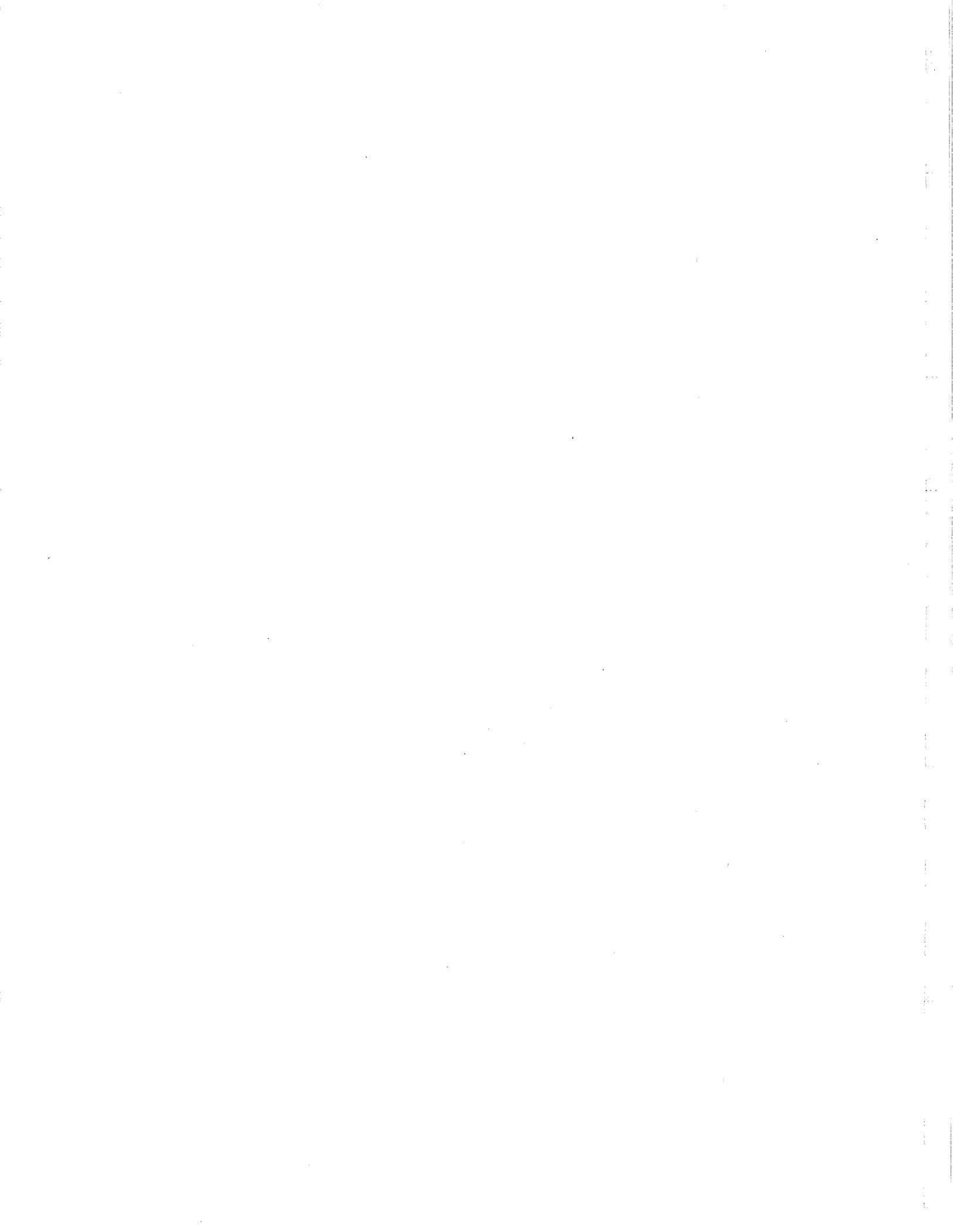


YUCAIPA REDEVELOPMENT AGENCY

FINANCIAL STATEMENTS

Year Ended June 30, 2010



**Yucaipa Redevelopment Agency
Financial Statements
Year Ended June 30, 2010**

TABLE OF CONTENTS

	PAGE
Independent Auditors' Report	1
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	2
Statement of Activities	3
Fund Financial Statements:	
Balance Sheet - Governmental Funds	4 - 5
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	6
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	7 - 8
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	9
Notes to Financial Statements	10 - 21
Required Supplementary Information	
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual Low Income Housing - Special Revenue Fund	22
Notes to Required Supplementary Information	23
Supplementary Information	
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual RDA Capital Projects Fund	24
2004 TAB Capital Projects Fund	25
RDA Debt Service Fund	26
RDA 1998 TAB	27
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	28



Independent Auditors' Report

Board Members
Yucaipa Redevelopment Agency
Yucaipa, California

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Yucaipa Redevelopment Agency (the Agency), a component unit of the City of Yucaipa, California, as of and for the year ended June 30, 2010, which collectively comprise the Agency's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Agency's management. Our responsibility is to express 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 the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Agency, as of June 30, 2010, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described more fully in Note 1, the financial statements present only the Agency and are not intended to present fairly the financial position and results of operations of the City of Yucaipa, California in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2010, on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The required supplementary information, such as the major fund budgetary comparison schedules, is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. 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.

The Agency has not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States of America have determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Teaman Ramirez & Smith, Inc.

December 28, 2010

BASIC FINANCIAL STATEMENTS

Yucaipa Redevelopment Agency
Statement of Net Assets
June 30, 2010

	<u>Governmental Activities</u>
ASSETS	
Cash and Investments	\$ 5,691,950
Cash and Investments with Fiscal Agents	246,568
Accounts Receivable	<u>109,270</u>
Total Assets	<u>6,047,788</u>
LIABILITIES	
Payables:	
Accounts	500,812
Interest	39,898
Due to City of Yucaipa	3,190
Long-term Liabilities:	
Due Within One Year	55,000
Due in More Than One Year	<u>3,877,745</u>
Total Liabilities	<u>4,476,645</u>
NET ASSETS	
Restricted for:	
Low Moderate Income Housing	1,507,986
Specific Projects	1,946,059
Unrestricted	<u>(1,882,902)</u>
Total Net Assets	<u><u>\$ 1,571,143</u></u>

The accompanying notes are an integral part of this statement.

Yucaipa Redevelopment Agency
Statement of Activities
Year Ended June 30, 2010

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
Community Development	\$ 1,537,675	\$	\$	\$	\$ (1,537,675)
Public Works	100,254				(100,254)
Interest on Long-Term Debt	188,331				(188,331)
Total Governmental Activities	\$ 1,826,260	\$ -	\$ -	\$ -	(1,826,260)
General Revenues:					
					1,939,421
					29,130
					3,596
					Total General Revenues and Transfers
					1,972,147
					145,887
					Change in Net Assets
					Total Net Assets - Beginning
					1,425,256
					Total Net Assets - Ending
					\$ 1,571,143

The accompanying notes are an integral part of this statement.

**Yucaipa Redevelopment Agency
Balance Sheet
Governmental Funds
June 30, 2010**

	<u>Special Revenue</u>	<u>Capital Projects</u>	
	<u>Low Income Housing</u>	<u>RDA</u>	<u>2004 TAB</u>
ASSETS			
Cash and Investments	\$ 1,491,433	\$ 2,957,012	\$ 1,217,913
Cash and Investments with Fiscal Agents			
Accounts Receivable	22,499	1,368	
Due From Other Funds		243,561	
		<u> </u>	<u> </u>
Total Assets	<u>\$ 1,513,932</u>	<u>\$ 3,201,941</u>	<u>\$ 1,217,913</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable	\$ 5,946	\$ 492,591	\$ 2,275
Due to Other Funds			
Due to City of Yucaipa			3,190
		<u> </u>	<u> </u>
Total Liabilities	<u>5,946</u>	<u>492,591</u>	<u>5,465</u>
Fund Balances:			
Reserved for:			
Specific Projects		1,946,059	
Unreserved, Reported In:			
Special Revenue Funds	1,507,986		
Capital Project Funds		763,291	1,212,448
Debt Service Funds			
		<u> </u>	<u> </u>
Total Fund Balances	<u>1,507,986</u>	<u>2,709,350</u>	<u>1,212,448</u>
		<u> </u>	<u> </u>
Total Liabilities and Fund Balances	<u>\$ 1,513,932</u>	<u>\$ 3,201,941</u>	<u>\$ 1,217,913</u>

The accompanying notes are an integral part of this statement.

Debt Service	Nonmajor Capital Projects	
RDA	1998 TAB	Total
\$	\$ 25,592	\$ 5,691,950
246,568		246,568
85,380	23	109,270
		243,561
<u>\$ 331,948</u>	<u>\$ 25,615</u>	<u>\$ 6,291,349</u>
\$	\$	\$ 500,812
243,561		243,561
		3,190
<u>243,561</u>	<u>-</u>	<u>747,563</u>
		1,946,059
		1,507,986
	25,615	2,001,354
88,387		88,387
<u>88,387</u>	<u>25,615</u>	<u>5,543,786</u>
<u>\$ 331,948</u>	<u>\$ 25,615</u>	<u>\$ 6,291,349</u>

The accompanying notes are an integral part of this statement.

Yucaipa Redevelopment Agency
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets
June 30, 2010

Fund balances of governmental funds	\$ 5,543,786
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Amounts reported for governmental activities in the Statement of Net Assets are different because:

Long-term liabilities applicable to the Agency's governmental activities are not due and payable in the current period and, accordingly, are not reported as governmental fund liabilities. All liabilities (both current and long-term) are reported in the Statement of Net Assets.

Bonds Payable	(2,490,000)
Advances from City of Yucaipa	(1,442,745)

Accrued interest payable for the current portion of interest due on long-term liabilities has not been reported in the governmental funds.	(39,898)
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Net assets of governmental activities	\$ <u>1,571,143</u>
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Yucaipa Redevelopment Agency
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2010

	<u>Special Revenue</u>	<u>Capital Projects</u>	
	<u>Low Income Housing</u>	<u>RDA</u>	<u>2004 TAB</u>
Revenues			
Tax Increment	\$ 388,813	\$	\$
Investment Income	9,705	16,105	
Other Income	1,000	2,596	
Total Revenues	<u>399,518</u>	<u>18,701</u>	<u>-</u>
Expenditures			
Current:			
Community Development	160,592	937,400	
SERAF Payment		439,683	
Public Works			100,254
Debt Service:			
Principal			
Interest and Fiscal Charges		67,934	
Total Expenditures	<u>160,592</u>	<u>1,445,017</u>	<u>100,254</u>
Excess (Deficiency) of Revenues over Expenditures	<u>238,926</u>	<u>(1,426,316)</u>	<u>(100,254)</u>
Other Financing Sources (Uses)			
Transfers In		1,455,000	374,545
Transfers Out		(374,545)	
Proceeds of Advance From the City of Yucaipa		67,934	
Total Other Financing Sources (Uses)	<u>-</u>	<u>1,148,389</u>	<u>374,545</u>
Net Change in Fund Balances	238,926	(277,927)	274,291
Fund Balances, Beginning of Year	<u>1,269,060</u>	<u>2,987,277</u>	<u>938,157</u>
Fund Balances, End of Year	<u>\$ 1,507,986</u>	<u>\$ 2,709,350</u>	<u>\$ 1,212,448</u>

The accompanying notes are an integral part of this statement.

<u>Debt Service</u>	<u>Nonmajor Capital Projects</u>	
RDA	1998 TAB	Total
\$ 1,550,608	\$	\$ 1,939,421
3,134	186	29,130
		3,596
<u>1,553,742</u>	<u>186</u>	<u>1,972,147</u>
		1,097,992
		439,683
		100,254
130,000		130,000
121,792		189,726
<u>251,792</u>	<u>-</u>	<u>1,957,655</u>
<u>1,301,950</u>	<u>186</u>	<u>14,492</u>
		1,829,545
(1,455,000)		(1,829,545)
		67,934
<u>(1,455,000)</u>	<u>-</u>	<u>67,934</u>
(153,050)	186	82,426
<u>241,437</u>	<u>25,429</u>	<u>5,461,360</u>
<u>\$ 88,387</u>	<u>\$ 25,615</u>	<u>\$ 5,543,786</u>

The accompanying notes are an integral part of this statement.

Yucaipa Redevelopment Agency
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
Year Ended June 30, 2010

Net change in fund balances - total governmental funds \$ 82,426

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

Repayment of bond principal is an expenditure in the governmental funds and, thus, has the effect of reducing the fund balance because current financial resources have been used. For the Agency as a whole, however, the principal payments reduce the liabilities in the Statement of Net Assets and do not result in an expense in the Statement of Activities.

Principal - Tax Allocation Bonds 130,000

When long-term debt is issued, the proceeds of the new debt issuance are reported as other financing sources and uses in the governmental funds. However, in the governmental-wide financial statements, the new debt is reported directly on the Statement of Net Assets and there is no effect on the change in net assets reported on the Statement of Activities.

Proceeds of Advances from City of Yucaipa (67,934)

Accrued interest expense related to long-term liabilities. This amount is the difference between the amount of interest paid and the amount of interest incurred on long-term liabilities.

1,395

Change in net assets of governmental activities \$ 145,887

**Yucaipa Redevelopment Agency
Notes to Financial Statements
Year Ended June 30, 2010**

<u>NOTE</u>	<u>DESCRIPTION</u>	<u>PAGE</u>
1	Reporting Entity and Summary of Significant Accounting Policies	11 - 14
2	Cash and Investments	15 - 16
3	Long-Term Liabilities	17 - 19
4	Advances From the City of Yucaipa for Redevelopment Agency Loans	19
5	Due From and To Other Funds	19
6	Due To the City of Yucaipa	20
7	Transfers In and Out	20
8	Debt Without Government Commitment	20
9	Risk Management	21
10	Fund Balance Reserves and Designations	21
11	New Pronouncements	21
12	Contingencies/Subsequent Events	21

Yucaipa Redevelopment Agency
Notes to Financial Statements
Year Ended June 30, 2010

1) REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Accounting policies of the Yucaipa Redevelopment Agency (the Agency) conform to accounting principles generally accepted in the United States of America as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for governmental accounting and financial reporting principles. The following is a summary of significant policies.

A) Reporting Entity

The Agency was created on December 17, 1990, pursuant to the State of California Health and Safety Code, Section 33000 entitled Community Redevelopment Law. The specific goal of the Agency is to eliminate the many instances of visual, economic, physical and social blight within the project area. City Council members serve as the Agency's Board of Directors, designate management, and have full accountability for fiscal matters. The Agency is a blended component unit of the City and accordingly, is included in the City's basic financial statements.

B) Basis of Accounting and Measurement Focus

Government-Wide Financial Statements

Government-wide financial statements display information about the reporting government as a whole, except for its fiduciary activities. These statements would typically include separate columns for the governmental and business-type activities of the primary government (including its blended components units), as well as its discretely presented component units. The Yucaipa Redevelopment agency has no business-type activities or discretely presented component units. Eliminations have been made in the Statement of Activities so that certain allocated expenses are recorded only once (by function to which they were allocated). However, general government expenses have not been allocated as indirect expenses to the various functions of the Agency.

Government-wide financial statements are presented using the *economic resources measurement focus* and the *accrual basis of accounting*. Under the economic resources measurement focus, all (both current and long-term) economic resources and obligations of the reporting government are reported in the government-wide financial statements. The *basis of accounting* refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements.

Under the accrual basis of accounting, revenues, expenses, gains, losses, assets and liabilities resulting from non-exchange transactions are recognized in accordance with the requirements of GASB Statement No. 33.

Program revenues include charges for services and payments made by parties outside of the reporting government's citizenry if that money is restricted to a particular program. Program revenues are netted with program expenses in the statement of activities to present the net cost of each program.

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as expenditures. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as another financing source. Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability, rather than as expenditures.

Yucaipa Redevelopment Agency
Notes to Financial Statements
Year Ended June 30, 2010

1) REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

B) Basis of Accounting and Measurement Focus - Continued

Fund Financial Statements

The underlying accounting system of the Agency's is organized and operated on the basis of separate funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Fund financial statements for the primary government's governmental, proprietary, and fiduciary funds are presented after the government-wide financial statements. These statements display information about major funds individually and nonmajor funds in the aggregate for governmental and enterprise funds. Fiduciary statements include financial information for fiduciary funds and similar component units. Fiduciary funds primary represent assets held by the Agency in a custodial capacity for other individuals or organizations. The Agency has no proprietary funds or fiduciary funds.

Governmental Funds

In the fund financial statements, governmental funds and agency funds are presented using the *modified-accrual basis of accounting*. Their revenues are recognized when they become measurable and available as net current assets.

Measurable means that the amounts can be estimated, or otherwise determined. *Available* means that the amounts were collected during the reporting period or soon enough thereafter to be available to finance the expenditures accrued for the reporting period. The Agency uses a sixty day availability period.

Revenue recognition is subject to the measurable and available criteria for the governmental funds. *Exchange transactions* are recognized as revenues in the period in which they are earned (i.e., the related goods or services provided). *Locally imposed derived tax revenues* are recognized as revenues in the period in which the underlying exchange transaction upon which they are based takes place. *Imposed non-exchange transactions* are recognized as revenues in the period in which they were imposed. If the period of use is not specified, they are recognized as revenues when an enforceable legal claim to the revenues arises or when they are received, whichever occurs first. *Government-mandated* and *voluntary non-exchange transactions* are recognized as revenues when all applicable eligibility requirements have been met.

In the fund financial statements, governmental funds are presented using the *current financial resources measurement focus*. This means that only current assets and current liabilities are generally included on their balance sheets. The reported fund balance (net current assets) is considered to be a measure of "available spendable resources." Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

**Yucaipa Redevelopment Agency
Notes to Financial Statements
Year Ended June 30, 2010**

1) REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

B) Basis of Accounting and Measurement Focus - Continued

Non-current portions of long-term receivables due to governmental funds are reported on their balance sheets in spite of their spending measurement focus. Special reporting treatments are used to indicate, however, that they should not be considered "available spendable resources," since they do not represent the net current assets.

Because of their spending measurement focus, expenditure recognition for governmental fund types excludes amounts represented by non-current liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

When both restricted and unrestricted resources are combined in a fund, expenses are considered to be paid first from restricted resources, and they from unrestricted resources.

Amounts expended to acquire capital assets are recorded as expenditures in the year that resources were expended, rather than as fund assets. The proceeds of long-term debt are recorded as *other financing sources* rather than as a fund liability. Amounts paid to reduce long-term indebtedness are reported as fund expenditures.

C) Major Funds/Non-Major Funds

The following funds are presented as major funds in the accompanying basic financial statements:

Special Revenue Fund

The *Low Income Housing Fund* accounts for the required 20 percent set aside of property tax increments that is legally restricted for increasing or improving housing for low and moderate income households, and to account for other specific revenue sources that are legally restricted to expenditures for specified purposes.

Capital Projects Fund

The *Redevelopment Agency (RDA)* accounts for the financial resources used in developing the project area as well as the capital expenditures incurred in sustaining Agency activities.

2004 TAB accounts for transactions related to the bond proceeds and capital expenditures associated with the issuance of 2004 Tax Allocation Bonds.

Debt Service Funds

The *Redevelopment Agency (RDA)* accounts for the accumulation of resources for the payment of debt service for bond principal, interest and trustee fees.

The following fund is presented as a non-major fund in the accompanying basic financial statements:

1998 TAB accounts for resources used in funding community revitalization with defined project areas.

**Yucaipa Redevelopment Agency
Notes to Financial Statements
Year Ended June 30, 2010**

1) REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

D) Relationship to the City of Yucaipa

The Yucaipa Redevelopment Agency is an integral part of the reporting entity of the City of Yucaipa. The funds of the Agency have been included within the scope of the basic financial statements and supplementary information of the City because the City is financially accountable. Only the funds of the Agency are included herein and these financial statements, therefore, do not purport to represent the financial position or results of operations of the City of Yucaipa, California.

E) Tax Increment Revenue

The Agency has no power to levy and collect taxes, and any legislative property tax de-emphases might necessarily reduce the amount of tax revenues that would otherwise be available to pay the principal of, and interest on loans from the City of Yucaipa ("City"). Broadened property tax exemptions could have a similar effect. Conversely, any increase in the tax rate or assessed valuation, or any reduction or elimination of present exemptions would necessarily increase the amount of tax revenues that would be available to pay principal and interest on tax allocation bonds or loans from the City.

Under the California law, property taxes are assessed and collected by counties up to 1% of assessed value, plus other increases approved by voters. Property tax revenues are pooled and then allocated to agencies based on complex formulas prescribed by state statutes.

Property taxes are assessed and collected each fiscal year according to the following property tax calendar:

Lien Date	March 1	
Levy Year	July 1 to June 30	
Due Dates	November 1	1 st Installment
	February 1	2 nd Installment
Delinquent Dates	December 10	1 st Installment
	April 10	2 nd Installment

F) Cash and Investments

Investments are reported in the accompanying balance sheet at fair value, except for certain certificates of deposit and investment contracts that are reported at cost because they are not transferable and they have terms that are not affected by changes in market interest rates.

Changes in fair value that occur during a fiscal year are recognized as *investment income* reported for the fiscal year. *Investment income* includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation, maturity, or sale of investments.

The Agency pools cash and investments of all funds. Each fund's share in this pool is displayed in the accompanying financial statements as *cash and investments*. Investment income earned by the pooled investments is allocated to the various funds based on each fund's average cash and investment balance.

G) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Yucaipa Redevelopment Agency
Notes to Financial Statements
Year Ended June 30, 2010**

2) CASH AND INVESTMENTS

Cash and investments as of June 30, 2010, are classified in the accompanying financial statements as follows:

Statement of Net Assets:	
Cash and Investments	\$ 5,691,950
Cash and Investments with Fiscal Agents	<u>246,568</u>
Total Cash and Investments	<u>\$ 5,938,518</u>

Cash and investments held by the Agency consist of the following:

Equity in City Investment Pool	\$ 5,691,950
Investment Held By Bond Trustee:	
Mutual Funds	<u>246,568</u>
Total Cash and Investments	<u>\$ 5,938,518</u>

Equity in the Cash and Investment Pool of the City of Yucaipa

The Treasurer for the City of Yucaipa maintains a cash and investment pool used by all funds of the City and by certain component units of the City, which includes the Agency funds. The Agency has no separate bank accounts or investments other than investments held by bond trustee. This pool is governed by and under the regulatory oversight of the Investment Policy adopted by the City Council of the City of Yucaipa. The fair value of the Agency's investment in the pool is reported in the accompanying financial statements at amounts based upon the Agency's pro-rata share of the fair value calculated by the City for the entire City portfolio. The balance available for withdrawal is based on the accompanying records maintained by the City, which are recorded on an original cost basis.

Investment of debt proceeds held by bond trustees are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the Agency's investment policy. The table below identifies the *investment types* that are authorized for investment held by bond trustee. The tables also identifies certain provisions of these debt agreements that address *interest rate risk and concentration of credit risk*.

Authorized Investment Type	Maximum Maturity	Maximum Percentage Allowed	Maximum Investment In One Issuer
U.S. Treasury Obligations	None	None	None
U.S. Agency Securities	None	None	None
Banker's Acceptances	180 days	None	None
Commercial Paper	270 days	None	None
Money Market Mutual Funds	N/A	None	None
Repurchase Agreements	270 days	None	None
Investments Contracts	30 years	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None

**Yucaipa Redevelopment Agency
Notes to Financial Statements
Year Ended June 30, 2010**

2) CASH AND INVESTMENTS - Continued

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the Agency manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the Agency's exposure to interest rate risk as a result of its equity in the cash and investment pool of the City of Yucaipa is provided by disclosure in the notes to the basic financial statements of the City of Yucaipa that shows the distribution of the City's investments by maturity.

Information about the sensitivity of the fair values of the Agency's investments to market interest rate fluctuations is provided by the following table that shows the maturity date of each investment.

Investment Type	Total	Remaining Maturity 12 Months or Less
Held by Bond Trustee:		
Mutual Funds	\$ 246,568	\$ 246,568

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the Agency's investment policy, or debt agreements, and the actual rating as of year end for each investment type.

Investment Type	Total	Minimum Legal Rating	Rating as of Year End		
			AAA	AA	Not Rated
Held by Bond Trustee:					
Mutual Funds	\$ 246,568	A	\$ 246,568	-	-

Custodial Credit Risk

The Agency does not have significant separate certificates of deposit or demand accounts held by bond trustee that are subject to disclosable custodial credit risk (as defined by GASB Statement No. 40). The Agency does not have direct investments in securities subject to disclosable custodial risk (as defined by GASB Statement No. 40).

For the investments held by bond trustee, the bond trustee selects the investments under the terms of the applicable trust agreement, acquires the investments, and holds the investments on behalf of the reporting government.

**Yucaipa Redevelopment Agency
Notes to Financial Statements
Year Ended June 30, 2010**

3) LONG-TERM LIABILITIES

A summary of changes in long-term debt for the year ended June 30, 2010, is as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Amount Due Within One Year	Amount Due Beyond One Year
Bonds Payable:						
1998 Tax Allocation Bonds	\$ 545,000	\$ -	\$ (20,000)	\$ 525,000	\$ 25,000	\$ 500,000
2004 Tax Allocation Bonds	2,075,000	-	(110,000)	1,965,000	30,000	1,935,000
Subtotal	<u>2,620,000</u>	<u>-</u>	<u>(130,000)</u>	<u>2,490,000</u>	<u>55,000</u>	<u>2,435,000</u>
Capital Projects Fund						
Loans:						
1990-91 Operating Loan	100,000	-	-	100,000	-	100,000
1992-93 Operating Loan	100,000	-	-	100,000	-	100,000
1992-93 Business Assistance Program	10,000	-	-	10,000	-	10,000
1994-95 Operating Loan	125,000	-	-	125,000	-	125,000
1994-95 Uptown Specific Plan Sewer Main Extension	28,000	-	-	28,000	-	28,000
2006-07 Uptown Specific Plan Improvements	350,000	-	-	350,000	-	350,000
Matured Interest Added to Principal	<u>661,811</u>	<u>67,934</u>	<u>-</u>	<u>729,745</u>	<u>-</u>	<u>729,745</u>
Subtotal	<u>1,374,811</u>	<u>67,934</u>	<u>-</u>	<u>1,442,745</u>	<u>-</u>	<u>1,442,745</u>
Total Long-Term Liabilities	<u><u>\$ 3,994,811</u></u>	<u><u>\$ 67,934</u></u>	<u><u>\$ (130,000)</u></u>	<u><u>\$ 3,932,745</u></u>	<u><u>\$ 55,000</u></u>	<u><u>3,877,745</u></u>

Tax Allocation Bonds

1998 Tax Allocation Bonds

On June 2, 1998, the Yucaipa Redevelopment Agency issued \$720,000 of 1998 Tax Allocation Bonds. The proceeds were used to finance various capital improvement projects throughout the project area.

The 1998 Tax Allocation Bonds consisted of \$720,000 of term bonds. The bonds accrue interest at rates between 4.00% and 5.60% and are payable semiannually on March 1 and September 1 of each year commencing September 1, 1998. Principal on the bonds is payable in annual installments commencing on March 1, 1998 and ending September 1, 2028. The outstanding balance as of June 30, 2010 was \$525,000.

Per the bond covenants, the Agency is required to maintain a reserve account in an amount equal to \$53,638. At June 30, 2010, the amount held in the reserve account was \$55,496.

**Yucaipa Redevelopment Agency
Notes to Financial Statements
Year Ended June 30, 2010**

3) LONG-TERM LIABILITIES - Continued

2004 Tax Allocation Bonds

On October 12, 2004, the Yucaipa Redevelopment Agency issued \$2,500,000 of 2004 Tax Allocation Bonds. The proceeds were used to finance various capital improvement projects throughout the project area. The 2004 Tax Allocation Bonds consisted of \$2,500,000 of term bonds. The bonds accrue interest at rates between 2.10% and 5.00% and are payable semiannually on March 1 and September 1 of each year commencing March 1, 2005. Principal on the bonds is in amounts ranging from \$30,000 to \$170,000 and is payable in semi-annual installments commencing on March 1, 2005 and ending September 1, 2034. The outstanding balance at June 30, 2010 was \$1,965,000.

Per the bond covenants, the Agency is required to maintain a reserve account in an amount equal to \$191,069. At June 30, 2010, the amount held in the reserve account was \$191,071.

Debt Service Requirements to Maturity

The annual requirements to amortize the outstanding Tax Allocation Bonds of the Agency as of June 30, 2010 are as follows:

Year Ended June 30,	1998 & 2004 Tax Allocation Bonds	
	Principal	Interest
2011	55,000	119,696
2012	55,000	117,432
2013	55,000	115,318
2014	60,000	113,115
2015	60,000	110,605
2016	65,000	108,025
2017	65,000	105,212
2018	70,000	102,333
2019	70,000	99,202
2020	75,000	96,008
2021	75,000	92,507
2022	80,000	88,958
2023	80,000	85,107
2034	85,000	81,208
2025	90,000	77,014
2026	120,000	72,544
2027	130,000	66,581
2028	135,000	60,069
2029	140,000	53,206
2030	145,000	46,069
2031	150,000	39,000
2032	155,000	31,500
2033	160,000	23,750
2034	170,000	15,750
2035	145,000	7,250
	<u>\$ 2,490,000</u>	<u>\$ 1,927,459</u>

**Yucaipa Redevelopment Agency
Notes to Financial Statements
Year Ended June 30, 2010**

3) LONG-TERM LIABILITIES - Continued

Tax Sharing Agreement - Yucaipa - Calimesa Joint Unified School District

This agreement requires the Agency to pay into a Special Account of the Agency for the benefit of the School District, all of the School District's share of the base year inflation and 40% of the School District's share of the annual tax increment. The Agency may defer the payment to the Special Fund until the Agency receives \$500,000 per year net of all other pass through payments or the 17th year of the Redevelopment Plan, whichever is earlier. As of June 30, 2010, there is \$922,801 in accumulated deferred amounts, which will ultimately be utilized for mutually agreed-upon projects. There is no long-term debt reported in these financial statements for this agreement. However, fund balance has been reserved for the accumulated deferred amounts.

4) ADVANCES FROM THE CITY OF YUCAIPA FOR REDEVELOPMENT AGENCY LOANS

The City of Yucaipa's General Fund has advanced funds to the Agency (RDA Capital Projects Fund) for current operations. The advances bear interest at 8.27% for the year ended 1990-91 advance, and a rate equivalent to the Local Agency Investment Fund (LAIF) rate for all other advances. At June 30, 2010, the balance including accrued interest is:

Fiscal Year	Advances and Accrued Interest	Purpose
1990-91	\$ 100,000	Current Operations
1992-93	100,000	Current Operations
	10,000	Business Assistance Program
1994-95	125,000	Uptown Specific Plan/Sewer Main Extension
	28,000	Sewer main Extension
1991-2009	661,811	Interest Charges for the Fiscal Years 1991-2009
2006-07	350,000	Uptown Specific Plan Improvements
2009-10	67,934	Interest Charges for the 2009-10 Fiscal Year
	<u>\$ 1,442,745</u>	

These balances are included as part of note 3.

5) DUE FROM AND TO OTHER FUNDS

Interfund receivables and payables at June 30, 2010 are as follows:

Receivable Fund	Payable Fund	Amount
RDA Capital Projects Fund	RDA Debt Service Fund	\$ 243,561 ^(a)

^(a)This intragovernmental balance was the result of short-term borrowings to cover deficit cash balances at June 30, 2010.

**Yucaipa Redevelopment Agency
Notes to Financial Statements
Year Ended June 30, 2010**

6) DUE TO THE CITY OF YUCAIPA

Amounts payable to the City of Yucaipa at June 30, 2010 were as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	RDA 2004 TAB Fund	\$ 3,190 ^(a)

^(a)This intergovernmental balance was the result of allocation of project expenditures.

7) TRANSFERS IN AND OUT

<u>Transfers From</u>	<u>Transfers To</u>	<u>Amount</u>
RDA Debt Service Fund	RDA Capital Projects Fund	\$ 1,455,000 ^(a)
RDA Capital Projects Fund	RDA 2004 TAB Fund	374,545 ^(b)
		<u>\$ 1,829,545</u>

^(a)\$1,455,000 was transferred from the RDA Debt Service Fund to the RDA Capital Projects fund for administrative expenses and payments relative to tax sharing agreements.

^(b)\$374,545 was transferred from the RDA Capital Projects fund to the RDA 2004 TAB Fund for capital project expenditures.

8) DEBT WITHOUT GOVERNMENT COMMITMENT

The following issues of the Yucaipa Redevelopment Agency Mobile Home Park Revenue Bonds are not reflected in the long-term liabilities because these bonds are special obligations payable solely from and secured by specific revenue sources described in the bond resolutions and official statements of the respective issue. Neither the faith and credit nor the taxing power of the City of Yucaipa, the Agency, the State of California or any political subdivision thereof, is pledged for the payment of these bonds.

The Agency issued Mobile Home Park Revenue Bonds (Eldorado Palms) Series A and B in the amounts of \$6,995,000 and \$225,000, respectively. The bonds are dated May 26, 1998, with interest ranging from 4.90% to 7.7%. These bonds mature on May 1, 2030. The principal balance of the Series A bonds outstanding at June 30, 2010 is \$5,850,000. The principal balance of the Series B bonds was repaid in full in 2002.

On October 9, 2000 the Agency issued Mobile Home Park Revenue Bonds (Valley View) Series 2000 A and B in the amounts of \$1,100,000 and \$505,000, respectively. These bonds have interest rates of 5.0% and 7.5%, respectively, and mature on November 15, 2030. The principal balance of outstanding bonds at June 30, 2010 is \$903,271 and \$450,000, respectively.

On May 15, 2001 the Agency issued Mobile Home Park Revenue Bonds (Rancho Del Sol and Grandview East) Series 2001 A and B in the amounts of \$6,130,000 and \$245,000, respectively. These bonds have interest rates ranging from 5.0% to 6.9% and have maturity dates in increments from May 2002 through May 2036. The principal balance of outstanding bonds at June 30, 2010 is \$5,585,000 and \$60,000, respectively.

**Yucaipa Redevelopment Agency
Notes to Financial Statements
Year Ended June 30, 2010**

9) RISK MANAGEMENT

The City (which includes the Agency) maintains self-insurance programs for workers' compensation, general and auto liability. Claims are processed by an independent third party claims administrator.

The general and auto liability programs provide for self-insurance up to a maximum of \$50,000 per incident. Claims which exceed the limit are insured by the Public Agency Risk Sharing Authority of California (PARSAC), a joint powers authority of California municipalities, up to a maximum \$10,000,000 per incident.

The membership of PARSAC consists of thirty-seven California cities. The primary purpose of PARSAC is to provide coverage for losses from tort liability, workers' compensation, health benefits, and the ownership or use of real and personal property. A representative from each member city, appointed to the position by their City Council, serves on the Governing Board of the Authority. Each member of the Board has an equal vote in matters concerning the Authority.

The City also participates in PARSAC's workers' compensation program. The program operates as a partially self-insured program, which is combined with joint-purchased commercial excess insurance. Participants' losses are pooled to the programs' self insured retention of \$250,000 then the commercial excess insurance attaches and provides coverage to statutory limits.

10) FUND BALANCE RESERVES AND DESIGNATIONS

Certain amounts of governmental fund type balances have been reserved to report such monies as unavailable expendable resources, restricted for specific purposes. Fund balance has a reservation of \$1,946,059 for specific projects in the RDA Capital Projects Fund.

11) NEW PRONOUNCEMENTS

The provisions of Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, will be required to be adopted and implemented by the Agency for the fiscal year 2010-2011.

12) CONTINGENCIES/SUBSEQUENT EVENTS

As of June 30, 2010, the Agency's Low and Moderate Income Housing Fund has excess surplus of approximately \$661,243, as defined by Section 33334.12(b) of the Health and Safety Code. The Agency has until the 2011-12 and 2012-13 fiscal years to expend or encumber \$269,060 for the June 30, 2009 excess surplus and to expend or encumber \$392,183 for the June 30, 2010 excess surplus. The Agency has selected the option to either expend or encumber the excess surplus within three years. If the Agency has not expended or encumbered the funds after three years has elapsed, the Agency may be subject to sanctions equal to the amount of excess surplus plus an additional amount of money from other funds equal to 50% of the excess surplus.

The Agency issued 2010 Tax Allocation Bonds, dated November 2, 2010 in the amount of \$6,030,000 to finance Redevelopment projects. The 2010 bonds are being issued on a parity with the Agency's 1998 and 2004 Tax Allocation Bonds outstanding in the amount of \$525,000 and \$1,965,000 respectively and have interest rates ranging from 4.00% to 5.50%. The final payment is due September 1, 2040.

REQUIRED SUPPLEMENTARY INFORMATION

Yucaipa Redevelopment Agency
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - RDA Low Income Housing Special Revenue Fund
Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property Taxes	\$ 363,750	\$ 363,750	\$ 388,813	\$ 25,063
Investment Income	600	600	9,705	9,105
Other			1,000	1,000
Total Revenues	<u>364,350</u>	<u>364,350</u>	<u>399,518</u>	<u>35,168</u>
EXPENDITURES				
Current:				
Community Development	100,067	173,401	160,592	12,809
Total Expenditures	<u>100,067</u>	<u>173,401</u>	<u>160,592</u>	<u>12,809</u>
Excess (Deficiency) of Revenues over Expenditures	<u>264,283</u>	<u>190,949</u>	<u>238,926</u>	<u>47,977</u>
OTHER FINANCING SOURCES (USES)				
Transfers In				-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	264,283	190,949	238,926	47,977
Fund Balance, Beginning of Year	1,269,060	1,269,060	1,269,060	-
Fund Balance (Deficit), End of Year	<u>\$ 1,533,343</u>	<u>\$ 1,460,009</u>	<u>\$ 1,507,986</u>	<u>\$ 47,977</u>

Yucaipa Redevelopment Agency
Notes to Required Supplementary Information
Year Ended June 30, 2010

1) BUDGETS AND BUDGETARY ACCOUNTING

The City Council approves each year's budget submitted by the City Manager and Director of Administrative Services prior to the beginning of the new fiscal year. Public hearings are conducted prior to its adoption by Council. All supplemental appropriations, where required during the period, are also approved by Council. Intradepartmental budget transfers are approved by the City Manager. In most cases, expenditures may not exceed appropriations at the departmental level within Agency funds. At fiscal year-end, all operating budget appropriations, lapse.

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

SUPPLEMENTARY INFORMATION

Yucaipa Redevelopment Agency
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - RDA Capital Projects Fund
Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Investment Income	\$	\$	\$ 16,105	\$ 16,105
Other			2,596	4
			<u>2,592</u>	<u>4</u>
Total Revenues			<u>18,701</u>	<u>16,109</u>
EXPENDITURES				
Current:				
Community Development	1,602,066	1,430,796	937,400	493,396
SERAF Payment		439,683	439,683	-
Debt Service:				
Interest and Fiscal Charges			67,934	(67,934)
			<u>67,934</u>	<u>(67,934)</u>
Total Expenditures	<u>1,602,066</u>	<u>1,870,479</u>	<u>1,445,017</u>	<u>425,462</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(1,599,474)</u>	<u>(1,867,887)</u>	<u>(1,426,316)</u>	<u>441,571</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	1,455,000		1,455,000	1,455,000
Transfers Out			(374,545)	(374,545)
Proceeds of Advance from the City of Yucaipa			67,934	67,934
			<u>67,934</u>	<u>67,934</u>
Total Other Financing Sources (Uses)	<u>1,455,000</u>	<u>-</u>	<u>1,148,389</u>	<u>1,148,389</u>
Net Change in Fund Balances	(144,474)	(1,867,887)	(277,927)	1,589,960
Fund Balance (Deficit), Beginning of Year	<u>2,987,277</u>	<u>2,987,277</u>	<u>2,987,277</u>	<u>-</u>
Fund Balance (Deficit), End of Year	<u>\$ 2,842,803</u>	<u>\$ 1,119,390</u>	<u>\$ 2,709,350</u>	<u>\$ 1,589,960</u>

Yucaipa Redevelopment Agency
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - RDA 2004 TAB Capital Projects Fund
Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Investment Income	\$	\$	\$	\$ -
Other Income				-
Total Revenues	-	-	-	-
EXPENDITURES				
Public Works		156,575	100,254	56,321
Total Expenditures	-	156,575	100,254	56,321
Excess (Deficiency) of Revenues over Expenditures	-	(156,575)	(100,254)	56,321
OTHER FINANCING SOURCES (USES)				
Transfer In			374,545	374,545
Transfers Out				-
Total Other Financing Sources (Uses)	-	-	374,545	374,545
Net Change in Fund Balances	-	(156,575)	274,291	430,866
Fund Balance, Beginning of Year	938,157	938,157	938,157	-
Fund Balance, End of Year	\$ 938,157	\$ 781,582	\$ 1,212,448	\$ 430,866

Yucaipa Redevelopment Agency
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - RDA Debt Service Fund
Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property Taxes	\$	\$ 1,455,000	\$ 1,550,608	\$ 95,608
Investment Income		2,400	3,134	734
Total Revenues	-	1,457,400	1,553,742	96,342
EXPENDITURES				
Debt Service:				
Principal Payments		111,058	130,000	(69,787)
Interest and Fiscal Charges		60,213	121,792	(10,734)
Total Expenditures	-	171,271	251,792	(80,521)
Excess (Deficiency) of Revenues over Expenditures	-	1,286,129	1,301,950	15,821
OTHER FINANCING SOURCES (USES)				
Transfers Out			(1,455,000)	(1,455,000)
Total Other Financing Sources (Uses)	-	-	(1,455,000)	(1,455,000)
Net Change in Fund Balances	-	1,286,129	(153,050)	(1,439,179)
Fund Balance, Beginning of Year	241,437	241,437	241,437	-
Fund Balance, End of Year	\$ 241,437	\$ 1,527,566	\$ 88,387	\$ (1,439,179)

Yucaipa Redevelopment Agency
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - RDA 1998 TAB
Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Investment Income	\$	\$	\$ 186	\$ 186
Total Revenues	-	-	186	186
Excess (Deficiency) of Revenues over Expenditures	-	-	186	186
Fund Balance, Beginning of Year	25,429	25,429	25,429	-
Fund Balance, End of Year	\$ 25,429	\$ 25,429	\$ 25,615	\$ 186

INDEPENDENT AUDITORS' REPORT 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

Board Members
Redevelopment Agency of the City Yucaipa
Yucaipa, California

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Redevelopment Agency of the City of Yucaipa (the Agency) as of and for the year ended June 30, 2010, which collectively comprise the Agency's basic financial statements and have issued our report thereon dated December 28, 2010. 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 Agency's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions 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 Agency's internal control over financial reporting.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's financial statements are free of material misstatement, 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 include those provisions of laws and regulations identified in the *Guidelines for Compliance Audits of California Redevelopment Agencies*, issued by the State Controller. 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management in a separate letter dated December 28, 2010.

This report is intended solely for the information and use of the management and Board Members of the Redevelopment Agency of the City of Yucaipa, others within the entity, and the State Controller's Office, Division of Accounting and Reporting and is not intended to be and should not be used by anyone other than these specified parties.

Teaman Ramirez & Smith, Inc.

December 28, 2010

