

**REDEVELOPMENT AGENCY OF
THE CITY OF ROSEVILLE
BASIC COMPONENT UNIT
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009**

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INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

Members of the Governing Board
Redevelopment Agency of the City of Roseville
Roseville, California

We have audited the accompanying financial statements of the governmental activities and each major fund of the Redevelopment Agency of the City of Roseville, a component unit of the City of Roseville, California, as of and for the year ended June 30, 2009, which collectively comprise the Agency's basic component unit financial statements as listed in the Table of Contents. These basic component unit financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in the United States of America and the standards for 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 component unit financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the basic component unit 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 opinion.

In our opinion, the financial statements referred to above present fairly in all material respects, the financial position of the governmental activities and each major fund of the Agency as of June 30, 2009 and the respective changes in the financial position and the respective budgetary comparisons for the General and Low and Moderate Income Housing Set-Aside Funds for the year then ended, in conformity with generally accepted accounting principles in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 6, 2009 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 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.

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

Our audit was made for the purpose of forming an opinion on the component unit financial statements taken as a whole. The supplemental information listed in the Table of Contents is presented for purposes of additional analysis and is not a required part of the component unit financial statements of the Redevelopment Agency of the City of Roseville. Such information has been subjected to the auditing procedures applied in our audit of the component unit financial statements, and in our opinion is fairly stated in all material respects in relation to the component unit financial statements taken as a whole.

Maze & Associates

November 6, 2009

MANAGEMENT’S DISCUSSION AND ANALYSIS

The Agency has issued its financial statements in the format prescribed by the provisions of Government Accounting Standards Board Statement 34 (GASB 34), which requires the Agency to provide this overview of its financial activities for the fiscal year. Please read this overview in conjunction with your reading of the accompanying Basic Financial Statements.

As a component unit of the City of Roseville, the Agency’s purpose is to eliminate blight in its project areas, all of which are in the City, while ensuring an adequate stock of low and moderate income housing. The Agency has the power to condemn properties for this purpose and to issue debt payable out of the incremental property taxes expected to be realized as a result of its redevelopment activities. The Agency may enter into development agreements with developers and others to further its purposes.

The Agency’s operations are funded primarily by property tax increments generated by increased assessments in the redevelopment areas.

FISCAL 2009 FINANCIAL HIGHLIGHTS

During Fiscal 2009, the Agency was affected by a severely weakened economy that resulted in lower tax increment revenues than in previous years. According to the Placer County Assessor, fiscal year 2009 assessed values declined 2.24% from fiscal year 2008 primarily due to successful property tax appeals in response to lower property values. For the Project Area, a total of 100 residential parcels were reduced by \$6.6 million for 2008-09. Although these Prop 8 appeals are temporary, this coupled with a lower than expected level of property resales and resales at reduced values, the Agency experienced a \$647,000 loss in tax revenues; an 8.6% reduction from fiscal year 2008. This decrease came after a growth rate that averaged a booming 30.7% between fiscal year 2000 and 2008.

Redevelopment Agency of the City of Roseville									
Tax Increment Receipts									
2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
\$1,001,065	\$1,726,888	\$2,834,738	\$3,102,071	\$4,111,021	\$4,819,561	\$5,182,380	\$6,737,370	\$7,535,590	\$6,888,510
% Change	72.5%	64.2%	9.4%	32.5%	17.2%	7.5%	30.0%	11.8%	-8.6%
Average 2000-2008								30.7%	

Source: RDA Historical TI Revenues

Agency-wide:

- The Agency’s net assets totaled (\$17.9) million at June 30, 2009, all of which were Governmental assets.
- Agency-wide revenues included program revenues of \$.7 million and general revenues and transfers of \$11.4 million for a total of \$12.1 million.
- Total Agency-wide expenses were \$6.7 million, of which \$2.6 million were for Program administration, \$2.0 million were for pass-through payments, and \$2.1 million was for interest on long-term debt.

Fund Level:

- Governmental Fund balances increased to \$13.1 million in fiscal 2009, an increase of \$.5 million from the prior year’s \$12.6 million.
- Governmental Fund revenues decreased to \$8.4 million in fiscal 2009, down \$.8 million from the prior year’s \$9.2 million.

- Governmental Fund expenditures decreased to \$11.6 million in fiscal 2009, down \$5.1 million the prior year's \$16.7 million

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

This report is in two parts:

- 1) Management's Discussion and Analysis (this part),
- 2) The Basic Financial Statements, which include the Agency-wide and the Fund Financial Statements, along with the Notes to these financial statements.

The Basic Financial Statements

The Basic Financial Statements comprise the Agency-wide Financial Statements and the Fund Financial Statements. These two sets of financial statements provide two different views of the Agency's financial activities and financial position—long-term and short-term.

The Agency-wide Financial Statements provide a longer-term view of the Agency's activities as a whole, and comprise the Statement of Net Assets and the Statement of Activities. The Statement of Net Assets provides information about the financial position of the Agency as a whole, including all its capital assets and long-term liabilities on the full accrual basis, similar to that used by corporations. The Statement of Activities provides information about all the Agency's revenues and all its expenses, also on the full accrual basis, with the emphasis on measuring net revenues or expenses of the Agency's community development and planning program. The Statement of Activities explains in detail the change in Net Assets for the year.

The Fund Financial Statements report the Agency's operations in more detail than the Agency-wide statements and focus primarily on the short-term activities of the Agency's General Fund and Low and Moderate Income Housing Fund. The Fund Financial Statements measure only current revenues and expenditures, current assets, liabilities and fund balances; they exclude capital assets.

Major Funds account for the major financial activities of the Agency and are presented individually and are explained below. All of the Agency's funds are major funds.

The Agency-wide Financial Statements

All of the Agency's basic services are considered to be governmental activities, including community development and planning. These services are supported by general Agency revenues such as property tax increment, and by program revenues such as grants.

Agency-wide financial statements are prepared on the accrual basis, which means they measure the flow of all economic resources of the Agency as a whole.

Fund Financial Statements

Governmental Fund financial statements are prepared on the modified accrual basis, which means they measure only current financial resources and uses. Capital assets and other long-lived assets, along with long-term liabilities, are presented only in the Agency-wide financial statements.

The Fund financial statements provide detailed information about each of the Agency's most significant funds, called Major Funds. Each Major Fund is presented individually.

The Agency has three Major Funds in 2009. These are the General Fund, the Low and Moderate Income Housing Fund and the Debt Service Fund.

FINANCIAL ACTIVITIES OF THE AGENCY AS A WHOLE

Statement of Net Assets

The Agency's net assets increased \$.8 million to (\$17.9) million in 2009, up from a deficit of (\$18.8) million in 2008. This increase in the Change in Net Assets reflected in the Statement of Activities. The Agency's Net Assets at June 30, 2009 are discussed below:

- Cash and investments available for the Agency's operations and capital improvement projects were \$31.3 million, all of which was invested in accordance with applicable State statutes and City ordinance in the City of Roseville's cash and investment pool.
- Loans to qualifying individuals and groups for the purpose of assisting in eliminating blight were \$5.7 million. These loans were made under various programs and substantially all are long-term in nature.
- Land held for redevelopment and capital assets were \$3.2 million. These assets include the land and buildings discussed in Notes 5 and 9. Capital assets in the amount of \$4.4 million were transferred to the City.
- The Agency's long-term advances increased from \$11.8 million to \$14.1 million due to debt increases of \$3 million and repayment of \$.7 million.
- Other assets and liabilities included normal business receivables and payables.

Statement of Net Assets (Dollars in thousands)

Assets:	2009	2008
Current and other assets	37,497	\$32,443
Capital assets and land held for redevelopment	<u>3,200</u>	<u>3,748</u>
Total assets	<u>40,697</u>	<u>36,191</u>
Liabilities:		
Current and other liabilities	3,802	2,417
Noncurrent liabilities	<u>54,828</u>	<u>52,575</u>
Total liabilities	<u>58,630</u>	<u>54,992</u>
Net Assets:		
Invested in capital assets		
Restricted for debt service	16,400	16,743
Restricted for low & moderate housing	6,567	6,292
Unrestricted	<u>(40,900)</u>	<u>(41,835)</u>
Total net assets (deficit)	<u>(\$17,933)</u>	<u>(\$18,800)</u>

Statement of Activities

Of the Agency's fiscal 2009 revenue, \$6.8 million came from incremental property taxes. This amount compares with \$7.5 million in fiscal 2008, a decrease of \$.7 million due in part to successful Proposition 8 Appeals and reduced supplemental tax revenues that result when property is re-assessed due to a change in ownership. Assessed values decreased by \$16.6 million. Investment earnings accounted for \$.8 million of Agency revenues, a decrease of \$.7 million from 2008.

Functional expenses include only current year expenses, which are discussed in detail below. It does not include capital outlays. In fiscal 2009, the Agency transferred \$4.5 million in capital assets to the City for future maintenance. The composition of fiscal 2009's capital asset additions and retirements is shown in detail at Note 5.

The Agency transferred \$.3 million to the City of Roseville for indirect costs. Interest on long term debt decreased to \$2.1 million, a decrease of \$.3 million from fiscal year 2008.

The Statement of Activities presents program revenues and expenses and general revenues in detail. All these are elements in the Change in Net Assets for the year. The Statement of Activities shows the net cost of each of the Agency's programs—Community development and planning, and interest. Net cost is defined as total program cost less the revenues generated by those specific activities. In the Agency's case, program revenues of \$.7 million was not enough to offset Community development and planning, and debt service interest costs of \$6.0 million due to the fact that the Agency's main source of revenues is property tax increment which is a general revenue.

A summary of the statement of activities follows:

Statement of Activities
(Dollars in thousands)

Revenues:	2009	2008
General Revenues		
Taxes	\$6,889	\$7,536
Interest Earnings	\$776	1,447
Miscellaneous	\$24	106
Capital Grants and Contributions	\$712	<u>66</u>
Total Revenues	<u>\$8,401</u>	<u>\$9,154</u>
Expenses:		
Community Development	2,636	3,456
Pass-through Payments	1,990	1,293
Interest on Long Term Debt	<u>2,146</u>	<u>2,395</u>
Total Expenses	<u>6,772</u>	<u>7,144</u>
Net Program expense	6,060	7,079
Transfers (net)	3,696	720
Contributions to City of Roseville and Loss on Sale of Property	(4,457)	(6,015)
Changes in net assets	<u>868</u>	<u>(3,286)</u>
Net assets (deficit) beginning	(18,800)	<u>(15,515)</u>
Net assets (deficit) ending	(\$17,933)	(\$18,800)

Fund Financial Statements

At June 30, 2009, the Agency's funds reported combined fund balances of \$13.1 million, an increase of \$.5 from fiscal 2008. The General Fund balance increased \$.5 million, the Low and Moderate Income Housing Fund balance increased \$.3 million and the Debt Service Fund decreased by \$.3 million.

Revenues at the fund level decreased \$.8 million this year to a new total of \$8.4 million, which was primarily from tax increment in the General Fund.

Expenditures decreased \$5.1 million this year to \$11.6 million. Expenditures of the General Fund were \$8.5 million, Low and Moderate Income Housing Fund expenditures were \$.9 million, and the Debt Service Fund expenditures were \$2.3 million.

Analyses of Major Funds

General Fund

The General Fund accounts for monies received from tax increment funds for major capital projects in the Redevelopment Plan and Roseville Flood Control Redevelopment Project Areas.

The Agency's commercial rehabilitation loan program for small business owners for renovating and rehabilitating commercial property in need of repair are accounted for in this Fund. In this Fund, new loans are accounted for as expenditures and repayments on loans are accounted for as revenues. The balance of outstanding loans is recorded as a receivable, with an offsetting credit to deferred revenue.

The Fund's revenues were \$7.9 million in fiscal 2009, a decrease of \$.2 million. Tax revenues were \$6.8 million in fiscal 2009, a decrease of \$.7 million from fiscal 2008. The decrease was mainly due to the decrease in supplemental tax revenues that result when property is re-assessed due to a change in ownership. Investment earnings decreased \$.1 million, as equal average investment balances were accompanied by modest interest rate decreases.

Fund expenditures were \$8.5 million in fiscal 2009, a decrease of \$3.6 million. Capital outlay of \$4.3 million was \$3.0 million lower than the prior year. The Historic District was completed in February of 2008 and the Riverside Streetscape construction did not begin until October of 2008.

Included in other financing sources in fiscal 2009 was a net \$1.1 million for transfers in, representing 1) transfer in of bond proceeds for CIP project expense reimbursements, 2) property tax increments transferred to the Low and Moderate Income Housing Fund, 3) indirect costs transferred to the City of Roseville, 4) transfer to debt service fund for annual principal and interest due on bonds.

The Fund's fiscal year end fund deficit of (\$6.2) million will be eliminated by future property tax increment collected by the Agency.

Low and Moderate Income Housing Fund

This Fund accounts for the portion of property tax increment required under California law to be set aside to fund low and moderate income housing expenditures. The Agency's homebuyer assistance loan program for low and moderate income residents and similar loans to non-profit corporations developing such housing are accounted for in this Fund. In this Fund, new loans are accounted for as expenditures and repayments on loans are accounted for as revenues. The balance of outstanding loans is recorded as a receivable, with an offsetting credit to deferred revenue.

The Fund's operations are financed by periodic transfers from the General Fund; 20% of each tax increment payment that is received by the Agency. In fiscal 2009, these transfers amounted to \$1.37 million, a decrease of \$.1 million from fiscal 2008 due to the decrease in tax increment received and the reduced assessed valuations in property as discussed above.

In fiscal 2009, the balances of loans under the above programs increased to \$4.4 million at June 30, 2009, up \$.7 million from the prior year. The \$.7 million increase was due to loans made to fund construction for Eskaton Roseville Manor; a senior, very-low income apartment complex and for First-time homebuyer loans for Victoria Station. Principal payments and in many cases interest payments are deferred on these low and moderate income loans until the property is sold or re-financed, and are not considered Fund revenues until they are received. Principal and interest on loans to non-profit developers of such properties typically are at below-market rates and payments are deferred for considerable periods of years to assist these non-profit organizations in their efforts to develop such housing.

All these loans are secured by deeds of trust on the underlying properties. If the facilities constructed with these loans are not used for the purposes intended, the loans become due and payable immediately. However, the intent of many of these loans is that they become grants at the end of their term if the borrower has used the proceeds for the purposes intended.

One loan repayment in the amount of \$18,201 (principal); the sixth of a ten year loan, was received in fiscal 2009. Interest revenue decreased \$8,400 from fiscal 2008.

The Fund's fiscal year-end fund balance of \$2.8 million is available only to fund future low and moderate income housing expenditures.

DEBT SERVICE FUND

This fund accounts for resources used for the purpose of paying the principal, interest and related costs on the Agency's pledge of tax increment for the repayment of the 2002 Tax Allocation Bonds, 2006A, 2006AT, and 2006HT Tax Allocation Bonds which are more fully described in Note 6 to the financial statements.

2002 Tax Allocation Bonds

On October 23, 2002 the Redevelopment Agency issued Tax Allocation Bonds in the original principal amount of \$14,500,000 to fund certain redevelopment activities of benefit to property within the Agency's Roseville Redevelopment Project Area. The Bonds are special obligations of the Agency and are secured by the Agency's tax increment revenue. Principal payments are payable annually on September 1 and interest payments are due semi-annually on March 1 and September 1, through September 1, 2033. Debt service expenditures included \$635,500 in interest and fiscal fees and \$290,000 in principal payments. As of June 30, 2009, the total principal and interest remaining to be paid on the bonds is \$22,058,480.

2006A Tax Allocation Bonds

On October 26, 2006, the Redevelopment Agency issued Tax Allocation Bonds Series 2006 A, Taxable Tax Allocation Bonds Series 2006 A-T, and Taxable Tax Allocation Bonds, Series 2006 H-T in the amounts of \$13,155,000, \$3,285,000, and \$6,505,000, respectively, for a total principal amount of \$22,945,000. The Series A bonds bear interest at 4.50%-5.00%, the Series A-T at 5.31%-5.90%, and the Series H-T at 5.31%-6.07%. The proceeds for the Series A and Series A-T bonds are being used to fund redevelopment activities of benefit to property within the Agency's Redevelopment Project Area. The proceeds for the Series H-T bonds are being used to pay the costs of low- and moderate-income housing projects of the Agency's Redevelopment Project Area. The Series A and Series A-T bonds are secured by tax revenues, which are allocated to the Agency from the Project Area. The Series H-T bonds are secured by the tax increment revenue deposited in the Agency's Low and Moderate Income Housing Fund. Interest on the bonds is payable semiannually on March 1 and September 1. Principal for the Series A and Series H-T bonds is payable annually on September 1 through 2040. Principal for the Series A-T is payable annually on September 1 through 2028. Debt service expenditures included \$1,197,231 in interest payments and fiscal fees and \$150,000 in principal payments. As of June 30, 2009, the total principal and interest remaining to be paid on the bonds is \$51,196,131.

DEBT ADMINISTRATION

The Agency had five advances from the City of Roseville totaling \$14.1 million.

Redevelopment Agency of the City of Roseville					
Long-Term Interfund Advances					
as of June 30, 2009					
<i>Fund Making Advance</i>					
<i>Fund Receiving Advance</i>	Auto Replacement	General Fund	Affordable Housing	Gas Tax	Total
295-RDA General Fund	829,201	1,235,671			2,064,872
295-RDA General Fund		4,000,000			4,000,000
296-Low Mod-Fund			50,000		50,000
297-Flood Area		4,124,865		3,900,000	8,024,865
Total	\$829,201	\$9,360,536	\$50,000	\$3,900,000	\$14,139,737

Of the total advances to the Agency, \$6.2 million accrues interest at the City's average pooled rate of 3.04% as of June 30, 2009 and are due in 2029. \$1.0 million of the advances accrue interest at 3.15% and is this one is due in 2023. The \$3.9 million advance is interest free and is due in 2029 and \$3.0 million is also interest free and is due in 2034.

On October 23, 2002 the Redevelopment Agency issued Tax Allocation Bonds in the original principal amount of \$14,500,000 to fund certain redevelopment activities within the Agency's Roseville Redevelopment Project Area. As of June 30, 2009, the Agency has \$12,890,000 of outstanding long-term debt for this bond issue.

On October 26, 2006 the Redevelopment Agency issued Tax Allocation Bonds, Taxable Allocation Bonds, and Taxable Tax allocation Housing bonds in the original principal amount of \$13,155,000, \$3,285,000 and \$6,505,000 respectively. The Series A and Series A-T bonds are secured by tax revenues, which are allocated to the Agency from the Project Areas. The Series H-T bonds are secured by the tax increment revenue deposited in the Agency's Low and Moderate Income Housing Fund. As of June 30, 2009, the Agency has \$22,415,000 of outstanding long-term debt for this bond issue. This debt issued is discussed in Note 6 to the financial statements.

Redevelopment Agency of the City of Roseville						
Tax Allocation Bonds						
as of June 30, 2009						
Issue	Issue Date	Original Issue Amount	Balance June 30, 2008	Retirements	Balance June 30, 2009	Current Portion
Series 2002	10/23/2002	14,500,000	13,180,000	290,000	12,890,000	300,000
Series 2006 A	10/26/2009	13,155,000	13,155,000		13,155,000	
Series 2006 AT	10/26/2009	3,285,000	3,045,000	80,000	2,965,000	90,000
Series 2006 HT	10/26/2009	6,505,000	6,365,000	70,000	6,295,000	70,000
Total Debt Activity		37,445,000	35,745,000	440,000	35,305,000	460,000

CAPITAL ASSETS

GASB 34 requires the Agency to record all its capital assets including any infrastructure. At the end of fiscal 2009, capital assets recorded on the Agency's financial statements, at cost, included \$3.2 million in land held for resale.

Capital assets in the amount of \$4.3 million were transferred to the City for future maintenance.

CAPITAL ASSETS		
(Dollars in thousands)		
	2009	2008
Land	\$3,201	\$3,748
Construction in Progress		
Improvements		
Less Accumulated Depreciation		
Total	<u>\$3,201</u>	<u>\$3,748</u>

ECONOMIC OUTLOOK AND MAJOR INITIATIVES

The economy of the City and major initiatives of the Agency for the coming year are discussed in detail in the Transmittal Letter to the City of Roseville Annual Financial Report for the fiscal year ended June 30, 2009.

CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT

These financial statements are intended to provide citizens, taxpayers, investors, and creditors with a general overview of the Agency's finances. Questions about this Report should be directed to the Finance Department, at 311 Vernon Street, Roseville, CA 95678.

<p style="text-align: center;">STATEMENT OF NET ASSETS AND STATEMENT OF ACTIVITIES</p>

The Statement of Net Assets and the Statement of Activities summarize the entire Agency’s financial activities and financial position. They are prepared on the same basis as is used by most businesses, which means they include all the Agency’s assets and all its liabilities, as well as all its revenues and expenses. This is known as the full accrual basis — the effect of all the Agency’s transactions is taken into account, regardless of whether or when cash changes hands, but all material internal transactions between Agency funds have been eliminated.

The Statement of Net Assets reports the difference between the Agency’s total assets and the Agency’s total liabilities, including all the Agency’s capital assets and all its long-term debt. The Statement of Net Assets focuses the reader on the composition of the Agency’s net assets, by subtracting total liabilities from total assets. The Statement of Net Assets summarizes the financial position of all the Agency’s financial positions in a single column.

The Statement of Activities reports increases and decreases in the Agency’s net assets. It presents the Agency’s expenses that are listed by program first. Program revenues — that is, revenues which are generated directly by these programs — are then deducted from program expenses to arrive at the net expense of each program. The Agency’s general revenues are then listed and the Change in Net Assets is computed and reconciled with the Statement of Net Assets. It is also prepared on the full accrual basis, which means it includes all the Agency’s revenues and all its expenses, regardless of when cash changes hands. This differs from the “modified accrual” basis used in the Fund Financial Statements, which reflect only current assets, current liabilities, available revenues and measurable expenditures.

REDEVELOPMENT AGENCY OF THE CITY OF ROSEVILLE
STATEMENT OF NET ASSETS
JUNE 30, 2009

	<u>Governmental Activities</u>
ASSETS	
Cash and investments in City Treasury (Note 2)	\$14,284,981
Restricted cash and investments with fiscal agents (Note 2)	17,040,390
Receivables:	
Accounts	30,340
Taxes	373,361
Accrued interest	73,507
Notes receivable (Note 3)	5,694,302
Land held for resale (Note 9)	<u>3,200,668</u>
Total assets	<u>40,697,549</u>
LIABILITIES	
Accounts payable	1,617,555
Accrued liabilities	702,044
Due to the City (Note 4C)	759,525
Due to other government agencies	722,851
Advances from the City (Note 4D)	14,139,737
Deferred liabilities	5,376,747
Deposits	6,606
Long-term liabilities (Note 6):	
Due within one year	460,000
Due in more than one year	<u>34,845,000</u>
Total liabilities	<u>58,630,065</u>
NET ASSETS (DEFICIT) (Note 10)	
Restricted for:	
Debt service	16,399,932
Low and moderate income housing	6,567,289
Unrestricted net assets (deficit)	<u>(40,899,737)</u>
Total net assets (deficit)	<u><u>(\$17,932,516)</u></u>

See accompanying notes to basic financial statements

**REDEVELOPMENT AGENCY OF THE CITY OF ROSEVILLE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009**

Program expenses:	
Community development and planning:	
Program administration	\$2,635,897
Pass-through payments (Note 7)	1,989,571
Interest	<u>2,145,973</u>
Total program expenses	<u>6,771,441</u>
Program revenues:	
Operating grants and contributions	<u>712,055</u>
Total program revenues	<u>712,055</u>
Net program expense	<u>6,059,386</u>
General revenues:	
Property tax increment	6,888,510
Use of money and property	776,057
Miscellaneous revenues	23,846
Contributions to the City of Roseville (Note 5A)	(4,457,404)
Transfers in from the City of Roseville (Note 4B)	4,037,192
Transfer (out) to the City of Roseville (Note 4B)	<u>(340,925)</u>
Total general revenues and transfers	<u>6,927,276</u>
Change in Net Assets	867,890
Net assets (deficit)-beginning	<u>(18,800,406)</u>
Net assets (deficit)-ending	<u><u>(\$17,932,516)</u></u>

See accompanying notes to basic financial statements

FUND FINANCIAL STATEMENTS

Major funds are defined generally as having significant activities or balances in the current year.

The funds described below were determined to be Major Funds by the Agency for fiscal 2009.

GENERAL FUND

This fund accounts for monies received from tax increment funds for major capital projects in the Redevelopment Plan and Roseville Flood Control Redevelopment Project Areas.

LOW AND MODERATE INCOME HOUSING

This fund accounts for the twenty percent housing set aside from the tax increment proceeds from the Redevelopment Plan Project Area and Roseville Flood Control Redevelopment Project.

DEBT SERVICE FUND

This fund accounts for payment of interest and principal on the 2002, 2006A, 2006AT, and 2006HT Tax Allocation Bonds.

**REDEVELOPMENT AGENCY OF THE CITY OF ROSEVILLE
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2009**

	General	Low and Moderate Income Housing	Debt Service	Total Governmental Funds
ASSETS				
Cash and investments in City Treasury (Note 2)	\$10,423,728	\$4,501,711	(\$640,458)	\$14,284,981
Restricted cash and investments with fiscal agents (Note 2)			17,040,390	17,040,390
Receivables:				
Accounts	28,600	1,740		30,340
Taxes	373,361			373,361
Accrued interest	48,756	24,751		73,507
Notes receivables (Note 3)	1,240,631	4,453,671		5,694,302
Land held fo resale (Note 9)	3,200,668			3,200,668
Total Assets	\$15,315,744	\$8,981,873	\$16,399,932	\$40,697,549
LIABILITIES				
Accounts payable	\$1,617,555			\$1,617,555
Accrued liabilities	15,544			15,544
Due to the City (Note 4C)	709,525	\$50,000		759,525
Due to other government agencies		722,851		722,851
Advances from the City (Note 4D)	14,089,737	50,000		14,139,737
Deposits	6,606			6,606
Deferred revenue (Note 3)	1,251,106	3,730,820		4,981,926
Deferred liabilities	3,785,014	1,591,733		5,376,747
Total Liabilities	21,475,087	6,145,404		27,620,491
FUND BALANCES (Note 10)				
Reserved for:				
Encumbrances	101,638	858,371		960,009
Low and moderate income housing		2,836,469		2,836,469
Debt service			\$16,399,932	16,399,932
Land held for resale	3,200,668			3,200,668
Unreserved, undesignated	(9,461,649)	(858,371)		(10,320,020)
Total Fund Balances (Deficits)	(6,159,343)	2,836,469	16,399,932	13,077,058
Total Liabilities and Fund Balances	\$15,315,744	\$8,981,873	\$16,399,932	
Amounts reported for Governmental Activities in the Statement of Net Assets are different from those reported in the Governmental Funds above because of the following:				
ACCRUAL OF NON-CURRENT REVENUES AND EXPENSES				
Revenues which are deferred on the Fund Balance Sheets because they are not available currently are taken into revenue in the Statement of Activities.				4,981,926
Non-current portion of compensated absences, included in accrued liabilities				(81,793)
LONG-TERM ASSETS AND LIABILITIES				
The assets and liabilities below are not due and payable in the current period and therefore are not reported in the Funds:				
Long-term debt				(35,305,000)
Interest payable				(604,707)
NET ASSETS (DEFICIT) OF GOVERNMENTAL ACTIVITIES				(\$17,932,516)

See accompanying notes to basic financial statements

**REDEVELOPMENT AGENCY OF THE CITY OF ROSEVILLE
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2009**

	General	Low and Moderate Income Housing	Debt Service	Total Governmental Funds
REVENUES				
Property tax increment	\$6,888,510			\$6,888,510
Subventions and grants	712,055			712,055
Use of money and property	260,775	\$216,795	\$298,487	776,057
Miscellaneous revenues	32,782	24,292		57,074
	<u>7,894,122</u>	<u>241,087</u>	<u>298,487</u>	<u>8,433,696</u>
EXPENDITURES				
Community development and planning:				
Program administration	1,825,567	137,594		1,963,161
Pass-through payments (Note 7)	1,989,571			1,989,571
Grants and loans	102,268	723,998		826,266
Capital outlay	4,271,514			4,271,514
Debt service:				
Principal retirement			440,000	440,000
Interest and fiscal fees	315,449	3,036	1,834,161	2,152,646
	<u>8,504,369</u>	<u>864,628</u>	<u>2,274,161</u>	<u>11,643,158</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(610,247)</u>	<u>(623,541)</u>	<u>(1,975,674)</u>	<u>(3,209,462)</u>
OTHER FINANCING SOURCES (USES)				
Transfers from the City of Roseville (Note 4B)	4,037,192			4,037,192
Transfers (out) to the City of Roseville (Note 4B)	(328,878)	(12,047)		(340,925)
Transfers in (Note 4A)		1,377,575	1,632,276	3,009,851
Transfers (out) (Note 4A)	(2,560,663)	(449,188)		(3,009,851)
	<u>1,147,651</u>	<u>916,340</u>	<u>1,632,276</u>	<u>3,696,267</u>
NET CHANGE IN FUND BALANCES	537,404	292,799	(343,398)	486,805
FUND BALANCES (DEFICIT) AT BEGINNING OF PERIOD	<u>(6,696,747)</u>	<u>2,543,670</u>	<u>16,743,330</u>	<u>12,590,253</u>
FUND BALANCES (DEFICIT) AT END OF PERIOD	<u>(\$6,159,343)</u>	<u>\$2,836,469</u>	<u>\$16,399,932</u>	<u>\$13,077,058</u>

See accompanying notes to basic financial statements

REDEVELOPMENT AGENCY OF THE CITY OF ROSEVILLE
Reconciliation of the
NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS
with the
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009

The schedule below reconciles the total Net Change in Fund Balances reported on the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances, which measures only changes in current assets and current liabilities on the modified accrual basis, with the Change in Net Assets of Governmental Activities reported in the Statement of Activities, which is prepared on the full accrual basis.

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$486,805
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Amounts reported for governmental activities in the Statement of Activities are different because of the following:

CAPITAL ASSETS TRANSACTIONS

Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is capitalized and allocated over their estimated useful lives and reported as depreciation expense.

Capitalized expenditures are therefore added back to fund balance	4,271,514
Transfer of capital assets to the City of Roseville	(4,271,514)

LONG-TERM DEBT PROCEEDS AND PAYMENTS

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of bond principal is an expenditure in the governmental funds, but in the Statement of Net Assets the repayment reduces long-term liabilities.

Repayment of debt principal is added back to fund balance	440,000
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ACCRUAL OF NON-CURRENT ITEMS

The amount below included in the Statement of Activities do not provide or (require) the use of current financial resources and therefore are not reported as revenue or expenditures in governmental funds (net change):

Deferred revenues	(33,228)
Interest payable	6,673
Long-term compensated absences, included in accrued liabilities	(32,360)

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$867,890
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See accompanying notes to basic financial statements

REDEVELOPMENT AGENCY OF THE CITY OF ROSEVILLE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		Positive (Negative)
REVENUES				
Property tax increment	\$7,224,870	\$6,640,398	\$6,888,510	\$248,112
Subventions and grants	919,090	1,162,295	712,055	(450,240)
Use of money and property	182,826	182,826	260,775	77,949
Miscellaneous revenues	<u>119,541</u>	<u>10,200</u>	<u>32,782</u>	<u>22,582</u>
TOTAL REVENUES	<u>8,446,327</u>	<u>7,995,719</u>	<u>7,894,122</u>	<u>(101,597)</u>
EXPENDITURES				
Community development and planning:				
Program administration	926,229	980,173	1,825,567	(845,394)
Pass-through payments	2,085,500	2,041,159	1,989,571	51,588
Grants	200,000	100,000	102,268	(2,268)
Capital outlay		18,638,866	4,271,514	14,367,352
Debt service:				
Interest	<u>350,000</u>	<u>350,000</u>	<u>315,449</u>	<u>34,551</u>
TOTAL EXPENDITURES	<u>3,561,729</u>	<u>22,110,198</u>	<u>8,504,369</u>	<u>13,605,829</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>4,884,598</u>	<u>(14,114,479)</u>	<u>(610,247)</u>	<u>13,504,232</u>
OTHER FINANCING SOURCES (USES)				
Transfers in from the City of Roseville	9,657,192	9,657,192	4,037,192	(9,657,192)
Transfers (out) to the City of Roseville	(328,320)	(328,320)	(328,878)	(558)
Transfers in				4,037,192
Transfers (out)	<u>(3,297,947)</u>	<u>(3,298,197)</u>	<u>(2,560,663)</u>	<u>737,534</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>6,030,925</u>	<u>6,030,675</u>	<u>1,147,651</u>	<u>(4,883,024)</u>
NET CHANGE IN FUND BALANCE	<u>\$10,915,523</u>	<u>(\$8,083,804)</u>	537,404	<u>\$8,621,208</u>
Fund balance (deficit) at beginning of year			<u>(6,696,747)</u>	
Fund balance (deficit) at end of year			<u>(\$6,159,343)</u>	

See accompanying notes to basic financial statements

REDEVELOPMENT AGENCY OF THE CITY OF ROSEVILLE
 LOW AND MODERATE INCOME HOUSING FUND
 STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		Positive (Negative)
REVENUES				
Use of money and property	\$134,806	\$134,806	\$216,795	\$81,989
Miscellaneous revenue	<u>29,360</u>	<u>29,360</u>	<u>24,292</u>	<u>(5,068)</u>
TOTAL REVENUES	<u>164,166</u>	<u>164,166</u>	<u>241,087</u>	<u>76,921</u>
EXPENDITURES				
Community development and planning:				
Program administration	251,520	246,837	137,594	109,243
Grants and loans	3,740,000	5,141,786	723,998	4,417,788
Debt service:				
Interest			<u>3,036</u>	<u>(3,036)</u>
TOTAL EXPENDITURES	<u>3,991,520</u>	<u>5,388,623</u>	<u>864,628</u>	<u>4,523,995</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(3,827,354)</u>	<u>(5,224,457)</u>	<u>(623,541)</u>	<u>(4,447,074)</u>
OTHER FINANCING SOURCES (USES)				
Transfers (out) to the City of Roseville	(256,190)	(256,190)	(12,047)	244,143
Transfers in	1,345,285	1,345,285	1,377,575	32,290
Transfers (out)	<u>(524,400)</u>	<u>(524,440)</u>	<u>(449,188)</u>	<u>75,252</u>
TOTAL OTHER FINANCING SOURCES	<u>564,695</u>	<u>564,655</u>	<u>916,340</u>	<u>351,685</u>
NET CHANGE IN FUND BALANCE	<u><u>(\$3,262,659)</u></u>	<u><u>(\$4,659,802)</u></u>	292,799	<u><u>\$4,952,601</u></u>
Fund balance at beginning of year			<u>2,543,670</u>	
Fund balance at end of year			<u><u>\$2,836,469</u></u>	

See accompanying notes to basic financial statements

REDEVELOPMENT AGENCY OF THE CITY OF ROSEVILLE
Notes to the Basic Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNT POLICIES

A. *Organization and Purpose*

The Redevelopment Agency of the City of Roseville was created July 28, 1988 under the provisions of the Redevelopment Law (California Health and Safety Code) to clear and rehabilitate areas determined to be in a declining condition in the Project Areas. The Roseville Redevelopment Project was adopted in October of 1989 to provide an improved physical, social and economic environment in the Project Area. The Roseville Flood Control Redevelopment Project was adopted on September 16, 1998 to reverse and alleviate any remaining damage caused to the Project Area by past flooding and to provide flood control improvements to minimize or eliminate future flooding in the Project Area. The City Council serves as the governing body of the Agency and the City Manager serves as the Executive Director.

The Agency is an integral part of the City of Roseville and, accordingly, the accompanying financial statements are included as a component unit of the basic financial statements prepared by the City. A component unit is a separate governmental unit, agency or nonprofit corporation which, when combined with all other component units, constitutes the reporting entity as defined in the City's basic financial statements.

B. *Basis of Presentation*

The Agency's Basic Financial Statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Government Accounting Standards Board is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the U.S.A.

These Standards require that the financial statements described below be presented.

Agency-wide Statements: The Statement of Net Assets and the Statement of Activities include the financial activities of the overall Agency government. Eliminations have been made to minimize the double counting of internal activities.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the Agency's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs, (b) grants and contributions that are restricted to meeting the operational needs of a particular program and (c) fees, grants and contributions that are restricted to financing the acquisition or construction of capital assets. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The Fund Financial Statements provide information about the Agency. Separate statements for each governmental fund are presented. The emphasis of fund financial statements is on major individual funds, each of which is displayed in a separate column. The Agency considers all its funds to be major funds.

REDEVELOPMENT AGENCY OF THE CITY OF ROSEVILLE
Notes to the Basic Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNT POLICIES (Continued)

C. Major Funds

Major funds are defined as funds that have either assets, liabilities, revenues or expenditures/expenses equal to ten percent of their fund-type total and five percent of the grand total.

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

GENERAL FUND

This fund accounts for monies received from tax increment funds for major capital projects in the Redevelopment Plan Project Area and Roseville Flood Control Redevelopment Project.

LOW AND MODERATE INCOME HOUSING

This fund accounts for the twenty percent housing set aside from the tax increment proceeds from the Redevelopment Plan Project Area and Roseville Flood Control Redevelopment Project.

DEBT SERVICE FUND

This fund accounts for payment of interest and principal on the 2002, 2006A, 2006AT, and 2006HT Tax Allocation Bonds.

D. Basis of Accounting

The agency-wide financial statements are reported using the *economic resources measurement focus* and the full *accrual basis* of accounting. Revenues are recorded when *earned* and expenses are recorded at the time liabilities are *incurred*, regardless of when the related cash flows take place.

Governmental funds are reported using the *current financial resources* measurement focus and the *modified accrual* basis of accounting. Under this method, revenues are recognized when *measurable and available*. The Agency considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as *expenditures* in governmental funds. Proceeds of long-term debt and acquisitions under capital leases are reported as *other financing sources*.

Non-exchange transactions, in which the City gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Other revenues susceptible to accrual include taxes, intergovernmental revenues, interest and charges for services.

REDEVELOPMENT AGENCY OF THE CITY OF ROSEVILLE
Notes to the Basic Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNT POLICIES (Continued)

E. Revenues

The Agency's primary source of revenue is property taxes, referred to in the accompanying financial statements as "incremental property taxes." Property taxes allocated to the Agency are computed in the following manner:

1. The assessed valuation of all property in the Project Area is determined on the date of adoption of the Redevelopment Plan by a designation of a fiscal year assessment role.
2. Property taxes related to any incremental increase in assessed values after the adoption of a Redevelopment Plan are allocated to the Agency; all taxes on the "frozen" assessed valuation of the property are allocated to the City and other districts receiving taxes from the project area.

The Agency has no power to levy and collect taxes and any legislative property tax reduction would lower the amount of tax revenues that would otherwise be available to pay the principal and interest on bonds or loans from the City and any increased tax rate or assessed valuation or any elimination of present exemptions would increase the amount of tax revenues available for this purpose. The Agency is also authorized to finance the Redevelopment Plan from other sources, including assistance from the City, the State and federal governments, interest income and the issuance of Agency debt.

F. Property Tax

Placer County assesses properties and bills, collects, and distributes property taxes to the Agency. The County remits the entire amount levied and handles all delinquencies retaining interest and penalties. Secured and unsecured property taxes are levied January 1 of the preceding fiscal year.

Secured property tax is due in two installments, on November 1 and March 1, and becomes a lien on those dates. It becomes delinquent on December 10 and April 10, respectively. Unsecured property tax is due on July 1, and becomes delinquent on August 31. Collection of delinquent accounts is the responsibility of the County which retains all penalties.

The term "unsecured" refers to taxes on personal property other than real estate, land and buildings. These taxes are secured by liens on the property being taxed. Property tax revenues are recognized by the Agency in the fiscal year they are assessed, provided they become available as defined above.

G. Budgets and Budgetary Accounting

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

Budget amounts in the financial statements are as originally adopted, or as amended by the Agency Board. Individual amendments were not material in relation to the original appropriations.

Formal budgetary integration is employed as a management control device. Encumbrance accounting is employed as an extension of formal budgetary integration in all funds. Under encumbrance accounting, purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation. Encumbrances outstanding at year end are reported as reservations of fund balances since they do not constitute expenditures or liabilities and are reappropriated in the following year.

REDEVELOPMENT AGENCY OF THE CITY OF ROSEVILLE
Notes to the Basic Financial Statements

NOTE 2 - CASH AND INVESTMENTS

The Agency's dependence on property tax receipts, which are received semi-annually, requires it to maintain significant cash reserves to finance operations during the remainder of the year. The Agency pools cash from all sources and all funds, except Cash and Investments with Fiscal Agents, with the City of Roseville so that it can be invested at the maximum yield, consistent with safety and liquidity, while individual funds can make expenditures at any time. The City's investment policy and the California Government Code permit investments in City of Roseville Bonds, Securities of the U.S. Government or its agencies, Forward Delivery Agreements, Obligations of the State of California, Certificates of Deposit, Medium Term Notes, Negotiable Certificates of Deposit, Banker's Acceptances, Commercial Paper, the State of California Local Agency Investment Fund (LAIF Pool), Money Market Mutual Funds, Shares in a California Common Law Trust, Interest Rate Swaps, Repurchase Agreements, and Insured Savings Accounts.

A. Classification

Cash and investments are classified in the financial statements as shown below, based on whether or not their use is restricted under the terms of Agency debt instruments. Investments are carried at fair value as follows at June 30, 2009:

City of Roseville pooled cash	\$14,284,981
Restricted cash and investments with fiscal agent	17,040,390
Total Cash and Investments	\$31,325,371

B. Investments Authorized by Debt Agreements

The Agency must maintain required amounts of cash and investments with trustees or fiscal agents under the terms of certain debt issues. These funds are unexpended bond proceeds or are pledged as reserves to be used if the Agency fails to meet its obligations under these debt issues. The California Government Code requires these funds to be invested in accordance with City ordinance, bond indentures or State statute. The table below identifies the investment types that are authorized for investments held by fiscal agents. The table also identifies certain provisions of these debt agreements:

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality
U.S. Treasury Obligations	N/A	None
U.S. Agency Securities	N/A	None
Money Market Funds	N/A	AAAm-G to AA-m
Certificates of Deposit	N/A	A-1+
Investment Agreements	N/A	None
Commercial Paper	N/A	A-1+
Bankers' Acceptances	1 year	A-1+
Local Agency Investment Fund (LAIF)	N/A	None
California Asset Management Pool (CAMP)	N/A	None

REDEVELOPMENT AGENCY OF THE CITY OF ROSEVILLE
Notes to the Basic Financial Statements

NOTE 2 - CASH AND INVESTMENTS (Continued)

C. 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. The Agency generally manages its interest rate risk by usually holding investments to maturity.

	Cash and Investments	Restricted Cash and Investments	Total
Money Market Mutual Funds (U.S. Securities)		\$287	\$287
City of Roseville Pooled Cash	\$14,284,981	99	14,285,080
California Asset Management Pool		17,040,003	17,040,003
Total Investments	\$14,284,981	\$17,040,390	\$31,325,371

Money market mutual funds and investment pools are available for withdrawal on demand. At June 30, 2009, the Federated Treasury Obligation Money Market Fund had an average maturity of 51 days.

D. Credit Risk

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. The actual ratings as of June 30, 2009 for the Money Market Mutual Funds was AAAM as provided by Standard and Poor's Investment Rating System.

The Agency is a voluntary participant in the California Asset Management Program (CAMP). CAMP is an investment pool offered by the California Asset Management Trust (the Trust). The Trust is a joint powers authority and public agency created by the Declaration of Trust and established under the provisions of the California Joint Exercise of Powers Act (California Government Code Sections 6500 et seq., or the "Act") for the purpose of exercising the common power of its Participants to invest certain proceeds of debt issues and surplus funds. The Trust's investments are limited to investments permitted by subdivisions (a) to (n), inclusive, of Section 53601 of the California Government Code. The Agency reports its investments in CAMP at the fair value amounts provided by CAMP, which is the same as the value of the pool share. At June 30, 2009 the fair value approximated is the Agency's cost. At June 30, 2009, these investments have an average maturity of 57 days and was rated AAAM as provided by Standard and Poor's Investment Rating System.

REDEVELOPMENT AGENCY OF THE CITY OF ROSEVILLE
Notes to the Basic Financial Statements

NOTE 3 - NOTES RECEIVABLE AND DEFERRED REVENUE

A. *First Time Home-Buyer Notes Receivable*

The Agency engages in a first time home-buyer program designed to encourage home ownership among low income persons. Under this program, grants or loans are provided at no interest and are due upon sale or transfer of the property. These loans have been offset by deferred revenue as they are not expected to be repaid during fiscal year 2010. The balance of the notes receivable arising from this program at June 30, 2009 was \$506,880.

B. *Affordable Housing Loan Agreements*

The Agency has entered into various loan agreements with real property owners for the purpose of making property improvements to rental units affordable to low and very low-income individuals. Under this program, loans are provided with at an interest rate of 3% and are deferred 15 to 40 years. These loans have been offset by deferred revenue as they are not expected to be repaid during the fiscal year 2010. The balance arising from this program at June 30, 2009 was \$3,946,791.

C. *Commercial Rehabilitation Notes Receivable*

The Agency engages in a commercial rehabilitation program designed to aid small business owners in renovating and rehabilitating commercial property in need of repair. These notes will be forgiven at the end of the Owner Participation Agreement term, which is five to fifteen years, if the property has not been sold. If the property is sold prior to the completion of the agreement term a proportionate amount of the note will be forgiven. The notes are secured by a deed of trust on the property. These loans have been offset by deferred revenue as they are not expected to be repaid during the fiscal year 2010. At June 30, 2009 \$1,240,631 in notes had been issued to fourteen property owners.

NOTE 4 – INTERFUND TRANSACTIONS

A. *Transfers Between Agency Funds*

With Board approval, resources may be transferred from one Agency fund to another. The purpose of the majority of transfers is to reimburse a fund which has made expenditure on behalf of another fund. Less often, a transfer may be made to open or close a fund.

Transfers between Agency funds during the fiscal year ended June 30, 2009 consisted of transfers of \$1,377,575 and \$1,183,088 from the General Fund to the Low and Moderate Income Housing Special Revenue Fund and the Debt Service Fund for the State required set-aside of tax increment revenues and debt service payments, respectively. Also, the Low and Moderate Income Housing Special Revenue Fund transferred \$449,188 to the Debt Service Fund for debt service payments.

B. *Transfers Between the City and the Agency*

The General Fund and the Low and Moderate Income Housing Fund transferred \$328,878 and \$12,047, respectively, to the City to fund their share of indirect costs for the fiscal year ended June 30, 2009.

The City transferred \$4,037,192 to the General Fund to fund capital projects.

REDEVELOPMENT AGENCY OF THE CITY OF ROSEVILLE
Notes to the Basic Financial Statements

NOTE 4 – INTERFUND TRANSACTIONS (Continued)

C. *Interfund Balances Between the City and the Agency*

Current interfund balances arise in the normal course of business and are expected to be repaid shortly after the end of the fiscal year. At June 30, 2009 the General Fund and the Low and Moderate Income Housing Fund owed \$709,525 and \$50,000 to the City, respectively.

D. *Long-Term Interfund Advances Between the City and the Agency*

At June 30, 2009 the General Fund and Low and Moderate Income Housing Fund had received advances from the City which were not expected to be repaid within the next year. These long-term interfund advances consist of four advances: (1) Advance in the amount of \$6,239,737 will be repaid in fiscal year 2029. This advance bears interest at the average interest rate of the City’s pooled investments. (2) Advance in the amount of \$1,000,000 bears interest at 3.15% and will be repaid in fiscal year 2023. (3) Advance in the amount of \$3,900,000 bears no interest and will be repaid in fiscal year 2029. (4) Advance in the amount of \$3,000,000 bears no interest and will be repaid in fiscal year 2034.

NOTE 5 – CAPITAL ASSETS

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their estimated fair market value on the date contributed. The Agency’s policy is to capitalize all assets with cost exceeding certain minimum thresholds and with useful lives exceeding two years. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period. However, titles to all capital assets are turned over to the City of Roseville during the fiscal year the assets are acquired or the projects are constructed. Accordingly, capital outlay expenditures are reported in the Agency’s funds and reclassified as program expenditures at the Agency-wide financial statements.

A. *Capital Asset Additions and Retirements*

Capital assets at June 30, 2009 comprise:

	<u>Balance at June 30, 2008</u>	<u>Additions</u>	<u>Transfer to the City</u>	<u>Balance at June 30, 2009</u>
Capital assets not being depreciated:				
Construction in progress		\$4,457,404	(\$4,457,404)	

REDEVELOPMENT AGENCY OF THE CITY OF ROSEVILLE
Notes to the Basic Financial Statements

NOTE 6 – LONG-TERM DEBT

A. Current Year Transactions and Balances

	Balance June 30, 2008	Retirements	Balance June 30, 2009	Current Portion
Tax Allocation Bonds				
2002 Redevelopment Project Tax Allocation Bonds, 3%-5.14%, due 9/1/33	\$13,180,000	\$290,000	\$12,890,000	\$300,000
2006 Redevelopment Project Tax Allocation Bonds, Series A 4.5%-5.00%, due 9/1/40	13,155,000		13,155,000	
2006 Redevelopment Project Taxable Tax Allocation Bonds, Series A-T 5.31%-5.90%, due 9/1/28	3,045,000	80,000	2,965,000	90,000
2006 Redevelopment Project Taxable Tax Allocation Housing Bonds, Series H-T 5.31%-6.07%, due 9/1/40	6,365,000	70,000	6,295,000	70,000
	<u>\$35,745,000</u>	<u>\$440,000</u>	<u>\$35,305,000</u>	<u>\$460,000</u>

B. 2002 Roseville Redevelopment Project Tax Allocation Bonds

On October 23, 2002 the Redevelopment Agency issued Tax Allocation Bonds in the original principal amount of \$14,500,000 to fund certain redevelopment activities of benefit to property within the Agency's Roseville Redevelopment Project Area. The Bonds are special obligations of the Agency and are secured by the Agency's tax increment revenue. Principal payments are payable annually on September 1 and interest payments are due semi-annually on March 1 and September 1, through September 1, 2033. As of June 30, 2009, the total principal and interest remaining to be paid on the bonds is \$22,058,480. As disclosed in the official statement, pledged future tax increment revenues are expected to provide coverage for debt service over the life of the Bonds. For fiscal year 2009 tax increment revenues amounted to \$6,888,510 which represented coverage of 582% over the \$1,183,088 in debt service.

C. 2006 Roseville Redevelopment Project Tax Allocation Bonds

On October 26, 2006, the Redevelopment Agency issued Tax Allocation Bonds Series 2006 A, Taxable Tax Allocation Bonds Series 2006 A-T, and Taxable Tax Allocation Bonds, Series 2006 H-T in the amounts of \$13,155,000, \$3,285,000, and \$6,505,000, respectively, for a total principal amount of \$22,945,000. The Series A bonds bear interest at 4.50%-5.00%, the Series A-T at 5.31%-5.90%, and the Series H-T at 5.31%-6.07%. The proceeds for the Series A and Series A-T bonds will be used to fund redevelopment activities of benefit to property within the Agency's Redevelopment Project Area. The proceeds for the Series H-T bonds will be used to pay the costs of low- and moderate-income housing projects of the Agency's Redevelopment Project Area. The Series A and Series A-T bonds are secured by tax revenues, which are allocated to the Agency from the Project Area. The Series H-T bonds are secured by the tax increment revenue deposited in the Agency's Low and Moderate Income Housing Fund. Interest on the bonds is payable semiannually on March 1 and September 1. Principal for the Series A and Series H-T bonds is payable annually on September 1 through 2040. Principal for the Series A-T is payable annually on September 1 through 2028. As of June 30, 2009, the total principal and interest remaining to be paid on the bonds is \$51,196,131. As disclosed in the official statement, pledged future tax increment revenues are expected to provide coverage for debt service over the life of the Bonds. For fiscal year 2009 tax increment revenues for Series A and Series A-T amounted to \$6,888,510 which represented coverage of 582% over the \$1,183,088 in debt service. For fiscal year 2009 tax increment revenues for the Series H-T bonds amounted to \$1,377,575 which represented coverage of 307% over the \$449,156 in debt service.

REDEVELOPMENT AGENCY OF THE CITY OF ROSEVILLE
Notes to the Basic Financial Statements

NOTE 6 – LONG-TERM DEBT (Continued)

D. Debt Service Requirement

Annual debt service requirements for the Bonds are shown below:

For the Year Ending June 30	Governmental Activities	
	Principal	Interest
2010	\$460,000	\$1,803,648
2011	480,000	1,782,237
2012	505,000	1,759,770
2013	530,000	1,735,965
2014	555,000	1,710,555
2015 - 2019	3,200,000	8,095,345
2020 - 2024	4,125,000	7,134,862
2025 - 2029	5,360,000	5,876,572
2030 - 2034	6,925,000	4,275,276
2035 - 2039	8,920,000	2,227,192
2040 - 2041	4,245,000	206,194
Total	<u>\$35,305,000</u>	<u>\$36,607,616</u>

NOTE 7 - PASS THROUGH AGREEMENTS

As part of the Agency Improvement Plan adoption, the Agency entered into agreements with various taxing entities which require the Agency to pass through portions of Project Area incremental property taxes to each taxing entity. In certain cases the Agency retains these pass through payments until certain projects have been completed. Payments under these pass through agreements amounted to \$1,989,571 for the year ended June 30, 2009.

NOTE 8 – DEVELOPMENT AGREEMENT

In fiscal 2004, the Agency agreed to sell four parcels of land to Vernon Street Associates, LLC for \$150,000, for the purpose of the construction of an office complex and public parking garage. Two of the parcels were owned by the Agency and two by the City. The City parcels were conveyed to the Agency in fiscal 2006 and subsequently all four parcels were sold to the Developer. The office complex is being built on the land sold to the Developer and is funded by the Developer. The developer has agreed to construct the parking garage for the Agency funded by \$5,817,000 of bond proceeds from the Agency's 2002 Tax Allocation Bonds, a \$360,000 contribution from the Developer, and a \$900,000 contribution from the General Fund. In addition, the Developer has agreed to contribute \$20,000 annually, plus an inflationary escalator beginning in 2010, towards the maintenance and operation costs of the parking garage. The Agency increased the project contract amount in fiscal 2007 by \$1.2 million, funded by an additional \$111,415 from the 2002 Tax Allocation Bonds and \$1.1 million from the City's General Fund. Construction was completed in October 2007.

REDEVELOPMENT AGENCY OF THE CITY OF ROSEVILLE
Notes to the Basic Financial Statements

NOTE 9 – LAND HELD FOR RESALE

In April 2007, the Agency purchased a parcel located at 8051 Washington Boulevard. The parcel is accounted for at the lower of cost or net realizable value. The parcel is held by the Agency for resale in the future. At June 30, 2009, total value of this parcel amounted to \$3,200,668.

NOTE 10 – NET ASSETS AND FUND BALANCES

Net Assets is measured on the full accrual basis, while Fund Balance is measure on the modified accrual basis.

A. Net Assets

Net Assets are divided into two captions. These captions apply only to Net Assets as determined at the Government-wide level, and are described below:

Restricted describes the portion of Net Assets which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which the Agency cannot unilaterally alter. These principally include developer fees received for use on capital projects, debt service requirements, and redevelopment funds restricted to low and moderate income purposes.

Unrestricted describes the portion of Net Assets which is not restricted as to use. The unrestricted net assets had a deficit balance because long-term debt is in excess of capital assets owned by the Agency. The Agency issues debt for construction and/or acquisition of assets. Upon completion of construction or acquisition, the capital assets are turned over to the City or to private parties within the redevelopment project area. The debt will be repaid with future property tax increment revenue.

B. Reserves

Reserves are restrictions placed by outside entities, such as other governments, which restrict the expenditures of the reserved funds to the purpose intended by the entity which provided the funds. The Agency cannot modify or remove these restrictions or reserves.

C. Fund Balance Deficit

The General Fund had deficit fund balance at June 30, 2009 of \$6,159,343. Future tax increment revenues are expected to offset this deficit.

NOTE 11 – CONTINGENT LIABILITIES

The Agency is subject to litigation arising in the normal course of business. In the opinion of the City Attorney there is no pending litigation, which is likely to have a material adverse effect on the financial position of the Agency.

REDEVELOPMENT AGENCY OF THE CITY OF ROSEVILLE
Notes to the Basic Financial Statements

NOTE 12 – SUBSEQUENT EVENT

The State of California adopted AB26 4X in July 2009 which directs that a portion of the incremental property taxes which had been received in fiscal year 2006-07 by redevelopment agencies be paid instead to the County supplemental educational revenue augmentation fund (SERAF) in fiscal years 2009-10 and 2010-11. The State Department of Finance will determine each agency's SERAF payment by November 15 of each year, and payments are due by May 10 of the applicable year. Based on the calculations in AB26 4X, the Agency's SERAF's are estimated to be \$2,311,908 in fiscal year 2009-10 and \$475,981 in fiscal year 2010-11. The Agency can use any legally available funds to make the SERAF payments. The payment due in fiscal year 2009-10 represents 16% of the Agency's cash and investments in City Treasury at June 30, 2009. The obligation to make the SERAF payment is subordinate to obligations to repay bonds, however if the Agency fails to make the SERAF payment the Agency may not encumber or expend future funds other than to pay pre-existing indebtedness, contractual obligations and 75% of the amount expended on Agency administration for the preceding fiscal year until the SERAF is paid in full.

REDEVELOPMENT AGENCY OF THE CITY OF ROSEVILLE
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2009

	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES			
Use of money and property		\$298,487	\$298,487
TOTAL REVENUES		298,487	298,487
EXPENDITURES			
Debt service:			
Principal	\$440,000	440,000	
Interest	1,907,079	1,834,161	72,918
TOTAL EXPENDITURES	2,347,079	2,274,161	72,918
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(2,347,079)	(1,975,674)	225,569
OTHER FINANCING SOURCES (USES)			
Transfers in	2,516,340	1,632,276	(884,064)
Transfers out	(2,620,000)		2,620,000
TOTAL OTHER FINANCING SOURCES	(103,660)	1,632,276	1,735,936
NET CHANGE IN FUND BALANCE	<u>(\$2,450,739)</u>	<u>(343,398)</u>	<u>\$2,107,341</u>
Fund balance at beginning of year		16,743,330	
Fund balance at end of year		<u>\$16,399,932</u>	

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

Members of the Governing Board
Redevelopment Agency of the City of Roseville
Roseville, California

We have audited the financial statements of the Redevelopment Agency of the City of Roseville as of and for the year ended June 30, 2009, and have issued our report thereon dated November 6, 2009. We have conducted our audit in accordance with generally accepted auditing standards 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 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 the Agency's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Agency's financial statements that is more than inconsequential will not be prevented or detected by the Agency's internal control.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the second paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. As part of our audits, we prepared and issued our separate Memorandum on Internal Control dated November 6, 2009.

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. Our audit included tests of compliance with provisions of the Guidelines for Compliance Audits of California Redevelopment Agencies. 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 instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Current Year Findings and Questioned Costs.

This report is intended for the information of the Board, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than the above parties.

Maze & Associates

November 6, 2009

REDEVELOPMENT AGENCY OF THE CITY OF ROSEVILLE

SCHEDULE OF CURRENT YEAR FINDINGS

Finding 09-01 – Annual Report Submission to the Agency Board

Criteria: In accordance with the California Health & Safety Code §33080.1, the Redevelopment Agency should submit the following annual reports to the Agency Board within six months following the end of the fiscal year:

- i) Independent auditor's report on financial statements;
- ii) Independent auditor's report on legal compliance;
- iii) Annual Report of Financial Transactions of Community Redevelopment Agencies,
- iv) Housing activities report

Condition: The Agency did not submit the above reports for the fiscal year 2007-08 to the Agency Board.

Effect: The Agency is out of compliance with the above Health and Safety Code.

Cause: The Agency's new staff was unaware that reports were required to be submitted to Agency Board.

Recommendation: We recommend that the Agency submit the above reports to the Agency Board within the six-month period starting fiscal year 2008-09.

Management Response: The Agency has tasked staff to prepare reports for presentation to Agency legislative body by January 31, 2010.

Finding 09-02 – Annual Report Preparation

Criteria: In accordance with the California Health & Safety Code §33080.1, the Redevelopment Agency should prepare the following reports annually. Furthermore, the Agency should submit these reports to the State Controller's Office as well as the Agency Board within six months of the end of the Agency's fiscal year:

- i) Housing Activities Report
- ii) Blight Progress Report
- iii) Loan Report
- iv) Property Report

Condition: For Fiscal Year 2007-08, the above reports had not yet been submitted to the Agency Board.

Effect: The Agency is out of compliance with the above Health and Safety Code.

Cause: The Agency's new staff was unaware that reports were required to be submitted to the State Controller's Office.

REDEVELOPMENT AGENCY OF THE CITY OF ROSEVILLE

SCHEDULE OF CURRENT YEAR FINDINGS (Continued)

Recommendation: We recommend the Agency submit these reports to the State Controller's Office as soon as possible. In the future years, these reports should be prepared and submitted within six months after the end of the fiscal year as required by the Code.

Management Response: The Agency has tasked staff to prepare reports that will be filed for Fiscal Year 2008-09.