

**REDEVELOPMENT AGENCY OF THE
CITY OF GRASS VALLEY**
(A Component Unit of the City
of Grass Valley, California)



**FINANCIAL STATEMENTS
TOGETHER WITH
INDEPENDENT AUDITORS' REPORTS
FOR THE YEAR ENDED
JUNE 30, 2009**

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REDEVELOPMENT AGENCY OF THE CITY OF GRASS VALLEY
(A Component Unit of the City of Grass Valley, California)
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2009

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FINANCIAL SECTION

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- **Independent Auditor's Report**
 - **Management's Discussion and Analysis**
 - **Basic Financial Statements**
 - **Required Supplementary Information**

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INDEPENDENT AUDITOR'S REPORT

To the Governing Board
Redevelopment Agency of the City of Grass Valley
City of Grass Valley, California

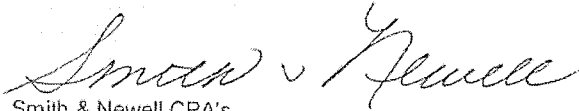
We have audited the accompanying financial statements of the governmental activities and each major fund of the Redevelopment Agency of the City of Grass Valley (Agency)(a redevelopment agency formed under the laws of the State of California) and a component unit of the City of Grass Valley, California, as of and for the year ended June 30, 2009, which collectively comprise the Agency's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Agency's management. Our responsibility is to express opinions on these component unit 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 component unit financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall component unit financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Agency as of June 30, 2009, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated December 16, 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.

The Management's Discussion and Analysis and the Budgetary Comparison Schedules as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



Smith & Newell CPA's
Yuba City, California
December 16, 2009

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MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

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MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Redevelopment Agency of the City of Grass Valley's (the Agency) comprehensive annual financial report presents our discussion and analysis of the Agency's financial performance during the fiscal year ended June 30, 2009. The Redevelopment Agency of the City of Grass Valley issues financial statements in the format prescribed by the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34). GASB 34 requires the Agency to provide this overview of its financial activities for the fiscal year and should be read in conjunction with the Agency's financial statements, which follow this section.

THE PURPOSE OF THE AGENCY

The Agency is a component unit of the City of Grass Valley (the City). It is controlled by the City and the City Council serves as the Agency's Board. City employees perform all the duties and functions required of the Agency through a cooperation agreement between the City and the Agency.

The Agency's purpose under California law is to eliminate urban blight in the City. It is given certain powers under the law to assist it in that endeavor. The Agency may condemn property under certain circumstances and only to the extent the City may condemn property as prescribed by the law and it may incur indebtedness to finance redevelopment of property. The Agency may not assess or receive property taxes; it receives increases in property taxes over amounts received in the year before the property in the Agency's project area became subject to redevelopment (the base year). The increase is called property tax increment. Twenty percent of the property tax increment received must be used to increase or preserve the supply of low and moderate income housing. The Agency also has agreements with other pre-existing governmental entities within its redevelopment area under which it passes through a portion of the property tax increment it receives.

FISCAL 2009 FINANCIAL HIGHLIGHTS

Agency-wide

- The Agency's total net assets increased \$869,135 in fiscal 2009 as compared to the fiscal 2008 increase of \$1,189,471.
- At June 30, 2009, the Agency's net assets were \$1,927,571.
- Total Agency revenues were \$2,003,806.

Fund Level:

- Housing Fund revenues were \$384,858, expenses \$145,617 and net transfers to and from the City were \$6,070 for a net increase in resources of \$245,311 for the fiscal year. Actual results compared to budget estimates were \$424,277 better due to \$17,590 in increased revenues over budgeted amounts and \$406,687 in decreased expenditures over appropriations. Revenues were up because of additional tax increment received. Expenditures were down primarily because of a decrease in housing assistance payments for affordable housing and a budget adjustment for loan payments transferred to long-term receivables on the balance sheet. The loan was for the rehabilitation of affordable apartments at Springhill Gardens.
- Capital Projects Fund revenues were \$1,565,905, expenses \$1,208,337 and \$41,937 in transfers to the City of Grass Valley for East Main St widening project, a feasibility study and master plan, for a net increase in resources of \$1,106,712 for the fiscal year. \$791,081, approximately 71% of the increase in resources was from net transfers for the 2008 Tax Allocation Bond Issue.
- Redevelopment 2008 Tax Allocation Bond Fund revenues are \$53,043, expenses \$456,343 and net transfers of \$5,000,000 for a net increase in resources of \$4,596,700. Revenues represent interest income received on the bond proceeds. Expenditures were for a property purchased on Neal Street.

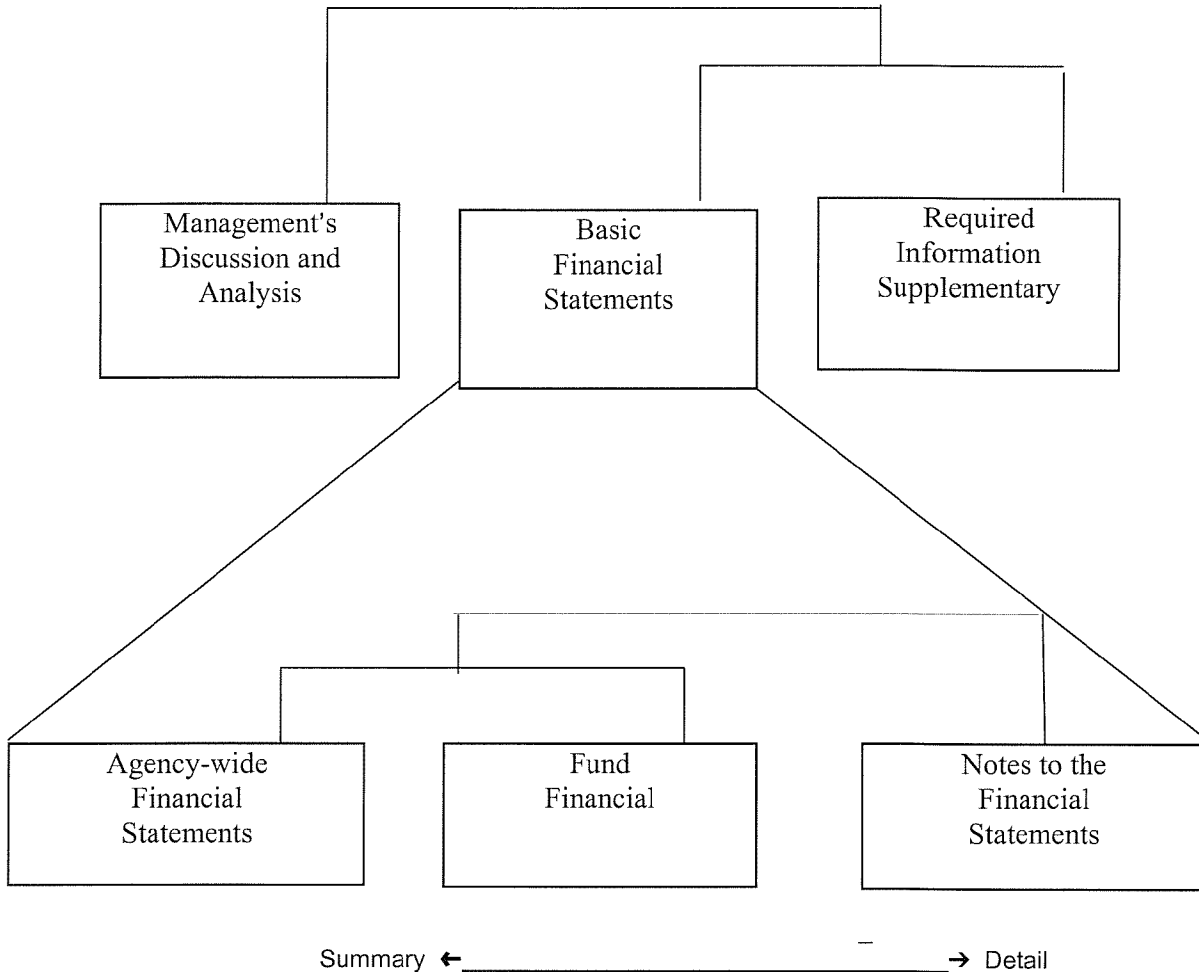
OVERVIEW OF THE FINANCIAL STATEMENTS

This annual financial report consists of management's discussion and analysis (this part), the basic financial statements and required supplementary information.

- The Agency-wide financial statements provide both long-term and short-term information about the Agency's overall financial status.

- Fund financial statements focus on individual parts of the Agency's government, reporting the Agency's operations in more detail than the Agency-wide statements.
 - ◊ Governmental funds statements tell how general government services such as housing programs were financed in the short term as well as what remains for future spending. All of the Agency's funds are governmental type funds.

Components of the Financial Section



The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

Agency-wide Financial Statements

The Agency-wide statements report information about the Agency as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the Agency's assets and liabilities. All current year revenues and expenses are reported in the statement of activities regardless of when cash is received or paid.

