threatened with a lawsuit related to water contamination alleged to arise from the now inactive Cajon Landfill, formerly operated by the SWMD. In addition, the County is threatened with a lawsuit challenging a fee collected by the SWMD for the operation of the Solid Waste Management System.

In the Financial Status Report Follow-up presented to the Board of Supervisors on June 27, 2006, the SWMD identified the potential impacts of these events. The two existing lawsuits involve perchlorate contamination existing in the vicinity of the Mid-Valley Landfill, while the potential lawsuit involving a fee challenge relates to a fee to recover the costs of dealing with the perchlorate contamination. Meanwhile the other potential lawsuit involves a Volatile Organic Compound (VOC) discharge in the area of Camp Ono and the Cajon Landfill.

City of Rialto and City of Colton lawsuits involving Perchlorate at the Mid-Valley Landfill:

The City of Rialto and the City of Colton have each filed a federal action claiming that the County, as well as a number of other defendants, is responsible for the presence of a perchlorate plume in the Rialto-Colton Basin, located in the vicinity of the Mid-Valley Landfill. Both lawsuits allege the operation of the Landfill, and related aggregate mining operations, are responsible for a portion of the perchlorate plume. The County has deemed cross complaints against the other defendants seeking contribution.

The City of Rialto and the County of San Bernardino are currently in settlement discussions.

Potential Waste Delivery Agreement (WDA) Cities lawsuit regarding the perchlorate surcharge:

At the October 25, 2005, SWMD Financial Status Report presentation to the Board, the Board adopted the perchlorate surcharge of a flat \$0.69/ton to recover the 30-year projected costs for clean-up. Several WDA cities provided letters refuting the County's contractual right to impose the perchlorate surcharge. The SWMD began collecting the new fee on February 1, 2006. In conversations with the City of Yucaipa and the City of Barstow, both expressed that most of the WDA cities have committed funds for a lawsuit challenging the County's authority, under the WDA contracts, to impose the perchlorate surcharge. To date, the County has received no notice of any filing of such a lawsuit.

COUNTY OF SAN BERNARDINO
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2006
(Amounts in thousands)

VOC discharge in the area of Camp Ono and the Cajon Disposal Site:

In the City of San Bernardino (“City”) there is an extensive VOC plume, known as the Newmark and Muscoy plumes (“Newmark Groundwater Superfund Site”). The City has expended approximately \$10 million, and expects to incur approximately \$30 to \$40 million in future costs, relative to its role in the cleanup of the Newmark Groundwater Superfund Site. The County agreed to pay \$1 million to the City in settlement of the City’s potential claims for reimbursement of such costs against the County. On February 28, 2006, the County made the \$1 million payment to the City.

Meanwhile the U.S. Environmental Protection Agency (EPA) has paid or expects to pay approximately \$100 million relative to its role in the cleanup of the Newmark Groundwater Superfund Site. Lastly, the United States on behalf of the Department of Defense paid approximately \$69 million related to the clean up. The EPA has threatened to sue the County to recover its \$100 million, claiming the Cajon Landfill is responsible, at least in part, for the contamination. The EPA offered to settle its \$100 million claim against the County for \$28.75 million. The County has potential insurance coverage (in a currently disputed amount, but not believed to exceed approximately \$30 million) from several insurance companies. The EPA, the County and two of the County’s insurers are currently in mediation seeking to resolve this matter.

NOTE 20 – SHORT-TERM DEBT

In July 2005, the County issued Tax and Revenue Anticipation Notes (TRANS) totaling \$210,000 which were repaid June 30, 2006. This issue followed the prior year issued TRANS of \$145,000 which was repaid June 30, 2005. The proceeds of the TRANS were intended to provide financing for 2005-06 General Fund expenditures, including current expenditures, capital expenditures and the discharge of other obligations or indebtedness of the County. The TRANS were secured by a pledge of various monthly amounts of property taxes on the secured roll.

<u>Beginning Balance</u> <u>July 1, 2005</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u> <u>June 30, 2006</u>
\$ -	\$ 210,000	\$ 210,000	\$ -

COUNTY OF SAN BERNARDINO
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2006
(Amounts in thousands)

NOTE 21 – SUBSEQUENT EVENTS

Tax and Revenue Anticipation Notes (TRANS)

In July 2006 the County, as a participant in the California Statewide Communities Development Authority Pool, issued \$65,000 of Tax and Revenue Anticipation Notes in the form of Series A-5 Bonds due June 29, 2007. The stated interest for the A-5 Bonds is set at 4.50% per annum with a yield of 3.57%. In accordance with California law, the Bonds are general obligations of the County and are payable only out of the taxes, income, revenues, cash receipts, and other monies of the County attributable to fiscal year 2006-2007 and legally available for payment thereof. Proceeds from the Bonds will be used for fiscal year 2006-07 General Fund expenditures, including current expenditures, capital expenditures, and the discharge of other obligations or indebtedness of the County.

Judgement in Condemnation

A Superior Court judgment in condemnation recorded on August 9, 2006 required the State of California to pay the County of San Bernardino \$2,507 for thirteen parcels claimed in eminent domain proceedings.

NOTE 22 – SPECIAL ITEM

Sale of Surplus Land

On October 25, 2005, the Board of Supervisors approved the potential sale of 98.77 acres of surplus land located adjacent to the Milliken Landfill. The sale was intended to provide funding for anticipated capital projects. The land, including related land improvements and construction in progress, was sold for \$47,000 at a public auction held on March 30, 2006, resulting in a \$28,230 gain on sale of land.

NOTE 23 – SUBSEQUENT EVENT / SPECIAL ITEM

Litigation Settlement Payable

On November 28, 2006, the County of San Bernardino and the San Bernardino County Flood Control District (SBCFCD) approved an Agreement for Settlement and Mutual Release (Settlement) with Colonies Partners, L.P. (Colonies) regarding litigation arising out of the construction of a portion of the Interstate 210 Freeway extension and the resulting construction of a storm drain and a basin system. The total Monetary Consideration for this Settlement is \$102,000. In exchange, the County and SBCFCD will resolve the litigation as well as receive title to Basins A and B, inclusive of drainage channels and related acreage of approximately 72 acres and other easements and right-of-ways, herein and after referred to as Real Property.

As required by the Settlement, SBCFCD paid Colonies \$22,000 on November 29, 2006. The remaining \$80,000 of the \$102,000 shall be due and payable to Colonies within 180 days of the Effective Date of the Settlement. Alternatively, upon request by SBCFCD within 180 days of the

COUNTY OF SAN BERNARDINO
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2006
(Amounts in thousands)

Effective Date of the Settlement, and upon adoption by the Governing Board (County Board of Supervisors) of SBCFCD of an ordinance or resolution containing the findings required by Government Code Section 970.6 (a)(1), Colonies shall stipulate that all or part of such remaining portion of the Settlement be paid in ten (10) equal annual installments together with interest at the rate of nine percent (9%) per annum on the unpaid balance from and after the Effective Date, due on each of the first ten (10) anniversaries of the Effective Date beginning in 2007. However it is the intent of SBCFCD to seek approval of an offering of judgment obligation bonds to generate funds to pay the entire Settlement, including recoupment of the \$22,000 already paid and the remaining \$80,000 amount due within the 180 days of the Effective Date of the Settlement.

The Settlement did not specifically identify an allocation between the amount for the resolution of the Colonies' damages claims asserted in the litigation and the value of the Real Property. There is continuing litigation between the County and SBCFCD and other parties, which has the potential to affect the ultimate allocation between the amount for the resolution of the litigation and for the Real Property. As such, due to the uncertainty of the valuation of the Real Property as of the Effective Date of the Settlement, the entire Monetary Consideration amount of \$102,000 has been recorded as a liability at June 30, 2006. In accordance with Interpretation No. 6 of the Government Accounting Standards Board *Recognition and Measurement of Certain Liabilities and Expenditures in Government Fund Financial Statements*, no liability has been recorded in SBCFCD's fund financial statements. However, as required by Statement No.10 of the Government Accounting Standards Board *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, and Statement No. 5 of the Financial Accounting Standards Board *Accounting for Contingencies*, the \$102,000 has been recorded in the governmental activities financial statements because information available prior to issuance of the financial statements indicated that it was probable that a liability had been incurred at the date of the financial statements and the amount of loss can be reasonably estimated based on the Settlement. To comply with accounting principles generally accepted in the United States of America, the liability has been recorded in the governmental activities financial statements as follows: A) in the statement of net assets: 1) \$22,000 paid on November 29, 2006 as Special Item-Litigation Settlement, Portion Due or Payable in one year; and, 2) \$80,000 as Special Item-Litigation Settlement, Portion Due or Payable after one year; and, B) on the statement of activities: \$102,000 expense as a Special Item-Litigation Settlement. When the continuing litigation is concluded or the allocation issue is otherwise resolved, the value of the Real Property will be recognized with an appropriate adjustment to the litigation liability.

NOTE 24 – NEW ACCOUNTING PRONOUNCEMENTS

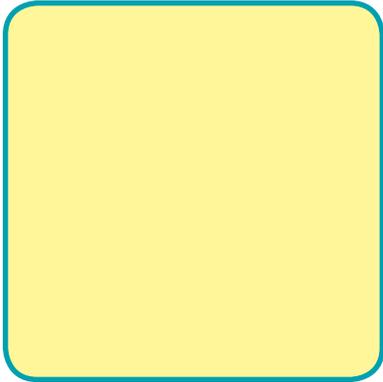
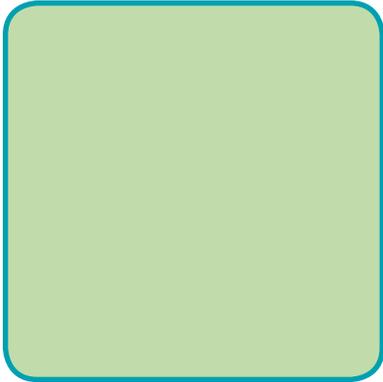
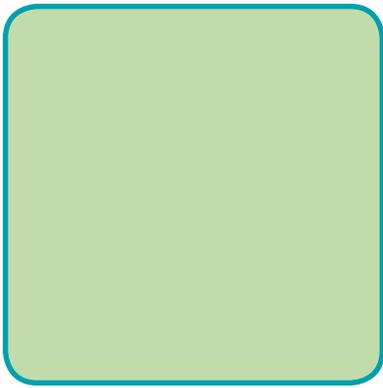
GASB 45 – Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions

In August 2004, the GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The requirements of this statement are effective for the County for the fiscal year ending June 30, 2007.

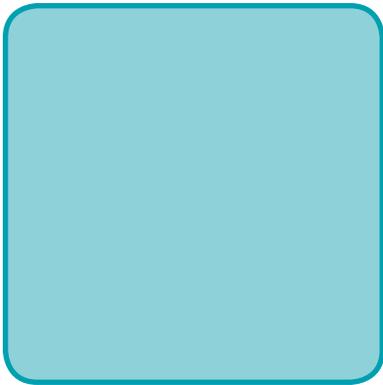
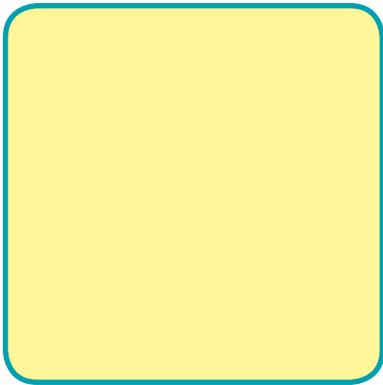
COUNTY OF SAN BERNARDINO
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2006
(Amounts in thousands)

GASB 48 - Sales and pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues

In September 2006, the GASB issued Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*. The requirements of this statement are effective for financial statements for periods beginning after December 15, 2006.

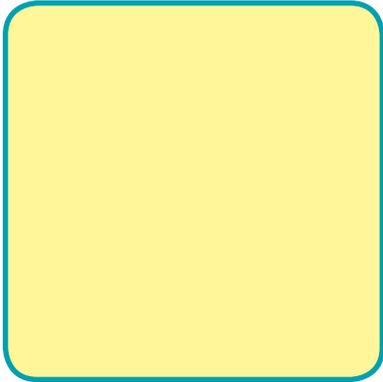
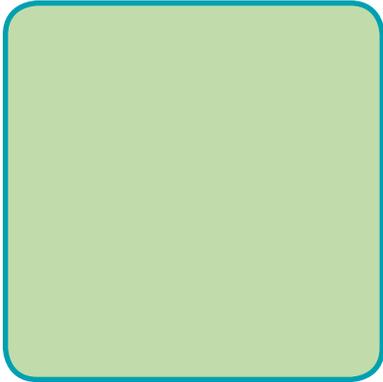
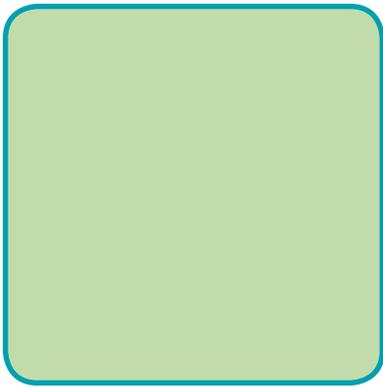


Supplemental
Information

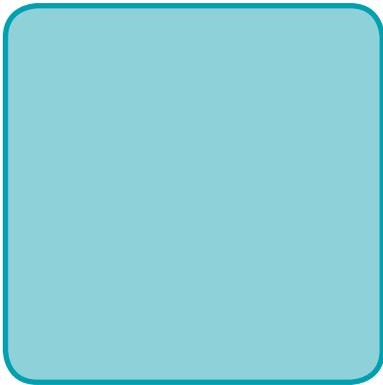
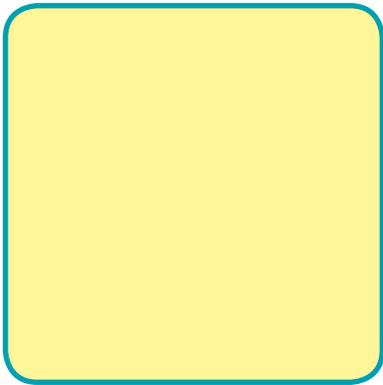


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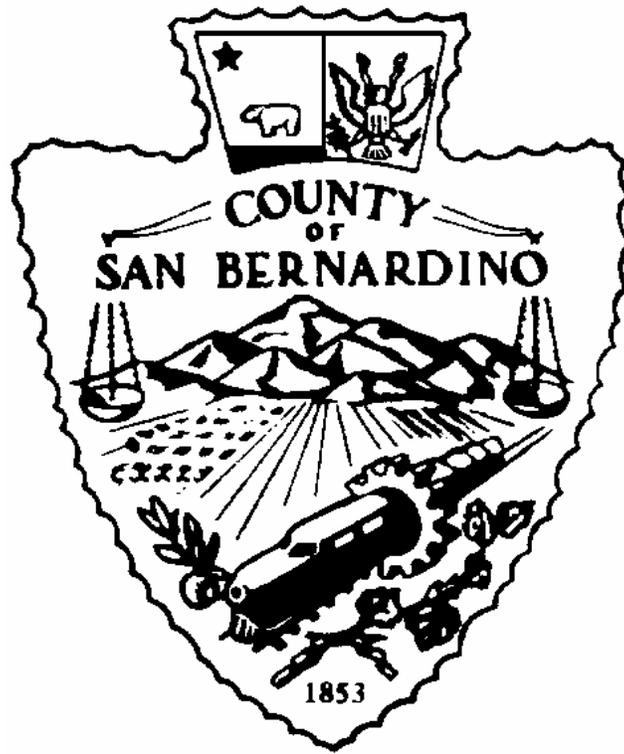


Combined
Financial
Statements
Nonmajor
Governmental
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Comprehensive Annual
Financial Report





COUNTY OF SAN BERNARDINO
 COMBINED BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2006 (IN THOUSANDS)

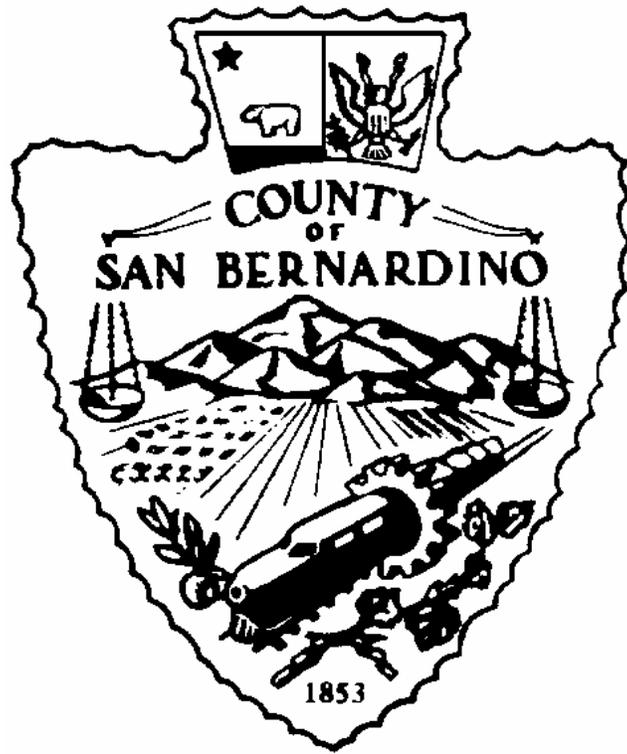
	SPECIAL REVENUE FUNDS	DEBT SERVICE FUNDS	CAPITAL PROJECTS FUNDS	PERMANENT FUNDS	TOTAL NONMAJOR FUNDS
ASSETS					
CASH AND CASH EQUIVALENTS (NOTE 6)	\$ 308,073	\$ 12,932	\$ 143,706	\$ 512	\$ 465,223
INVESTMENTS (NOTE 6)	-	13,193	-	-	13,193
ACCOUNTS RECEIVABLES - NET	187	-	-	-	187
TAXES RECEIVABLE	12,325	-	-	-	12,325
INTEREST RECEIVABLE	-	205	13	-	218
OTHER RECEIVABLES	9	-	-	-	9
DUE FROM OTHER FUNDS (NOTE 7)	15,285	4	2,648	5	17,942
DUE FROM OTHER GOVERNMENTS	20,298	-	-	-	20,298
LAND HELD FOR RESALE	2,497	-	257	-	2,754
INVENTORIES	185	-	-	-	185
INTERFUND RECEIVABLE (NOTE 7)	400	-	-	-	400
RESTRICTED CASH AND INVESTMENTS (NOTES 6 & 8)	174	-	-	-	174
TOTAL ASSETS	<u>\$ 359,433</u>	<u>\$ 26,334</u>	<u>\$ 146,624</u>	<u>\$ 517</u>	<u>\$ 532,908</u>
LIABILITIES AND FUND BALANCES					
ACCOUNTS PAYABLE	\$ 13,611	\$ -	\$ 3,074	\$ -	\$ 16,685
SALARIES AND BENEFITS PAYABLE	8,856	-	-	-	8,856
DUE TO OTHER FUNDS (NOTE 7)	17,506	74	491	-	18,071
DUE TO OTHER GOVERNMENTS	2,826	-	-	-	2,826
LOAN PAYABLE	16,149	-	560	-	16,709
DEFERRED REVENUE	5,302	-	-	-	5,302
INTERFUND PAYABLE (NOTE 7)	650	-	-	-	650
TOTAL LIABILITIES	<u>64,900</u>	<u>74</u>	<u>4,125</u>	<u>-</u>	<u>69,099</u>
FUND BALANCES:					
RESERVED:					
ENCUMBRANCES	50,346	-	17,713	-	68,059
NONCURRENT INTERFUND RECEIVABLES	400	-	-	-	400
LAND HELD FOR RESALE	2,497	-	257	-	2,754
INVENTORIES	185	-	-	-	185
OTHER RESERVES	-	-	-	-	-
DEBT SERVICE	-	26,260	-	-	26,260
ENDOWMENT FUNDS	-	-	-	-	-
UNRESERVED:					
UNDESIGNATED	241,105	-	124,529	517	366,151
TOTAL FUND BALANCES	<u>294,533</u>	<u>26,260</u>	<u>142,499</u>	<u>517</u>	<u>463,809</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 359,433</u>	<u>\$ 26,334</u>	<u>\$ 146,624</u>	<u>\$ 517</u>	<u>\$ 532,908</u>

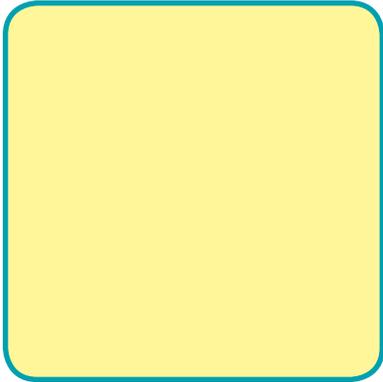
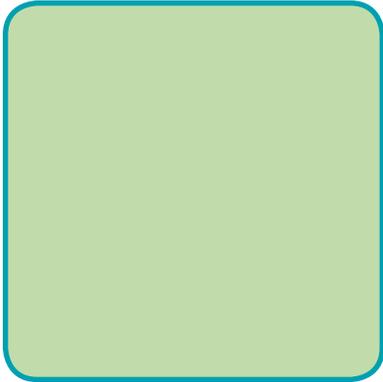
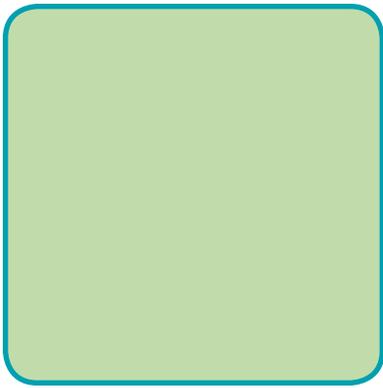
See accompanying independent auditor's report.

COUNTY OF SAN BERNARDINO
 COMBINED - STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2006 (IN THOUSANDS)

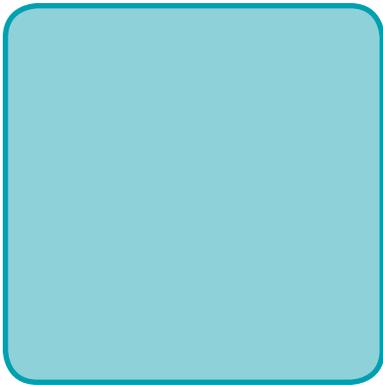
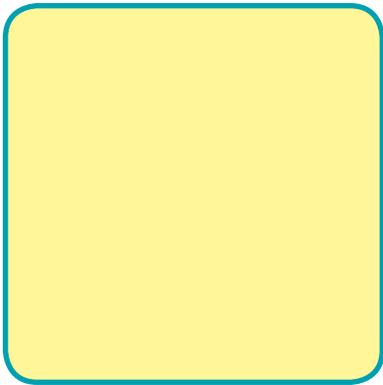
	SPECIAL REVENUE FUNDS	DEBT SERVICE FUNDS	CAPITAL PROJECTS FUNDS	PERMANENT FUNDS	TOTAL NONMAJOR FUNDS
REVENUES					
TAXES	\$ 109,359	\$ -	\$ -	\$ -	\$ 109,359
LICENSES, PERMITS AND FRANCHISES	292	-	-	-	292
FINES, FORFEITURES AND PENALTIES	8,273	-	-	-	8,273
REVENUES FROM USE OF MONEY AND PROPERTY	13,689	2,131	1,017	17	16,854
AID FROM OTHER GOVERNMENTAL AGENCIES	224,298	-	1,897	-	226,195
CHARGES FOR CURRENT SERVICES	39,731	-	1	-	39,732
OTHER REVENUES	36,901	4,280	2,765	18	43,964
TOTAL REVENUES	432,543	6,411	5,680	35	444,669
EXPENDITURES:					
CURRENT:					
GENERAL GOVERNMENT	11,579	465	1,710	-	13,754
PUBLIC PROTECTION	160,706	-	-	-	160,706
PUBLIC WAYS AND FACILITIES	73,167	-	-	-	73,167
HEALTH AND SANITATION	4,206	-	-	-	4,206
PUBLIC ASSISTANCE	84,798	-	-	-	84,798
EDUCATION	14,840	-	-	-	14,840
RECREATION AND CULTURAL SERVICES	5,666	-	-	-	5,666
DEBT SERVICE					
PRINCIPAL	4,062	33,290	-	-	37,352
INTEREST AND FISCAL CHARGES	586	48,046	-	-	48,632
BOND ISSUANCE COSTS	-	-	2,297	-	2,297
ADVANCE REFUNDING ESCROW	-	1,622	-	-	1,622
CAPITAL OUTLAY	20,127	-	61,862	-	81,989
TOTAL EXPENDITURES	379,737	83,423	65,869	-	529,029
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	52,806	(77,012)	(60,189)	35	(84,360)
OTHER FINANCING SOURCES (USES):					
TRANSFERS TO OTHER FUNDS (NOTE 7)	(50,871)	(19)	(3,043)	-	(53,933)
TRANSFERS FROM OTHER FUNDS (NOTE 7)	35,934	68,768	109,596	-	214,298
PROCEEDS OF REFUNDING BONDS	-	22,596	35,679	-	58,275
PREMIUM ON REFUNDING BONDS	-	-	1,270	-	1,270
PAYMENT TO REFUNDED BOND ESCROW AGENT	-	(18,792)	-	-	(18,792)
LONG-TERM DEBT ISSUED	2,118	-	-	-	2,118
INCEPTION OF CAPITAL LEASE OBLIGATIONS (NOTE 11 & 12)	622	-	-	-	622
SALE OF CAPITAL ASSETS	2,772	-	-	-	2,772
TOTAL OTHER FINANCING SOURCES AND (USES)	(9,425)	72,553	143,502	-	206,630
NET CHANGE IN FUND BALANCE	43,381	(4,459)	83,313	35	122,270
FUND BALANCE, JULY 1, 2005	251,152	30,719	59,186	482	341,539
FUND BALANCE, JUNE 30, 2006	\$ 294,533	\$ 26,260	\$ 142,499	\$ 517	\$ 463,809

See accompanying independent auditor's report.

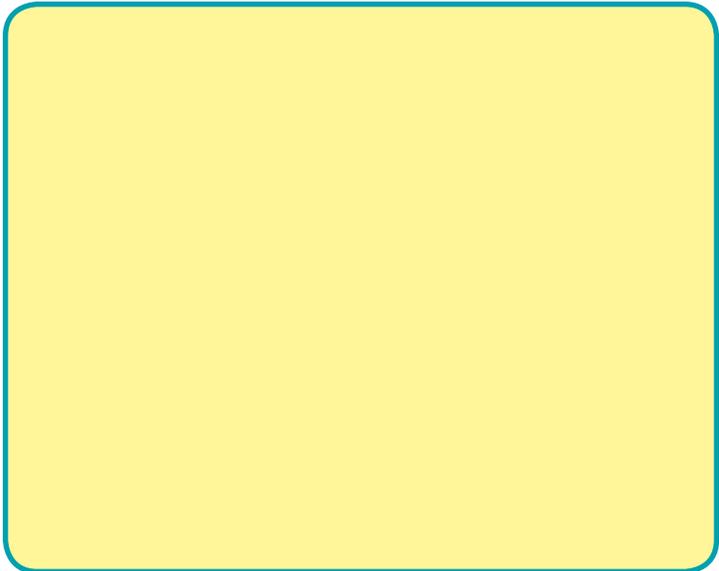


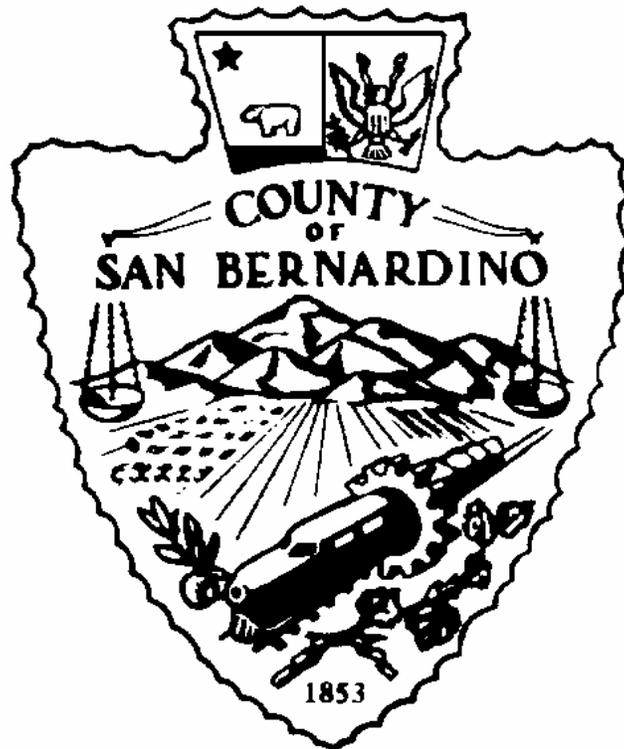


Combining
Financial
Statements
Nonmajor
Governmental
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Comprehensive Annual
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NONMAJOR GOVERNMENTAL FUNDS DESCRIPTIONS

SPECIAL REVENUE FUNDS DESCRIPTIONS

TRANSPORTATION

The Transportation Fund is responsible for the administration, planning, design, contracting, traffic management and maintenance of approximately 2,899 miles of County roads. The fund is financed principally from the State Highway User's Tax, a small share of the state sales tax, and State and Federal aid for road improvements.

COUNTY FREE LIBRARY

The County Free Library Fund provides public library services through a network of 29 branches to all of the unincorporated areas and 18 of the cities within the County. Two bookmobiles reach people who live in sparsely populated areas or who are not able to use traditional branches. The fund is financed principally from property taxes.

ECONOMIC AND COMMUNITY DEVELOPMENT

The Economic and Community Development Fund accounts for Federal Community Development Block Grants. These grants are used to develop viable urban communities by providing decent housing, suitable living environments and economic opportunities for low and moderate income individuals.

AGING AND ADULT SERVICES

The Aging and Adult Services Fund accounts for services provided to the County's elderly through senior citizen programs financed primarily by state aid.

JOBS AND EMPLOYMENT SERVICES

The Jobs and Employment Services Fund was established to provide various job training programs to prepare youth and unskilled adults for entry into the labor force and to afford job training to economically disadvantaged individuals facing barriers to employment.

MICROGRAPHICS FEES

The Micrographics Fees Fund was established to account for the automation of record keeping systems. Revenues are derived from a portion of the County Clerk's filing fees.

COUNTY SERVICE AREAS

The County Service Areas Special Revenue Funds account for a broad range of services to remote geographical areas as well as rapidly growing communities. These funds are financed principally from property taxes.

NONMAJOR GOVERNMENTAL FUNDS DESCRIPTIONS - Continued

COURTHOUSE TEMPORARY CONSTRUCTION

The Courthouse Temporary Construction Fund accounts for monies to be used for the acquisition, rehabilitation, construction, and financing of courtrooms and courtroom facilities. Revenues are derived from a surcharge on parking fines, non-parking offenses, and criminal fines.

CRIMINAL JUSTICE TEMPORARY CONSTRUCTION

The Criminal Justice Temporary Construction Fund accounts for the monies to be used for improvements to criminal justice facilities. Revenues are derived from a surcharge on criminal fines.

FLOOD CONTROL DISTRICT

The Flood Control District Fund accounts for the control of flood and storm waters and for the conservation of such waters for beneficial and useful purposes to the public. The Flood Control District's primary source of funding is from property taxes.

FIRE PROTECTION DISTRICTS

The Fire Protection Districts account for the operation and maintenance of fire protection facilities. Property taxes represent the principal source of financing.

PARK AND RECREATION DISTRICTS

The Park and Recreation Districts account for the operation and maintenance of recreational facilities. Property taxes represent the principal sources of financing to the extent that service fees are not sufficient to provide such financing.

TOBACCO TAX PROGRAM

The Tobacco Tax Program, which was implemented by State Assembly Bill (AB) 75, accounts for Cigarette and Tobacco Products Surtax Funds. These funds are to be used for Hospital Services, Physician Services, and other Health Services.

JOINT POWERS AUTHORITIES

The Joint Powers Authorities Funds account for cash accumulated for the payment of all administrative costs of the authorities, incidental to the issuance of Certificates of Participation.

SPECIAL AVIATION

The Special Aviation Fund accounts for the County's airport construction projects financed principally by state and federal grants.

LOCAL LAW ENFORCEMENT BLOCK GRANT

Local Law Enforcement block grant from the U.S. Department of Justice accounts for the purpose of reducing crime and improving public safety.

PRESCHOOL SERVICES DEPARTMENT

The Preschool Services Department Fund administers the following programs: Headstart State Preschool, Child Development, Alternative Payment, and Child Nutrition Services. These programs are funded by the U.S. Department of Health and Human Services, and the California State Department of Education.

NONMAJOR GOVERNMENTAL FUNDS DESCRIPTIONS - Continued

SHERIFF'S SPECIAL PROJECTS

Sheriff's Special Projects Fund accounts for the following functions: public gatherings -- appropriations set aside to fund Sheriff protective services for public gatherings; contract training -- represents special law enforcement training provided to the County Sheriff; asset seizures -- represents funds appropriated from drug asset seizures to be used for the purchase of non-budgeted services and equipment; High Intensity Drug Trafficking Area Program and the Regional Narcotics Task Force to enable regional cooperation and coordination in fighting major drug trafficking and surveillance of criminal and narcotics activities; and CAL-ID -- an automated criminal identification system through fingerprinting.

SPECIAL TRANSPORTATION

The Special Transportation Fund was established for the purpose of accounting for various transportation projects within the County. Funding comes from Measure I money (9½% sales tax approved by voters in November 1989).

REDEVELOPMENT AGENCY

The Redevelopment Agency Fund accounts for administration and revenues and expenditures related to the San Sevaire project and low and moderate-income housing.

OTHER SPECIAL REVENUE

Other Special Revenue Funds account for revenues received for various activities and programs including Fish and Game, Off-Highway Vehicle License Fees, Intergovernmental Training, Industrial Development Authority, California Grazing Fees, Litter Cleanup, Survey Monument Preservation, Geothermal Energy, Hazardous Waste Awards, Glen Helen Amphitheater, and the Chino Open Space Project.

DEBT SERVICE FUNDS DESCRIPTIONS

REDEVELOPMENT AGENCY BONDS

This fund is used to account for Redevelopment Agency of the County of San Bernardino bonds.

JOINT POWERS AUTHORITIES

The Joint Powers Authorities Debt Service funds account for the accumulation of resources for, and payment of, general long-term debt principal and interest. Long-term lease payments from the General Fund present the primary source of financing the requirements.

PENSION OBLIGATION BONDS

The Pension Obligation Bond Fund administers the debt service payments related to the County's pension obligation bonds.

NONMAJOR GOVERNMENTAL FUNDS DESCRIPTIONS - Continued

CAPITAL PROJECTS FUNDS DESCRIPTIONS

CAPITAL IMPROVEMENTS

The Capital Improvements Fund accounts for the County's major capital acquisition and construction projects, which are not otherwise accounted for within the Fire Protection Districts, Park and Recreation Districts, Community Services Districts, Joint Powers Authorities or County Service Area Capital Projects Funds. Revenues are derived primarily from operating transfers from other funds and state and Federal grants.

PARK AND RECREATION DISTRICTS

The Park and Recreation Districts' Capital Projects funds account for the financial resources and the acquisition and construction of recreational facilities within certain geographical areas of the County.

JOINT POWERS AUTHORITIES

The Joint Powers Authorities Capital Projects funds account for the financial resources and the acquisition and construction of facilities under joint powers agreements.

COUNTY SERVICE AREAS

The County Service Areas Capital Projects funds account for the financial resources and acquisition and construction of facilities within certain geographical areas of the County.

FIRE PROTECTION DISTRICTS

The Fire Protection Districts Capital Projects funds account for the financial resources and acquisition and construction of fire protection facilities within certain geographical areas of the County.

REDEVELOPMENT AGENCY

This fund is used to account for establishing one or more redevelopment projects areas of the County.

PERMANENT FUNDS DESCRIPTIONS

Barstow Cemetery Endowment Care Fund - The Barstow Cemetery Endowment Care Fund accounts for all cash deposits collected for each grave lot sold, and are used to defray the actual costs of care and maintenance of the cemetery.

Lucerne Valley Cemetery Endowment Care Fund - The Lucerne Valley Cemetery Endowment Care Fund accounts for all cash deposits collected for each grave lot sold, and are used to defray the actual costs of care and maintenance of the cemetery.

COUNTY OF SAN BERNARDINO
 COMBINING BALANCE SHEET
 SPECIAL REVENUE FUNDS
 JUNE 30, 2006 (IN THOUSANDS)

PAGE 1 OF 3

<u>ASSETS</u>	<u>TOTAL</u>	<u>TRANSPORTATION</u>	<u>COUNTY FREE LIBRARY</u>	<u>ECONOMIC AND COMMUNITY DEVELOPMENT</u>
CASH AND CASH EQUIVALENTS	\$ 308,073	\$ 25,259	\$ 1,395	\$ 19,171
ACCOUNTS RECEIVABLE - NET	187	-	-	-
TAXES RECEIVABLE	12,325	-	1,392	4
INTEREST RECEIVABLE	-	-	-	-
OTHER RECEIVABLES	9	-	-	-
DUE FROM OTHER FUNDS	15,285	764	-	198
DUE FROM OTHER GOVERNMENTS	20,298	3,347	-	-
LAND HELD FOR RESALE	2,497	-	-	-
INVENTORIES	185	185	-	-
INTERFUND RECEIVABLE	400	-	-	-
RESTRICTED CASH AND CASH EQUIVALENTS	174	-	-	-
TOTAL ASSETS	<u>\$ 359,433</u>	<u>\$ 29,555</u>	<u>\$ 2,787</u>	<u>\$ 19,373</u>
<u>LIABILITIES AND FUND BALANCE</u>				
LIABILITIES:				
ACCOUNTS PAYABLE	\$ 13,611	\$ 4,583	\$ 199	\$ -
SALARIES AND BENEFITS PAYABLE	8,856	1,780	569	229
DUE TO OTHER FUNDS	17,506	146	4	321
DUE TO OTHER GOVERNMENTS	2,826	-	-	-
LOAN PAYABLE	16,149	3,500	495	-
DEFERRED REVENUE	5,302	-	588	2
INTERFUND PAYABLE	650	-	-	-
TOTAL LIABILITIES	<u>64,900</u>	<u>10,009</u>	<u>1,855</u>	<u>552</u>
FUND BALANCE:				
RESERVED:				
RESERVED FOR ENCUMBRANCES	50,346	13,588	87	4,125
RESERVED FOR NONCURRENT INTERFUND RECEIVABLE	400	-	-	-
RESERVED FOR LAND HELD FOR RESALE	2,497	-	-	-
RESERVED FOR INVENTORIES	185	185	-	-
OTHER RESERVES	-	-	-	-
UNRESERVED:				
UNDESIGNATED	241,105	5,773	845	14,696
TOTAL FUND BALANCE	<u>294,533</u>	<u>19,546</u>	<u>932</u>	<u>18,821</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 359,433</u>	<u>\$ 29,555</u>	<u>\$ 2,787</u>	<u>\$ 19,373</u>

See accompanying independent auditor's report.

<u>AGING AND ADULT SERVICES</u>	<u>JOBS AND EMPLOYMENT SERVICES</u>	<u>MICROGRAPHICS FEES</u>	<u>COUNTY SERVICE AREAS</u>
\$ 829	\$ 152	\$ 17,183	\$ 35,598
2	-	-	185
-	-	-	2,969
-	-	-	-
-	-	-	-
7	72	70	2,310
806	409	-	9,562
-	-	-	-
-	-	-	-
-	-	-	-
<u>\$ 1,644</u>	<u>\$ 633</u>	<u>\$ 17,253</u>	<u>\$ 50,624</u>

<u>ASSETS</u>
CASH AND CASH EQUIVALENTS
ACCOUNTS RECEIVABLE - NET
TAXES RECEIVABLE
INTEREST RECEIVABLE
OTHER RECEIVABLES
DUE FROM OTHER FUNDS
DUE FROM OTHER GOVERNMENTS
LAND HELD FOR RESALE
INVENTORIES
INTERFUND RECEIVABLE
RESTRICTED CASH AND CASH EQUIVALENTS
TOTAL ASSETS

<u>LIABILITIES AND FUND BALANCE</u>
LIABILITIES:
ACCOUNTS PAYABLE
SALARIES AND BENEFITS PAYABLE
DUE TO OTHER FUNDS
DUE TO OTHER GOVERNMENTS
LOAN PAYABLE
DEFERRED REVENUE
INTERFUND PAYABLE
TOTAL LIABILITIES

FUND BALANCE:
RESERVED:
RESERVED FOR ENCUMBRANCES
RESERVED FOR NONCURRENT INTERFUND RECEIVABLE
RESERVED FOR LAND HELD FOR RESALE
RESERVED FOR INVENTORIES
OTHER RESERVES
UNRESERVED:
UNDESIGNATED
TOTAL FUND BALANCE
TOTAL LIABILITIES AND FUND BALANCE

-	(111)	194	4,574
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
<u>1,389</u>	<u>161</u>	<u>16,630</u>	<u>32,050</u>
<u>1,389</u>	<u>50</u>	<u>16,824</u>	<u>36,624</u>
<u>\$ 1,644</u>	<u>\$ 633</u>	<u>\$ 17,253</u>	<u>\$ 50,624</u>

COUNTY OF SAN BERNARDINO
 COMBINING BALANCE SHEET
 SPECIAL REVENUE FUNDS (CONTINUED)
 JUNE 30, 2006 (IN THOUSANDS)

PAGE 2 OF 3

<u>ASSETS</u>	<u>COURTHOUSE TEMPORARY CONSTRUCTION</u>	<u>CRIMINAL JUSTICE TEMPORARY CONSTRUCTION</u>	<u>FLOOD CONTROL DISTRICT</u>	<u>FIRE PROTECTION DISTRICTS</u>
CASH AND CASH EQUIVALENTS	\$ -	\$ -	\$ 78,885	\$ 1,649
ACCOUNTS RECEIVABLE - NET	-	-	-	-
TAXES RECEIVABLE	-	-	3,575	3,016
INTEREST RECEIVABLE	-	-	-	-
OTHER RECEIVABLES	-	-	-	-
DUE FROM OTHER FUNDS	13	16	115	3,864
DUE FROM OTHER GOVERNMENTS	205	254	432	75
LAND HELD FOR RESALE	-	-	-	-
INVENTORIES	-	-	-	-
INTERFUND RECEIVABLE	-	-	400	-
RESTRICTED CASH AND CASH EQUIVALENTS	-	-	174	-
TOTAL ASSETS	<u>\$ 218</u>	<u>\$ 270</u>	<u>\$ 83,581</u>	<u>\$ 8,604</u>
<u>LIABILITIES AND FUND BALANCE</u>				
LIABILITIES:				
ACCOUNTS PAYABLE	\$ -	\$ -	\$ 3,919	\$ 125
SALARIES AND BENEFITS PAYABLE	-	-	845	35
DUE TO OTHER FUNDS	205	254	196	95
DUE TO OTHER GOVERNMENTS	8	10	1,250	138
LOAN PAYABLE	-	-	-	-
DEFERRED REVENUE	-	-	1,591	1,275
INTERFUND PAYABLE	-	-	-	-
TOTAL LIABILITIES	<u>213</u>	<u>264</u>	<u>7,801</u>	<u>1,668</u>
FUND BALANCE:				
RESERVED:				
RESERVED FOR ENCUMBRANCES	-	-	16,747	934
RESERVED FOR NONCURRENT INTERFUND RECEIVABLE	-	-	400	-
RESERVED FOR LAND HELD FOR RESALE	-	-	-	-
RESERVED FOR INVENTORIES	-	-	-	-
OTHER RESERVES	-	-	-	-
UNRESERVED:				
UNDESIGNATED	5	6	58,633	6,002
TOTAL FUND BALANCE	<u>5</u>	<u>6</u>	<u>75,780</u>	<u>6,936</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 218</u>	<u>\$ 270</u>	<u>\$ 83,581</u>	<u>\$ 8,604</u>

See accompanying independent auditor's report.

<u>PARK AND RECREATION DISTRICTS</u>	<u>TOBACCO TAX PROGRAM</u>	<u>JOINT POWERS AUTHORITIES</u>	<u>SPECIAL AVIATION</u>
\$ 1,017	\$ 1,531	\$ 318	\$ 4,683
-	-	-	-
194	-	-	-
-	-	-	-
-	-	-	9
124	13	1	982
-	201	24	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
<u>\$ 1,335</u>	<u>\$ 1,745</u>	<u>\$ 343</u>	<u>\$ 5,674</u>

<u>ASSETS</u>
CASH AND CASH EQUIVALENTS
ACCOUNTS RECEIVABLE - NET
TAXES RECEIVABLE
INTEREST RECEIVABLE
OTHER RECEIVABLES
DUE FROM OTHER FUNDS
DUE FROM OTHER GOVERNMENTS
LAND HELD FOR RESALE
INVENTORIES
INTERFUND RECEIVABLE
RESTRICTED CASH AND CASH EQUIVALENTS
TOTAL ASSETS

<u>LIABILITIES AND FUND BALANCE</u>
LIABILITIES:
ACCOUNTS PAYABLE
SALARIES AND BENEFITS PAYABLE
DUE TO OTHER FUNDS
DUE TO OTHER GOVERNMENTS
LOAN PAYABLE
DEFERRED REVENUE
INTERFUND PAYABLE
TOTAL LIABILITIES

FUND BALANCE:
RESERVED:
RESERVED FOR ENCUMBRANCES
RESERVED FOR NONCURRENT INTERFUND RECEIVABLE
RESERVED FOR LAND HELD FOR RESALE
RESERVED FOR INVENTORIES
OTHER RESERVES
UNRESERVED:
UNDESIGNATED
TOTAL FUND BALANCE
TOTAL LIABILITIES AND FUND BALANCE

COUNTY OF SAN BERNARDINO
 COMBINING BALANCE SHEET
 SPECIAL REVENUE FUNDS (CONTINUED)
 JUNE 30, 2006 (IN THOUSANDS)

PAGE 3 OF 3

<u>ASSETS</u>	<u>LOCAL LAW ENFORCEMENT BLOCK GRANT</u>	<u>PRESCHOOL SERVICES DEPARTMENT</u>	<u>SHERIFF'S SPECIAL PROJECTS</u>
CASH AND CASH EQUIVALENTS	\$ 82	\$ 29	\$ 9,162
INVESTMENTS	-	-	-
ACCOUNTS RECEIVABLE - NET	-	-	-
TAXES RECEIVABLE	-	-	-
INTEREST RECEIVABLE	-	-	-
SPECIAL ASSESSMENTS RECEIVABLE	-	-	-
LOANS RECEIVABLE	-	-	-
OTHER RECEIVABLES	-	-	-
DUE FROM OTHER FUNDS	-	10	489
DUE FROM OTHER GOVERNMENTS	-	1,895	454
LAND HELD FOR RESALE	-	-	-
INVENTORIES	-	-	-
INTERFUND RECEIVABLE	-	-	-
RESTRICTED CASH AND CASH EQUIVALENTS	-	-	-
TOTAL ASSETS	\$ 82	\$ 1,934	\$ 10,105
<u>LIABILITIES AND FUND BALANCE</u>			
LIABILITIES:			
ACCOUNTS PAYABLE	\$ -	\$ 1,835	\$ -
SALARIES AND BENEFITS PAYABLE	-	-	16
DUE TO OTHER FUNDS	-	-	965
DUE TO OTHER GOVERNMENTS	-	-	-
LOAN PAYABLE	-	-	-
DEFERRED REVENUE	-	-	-
INTERFUND PAYABLE	-	-	250
TOTAL LIABILITIES	-	1,835	1,231
FUND BALANCE:			
RESERVED:			
RESERVED FOR ENCUMBRANCES	-	277	529
RESERVED FOR NONCURRENT INTERFUND RECEIVABLE	-	-	-
RESERVED FOR LAND HELD FOR RESALE	-	-	-
RESERVED FOR INVENTORIES	-	-	-
OTHER RESERVES	-	-	-
UNRESERVED:			
UNDESIGNATED	82	(178)	8,345
TOTAL FUND BALANCE	82	99	8,874
TOTAL LIABILITIES AND FUND BALANCE	\$ 82	\$ 1,934	\$ 10,105

See accompanying independent auditor's report.

<u>SPECIAL TRANSPORTATION</u>	<u>REDEVELOPMENT AGENCY</u>	<u>OTHER SPECIAL REVENUE</u>	<u>ASSETS</u>
\$ 27,187	\$ 23,488	\$ 60,455	CASH AND CASH EQUIVALENTS
-	-	-	ACCOUNTS RECEIVABLE - NET
969	-	206	TAXES RECEIVABLE
-	-	-	INTEREST RECEIVABLE
-	-	-	OTHER RECEIVABLES
237	1,043	4,957	DUE FROM OTHER FUNDS
1,488	142	1,004	DUE FROM OTHER GOVERNMENTS
-	2,497	-	LAND HELD FOR RESALE
-	-	-	INVENTORIES
-	-	-	INTERFUND RECEIVABLE
-	-	-	RESTRICTED CASH AND CASH EQUIVALENTS
<u>\$ 29,881</u>	<u>\$ 27,170</u>	<u>\$ 66,622</u>	TOTAL ASSETS
			<u>LIABILITIES AND FUND BALANCE</u>
\$ 478	\$ 36	\$ 190	LIABILITIES:
-	44	764	ACCOUNTS PAYABLE
95	9	9,620	SALARIES AND BENEFITS PAYABLE
-	-	731	DUE TO OTHER FUNDS
-	11,415	-	DUE TO OTHER GOVERNMENTS
410	-	87	LOAN PAYABLE
-	-	-	DEFERRED REVENUE
-	-	-	INTERFUND PAYABLE
<u>983</u>	<u>11,504</u>	<u>11,392</u>	TOTAL LIABILITIES
			FUND BALANCE:
4,636	-	3,349	RESERVED:
-	-	-	RESERVED FOR ENCUMBRANCES
-	2,497	-	RESERVED FOR NONCURRENT INTERFUND RECEIVABLE
-	-	-	RESERVED FOR LAND HELD FOR RESALE
-	-	-	RESERVED FOR INVENTORIES
-	-	-	OTHER RESERVES
<u>24,262</u>	<u>13,169</u>	<u>51,881</u>	UNRESERVED:
			UNDESIGNATED
<u>28,898</u>	<u>15,666</u>	<u>55,230</u>	TOTAL FUND BALANCE
<u>\$ 29,881</u>	<u>\$ 27,170</u>	<u>\$ 66,622</u>	TOTAL LIABILITIES AND FUND BALANCE

COUNTY OF SAN BERNARDINO
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 SPECIAL REVENUE FUNDS
 YEAR ENDED JUNE 30, 2006 (IN THOUSANDS)

PAGE 1 OF 3

	<u>TOTAL</u>	<u>TRANSPORTATION</u>	<u>COUNTY FREE LIBRARY</u>	<u>ECONOMIC AND COMMUNITY DEVELOPMENT</u>
REVENUES:				
TAXES	\$ 109,359	\$ -	\$ 11,221	\$ 29
LICENSES, PERMITS AND FRANCHISES	292	234	-	-
FINES, FORFEITURES AND PENALTIES	8,273	-	-	3
REVENUES FROM USE OF MONEY AND PROPERTY	13,689	821	-	731
AID FROM OTHER GOVERNMENTAL AGENCIES	224,298	52,903	987	17,579
CHARGES FOR CURRENT SERVICES	39,731	1,448	1,105	5
OTHER REVENUES	36,901	1,709	512	4,955
TOTAL REVENUES	<u>432,543</u>	<u>57,115</u>	<u>13,825</u>	<u>23,302</u>
EXPENDITURES:				
CURRENT:				
GENERAL GOVERNMENT	11,579	-	-	-
PUBLIC PROTECTION	160,706	-	-	-
PUBLIC WAYS AND FACILITIES	73,167	63,812	-	-
HEALTH AND SANITATION	4,206	-	-	-
PUBLIC ASSISTANCE	84,798	-	-	22,480
EDUCATION	14,840	-	14,840	-
RECREATION AND CULTURAL SERVICES	5,666	-	-	-
DEBT SERVICE:				
PRINCIPAL	4,062	925	45	-
INTEREST AND FISCAL CHARGES	586	132	69	-
CAPITAL OUTLAY	20,127	2,256	-	-
TOTAL EXPENDITURES	<u>379,737</u>	<u>67,125</u>	<u>14,954</u>	<u>22,480</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>52,806</u>	<u>(10,010)</u>	<u>(1,129)</u>	<u>822</u>
OTHER FINANCING SOURCES (USES):				
TRANSFERS TO OTHER FUNDS	(50,871)	(1,599)	(2,852)	(1,325)
TRANSFERS FROM OTHER FUNDS	35,934	12,750	3,807	-
LONG-TERM DEBT ISSUED	2,118	-	-	-
INCEPTION OF CAPITAL LEASE OBLIGATIONS	622	-	-	-
SALE OF CAPITAL ASSETS	2,772	1,136	-	4
TOTAL OTHER FINANCING SOURCES (USES)	<u>(9,425)</u>	<u>12,287</u>	<u>955</u>	<u>(1,321)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	43,381	2,277	(174)	(499)
FUND BALANCE, JULY 1, 2005	251,152	17,269	1,106	19,320
FUND BALANCE, JUNE 30, 2006	<u>\$ 294,533</u>	<u>\$ 19,546</u>	<u>\$ 932</u>	<u>\$ 18,821</u>

See accompanying independent auditor's report.

<u>AGING AND ADULT SERVICES</u>	<u>JOB AND EMPLOYMENT SERVICES</u>	<u>MICROGRAPHICS FEES</u>	<u>COUNTY SERVICE AREAS</u>	
\$ -	\$ -	\$ -	\$ 24,381	REVENUES:
-	-	-	-	TAXES
-	-	-	32	LICENSES, PERMITS AND FRANCHISES
26	218	-	1,171	FINES, FORFEITURES AND PENALTIES
4,162	12,390	-	30,110	REVENUES FROM USE OF MONEY AND PROPERTY
-	2	6,391	15,575	AID FROM OTHER GOVERNMENTAL AGENCIES
-	-	-	4,692	CHARGES FOR CURRENT SERVICES
<u>4,188</u>	<u>12,610</u>	<u>6,391</u>	<u>75,961</u>	OTHER REVENUES
				TOTAL REVENUES
-	-	3,936	1,152	EXPENDITURES:
-	-	-	62,509	CURRENT:
-	-	-	1,362	GENERAL GOVERNMENT
5,152	12,574	-	-	PUBLIC PROTECTION
-	-	-	-	PUBLIC WAYS AND FACILITIES
-	-	-	-	HEALTH AND SANITATION
-	-	-	-	PUBLIC ASSISTANCE
-	-	-	1,111	EDUCATION
-	-	-	-	RECREATION AND CULTURAL SERVICES
-	-	-	2,369	DEBT SERVICE:
-	-	-	202	PRINCIPAL
-	-	306	6,696	INTEREST AND FISCAL CHARGES
<u>5,152</u>	<u>12,574</u>	<u>4,242</u>	<u>75,401</u>	CAPITAL OUTLAY
				TOTAL EXPENDITURES
<u>(964)</u>	<u>36</u>	<u>2,149</u>	<u>560</u>	EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES
(36)	(202)	(65)	(8,342)	OTHER FINANCING SOURCES (USES):
998	-	-	11,325	TRANSFERS TO OTHER FUNDS
-	-	-	2,118	TRANSFERS FROM OTHER FUNDS
-	-	-	622	LONG-TERM DEBT ISSUED
-	-	-	74	INCEPTION OF CAPITAL LEASE OBLIGATIONS
<u>962</u>	<u>(202)</u>	<u>(65)</u>	<u>5,797</u>	SALE OF CAPITAL ASSETS
				TOTAL OTHER FINANCING SOURCES (USES)
(2)	(166)	2,084	6,357	EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES
1,391	216	14,740	30,267	FUND BALANCE, JULY 1, 2005
<u>\$ 1,389</u>	<u>\$ 50</u>	<u>\$ 16,824</u>	<u>\$ 36,624</u>	FUND BALANCE, JUNE 30, 2006

COUNTY OF SAN BERNARDINO
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (CONTINUED)
 SPECIAL REVENUE FUNDS
 YEAR ENDED JUNE 30, 2006 (IN THOUSANDS)

PAGE 2 OF 3

	<u>COURTHOUSE TEMPORARY CONSTRUCTION</u>	<u>CRIMINAL JUSTICE TEMPORARY CONSTRUCTION</u>	<u>FLOOD CONTROL DISTRICT</u>	<u>FIRE PROTECTION DISTRICTS</u>
REVENUES:				
TAXES	\$ -	\$ -	\$ 29,390	\$ 24,748
LICENSES, PERMITS AND FRANCHISES	-	-	58	-
FINES, FORFEITURES AND PENALTIES	2,305	2,832	-	-
REVENUES FROM USE OF MONEY AND PROPERTY	33	40	4,250	73
AID FROM OTHER GOVERNMENTAL AGENCIES	-	-	33,058	498
CHARGES FOR CURRENT SERVICES	-	-	1	4,201
OTHER REVENUES	-	-	1,748	565
TOTAL REVENUES	<u>2,338</u>	<u>2,872</u>	<u>68,505</u>	<u>30,085</u>
EXPENDITURES:				
CURRENT:				
GENERAL GOVERNMENT	-	-	-	-
PUBLIC PROTECTION	-	-	49,214	27,480
PUBLIC WAYS AND FACILITIES	-	-	-	-
HEALTH AND SANITATION	-	-	-	-
PUBLIC ASSISTANCE	-	-	-	-
EDUCATION	-	-	-	-
RECREATION AND CULTURAL SERVICES	-	-	-	-
DEBT SERVICE:				
PRINCIPAL	-	-	723	-
INTEREST AND FISCAL CHARGES	-	-	77	-
CAPITAL OUTLAY	-	-	228	849
TOTAL EXPENDITURES	<u>-</u>	<u>-</u>	<u>50,242</u>	<u>28,329</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>2,338</u>	<u>2,872</u>	<u>18,263</u>	<u>1,756</u>
OTHER FINANCING SOURCES (USES):				
TRANSFERS TO OTHER FUNDS	(2,340)	(2,875)	(440)	(2,310)
TRANSFERS FROM OTHER FUNDS	-	-	956	1,622
LONG-TERM DEBT ISSUED	-	-	-	-
INCEPTION OF CAPITAL LEASE OBLIGATIONS	-	-	-	-
SALE OF CAPITAL ASSETS	-	-	263	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(2,340)</u>	<u>(2,875)</u>	<u>779</u>	<u>(688)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(2)	(3)	19,042	1,068
FUND BALANCE, JULY 1, 2005	<u>7</u>	<u>9</u>	<u>56,738</u>	<u>5,868</u>
FUND BALANCE, JUNE 30, 2006	<u>\$ 5</u>	<u>\$ 6</u>	<u>\$ 75,780</u>	<u>\$ 6,936</u>

See accompanying independent auditor's report.

<u>PARK AND RECREATION DISTRICTS</u>	<u>TOBACCO TAX PROGRAM</u>	<u>JOINT POWERS AUTHORITIES</u>	<u>SPECIAL AVIATION</u>	
\$ 1,589	\$ -	\$ -	\$ -	REVENUES:
-	-	-	-	TAXES
-	-	-	-	LICENSES, PERMITS AND FRANCHISES
45	21	122	324	FINES, FORFEITURES AND PENALTIES
49	2,950	-	4,463	REVENUES FROM USE OF MONEY AND PROPERTY
689	-	-	-	AID FROM OTHER GOVERNMENTAL AGENCIES
15	-	-	-	CHARGES FOR CURRENT SERVICES
				OTHER REVENUES
<u>2,387</u>	<u>2,971</u>	<u>122</u>	<u>4,787</u>	TOTAL REVENUES
				EXPENDITURES:
-	-	120	-	CURRENT:
-	-	-	-	GENERAL GOVERNMENT
-	-	-	-	PUBLIC PROTECTION
-	1,408	-	776	PUBLIC WAYS AND FACILITIES
-	-	-	-	HEALTH AND SANITATION
-	-	-	-	PUBLIC ASSISTANCE
2,094	-	-	-	EDUCATION
-	-	-	-	RECREATION AND CULTURAL SERVICES
-	-	-	-	DEBT SERVICE:
-	-	-	-	PRINCIPAL
-	-	-	-	INTEREST AND FISCAL CHARGES
-	-	-	3,892	CAPITAL OUTLAY
<u>2,094</u>	<u>1,408</u>	<u>120</u>	<u>4,668</u>	TOTAL EXPENDITURES
<u>293</u>	<u>1,563</u>	<u>2</u>	<u>119</u>	EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES
				OTHER FINANCING SOURCES (USES):
(117)	-	-	-	TRANSFERS TO OTHER FUNDS
-	-	-	179	TRANSFERS FROM OTHER FUNDS
-	-	-	-	LONG-TERM DEBT ISSUED
-	-	-	-	INCEPTION OF CAPITAL LEASE OBLIGATIONS
27	-	-	-	SALE OF CAPITAL ASSETS
<u>(90)</u>	<u>-</u>	<u>-</u>	<u>179</u>	TOTAL OTHER FINANCING SOURCES (USES)
				EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES
203	1,563	2	298	
980	162	266	5,297	FUND BALANCE, JULY 1, 2005
<u>\$ 1,183</u>	<u>\$ 1,725</u>	<u>\$ 268</u>	<u>\$ 5,595</u>	FUND BALANCE, JUNE 30, 2006

COUNTY OF SAN BERNARDINO
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (CONTINUED)
 SPECIAL REVENUE FUNDS
 YEAR ENDED JUNE 30, 2006 (IN THOUSANDS)

PAGE 3 OF 3

	LOCAL LAW ENFORCEMENT BLOCK GRANT	PRESCHOOL SERVICES DEPARTMENT	SHERIFF'S SPECIAL PROJECTS
REVENUES:			
TAXES	\$ -	\$ -	\$ -
LICENSES, PERMITS AND FRANCHISES	-	-	-
FINES, FORFEITURES AND PENALTIES	-	-	-
REVENUES FROM USE OF MONEY AND PROPERTY	4	33	226
AID FROM OTHER GOVERNMENTAL AGENCIES	1,049	36,894	5,444
CHARGES FOR CURRENT SERVICES	-	-	3,155
OTHER REVENUES	-	350	3,177
TOTAL REVENUES	<u>1,053</u>	<u>37,277</u>	<u>12,002</u>
EXPENDITURES:			
CURRENT:			
GENERAL GOVERNMENT	-	-	-
PUBLIC PROTECTION	947	-	8,307
PUBLIC WAYS AND FACILITIES	-	-	-
HEALTH AND SANITATION	-	-	-
PUBLIC ASSISTANCE	-	37,048	-
EDUCATION	-	-	-
RECREATION AND CULTURAL SERVICES	-	-	-
DEBT SERVICE:			
PRINCIPAL	-	-	-
INTEREST AND FISCAL CHARGES	-	-	-
CAPITAL OUTLAY	-	67	1,931
TOTAL EXPENDITURES	<u>947</u>	<u>37,115</u>	<u>10,238</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>106</u>	<u>162</u>	<u>1,764</u>
OTHER FINANCING SOURCES (USES):			
TRANSFERS TO OTHER FUNDS (NOTE 7)	(87)	(181)	-
TRANSFERS FROM OTHER FUNDS (NOTE 7)	-	-	-
LONG-TERM DEBT ISSUED	-	-	-
INCEPTION OF CAPITAL LEASE OBLIGATIONS	-	-	-
SALE OF CAPITAL ASSETS	-	7	1,229
TOTAL OTHER FINANCING SOURCES (USES)	<u>(87)</u>	<u>(174)</u>	<u>1,229</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	19	(12)	2,993
FUND BALANCE, JULY 1, 2005	63	111	5,881
FUND BALANCE, JUNE 30, 2006	<u>\$ 82</u>	<u>\$ 99</u>	<u>\$ 8,874</u>

See accompanying independent auditor's report.

<u>SPECIAL TRANSPORTATION</u>	<u>REDEVELOPMENT AGENCY</u>	<u>OTHER SPECIAL REVENUE</u>	
\$ 7,946	\$ 8,375	\$ 1,680	REVENUES:
-	-	-	TAXES
-	-	3,101	LICENSES, PERMITS AND FRANCHISES
794	477	4,280	FINES, FORFEITURES AND PENALTIES
1,448	-	20,314	REVENUES FROM USE OF MONEY AND PROPERTY
3,137	-	4,022	AID FROM OTHER GOVERNMENTAL AGENCIES
157	47	18,974	CHARGES FOR CURRENT SERVICES
			OTHER REVENUES
<u>13,482</u>	<u>8,899</u>	<u>52,371</u>	TOTAL REVENUES
			EXPENDITURES:
-	4,379	1,992	CURRENT:
-	-	12,249	GENERAL GOVERNMENT
6,749	-	468	PUBLIC PROTECTION
-	-	2,798	PUBLIC WAYS AND FACILITIES
-	-	7,544	HEALTH AND SANITATION
-	-	-	PUBLIC ASSISTANCE
-	-	2,461	EDUCATION
-	-	-	RECREATION AND CULTURAL SERVICES
-	-	-	DEBT SERVICE:
-	106	-	PRINCIPAL
8	1,318	2,576	INTEREST AND FISCAL CHARGES
			CAPITAL OUTLAY
<u>6,757</u>	<u>5,803</u>	<u>30,088</u>	TOTAL EXPENDITURES
<u>6,725</u>	<u>3,096</u>	<u>22,283</u>	EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES
			OTHER FINANCING SOURCES (USES):
-	(209)	(27,891)	TRANSFERS TO OTHER FUNDS
-	19	4,278	TRANSFERS FROM OTHER FUNDS
-	-	-	LONG-TERM DEBT ISSUED
-	-	-	INCEPTION OF CAPITAL LEASE OBLIGATIONS
-	-	32	SALE OF CAPITAL ASSETS
-	(190)	(23,581)	TOTAL OTHER FINANCING SOURCES (USES)
			EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES
6,725	2,906	(1,298)	
22,173	12,760	56,528	FUND BALANCE, JULY 1, 2005
<u>\$ 28,898</u>	<u>\$ 15,666</u>	<u>\$ 55,230</u>	FUND BALANCE, JUNE 30, 2006

COUNTY OF SAN BERNARDINO
 COMBINING BALANCE SHEET
 DEBT SERVICE FUNDS
 JUNE 30, 2006 (IN THOUSANDS)

<u>ASSETS</u>	<u>TOTAL</u>	<u>REDEVELOPMENT AGENCY BONDS</u>	<u>JOINT POWERS AUTHORITIES</u>	<u>PENSION OBLIGATION BONDS</u>
CASH AND CASH EQUIVALENTS	\$ 12,932	\$ 13	\$ 8,663	\$ 4,256
INVESTMENTS	13,193	3,889	8,015	1,289
INTEREST RECEIVABLE	205	16	189	-
DUE FROM OTHER FUNDS	4	4	-	-
TOTAL ASSETS	<u>\$ 26,334</u>	<u>\$ 3,922</u>	<u>\$ 16,867</u>	<u>\$ 5,545</u>
<u>LIABILITIES AND FUND BALANCE</u>				
LIABILITIES:				
DUE TO OTHER FUNDS (NOTE 7)	<u>\$ 74</u>	<u>\$ 74</u>	<u>\$ -</u>	<u>-</u>
TOTAL LIABILITIES	<u>74</u>	<u>74</u>	<u>-</u>	<u>-</u>
FUND BALANCE:				
RESERVED FOR DEBT SERVICE	<u>26,260</u>	<u>3,848</u>	<u>16,867</u>	<u>5,545</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 26,334</u>	<u>\$ 3,922</u>	<u>\$ 16,867</u>	<u>\$ 5,545</u>

See accompanying independent auditor's report.

COUNTY OF SAN BERNARDINO
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 DEBT SERVICE FUNDS
 YEAR ENDED JUNE 30, 2006 (IN THOUSANDS)

	<u>TOTAL</u>	<u>REDEVELOPMENT AGENCY BONDS</u>	<u>JOINT POWERS AUTHORITIES</u>	<u>PENSION OBLIGATION BONDS</u>
REVENUES:				
REVENUES FROM USE OF MONEY AND PROPERTY	\$ 2,131	\$ 152	\$ 437	\$ 1,542
OTHER REVENUES	<u>4,280</u>	<u>1,480</u>	<u>37</u>	<u>2,763</u>
TOTAL REVENUES	<u>6,411</u>	<u>1,632</u>	<u>474</u>	<u>4,305</u>
EXPENDITURES:				
GENERAL GOVERNMENT	465	-	82	383
DEBT SERVICE:				
PRINCIPAL	33,290	315	12,545	20,430
INTEREST	48,046	1,258	8,696	38,092
ADVANCE REFUNDING ESCROW	<u>1,622</u>	<u>1,622</u>	<u>-</u>	<u>-</u>
TOTAL EXPENDITURES	<u>83,423</u>	<u>3,195</u>	<u>21,323</u>	<u>58,905</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(77,012)</u>	<u>(1,563)</u>	<u>(20,849)</u>	<u>(54,600)</u>
OTHER FINANCING SOURCES (USES):				
TRANSFERS TO OTHER FUNDS	(19)	(19)	-	-
TRANSFERS FROM OTHER FUNDS	68,768	190	23,911	44,667
REFUNDING BONDS ISSUED	22,596	22,596	-	-
PAYMENT TO REFUNDED BOND ESCROW AGENT	<u>(18,792)</u>	<u>(18,792)</u>	<u>-</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>72,553</u>	<u>3,975</u>	<u>23,911</u>	<u>44,667</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	(4,459)	2,412	3,062	(9,933)
FUND BALANCE, JULY 1, 2005	<u>30,719</u>	<u>1,436</u>	<u>13,805</u>	<u>15,478</u>
FUND BALANCE, JUNE 30, 2006	<u>\$ 26,260</u>	<u>\$ 3,848</u>	<u>\$ 16,867</u>	<u>\$ 5,545</u>

See accompanying independent auditor's report.

COUNTY OF SAN BERNARDINO
 COMBINING BALANCE SHEET
 CAPITAL PROJECTS FUNDS
 JUNE 30, 2006 (IN THOUSANDS)

<u>ASSETS</u>	<u>TOTAL</u>	<u>CAPITAL IMPROVEMENTS</u>	<u>PARK AND RECREATION DISTRICTS</u>
CASH AND CASH EQUIVALENTS	\$ 143,706	\$ 86,518	\$ 2,627
INTEREST RECEIVABLE	13	-	-
DUE FROM OTHER FUNDS (NOTE 7)	2,648	1,221	18
LAND HELD FOR RESALE	257	-	-
TOTAL ASSETS	<u>\$ 146,624</u>	<u>\$ 87,739</u>	<u>\$ 2,645</u>
<u>LIABILITIES AND FUND BALANCE</u>			
LIABILITIES:			
ACCOUNTS PAYABLE	\$ 3,074	\$ 2,727	\$ 4
LOAN PAYABLE	560	560	-
DUE TO OTHER FUNDS	491	191	-
TOTAL LIABILITIES	<u>4,125</u>	<u>3,478</u>	<u>4</u>
FUND BALANCE:			
RESERVED FOR ENCUMBRANCES	17,713	16,693	-
RESERVED FOR LAND FOR RESALE	257	-	-
UNRESERVED, UNDESIGNATED	124,529	67,568	2,641
TOTAL FUND BALANCE	<u>142,499</u>	<u>84,261</u>	<u>2,641</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 146,624</u>	<u>\$ 87,739</u>	<u>\$ 2,645</u>

See accompanying independent auditor's report.

<u>JOINT POWERS AUTHORITIES</u>	<u>COUNTY SERVICE AREAS</u>	<u>FIRE PROTECTION DISTRICTS</u>	<u>REDEVELOPMENT AGENCY</u>	<u>ASSETS</u>
\$ 3,230	\$ 10,303	\$ 2,041	\$ 38,987	CASH AND CASH EQUIVALENTS
13	-	-	-	INTEREST RECEIVABLE
-	1,025	12	372	DUE FROM OTHER FUNDS
-	-	-	257	LAND HELD FOR RESALE
<u>\$ 3,243</u>	<u>\$ 11,328</u>	<u>\$ 2,053</u>	<u>\$ 39,616</u>	TOTAL ASSETS
<u>LIABILITIES AND FUND BALANCE</u>				
\$ -	\$ 18	\$ -	\$ 325	LIABILITIES:
-	-	-	-	ACCOUNTS PAYABLE
-	147	-	153	LOAN PAYABLE
-	165	-	478	DUE TO OTHER FUNDS
-	-	-	-	TOTAL LIABILITIES
-	782	238	-	FUND BALANCE:
3,243	10,381	1,815	257	RESERVED FOR ENCUMBRANCES
3,243	11,163	2,053	38,881	RESERVED FOR LAND HELD FOR RESALE
<u>\$ 3,243</u>	<u>\$ 11,328</u>	<u>\$ 2,053</u>	<u>\$ 39,616</u>	UNRESERVED, UNDESIGNATED
				TOTAL FUND BALANCE
				TOTAL LIABILITIES AND FUND BALANCE

COUNTY OF SAN BERNARDINO
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICIT)
 CAPITAL PROJECTS FUNDS
 YEAR ENDED JUNE 30, 2006 (IN THOUSANDS)

	<u>TOTAL</u>	<u>CAPITAL IMPROVEMENTS</u>	<u>PARK AND RECREATION DISTRICTS</u>
REVENUES:			
REVENUES FROM USE OF MONEY AND PROPERTY	\$ 1,017	\$ 83	\$ 14
AID FROM OTHER GOVERNMENTAL AGENCIES	1,897	322	1,575
CHARGES FOR CURRENT SERVICES	1	1	-
OTHER REVENUES	<u>2,765</u>	<u>2,765</u>	<u>-</u>
TOTAL REVENUES	<u>5,680</u>	<u>3,171</u>	<u>1,589</u>
EXPENDITURES:			
GENERAL GOVERNMENT	1,710	1,575	-
DEBT SERVICE			
BOND ISSUANCE COSTS	2,297	-	-
CAPITAL OUTLAY	<u>61,862</u>	<u>57,834</u>	<u>197</u>
TOTAL EXPENDITURES	<u>65,869</u>	<u>59,409</u>	<u>197</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(60,189)</u>	<u>(56,238)</u>	<u>1,392</u>
OTHER FINANCING SOURCES (USES):			
TRANSFERS TO OTHER FUNDS	(3,043)	(3,043)	-
TRANSFERS FROM OTHER FUNDS	109,596	99,256	1,228
REFUNDING BONDS ISSUED	35,679	-	-
PREMIUM ON REFUNDING BONDS	<u>1,270</u>	<u>-</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>143,502</u>	<u>96,213</u>	<u>1,228</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	83,313	39,975	2,620
FUND BALANCE, JULY 1, 2005	<u>59,186</u>	<u>44,286</u>	<u>21</u>
FUND BALANCE, JUNE 30, 2006	<u>\$ 142,499</u>	<u>\$ 84,261</u>	<u>\$ 2,641</u>

See accompanying independent auditor's report.

<u>JOINT POWERS AUTHORITIES</u>	<u>COUNTY SERVICE AREAS</u>	<u>FIRE PROTECTION DISTRICTS</u>	<u>REDEVELOPMENT AGENCY</u>	
\$ 123	\$ 243	\$ 27	\$ 527	REVENUES:
-	-	-	-	REVENUES FROM USE OF MONEY AND PROPERTY
-	-	-	-	AID FROM OTHER GOVERNMENTAL AGENCIES
-	-	-	-	CHARGES FOR CURRENT SERVICES
-	-	-	-	OTHER REVENUES
<u>123</u>	<u>243</u>	<u>27</u>	<u>527</u>	TOTAL REVENUES
-	-	-	135	EXPENDITURES:
-	-	-	2,297	GENERAL GOVERNMENT
<u>30</u>	<u>3,371</u>	<u>430</u>	-	DEBT SERVICE
30	3,371	430	2,432	BOND ISSUANCE COSTS
93	(3,128)	(403)	(1,905)	CAPITAL OUTLAY
				TOTAL EXPENDITURES
				EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES
-	-	-	-	OTHER FINANCING SOURCES (USES):
138	7,459	1,515	-	TRANSFERS TO OTHER FUNDS
-	-	-	35,679	TRANSFERS FROM OTHER FUNDS
-	-	-	1,270	REFUNDING BONDS ISSUED
<u>138</u>	<u>7,459</u>	<u>1,515</u>	<u>36,949</u>	PREMIUM ON REFUNDING BONDS
				TOTAL OTHER FINANCING SOURCES (USES)
231	4,331	1,112	35,044	EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES
<u>3,012</u>	<u>6,832</u>	<u>941</u>	<u>4,094</u>	FUND BALANCE, JULY 1, 2005
<u>\$ 3,243</u>	<u>\$ 11,163</u>	<u>\$ 2,053</u>	<u>\$ 39,138</u>	FUND BALANCE, JUNE 30, 2006

COUNTY OF SAN BERNARDINO
 COMBINING BALANCE SHEET
 PERMANENT FUNDS
 JUNE 30, 2006 (IN THOUSANDS)

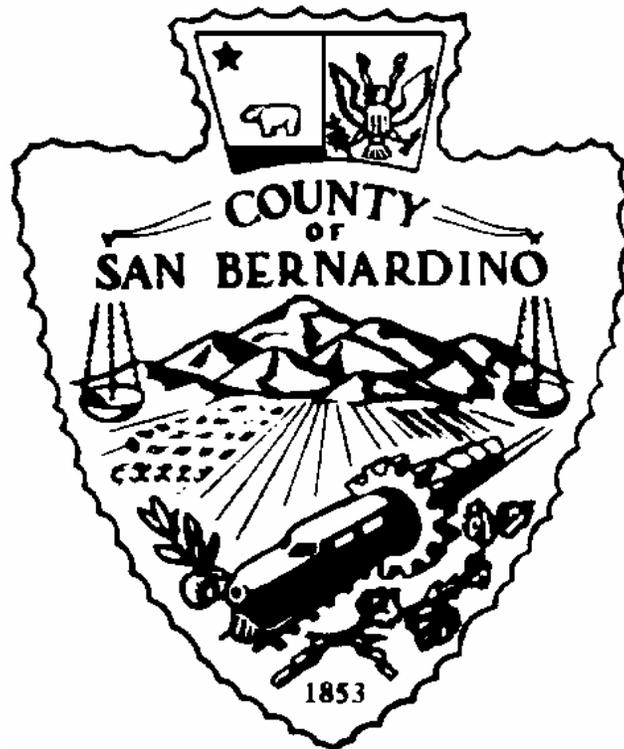
<u>ASSETS</u>	<u>TOTAL</u>	<u>BARSTOW CEMETERY ENDOWMENT CARE FUND</u>	<u>LUCERNE VALLEY CEMETERY ENDOWMENT CARE FUND</u>
CASH AND CASH EQUIVALENTS	\$ 512	\$ 435	\$ 77
DUE FROM OTHER FUNDS	<u>5</u>	<u>4</u>	<u>1</u>
TOTAL ASSETS	<u>\$ 517</u>	<u>\$ 439</u>	<u>\$ 78</u>
<u>FUND BALANCE</u>			
FUND BALANCE:			
RESERVED FOR ENDOWMENTS	<u>\$ 517</u>	<u>\$ 439</u>	<u>\$ 78</u>
TOTAL FUND BALANCE	<u>517</u>	<u>439</u>	<u>78</u>
TOTAL FUND BALANCE	<u>\$ 517</u>	<u>\$ 439</u>	<u>\$ 78</u>

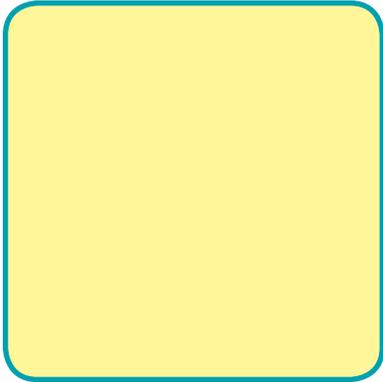
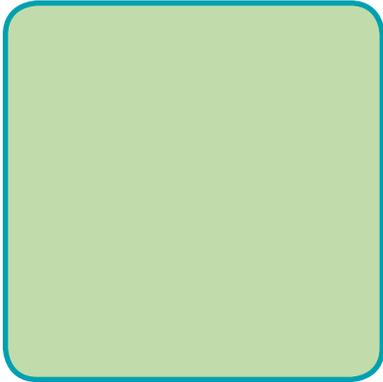
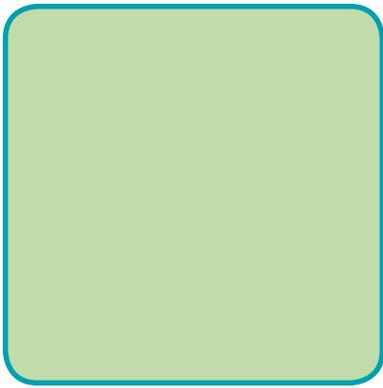
See accompanying independent auditor's report.

COUNTY OF SAN BERNARDINO
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 PERMANENT FUNDS
 YEAR ENDED JUNE 30, 2006 (IN THOUSANDS)

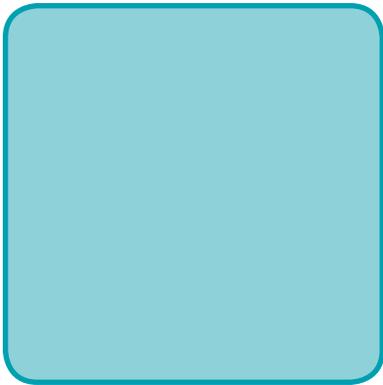
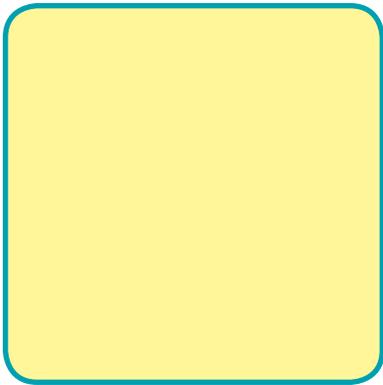
	<u>TOTAL</u>	<u>BARSTOW CEMETERY ENDOWMENT CARE FUND</u>	<u>LUCERNE VALLEY CEMETERY ENDOWMENT CARE FUND</u>
REVENUES:			
REVENUES FROM USE OF MONEY & PROPERTY	\$ 17	\$ 15	\$ 2
OTHER REVENUES	<u>18</u>	<u>18</u>	<u>-</u>
TOTAL REVENUES	<u>35</u>	<u>33</u>	<u>2</u>
EXPENDITURES:			
CURRENT:			
EDUCATION	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	35	33	2
FUND BALANCE, JULY 1, 2005	<u>482</u>	<u>406</u>	<u>76</u>
FUND BALANCE, JUNE 30, 2006	<u>\$ 517</u>	<u>\$ 439</u>	<u>\$ 78</u>

See accompanying independent auditor's report.





Combining
Financial
Statements
Nonmajor
Enterprise Funds



Comprehensive Annual
Financial Report



NONMAJOR ENTERPRISE FUNDS DESCRIPTIONS

CRESTLINE SANITATION DISTRICT

The Crestline Sanitation District provides sewage collection, treatment and disposal service for 5,040 equivalent dwelling units. Three treatment plants and 100 miles of sewer lines are maintained. User fees are the principal source of revenue.

COUNTY SERVICE AREAS

The County Service Areas Enterprise Funds account for water and sewer facilities within certain geographical areas of the County. User fees are the principal source of revenue.

FIRE PROTECTION DISTRICTS – AMBULANCE

The Fire Protection Districts-Ambulance Funds account for ambulance transport services. User fees are the principal source of revenue.

OTHER ENTERPRISE

The Other Enterprise Funds account for the Museum Gift Shop, and Regional Parks Snack Bar operations. Sales are the principal source of revenue.

COUNTY OF SAN BERNARDINO
 COMBINING STATEMENT OF NET ASSETS
 NONMAJOR ENTERPRISE FUNDS
 JUNE 30, 2006 (IN THOUSANDS)

	<u>TOTAL</u>	<u>CRESTLINE SANITATION DISTRICT</u>	<u>COUNTY SERVICE AREAS</u>
ASSETS			
CURRENT ASSETS:			
CASH AND CASH EQUIVALENTS	\$ 45,248	\$ 6,316	\$ 38,652
ACCOUNTS RECEIVABLE - NET	3,337	304	2,668
OTHER RECEIVABLES	453	-	453
DUE FROM OTHER FUNDS	668	144	522
DUE FROM OTHER GOVERNMENTS	320	100	220
INVENTORIES	62	-	-
TOTAL CURRENT ASSETS	<u>50,088</u>	<u>6,864</u>	<u>42,515</u>
NONCURRENT ASSETS:			
LAND, STRUCTURES, IMPROVEMENTS, AND INFRASTRUCTURE	112,861	22,448	90,413
EQUIPMENT	3,539	1,414	1,666
ACCUMULATED DEPRECIATION AND AMORTIZATION	(56,476)	(15,514)	(40,647)
CONSTRUCTION IN PROGRESS	6,545	360	6,185
TOTAL NONCURRENT ASSETS	<u>66,469</u>	<u>8,708</u>	<u>57,617</u>
TOTAL ASSETS	<u>116,557</u>	<u>15,572</u>	<u>100,132</u>
LIABILITIES			
CURRENT LIABILITIES:			
ACCOUNTS PAYABLE	1,338	59	1,279
SALARIES AND BENEFITS PAYABLE	6	-	-
DUE TO OTHER FUNDS	814	-	689
DUE TO OTHER GOVERNMENTS	41	-	41
INTEREST PAYABLE	126	-	126
DEFERRED REVENUE	21	-	21
BONDS AND NOTES PAYABLE	458	88	370
TOTAL CURRENT LIABILITIES	<u>2,804</u>	<u>147</u>	<u>2,526</u>
NONCURRENT LIABILITIES:			
EMPLOYEE COMPENSATED ABSENCES	2	-	-
BONDS AND NOTES PAYABLE	8,376	1,074	7,302
TOTAL NONCURRENT LIABILITIES	<u>8,378</u>	<u>1,074</u>	<u>7,302</u>
TOTAL LIABILITIES	<u>11,182</u>	<u>1,221</u>	<u>9,828</u>
NET ASSETS:			
INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT	57,635	7,546	49,945
UNRESTRICTED	47,740	6,805	40,359
TOTAL NET ASSETS	<u>\$ 105,375</u>	<u>\$ 14,351</u>	<u>\$ 90,304</u>

See accompanying independent auditor's report.

FIRE PROTECTION DISTRICTS - AMBULANCE	OTHER ENTERPRISE
\$ 110	\$ 170
365	-
-	-
2	-
-	-
-	62
<u>477</u>	<u>232</u>
-	-
459	-
(315)	-
-	-
<u>144</u>	<u>-</u>
<u>621</u>	<u>232</u>
-	-
-	6
120	5
-	-
-	-
-	-
-	-
<u>120</u>	<u>11</u>
-	-
-	2
-	-
<u>-</u>	<u>2</u>
<u>120</u>	<u>13</u>
144	-
<u>357</u>	<u>219</u>
<u>\$ 501</u>	<u>\$ 219</u>

ASSETS

CURRENT ASSETS:

CASH AND CASH EQUIVALENTS
ACCOUNTS RECEIVABLE - NET
OTHER RECEIVABLES
DUE FROM OTHER FUNDS
DUE FROM OTHER GOVERNMENTS
INVENTORIES
TOTAL CURRENT ASSETS

NONCURRENT ASSETS:

LAND, STRUCTURES AND IMPROVEMENTS
EQUIPMENT
ACCUMULATED DEPRECIATION AND AMORTIZATION
CONSTRUCTION IN PROGRESS
TOTAL NONCURRENT ASSETS

TOTAL ASSETS

LIABILITIES

CURRENT LIABILITIES:

ACCOUNTS PAYABLE
SALARIES AND BENEFITS PAYABLE
DUE TO OTHER FUNDS
DUE TO OTHER GOVERNMENTS
INTEREST PAYABLE
DEFERRED REVENUE
BONDS AND NOTES PAYABLE
TOTAL CURRENT LIABILITIES

NONCURRENT LIABILITIES:

INTERFUND PAYABLE
COMPENSATED ABSENCES PAYABLE
BONDS AND NOTES PAYABLE
TOTAL NONCURRENT LIABILITIES

TOTAL LIABILITIES

NET ASSETS:

INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT
UNRESTRICTED

TOTAL NET ASSETS

COUNTY OF SAN BERNARDINO
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS (DEFICIT)
 NONMAJOR ENTERPRISE FUNDS
 YEAR ENDED JUNE 30, 2006 (IN THOUSANDS)

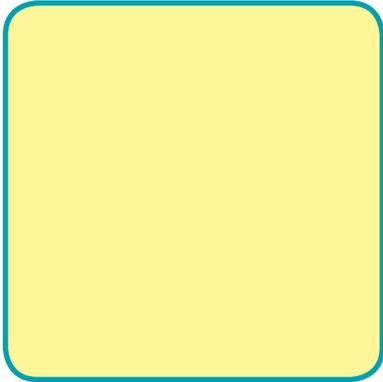
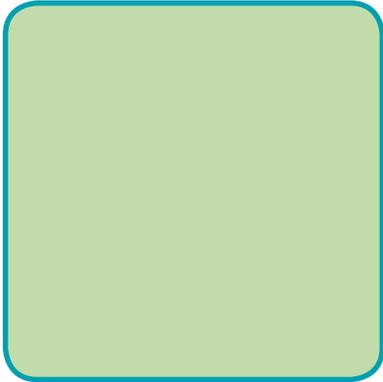
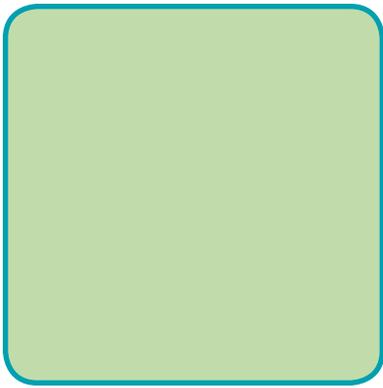
	<u>TOTAL</u>	<u>CRESTLINE SANITATION DISTRICT</u>	<u>COUNTY SERVICE AREAS</u>
OPERATING REVENUES:			
CHARGES FOR CURRENT SERVICES	\$ 20,206	\$ 1,745	\$ 17,050
TOTAL OPERATING REVENUES	<u>20,206</u>	<u>1,745</u>	<u>17,050</u>
OPERATING EXPENSES:			
PROFESSIONAL SERVICES	1,919	141	1,700
SALARIES AND EMPLOYEE BENEFITS	8,310	1,763	6,344
SELF-INSURED CLAIMS	1	-	-
SERVICES AND SUPPLIES	7,444	670	6,388
DEPRECIATION AND AMORTIZATION	2,811	569	2,189
OTHER	626	-	626
TOTAL OPERATING EXPENSES	<u>21,111</u>	<u>3,143</u>	<u>17,247</u>
OPERATING INCOME (LOSS)	<u>(905)</u>	<u>(1,398)</u>	<u>(197)</u>
NONOPERATING REVENUES (EXPENSES):			
INTEREST REVENUE	1,544	180	1,353
INTEREST EXPENSE	(352)	(21)	(331)
TAX REVENUE	4,273	836	3,437
GRANT REVENUE	2,825	87	2,738
GAIN (LOSS) ON SALE OF CAPITAL ASSETS	7	-	5
OTHER NONOPERATING REVENUES	966	5	646
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>9,263</u>	<u>1,087</u>	<u>7,848</u>
CHANGE IN NET ASSETS BEFORE TRANSFERS	8,358	(311)	7,651
TRANSFERS TO OTHER FUNDS	(3,446)	-	(2,271)
TRANSFERS FROM OTHER FUNDS	648	-	648
CHANGE IN NET ASSETS	5,560	(311)	6,028
TOTAL NET ASSETS, JULY 1, 2005	<u>99,815</u>	<u>14,662</u>	<u>84,276</u>
TOTAL NET ASSETS, JUNE 30, 2006	<u>\$ 105,375</u>	<u>\$ 14,351</u>	<u>\$ 90,304</u>

See accompanying independent auditor's report.

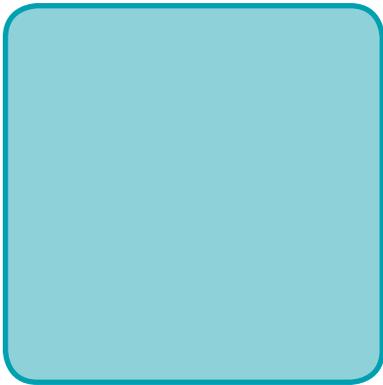
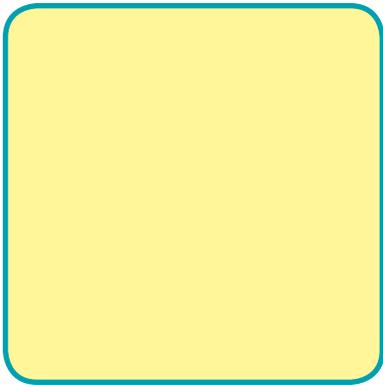
<u>FIRE PROTECTION DISTRICTS - AMBULANCE</u>	<u>OTHER ENTERPRISE</u>	
\$ 1,410	\$ 1	OPERATING REVENUES: CHARGES FOR CURRENT SERVICES
<u>1,410</u>	<u>1</u>	TOTAL OPERATING REVENUES
78	-	OPERATING EXPENSES: PROFESSIONAL SERVICES
80	123	SALARIES AND EMPLOYEE BENEFITS
-	1	SELF-INSURED CLAIMS
296	90	SERVICES AND SUPPLIES
53	-	DEPRECIATION AND AMORTIZATION
<u>-</u>	<u>-</u>	OTHER
<u>507</u>	<u>214</u>	TOTAL OPERATING EXPENSES
<u>903</u>	<u>(213)</u>	OPERATING INCOME (LOSS)
10	1	NONOPERATING REVENUES (EXPENSES): INTEREST REVENUE
-	-	INTEREST EXPENSE
-	-	TAX REVENUE
-	-	GRANT REVENUE
2	-	GAIN (LOSS) ON SALE OF CAPITAL ASSETS
<u>-</u>	<u>315</u>	OTHER NONOPERATING REVENUES
<u>12</u>	<u>316</u>	TOTAL NONOPERATING REVENUES (EXPENSES)
915	103	CHANGE IN NET ASSETS BEFORE TRANSFERS
(1,172)	(3)	TRANSFERS TO OTHER FUNDS
<u>-</u>	<u>-</u>	TRANSFERS FROM OTHER FUNDS
(257)	100	CHANGE IN NET ASSETS
<u>758</u>	<u>119</u>	TOTAL NET ASSETS, JULY 1, 2005
<u>\$ 501</u>	<u>\$ 219</u>	TOTAL NET ASSETS, JUNE 30, 2006

COUNTY OF SAN BERNARDINO
STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
YEAR ENDED JUNE 30, 2006 (IN THOUSANDS)

	TOTAL	CRESTLINE SANITATION DISTRICT	COUNTY SERVICE AREAS	FIRE PROTECTION DISTRICTS- AMBULANCE	OTHER ENTERPRISE
CASH FLOWS FROM OPERATING ACTIVITIES:					
CASH RECEIVED FROM SERVICES	\$ 19,361	\$ 1,690	\$ 16,164	\$ 1,487	\$ 20
CASH PAYMENTS TO SUPPLIERS OF GOODS AND SERVICES	(9,212)	(771)	(7,996)	(336)	(109)
CASH PAYMENTS TO EMPLOYEES FOR SERVICES	(8,327)	(1,763)	(6,344)	(80)	(140)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	1,822	(844)	1,824	1,071	(229)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
TAXES RECEIVED	4,273	836	3,437	-	-
GRANTS RECEIVED	2,825	87	2,738	-	-
OTHER NONOPERATING REVENUE	982	21	646	-	315
TRANSFERS RECEIVED	648	-	648	-	-
TRANSFERS PAID	(3,446)	-	(2,271)	(1,172)	(3)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	5,282	944	5,198	(1,172)	312
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
STATE DEBT SERVICE FUNDING RECEIVED	-	-	-	-	-
ACQUISITION OF CAPITAL ASSETS	(8,732)	(251)	(8,481)	-	-
PRINCIPAL PAID ON BONDS AND NOTES	(86)	(86)	-	-	-
INTEREST PAID ON BONDS AND NOTES	(317)	(21)	(296)	-	-
PROCEEDS FROM SALE OF CAPITAL ASSETS	7	-	5	2	-
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(9,128)	(358)	(8,772)	2	-
CASH FLOWS FROM INVESTING ACTIVITIES:					
PROCEEDS FROM SALE AND MATURITIES OF INVESTMENTS	2,440	-	2,440	-	-
INTEREST ON INVESTMENTS	1,544	180	1,353	10	1
NET CASH PROVIDED BY INVESTING ACTIVITIES	3,984	180	3,793	10	1
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,960	(78)	2,043	(89)	84
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	43,288	6,394	36,609	199	86
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 45,248	\$ 6,316	\$ 38,652	\$ 110	\$ 170
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:					
OPERATING INCOME (LOSS)	\$ (905)	\$ (1,398)	\$ (197)	\$ 903	\$ (213)
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:					
DEPRECIATION	2,811	569	2,189	53	-
CHANGES IN ASSETS AND LIABILITIES:					
ACCOUNTS RECEIVABLE	(1,443)	(68)	(1,452)	77	-
DUE FROM OTHER GOVERNMENTS	574	13	561	-	-
INVENTORIES	20	-	-	-	20
ACCOUNTS PAYABLE AND OTHER LIABILITIES	782	40	723	38	(19)
SALARIES AND BENEFITS PAYABLE	(3)	-	-	-	(3)
COMPENSATED ABSENCES PAYABLE	(14)	-	-	-	(14)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 1,822	\$ (844)	\$ 1,824	\$ 1,071	\$ (229)
BREAKDOWN OF CASH AND CASH EQUIVALENTS					
CASH AND CASH EQUIVALENTS	\$ 45,248	\$ 6,316	\$ 38,652	\$ 110	\$ 170
	\$ 45,248	\$ 6,316	\$ 38,652	\$ 110	\$ 170



Combining
Financial
Statements
Internal Service
Funds



Comprehensive Annual
Financial Report



INTERNAL SERVICE FUNDS DESCRIPTIONS

GENERAL SERVICES GROUP

The General Services Agency Fund accounts for the County's Printing Services, Records Management and Central Mail Services departments. Services which are available to all County departments and special districts are financed by user fees for services provided.

TELEPHONE SERVICES

The Telephone Services Fund accounts for Countywide telephone operations including related hardware, software, communication facilities, and a network of microwave sites.

COMPUTER OPERATIONS

The Computer Operations Fund accounts for 24-hour-per-day, Countywide data processing services including data entry, report distribution and distributed data processing with technical support.

VEHICLE SERVICES

The Vehicle Services Fund includes both the County Garage and Motor Pool. The Fund accounts for vehicle rental services to all County departments, and maintenance and repair services to the County's vehicle and heavy equipment fleet.

RISK MANAGEMENT

The Risk Management Fund accounts for the County's self-insured worker's compensation, public liability, property conservation and safety programs which are provided to all County departments and special districts.

FLOOD CONTROL EQUIPMENT

The Flood Control Equipment Fund accounts for heavy equipment rental and maintenance services provided to each of the six flood control zones within various geographical regions of the County.

COUNTY OF SAN BERNARDINO
 COMBINING STATEMENT OF NET ASSETS
 INTERNAL SERVICE FUNDS
 JUNE 30, 2006 (IN THOUSANDS)

	TOTAL	GENERAL SERVICES GROUP	TELEPHONE SERVICES	COMPUTER OPERATIONS
ASSETS				
CURRENT ASSETS:				
CASH AND CASH EQUIVALENTS	\$ 138,896	\$ 1,641	\$ 9,910	\$ 4,814
ACCOUNTS RECEIVABLE - NET	922	-	690	-
DUE FROM OTHER FUNDS	674	-	53	12
DUE FROM OTHER GOVERNMENTS	528	69	211	95
INVENTORIES	2,110	493	466	-
PREPAID ITEMS	1,619	825	115	-
TOTAL CURRENT ASSETS	<u>144,749</u>	<u>3,028</u>	<u>11,445</u>	<u>4,921</u>
NONCURRENT ASSETS:				
LAND, STRUCTURES AND IMPROVEMENTS	7,659	-	1,445	-
EQUIPMENT	56,020	1,209	14,226	7,751
ACCUMULATED DEPRECIATION AND AMORTIZATION	(41,256)	(991)	(14,003)	(5,728)
TOTAL NONCURRENT ASSETS	<u>22,423</u>	<u>218</u>	<u>1,668</u>	<u>2,023</u>
TOTAL ASSETS	<u>167,172</u>	<u>3,246</u>	<u>13,113</u>	<u>6,944</u>
LIABILITIES				
CURRENT LIABILITIES:				
ACCOUNTS PAYABLE	3,702	376	612	503
SALARIES AND BENEFITS PAYABLE	1,985	148	451	603
DUE TO OTHER FUNDS	957	5	58	26
DEFERRED REVENUE	300	300	-	-
ESTIMATED LIABILITY FOR LITIGATION AND SELF-INSURED CLAIMS	39,122	-	-	-
COMPENSATED ABSENCES PAYABLE	1,766	146	484	636
CAPITAL LEASE OBLIGATIONS	27	24	-	-
TOTAL CURRENT LIABILITIES	<u>47,859</u>	<u>999</u>	<u>1,605</u>	<u>1,768</u>
NONCURRENT LIABILITIES:				
INTERFUND PAYABLE	2,000	-	2,000	-
ESTIMATED LIABILITY FOR LITIGATION AND SELF-INSURED CLAIMS	88,111	-	-	-
COMPENSATED ABSENCES PAYABLE	1,915	96	512	585
CAPITAL LEASE OBLIGATIONS	46	46	-	-
TOTAL NONCURRENT LIABILITIES	<u>92,072</u>	<u>142</u>	<u>2,512</u>	<u>585</u>
TOTAL LIABILITIES	<u>139,931</u>	<u>1,141</u>	<u>4,117</u>	<u>2,353</u>
NET ASSETS				
INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT	20,905	148	223	2,023
UNRESTRICTED	6,336	1,957	8,773	2,568
TOTAL NET ASSETS (DEFICIT)	<u>\$ 27,241</u>	<u>\$ 2,105</u>	<u>\$ 8,996</u>	<u>\$ 4,591</u>

See accompanying independent auditor's report.

VEHICLE SERVICES	RISK MANAGEMENT	FLOOD CONTROL EQUIPMENT
\$ 8,612	\$ 112,159	\$ 1,760
232	-	-
90	366	153
153	-	-
1,151	-	-
-	679	-
<u>10,238</u>	<u>113,204</u>	<u>1,913</u>
6,214	-	-
21,478	147	11,209
(14,549)	(123)	(5,862)
<u>13,143</u>	<u>24</u>	<u>5,347</u>
<u>23,381</u>	<u>113,228</u>	<u>7,260</u>
1,019	1,171	21
443	338	2
707	94	67
-	-	-
-	39,122	-
257	243	-
-	-	3
<u>2,426</u>	<u>40,968</u>	<u>93</u>
-	-	-
-	88,111	-
599	123	-
-	-	-
<u>599</u>	<u>88,234</u>	<u>-</u>
<u>3,025</u>	<u>129,202</u>	<u>93</u>
13,143	24	5,344
<u>7,213</u>	<u>(15,998)</u>	<u>1,823</u>
<u>\$ 20,356</u>	<u>\$ (15,974)</u>	<u>\$ 7,167</u>

ASSETS

CURRENT ASSETS:

CASH AND CASH EQUIVALENTS
ACCOUNTS RECEIVABLE - NET
DUE FROM OTHER FUNDS
DUE FROM OTHER GOVERNMENTS
INVENTORIES
PREPAID ITEMS
TOTAL CURRENT ASSETS

NONCURRENT ASSETS:

LAND, STRUCTURES AND IMPROVEMENTS
EQUIPMENT
ACCUMULATED DEPRECIATION AND AMORTIZATION
TOTAL NONCURRENT ASSETS

TOTAL ASSETS

LIABILITIES

CURRENT LIABILITIES:

ACCOUNTS PAYABLE
SALARIES AND BENEFITS PAYABLE
DUE TO OTHER FUNDS
DEFERRED REVENUE
ESTIMATED LIABILITY FOR LITIGATION AND SELF-INSURED CLAIMS
COMPENSATED ABSENCES PAYABLE
CAPITAL LEASE OBLIGATIONS
TOTAL CURRENT LIABILITIES

NONCURRENT LIABILITIES:

INTERFUND PAYABLE
ESTIMATED LIABILITY FOR LITIGATION AND SELF-INSURED CLAIMS
COMPENSATED ABSENCES PAYABLE
CAPITAL LEASE OBLIGATIONS
TOTAL NONCURRENT LIABILITIES

TOTAL LIABILITIES

NET ASSETS

INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT
UNRESTRICTED

TOTAL NET ASSETS (DEFICIT)

COUNTY OF SAN BERNARDINO
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS (DEFICIT)
 INTERNAL SERVICE FUNDS
 YEAR ENDED JUNE 30, 2006 (IN THOUSANDS)

	TOTAL	GENERAL SERVICES GROUP	TELEPHONE SERVICES	COMPUTER OPERATIONS
OPERATING REVENUES:				
CHARGES FOR CURRENT SERVICES	\$ 179,729	\$ 18,961	\$ 20,106	\$ 19,531
TOTAL OPERATING REVENUES	<u>179,729</u>	<u>18,961</u>	<u>20,106</u>	<u>19,531</u>
OPERATING EXPENSES:				
PROFESSIONAL SERVICES	6,724	643	1,423	1,733
SALARIES AND EMPLOYEE BENEFITS	31,219	2,475	7,494	9,765
SELF-INSURED CLAIMS	47,577	-	-	-
SERVICES AND SUPPLIES	55,147	15,511	8,326	6,830
DEPRECIATION AND AMORTIZATION	5,750	88	543	954
OTHER	340	-	-	-
TOTAL OPERATING EXPENSES	<u>146,757</u>	<u>18,717</u>	<u>17,786</u>	<u>19,282</u>
OPERATING INCOME (LOSS)	<u>32,972</u>	<u>244</u>	<u>2,320</u>	<u>249</u>
NONOPERATING REVENUES (EXPENSES):				
INTEREST REVENUE	3,831	-	48	-
INTEREST EXPENSE	(4)	(3)	-	-
GAIN (LOSS) ON SALE OF CAPITAL ASSETS	480	(8)	(23)	(27)
OTHER NONOPERATING REVENUES	15	15	-	-
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>4,322</u>	<u>4</u>	<u>25</u>	<u>(27)</u>
CHANGE IN NET ASSETS (DEFICIT) BEFORE TRANSFERS	37,294	248	2,345	222
TRANSFERS TO OTHER FUNDS (NOTE 7)	(5,773)	(183)	(236)	(460)
TRANSFERS FROM OTHER FUNDS (NOTE 7)	244	-	-	235
CHANGE IN NET ASSETS (DEFICIT)	31,765	65	2,109	(3)
NET ASSETS (DEFICIT), JULY 1, 2005	<u>(4,524)</u>	<u>2,040</u>	<u>6,887</u>	<u>4,594</u>
TOTAL NET ASSETS (DEFICIT), JUNE 30, 2006	<u>\$ 27,241</u>	<u>\$ 2,105</u>	<u>\$ 8,996</u>	<u>\$ 4,591</u>

See accompanying independent auditor's report.

VEHICLE SERVICES	RISK MANAGEMENT	FLOOD CONTROL EQUIPMENT
\$ 19,902	\$ 97,764	\$ 3,465
<u>19,902</u>	<u>97,764</u>	<u>3,465</u>
1,203	1,722	-
6,705	4,743	37
-	47,577	-
11,339	11,377	1,764
2,820	8	1,337
-	340	-
<u>22,067</u>	<u>65,767</u>	<u>3,138</u>
<u>(2,165)</u>	<u>31,997</u>	<u>327</u>
378	3,350	55
-	-	(1)
358	-	180
-	-	-
<u>736</u>	<u>3,350</u>	<u>234</u>
(1,429)	35,347	561
(226)	(4,668)	-
9	-	-
<u>(1,646)</u>	<u>30,679</u>	<u>561</u>
<u>22,002</u>	<u>(46,653)</u>	<u>6,606</u>
<u>\$ 20,356</u>	<u>\$ (15,974)</u>	<u>\$ 7,167</u>

OPERATING REVENUES:
CHARGES FOR CURRENT SERVICES
TOTAL OPERATING REVENUES

OPERATING EXPENSES:
PROFESSIONAL SERVICES
SALARIES AND EMPLOYEE BENEFITS
SELF-INSURED CLAIMS
SERVICES AND SUPPLIES
DEPRECIATION AND AMORTIZATION
OTHER

TOTAL OPERATING EXPENSES

OPERATING INCOME (LOSS)

NONOPERATING REVENUES (EXPENSES):
INTEREST REVENUE
INTEREST EXPENSE
GAIN (LOSS) ON SALE OF CAPITAL ASSETS
OTHER NONOPERATING REVENUES

TOTAL NONOPERATING REVENUES (EXPENSES)

CHANGE IN NET ASSETS (DEFICIT) BEFORE TRANSFERS

TRANSFERS TO OTHER FUNDS (NOTE 7)
TRANSFERS FROM OTHER FUNDS (NOTE 7)

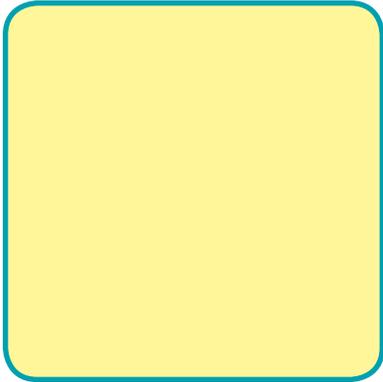
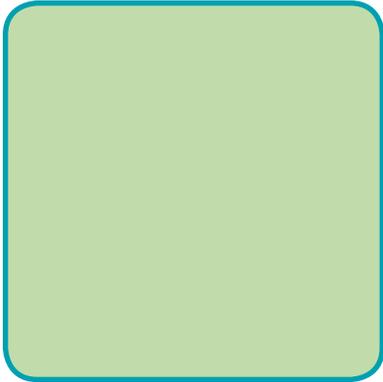
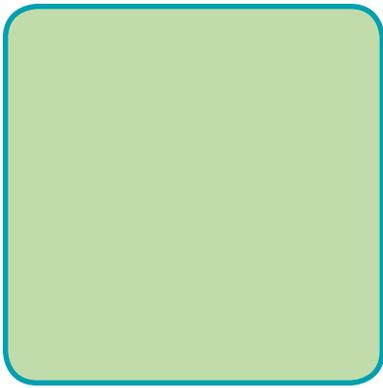
CHANGE IN NET ASSETS (DEFICIT)

NET ASSETS (DEFICIT), JULY 1, 2004

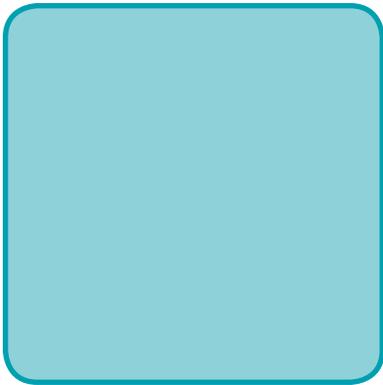
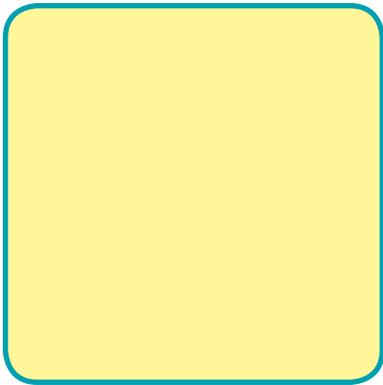
TOTAL NET ASSETS (DEFICIT), JUNE 30, 2006

COUNTY OF SAN BERNARDINO
STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2006 (IN THOUSANDS)

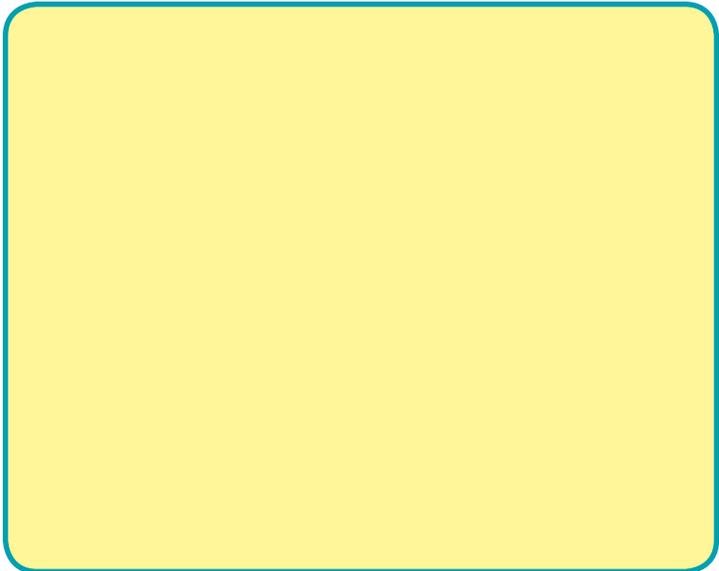
	TOTAL	GENERAL SERVICES GROUP	TELEPHONE SERVICES	COMPUTER OPERATIONS	VEHICLE SERVICES	RISK MANAGEMENT	FLOOD CONTROL EQUIPMENT
CASH FLOWS FROM OPERATING ACTIVITIES:							
CASH RECEIVED FROM SERVICES	\$ 185,844	\$ 18,973	\$ 19,696	\$ 19,588	\$ 26,416	\$ 97,713	\$ 3,458
CASH PAYMENTS TO SUPPLIERS OF GOODS AND SERVICES	(105,165)	(16,285)	(9,232)	(10,036)	(18,945)	(48,930)	(1,737)
CASH PAYMENTS TO EMPLOYEES FOR SERVICES	(30,757)	(2,663)	(7,904)	(8,970)	(6,593)	(4,591)	(36)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	49,922	25	2,560	582	878	44,192	1,685
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:							
OTHER NONOPERATING REVENUE	133	15	13	-	-	-	105
TRANSFERS RECEIVED	151	-	-	151	-	-	-
TRANSFERS PAID	(3,773)	(183)	764	540	(226)	(4,668)	-
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	(3,489)	(168)	777	691	(226)	(4,668)	105
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:							
ACQUISITION OF CAPITAL ASSETS	(9,483)	-	(275)	(1,073)	(6,113)	(9)	(2,013)
PRINCIPAL PAID ON CAPITAL LEASE OBLIGATIONS	(106)	(35)	(45)	(26)	-	-	-
INTEREST PAID ON CAPITAL LEASE OBLIGATIONS	(5)	(4)	-	-	-	-	(1)
PREPAID CAPITAL ASSET ITEM	(108)	-	(108)	-	-	-	-
PROCEEDS FROM SALE OF CAPITAL ASSETS	396	-	-	-	396	-	-
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(9,306)	(39)	(428)	(1,099)	(5,717)	(9)	(2,014)
CASH FLOWS FROM INVESTING ACTIVITIES:							
INTEREST ON INVESTMENTS	3,594	-	(12)	-	367	3,184	55
NET CASH PROVIDED BY INVESTING ACTIVITIES	3,594	-	(12)	-	367	3,184	55
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	40,721	(182)	2,897	174	(4,698)	42,699	(169)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	98,175	1,823	7,013	4,640	13,310	69,460	1,929
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 138,896	\$ 1,641	\$ 9,910	\$ 4,814	\$ 8,612	\$ 112,159	\$ 1,760
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:							
OPERATING INCOME (LOSS)	\$ 32,972	\$ 244	\$ 2,320	\$ 249	\$ (2,165)	\$ 31,997	\$ 327
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:							
DEPRECIATION	5,750	88	543	954	2,820	8	1,337
CHANGES IN ASSETS AND LIABILITIES:							
ACCOUNTS RECEIVABLE	(864)	-	(655)	-	(191)	-	(18)
DUE FROM OTHER GOVERNMENTS	92	(12)	200	(26)	(70)	-	-
DUE FROM OTHER FUNDS	154	23	46	1	135	(51)	-
INVENTORIES	(243)	127	(81)	-	(289)	-	-
PREPAID ITEMS	63	(108)	-	-	-	171	-
DEFERRED CHARGES	-	-	-	-	-	-	-
ACCOUNTS PAYABLE AND OTHER LIABILITIES	147	(339)	189	(622)	506	374	39
SALARIES AND BENEFITS PAYABLE	162	(9)	(46)	38	82	97	-
ESTIMATED LIABILITIES FOR LITIGATION AND SELF-INSURANCE CLAIMS	11,519	-	-	-	-	11,519	-
COMPENSATED ABSENCES PAYABLE	170	11	44	(12)	50	77	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 49,922	\$ 25	\$ 2,560	\$ 582	\$ 878	\$ 44,192	\$ 1,685
BREAKDOWN OF CASH AND CASH EQUIVALENTS							
CASH AND CASH EQUIVALENTS	\$ 138,896	\$ 1,641	\$ 9,910	\$ 4,814	\$ 8,612	\$ 112,159	\$ 1,760
	\$ 138,896	\$ 1,641	\$ 9,910	\$ 4,814	\$ 8,612	\$ 112,159	\$ 1,760

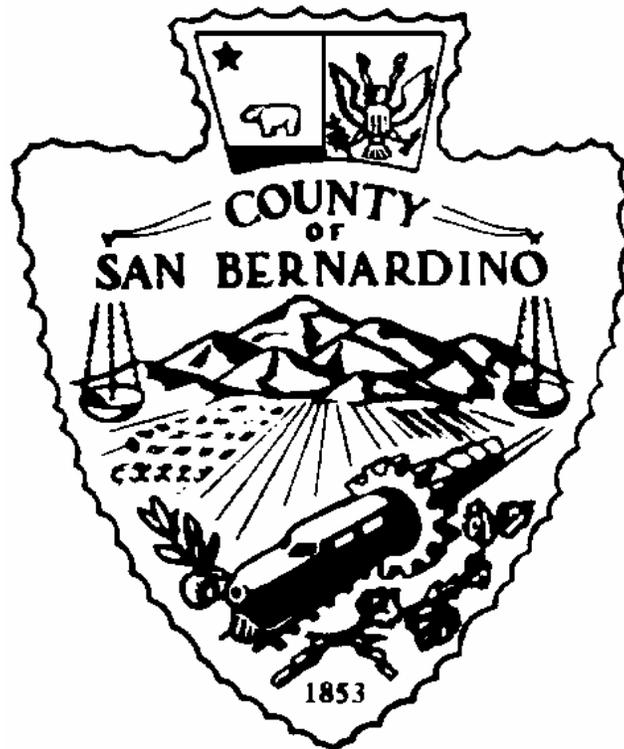


Combining
Financial
Statements
Trust and
Agency Funds



Comprehensive Annual
Financial Report





TRUST AND AGENCY FUNDS DESCRIPTIONS

AGENCY FUNDS

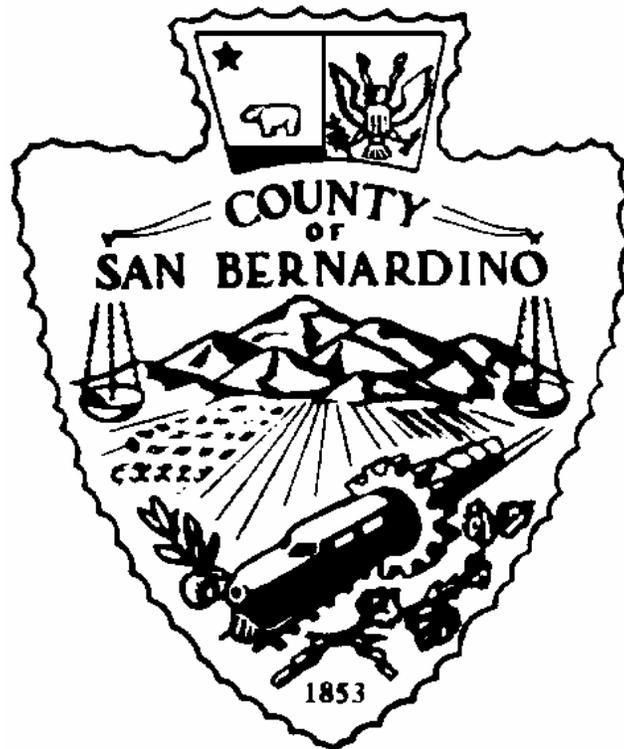
Special Assessment Agency Funds - The special assessment funds are administered by the County Treasurer and account for amounts collected from property owners for the payment of special assessment bond principal and interest. The special assessment bonds include both 1911 and 1915 Act Bonds and Mello-Roos Bonds.

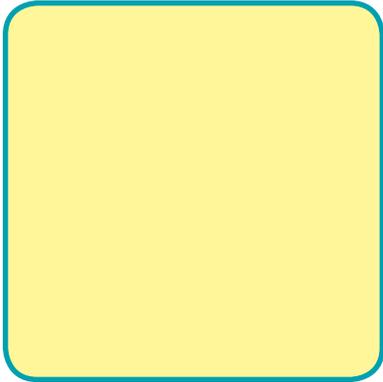
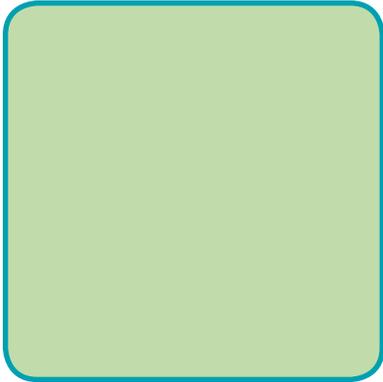
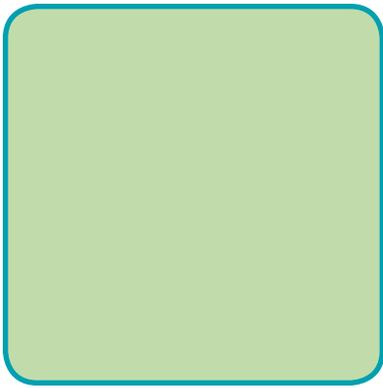
Other Agency Funds - Accounts for other agency funds where the County holds money either in a custodial capacity for other entities, or as a clearing account to accumulate and hold certain monies until disbursement to the ultimate recipient.

COUNTY OF SAN BERNARDINO
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 AGENCY FUNDS
 YEAR ENDED JUNE 30, 2006 (IN THOUSANDS)

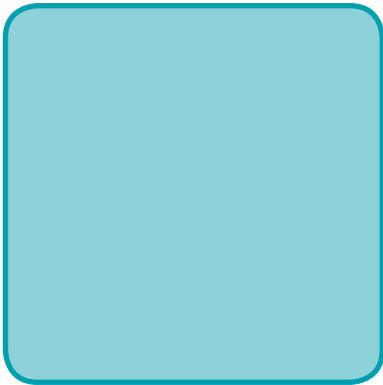
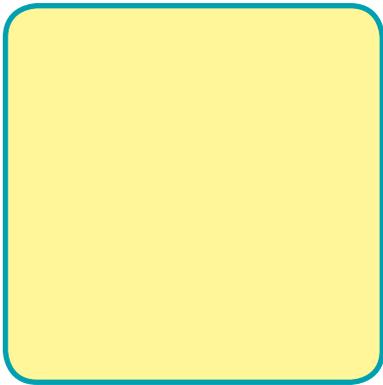
	<u>BALANCE</u> <u>JULY 1, 2005</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>BALANCE</u> <u>JUNE 30, 2006</u>
TOTAL COMBINED AGENCY FUNDS				
ASSETS:				
CASH AND CASH EQUIVALENTS	\$ 364,933	\$ 9,089,676	\$ 9,095,859	\$ 358,750
INVESTMENTS	7,212	1,675	7,212	1,675
TAXES RECEIVABLE	131,590	173,134	131,590	173,134
INTEREST RECEIVABLE	134	52	134	52
DUE FROM OTHER FUNDS	1,535	1,666	2,928	273
ADVANCES TO OTHER FUNDS	250	180	180	250
TOTAL ASSETS	<u>\$ 505,654</u>	<u>\$ 9,266,383</u>	<u>\$ 9,237,903</u>	<u>\$ 534,134</u>
LIABILITIES:				
DUE TO OTHER FUNDS	\$ 23,880	\$ 63,802	\$ 51,834	\$ 35,848
DUE TO OTHER GOVERNMENTS	481,774	500,370	483,858	498,286
TOTAL LIABILITIES	<u>\$ 505,654</u>	<u>\$ 564,172</u>	<u>\$ 535,692</u>	<u>\$ 534,134</u>
SPECIAL ASSESSMENT AGENCY FUNDS				
ASSETS:				
CASH AND CASH EQUIVALENTS	\$ 4,119	\$ 2,720	\$ 3,792	\$ 3,047
DUE FROM OTHER FUNDS	25	23	25	23
TOTAL ASSETS	<u>\$ 4,144</u>	<u>\$ 2,743</u>	<u>\$ 3,817</u>	<u>\$ 3,070</u>
LIABILITIES:				
DUE TO OTHER GOVERNMENTS	\$ 4,144	\$ 3,070	\$ 4,144	\$ 3,070
TOTAL LIABILITIES	<u>\$ 4,144</u>	<u>\$ 3,070</u>	<u>\$ 4,144</u>	<u>\$ 3,070</u>
OTHER AGENCY FUNDS				
ASSETS:				
CASH AND CASH EQUIVALENTS	\$ 360,814	\$ 9,086,956	\$ 9,092,067	\$ 355,703
INVESTMENTS	7,212	1,675	7,212	1,675
TAXES RECEIVABLE	131,590	173,134	131,590	173,134
INTEREST RECEIVABLE	134	52	134	52
DUE FROM OTHER FUNDS	1,510	1,643	2,903	250
ADVANCES TO OTHER FUNDS	250	180	180	250
TOTAL ASSETS	<u>\$ 501,510</u>	<u>\$ 9,263,640</u>	<u>\$ 9,234,086</u>	<u>\$ 531,064</u>
LIABILITIES:				
DUE TO OTHER FUNDS	\$ 23,880	\$ 63,802	\$ 51,834	\$ 35,848
DUE TO OTHER GOVERNMENTS	477,630	497,300	479,714	495,216
TOTAL LIABILITIES	<u>\$ 501,510</u>	<u>\$ 561,102</u>	<u>\$ 531,548</u>	<u>\$ 531,064</u>

See accompanying independent auditor's report.





Combining Schedule
of Revenues,
Expenditures and
Changes in Fund
Balances (Deficit)
Budget to Actual on
Budgetary Basis



Comprehensive Annual
Financial Report



COUNTY OF SAN BERNARDINO
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICIT)
 BUDGET AND ACTUAL ON BUDGETARY BASIS
 CERTAIN SPECIAL REVENUE FUNDS
 YEAR ENDED JUNE 30, 2006 (IN THOUSANDS)

	<u>TOTAL</u>		
	<u>BUDGET</u>	<u>ACTUAL ON BUDGETARY BASIS</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
REVENUES:			
TAXES	\$ 92,674	\$ 109,359	\$ 16,685
LICENSES, PERMITS AND FRANCHISES	274	292	18
FINES, FORFEITURES AND PENALTIES	9,990	8,273	(1,717)
REVENUES FROM USE OF MONEY AND PROPERTY	10,214	13,567	3,353
AID FROM OTHER GOVERNMENTAL AGENCIES	334,596	224,298	(110,298)
CHARGES FOR CURRENT SERVICES	43,228	39,731	(3,497)
OTHER REVENUES	39,594	36,901	(2,693)
TOTAL REVENUES	<u>530,570</u>	<u>432,421</u>	<u>(98,149)</u>
EXPENDITURES:			
CURRENT:			
GENERAL GOVERNMENT	46,300	9,667	36,633
PUBLIC PROTECTION	294,452	170,703	123,749
PUBLIC WAYS AND FACILITIES	110,781	69,253	41,528
HEALTH AND SANITATION	24,059	5,918	18,141
PUBLIC ASSISTANCE	121,551	85,497	36,054
EDUCATION	15,317	14,277	1,040
RECREATION AND CULTURAL SERVICES	9,962	5,467	4,495
DEBT SERVICE:			
PRINCIPAL	5,263	4,062	1,201
INTEREST AND FISCAL CHARGES	1,517	586	931
CAPITAL OUTLAY	74,559	19,940	54,619
TOTAL EXPENDITURES	<u>703,761</u>	<u>385,370</u>	<u>318,391</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(173,191)</u>	<u>47,051</u>	<u>220,242</u>
OTHER FINANCING SOURCES (USES):			
TRANSFERS TO OTHER FUNDS	(87,329)	(50,871)	36,458
TRANSFERS FROM OTHER FUNDS	51,595	35,934	(15,661)
LONG-TERM DEBT ISSUED	7,118	2,118	(5,000)
INCEPTION OF CAPITAL LEASE OBLIGATIONS	622	622	-
SALE OF CAPITAL ASSETS	622	622	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(16,672)</u>	<u>(8,803)</u>	<u>7,869</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	<u>(189,863)</u>	<u>38,248</u>	<u>228,111</u>
FUND BALANCE, JULY 1, 2005	<u>206,537</u>	<u>206,537</u>	<u>-</u>
FUND BALANCE (DEFICIT), JUNE 30, 2006	<u>\$ 16,674</u>	<u>\$ 244,785</u>	<u>\$ 228,111</u>

See accompanying independent auditor's report.

COUNTY OF SAN BERNARDINO
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICIT)
 BUDGET AND ACTUAL ON BUDGETARY BASIS (CONTINUED)
 CERTAIN SPECIAL REVENUE FUNDS
 YEAR ENDED JUNE 30, 2006 (IN THOUSANDS)

	<u>TRANSPORTATION</u>		
	<u>BUDGET</u>	<u>ACTUAL ON BUDGETARY BASIS</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
REVENUES:			
TAXES	\$ -	\$ -	\$ -
LICENSES, PERMITS AND FRANCHISES	225	234	9
FINES, FORFEITURES AND PENALTIES	-	-	-
REVENUES FROM USE OF MONEY AND PROPERTY	406	821	415
AID FROM OTHER GOVERNMENTAL AGENCIES	59,084	52,903	(6,181)
CHARGES FOR CURRENT SERVICES	3,969	1,448	(2,521)
OTHER REVENUES	336	1,709	1,373
TOTAL REVENUES	<u>64,020</u>	<u>57,115</u>	<u>(6,905)</u>
EXPENDITURES:			
CURRENT:			
GENERAL GOVERNMENT	-	-	-
PUBLIC PROTECTION	-	-	-
PUBLIC WAYS AND FACILITIES	67,926	57,592	10,334
HEALTH AND SANITATION	-	-	-
PUBLIC ASSISTANCE	-	-	-
EDUCATION	-	-	-
RECREATION AND CULTURAL SERVICES	-	-	-
DEBT SERVICE:			
PRINCIPAL	960	925	35
INTEREST AND FISCAL CHARGES	238	132	106
CAPITAL OUTLAY	2,985	1,485	1,500
TOTAL EXPENDITURES	<u>72,109</u>	<u>60,134</u>	<u>11,975</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(8,089)</u>	<u>(3,019)</u>	<u>5,070</u>
OTHER FINANCING SOURCES (USES):			
TRANSFERS TO OTHER FUNDS	(2,226)	(1,599)	627
TRANSFERS FROM OTHER FUNDS	13,700	12,750	(950)
LONG-TERM DEBT ISSUED	-	-	-
INCEPTION OF CAPITAL LEASE OBLIGATIONS	-	-	-
SALE OF CAPITAL ASSETS	100	1,136	1,036
TOTAL OTHER FINANCING SOURCES (USES)	<u>11,574</u>	<u>12,287</u>	<u>713</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	3,485	9,268	5,783
FUND BALANCE, JULY 1, 2005	(3,310)	(3,310)	-
FUND BALANCE (DEFICIT), JUNE 30, 2006	<u>\$ 175</u>	<u>\$ 5,958</u>	<u>\$ 5,783</u>

See accompanying independent auditor's report.

COUNTY OF SAN BERNARDINO
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICIT)
 BUDGET AND ACTUAL ON BUDGETARY BASIS (CONTINUED)
 CERTAIN SPECIAL REVENUE FUNDS
 YEAR ENDED JUNE 30, 2006 (IN THOUSANDS)

	COUNTY FREE LIBRARY		
	BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES:			
TAXES	\$ 10,931	\$ 11,221	\$ 290
LICENSES, PERMITS AND FRANCHISES	-	-	-
FINES, FORFEITURES AND PENALTIES	-	-	-
REVENUES FROM USE OF MONEY AND PROPERTY	-	-	-
AID FROM OTHER GOVERNMENTAL AGENCIES	1,067	987	(80)
CHARGES FOR CURRENT SERVICES	1,170	1,105	(65)
OTHER REVENUES	423	512	89
TOTAL REVENUES	<u>13,591</u>	<u>13,825</u>	<u>234</u>
EXPENDITURES:			
CURRENT:			
GENERAL GOVERNMENT	-	-	-
PUBLIC PROTECTION	-	-	-
PUBLIC WAYS AND FACILITIES	-	-	-
HEALTH AND SANITATION	-	-	-
PUBLIC ASSISTANCE	-	-	-
EDUCATION	15,317	14,277	1,040
RECREATION AND CULTURAL SERVICES	-	-	-
DEBT SERVICE:			
PRINCIPAL	85	45	40
INTEREST AND FISCAL CHARGES	86	69	17
CAPITAL OUTLAY	32	8	24
TOTAL EXPENDITURES	<u>15,520</u>	<u>14,399</u>	<u>1,121</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(1,929)</u>	<u>(574)</u>	<u>1,355</u>
OTHER FINANCING SOURCES (USES):			
TRANSFERS TO OTHER FUNDS	(2,881)	(2,852)	29
TRANSFERS FROM OTHER FUNDS	3,807	3,807	-
LONG-TERM DEBT ISSUED	-	-	-
INCEPTION OF CAPITAL LEASE OBLIGATIONS	-	-	-
SALE OF CAPITAL ASSETS	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>926</u>	<u>955</u>	<u>29</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	<u>(1,003)</u>	<u>381</u>	<u>1,384</u>
FUND BALANCE, JULY 1, 2005	464	464	-
FUND BALANCE (DEFICIT), JUNE 30, 2006	<u>\$ (539)</u>	<u>\$ 845</u>	<u>\$ 1,384</u>

See accompanying independent auditor's report.

COUNTY OF SAN BERNARDINO
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICIT)
 BUDGET AND ACTUAL ON BUDGETARY BASIS (CONTINUED)
 CERTAIN SPECIAL REVENUE FUNDS
 YEAR ENDED JUNE 30, 2006 (IN THOUSANDS)

	<u>ECONOMIC AND COMMUNITY DEVELOPMENT</u>		
	<u>BUDGET</u>	<u>ACTUAL ON BUDGETARY BASIS</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
REVENUES:			
TAXES	\$ 40	\$ 29	\$ (11)
LICENSES, PERMITS AND FRANCHISES	-	-	-
FINES, FORFEITURES AND PENALTIES	6	3	(3)
REVENUES FROM USE OF MONEY AND PROPERTY	763	731	(32)
AID FROM OTHER GOVERNMENTAL AGENCIES	32,212	17,579	(14,633)
CHARGES FOR CURRENT SERVICES	-	5	5
OTHER REVENUES	4,816	4,955	139
TOTAL REVENUES	<u>37,837</u>	<u>23,302</u>	<u>(14,535)</u>
EXPENDITURES:			
CURRENT:			
GENERAL GOVERNMENT	-	-	-
PUBLIC PROTECTION	-	-	-
PUBLIC WAYS AND FACILITIES	-	-	-
HEALTH AND SANITATION	-	-	-
PUBLIC ASSISTANCE	51,755	23,366	28,389
EDUCATION	-	-	-
RECREATION AND CULTURAL SERVICES	-	-	-
DEBT SERVICE:			
PRINCIPAL	-	-	-
INTEREST AND FISCAL CHARGES	-	-	-
CAPITAL OUTLAY	50	39	11
TOTAL EXPENDITURES	<u>51,805</u>	<u>23,405</u>	<u>28,400</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(13,968)</u>	<u>(103)</u>	<u>13,865</u>
OTHER FINANCING SOURCES (USES):			
TRANSFERS TO OTHER FUNDS	(2,198)	(1,325)	873
TRANSFERS FROM OTHER FUNDS	-	-	-
LONG-TERM DEBT ISSUED	-	-	-
INCEPTION OF CAPITAL LEASE OBLIGATIONS	-	-	-
SALE OF CAPITAL ASSETS	-	4	4
TOTAL OTHER FINANCING SOURCES (USES)	<u>(2,198)</u>	<u>(1,321)</u>	<u>877</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	<u>(16,166)</u>	<u>(1,424)</u>	<u>14,742</u>
FUND BALANCE, JULY 1, 2005	16,120	16,120	-
FUND BALANCE (DEFICIT), JUNE 30, 2006	<u>\$ (46)</u>	<u>\$ 14,696</u>	<u>\$ 14,742</u>

See accompanying independent auditor's report.

COUNTY OF SAN BERNARDINO
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICIT)
 BUDGET AND ACTUAL ON BUDGETARY BASIS (CONTINUED)
 CERTAIN SPECIAL REVENUE FUNDS
 YEAR ENDED JUNE 30, 2006 (IN THOUSANDS)

	<u>AGING AND ADULT SERVICES</u>		
	<u>BUDGET</u>	<u>ACTUAL ON BUDGETARY BASIS</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
REVENUES:			
TAXES	\$ -	\$ -	\$ -
LICENSES, PERMITS AND FRANCHISES	-	-	-
FINES, FORFEITURES AND PENALTIES	-	-	-
REVENUES FROM USE OF MONEY AND PROPERTY	18	26	8
AID FROM OTHER GOVERNMENTAL AGENCIES	4,832	4,162	(670)
CHARGES FOR CURRENT SERVICES	-	-	-
OTHER REVENUES	5	-	(5)
TOTAL REVENUES	<u>4,855</u>	<u>4,188</u>	<u>(667)</u>
EXPENDITURES:			
CURRENT:			
GENERAL GOVERNMENT	-	-	-
PUBLIC PROTECTION	-	-	-
PUBLIC WAYS AND FACILITIES	-	-	-
HEALTH AND SANITATION	-	-	-
PUBLIC ASSISTANCE	7,258	5,152	2,106
EDUCATION	-	-	-
RECREATION AND CULTURAL SERVICES	-	-	-
DEBT SERVICE:			
PRINCIPAL	-	-	-
INTEREST AND FISCAL CHARGES	-	-	-
CAPITAL OUTLAY	-	-	-
TOTAL EXPENDITURES	<u>7,258</u>	<u>5,152</u>	<u>2,106</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(2,403)</u>	<u>(964)</u>	<u>1,439</u>
OTHER FINANCING SOURCES (USES):			
TRANSFERS TO OTHER FUNDS	(36)	(36)	-
TRANSFERS FROM OTHER FUNDS	1,047	998	(49)
LONG-TERM DEBT ISSUED	-	-	-
INCEPTION OF CAPITAL LEASE OBLIGATIONS	-	-	-
SALE OF CAPITAL ASSETS	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>1,011</u>	<u>962</u>	<u>(49)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	<u>(1,392)</u>	<u>(2)</u>	<u>1,390</u>
FUND BALANCE, JULY 1, 2005	<u>1,391</u>	<u>1,391</u>	<u>-</u>
FUND BALANCE (DEFICIT), JUNE 30, 2006	<u>\$ (1)</u>	<u>\$ 1,389</u>	<u>\$ 1,390</u>

See accompanying independent auditor's report.

COUNTY OF SAN BERNARDINO
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICIT)
 BUDGET AND ACTUAL ON BUDGETARY BASIS (CONTINUED)
 CERTAIN SPECIAL REVENUE FUNDS
 YEAR ENDED JUNE 30, 2006 (IN THOUSANDS)

	<u>JOBS AND EMPLOYMENT SERVICES</u>		
	<u>BUDGET</u>	<u>ACTUAL ON BUDGETARY BASIS</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
REVENUES:			
TAXES	\$ -	\$ -	\$ -
LICENSES, PERMITS AND FRANCHISES	-	-	-
FINES, FORFEITURES AND PENALTIES	-	-	-
REVENUES FROM USE OF MONEY AND PROPERTY	204	218	14
AID FROM OTHER GOVERNMENTAL AGENCIES	16,177	12,390	(3,787)
CHARGES FOR CURRENT SERVICES	-	2	2
OTHER REVENUES	-	-	-
TOTAL REVENUES	<u>16,381</u>	<u>12,610</u>	<u>(3,771)</u>
EXPENDITURES:			
CURRENT:			
GENERAL GOVERNMENT	-	-	-
PUBLIC PROTECTION	-	-	-
PUBLIC WAYS AND FACILITIES	-	-	-
HEALTH AND SANITATION	-	-	-
PUBLIC ASSISTANCE	16,270	12,359	3,911
EDUCATION	-	-	-
RECREATION AND CULTURAL SERVICES	-	-	-
DEBT SERVICE:			
PRINCIPAL	-	-	-
INTEREST AND FISCAL CHARGES	-	-	-
CAPITAL OUTLAY	20	-	20
TOTAL EXPENDITURES	<u>16,290</u>	<u>12,359</u>	<u>3,931</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>91</u>	<u>251</u>	<u>160</u>
OTHER FINANCING SOURCES (USES):			
TRANSFERS TO OTHER FUNDS	(202)	(202)	-
TRANSFERS FROM OTHER FUNDS	-	-	-
LONG-TERM DEBT ISSUED	-	-	-
INCEPTION OF CAPITAL LEASE OBLIGATIONS	-	-	-
SALE OF CAPITAL ASSETS	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(202)</u>	<u>(202)</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	<u>(111)</u>	<u>49</u>	<u>160</u>
FUND BALANCE, JULY 1, 2005	<u>112</u>	<u>112</u>	<u>-</u>
FUND BALANCE (DEFICIT), JUNE 30, 2006	<u>\$ 1</u>	<u>\$ 161</u>	<u>\$ 160</u>

See accompanying independent auditor's report.

COUNTY OF SAN BERNARDINO
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICIT)
 BUDGET AND ACTUAL ON BUDGETARY BASIS (CONTINUED)
 CERTAIN SPECIAL REVENUE FUNDS
 YEAR ENDED JUNE 30, 2006 (IN THOUSANDS)

	MICROGRAPHICS FEES		
	BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES:			
TAXES	\$ -	\$ -	\$ -
LICENSES, PERMITS AND FRANCHISES	-	-	-
FINES, FORFEITURES AND PENALTIES	-	-	-
REVENUES FROM USE OF MONEY AND PROPERTY	-	-	-
AID FROM OTHER GOVERNMENTAL AGENCIES	-	-	-
CHARGES FOR CURRENT SERVICES	6,258	6,391	133
OTHER REVENUES	-	-	-
TOTAL REVENUES	<u>6,258</u>	<u>6,391</u>	<u>133</u>
EXPENDITURES:			
CURRENT:			
GENERAL GOVERNMENT	17,105	3,228	13,877
PUBLIC PROTECTION	-	-	-
PUBLIC WAYS AND FACILITIES	-	-	-
HEALTH AND SANITATION	-	-	-
PUBLIC ASSISTANCE	-	-	-
EDUCATION	-	-	-
RECREATION AND CULTURAL SERVICES	-	-	-
DEBT SERVICE:			
PRINCIPAL	-	-	-
INTEREST AND FISCAL CHARGES	-	-	-
CAPITAL OUTLAY	2,875	268	2,607
TOTAL EXPENDITURES	<u>19,980</u>	<u>3,496</u>	<u>16,484</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(13,722)</u>	<u>2,895</u>	<u>16,617</u>
OTHER FINANCING SOURCES (USES):			
TRANSFERS TO OTHER FUNDS	(367)	(65)	302
TRANSFERS FROM OTHER FUNDS	289	-	(289)
LONG-TERM DEBT ISSUED	-	-	-
INCEPTION OF CAPITAL LEASE OBLIGATIONS	-	-	-
SALE OF CAPITAL ASSETS	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(78)</u>	<u>(65)</u>	<u>13</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	<u>(13,800)</u>	<u>2,830</u>	<u>16,630</u>
FUND BALANCE, JULY 1, 2005	<u>13,800</u>	<u>13,800</u>	<u>-</u>
FUND BALANCE (DEFICIT), JUNE 30, 2006	<u>\$ -</u>	<u>\$ 16,630</u>	<u>\$ 16,630</u>

See accompanying independent auditor's report.

COUNTY OF SAN BERNARDINO
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICIT)
 BUDGET AND ACTUAL ON BUDGETARY BASIS (CONTINUED)
 CERTAIN SPECIAL REVENUE FUNDS
 YEAR ENDED JUNE 30, 2006 (IN THOUSANDS)

	COUNTY SERVICE AREAS		
	BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES:			
TAXES	\$ 21,081	\$ 24,381	\$ 3,300
LICENSES, PERMITS AND FRANCHISES	-	-	-
FINES, FORFEITURES AND PENALTIES	90	32	(58)
REVENUES FROM USE OF MONEY AND PROPERTY	2,034	1,171	(863)
AID FROM OTHER GOVERNMENTAL AGENCIES	48,027	30,110	(17,917)
CHARGES FOR CURRENT SERVICES	15,402	15,575	173
OTHER REVENUES	14,099	4,692	(9,407)
TOTAL REVENUES	<u>100,733</u>	<u>75,961</u>	<u>(24,772)</u>
EXPENDITURES:			
CURRENT:			
GENERAL GOVERNMENT	4,499	1,174	3,325
PUBLIC PROTECTION	89,607	63,040	26,567
PUBLIC WAYS AND FACILITIES	3,594	1,355	2,239
HEALTH AND SANITATION	-	-	-
PUBLIC ASSISTANCE	-	-	-
EDUCATION	-	-	-
RECREATION AND CULTURAL SERVICES	2,888	1,119	1,769
DEBT SERVICE:			
PRINCIPAL	2,862	2,369	493
INTEREST AND FISCAL CHARGES	268	202	66
CAPITAL OUTLAY	15,591	5,816	9,775
TOTAL EXPENDITURES	<u>119,309</u>	<u>75,075</u>	<u>44,234</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(18,576)</u>	<u>886</u>	<u>19,462</u>
OTHER FINANCING SOURCES (USES):			
TRANSFERS TO OTHER FUNDS	(17,105)	(8,342)	8,763
TRANSFERS FROM OTHER FUNDS	16,003	11,325	(4,678)
LONG-TERM DEBT ISSUED	2,118	2,118	-
INCEPTION OF CAPITAL LEASE OBLIGATIONS	622	622	-
SALE OF CAPITAL ASSETS	-	74	74
TOTAL OTHER FINANCING SOURCES (USES)	<u>1,638</u>	<u>5,797</u>	<u>4,159</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	<u>(16,938)</u>	<u>6,683</u>	<u>23,621</u>
FUND BALANCE, JULY 1, 2005	<u>25,366</u>	<u>25,366</u>	<u>-</u>
FUND BALANCE (DEFICIT), JUNE 30, 2006	<u>\$ 8,428</u>	<u>\$ 32,050</u>	<u>\$ 23,622</u>

See accompanying independent auditor's report.

COUNTY OF SAN BERNARDINO
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICIT)
 BUDGET AND ACTUAL ON BUDGETARY BASIS (CONTINUED)
 CERTAIN SPECIAL REVENUE FUNDS
 YEAR ENDED JUNE 30, 2006 (IN THOUSANDS)

	<u>COURTHOUSE TEMPORARY CONSTRUCTION</u>		
	<u>BUDGET</u>	<u>ACTUAL ON BUDGETARY BASIS</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
REVENUES:			
TAXES	\$ -	\$ -	\$ -
LICENSES, PERMITS AND FRANCHISES	-	-	-
FINES, FORFEITURES AND PENALTIES	2,985	2,305	(680)
REVENUES FROM USE OF MONEY AND PROPERTY	15	33	18
AID FROM OTHER GOVERNMENTAL AGENCIES	-	-	-
CHARGES FOR CURRENT SERVICES	-	-	-
OTHER REVENUES	-	-	-
TOTAL REVENUES	<u>3,000</u>	<u>2,338</u>	<u>(662)</u>
EXPENDITURES:			
CURRENT:			
GENERAL GOVERNMENT	-	-	-
PUBLIC PROTECTION	-	-	-
PUBLIC WAYS AND FACILITIES	-	-	-
HEALTH AND SANITATION	-	-	-
PUBLIC ASSISTANCE	-	-	-
EDUCATION	-	-	-
RECREATION AND CULTURAL SERVICES	-	-	-
DEBT SERVICE:			
PRINCIPAL	-	-	-
INTEREST AND FISCAL CHARGES	-	-	-
CAPITAL OUTLAY	-	-	-
TOTAL EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>3,000</u>	<u>2,338</u>	<u>(662)</u>
OTHER FINANCING SOURCES (USES):			
TRANSFERS TO OTHER FUNDS	(3,009)	(2,340)	669
TRANSFERS FROM OTHER FUNDS	-	-	-
LONG-TERM DEBT ISSUED	-	-	-
INCEPTION OF CAPITAL LEASE OBLIGATIONS	-	-	-
SALE OF CAPITAL ASSETS	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(3,009)</u>	<u>(2,340)</u>	<u>669</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	(9)	(2)	7
FUND BALANCE, JULY 1, 2005	(66)	(66)	-
FUND BALANCE (DEFICIT), JUNE 30, 2006	<u>\$ (75)</u>	<u>\$ (68)</u>	<u>\$ 7</u>

See accompanying independent auditor's report.

COUNTY OF SAN BERNARDINO
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICIT)
 BUDGET AND ACTUAL ON BUDGETARY BASIS (CONTINUED)
 CERTAIN SPECIAL REVENUE FUNDS
 YEAR ENDED JUNE 30, 2006 (IN THOUSANDS)

	<u>CRIMINAL JUSTICE TEMPORARY CONSTRUCTION</u>		
	<u>BUDGET</u>	<u>ACTUAL ON BUDGETARY BASIS</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
REVENUES:			
TAXES	\$ -	\$ -	\$ -
LICENSES, PERMITS AND FRANCHISES	-	-	-
FINES, FORFEITURES AND PENALTIES	2,985	2,832	(153)
REVENUES FROM USE OF MONEY AND PROPERTY	15	40	25
AID FROM OTHER GOVERNMENTAL AGENCIES	-	-	-
CHARGES FOR CURRENT SERVICES	-	-	-
OTHER REVENUES	-	-	-
TOTAL REVENUES	<u>3,000</u>	<u>2,872</u>	<u>(128)</u>
EXPENDITURES:			
CURRENT:			
GENERAL GOVERNMENT	-	-	-
PUBLIC PROTECTION	-	-	-
PUBLIC WAYS AND FACILITIES	-	-	-
HEALTH AND SANITATION	-	-	-
PUBLIC ASSISTANCE	-	-	-
EDUCATION	-	-	-
RECREATION AND CULTURAL SERVICES	-	-	-
DEBT SERVICE:			
PRINCIPAL	-	-	-
INTEREST AND FISCAL CHARGES	-	-	-
CAPITAL OUTLAY	-	-	-
TOTAL EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>3,000</u>	<u>2,872</u>	<u>(128)</u>
OTHER FINANCING SOURCES (USES):			
TRANSFERS TO OTHER FUNDS	(3,011)	(2,875)	136
TRANSFERS FROM OTHER FUNDS	-	-	-
LONG-TERM DEBT ISSUED	-	-	-
INCEPTION OF CAPITAL LEASE OBLIGATIONS	-	-	-
SALE OF CAPITAL ASSETS	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(3,011)</u>	<u>(2,875)</u>	<u>136</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	(11)	(3)	8
FUND BALANCE, JULY 1, 2005	(82)	(82)	-
FUND BALANCE (DEFICIT), JUNE 30, 2006	<u>\$ (93)</u>	<u>\$ (85)</u>	<u>\$ 8</u>

See accompanying independent auditor's report.

COUNTY OF SAN BERNARDINO
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICIT)
 BUDGET AND ACTUAL ON BUDGETARY BASIS (CONTINUED)
 CERTAIN SPECIAL REVENUE FUNDS
 YEAR ENDED JUNE 30, 2006 (IN THOUSANDS)

	<u>FLOOD CONTROL DISTRICT</u>		
	<u>BUDGET</u>	<u>ACTUAL ON BUDGETARY BASIS</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
REVENUES:			
TAXES	\$ 23,436	\$ 29,390	\$ 5,954
LICENSES, PERMITS AND FRANCHISES	49	58	9
FINES, FORFEITURES AND PENALTIES	-	-	-
REVENUES FROM USE OF MONEY AND PROPERTY	2,403	4,250	1,847
AID FROM OTHER GOVERNMENTAL AGENCIES	56,191	33,058	(23,133)
CHARGES FOR CURRENT SERVICES	8	1	(7)
OTHER REVENUES	718	1,748	1,030
TOTAL REVENUES	<u>82,805</u>	<u>68,505</u>	<u>(14,300)</u>
EXPENDITURES:			
CURRENT:			
GENERAL GOVERNMENT	-	-	-
PUBLIC PROTECTION	129,129	58,864	70,265
PUBLIC WAYS AND FACILITIES	-	-	-
HEALTH AND SANITATION	-	-	-
PUBLIC ASSISTANCE	-	-	-
EDUCATION	-	-	-
RECREATION AND CULTURAL SERVICES	-	-	-
DEBT SERVICE:			
PRINCIPAL	1,356	723	633
INTEREST AND FISCAL CHARGES	789	77	712
CAPITAL OUTLAY	520	191	329
TOTAL EXPENDITURES	<u>131,794</u>	<u>59,855</u>	<u>71,939</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(48,989)</u>	<u>8,650</u>	<u>57,639</u>
OTHER FINANCING SOURCES (USES):			
TRANSFERS TO OTHER FUNDS	(9,991)	(440)	9,551
TRANSFERS FROM OTHER FUNDS	6,512	956	(5,556)
LONG-TERM DEBT ISSUED	-	-	-
INCEPTION OF CAPITAL LEASE OBLIGATIONS	-	-	-
SALE OF CAPITAL ASSETS	9,000	263	(8,737)
TOTAL OTHER FINANCING SOURCES (USES)	<u>5,521</u>	<u>779</u>	<u>(4,742)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	<u>(43,468)</u>	<u>9,429</u>	<u>52,897</u>
FUND BALANCE, JULY 1, 2005	<u>49,604</u>	<u>49,604</u>	<u>-</u>
FUND BALANCE (DEFICIT), JUNE 30, 2006	<u>\$ 6,136</u>	<u>\$ 59,033</u>	<u>\$ 52,897</u>

See accompanying independent auditor's report.

COUNTY OF SAN BERNARDINO
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICIT)
 BUDGET AND ACTUAL ON BUDGETARY BASIS (CONTINUED)
 CERTAIN SPECIAL REVENUE FUNDS
 YEAR ENDED JUNE 30, 2006 (IN THOUSANDS)

	FIRE PROTECTION DISTRICTS		
	<u>BUDGET</u>	<u>ACTUAL ON BUDGETARY BASIS</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
REVENUES:			
TAXES	\$ 22,528	\$ 24,748	\$ 2,220
LICENSES, PERMITS AND FRANCHISES	-	-	-
FINES, FORFEITURES AND PENALTIES	-	-	-
REVENUES FROM USE OF MONEY AND PROPERTY	60	73	13
AID FROM OTHER GOVERNMENTAL AGENCIES	2,881	498	(2,383)
CHARGES FOR CURRENT SERVICES	4,996	4,201	(795)
OTHER REVENUES	1,021	565	(456)
TOTAL REVENUES	<u>31,486</u>	<u>30,085</u>	<u>(1,401)</u>
EXPENDITURES:			
CURRENT:			
GENERAL GOVERNMENT	-	-	-
PUBLIC PROTECTION	32,024	27,543	4,481
PUBLIC WAYS AND FACILITIES	-	-	-
HEALTH AND SANITATION	-	-	-
PUBLIC ASSISTANCE	-	-	-
EDUCATION	-	-	-
RECREATION AND CULTURAL SERVICES	-	-	-
DEBT SERVICE:			
PRINCIPAL	-	-	-
INTEREST AND FISCAL CHARGES	-	-	-
CAPITAL OUTLAY	1,730	1,553	177
TOTAL EXPENDITURES	<u>33,754</u>	<u>29,096</u>	<u>4,658</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(2,268)</u>	<u>989</u>	<u>3,257</u>
OTHER FINANCING SOURCES (USES):			
TRANSFERS TO OTHER FUNDS	(4,037)	(2,310)	1,727
TRANSFERS FROM OTHER FUNDS	1,795	1,622	(173)
LONG-TERM DEBT ISSUED	-	-	-
INCEPTION OF CAPITAL LEASE OBLIGATIONS	-	-	-
SALE OF CAPITAL ASSETS	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(2,242)</u>	<u>(688)</u>	<u>1,554</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	<u>(4,510)</u>	<u>301</u>	<u>4,811</u>
FUND BALANCE, JULY 1, 2005	<u>5,701</u>	<u>5,701</u>	<u>-</u>
FUND BALANCE (DEFICIT), JUNE 30, 2006	<u>\$ 1,191</u>	<u>\$ 6,002</u>	<u>\$ 4,811</u>

See accompanying independent auditor's report.

COUNTY OF SAN BERNARDINO
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICIT)
 BUDGET AND ACTUAL ON BUDGETARY BASIS (CONTINUED)
 CERTAIN SPECIAL REVENUE FUNDS
 YEAR ENDED JUNE 30, 2006 (IN THOUSANDS)

	PARK AND RECREATION DISTRICTS		
	<u>BUDGET</u>	<u>ACTUAL ON BUDGETARY BASIS</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
REVENUES:			
TAXES	\$ 1,291	\$ 1,589	\$ 298
LICENSES, PERMITS AND FRANCHISES	-	-	-
FINES, FORFEITURES AND PENALTIES	-	-	-
REVENUES FROM USE OF MONEY AND PROPERTY	53	45	(8)
AID FROM OTHER GOVERNMENTAL AGENCIES	1,604	49	(1,555)
CHARGES FOR CURRENT SERVICES	810	689	(121)
OTHER REVENUES	60	15	(45)
TOTAL REVENUES	<u>3,818</u>	<u>2,387</u>	<u>(1,431)</u>
EXPENDITURES:			
CURRENT:			
GENERAL GOVERNMENT	-	-	-
PUBLIC PROTECTION	-	-	-
PUBLIC WAYS AND FACILITIES	-	-	-
HEALTH AND SANITATION	-	-	-
PUBLIC ASSISTANCE	-	-	-
EDUCATION	-	-	-
RECREATION AND CULTURAL SERVICES	3,334	2,094	1,240
DEBT SERVICE:			
PRINCIPAL	-	-	-
INTEREST AND FISCAL CHARGES	-	-	-
CAPITAL OUTLAY	42	-	42
TOTAL EXPENDITURES	<u>3,376</u>	<u>2,094</u>	<u>1,282</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>442</u>	<u>293</u>	<u>(149)</u>
OTHER FINANCING SOURCES (USES):			
TRANSFERS TO OTHER FUNDS	(1,307)	(117)	1,190
TRANSFERS FROM OTHER FUNDS	-	-	-
LONG-TERM DEBT ISSUED	-	-	-
INCEPTION OF CAPITAL LEASE OBLIGATIONS	-	-	-
SALE OF CAPITAL ASSETS	-	27	27
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1,307)</u>	<u>(90)</u>	<u>1,217</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	<u>(865)</u>	<u>203</u>	<u>1,068</u>
FUND BALANCE, JULY 1, 2005	<u>980</u>	<u>980</u>	<u>-</u>
FUND BALANCE (DEFICIT), JUNE 30, 2006	<u>\$ 115</u>	<u>\$ 1,183</u>	<u>\$ 1,068</u>

See accompanying independent auditor's report.

COUNTY OF SAN BERNARDINO
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICIT)
 BUDGET AND ACTUAL ON BUDGETARY BASIS (CONTINUED)
 CERTAIN SPECIAL REVENUE FUNDS
 YEAR ENDED JUNE 30, 2006 (IN THOUSANDS)

TOBACCO TAX PROGRAM			
	<u>BUDGET</u>	<u>ACTUAL ON BUDGETARY BASIS</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
REVENUES:			
TAXES	\$ -	\$ -	\$ -
LICENSES, PERMITS AND FRANCHISES	-	-	-
FINES, FORFEITURES AND PENALTIES	-	-	-
REVENUES FROM USE OF MONEY AND PROPERTY	14	21	7
AID FROM OTHER GOVERNMENTAL AGENCIES	3,055	2,950	(105)
CHARGES FOR CURRENT SERVICES	-	-	-
OTHER REVENUES	-	-	-
TOTAL REVENUES	<u>3,069</u>	<u>2,971</u>	<u>(98)</u>
EXPENDITURES:			
CURRENT:			
GENERAL GOVERNMENT	-	-	-
PUBLIC PROTECTION	-	-	-
PUBLIC WAYS AND FACILITIES	-	-	-
HEALTH AND SANITATION	3,231	3,127	104
PUBLIC ASSISTANCE	-	-	-
EDUCATION	-	-	-
RECREATION AND CULTURAL SERVICES	-	-	-
DEBT SERVICE:			
PRINCIPAL	-	-	-
INTEREST AND FISCAL CHARGES	-	-	-
CAPITAL OUTLAY	-	-	-
TOTAL EXPENDITURES	<u>3,231</u>	<u>3,127</u>	<u>104</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(162)</u>	<u>(156)</u>	<u>6</u>
OTHER FINANCING SOURCES (USES):			
TRANSFERS TO OTHER FUNDS	(2)	-	2
TRANSFERS FROM OTHER FUNDS	2	-	(2)
LONG-TERM DEBT ISSUED	-	-	-
INCEPTION OF CAPITAL LEASE OBLIGATIONS	-	-	-
SALE OF CAPITAL ASSETS	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	<u>(162)</u>	<u>(156)</u>	<u>6</u>
FUND BALANCE, JULY 1, 2005	<u>2,290</u>	<u>2,290</u>	<u>-</u>
FUND BALANCE (DEFICIT), JUNE 30, 2006	<u>\$ 2,128</u>	<u>\$ 2,134</u>	<u>\$ 6</u>

See accompanying independent auditor's report.

COUNTY OF SAN BERNARDINO
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICIT)
 BUDGET AND ACTUAL ON BUDGETARY BASIS (CONTINUED)
 CERTAIN SPECIAL REVENUE FUNDS
 YEAR ENDED JUNE 30, 2006 (IN THOUSANDS)

	<u>SPECIAL AVIATION</u>		
	<u>BUDGET</u>	<u>ACTUAL ON BUDGETARY BASIS</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
REVENUES:			
TAXES	\$ -	\$ -	\$ -
LICENSES, PERMITS AND FRANCHISES	-	-	-
FINES, FORFEITURES AND PENALTIES	-	-	-
REVENUES FROM USE OF MONEY AND PROPERTY	552	324	(228)
AID FROM OTHER GOVERNMENTAL AGENCIES	26,621	4,463	(22,158)
CHARGES FOR CURRENT SERVICES	-	-	-
OTHER REVENUES	374	-	(374)
TOTAL REVENUES	<u>27,547</u>	<u>4,787</u>	<u>(22,760)</u>
EXPENDITURES:			
CURRENT:			
GENERAL GOVERNMENT	-	-	-
PUBLIC PROTECTION	-	-	-
PUBLIC WAYS AND FACILITIES	3,237	601	2,636
HEALTH AND SANITATION	-	-	-
PUBLIC ASSISTANCE	-	-	-
EDUCATION	-	-	-
RECREATION AND CULTURAL SERVICES	-	-	-
DEBT SERVICE:			
PRINCIPAL	-	-	-
INTEREST AND FISCAL CHARGES	-	-	-
CAPITAL OUTLAY	29,916	3,964	25,952
TOTAL EXPENDITURES	<u>33,153</u>	<u>4,565</u>	<u>28,588</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(5,606)</u>	<u>222</u>	<u>5,828</u>
OTHER FINANCING SOURCES (USES):			
TRANSFERS TO OTHER FUNDS	(2,229)	-	2,229
TRANSFERS FROM OTHER FUNDS	4,045	179	(3,866)
LONG-TERM DEBT ISSUED	-	-	-
INCEPTION OF CAPITAL LEASE OBLIGATIONS	-	-	-
SALE OF CAPITAL ASSETS	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>1,816</u>	<u>179</u>	<u>(1,637)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	<u>(3,790)</u>	<u>401</u>	<u>4,191</u>
FUND BALANCE, JULY 1, 2005	<u>3,777</u>	<u>3,777</u>	<u>-</u>
FUND BALANCE (DEFICIT), JUNE 30, 2006	<u>\$ (13)</u>	<u>\$ 4,178</u>	<u>\$ 4,191</u>

See accompanying independent auditor's report.

COUNTY OF SAN BERNARDINO
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICIT)
 BUDGET AND ACTUAL ON BUDGETARY BASIS (CONTINUED)
 CERTAIN SPECIAL REVENUE FUNDS
 YEAR ENDED JUNE 30, 2006 (IN THOUSANDS)

	LOCAL LAW ENFORCEMENT BLOCK GRANT		
	BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES:			
TAXES	\$ -	\$ -	\$ -
LICENSES, PERMITS AND FRANCHISES	-	-	-
FINES, FORFEITURES AND PENALTIES	-	-	-
REVENUES FROM USE OF MONEY AND PROPERTY	-	4	4
AID FROM OTHER GOVERNMENTAL AGENCIES	1,399	1,049	(350)
CHARGES FOR CURRENT SERVICES	-	-	-
OTHER REVENUES	-	-	-
TOTAL REVENUES	<u>1,399</u>	<u>1,053</u>	<u>(346)</u>
EXPENDITURES:			
CURRENT:			
GENERAL GOVERNMENT	-	-	-
PUBLIC PROTECTION	1,266	947	319
PUBLIC WAYS AND FACILITIES	-	-	-
HEALTH AND SANITATION	-	-	-
PUBLIC ASSISTANCE	-	-	-
EDUCATION	-	-	-
RECREATION AND CULTURAL SERVICES	-	-	-
DEBT SERVICE:			
PRINCIPAL	-	-	-
INTEREST AND FISCAL CHARGES	-	-	-
CAPITAL OUTLAY	98	-	98
TOTAL EXPENDITURES	<u>1,364</u>	<u>947</u>	<u>417</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>35</u>	<u>106</u>	<u>71</u>
OTHER FINANCING SOURCES (USES):			
TRANSFERS TO OTHER FUNDS	(98)	(87)	11
TRANSFERS FROM OTHER FUNDS	-	-	-
LONG-TERM DEBT ISSUED	-	-	-
INCEPTION OF CAPITAL LEASE OBLIGATIONS	-	-	-
SALE OF CAPITAL ASSETS	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(98)</u>	<u>(87)</u>	<u>11</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	(63)	19	82
FUND BALANCE, JULY 1, 2005	63	63	-
FUND BALANCE (DEFICIT), JUNE 30, 2006	<u>\$ -</u>	<u>\$ 82</u>	<u>\$ 82</u>

See accompanying independent auditor's report.

COUNTY OF SAN BERNARDINO
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICIT)
 BUDGET AND ACTUAL ON BUDGETARY BASIS (CONTINUED)
 CERTAIN SPECIAL REVENUE FUNDS
 YEAR ENDED JUNE 30, 2006 (IN THOUSANDS)

	PRESCHOOL SERVICES		
	BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES:			
TAXES	\$ -	\$ -	\$ -
LICENSES, PERMITS AND FRANCHISES	-	-	-
FINES, FORFEITURES AND PENALTIES	-	-	-
REVENUES FROM USE OF MONEY AND PROPERTY	-	33	33
AID FROM OTHER GOVERNMENTAL AGENCIES	38,952	36,894	(2,058)
CHARGES FOR CURRENT SERVICES	-	-	-
OTHER REVENUES	161	350	189
TOTAL REVENUES	<u>39,113</u>	<u>37,277</u>	<u>(1,836)</u>
EXPENDITURES:			
CURRENT:			
GENERAL GOVERNMENT	-	-	-
PUBLIC PROTECTION	-	-	-
PUBLIC WAYS AND FACILITIES	-	-	-
HEALTH AND SANITATION	-	-	-
PUBLIC ASSISTANCE	38,694	37,076	1,618
EDUCATION	-	-	-
RECREATION AND CULTURAL SERVICES	-	-	-
DEBT SERVICE:			
PRINCIPAL	-	-	-
INTEREST	-	-	-
CAPITAL OUTLAY	80	67	13
TOTAL EXPENDITURES	<u>38,774</u>	<u>37,143</u>	<u>1,631</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>339</u>	<u>134</u>	<u>(205)</u>
OTHER FINANCING SOURCES (USES):			
TRANSFERS TO OTHER FUNDS	(181)	(181)	-
TRANSFERS FROM OTHER FUNDS	-	-	-
LONG-TERM DEBT ISSUED	-	-	-
INCEPTION OF CAPITAL LEASE OBLIGATIONS	-	-	-
SALE OF CAPITAL ASSETS	-	7	7
TOTAL OTHER FINANCING SOURCES (USES)	<u>(181)</u>	<u>(174)</u>	<u>7</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	158	(40)	(198)
FUND BALANCE, JULY 1, 2005	(138)	(138)	-
FUND BALANCE, JUNE 30, 2006	<u>\$ 20</u>	<u>\$ (178)</u>	<u>\$ (198)</u>

See accompanying independent auditor's report.

COUNTY OF SAN BERNARDINO
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICIT)
 BUDGET AND ACTUAL ON BUDGETARY BASIS (CONTINUED)
 CERTAIN SPECIAL REVENUE FUNDS
 YEAR ENDED JUNE 30, 2006 (IN THOUSANDS)

	<u>SHERIFF'S SPECIAL PROJECTS</u>		
	<u>BUDGET</u>	<u>ACTUAL ON BUDGETARY BASIS</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
REVENUES:			
TAXES	\$ -	\$ -	\$ -
LICENSES, PERMITS AND FRANCHISES	-	-	-
FINES, FORFEITURES AND PENALTIES	75	-	(75)
REVENUES FROM USE OF MONEY AND PROPERTY	146	226	80
AID FROM OTHER GOVERNMENTAL AGENCIES	10,855	5,444	(5,411)
CHARGES FOR CURRENT SERVICES	3,617	3,155	(462)
OTHER REVENUES	<u>2,718</u>	<u>3,177</u>	<u>459</u>
TOTAL REVENUES	<u>17,411</u>	<u>12,002</u>	<u>(5,409)</u>
EXPENDITURES:			
CURRENT:			
GENERAL GOVERNMENT	-	-	-
PUBLIC PROTECTION	19,205	8,201	11,004
PUBLIC WAYS AND FACILITIES	-	-	-
HEALTH AND SANITATION	-	-	-
PUBLIC ASSISTANCE	-	-	-
EDUCATION	-	-	-
RECREATION AND CULTURAL SERVICES	-	-	-
DEBT SERVICE:			
PRINCIPAL	-	-	-
INTEREST AND FISCAL CHARGES	-	-	-
CAPITAL OUTLAY	<u>5,005</u>	<u>2,121</u>	<u>2,884</u>
TOTAL EXPENDITURES	<u>24,210</u>	<u>10,322</u>	<u>13,888</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(6,799)</u>	<u>1,680</u>	<u>8,479</u>
OTHER FINANCING SOURCES (USES):			
TRANSFERS TO OTHER FUNDS	(252)	-	252
TRANSFERS FROM OTHER FUNDS	-	-	-
LONG-TERM DEBT ISSUED	-	-	-
INCEPTION OF CAPITAL LEASE OBLIGATIONS	-	-	-
SALE OF CAPITAL ASSETS	<u>1,600</u>	<u>1,229</u>	<u>(371)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>1,348</u>	<u>1,229</u>	<u>(119)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	<u>(5,451)</u>	<u>2,909</u>	<u>8,360</u>
FUND BALANCE, JULY 1, 2005	<u>5,436</u>	<u>5,436</u>	<u>-</u>
FUND BALANCE (DEFICIT), JUNE 30, 2006	<u>\$ (15)</u>	<u>\$ 8,345</u>	<u>\$ 8,360</u>

See accompanying independent auditor's report.

COUNTY OF SAN BERNARDINO
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICIT)
 BUDGET AND ACTUAL ON BUDGETARY BASIS (CONTINUED)
 CERTAIN SPECIAL REVENUE FUNDS
 YEAR ENDED JUNE 30, 2006 (IN THOUSANDS)

	<u>SPECIAL TRANSPORTATION</u>		
	<u>BUDGET</u>	<u>ACTUAL ON BUDGETARY BASIS</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
REVENUES:			
TAXES	\$ 6,593	\$ 7,946	\$ 1,353
LICENSES, PERMITS AND FRANCHISES	-	-	-
FINES, FORFEITURES AND PENALTIES	-	-	-
REVENUES FROM USE OF MONEY AND PROPERTY	298	794	496
AID FROM OTHER GOVERNMENTAL AGENCIES	1,813	1,448	(365)
CHARGES FOR CURRENT SERVICES	2,301	3,137	836
OTHER REVENUES	-	157	157
TOTAL REVENUES	<u>11,005</u>	<u>13,482</u>	<u>2,477</u>
EXPENDITURES:			
CURRENT:			
GENERAL GOVERNMENT	-	-	-
PUBLIC PROTECTION	-	-	-
PUBLIC WAYS AND FACILITIES	30,643	9,217	21,426
HEALTH AND SANITATION	-	-	-
PUBLIC ASSISTANCE	-	-	-
EDUCATION	-	-	-
RECREATION AND CULTURAL SERVICES	-	-	-
DEBT SERVICE:			
PRINCIPAL	-	-	-
INTEREST AND FISCAL CHARGES	-	-	-
CAPITAL OUTLAY	10	8	2
TOTAL EXPENDITURES	<u>30,653</u>	<u>9,225</u>	<u>21,428</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(19,648)</u>	<u>4,257</u>	<u>23,905</u>
OTHER FINANCING SOURCES (USES):			
TRANSFERS TO OTHER FUNDS	-	-	-
TRANSFERS FROM OTHER FUNDS	-	-	-
LONG-TERM DEBT ISSUED	-	-	-
INCEPTION OF CAPITAL LEASE OBLIGATIONS	-	-	-
SALE OF CAPITAL ASSETS	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	<u>(19,648)</u>	<u>4,257</u>	<u>23,905</u>
FUND BALANCE, JULY 1, 2005	<u>20,005</u>	<u>20,005</u>	<u>-</u>
FUND BALANCE (DEFICIT), JUNE 30, 2006	<u>\$ 357</u>	<u>\$ 24,262</u>	<u>\$ 23,905</u>

See accompanying independent auditor's report.

COUNTY OF SAN BERNARDINO
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICIT)
 BUDGET AND ACTUAL ON BUDGETARY BASIS (CONTINUED)
 CERTAIN SPECIAL REVENUE FUNDS
 YEAR ENDED JUNE 30, 2006 (IN THOUSANDS)

	REDEVELOPMENT AGENCY		
	BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES:			
TAXES	\$ 4,983	\$ 8,375	\$ 3,392
LICENSES, PERMITS AND FRANCHISES	-	-	-
FINES, FORFEITURES AND PENALTIES	-	-	-
REVENUES FROM USE OF MONEY AND PROPERTY	175	477	302
AID FROM OTHER GOVERNMENTAL AGENCIES	74	-	(74)
CHARGES FOR CURRENT SERVICES	-	-	-
OTHER REVENUES	-	47	47
TOTAL REVENUES	<u>5,232</u>	<u>8,899</u>	<u>3,667</u>
EXPENDITURES:			
CURRENT:			
GENERAL GOVERNMENT	21,145	3,273	17,872
PUBLIC PROTECTION	-	-	-
PUBLIC WAYS AND FACILITIES	-	-	-
HEALTH AND SANITATION	-	-	-
PUBLIC ASSISTANCE	-	-	-
EDUCATION	-	-	-
RECREATION AND CULTURAL SERVICES	-	-	-
DEBT SERVICE:			
PRINCIPAL	-	-	-
INTEREST AND FISCAL CHARGES	106	106	-
CAPITAL OUTLAY	5,707	2,424	3,283
TOTAL EXPENDITURES	<u>26,958</u>	<u>5,803</u>	<u>21,155</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(21,726)</u>	<u>3,096</u>	<u>24,822</u>
OTHER FINANCING SOURCES (USES):			
TRANSFERS TO OTHER FUNDS	(2,258)	(209)	2,049
TRANSFERS FROM OTHER FUNDS	412	19	(393)
LONG-TERM DEBT ISSUED	-	-	-
INCEPTION OF CAPITAL LEASE OBLIGATIONS	-	-	-
SALE OF CAPITAL ASSETS	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1,846)</u>	<u>(190)</u>	<u>1,656</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	<u>(23,572)</u>	<u>2,906</u>	<u>26,478</u>
FUND BALANCE, JULY 1, 2005	<u>12,760</u>	<u>12,760</u>	<u>-</u>
FUND BALANCE (DEFICIT), JUNE 30, 2006	<u>\$ (10,812)</u>	<u>\$ 15,666</u>	<u>\$ 26,478</u>

See accompanying independent auditor's report.

COUNTY OF SAN BERNARDINO
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICIT)
 BUDGET AND ACTUAL ON BUDGETARY BASIS (CONTINUED)
 CERTAIN SPECIAL REVENUE FUNDS
 YEAR ENDED JUNE 30, 2006 (IN THOUSANDS)

	<u>OTHER SPECIAL REVENUE</u>		
	<u>BUDGET</u>	<u>ACTUAL ON BUDGETARY BASIS</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
REVENUES:			
TAXES	\$ 1,791	\$ 1,680	\$ (111)
LICENSES, PERMITS AND FRANCHISES	-	-	-
FINES, FORFEITURES AND PENALTIES	3,849	3,101	(748)
REVENUES FROM USE OF MONEY AND PROPERTY	3,058	4,280	1,222
AID FROM OTHER GOVERNMENTAL AGENCIES	29,752	20,314	(9,438)
CHARGES FOR CURRENT SERVICES	4,697	4,022	(675)
OTHER REVENUES	19,669	18,974	(695)
TOTAL REVENUES	<u>62,816</u>	<u>52,371</u>	<u>(10,445)</u>
EXPENDITURES:			
CURRENT:			
GENERAL GOVERNMENT	3,551	1,992	1,559
PUBLIC PROTECTION	23,202	12,108	11,094
PUBLIC WAYS AND FACILITIES	5,381	488	4,893
HEALTH AND SANITATION	20,828	2,791	18,037
PUBLIC ASSISTANCE	7,574	7,544	30
EDUCATION	-	-	-
RECREATION AND CULTURAL SERVICES	3,740	2,254	1,486
DEBT SERVICE:			
PRINCIPAL	-	-	-
INTEREST AND FISCAL CHARGES	-	-	-
CAPITAL OUTLAY	6,108	1,996	4,112
TOTAL EXPENDITURES	<u>70,384</u>	<u>29,173</u>	<u>41,211</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(7,568)</u>	<u>23,198</u>	<u>30,766</u>
OTHER FINANCING SOURCES (USES):			
TRANSFERS TO OTHER FUNDS	(48,729)	(27,891)	20,838
TRANSFERS FROM OTHER FUNDS	3,983	4,278	295
LONG-TERM DEBT ISSUED	-	-	-
INCEPTION OF CAPITAL LEASE OBLIGATIONS	-	-	-
SALE OF CAPITAL ASSETS	-	32	32
TOTAL OTHER FINANCING SOURCES (USES)	<u>(44,746)</u>	<u>(23,581)</u>	<u>21,165</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	<u>(52,314)</u>	<u>(383)</u>	<u>51,931</u>
FUND BALANCE, JULY 1, 2005	52,264	52,264	-
FUND BALANCE (DEFICIT), JUNE 30, 2006	<u>\$ (50)</u>	<u>\$ 51,881</u>	<u>\$ 51,931</u>

See accompanying independent auditor's report.

COUNTY OF SAN BERNARDINO
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICIT)
 BUDGET AND ACTUAL ON BUDGETARY BASIS
 CERTAIN CAPITAL PROJECTS FUNDS
 YEAR ENDED JUNE 30, 2006 (IN THOUSANDS)

	<u>TOTAL</u>		
	<u>BUDGET</u>	<u>ACTUAL ON BUDGETARY BASIS</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
REVENUES:			
TAXES	\$ -	\$ -	\$ -
REVENUES FROM USE OF MONEY AND PROPERTY	2	367	365
AID FROM OTHER GOVERNMENTAL AGENCIES	16,096	1,897	(14,199)
CHARGES FOR CURRENT SERVICES	-	1	1
OTHER REVENUES	<u>3,692</u>	<u>2,765</u>	<u>(927)</u>
TOTAL REVENUES	<u>19,790</u>	<u>5,030</u>	<u>(14,760)</u>
EXPENDITURES:			
CURRENT:			
GENERAL GOVERNMENT	9,884	1,575	8,309
DEBT SERVICE:			
PRINCIPAL	-	-	-
INTEREST AND FISCAL CHARGES	-	-	-
CAPITAL OUTLAY	<u>4,225</u>	<u>656</u>	<u>3,569</u>
TOTAL EXPENDITURES	<u>14,109</u>	<u>2,231</u>	<u>11,878</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>5,681</u>	<u>2,799</u>	<u>(2,882)</u>
OTHER FINANCING SOURCES:			
TRANSFERS TO OTHER FUNDS	(10,706)	-	10,706
TRANSFERS FROM OTHER FUNDS	164,891	(1,528)	(166,419)
LONG-TERM DEBT ISSUED	-	107,943	107,943
SALE OF FIXED ASSETS	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES	<u>154,185</u>	<u>106,415</u>	<u>(47,770)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	159,866	109,214	(50,652)
FUND BALANCE (DEFICIT), JULY 1, 2005	<u>143</u>	<u>143</u>	<u>-</u>
FUND BALANCE, JUNE 30, 2006	<u>\$ 160,009</u>	<u>\$ 109,357</u>	<u>\$ (50,652)</u>

See accompanying independent auditor's report.

COUNTY OF SAN BERNARDINO
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICIT)
 BUDGET AND ACTUAL ON BUDGETARY BASIS (CONTINUED)
 CERTAIN CAPITAL PROJECTS FUNDS
 YEAR ENDED JUNE 30, 2006 (IN THOUSANDS)

	<u>CAPITAL IMPROVEMENTS</u>		
	<u>BUDGET</u>	<u>ACTUAL ON BUDGETARY BASIS</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
REVENUES:			
TAXES	\$ -	\$ -	\$ -
REVENUES FROM USE OF MONEY AND PROPERTY	2	83	81
AID FROM OTHER GOVERNMENTAL AGENCIES	16,096	322	(15,774)
CHARGES FOR CURRENT SERVICES	-	1	1
OTHER REVENUES	<u>3,531</u>	<u>2,765</u>	<u>(766)</u>
TOTAL REVENUES	<u>19,629</u>	<u>3,171</u>	<u>(16,458)</u>
EXPENDITURES:			
GENERAL GOVERNMENT	6,384	1,575	4,809
CAPITAL OUTLAY	<u>190,530</u>	<u>69,159</u>	<u>121,371</u>
TOTAL EXPENDITURES	<u>196,914</u>	<u>70,734</u>	<u>126,180</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(177,285)</u>	<u>(67,563)</u>	<u>109,722</u>
OTHER FINANCING SOURCES:			
TRANSFERS TO OTHER FUNDS	(8,223)	(3,043)	5,180
TRANSFERS FROM OTHER FUNDS	146,561	99,256	(47,305)
LONG-TERM DEBT ISSUED	-	-	-
SALE OF FIXED ASSETS	<u>23</u>	<u>-</u>	<u>(23)</u>
TOTAL OTHER FINANCING SOURCES	<u>138,361</u>	<u>96,213</u>	<u>(42,148)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	<u>(38,924)</u>	<u>28,650</u>	<u>67,574</u>
FUND BALANCE (DEFICIT), JULY 1, 2005	<u>38,918</u>	<u>38,918</u>	<u>-</u>
FUND BALANCE, JUNE 30, 2006	<u>\$ (6)</u>	<u>\$ 67,568</u>	<u>\$ 67,574</u>

See accompanying independent auditor's report.

COUNTY OF SAN BERNARDINO
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICIT)
 BUDGET AND ACTUAL ON BUDGETARY BASIS (CONTINUED)
 CERTAIN CAPITAL PROJECTS FUNDS
 YEAR ENDED JUNE 30, 2006 (IN THOUSANDS)

	<u>PARK AND RECREATION DISTRICTS</u>		
	<u>BUDGET</u>	<u>ACTUAL ON BUDGETARY BASIS</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
REVENUES:			
TAXES	\$ -	\$ -	\$ -
REVENUES FROM USE OF MONEY AND PROPERTY	-	14	14
AID FROM OTHER GOVERNMENTAL AGENCIES	-	1,575	1,575
CHARGES FOR CURRENT SERVICES	-	-	-
OTHER REVENUES	-	-	-
TOTAL REVENUES	<u>-</u>	<u>1,589</u>	<u>1,589</u>
EXPENDITURES:			
GENERAL GOVERNMENT	-	-	-
CAPITAL OUTLAY	<u>4,317</u>	<u>197</u>	<u>4,120</u>
TOTAL EXPENDITURES	<u>4,317</u>	<u>197</u>	<u>4,120</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(4,317)</u>	<u>1,392</u>	<u>(5,709)</u>
OTHER FINANCING SOURCES:			
TRANSFERS TO OTHER FUNDS	-	-	-
TRANSFERS FROM OTHER FUNDS	4,317	1,228	(3,089)
LONG-TERM DEBT ISSUED	-	-	-
SALE OF FIXED ASSETS	-	-	-
TOTAL OTHER FINANCING SOURCES	<u>4,317</u>	<u>1,228</u>	<u>(3,089)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	-	2,620	2,620
FUND BALANCE (DEFICIT), JULY 1, 2005	<u>21</u>	<u>21</u>	<u>-</u>
FUND BALANCE, JUNE 30, 2006	<u>\$ 21</u>	<u>\$ 2,641</u>	<u>\$ 2,620</u>

See accompanying independent auditor's report.

COUNTY OF SAN BERNARDINO
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICIT)
 BUDGET AND ACTUAL ON BUDGETARY BASIS (CONTINUED)
 CERTAIN CAPITAL PROJECTS FUNDS
 YEAR ENDED JUNE 30, 2006 (IN THOUSANDS)

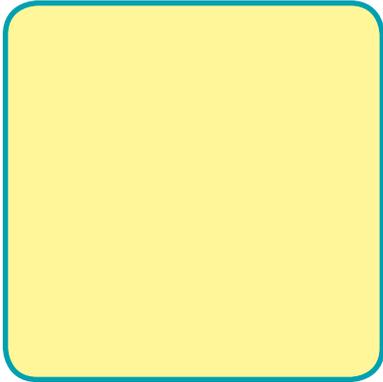
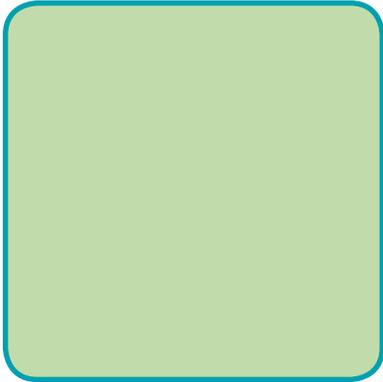
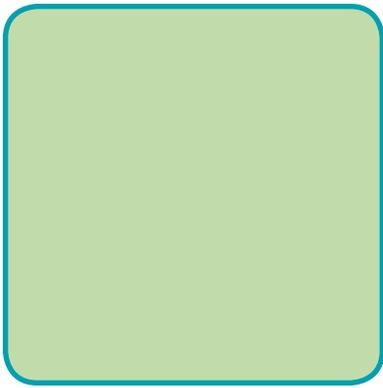
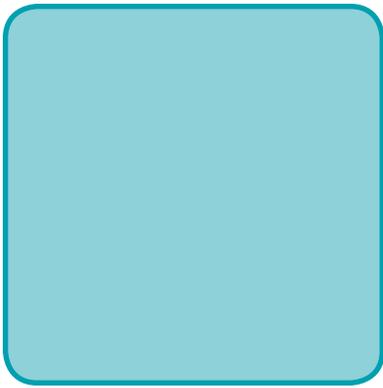
	<u>COUNTY SERVICE AREAS</u>		
	<u>BUDGET</u>	<u>ACTUAL ON BUDGETARY BASIS</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
REVENUES:			
TAXES	\$ -	\$ -	\$ -
REVENUES FROM USE OF MONEY AND PROPERTY	-	243	243
AID FROM OTHER GOVERNMENTAL AGENCIES	-	-	-
CHARGES FOR CURRENT SERVICES	-	-	-
OTHER REVENUES	<u>161</u>	<u>-</u>	<u>(161)</u>
TOTAL REVENUES	<u>161</u>	<u>243</u>	<u>82</u>
EXPENDITURES:			
GENERAL GOVERNMENT	3,500	-	3,500
CAPITAL OUTLAY	<u>11,756</u>	<u>3,704</u>	<u>8,052</u>
TOTAL EXPENDITURES	<u>15,256</u>	<u>3,704</u>	<u>11,552</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(15,095)</u>	<u>(3,461)</u>	<u>11,634</u>
OTHER FINANCING SOURCES:			
TRANSFERS TO OTHER FUNDS	(2,483)	-	2,483
TRANSFERS FROM OTHER FUNDS	10,613	7,459	(3,154)
LONG-TERM DEBT ISSUED	-	-	-
SALE OF FIXED ASSETS	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES	<u>8,130</u>	<u>7,459</u>	<u>(671)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	(6,965)	3,998	10,963
FUND BALANCE (DEFICIT), JULY 1, 2005	<u>6,383</u>	<u>6,383</u>	<u>-</u>
FUND BALANCE, JUNE 30, 2006	<u>\$ (582)</u>	<u>\$ 10,381</u>	<u>\$ 10,963</u>

See accompanying independent auditor's report.

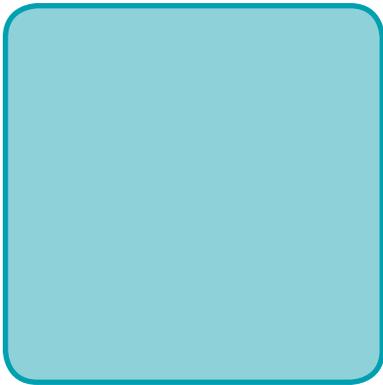
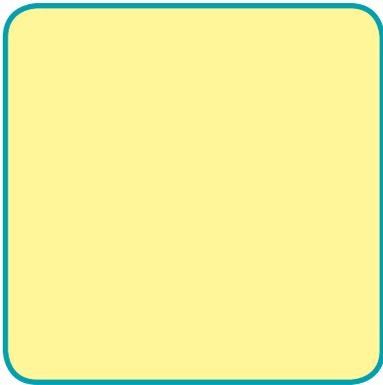
COUNTY OF SAN BERNARDINO
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICIT)
 BUDGET AND ACTUAL ON BUDGETARY BASIS (CONTINUED)
 CERTAIN CAPITAL PROJECTS FUNDS
 YEAR ENDED JUNE 30, 2006 (IN THOUSANDS)

	<u>FIRE PROTECTION DISTRICTS</u>		
	<u>BUDGET</u>	<u>ACTUAL ON BUDGETARY BASIS</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
REVENUES:			
TAXES	\$ -	\$ -	\$ -
REVENUES FROM USE OF MONEY AND PROPERTY	-	27	27
AID FROM OTHER GOVERNMENTAL AGENCIES	-	-	-
CHARGES FOR CURRENT SERVICES	-	-	-
OTHER REVENUES	-	-	-
	<hr/>	<hr/>	<hr/>
TOTAL REVENUES	-	27	27
	<hr/>	<hr/>	<hr/>
EXPENDITURES:			
GENERAL GOVERNMENT	-	-	-
CAPITAL OUTLAY	4,225	656	3,569
	<hr/>	<hr/>	<hr/>
TOTAL EXPENDITURES	4,225	656	3,569
	<hr/>	<hr/>	<hr/>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(4,225)	(629)	3,596
	<hr/>	<hr/>	<hr/>
OTHER FINANCING SOURCES:			
TRANSFERS TO OTHER FUNDS	-	-	-
TRANSFERS FROM OTHER FUNDS	3,400	1,515	(1,885)
LONG-TERM DEBT ISSUED	-	-	-
SALE OF FIXED ASSETS	-	-	-
	<hr/>	<hr/>	<hr/>
TOTAL OTHER FINANCING SOURCES	3,400	1,515	(1,885)
	<hr/>	<hr/>	<hr/>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	(825)	886	1,711
	<hr/>	<hr/>	<hr/>
FUND BALANCE (DEFICIT), JULY 1, 2005	143	929	786
	<hr/>	<hr/>	<hr/>
FUND BALANCE, JUNE 30, 2006	<u>\$ (682)</u>	<u>\$ 1,815</u>	<u>\$ 2,497</u>

See accompanying independent auditor's report.



Statistical
Section



Comprehensive Annual
Financial Report



STATISTICAL SECTION

The information in this section is not covered by the Independent Auditors' Report, but is presented as supplemental data for the benefit of the readers of the comprehensive annual financial report. The objectives of statistical section information are to provide financial statement users with additional historical perspective, context, and detail to assist in using the information in the financial statements, notes to financial statements, and required supplementary information to understand and assess a governments condition.

CONTENTS

FINANCIAL TRENDS

These schedules contain trend information to help the reader understand how the County's financial performance and well-being have changed over time.

REVENUE CAPACITY

These schedules contain trend information to help the reader assess the County's most significant local revenue source, the property tax.

DEBT CAPACITY

These schedules present information to help the reader assess the affordability of the County's current levels of outstanding debt and the County's ability to issue additional debt in the future.

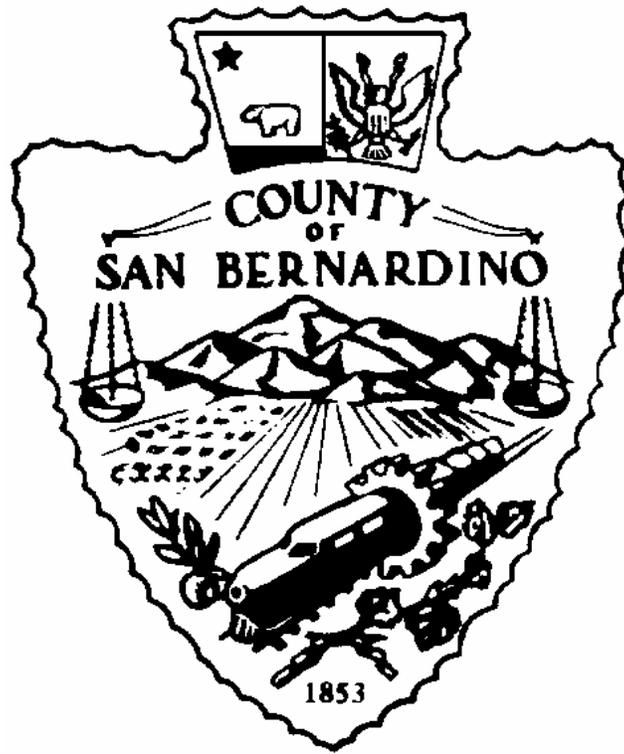
ECONOMIC AND DEMOGRAPHIC INFORMATION

These schedules offer economic and demographic indicators to help the reader understand the environment within which the County's financial activities take place.

OPERATION INFORMATION

These schedules contain service and infrastructure data to help the reader understand how the information in the County's financial report relates to the services the County provides and the activities it performs.

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.



SAN BERNARDINO COUNTY
NET ASSETS BY COMPONENT
LAST TEN FISCAL YEARS (in thousands)
(accrual basis of accounting)

	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02 as restated	2002-03 as restated	2003-04	2004-05	2005-06
GOVERNMENTAL ACTIVITIES										
INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT	--	--	--	--	--	\$ 792,956	\$ 789,223	\$ 892,791	\$ 919,051	\$ 983,817
RESTRICTED:	--	--	--	--	--	397,757	410,106	400,271	465,540	571,483
UNRESTRICTED	--	--	--	--	--	(318,494)	119,932	77,292	149,702	146,373
SUBTOTAL GOVERNMENTAL ACTIVITIES NET ASSETS	--	--	--	--	--	872,219	1,319,261	1,370,354	1,534,293	1,701,673
BUSINESS-TYPE ACTIVITIES										
INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT	--	--	--	--	--	(39,382)	(63,993)	(60,294)	(45,032)	(50,023)
RESTRICTED:	--	--	--	--	--	44,130	47,357	45,523	47,908	46,444
UNRESTRICTED	--	--	--	--	--	47,487	60,269	88,102	96,577	151,382
SUBTOTAL BUSINESS-TYPE ACTIVITIES NET ASSETS	--	--	--	--	--	52,235	43,633	73,331	99,453	147,803
PRIMARY GOVERNMENT										
INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT	--	--	--	--	--	753,574	725,230	832,497	874,019	933,794
RESTRICTED:	--	--	--	--	--	441,887	457,463	445,794	513,448	617,927
UNRESTRICTED	--	--	--	--	--	(271,007)	180,201	165,394	246,279	297,755
TOTAL PRIMARY GOVERNMENT NET ASSETS	--	--	--	--	--	924,454	1,362,894	1,443,685	1,633,746	1,849,476

Notes:

- (1) Trend data is only available for the last five years due to the implementation of GASB 34.
- (2) FY2001-02 'Total Primary Government Net Assets' were restated in FY2002-03 from \$888,017 to \$924,454.
- (3) FY2002-03 'Total Primary Government Net Assets' were restated in FY2003-04 from \$982,908 to \$1,362,894.
- (4) Accounting standards require that net assets be reported in three components in the financial statements: invested in capital assets, net of related debt; restricted; and unrestricted. Net assets are considered restricted when 1) externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments or 2) imposed by law through constitutional provisions or enabling legislation.

COUNTY OF SAN BERNARDINO
CHANGES IN NET ASSETS
LAST TEN FISCAL YEARS (in thousands)
(accrual basis of accounting)

	<u>1996-97</u>	<u>1997-98</u>	<u>1998-99</u>	<u>1999-00</u>	<u>2000-01</u>	<u>2001-02</u>	<u>2002-03</u>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>
Expenses										
Governmental Activities:										
General Government	--	--	--	--	--	\$ 121,398	\$ 113,270	\$ 132,933	\$ 125,760	\$ 137,880
Public Protection	--	--	--	--	--	532,666	586,715	656,464	702,624	764,154
Public Ways and Facilities	--	--	--	--	--	54,659	53,849	37,095	61,786	73,014
Health and Sanitation	--	--	--	--	--	332,361	303,216	328,530	329,669	241,795
Public Assistance	--	--	--	--	--	804,164	818,786	820,853	827,800	817,924
Education	--	--	--	--	--	14,826	12,782	10,357	16,243	17,612
Recreation and Cultural Services	--	--	--	--	--	15,321	17,456	22,284	21,185	19,355
Interest on Long Term Debt	--	--	--	--	--	49,542	45,109	42,678	72,041	75,350
Total Governmental Activities	--	--	--	--	--	1,924,937	1,951,183	2,051,194	2,157,108	2,147,084
Business-type Activities:										
Medical Center	--	--	--	--	--	399,621	418,332	456,087	496,437	430,459
Waste Systems	--	--	--	--	--	46,051	62,393	29,781	53,835	69,320
Other	--	--	--	--	--	17,492	20,823	19,827	19,446	21,463
Total Business-type Activities	--	--	--	--	--	463,164	501,548	505,695	569,718	521,242
Total Primary Government Expenses	--	--	--	--	--	2,388,101	2,452,731	2,556,889	2,726,826	2,668,326
Program Revenues										
Governmental Activities:										
Charges for Services:										
General Government	--	--	--	--	--	78,945	84,719	93,387	93,122	99,452
Public Protection	--	--	--	--	--	119,413	132,329	140,922	160,169	168,524
Public Ways and Facilities	--	--	--	--	--	2,772	3,154	5,463	3,416	4,933
Health and Sanitation	--	--	--	--	--	106,714	110,458	125,299	141,471	42,713
Public Assistance	--	--	--	--	--	2,881	2,915	3,435	2,356	3,296
Education	--	--	--	--	--	816	889	1,054	1,008	1,105
Recreation and Cultural Services	--	--	--	--	--	6,375	8,700	7,833	7,342	7,030
Operating Grants/Contributions:										
General Government	--	--	--	--	--	8,046	5,588	13,982	8,646	9,438
Public Protection	--	--	--	--	--	112,459	121,453	146,814	151,158	168,369
Public Ways and Facilities	--	--	--	--	--	48,822	41,400	38,228	41,539	58,946
Health and Sanitation	--	--	--	--	--	249,609	204,083	222,900	246,782	247,842
Public Assistance	--	--	--	--	--	778,054	785,015	765,606	785,408	780,819
Education	--	--	--	--	--	2,275	1,711	978	762	987
Recreation and Cultural Services	--	--	--	--	--	102	501	801	4,368	4,262
Capital Grants/Contributions:										
Public Protection	--	--	--	--	--	7,705	14,780	-	-	-
Public Ways and Facilities	--	--	--	--	--	-	-	10,608	6,129	322
Subtotal Governmental Activities	--	--	--	--	--	1,524,988	1,517,695	1,577,310	1,653,676	1,598,038
Business-type Activities:										
Charges for Services:										
Medical Center	--	--	--	--	--	298,325	320,290	372,815	427,102	345,923
Waste System	--	--	--	--	--	46,274	44,272	54,831	63,240	65,616
Other	--	--	--	--	--	15,086	17,031	18,835	21,026	20,206
Operating Grants & Contributions:										
Medical Center	--	--	--	--	--	46,598	15,386	13,727	13,443	13,147
Waste System	--	--	--	--	--	-	-	946	-	-
Other	--	--	--	--	--	216	235	103	2,318	2,825
Capital Grants & Contributions:										
Medical Center	--	--	--	--	--	30,365	29,735	22,166	20,259	21,521
Subtotal Business-type Activities	--	--	--	--	--	436,864	426,949	483,423	547,388	469,238
Total Primary Government Program Revenue	--	--	--	--	--	1,961,852	1,944,644	2,060,733	2,201,064	2,067,276
Net (Expense) / Revenue										
Governmental Activities	--	--	--	--	--	(399,949)	(433,488)	(473,884)	(503,432)	(549,046)
Business-type Activities	--	--	--	--	--	(26,300)	(74,599)	(22,272)	(22,330)	(52,004)
Total Primary Government Net Expenses	--	--	--	--	--	(426,249)	(508,087)	(496,156)	(525,762)	(601,050)

(Continued)

Notes:

(1) Trend data is only available for the last five years due to the implementation of GASB 34.

COUNTY OF SAN BERNARDINO
CHANGES IN NET ASSETS
LAST TEN FISCAL YEARS (in thousands)
(accrual basis of accounting)

	<u>1996-97</u>	<u>1997-98</u>	<u>1998-99</u>	<u>1999-00</u>	<u>2000-01</u>	<u>2001-02</u>	<u>2002-03</u>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>
General Revenues and Other Changes in Net Assets										
Governmental Activities:										
Property Taxes, Levied for General Purposes	--	--	--	--	--	181,558	185,768	206,860	213,644	418,703
Property Taxes, Levied for Debt Service	--	--	--	--	--	4,173	4,224	4,932	3,557	8,375
Public Safety Tax	--	--	--	--	--	90,363	94,206	110,188	125,222	140,855
Sales Taxes	--	--	--	--	--	19,572	21,766	22,285	26,683	30,875
Other Taxes	--	--	--	--	--	14,797	20,167	25,202	37,453	54,221
Motor Vehicle In-Lieu Taxes	--	--	--	--	--	111,964	117,661	94,583	175,266	-
Unrestricted Revenues from Use of Money and Property	--	--	--	--	--	51,922	37,247	33,063	43,762	61,590
Miscellaneous	--	--	--	--	--	73,922	58,393	46,876	63,545	51,784
Gains on Sale of Capital Assets	--	--	--	--	--	1,834	2,332	5,051	4,857	5,523
Transfers	--	--	--	--	--	(9,208)	(41,839)	(24,063)	(26,618)	(55,500)
Subtotal Governmental Activities	--	--	--	--	--	540,897	499,925	524,977	667,371	716,426
Business-type Activities										
Property Taxes, Levied for General Purposes	--	--	--	--	--	4,728	7,221	5,837	5,432	4,768
Unrestricted Revenues from Use of Money and Property	--	--	--	--	--	17,032	14,107	10,289	9,695	5,994
Miscellaneous	--	--	--	--	--	3,497	3,281	11,747	6,687	5,705
Gains on Sale of Capital Assets	--	--	--	--	--	(10)	168	34	20	157
Special Item - Gain on Sale of Surplus Land	--	--	--	--	--	-	-	-	-	28,230
Transfers	--	--	--	--	--	9,208	41,839	24,063	26,618	55,500
Subtotal Business-type Activities	--	--	--	--	--	34,455	66,616	51,970	48,452	100,354
Total primary government	--	--	--	--	--	575,352	566,541	576,947	715,823	816,780
Changes in Net Assets										
Governmental Activities	--	--	--	--	--	140,948	66,437	51,093	163,939	167,380
Business-type Activities	--	--	--	--	--	8,155	(7,983)	29,698	26,122	48,350
Total Primary Government Net Expenses	--	--	--	--	--	149,103	58,454	80,791	190,061	215,730

Notes:

(1) Trend data is only available for the last five fiscal years due to the implementation of GASB 34.

COUNTY OF SAN BERNARDINO
FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS (IN THOUSANDS)
(modified accrual basis accounting)

	<u>1996-97</u>	<u>1997-98</u>	<u>1998-99</u>	<u>1999-00</u>	<u>2000-01</u>	<u>2001-02</u>	<u>2002-03</u>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>
General Fund										
Reserved for:										
Encumbrances	--	--	--	--	--	\$ 13,994	\$ 15,542	\$ 9,632	\$ 33,021	\$ 15,267
Prepaid Items	--	--	--	--	--	321	1,489	1,344	7	7
Noncurrent Interfund Receivables	--	--	--	--	--	925	25	1,025	-	2,000
Inventories	--	--	--	--	--	1,192	1,166	1,205	295	296
Loans Receivable	--	--	--	--	--	1,218	1,457	1,462	1,817	16,745
Teeter	--	--	--	--	--	6,420	9,077	9,077	9,827	13,672
Unreserved:										
Designated	--	--	--	--	--	91,867	106,264	108,878	112,900	127,727
Undesignated	--	--	--	--	--	163,548	150,554	197,175	290,869	237,331
Subtotal General Fund	--	--	--	--	--	279,485	285,574	329,798	448,736	413,045
All Other Governmental Funds										
Reserved for:										
Encumbrances	--	--	--	--	--	40,045	47,087	38,293	51,536	68,059
Prepaid items	--	--	--	--	--	43	1,000	-	23	-
Noncurrent Interfund Receivables	--	--	--	--	--	3	453	403	400	400
Land Held for Resale	--	--	--	--	--	-	-	-	-	2,754
Inventories	--	--	--	--	--	919	933	235	214	185
Loans Receivable	--	--	--	--	--	-	144	116	-	-
Debt Service	--	--	--	--	--	37,382	48,947	40,193	30,719	26,260
Unreserved:										
Undesignated, Reported in:										
Special Revenue Funds	--	--	--	--	--	196,714	200,564	217,986	204,808	241,105
Capital Projects Funds	--	--	--	--	--	34,192	34,898	16,943	53,357	124,529
Permanent Funds	--	--	--	--	--	475	514	543	482	517
Subtotal All Other Governmental Funds	--	--	--	--	--	309,773	334,540	314,712	341,539	463,809
Total Governmental Fund Balance	--	--	--	--	--	589,258	620,114	644,510	790,275	876,854

Notes:

- 1) Trend data is only available for the last five fiscal years due to the implementation of GASB 34.
- 2) The substantial increase or decrease in fund balance reserved, or unreserved is explained in Management's Discussion Analysis.

COUNTY OF SAN BERNARDINO
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS (IN THOUSANDS)
(modified accrual basis accounting)

	<u>1996-97</u>	<u>1997-98</u>	<u>1998-99</u>	<u>1999-00</u>	<u>2000-01</u>	<u>2001-02</u>	<u>2002-03</u>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>
Revenues (by Source)										
Taxes	\$ 243,678	\$ 253,379	\$ 262,345	\$ 280,499	\$ 303,313	\$ 300,737	\$ 329,753	\$ 371,404	\$ 400,646	\$ 644,390
Licenses, Permits, and Franchises	8,842	13,701	14,079	15,202	15,766	16,520	16,670	18,630	20,964	22,462
Fines, Forfeitures, and Penalties	11,884	15,599	18,936	20,168	18,440	16,574	18,841	16,458	18,744	18,656
Rev from Use of Money and Property	81,228	64,276	54,949	55,948	58,182	51,922	37,247	33,063	44,205	62,919
Aid from Other Governments	961,601	941,671	992,829	1,077,662	1,169,708	1,323,725	1,296,324	1,298,765	1,425,832	1,273,869
Charges for Current Services	188,103	201,079	231,473	239,699	248,090	284,822	307,653	342,305	369,176	285,935
Other Revenues	11,853	25,594	17,612	45,492	70,157	73,967	58,418	47,154	64,227	51,988
Total Revenues	\$ 1,507,189	\$ 1,515,299	\$ 1,592,223	\$ 1,734,670	1,883,656	2,068,267	2,064,906	2,127,779	2,343,794	2,360,219
Expenditures (by Function)										
General Government	66,889	85,399	80,223	82,523	91,459	118,669	110,847	178,026	123,212	137,547
Public Protection	401,533	428,582	439,974	470,918	510,068	521,433	560,753	859,932	686,855	749,900
Public Ways and Facilities	34,616	33,727	35,100	36,237	43,178	58,269	59,272	57,576	47,364	75,416
Health and Sanitation	213,170	230,119	256,222	274,474	272,180	331,155	301,484	386,749	329,595	245,187
Public Assistance	666,749	626,647	646,888	678,314	709,821	800,038	814,631	923,900	826,829	827,230
Education	8,627	8,918	10,080	11,235	40,899	12,626	12,543	14,029	15,912	17,469
Recreation and Cultural Services	11,977	11,157	11,931	11,340	14,058	14,316	14,986	19,545	18,490	16,443
Debt Service										
Principal	36,470	36,630	28,787	22,136	99,557	24,662	96,480	23,163	31,887	37,596
Interest	72,520	76,698	39,162	49,684	48,577	35,817	30,313	26,727	44,078	54,968
Bond Issuance Costs	-	-	-	-	-	-	-	-	-	2,297
Advance Refunding Escrow	-	-	-	-	-	-	-	-	-	1,622
Capital Outlay	131,847	101,739	31,046	38,262	44,829	59,974	60,147	60,279	53,914	107,057
Total Expenditures	1,644,398	1,639,616	1,579,413	1,675,123	1,874,626	1,976,959	2,061,456	2,549,926	2,178,136	2,272,732
Excess (Deficiency) of Revenues Over (Under) Expenditures	(137,209)	(124,317)	12,810	59,547	9,030	91,308	3,450	(422,147)	165,658	87,487
Other Financing Sources (Uses)										
Transfer to Other Funds	(103,108)	(56,485)	(55,913)	(80,316)	(134,149)	(117,727)	(182,454)	(126,812)	(198,539)	(296,777)
Transfer from Other Funds	103,652	78,358	57,517	83,909	116,376	108,519	140,615	102,896	172,054	246,806
RDA Property Conveyance	-	-	-	-	(4,460)	-	-	-	-	-
Refunding Bonds Issued	128,670	95,394	-	-	-	119,659	63,791	-	-	58,275
Premium on Refunding Bonds	-	-	-	-	-	-	-	-	-	1,270
Payment To Refunded Bond Escrow Agent	(39,135)	(76,240)	-	-	-	(112,171)	-	-	-	(18,792)
Long-Term Debt Issued	-	121,551	-	19,770	-	-	-	466,142	940	2,118
Inception Of Capital Leases Obligations	358	579	848	5,951	2,979	2,903	1,485	1,038	796	823
Sale of Capital Assets	842	2,233	1,415	3,131	4,413	1,834	2,332	3,279	4,856	5,369
Other	-	-	(4,906)	-	(49)	-	-	-	-	-
Bond Issuance Costs	(3,022)	-	-	-	-	-	-	-	-	-
Total Other Financing Sources and (Uses)	88,257	165,390	(1,039)	32,445	(14,890)	3,017	25,769	446,543	(19,893)	(908)
Net Change in Fund Balance	\$ (48,952)	\$ 41,073	\$ 11,771	\$ 91,992	\$ (5,860)	\$ 94,325	\$ 29,219	\$ 24,396	145,765	\$ 86,579
Debt Service as a Percentage of Noncapital Expenditures:	7.21%	7.37%	4.39%	4.39%	8.10%	3.15%	6.34%	2.00%	3.58%	4.27%

**SAN BERNARDINO COUNTY
 ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY
 LAST TEN FISCAL YEARS (IN THOUSANDS)**

FISCAL YEAR	(1) SECURED	(2) UNSECURED	(3) UNITARY	(4) EXEMPT	TOTAL TAXABLE ASSESSED VALUE	TOTAL DIRECT TAX RATE
1996-1997	66,119,220	4,816,398	3,483,959	(1,657,520)	72,762,057	1.00%
1997-1998	67,300,088	5,248,602	3,355,640	(1,670,230)	74,234,100	1.00%
1998-1999	68,611,518	5,708,566	3,458,922	(1,647,132)	76,131,874	1.00%
1999-2000	70,901,485	5,727,159	3,250,320	(1,634,987)	78,243,977	1.00%
2000-2001	73,958,124	5,992,100	3,126,651	(1,582,587)	81,494,288	1.00%
2001-2002	79,140,890	6,282,204	3,039,460	(1,649,624)	86,812,930	1.00%
2002-2003	85,489,055	6,741,921	3,168,274	(1,677,990)	93,721,260	1.00%
2003-2004	93,691,969	6,814,015	3,103,587	(1,759,907)	101,849,664	1.00%
2004-2005	104,412,156	6,754,932	3,198,469	(1,779,075)	112,586,482	1.00%
2005-2006	119,954,789	7,405,467	3,313,150	(1,777,529)	128,895,877	1.00%

Notes:

- (1) Secured property is generally real property, defined as land, mines, minerals, timber and improvements such as buildings, structures, crops, trees and vines.
- (2) Unsecured property is generally personal property including machinery, equipment, office tools and supplies.
- (3) Unitary properties are railroads and utilities crossing the county and are assessed by the State Board of Equalization.
- (4) Exempt properties include numerous full and partial exclusions/exemptions provided by the State Constitution and the legislature that relieve certain taxpayers from the burden of paying property taxes.
- (5) Due to the 1978 passage of the property tax initiative Proposition 13 (Prop 13) the County does not track the estimated actual value of all County properties. Under Prop 13 property is assessed at the 1978 market value with an annual increase limited to the lesser of 2% or the CPI on properties not involved in a change of ownership or properties that did not undergo new construction. Newly acquired property is assessed at its new market value (usually the purchase price) and the value of any new construction is added to the existing base value of a parcel. As a result, similar properties can have substantially different assessed values based on the date purchase. Additionally, Prop 13 limits the property tax rate to 1% of assessed value plus the rate necessary to fund local voter-approved bonds and special assessments.

Source:

Auditor-Controller/Recorder, County of San Bernardino

COUNTY OF SAN BERNARDINO
PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS - TAX RATE AREA 7000 (1)
(\$1 PER \$100 OF ASSESSED VALUE)
LAST TEN FISCAL YEARS
06/30/2006

<u>FISCAL YEAR</u>	<u>SAN BERNARDINO COUNTY GENERAL</u>	<u>SCHOOLS</u>	<u>SAN BERNARDINO MUNICIPAL WATER</u>	<u>TOTAL</u>
1996-97	1.0000	0.0018	0.0870	1.0888
1997-98	1.0000	0.0015	0.1070	1.1085
1998-99	1.0000	0.0015	0.1070	1.1085
1999-00	1.0000	0.0426	0.1070	1.1496
2000-01	1.0000	0.0336	0.1070	1.1406
2001-02	1.0000	0.0361	0.1420	1.1781
2002-03	1.0000	0.0315	0.1400	1.1715
2003-04	1.0000	0.0579	0.1400	1.1979
2004-05	1.0000	0.1105	0.1400	1.2505
2005-06	1.0000	0.0954	0.1600	1.2554

Note:

(1) The tax rate for Tax Rate Area 7000, which applies to most of the property within the City of San Bernardino, is used to illustrate the breakdown of a tax rate within the County.

Source:

Auditor/Controller-Recorder, County of San Bernardino.

COUNTY OF SAN BERNARDINO
 PRINCIPAL PROPERTY TAXPAYERS
 CURRENT YEAR AND NINE YEARS AGO

TAXPAYERS	TYPE OF BUSINESS	FISCAL YEAR 2006		FISCAL YEAR 1998	
		ASSESSED VALUE	PERCENTAGE OF TOTAL COUNTY TAXABLE ASSESSED VALUE	ASSESSED VALUE	PERCENTAGE OF TOTAL COUNTY TAXABLE ASSESSED VALUE
SOUTHERN CALIFORNIA EDISON	UTILITY	\$1,076,949,651	0.70%	1,579,975,600	1.70%
VERIZON CALIFORNIA INC	COMMUNICATIONS	534,738,254	0.35%	N/A	
HIGH DESERT POWER TRUST 2000-A	UTILITY	489,000,000	0.32%	N/A	
CALIFORNIA STEEL INDUSTRIES INC	MANUFACTURING	403,809,158	0.26%	292,397,600	0.31%
KAISER FOUNDATION HOSPITALS	HEALTH CARE	330,018,342	0.21%	N/A	
KERN RIVER GAS TRANS CO	PIPELINE	321,781,073	0.21%	N/A	
CEMEX INC	MANUFACTURING	295,908,102	0.19%	N/A	
LOMA LINDA UNIVERSITY MEDICAL CENTER	HEALTH CARE	283,556,948	0.18%	N/A	
MAJESTIC REALTY CO	REAL ESTATE	244,769,168	0.16%	N/A	
SOUTHERN CALIFORNIA GAS CO	UTILITY	237,163,561	0.15%	313,006,900	0.34%
TOTAL		<u>\$ 3,140,744,606</u>	<u>2.74%</u>	<u>605,404,500</u>	<u>2.35%</u>

Notes:

Net Assesses Secured amounts include Secured & Unitary less exemptions.

Source:

Auditor/Controller-Recorder, County of San Bernardino

**SAN BERNARDINO COUNTY
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN YEARS (IN THOUSANDS)**

FISCAL YEAR	(1) TAXES LEVIED	(2) COLLECTED WITHIN THE FISCAL YEAR OF THE LEVY		COLLECTIONS IN SUBSEQUENT YEARS	TOTAL COLLECTIONS TO DATE	
		AMOUNT	PERCENTAGE OF LEVY		AMOUNT	PERCENTAGE OF LEVY
2006	1,635,460	1,576,842	96.4%	-	1,576,842	96.40%
2005	1,430,975	1,379,658	96.4%	34,145	1,413,803	98.80%
2004	1,297,403	1,257,459	96.9%	33,457	1,290,916	99.50%
2003	1,187,114	1,139,679	96.0%	41,499	1,181,178	99.50%
2002	1,095,919	1,051,265	95.9%	41,366	1,092,631	99.70%
2001	1,044,654	995,354	95.3%	47,211	1,042,565	99.80%
2000	995,499	938,047	94.2%	52,475	990,522	99.50%
1999	970,426	906,204	93.4%	61,311	967,515	99.70%
1998	940,414	874,882	93.0%	49,545	924,427	98.30%
1997	931,302	862,854	92.7%	64,723	927,577	99.60%

Notes:

- (1) Secured and Unitary tax levy for the County itself, school districts, cities and special districts under the supervision of their own governing boards.
- (2) Included are amounts collected by the County on behalf of itself, school districts, cities and special districts under the supervision of their own governing boards.

Source:

Auditor-Controller/Recorder, County of San Bernardino

COUNTY OF SAN BERNARDINO
 ESTIMATED DIRECT AND OVERLAPPING BONDED DEBT
 AS OF JUNE 30, 2006

2005-06 ASSESSED VALUATION (1): \$130,673,406,204 (includes unitary utility valuation)
 Redevelopment Incremental Valuation: 32,700,783,759
 Adjusted Assessed Valuation: \$ 97,972,622,445

<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>PERCENT APPLICABLE</u>	<u>DEBT 6/30/06</u>
METROPOLITAN WATER DISTRICT	2.959 %	\$ 11,527,228
CHAFFEY COMMUNITY COLLEGE DISTRICT	100.000	113,050,000
SAN BERNARDINO VALLEY JOINT COMMUNITY COLLEGE DISTRICT	98.518	66,295,274
OTHER COMMUNITY COLLEGE DISTRICTS	VARIOUS	9,767,942
CHINO VALLEY UNIFIED SCHOOL DISTRICT	100.000	96,545,000
COLTON JOINT UNIFIED SCHOOL DISTRICT	97.114	97,512,048
FONTANA UNIFIED SCHOOL DISTRICT	100.000	54,608,353
REDLANDS UNIFIED SCHOOL DISTRICT	100.000	71,498,512
RIALTO UNIFIED SCHOOL DISTRICT	100.000	54,485,038
SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT	100.000	159,025,304
UPLAND UNIFIED SCHOOL DISTRICT	100.000	32,505,333
OTHER UNIFIED SCHOOL DISTRICTS	VARIOUS	80,607,621
UNION HIGH SCHOOL DISTRICTS	100.000	136,579,963
SCHOOL DISTRICTS	100.000	132,834,108
CITY OF REDLANDS	100.000	4,075,000
COUNTY SERVICE AREAS	100.000	1,005,000
MOJAVE WATER AGENCY	100.000	23,360,000
MOJAVE WATER AGENCY, I.D. M	100.000	34,825,000
COUNTY WATER DISTRICTS	100.000 (1)	1,479,197
ETIWANDA SCHOOL DISTRICT COMMUNITY FACILITIES DISTRICTS	100.000	79,345,000
CITY OF FONTANA COMMUNITY FACILITIES DISTRICTS	100.000	149,940,000
CITY OF CHINO COMMUNITY FACILITIES DISTRICTS	100.000	91,585,000
RANCHO CUCAMONGA COMMUNITY FACILITIES DISTRICTS	100.000	55,890,000
CHINO HILLS COMMUNITY FACILITIES DISTRICTS	100.000	31,225,000
SAN BERNARDINO COUNTY COMMUNITY FACILITIES DISTRICTS	100.000	28,820,000
OTHER COMMUNITY FACILITIES DISTRICTS	100.000	229,411,884
CITY, COUNTY AND SPECIAL DISTRICT 1915 ACT BONDS (Estimate)	100.000	113,921,020
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT		\$ <u>1,961,723,825</u>

COUNTY OF SAN BERNARDINO
 COMPUTATION OF LEGAL DEBT MARGIN
 LAST TEN FISCAL YEARS (IN THOUSANDS)

<u>FISCAL YEAR</u>	<u>(1) ASSESSED VALUE</u>	<u>(2) LEGAL DEBT LIMIT</u>	<u>(3) BONDED DEBT</u>	<u>(4) LEGAL DEBT MARGIN</u>	<u>RATIO OF BONDED DEBT TO DEBT LIMIT</u>
1996-97	72,762,057	772,552	5,290	767,262	0.68%
1997-98	74,234,100	784,338	4,683	779,655	0.60%
1998-99	76,131,874	798,417	4,177	794,240	0.52%
1999-00	78,243,977	978,050	3,691	814,359	0.38%
2000-01	81,494,288	1,018,679	3,365	1,015,314	0.33%
2001-02	86,812,930	1,085,162	2,979	1,082,183	0.27%
2002-03	93,721,260	1,171,516	2,657	1,168,859	0.23%
2003-04	101,849,664	1,273,121	2,321	1,270,800	0.18%
2004-05	112,586,482	1,407,331	2,045	1,405,286	0.15%
2005-06	128,895,877	1,611,198	1,930	1,609,268	0.12%

Notes:

- (1) Assessed Value does not include tax exempt property. Property value data can be found in the "Assessed Value and Actual Value of Property" schedule.
- (2) The legal debt limit is 1.25% of assessed value.
- (3) Bonded debt subject to limitation; amount includes only general obligation bonds.
- (4) The legal debt margin is the County's available borrowing authority under state finance statutes and is calculated by subtracting the debt applicable to the legal debt limit.

Source:

Auditor-Controller/Recorder, County of San Bernardino

COUNTY OF SAN BERNARDINO
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST FIVE FISCAL YEARS (IN THOUSANDS, EXCEPT PER CAPITA)
JUNE 30, 2006

FISCAL YEAR	GOVERNMENTAL ACTIVITIES					BUSINESS-TYPE ACTIVITIES				TOTAL OUTSTANDING DEBT	PERCENTAGE OF ASSESSED VALUE (1)	PER CAPITA (2)
	CERTIFICATES OF PARTICIPATION	REVENUE BONDS	BONDS AND NOTES	CAPITAL LEASE OBLIGATION	OTHER LONG-TERM LIABILITIES	CERTIFICATES OF PARTICIPATION	GENERAL OBLIGATION BONDS	NOTES	CAPITAL LEASE OBLIGATION			
2001-02	249,756	430,898	21,499	8,682	18,177	622,057	2,979	1,556	669	1,356,273	1.56%	770
2002-03	232,640	434,889	21,184	6,994	23,246	694,739	2,657	2,729	289	1,419,367	1.51%	785
2003-04	225,523	437,820	484,755	5,517	26,553	670,652	2,321	3,836	1,659	1,858,636	1.82%	998
2004-05	212,704	439,539	484,409	4,457	29,900	645,146	2,045	4,435	1,305	1,823,940	1.62%	952
2005-06	200,528	439,879	522,835	3,889	27,345	618,099	1,930	6,905	2,438	1,823,848	1.41%	916

Notes:

- (1) See the "Assessed Value and Actual Value of Taxable Property" table for total taxable assessed value. Assessed value does not include tax exempt property.
- (2) See the "Demographic and Economic Statistics" table for population figures.

Source:

Auditor/Controller-Recorder, County of San Bernardino

COUNTY OF SAN BERNARDINO
 DEMOGRAPHIC AND ECONOMIC STATISTICS
 LAST TEN FISCAL YEARS (IN THOUSANDS)
 June 30, 2006

GEOGRAPHICAL LOCATION: The County of San Bernardino is located in the southern portion of California and is bordered on the east by the State of Arizona and the State of Nevada, on the north by Inyo County, on the west by Kern and Los Angeles Counties, and on the south by Orange

ALTITUDE: Elevation ranges from a high of 11,502 feet above sea level to a low of 181 feet above sea level.

AREA OF COUNTY: Approximately 20,180 square miles (Largest area in the continental United States).

COUNTY SEAT: San Bernardino, California

FORM OF GOVERNMENT: Chartered County, governed by five-member Board of Supervisors

DATE CHARTER ADOPTED: April 7, 1913

FISCAL YEAR: July 1 - June 30

REGISTERED VOTERS: 752,435 as of June 30, 2006

CALENDAR YEAR	(1), (2) POPULATION	(2) PERSONAL INCOME	(2) PER CAPITA PERSONAL INCOME	(3) SCHOOL ENROLLMENT	(4) UNEMPLOYMENT RATE
1997	1,618 (5)	\$ 31,180	\$ 19.27	347	7.20%
1998	1,646 (5)	33,524	20.36	357	6.30%
1999	1,682 (5)	35,315	21.00	365	5.60%
2000	1,719 (5)	37,772	21.97	374	4.80%
2001	1,762 (5)	40,431	22.95	383	4.60%
2002	1,809 (5)	42,141	23.29	394	5.60%
2003	1,863 (5)	44,290	23.77	407	5.50%
2004	1,916 (5)	48,117	25.11	419	6.90%
2005	1,951 (6)	50,567 (7)	25.92 (7)	423	5.40%
2006	1,992 (6)	52,988 (7)	26.60 (7)	425	4.70%

ESTIMATED POPULATION OF THE COUNTY OF SAN BERNARDINO AS OF JANUARY 1, 2006 (whole numbers) (1):

INCORPORATED CITIES

Adelanto	24,880	Montclair	35,648
Apple Valley	67,507	Needles	5,681
Barstow	23,599	Ontario	171,113
Big Bear Lake	6,182	Rancho Cucamonga	170,479
Chino	78,055	Redlands	71,086
Chino Hills	77,969	Rialto	99,189
Colton	51,781	San Bernardino	201,823
Fontana	165,462	Twentynine Palms	27,498
Grand Terrace	12,380	Upland	74,099
Hesperia	80,268	Victorville	95,145
Highland	51,489	Yucaipa	50,553
Loma Linda	21,912	Yucca Valley	20,537
		Total	1,684,335
		Unincorporated Areas:	307,494
		Total Population	1,991,829

Sources:

- (1) California Department of Finance (population for 2005 and 2006).
- (2) Bureau of Economic Analysis U.S. Department of Commerce
- (3) Superintendent of Schools
- (4) California Employment Development Department

Notes:

- (5) Population is estimated on July 1
- (6) Population estimated as of January 1
- (7) Estimated amounts

San Bernardino County
Principal Employers,
Current Year and Nine Years ago

<u>Employer</u>	<u>2006</u>				<u>1997</u>		
	(1) Employees	Rank	(2) Percentage of Total Employment		(1) Employees	Rank	(2) Percentage of Total Employment
County of San Bernardino (4)	17,774	1	2.04%	County of San Bernardino (3)	15,719	1	2.23%
Loma Linda University Adventist Health Services C	13,000	2	1.49%	Loma Linda University Adventist Health Services Center	7,891	3	1.12%
Stater Brothers	12,230	3	1.41%	Stater Brothers	10,450	2	1.48%
Kaiser Permanente	9,300	4	1.07%	Kaiser Permanente	5,600	5	0.80%
San Bernardino City Unified School District	7,491	5	0.86%	San Bernardino City Unified School District	6,400	4	0.91%
Ontario International Airport	5,000	6	0.57%	Ontario International Airport	*	-	-
Fontana Unified School District	3,820	7	0.44%	Fontana Unified School District	3,000	6	0.43%
San Manuel Band of Mission Indians	3,261	8	0.37%	San Manuel Band of Mission Indians	1,641	9	0.23%
California State University San Bernardino	3,012	9	0.35%	California State University San Bernardino	1,788	8	0.25%
Chino Valley Unified School District	<u>3,000</u>	<u>10</u>	0.34%	Chino Valley Unified School District	<u>2,152</u>	<u>7</u>	0.31%
	77,888				54,641		

Notes:

(*) Data not available.

Sources:

- (1) Business Press Book of List
- (2) Annual Source EDD 10/02/06
- (3) Annual Census Report 1997 filed in March 12th.
- (4) San Bernardino County payroll records as of June 30 2006

COUNTY OF SAN BERNARDINO
COUNTY EMPLOYEES BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

FUNCTION/PROGRAM	FULL-TIME EQUIVALENT EMPLOYEES AS OF JUNE 30									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
General	--	--	1,459	1,505	1,592	1,677	1,643	1,624	1,639	1,691
Public Protection	--	--	6,022	6,254	6,462	6,940	7,111	6,923	7,069	7,480
Public Ways & Facilities	--	--	363	370	392	444	455	468	384	384
Health and Sanitation	--	--	3,314	3,570	3,722	3,909	3,910	3,781	3,840	3,922
Public Assistance	--	--	3,693	4,035	4,112	4,335	3,880	3,664	3,753	3,735
Education	--	--	173	199	214	216	211	202	218	226
Recreation & Cultural	--	--	362	435	428	395	375	368	333	335
Total	--	--	15,385	16,368	16,922	17,915	17,585	17,029	17,235	17,774

Notes:

- (1) County Employees by function/program is only available for the last 8 years due to the conversion to the current system.
- (2) A full-time employee is scheduled to work 260 days per year. At eight hours per day, 2080 hours are scheduled per year (including vacation and sick leave). Full-time equivalent employment (FTE) is calculated by dividing all paid hours by 2080.

Source:

San Bernardino County payroll records as of June 30.

**COUNTY OF SAN BERNARDINO
OPERATING INDICATORS BY FUNCTION/PROGRAM
LAST FIVE YEARS**

	<u>2001-02</u>	<u>2002-03</u>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>
Function/Program					
General Government					
Legal Documents Recorded (W)	671,000	860,496	949,864	968,961	945,500
Percentage of payment process within 10 days (P)	*	*	*	*	80%
Public Protection					
Criminal Felonies Filed - District Attorney (W)	16,956	16,700	18,876	20,193	21,950
Criminal Misdemeanor Filed - District Attorney (W)	36,862	36,500	39,412	38,863	38,963
Average Cases Supervised-Probation (W)	20,895	21,052	21,368	*	23,400
Percentage of new adults cases assessed with a valid risk instrument- Probation (P)					59%
Sherriff's calls for Service (W)	607,714	650,264	809,400	*	710,000
Number of inmate-on-inmate assaults per 1,000 per month. (P)	*	*	*	*	11.50%
Percent of autopsies performed per reportable deaths - Coroner (P)	*	*	*	*	6%
Fire Protection					
No. of Fire calls (W)	88,711	92,131	89,553	91,324	99,235
Public Way & Facilities					
Solid Waste					
Total Tonnage Landfilled (W)	1,142,707	1,484,693	1,497,304	1,794,126	1,852,124
Pounds of trash per cubic yard of capacity-High Volume Sites (P)					1,035
Maintained Road Miles (W)	2,830	2,834	2,834	2,822	2,830
Average Pavement Condition index (PCI) of county maintained roads (P)	*	*	*	*	75
Health and Sanitation					
Direct Billable hours: Clinic - Behavior Health (W)	185,996	242,418	228,505	226,811	293,542
Patient Visits - Public Health (W)	95,786	92,853	102,052	110,519	112,037
Arrowhead Regional Medical Center					
Emergency Room Visits (W)	60,490	66,734	88,338	81,712	97,790
Public Assistance					
Annual Paid Cases - CalWORKS-All Other Families (W)	379,681	377,456	364,569	351,902	345,072
Percentage of successful placements of people in Work Participation Rate (P)	*	*	*	*	56%
Annual Paid Cases - CalWORKS-2 Parent Families (W)	34,388	3,120	27,928	23,147	24,155
Average child support collections per month (W)	10,270,874	10,831,461	12,293,906	12,607,140	12,000,000
Percentage of current support collected - Child Support (W)	*	*	*	*	46%
Education					
County Library					
Circulation (W)	2,931,733	2,902,322	2,716,652	2,482,274	2,600,000
Total Patron Visits (W)	3,124,386	3,309,508	3,318,250	3,183,479	3,120,000
Total feet of space available at branch libraries (P)	*	*	*	*	200,000
Recreation and Cultural Services					
County Museum					
Total Paid Attendance (W)	108,909	65,185	67,098	57971	71,500
Collected Lots, Objects, and Spe (W)	1,200,000	1,500,000	1,510,000	1,600,000	1,601,000
Regional Parks					
Total Attendance (W)	2,287,460	2,516,000	2,258,753	2,280,000	2,160,000
Number of miles of open and usable trails maintained by Regional Parks (P)	*	*	*	*	13.3

Notes:

- (1) Operating Indicators by function/program is only available for the last five fiscal years due to the change in the County's functions as a result of the implementation of GASB 34.
- (2) In FY 05-06 work indicators have been replaced with work performance measures and all FY 2005-06 are estimates

Key:

- (W) Work Indicator
- (P) Performance Measures
- (*)Information not available

Source:

SB County and Special Districts Final Budget
Auditor/Controller-Recorder, County of San Bernardino

**COUNTY OF SAN BERNARDINO
CAPITAL ASSET STATISTICS BY FUNCTION
LAST FIVE YEARS**

	<u>2001-02</u>	<u>2002-03</u>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>
Function/Program					
General Government					
Data processing equipment	52	63	70	88	113
Public Protection					
Major Correction & Detention Facilities	4	5	6	6	7
Sheriff Stations	15	15	15	10	10
Sheriff Vehicles	1,599	1,605	1,551	1,684	1,618
Fire Equipment	181	207	250	323	373
Public Way & Facilities					
Solid Waste heavy equipment	27	30	25	24	18
Transportation: Trucks, Trailers, and Other Vehicles	218	236	273	268	276
Airport	6	6	6	6	6
Bridges	247	249	251	254	256
Health and Sanitation					
Major Health Administration Building	2	2	2	2	2
Animal Shelter and Insecticide Buildings	2	2	2	2	2
Public Health Labortray/Science/Engineering Equipment	85	107	116	125	139
Medical Center: Number of hospital	1	1	1	1	1
Public Assistance					
Administrative & Office Equipment	459	463	464	508	549
Education					
Library Branches	28	28	29	29	29
Bookmobiles	2	2	2	2	2
Recreation and Cultural Services					
County Museum: Main Facility	1	1	1	1	1
County Regional Parks	9	9	9	9	9

Notes:

(1) Capital Assets by function/program is only available for the last five fiscal years due to the change in the County's functions as a result of the implementation of GASB 34.

Source:

SB County Budget
SB County Special Districts Final Budget
Auditor/Controller-Recorder, County of San Bernardino

County of San Bernardino

Auditor / Controller-Recorder
222 West Hospitality Lane
San Bernardino, CA 92415-0120