

COUNTY OF SAN BERNARDINO

CALIFORNIA

SPECIAL DISTRICTS

AUDIT REPORT

AGUA MANSA INDUSTRIAL GROWTH ASSOCIATION

FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Prepared by:

**Internal Audits Section
Office of the Auditor/Controller-Recorder
October 29th, 2009**

**County of San Bernardino Special Districts
Agua Mansa Industrial Growth Association**

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Assistant Auditor/Controller-Recorder
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Independent Auditor's Report

October 29, 2009

Jeffrey O. Rigney
Agua Mansa Industrial Growth Association
157 West Fifth Street, Second Floor
San Bernardino, CA 92415-0450

**SUBJECT: AUDIT OF AGUA MANSA INDUSTRIAL GROWTH ASSOCIATION FOR
THE FISCAL YEAR ENDED JUNE 30, 2009**

Introductory Remarks

In compliance with Section 6505 of the California Government Code, we have completed an audit of Agua Mansa Industrial Growth Association for the fiscal year ended June 30, 2009.

Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Agua Mansa Industrial Growth Association (AMIGA), as of and for the year ended June 30, 2009, which collectively comprise AMIGA's basic financial statements as listed in the table of contents. These financial statements are the responsibility of AMIGA's management. Our responsibility is to express opinions 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 minimum audit requirements and reporting guidelines for California Special Districts required by the Office of the State Controller. 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.

Audrpt/Jeffrey Rigney, Director of Special Districts
Agua Mansa Industrial Growth Association
October 29, 2009
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In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of AMIGA, as of June 30, 2009, 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 the state regulations governing Special Districts.

AMIGA 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.

Larry Walker
Auditor/Controller-Recorder

By:


Howard M. Ochi, CPA
Chief Deputy Auditor

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Date Report Distributed: 10/30/09

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**County of San Bernardino
 Agua Mansa Industrial Growth Association
 Statement of Net Assets
 June 30, 2009**

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents (Note 2)	\$ 225,334	\$ -	\$ 225,334
Interest receivable	963	-	963
Total current assets	226,297	-	226,297
Total assets	\$ 226,297	\$ -	\$ 226,297
LIABILITIES			
Total liabilities	\$ -	\$ -	\$ -
NET ASSETS			
Restricted for debt service	226,297	-	226,297
Total net assets	226,297	-	226,297
Total liabilities and net assets	\$ 226,297	\$ -	\$ 226,297

**County of San Bernardino
 Agua Mansa Industrial Growth Association
 Statement of Activities
 June 30, 2009**

	Governmental Activities	Business-type Activities	Total
EXPENSES			
Distributions to jurisdictions (Note 5)	\$ -	\$ 25,190	\$ 25,190
Total program expenses	<u>-</u>	<u>25,190</u>	<u>25,190</u>
PROGRAM REVENUES			
Special assessments	220,166	-	220,166
Total program revenues	<u>220,166</u>	<u>-</u>	<u>220,166</u>
Net program revenue (expense)	<u>220,166</u>	<u>(25,190)</u>	<u>194,976</u>
GENERAL REVENUES			
Investment earnings	1,847	-	1,847
Total general revenues	<u>1,847</u>	<u>-</u>	<u>1,847</u>
Change in net assets	222,013	(25,190)	196,823
Net assets - beginning	<u>4,284</u>	<u>25,190</u>	<u>29,474</u>
Net assets - ending	<u>\$ 226,297</u>	<u>\$ -</u>	<u>\$ 226,297</u>

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

**County of San Bernardino
 Agua Mansa Industrial Growth Association
 Balance Sheet
 Governmental Fund
 For the Fiscal Year Ended June 30, 2009**

	General (NSF)	Total Governmental Funds
ASSETS		
Current assets:		
Cash and cash equivalents (Note 2)	\$ 225,334	\$ 225,334
Interest receivable	963	963
Total current assets	226,297	226,297
Total assets	\$ 226,297	\$ 226,297
 LIABILITIES AND FUND BALANCES		
Liabilities:		
	\$ -	\$ -
Total liabilities	-	-
Fund Balances:		
Reserved for debt service	226,297	226,297
Total fund balance	226,297	226,297
Total liabilities and fund balance	\$ 226,297	
Amounts to reconcile to net assets reported in the statement of net assets:		-
Net assets of governmental activities		\$ 226,297

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

**County of San Bernardino
 Agua Mansa Industrial Growth Association
 Statement of Revenues, Expenditures, and Changes in Fund Balance
 Governmental Fund
 For the Fiscal Year Ended June 30, 2009**

	<u>General (NSF)</u>	<u>Total Governmental Funds</u>
REVENUES		
Special assessments	\$ 220,166	\$ 220,166
Investment earnings	1,847	1,847
Total revenues	<u>222,013</u>	<u>222,013</u>
EXPENDITURES		
Total expenditures	<u>-</u>	<u>-</u>
Excess of revenues over expenditures	222,013	222,013
OTHER FINANCING SOURCES (USES)		
Total other financing sources (uses)	<u>-</u>	<u>-</u>
Change in fund balance	222,013	222,013
Fund balance, July 1, 2008	<u>4,284</u>	<u>4,284</u>
Fund balance, June 30, 2009	<u>\$ 226,297</u>	<u>\$ 226,297</u>

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

**County of San Bernardino
Agua Mansa Industrial Growth Association
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund
Balance of Governmental Fund to the Statement of Activities
For the Fiscal Year Ended June 30, 2009**

Net change in Fund Balance - Governmental Fund	\$ 222,013
Amounts to reconcile to governmental activities reported in the statement of activities	-
Change in Net Assets of Governmental Activities	<u>\$ 222,013</u>

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

**County of San Bernardino
Agua Mansa Industrial Growth Association
Statement of Net Assets
Proprietary Funds
June 30, 2009**

	<u>Administration (NSD)</u>
ASSETS	
Total assets	<u>\$ -</u>
LIABILITIES	
Total liabilities	\$ -
NET ASSETS	
Total net assets	<u>-</u>
Total liabilities and net assets	<u>\$ -</u>

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

County of San Bernardino
Agua Mansa Industrial Growth Association
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Fiscal Year Ended June 30, 2009

	Administration (NSD)
OPERATING REVENUES	
Total operating revenues	\$ -
OPERATING EXPENSES	
Total operating expenses	-
Operating income (loss)	-
NONOPERATING REVENUES (EXPENSES)	
Distributions to jurisdictions (Note 5)	(25,190)
Change in net assets	(25,190)
Net assets, July 1, 2008	25,190
Net assets, June 30, 2009	\$ -

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

County of San Bernardino
Agua Mansa Industrial Growth Association
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2009

Enterprise Fund - Administration (NSD)

CASH FLOWS FROM INVESTING ACTIVITIES	
Interest	253
Net cash provided by investing activities	253
 CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Distributions to jurisdictions	(25,190)
Net cash used by noncapital financing activities	(25,190)
Net increase in cash and cash equivalents	(24,937)
Balance-beginning of the year	24,937
Balance-end of the year	\$ -

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

**County of San Bernardino
Agua Mansa Industrial Growth Association
Notes to the Financial Statements
For the Year Fiscal Ended June 30, 2009**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Agua Mansa Industrial Growth Association (AMIGA) was established under a Joint Powers Agreement by the County of San Bernardino, the County of Riverside, the City of Colton, the City of Rialto, and the City of Riverside (Jurisdictions) on May 17, 1985. The Jurisdictions utilize joint powers to manage, coordinate, market, and administer economic development programs and projects in the AMIGA enterprise zone area. The enterprise zone comprises specific areas within each of the six jurisdictions.

AMIGA is authorized and empowered to contract with all the other parties for the joint exercise of powers under Article I, Chapter 5, Division 7, Title 1 of the Government Code of the State of California, Sections 6500 et seq. AMIGA is self-governed by an Executive Committee which is comprised of one member of each jurisdiction, who is appointed by the Jurisdiction. San Bernardino County is the administrative agency and Riverside County is the marketing agency for the jurisdictions.

Government-wide and fund financial statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the nonfiduciary activities of the reporting entity. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. *Governmental activities* normally are supported by taxes and intergovernmental revenues.

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. 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.

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. Major individual governmental funds are reported as separate columns in the fund financial statements.

**County of San Bernardino
Agua Mansa Industrial Growth Association
Notes to the Financial Statements
For the Year Fiscal Ended June 30, 2009**

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. However, for revenue derived from voluntary non-exchange transactions, such as federal and state grants, the County expanded its definition of "available" to 9 months. 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. Secured property taxes are levied in two equal installments, November 1 and February 1. They become delinquent with penalties after December 10 and April 10, respectively. The lien date is January 1 of each year. Unsecured property taxes are due on the March 1 lien date and become delinquent with penalties after August 31. Special assessment receivables due within the current fiscal period are considered to be susceptible to accrual as revenue of the current period.

**County of San Bernardino
Agua Mansa Industrial Growth Association
Notes to the Financial Statements
For the Year Fiscal Ended June 30, 2009**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - *Continued*

AMIGA reports the following major governmental fund:

The *general fund NSF* accounts for the special assessment revenue received and the subsequent pass thru of this revenue to the fiscal agent.

The proprietary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded 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.

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 services and supplies and administrative expenses. All revenues and expenses not meeting these definitions 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.

AMIGA reports the following major proprietary fund:

The *enterprise fund NSD* accounted for the administration of AMIGA prior to fiscal year 2009. As of 6/30/09, this fund was closed out and all administration expenses of AMIGA are now handled by the Fiscal Agent, US Bank.

Agency funds are used to account for assets held by the District as an agent for individuals, private organizations, other governments or other funds or both. The funds are custodial in nature (assets equal liabilities) and do not involve measurement of the results of operations.

Agency fund NSE was closed out during fiscal year 2009. The \$7,302 balance in the fund was transferred to the County of San Bernardino as part of its approved distribution as discussed in Note 5.

**County of San Bernardino
Agua Mansa Industrial Growth Association
Notes to the Financial Statements
For the Year Fiscal Ended June 30, 2009**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - *Continued*

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed 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.

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.

Net assets

Net assets comprise the various net earnings from operating and nonoperating revenues, expenses and contribution of capital. Net assets are classified in the following three components:

- Invested in capital assets, net of related debt – This component of net assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted – This component of net assets consists of constraints placed on net asset use through external constraints imposed by creditors, grantors, contributors, or laws or regulations, of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted – This component of net assets consist of net assets of the CSA that are not restricted for any project or other purpose.

Fund balance

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.

**County of San Bernardino
Agua Mansa Industrial Growth Association
Notes to the Financial Statements
For the Year Fiscal Ended June 30, 2009**

NOTE 2: CASH AND CASH EQUIVALENTS

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 AMIGA's account based upon AMIGA's average daily deposit balance during the allocation period. Cash and Cash Equivalents are shown at fair value as of June 30, 2009.

NOTE 3: SPECIAL ASSESSMENT ACCOUNTING – 1982 ACT BONDS

In July 2003, bonds were issued on behalf of the Agua Mansa Community Facilities District 2002-1 (District) under the Mello-Roos Community Facilities Act of 1982 in the amount of \$12,705,000. The bonds are not the liability of the District and are payable from the net proceeds, after payment of certain administrative expenses, from an annual Special Tax that is levied and secured by a continuing lien against all nonexempt property located within the District. As such, the bonds do not appear in the accompanying general purpose financial statements. In the event that an entity or business within the enterprise zone defaults on their property taxes, American Express will guarantee payment to the District for the taxes. US Bank is the fiscal agent of the bond proceeds. Special assessments from parcels within the County of Riverside are sent directly to the trustee and not included in AMIGA's financial statements. Special assessments that are delinquent are also sent directly to the trustee and are not included in AMIGA's financial statements.

NOTE 4: SUNSET OF ENTERPRISE ZONE

The AMIGA Enterprise Zone sunset on October 14, 2006. This will have no affect on the Fiscal Agent's administration and collection of the Community Facilities District 89-1 and 2002-1 bonds.

NOTE 5: DISTRIBUTIONS

On June 14, 2007 the Executive Committee approved the distribution of the existing NSD fund balance as follows: the County of San Bernardino \$37,164, the County of Riverside \$37,164, the City of Colton \$37,163, the City of Rialto \$37,163, and the City of Riverside \$37,163. The approved amounts were distributed to four of the five jurisdictions in the prior year. After any remaining expenditures were paid, the County of San Bernardino received their share of the distributions during fiscal year 2009.