

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

REPORT ON AUDIT

JUNE 30, 2010

**County of San Bernardino Special Districts
County Service Area No. 70
Improvement Zone CG
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Board of Supervisors
County of San Bernardino
County of San Bernardino Special
District County Service Area
No. 70 - Improvement Zone CG

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying basic financial statements of the County of San Bernardino Special District County Service Area No. 70 - Improvement Zone CG (CSA), a component unit of the County of San Bernardino, as of and for the year ended June 30, 2010, as listed in the table of contents. These financial statements are the responsibility of the CSA's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the State Controller's Minimum Audit Requirement for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the County of San Bernardino Special District County Service Area No. 70 - Improvement Zone CG, as of June 30, 2010, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America, as well as accounting systems prescribed by the State Controller's Office and state regulations governing special districts.

The County of San Bernardino Special District County Service Area No. 70 - Improvement Zone CG has not presented the *Management's Discussion and Analysis* that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

Rogers, Anderson, Malody & Scott, LLP

November 30, 2010

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County of San Bernardino Special Districts
County Service Area No. 70 - Improvement Zone CG
Statement of Net Assets
June 30, 2010

ASSETS

Current Assets:

Cash and cash equivalents	\$ 654,946
Accounts receivable, net	169,600
Interest receivable	1,272
Special assessments receivable	84,005
Due from other governments	653,251
Total Current Assets	<u>1,563,074</u>

Noncurrent Assets:

Capital assets:

Land	151,042
Construction in progress	2,931,417
Permanent water rights	257,607
Vehicles	40,560
Less accumulated depreciation	(5,633)
Total Noncurrent Assets	<u>3,374,993</u>

Total Assets	<u>4,938,067</u>
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LIABILITIES

Current Liabilities:

Accounts payable	252,839
Due to other governments	18,704
Retention payable	10,871
Total Current Liabilities	<u>282,414</u>

Noncurrent Liabilities:

Interest payable	159,824
Loans payable	1,112,550
Total Noncurrent Liabilities	<u>1,272,374</u>

Total Liabilities	<u>1,554,788</u>
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NET ASSETS

Invested in capital assets, net of related debt	2,262,443
Unrestricted	1,120,836

Total Net Assets	<u>\$ 3,383,279</u>
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The accompanying notes are an integral part of these financial statements.

**County of San Bernardino Special Districts
County Service Area No. 70 - Improvement Zone CG
Statement of Revenues, Expenses and Changes in Net Assets
For the Year Ended June 30, 2010**

OPERATING REVENUES

Charges for services	\$ 332,174
Total Operating Revenues	<u>332,174</u>

OPERATING EXPENSES

Salaries and benefits	271,829
Services and supplies	147,071
Depreciation	5,633
Total Operating Expenses	<u>424,533</u>

Operating Loss	<u>(92,359)</u>
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NONOPERATING REVENUES (EXPENSES)

Investment earnings	5,830
Special assessments	258,077
Interest expense	(40,769)
Other taxes	1,764
Penalties	3,657
Contributions from other governments	85,800
Intergovernmental revenue	1,530,487
Other	<u>17,566</u>

Total Nonoperating Revenues (Expenses)	<u>1,862,412</u>
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Change in Net Assets	1,770,053
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Net Assets - beginning	<u>1,613,226</u>
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Net Assets - ending	<u><u>\$ 3,383,279</u></u>
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The accompanying notes are an integral part of these financial statements.

**County of San Bernardino Special Districts
County Service Area No. 70 - Improvement Zone CG
Statement of Cash Flows
For the Year Ended June 30, 2010**

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers	\$ 588,571
Payments to suppliers	(152,335)
Payments to employees	<u>(271,829)</u>
Net Cash Provided by Operating Activities	<u>164,407</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Special assessments	174,072
Other taxes	1,764
Penalties	3,657
Contributions from other governments	85,800
Intergovernmental	1,530,487
Other nonoperating revenue	<u>17,566</u>
Net Cash Provided by Noncapital Financing Activities	<u>1,813,346</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Acquisition of capital assets	(1,467,767)
Principal payments on long-term debt	(165,010)
Interest paid on long-term debt	(5,169)
Proceeds from debt	<u>27,560</u>
Net Cash Used for Capital and Related Financing Activities	<u>(1,610,386)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Investment earnings	<u>6,287</u>
Net Cash Provided by Investing Activities	<u>6,287</u>
Net Increase in Cash and Cash Equivalents	373,654

Cash and Cash Equivalents - beginning of the year	<u>281,292</u>
Cash and Cash Equivalents - end of the year	<u><u>\$ 654,946</u></u>

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

**County of San Bernardino Special Districts
County Service Area No. 70 - Improvement Zone CG
Statement of Cash Flows
For the Year Ended June 30, 2010**

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

Operating loss	\$ (92,359)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation expense	5,633
Change in assets and liabilities:	
Decrease in accounts receivable, net	13,234
Decrease in due from other governments	243,163
Increase in accounts payable	97,381
Decrease in retention payable	(95,320)
Decrease in due to other governments	<u>(7,325)</u>
Net Cash Provided by Operating Activities	<u><u>\$ 164,407</u></u>

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

**County of San Bernardino Special Districts
County Service Area No. 70 - Improvement Zone CG
Notes to Financial Statements
June 30, 2010**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting entity

The County Service Area No. 70 - Improvement Zone CG (CSA) was established on July 12, 2005 by an act of the Board of Supervisors of the County of San Bernardino (the County) to provide water and road maintenance service in the community of Cedar Glen.

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

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

Because the CSA meets the reporting entity criteria established by the Governmental Accounting Standards Board (GASB), the CSA's financial statements have also been included in the Comprehensive Annual Financial Report of the County as a "component unit" for the fiscal year ended June 30, 2010.

Measurement focus, basis of accounting, and financial statement presentation

The CSA's 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 when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

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. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

County of San Bernardino Special Districts
County Service Area No. 70 - Improvement Zone CG
Notes to Financial Statements
June 30, 2010

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Deposits and investments

Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (e.g., the current portion of interfund loans) or "advances to/from other funds" (e.g., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances." All accounts receivable are shown net of an allowance for uncollectibles when applicable.

No allowance for uncollectibles has been recorded as of June 30, 2010 based on management's expectation that all accounts receivable will be collected through the regular tax roll.

Property taxes

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

Inventories and prepaid items

Inventories, if any, are valued at cost using the first-in/first-out method.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Capital assets

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

**County of San Bernardino Special Districts
County Service Area No. 70 - Improvement Zone CG
Notes to Financial Statements
June 30, 2010**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

Use of estimates

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

Stewardship, compliance and accountability

A. Budgetary information

Although the CSA prepares and adopts an annual budget, budgetary information is not presented because the CSA is not legally required to adopt a budget.

NOTE 2: CASH AND DEPOSITS

Cash and cash equivalents include the cash balance of monies deposited with the County Treasurer which are pooled and invested for the purpose of increasing earnings through investment activities. Interest earned on pooled investments is deposited to the CSA's account based upon the CSA's average daily deposit balance during the allocation period. Cash and cash equivalents are shown at the fair value as of June 30, 2010.

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

**County of San Bernardino Special Districts
County Service Area No. 70 - Improvement Zone CG
Notes to Financial Statements
June 30, 2010**

NOTE 3: DUE FROM OTHER GOVERNMENTS

The CSA received notification in July 2007 that the CSA was approved for reimbursements up to \$2,998,531 from a Community Development Block Grant (CDBG) for improvements and upgrades to the CSA. For fiscal year 2009-2010, the CSA was reimbursed for \$1,504,735 in expenses that were eligible for reimbursement through this grant, and \$653,251 is still outstanding as due from other governments.

NOTE 4: ACCOUNTS RECEIVABLE

At June 30, 2010, the accounts receivable balance was composed of the following:

Accounts receivable	\$	169,600
Less: allowance for uncollectibles		-
Total accounts receivable, net	\$	169,600

NOTE 5: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2010 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 65,242	\$ 85,800	\$ -	\$ 151,042
Permanent water rights	257,607	-	-	257,607
Construction in progress	1,590,010	1,341,407	-	2,931,417
Total capital assets, not being depreciated	1,912,859	1,427,207	-	3,340,066
Capital assets, being depreciated:				
Vehicles	-	40,560	-	40,560
Total capital assets, being depreciated	-	40,560	-	40,560
Less accumulated depreciation for:				
Vehicles	-	(5,633)	-	(5,633)
Total accumulated depreciation	-	(5,633)	-	(5,633)
Total capital assets, being depreciated, net	-	34,927	-	34,927
Total capital assets, net	\$ 1,912,859	\$ 1,462,134	\$ -	\$ 3,374,993

**County of San Bernardino Special Districts
County Service Area No. 70 - Improvement Zone CG
Notes to Financial Statements
June 30, 2010**

NOTE 6: LOAN PAYABLE

County General Fund Loan

On July 1, 2006, the CSA received an \$800,000 loan from the County's General Fund. The \$800,000 loan will be used to initiate various road and water improvements that include the purchase of the Arrowhead Manor Water Company (AMWC). To the extent that funds are available, the County loan will also be used by the CSA to (i) provide funds to cover any defaulted amount or amounts AMWC may owe the State of California for outstanding bond transactions; (ii) provide initial funding for the upgrade of road and AMWC water systems within the Cedar Glen Project Area; (iii) for any Special Districts Department administrative and environmental-related expenses, either direct or outsourced, with respect to the formation of the district and acquisition of AMWC and any legal consultant costs related to the acquisition. The term of the loan is 10 years with a simple interest rate of 5%. The payments are deferred during the first five years, payment of interest only is due the next four years, and then an interest and balloon payment of the principal amount will be due on July 1, 2016. The CSA made an early payment of \$110,579 during the current year. Interest payable as of June 30, 2010 is \$154,471.

Fiscal Year Ending June 30,	Principal	Interest Payments	Total
2011	\$ -	\$ -	\$ -
2012	-	40,000	40,000
2013	-	40,000	40,000
2014	-	40,000	40,000
2015	-	40,000	40,000
2016	689,421	201,297	890,718
Total	\$ 689,421	\$ 361,297	\$ 1,050,718

County Service Area Revolving Loan

On January 6, 2009, the CSA received a \$450,000 loan from the County Service Area Revolving Loan Fund for additional funding needed to fully repay the outstanding loan balance to the California Department of Water Resources (DRW) relative to the acquisition of the AMWC. On November 3, 2009, the CSA received additional funding needed for the purchase of a generator in the amount of \$27,560. The term of the loan is 10 years. Interest accrues on the unpaid principal of each increment of the loan and must be repaid within 10 years at the current rate per annum received by the County of San Bernardino on similar types of transactions, as determined by the County Treasurer as of the date of each disbursement. Interest payable as of June 30, 2010 is \$5,353. The rate as of June 30, 2010 was 1.17 percent.

	Principal Balance 07/01/09	Additions	Retirements	Principal Balance 06/30/10	Amounts Due Within One Year
County General Fund	\$ 800,000	\$ -	\$ (110,579)	\$ 689,421	\$ -
CSA Revolving	450,000	27,560	(54,431)	423,129	-
Total Long-Term Liabilities	\$ 1,250,000	\$ 27,560	\$ (165,010)	\$ 1,112,550	\$ -

**County of San Bernardino Special Districts
County Service Area No. 70 - Improvement Zone CG
Notes to Financial Statements
June 30, 2010**

NOTE 7: RETIREMENT PLAN

Plan Description

The San Bernardino County Employees' Retirement Association (SBCERA) is a cost-sharing multiple-employer defined benefit pension plan (the Plan) operating under the California County Employees' Retirement Act of 1937 (1937 Act). It provides retirement, death and disability benefits to members. Although legally established as a single employer plan, the City of Big Bear Lake, California State Association of Counties, South Coast Air Quality Management District (SCAQMD), San Bernardino Associated Governments (SANBAG), Local Agency Formation Commission (LAFCO), San Bernardino County Law Library, Barstow Fire Protection District, Hesperia Recreation and Parks District, SBCERA, City of Chino Hills, Crest Forest Fire District, Mojave Desert Air Quality Management District (MDAQMD), California Electronic Recording Transaction Network Authority (CERTNA), Inland Valley Development Agency (IVDA), San Bernardino International Airport Authority (SBIAA), the San Bernardino County Superior Court Inland Library System (ILS) and Rim of the World Recreation and Parks District (RIM-REC) were later included, along with the County, and are collectively referred to as the "Participating Members." The plan is governed by the SBCERA Board of Retirement under the 1937 Act. Employees become eligible for membership on their first day of regular employment and become fully vested after 5 years. SBCERA issues a stand-alone financial report, which may be obtained by contacting the Board of Retirement, 348 W Hospitality Lane - 3rd Floor, San Bernardino, California 92415-0014.

Fiduciary Responsibility

SBCERA is controlled by its own board, the Retirement Board, which acts as a fiduciary agent for the accounting and control of member and employee contributions and investment income. SBCERA publishes its own Comprehensive Annual Financial Report and receives a separate independent audit. SBCERA is also a legally separate entity from the County and not a component unit. For these reasons, the County's Comprehensive Annual Financial Report excludes SBCERA pension trust fund as of June 30, 2010.

Funding Policy

Participating members are required by statute (Sections 31621.6 and 31639.25 of the California Government Code) to contribute a percentage of covered salary based on certain actuarial assumptions and their age at entry to the Plan. Employee contribution rates vary according to age and classification (general or safety). General members are required to contribute 7.42% - 12.96% and safety members 9.52% - 15.29% of their annual covered salaries, of which the County pays approximately 7%. County of San Bernardino employer contribution rates are as follows: County General 11.25%, County Safety 24.46%. All employers combined are required to contribute 13.95% of the current year covered payroll. For 2010, the County's annual pension cost of \$197,097,000 was equal to the County's required and actual contributions. Employee contribution rates are established and may be amended pursuant to Articles 6 and 6.8 of the 1937 Act. Employer rates are determined pursuant to Sections 31453 of the 1937 Act.

County of San Bernardino Special Districts
County Service Area No. 70 - Improvement Zone CG
Notes to Financial Statements
June 30, 2010

NOTE 7: RETIREMENT PLAN (continued)

The County's annual pension cost and prepaid asset, computed in accordance with GASB 27, Accounting for Pensions by State and Local Governmental Employers, for the year ended June 30, 2010, were as follows (in thousands):

Annual Required Contribution (County fiscal year basis)	\$	197,097
Interest on Pension Assets		(4,131)
Adjustment to the Annual Required Contribution		32,488
Annual Pension Cost		225,454
Annual Contributions Made		197,097
Increase/(Decrease) in Pension Assets		(28,357)
Pension Assets, Beginning of Year		769,745
Pension Assets, End of Year	\$	741,388

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

Year Ended June 30,	Annual Contributions Made (in thousands)		Percentage Contributed
	SBCERA	County	
2008	\$ 241,721	\$ 203,712	100%
2009	246,232	200,300	100%
2010	243,773	197,097	100%

The County, along with the SCAQMD, issued Pension Refunding Bonds (the Bonds) in November 1995 with an aggregate amount of \$420,527,000. These Bonds were issued to allow the County and the SCAQMD to refinance each of their unfunded accrued actuarial liabilities with respect to retirement benefits for their respective employees. The Bonds are the obligations of the employers participating in the Plan and the assets of the Plan do not secure the Bonds. The County's portion of the bond issuance was \$386,266,000. The outstanding liability at June 30, 2010 is \$423,652,000.

On June 24, 2004, the County issued its County of San Bernardino Pension Obligation Bonds, Series 2004 A (Fixed Rate Bonds), its County of San Bernardino Pension Obligation Bonds, Series 2004 B (Auction Rate Bonds), and its County of San Bernardino Pension Obligation Bonds, Series 2004 C (Index Bonds) in respective aggregate principal amounts of \$189,070,000, \$149,825,000 and \$125,000,000. The Bonds were issued to finance the County's share of the unfunded accrued actuarial liability of the SBCERA. In April 2008, the County refunded all of the 2004 Series B. The outstanding liability at June 30, 2010 is \$294,515,000.

County of San Bernardino Special Districts
County Service Area No. 70 - Improvement Zone CG
Notes to Financial Statements
June 30, 2010

NOTE 7: RETIREMENT PLAN (continued)

In April 2008, the County of San Bernardino issued its \$160,900,000 in Pension Obligation Refunding Bonds (POB), Series 2008 (the Series 2008 Bonds). The outstanding liability at June 30, 2010 is \$158,327,000.

NOTE 8: FEDERAL AND STATE GRANTS

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

NOTE 9: RISK MANAGEMENT

The County has self-insurance programs for public liability, property damage, unemployment insurance, employee dental insurance, hospital and medical malpractice liability, and workers' compensation claims. Public liability claims are self-insured for up to \$2 million per occurrence. Excess insurance coverage over the Self-Insured Retention (SIR) up to \$50 million is provided through a combination of insurance policies as recommended by AON Risk Services, Broker of Record, as follows: Primary Liability coverage \$25 million excess of \$2.5 million SIR with CV Starr/Everest; Excess Liability coverage of \$10 million, excess of \$25 million with Allied World Insurance Company (AWAC); and Excess Liability coverage \$15 million, excess of \$35 million with Great American Insurance Company of New York. Workers' compensation claims are self-insured up to \$5 million per occurrence, and covered by Arch Ins. Co. for up to \$3 million for employer's liability, and up to statutory limits for workers' compensation per occurrence. Property damage claims are insured on an occurrence basis over a \$25 thousand deductible, and insured with several insurers like Lexington Ins. Co., Affiliated FM, and Lloyd's of London, among others.

The County supplements its self-insurance for medical malpractice claims with Steadfast Ins. Co., which provides annual coverage on a per claim basis with an SIR of \$2 million for each claim. Maximum coverage under the policy is \$25 million in limits per claim provided by Illinois Union Ins. Co.

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

**County of San Bernardino Special Districts
County Service Area No. 70 - Improvement Zone CG
Notes to Financial Statements
June 30, 2010**

NOTE 9: RISK MANAGEMENT (continued)

The activities related to such programs are accounted for in Risk Management except for unemployment insurance, and employee dental insurance, which are accounted for in the General Fund. The IBNR (Incurred But Not Reported) and IBNS (Incurred But Not Settled) liabilities stated on Risk Management's balance sheet are based upon the results of actuarial studies, and include amounts for allocated and unallocated loss adjustment expenses. The liabilities for these claims are reported using a discounted rate of 1.70%. It is Risk Management's practice to obtain actuarial studies on an annual basis.

The total claims liability of \$145.4 million reported at June 30, 2010 is based on the requirements of GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements, and the amount of the loss can be reasonably estimated.

Changes in the claims liability amount in fiscal years 2009 and 2010 were:

Fiscal Year	Beginning of Fiscal Year Liability (in thousands)	Current Year Claims and Changes in Estimates (in thousands)	Claims Payments (in thousands)	End of Fiscal Year Liability (in thousands)
2008-09	\$ 149,321	\$ 32,909	\$ (32,289)	\$ 149,941
2009-10	\$ 149,941	\$ 37,441	\$ (45,000)	\$ 142,382

NOTE 10: CONTINGENCIES

As of June 30, 2010, in the opinion of the CSA Administration, there are no outstanding matters, which would have a significant effect on the financial position of the CSA.