

SAN DIEGO REGIONAL BUILDING AUTHORITY

**A BLENDED COMPONENT UNIT OF
THE COUNTY OF SAN DIEGO**

FINANCIAL STATEMENTS

JUNE 30, 2009

**San Diego Regional Building Authority
Financial Statements
June 30, 2009**

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
San Diego Regional Building Authority
San Diego, California

We have audited the accompanying financial statements of the governmental activities and each major fund of the San Diego Regional Building Authority (Authority) as of and for the fiscal year ended June 30, 2009, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority'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 the significant estimates made by management, as well as evaluating the overall financial statements 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 respective financial position of the governmental activities and each major fund of the San Diego Regional Building Authority as of June 30, 2009, and the respective changes in financial position thereof, and the budgetary comparison of the General Fund for the fiscal year then ended, in conformity with accounting principles generally accepted in the United States of America.

Effective July 1, 2008, the Authority adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, GASB Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*, GASB Statement No. 55, *The Hierarchy if Generally Accepted Accounting Principles for State and Local Governments*, and GASB Statement No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards*.

The Authority has not presented the Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of the basic financial statements.

In accordance with *Government Auditing Standards*, we have also issued a report November 25, 2009, on our consideration of the Authority'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 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.

Moss, Levy & Hartzheim

Moss, Levy and Hartzheim, LLP
Beverly Hills, California
November 25, 2009

SAN DIEGO REGIONAL BUILDING AUTHORITY
STATEMENT OF NET ASSETS
June 30, 2009

	Governmental Activities
ASSETS	
Current	
Cash and investments	\$ 158,117,838
Accounts receivable	31,363
Interest receivable	816,666
Deferred charges	119,039
Restricted assets:	
Investments with fiscal agents	28,856,998
Leases receivable	3,941,221
Total Current Assets	191,883,125
Noncurrent	
Deferred charges	2,025,761
Restricted assets:	
Leases receivable	284,181,158
Total Noncurrent Assets	286,206,919
Total Assets	478,090,044
LIABILITIES	
Current	
Interest payable	2,325,610
Accounts payable	6,727,488
Unamortized premium	152,621
Deferred amount on refunding	(143,007)
Current portion of long-term debt principal outstanding	2,335,000
Total Current Liabilities	11,397,712
Noncurrent	
Unamortized premium	2,138,007
Deferred amount on refunding	(1,351,494)
Long-term debt principal outstanding	167,980,000
Total Noncurrent Liabilities	168,766,513
Total Liabilities	180,164,225
NET ASSETS	
Restricted for:	
Debt service	26,865,409
Unrestricted	271,060,410
Total Net Assets	\$ 297,925,819

See accompanying notes to basic financial statements

SAN DIEGO REGIONAL BUILDING AUTHORITY
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2009

Functions/Programs	Expenses	Charges for Services	Program Revenue Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue and Change in Net Assets
Primary Government:					
General government	\$ 29,354,168	244,664,292	67,133,947		282,444,071
Rental Income		1,198,316			1,198,316
Repairs and maintenance	1,347,627				(1,347,627)
Interest	4,349,102				(4,349,102)
Total Governmental Activities	<u>\$ 35,050,897</u>	<u>245,862,608</u>	<u>67,133,947</u>		<u>277,945,658</u>
General Revenues:					
Investment income					<u>1,996,257</u>
Total General Revenues					<u>1,996,257</u>
Change in net assets					279,941,915
Net assets at beginning of fiscal year, (restated)					<u>17,983,904</u>
Net Assets at end of fiscal year					<u>\$ 297,925,819</u>

See accompanying notes to basic financial statements

SAN DIEGO REGIONAL BUILDING AUTHORITY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2009

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and investments	\$ 3,348	142,087	157,972,403	158,117,838
Interest receivable	136	191,934	624,596	816,666
Accounts receivable	31,363			31,363
Restricted Assets:				
Investments with fiscal agents		28,856,998		28,856,998
Leases receivable		288,122,379		288,122,379
Total Assets	<u>34,847</u>	<u>317,313,398</u>	<u>158,596,999</u>	<u>475,945,244</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts Payable			6,727,488	6,727,488
Deferred revenue		288,122,379		288,122,379
Total Liabilities		<u>288,122,379</u>	<u>6,727,488</u>	<u>294,849,867</u>
Fund Balances				
Reserved:				
Debt service		29,191,019		29,191,019
Unreserved:				
Undesignated	34,847		151,869,511	151,904,358
Total Fund Balances	<u>34,847</u>	<u>29,191,019</u>	<u>151,869,511</u>	<u>181,095,377</u>
Total Liabilities and Fund Balances	<u>\$ 34,847</u>	<u>317,313,398</u>	<u>158,596,999</u>	<u>475,945,244</u>

See accompanying notes to basic financial statements

SAN DIEGO REGIONAL BUILDING AUTHORITY
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
June 30, 2009

Total fund balances - governmental funds	\$ 181,095,377
Long-term liabilities applicable to the Authority's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, current and long-term, are recorded in the statement of net assets.	(170,315,000)
Bond and certificates of participation costs of issuances are reported as expenditures in governmental funds and thus have the effect of reducing fund balances because current financial resources have been used. In the government-wide statements however, bond and certificates of participation issuance costs are reported as a deferred charge and amortized over the life of the bond and certificate of participation issue.	2,144,800
Deferred amount on refunding, net of accumulated amortization, are not reported in the governmental funds.	1,494,501
Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current-period expenditures. Those assets (for example, receivables) are offset by deferred revenues in the governmental funds and thus are not included in fund balance.	288,122,379
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expense when due.	(2,325,610)
Certificates of participation and bond premiums are recognized as other financing sources in governmental funds in the year of sale. In the government-wide statements, the premiums are amortized as interest over the life of the corresponding certificates of participation and bonds.	(2,290,628)
Net assets of governmental activities	<hr style="border: 0.5px solid black;"/> <u>\$ 297,925,819</u>

See accompanying notes to basic financial statements

SAN DIEGO REGIONAL BUILDING AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2009

	General Fund	Debt Service Fund	Special Revenue Fund	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Revenues				
Investment income	\$ 1,172	139,442	1,855,643	1,996,257
Rental income	1,347,627	3,812,210		5,159,837
Aid from other agencies			67,133,947	67,133,947
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Revenues	1,348,799	3,951,652	68,989,590	74,290,041
Expenditures				
Repairs and maintenance	1,347,627			1,347,627
Contracted services			23,083,455	23,083,455
Payments to other agencies			6,194,405	6,194,405
Administrative		12,315		12,315
Debt service:				
Cost of issuance		1,506,854		1,506,854
Principal		2,260,000		2,260,000
Interest		1,701,521		1,701,521
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Expenditures	1,347,627	5,480,690	29,277,860	36,106,177
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,172	(1,529,038)	39,711,730	38,183,864
Other Financing Sources (Uses)				
Face value of bonds issued		25,901,906	110,983,094	136,885,000
Premium on issuance of bonds			1,174,687	1,174,687
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Other Financing Sources (Uses)		25,901,906	112,157,781	138,059,687
Net change in Fund Balances	1,172	24,372,868	151,869,511	176,243,551
Fund Balances at Beginning of Fiscal Year	33,675	4,818,151		4,851,826
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Fund Balances at End of Fiscal Year	\$ 34,847	29,191,019	151,869,511	181,095,377
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

See accompanying notes to basic financial statements

**SAN DIEGO REGIONAL BUILDING AUTHORITY
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, 2009**

Net changes in fund balances - total governmental funds	\$176,243,551
Repayment of bond and certificates of participation principal is reported as an expenditure in governmental funds and thus has the effect of reducing fund balance because current financial resources have been used. For the Authority 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. The Authority's long term debt was reduced by the amount of principal payments made to bond and certificates of participation holders.	2,260,000
The Governmental funds report bond proceeds as other financing sources. Also governmental funds report the effect of issuance costs and premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities	(136,552,833)
Leases receivable reported in the governmental funds offset by deferred revenue are not available to pay current expenditures. Likewise, when the leases are collected, they are reflected as revenue. This is the change in the leases receivable during the fiscal year.	(3,961,521)
Revenues that do not provide current financial resources are not reported as revenues in the funds (deferred revenue) but are recognized as revenue in the statement of activities.	244,664,292
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	(2,711,574)
Change in net assets of government activities	\$279,941,915

See accompanying notes to basic financial statements

SAN DIEGO REGIONAL BUILDING AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
For the Fiscal Year Ended June 30, 2009

	Original Budgeted Amount	Final Budgeted Amount	Actual Amount	Variance with Final Budget Positive (Negative)
Revenues				
Investment income	\$ -		1,172	1,172
Rental income	961,799	961,799	1,347,627	385,828
Total Revenues	<u>961,799</u>	<u>961,799</u>	<u>1,348,799</u>	<u>387,000</u>
Expenditures				
Repairs and maintenance	961,799	961,799	1,347,627	(385,828)
Total Expenditures	<u>961,799</u>	<u>961,799</u>	<u>1,347,627</u>	<u>(385,828)</u>
Net Change in Fund Balance			1,172	1,172
Fund Balance at Beginning of Fiscal Year	<u>33,675</u>	<u>33,675</u>	<u>33,675</u>	
Fund Balance at End of Fiscal Year	<u>\$ 33,675</u>	<u>33,675</u>	<u>34,847</u>	<u>1,172</u>

See accompanying notes to basic financial statements

SAN DIEGO REGIONAL BUILDING AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2009

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the San Diego Regional Building Authority (the “Authority”) conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the more significant policies:

A. Reporting Entity

The Authority, created under a Joint Powers Agreement between the County of San Diego (the “County”) and the San Diego Metropolitan Transit Development Board (“MTDB”), dated August 27, 1987, is a separate entity constituting a public instrumentality of the State of California. The Authority is an independent legal entity governed by a commission of three members who receive no compensation. Per the Joint Powers Authority, one of the three members is appointed by the Metropolitan Transit Development Board (“MTDB”), a second member is the County Supervisor who sits on the Trolley Board, and the third member is the County Supervisor who sits on the MTDB.

The Authority was originally formed to develop, construct, and contract for the operation of a ten-story office complex containing approximately 180,000 square feet which is situated over a light rail trolley transfer station which includes a parking garage and a freestanding clock tower. This facility is located within the City of San Diego.

In addition, the Authority entered into an agreement with the San Miguel Consolidated Fire Protection District during fiscal year 1991 to finance the design, acquisition, and construction of a fire station. The construction was completed in December 1991.

In fiscal year 2009, the Authority issued the San Diego Regional Building Authority Lease Revenue Bonds (County Operations Center and Annex project) Series 2009A to finance the acquisition, construction and improvement of County facilities, including facilities to be used as an operations center by the County of San Diego. The overall development of the project is referred to as the “COC Project”.

Principal and Interest payments on these bonds are secured by base rental payments to be made by the County pursuant to the Facility Lease dated February 1, 2009 by and between the Authority and the County.

B. Basis of Presentation

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34. GASB Statement No. 34 establishes new requirements and a new reporting model for the annual financial reports of state and local governments. The statement was developed to make annual reports of state and local governments easier to understand and more useful to the people who use governmental financial information to make decisions.

SAN DIEGO REGIONAL BUILDING AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2009

Note 1 – Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation (Continued)

- **Government-wide Financial Statements** – This reporting model includes financial statements prepared using the full accrual basis of accounting for all of the Authority’s activities. It reports all current and non current revenues and costs of providing services. The Government-wide Financial Statements consist of the following:
- **Statement of Net Assets** – The statement of net assets is designed to display the financial position of the government. The net assets of the Authority are broken down into two categories – restricted and unrestricted.
- **Statement of Activities** – The statement of activities reports expenses and revenues in a format that focuses on the cost of each of the Authority’s functions. The expense of individual functions is compared to the revenue generated directly by the function.

Accordingly, the Authority has recorded long-term assets and liabilities in the statement of net assets, and has reported all revenues and the cost of providing services using the full accrual basis of accounting in the statement of activities.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by rental income and investment income.

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

Major individual governmental funds are reported as separate columns in the fund financial statements.

SAN DIEGO REGIONAL BUILDING AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2009

Note 1 – Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation (Continued)

Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America (USGAAP). An operating budget is adopted each fiscal year for the General Fund on the modified accrual basis.

Long-Term Obligations

In the government-wide financial statements, long-term debt, and other long-term obligations are reported as liabilities in the applicable governmental activities. Initial-issue premiums as well as issuance costs, are deferred and amortized over the life of the debt using the straight-line method. The difference between the reacquisition price and the net carrying amount of refunded debt (deferred amount on refunding) is amortized over the shorter of the lives of the refunding debt or remaining life of the refunded debt. Issuance costs are reported as deferred charges. Amortization of premiums and deferred amounts on refunding are included as interest expense, whereas the amortization of issuance costs are included as a general government expenses. In the fund financial statements, governmental fund types recognize premiums and issuance costs during the period issued. The face amount of debt issued is reported as other financing sources. Premiums received are reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Net Assets and Fund Balance

In the government-wide financial statements, net assets are reported in two categories: restricted net assets and unrestricted net assets. Restricted net assets represent net assets restricted by parties outside of the Authority (such as creditors, grantors, contributors, laws, and regulations of other governments) and include unspent proceeds of bonds issued to acquire or construct capital assets.

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.

Investments

Investments are reported at fair value which is determined using various methods. Short-term investments are reported at cost, which approximates fair value. Investments in government obligations are valued on over-the-counter bid quotations available at fiscal year-end. Cash deposits are reported at carrying amount, which reasonably estimates fair value. Investments in governmental investment pools are reported at fair value based on the fair value per share of the pool's underlying portfolio.

SAN DIEGO REGIONAL BUILDING AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2009

Note 1 – Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation (Continued)

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 the reported amount of certain assets and liabilities and disclosure of contingent assets and liabilities at the date of basic financial statements, and the related reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates. Management believes that the estimates are reasonable.

C. Major Funds

GASB Statement No. 34 requires that the Authority's major governmental type funds to be identified and presented separately in the fund financial statements. Major funds are defined as funds that have assets, liabilities, revenues, or expenditures equal to or greater than ten percent of their fund-type total and five percent of the grand total.

The Authority reported the following major governmental funds in the accompanying financial statements:

General Fund - This fund is used to account for all financial resources except those required to be accounted for in another fund. The general fund is the Authority's operating fund.

Debt Service Fund - The Debt Service Fund was established to pay maturing principal and interest on the Refunding Lease Revenue Bonds and the Certificates of Participation. The lease payments received from the lessees for each project are used to pay the debt service.

Special Revenue Fund - The Special Revenue Fund was established to account for the proceeds of the 2009 SeriesA issuance which will fund the construction and development of the COC Project. Even though the fund incurs expenditures to fund project activities, these expenditures recorded in this fund do not result in assets being capitalized on the statement of net assets of the Authority.

SAN DIEGO REGIONAL BUILDING AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2009

Note 2 – Reconciliation of Government – wide and Fund Financial Statements

A. Explanation of certain differences between the governmental funds balance sheet and the government – wide statement of net assets

The governmental funds balance sheet includes reconciliation between fund balances – governmental funds and net assets of governmental activities as reported in the government-wide statement of net assets.

Long-term debt:

Long-term liabilities applicable to the Authority’s governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, current and long-term, are recorded in the statement of net assets.

2001 Certificates of Participation	\$ 25,865,000
2003 Refunding Lease Revenue Bonds	7,565,000
2009 Lease Revenue Bonds	136,885,000
	\$ 170,315,000

Deferred charges include bond and certificates of participation costs of issuance. Costs of issuances are reported as expenditures in governmental funds and thus have the effect of reducing fund balance because current financial resources have been used. In the government-wide statements however, issuance costs are reported as a deferred charge and amortized over the life of the issue. Deferred amounts on refunding, net of accumulated amortization are not reported in the governmental funds. These deferred charges and deferred amounts on refunding, net of accumulated amortization are as follows:

Deferred charges:

2001 Certificates of Participation issue costs, net of amortization of \$321,427	\$ 450,169
2003 Refunding Lease Revenue Bonds issue costs, net of amortization of \$113,016	206,380
2009 Lease Revenue Bonds issue costs, net of amortization of \$18,603	1,488,251
	\$ 2,144,800

Deferred amounts on refunding:

2001 Certificates of Participation, net of amortization of \$1,302,489	\$ 438,366
2003 Refunding Lease Revenues Bonds, net of amortization of \$722,662	1,056,135
	\$ 1,494,501

SAN DIEGO REGIONAL BUILDING AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2009

Note 2 – Reconciliation of Government – wide and Fund Financial Statements (Continued)

A. Explanation of certain differences between the governmental funds balance sheet and the government – wide statement of net assets (Continued)

Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current-period expenditures. Those assets (for example, receivables) are offset by deferred revenues in the governmental funds and thus are not included in fund balance.

Deferred Revenues:

2001 Certificates of Participation	\$ 33,671,937
2003 Refunding Lease Revenue Bonds	9,786,150
2009 Lease Revenue Bonds	244,664,292
	<u>\$ 288,122,379</u>

Interest payable:

Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expense when due.

2001 Certificates of Participation	\$ 218,041
2003 Refunding Lease Revenue Bonds	171,363
2009 Lease Revenue Bonds	1,936,206
	<u>\$ 2,325,610</u>

Premiums - Certificates of participation and bonds:

Certificates of participation premiums and bond premiums are recognized as other financing sources in governmental funds in the year of sale. In the government-wide statements, the premiums are amortized as interest over the life of the corresponding certificates of participation and bonds.

2001 Certificates of Participation, net of amortization of \$709,143	\$ 945,523
2003 Refunding Lease Revenue Bonds, net of amortization of \$101,269	184,920
2009 Lease Revenue Bonds, net of amortization of \$14,502	1,160,185
	<u>\$ 2,290,628</u>

SAN DIEGO REGIONAL BUILDING AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2009

Note 2 – Reconciliation of Government – wide and Fund Financial Statements (Continued)

B. Explanation of certain differences between the governmental funds statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental funds statement of revenues, expenditures, and changes in fund balances includes reconciliation between net change in fund balances – total governmental funds and change in net assets of governmental activities as reported in the government-wide statement of activities.

Repayment of bond and certificates of participation principal are reported as expenditures in governmental funds and thus has the effect of reducing fund balance because current financial resources have been used. For the Authority 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. The Authority's long term debt was reduced by the amount of principal payments made to bond and certificates of participation holders.

Debt principal repayment:

2001 Certificates of Participation	\$ 1,725,000
2003 Refunding Lease Revenue Bonds	535,000
	<u>\$ 2,260,000</u>

Leases receivable reported in the governmental funds offset by deferred revenue are not available to pay current expenditures. Likewise, when the leases are collected, they are reflected in revenue. This is the change to leases receivable during the fiscal year.

2001 Certificates of Participation	\$ 893,775
2003 Refunding Lease Revenue Bonds	3,067,746
	<u>\$ 3,961,521</u>

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. The details of this \$(2,711,574) difference are as follows:

Accrued Interest (net change)		
2001 Certificates of Participation	\$ 11,500	
2003 Refunding Lease Revenue Bonds	8,025	
2009 Lease Revenue Bonds	<u>(1,936,207)</u>	
		\$ (1,916,682)
Amortization of Premium		
2001 Certificates of Participation	75,112	
2003 Refunding Lease Revenue Bonds	17,612	
2009 Lease Revenue Bonds	<u>14,502</u>	
		107,226

SAN DIEGO REGIONAL BUILDING AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2009

Note 2 – Reconciliation of Government – wide and Fund Financial Statements (Continued)

B. Explanation of certain differences between the governmental funds statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities (Continued)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. The details of this \$(2,711,574) difference are as follows (Continued):

Amortization of deferred amount on refunding		
2001 Certificates of Participation	(635,419)	
2003 Refunding Lease Revenue Bonds	<u>(202,707)</u>	(838,126)
Amortization of issuance costs		
2001 Certificates of Participation	(25,735)	
2003 Refunding Lease Revenue Bonds	(19,655)	
2009 Lease Revenue Bonds	<u>(18,602)</u>	<u>(63,992)</u>
		<u><u>\$ (2,711,574)</u></u>

The issuance of long term debt provides current financial resources to governmental funds but has no effect on net assets. Also governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued. Whereas these amounts are deferred and amortized in the statement of activities. The details of this \$(136,552,833) difference are as follows:

Face value of Bonds issued	\$ (136,885,000)
Plus: Premiums	(1,174,687)
Less Issuance Costs	<u>1,506,854</u>
	<u><u>\$ (136,552,833)</u></u>

Note 3 – Cash and Investments

The Authority's cash and cash equivalents totaling \$158,117,838 are reported on the balance sheet and statement of net assets as "Cash and Investments". The County maintains a cash and investment pool that is available for use by all funds of the County and other agencies for which the County treasury is the depository. Interest earned on the pooled funds is accrued in a pooled interest apportionment fund and is allocated quarterly based on the average daily cash balances of the participating funds. It is adjusted to reflect fair value per GASB Statement No. 31.

Further disclosures regarding the County's cash and investment pool including investment policy are included in the notes to the County's Comprehensive Annual Financial Report for the fiscal year ended June 30, 2009.

SAN DIEGO REGIONAL BUILDING AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2009

Note 4 – Investments with Fiscal Agents

The Authority has funds totaling \$28,856,998 held by a trustee/fiscal agent pledged for the payment or security of certain bonds. The California Government Code provides these funds, in the absence of specific statutory provisions governing the issuance of bonds, may be invested in accordance with the ordinance, resolutions, or indentures specifying the types of investments its trustees or fiscal agents may make.

These ordinances, resolutions, and indentures are generally more restrictive than the Authority's general investment policy. In no instance have additional types of investments, not permitted by the Authority's general investment policy, been authorized.

Investments Authorized by Debt Agreements

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

Authorized Investment Types	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. Treasury Obligations	None	None	None
U.S. Government Agency Issues	None	None	None
Local Agency Obligations	None	None	None
Bankers Acceptance	1 year	None	None
Commercial Paper, Prime Quality	None	None	None
Medium Term Notes	5 years	None	None
Negotiable Certificates of Deposits	None	None	None
Repurchase Agreement	None	None	None
Reverse Repurchase Agreement	None	None	None
Investment Agreement	None	None	None
Money Market Fund	N/A	None	None
Local Agency Investment Fund (State Pool)	N/A	None	None
Mortgage Pass-Through Securities	5 years	None	None
Mortgage-Backed Securities	1 year	None	None
Collateralized Mortgage Obligation	5 years	None	None
San Diego County Pooled Investment Fund	N/A	None	None

SAN DIEGO REGIONAL BUILDING AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2009

Note 4 – Investments with Fiscal Agents (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 Authority 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 flows and liquidity needed for operations.

Information about the sensitivity of the fair values of the Authority's investments and those held by bond trustees to market interest rate fluctuations is provided by the following table that shows the distribution of the Authority's investments by maturity:

Investment Type	Totals	Remaining Maturity (in Months)					
		12 Months Or Less	13 to 24 Months	25 to 36 Months	37 to 48 Months	49 to 60 Months	More than 60 Months
Held by Trustees:							
U.S. Treasury Money							
Market	\$ 4,656,457	\$ 4,656,457	\$ -	\$ -	\$ -	\$ -	\$ -
U.S. Government Agencies	24,176,057	6,208,332	6,128,303	2,034,792		9,804,630	
Money Market Fund	24,484	24,484					
	<u>\$ 28,856,998</u>	<u>\$ 10,889,273</u>	<u>\$ 6,128,303</u>	<u>\$ 2,034,792</u>	<u>\$ -</u>	<u>\$ 9,804,630</u>	<u>\$ -</u>

Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

The Authority's investments (including investments held by trustees) include the following investments that are highly sensitive to interest rate fluctuations (to a greater degree than already indicated in the information provided above). The Authority does not hold any specific investments that need to be reported here.

SAN DIEGO REGIONAL BUILDING AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2009

Note 4 – Investments with Fiscal Agents (Continued)

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 Authority's investment policy, or debt agreements, and the actual rating as of fiscal year end for each investment type.

Investment Type	Amount	Minimum Legal Rating	Exempt From Disclosure	Rating as of Fiscal Year End		
				Moody's	Fitch	S&P's
Held by Trustees:						
U.S. Treasury Money Market						
First American Treasury Obligations Fund	\$ 1,064,837	N/A		Aaa	AAA	AAA m
Federated Treasury Obligation Fund	3,591,620	N/A		Aaa	N/A	AAA m
U.S. Treasury Money Market Total	<u>4,656,457</u>					
U.S. Government Agencies						
Federal Home Loan Bank- FHLB	5,328,315	N/A		Aaa	N/A	AAA
Federal Home Loan Mortgage Corporation- FHLMC	3,367,949	N/A		Aaa	N/A	AAA
Federal Home Loan Mortgage Corporation Strips- FHLMC Strips	863,126	N/A		N/R	N/R	N/R
Federal National Mortgage Association- FNMA	11,848,674	N/A		Aaa	N/A	AAA
Federal National Mortgage Association Strip- FNMA Strip	2,767,993	N/A		N/R	N/R	N/R
U.S. Government Agencies Total	<u>24,176,057</u>					
Money Market Fund						
Fidelity Institutional Government MM	24,484	N/A		Aaa	AAA	AAA m
Money Market Fund Total	<u>24,484</u>					
	<u>\$ 28,856,998</u>					

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the Authority's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits. The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure Authority deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

SAN DIEGO REGIONAL BUILDING AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2009

Note 4 – Investments with Fiscal Agents (Continued)

Custodial Credit Risk (Continued)

As of June 30, 2009, the Authority has all of its deposits pooled with the County. As of June 30, 2009, Authority investments in the following investment types were held by the same broker-dealer (counterparty) that was used by the Authority to buy the securities:

<u>Investment Type</u>	<u>Reported Amount</u>
U.S. Treasury Money Market	\$ 4,656,457
U.S. Government Agencies	24,176,057
Money Market Fund	24,484
Total	<u>\$ 28,856,998</u>

Note 5 - Long-Term Debt Obligations

A. The following is a summary of long-term obligation transactions of the Authority for the fiscal year ended June 30, 2009:

	<u>Balance July 1, 2008</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2009</u>	<u>Due in One year</u>
2001 Certificates of Participation	\$ 27,590,000	\$ -	\$ 1,725,000	\$ 25,865,000	\$ 1,790,000
2003 Refunding Lease Revenue Bonds	8,100,000		535,000	7,565,000	545,000
2009 Lease Revenue Bonds		136,885,000		136,885,000	
Total Long Term Debt Principal Outstanding	<u>35,690,000</u>	<u>136,885,000</u>	<u>2,260,000</u>	<u>170,315,000</u>	<u>2,335,000</u>
Unamortized Issuance Premiums	1,223,167	1,174,687	107,226	2,290,628	152,621
Unamortized Deferred Amounts on Refunding	(2,332,627)		(838,126)	(1,494,501)	(143,007)
Total Long-Term Debt Obligations	<u>\$ 34,580,540</u>	<u>\$ 138,059,687</u>	<u>\$ 1,529,100</u>	<u>\$ 171,111,127</u>	<u>\$ 2,344,614</u>

B. Metropolitan Transit System (MTS) Towers Project 2001 Certificates of Participation

On September 1, 2001, \$36,960,000 in Certificates of Participation were issued pursuant to a trust agreement among the trustee (State Street Bank and Trust), the County of San Diego and the Authority to advance refund \$39,035,000 in Certificates of Participation issued on October 22, 1991. The net proceeds of \$37,843,070 (after payment of \$771,596 in underwriting fees, insurance, and other issuance costs) plus an additional \$3,683,300 from the 1991 MTS Reserve account, the County contribution of \$1,136,105, an MTDB contribution of \$433,318, and additional funds on hand of \$138,051 were deposited as follows; \$3,153,291 was set aside in a certificate reserve fund, and \$40,080,553 was transferred into a trust with an escrow agent to provide for all future debt service payments on the 1991 Certificates of Participation. As a result, the 1991 Certificates of Participation are considered to be defeased and the liability for that debt has been removed.

The 2001 Certificates of Participation pay various interest rates ranging from 2.15% to 5.25%. Interest represented by the Certificates is payable on May 1 and November 1 of each year, commencing on May 1, 2002. The Certificates mature on various dates beginning on November 1, 2002, with a final maturity date of November 1, 2019.

SAN DIEGO REGIONAL BUILDING AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2009

Note 5 - Long-Term Debt Obligations (Continued)

B. Metropolitan Transit System (MTS) Towers Project 2001 Certificates of Participation (Continued)

As of June 30, 2009 the outstanding balance was \$25,865,000

The future minimum debt service requirements for the certificates are as follows:

Fiscal Year Ended June 30	Principal	Interest	Total
2010	\$ 1,790,000	\$ 1,263,496	\$ 3,053,496
2011	1,960,000	1,169,746	3,129,746
2012	1,945,000	1,072,121	3,017,121
2013	2,115,000	967,978	3,082,978
2014	2,185,000	855,103	3,040,103
2015-2019	12,890,000	2,322,043	15,212,043
2020	2,980,000	156,450	3,136,450
Total	<u>\$ 25,865,000</u>	<u>\$ 7,806,937</u>	<u>\$ 33,671,937</u>

C. San Miguel Consolidated Fire Protection District

On October 7, 2003, the Authority issued \$10,005,000 of Refunding Lease Revenue Bonds, Series 2003 pursuant to a trust agreement between trustee (U.S. Bank National Association) to advance refund \$13,095,000 of 1993A Refunding Lease Revenue Bonds issued on September 1, 1993. The gross proceeds of \$10,291,189 include the par amount of \$10,005,000 and a reoffering premium of \$286,189. This amount plus the prior debt service reserve fund of \$946,848 and San Miguel Fire Protection District contribution of \$500,000 were used as follows: \$10,513,416 was deposited into a trust with an escrow agent to provide for all future debt service payments on the 1993A Certificates of Participation, \$905,225 was deposited to a debt service reserve fund, and \$319,396 was used to pay costs of issuance, underwriter's discount, and bond insurance. As a result, the 1993A Refunding Lease Revenue Bonds are considered to be defeased and the liability for that debt has been removed.

The 2003 Refunding Lease Revenue Bonds were issued as follows:

Serial Bonds – A portion of the principal is due each fiscal year beginning in fiscal year 2005, with a final maturity date of January 1, 2020. Fixed interest rates range from 2.00% to 4.50%. \$ 10,005,000

As of June 30, 2009 the outstanding balance was \$7,565,000

SAN DIEGO REGIONAL BUILDING AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2009

Note 5 - Long-Term Debt Obligations (Continued)

C. *San Miguel Consolidated Fire Protection District (Continued)*

The following is a debt service schedule to maturity for these bonds:

Fiscal Year Ended June 30	Principal	Interest	Total
2010	\$ 545,000	\$ 342,725	\$ 887,725
2011	570,000	320,925	890,925
2012	595,000	295,275	890,275
2013	625,000	265,525	890,525
2014	655,000	234,275	889,275
2015-2019	3,720,000	723,950	4,443,950
2020	855,000	38,475	893,475
Total	<u>\$ 7,565,000</u>	<u>\$ 2,221,150</u>	<u>\$ 9,786,150</u>

D. *San Diego Regional Building Authority Lease Revenue Bonds- County Operations Center and Annex Project*

In February 2009, the Authority issued \$136,885,000 of fixed rate serial and term lease revenue bonds titled, "County Operations Center and Annex Project Series 2009 A" (the "Bonds"). These Bonds consist of \$87,350,000 Serial Series 2009 A Bonds issued at fixed interest rates ranging from 3.00% to 5.50% with maturity dates ranging from February 1, 2012 through February 1, 2030 and \$49,535,000 Term Bonds issued at a fixed rate of 5.38% with a maturity date of February 1, 2036.

These Bonds were issued with a premium of \$1,174,687 million. Bond proceeds of \$138,059,687 along with County contributions of \$66,242,947 were distributed as follows: 1) \$178,400,729 to finance the acquisition, construction and improvement of certain County facilities, including facilities to be used as an operation center located in the Kearny Mesa community of San Diego County; 2) \$14,491,709 to fund capitalized interest to pay interest during the construction period; 3) \$9,878,906 to fund a Reserve Fund; 4) and \$1,506,854 to pay certain costs of issuance incurred in connection with these bonds; and \$24,475 was set aside to be used for various ongoing debt related costs.

As of June 30, 2009 the outstanding balance was \$136,885,000

SAN DIEGO REGIONAL BUILDING AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2009

Note 5 - Long-Term Debt Obligations (Continued)

D. San Diego Regional Building Authority Lease Revenue Bonds- County Operations Center and Annex Project (Continued)

The following is a debt service schedule to maturity for these bonds:

Fiscal Year Ended June 30	Principal	Interest	Total
2010	\$ -	\$ 6,277,057	\$ 6,277,057
2011		6,745,494	6,745,494
2012	3,130,000	6,745,494	9,875,494
2013	3,225,000	6,651,592	9,876,592
2014	3,320,000	6,554,844	9,874,844
2015-2019	18,580,000	30,805,219	49,385,219
2020-2024	22,950,000	26,431,319	49,381,319
2025-2029	29,305,000	20,075,625	49,380,625
2030-2034	38,105,000	11,277,775	49,382,775
2035-2036	18,270,000	1,485,919	19,755,919
Total	<u>\$ 136,885,000</u>	<u>\$ 123,050,338</u>	<u>\$ 259,935,338</u>

Note 6 - Future Lease Income

Direct Financing Leases

MTS Towers – Project

The Authority has entered into a direct financing lease of the land and building with the County. This lease is disclosed as long term debt on the County's financial statements as the Authority is a blended component unit of the County of San Diego. Upon final payment of principal and interest on the 2001 MTS COPs, the building will be transferred to MTDB. Similarly upon final payment of principal and interest on the 2001 MTS COPs, 78.04% of the parking structure will transfer to the County of San Diego and 21.96% will transfer to MTDB.

It is the obligation of the County to make the full lease payments to the Authority. However, the County subleases a portion of the building to MTDB. The County's share of the lease payment is 72.39%, and MTDB's portion is 27.61%. The lease payments received will be used to pay the debt service on the Certificates of Participation.

SAN DIEGO REGIONAL BUILDING AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2009

Note 6 - Future Lease Income (Continued)

Direct Financing Leases (Continued)

MTS Towers – Project (Continued)

The total future minimum lease payments to be received are as follows:

Fiscal Year Ended June 30	County of San Diego	MTDB	Total
2010	\$ 2,210,426	\$ 843,070	\$ 3,053,496
2011	2,265,623	864,123	3,129,746
2012	2,184,094	833,027	3,017,121
2013	2,231,767	851,211	3,082,978
2014	2,200,731	839,372	3,040,103
2015-2019	11,011,998	4,200,045	15,212,043
2020	2,270,476	865,974	3,136,450
Total minimum lease payments receivable	<u>\$ 24,375,115</u>	<u>\$ 9,296,822</u>	<u>\$ 33,671,937</u>

San Miguel Consolidated Fire Protection District

On October 1, 2003, the direct financing lease between the Authority and the San Miguel Consolidated Fire Protection District for the construction of the fire station was amended and restated relating to the \$10,005,000 Refunding Lease Revenue Bonds, Series 2003. The lease payments to be received will be used to pay the debt service on the Lease Revenue Bonds, Series 2003. The lease expires on January 1, 2020. This lease is disclosed as long term debt on the County's financial statements as the Authority is a blended component unit of the County of San Diego.

The total future minimum lease payments to be received are as follows:

Fiscal Year Ended June 30	Amount
2010	\$ 887,725
2011	890,925
2012	890,275
2013	890,525
2014	889,275
2015-2019	4,443,950
2020	893,475
Total minimum lease payments receivable	<u>\$ 9,786,150</u>

SAN DIEGO REGIONAL BUILDING AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2009

Note 6 - Future Lease Income (Continued)

Direct Financing Leases (Continued)

County Operations Center and Annex Project

The Authority has entered into a direct financing lease of land and building with the County. Pursuant to the "Facility Lease", the County will sublease from the Authority the "Leased Property" which consists of the "Real Property"- 37.2 acres of land- and the "2009 Project"-a central plant, two 150,000 square-foot office buildings, a seven level parking structure and related improvements. The land and building are included in the County's Basic Financial Statements. This lease is disclosed as long term debt on the County's financial statements as the Authority is a blended component unit of the County of San Diego.

It is the obligation of the County to make the full lease payments to the Authority. The lease payments received will be used to pay the debt service on the Lease Revenue Bonds.

The total future minimum lease payments to be received are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Amount</u>
2010	\$ -
2011	
2012	7,626,995
2013	9,876,592
2014	9,874,844
2015-2019	49,385,220
2020-2024	49,381,320
2025-2029	49,380,626
2030-2034	49,382,776
2035-2036	<u>19,755,919</u>
Total minimum lease payments receivable	<u>\$ 244,664,292</u>

SAN DIEGO REGIONAL BUILDING AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2009

Note 7 - Commitments

Operating Lease

County Operations Center and Annex Project

On February 1, 2009, a Site Lease was executed between the Authority (Lessee) and the County (Lessor), for the "Real Property"- that portion of land upon which the 2009 Project is constructed. The term of the lease is 28 years and expires simultaneously with the Facility lease. The lease does not meet the criteria for capitalization under Financial Accounting Standards Board (FASB) Statement No. 13, and is, therefore, accounted for as an operating lease. Operating leases do not give rise to property rights or lease obligations and, therefore, the result of this lease agreement is not reflected in the Authority's statements.

Upon the execution and delivery of the Facility Lease on February 1, 2009, the Authority paid to the County an advance rent of \$1 which constituted full payment over the term of the lease.

MTS Towers Project

On November 1, 1987, a Ground Lease was executed between the Authority (lessee) and MTDB (lessor), for that portion of land upon which the office structure was constructed. The term of the lease is 99 years; however, the tenant has the option to terminate the lease on November 1, 2042, and each tenth anniversary thereafter. The lease does not meet the criteria for capitalization under Financial Accounting Standards Board (FASB) Statement No. 13, and is, therefore, accounted for as an operating lease. Operating leases do not give rise to property rights or lease obligations and, therefore, the result of this lease agreement is not reflected in the Authority's statements.

Per an amendment to the Ground Lease, dated September 1, 2001, the minimum rent was adjusted to \$1 per fiscal year until the Certificates of Participation (COP) issued on September 1, 2001 and any additional Certificates, as defined in the Certificate Trust Agreement remain outstanding. The September 1, 2001 COPs are currently scheduled to be paid off by November 1, 2019.

Commencing on November 1 when the last outstanding COPs are paid in full (November 1, 2019), the Authority shall pay monthly minimum lease payments of \$22,708. The \$22,708 minimum lease payment will be subject to adjustment every five years beginning after November 1, 2002 and ending November 1, 2042 to reflect any increases in the Bureau of Labor's Consumer Price Index. In addition, on November 1, 2042, and every ten years thereafter, the minimum rent will be adjusted to 80% of the fair rental value of the premises, as mutually agreed upon by the MTDB and the Authority.

SAN DIEGO REGIONAL BUILDING AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2009

Note 7 - Commitments (Continued)

Operating Lease (Continued)

MTS Towers Project (Continued)

Future minimum rental payments, exclusive of Consumer Price Index adjustments and renewal of the lease on November 1, 2042, are as follows:

Fiscal Year Ended June 30	Amount
2010	\$ 1
2011	1
2012	1
2013	1
2014	1
2015-2019	181,668
2020-2024	1,362,480
2025-2029	1,362,480
2030-2034	1,362,480
2035-2039	1,362,480
2040-2043	635,824
Total minimum payment required	\$ 6,267,417

Note 8 - Restatement

In fiscal year 2008-2009 it was determined that the Authority's long term interest portion of the leases receivable from the County and the San Miguel Consolidated Fire Protection District were required to be reported. This resulted in increases of \$9,149,683 and \$2,579,925, respectively, to the beginning net assets of the Authority's Statement of Activities, for a total combined increase of \$11,729,608, as noted below:

Net asset balance as of June 30, 2008	\$ 6,254,296
Adjustment for restatement	11,729,608
Net asset balance, restated June 30, 2008	\$ 17,983,904



MOSS, LEVY & HARTZHEIM LLP

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**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 of Directors
San Diego Regional Building Authority
San Diego, California

We have audited the financial statements of the governmental activities and each major fund of the San Diego Regional Building Authority (Authority) as of and for the fiscal year ended June 30, 2009, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated November 25, 2009. 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 Authority's internal control over financial reporting as a basis for designing 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 Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority'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 of control deficiencies, that adversely affects Authority's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of Authority's financial statements that is more than inconsequential will not be prevented or detected by Authority'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 Authority'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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority'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. 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 instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Authority's Board of Directors, management, the California 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.

Moss, Levy & Hartzheim

Moss, Levy & Hartzheim, LLP
Beverly Hills, California
November 25, 2009