ONTARIO REDEVELOPMENT AGENCY
ONTARIO, CALIFORNIA

FINANCIAL STATEMENTS

JUNE 30, 2008

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Lance Soll & Lunghard LLP
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INDEPENDENT AUDITORS' REPORT

To the Honorable Chair and Members of the Governing Board
Ontario Redevelopment Agency, California

We have audited the accompanying financial statements of the governmental activities and each major fund of the Ontario Redevelopment Agency (the Agency), a component unit of the City of Ontario, California, as of and for the year ended June 30, 2008, which collectively comprise the Agency's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Ontario Redevelopment Agency's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *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 of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In accordance with *Government Auditing Standards,* issued by the Comptroller General of the United States, we have also issued our report dated December 11, 2008, on our consideration of the Ontario Redevelopment Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In our opinion, the financial statements referred to above present fairly in all material respects, the respective financial position of the governmental activities and each major fund of the Ontario Redevelopment Agency as of June 30, 2008, and the respective changes in financial position thereof for the year, then ended in conformity with accounting principles generally accepted in the United States of America.

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Lance Soll & Lunghard LLP
CERTIFIED PUBLIC ACCOUNTANTS

To the Honorable Chair and Members of the Governing Board
Ontario Redevelopment Agency, California

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's basic financial statements. The combining project area statements and computation of low and moderate income housing funds excess/surplus are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Lance, Soll & Lunghard, LLP

December 11, 2008

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Honorable Chair and Members of the Governing Board
Ontario Redevelopment Agency, California

We have audited the financial statements of the governmental activities and each major fund of the Ontario Redevelopment Agency as of and for the year ended June 30, 2008, which collectively comprise the Ontario Redevelopment Agency's basic financial statements and have issued our report thereon dated December 11, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination or control deficiencies, that adversely affects the Agency's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Agency's financial statements that is more than inconsequential will not be prevented or detected by the Agency's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Agency's internal control.

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

Lance Soll & Lunghard LLP
CERTIFIED PUBLIC ACCOUNTANTS

To the Honorable Chair and Members of the Governing Board
Ontario Redevelopment Agency, California

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of the Ontario Redevelopment Agency are free of material misstatements, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. Such provisions included those provisions of laws and regulations identified in the Guidelines for Compliance Audits of California Redevelopment Agencies, issued by the State Controller and as interpreted in the Suggested Auditing Procedures for Accomplishing Compliance Audits of California Redevelopment Agencies, issued by the Governmental Accounting and Auditing Committee of the California Society of Certified Public Accountants. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance that is required to be reported under *Government Auditing Standards* issued by the Comptroller General of the United States and under the Guidelines for Compliance Audits of California Redevelopment Agencies, issued by the State Controller as follows:

> Pursuant to California Health and Safety Code Section 33334.16**,** for each interest in real property acquired using moneys from the Low and Moderate Income Housing Fund, the agency shall, within five years from the date it first acquires the property interest for the development of housing affordable to persons and families of low and moderate income, initiate activities consistent with the development of the property for that purpose. If these activities have not been initiated within this period, the legislative body may, by resolution, extend the period during which the agency may retain the property for one additional period not to exceed five years. Currently, the Agency has a number of properties for which the legislative body has not requested this extension. On December 2, 2008, the Agency Board approved extensions for all affected properties.

This report is intended for the information of the Audit committee, management and the State Controller. However, this report is a matter of public record and its distribution is not limited.

Lance, Soll & Lunghard, LLP

December 11, 2008

Management's Discussion and Analysis

The following Management Discussion and Analysis (MD&A) of the City of Ontario Redevelopment Agency's (the Agency) financial performance provides an introduction and overview to the financial activities of the Agency for the fiscal year ended June 30, 2008. This narrative discussion and analysis focuses on the current year's activities, resulting changes and currently known facts; therefore, the information presented here should be considered in conjunction with additional information furnished in the accompanying basic financial statements.

Financial Highlights

Liabilities of the Agency exceeded its assets in governmental activities at the close of fiscal year 2007-08 by $4,580,186 (net deficit). Of this amount, $6,139,511 represents investment in capital assets, net of related debt, and $59,822,173 represents resources restricted either for capital projects or debt service payment. The remaining negative amount of $70,541,870 represents deficit at the close of fiscal year 2007-08.

Total revenue in the governmental activities increased overall by $8,098,879 or 19.0% from last year. This gain is mainly attributable to tax increment revenue which grew by $8,083,618 or 21.0%.

Total expenses in governmental activities were $7,131,886 less than the $50,795,203 total revenues generated during the current year (change in net assets). Compared from last year, total expenses in governmental activities increased by $7,529,330 or 20.8%. Contributing to this growth of expenses is a $6,246,961 increase in other expenses as a result of additional expenditures relating to reimbursement agreements the Agency entered into. In addition, expenses for general government increased by $1,461,664.

At the close of the current fiscal year, the Agency's governmental funds reported combined ending fund balances of $105,256,104, an increase of $1,718,652 in comparison with the prior year. Of the combined fund balance, $63,640,190 or 60.5% is available for redevelopment projects at the discretion of the Agency Board (Council).

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Agency's basic financial statements. The Agency's basic financial statements comprise three components:

1) Government-wide financial statements;
2) Fund financial statements; and
3) Notes to the basic financial statements.

This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The *Government-wide Financial Statements* are designed to provide readers with a broad overview of the Agency's finances, in a manner similar to a private-sector business.

The *Statement of Net Assets* reports all financial and capital resources of the Agency. The Agency presents the statement in a format that displays assets less liabilities equal net assets/(deficit). Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Agency is improving or deteriorating.

The *Statement of Activities* presents information showing how the Agency's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods such as revenues pertaining to uncollected taxes and earned but unused vacation and sick leave.

The *governmental activities* of the Agency include general government, economic development, housing, and debt service. The government-wide financial statement can be found on the accompanying reports.

Fund Financial Statements

Fund Financial Statements are designed to report information about groupings (*funds*) of related accounts, which are used to maintain control over resources that have been segregated for specific activities or objectives. The Agency, like other state and local governments, uses *fund accounting* to ensure and demonstrate finance-related legal compliance. All *funds* of the Agency are categorized as *governmental funds*.

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the *government-wide financial statements*. However, unlike *government-wide financial statements*, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in determining what financial resources are available in the near future to finance the Agency's redevelopment programs.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate the comparison between *governmental funds* and *governmental activities*.

The Agency maintains several individual governmental funds created according to their purpose. The individual fund information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for all the Agency's governmental funds.

Notes to the Financial Statements

Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents supplemental information concerning the Agency's combining project area balance sheet and statement of revenues, expenditures and changes in fund balances.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as useful indicator of a government's financial position. In the case of the Agency, it is also an important determinant of its ability to finance current and future redevelopment projects.

At the close of fiscal year 2007-08, the Agency has a net deficit of $4,580,186. Of this amount, $6,139,511 is invested in capital assets, $24,254,689 is restricted for community development projects, and $35,567,484 is restricted for debt service. The remaining balance of $70,541,870 represents a deficit, which will be covered from collection of Agency's future tax increment and other revenues. The largest portion of the Agency's deficit is caused by the outstanding long-term debt of $113,987,599. Traditionally, the Agency carries a deficit to collect tax increment. This is primarily due to the nature of tax increment financing method allowed under California law whereby a redevelopment agency issues bonds or incurs long-term debt to finance its redevelopment projects by pledging future tax increment revenues.

The Agency uses the debt proceeds to finance its redevelopment projects which include land, commercial and retail properties, housing, public parking, street improvements, park improvements, transportation improvements, cultural facilities and community centers. Once redevelopment projects that are public facilities are completed by the Agency, the responsibilities for their continued maintenance and operations are transferred to the City of Ontario (the City) including the capitalized redevelopment project costs. In addition, completed projects with private developers are also transferred to the developers in accordance with the Development and Disposition Agreement. Although completed public facilities and joint projects with private developers are transferred to the City and developers respectively, the related debt remains with the Agency.

Shown below is a comparative schedule that summarized the Agency's net asset (net deficit):

Agency's Net Assets (Deficit)
Governmental Activities
(In thousands)

	2008	2007
Current and other assets	$ 76,377	$ 69,017
Advances to the City of Ontario	1,847	1,895
Deferred charges	969	1,031
Land held for resale	31,611	24,060
Restricted assets	4,744	12,559
Capital assets	6,140	2,648
Total Assets	121,688	111,210
Long-term liabilities	113,988	115,963
Other liabilities	12,280	6,959
Total Liabilities	126,268	122,922
Net Assets:		
Invested in capital assets	6,140	2,648
Restricted net assets	59,822	58,236
Unrestricted net assets (deficit)	(70,542)	(72,596)
Total Net Assets	$ (4,580)	$ (11,712)

Governmental Activities

The overall Agency's financial position increased from the prior year. Under the governmental activities, the Agency's net deficit decreased by $7,131,886 from the previous fiscal year.

Tax increment, which represents approximately 92% of total Agency revenues, increased from last year by $8,083,618 or 21.0%. This is mainly attributable to the overall gain of almost 18.0% in property assessed valuations experienced in the redevelopment project areas. Investment income experienced a nominal increase of $197,977 or 4.9% from the prior fiscal year.

Interest on long-term debt of $10,641,117 represents 24.4% of the Agency's total governmental expenses, decreased slightly by $166,731 as a result of paying down the debt principle over the year.

Key elements of the governmental activities are presented below:

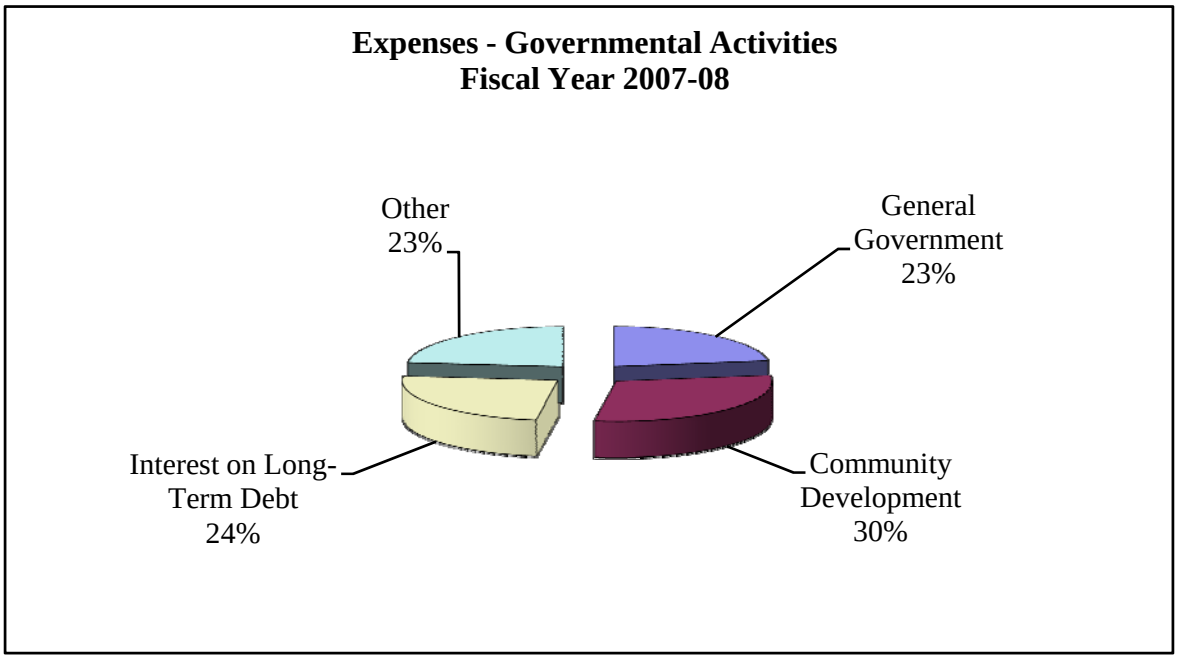
Agency's Changes in Net Assets (Deficit)
Governmental Activities
(In thousands)

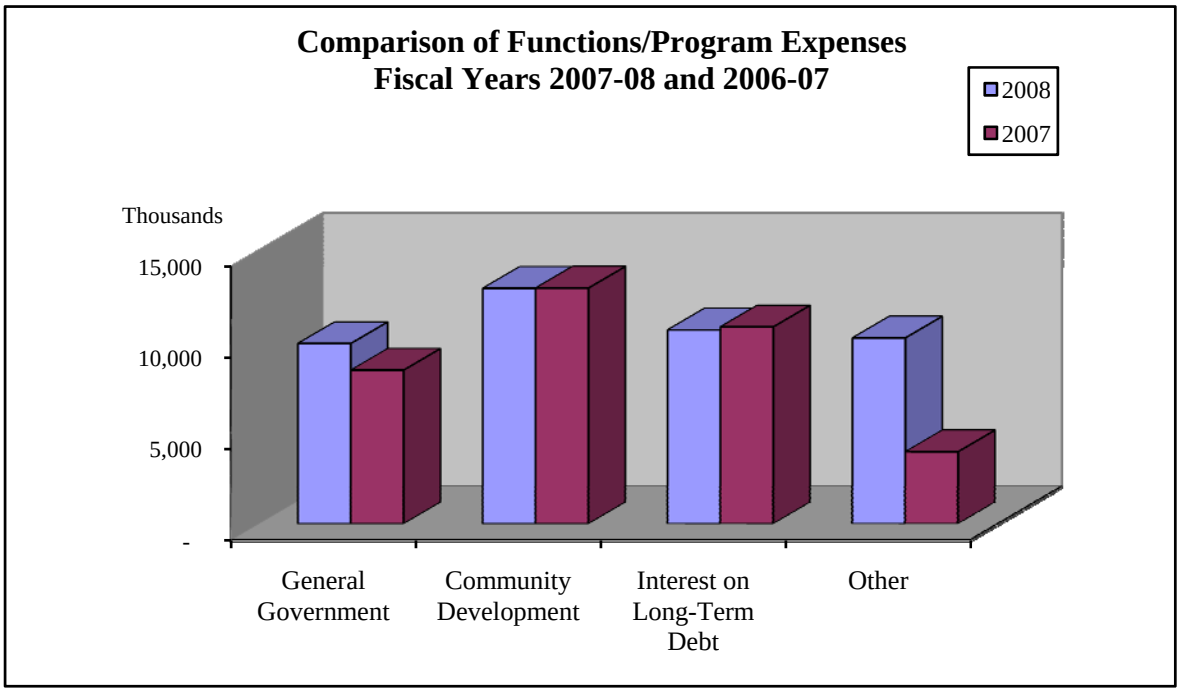
	2008	2007
Revenues:		
Program revenues	$ -	$ -
General revenues:		
Tax increment	46,574	38,490
Use of money and property	4,221	4,023
Gain on sale of assets	-	183
Total Revenues	50,795	42,696
Expenses:		
General government	9,894	8,433
Community development	12,926	12,938
Interest on long-term debt	10,641	10,808
Other	10,202	3,955
Total Expenses	43,663	36,134
Change in net assets	7,132	6,562
Net assets/(deficit) - beginning of year	(11,712)	(18,320)
Restatement of net assets	-	46
Net Assets/(Deficit) - end of year	$ (4,580)	$ (11,712)

Total governmental activities expenses were $43,663,317 for the current fiscal year, which represents an increase of $7,529,333 or 20.8% from the prior year. Major contributing factor to the overall increase of governmental activities expenses is the rise in the other expense activities of $6,246,961 due to the additional reimbursement agreements the Agency participated in for the current fiscal year.

For the fiscal year ended June 30, 2008, total net assets increased by $7,131,886, due to a favorable variance of revenues over expenses.

The graph below presents expenses by governmental activities.





Financial Analysis of the Agency's Funds

Governmental funds. The focus of the Agency's *governmental funds* is to provide information on near-term inflows, outflows, and balances of resources that are available for spending. Such information is useful in assessing the Agency's financial requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Individual fund information of governmental funds reported by the Agency includes capital projects fund (includes general agency fund and low and moderate housing fund) and debt service funds.

At the end of the current fiscal year, the Agency's governmental funds reported *combined fund balances* of $105,256,104, an increase of $1,718,652 in comparison with the prior year. Of this total amount, $63,640,190 constitutes *unreserved fund balance*, which is available for redevelopment spending at the discretion of the Agency Board. The remainder $41,615,914 of the fund balance is reserved to indicate that it is not available for new spending because it has been committed:

1) Assets held for resale ($31,611,284);
2) To reflect the amount of assets that is long-term in nature and, thus, do not represent available spendable resources ($6,701,804);
3) To reflect the amount of assets that is short-term in nature ($1,327,937); and
4) To liquidate contractual commitments of the period ($1,974,889).

Capital projects fund. The fund balance in the Agency's capital projects fund had a net decrease of $778,760 from last fiscal year as a result of a $2,757,231 reduction in cash and investments and a $1,219,908 decline in deposits with others, netted against an increase of $7,550,816 in land held for resale, and an overall increase in liabilities of $4,378,169, mainly consisting of a $3,826,372 growth in accounts payable and accrued liabilities, and a gain of $1,023,434 in deposits from others.

Capital Assets and Debt Administration

Capital Assets

The Agency's investment in capital assets was $6,139,511, net of accumulated depreciation as of fiscal year end June 30, 2008. This investment in capital assets includes land, structures and improvements, and furniture and equipment, as shown below:

Land	$	1,601,652
Structures and improvements		1,127,212
Construction in progress		3,364,192
Furniture and equipment		46,455
Total Capital Assets	$	6,139,511

The Agency has elected to use the "Modified Approach" as defined by GASB Statement No. 34.

Long-Term Debt

At June 30, 2008, the Agency had long-term bonds and notes outstanding aggregating to $113,987,599. The following is a breakdown of these long-term debts.

Revenue bonds (including refunding bond)	$	27,452,341
Tax allocation bonds		49,501,000
Housing set-aside loan		13,520,133
Developer loans		-
City loans/notes		22,365,121
Unamortized bond premium		1,149,004
Total Long-Term Debt	$	113,987,599

Contacting the Agency's Financial Management

This financial report is designed to provide our taxpayers, customers, investors and creditors with a general overview of the Agency's finances and to show the Agency's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Administrative Services/Finance Director, City of Ontario, 303 East "B" Street, Ontario, California, 91764.

ONTARIO REDEVELOPMENT AGENCY

STATEMENT OF NET ASSETS
JUNE 30, 2008

	Governmental Activities	
Assets:		
Cash and investments		$ 63,709,919
Receivables:		
Tax increment	$ 1,998,408	
Accounts	9,892	
Interest receivable	891,326	
Loans	6,701,804	
Total Receivables		9,601,430
Due from other governments		1,846,855
Deposits with others		3,184,616
Land held for resale (net)		31,611,284
Deferred charges		968,957
Other assets		16,267
Restricted assets:		
Cash and investments	-	
Cash and investments with trustees	4,608,795	
Total Restricted Assets		4,608,795
Capital assets (Net of Depreciation):		
Equipment	46,455	
Land and improvements	6,093,056	
Total Capital Assets		6,139,511
Total Assets		**121,687,634**
Liabilities:		
Accounts payable and accrued expenses		11,125,595
Deposits from others		1,090,395
Other current liabilities		64,232
Long-term liabilities:		
Due within one year	5,178,484	
Due in more than one year	108,809,115	
Total Long-Term Liabilities		113,987,599
Total Liabilities		**126,267,821**
Net Assets:		
Invested in capital assets, net of related debt		6,139,511
Restricted for:		
Community development		24,254,689
Debt service		35,567,484
Unrestricted		(70,541,871)
Total Net Assets		**$ (4,580,187)**

See Notes to Financial Statements

ONTARIO REDEVELOPMENT AGENCY

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

		Program Revenues			Net (Expense) Revenues and Changes in Net Assets
	Expenses	Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants	Governmental Activities
Functions/Programs					
Governmental Activities:					
General government	$ 9,894,523	$ -	$ -	$ -	$ (9,894,523)
Community development	12,926,086	-	-	-	(12,926,086)
Interest on long-term debt	10,641,117	-	-	-	(10,641,117)
Other	10,201,591	-	-	-	(10,201,591)
Total Governmental Activities	**$ 43,663,317**	**$ -**	**$ -**	**$ -**	**(43,663,317)**
General Revenues:					
Taxes (net of pass-through payments)					46,574,207
Use of money and property					4,220,995
Total General Revenues					**50,795,202**
Change in Net Assets					7,131,885
Net Assets at Beginning of Year					(11,712,072)
Net Assets at End of Year					**$ (4,580,187)**

See Notes to Financial Statements

ONTARIO REDEVELOPMENT AGENCY

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008 **(Continued)**

	Capital Projects	Capital Projects	Capital Projects	Debt Service
	Combined Low and Moderate Housing	Project Area #1	Center City	Project Area #1
	Low and Moderate Housing	Project	Project	Tax Increment
Assets:				
Cash and investments	$ 10,274,683	$ 5,012,198	$ 4,027,263	$ 28,073,792
Cash and investments with trustee	928,543	388,942	684,132	1,495,752
Receivables:				
Tax increment	407,924	-	-	1,228,686
Accounts	9,892	-	-	-
Interest	210,259	111,828	57,396	375,600
Contracts and notes	6,602,750	-	99,054	-
Advances to Capital Projects funds	-	-	-	-
Advances to Debt Service funds	4,019,922	-	-	-
Due from City	246,855	1,600,000	-	-
Restricted cash	-	-	-	-
Deposits with others	1,312,170	135,338	1,737,108	-
Land held for resale	1,496,568	18,251,473	9,292,434	-
Prepaid costs	2,617	-	500	-
Total Assets	**$ 25,512,183**	**$ 25,499,779**	**$ 15,897,887**	**$ 31,173,830**
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	$ 252,573	$ 3,502,257	$ 129,651	$ 2,965,794
Accrued liabilities	33,483	1,362	1,109	-
Deposits from others	42,895	1,000,000	-	-
Advances from Capital Projects funds	-	-	1,073,093	-
Advances from Low and Moderate Housing Funds	-	-	-	-
Total Liabilities	**328,951**	**4,503,619**	**1,203,853**	**2,965,794**
Fund Balances:				
Reserved:				
Encumbrances	186,686	1,414,681	19,994	-
Land held for resale	1,496,568	18,251,473	9,292,434	-
Long-term loans receivable	6,602,750	-	99,054	-
Deposits and prepaid costs	1,314,787	-	-	-
Unreserved:				
Designated:				
Debt service	-	-	-	28,208,036
Continuing projects	15,582,441	1,330,006	5,282,552	-
Total Fund Balances	**25,183,232**	**20,996,160**	**14,694,034**	**28,208,036**
Total Liabilities and Fund Balances	**$ 25,512,183**	**$ 25,499,779**	**$ 15,897,887**	**$ 31,173,830**

See Notes to Financial Statements

ONTARIO REDEVELOPMENT AGENCY

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008

	Debt Service Project Area #2 Tax Increment	Debt Service Cimarron Tax Increment	Other Governmental Funds	Total Governmental Funds
Assets:				
Cash and investments	$ 4,107,065	$ 2,391,916	$ 9,823,002	$ 63,709,919
Cash and investments with trustee	-	291,163	820,263	4,608,795
Receivables:				
Tax increment	92,702	20,037	249,059	1,998,408
Accounts	-	-	-	9,892
Interest	44,290	4,149	87,804	891,326
Contracts and notes	-	-	-	6,701,804
Advances to Capital Projects funds	-	-	1,073,093	1,073,093
Advances to Debt Service funds	-	-	-	4,019,922
Due from City	-	-	-	1,846,855
Restricted cash	-	-	-	-
Deposits with others	-	-	-	3,184,616
Land held for resale	-	-	2,570,809	31,611,284
Prepaid costs	-	-	13,150	16,267
Total Assets	**$ 4,244,057**	**$ 2,707,265**	**$ 14,637,180**	**$ 119,672,181**
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	$ 676,400	$ -	$ 641,761	$ 8,168,436
Accrued liabilities	-	-	28,278	64,232
Deposits from others	-	-	47,500	1,090,395
Advances from Capital Projects funds	-	-	-	1,073,093
Advances from Low and Moderate Housing Funds	1,500,000	2,019,922	500,000	4,019,922
Total Liabilities	**2,176,400**	**2,019,922**	**1,217,539**	**14,416,078**
Fund Balances:				
Reserved:				
Encumbrances	-	-	353,528	1,974,889
Land held for resale	-	-	2,570,809	31,611,284
Long-term loans receivable	-	-	-	6,701,804
Deposits and prepaid costs	-	-	13,150	1,327,937
Unreserved:				
Designated:				
Debt service	2,067,657	687,343	4,604,447	35,567,483
Continuing projects	-	-	5,877,707	28,072,706
Total Fund Balances	**2,067,657**	**687,343**	**13,419,641**	**105,256,103**
Total Liabilities and Fund Balances	**$ 4,244,057**	**$ 2,707,265**	**$ 14,637,180**	**$ 119,672,181**

See Notes to Financial Statements

ONTARIO REDEVELOPMENT AGENCY

GOVERNMENTAL FUNDS
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2008

Fund balances of governmental funds	**$ 105,256,103**
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	6,139,511
Bond issuance costs is an expenditure in the governmental funds, but it is deferred charges in the statement of net assets:	
Unamortized debt issuance costs - amortized over life of new bonds	968,957
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds	
Bonds payable	(76,953,341)
Loans from City	(22,365,121)
Other debt	(13,520,133)
Unamortized net original issue discounts and (premiums)	(1,149,004)
Accrued interest payable for the current portion of interest due on Tax Allocation Bonds has not been reported in the governmental funds.	(2,957,159)
Net assets of governmental activities	**$ (4,580,187)**

See Notes to Financial Statements

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ONTARIO REDEVELOPMENT AGENCY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2008 **(Continued)**

	Capital Projects	Capital Projects	Capital Projects	Debt Service
	Combined Low and Moderate Housing	Project Area #1	Center City	Project Area #1
	Low and Moderate Housing	Project	Project	Tax Increment
Revenues:				
Taxes and assessments	$ 10,352,001	$ -	$ -	$ 32,358,514
Use of money and property	930,300	261,100	429,808	1,737,696
Other revenue	267,862	5,651	3,542	-
Total Revenues	**11,550,163**	**266,751**	**433,350**	**34,096,210**
Expenditures:				
Current:				
General government	2,761,074	2,426,044	632,481	526,834
Community development	10,511,185	19,962	21,147	-
Capital outlay	776,652	2,017,717	2,772,362	-
Debt service	1,046,881	-	-	13,485,913
Other expenditures	-	7,920,271	6,750	2,551,817
Total Expenditures	**15,095,792**	**12,383,994**	**3,432,740**	**16,564,564**
Excess (Deficiency) of Revenues Over (Under) Expenditures	**(3,545,629)**	**(12,117,243)**	**(2,999,390)**	**17,531,646**
Other Financing Sources (Uses):				
Transfers in	-	18,509,885	1,000,000	326,616
Transfers out	(383,480)	(2,407,409)	(496,499)	(18,509,885)
Long-term debt issued	-	-	-	3,032,430
Pass-through agreement payments	-	-	-	(2,872,533)
bonds - current issue	-	-	-	-
Total Other Financing Sources (Uses):	**(383,480)**	**16,102,476**	**503,501**	**(18,023,372)**
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses	**(3,929,109)**	**3,985,233**	**(2,495,889)**	**(491,726)**
Fund Balances:				
Beginning of Year	29,112,341	17,010,927	17,189,923	28,699,762
End of Year	**$ 25,183,232**	**$ 20,996,160**	**$ 14,694,034**	**$ 28,208,036**

See Notes to Financial Statements

ONTARIO REDEVELOPMENT AGENCY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Debt Service Project Area #2 Tax Increment	Debt Service Cimarron Tax Increment	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes and assessments	$ 4,457,737	$ 1,476,471	$ 3,115,279	$ 51,760,002
Use of money and property	177,170	121,696	563,225	4,220,995
Other revenue	-	-	192	277,247
Total Revenues	**4,634,907**	**1,598,167**	**3,678,696**	**56,258,244**
Expenditures:				
Current:				
General government	82,551	23,457	3,392,037	9,844,478
Community development	-	-	-	10,552,294
Capital outlay	-	-	348,775	5,915,506
Debt service	50,767	321,485	791,600	15,696,646
Other expenditures	-	-	-	10,478,838
Total Expenditures	**133,318**	**344,942**	**4,532,412**	**52,487,762**
Excess (Deficiency) of Revenues Over (Under) Expenditures	**4,501,589**	**1,253,225**	**(853,716)**	**3,770,482**
Other Financing Sources (Uses):				
Transfers in	-	56,864	5,886,782	25,780,147
Transfers out	(1,394,639)	(1,000,000)	(1,588,235)	(25,780,147)
Long-term debt issued	-	37,167	64,367	3,133,964
Pass-through agreement payments	(1,401,406)	(397,085)	(514,771)	(5,185,795)
bonds - current issue	-	-	-	-
Total Other Financing Sources (Uses):	**(2,796,045)**	**(1,303,054)**	**3,848,143**	**(2,051,831)**
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses	**1,705,544**	**(49,829)**	**2,994,427**	**1,718,651**
Fund Balances:				
Beginning of Year	362,113	737,172	10,425,214	103,537,452
End of Year	**$ 2,067,657**	**$ 687,343**	**$ 13,419,641**	**$ 105,256,103**

See Notes to Financial Statements

ONTARIO REDEVELOPMENT AGENCY

GOVERNMENTAL FUNDS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Net change in fund balances - total governmental funds	**$ 1,718,651**
Amounts reported for governmental activities in the statement of activities differs from the amounts reported in the statement of activities because:	
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	5,024,124
Bond issuance costs is an expenditure in the governmental funds, but it is deferred charges in the statement of net assets:	
Amortization for current fiscal year	(61,770)
Unamortized premium or discounts on bonds issued are revenue or expenditures in the governmental funds, but these are spread to future periods over the life of the new bonds:	
Amortization for current fiscal year	85,114
Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those assets in capitalized and allocated over their estimated useful lives through depreciation expense:	
Capital outlay expenditures removed	3,541,714
Depreciation	(50,047)
Proceeds of debt is revenue in the governmental funds, but these are additions to the statement of net assets.	(3,133,964)
Defeasance of debt is expenditures in the governmental funds, but these are Expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:	
Current accrual of interest due on bonds	(2,957,159)
Prior year accrual of interest due on bonds	2,965,222
Change in net assets of governmental activities	**$ 7,131,885**

See Notes to Financial Statements

ONTARIO REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

I. SIGNIFICANT ACCOUNTING POLICIES

Note 1: Organization and Summary of Significant Accounting Policies

a. Description of the Reporting Entity

The Ontario Redevelopment Agency is a component unit of a reporting entity that consists of the following primary government and component units:

Reporting Entity:

Primary Government:

City of Ontario

Component Units:

Ontario Redevelopment Agency
Ontario Housing Authority
Ontario Redevelopment Financing Authority
Industrial Development Authority

The attached basic financial statements contain information relative only to the Ontario Redevelopment Agency, as one component unit that is an integral part of the total reporting entity. They do not contain financial data relating to the other component units.

The Ontario Redevelopment Agency (the Agency) was activated on November 1, 1971, pursuant to the State of California Health and Safety Code, Section 33000 et seq., entitled Community Redevelopment Law. As such, the Agency acts as a legal entity, separate and distinct from the City of Ontario (the City), even though members of the City Council of the City also serve as members of the Agency's governing board. Financial activity of the Agency commenced in November 1977.

Although the Ontario Redevelopment Agency is a distinct and separate legal entity, the Agency's Combined Financial Statements also represent a component unit of the Comprehensive Annual Financial Report of the City of Ontario for accounting purposes.

The actions of the Agency are binding, and business, including incurred long-term debt, is routinely transacted in the Agency's name by its authorized representatives. The Agency is broadly empowered to engage in the general economic revitalization and redevelopment of the City through acquisition and redevelopment of blighted property.

The Agency has no employees and all Agency duties and functions are performed by employees of the City. The City is reimbursed for the cost of these and other services.

Note 1: Organization and Summary of Significant Accounting Policies (Continued)

The Agency is currently administering the following redevelopment projects:

Project Area 1 - Project Area 1 was established on July 18, 1978, as the Agency's initial project area, and was later amended to include additional areas. Originally blighted and underutilized, the project area now includes: the Ontario Auto Center, containing 25 auto dealers; the Ontario Mills, a super-regional retail outlet shopping and entertainment complex; The Ontario Center (TOC), a large upscale office, retail and hospitality district; and a substantial number of warehouse and distribution facilities totaling 3,537 acres.

Cimmaron Project Area - The Cimmaron Redevelopment Project Area was established October 7, 1980. After amendments, it is comprised of 23 non-contiguous areas totaling 770 acres that are now mostly redeveloped.

Project Area 2 - Project Area 2 was established October 5, 1982, and was amended in December 1994. The original project area consists of 17 non-contiguous sub-areas totaling 414 acres that consist of primarily residential uses and are mostly developed. The area covered by Amendment No. 1 consists of 284 acres along Mountain Avenue and West Holt Boulevard, and includes predominantly commercial and retail uses.

Center City Project Area - The Center City Project Area was established November 1, 1983, and, as amended, encompasses Ontario's Central Business District and east Holt Boulevard. It includes a total of 680 acres. Agency activities have included: The development of Artists' work-live units (Emporia Arts District); façade improvement to a commercial building located along Euclid Avenue; adaptive re-use of vacant office building currently occupied by the University of La Verne Law School; and general demolition and landscaping activities.

Guasti Project Area - This project area was established July 17, 2001, and comprises 19 contiguous parcels on approximately 180 acres between the I-10 Freeway and the Ontario International Airport. It includes a number of historically significant structures.

The Agency has agreed to act in the capacity of a Public Housing Agency for a 100 unit senior citizens apartment complex in the City of Ontario, utilizing U.S. Department of Housing and Urban Development Section 8 - New Housing Rent Subsidies.

b. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the Agency. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

II. STEWARDSHIP

Note 2: Stewardship, Compliance and Accountability

Budgetary Data

General Budget Policies

The Governing Board approves each year's budget submitted by the Executive Director prior to the beginning of the new fiscal year. The Board conducts public meetings prior to its adoption. The budget is prepared by fund, function and activity, and includes information on the past year, current year estimates and requested appropriations for the next fiscal year. Supplemental appropriations, when required during the period, are also approved by the Board. Intradepartmental budget changes are approved by the Executive Director. In most cases, expenditures may not exceed appropriations at the departmental level. At fiscal year-end, all operating budget appropriations lapse. During the year, several supplementary appropriations were necessary.

Encumbrances

Encumbrances are estimations of costs related to unperformed contracts for goods and services. These commitments are recorded for budgetary control purposes in the governmental funds. Encumbrances outstanding at year-end are reported as a reservation of fund balance. They represent the estimated amount of the expenditure ultimately to result if unperformed contracts in-process at year-end are completed. They do not constitute expenditures or estimated liabilities.

Budget Basis of Accounting

Budgets for governmental funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).

III. DETAILED NOTES ON FUNDS

Note 3: Cash and Investments

Cash and investments reported in the accompanying financial statements consisted of the following:

Cash and investments pooled with the City	$ 63,709,919
Restricted cash and investments with trustees	4,608,795
Restricted cash	
	$ 68,318,714

The Agency's funds are pooled with the City of Ontario's cash and investments in order to generate optimum interest income. The City has implemented GASB Statement No. 40, *Deposit and Investment Risk Disclosures*. This pronouncement is an amendment to GASB Statement No. 3. GASB No. 40 establishes and modifies disclosure requirements related to deposit and investment risks. The information required by GASB Statement No. 40 related to authorized investments, credit risk, etc., is available in the annual report of the City.

Note 1: Organization and Summary of Significant Accounting Policies (Continued)

d. Assets, Liabilities and Net Assets or Equity

1. Cash and Investments

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

Investments for the Agency are reported at fair value. The State Treasurer'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.

The Agency pools its cash and investments with the City.

2. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds, to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of an allowance for uncollectible accounts.

Property tax revenue is recognized in the fiscal year for which the taxes have been levied providing they become available. Available means then due or past due and receivable within the current period and collected within the current period or expected to be collected soon enough thereafter (not to exceed 60 days), to be used to pay liabilities of the current period. The County of San Bernardino collects property taxes for the Agency. Tax liens attach annually as of 12:01 A.M. on the first day in January preceding the fiscal year for which the taxes are levied. The tax levy covers the fiscal period July 1 to June 30. All secured personal property taxes and one-half of the taxes on real property are due November 1; the second installment is due February 1. All taxes are delinquent, if unpaid, on December 10 and April 10, respectively. Unsecured personal property taxes become due on the first of March each year and are delinquent on August 31.

3. Inventories, Prepaid Items and Land Held for Resale

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Land purchased for resale is capitalized as inventory at acquisition costs or net realizable value, if lower.

Note 1: Organization and Summary of Significant Accounting Policies (Continued)

4. Restricted Assets

Certain proceeds of debt issues, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. In addition, funds have been restricted for future capital improvements by Agency resolution.

5. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable 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 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Property, plant and equipment of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Structures and Improvements	20 - 99
Furniture and Equipment	5 - 25

6. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

7. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

II. STEWARDSHIP

Note 2: Stewardship, Compliance and Accountability

Budgetary Data

General Budget Policies

The Governing Board approves each year's budget submitted by the Executive Director prior to the beginning of the new fiscal year. The Board conducts public meetings prior to its adoption. The budget is prepared by fund, function and activity, and includes information on the past year, current year estimates and requested appropriations for the next fiscal year. Supplemental appropriations, when required during the period, are also approved by the Board. Intradepartmental budget changes are approved by the Executive Director. In most cases, expenditures may not exceed appropriations at the departmental level. At fiscal year-end, all operating budget appropriations lapse. During the year, several supplementary appropriations were necessary.

Encumbrances

Encumbrances are estimations of costs related to unperformed contracts for goods and services. These commitments are recorded for budgetary control purposes in the governmental funds. Encumbrances outstanding at year-end are reported as a reservation of fund balance. They represent the estimated amount of the expenditure ultimately to result if unperformed contracts in-process at year-end are completed. They do not constitute expenditures or estimated liabilities.

Budget Basis of Accounting

Budgets for governmental funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).

III. DETAILED NOTES ON FUNDS

Note 3: Cash and Investments

Cash and investments reported in the accompanying financial statements consisted of the following:

Cash and investments pooled with the City	$ 63,709,919
Restricted cash and investments	135,338
Restricted cash and investments with trustees	4,608,795
Restricted cash	
	$ 68,454,052

The Agency's funds are pooled with the City of Ontario's cash and investments in order to generate optimum interest income. The City has implemented GASB Statement No. 40, *Deposit and Investment Risk Disclosures*. This pronouncement is an amendment to GASB Statement No. 3. GASB No. 40 establishes and modifies disclosure requirements related to deposit and investment risks. The information required by GASB Statement No. 40 related to authorized investments, credit risk, etc., is available in the annual report of the City.

Note 4: Contracts and Notes Receivable

Contracts and notes receivable as of June 30, 2008, totaled $6,701,804, offset by a Reserve for Loans Receivable, and were recorded as follows:

Capital Projects Funds

On October 19, 1993, the Agency loaned $35,000 to a developer, Pomona Valley Habitat for Humanity, as part of a transaction involving the sale of property. The note is non-interest bearing and was due in full on June 20, 1995. A new note was recorded on November 8, 1996, and will mature on October 31, 2026. The unpaid principal balance at June 30, 2008, was $35,000.

Pursuant to the owner participation agreement between the Agency and Rubel Enterprises dated March 17, 1998, the Agency accepted a promissory note for the principal amount of $178,500. This promissory note shall be for a ten-year term and bears interest at 5% per annum. Payment shall commence on the sixth anniversary of this promissory note. The balance at June 30, 2008, was $64,054.

Total loans receivable recorded in capital projects funds was $99,054.

Low and Moderate Income Housing Fund

On October 4, 1994, the Agency's Combined Low and Moderate Income Housing Fund loaned a developer, Cichon, $135,000 to finance the cost of rehabilitation and construction of a low and moderate income residence located in the Center City Project Area. On December 5, 1995, the Agency loaned an additional $4,647, bringing the total amount to $139,677. During fiscal year ended June 30, 2000, the Agency advanced an additional $254. The note is a 25-year amortized loan and bears interest at 5% per annum. The balance at June 30, 2008, was $91,374.

On March 16, 1993, the Agency's Combined Low and Moderate Income Housing Fund loaned $112,000 to a developer as consideration for housing located outside of the redevelopment areas. The note is non-interest bearing and is due and payable upon sale or transfer of property. The balance at June 30, 2008, was $96,007.

On June 7, 1994, the Agency's Combined Low and Moderate Income Housing Fund loaned $43,000 to a developer to finance the purchase of low and moderate income property located outside of the redevelopment project areas. The note is non-interest bearing and was due in full on March 7, 1995. A new note was recorded on November 12, 1996, and will mature on October 31, 2026. The balance at June 30, 2008, was $43,000.

On June 7, 1994, the Agency's Combined Low and Moderate Income Housing Fund loaned $39,000 to a developer to finance the purchase of low and moderate income property located outside of the redevelopment project areas. The note is non-interest bearing and was due in full on March 7, 1995. A new note was recorded on November 12, 1996, and will mature on October 31, 2026. The balance at June 30, 2008, was $39,000.

Note 4: Contracts and Notes Receivable (Continued)

On May 29, 1997, the Agency's On June 7, 1994, the Agency's Combined Low and Moderate Income Housing Fund agreed to loan $2,656,200 to finance development of residential improvements to the Ground Lease premises as defined in a disposition and development agreement (DDA) dated March 19, 1996. The note bears interest at the rate of 3% per annum. The note is due and payable either: a) on the first day of the first full calendar month following the date of the last disbursement of the agency loan proceeds, or b) the first day of the fifteenth (15th) full calendar month following the date of recordation of the Agency Loan Deed and Trust in the official records of the County. The balance, including accrued interest of $776,939, at June 30, 2008, was $3,433,139.

In order to assist those individuals and families who are the most in need, the Ontario Housing Department provides loans to low and moderate income level residents for the acquisition and rehabilitation of single-family homes, condominiums or townhouses. The total balance at June 30, 2008, was $2,900,230.

Total loans receivable in the Combined Low and Moderate Income Fund was $6,602,750.

Note 5: Capital Assets

Capital assets activity for the year ended June 30, 2008, is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	$ 1,138,288	$ 463,364	$ -	$ 1,601,652
Construction in progress	297,786	3,066,406	-	3,364,192
Total capital assets not being depreciated	1,436,074	3,529,770	-	4,965,844
Capital assets, being depreciated:				
Structures and improvements	1,261,005	-	-	1,261,005
Furniture and equipment	115,811	11,944	-	127,755
Total capital assets being depreciated	1,376,816	11,944	-	1,388,760
Less accumulated depreciation:				
Structures and improvements	96,843	36,950	-	133,793
Furniture and equipment	68,203	13,097	-	81,300
Total accumulated depreciation	165,046	50,047	-	215,093
Total capital assets being depreciated, net	1,211,770	(38,103)	-	1,173,667
Governmental activities capital assets, net	$ 2,647,844	$ 3,491,667	$ -	$ 6,139,511

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:	
General government	$ 50,047

Note 6: Long-Term Debt

a. A description of long-term debt outstanding (excluding defeased debt) of the Agency as of June 30, 2008, follows:

There are a number of limitations and restrictions contained in the various bond indentures. The Agency is in compliance with all significant limitations and restrictions.

Bonds Payable

Project Area 1

The 1992 Tax Allocation Bonds were issued to defease the Tax Allocation Bond Issues of 1985 and 1987. In February 2002, the Ontario Redevelopment Financing Authority issued the 2002 revenue bonds to refund a portion of the 1992 Tax Allocation Bonds. As a result, except for the 1992 Tax Allocation Bonds capital appreciation bonds, the 1992 Tax Allocation Bonds are considered to be defeased and the liability of those bonds has been removed from long-term debt. The balance as of June 30, 2008, was:	$ 6,880,938
The 1993 Tax Allocation Bonds in the amount of $45,708,900, were issued on June 11, 1993, to finance redevelopment activities related to Project Area 1. The Agency sold the bonds to the Financing Authority at a purchase price equal to the principal amount of the bonds plus a premium. The investment by the Authority in the bonds is held in an agency fund. The terms were renegotiated in the prior year and reduced the outstanding principal balance by $800. Additionally, the maturity date was extended two years to August 1, 2025. The interest is paid semi-annually at the stated rate of 12%. The balance as of June 30, 2008, was:	45,479,512
On August 15, 1995, the Ontario Redevelopment Agency issued $4,041,700 in 1995 Tax Allocation Bonds. The bonds were sold to the Ontario Redevelopment Financing Authority at par plus a premium. All proceeds of the 1995 Bonds will be used to finance redevelopment projects related to Project Area 1. The 1995 bonds were issued on parity with the Agency's existing Project Area 1 1992 and 1993 Tax Allocation Bonds. The 1995 bonds were issued with an interest rate of 12%, provided that the interest rate for the period from August 1, 1995 through July 1, 1996, shall be 10.55% per annum. The interest rate for the period from August 1, 1996 through July 31, 1997, shall be 11.70% per annum, the interest rate for the period from August 1, 1997 through July 31, 1999, shall be 11.86% per annum. Interest is paid semi-annually each year and commenced February 1, 1996, until a final maturity on August 1, 2025. The balance as of June 30, 2008, was:	4,021,488

Note 6: Long-Term Debt (Continued)

In February 2002, the Ontario Redevelopment Financing Authority issued revenue bonds in the amount of $35,290,000, to provide funds to concurrently refund on a current basis a portion of the Authority's 1992 revenue bonds, and certain outstanding Tax Allocation Bonds of the Agency and to finance redevelopment activities within the Agency's Project Area 1, Center City and Cimarron redevelopment projects. The bonds, issued at a net premium of $1,702,231, mature in 2017 with interest paid semi-annually. Interest rates vary from 3.000% to 4.625% per annum. The balance at June 30, 2008, was:	$ 11,562,786
Cimmaron Project Area	
The 1992 Tax Allocation Bonds were issued to defease the Agency's Tax Allocation Bond Issue of 1985. In February 2002, the Ontario Redevelopment Financing Authority issued the 2002 revenue bonds to refund a portion of the 1992 Tax Allocation Bonds. As a result, except for the 1992 Tax Allocation Bonds capital appreciation bonds, the 1992 Tax Allocation Bonds is considered to be defeased and the liability of those bonds have been removed from long-term debt. The balance at June 30, 2008, was:	609,207
In February 2002, the Ontario Redevelopment Financing Authority issued revenue bonds in the amount of $35,290,000 to provide funds to concurrently refund on a current basis a portion of the Authority's 1992 revenue bonds and certain outstanding tax allocation bonds of the Agency and to finance redevelopment activities within the Agency's Project Area 1, Center City and Cimarron redevelopment projects. The bonds, issued at a net premium of $1,702,231, mature in 2016, with interest paid semi-annually. Interest rates vary from 3.000% to 4.625% per annum. The balance at June 30, 2008, was:	1,235,000
Center City Project Area	
The 1992 Tax Allocation Bonds were issued to defease the Agency's Tax Allocation Bonds of 1985 and to finance public improvement projects in the Center City Project Area. In February 2002, the Ontario Redevelopment Financing Authority issued the 2002 revenue bonds to refund a portion of the 1992 Tax Allocation Bonds. As a result, except for the 1992 Tax Allocation Bonds capital appreciation bonds, the 1992 Tax Allocation Bonds is considered to be defeased and the liability of those bonds have been removed from long-term debt. The balance at June 30, 2008, was:	1,054,410

Note 6: Long-Term Debt (Continued)

In February 2002, the Ontario Redevelopment Financing Authority issued revenue bonds in the amount of $35,290,000, to provide funds to concurrently refund on a current basis a portion of the Authority's 1992 revenue bonds and certain outstanding Tax Allocation Bonds of the Agency, and to finance redevelopment activities within the Agency's Project Area 1, Center City and Cimarron redevelopment projects. The bonds, issued at a net premium of $1,702,231, mature in 2021 with interest paid semi-annually. Interest rates vary from 3.000% to 4.625% per annum. The balance at June 30, 2008, was:	$ 6,110,000
Total Bonds Payable	$ 76,953,341

The bonds described above are secured by a pledge of, and lien on a portion of the taxes levied upon all taxable property within the related project of the Agency.

Loans Payable

Pursuant to a loan agreement dated February 1, 2002, the Ontario Redevelopment Agency issued the Ontario Redevelopment Project No. 1, 2002 Housing Set-Aside Loan in the amount of $15,145,000, to finance low and moderate income activities of the Agency within or of the benefit to the Agency's Ontario Redevelopment Project No. 1. The loan matures in 2029 and is payable from Housing Tax Revenues allocated to the Agency. Interest is paid semi-annually at a rate of 5.30% per annum. The balance at June 30, 2008, was:	$ 13,520,133
Total Loans Payable	$ 13,520,133

Advances from City

Project Area 1

On September 2, 2003, the City loaned $2,128,902 to the Agency to pay off the Toyota loan for the purchase of 5.5 acres of property and to provide funding assistance to the Ontario-Montclair School District for construction of a middle school. The terms of the advance are the same as the terms of the Toyota loan. The advance has a remaining term maturing on November 15, 2009, with annual payments of $408,903. Interest is calculated at 8% per annum. The balance of this loan at June 30, 2008, was:	$ 729,183
On January 20, 1998, the City loaned $3,500,000 to the Agency Project Area 1 for the Baxter Healthcare project. Interest accrues on the unpaid principal balance at 10% per annum ($350,000) and is paid annually. The principal is due and payable on the last date set forth in the Redevelopment Plan for Project Area 1 for the Agency to repay indebtedness pursuant to the Plan. The balance of this loan at June 30, 2008, was:	3,500,000

Note 6: Long-Term Debt (Continued)

On November 9, 1999, the City loaned $1,500,000 to the Agency Project Area 1 in order for the Agency to prepay a promissory note with the County of San Bernardino for the purchase of land. Interest accrues at 10% per annum on the unpaid principal balance and is paid annually with a principal repayment. Annual payments of interest and principal amount to $245,745. The balance of this loan at June 30, 2008, was:	$ 426,500
On March 1, 2001, the Agency issued $6,895,000 in a subordinated taxable tax allocation bond, purchased by the City, for the purpose of purchasing 40 acres of land within Project Area 1 from the City. Interest is compounded semi-annually at 10% per annum and is added to the principal balance until maturity of the bond December 1, 2034. Interest accrued as of June 30, 2008, amounted to $7,067,582. The balance of this loan, including accrued interest, at June 30, 2008, was:	13,962,582
Project Area 2	
On November 30, 1994, the City loaned $3,500,000 to the Agency to acquire approximately five acres of land and to provide financial assistance for the construction of the Oaks North of Phillips Middle School located in Project Area 2. Interest is compounded annually at 10% per annum on the principal balance and is due and payable with the principal on the last date set forth in the Redevelopment Plan Project Area 2, if not paid in full prior to that date. Interest accrued as of June 30, 2008, amounts to $4,403,301, however the interest is not capitalized because the repayment date is indeterminable. The balance of this loan, excluding accrued interest, at June 30, 2008, was:	3,500,000
On December 16, 2003, the City loaned $486,983 to the Agency to facilitate financing of certain public library improvements. Interest accrues at 4.25% per annum, with principal and interest payments paid each January 1, beginning January 1, 2004, and continuing for 10 years through January 1, 2013. The balance of this loan at June 30, 2008, was:	246,856
Total Advances from City	$ 22,365,121

Note 6: Long-Term Debt (Continued)

b. The following is a schedule by project area of changes in long-term debt of the Agency for the fiscal year ended June 30, 2008:

	Balance July 1, 2007	Additions	Repayments	Balance June 30, 2008	Due Within One Year
Project Area #1					
City Loans - Principal	$ 12,059,916	$ -	$ 509,233	$ 11,550,683	$ 553,665
City Loans - Unpaid Interest	5,769,474	1,298,109	-	7,067,583	-
Bonds - 1992 Revenue	8,878,945	416,993	2,415,000	6,880,938	2,395,092
Bonds - 1993 Tax Allocation	45,611,446	-	131,934	45,479,512	146,358
Bonds - 1995 Tax Allocation	4,033,154	-	11,666	4,021,488	12,942
Bonds - 2002 Refunding Revenue	11,186,958	1,317,328	941,500	11,562,786	1,043,132
Total	87,539,893	3,032,430	4,009,333	86,562,990	4,151,189
Project Area #2					
City Loans - Principal	3,794,859	-	48,004	3,746,855	48,454
Total	3,794,859	-	48,004	3,746,855	48,454
Center City					
Bonds - 1992 Revenue	1,370,043	64,367	380,000	1,054,410	375,000
Bonds - 2002 Refunding Revenue	6,155,000	-	45,000	6,110,000	45,000
Total	7,525,043	64,367	425,000	7,164,410	420,000
Cimarron					
Bonds - 1992 Revenue	787,040	37,167	215,000	609,207	215,000
Bonds - 2002 Refunding Revenue	1,240,000	-	5,000	1,235,000	5,000
Total	2,027,040	37,167	220,000	1,844,207	220,000
Combined Low and Moderate Housing					
Loans - 2002 FNMA Housing Set-aside	13,841,920	-	321,787	13,520,133	338,841
Total	13,841,920	-	321,787	13,520,133	338,841
Total - All Project Areas					
City Loans - Principal	15,854,775	-	557,237	15,297,538	602,119
City Loans - Unpaid Interest	5,769,474	1,298,109	-	7,067,583	-
Loans - Other Governments	13,841,920	-	321,787	13,520,133	338,841
Bonds Payable	79,262,586	1,835,855	4,145,100	76,953,341	4,237,524
Total	$ 114,728,755	$ 3,133,964	$ 5,024,124	112,838,595	$ 5,178,484
Adjustments:					
Unamortized net original issue (discount) or premium				1,149,004	
Net Long-term Debt				$ 113,987,599	

Note 6: Long-Term Debt (Continued)

c. The following schedule illustrates the debt service requirements to maturity for long-term debt outstanding as of June 30, 2008. For advances from City, only those with fixed amortization schedules have been included in this presentation:

	2002 Refunding Revenue Bonds		1993 Tax Allocation Bonds		1995 Tax Allocation Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2008 - 2009	$ 50,000	$ 364,925	$ 146,358	$ 5,448,760	$ 12,942	$ 481,802
2009 - 2010	50,000	363,238	162,253	5,430,243	14,347	480,165
2010 - 2011	55,000	361,366	183,752	5,409,483	16,248	478,329
2011 - 2012	645,000	344,244	206,905	5,386,044	18,295	476,256
2012 - 2013	675,000	310,063	226,842	5,360,019	20,058	473,955
2013 - 2018	3,355,000	996,547	4,898,002	25,906,365	433,098	2,290,750
2018 - 2023	2,515,000	243,794	23,563,980	17,363,976	2,083,620	1,535,401
2023 - 2028	-	-	16,091,420	2,570,499	1,422,880	227,296
Totals	$ 7,345,000	$ 2,984,175	$ 45,479,512	$ 72,875,388	$ 4,021,488	$ 6,443,954

	2002 FNMA Housing Set-Aside Loan		Advances from City - Prepayment of Toyota Loan		2002 Refunding Revenue Capital Appreciation Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2008 - 2009	$ 338,841	$ 707,588	$ 350,569	$ 58,335	$ 1,043,132	$ -
2009 - 2010	356,800	689,153	378,614	30,289	768,214	-
2010 - 2011	375,710	669,742	-	-	684,148	-
2011 - 2012	395,623	649,301	-	-	2,114,013	-
2012 - 2013	416,591	627,778	-	-	1,876,254	-
2013 - 2018	2,438,499	2,773,923	-	-	5,077,025	-
2018 - 2023	3,156,927	2,036,457	-	-	-	-
2023 - 2028	4,087,015	1,081,720	-	-	-	-
2028 - 2033	1,954,127	104,906	-	-	-	-
Totals	$ 13,520,133	$ 9,340,568	$ 729,183	$ 88,624	$ 11,562,786	$ -

	1992 Capital Appreciation Bonds		Advances from City - 320 D Street		Advances from City - Library Site Clearance Costs	
	Principal	Interest	Principal	Interest	Principal	Interest
2008 - 2009	$ 2,985,092	$ -	$ 203,095	$ 42,650	$ 48,455	$ 2,314
2009 - 2010	2,865,766	-	223,405	22,341	48,908	1,860
2010 - 2011	2,693,697	-	-	-	49,367	1,401
2011 - 2012	-	-	-	-	49,829	938
2012 - 2013	-	-	-	-	50,297	471
Totals	$ 8,544,555	$ -	$ 426,500	$ 64,991	$ 246,856	$ 6,984

Note 6: Long-Term Debt (Continued)

	Total	
	Principal	Interest
2008 - 2009	$ 5,178,484	$ 7,106,374
2009 - 2010	4,868,308	7,017,289
2010 - 2011	4,057,921	6,920,321
2011 - 2012	3,429,665	6,856,784
2012 - 2013	3,265,041	6,772,286
2013 - 2018	16,201,625	31,967,584
2018 - 2023	31,319,527	21,179,628
2023 - 2028	21,601,315	3,879,515
2028 - 2033	1,954,127	104,906
Totals	$ 91,876,013	$ 91,804,687

d. Debt Service Requirements

As previously discussed, the Agency has pledged, as security for bonds it has issued, either directly or through the Financing Authority, a portion of the tax increment revenue (including Low and Moderate Income Housing set-aside) that it receives. These bonds were to provide financing for various capital projects, accomplish Low and Moderate Income Housing projects and to defease previously issued bonds. The Agency has committed to appropriate each year, from these resources amounts sufficient to cover the principal and interest requirements on the debt. Total principal and interest remaining on the debt is $182,117,559 with annual debt service requirements as indicated above. For the current year, the total tax increment revenue, net of pass through payments, recognized by the Agency was $46,574,207 and the debt service obligation on the bonds was $11,682,851.

e. Other Bond and Loan Programs

The Agency has entered into a number of bond programs to provide low-interest financing for various residential and industrial developments within the City. Although the Agency has arranged these financing programs, these debts are not payable from any revenues or assets of the Agency. Neither the faith or credit nor the taxing power of the City, or any political subdivision of the City is pledged to repay the indebtedness. Generally, the bondholders may look only to assets held by trustees for security on the indebtedness. Accordingly, since these debts do not constitute an obligation of the Agency, they are not reflected in the long-term liabilities in the accompanying financial statements.

Note 6: Long-Term Debt (Continued)

The Bond programs are as follows:

	Interest % Rate	Date Issued	Date Series Matures	Outstanding Balance at June 30, 2008
Multi-Family Mortgage Revenue Bonds:				
Ontario Redevelopment Agency Multi-Family Mortgage Revenue Bonds, Seasons at Gateway Plaza 1996 Series A	5.60 - 6.50	1996	2026	$ 1,370,000
Ontario Redevelopment Agency Multi-Family Mortgage Revenue Bonds, Seasons at Gateway Plaza 1996 Series B	Variable	1996	2026	740,000
Ontario Redevelopment Agency Multi-Family Mortgage Revenue Bonds, Woodside Senior III Apts 2004 Series A	6.25	2004	2034	2,448,000
Ontario Redevelopment Agency Multi-Family Mortgage Revenue Bonds, Waverly Place Apts 2004 Series B	6.25	2004	2034	7,047,000
Ontario Redevelopment Agency Multi-Family Mortgage Revenue Bonds, Waterford Court Apts 2005 Series A	6.25	2005	2035	6,165,000
Ontario Redevelopment Agency Multi-Family Mortgage Revenue Bonds, Woodside Senior II Apts 2004 Series C	6.25	2004	2034	1,513,000
Ontario Redevelopment Agency Multi-Family Mortgage Revenue Bonds, Cambridge Square Apts 2004 Series D	6.25	2004	2034	6,087,000
Ontario Redevelopment Agency Multi-Family Mortgage Revenue Bonds, Park Center Project 2005 Refunding	Variable	2005	2035	23,500,000
Ontario Redevelopment Agency Multi-Family Mortgage Revenue Bonds, Park Vista 2006 Series B	Variable	2006	2040	6,960,000
Ontario Redevelopment Agency Multi-Family Mortgage Revenue Bonds, Terrace View 2006 Series A	Variable	2006	2040	6,240,000
Total				$ 62,070,000
Single Family Mortgage Revenue Bonds:				
Ontario Redevelopment Agency Single family Mortgage Revenue Bonds, Project Area No. 2	9.4	1983	2016	$ 100,000

IV. OTHER DISCLOSURES

Note 7: Interfund Receivables, Payables and Transfers

The composition of interfund balances as of June 30, 2008, is as follows:

Advances To/From Other Funds

Advances to/from other funds consist of the following at June 30, 2008:

	Advances from other funds (payable)				
	Capital Projects	Debt Service			
Advances to other funds (receivable)	Center City	Project Area 2	Cimarron	Nonmajor funds	Total
Capital Projects:					
Combined Low and Moderate Housing	$ -	$ 1,500,000	$ 2,019,922	$ 500,000	$ 4,019,922
Non-major funds	1,073,093	-	-	-	1,073,093
Total	$ 1,073,093	$ 1,500,000	$ 2,019,922	$ 500,000	$ 5,093,015

In prior years, the Cimarron Project Area advanced $1,073,093 to the Center City Project Area to fund capital projects and the Combined Low and Moderate Housing Fund advanced $4,019,922 for the ERAF obligation.

Interfund Transfers

Interfund transfers consisted of the following at June 30, 2008:

	Transfers Out							
	Capital Projects			Debt Service				
Transfers In:	Combined Low and Moderate Housing	Project Area 1	Center City	Project Area 1	Project Area 2	Cimarron	Nonmajor Funds	Total
Capital Projects:								
Project Area 1	$ -	$ -	$ -	$ 18,509,885	$ -	$ -	$ -	$ 18,509,885
Center City	-	-	-	-	-	1,000,000	-	1,000,000
Debt Service:								
Project Area 1	326,616	-	-	-	-	-	-	326,616
Cimarron	56,864	-	-	-	-	-	-	56,864
Nonmajor funds	-	2,407,409	496,499	-	1,394,639	-	1,588,235	5,886,782
Total	$ 383,480	$ 2,407,409	$ 496,499	$ 18,509,885	$ 1,394,639	$ 1,000,000	$ 1,588,235	$ 25,780,147

Transfers were made to allocate administrative expenses, to fund capital projects, and to provide funds for debt service payments.

Note 8: Due from the City

The $246,855 due from the City in the Combined Low and Moderate Housing Fund includes the balance owed on exchanged parcels of land.

The $1,600,000 due from City in the Capital Projects – Project Area 1 is a loan bearing no interest and is payable upon demand.

Note 9: Insurance Coverage

Insurance coverage has been obtained by the City of Ontario for the City and all authorities under its control. Information related to the Agency's insurance coverage can be obtained by contacting the City.

Note 10: Contingent Liabilities

Disposition and Development Agreement

The City of Ontario and the Agency have entered into a development incentive and assistance agreement in which the City will reimburse a private corporation 50% of any sales tax actually received by the City, and the Agency will reimburse a portion of the property tax increment generated by the development. Both reimbursements are subject to certain conditions. Reimbursements shall be made so long as monies are available and will continue to the sooner of the following: 1) the expiration of 25 years after the commencement of operation of any part of the development; and 2) the time at which sales taxes received by the City fall below $500,000 in any given calendar year after December 31, 1992 and 1993, or the time at which the total amount reimbursed pursuant to the agreement reaches $53,000,000.

Note 11: 2007 Owner Participation Agreement

On September 4, 2007, the Agency entered into an Owner Participation Agreement with Ontario Airport Center, LLC for the Ontario Airport Towers (Guasti project area) to provide annual tax increment payments towards the principal and interest and other costs pursuant to Community Facility District (CFD) No. 10. The maximum yearly tax increment payments would be as follows:

1. Payments of $748,000 in the 1st through 14th fiscal year;
2. Payments of $644,000 in the 15th through 18th fiscal year,
3. Payments of $540,000 in the 19th through 22nd fiscal year,
4. Payments of $436,000 in the 23rd through 26th fiscal year, and
5. Payments of $337,000 or less as follows, in the 27th and all following fiscal years through the end of the Eligibility Period, inclusive, the lesser of (A) the amount of CFD Special Taxes imposed against the Property and paid by the Owner in the immediately preceding fiscal year, and (B) $337,000.

Note 12: Subsequent Events

a. ERAF shift for fiscal year 2008-2009

On September 30, 2008, the California Legislature passed AB 1389, requiring a shift in tax increment revenues during fiscal year 2008-2009 to the state Educational Revenue Augmentation Fund (ERAF). It is estimated that the Agency's share of the ERAF shift for fiscal year 2008-2009 will amount to approximately $3,372,147.

b. Financial Concerns Relating to the California Economy

As indicated in the State of California's 2008-2009 Proposed Budget Summary – Economic Outlook:

> "The California and national economies faced considerable headwinds - a deepening housing slump, a breakdown in mortgage markets, tighter credit, more volatile financial markets, and rising energy prices. Upward resets of subprime mortgage rates made payments unaffordable for many borrowers and helped push mortgage defaults and foreclosures to record levels. Several large financial

Note 12: Subsequent Events (Continued)

institutions reported huge losses on subprime mortgages and securities backed by these mortgages. Uncertainty about how far the problems with these mortgages would spread increased financial market volatility and prompted lenders to tighten credit standards. The Federal Reserve injected liquidity into the financial markets and eased monetary policy on a number of occasions in the second half of the year, but as year-end neared, financial markets were still not functioning normally."

While the values shown in the attached financial statements reflect those present at June 30, 2008, substantial changes have occurred in the economy in which the City and its component units operate. Therefore, the projection of the financial data for the City and its component units into future periods must recognize these factors and consider the effect of these on its operations and costs.

c. Memorandum of Understanding with Ontario Airport Center, LLC

On July 15, 2008, the Agency entered into an MOU agreement with Ontario Airport Center, LLC for the leasing of parking spaces at the Airport Center for approximately $25,500 per month.

d. License and Reimbursement Agreement with Ontario Auto Center Dealers' Association

On August 19, 2008, the Agency purchased a license to use 10% of the Auto Center's LED sign for twenty (20) years in an amount not-to-exceed $550,000.

e. Various reimbursements to the City

On August 19, 2008, the Agency entered into reimbursement agreements with the City for the cost of certain public improvements totaling $4,468,850, pursuant to California Health & Safety Code Sections 33445 and 33679. For those public capital improvement projects that will be reimbursed by Project Area No. 1, it is correct that there is no pledge of tax revenues, but for the projects to be reimbursed by Project Area No. 2 and Cimarron, there is a pledge of tax revenues.

f. 1st Amendment to the 2007 Amended and Restated DDA with Snyder Ontario Town Center, LLC

On August 19, 2008, the Agency approved the 1st Amendment to the 2007 Amended and Restated Disposition and Development Agreement between the Agency, Ontario Housing Authority, and Snyder Ontario Town Center, LLC. The 1st Amendment calls for a contribution from the Agency's Low and Moderate Income Housing Fund of $12,500,000 for Element 2 and $6,000,000 for Element 4. The developer agrees to deposit $3,500,000 with the Agency for the purpose of insuring the completion of Elements 3 and 4. The Housing Authority will contribute $6,000,000 to the Project in consideration of the development, operation and maintenance of the Element 4 Affordable Housing Development. In the event of a 1st sale or 1st refinance of the Element 4 Affordable or Retail components, the Element 4 Affordable Housing Contribution will be repaid subject to (in effect) simple interest at 4%, with repayments based on 25% of excess net residential sales/excess net refinance proceeds/$4M and/or repayments based on 25% of excess net retail sales/excess net refinancing proceeds/$2M, and any other contribution remaining shall be considered a grant to the Developer. The 1st Amendment requires the Agency to assemble the C-1 site at a cost of approx $13,300,000 (including the $6,000,000 Housing Contribution – Element 4).

ONTARIO REDEVELOPMENT AGENCY

COMBINING PROJECT AREA BALANCE SHEET
ALL GOVERNMENTAL FUNDS
JUNE 30, 2008

			Project Area #1	
	Capital Projects	Capital Projects	Debt Service	Capital Projects
	General Agency Fund	Combined Housing Fund	Tax Increment	Project
ASSETS				
Cash and investments	$ 1,821,911	$ 10,274,683	$ 28,073,792	$ 5,012,198
Cash and investments with trustee	-	928,543	1,495,752	388,942
Receivables:				
Tax increment	-	407,924	1,228,686	-
Accounts	-	9,892	-	-
Interest	13,674	210,259	375,600	111,828
Contracts and notes	-	6,602,750	-	-
Advances to capital project fund	-	-	-	-
Advances to debt service funds	-	4,019,922	-	-
Due from City	-	246,855	-	1,600,000
Restricted cash	-	-	-	-
Deposits with others	-	1,312,170	-	135,338
Land held for resale	-	1,496,568	-	18,251,473
Prepaid costs	13,150	2,617	-	-
Total Assets	**$ 1,848,735**	**$ 25,512,183**	**$ 31,173,830**	**$ 25,499,779**
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	$ 233,314	$ 252,573	$ 2,965,794	$ 3,502,257
Accrued liabilities	28,278	33,483	-	1,362
Deposits from others	-	42,895	-	1,000,000
Advances from Capital Projects Funds	-	-	-	-
Advances from Low and Moderate Housing Funds	-	-	-	-
Total Liabilities	**261,592**	**328,951**	**2,965,794**	**4,503,619**
Fund Balances:				
Reserved:				
Encumbrances	313,303	186,686	-	1,414,681
Land held for resale	-	1,496,568	-	18,251,473
Long-term loans receivable	-	6,602,750	-	-
Deposits and prepaid costs	13,150	1,314,787	-	-
Unreserved:				
Designated:				
Debt service	-	-	28,208,036	-
Continuing projects	1,260,690	15,582,441	-	1,330,006
Total Fund Balances	**1,587,143**	**25,183,232**	**28,208,036**	**20,996,160**
Total Liabilities and Fund Balances	**$ 1,848,735**	**$ 25,512,183**	**$ 31,173,830**	**$ 25,499,779**

ONTARIO REDEVELOPMENT AGENCY

COMBINING PROJECT AREA BALANCE SHEET
ALL GOVERNMENTAL FUNDS
JUNE 30, 2008

Continued

	Project Area #2	
	Debt Service	**Capital Projects**
	Tax Increment	**Project**
ASSETS		
Cash and investments	$ 4,107,065	$ 3,242,468
Cash and investments with trustee	-	-
Receivables:		
Tax increment	92,702	-
Accounts	-	-
Interest	44,290	53,277
Contracts and notes	-	-
Advances to capital project fund	-	-
Advances to debt service funds	-	-
Due from City	-	-
Restricted cash	-	-
Deposits with others	-	-
Land held for resale	-	2,570,809
Prepaid costs	-	-
Total Assets	**$ 4,244,057**	**$ 5,866,554**
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable	$ 676,400	$ 128,632
Accrued liabilities	-	-
Deposits from others	-	37,500
Advances from Capital Projects Funds	-	-
Advances from Low and Moderate Housing Funds	1,500,000	-
Total Liabilities	**2,176,400**	**166,132**
Fund Balances:		
Reserved:		
Encumbrances	-	40,225
Land held for resale	-	2,570,809
Long-term loans receivable	-	-
Deposits and prepaid costs	-	-
Unreserved:		
Designated:		
Debt service	2,067,657	-
Continuing projects	-	3,089,388
Total Fund Balances	**2,067,657**	**5,700,422**
Total Liabilities and Fund Balances	**$ 4,244,057**	**$ 5,866,554**

ONTARIO REDEVELOPMENT AGENCY

COMBINING PROJECT AREA BALANCE SHEET
ALL GOVERNMENTAL FUNDS
JUNE 30, 2008

	Center City		Cimarron	
	Debt Service	Capital Projects	Debt Service	Capital Projects
	Tax Increment	Project	Tax Increment	Project
ASSETS				
Cash and investments	$ 3,137,569	$ 4,027,263	$ 2,391,916	$ 293,860
Cash and investments with trustee	728,402	684,132	291,163	91,861
Receivables:				
Tax increment	249,059	-	20,037	-
Accounts	-	-	-	-
Interest	20,712	57,396	4,149	141
Contracts and notes	-	99,054	-	-
Advances to capital project fund	-	-	-	1,073,093
Advances to debt service funds	-	-	-	-
Due from City	-	-	-	-
Restricted cash	-	-	-	-
Deposits with others	-	1,737,108	-	-
Land held for resale	-	9,292,434	-	-
Prepaid costs	-	500	-	-
Total Assets	**$ 4,135,742**	**$ 15,897,887**	**$ 2,707,265**	**$ 1,458,955**
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	$ 131,020	$ 129,651	$ -	$ 4,021
Accrued liabilities	-	1,109	-	-
Deposits from others	-	-	-	10,000
Advances from Capital Projects Funds	-	1,073,093	-	-
Advances from Low and Moderate Housing Funds	-	-	2,019,922	-
Total Liabilities	**131,020**	**1,203,853**	**2,019,922**	**14,021**
Fund Balances:				
Reserved:				
Encumbrances	-	19,994	-	-
Land held for resale	-	9,292,434	-	-
Long-term loans receivable	-	99,054	-	-
Deposits and prepaid costs	-	-	-	-
Unreserved:				
Designated:				
Debt service	4,004,722	-	687,343	-
Continuing projects	-	5,282,552	-	1,444,934
Total Fund Balances	**4,004,722**	**14,694,034**	**687,343**	**1,444,934**
Total Liabilities and Fund Balances	**$ 4,135,742**	**$ 15,897,887**	**$ 2,707,265**	**$ 1,458,955**

ONTARIO REDEVELOPMENT AGENCY

COMBINING PROJECT AREA BALANCE SHEET
ALL GOVERNMENTAL FUNDS
JUNE 30, 2008

	Guasti			
	Debt Service	Capital Projects	TOTALS	
	Tax Increment	Project	Debt Service Funds	Capital Projects Funds
ASSETS				
Cash and investments	$ 1,244,499	$ 82,695	$ 38,954,841	$ 24,755,078
Cash and investments with trustee	-	-	2,515,317	2,093,478
Receivables:				
Tax increment	-	-	1,590,484	407,924
Accounts	-	-	-	9,892
Interest	-	-	444,751	446,575
Contracts and notes	-	-	-	6,701,804
Advances to capital project fund	-	-	-	1,073,093
Advances to debt service funds	-	-	-	4,019,922
Due from City	-	-	-	1,846,855
Restricted cash	-	-	-	-
Deposits with others	-	-	-	3,184,616
Land held for resale	-	-	-	31,611,284
Prepaid costs	-	-	-	16,267
Total Assets	**$ 1,244,499**	**$ 82,695**	**$ 43,505,393**	**$ 76,166,788**
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	$ 144,774	$ -	$ 3,917,988	$ 4,250,448
Accrued liabilities	-	-	-	64,232
Deposits from others	-	-	-	1,090,395
Advances from Capital Projects Funds	-	-	-	1,073,093
Advances from Low and Moderate Housing Funds	500,000	-	4,019,922	-
Total Liabilities	**644,774**	**-**	**7,937,910**	**6,478,168**
Fund Balances:				
Reserved:				
Encumbrances	-	-	-	1,974,889
Land held for resale	-	-	-	31,611,284
Long-term loans receivable	-	-	-	6,701,804
Deposits and prepaid costs	-	-	-	1,327,937
Unreserved:				
Designated:				
Debt service	599,725	-	35,567,483	-
Continuing projects	-	82,695	-	28,072,706
Total Fund Balances	**599,725**	**82,695**	**35,567,483**	**69,688,620**
Total Liabilities and Fund Balances	**$ 1,244,499**	**$ 82,695**	**$ 43,505,393**	**$ 76,166,788**

ONTARIO REDEVELOPMENT AGENCY

COMBINING PROJECT AREA STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES ALL GOVERNMENTAL FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2008

			Project Area #1	
	Capital Projects	Capital Projects	Debt Service	Capital Projects
	General Agency Fund	Combined Housing Fund	Tax Increment	Project
Revenues:				
Taxes and Assessments:				
Tax increment	$ -	$ 10,352,001	$ 32,358,514	$ -
Use of Money and Property:				
Interest income	106,409	775,221	1,737,696	261,100
Rental income	-	155,079	-	-
Other revenue:				
Other revenue	192	65,918	-	5,651
Loan proceeds	-	201,944	-	-
Total Revenues	**106,601**	**11,550,163**	**34,096,210**	**266,751**
Expenditures:				
Current:				
General Government:				
Administrative costs	2,684,505	2,612,332	526,834	2,243,425
Professional services	501,701	148,742	-	182,619
Community Development:				
Acquisition cost	-	37,169	-	-
Operation of acquired property	-	153,092	-	2,972
Relocation costs	-	6,578	-	-
Relocation payments	-	19,950	-	-
Site clearance costs	-	23,088	-	16,990
Rehabilitation grants	-	980,122	-	-
Capital Outlay:				
Project improvement costs	113,039	9,291,186	-	-
Acquisition of fixed assets	-	776,652	-	2,017,717
Debt Service:				
Debt issuance costs	-	-	-	-
Payments for refunded bonds - prior issue(s)	-	-	-	-
Interest expense	-	725,094	9,476,580	-
Long-term debt repayments	-	321,787	4,009,333	-
Other Expenditures:				
Reimbursement agreements	-	-	2,551,817	7,920,271
Total Expenditures	**3,299,245**	**15,095,792**	**16,564,564**	**12,383,994**
Excess of Revenues over (under) Expenditures	**(3,192,644)**	**(3,545,629)**	**17,531,646**	**(12,117,243)**
Other Financing Sources (Uses)				
Transfers in	3,382,143	-	326,616	18,509,885
Transfers out	-	(383,480)	(18,509,885)	(2,407,409)
Long-term debt issued	-	-	3,032,430	-
Pass through agreement payments	-	-	(2,872,533)	-
Total Other Financing Sources (Uses)	**3,382,143**	**(383,480)**	**(18,023,372)**	**16,102,476**
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	**189,499**	**(3,929,109)**	**(491,726)**	**3,985,233**
Fund Balances				
Beginning of Year	1,397,644	29,112,341	28,699,762	17,010,927
End of Year	**$ 1,587,143**	**$ 25,183,232**	**$ 28,208,036**	**$ 20,996,160**

ONTARIO REDEVELOPMENT AGENCY

COMBINING PROJECT AREA STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES ALL GOVERNMENTAL FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Continued

	Project Area #2	
	Debt Service	**Capital Projects**
	Tax Increment	**Project**
Revenues:		
Taxes and Assessments:		
Tax increment	$ 4,457,737	$ -
Use of Money and Property:		
Interest income	177,170	198,847
Rental income	-	-
Other revenue:		
Other revenue	-	-
Loan proceeds	-	-
Total Revenues	**4,634,907**	**198,847**
Expenditures:		
Current:		
General Government:		
Administrative costs	82,551	66,567
Professional services	-	48,746
Community Development:		
Acquisition cost	-	-
Operation of acquired property	-	-
Relocation costs	-	-
Relocation payments	-	-
Site clearance costs	-	-
Rehabilitation grants	-	-
Capital Outlay:		
Project improvement costs	-	224,099
Acquisition of fixed assets	-	-
Debt Service:		
Debt issuance costs	-	-
Payments for refunded bonds - prior issue(s)	-	-
Interest expense	2,763	-
Long-term debt repayments	48,004	-
Other Expenditures:		
Reimbursement agreements	-	-
Total Expenditures	**133,318**	**339,412**
Excess of Revenues over (under) Expenditures	**4,501,589**	**(140,565)**
Other Financing Sources (Uses)		
Transfers in	-	1,000,000
Transfers out	(1,394,639)	(239,118)
Long-term debt issued	-	-
Pass through agreement payments	(1,401,406)	-
Total Other Financing Sources (Uses)	**(2,796,045)**	**760,882**
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	**1,705,544**	**620,317**
Fund Balances		
Beginning of Year	362,113	5,080,105
End of Year	**$ 2,067,657**	**$ 5,700,422**

ONTARIO REDEVELOPMENT AGENCY

COMBINING PROJECT AREA STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES ALL GOVERNMENTAL FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Center City		Cimarron	
	Debt Service	Capital Projects	Debt Service	Capital Projects
	Tax Increment	Project	Tax Increment	Project
Revenues:				
Taxes and Assessments:				
Tax increment	$ 2,441,752	$ -	$ 1,476,471	$ -
Use of Money and Property:				
Interest income	182,279	429,808	121,696	19,369
Rental income	-	-	-	-
Other revenue:				
Other revenue	-	3,542	-	-
Loan proceeds	-	-	-	-
Total Revenues	**2,624,031**	**433,350**	**1,598,167**	**19,369**
Expenditures:				
Current:				
General Government:				
Administrative costs	40,617	528,382	23,457	8,704
Professional services	-	104,099	-	20,066
Community Development:				
Acquisition cost	-	-	-	-
Operation of acquired property	-	-	-	-
Relocation costs	-	-	-	-
Relocation payments	-	-	-	-
Site clearance costs	-	21,147	-	-
Rehabilitation grants	-	-	-	-
Capital Outlay:				
Project improvement costs	-	2,772,362	-	11,637
Acquisition of fixed assets	-	-	-	-
Debt Service:				
Interest expense	366,600	-	101,485	-
Long-term debt repayments	425,000	-	220,000	-
Other Expenditures:				
Reimbursement agreements	-	6,750	-	-
Total Expenditures	**832,217**	**3,432,740**	**344,942**	**40,407**
Excess of Revenues over (under) Expenditures	**1,791,814**	**(2,999,390)**	**1,253,225**	**(21,038)**
Other Financing Sources (Uses)				
Transfers in	394,639	1,000,000	56,864	1,000,000
Transfers out	(1,000,000)	(496,499)	(1,000,000)	(196,164)
Long-term debt issued	64,367	-	37,167	-
Pass through agreement payments	(350,478)	-	(397,085)	-
Total Other Financing Sources (Uses)	**(891,472)**	**503,501**	**(1,303,054)**	**803,836**
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	**900,342**	**(2,495,889)**	**(49,829)**	**782,798**
Fund Balances				
Beginning of Year	3,104,380	17,189,923	737,172	662,136
End of Year	**$ 4,004,722**	**$ 14,694,034**	**$ 687,343**	**$ 1,444,934**

ONTARIO REDEVELOPMENT AGENCY

COMBINING PROJECT AREA STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Guasti			
	Debt Service	Capital Projects	TOTALS	
	Tax Increment	Project	Debt Service Funds	Capital Projects Funds
Revenues:				
Taxes and Assessments:				
Tax increment	$ 673,527	$ -	$ 41,408,001	$ 10,352,001
Use of Money and Property:				
Interest income	51,886	4,435	2,270,727	1,795,189
Rental income	-	-	-	155,079
Other revenue:				
Other revenue	-	-	-	75,303
Loan proceeds	-	-	-	201,944
Total Revenues	**725,413**	**4,435**	**43,678,728**	**12,579,516**
Expenditures:				
Current:				
General Government:				
Administrative costs	18,040	2,641	691,499	8,146,556
Professional services	-	450	-	1,006,423
Community Development:				
Acquisition cost	-	-	-	37,169
Operation of acquired property	-	-	-	156,064
Relocation costs	-	-	-	6,578
Relocation payments	-	-	-	19,950
Site clearance costs	-	-	-	61,225
Rehabilitation grants	-	-	-	980,122
Capital Outlay:				
Project improvement costs	-	-	-	12,412,323
Acquisition of fixed assets	-	-	-	2,794,369
Debt Service:				
Interest expense	-	-	9,947,428	725,094
Long-term debt repayments	-	-	4,702,337	321,787
Other Expenditures:				
Reimbursement agreements	-	-	2,551,817	7,927,021
Total Expenditures	**18,040**	**3,091**	**17,893,081**	**34,594,681**
Excess of Revenues over (under) Expenditures	**707,373**	**1,344**	**25,785,647**	**(22,015,165)**
Other Financing Sources (Uses)				
Transfers in	-	110,000	778,119	25,002,028
Transfers out	(110,000)	(42,953)	(22,014,524)	(3,765,623)
Long-term debt issued	-	-	3,133,964	-
Pass through agreement payments	(164,293)	-	(5,185,795)	-
Total Other Financing Sources (Uses)	**(274,293)**	**67,047**	**(23,288,236)**	**21,236,405**
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	**433,080**	**68,391**	**2,497,411**	**(778,760)**
Fund Balances				
Beginning of Year	166,645	14,304	33,070,072	70,467,380
End of Year	**$ 599,725**	**$ 82,695**	**$ 35,567,483**	**$ 69,688,620**

ONTARIO REDEVELOPMENT AGENCY

COMPUTATION OF LOW AND MODERATE INCOME HOUSING FUNDS EXCESS/SURPLUS

	Low and Moderate Housing Funds - All Project Areas July 1, 2007		Low and Moderate Housing Funds - All Project Areas July 1, 2008	
Opening Fund Balance		$ 29,112,341		$ 25,183,232
Less Unavailable Amounts:				
Land held for resale	$ (1,496,568)		$ (1,496,568)	
Encumbrances (Section 33334.12 (g)(2))	(13,524,222)		(186,686)	
Unspent debt proceeds (Section 33334.12 (g)(3)(B))	(3,946,756)		(928,543)	
Rehabilitation loans and unavailable receivables	(10,948,877)		(7,917,537)	
		(29,916,423)		(10,529,334)
Available Low and Moderate Income Housing Funds		(804,082)		14,653,898
Limitation (greater of $1,000,000 or four years set-aside)				
Set-Aside for last four years:				
2007 - 2008	-		10,352,001	
2006 - 2007	8,575,378		8,575,378	
2005 - 2006	7,864,608		7,864,608	
2004 - 2005	6,898,555		6,898,555	
2003 - 2004	6,567,729		-	
Total	**$ 29,906,270**		**$ 33,690,542**	
Base Limitation	**$ 1,000,000**		**$ 1,000,000**	
Greater amount		29,906,270		33,690,542
Computed Excess/Surplus		**None**		**None**