

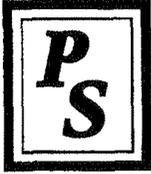
**REDEVELOPMENT AGENCY OF THE  
COUNTY OF SAN BERNARDINO**

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

**For the Year Ended  
June 30, 2004**

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**POWELL & SPAFFORD, LLP**  
CERTIFIED PUBLIC ACCOUNTANTS

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### **Independent Auditors' Report**

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

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, 2004, which collectively comprises 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 an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the 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 opinion.

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, 2004, 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.

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.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 29, 2004 on our consideration of the Redevelopment Agency of the County of San Bernardino's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information listed in the Table of Contents is presented for purposes of additional analysis and is not a required part of the financial statements of the Agency. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

*Howell & Spafford, LLP*

September 29, 2004

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

**Statement of Net Assets**

June 30, 2004

<b>ASSETS</b>	
Cash and cash equivalents	\$ 17,374,657
Due from County of San Bernardino	
Interest	84,768
Property taxes	73,500
Due from the City of Victorville - property taxes	105,310
Restricted:	
Investments - held with fiscal agent	1,603,077
Bond issuance costs, net of amortization of \$89,516	<u>581,841</u>
 Total assets	 <u>19,823,153</u>
 <b>LIABILITIES</b>	
Due to County of San Bernardino	
Transportation/Flood Control District	416,896
Due City of Victorville	
Administration charges	8,532
Accounts payable	178,187
Accrued payroll and benefits	22,682
Accrued interest on bonds payable	421,000
Non-current liabilities	
Due within one year	300,000
Due within more than one year	<u>18,665,000</u>
 Total liabilities	 <u>20,012,297</u>
 <b>NET ASSETS</b>	
Restricted for:	
Debt Service	3,347,470
Housing, community and special development	5,077,080
Unrestricted (deficit)	<u>(8,613,694)</u>
 Total net assets	 <u>\$ (189,144)</u>

*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, 2004

	<b>Expenses</b>	<b>Changes in Net Assets</b>
<b>Functions/Programs</b>		
San Sevaine project	\$ (5,285,927)	
AB 1290 pass-through to other agencies	(1,321,747)	
Other redevelopment projects	(40,626)	
Interest on long-term debt and amortization of bond issuance costs	(1,311,549)	\$ (7,959,849)
 Total governmental activities		 (7,959,849)
 <b>General revenues</b>		
Property taxes		6,308,517
Other revenues		761
Investment income		109,034
 Total general revenues		 6,418,312
 Change in net assets		 (1,541,537)
 Net assets, beginning of year		 1,352,393
Net assets (deficit), end of year		\$ (189,144)

*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, 2004

	<b>Major Funds</b>			
	<u>Special Revenue</u>		<u>Capital Projects</u>	<u>Debt Service</u>
	<u>San Sevaine Project</u>	<u>Low - Mod Housing</u>	<u>RDA Capital Projects</u>	<u>2000 Series A Bond</u>
<b>ASSETS</b>				
Cash and cash equivalents				
County of San Bernardino	\$ 6,515,560	\$ 4,383,340	\$ 4,375,654	\$ 991,031
Held with fiscal agent				1,603,077
Due from County of San Bernardino				
Interest	22,846	17,085	24,420	15,552
Property taxes				73,500
Due from City of Victorville - property taxes				
Due from other funds	<u>266,375</u>	<u>-</u>	<u>-</u>	<u>82,469</u>
<b>Total assets</b>	<u>\$ 6,804,781</u>	<u>\$ 4,400,425</u>	<u>\$ 4,400,074</u>	<u>\$ 2,765,629</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities</b>				
Due to other funds		\$ 257,809		
Due to County of San Bernardino				
Transportation/Flood Control District			\$ 416,896	
Due to City of Victorville - admin charges				
Accounts payable	\$ 152,409			
Accrued payroll and benefits	<u>22,682</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total liabilities</b>	<u>175,091</u>	<u>257,809</u>	<u>416,896</u>	<u>-</u>
<b>Fund Balances</b>				
Reserved for debt service				\$ 2,765,629
Unreserved, reported in:				
Special revenue funds	6,629,690	4,142,616		
Capital projects funds - designated	<u>-</u>	<u>-</u>	<u>3,983,178</u>	<u>-</u>
<b>Total fund balances</b>	<u>6,629,690</u>	<u>4,142,616</u>	<u>3,983,178</u>	<u>2,765,629</u>
<b>Total liabilities and fund balances</b>	<u>\$ 6,804,781</u>	<u>\$ 4,400,425</u>	<u>\$ 4,400,074</u>	<u>\$ 2,765,629</u>

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

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

Bond issuance costs are recorded when the debt is first issued and accrued interest is not payable until due, therefore they are not included in the funds.

Net assets of governmental activities

<u>Other Funds</u>	<u>Total Governmental Funds</u>
\$ 1,109,072	\$ 17,374,657
	1,603,077
4,865	84,768
	73,500
105,310	105,310
<u>26,573</u>	<u>375,417</u>
<u>\$ 1,245,820</u>	<u>\$ 19,616,729</u>
\$ 117,608	\$ 375,417
	416,896
8,532	8,532
25,778	178,187
-	<u>22,682</u>
<u>151,918</u>	<u>1,001,714</u>
	2,765,629
841,928	11,614,234
<u>251,974</u>	<u>4,235,152</u>
<u>1,093,902</u>	18,615,015
<u>\$ 1,245,820</u>	
	(18,965,000)
	<u>160,841</u>
	<u>\$ (189,144)</u>

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, 2004

	<b>Major Funds</b>			
	<b>Special Revenue</b>		<b>Capital Projects</b>	<b>Debt Service</b>
	<b>San Sevaine Project</b>	<b>Low - Mod Housing</b>	<b>RDA Capital Projects</b>	<b>2000 Series A Bond</b>
<b>Revenues</b>				
Property taxes	\$ -	\$ -	\$ -	\$ 6,101,825
Other revenues	761			
Investment income (loss)	46,115	31,287	43,851	(26,522)
<b>Total revenues</b>	<b>46,876</b>	<b>31,287</b>	<b>43,851</b>	<b>6,075,303</b>
<b>Expenditures</b>				
Current:				
General government	1,935,673	632	3,282,921	72,508
AB 1290 pass-through				1,220,365
Debt service				
Principal				280,000
Interest and fiscal charges	-	-	-	1,306,140
<b>Total expenditures</b>	<b>1,935,673</b>	<b>632</b>	<b>3,282,921</b>	<b>2,879,013</b>
Excess (deficiency) of revenues over (under) expenditures	(1,888,797)	30,655	(3,239,070)	3,196,290
<b>Other financing sources (uses)</b>				
Operating transfers	2,692,367	619,496	-	(3,233,200)
<b>Total other financing sources (uses)</b>	<b>2,692,367</b>	<b>619,496</b>	<b>-</b>	<b>(3,233,200)</b>
<b>Net change in fund balances</b>	<b>803,570</b>	<b>650,151</b>	<b>(3,239,070)</b>	<b>(36,910)</b>
<b>Fund balances</b>				
Balances, beginning of year	5,826,120	3,492,465	7,222,248	2,802,539
<b>Balances, end of year</b>	<b>\$ 6,629,690</b>	<b>\$ 4,142,616</b>	<b>\$ 3,983,178</b>	<b>\$ 2,765,629</b>

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

Net change in fund balance - total governmental funds

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 the funds.

The issuance of long-term debt (e.g., bonds) 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 any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Change in net assets of governmental activities

<u>Other Funds</u>	<u>Total Governmental Funds</u>
\$ 206,692	\$ 6,308,517
	761
14,303	109,034
220,995	6,418,312
40,626	5,332,360
101,382	1,321,747
	280,000
-	1,306,140
142,008	8,240,247
78,987	(1,821,935)
(78,663)	-
(78,663)	-
324	(1,821,935)
1,093,578	20,436,950
\$ 1,093,902	\$ 18,615,015
	\$ (1,821,935)
	22,777
	257,621
	\$ (1,541,537)

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 - Budget and Actual**

**Governmental Funds**

For The Year Ended June 30, 2004

	Special Revenue							
	San Sevaine Project				Low-and Moderate- Income Housing Fund			
	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance - Favorable (Unfavorable)	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance - Favorable (Unfavorable)
<b>Revenues</b>								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other revenues			761	761				
Investment income	78,000	78,000	46,115	(31,885)	75,200	75,200	31,287	(43,913)
<b>Total revenues</b>	<u>78,000</u>	<u>78,000</u>	<u>46,876</u>	<u>(31,124)</u>	<u>75,200</u>	<u>75,200</u>	<u>31,287</u>	<u>(43,913)</u>
<b>Expenditures</b>								
Current:								
General government	7,071,747	7,071,747	1,935,673	5,136,074	4,562,661	4,562,661	632	4,562,029
AB 1290 pass-through								
Debt service								
Principal								
Interest and fiscal charges	-	-	-	-	-	-	-	-
<b>Total expenditures</b>	<u>7,071,747</u>	<u>7,071,747</u>	<u>1,935,673</u>	<u>5,136,074</u>	<u>4,562,661</u>	<u>4,562,661</u>	<u>632</u>	<u>4,562,029</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(6,993,747)</u>	<u>(6,993,747)</u>	<u>(1,888,797)</u>	<u>5,104,950</u>	<u>(4,487,461)</u>	<u>(4,487,461)</u>	<u>30,655</u>	<u>4,518,116</u>
<b>Other financing sources</b>								
Operating transfers	<u>1,508,200</u>	<u>1,508,200</u>	<u>2,692,367</u>	<u>1,184,167</u>	<u>557,700</u>	<u>557,700</u>	<u>619,496</u>	<u>61,796</u>
<b>Total other financing sources</b>	<u>1,508,200</u>	<u>1,508,200</u>	<u>2,692,367</u>	<u>1,184,167</u>	<u>557,700</u>	<u>557,700</u>	<u>619,496</u>	<u>61,796</u>
<b>Net change in fund balances</b>	(5,485,547)	(5,485,547)	803,570	6,289,117	(3,929,761)	(3,929,761)	650,151	4,579,912
<b>Fund balances</b>								
Balances, beginning of year	<u>5,485,547</u>	<u>5,485,547</u>	<u>5,826,120</u>	<u>340,573</u>	<u>3,929,761</u>	<u>3,929,761</u>	<u>3,492,465</u>	<u>(437,296)</u>
Balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,629,690</u>	<u>\$ 6,629,690</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,142,616</u>	<u>\$ 4,142,616</u>

Capital Projects				Debt Service			
RDA Capital Projects				2000 Series A Bond			
Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance - Favorable (Unfavorable)	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance - Favorable (Unfavorable)
\$ -	\$ -	\$ -	\$ -	\$ 3,643,696	\$ 4,773,696	\$ 6,101,825	\$ 1,328,129
73,350	73,350	43,851	(29,499)	20,600	20,600	(26,522)	(47,122)
73,350	73,350	43,851	(29,499)	3,664,296	4,794,296	6,075,303	1,281,007
7,236,136	7,236,136	3,282,921	3,953,215	949,185	949,185	72,508	(72,508)
-	-	-	-	280,000	280,000	1,220,365	(271,180)
-	-	-	-	1,306,140	1,306,140	280,000	-
7,236,136	7,236,136	3,282,921	3,953,215	2,535,325	2,535,325	1,306,140	-
(7,162,786)	(7,162,786)	(3,239,070)	3,923,716	1,128,971	2,258,971	2,879,013	(343,688)
-	-	-	-	(2,103,295)	(3,233,295)	3,196,290	937,319
-	-	-	-	(2,103,295)	(3,233,295)	(3,233,200)	95
(7,162,786)	(7,162,786)	(3,239,070)	3,923,716	(974,324)	(974,324)	(3,233,200)	95
7,162,786	7,162,786	7,222,248	59,462	974,324	974,324	3,196,290	937,414
\$ -	\$ -	\$ 3,983,178	\$ 3,983,178	\$ -	\$ -	\$ 2,802,539	\$ 1,828,215
						\$ 2,765,629	\$ 2,765,629

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

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

**Notes to Financial Statements**

**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. This 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 55% 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 of 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. The Joint Venture is in its early stages of development and minimal Agency funds have been committed for this project as of June 30, 2004. Project adoption is schedule for November 2004.

In December 2003, the Agency adopted rules and guidelines for the proposed redevelopment plan of the Cedar Glen area. The project is in its early stages and minimal Agency funds have been committed for this project as of June 30, 2004. The Agency adopted a resolution during the year authorizing a loan of \$75,000 between the San Sevaine Project and the Cedar Glen Project.

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. 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.

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

**Notes to Financial Statements**

**1. Summary of Operations and Significant Accounting Policies (Continued)**

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 the 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 accounting 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 expense are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. 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 a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

**Notes to Financial Statements**

**1. Summary of Operations and Significant Accounting Policies (Continued)**

The Agency reports the following major governmental funds:

*Special Revenue Funds* - The special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The Agency has two major special revenue funds, the San Sevaire Project and the Low-Mod Housing funds.

*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 one major capital projects fund, the RDA Capital Project 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 four non-major special revenue funds for VVEDA George Air Force Base reuse tax increment revenue and its related Low and Moderate Income Housing, and the Mission Boulevard Joint Redevelopment Project in Montclair and the Cedar Glen Projects.

*Capital Projects* - The Agency has one non-major capital projects fund for the RDA Housing Project.

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

**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, Cash Equivalents and Investments**

Cash in County Treasurer are funds held by the San Bernardino County Treasurer (County Treasurer). Unrealized gains and losses are included in investment income. The Agency's funds held by the County Treasurer are readily convertible to cash and available for immediate withdrawal and are thus considered to be cash equivalents for financial reporting purposes. In accordance with state requirements, the Agency maintains substantially all of its cash in the County Treasury.

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

**Notes to Financial Statements**

**1. Summary of Operations and Significant Accounting Policies (Continued)**

The County Treasury's Statement of Investment Policy is more stringent than required under the California Government Code. At June 30, 2004, the County Treasurer was in compliance with its own policies and California Government Code. The County Treasurer pools these funds with those of other entities in the County and invests the cash. In addition, the Agency maintains funds with Bank of New York Western Trust Company for the repayment of the tax allocation bonds.

**Interfund Balances and Transfers**

Interfund transfers occur because the Agency receives all property tax revenues through the debt service fund and transfers these funds to other funds as expenditures are incurred or due to contractual requirements. Also, administrative costs incurred by the San Sevaine Project are allocated to the other funds through transfers. Activity between funds that are representative of lending/borrowing arrangements outstanding at year-end are referred to as "due to/from other funds" (i.e., the current portion of interfund loans).

**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 Trustee" 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. No liability is reported for unpaid accumulated sick leave. Vacation pay that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts not expected to be liquidated with expendable available financial resources are reported in the government-wide financial statements.

**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 issuance costs, are deferred and amortized over the life of the bonds over the term of the related debt.

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 issuances are reported as other financing uses. 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**

**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 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 Balance 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 a specific future use. Reserved for debt service represents amounts held by the fiscal agent for principle and interest payments on the 2000 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.

**2. Reconciliation of Government-wide and Fund Financial Statements**

Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets:

Bonds payable	<u>\$18,965,000</u>
Bond issuance costs, net of amortization of \$89,516	\$ 581,841
Accrued interest	<u>(421,000)</u>
	<u>\$ 160,841</u>

Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities:

Change in compensated absences	\$ 5,807
Change in bond payable currently due	<u>16,970</u>
	<u>\$22,777</u>

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

**Notes to Financial Statements**

**2. Reconciliation of Government-wide and Fund Financial Statements (Continued)**

Payment on bonds payable	\$ 280,000
Amortization of bond issuance costs	<u>(22,379)</u>
	\$ <u>257,621</u>

**3. Cash, Cash Equivalents and Investments**

Cash in County Treasurer is considered an investment in an external investment pool. These funds are reported at market value as determined by quoted market prices in the financial statements of the Agency. The carrying value and market value as of June 30, 2004 was \$17,454,323 and \$17,374,657, respectively.

The Agency maintains funds with Bank of New York Western Trust Company of \$1,603,077 for the repayment of the tax allocation bonds. The funds are invested in U.S. Government Securities and are recorded at market value as determined by quoted market prices. Securities issued or guaranteed by the U.S. Government and its agencies and instrumentalities have historically involved little risk of loss of principal if held to maturity. However, no assurance is given that the U.S. Government would provide financial support to any agency or instrumentality if it is not obligated to do so by law.

The Agency's funds with Bank of New York Western Trust Company can be categorized as either (1) insured or registered for which the securities are held by the Agency or its agent in the Agency's name, (2) uninsured and unregistered for which the securities are held by the broker's or dealer's trust department or agent in the Agency's name, or (3) uninsured and unregistered for which the securities are held by the broker or dealer or by its trust department or agent but not in the Agency's name. U.S. Government Securities held by Bank of New York Western Trust Company are considered to be category (3) investments.

**4. Transactions With 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 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 services and supplies.

California Redevelopment Law requires that the County advance funds to the Agency so it can finance its administrative obligations on an annual basis. On September 30, 1997, the Agency entered into a Financing Agreement with the County of San Bernardino. The Agreement provides for an annual loan to bear interest at 1% above the County's pooled investment rate, which will be repaid by June 30<sup>th</sup> of each year with tax increment revenue. For the year ended June 30, 2004, the Agency received and repaid \$1,233,236 plus interest of \$10,199, which is included in the San Sevaire project on the statement of activities.

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

**Notes to Financial Statements**

**5. Interfund Receivables, Payables and Transfers**

The composition of interfund balance as of June 30, 2004, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
San Sevaine Project	Low-Mod Housing	\$ 718,837
	2000 Series A Bond	58,800
	Nonmajor Governmental Funds	93,586
Low-Mod Housing	San Sevaine Project	235,767
	2000 Series A Bond	261,415
2000 Series A Bond	San Sevaine Project	366,530
	Low-Mod Housing	36,154
Nonmajor Governmental Funds	San Sevaine Project	<u>2,551</u>
Total		<u>\$1,773,640</u>

Included in the San Sevaine Project receivable fund is an advance/loan from the Cedar Glen Project a nonmajor governmental fund in the amount of \$75,000.

Interfund transfers:

	<u>Transfer In:</u>		
	<u>San Sevaine Project</u>	<u>Low-Mod Housing</u>	<u>Amount</u>
Transfer Out:			
2000 Series A Bond	\$2,388,784	\$844,416	\$3,233,200
Low-Mod Housing	224,920	(224,920)	-
Nonmajor Governmental Funds	<u>78,663</u>	<u>-</u>	<u>78,663</u>
Total transfers in	<u>\$2,692,367</u>	<u>\$619,496</u>	<u>\$3,311,863</u>

**6. Non-Current Liabilities**

The Agency issued tax allocation bonds, 2000 series A (the 2000 Bonds) in the amount of \$19,770,000 to provide funds for the acquisition and construction of various undertakings in the San Sevaine Redevelopment Project pursuant to the Redevelopment Plan, including an 80 unit senior housing facility. The 2000 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 September 1, 2000. The 2000 Bonds have stated interest rates ranging from 5.3% to 7.10% over the life of the Bonds. The 2000 Bonds maturing on or before September 1, 2009 are not subject to optional redemption prior to maturity. The 2000 Bonds maturing after September 10, 2010 are subject to redemption, at the option of the Agency.

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

**Notes to Financial Statements**

**6. Non-Current Liabilities (Continued)**

Bonds maturing on or after September 1, 2018 are also subject to mandatory sinking fund payments pursuant to the Indenture at a redemption price equal to the principal amount thereof to be redeemed together with accrued interest thereon to the redemption date, without premium on dates specified in the Indenture through 2029.

The requirements to amortize bonds payable subsequent to June 30, 2004 are as follows:

**Bonds payable**

<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 300,000	\$ 1,289,820	\$ 1,589,820
2006	315,000	1,272,135	1,587,135
2007	335,000	1,253,116	1,588,116
2008	355,000	1,232,585	1,587,585
2009	375,000	1,210,498	1,585,498
2010-2014	2,250,000	5,657,343	7,907,343
2015-2019	3,105,000	4,771,213	7,876,213
2020-2024	4,340,000	3,489,950	7,829,950
2025-2029	6,100,000	1,669,745	7,769,745
2030	<u>1,490,000</u>	<u>52,895</u>	<u>1,542,895</u>
Total	<u>\$18,965,000</u>	<u>\$21,899,300</u>	<u>\$40,864,300</u>

A schedule of changes in the non-current liabilities for the year ended June 30, 2004 is shown below:

	<u>Balance July 1, 2003</u>	<u>Change</u>	<u>Balance June 30, 2004</u>	<u>Due Within One Year</u>
Bonds payable	\$19,245,000	\$(280,000)	\$18,965,000	\$300,000
Compensated absences	<u>5,807</u>	<u>(5,807)</u>	<u>-</u>	<u>-</u>
	<u>\$19,250,807</u>	<u>\$(285,807)</u>	<u>\$18,965,000</u>	<u>\$300,000</u>

**7. Retirement Plan**

The Agency's employee's are employee's of the County of San Bernardino and therefore are also participant's in the San Bernardino County Employee's 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 Plan is governed by the San Bernardino Board of Retirement under the 1937 Act. Employees become eligible for membership on their first day of regular employment and become fully vested after 5 years. 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.

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

**Notes to Financial Statements**

**7. Retirement Plan (Continued)**

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 related to the employee's of the Agency is not available.

**8. 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 areas 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 Sevine project area and the former George Air Force Base project area.

**SUPPLEMENTARY INFORMATION**

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

**Combining Balance Sheet**

**Nonmajor Governmental Funds**

June 30, 2004

	<b>Special Revenue</b>			
	<b>Victor Valley Economic Development Authority</b>		<b>Mission Boulevard Joint Redevelopment Project</b>	<b>Cedar Glen Project</b>
	<b>Low - Mod Housing</b>	<b>General VVEDA</b>	<b>Low - Mod Housing</b>	<b>General</b>
<b>ASSETS</b>				
Cash and cash equivalents				
County of San Bernardino	\$ 243,846	\$ 562,170	\$ -	\$ 52,137
Due from County of San Bernardino interest	1,038	2,546		226
Due from City of Victorville property taxes	41,338	63,972		
Due from other funds	-	26,573	-	-
<b>Total assets</b>	<b>\$ 286,222</b>	<b>\$ 655,261</b>	<b>\$ -</b>	<b>\$ 52,363</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities</b>				
Due to other funds	35,554	\$ -	\$ 1,289	\$ 80,765
Due to City of Victorville administrative charges	1,707	6,825		
Accounts payable	-	10,472	-	15,306
<b>Total Liabilities</b>	<b>37,261</b>	<b>17,297</b>	<b>1,289</b>	<b>96,071</b>
<b>Fund balances</b>				
Unreserved, reported in:				
Special revenue funds	\$ 248,961	637,964	(1,289)	(43,708)
Capital projects fund - designated	-	-	-	-
<b>Total fund balances</b>	<b>248,961</b>	<b>637,964</b>	<b>(1,289)</b>	<b>(43,708)</b>
<b>Total liabilities and fund balances</b>	<b>\$ 286,222</b>	<b>\$ 655,261</b>	<b>\$ -</b>	<b>\$ 52,363</b>

Capital Projects

<u>RDA Housing</u>	<u>Total Nonmajor Governmental Funds</u>
\$ 250,919	\$ 1,109,072
1,055	4,865
	105,310
-	<u>26,573</u>
<u>\$ 251,974</u>	<u>\$ 1,245,820</u>
\$ -	\$ 117,608
	8,532
-	<u>25,778</u>
-	<u>151,918</u>
	841,928
<u>251,974</u>	<u>251,974</u>
<u>251,974</u>	<u>1,093,902</u>
<u>\$ 251,974</u>	<u>\$ 1,245,820</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, 2004

	Special Revenue			
	Victor Valley Economic Development Authority		Mission Boulevard Joint Redevelopment Project	Cedar Glen Project
	Low - Mod Housing	General VVEDA	Low - Mod Housing	General
<b>Revenues</b>				
Property taxes	\$ 41,338	\$ 165,354	\$ -	\$ -
Investment income	3,400	8,987	-	174
<b>Total revenues</b>	<u>44,738</u>	<u>174,341</u>	<u>-</u>	<u>174</u>
<b>Expenditures</b>				
Current:				
General government	5,236	17,297		18,093
AB 1290 pass-through	-	101,382	-	-
<b>Total expenditures</b>	<u>5,236</u>	<u>118,679</u>	<u>-</u>	<u>18,093</u>
Excess of revenues over expenditures	<u>39,502</u>	<u>55,662</u>	<u>-</u>	<u>(17,919)</u>
<b>Other financing uses</b>				
Operating transfers	(5,766)	(45,819)	(1,289)	(25,789)
<b>Total other financing uses</b>	<u>(5,766)</u>	<u>(45,819)</u>	<u>(1,289)</u>	<u>(25,789)</u>
Excess of revenues over expenditures and other uses	33,736	9,843	(1,289)	(43,708)
<b>Fund balances</b>				
Balances, beginning of year	215,225	628,121	-	-
Balances, end of year	<u>\$ 248,961</u>	<u>\$ 637,964</u>	<u>\$ (1,289)</u>	<u>\$ (43,708)</u>

Capital Projects

<u>RDA Housing</u>	<u>Total Nonmajor Governmental Funds</u>
\$ -	\$ 206,692
<u>1,742</u>	<u>14,303</u>
<u>1,742</u>	<u>220,995</u>
	40,626
<u>-</u>	<u>101,382</u>
<u>-</u>	<u>142,008</u>
<u>1,742</u>	<u>78,987</u>
<u>-</u>	<u>(78,663)</u>
<u>-</u>	<u>(78,663)</u>
1,742	324
<u>250,232</u>	<u>1,093,578</u>
<u>\$ 251,974</u>	<u>\$ 1,093,902</u>