



Inland Valley Development Agency

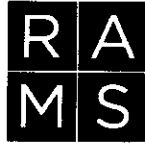
FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED JUNE 30, 2022

Inland Valley Development Agency

For the Year Ended June 30, 2022

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Independent Auditor's Report

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Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Inland Valley Development Agency (the Agency), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Agency, as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Agency and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.



Responsibilities of Management for the Financial Statements

The Agency's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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 fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Agency's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the Agency adopted provisions of Governmental Accounting Standards Board Statement No. 87, *Leases*. Our opinions are not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2023 on our consideration of the 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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 Agency's internal control over financial reporting and compliance.

Rogers, Anderson, Malody & Scott, LLP.

San Bernardino, California
March 29, 2023

Inland Valley Development Agency

Management's Discussion and Analysis June 30, 2022

The Inland Valley Development Agency ("Agency") is a regional joint powers authority ("JPA") specifically designated by the U.S. Department of Defense as the officially recognized Local Redevelopment Authority as defined under 32 CFR Part 175, Section 175.3 and under Public Law 100-526 (also referred to as the Base Realignment and Closure Act) created in 1990.

The Agency was created for the purpose of acquiring the former Norton Air Force Base ("Air Base") to facilitate the successful reuse of the property and to promote economic development within the area surrounding the Air Base. In addition to the powers inherent in the Agency as formed as a joint exercise of powers authority pursuant to Government Code Section 6500, et seq., the Agency was granted certain additional powers through the adoption of AB419 by the State Legislature in 1989 as currently found in Health & Safety Code Section 33492.40, whereby the Agency also had the ability to exercise redevelopment powers under California Community Redevelopment Law. Since redevelopment agency dissolution on February 1, 2012, the Agency has functioned as both a regional joint powers authority ("JPA") and as a successor agency to hold the assets and liabilities acquired with the Agency's dissolved redevelopment powers.

The Agency derives revenue from leases, fees for services, intergovernmental revenue, and contributions from the member jurisdictions.

The Financial Statements

The Agency members are the City of Colton, City of Loma Linda, City of San Bernardino, and the County of San Bernardino in Southern California.

The Agency's financial statements consist of four parts: *Management's Discussion and Analysis*, *Basic Financial Statements*, *Notes to the Financial Statements*, and *Required Supplementary Information*. The financial statements present two views of the Agency- government-wide and by fund.

The *Management's Discussion and Analysis* or MD&A is an integral part of a government's annual financial statements. The purpose of the MD&A is to provide a narrative explanation, through the eyes of management, of currently known facts, decisions, or conditions of future significance, including the entity's performance and financial condition.

Government-Wide Financial Statements report information about the Agency as a whole using accounting methods similar to those used by private-sector companies, and for the Agency's purpose, have two categories: governmental activities and business-type activities. These statements consist of a *Statement of Net Position* and a *Statement of Activities*. The *Statement of Net Position* includes all of the Agency's assets, liabilities, and deferred outflows and deferred inflows of resources. Current year's revenues and expenses are accounted for in the *Statement of Activities* regardless when cash is received or paid.

Inland Valley Development Agency

Management's Discussion and Analysis June 30, 2022

Fund Financial Statements provide more detailed information about the Agency's most significant funds. The Agency uses fund accounting to keep track of specific sources of funding and spending for particular purposes. The Agency has three kinds of funds:

- Governmental funds,
- Proprietary funds, and
- Fiduciary funds.

Governmental Fund. The Agency has one governmental fund- the *JPA General Fund*. Financial activity for the fund is presented in the following statements:

- *Balance Sheet Governmental Fund,*
- *Statement of Revenues, Expenditures, and Changes in Fund Balances- Governmental Fund.*

The following reconciliations are provided to enhance the readers' understanding of the differences between the two sets of statements.

- *Reconciliation of the Balance Sheet-Governmental Fund to the Statement of Net Position,*
- *Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Fund to the Statement of Activities.*

Proprietary Fund. The Agency uses enterprise funds, a type of proprietary fund, to account for the Water and Sewer Fund and the UAS Center Fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Beginning in the 2003 fiscal year, the Water and Sewer Fund collects water and sewer revenues from retail users. Expenses are incurred for costs related to providing water and wastewater treatment services to the users. Beginning in the 2021 fiscal year, the UAS Center Fund generates revenues by providing training, system integration, and other related unmanned aircraft systems (UAS) services to individual, corporate, and government users. Expenses are incurred for costs related to providing these services to the users. The proprietary funds financial statements include the *Statement of Net Position-Proprietary Fund, Statement of Revenues, Expenses, and Changes in Fund Net Position-Proprietary Fund,* and a *Statement of Cash Flows-Proprietary Fund.*

Fiduciary Fund. Fiduciary funds are used to account for assets held in trust by the government for the benefit of individuals or other entities. The Agency maintains a Private-Purpose Trust Fund to report the assets, liabilities, deferred inflows and deferred outflows of resources, and activities of the Successor Agency. The fiduciary fund financial statements include the *Statement of Fiduciary Net Position,* and the *Statement of Changes in Fiduciary Net Position.*

Inland Valley Development Agency

Management's Discussion and Analysis June 30, 2022

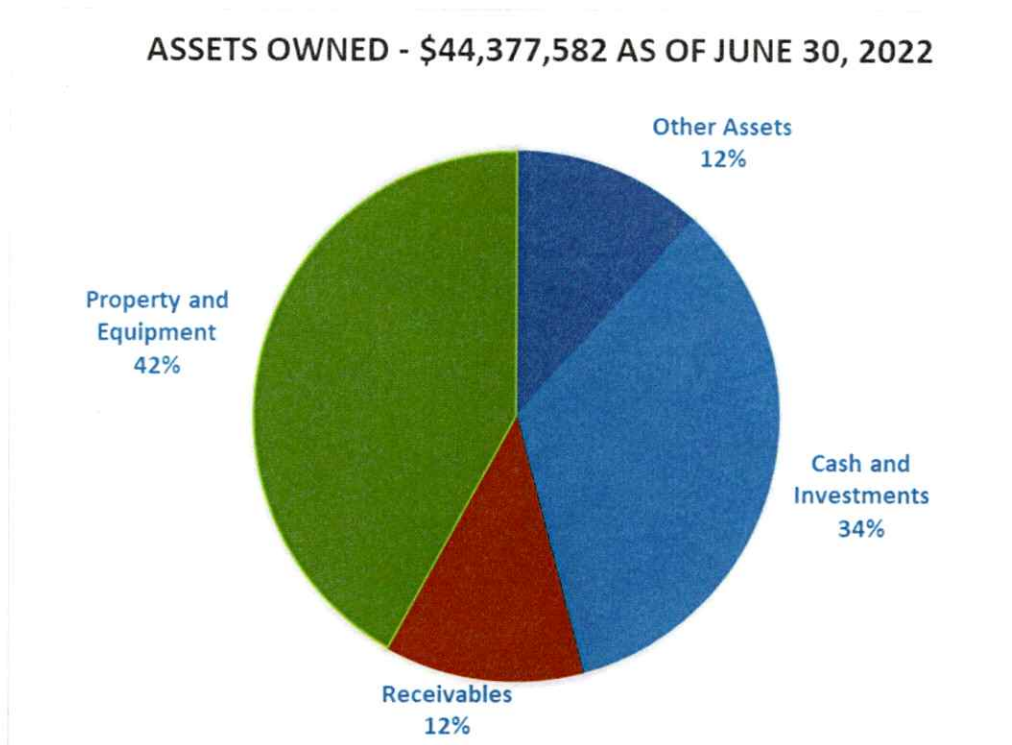
Notes to Financial Statements ("Notes") are additional information added to the end of financial statements that help explain specific items in the statements as well as provide a more comprehensive assessment of an entity's financial condition. Notes to financial statements can include information on debt, going concern criteria, accounts, contingent liabilities or contextual information explaining the financial numbers (e.g. to indicate a lawsuit).

Required Supplementary Information consists of the *Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual General Fund* and *Note to Required Supplementary Information*.

Summary Financial Information and Analysis

Government-Wide Financial Statements

The following chart reflects the composition of total assets owned at June 30, 2022 as shown on the *Government-Wide Statement of Net Position* (governmental and business-type activities).



Inland Valley Development Agency

Management's Discussion and Analysis June 30, 2022

The following is a comparison of the summaries of financial position and changes in net position shown on the government-wide financial statements (governmental activities only) for fiscal years ended 2022 and 2021.

Financial Statement Summary Governmental Activities (in thousands)

	<u>June 30, 2022</u>	<u>June 30, 2021</u>
Current Assets	\$ 25,673	\$ 20,583
Noncurrent Assets	18,303	28,726
Total Assets	43,976	49,309
Current Liabilities	1,341	3,804
Noncurrent Liabilities	83	729
Total Liabilities	1,424	4,533
Total Deferred Inflows of Resources	2,423	-
Net Investment in Capital Assets	18,303	28,414
Unrestricted	21,826	16,362
Net Position	\$ 40,129	\$ 44,776
Program Revenues	\$ 604	\$ 4,520
General Revenues and Transfers	2,002	1,613
Total Revenues	2,606	6,133
Program Expenses	7,484	19,140
Change in Net Position	(4,878)	(13,007)
Beginning Net Position, as Restated	45,007	57,783
Ending Net Position	\$ 40,129	\$ 44,776

The decrease in net position of \$4,877,198 is primarily due to program expenses being greater than total revenues and the transfer of real properties via sale and intergovernmental transfer of a building to San Bernardino International Airport Authority, a related party.

Inland Valley Development Agency

Management's Discussion and Analysis June 30, 2022

The following is a comparison of the summaries of financial position and changes in net position shown on the government-wide financial statements (business-type activities only) for fiscal years ended 2022 and 2021. This includes the Water and Sewer and UAS Center activities.

Financial Statement Summary Business-Type Activities (in thousands)

	<u>June 30, 2022</u>	<u>June 30, 2021</u>
Current Assets	\$ 95	\$ 87
Noncurrent Assets	307	271
Total Assets	<u>402</u>	<u>358</u>
Total Liabilities	<u>51</u>	<u>145</u>
Net Investment in Capital Assets	307	271
Unrestricted	44	(58)
Net Position	<u>\$ 351</u>	<u>\$ 213</u>
Operating Revenues	\$ 243	\$ 218
General Revenues and Transfers		
Transfers of Operating Allowances	<u>330</u>	<u>100</u>
Total Revenues and Transfers	573	318
Program Expenses	<u>435</u>	<u>341</u>
Change in net position	138	(23)
Beginning net position	<u>213</u>	<u>236</u>
Ending Net Position	<u>\$ 351</u>	<u>\$ 213</u>

Categories of Net Position

The Agency is required to present its net position in three categories: *Net Investment in Capital Assets*, *Restricted*, and *Unrestricted* reflected on the *Government-Wide Statement of Net Position*.

Inland Valley Development Agency

Management's Discussion and Analysis June 30, 2022

Net Investment in Capital Assets

At June 30, 2022, Invested in Capital Assets, net of related debt was \$18,610,054.

Restricted

No amount is restricted from net position as of June 30, 2022.

Unrestricted

The Agency had \$21,870,514 at June 30, 2022 in unrestricted net position.

Fiduciary Fund Financial Statements

The Agency has one fiduciary fund - the Successor Agency Fund (sub-classed as a private - purpose trust fund).

The following table is a comparison of the summary of the financial position and changes in net position for fiscal years ended June 30, 2022 and 2021.

In summary, for the year ended June 30, 2022 total assets and deferred outflows of resources in the fiduciary funds total \$28,058,153 and the total liability and deferred inflows of resources totaled \$232,186,406, which results in negative net position of \$204,128,253.

Financial Statement Summary Fiduciary Fund Successor Agency Fund (in thousands)

	<u>June 30, 2022</u>	<u>June 30, 2021</u>
Total Assets & Deferred Outflows of Resources	\$ 28,058	\$ 28,600
Total Liabilities & Deferred Inflows of Resources	<u>232,186</u>	<u>237,687</u>
Total Net Position	<u>\$ (204,128)</u>	<u>\$ (209,087)</u>
Additions	\$ 16,701	\$ 22,641
Deductions	<u>11,743</u>	<u>17,713</u>
Change in Net Position	<u>\$ 4,958</u>	<u>\$ 4,928</u>

The FY 2022 change in net position of \$4,958,367 is due to timing differences between property tax increment revenue and debt service payments.

Inland Valley Development Agency

Management's Discussion and Analysis June 30, 2022

Budget to Actual Analysis

There were four significant variations between the original budget adopted on June 9, 2021 and the final actual amounts at fiscal year close.

Intergovernmental grants, \$6,114,073. This line item is various grants from Federal, State and Local sources for various multi-year projects. The allocation in the budget reflected the revenue for the entire Projects for multiyear; however, the projects activities didn't take place entirely. Therefore, the Agency's reimbursements from various agencies in this fiscal year were less than the available allocated Project funds.

Lease income, \$2,544,940 and proceeds from sale of assets, \$2,116,591. These variances exist due to the presentation in financial statements. The reimbursements received were budgeted as lease income while reported in financial statements as proceeds from sale of assets.

Project Improvement Costs, \$9,259,807. This line item reflects the budget for the entire estimated cost of the Agency's capital projects portfolio that spans multiple years. However, the Agency did not incur all the costs for construction in process during the fiscal year resulting in a variance.

Additional Information and Analysis

Development Projects

The Agency previously entered into an ongoing Master Disposition and Development Agreement (MDDA) with Hillwood/San Bernardino, LLC, a Delaware limited liability company, owned 100% by H. Ross Perot, Jr. The MDDA's purpose is to develop Alliance-California, a business and industrial park in and around the San Bernardino International Airport. As of February 2021, over 15 million square feet of new facilities had been developed on or near the former Base.

The Agency also entered into an Owners Participation Agreement with Stater Bros. Markets, a California Corporation, and a Tri-Party Agreement with Stater Bros. Markets and Hillwood/San Bernardino, LLC, a Delaware limited liability company. These agreements allowed Stater Bros. Market to relocate their corporate offices and distribution facilities to the former Norton Air Force Base. This development project has been completed, and Stater Bros. Market has constructed over 2.1 million square feet of warehousing facilities which provides over 2,000 jobs.

In 2005-06, the Inland Valley Development Agency was appropriated \$36,500,000, in the Federal SAFETEA-LU bill, for the Inland Goods Movement Gateway project. This project serves to build roads, bridges, and other infrastructure facilities in and around the former Norton Air Force Base. The remainder of these funds are planned to be spent in fiscal year 2021-2022 and subsequent fiscal years for improvements on 3rd Street, 5th Street, and the completion of the Mountain View Avenue Bridge and Roadway Improvements Project.

The Inland Valley Development Agency will continue to help develop the San Bernardino International Airport pursuant to its military base reuse joint powers authority obligations in the current and subsequent fiscal years.

Inland Valley Development Agency

Management's Discussion and Analysis June 30, 2022

Pursuant to its obligations, the Agency has previously committed to support the San Bernardino International Airport Authority through and including the 2021-2022 fiscal year to assist airport operations and other capital project needs.

Going Forward

On February 27, 2014, the IVDA entered into a binding settlement agreement with the State of California, Department of Finance (DOF) and others to resolve prior litigation matters regarding the IVDA's unique formation and operation under Federal and State law. That settlement ensures that going forward, the IVDA has a separate Successor Agency function that serves to address the post-dissolution functions related to IVDA's exercise of California redevelopment powers. It further establishes that IVDA's existence and operation as a military base reuse joint powers authority was not dissolved and continues to function for the purposes for which it was originally established. The Successor Agency and the Joint Powers Authority are separate and distinct legal entities.

On May 15, 2014, the IVDA completed a comprehensive refinancing of all long-term debt with the issuance of its IVDA 2014 Tax Allocation Refunding Bonds Series A and Series B. This \$239 million issuance provides for stable and level debt service payments through 2045.

Going forward, the IVDA military base reuse joint powers authority continues to be engaged in implementation of its base reuse plan, supporting the San Bernardino International Airport, and deploying quality public infrastructure projects, programs, and services throughout its base reuse project area (a 3-mile radius around the former base).

Inland Valley Development Agency

Statement of Net Position June 30, 2022

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	\$ 12,589,192	\$ 43,487	\$ 12,632,679
Cash and investments with fiscal agents	2,500,850	-	2,500,850
Receivables:			
Accounts	42,597	51,512	94,109
Grants	273,783	-	273,783
Loans to related party	11,197	-	11,197
Interest	235,937	-	235,937
Participation payments	2,362,029	-	2,362,029
Lease	2,442,850	-	2,442,850
Prepaid expenses	69,585	-	69,585
Deposits held with others	312,240	-	312,240
Due from related party	4,824,016	-	4,824,016
Due from Successor Agency	8,253	-	8,253
Capital assets, not being depreciated	6,234,960	-	6,234,960
Capital assets, being depreciated	12,068,142	306,952	12,375,094
Total assets	43,975,631	401,951	44,377,582
LIABILITIES			
Accounts payable	952,072	47,507	999,579
Accrued expenses	176,521	-	176,521
Due to related party	-	3,268	3,268
Retention payable	67,684	-	67,684
Unearned revenue	59,906	-	59,906
Deposits	85,063	-	85,063
Compensated absences	82,324	-	82,324
Total liabilities	1,423,570	50,775	1,474,345
DEFERRED INFLOWS OF RESOURCES			
Leases	2,422,669	-	2,422,669
NET POSITION			
Net investment in capital assets	18,303,102	306,952	18,610,054
Unrestricted	21,826,290	44,224	21,870,514
Total net position	\$ 40,129,392	\$ 351,176	\$ 40,480,568

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

Inland Valley Development Agency

Statement of Activities June 30, 2022

	Governmental Activities	Business-type Activities	Total
PROGRAM EXPENSES			
General government	\$ 7,483,394	\$ -	\$ 7,483,394
Water and sewer	-	157,693	157,693
UAS center	-	277,679	277,679
Total program expenses	<u>7,483,394</u>	<u>435,372</u>	<u>7,918,766</u>
PROGRAM REVENUES			
Charges for services	543,788	243,286	787,074
Capital grants	60,367	-	60,367
Total program revenues	<u>604,155</u>	<u>243,286</u>	<u>847,441</u>
Net program revenues (expenses)	<u>(6,879,239)</u>	<u>(192,086)</u>	<u>(7,071,325)</u>
GENERAL REVENUES AND TRANSFERS			
Interest	22,530	-	22,530
Lease income	2,298,605	-	2,298,605
Other income	10,906	-	10,906
Transfers of operating allowances	(330,000)	330,000	-
Total general revenues and transfers	<u>2,002,041</u>	<u>330,000</u>	<u>2,332,041</u>
Change in net position	(4,877,198)	137,914	(4,739,284)
Net position, beginning of year, as restated (Note 11)	<u>45,006,590</u>	<u>213,262</u>	<u>45,219,852</u>
Net position, end of year	<u>\$ 40,129,392</u>	<u>\$ 351,176</u>	<u>\$ 40,480,568</u>

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

Inland Valley Development Agency

Balance Sheet Governmental Fund June 30, 2022

ASSETS	General Fund
Cash and investments	\$ 12,589,192
Cash and investments with fiscal agents	2,500,850
Receivables:	
Accounts	42,597
Grants	273,783
Loans to related party	11,197
Interest	235,937
Lease	2,442,850
Prepaid expenses	69,585
Deposits held with others	312,240
Due from related party	4,824,016
Due from Successor Agency	8,253
	<hr/>
Total assets	\$ 23,310,500
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	
Liabilities:	
Accounts payable	\$ 952,072
Accrued expenses	176,521
Retention payable	67,684
Unearned revenue	59,906
Deposits	85,063
	<hr/>
Total liabilities	1,341,246
Deferred Inflows of Resources:	
Leases	<hr/> 2,422,669
Total deferred inflows of resources	<hr/> 2,422,669
Fund Balance:	
Nonspendable	
Prepaid expenses	69,585
Deposits held with others	312,240
Unassigned	<hr/> 19,164,760
Total fund balance	<hr/> 19,546,585
Total liabilities, deferred inflows of resources and fund balance	<hr/> \$ 23,310,500

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

Inland Valley Development Agency

Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position June 30, 2022

Total fund balance of governmental funds		\$ 19,546,585
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, not reported in the funds. These assets consist of:		
Land	\$ 6,234,960	
Property, equipment and other	27,734,114	
Accumulated depreciation and amortization	<u>(15,665,972)</u>	
		18,303,102
Participation payments receivable is not a current financial resource and therefore is not reported in the General Fund.		2,362,029
Long-term liabilities applicable to governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities. These liabilities consist of:		
Compensated absences		<u>(82,324)</u>
Net position of governmental activities		<u>\$ 40,129,392</u>

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

Inland Valley Development Agency

Statement of Revenues, Expenditures and Changes in Fund Balance For the Year Ended June 30, 2022

REVENUES	General Fund
Charges for services	\$ 543,788
Lease income	2,298,605
Intergovernmental grants	60,367
Other income	10,906
Interest income	22,530
	<hr/>
Total revenues	2,936,196
	<hr/>
EXPENDITURES	
General and administrative costs	1,761,898
Professional services	429,930
Planning, survey and design	146,990
Operation of acquired property	912,135
Project improvement costs	1,632,006
	<hr/>
Total expenditures	4,882,959
	<hr/>
Excess (deficiency) of revenues over (under) expenditures	(1,946,763)
OTHER FINANCING SOURCES (USES)	
Proceeds from sale of assets	2,496,591
Contributions to related party	(828,366)
Transfers in	50,000
Transfers out	(380,000)
	<hr/>
Total other financing sources (uses)	1,338,225
	<hr/>
Net change in fund balance	(608,538)
Fund balance, beginning of year, as restated (Note 11)	20,155,123
	<hr/>
Fund balance, end of year	\$ 19,546,585
	<hr/>

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

Inland Valley Development Agency

Reconciliation of the Statement of Revenues, Expenditures and Change in Fund Balance of the Governmental Funds to the Statement of Activities For the Year Ended June 30, 2022

Net change in fund balance - governmental funds \$ (608,538)

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

Capital outlays are reported as expenditures in governmental funds. However, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense.

Capital outlays as expenditures	523,745
Depreciation expense	(1,147,889)

Proceeds from the sale of assets are reported as other financing sources in governmental funds. However, in the Statement of Activities, this is reduced with the disposal of assets sold and expensed as a loss on the sale.

Proceeds from sale	(2,496,591)
Loss on sale of assets	(1,146,130)

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 governmental funds.

Change in compensated absences	<u>(1,795)</u>
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Change in net position of governmental activities	<u>\$ (4,877,198)</u>
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The accompanying notes are an integral part of these financial statements.

Inland Valley Development Agency

Statement of Net Position Proprietary Funds June 30, 2022

	Water and Sewer	UAS Center	Total
ASSETS			
Cash	\$ 16,945	\$ 26,542	\$ 43,487
Accounts Receivable	33,452	18,060	51,512
Capital Assets:			
Property, equipment, and other, net of accumulated depreciation	195,045	111,907	306,952
 Total assets	 <u>245,442</u>	 <u>156,509</u>	 <u>401,951</u>
 LIABILITIES			
Accounts payable	-	47,507	47,507
Due to related party	-	3,268	3,268
 Total liabilities	 <u>-</u>	 <u>50,775</u>	 <u>50,775</u>
 NET POSITION			
Net investment in capital assets	195,045	111,907	306,952
Unrestricted	50,397	(6,173)	44,224
 Total net position	 <u>\$ 245,442</u>	 <u>\$ 105,734</u>	 <u>\$ 351,176</u>

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

Inland Valley Development Agency

Statement of Revenues, Expenses and Changes in Fund Net Position Proprietary Funds For the Year Ended June 30, 2022

	<u>Water and Sewer</u>	<u>UAS Center</u>	<u>Total</u>
OPERATING REVENUE			
Charges for sales and service	\$ 215,991	\$ 27,295	\$ 243,286
OPERATING EXPENSES			
Costs of sales and services	148,621	-	148,621
Repairs and Maintenance	-	573	573
Depreciation	9,072	13,881	22,953
Administrative costs	-	60,636	60,636
Professional service	-	202,589	202,589
 Total operating expenses	 <u>157,693</u>	 <u>277,679</u>	 <u>435,372</u>
 Operating income (loss)	 58,298	 (250,384)	 (192,086)
TRANSFERS			
Transfers in	-	380,000	380,000
Transfers out	<u>(50,000)</u>	<u>-</u>	<u>(50,000)</u>
 Total transfers	 <u>(50,000)</u>	 <u>380,000</u>	 <u>330,000</u>
 Change in net position	 8,298	 129,616	 137,914
 Net position, beginning of year	 <u>237,144</u>	 <u>(23,882)</u>	 <u>213,262</u>
 Net position, end of year	 <u>\$ 245,442</u>	 <u>\$ 105,734</u>	 <u>\$ 351,176</u>

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

Inland Valley Development Agency

Statement of Cash Flows Proprietary Funds For the Year Ended June 30, 2022

	Water and Sewer	UAS Center	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 182,539	\$ 9,235	\$ 191,774
Cash paid to suppliers	(202,510)	(238,694)	(441,204)
Net cash used for operating activities	(19,971)	(229,459)	(249,430)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	-	(58,247)	(58,247)
Net cash used for capital and related financing activities	-	(58,247)	(58,247)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfer (to) from other funds	(50,000)	380,000	330,000
Payment of interfund borrowing	-	(66,016)	(66,016)
Borrowing from related party	-	264	264
Net cash provided by (used for) noncapital financing activities	(50,000)	314,248	264,248
Net increase (decrease) in cash	(69,971)	26,542	(43,429)
Cash, beginning of year	86,916	-	86,916
Cash, end of year	\$ 16,945	\$ 26,542	\$ 43,487
RECONCILIATION OF OPERATING INCOME TO NET CASH USED FOR OPERATING ACTIVITIES			
Operating income (loss)	\$ 58,298	\$ (250,384)	\$ (192,086)
Adjustments to Reconcile Operating Expense to Net Cash Used for Operating Activities:			
Depreciation	9,072	13,881	22,953
Change in Assets and Liabilities:			
(Increase) decrease in accounts receivable	(33,452)	(18,060)	(51,512)
Increase (decrease) in accounts payable	(53,889)	25,104	(28,785)
Net Cash Provided by (Used for) Operating Activities	\$ (19,971)	\$ (229,459)	\$ (249,430)

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

Inland Valley Development Agency

Statement of Net Position Fiduciary Funds June 30, 2022

	<u>Private-Purpose Trust Fund</u>
ASSETS	
Cash and investments	\$ 8,245,928
Cash and investments with fiscal agents	16,651,355
Prepaid bond insurance	938,808
Deposits held with others	110,663
Investment property	<u>229,749</u>
Total assets	<u>26,176,503</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred loss on refunding	<u>1,881,650</u>
LIABILITIES	
Accrued interest	3,789,607
Deposits	110,663
Due to other government agencies	8,253
Bonds payable, net:	
Portion due or payable within one year	5,335,000
Portion due or payable after one year	<u>222,015,524</u>
Total liabilities	<u>231,259,047</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred gain on refunding	<u>927,359</u>
NET POSITION (DEFICIT)	
Restricted for individuals, organizations, and other governments	<u>\$ (204,128,253)</u>

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

Inland Valley Development Agency

**Statement of Changes in Fiduciary Net Position
Fiduciary Fund
For the Year Ended June 30, 2022**

	<u>Private-Purpose Trust Fund</u>
ADDITIONS	
Property tax increment	\$ 16,700,174
Interest income	<u>1,086</u>
Total additions	<u>16,701,260</u>
DEDUCTIONS	
Administrative costs	3,136
Transfers to MDA JPA	332,352
Interest and fees	11,407,335
Miscellaneous	<u>70</u>
Total deductions	<u>11,742,893</u>
Change in net position	4,958,367
Net position (deficit), beginning of year	<u>(209,086,620)</u>
Net position (deficit), end of year	<u>\$ (204,128,253)</u>

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

Inland Valley Development Agency

Notes to the Financial Statements June 30, 2022

Note 1 – Organization

Inland Valley Development Agency (Agency) is a Joint Powers Authority (JPA) formed pursuant to the provisions of the Government Code of the State of California and is comprised of four local governmental entities. These entities are the County of San Bernardino and the Cities of San Bernardino, Colton, and Loma Linda. The Agency was initially formed pursuant to a Joint Powers Agreement dated January 24, 1990, which was subsequently amended on February 12, 1990. The Agency was created to serve as a federal base reuse authority pursuant to the requirements of the Department of Defense in the Base Realignment and Closure Act for effectuating the conversion of the former Norton Air Force Base into civilian reuse. In addition, the Agency had the ability to exercise redevelopment powers pursuant to a special legislation, which became a part of the California Community Redevelopment Law. Specifically, Health and Safety Code Section 33320.5, which became effective January 1, 1990, provides that the Agency shall have, and exclusively exercise, powers of a redevelopment agency pursuant to the California Community Redevelopment Law in connection with a redevelopment project area approved by such joint powers authority.

The Agency adopted a Redevelopment Plan for the Inland Valley Redevelopment Project Area. The Agency's prime purpose and function in the adoption of this Redevelopment Plan was to provide the mechanism and funding to (1) acquire Norton Air Force Base (Air Base) and facilitate the successful reuse of the property; (2) ensure that adequate access exists to and from the major transportation systems and the Air Base; and (3) promote economic development within the area surrounding the Air Base.

California redevelopment agencies were dissolved effective January 31, 2012 pursuant to Assembly Bill (AB)x1 26. The Agency elected to serve as the successor agency to hold the assets and liabilities acquired with the Agency's dissolved redevelopment powers until they are distributed to other units of State and local government.

Note 2 – Summary of Significant Accounting Policies

A. Reporting Entity

As required by generally accepted accounting principles, these financial statements present the Agency and the Private-Purpose Trust Fund for the Successor Agency.

Pursuant to the provisions of the Redevelopment Restructuring Act, the Agency elected to become the successor agency to hold the assets and liabilities acquired with the Agency's dissolved redevelopment powers. All assets and liabilities related to the former redevelopment agency were transferred to the Successor Agency as of February 1, 2012, and the activities of the Successor Agency are reported as a fiduciary fund in the accompanying financial statements. The Successor Agency operates under the auspices of a legislatively formed Oversight Board comprised of representatives of the local agencies that serve the redevelopment project area. It is tasked with fulfilling the obligations of the former redevelopment agency.

Inland Valley Development Agency

Notes to the Financial Statements June 30, 2022

Note 2 – Summary of Significant Accounting Policies (Continued)

B. Government-Wide and Fund Financial Statements

The basic financial statements of the Agency are comprised of the following:

- Government-wide financial statements;
- Fund financial statements; and
- Notes to the financial statements.

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the reporting entity. 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 from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is 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.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. Fiduciary funds are excluded from the government-wide financial statements. The Agency has only one governmental fund.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues 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. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period.

Inland Valley Development Agency

Notes to the Financial Statements June 30, 2022

Note 2 – Summary of Significant Accounting Policies (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

The proprietary and private-purpose trust funds are reported using the economic resources measurement focus and the accrual basis of accounting. The agency fund has no measurement focus but utilizes the accrual basis of accounting for reporting its assets and liabilities.

The Agency reports the following major governmental funds:

General Fund - This is the Agency's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Agency reports the following major proprietary funds:

Enterprise Funds - The Enterprise Funds are used to account for those operations that are financed and operated in a manner similar to private business, where the intent of the Board of Directors is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The Agency reported the following enterprise funds:

Water and Sewer Fund - This fund accounts for the activities of the government in providing water and sewer services to retail users.

UAS Center Fund - This fund accounts for the activities of the government in providing unmanned aerial systems or drone flight training and systems integration consulting to individuals, corporations, and governments.

The Agency reports the following fiduciary fund type:

Private-Purpose Trust Fund - This fund is a fiduciary fund type used by the Agency to report trust arrangements under which principal and income are dedicated to providing benefits to recipients in accordance with the benefit term. This fund reports the assets, liabilities, and activities of the Successor Agency.

Certain eliminations have been made as prescribed by Governmental Accounting Standards Board (GASS) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, in regards to interfund activities, payables, and receivables.

Inland Valley Development Agency

Notes to the Financial Statements June 30, 2022

Note 2 – Summary of Significant Accounting Policies (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

All internal balances in the statement of net position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances. In the statement of activities, transactions between governmental and business-type activities have not been eliminated.

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions. Internally-dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include taxes, if any.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for enterprise funds include the cost of salaries and benefits, services and supplies, administrative expenses, utilities, maintenance, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Budgetary Practices

Each year, the Agency adopts a budget for all governmental funds, which provide for the general operations of the Agency. Budgets are prepared on the modified accrual basis of accounting.

E. Cash

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

F. Investments

Investments for the government are reported at fair value (generally based on quoted market prices) except for the position in the Local Agency Investment Fund (LAIF), which is part of the pooled money investment account that is regulated by the California Government Code under the oversight of the State Treasurer, Director of Finance, and State Controller. The Agency's investment in this pool is reported in the accompanying financial statements at cost, which approximates fair value. Fair value is calculated based on the Agency's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio).

Inland Valley Development Agency

Notes to the Financial Statements June 30, 2022

Note 2 – Summary of Significant Accounting Policies (Continued)

G. Receivables and Payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either due to/from other funds (i.e., the current portion of interfund loans) or advances to/from other funds (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as due to/from other funds. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as internal balances.

Accounts receivable are stated at the amount management expects to collect from outstanding balances. A receivable balance is charged off in the period in which the receivable is deemed uncollectible. All accounts receivable are shown net of an allowance for uncollectible amounts when applicable. Management evaluates uncollectible amounts based on its assessment of the current status of individual accounts. Accounts receivable are deemed to be fully collectible. There was no allowance for doubtful accounts at June 30, 2022.

H. Capital Assets

Capital assets, which include property and equipment are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Agency as assets with an initial, individual cost of more than \$5,000 and have an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets of the government are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	10-35
Equipment and vehicles	5-7

Construction in progress includes all capitalized costs for expenditures directly incurred to bring a capital asset to a useable condition. These capitalized costs will be recorded to capital assets when the asset is operational. At that time, the costs will be depreciated or amortized over the respective capital asset's estimated useful life.

Inland Valley Development Agency

Notes to the Financial Statements June 30, 2022

Note 2 – Summary of Significant Accounting Policies (Continued)

I. Investment Property

Investment property is reported in the statement of fiduciary net position at historical or acquisition cost.

J. Bond Issuance Costs and Premiums/Discounts

Bond premiums and discounts in the fiduciary funds are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are recognized as an outflow of resources in the period incurred on the statement of changes in fiduciary net position.

K. Employee Compensated Absences

Accumulated vacation, holiday benefits, and compensatory time are recorded as an expense and liability as the benefits are earned. Compensated absence liabilities are recorded when incurred in the government-wide and proprietary fund financial statements.

L. Deferred Outflows/Inflows of Resources

A deferred outflow of resources is defined as a consumption of net position that applies to future reporting periods and so will not be recognized as an outflow of resources (expenses) until then. The Successor Agency currently has one item which qualifies for reporting in this category, deferred loss on refunding.

A deferred inflow of resources is defined as an acquisition of net position that applies to future reporting periods and so will not be recognized as an inflow of resources (revenue) until that time. The Agency and Successor Agency currently have items which qualify for reporting in this category, leases and deferred gain on refunding, respectively.

M. Net Position Classification

In the government-wide financial statements, net position is categorized as follows:

Net Investment in Capital Assets - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

Inland Valley Development Agency

Notes to the Financial Statements June 30, 2022

Note 2 – Summary of Significant Accounting Policies (Continued)

M. Net Position Classification (Continued)

Restricted Net Position - This component of net position consists of constraints placed on net position through external constraints imposed by creditors (such as through debt covenants), granters, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position - This component of net position consists of net position that does not meet the definition of net investment in capital assets, or restricted net position.

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

N. Fund Balances

In the fund financial statements, fund balances are categorized as follows:

Nonspendable - Items that cannot be spent because they are not in a spendable form (such as inventory) or items that are legally or contractually required to be maintained intact.

Restricted - Items with constraints placed on their use that are either: (1) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (2) imposed by law by constitutional provisions or by enabling legislation.

Committed - Items that encompass the portion of net fund resources, the use of which is constrained by the limitations that the government imposes upon itself at its highest level of decision-making authority (Board of Directors) through resolution and that remain binding unless removed in the same manner.

Assigned - Items that are constrained by the government's intent to be used for specific purposes. The intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority. The Board of Directors is authorized for this purpose.

Unassigned - This category is for any spendable balances that have not been restricted, committed, or assigned to a specific purpose.

For the classification of fund balances, the Agency considers restricted amounts to have been spent before unrestricted if the expenditure meets the criteria for use of restricted funds. Unrestricted funds are used in the following order: committed, assigned, and unassigned funds.

Inland Valley Development Agency

Notes to the Financial Statements June 30, 2022

Note 2 – Summary of Significant Accounting Policies (Continued)

O. Property Taxes

The Successor Agency receives incremental property taxes on property within its project area over a base assessed valuation on the date the project area was established. The duties of assessing and collecting property taxes are performed by the San Bernardino County Assessor and Tax Collector, respectively. Tax levies cover the period from July 1 to June 30 of each year. All tax liens attach annually on the first day in March preceding the fiscal year for which the taxes are levied. Taxes are levied on both real and personal property as it exists on that date.

Secured property taxes are levied against real property and are due and payable in two equal installments. The first installment is due on November 1 and becomes delinquent if not paid by December 10. The second installment is due on February 1 and becomes delinquent if not paid by April 10. Unsecured personal property taxes are due on July 1 each year. These taxes become delinquent if not paid by August 31.

The Successor Agency records incremental property tax revenues in the fiscal year to which they relate and are received, rather than at the related lien date, except that an accrual is made for revenues received within 60 days after the end of the fiscal year.

P. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Management believes that the estimates utilized in preparing its financial statements are reasonable and prudent. Actual results could differ from those estimates.

Q. Implementation of New Pronouncement

For the year ended June 30, 2022, the financial statements include the adoption of GASB Statement No. 87, *Leases*. The primary objective of this statement is to enhance the relevance and consistency of information about governments' leasing activities. This statement establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

Inland Valley Development Agency

Notes to the Financial Statements June 30, 2022

Note 3 – Cash and Investments

Cash and investments at June 30, 2022 are classified in the accompanying financial statements as follows:

Statement of Net Position	
Cash and Investments	\$ 12,632,679
Cash and Investments with Fiscal Agents	2,500,850
Statement of Fiduciary Net Position	
Cash and Investments with Fiscal Agents	<u>16,651,355</u>
 Total cash and investments	 <u><u>\$ 40,030,812</u></u>

Cash and investments as of June 30, 2022 consisted of the following:

Cash deposits with financial institutions	\$ 20,683,470
Cash with fiscal agents	19,152,205
Investments in LAIF	<u>195,137</u>
 Total cash and investments	 <u><u>\$ 40,030,812</u></u>

Investments Authorized by the California Government Code and the Agency's Investment Policy

The investments authorized by the Agency's investment policy are in accordance with Section 53601 of the California Government Code. The table below identifies the investment types that are authorized:

<u>AUTHORIZED INVESTMENT TYPE</u>	<u>MAXIMUM MATURITY</u>	<u>MAXIMUM PERCENTAGE OF PORTFOLIO</u>
Securities of the United States Government or its agencies	5 years	None
Treasury notes, bonds, or legal obligations of the State of California	5 years	None
Municipal bonds rated A+ by Standard & Poor's or A-1 by Moody's Investment Service or A+ by Fitch Ratings	5 years	None
Certificates of deposit	1 year	30%
Bankers acceptances	180 days	30%
Repurchase agreements	90 days	10%
Commercial paper rated A-1 by Standard & Poor's or P-1 by Moody's Investment Service	270 days	15%
California Local Agency Investment Fund	None	None
Time deposits	5 years	20%
Money-market accounts	5 years	20%

Investments of debt proceeds held by a bond trustee are governed by provisions of the debt agreement rather than the general provisions of the California Government Code or the Agency's investment policy.

Inland Valley Development Agency

Notes to the Financial Statements June 30, 2022

Note 3 – Cash and Investments (Continued)

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

As of June 30, 2022, the Agency's investment in LAIF had an average maturity of 9 months.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. LAIF does not have a rating provided by a nationally recognized statistical rating organization.

Concentrations of Credit Risk

With the exception of securities of the U.S. government or its agencies and LAIF, it is the investment policy of the Agency that no more than 50% of the Agency's total investment portfolio be invested in a single investment type or with a single issuer. Investments of bond debt proceeds are not subject to this limitation.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Of the bank balances, up to \$250,000 is federally insured and the remaining balances are collateralized in accordance with the California Government Code.

The Agency's investment policy requires that for investments in certificates of deposit and repurchase agreements, a collateral level of at least 102% of the market value of the deposit be maintained. The California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law. The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies.

Inland Valley Development Agency

Notes to the Financial Statements June 30, 2022

Note 3 – Cash and Investments (Continued)

Investment in State Investment Pool

The Agency is a voluntary participant in LAIF, which is part of the pooled money investment account that is regulated by the California Government Code under the oversight of the State Treasurer, Director of Finance, and State Controller. The Agency's investment in this pool is reported in the accompanying financial statements at cost, which approximates fair value at amounts based on the Agency's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Investments in LAIF are highly liquid, as deposits can be converted to cash within 24 hours without loss of interest.

All investments with LAIF are secured by the full faith and credit of the State of California. Separate LAIF financial statements are available from the California State Treasurer's Office on the Internet at <http://www.treasurer.ca.gov>. Investment income from the pool is allocated back to the respective funds based on each fund's equity in the pool.

Note 4 – Receivables

Lease Receivable

On July 1, 2021, the Agency entered into a 48-month lease as Lessor for the use of DFAS I, 1111 E Mill Street. An initial lease receivable was recorded in the amount of \$2,288,717. As of June 30, 2022, the value of the lease receivable is \$1,733,110. The lessee is required to make monthly fixed payments of \$46,677. The lease has an interest rate of 0.2450%. The building's estimated useful life was 163 months as of the contract commencement. The value of the deferred inflow of resources as of June 30, 2022 was \$1,716,538, and the Agency recognized lease revenue of \$572,179 during the fiscal year. The lessee has one extension option for 36 months.

On July 1, 2021, the Agency entered into a 115-month lease as Lessor for the use of 1505 Enterprise Drive - Cell Tower Site. An initial lease receivable was recorded in the amount of \$758,635. As of June 30, 2022, the value of the lease receivable is \$683,048. The lessee is required to make monthly variable principal and interest payments of \$7,009. The lease has an interest rate of 1.2900%. The value of the deferred inflow of resources as of June 30, 2022 was \$679,473, and the Agency recognized lease revenue of \$79,162 during the fiscal year. The lessee has one extension option for 60 months.

On July 1, 2021, the Agency entered into a 22-month lease as Lessor for the use of BLDG. 48, STE 102. An initial lease receivable was recorded in the amount of \$58,648. As of June 30, 2022, the value of the lease receivable is \$26,692. The lessee is required to make monthly fixed payments of \$2,673. The lease has an interest rate of 0.3080%. The building's estimated useful life was 245.5 months as of the contract commencement. The value of the deferred inflow of resources as of June 30, 2022 was \$26,658, and the Agency recognized lease revenue of \$31,990 during the fiscal year. The lessee has one extension option for 24 months.

Inland Valley Development Agency

Notes to the Financial Statements June 30, 2022

Note 4 – Receivables (continued)

Participation Payments Receivable

The participation payment receivable arises from the Disposition and Development Agreement (Agreement) for the sale of the Agency's DFAS II real property (DFAS II). DFAS II consists of 211,701 square feet of land with a building of approximately 79,834 square feet. DFAS II was transferred via a quitclaim deed from the United State of America to the Agency pursuant to Public Law 100-526 in furtherance of the Agency's base reuse obligations for the former Norton Air Force Base and the further obligations if the Agency to support the development and operations of the San Bernardino International Airport. On March 31, 2022, the Agency sold the DFAS II Property and entered into an assignment and assumption agreement with SBD Corporate Center II, LLC (Developer) for the consideration of \$6,350,000. The consideration received for the DFAS II property is comprised of \$2,600,000 in cash and \$3,750,000, before discount at 4.00 percent, of participation payments. The participation payments are payable in quarterly amounts of \$37,500 for twenty-five years. The Agreement protects the Agency's rights to the participation payments through pre-approval rights to transfers of DFAS II underlying real property or transfers and/or changes in lessor/landlord rights and obligations. Participation payments start upon occupation of DFAS II by the Developer's tenant, San Bernardino County Fire Protection District upon completion of remodeling and furnishing of DFAS II, which is anticipated to begin on or about July 1, 2023. Payments are expected to begin in the fiscal year ending June 30, 2024, therefore there are no scheduled participation payments for the fiscal year ending June 30, 2023.

Future minimum participation payments to be received are estimated as follows, assuming a July 1, 2023 commencement:

Year ending June 30,	Principal	Interest	Total
2023	\$ -	\$ -	\$ -
2024	54,741	95,259	150,000
2025	58,580	91,420	150,000
2026	60,958	89,042	150,000
2027	63,434	86,566	150,000
2028 - 2032	357,959	392,041	750,000
2033 - 2037	436,778	313,222	750,000
2038 - 2042	532,952	217,048	750,000
2043 - 2047	650,303	99,697	750,000
2048	146,324	3,676	150,000
	<u>\$ 2,362,029</u>	<u>\$ 1,387,971</u>	<u>\$ 3,750,000</u>

Inland Valley Development Agency

Notes to the Financial Statements June 30, 2022

Note 5 – Capital Assets

Capital asset activity for the year ended June 30, 2022 was as follows:

	Balance July 1, 2021	*	Additions	Deletions	Balance June 30, 2022
Governmental Activities					
Capital assets, not being depreciated					
Land	\$ 7,294,960		\$ -	\$ (1,060,000)	\$ 6,234,960
Construction in progress	16,250		84,861	(101,111)	-
Total capital assets, not being depreciated	<u>7,311,210</u>		<u>84,861</u>	<u>(1,161,111)</u>	<u>6,234,960</u>
Capital assets, being depreciated					
Buildings and improvements	34,458,284		475,003	(8,176,540)	26,756,747
Equipment and vehicles	956,940		64,992	(44,565)	977,367
Total capital assets, being depreciated	<u>35,415,224</u>		<u>539,995</u>	<u>(8,221,105)</u>	<u>27,734,114</u>
Less: accumulated depreciation for					
Buildings and improvements	(16,603,339)		(1,139,765)	3,131,790	(14,611,314)
Equipment and vehicles	(1,091,099)		(8,124)	44,565	(1,054,658)
Total accumulated depreciation	<u>(17,694,438)</u>		<u>(1,147,889)</u>	<u>3,176,355</u>	<u>(15,665,972)</u>
Total capital assets, being depreciated, net	<u>17,720,786</u>		<u>(607,894)</u>	<u>(5,044,750)</u>	<u>12,068,142</u>
Governmental activities capital assets, net	<u>\$ 25,031,996</u>		<u>\$ (523,033)</u>	<u>\$ (6,205,861)</u>	<u>\$ 18,303,102</u>
Business-Type Activities					
Capital assets, being depreciated					
Property and equipment	\$ 421,811		\$ 58,247	\$ -	\$ 480,058
Less: Accumulated depreciation for Property and equipment	(150,153)		(22,953)	-	(173,106)
Business-type activities capital assets, net	<u>\$ 271,658</u>		<u>\$ 35,294</u>	<u>\$ -</u>	<u>\$ 306,952</u>

Depreciation expense charged to the primary government in the governmental activities amounted to \$1,147,889 and for business-type activities in the amount of \$22,953.

For the year ended June 30, 2022, the Successor Agency held real property with a carrying value of \$229,749, which is included as part of the Private-Purpose Trust Fund in the fiduciary funds.

Inland Valley Development Agency

Notes to the Financial Statements June 30, 2022

Note 6 – Compensated Absences

The following is a summary of changes in compensated absences for the year ended June 30, 2022:

	Balance July 1, 2021	Net Change	Balance June 30, 2022	Amount due within one year
Compensated absences	\$ 80,529	\$ 1,795	\$ 82,324	\$ 41,162

Note 7 – Long-Term Debt

The following is a summary of changes in long-term debt for the Successor Agency for the year ended June 30, 2022:

	Balance July 1, 2021	Additions	Retirements	Balance June 30, 2022	Amount due within one year
Tax Allocation Bond, Issue of:					
2014A	\$ 146,220,000	\$ -	\$ -	\$ 146,220,000	\$ -
2014A Bond Premium	7,893,226	-	(340,386)	7,552,840	-
Tax Allocation Bond, Issue of:					
2014B	79,365,000	-	(5,115,000)	74,250,000	5,335,000
2014B Bond Discount	(738,353)	-	66,037	(672,316)	-
Total long-term liabilities	<u>\$ 232,739,873</u>	<u>\$ -</u>	<u>\$ (5,389,349)</u>	<u>\$ 227,350,524</u>	<u>\$ 5,335,000</u>

Successor Agency to the Inland Valley Development Agency Tax Allocation Refunding Bonds, Series 2014A (\$146,220,000) and Series 2014B (\$93,650,000) (2014 Bonds)

The Successor Agency issued Tax Allocation Bonds, Series 2014A and Series 2014B on May 15, 2014 totaling \$239,870,000. The Bonds were issued to refund and defease the Tax Allocation Bonds, Series 2011A, Series 2011B, and Series 2011C, and the CMB Investment Groups B and 1-V promissory notes. In addition, bond proceeds were used to fund a debt service reserve account and to pay the costs of issuance of the 2014 Bonds. The 2014 Bonds are secured by and payable from the Successor Agency's tax revenues, which consist of all monies deposited from time to time in the Redevelopment Property Tax Trust Fund. The 2014 Bonds are subject to optional redemption and mandatory sinking account redemption prior to their stated maturity.

The net proceeds of the 2014 bonds were \$248,871,000 with a net premium of \$9,111,391. The net proceeds were placed in an escrow account to advance refund the Tax Allocation Bonds, Series 2011A, Series 2011B, and Series 2011C, and the CMB Investment Groups B and 1-V promissory notes, along with other sources of funds in the amount of \$33,370,960. The debt service payments for the new bonds will exceed the debt service payments for the old bonds by \$76,411,440, and will result in an economic loss of \$72,057,623, using effective rates ranging from 4.5% to 5.5%. The proceeds from the refunding issue were placed in escrow accounts to pay the future debt service on the bonds being refunded. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the statement of fiduciary net position.

Inland Valley Development Agency

Notes to the Financial Statements June 30, 2022

Note 7 – Long-Term Debt (continued)

The net carrying amount of the Series 2011A bonds exceeded its reacquisition price by \$1,253,278. The reacquisition price of the rest of the refunded bonds and promissory notes exceeded the net carrying amount by \$3,264,376. The amounts are reported as a deferred inflow and a deferred outflow of resources in the statement of fiduciary net position and amortized over the life of the new debt issued. The balances at June 30, 2022, net of amortization, are \$927,359 and \$1,881,650, respectively.

2014 Series A Bonds

The 2014A Bonds were issued in the aggregate principal amount of \$146,220,000 and will mature and be payable through September 1, 2044. The 2014A Bonds consist of \$48,925,000 term bonds maturing on September 1, 2037 bearing interest at 5.25% and \$97,295,000 term bonds maturing on September 1, 2044 bearing interest at 5.00%. The 2014A term bonds are subject to mandatory sinking fund redemption prior to maturity beginning March 1, 2033 equal to the sum of the principal amount plus accrued interest to the redemption date. Interest on the 2014A Bonds was initially payable on September 1, 2014 and semi-annually thereafter on each March 1 and September 1. The 2014A Bonds were issued at a premium of \$10,320,691.

Debt service requirements on these bonds are as follows:

Year ending June 30,	Principal	Interest	Total
2023	\$ -	\$ 7,433,313	\$ 7,433,313
2024	-	7,433,313	7,433,313
2025	-	7,433,313	7,433,313
2026	-	7,433,313	7,433,313
2027	-	7,433,313	7,433,313
2028 - 2032	-	37,166,563	37,166,563
2033 - 2037	48,925,000	31,945,963	80,870,963
2038 - 2042	65,985,000	17,235,875	83,220,875
2043 - 2045	31,310,000	1,981,000	33,291,000
Total	<u>\$ 146,220,000</u>	<u>\$ 125,495,966</u>	<u>\$ 271,715,966</u>

Inland Valley Development Agency

Notes to the Financial Statements June 30, 2022

Note 7 – Long-Term Debt (continued)

2014 Series B Bonds

The 2014B Bonds were issued in the aggregate principal amount of \$93,650,000 and will mature and be payable through March 1, 2033. The 2014B Bonds consist of \$33,185,000 Serial Bonds maturing beginning on September 1, 2018 through September 1, 2024 bearing interest from 2.745% to 4.532% and \$60,465,000 Term Bonds maturing on March 1, 2033 bearing interest at 5.50%. The 2014B term bonds are subject to mandatory sinking fund redemption prior to maturity beginning March 1, 2025 at a redemption price equal to the sum of the principal amount plus accrued interest to the redemption date. Interest on the 2014B Bonds was initially payable on September 1, 2014 and semi-annually thereafter on each March 1 and September 1. The 2014B Bonds were issued at a discount of \$1,209,300.

Debt service requirements on these bonds are as follows:

Year ending June 30,	Principal	Interest	Total
2023	\$ 5,335,000	\$ 3,878,984	\$ 9,213,984
2024	5,570,000	3,643,316	9,213,316
2025	5,825,000	3,390,836	9,215,836
2026	6,130,000	3,080,413	9,210,413
2027	6,475,000	2,738,587	9,213,587
2028 - 2032	38,200,000	7,859,500	46,059,500
2033 - 2034	6,715,000	247,775	6,962,775
Total	<u>\$ 74,250,000</u>	<u>\$ 24,839,411</u>	<u>\$ 99,089,411</u>

Total interest expense incurred for the Successor Agency for the year ended June 30, 2022 was \$11,458,731, excluding the amortization of the bond premium and discount.

Note 8 – Federal Agency Capital Grants

In 2018, the Agency and two other co-recipients were awarded a grant totaling \$2,964,360 from the United States Department of Commerce Economic Development Administration. The grant is for improvements to existing infrastructure along the 3rd/5th Street Corridor in the City of Highland. Funds may also be used for related administrative and legal expenses, architectural and engineering fees, inspection fees, and contingencies. Revenue from grants is recognized in the fiscal year in which all eligibility requirements have been satisfied. Grant revenue of \$32,602 was recognized for the year ended June 30, 2022.

Inland Valley Development Agency

Notes to the Financial Statements June 30, 2022

Note 8 – Federal Agency Capital Grants (continued)

The Agency was granted beneficial use of \$36,500,000 from the Inland Valley Goods Movement Bill (IVGMB) in August 2005 for funding various transportation related projects in proximity to the former Norton Air Force Base. Subsequently, the Agency entered into an agreement with the San Bernardino County Transportation Authority (SBCTA) to exchange and substitute the amount of funds that would be received by the Agency from the \$36,500,000 of the IVGMB for a like-dollar amount of existing Measure "I" funds. The total grant amount is subject to a percentage reduction by the federal government that will vary from federal fiscal year to federal fiscal year dependent upon factors that are outside the control or influence of either the Agency or SBCTA. Measure "I" grant revenue of \$16,792 was recognized for the year ended June 30, 2022.

Grants are subject to review and audit by grantor agencies. Such audits could lead to requests for reimbursement to the grantor agency for any expenditure disallowed under the terms of the grant. The amount, if any, of expenditures which may be disallowed cannot be determined at this time, although based on prior experience, Agency management believes such disallowances, if any, will not be material.

Note 9 – Related-Party Transactions

Operating Expenses

The Agency shares certain common expenses with SBIAA, a related party, by virtue of common control. These expenses, which include salaries, benefits, services, and supplies, are appropriately allocated between the two government agencies. The expense allocated to SBIAA for the year ended June 30, 2022 was \$1,015,584. The Agency's allocable share of the expenses paid by SBIAA are reported as due to other government agencies and SBIAA's allocable share of the expenses paid by the Agency are reported as due from other government agencies and are essentially short-term advances of working capital. The advances are noninterest bearing and due on demand. The net amount due from SBIAA for operating expenses at June 30, 2022 was \$4,824,016.

Transfers

The Agency transferred \$828,366 to SBIAA as a contribution to fund road improvements.

Note 10 – Interfund Transactions

During the year ended June 30, 2022, the Successor Agency transferred \$332,352 to the General Fund to reimburse expenses paid by the General Fund on its behalf.

During the year ended June 30, 2022, the Water and Sewer Fund transferred operating allowances of \$50,000 to the General Fund.

During the year ended June 30, 2022, the General Fund transferred working capital of \$380,000 to the UAS Center Fund.

Inland Valley Development Agency

Notes to the Financial Statements June 30, 2022

Note 11 – Prior Period Adjustment

The cumulative effects of correction of errors in reporting of prior balances resulted in the following prior period adjustments:

	<u>General Fund</u>
Beginning fund balance, as previously reported	\$ 16,442,868
Loan receivable from related party	<u>3,712,255</u>
Beginning fund balance, as restated	<u>\$ 20,155,123</u>
	<u>Governmental Activities</u>
Beginning net position, as previously reported	\$ 44,776,329
Loan receivable from related party	3,712,255
Removal of general aviation hangar building	(3,902,301)
Removal of related accumulated depreciation	520,307
Recognition of good faith deposit on sale of building	<u>(100,000)</u>
Beginning net position, as restated	<u>\$ 45,006,590</u>

Required Supplementary Information

Inland Valley Development Agency

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual For the Year Ended June 30, 2022

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Charges for services	\$ 734,363	\$ 734,363	\$ 543,788	\$ (190,575)
Lease income	4,843,545	4,843,545	2,298,605	(2,544,940)
Intergovernmental grants	6,174,440	6,174,440	60,367	(6,114,073)
Contributions and other income	2,000	2,000	10,906	8,906
Interest income	9,000	9,000	22,530	13,530
Total Revenues	11,763,348	11,763,348	2,936,196	(8,827,152)
EXPENDITURES				
General and administrative costs	1,949,975	1,949,975	1,761,898	188,077
Professional services	838,500	838,500	429,930	408,570
Planning, survey, and design	280,000	280,000	146,990	133,010
Operation of acquired property	1,046,370	1,046,370	912,135	134,235
Project improvement costs	10,891,813	10,891,813	1,632,006	9,259,807
Total Expenditures	15,006,658	15,006,658	4,882,959	10,123,699
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of assets	380,000	380,000	2,496,591	2,116,591
Contributions to related party	-	-	(828,366)	(828,366)
Transfers in	7,187,684	7,187,684	50,000	(7,137,684)
Transfers out	(7,120,332)	(7,120,332)	(380,000)	6,740,332
Total Other Financing Sources (Uses)	447,352	447,352	1,338,225	890,873
 Net change in fund balance	 \$ (2,795,958)	 \$ (2,795,958)	 (608,538)	 \$ 2,187,420
Fund balance, beginning of year			20,155,123	
Fund balance, end of year			\$ 19,546,585	

Inland Valley Development Agency

**Notes to Required Supplementary Information
June 30, 2022**

Note 1: General Budget Policies

The Board of Directors adopts an annual budget, submitted by the Director of Finance prior to June 30 each year. The appropriated budget is prepared by fund, function, and department. All annual appropriations lapse at the end of the fiscal year. The Board of Directors has the legal authority to amend the budget at any time during the fiscal year. The annual budget is prepared on a basis consistent with generally accepted accounting principles and is adopted for all governmental funds.

Note 2: Supplementary Budget Information

There were no expenditures in excess of appropriations in the General Fund.