SUCCESSOR AGENCY TO THE COUNTY OF SAN BERNARDINO REDEVELOPMENT AGENCY

Basic Financial Statements and Independent Auditor's Report

For the year ended June 30, 2018

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

Table of Contents

ROGERS, ANDERSON, MALODY & SCOTT, LLP
CERTIFIED PUBLIC ACCOUNTANTS, SINCE 1948

735 E. Carnegie Dr. Suite 100
San Bernardino, CA 92408
909 889 0871 T
909 889 5361 F
ramscpa.net

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 (the Successor Agency), as of and for the year ended June 30, 2018, 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, 2018 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, 2018, 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 September 20, 2018, 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
September 20, 2018

Successor Agency to the County of
San Bernardino Redevelopment Agency
Statement of Fiduciary Net Position
June 30, 2018

		Private-purpose Trust Fund
ASSETS		
Cash and cash equivalents	$	5,877,890
Interest receivable		27,814
Restricted assets:		
Cash and investments with fiscal agents		8,186,501
Prepaid bond insurance		577,201
Land held for resale		13,276,321
Total assets		27,945,727
LIABILITIES		
Accrued interest payable		1,457,210
Due to other governments		131,978
Noncurrent liabilities:		
Due within one year		2,032,375
Due in more than one year		77,845,277
Total liabilities		81,466,840
DEFERRED INFLOW OF RESOURCES		
Deferred amount on refunding of debt		670,357
NET POSITION		
Net position held in trust (deficit)		(54,191,470)
Total net position	$	(54,191,470)

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, 2018

	Private-purpose Trust Fund
ADDITIONS	
Property taxes	
Redevelopment Agency property tax trust fund	$ 9,324,570
Investment earnings	83,101
Gain on disposal of land held for resale	220,819
Other revenues	488,777
Total additions	10,117,267
DEDUCTIONS	
Administrative expenses	333,777
Interest on debt	4,319,351
Project costs of former Redevelopment Agency	2,500,000
Total deductions	7,153,128
Change in net position	2,964,139
Net position held in trust (deficit), beginning	(57,155,609)
Net position held in trust (deficit), ending	$ (54,191,470)

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 (the 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 three (3) years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at their estimated acquisition value at the date of acquisition.

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 3-10 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, 2018, the land held for resale is being carried at a cost of $13,276,321. Of this amount $221,426 has been identified as liquidation property and will be sold by the Agency. The other $13,054,895 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, 2018, 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.

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. The County Pool is actively managed in accordance with the California Government Code, the Treasurer's Statement of Investment Policy, and internal investment guidelines. The Investment Policy is reviewed annually by the County's Treasury Oversight Committee and approved by the County Board of Supervisors.

Cash on deposit in the County Pool at June 30, 2018, 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, 2018.

Deposits and investments at June 30, 2018:

External investment pool – Cash in San Bernardino County Treasury	$ 5,877,690
Cash on hand	200
Subtotal	5,877,890
Restricted assets:	
Investments held with fiscal agent – Bank of New York Mellon Trust Company, N.A.:	
Money Market funds invested in U.S. Treasuries	8,186,501
Total value of cash and investments	$ 14,064,391

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 AAAm by Standard & Poor's.

Note 2: Cash and Investments (continued)

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.

There were no investments in any one issuer (other than for U.S. Treasury securities, mutual funds and external investment pools) that represent 5% or more of the Successor Agency's total investments at June 30, 2018.

Note 3: Capital Assets

At June 30, 2018, the capital assets held by the Successor Agency consisted of the following:

	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

Changes in long-term liabilities

The following is a schedule of changes in long-term debt of the Successor Agency for the year ended June 30, 2018:

	Beginning balance	Additions	Deletions	Ending balance	Due within one year
Bonds					
2010 A TAB's, Taxable	$ 15,825,000	$ -	$ (235,000)	$ 15,590,000	$ 250,000
2010 B TAB's, Taxable	13,605,000	-	-	13,605,000	-
2010 TAB's Cedar Glen	4,930,000	-	(175,000)	4,755,000	180,000
2016 A TAB's, Taxable	28,045,000	-	(1,085,000)	26,960,000	1,105,000
2016 B TAB's	13,590,000	-	(465,000)	13,125,000	475,000
Subtotal bonds	75,995,000	-	(1,960,000)	74,035,000	2,010,000
Original issue discount	(1,107,942)	-	49,889	(1,058,053)	(49,889)
Issuance premium	1,336,889	-	(72,264)	1,264,625	72,264
Total bonds	76,223,947	-	(1,982,375)	74,241,572	2,032,375
Notes					
County loans	5,825,921	-	(189,841)	5,636,080	-
Total long-term liabilities	$ 82,049,868	$ -	$ (2,172,216)	$ 79,877,652	$ 2,032,375

Interest expense (interest on debt) in the statement of changes in fiduciary net position was $4,391,351 for the year ended June 30, 2018.

Note 5: Long-Term Liabilities (continued)

Bonds Payable

A. 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.

The following schedule illustrates the annual debt service requirements to maturity for the 2010 Series A Bonds outstanding as of June 30, 2018:

Fiscal years ending June 30,	Principal	Interest
2019	$ 250,000	$ 1,291,649
2020	270,000	1,273,098
2021	290,000	1,253,120
2022	305,000	1,229,888
2023	335,000	1,202,848
2024-2028	2,140,000	5,521,392
2029-2033	3,220,000	4,403,674
2034-2038	4,815,000	2,740,941
2039-2041	3,965,000	517,648
Total	$ 15,590,000	$ 19,434,258

Note 5: Long-Term Liabilities (continued)

Bonds Payable (continued)

B. 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

The following schedule illustrates the annual debt service requirements to maturity for the 2010 Series B Bonds outstanding as of June 30, 2018:

Fiscal years ending June 30,	Principal	Interest
2019	$ -	$ 1,156,425
2020	-	1,156,425
2021	-	1,156,425
2022	-	1,156,425
2023	-	1,156,425
2024-2028	-	5,782,125
2029-2033	-	5,782,125
2034-2038	2,480,000	5,355,638
2039-2041	11,125,000	1,109,675
Total	$ 13,605,000	$ 23,811,688

Note 5: Long-Term Liabilities (continued)

Bonds Payable (continued)

C. 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.

The following schedule illustrates the annual debt service requirements to maturity for the 2010 Bonds outstanding as of June 30, 2018:

Fiscal years ending June 30,	Principal	Interest
2019	$ 180,000	$ 259,581
2020	190,000	251,481
2021	200,000	242,456
2022	205,000	232,581
2023	220,000	221,956
2024-2028	1,270,000	919,966
2029-2033	1,675,000	503,200
2034-2035	815,000	49,650
Total	$ 4,755,000	$ 2,680,871

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

In February 2016, 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 prior 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.

Note 5: Long-Term Liabilities (continued)

Bonds Payable (continued)

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.

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.

The following schedule illustrates the annual debt service requirements to maturity for the 2016 Series A Bonds outstanding as of June 30, 2017:

2016 Series A		
Fiscal years ending June 30,	Principal	Interest
2019	$ 1,105,000	$ 1,076,869
2020	1,130,000	1,050,313
2021	1,155,000	1,021,028
2022	1,185,000	988,094
2023	1,225,000	950,412
2024-2028	6,795,000	4,043,428
2029-2033	8,360,000	2,420,238
2034-2036	6,005,000	436,643
Total	$ 26,960,000	$ 11,987,025

Note 5: Long-Term Liabilities (continued)

Bonds Payable (continued)

The following schedule illustrates the annual debt service requirements to maturity for the 2016 Series B Bonds outstanding as of June 30, 2017:

2016 Series B		
Fiscal years ending June 30,	Principal	Interest
2019	$ 475,000	$ 552,125
2020	495,000	530,250
2021	525,000	504,750
2022	550,000	477,875
2023	575,000	449,752
2024-2028	3,335,000	1,776,752
2029-2033	4,240,000	868,025
2034-2036	2,930,000	142,531
Total	$ 13,125,000	$ 5,302,060

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.

Note 5: Long-Term Liabilities (continued)

Notes Payable - County of San Bernardino (continued)

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 6: Commitments and Contingencies

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.