CSA 70 R-20 Flamingo Heights

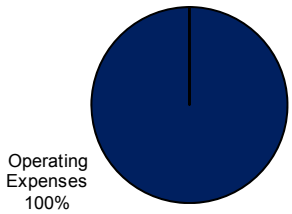
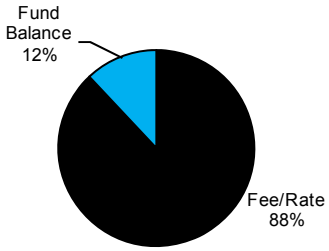
DESCRIPTION OF MAJOR SERVICES

County Service Area (CSA) 70, Zone R-20 was established by an act of the County of San Bernardino Board of Supervisors on April 7, 1986 to maintain 30 miles of unpaved roads. This Road District receives a $15 service charge on each of 761 parcels of land to fund road maintenance services. This District has a board appointed Municipal Advisory Council and utilizes the Flamingo Heights Community Center for meetings.

Budget at a Glance

Total Expenditure Authority	$12,997
Total Sources	$11,445
Fund Balance	$1,552
Total Staff	0

2011-12 RECOMMENDED BUDGET

EXPENDITURE AUTHORITY	SOURCES
	

ANALYSIS OF 2011-12 RECOMMENDED BUDGET

GROUP: Operations and Community Services
DEPARTMENT: Special Districts
FUND: CSA 70 R-20 Flamingo Heights

BUDGET UNIT: SNS 410
FUNCTION: Operating
ACTIVITY: Road

	2007-08 Actual	2008-09 Actual	2009-10 Actual	2010-11 Estimate	2010-11 Modified Budget	2011-12 Recommended Budget	Change From 2010-11 Modified Budget
Appropriation							
Staffing Expenses	0	0	0	0	0	0	**0**
Operating Expenses	13,904	10,373	13,878	16,023	16,810	12,997	**(3,813)**
Capital Expenditures	0	0	0	0	0	0	**0**
Contingencies	0	0	0	0	835	0	**(835)**
Total Exp Authority	13,904	10,373	13,878	16,023	17,645	12,997	**(4,648)**
Reimbursements	0	0	0	0	0	0	**0**
Total Appropriation	13,904	10,373	13,878	16,023	17,645	12,997	**(4,648)**
Operating Transfers Out	0	0	0	0	0	0	**0**
Total Requirements	13,904	10,373	13,878	16,023	17,645	12,997	**(4,648)**
Departmental Revenue							
Taxes	0	0	0	0	0	0	**0**
Realignment	0	0	0	0	0	0	**0**
State, Fed or Gov't Aid	0	0	0	0	0	0	**0**
Fee/Rate	12,633	11,445	11,672	11,375	11,406	11,375	**(31)**
Other Revenue	358	287	112	81	120	70	**(50)**
Total Revenue	12,991	11,732	11,784	11,456	11,526	11,445	**(81)**
Operating Transfers In	0	0	0	0	0	0	**0**
Total Financing Sources	12,991	11,732	11,784	11,456	11,526	11,445	**(81)**
				Fund Balance	6,119	1,552	**(4,567)**
				Budgeted Staffing	0	0	**0**

BUDGET CHANGES AND OPERATIONAL IMPACT

Operating expenses of $12,997 include road maintenance, auditing costs, and transfers for salaries and benefits and services and supplies support from CSA 70 Countywide. The $3,813 decrease is primarily due to lower anticipated road maintenance expenditures.

Contingencies are decreasing by $835 due to reduced departmental revenue and available fund balance.

Departmental revenue of $11,445 includes service charges and interest and is decreasing by $81 based on current trends.

COUNTY OF SAN BERNARDINO
SPECIAL DISTRICTS
COUNTY SERVICE AREA No. 70
ZONE R-20 - FLAMINGO HEIGHTS

FINANCIAL STATEMENTS

JUNE 30, 2010

County of San Bernardino Special Districts
County Service Area No. 70 - Zone R-20
Flamingo Heights
Table of Contents

	Exhibit	Page
ACCOUNTANT'S REVIEW REPORT		1
BASIC FINANCIAL STATEMENTS		
Government-Wide Financial Statements		
Statement of Net Assets	A	2
Statement of Activities	B	3
Fund Financial Statements		
Balance Sheet - Governmental Fund	C	4
Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Fund	D	5
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Fund to the Statement of Activities	E	6
Notes to Financial Statements		7 – 15
Required Supplementary Information	Schedule	
Budgetary Comparison Schedule - Special Revenue Fund (General)	One	16

ROGERS, ANDERSON, MALODY & SCOTT, LLP
CERTIFIED PUBLIC ACCOUNTANTS

ROBERT B. MEMORY, C.P.A. (1945-2009)

OF COUNSEL
JAY H. ZERCHER, C.P.A.

PHILLIP H. WALLER, C.P.A.
BRENDA L. ODLE, C.P.A.
TERRY P. SHEA, C.P.A.
KIRK A. FRANKS, C.P.A.
MATTHEW B. WILSON, C.P.A.
SCOTT W. MANNO, C.P.A.
LEENA SHANBHAG, C.P.A.

NANCY O'RAFFERTY, C.P.A.
BRADFERD A. WELEBIR, C.P.A.
JENNY LIU, C.P.A.
KATIE L. MILLSOM, C.P.A.
JONATHAN R. KUHN, C.P.A.
PAPA MATAR THIAW, C.P.A.
KATHERINE J. MUIR, C.P.A.
MAYA S. IVANOVA, C.P.A.
CHRISTOPHER MONTOYA, C.P.A.
DANIELLE E. ODGERS, C.P.A.

Board of Supervisors
County of San Bernardino
County of San Bernardino Special
District County Service Area
No. 70 – Zone R-25 – Lucerne Valley

ACCOUNTANT'S REVIEW REPORT

We have reviewed the accompanying financial statements of the governmental activities and the major fund of the County of San Bernardino Special District County Service Area No. 70 – Zone R-25 – Lucerne Valley (CSA) as of and for the year ended June 30, 2010, which collectively comprise the CSA's basic financial statements as listed in the table of contents, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of the CSA.

A review consists principally of inquiries of CSA personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with generally accepted accounting principles.

The budgetary comparison information on page 16 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. Such information has not been subjected to the inquiry and analytical procedures applied in the review of the basic financial statements, but was compiled from information that is the representation of management, without audit or review. Accordingly, we do not express an opinion or any other form of assurance on the supplementary information.

The County of San Bernardino Special District County Service Area No. 70 – Zone R-25 – Lucerne Valley 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

MEMBERS

AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

PCPS THE AICPA ALLIANCE FOR CPA FIRMS

CALIFORNIA SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

VANIR TOWER • *290 NORTH "D" STREET • SUITE 300*
SAN BERNARDINO, CA 92401
(909) 889-0871 • (909) 824-6736 • FAX (909) 889-5361
Website: www.ramscpa.net

Exhibit "A"

County of San Bernardino Special Districts
County Service Area No. 70 - Zone R-20 - Flamingo Heights
Statement of Net Assets
June 30, 2010

ASSETS		
Cash and cash equivalents	$	5,499
Special assessments receivable		620
Total Assets		6,119
LIABILITIES		-
NET ASSETS		
Unrestricted		6,119
Total Net Assets	$	6,119

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

Exhibit "B"

County of San Bernardino Special Districts
County Service Area No. 70 - Zone R-20 - Flamingo Heights
Statement of Activities
For the Year Ended June 30, 2010

EXPENSES		
Salaries and benefits	$	2,963
Services and supplies		10,915
Total Program Expenses		13,878
PROGRAM REVENUE		
Charges for services		11,179
Net Program Expense		(2,699)
GENERAL REVENUES		
Property taxes		493
Investment earnings		96
Total General Revenues		589
Change in Net Assets		(2,110)
Net Assets - beginning		8,229
Net Assets - ending	$	6,119

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

Exhibit "C"

County of San Bernardino Special Districts
County Service Area No. 70 - Zone R-20 - Flamingo Heights
Balance Sheet
Governmental Fund
June 30, 2010

	SPECIAL REVENUE FUND General (SNS)
ASSETS	
Cash and cash equivalents	$ 5,499
Special activities fund	620
Total Assets	$ 6,119
LIABILITIES AND FUND BALANCE	
Liabilities:	$ -
Fund Balance:	
Unreserved:	
Undesignated	6,119
Total Fund Balance	6,119
Total Liabilities and Fund Balance	$ 6,119
Total Fund Balance - Governmental Fund	$ 6,119
Amounts reported for *governmental activities* in the statement of net assets (Exhibit "A") are different because:	
None	-
Net Assets of Governmental Activities	$ 6,119

The accompanying notes are an integral part of the financial statements.
See accompanying accountant's report.

Exhibit "D"

County of San Bernardino Special Districts
County Service Area No. 70 - Zone R-20 - Flamingo Heights
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Fund
For the Year Ended June 30, 2010

	SPECIAL REVENUE FUND
	General (SNS)
REVENUES	
Property taxes	$ 493
Special assessments	11,179
Investment earnings	96
Total Revenues	11,768
EXPENDITURES	
Salaries and benefits	2,963
Services and supplies	10,915
Total Expenditures	13,878
Net Change in Fund Balance	(2,110)
Fund Balance - beginning	8,229
Fund Balance - ending	$ 6,119

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

Exhibit "E"

County of San Bernardino Special Districts
County Service Area No. 70 - Zone R-20 - Flamingo Heights
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Fund to the Statement of Activities
For the Year Ended June 30, 2010

Net Change in Fund Balance - Total Governmental Fund	$	(2,110)
Amounts reported for *governmental activities* in the statement of activities are different because:		
None		-
Change in Net Assets of Governmental Activities	$	(2,110)

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting entity

The County Service Area (CSA) No. 70 R-20 was established by an act of the Board of Supervisors of the County of San Bernardino (the County) on April 7, 1986 under Section 4700 of the State Health & Safety Code to maintain 30 miles of unpaved roads.

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 R-20 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.

Government-wide and fund financial statements

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

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

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement focus, basis of accounting, and financial statement presentation

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

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

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

The government reports the following major governmental fund:

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

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

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

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

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." Currently, the CSA does not have any business-type activities.

Property taxes

Secured property taxes are levied in two equal installments, November 1 and February 1. They become delinquent with penalties on December 10 and April 10, respectively. The lien date is January 1 of each year. Unsecured property taxes are due on March 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. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased.

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

Capital assets

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

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

Currently, the CSA does not have any capital assets.

Fund equity

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

Use of estimates

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

Stewardship, compliance and accountability

A. Budgetary information

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

Budgets are prepared on the modified accrual basis of accounting. The legal level of budgetary control is the object level and the sub-object level for fixed assets within each fund.

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Encumbrances

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitment will be reappropriated and honored during the subsequent year.

NOTE 2: CASH AND DEPOSITS

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

NOTE 3: 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.

NOTE 3: RETIREMENT PLAN (continued)

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.

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

NOTE 3: RETIREMENT PLAN (continued)

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) SBCERA	County	Percentage Contributed
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.

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 4: 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 5: 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.

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.

NOTE 5: RISK MANAGEMENT (continued)

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 6: 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.

Schedule One

Required Supplementary Information
County of San Bernardino Special Districts
County Service Area No. 70 - Zone R-20 - Flamingo Heights
Budgetary Comparison Schedule - Special Revenue Fund (General)
For the Year Ended June 30, 2010

	Special Revenue Fund General (SNS)			
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	$ 457	$ 397	$ 493	$ 96
Special assessments	10,617	10,655	11,179	524
Investment earnings	150	112	96	(16)
Total Revenues	11,224	11,164	11,768	604
EXPENDITURES				
Salaries and benefits	2,963	2,963	2,963	-
Services and supplies	11,508	10,915	10,915	-
Reserves and contingencies	4,982	5,515	-	5,515
Total Expenditures	19,453	19,393	13,878	5,515
Net Change in Fund Balance	$ (8,229)	$ (8,229)	(2,110)	$ 6,119
Fund Balance - beginning			8,229	
Fund Balance - ending			$ 6,119	