

**REDEVELOPMENT AGENCY OF THE  
COUNTY OF SAN BERNARDINO**

**Basic Financial Statements and  
Independent Auditors' Report**

**For the Year Ended  
June 30, 2010**

**Redevelopment Agency of the  
County of San Bernardino  
Basic Financial Statements**

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To the Governing Board  
Redevelopment Agency of the County of San Bernardino

**Independent Auditors' Report**

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Redevelopment Agency of the County of San Bernardino (the Agency), a component unit of the County of San Bernardino, as of and for the year ended June 30, 2010, which collectively comprise the Agency's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Agency'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 standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the State Controller's "Minimum Requirements for California Redevelopment Agencies." 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Redevelopment Agency of the County of San Bernardino, as of June 30, 2010, and the respective changes in financial position, 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 Redevelopment Agencies.

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In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2010 on our consideration of the Redevelopment Agency of the County of San Bernardino'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 audit.

The Agency has not presented 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 financial statements.

The budgetary comparison information as listed in the table of contents is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's basic financial statements. The other supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

*Rogers, Anderson, Malody & Scott, LLP*

November 5, 2010

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**Redevelopment Agency of the  
County of San Bernardino  
Statement of Net Assets  
June 30, 2010**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 59,800,898
Receivables:	
Taxes	106,801
Interest	178,657
Due from other governments	915,137
Prepaid items	62,468
Restricted assets:	
Cash and investments with fiscal agents	3,779,115
Deferred charges	1,952,905
Land held for resale	21,955,469
Capital assets:	
Equipment, net of depreciation	12,238
 Total assets	 88,763,688
<b>LIABILITIES</b>	
Accounts payable	37,445
Accrued payroll and benefits	27,857
Accrued interest payable	2,903,048
Due to other governments	277,139
Noncurrent liabilities:	
Due within one year	1,143,059
Due in more than one year	64,627,314
 Total liabilities	 69,015,862
<b>NET ASSETS</b>	
Invested in capital assets	12,238
Restricted for:	
Community development	38,095,722
Capital projects	13,674,404
Debt service	875,573
Unrestricted	(32,910,111)
 Total net assets	 \$ 19,747,826

The accompanying notes are an integral part of these financial statements.

**Redevelopment Agency of the  
 County of San Bernardino  
 Statement of Activities  
 For The Year Ended June 30, 2010**

**PROGRAM EXPENSES**

Governmental activities:

Community development	\$ 6,619,408
Pass-through agreements	2,877,947
SERAF payments	4,051,007
Interest on long-term debt	<u>2,922,060</u>

Total program expenses	<u>16,470,422</u>
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**GENERAL REVENUES**

Taxes:

Incremental property taxes	14,107,875
Investment earnings	745,878
Intergovernmental	1,500,047
Other	<u>292,432</u>

Total general revenues	<u>16,646,232</u>
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Change in net assets	175,810
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Net assets, beginning of year	<u>19,572,016</u>
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Net assets, end of year	<u><u>\$ 19,747,826</u></u>
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The accompanying notes are an integral part of these financial statements.

**Redevelopment Agency of the  
County of San Bernardino  
Balance Sheet  
Governmental Funds  
June 30, 2010**

	Special Revenue		
	San Sevaine Project	Low-Mod Housing	Cedar Glen Project
<b>ASSETS</b>			
Cash and cash equivalents	\$ 10,114,881	\$ 10,184,638	\$ 9,632,199
Cash with fiscal agent	-	-	-
Receivables:			
Taxes	72,160	23,188	6,740
Interest	29,023	28,166	29,121
Prepaid items	-	-	-
Due from other governments	132,070	-	-
Due from other funds	604,032	-	-
Land held for resale	8,645,928	2,938,026	311,076
<b>Total assets</b>	<b><u>\$ 19,598,094</u></b>	<b><u>\$ 13,174,018</u></b>	<b><u>\$ 9,979,136</u></b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 37,445	\$ -	\$ -
Accrued payroll and benefits	27,857	-	-
Due to other governments	133,888	-	13,251
Due to other funds	-	198,578	230,172
Loans payable	-	-	9,365,000
<b>Total liabilities</b>	<b><u>199,190</u></b>	<b><u>198,578</u></b>	<b><u>9,608,423</u></b>
<b>Fund Balances:</b>			
Reserved for:			
Land held for resale	8,645,928	2,938,026	311,076
Debt service	-	-	-
Unreserved, reported in:			
Special revenue funds	10,752,976	10,037,414	59,637
Debt service funds	-	-	-
Capital projects funds	-	-	-
<b>Total fund balances</b>	<b><u>19,398,904</u></b>	<b><u>12,975,440</u></b>	<b><u>370,713</u></b>
<b>Total liabilities and fund balances</b>	<b><u>\$ 19,598,094</u></b>	<b><u>\$ 13,174,018</u></b>	<b><u>\$ 9,979,136</u></b>

The accompanying notes are an integral part of these financial statements.

<u>Capital Projects</u>		<u>Debt Service</u>	<u>Nonmajor</u>	<u>Total</u>
<u>RDA Capital</u>	<u>RDA</u>	<u>2000 Series A</u>	<u>Governmental</u>	<u>Governmental</u>
<u>Projects</u>	<u>Housing</u>	<u>Bonds</u>	<u>Funds</u>	<u>Funds</u>
\$ 20,747,686	\$ 3,415,313	\$ 127,059	\$ 5,579,122	\$ 59,800,898
-	-	3,779,115	-	3,779,115
-	-	-	4,713	106,801
63,384	9,939	3,697	15,327	178,657
-	-	-	62,468	62,468
-	-	-	783,067	915,137
-	-	-	-	604,032
3,289,700	6,770,739	-	-	21,955,469
<u>\$ 24,100,770</u>	<u>\$ 10,195,991</u>	<u>\$ 3,909,871</u>	<u>\$ 6,444,697</u>	<u>\$ 87,402,577</u>
\$ -	\$ -	\$ -	\$ -	\$ 37,445
-	-	-	-	27,857
130,000	-	-	-	277,139
-	-	-	175,282	604,032
-	-	-	1,050,000	10,415,000
<u>130,000</u>	<u>-</u>	<u>-</u>	<u>1,225,282</u>	<u>11,361,473</u>
3,289,700	6,770,739	-	-	21,955,469
-	-	3,778,621	-	3,778,621
-	-	131,250	5,204,282	26,185,559
-	-	-	15,133	15,133
20,681,070	3,425,252	-	-	24,106,322
<u>23,970,770</u>	<u>10,195,991</u>	<u>3,909,871</u>	<u>5,219,415</u>	<u>76,041,104</u>
<u>\$ 24,100,770</u>	<u>\$ 10,195,991</u>	<u>\$ 3,909,871</u>	<u>\$ 6,444,697</u>	<u>\$ 87,402,577</u>

The accompanying notes are an integral part of these financial statements.

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**Redevelopment Agency of the  
 County of San Bernardino  
 Reconciliation of the Balance Sheet of Governmental  
 Funds to the Statement of Net Assets  
 June 30, 2010**

Fund balances of governmental funds \$ 76,041,104

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 12,238

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.

Deferred charges 1,952,905

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.

Bonds payable	(54,305,000)
Compensated absences payable	(106,450)
Accrued interest payable	(2,903,048)
Deferred loss on refunding	135,120
Bond premium	<u>(1,079,043)</u>

Net assets of governmental activities \$ 19,747,826

The accompanying notes are an integral part of these financial statements.

**Redevelopment Agency of the  
County of San Bernardino  
Statement of Revenues, Expenditures, and Changes in  
Fund Balances  
Governmental Funds  
For The Year Ended June 30, 2010**

	<b>Special Revenue</b>		
	<b>San Sevaine Project</b>	<b>Low-Mod Housing</b>	<b>Cedar Glen Project</b>
<b>Revenues</b>			
Tax increment	\$ 10,604,903	\$ 2,651,226	\$ 611,655
Use of money and property	117,714	110,179	109,419
Intergovernmental	-	-	-
Other	280,988	-	5,600
<b>Total revenues</b>	<b>11,003,605</b>	<b>2,761,405</b>	<b>726,674</b>
<b>Expenditures</b>			
Current:			
Community development	1,644,336	229,014	302,804
Pass-through agreement payments	2,725,964	-	151,983
SERAF payments	3,544,976	-	151,616
Capital outlay:			
Project improvement costs	196,573	26,265	440,920
Debt service:			
Principal	-	-	-
Interest	-	-	-
<b>Total expenditures</b>	<b>8,111,849</b>	<b>255,279</b>	<b>1,047,323</b>
Excess of revenues over (under) expenditures	2,891,756	2,506,126	(320,649)
<b>Other Financing Sources (Uses)</b>			
Transfers in	-	83,586	5,765
Transfers out	(2,873,948)	(1,010,413)	-
<b>Total other financing sources (uses)</b>	<b>(2,873,948)</b>	<b>(926,827)</b>	<b>5,765</b>
Net change in fund balances	17,808	1,579,299	(314,884)
Fund balances, beginning of year	19,381,096	11,396,141	685,597
Fund balances, end of year	<u>\$ 19,398,904</u>	<u>\$ 12,975,440</u>	<u>\$ 370,713</u>

The accompanying notes are an integral part of these financial statements.

Capital Projects		Debt Service	Nonmajor	Total
RDA Capital Projects	RDA Housing	2000 Series A Bonds	Governmental Funds	Governmental Funds
\$ -	\$ -	\$ -	\$ 240,091	\$ 14,107,875
230,983	32,276	17,290	128,017	745,878
-	-	-	1,500,047	1,500,047
-	-	-	5,844	292,432
<u>230,983</u>	<u>32,276</u>	<u>17,290</u>	<u>1,873,999</u>	<u>16,646,232</u>
-	-	287,228	290,463	2,753,845
-	-	-	-	2,877,947
-	-	-	354,415	4,051,007
3,117,943	18,306	-	-	3,800,007
-	-	1,040,000	-	1,040,000
-	-	2,713,650	-	2,713,650
<u>3,117,943</u>	<u>18,306</u>	<u>4,040,878</u>	<u>644,878</u>	<u>17,236,456</u>
<u>(2,886,960)</u>	<u>13,970</u>	<u>(4,023,588)</u>	<u>1,229,121</u>	<u>(590,224)</u>
-	-	3,816,781	50,415	3,956,547
-	(33,303)	-	(38,883)	(3,956,547)
-	(33,303)	3,816,781	11,532	-
(2,886,960)	(19,333)	(206,807)	1,240,653	(590,224)
<u>26,857,730</u>	<u>10,215,324</u>	<u>4,116,678</u>	<u>3,978,762</u>	<u>76,631,328</u>
<u>\$ 23,970,770</u>	<u>\$ 10,195,991</u>	<u>\$ 3,909,871</u>	<u>\$ 5,219,415</u>	<u>\$ 76,041,104</u>

The accompanying notes are an integral part of these financial statements.

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**Redevelopment Agency of the  
County of San Bernardino  
Reconciliation of the Statement of Revenues, Expenditures, and  
Changes in Fund Balances of Governmental Funds to the  
Statement of Activities  
For The Year Ended June 30, 2010**

Net change in fund balances of governmental funds \$ (590,224)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation expense in the current period. 5,913

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has an effect on net assets.

Principal payments on debt 1,040,000

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Increase in accrued interest expense	(243,969)
Amortization of bond issuance costs	(76,585)
Amortization of deferred charge on refunding	(6,756)
Decrease in compensated absences	5,116
Amortization of bond premium	42,315
	42,315

Change in net assets of governmental activities \$ 175,810

The accompanying notes are an integral part of these financial statements.

**Redevelopment Agency of the  
County of San Bernardino  
Notes to Financial Statements  
June 30, 2010**

**Note 1: Summary of Operations and Significant Accounting Policies**

**Reporting Entity**

The Redevelopment Agency of the County of San Bernardino (the Agency) was established in 1980 under the California State Redevelopment Law. In June 1995, the Agency adopted Resolution #95-1 receiving the San Sevaine Redevelopment Project preliminary plan. The plan is for the area surrounding the former Kaiser Steel Mill in the unincorporated areas west of the City of Fontana. The Agency proposes to eliminate and prevent the spread of blight and blighting influences and to strengthen the economic base of the project area and the community. The start-up costs were covered by advances from The California Speedway, Inc. and the County of San Bernardino Flood Control District and were reimbursed from project funds. In December 1995, Ordinance #3631 was passed adopting the San Sevaine Redevelopment Project. During 1997, the speedway portion of the San Sevaine Redevelopment Project was completed. Two businesses in the San Sevaine Redevelopment area generate approximately 57% of all tax increment revenue received.

In May 2000, the Agency adopted a resolution accepting assignment of Victor Valley Economic Development Authority (VVEDA) tax increment revenue. VVEDA is a regional agency responsible for the reuse of George Air Force Base and is comprised of the cities Victorville, Hesperia, Adelanto, Town of Apple Valley and San Bernardino County.

In June 2003, the Agency adopted rules and guidelines for the redevelopment plan for the Mission Boulevard Joint Redevelopment Project with the City of Montclair. Mission Boulevard is in its early stages of development and minimal Agency funds have been committed for this project as of June 30, 2010.

In November 2004, the County adopted Ordinance No. 3942 establishing the Cedar Glen Disaster Recovery Redevelopment Area. The project is in its early stages with no major activities as of June 30, 2010.

The accounting policies of the Agency conform to accounting principles generally accepted in the United States of America as applicable to governments and to general practice within California Redevelopment Agencies. The Agency accounts for its financial transactions in accordance with policies and procedures of the State Controller's Office, Division of Accounting and Reporting for California Redevelopment Agencies.

Accounting principles generally accepted in the United States of America require that these financial statements present the accounts of the Agency and any of its component units. Component units are legally separate entities for which the Agency is considered to be financially accountable or otherwise has a relationship, which is such that the exclusion of the entity would cause the financial statements to be misleading. Blended component units are considered, in substance, part of the Agency's operations, so the accounts of these entities are to be combined with the data of the Agency. Component units, which do not meet these requirements, are reported in the financial statements as discrete units to emphasize their separate legal status.

**Redevelopment Agency of the  
County of San Bernardino  
Notes to Financial Statements  
June 30, 2010**

**Note 1: Summary of Operations and Significant Accounting Policies (continued)**

The Agency has determined that it is not financially accountable for, nor has any other relationship with, any other organization, which would require its inclusion in these financial statements. However, the Agency is a component unit of the County of San Bernardino.

The preparation of these financial statements requires management to make estimates and assumptions. Those estimates and assumptions affect the reported amounts of assets, liabilities, revenues, and expenses, as well as disclosure of contingent assets and liabilities. Actual results could differ from those estimates. Management also determines the accounting principles to be used in the preparation of the financial statements. A description of the significant policies employed in the preparation of these financial statements follows:

**Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the Agency. 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, compared to *business-type activities*, which rely to a significant extent on fees and charges for support. The Agency currently has no business-type activities.

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

**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.

**Redevelopment Agency of the  
County of San Bernardino  
Notes to Financial Statements  
June 30, 2010**

**Note 1: Summary of Operations and Significant Accounting Policies (continued)**

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they are “measurable and available”). “Measurable” means the amount of the transaction can be determined; and “available” means collectible within the current period. The Agency considers all revenues available if they are collected within 60 days after year-end. Property taxes and investment income are susceptible to accrual. Expenditures are recorded when 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.

The Agency reports the following major governmental funds:

*Special Revenue Fund* – The special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. The Agency has three major special revenue funds: the San Sevaire Project Fund, the Low and Moderate Income Housing Fund and the Cedar Glen Project Fund.

*Capital Projects Fund* – The capital projects funds are used to account for financial resources designated for the acquisition or construction of major capital facilities. The Agency has two major capital projects funds: the RDA Capital Projects Fund and the RDA Housing Fund.

*Debt Service Fund* – The debt service fund is used to account for the accumulation of resources and for the payment of principal and interest on bonds outstanding.

Additionally, the Agency reports the following other funds:

*Special Revenue Fund* – The Agency has five non-major special revenue funds for VVEDA: George Air Force Base reuse tax increment revenue and its related Low and Moderate Income Housing Fund, the Mission Boulevard Joint Redevelopment Project in Montclair, Cedar Glen Disaster Recovery Low-Mod Housing Fund, and the Administration Fund.

*Debt Service Fund* – The Agency has one non-major debt service fund: the Cedar Glen Project Debt Service Fund.

When both restricted and unrestricted resources are available for use, it is the Agency’s policy to use restricted resources first, and then unrestricted resources as they are needed.

**Redevelopment Agency of the  
County of San Bernardino  
Notes to Financial Statements  
June 30, 2010**

**Note 1: Summary of Operations and Significant Accounting Policies (continued)**

**Budgets and Budgetary Accounting**

By state law, the Agency's Governing Board must approve a tentative budget no later than July 1 and adopt a final budget no later than September 30. A public hearing must be conducted to receive comments prior to adoption. The Agency's Governing Board satisfied these requirements. Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental fund types.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders or contracts) outstanding at year-end do not constitute expenditures or liabilities because the commitments will lapse and be re-appropriated and honored during the subsequent year.

**Cash and Investments**

The Agency's 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. The Agency maintains substantially all of its cash in the San Bernardino County Treasury. The County's investment pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares, is readily convertible to cash, available for immediate withdrawal, and is, therefore, considered a cash equivalent for financial statement reporting purposes. In addition, the state authorizes the Agency to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements and the state treasurer's investment pool. Investments of the Agency are reported at fair value based on quoted market prices.

**Capital Assets**

Capital assets, which include land, are reported in the government-wide financial statements. The Agency defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life of more than one (1) year. 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 costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

<u>Assets</u>	<u>Years</u>
Equipment	6 - 10

**Redevelopment Agency of the  
County of San Bernardino  
Notes to Financial Statements  
June 30, 2010**

**Note 1: Summary of Operations and Significant Accounting Policies (continued)**

**Land Held for Resale**

The Agency has acquired several parcels of land as part of its primary purposes. The Agency records these parcels as land held for resale in its financial records. The properties are being carried in the Capital Projects and Special Revenue Funds at the lower of cost or estimated net realizable value, until such time as there is an event, which would indicate an agreed-upon sales price. At June 30, 2010, the land held for resale is being carried at a cost of \$21,955,469, and is offset by a reservation of fund balance.

**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" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

**Restricted Assets**

Certain proceeds of the Agency are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond covenants. The "debt service fund" includes the "Bond Reserve" account used to set aside resources to make up potential future deficiencies in the debt service fund.

**Compensated Absences**

It is the Agency's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. The total amount of liability for compensated absences is segregated between short-term and long-term with both portions reflected in the government-wide statements. The short-term portion is determined to be the amount due to employees for future absences, which is attributable to services already rendered, and which is expected to be paid during the next fiscal year.

**Long-term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. Bond proceeds are reported as other financing sources in capital projects funds. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuance are reported as other financing issues. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures.

**Redevelopment Agency of the  
County of San Bernardino  
Notes to Financial Statements  
June 30, 2010**

**Note 1: Summary of Operations and Significant Accounting Policies (continued)**

**Property Taxes**

Property taxes are assessed under various legislative provisions, contained in the Government Code and the Revenue and Taxation Code, by the County Assessor. Taxes on real property are limited to one percent of assessed valuation plus additional taxes for repayment of any existing voted indebtedness. The Agency receives a portion of the property tax income based on a formula prescribed in Section 26912(b) of the Government Code and Sections 95-100 of the California Revenue and Taxation Code and as amended by the passage of AB 454.

Secured property taxes are levied on or before the first business day of September of each year. They become a lien on real property on January 1<sup>st</sup> preceding the fiscal year for which taxes are levied and can be paid in two installments. The first installment is November 1<sup>st</sup> and is delinquent December 10<sup>th</sup>, and the second installment is due February 1<sup>st</sup> of the following year and is delinquent April 10<sup>th</sup>. The Agency has entered into an agreement with the County of San Bernardino and the City of Victorville to receive its apportioned property taxes throughout the fiscal year.

**Fund Balances Reserves and Designations**

Reservations of the ending fund balance indicate the portions of a fund balance not available for expenditures or amounts legally segregated for specific future use. Reserves for debt service represent amounts held by the fiscal agent for principal and interest payments on the 2005 Bonds. Designations of the ending fund balance indicate tentative plans for financial resource utilization in a future period. The Agency's capital project funds are designated fund balances for specific purposes.

**Deficit Fund Balance**

As of June 30, 2010, the following fund has a deficit fund balance:

*Special Revenue Fund*

Cedar Glen Low-Mod Housing	\$ (231,403)
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The deficit will be funded by future revenues or transfers from other funds.

**Subsequent Events**

Management has evaluated subsequent events through November 5, 2010, which is the date the financial statements were available to be issued.

**Redevelopment Agency of the  
County of San Bernardino  
Notes to Financial Statements  
June 30, 2010**

**Note 2: Cash and Investments**

Cash and cash equivalents include 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 Agency's account based upon the Agency's average daily deposit balance during the allocation period. Cash and cash equivalents are shown at fair value as of June 30, 2010.

Deposits and investments at June 30, 2010:

External Investment Pool – Cash in San Bernardino County Treasury	\$ 59,800,698
Cash on hand	<u>200</u>
	59,800,898
Investments held with fiscal agent – Bank of New York Western Trust Company:	
Money Market funds invested in U.S. Treasuries	<u>3,779,115</u>
Total fair value of cash and investments	<u><u>\$ 63,580,013</u></u>

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. The Agency's investments in U.S. Treasuries Money Market funds through the Bank of New York Western Trust Company were generally rated AAA by Standards & Poor.

**Redevelopment Agency of the  
County of San Bernardino  
Notes to Financial Statements  
June 30, 2010**

**Note 3: Capital Assets**

Capital assets activity for the year ended June 30, 2010 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<b>Governmental activities:</b>				
Capital assets, being depreciated:				
Equipment	\$ 14,388	\$ 9,999	\$ -	\$ 24,387
Total capital assets, being depreciated	<u>14,388</u>	<u>9,999</u>	<u>-</u>	<u>24,387</u>
Less accumulated depreciation for:				
Equipment	<u>(8,063)</u>	<u>(4,086)</u>	<u>-</u>	<u>(12,149)</u>
Total accumulated depreciation	<u>(8,063)</u>	<u>(4,086)</u>	<u>-</u>	<u>(12,149)</u>
Total capital assets, being depreciated, net	<u>\$ 6,325</u>	<u>\$ 5,913</u>	<u>\$ -</u>	<u>\$ 12,238</u>

Depreciation expense was charged to functions of the Agency as follows:

Community Development	<u>\$ 4,086</u>
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**Note 4: Transactions with the County of San Bernardino**

The Agency has entered into several agreements with the County of San Bernardino to provide for virtually all services to the Agency, including personnel and administrative services, cash flow management, risk management and project costs. Payment for these services is reflected in the combined statement of revenues, expenditures, and changes in fund balance as salaries and benefits and community development.

**Redevelopment Agency of the  
County of San Bernardino  
Notes to Financial Statements  
June 30, 2010**

**Note 5: Interfund Receivables, Payables and Transfers**

The composition of interfund balances as of June 30, 2010, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
San Sevaine Project	Low-Mod Housing	\$ 198,578
	Cedar Glen Project	230,172
	Nonmajor Special Revenue Funds	<u>175,282</u>
Total		<u>\$ 604,032</u>

Interfund transfers:

	<u>Transfers in:</u>				
	<u>Low-Mod Housing</u>	<u>Cedar Project</u>	<u>2000 Series A Bond</u>	<u>Nonmajor Special Revenue Funds</u>	<u>Total</u>
<b><u>Transfers out:</u></b>					
San Sevaine Project	\$ 50,283				
		\$ 2,597	\$ 2,821,068	\$ -	\$ 2,873,948
Low-Mod Housing	-	3,168	995,713	11,532	1,010,413
RDA Housing	33,303	-	-	-	33,303
Nonmajor Special Revenue Funds	-	-	-	38,883	<u>38,883</u>
Totals	<u>\$ 83,586</u>	<u>\$ 5,765</u>	<u>\$ 3,816,781</u>	<u>\$ 50,415</u>	<u>\$ 3,956,547</u>

The above transfers were made to pay debt service, and adjust interfund borrowings.

**Redevelopment Agency of the  
County of San Bernardino  
Notes to Financial Statements  
June 30, 2010**

**Note 6: Non-Current Liabilities**

Bonds Payable

In November 2005, the Agency issued Redevelopment Agency of the County of San Bernardino (San Sevine Redevelopment Project) Tax Allocation Bonds, 2005 Series A (the 2005 Bonds) in the amount of \$58,275,000 to provide funds for the acquisition and construction of various projects in the San Sevine Redevelopment Project Area and to advance refund the 2000 Bonds. The 2005 Bonds are special obligations of the Agency and are payable solely from and secured by a pledge of tax increment revenues. Bond interest is payable semi-annually on each March 1 and September 1, commencing on March 1, 2006. The 2005 Bonds have stated interest rates ranging from 4.0% to 5.0% over the life of the bonds. The 2005 Bonds maturing after September 1, 2015, are not subject to optional redemption prior to maturity. The 2005 Bonds maturing after September 1, 2016, are subject to redemption, at the option of the Agency.

The Agency deposited \$20,412,672 of the proceeds in an irrevocable trust and purchased U.S. Government, State and Local Government Securities for the purpose of generating resources which will be used to call the 2000 Bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the statement of net assets. The reacquisition price exceeded the net carrying amount of the old debt by \$168,900. This amount is being netted against the new debt and amortized over the remaining life of the old debt. This advance refunding was undertaken to reduce total debt service payments over the next 24 years by \$6,726,147 and resulted in an economic gain of \$2,075,798.

The following schedule illustrates the annual debt service requirements to maturity for the 2005 Bonds outstanding as of June 30, 2010.

Fiscal years ending June 30,	Principal	Interest
2011	\$ 1,085,000	\$ 2,668,438
2012	1,130,000	2,618,600
2013	1,185,000	2,567,588
2014	1,230,000	2,511,250
2015	1,290,000	2,449,875
2016 - 2020	7,485,000	11,196,625
2021 - 2025	9,550,000	9,077,500
2026 - 2030	12,195,000	6,373,125
2031 - 2035	15,560,000	2,920,000
2036	3,595,000	89,875
Total	<u>\$ 54,305,000</u>	<u>\$ 42,472,876</u>

**Redevelopment Agency of the  
County of San Bernardino  
Notes to Financial Statements  
June 30, 2010**

**Note 6: Non-Current Liabilities (continued)**

Notes Payable - County of San Bernardino

The Agency entered into loan agreements with the County of San Bernardino for \$10,415,000. The loans bear interest at 1% over the County investment pool rate and are to be repaid over ten years. The loans will be paid utilizing tax increment revenue from the specific project area as it becomes available. If the project areas are not created and a redevelopment plan is not adopted, the County will forgive the loan balance amounts spent and any accrued interest thereon for that project area. The loans were made available for the project areas as listed below:

Cedar Glen Disaster Recovery Redevelopment Area operating costs for \$290,000 and project improvement costs of \$10,075,000; and Mission Boulevard Joint Redevelopment Project for \$50,000 for administrative costs.

The following is a schedule of changes in long-term debt of the Agency for the fiscal year ended June 30, 2010:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due within one year</u>
<b>Bonds</b>					
2005 A Refunding TAB's	\$ 55,345,000	\$ -	\$(1,040,000)	\$ 54,305,000	\$ 1,085,000
Subtotal bonds	55,345,000	-	(1,040,000)	54,305,000	1,085,000
Plus deferred amounts:					
Deferred loss on refunding	(141,876)	-	6,756	(135,120)	(6,756)
Issuance premium	1,121,358	-	(42,315)	1,079,043	42,315
Total bonds	<u>56,324,482</u>	<u>-</u>	<u>(1,075,559)</u>	<u>55,248,923</u>	<u>1,120,559</u>
<b>Notes</b>					
County loans	<u>10,415,000</u>	<u>-</u>	<u>-</u>	<u>10,415,000</u>	<u>-</u>
Compensated absences	<u>111,566</u>	<u>66,407</u>	<u>(71,523)</u>	<u>106,450</u>	<u>22,500</u>
Total long-term debt	<u>\$ 66,851,048</u>	<u>\$ 66,407</u>	<u>\$(1,147,082)</u>	<u>\$ 65,770,373</u>	<u>\$ 1,143,059</u>

Interest charged to expense in the statement of activities was \$2,922,060 for the year ended June 30, 2010.

**Redevelopment Agency of the  
County of San Bernardino  
Notes to Financial Statements  
June 30, 2010**

**Note 7: Retirement Plan**

The Agency's employees are employees of the County of San Bernardino and therefore are also participants in the San Bernardino County Employees' Retirement Association (SBCERA) 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. The San Bernardino Board of Retirement under the 1937 Act governs the Plan. Employees become eligible for membership on their first day of regular employment and become fully vested after 5 years. The SBCERA is controlled by its own 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, which may be obtained by contacting the Board of Retirement, 348 West Hospitality Lane, 3<sup>rd</sup> floor, San Bernardino, California 92415-0014.

Employees are required by statute to contribute a percentage of covered salary based on certain actuarial assumptions and their age at entry in the Plan. Employee contribution rates vary according to age and classification. Employee contribution rates are established and may be amended pursuant to Articles 6 and 6.8 of the 1937 Act. The County contributes approximately 7% of an employee's covered salary, as determined pursuant to Section 31453 of the 1937 Act. Specific information to the employees of the Agency is not available.

**Note 8: Pass-through Agreements and Other Payments**

Pass-through Agreements

The Agency is required, in accordance with Health Code Section 33607.5 (AB 1290), to pass through applicable portions of property tax revenues received by the project area attributable to these entities to the extent that the territorial limits reside within the Agency's project areas. Entities are primarily school districts and special districts in the San Sevaime Project Area and the former George Air Force Base Project Area.

**Redevelopment Agency of the  
County of San Bernardino  
Notes to Financial Statements  
June 30, 2010**

**Note 9: Supplemental Educational Revenue Augmentation Fund**

On July 24, 2009, the State Legislature passed Assembly Bill (AB) X4-26, which requires redevelopment agencies statewide to deposit a total of \$2.05 billion of property tax increment in county "Supplemental" Educational Revenue Augmentation Funds (SERAF) to be distributed to meet the State's Proposition 98 obligations to schools. The SERAF revenue shift of \$2.05 billion will be made over two years, \$1.7 billion in fiscal year 2009-2010 and \$350 million in fiscal year 2010-2011. The SERAF would then be paid to school districts and the county offices of education which have students residing in redevelopment project areas, or residing in affordable housing projects financially assisted by a redevelopment agency, thereby relieving the State of payments to those schools. The Agency's share of this revenue shift was \$4,051,007 for fiscal year 2009-2010 and \$796,353 for fiscal year 2010-2011. Payments are to be made by May 10 of each respective fiscal year. In response to ABX4-26, the Agency funded the SERAF payment due in May 2010 with the Low-Mod Housing Fund.

The California Redevelopment Association (CRA) is the lead petitioner on a lawsuit to invalidate ABX4-26, similar to last year's successful lawsuit challenging the constitutionality of AB 1389. CRA filed the lawsuit on October 20, 2009. The lawsuit asserted that the transfer of property tax increment to the SERAF is not permitted under Article XVI, Section 16 of the California Constitution. The complaint also asserted impairment of contract and gift of public funds arguments. While the State made adjustments in ABX4-26 to address the constitutional issues raised by the Superior Court over last year's lawsuit challenging AB 1389, the Agency, along with the CRA and other California redevelopment agencies, believe that the SERAF remains unconstitutional.

**Note 10: Commitments and Contingencies**

The Agency is potentially subject to various claims and, from time to time, is involved in lawsuits in which damages are sought. As litigation is subject to uncertainties and as the outcome of litigated matters cannot be predicted with any certainty, it is reasonably possible that any pending legal actions could be decided unfavorably against the Agency. The Agency's management believes that any liability that might result from such litigation would not have material effect on the basic financial statements as of June 30, 2010.

**SUPPLEMENTARY INFORMATION**

**Required Supplementary Information**  
**Redevelopment Agency of the**  
**County of San Bernardino**  
**Budgetary Comparison Schedule - San Sevaine Project**  
**Major Special Revenue Fund**  
**For The Year Ended June 30, 2010**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Tax increment	\$ 6,254,000	\$ 3,985,255	\$ 10,604,903	\$ 6,619,648
Use of money and property	150,000	179,023	117,714	(61,309)
Other	-	-	280,988	280,988
<b>Total revenues</b>	<b>6,404,000</b>	<b>4,164,278</b>	<b>11,003,605</b>	<b>6,839,327</b>
<b>Expenditures</b>				
Current:				
Community development	11,152,955	2,244,844	1,644,336	600,508
Pass-through agreement payments	-	-	2,725,964	(2,725,964)
SERAF payments	-	-	3,544,976	(3,544,976)
Capital outlay:				
Project improvement costs	4,182,812	1,765,848	196,573	1,569,275
Reserves and contingencies	-	9,089,240	-	9,089,240
<b>Total expenditures</b>	<b>15,335,767</b>	<b>13,099,932</b>	<b>8,111,849</b>	<b>4,988,083</b>
Excess of revenues over (under) expenditures	(8,931,767)	(8,935,654)	2,891,756	11,827,410
<b>Other Financing Sources (Uses)</b>				
Transfers in	450,000	450,000	-	(450,000)
Transfers out	(2,751,455)	(2,747,568)	(2,873,948)	(126,380)
<b>Total other financing sources (uses)</b>	<b>(2,301,455)</b>	<b>(2,297,568)</b>	<b>(2,873,948)</b>	<b>(576,380)</b>
Net change in fund balance	(11,233,222)	(11,233,222)	17,808	11,251,030
Fund balance, beginning of year	19,381,096	19,381,096	19,381,096	-
Fund balance, end of year	<u>\$ 8,147,874</u>	<u>\$ 8,147,874</u>	<u>\$ 19,398,904</u>	<u>\$ 11,251,030</u>

**Required Supplementary Information  
Redevelopment Agency of the  
County of San Bernardino  
Budgetary Comparison Schedule - Low-Mod Housing  
Major Special Revenue Fund  
For The Year Ended June 30, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Tax increment	\$ 2,396,259	\$ 2,673,036	\$ 2,651,226	\$ (21,810)
Use of money and property	98,500	126,666	110,179	(16,487)
<b>Total revenues</b>	<u>2,494,759</u>	<u>2,799,702</u>	<u>2,761,405</u>	<u>(38,297)</u>
<b>Expenditures</b>				
Current:				
Community development	4,579,432	199,527	229,014	(29,487)
Capital outlay:				
Project improvement costs	5,400,000	132,413	26,265	106,148
Reserves and contingencies	-	9,933,843	-	9,933,843
<b>Total expenditures</b>	<u>9,979,432</u>	<u>10,265,783</u>	<u>255,279</u>	<u>10,010,504</u>
Excess of revenues over (under) expenditures	<u>(7,484,673)</u>	<u>(7,466,081)</u>	<u>2,506,126</u>	<u>9,972,207</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	-	83,586	83,586
Transfers out	(977,121)	(995,713)	(1,010,413)	(14,700)
<b>Total other financing sources (uses)</b>	<u>(977,121)</u>	<u>(995,713)</u>	<u>(926,827)</u>	<u>68,886</u>
Net change in fund balance	(8,461,794)	(8,461,794)	1,579,299	10,041,093
Fund balance, beginning of year	11,396,141	11,396,141	11,396,141	-
Fund balance, end of year	<u>\$ 2,934,347</u>	<u>\$ 2,934,347</u>	<u>\$ 12,975,440</u>	<u>\$ 10,041,093</u>

**Required Supplementary Information**  
**Redevelopment Agency of the**  
**County of San Bernardino**  
**Budgetary Comparison Schedule - Cedar Glen Project**  
**Major Special Revenue Fund**  
**For The Year Ended June 30, 2010**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Tax increment	\$ 357,700	\$ 317,967	\$ 611,655	\$ 293,688
Use of money and property	155,200	142,273	109,419	(32,854)
Other	-	-	5,600	5,600
	<u>512,900</u>	<u>460,240</u>	<u>726,674</u>	<u>266,434</u>
<b>Expenditures</b>				
Current:				
Community development	7,458,521	256,944	302,804	(45,860)
Pass-through agreement payments	-	-	151,983	(151,983)
SERAF payments	-	-	151,616	(151,616)
Capital outlay:				
Project improvement costs	20,963	635,214	440,920	194,294
Reserves and contingencies	2,715,000	9,249,666	-	9,249,666
	<u>10,194,484</u>	<u>10,141,824</u>	<u>1,047,323</u>	<u>9,094,501</u>
Excess of revenues over (under) expenditures	<u>(9,681,584)</u>	<u>(9,681,584)</u>	<u>(320,649)</u>	<u>9,360,935</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	<u>862</u>	<u>862</u>	<u>5,765</u>	<u>4,903</u>
Total other financing sources (uses)	<u>862</u>	<u>862</u>	<u>5,765</u>	<u>4,903</u>
Net change in fund balance	(9,680,722)	(9,680,722)	(314,884)	9,365,838
Fund balance, beginning of year	<u>685,597</u>	<u>685,597</u>	<u>685,597</u>	<u>-</u>
Fund balance, end of year	<u>\$ (8,995,125)</u>	<u>\$ (8,995,125)</u>	<u>\$ 370,713</u>	<u>\$ 9,365,838</u>

**Redevelopment Agency of the  
 County of San Bernardino  
 Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual  
 RDA Capital Projects Fund  
 For The Year Ended June 30, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Use of money and property	\$ 460,000	\$ 145,240	\$ 230,983	\$ 85,743
Total revenues	<u>460,000</u>	<u>145,240</u>	<u>230,983</u>	<u>85,743</u>
<b>Expenditures</b>				
Capital outlay:				
Project improvement costs	20,008,588	5,907,978	3,117,943	2,790,035
Reserves and contingencies	<u>-</u>	<u>20,395,865</u>	<u>-</u>	<u>20,395,865</u>
Total expenditures	<u>20,008,588</u>	<u>26,303,843</u>	<u>3,117,943</u>	<u>23,185,900</u>
Excess of revenues over (under) expenditures	<u>(19,548,588)</u>	<u>(26,158,603)</u>	<u>(2,886,960)</u>	<u>23,271,643</u>
<b>Other Financing Sources (Uses)</b>				
Transfers out	<u>(7,110,015)</u>	<u>(500,000)</u>	<u>-</u>	<u>500,000</u>
Total other financing sources (uses)	<u>(7,110,015)</u>	<u>(500,000)</u>	<u>-</u>	<u>500,000</u>
Net change in fund balance	(26,658,603)	(26,658,603)	(2,886,960)	23,771,643
Fund balance, beginning of year	<u>26,857,730</u>	<u>26,857,730</u>	<u>26,857,730</u>	<u>-</u>
Fund balance, end of year	<u>\$ 199,127</u>	<u>\$ 199,127</u>	<u>\$ 23,970,770</u>	<u>\$ 23,771,643</u>

**Redevelopment Agency of the  
 County of San Bernardino**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**RDA Housing Fund**  
**For The Year Ended June 30, 2010**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Use of money and property	\$ 75,000	\$ -	\$ 32,276	\$ 32,276
Total revenues	75,000	-	32,276	32,276
<b>Expenditures</b>				
Capital outlay:				
Project improvement costs	3,487,505	13,857	18,306	(4,449)
Reserves and contingencies	-	3,398,648	-	3,398,648
Total expenditures	3,487,505	3,412,505	18,306	3,394,199
Excess of revenues over (under) expenditures	(3,412,505)	(3,412,505)	13,970	3,426,475
<b>Other Financing Sources (Uses)</b>				
Transfers out	-	-	(33,303)	(33,303)
Total other financing sources (uses)	-	-	(33,303)	(33,303)
Net change in fund balance	(3,412,505)	(3,412,505)	(19,333)	3,393,172
Fund balance, beginning of year	10,215,324	10,215,324	10,215,324	-
Fund balance, end of year	<u>\$ 6,802,819</u>	<u>\$ 6,802,819</u>	<u>\$ 10,195,991</u>	<u>\$ 3,393,172</u>

**Redevelopment Agency of the  
County of San Bernardino  
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual  
2000 Series A Bond Fund  
For The Year Ended June 30, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Use of money and property	\$ -	\$ 10,369	\$ 17,290	\$ 6,921
Total revenues	<u>-</u>	<u>10,369</u>	<u>17,290</u>	<u>6,921</u>
<b>Expenditures</b>				
Current:				
Community development	-	-	287,228	(287,228)
Debt service:				
Principal	1,040,000	1,040,000	1,040,000	-
Interest	<u>2,713,650</u>	<u>2,713,650</u>	<u>2,713,650</u>	<u>-</u>
Total expenditures	<u>3,753,650</u>	<u>3,753,650</u>	<u>4,040,878</u>	<u>(287,228)</u>
Excess of revenues over (under) expenditures	<u>(3,753,650)</u>	<u>(3,743,281)</u>	<u>(4,023,588)</u>	<u>(280,307)</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	<u>3,748,576</u>	<u>3,536,262</u>	<u>3,816,781</u>	<u>280,519</u>
Total other financing sources (uses)	<u>3,748,576</u>	<u>3,536,262</u>	<u>3,816,781</u>	<u>280,519</u>
Net change in fund balance	(5,074)	(207,019)	(206,807)	212
Fund balance, beginning of year	<u>4,116,678</u>	<u>4,116,678</u>	<u>4,116,678</u>	<u>-</u>
Fund balance, end of year	<u>\$ 4,111,604</u>	<u>\$ 3,909,659</u>	<u>\$ 3,909,871</u>	<u>\$ 212</u>

**Redevelopment Agency of the  
 County of San Bernardino  
 Combining Balance Sheet  
 Nonmajor Governmental Funds  
 June 30, 2010**

	Special Revenue Funds		
	Victor Valley Economic Development Authority		Mission Blvd Joint Project
	Low - Mod Housing	General	Low - Mod Housing
	<u>          </u>	<u>          </u>	<u>          </u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 2,321,625	\$ 2,286,878	\$ 142,367
Receivables:			
Taxes	-	-	-
Interest	6,223	6,139	415
Prepaid items	-	62,468	-
Due from other governments	322,564	374,503	86,000
	<u>          </u>	<u>          </u>	<u>          </u>
Total assets	<u>\$ 2,650,412</u>	<u>\$ 2,729,988</u>	<u>\$ 228,782</u>
 <b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Due to other funds	\$ 19,618	\$ 60,940	\$ 43,074
Loans payable	-	-	50,000
	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities	<u>19,618</u>	<u>60,940</u>	<u>93,074</u>
 <b>Fund Balances:</b>			
Unreserved, reported in:			
Special revenue funds	2,630,794	2,669,048	135,708
Debt service fund	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>
Total fund balances	<u>2,630,794</u>	<u>2,669,048</u>	<u>135,708</u>
	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities and fund balances	<u>\$ 2,650,412</u>	<u>\$ 2,729,988</u>	<u>\$ 228,782</u>

Special Revenue Funds		Debt Service Fund	
Cedar Glen Project Low - Mod Housing	Redevelopment Administration	Cedar Glen Project Debt Service	Total Nonmajor Governmental Funds
\$ 813,264	\$ 135	\$ 14,853	\$ 5,579,122
4,713	-	-	4,713
2,270	-	280	15,327
-	-	-	62,468
-	-	-	783,067
<u>\$ 820,247</u>	<u>\$ 135</u>	<u>\$ 15,133</u>	<u>\$ 6,444,697</u>
\$ 51,650	\$ -	\$ -	\$ 175,282
1,000,000	-	-	1,050,000
<u>1,051,650</u>	<u>-</u>	<u>-</u>	<u>1,225,282</u>
(231,403)	135	-	5,204,282
-	-	15,133	15,133
<u>(231,403)</u>	<u>135</u>	<u>15,133</u>	<u>5,219,415</u>
<u>\$ 820,247</u>	<u>\$ 135</u>	<u>\$ 15,133</u>	<u>\$ 6,444,697</u>

**Redevelopment Agency of the  
 County of San Bernardino  
 Combining Statement of Revenues, Expenditures, and  
 Changes in Fund Balances  
 Nonmajor Governmental Funds  
 For The Year Ended June 30, 2010**

	Special Revenue Funds		
	Victor Valley Economic Development Authority		Mission Blvd Joint Project
	Low - Mod Housing	General	Low - Mod Housing
<b>Revenues</b>			
Tax increment	\$ -	\$ -	\$ 87,177
Use of money and property	53,831	64,346	1,212
Intergovernmental	582,065	917,982	-
Other	-	-	-
<b>Total revenues</b>	<b>635,896</b>	<b>982,328</b>	<b>88,389</b>
<b>Expenditures</b>			
Current:			
Community development	19,618	175,775	43,074
SERAF payments	-	354,415	-
<b>Total expenditures</b>	<b>19,618</b>	<b>530,190</b>	<b>43,074</b>
Excess of revenues over (under) expenditures	616,278	452,138	45,315
<b>Other Financing Sources (Uses)</b>			
Transfers in	44,649	5,766	-
Transfers out	-	(38,883)	-
<b>Total other financing sources (uses)</b>	<b>44,649</b>	<b>(33,117)</b>	<b>-</b>
Net change in fund balances	660,927	419,021	45,315
Fund balances, beginning of year	1,969,867	2,250,027	90,393
Fund balances, end of year	<u>\$ 2,630,794</u>	<u>\$ 2,669,048</u>	<u>\$ 135,708</u>

Special Revenue Funds		Debt Service Fund	
Cedar Glen Project Low - Mod Housing	Redevelopment Administration	Cedar Glen Project Debt Service	Total Nonmajor Governmental Funds
\$ 152,914	\$ -	\$ -	\$ 240,091
7,882	-	746	128,017
-	-	-	1,500,047
5,844	-	-	5,844
<u>166,640</u>	<u>-</u>	<u>746</u>	<u>1,873,999</u>
51,992	4	-	290,463
-	-	-	354,415
<u>51,992</u>	<u>4</u>	<u>-</u>	<u>644,878</u>
<u>114,648</u>	<u>(4)</u>	<u>746</u>	<u>1,229,121</u>
-	-	-	50,415
-	-	-	(38,883)
-	-	-	11,532
114,648	(4)	746	1,240,653
(346,051)	139	14,387	3,978,762
<u>\$ (231,403)</u>	<u>\$ 135</u>	<u>\$ 15,133</u>	<u>\$ 5,219,415</u>

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To the Governing Board  
Redevelopment Agency of the County of San Bernardino

**Report on Internal Control Over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements  
Performed In Accordance with *Government Auditing Standards***

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Redevelopment Agency of the County of San Bernardino (the Agency), a component unit of the County of San Bernardino, as of and for the year ended June 30, 2010, which collectively comprise the Agency's basic financial statements and have issued our report thereon dated November 5, 2010. We conducted our audit 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Agency's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a misstatement of the Agency's financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. Such provisions included those provisions of laws and regulations identified in the *Guidelines for Compliance Audits of California Redevelopment Agencies*, issued by the State Controller and as interpreted in the *Suggested Auditing Procedures for Accomplishing Compliance Audits of California Redevelopment Agencies*, issued by the Governmental Accounting and Auditing Committee of the California Society of Certified Public Accountants. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, Agency Board, and others within the entity, and is not intended to be and should not be used by anyone other than these specified parties.

*Rogers, Anderson, Molodt & Scott, LLP*

November 5, 2010