

**COUNTY OF SAN BERNARDINO SPECIAL DISTRICTS  
COUNTY SERVICE AREA NO. 70 ZONE F – MORONGO VALLEY  
FINANCIAL STATEMENTS  
June 30, 2012**

**COUNTY OF SAN BERNARDINO SPECIAL DISTRICTS  
COUNTY SERVICE AREA NO. 70 ZONE F – MORONGO VALLEY  
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June 30, 2012**

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An Independent CPA Firm

Board of Supervisors  
County of San Bernardino  
County of San Bernardino Special  
District CSA No. 70 Zone  
F – Morongo Valley

Independent Auditors' Report

We have audited the accompanying financial statements of the business-type activities, each major fund, and the aggregate remaining fund information of the County of San Bernardino Special District CSA No. 70 Zone F Morongo Valley, a component unit of the County of San Bernardino, as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities, each major fund, and the aggregate remaining fund information of the County of San Bernardino Special District Board of Supervisors CSA No. 70 Zone F – Morongo Valley as of June 30, 2012, and the respective changes in financial position and cash flows, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America, as well as accounting systems prescribed by the State Controller's Office and state regulations governing special districts.

Management has omitted Management's Discussion and Analysis that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

**David L. Gruber and Associates, Inc.**

*David L. Gruber and Associates, Inc.*

Huntington Beach, California

December 5, 2012

COUNTY OF SAN BERNARDINO SPECIAL DISTRICTS  
COUNTY SERVICE AREA NO. 70 - MORONGO VALLEY  
Statement of Net Assets

June 30, 2012

Assets	
Current Assets:	
Cash and investments	\$ 337,681
Accounts receivable	13,261
Taxes receivable	396
Interest receivable	407
Special assessments receivable	622
Total Current Assets	<u>352,367</u>
Non Current Assets	
Capital Assets:	
Land	4,311
Improvements to land	332,166
Structures and improvements	151,791
Accumulated depreciation	<u>(185,007)</u>
Total Non Current Assets	<u>303,261</u>
Total Assets	<u>655,628</u>
Liabilities:	
Current Liabilities:	
Due to other governments	<u>5,712</u>
Total Current Liabilities	5,712
Total liabilities	<u>5,712</u>
Net assets:	
Invested in capital assets	303,261
Unrestricted	<u>346,655</u>
Total net assets	<u>\$ 649,916</u>

See accompanying notes to basic financial statements.

COUNTY OF SAN BERNARDINO SPECIAL DISTRICTS  
 COUNTY SERVICE AREA NO. 70-MORONGO VALLEY  
 Statement of Revenues, Expenses, and Changes in Net Assets  
 Year ended June 30, 2012

<u>Operating Revenue</u>	
Water sales	\$ 81,256
Other	115
	81,371
<u>Operating Expenses</u>	
Professional services	4,263
Salaries and benefits	57,098
Services and supplies	30,385
Utilities	4,045
Depreciation	10,220
Total operating expenses	106,011
Operating loss	(24,640)
<u>Non Operating Revenue</u>	
Investment earnings	1,506
Property taxes	10,592
Special assessments	6,249
Federal assistance	22,515
State assistance	6,328
Penalties	4,399
Other	2,970
	54,559
Total non operating revenue	54,559
Income before transfers	29,919
<u>Transfers</u>	
Transfers in	9,281
Transfers out	(9,281)
	-
Total transfers	-
Change in net assets	29,919
Net assets at beginning of year	619,997
Net assets at end of year	\$ 649,916

See accompanying notes to basic financial statements.

COUNTY OF SAN BERNARDINO SPECIAL DISTRICTS  
COUNTY SERVICE AREA NO. 70-MORONGO VALLEY

Statement of Cash Flows  
Year ended June 30, 2012

<u>Cash Flows From Operating Activities:</u>	
Receipts from customers	\$ 102,969
Payments to suppliers	(38,693)
Payments to employees	(57,098)
Net cash flows provided by operating activities	<u>7,178</u>
Cash Flows from Noncapital Financing Activities	
Property taxes	10,592
Special Assessments	6,249
Federal assistance	22,515
State assistance	6,328
Penalties	4,399
Other	2,970
Net cash provided by noncapital financing activities	<u>53,053</u>
Cash Flows from Capital and Related Financing Activities:	
Purchase of capital assets	(1,762)
Net cash used by capital and related financing activities	<u>(1,762)</u>
Cash Flows from Investing Activities:	
Investment earnings	1,506
Net cash flows provided by investing activities	<u>1,506</u>
Net increase (decrease) in cash and cash equivalents	59,975
Cash and cash equivalents-Beginning of year	<u>277,706</u>
Cash and cash equivalents-End of Year	<u>\$ 337,681</u>
Reconciliation of Operating Loss to	
- Net Cash Used by Operating Activities:	
Operating loss	(24,640)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation expense	10,220
Change in Assets and Liabilities	
Decrease in accounts receivable	7,990
Increase in special assessment receivable	(622)
Decrease in taxes receivable	47
Decrease in interest receivable	159
Decrease in due from other government	8,360
Increase in due to other government	5,664
Net cash provided by operating activities	<u>\$ 7,178</u>

See accompanying notes to basic financial statements.

**COUNTY OF SAN BERNARDINO SPECIAL DISTRICTS**  
**CSA NO. 70 – ZONE F – MORONGO VALLEY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2012**

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

**Reporting entity**

The County Service Area (CSA) No. 70 - Zone F was established on September 20, 1971 by an act of the Board of Supervisors of the County of San Bernardino (the County) to provide water service to 87 properties, maintenance to three wells, one booster station and a reservoir that stores 260,000 gallons of water for the community of Morongo Valley.

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 Zone F 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, 2012.

**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.

**COUNTY OF SAN BERNARDINO SPECIAL DISTRICTS**  
**CSA NO. 70 – ZONE F – MORONGO VALLEY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2012**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 includes 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.

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 shortterm 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."

No allowance for uncollectibles was recorded at June 30, 2012 based on management's expectation that all accounts receivable will be collected through the property 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 1 and become delinquent with penalties on August 31.

**Inventories and prepaid items**

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

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



**COUNTY OF SAN BERNARDINO SPECIAL DISTRICTS**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2012**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**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.

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:

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

**Long-term obligations**

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

**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.

**COUNTY OF SAN BERNARDINO SPECIAL DISTRICTS**  
**CSA NO. 70 – ZONE F – MORONGO VALLEY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2012**

**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 CSA's account based upon the CSA's average daily deposit balance during the allocation period. Cash and cash equivalents are shown at the fair value as of June 30, 2012.

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

**NOTE 3: ACCOUNTS RECEIVABLE** At June 30, 2012, the accounts receivable balance was composed of the following:

	<u>Ambulance</u>
Accounts Receivable	\$ 13,261
Less: Allowance for uncollectibles	<u>          -</u>
Total Account receivable, net	<u><u>\$ 13,261</u></u>

**NOTE 4: CAPITAL ASSETS**

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$4,311	-	-	\$4,311
Construction in progress	<u>7,627</u>	<u>-</u>	<u>(7,627)</u>	<u>-</u>
Total capital assets, not being depreciated	<u>11,938</u>	<u>-</u>	<u>(7,627)</u>	<u>4,311</u>
Capital assets being depreciated:				
Improvements to Land	322,778	9,388	-	332,166
Structures and improvements	<u>151,791</u>	<u>-</u>	<u>-</u>	<u>151,791</u>
Total capital assets being depreciated	<u>474,568</u>	<u>9,388</u>	<u>-</u>	<u>483,957</u>

**COUNTY OF SAN BERNARDINO SPECIAL DISTRICTS**  
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**June 30, 2012**

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending</u> <u>Balance</u>
Less accumulated depreciation for:				
Improvements to Land	(137,261)	(6,847)	-	(144,108)
Structures and improvements	(37,526)	(3,373)	-	(40,899)
Total accumulated depreciation	(174,787)	(10,220)	-	(185,007)
Total capital assets being depreciated, net	299,781	(832)	-	298,950
Business -type activities capital				
Assets, net	\$ 311,719	(832)	(7,627)	303,261

**NOTE 5: RETIREMENT PLAN**

**Plan description**

The San Bernardino County Employees' Retirement Association (SBCERA) is a cost-sharing multiple-employer defined benefit pension plan (the Plan) operating under the California County Employees' Retirement Act of 1937 (1937 Act). It provides retirement, death and disability benefits to members. Although legally established as a single employer plan, the City of Big Bear Lake, California State Association of Counties, South Coast Air Quality Management District (SCAQMD), San Bernardino Associated Governments (SANBAG), Local Agency Formation Commission (LAFCO), San Bernardino County Law Library, Barstow Fire Protection District, Hesperia Recreation and Park District, SBCERA, City of Chino Hills, Crest Forest Fire Protection District, Mojave Desert Air Quality Management District (MDAQMD), California Electronic Recording Transaction Network Authority (CERTNA), Inland Valley Development Agency (IVDA), San Bernardino International Airport Authority (SBIAA), the San Bernardino County Superior Court, Inland Library System (ILS), Rim of the World Recreation and Park District (RIM-REC) and Crestline Sanitation District 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 of service credit. SBCERA issues a stand-alone financial report, which may be obtained by contacting the Board of Retirement, 348 W Hospitality Lane - 3<sup>rd</sup> Floor, San Bernardino, California 92415-0014.

**COUNTY OF SAN BERNARDINO SPECIAL DISTRICTS  
 CSA NO. 70 – ZONE F – MORONGO VALLEY  
 NOTES TO THE FINANCIAL STATEMENTS  
 June 30, 2012**

**NOTE 5: RETIREMENT PLAN**

**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, 2012.

**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% - 12.95% and safety members 9.54% - 15.32% of their annual covered salaries, of which the County pays approximately 7%. County of San Bernardino employer contribution rates are as follows: County General 14.50%, County Safety 30.89%. All employers combined are required to contribute 17.85% of the current year covered payroll. Employee contribution rates are established and may be amended pursuant to Articles 6 and 6.8 of the 1937 Act. Employer rates are determined pursuant to Sections 31453 and 31454 of the 1937 Act.

The County’s annual pension cost and prepaid asset, computed in accordance with GASB Statement No. 27, Accounting for Pensions by State and Local Governmental Employers, for the year ended June 30, 2012, were as follows (in thousands):

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

**COUNTY OF SAN BERNARDINO SPECIAL DISTRICTS**  
**CSA NO. 70 – ZONE F – MORONGO VALLEY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2012**

NOTE 5: RETIREMENT PLAN (continued)

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

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

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.

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.

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).

NOTE 6: FEDERAL AND STATE GRANTS

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

**COUNTY OF SAN BERNARDINO SPECIAL DISTRICTS**  
**CSA NO. 70 – ZONE F – MORONGO VALLEY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2012**

**NOTE 7: RISK MANAGEMENT**

The County has self-insurance programs for public liability, property damage, unemployment insurance, employee dental insurance, hospital and medical malpractice liability, and workers' compensation claims. Public liability claims are self-insured for up to \$2.5 million per occurrence. Excess insurance coverage over the Self-Insured Retention (SIR) up to \$100 million is provided through a combination of insurance policies as recommended by AON Risk Services, Broker of Record, as follows: Primary Liability coverage of \$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 Assurance Company (AWAC); and Excess Liability coverage of \$15 million, excess of \$35 million with Great American Insurance Company of New York. In addition, Ironshore Specialty Ins. Co. provides excess liability coverage of \$10 million, excess of \$50 million; Allied World National Ins. Co. provides \$15 million, excess of \$60 million; and Arch Insurance Co. provides \$25 million in excess of \$75 million. Workers' compensation claims are self-insured up to \$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 a \$10 million policy with Illinois Union Ins. Co., which provides annual coverage on a per claim basis with an SIR of \$2 million for each claim. Additional coverage of \$15 million, excess of \$10 million is provided by Steadfast Ins. Co. All public officials and County employees are insured under a blanket Comprehensive Disappearance, Destruction, and Dishonesty policy covering County monies and securities, with National Union Fire Ins. Co. of Pittsburgh with a \$100 thousand deductible, and excess limits up to \$10 million per occurrence.

The activities related to such programs are accounted for in Risk Management except for unemployment insurance, and employee dental insurance, which are accounted for in the General Fund. The IBNR (Incurred But Not Reported) and IBNS (Incurred But Not Settled) liabilities stated on Risk Management's balance sheet are based upon the results of actuarial studies, and include amounts for allocated and unallocated loss adjustment expenses. The liabilities for these claims are reported using a discounted rate of 1.17%. It is Risk Management's practice to obtain actuarial studies on an annual basis.

The total claims liability of \$167 million reported at June 30, 2012 is based on the requirements of GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements, and the amount of the loss can be reasonably estimated.

**COUNTY OF SAN BERNARDINO SPECIAL DISTRICTS  
CSA NO. 70 – ZONE F – MORONGO VALLEY  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2012**

NOTE 7: RISK MANAGEMENT (continued)

Changes in the claims liability amount in fiscal years 2011 and 2012 were:

<u>Fiscal Year</u>	<u>Beginning of Fiscal Year Liability (in thousands)</u>	<u>Current Year Claims and Changes in Estimates (in thousands)</u>	<u>Claims Payments (in thousands)</u>	<u>End of Fiscal Year Liability (in thousands)</u>
2010-11	\$ 145,394	\$ 48,900	\$ (43,343)	\$ 150,951
2011-12	\$ 150,951	\$ 58,008	\$ (42,010)	\$ 166,949

NOTE 8: CONTINGENCIES

As of June 30, 2012, in the opinion of the CSA Administration, there are no outstanding matters, which would have a significant effect on the financial position of the CSA.

NOTE 9: SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 5, 2012, which is the date the financial statements were available to be issued, and has determined that there are no transactions that will have a significant impact on the CSA.