SUCCESSOR AGENCY TO THE COUNTY OF SAN BERNARDINO REDEVELOPMENT AGENCY

Basic Financial Statements and Independent Auditor's Report

For the year ended June 30, 2016

Successor Agency to the County of
San Bernardino Redevelopment Agency
Basic Financial Statements

Table of Contents

RAMS
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Independent Auditor's Report

To the Oversight Board
Successor Agency to the County of
San Bernardino Redevelopment Agency

Report on the Financial Statements

We have audited the accompanying fiduciary fund financial statements of the Successor Agency to the County of San Bernardino Redevelopment Agency (Successor Agency), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Successor Agency's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error or fraud.

Auditor's Responsibility

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to error or fraud. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary fund financial position of the Successor Agency as of June 30, 2016 and the changes in fiduciary fund financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Successor Agency and do not purport to, and do not present fairly the financial position of the County of San Bernardino, as of June 30, 2016, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 4, 2016, on our consideration of the Successor Agency'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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Successor Agency's internal control over financial reporting and compliance.

Rogers, Anderson, Malody & Scott, LLP

San Bernardino, California
November 4, 2016

Successor Agency to the County of
San Bernardino Redevelopment Agency
Statement of Fiduciary Net Position
June 30, 2016

	Private-purpose Trust Fund
ASSETS	
Cash and cash equivalents	$ 5,826,919
Restricted assets:	
Cash and investments with fiscal agents	3,514,867
Prepaid bond insurance	641,335
Land held for resale	23,395,560
Capital assets:	
Equipment, net of depreciation	-
Total assets	33,378,681
LIABILITIES	
Accrued interest payable	1,551,589
Due to other governments	88,946
Noncurrent liabilities:	
Due within one year	1,534,083
Due in more than one year	83,018,160
Total liabilities	86,192,778
DEFERRED INFLOW OF RESOURCES	
Deferred amount on refunding of debt	746,973
NET POSITION	
Net position held in trust (deficit)	(53,561,070)
Total net position	$ (53,561,070)

The accompanying notes are an integral part of these financial statements

Successor Agency to the County of
San Bernardino Redevelopment Agency
Statement of Changes in Fiduciary Net Position
For the year ended June 30, 2016

	Private-purpose Trust Fund
ADDITIONS	
Property taxes	
Redevelopment Agency property tax trust fund	$ 9,118,036
Investment earnings	21,037
Other revenues	185,972
Total additions	9,325,045
DEDUCTIONS	
Administrative expenses	320,456
Interest on debt	4,966,913
Project costs of former Redevelopment Agency	328,454
Refunding bond issuance costs	558,569
Total deductions	6,174,392
Change in net position	3,150,653
Net position held in trust (deficit), beginning	(56,711,723)
Net position held in trust (deficit), ending	$ (53,561,070)

The accompanying notes are an integral part of these financial statements

Note 1: Summary of Operations and Significant Accounting Policies

Reporting Entity

On January 10, 2012, the County of San Bernardino Board of Supervisors adopted Resolution No. 2012-01, electing to become the Successor Agency (Successor Agency) to the former Redevelopment Agency of the County of San Bernardino (the Redevelopment Agency). Upon the dissolution of California redevelopment agencies on February 1, 2012, the Successor Agency is responsible for continuing to pay and meet the former Redevelopment Agency's enforceable obligations, overseeing completion of redevelopment projects, disposing of assets and properties of the former Redevelopment Agency, as directed and approved by the Oversight Board. The Oversight Board has fiduciary responsibility to holders of enforceable obligations and the taxing entities that benefit from distributions of property tax and other revenue. The Oversight Board of the Successor Agency is comprised of seven members appointed by the:

- County Board of Supervisors (two members)
- County Superintendent of Education (one member)
- California Community College (one member)
- Former Redevelopment Agency employee (one member)
- Largest special district taxing entity (one member) and
- City territory within the former redevelopment area (one member)

County employees perform the necessary day-to-day activities of the Successor Agency to bring projects to completion, collect information and perform analysis regarding disposal of Redevelopment Agency assets, and provide administrative support to the Oversight Board.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The accompanying financial statements present only the Successor Agency, a Private Purpose Trust Fund of the County of San Bernardino, and are not intended to present fairly the financial position or changes in financial position of the County in accordance with accounting principles generally accepted in the United States of America.

The Successor Agency serves as the custodian of the assets for the dissolved Redevelopment Agency. Based on the nature of this custodial role, the assets and liabilities of the dissolved Redevelopment Agency are reported as a fiduciary fund (private-purpose trust fund). The private-purpose trust fund financial statements consist of a statement of fiduciary net position (balance sheet) and a statement of changes in fiduciary net position (income statement).

Private purpose trust funds are accounted for using the economic resources measurement focus and accrual basis of accounting. Accordingly, all assets and liabilities (both current and noncurrent) are included on the statement of fiduciary net position. The statement of changes in fiduciary net position presents additions (revenues) and deductions (expenses) in total net position. Property tax allocations are recognized when they are due and when a formal commitment to provide the tax distribution has been made. Expenses are recognized when they are due or incurred.

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

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

Annual Budget

Pursuant to AB X1 26, the Successor Agency is required to adopt a Recognized Obligation Payments Schedule (ROPS), listing all enforceable obligations due and payable in the six-month coverage period. The ROPS was prepared semi-annually with a distribution of semi-annual property tax revenues from the Redevelopment Property Tax Trust Fund (RPTTF). Management has determined that the ROPS will replace the Successor Agency's annual budget. The ROPS is presented and approved by the Successor Agency governing board and Oversight Board and subsequently approved by the State Department of Finance. SB 107 was passed which changed the ROPS from a semi-annual submittal to the DOF to an annual submittal, but it continues to distribute property taxes of RPTTF funds on a semi-annual basis.

Cash and Investments

The Successor Agency's cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition are considered to be cash and cash equivalents. The Successor 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, therefore, is considered a cash equivalent for financial statement reporting purposes. In addition, the State authorizes the Successor 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 Successor Agency are reported at fair value based on quoted market prices.

Capital Assets

Capital assets, which include only equipment, are reported in the statement of fiduciary net position. The Successor 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.

Capital assets of the Successor Agency are depreciated using the straight-line method over the following estimated useful lives of the assets. The Successor Agency's capital assets are depreciated over 6-10 years.

Restricted Assets

Certain proceeds of the Successor Agency are classified as restricted assets on the statement of fiduciary net position because they are maintained in separate bank accounts and their use is limited by applicable bond covenants.

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

Land Held for Resale

Land held for resale are assets acquired and held with the intent of sale and it is not the intent of management to hold these assets for income or profit. These assets are being carried 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, 2016, the land held for resale is being carried at a cost of $23,395,560. Of this amount $2,500,607 has been identified as liquidation property and will be sold by the Agency. The other $20,894,953 has been identified as future development property and will be transferred to the County of San Bernardino for development. All transfers have been previously approved by the State of Department of Finance. Upon the County's sale of the land, the sales proceeds will be distributed to all of the appropriate taxing entities at the close of escrow.

Liabilities

Liabilities reflect the Successor Agency's financial obligations as of June 30, including the repayment of tax allocation bonds issued by the former Redevelopment Agency. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Long-term debt is reported net of any bond discounts or premiums.

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 Successor 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.

The Successor Agency's main source of funding is property taxes allocated by the County Auditor-Controller (CAC) from the Redevelopment Property Tax Trust Fund (RPTTF). The allocation of property taxes is related to the repayment of the former Redevelopment Agency's enforceable obligations. The Successor Agency prepares a Recognized Obligation Payment Schedule (ROPS) estimating the RPTTF funds required to pay its obligations for each six-month period (January through June and July through December). The ROPS is subject to review and approval of the Oversight Board, CAC, and State Department of Finance (DOF). These taxes are generally distributed in January and May of each fiscal year.

The Successor Agency receives allocation of property taxes for its approved ROPS items after payment of the County's administrative costs and pass-through payments to affected taxing entities. In addition to the ROPS payments, the Successor Agency is allocated an annual administrative allowance equal to 3% of the approved RPTTF funding or the minimum amount of $250,000, whichever is greater.

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

Use of Estimates

The preparation of these financial statements in conformity with Generally Accepted Accounting Principles 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 believes that the estimates are reasonable.

New Pronouncement

During the current year, the Successor Agency adopted Governmental Accounting Standards Board Statement 72, *Fair Value Measurement and Application.* This statement addresses accounting and financial reporting issues related to fair value measurements and defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It also provides guidance for determining a fair value measurement for financial reporting purposes and guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

Note 2: Cash and Investments

The Agency is a participant in the San Bernardino Treasurer's Pool (County Pool). The County Pool is an external investment pool not registered with the Securities Exchange Commission (SEC). The San Bernardino County Treasury Oversight Committee conducts County Pool oversight.

Cash on deposit in the County Pool at June 30, 2016, is stated at fair value. 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 Successor Agency's account based upon the Successor Agency's average daily deposit balance during the allocation period. Cash and cash equivalents are shown as follows as of June 30, 2016.

Deposits and investments at June 30, 2016:

External Investment Pool – Cash in San Bernardino County Treasury	$ 5,826,719
Cash on hand	200
	5,826,919
Restricted assets:	
Investments held with fiscal agent – Bank of New York Mellon Trust Company, N.A.:	
Money Market funds invested in U.S. Treasuries	3,514,867
Total fair value of cash and investments	$ 9,341,786

Note 2: Cash and Investments (continued)

See the County of San Bernardino's Comprehensive Annual Financial Report (CAFR) for details of their investment policy and disclosures related to investment types, credit risk, concentration of credit risk, interest rate risk and custodial credit risk, as required by GASB Statement No. 40. The County pool is rated AAA by Fitch. The Successor Agency's investments in U.S. Treasuries Money Market funds through the Bank of New York Mellon Trust Company, N.A were generally rated AAA by Standard & Poor's.

The Successor Agency follows the County's investment policy for permitted investments. The bond document allows the fiscal agent to invest in obligations of the United States government obligations, United States Agencies, deposit accounts, federal funds, bankers' acceptances, certificates of deposit, commercial paper, municipal obligations, repurchase agreements, investment agreements and money market funds.

The Successor Agency categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The County Pool values participant shares on an amortized cost basis during the year and adjusts to fair value at year-end. The Agency's money market funds are valued at amortized cost. The Agency has no investments subject to the fair value hierarchy established by generally accepted accounting principles

Note 3: Capital Assets

At June 30, 2016, the capital assets held by the Successor Agency consisted of the following:

Governmental activities:	Beginning balance	Additions	Deletions	Ending balance
Capital assets, being depreciated:				
Equipment	$ 16,355	$ -	$ -	$ 16,355
Total capital assets, being depreciated	16,355	-	-	16,355
Less accumulated depreciation for:				
Equipment	(16,355)	-	-	(16,355)
Total accumulated depreciation	(16,355)	-	-	(16,355)
Total capital assets, being depreciated, net	$ -	$ -	$ -	$ -

Note 4: Transactions with the County of San Bernardino

The Successor Agency has entered into several agreements with the County of San Bernardino to provide for virtually all services to the Successor Agency, including personnel and administrative services, cash flow management, risk management and project costs. Payment for these services is reflected in the statement of changes in fiduciary net position as administrative expenses. The Successor Agency also has notes payable due to the County as further discussed in Note 5.

Note 5: Long-Term Liabilities

Bonds Payable

A. 2005 Series A Refunding Tax Allocation Bonds

In November 2005, the former Redevelopment Agency issued Redevelopment Agency of the County of San Bernardino (San Sevaine 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 Sevaine Redevelopment Project Area and to advance refund the 2000 Bonds. The 2005 Bonds are special obligations of the former Redevelopment Agency and are payable solely from and secured by a pledge of tax increment revenues (now Redevelopment Property Tax Trust Fund revenues or RPTTF). 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 Successor Agency.

During the current fiscal year, the 2005 Series A bonds were advance refunded by the 2016 Series A Tax Allocation Bonds (taxable) and the 2016 Series B Tax Allocation Bonds. See Note 5, E for more information on the 2016 Series A and B Refunding Bonds.

B. 2010 Series A Tax Allocation Bonds

In November 2010, the former Redevelopment Agency issued Redevelopment Agency of the County of San Bernardino (San Sevaine Redevelopment Project) Tax Allocation Bonds, 2010 Series A (Taxable) (the 2010 A Bonds) in the amount of $16,945,000 to provide funds for the acquisition and construction of various projects in the San Sevaine Redevelopment Project Area and to replenish an account of the Successor Agency's Low and Moderate Income Housing Fund. The 2010 A Bonds are special obligations of the former Redevelopment Agency and are payable solely from and secured by a pledge of tax increment revenues (RPTTF) and Bond Tax Subsidy Payments. Bond interest is payable semi-annually on each March 1 and September 1, commencing on March 1, 2011. The 2010 A Bonds have stated interest rates ranging from 7.135% to 8.40% over the life of the bonds. The 2010 A Bonds maturing after September 1, 2020, are not subject to optional redemption prior to maturity. The 2010 A Bonds maturing after September 1, 2021, are subject to redemption, at the option of the Successor Agency.

Note 5: Long-Term Liabilities (continued)

Bonds Payable (continued)

The following schedule illustrates the annual debt service requirements to maturity for the 2010 Series A Bonds outstanding as of June 30, 2016:

Fiscal years ending June 30,	Principal	Interest
2017	$ 220,000	$ 1,325,183
2018	235,000	1,308,951
2019	250,000	1,291,649
2020	270,000	1,273,098
2021	290,000	1,253,120
2022-2026	1,815,000	5,855,378
2027-2031	2,740,000	4,905,386
2032-2036	4,095,000	3,486,428
2037-2041	6,130,000	1,369,198
Total	$ 16,045,000	$ 22,068,391

C. 2010 Series B Tax Allocation Bonds

In November 2010, the former Redevelopment Agency issued Redevelopment Agency of the County of San Bernardino (San Sevaine Redevelopment Project) Tax Allocation Bonds, 2010 Series B (Taxable Recovery Zone Economic Development Bonds) (the 2010 B Bonds) in the amount of $13,605,000 to provide funds for the acquisition and construction of various projects in the San Sevaine Redevelopment Project Area and to fund a reserve account for the 2010 B Bonds. The 2010 B Bonds are special obligations of the former Redevelopment Agency and are payable solely from and secured by a pledge of tax increment revenues and Bond Tax Subsidy Payments. Bond interest is payable semi-annually on each March 1 and September 1, commencing on March 1, 2011. The 2010 B Bonds have a stated interest rate of 8.50% over the life of the bonds. The 2010 B Bonds are subject to mandatory sinking fund redemption as follows:

September 1,	Amount
2036	$ 2,480,000
2037	2,595,000
2038	2,715,000
2039	2,840,000
2040	2,975,000

Note 5: Long-Term Liabilities (continued)

Bonds Payable (continued)

The following schedule illustrates the annual debt service requirements to maturity for the 2010 Series B Bonds outstanding as of June 30, 2016:

Fiscal years ending June 30,	Principal	Interest
2017	$ -	$ 1,156,425
2018	-	1,156,425
2019	-	1,156,425
2020	-	1,156,425
2021	-	1,156,425
2022-2026	-	5,782,125
2027-2031	-	5,782,125
2032-2036	-	5,782,125
2037-2041	13,605,000	2,996,038
Total	$ 13,605,000	$ 26,124,538

D. Cedar Glen Series 2010 Tax Allocation Bonds

In October 2010, the former Redevelopment Agency issued Redevelopment Agency of the County of San Bernardino Cedar Glen Disaster Recovery Project Area Tax Allocation Bonds, Series 2010 (the 2010 Bonds) in the amount of $5,750,000 to provide funds for the acquisition and construction of various projects in the Cedar Glen Disaster Recovery Project Area and to fund a reserve account for the 2010 Bonds. The 2010 Bonds are special obligations of the former Redevelopment 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, 2011. The 2010 Bonds have stated interest rates ranging from 1.875% to 6.00% over the life of the bonds. The 2010 Bonds maturing after September 1, 2018, are not subject to optional redemption prior to maturity. The 2010 Bonds maturing after September 1, 2019 are subject to redemption at the option of the Successor Agency.

Note 5: Long-Term Liabilities (continued)

Bonds Payable (continued)

The following schedule illustrates the annual debt service requirements to maturity for the 2010 Bonds outstanding as of June 30, 2016:

Fiscal years ending June 30,	Principal	Interest
2017	$ 170,000	$ 273,700
2018	175,000	266,906
2019	180,000	259,581
2020	190,000	251,481
2021	200,000	242,456
2022-2026	1,150,000	1,048,684
2027-2031	1,495,000	686,969
2032-2036	1,540,000	191,700
Total	$ 5,100,000	$ 3,221,477

E. San Sevaine 2016 Series A (taxable) and B Refunding Tax Allocation Bonds

During the current fiscal year, the Successor Agency issued the $28,790,000 Series A (taxable) Refunding Tax Allocation Bonds and $13,985,000 Series B Refunding Tax Allocation Bonds (collectively the 2016 Bonds) to advance refund the remaining 2005 Series A Refunding Tax Allocation Bonds with an aggregate amount of $47,030,000. The proceeds were used to advance refund the 2005 Series A bonds which were retired during the current fiscal year. The remaining proceeds of the 2016 Bonds will be used to (i) pay the premium of a debt service reserve insurance policy for the 2016 Bonds concurrently with the delivery of the 2016 Bonds to satisfy the 2016 reserve amount and (ii) pay the costs of issuing the 2016 Bonds, including the premium for the Bond Insurance Policy.

The Series A bonds are payable in annual installments ranging from $745,000 to $2,095,000 commencing September 1, 2016. The final bond matures September 1, 2035. Interest is payable semi-annually on March 1 and September 1 at rates ranging from 1.00% to 4.00% per annum. There were no interest or principal payments in the current fiscal year.

The Series B bonds are payable in annual installments ranging from $395,000 to $1,010,000 commencing September 1, 2016. The final bond matures September 1, 2035. Interest is payable semi-annually on March 1 and September 1 at rates ranging from 2.00% to 3.25% per annum. There were no interest or principal payments in the current fiscal year.

Note 5: Long-Term Liabilities (continued)

Bonds Payable (continued)

The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $766,126. This difference, reported as a deferred outflow of resources, is being amortized on a straight-line basis as interest expense (interest on debt) on the Statement of Changes in Fiduciary Net Position through the year 2035. The Successor Agency advance refunded the 2005 Series A to reduce its total debt service payments by $10,784,337 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of $7,429,613. The advance refunding did not add any additional time allowed to repay the bonded indebtedness.

The following schedule illustrates the annual debt service requirements to maturity for the 2016 Series A Bonds outstanding as of June 30, 2016:

	2016 Series A	
Fiscal years ending June 30,	Principal	Interest
2017	$ 745,000	$ 1,173,998
2018	1,085,000	1,098,794
2019	1,105,000	1,076,869
2020	1,130,000	1,050,313
2021	1,155,000	1,021,028
2022-2026	6,335,000	4,522,972
2027-2031	7,665,000	3,139,788
2032-2036	9,570,000	1,176,056
Total	$ 28,790,000	$ 14,259,818

The following schedule illustrates the annual debt service requirements to maturity for the 2016 Series B Bonds outstanding as of June 30, 2016:

	2016 Series B	
Fiscal years ending June 30,	Principal	Interest
2017	$ 395,000	$ 611,940
2018	465,000	568,600
2019	475,000	552,125
2020	495,000	530,250
2021	525,000	504,750
2022-2026	3,025,000	2,094,504
2027-2031	3,865,000	1,237,500
2032-2036	4,740,000	382,931
Total	$ 13,985,000	$ 6,482,600

Note 5: Long-Term Liabilities (continued)

Notes Payable - County of San Bernardino

The Successor 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 were to be repaid over ten years. The loans were to be paid utilizing tax increment revenue from the project areas. The loans were made available for the Cedar Glen Disaster Recovery Redevelopment Area operating costs and project improvement costs of $10,365,000 and Mission Boulevard Joint Redevelopment Project for administrative costs of $50,000.

In the 2013 fiscal year, the Department of Finance indicated that the repayment of the debt was not an enforceable obligation and therefore, the Successor Agency removed the debt and associated accrued interest payable from its liabilities. In the 2014 fiscal year, the Department of Finance indicated the debt was an enforceable obligation, and therefore the Successor Agency has returned the debt and associated accrued interest payable to its liabilities. The accrued interest payable has been reduced from the original amount of $2,358,726 to $224,341 based on the provisions of the Health and Safety §34191.4 per the letter from the DOF dated May 16, 2014.

The loans are to be paid out in semi-annual installments in amounts not to exceed the sum determined pursuant to Health and Safety §34191.4(b)(2)(A). Payments are applied first to accrued interest and then to outstanding principal. If the amount of funds available to be distributed by the San Bernardino County Auditor-Controller from the Redevelopment Property Tax Trust Fund for any ROPS period is not sufficient to fully fund the other enforceable obligations on the ROPS, payments due on the loans, and the administrative costs of the Successor Agency for that period, then the amount of the loan payments due shall be reduced to the extent necessary to fully fund the other enforceable obligations and administrative costs.

Due to the uncertainty of the repayments, no repayment schedule is presented for the loans payable.

The Successor Agency is required to make scheduled payments and perform obligations with respect to the long-term liabilities of the former Redevelopment Agency of the County of San Bernardino.

Note 5: Long-Term Liabilities (continued)

The following is a schedule of changes in long-term debt of the Successor Agency for the year ended June 30, 2016:

	Beginning balance	Additions	Deletions	Ending balance	Due within one year
Bonds					
2005 A Refunding TAB’s	$ 48,385,000	$ -	$ (48,385,000)	$ -	$ -
2016 A TAB's, Taxable	-	28,790,000	-	28,790,000	745,000
2016 B TAB's	-	13,985,000	-	13,985,000	395,000
2010 A TAB's, Taxable	16,250,000	-	(205,000)	16,045,000	220,000
2010 B TAB's, Taxable	13,605,000	-	-	13,605,000	-
2010 TAB's Cedar Glen	5,260,000	-	(160,000)	5,100,000	170,000
Subtotal bonds	83,500,000	42,775,000	(48,750,000)	77,525,000	1,530,000
Original issue discount	(968,768)	(233,126)	44,063	(1,157,831)	(38,232)
Issuance premium	867,466	1,445,285	(903,598)	1,409,153	42,315
Total bonds	83,398,698	43,987,159	(49,609,535)	77,776,322	1,534,083
Notes					
County loans	9,904,091	-	(3,128,170)	6,775,921	-
Total long-term liabilities	$ 93,302,789	$ 43,987,159	$ (52,737,705)	$ 84,552,243	$ 1,534,083

Interest expense (interest on debt) in the statement of changes in fiduciary net position was $4,966,913 for the year ended June 30, 2016.

Note 6: Commitments and Contingencies

Loan Proceeds

In fiscal year 2013, the Successor Agency was holding $9,365,000 which was part of a $10,415,000 loan from County of San Bernardino as discussed in Note 5. The loan was obtained to help acquire and rebuild a decrepit water system, make road improvements, and assist homeowners with certain improvements in the Cedar Glen area of the County, which was devastated by the 2003 Old Fire. Of that amount, approximately $7.8 million is related to water and road system improvements and approximately $1.2 million is related to housing funds. The California DOF alleged that $9,365,000 of the amount of the loan held by the Successor Agency should have been distributed to taxing entities, even though the funds were sourced from the County's General Fund monies and not property tax increment allocated to the former Redevelopment Agency.

Note 6: Commitments and Contingencies (continued)

The County and the Successor Agency have sued the DOF in order to maintain the funds and to be able to continue with necessary projects to repair the water and road system. The County and Successor Agency lost at the trial level and the matter was taken up on appeal. Due to the loss at trial level, the Successor Agency was on notice that it must either pay the demanded funds to the State of California or the DOF will direct the Auditor-Controller to reduce the amount of funds the Successor Agency would be entitled to receive from the property tax allocations it would normally receive. The Successor Agency considered the potential obligation to pay the $9,365,000 as a contingent liability and recorded the liability in accordance with accounting principles generally accepted in the United States of America.

In fiscal year 2014, the Successor Agency paid $9,000,000 of the liability. The remaining $365,000 was paid to affected taxing entities during prior year as well. During the current fiscal year, the Successor Agency received an unfavorable decision regarding the litigation and has elected not to pursue the issue going forward.

Enforceable Obligations

Some enforceable obligations of the Successor Agency represent agreements, contracts or other commitments for the expenditure of monies. They do not constitute as expense or liability for financial statement purposes because these commitments will be honored in subsequent years.