

COUNTY OF SAN BERNARDINO
ARROWHEAD REGIONAL MEDICAL CENTER
(An Enterprise Fund of the
County of San Bernardino, California)

Independent Auditors' Reports
and Financial Statements

For the Years Ended June 30, 2009 and 2008

**COUNTY OF SAN BERNARDINO
ARROWHEAD REGIONAL MEDICAL CENTER**

FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

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INDEPENDENT AUDITORS' REPORT

The Honorable Board of Supervisors
County of San Bernardino, California

We have audited the accompanying financial statements of the Arrowhead Regional Medical Center (the Medical Center), an enterprise fund of the County of San Bernardino (the County), as of and for the years ended June 30, 2009 and 2008, as listed in the accompanying table of contents. These financial statements are the responsibility of the Medical Center's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Medical Center's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 opinions

As discussed in Note 1, the financial statements of the Medical Center, are intended to present the financial position, and the changes in financial position and, where applicable, cash flows of only that portion of the business-type activities of the County that is attributable to the transactions of the Medical Center. They do not purport to, and do not, present fairly the financial position of the County as of June 30, 2009 and 2008, the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Medical Center as of June 30, 2009 and 2008, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2009 on our consideration of the Medical Center'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 audits.

The Medical Center has not presented management's discussion and analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Vaverick, Tami, Day & Co., LLP

Rancho Cucamonga, California
October 28, 2009

COUNTY OF SAN BERNARDINO
ARROWHEAD REGIONAL MEDICAL CENTER

STATEMENTS OF NET ASSETS

JUNE 30, 2009 AND 2008

(In Thousands)

	<u>2009</u>	<u>2008</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 33,904	\$ 31,606
Restricted investments held with fiscal agent	13,955	12,110
Patient accounts receivable, net of estimated uncollectibles of \$199,763 in 2009 and \$182,112 in 2008	31,444	30,287
Receivable from other governments	12,259	18,963
Due from County	968	2,381
Supplies inventories	1,554	1,533
Prepaid expenses and other assets	2,020	2,558
Total Current Assets	<u>96,104</u>	<u>99,438</u>
Noncurrent Assets:		
Restricted investments held with fiscal agent	34,019	48,090
Restricted investments held with fiscal agent - interest	447	996
Capital assets, net of accumulated depreciation of \$224,508 in 2009 and \$205,808 in 2008	432,515	424,531
Deferred issuance costs	6,765	7,202
Total Noncurrent Assets	<u>473,746</u>	<u>480,819</u>
Total Assets	<u>569,850</u>	<u>580,257</u>
LIABILITIES		
Current Liabilities:		
Accounts payable	11,353	12,820
Accrued salaries and benefits	24,250	23,053
Accrued termination benefits	142	
Other accrued liabilities	419	454
Due to third-party payors	8,251	350
Capital lease obligations	829	1,351
Certificates of participation	21,788	29,795
Interest payable	10,691	11,386
Arbitrage payable	81	531
Due to County	3,168	18,323
Total Current Liabilities	<u>80,972</u>	<u>98,063</u>
Noncurrent Liabilities:		
Long-term compensated absences	1,470	518
Long-term termination benefits	569	
Capital lease obligations, less current installments	530	1,400
Certificates of participation, less current installments (net of deferred amount on refunding and bond discount)	443,454	462,826
Total Noncurrent Liabilities	<u>446,023</u>	<u>464,744</u>
Total Liabilities	<u>526,995</u>	<u>562,807</u>
NET ASSETS		
Invested in capital assets, net of related debt	(27,321)	(63,639)
Restricted for debt service	37,730	48,814
Unrestricted	32,446	32,275
Total Net Assets	<u>\$ 42,855</u>	<u>\$ 17,450</u>

See accompanying notes to basic financial statements.

