COUNTY OF SAN BERNARDINO

CALIFORNIA

SPECIAL DISTRICTS

AUDIT REPORT

COUNTY SERVICE AREA NO. 60

APPLE VALLEY AIRPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Prepared by:

Internal Audits Section
Office of the Auditor/Controller-Recorder
March 22, 2010

County of San Bernardino Special Districts
County Service Area No. 60
Apple Valley Airport

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LARRY WALKER
Auditor-Controller/Recorder
Treasurer/Tax Collector
County Clerk

Independent Auditor's Report

March 22, 2010

Mike N Williams, Director
Department of Airports
825 East Third Street, Room 203
San Bernardino, CA 92415-0831

SUBJECT: AUDIT OF COUNTY SERVICE AREA NO. 60 – APPLE VALLEY AIRPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Introductory Remarks

In compliance with Section 26909 of the California Government Code, we have completed an audit of County Service Area No. 60 – Apple Valley Airport for the fiscal year ended June 30, 2009.

Auditor's Report

We have audited the accompanying financial statements of the business-type activities of County Service Area No. 60 – Apple Valley Airport (CSA), a component unit of the County of San Bernardino, California, as of and for the year ended June 30, 2009. These basic financial statements are the responsibility of the CSA'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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the CSA 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.

The CSA 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.

Respectfully submitted,

Larry Walker
Auditor/Controller-Recorder

By: ______________________
Howard M. Ochi, CPA
Assistant Auditor-Controller

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County of San Bernardino
County Service Area No. 60 - Apple Valley Airport
Statement of Net Assets
June 30, 2009

		Enterprise Fund
ASSETS		
Current assets:		
Cash and cash equivalents (Note 2)	$	6,397,511
Taxes receivable		520,559
Interest receivable		29,679
Accounts receivable		2,791
Other receivable (Note 3)		13,029
Due from other governments		30,040
Total current assets		6,993,609
Noncurrent assets:		
Other receivable (Note 3)		161,548
Capital assets (Note 4):		
Land		3,076,135
Construction in progress		1,923,043
Improvements to land		6,232,005
Structures and improvements		6,391,238
Equipment and vehicles		748,277
Less accumulated depreciation		(4,483,930)
Total noncurrent assets		14,048,316
Total assets	$	21,041,925
LIABILITIES		
Current liabilities:		
Due to other governments	$	54,671
Deferred revenue (Note 1)		44,300
Total liabilities		98,971
NET ASSETS		
Invested in capital assets		13,886,768
Unrestricted		7,056,186
Total net assets		20,942,954
Total liabilities and net assets	$	21,041,925

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

County of San Bernardino
County Service Area No. 60 - Apple Valley Airport
Statement of Revenues, Expenses, and Changes in Fund Net Assets
For the Fiscal Year Ended June 30, 2009

	Enterprise Fund
OPERATING REVENUES	
Charges for services	$ 516,855
Total operating revenues	516,855
OPERATING EXPENSES	
Professional services	836,165
Services and supplies	285,246
Utilities	114,365
Rents and leases	35,702
Depreciation	560,120
Total operating expenses	1,831,598
Operating Income (Loss)	(1,314,743)
NONOPERATING REVENUES (EXPENSES)	
Property taxes	2,053,727
Other taxes	349,591
Interest & investment income	191,490
State aid	33,406
Federal aid	25,457
Other nonoperating revenues	12,011
Total nonoperating revenues (expenses)	2,665,682
Change in net assets	1,350,939
Total net assets - beginning	19,592,015
Total net assets - ending	$ 20,942,954

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

County of San Bernardino
County Service Area No. 60 - Apple Valley Airport
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2009

CASH FLOWS FROM OPERATING ACTIVITIES		
Received from user charges	$	525,100
Payments to suppliers of goods and services		(1,424,181)
Miscellaneous receipts		12,011
Net cash provided (used) by operating activities		(887,070)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Taxes received		2,460,710
Federal and state aid received		101,520
Payment received towards other receivable		6,515
Net cash provided (used) by noncapital financing activities		2,568,745
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of fixed assets		(421,901)
Net cash provided (used) by capital and related financing activities		(421,901)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest revenue		211,425
Net cash provided by investing activities		211,425
Net increase (decrease) in cash and cash equivalents		1,471,199
Balance -- beginning of the year		4,926,312
Balance -- end of the year	$	6,397,511
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	$	(1,314,743)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense		560,120
Miscellaneous receipts		12,011
Change in assets and liabilities:		
Increase (decrease) in due to other governments		32,555
Increase (decrease) in deferred revenue		11,036
Increase (decrease) in accounts payable		(185,258)
(Increase) decrease in accounts receivable		(2,791)
Net cash provided by operating activities	$	(887,070)

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting entity

The County Service Area No. 60 – Apple Valley Airport (CSA) – is a special district located within the County of San Bernardino. The CSA was established by an act of the Board of Supervisors of the County of San Bernardino (County) on December 19, 1966 to provide and maintain public airports and landing places for aerial traffic and related activities. Currently, the CSA funds the operations and maintenance of Apple Valley Airport, which is administered and staffed by the County of San Bernardino Department of Airports. The Board of Supervisors has established and appoints a seven (7) member Airport Commission which advises the Department of Airports on matters related to the operation of County owned airports and the Apple Valley Airport.

The CSA is a component unit of the County. Component units are legally separate organizations for which the Board is financially accountable or other organizations whose nature and significant relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. Financial accountability is defined as the appointment of a voting majority of the component unit's board, and either (i) the County has the ability to impose its will on the organization, or (ii) there is potential for the organization to provide a financial benefit to or impose a financial burden on the County.

The accompanying financial statements reflect only the accounts of County Service Area No. 60 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, 2009.

Measurement focus, basis of accounting, and financial statement presentation

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. The principal operating revenue of the CSA enterprise funds is charges to customers for rental of hangars and other leases. Operating expenses for enterprise funds include the

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

cost of services and supplies, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

The Department of Airports allocates the cost of salaries and benefits, administrative services, and management services to the CSA. These costs are presented on the financial statements as professional services, an operating expense.

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.

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

Cash and cash equivalents

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

Cash and cash equivalents include the cash balances of substantially all funds, which are pooled and invested by the County Treasurer to increase interest earnings through investment activities. Investment activities are governed by the California Government Code Sections 53601, 53635, and 53638 and the County's Investment Policy. Authorized investments include U. S. Government Treasury and Agency securities, bankers' acceptances, commercial paper, medium-term notes, mutual funds, repurchase agreements, and reverse repurchase agreements.

Interest income, and realized gains and losses earned on pooled investments are deposited quarterly to the CSA's accounts based upon the CSA's average daily deposit balances during the quarter. Unrealized gains and losses of the pooled investments are distributed to the CSA annually. Cash and cash equivalents are shown at fair value as of June 30, 2009.

Receivables and payables

All receivables are shown net of an allowance for uncollectibles when applicable.

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

Property taxes

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.

Capital assets

Capital assets, which include property, plant and equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), 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 one (1) year. 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 does not add to the value of the asset or materially extend the life of the asset is not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

Assets	Years
Structures and improvements	up to 45 years
Equipment and vehicles	5 – 15

Deferred revenue

Amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met, are recorded on the basic financial statements as deferred revenue. The CSA has deferred revenue of $44,300 from rents and concessions at June 30, 2009.

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

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.

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.

NOTE 2: CASH AND INVESTMENTS (Amounts in thousands)

Cash and investments include the cash balances of substantially all funds which are pooled (Pool) and invested by the County Treasurer for the purpose of increasing interest earnings through investment activities. The County sponsors an external investment pool which includes cash and investments held by certain joint powers authorities and cash held by various trustee financial institutions in accordance with the California Government Code.

State law requires that all operating monies of the County, school districts, and board-governed special districts be held by the County Treasurer. The net asset value associated with legally mandated participants in the asset pool was $3,966,232 at June 30, 2009.

As of June 30, 2009, the fair value of the County Pool was $4.18 billion. Approximately 7% of the County pool is attributable to the County General Fund, with the remainder of the balance comprised of other County funds, school districts and special districts.

NOTE 2: CASH AND INVESTMENTS (Amounts in thousands) - *Continued*

Additionally, as of June 30, 2009, $216,351 of the amounts deposited in the County pool was attributable to depositors who are not required to, but choose to, invest in the County pool. These include independent special districts, State Trial Court, and other governmental agencies. The deposits held for both involuntary and voluntary entities are reported in the Investment Trust Fund.

The fair value of the pool is determined monthly, and depends on, among other factors, the maturities and types of investments and general market conditions. The fair value of each participant's position including both voluntary and involuntary participants is the same as the value of the pool share. The method used to determine participants' equity withdrawn is based on the daily average book value of the participants' percentage participation in the pool.

The County has not produced or provided any letters of credit or legal binding guarantees as supplemental support of Pool values during the year ended at June 30, 2009. The Pool provides monthly reporting to both the Board of Supervisors and the County Treasury Oversight Committee who also review and approve investment policy.

The County pools its external participants' investments with the County Pool. The average rate of return on investments during fiscal year 2009 was 2.54%.

A summary of the investments held by the County Treasurer is as follows:

Investment Type	Cost	Fair Value	Interest Rate Range	Maturity Range	Average Maturity
U.S. Treasury Securities	$ 79,721	$ 79,841	1.25 % - 1.75%	05/15/12 - 04/15/14	1,314
U.S. Government Agencies	2,868,755	2,900,027	0.79% - 5.27%	07/06/09 - 06/29/12	480
Negotiable Certificates of Deposit	340,022	340,003	0.24% - 0.54%	07/01/09 - 09/04/09	21
Commercial Paper	274,667	274,904	0.20% - 0.81%	07/01/09 - 12/01/09	39
Corporate Notes	197,310	196,808	1.23% - 3.06%	08/10/09 - 07/15/11	197
Money Market Mutual Funds	391,000	391,000	0.24%	07/01/09	1
Total Treasurer's Pooled Investments	4,151,475	4,182,583			
Investments Controlled by Fiscal Agents:					
Mutual Funds	17,808	17,808			
Guaranteed Investment Contracts	9,707	9,707			
U.S. Treasury Securities	79,090	79,090			
Total Investments Controlled by Fiscal Agents	106,605	106,605			
Total Investments	$ 4,258,080	$ 4,289,188			
Cash in Banks:					
Non-Interest Bearing Deposits		280,050			
Total Cash and Investments		$ 4,569,238			

NOTE 2: CASH AND INVESTMENTS (Amounts in thousands) - *Continued*

Investments authorized by debt agreement

Investment of debt proceeds held by bond trustees are governed by provisions of the trust agreements, created in connection with the issuance of debt rather than the general provisions of the California Government Code. Certificates of Participation and Revenue Bond indentures specify the types of securities in which proceeds may be invested as well as any related insurance, collateral, or minimum credit rating requirements. Although requirements may vary between debt issues, money market funds are all required to be investment grade. Guaranteed investment contracts are required to be acceptable to the municipal bond insurer. The fair value of investments is based on the valuation provided by trustee banks. Investment contracts are recorded at cost.

Investment credit risk

Investment credit risk exists when there is a possibility the issuer or other counterparty to an investment may be unable to fulfill its obligations. GASB Statement No. 40 requires the disclosure of credit quality ratings for investments in debt securities as well as investments in external investment pools, money market funds, and other pooled investments of fixed income securities.

California Law and San Bernardino County Treasury Pool Investment Policy (where more restrictive) place limitations on the purchase of investments in the County Pool. Purchases of commercial paper and negotiable certificates of deposit are restricted to the top two ratings issued by a minimum of two of three nationally recognized statistical rating organizations (NRSRO's). For an issuer of short-term debt, the rating must be no less than A-1 (S&P), P-1 (Moody's), or F-1 (Fitch) while an issuer of long-term corporate debt must have a minimum letter rating of "AA". Federal Agency notes and bonds, municipal notes and bonds, and money market mutual funds must have a minimum letter rating of "AAA". Limits are also placed on the maximum percentage investment by sector and by individual issuer (see schedule). As of June 30, 2009, all investments held by the County Pool were within policy limits.

Investment Type	Maximum Allowed % of Portfolio	Individual Issuer Limitations	% of Pool 06/30/09
U.S. Treasury Securities	100	None	1.90
U.S. Government Agencies	100	None	69.40
Negotiable Certificates of Deposit	30	$100MM/5%	8.10
Commercial Paper	40	5%	6.60
Corporate Notes	10/5	$50MM/5%	3.50
TLGP Corporate Notes	30	None	1.20
Money Market Mutual Funds	15	10%	9.30

NOTE 2: CASH AND INVESTMENTS (Amounts in thousands) - *Continued*

Concentration of credit risk

An increased risk of loss occurs as more investments are acquired from one issuer (i.e. lack of diversification). This results in a *concentration of credit risk.*

GASB Statement No. 40 requires disclosure of investments by amount and issuer that represent five-percent or more of total investments held. This requirement excludes investments issued or explicitly guaranteed by the United States Government, investments in mutual funds, external investment pools, and other pooled investments. As of June 30, 2009, the following issuers represented more than five-percent of the County Pool balance:

Issuer	Fair Value	% of Portfolio
FHLB	$ 924,634	22.11
FNMA	830,708	19.86
FHLMC	644,259	15.41
FFCB	500,426	11.97

Interest rate risk

Interest rate risk exists when there is a possibility that changes in interest rates could adversely affect an investment's fair value. Generally, the longer the maturity of an investment, the greater the interest rate risk associated with that investment.
GASB Statement No. 40 requires that *interest rate risk* be disclosed using a minimum of one of five approved methods which are: *segmented time distribution, specific identification, weighted average maturity, duration, and simulated model.*

The County manages its exposure to interest rate risk by carefully matching cash flows and maturing positions to meet expenditures, limiting 40% of the County Pool to maturities of one year or less, and by maintaining an overall *effective duration* of 1.5 years or less. *Duration* is a measure of a fixed income's cash flow using present values, weighted for cash flows as a percentage of the investments full price. *Effective duration* makes assumptions regarding the most likely timing and amounts of variable cash flows arising from such investments as callable bonds.

California Law and where more restrictive, the San Bernardino County Pool Investment Policy, place limitations on the maximum maturity of investments to be purchased by sector (see schedule). As of June 30, 2009, all investments held by the County Pool were within policy limits.

NOTE 2: CASH AND INVESTMENTS (Amounts in thousands) - *Continued*

A summary of investments for maturity range, limits, and effective duration is as follows:

Investment Type	Fair Value	Maturity Range (Days)	Maturity Limits	Effective Duration
U.S. Treasury Securities	$ 79,841	1,050 - 1,749	5 Years	3.54
U.S. Government Agencies	2,900,027	6 - 1,095	5 Years	0.83
Negotiable Certificates of Deposit	340,003	1 - 66	365 days	0.06
Commercial Paper	274,904	1 - 154	270 days	0.11
Corporate Notes	146,570	41 - 127	18 months	0.20
TLGP Corporate Notes**	50,238	395 - 745	5 Years	1.53
Money Market Mutual Funds	391,000	1	Daily Liq.	0.003
Total Securities	$ 4,182,583			

**Fully insured and issued through the FDIC's Temporary Liquidity Guarantee Program.

Custodial credit risk

Custodial Credit Risk for Deposits exists when, in the event of a depository financial institution failure, a government may be unable to recover deposits, or recover collateral securities that are in the possession of an outside party.

GASB Statement No. 40 requires the disclosure of deposits into a financial institution that are not covered by FDIC depository insurance and are uncollateralized.

California Law requires that a financial institution secure deposits made by state or local government units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure County deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

As of June 30, 2009, the carrying amount of the County's deposits was $280,050 and the corresponding bank balance was $139,953. The difference of $140,097 was primarily due to outstanding warrants, wires and deposits in transit. Of the bank balance, $138,078 was insured by the FDIC depository insurance through the Transaction Account Guarantee Program.

Custodial Credit Risk for Investments exists when, in the event of a failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

NOTE 2: CASH AND INVESTMENTS (Amounts in thousands) - *Continued*

In order to limit *Custodial Credit Risk for Investments*, San Bernardino County Pool Investment Policy requires that all investments and investment collateral be transacted on a delivery versus payment basis with a third-party custodian and registered in the County's name. All counterparties to repurchase agreements must sign a TBMA Master Repurchase Agreement and/or Tri-Party Repurchase Agreement before engaging in repurchase agreement transactions.

The following represents a condensed statement of net assets and changes in net assets for the Treasurer's investment pool as of June 30, 2009:

Statement of Net Assets		
Equity of internal pool participants	$	1,588,613
Equity of external pool participants:		
Voluntary		216,351
Involuntary		2,377,619
Total Net Assets held for pool participants	$	4,182,583

Statement of Changes in Net Assets		
Net Assets at July 1, 2008	$	4,335,079
Net change in investments by pool participants		(152,496)
Net Assets at June 30, 2009	$	4,182,583

As of June 30, 2009, Cash and Investments are classified in the accompanying financial statements as follows (amounts reported in dollars):

	Total Business-type Activities
Cash and cash equivalents	$ 6,397,511

NOTE 3: OTHER RECEIVABLE

The CSA entered into four separate agreements with Apple Valley Ranchos Water Company (Utility) to construct distribution facilities for the purpose of furnishing public utility water service to the Apple Valley Airport. The CSA advanced the amount of $260,585 to cover the cost of these facilities. The CSA is reimbursed by the Utility 2 1/2 percent of the cost per year for 40 years. The amount outstanding at June 30, 2009, is $174,577. Of this amount $13,029 is the current other receivable and $161,548 is the noncurrent other receivable.

NOTE 4: CAPITAL ASSETS

Capital assets activities during the year are as follows:

	Balance July 1, 2008	Additions	Deletions	Transfers	Balance June 30, 2009
Capital assets, not being depreciated:					
Land	$ 3,076,135	$ -	$ -	$ -	$ 3,076,135
Construction in Progress	2,307,440	89,584	-	(473,981)	1,923,043
Total capital assets, not being depreciated	5,383,575	89,584	-	(473,981)	4,999,178
Capital assets, being depreciated:					
Land Improvements	5,707,186	50,838	-	473,981	6,232,005
Structures	6,391,238	-	-	-	6,391,238
Equipment and Vehicles	653,484	94,793	-	-	748,277
Total capital assets, being depreciated	12,751,908	145,631	-	473,981	13,371,520
Less accumulated depreciation for:					
Land Improvements	(2,252,439)	(326,574)	-	-	(2,579,013)
Structures	(1,357,739)	(162,862)	-	-	(1,520,601)
Equipment and Vehicles	(313,632)	(70,684)	-	-	(384,316)
Total accumulated depreciation	(3,923,810)	(560,120)	-	-	(4,483,930)
Total capital assets, being depreciated, net	8,828,098	(414,489)	-	473,981	8,887,590
Capital assets, net	**$ 14,211,673**	**$ (324,905)**	**$ -**	**$ -**	**$ 13,886,768**

Construction in Progress

Construction in progress at June 30, 2009 represents the following projects:

Project Title	Total Project Budget	Total expenses through June 30, 2009	Projected Fiscal Year of Completion
Construct Storage Building	75,000	$ 9,400	2010
Pavement Replacement and Rehabilitation	50,000	7,739	2010
Reconstruct Existing Access Road	250,000	4,303	2010
Hangar Complex	1,800,000	1,900,359	2010
Runway Resealing and Repainting	100,000	1,242	2010
Total		**$ 1,923,043**	

The CSA entered into several contractual agreements for the development and improvement of the various construction projects listed above. The balance of these commitments is $162,113 as of June 30, 2009.

NOTE 5: 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.

NOTE 6: SELF INSURANCE

The CSA is insured through the County's 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 Risk Pool Agreement with California State Association of Counties (CSAC) Excess Insurance Authority ("EIA") Liability Program II. 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 Zurich Ins. Co., which provides annual coverage on a claims made form 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 the County's Risk Management Fund, except for unemployment insurance and employee dental insurance, which are accounted for in the County's 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 2.75%. It is the Risk Management's practice to obtain actuarial studies on an annual basis.

The total claims liability of $149.9 million reported at June 30, 2009 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 6: SELF INSURANCE - *Continued*

Changes in the claims liability amount in fiscal years 2008 and 2009 were (amounts in thousands):

Fiscal Year	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claims Payments	Balance at Fiscal Year-end
2007-08	$129,683	$51,702	($32,064)	$149,321
2008-09	$149,321	$32,909	($32,289)	$149,941