

**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

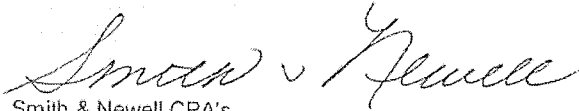
We have audited the accompanying financial statements of the governmental activities and each major fund of the Redevelopment Agency of the City of Grass Valley (Agency)(a redevelopment agency formed under the laws of the State of California) and a component unit of the City of Grass Valley, California, 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.

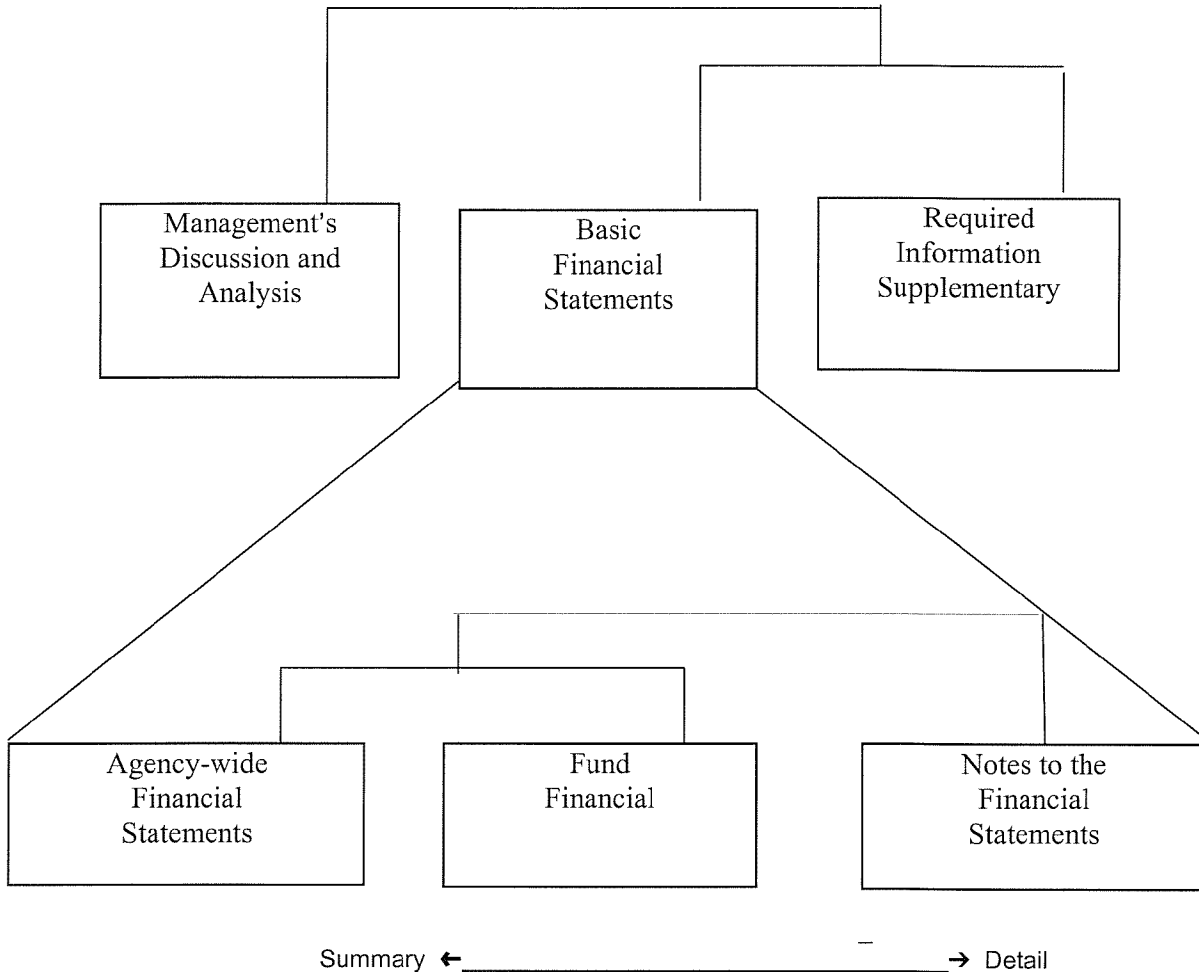
### **OVERVIEW OF THE FINANCIAL STATEMENTS**

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.

The two Agency-wide statements report the Agency's net assets and how they have changed during the fiscal year. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial health of the Agency is improving or deteriorating. To assess the overall health of the Agency you need to consider additional nonfinancial factors such as changes in the Agency's property tax assessed value.

The Agency-wide financial statements include:

- Governmental activities - All of the Agency's activities are included here, such as housing community development, infrastructure activity of the Agency, owner participation agreements, infrastructure activity in the form of transfers to the City towards projects and agency pass-through payments. The Agency does not have any other types of activities such as business type activities.

### **Fund Financial Statements**

The Fund Financial Statements provide detailed information about each of the Agency's most significant funds, called major funds. The concept of major funds, and the determination of which are major funds, was established by GASB Statement 34 and replaces the concept of combining like funds and presenting them in total. Instead, each Major Fund is presented individually, with all Non-major Funds summarized and presented only in a single column. Subordinate schedules normally present the detail of Non-major funds but due to the Agency's small number of funds, all funds are presented.

All of the Agency's funds are Governmental funds. Financial Statements for these funds 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 not presented in the Governmental Fund Financial Statements.

Comparisons of Budget and Actual financial information are presented only for the Housing Special Revenue Fund.

### **FINANCIAL ACTIVITIES OF THE AGENCY AS A WHOLE**

This analysis focuses on the net assets and changes in net assets of the Agency's Governmental Activities in the Agency-wide Statement of Net Assets and Statement of Activities. Net assets represent the difference between the Agency's resources and its obligations.

- At June 30, 2009, the Agency's total assets of \$11,681,308 consisted of 80% cash and investments, 11% in non-depreciable capital assets and 9% in interest, loans and taxes receivable. The high amount of cash and investments is a result of accumulation of taxes and assessments for proposed infrastructure projects to be built by the City of Grass Valley and for potential additional property acquisition. Total assets are offset by liabilities of \$9,753,737 consisting of short-term payables and bonded indebtedness.
- The agency's net assets at June 30, 2009 were \$1,927,571 as compared to the agency's net assets of \$1,058,436 from June 30, 2008. The past two years increases are due primarily to land purchased and held by the agency. Additional capital asset information can be found in the Capital Asset and Debt Administration section of this MD&A.
- Restricted net assets represent amounts that may be used in accordance with external restriction. The unrestricted balance of net assets may be used at the City's discretion.

### **FINANCIAL ANALYSIS OF THE FUND STATEMENTS**

The Agency uses fund accounting to assure and demonstrate compliance with finance-related legal requirements. The fund financial statements focus on individual parts of the Agency government, reporting the Agency's operations in more detail than the Agency-wide statements.

The Agency's governmental funds provide information on near-term inflows, outflows and balances of spendable resources. The Agency's governmental funds reported combined fund balances at June 30, 2009 of \$10,307,116, an increase of \$5,948,723 over the previous fiscal year. The Housing Fund increased by \$245,311 and the Construction Fund increased by \$1,106,712. The 2008 Redevelopment Bond Fund added \$4,596,700 from new debt issue proceeds.

## Revenues

The Agency's total revenue of \$2,003,806 for the fiscal year ended June 30, 2009 consisted of property tax increments of \$1,829,941, investment earnings of \$172,754, and other revenues of \$1,111. Revenues decreased 4.03% from the prior year due to lower investment earnings and a lower rate of growth in tax increment.

## Expenses

Expenses of the Agency totaled \$1,810,297. The Agency's expenses are primarily for debt service, housing program administration, general administration, infrastructure, and agency pass-through payments.

## Housing Fund Budgetary Highlights

During the year, the Agency Board revised the Agency's Housing fund budget for expenses incurred that were due to furloughs and cost reallocations. The Agency also adjusted the Housing fund budget to further assist in the provision or maintenance of affordable housing per the guidelines of the Agency's Low and Moderate Housing (LMI) account. In total, the Agency authorized an additional allocation of \$300,000 in LMI funds to assist the City's Housing Rehabilitation Programs during 2008/2009. The funds were allocated for a rehabilitation loan to the Springhill Garden Apartments.

Actual expenditures for 2008/2009 were \$406,687 below final budgeted amounts. This was primarily due to a budget adjustment for loan payments transferred to long-term receivables and a decrease in housing assistance payments to Habitat for Humanity.

Revenues during the year were \$11,520 above the final budgeted amount with \$14,650 attributable to increased property tax revenues and (\$3,130) to a decrease of interest income. While economic factors have slowed down new building construction and sales of property in the Agency's project area, assessed property values still increased by 1.46%. This lowered the average annual increase since 2004 from 9.75% to 8.12%.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital assets

GASB 34 requires the Agency to record all its capital assets including infrastructure. The Agency transfers money from operations and bond proceeds to the City to fund or partially fund infrastructure projects in the Agency's project area. Historically, the resulting capital assets are owned, managed and maintained by the City. However, certain land has been purchased by the Agency in recent years and is owned and managed by the Agency and therefore reported on the Agency's records as an asset.

### Long-term Debt

At June 30, 2008 and 2009 respectively, the Agency had \$4.18 and \$10.09 million in long term debt outstanding. The increase in long term debt was a result of a new debt issue for \$5.9 million of tax allocation bonds. The Agency made all scheduled repayments of existing debt on time. More detailed information about the Agency's total long-term liabilities is presented in Note 2, D. to the financial statements. As of June 30, 2009, the Agency's long-term debt consisted of:

### Outstanding Debt

	<u>June 30, 2009</u>
<b>Governmental Activities Debt:</b>	
2000 Redevelopment Agency tax allocation bonds - 6%-6.4% due 12/2034	\$ 2,925,000
2002 ABAG Lease Revenue Bonds - Redevelopment Agency portion - 3%-5% due 12/2025	1,185,000
2008 Redevelopment Agency tax allocation bonds - 4%-7.125% due 12/2038	<u>5,980,000</u>
Total Governmental Activities Debt	<u>\$10,090,000</u>

These bond issues are insured and rated as follows:

2000 Redevelopment Agency Tax Allocation Bonds - uninsured - Standard and Poor's rating – A.  
2002 ABAG Lease Revenue Bonds - insured by Ambac - Moody's rating - AAA.  
2008 Redevelopment Agency Tax Allocation Bonds – uninsured – Standard and Poor's rating - A

Standard & Poor's Ratings Services raised the outstanding tax allocation bonds two notches to 'A' from 'BBB+' during November 2008. The raised rating reflects the project area's declining volatility ratio and reduced tax base concentration.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

The Agency has been experiencing strong growth in assessed real property values in recent years. This is a result of new construction and the sale of properties. The Agency's project area covers the older part of the City and many recent sales are of "Pre-Proposition 13 " properties. Property values have increased since these properties last changed hands and the sales increase assessed values and the Agency's tax increment revenues. The Agency has consistent assessed valuation growth in the project area averaging 8.12% annually since 2004. Taxable values of the Project Area have increased from \$217 million in 2004/05 to \$319 million in 2009/2010. The total percentage change was 47.39% over the period and the average annual percentage change in values was 8.12%. It is anticipated the Agency will have continued assessed valuation growth given the current ongoing and planned projects within the project area.

Limited new construction and the anticipated modest increase in real estate values in the area will help ensure stable revenues for the Agency in the near future. Economic downturns in the economy will affect the Agency, but tax increment revenues are still projected to be stable with a small increase. As the Agency's tax increment revenues increase, its ability to issue bonds to complete projects increases.

Major projects budgeted for 2009/2010 is the lane expansion at East Main/Richardson streets, the East Main St/Idaho-Maryland intersection centerpiece and Main/Auburn Street Traffic Signal Improvements. Other projects that partial funding will be provided to include Upper Slide Ravine infrastructure and sidewalk projects off East Main St and South Auburn St. The Agency purchased property to provide opportunities to create additional public parking, enhance vehicular and pedestrian circulation and to stimulate future redevelopment. Funding has also been allocated to continue an Affordable Housing Assistance Program. The intent is to provide housing incentives and/or assistance designed to facilitate development of affordable housing within the Redevelopment areas. Outside the redevelopment area, a loan agreement with Springhill Garden Apartments for rehabilitation of apartments will provide affordable housing units for 55 years. The outstanding loan balance of \$300,000 will be paid to Springhill in 2009/2010 for a total loan of \$600,000.

The Agency's time limit for issuing debt was deleted as of November 27, 2007. This allows the Agency to incur debt up to its plan effective date of 11/8/2029 and maximize its use. The Agency amended the ordinance to eliminate the time limit for indebtedness and extended the time limit on the repayment of indebtedness and receipt of tax increment funds to 11/8/2039. The Agency hired a consultant to handle a Feasibility Analysis Study for Brunswick Basin. The Agency's Five Year Implementation Plan currently includes years 2004/2005 through 2008/2009. Work on an update to the plan has been started and should be completed in 2009/2010.

Another budget impact for the coming year is the potential state raid of redevelopment agency funds to aid the State in balancing their budget. Assembly bill ABX4-26 authorized the raid, but a lawsuit has been filed by California Redevelopment Association (CRA) challenging the legality of the shift in funds. For 2009/2010, \$256,000 was initially reserved in the budget and the amount maybe adjusted at mid-year to cover additional potential loss of funds.

The Agency is planning to continue to use Housing Fund resources as a match toward City grant funded housing rehabilitation and first time home buyer programs. .

## **CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City Finance Department, 125 East Main Street, Grass Valley, CA, 95945, (530) 274-4300.

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**BASIC FINANCIAL STATEMENTS**  
Government-Wide Financial Statements

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**REDEVELOPMENT AGENCY OF THE CITY OF GRASS VALLEY**  
(A Component Unit of the City of Grass Valley, California)  
**STATEMENT OF NET ASSETS**  
JUNE 30, 2009

	<u>Total Governmental Activities</u>
<b><u>ASSETS</u></b>	
Cash and investments	\$ 3,872,425
Cash with fiscal agent	5,458,961
Accounts receivable	14
Interest receivable	13,070
Taxes receivable	94,895
Advances to City of Grass Valley	605,557
Loans receivable	300,000
Non depreciable capital assets	<u>1,336,386</u>
<b>Total Assets</b>	<u>11,681,308</u>
<b><u>LIABILITIES</u></b>	
Accounts payable	27,682
Salaries and benefits payable	10,124
Long-term liabilities:	
Due within one year	62,531
Due in more than one year	<u>9,653,400</u>
<b>Total Liabilities</b>	<u>9,753,737</u>
<b><u>NET ASSETS</u></b>	
Invested in capital assets, net of related debt	880,043
Restricted for:	
Capital projects	105,296
Grants, taxes, and fees	<u>942,232</u>
<b>Total Net Assets</b>	<u>\$ 1,927,571</u>

The notes to the basic financial statements are an integral part of this statement.

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

<u>FUNCTIONS/PROGRAMS</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Total Governmental Activities</u>
Governmental activities:					
General government	\$ 528,238	\$ -	\$ -	\$ -	\$ (528,238)
Community development	145,617	-	-	-	(145,617)
Interest on long-term debt	424,949	-	-	-	(424,949)
<b>Total Governmental Activities</b>	<b>\$ 1,098,804</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>(1,098,804)</b>
<b>General revenues:</b>					
Taxes:					
Property taxes					1,829,941
Interest and investment earnings					172,754
Miscellaneous					1,111
Transfers to the City of Grass Valley					(35,867)
<b>Total General Revenues and Transfers</b>					<b>1,967,939</b>
<b>Change in Net Assets</b>					<b>869,135</b>
<b>Net Assets - Beginning</b>					<b>1,058,436</b>
<b>Net Assets - Ending</b>					<b>\$ 1,927,571</b>

The notes to the basic financial statements are an integral part of this statement.

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**BASIC FINANCIAL STATEMENTS**  
Fund Financial Statements

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**REDEVELOPMENT AGENCY OF THE CITY OF GRASS VALLEY**  
(A Component Unit of the City of Grass Valley, California)  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2009**

	<u>Redevelopment Housing</u>	<u>Redevelopment Projects</u>	<u>Redevelopment Bonds 2008</u>	<u>Total</u>
<b><u>ASSETS</u></b>				
Cash and investments	\$ 631,945	\$ 3,239,836	\$ 644	\$ 3,872,425
Cash with fiscal agent	-	875,989	4,582,972	5,458,961
Accounts receivable	-	-	14	14
Interest receivable	-	-	13,070	13,070
Taxes receivable	18,979	75,916	-	94,895
Advances to City of Grass Valley	-	605,557	-	605,557
Loans receivable	300,000	-	-	300,000
<b>Total Assets</b>	<b><u>\$ 950,924</u></b>	<b><u>\$ 4,797,298</u></b>	<b><u>\$ 4,596,700</u></b>	<b><u>\$ 10,344,922</u></b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>				
<b><u>LIABILITIES</u></b>				
Accounts payable	\$ 4,198	\$ 23,484	\$ -	\$ 27,682
Salaries and benefits payable	4,494	5,630	-	10,124
<b>Total Liabilities</b>	<b><u>8,692</u></b>	<b><u>29,114</u></b>	<b><u>-</u></b>	<b><u>37,806</u></b>
<b><u>FUND BALANCES</u></b>				
Fund balance				
Reserved for:				
Encumbrances	70	82,739	-	82,809
Long-term receivables	300,000	605,557	-	905,557
Unreserved, reported in:				
Special revenue funds				
Undesignated	642,162	-	-	642,162
Capital project funds				
Designated	-	4,079,888	4,596,700	8,676,588
<b>Total Fund Balances</b>	<b><u>942,232</u></b>	<b><u>4,768,184</u></b>	<b><u>4,596,700</u></b>	<b><u>10,307,116</u></b>
<b>Total Liabilities and Fund Balances</b>	<b><u>\$ 950,924</u></b>	<b><u>\$ 4,797,298</u></b>	<b><u>\$ 4,596,700</u></b>	<b><u>\$ 10,344,922</u></b>

The notes to the basic financial statements are an integral part of this statement.

**REDEVELOPMENT AGENCY OF THE CITY OF GRASS VALLEY**  
 (A Component Unit of the City of Grass Valley, California)  
**RECONCILIATION OF THE GOVERNMENTAL FUND BALANCES**  
**TO THE GOVERNMENT-WIDE STATEMENT OF**  
**NET ASSETS - GOVERNMENTAL ACTIVITIES**  
 JUNE 30, 2009

<b>Total Fund Balance - Total Governmental Funds</b>	<b>\$ 10,307,116</b>
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheets.	1,336,386
Certain liabilities are not due and payable in the current period and therefore, are not reported in the governmental funds.	
2000 Tax allocation bonds	(2,925,000)
2002 Tax allocation bonds	(1,185,000)
2008 Tax allocation bonds, net of unamortized bond discount of \$188,919 and unamortized bond issuance costs of \$185,150	(5,605,931)
<b>Net Assets of Governmental Activities</b>	<b><u>\$ 1,927,571</u></b>

The notes to the basic financial statements are an integral part of this statement.

**REDEVELOPMENT AGENCY OF THE CITY OF GRASS VALLEY**  
(A Component Unit of the City of Grass Valley, California)  
**STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

	<u>Redevelopment Housing</u>	<u>Redevelopment Projects</u>	<u>Redevelopment Bonds 2008</u>	<u>Total</u>
<b><u>REVENUES</u></b>				
Taxes and assessments	\$ 365,988	\$ 1,463,953	\$ -	\$ 1,829,941
Use of money and property	18,870	100,841	53,043	172,754
Other revenues	-	1,111	-	1,111
<b>Total Revenues</b>	<b>384,858</b>	<b>1,565,905</b>	<b>53,043</b>	<b>2,003,806</b>
<b><u>EXPENDITURES</u></b>				
Current:				
General government	-	528,238	-	528,238
Community development	145,617	-	-	145,617
Debt service:				
Principal	-	70,000	-	70,000
Interest and other charges	-	424,949	-	424,949
Bond issue cost	-	185,150	-	185,150
Capital outlay	-	-	456,343	456,343
<b>Total Expenditures</b>	<b>145,617</b>	<b>1,208,337</b>	<b>456,343</b>	<b>1,810,297</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>239,241</b>	<b>357,568</b>	<b>(403,300)</b>	<b>193,509</b>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>				
Transfers in	-	-	5,000,000	5,000,000
Transfers out	-	(5,000,000)	-	(5,000,000)
Transfers in (out) from City of Grass Valley	6,070	(41,937)	-	(35,867)
Issuance of debt	-	5,980,000	-	5,980,000
Discount on tax allocation bond	-	(188,919)	-	(188,919)
<b>Total Other Financing Sources (Uses)</b>	<b>6,070</b>	<b>749,144</b>	<b>5,000,000</b>	<b>5,755,214</b>
<b>Net Change in Fund Balances</b>	<b>245,311</b>	<b>1,106,712</b>	<b>4,596,700</b>	<b>5,948,723</b>
<b>Fund Balances - Beginning</b>	<b>696,921</b>	<b>3,661,472</b>	<b>-</b>	<b>4,358,393</b>
<b>Fund Balances - Ending</b>	<b>\$ 942,232</b>	<b>\$ 4,768,184</b>	<b>\$ 4,596,700</b>	<b>\$ 10,307,116</b>

The notes to the basic financial statements are an integral part of this statement.

**REDEVELOPMENT AGENCY OF THE CITY OF GRASS VALLEY**  
 (A Component Unit of the City of Grass Valley, California)  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE  
 GOVERNMENT-WIDE STATEMENT OF ACTIVITIES - GOVERNMENTAL ACTIVITIES  
 FOR THE YEAR ENDED JUNE 30, 2009**

**Net Change in Fund Balances - Total Governmental Funds** \$ 5,948,723

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Expenditures for capital outlay 456,343

Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Principal retirements 70,000

Proceeds from issuance of debt, net of bond discount of \$188,919 and cost of issuance of \$185,150. (5,605,931)

**Change in Net Assets of Governmental Activities** \$ 869,135

The notes to the basic financial statements are an integral part of this statement.

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**BASIC FINANCIAL STATEMENTS**  
Notes to Basic Financial Statements

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**REDEVELOPMENT AGENCY OF THE CITY OF GRASS VALLEY**  
(A Component Unit of the City of Grass Valley, California)  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

**NOTE 1: FINANCIAL REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The Redevelopment Agency of the City of Grass Valley was organized pursuant to the Community Redevelopment Law of the California Health and Safety Code. The accounting methods and procedures adopted by the Agency conform to generally accepted accounting principles as applied to governmental entities.

The financial statements included in this report are intended to present the financial position and results of operations of only the Agency. They are not intended to present the financial position or results of operations of the City of Grass Valley taken as a whole.

The Agency is considered to be a component unit of the City of Grass Valley. These entities are legally separate from each other. However, the City elected officials have a continuing full or partial oversight responsibility over and accountability for fiscal matters of the Agency. The criteria used to determine the scope of the reporting entity for financial reporting purposes are (1) exercise of oversight responsibility over such agencies by the governmental units elected officials, (2) selection of governing authority, (3) designation of management, (4) ability to significantly influence operations, and (5) accountability for fiscal matters.

Based on the application of these criteria, the Redevelopment Agency of the City of Grass Valley is presented as a blended component unit within the City of Grass Valley's financial statements.

**B. Basis of Presentation**

**Government-Wide Financial Statements**

The statement of net assets and statement of activities display information about the Agency. These statements include only the financial activities of the Agency. Eliminations have been made to minimize the double counting of internal activities. These statements report the governmental activities of the Agency, which are normally supported by taxes and inter-governmental revenues. The Agency had no business-type activities at June 30, 2009.

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 1) charges paid by the recipients of goods and services offered by the program, 2) operating grants and contributions, and 3) capital grants and contributions. Taxes and other items not properly included among program revenues are reported instead as general revenues.

**Fund Financial Statements**

Fund financial statements of the Agency are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures. The Funds of the Agency are organized into the governmental category. A fund is considered major if it is the primary operating fund of the Agency or meets the following criteria:

- Total assets, liabilities, revenues or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- Total assets, liabilities, revenues or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The Agency reports the following major governmental funds:

- The Redevelopment Housing Fund is a special revenue fund used to account for monies set aside for low and moderate income housing redevelopment.
- The Redevelopment Projects fund is a capital projects fund used to account for financial resources used for the acquisition or construction of major capital facilities.
- The Redevelopment Bonds 2008 fund is a capital projects fund used to account for the proceeds and expenditures of the 2008 Tax Allocation Bond issuance.

**REDEVELOPMENT AGENCY OF THE CITY OF GRASS VALLEY**  
(A Component Unit of the City of Grass Valley, California)  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

**NOTE 1: FINANCIAL REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)**

**C. Basis of Accounting and Measurement Focus**

The government-wide financial statements are reported using the economic resources measurement focus and the 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. Nonexchange transactions, in which the Agency gives (or receives) value without directly receiving (or giving) equal value in exchange, include property tax, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

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. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. The Agency considers revenues reported in the governmental funds to be available if they are collected within 60 days after the end of the current fiscal year. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures as well as expenditures related to claims and judgments are recorded only when payment is due. General capital assets acquisitions are reported as expenditures in the governmental funds. Proceeds of governmental long-term debt and acquisitions under capital leases are reported as other financing sources.

**D. Cash and Investments**

The Agency pools cash and investment of all funds, except for amounts held by fiscal agents, with cash and investments of the City of Grass Valley. The City sponsors an investment pool that is managed by the Grass Valley City Council. The Council invests on behalf of most funds of the City and external participants in accordance with the California State Government Code and the City's investment policy. State statutes authorize the City to invest its cash surplus in obligations of the U.S. Treasury, agencies and instrumentalities, corporate bonds, medium term notes, bankers' acceptances, certificates of deposit, commercial paper, repurchase agreements, and the State of California Local Agency Investment Fund.

Participant's equity in the investment pool is determined by the dollar amount of participant deposits, adjusted for withdrawals and distributed investment income. Investment income is determined on an amortized cost basis. Amortized premiums and accreted discounts, accrued interest, and realized gains and losses, net of expenses, are apportioned to pool participants every quarter based on the participants average month end cash balance in relation to the total pool balance. This method differs from the fair value method used to value investments in these financial statements as unrealized gains or losses are not apportioned to pool participants. During the fiscal year ended June 30, 2009, the Grass Valley City Council has not entered into any legally binding guarantees to support the participant equity in the investment pool.

Investments are reported in the accompanying balance sheet at fair value which is determined using selected bases. Short term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Cash deposits are reported at carrying amount which reasonably estimates fair value. Managed funds not listed on an established market are reported at the estimated fair value as determined by the respective fund managers based on quoted sales prices of the underlying securities.

Required disclosure information regarding categorization of investments and other deposit and investment risk disclosures can be found in the City's financial statements. The City of Grass Valley's financial statements may be obtained by contacting the City of Grass Valley Finance Department, 125 East Main Street, Grass Valley, CA 95945.

**REDEVELOPMENT AGENCY OF THE CITY OF GRASS VALLEY**  
(A Component Unit of the City of Grass Valley, California)  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

**NOTE 1: FINANCIAL REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)**

**E. Receivables**

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Major receivable balances for the governmental activities include taxes and interest.

In the governmental fund financial statements, material receivables in governmental funds include revenue accruals such as interest and other similar intergovernmental revenues since they are usually both measurable and available. Nonexchange transactions collectible but not available are deferred in the fund financial statements in accordance with modified accrual, but not deferred in the government-wide financial statements in accordance with the accrual basis. Interest and investment earnings are recorded when earned only if paid within sixty days since they would be considered both measurable and available.

**F. Interfund Transactions**

Interfund transactions are reflected as either loans, services provided or used, reimbursements or transfers.

Loans reported as receivables and payables are referred to as either "due to/from other funds" (i.e. the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans) as appropriate and are subject to elimination upon consolidation. Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not available financial resources.

Services provided or used, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses.

Reimbursements occur when the funds responsible for particular expenditures or expenses repay the funds that initially paid for them. Such reimbursements are treated as an adjustment to expenditures or expenses; that is, a corresponding increase in expenditures or expenses in the reimbursing fund and a corresponding decrease in expenditures or expenses in the reimbursed fund.

All other interfund transactions are treated as transfers. Transfers between funds are netted as part of the reconciliation to the government-wide presentation.

See Note 3 for details of interfund transactions, including receivables and payables at year end.

**G. Inventory**

Governmental fund inventories are recorded as expenditures at the time the inventory is purchased. Records are not maintained of inventory and supplies on hand, although these amounts are not considered material.

**H. Loans Receivable**

For the purpose of the fund financial statements, Special Revenue fund expenditures relating to long-term loans receivable are charged to operations upon funding and the loans receivable are recorded.

**I. Capital Assets**

The accounting treatment over property, plant, and equipment (capital assets) depends on whether the assets are reported in the government-wide or fund financial statements.

**Government-Wide Financial Statements**

In the government-wide financial statements, property, plant and equipment are accounted for as capital assets. Capital assets are recorded at historical cost, or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation.

**REDEVELOPMENT AGENCY OF THE CITY OF GRASS VALLEY**  
(A Component Unit of the City of Grass Valley, California)  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

**NOTE 1: FINANCIAL REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**I. Capital Assets (Continued)**

**Government-Wide Financial Statements (Continued)**

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. At June 30, 2009, the only capital asset owned by the Agency was land which is not subject to depreciation.

Maintenance and repairs are charged to operations when incurred. Betterments and major improvements which significantly increase values, change capacities or extend useful lives are capitalized. Upon sale or retirement of capital assets, the cost and related accumulated depreciation are removed from the respective accounts and any resulting gain or loss is included in the results of operations.

**Fund Financial Statements**

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund at the time of acquisition.

**J. Long-Term Debt**

All long-term debt to be repaid from governmental type resources are reported as liabilities in the government-wide statements. At June 30, 2009, the long-term debt consisted of bonds payable.

Long-term debt for governmental funds is not reported as a liability in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures.

**K. Compensated Absences**

The Agency's policy regarding vacation is to permit employees to accumulate earned but unused vacation leave. The liability for these compensated absences is relieved by the City of Grass Valley General fund, consequently no liability has been reflected in these component unit financial statements.

**L. Net Assets/Fund Balances**

**Government-Wide Financial Statements**

Equity is classified as net assets and displayed in three components:

- Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
- Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation. These principally include restrictions for capital projects and other special revenue fund purposes.
- Unrestricted net assets – All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

When both restricted and unrestricted net assets are available, unrestricted resources are depleted first before the restricted resources are used.

**REDEVELOPMENT AGENCY OF THE CITY OF GRASS VALLEY**  
 (A Component Unit of the City of Grass Valley, California)  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

**NOTE 1: FINANCIAL REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**L. Net Assets/Fund Balances (Continued)**

**Fund Financial Statements**

In the governmental fund financial statements, reserves and designations segregate portions of fund balance. Reservations of fund balance are for amounts that are not available or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance are established by action of management and represent tentative plans that are subject to change. The Agency had no designations of fund balance at June 30, 2009.

A description of reserves follows:

Reserved for Encumbrances - to reflect the outstanding contractual obligations for which goods and services have not been received.

Reserved for Long-term Receivables - to reflect the portion of assets that do not represent available, spendable resources.

**M. Taxes and Assessments**

The Agency is funded primarily by allocated tax increment revenues. Information on property tax levy, collection and maximum rates is contained in the City of Grass Valley financial statements.

**N. Expenditures/Expenses**

In the government-wide financial statements, expenses are classified by function.

In the fund financial statements, expenditures are classified as follows:

Government Funds- By Character  
 Current (further classified by function)  
 Debt Service  
 Capital Outlay

**O. Estimates**

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

**NOTE 2: DETAILED NOTES**

**A. Cash and Investments**

The Agency follows the practice of pooling all cash and investments with the City of Grass Valley with the exception of separately held cash and investments with fiscal agents. Complete disclosure of City of Grass Valley investment policies can be found in the City's annual audited financial statements.

As of June 30, 2009, the Agency's cash and investments consisted of the following:

Cash:		
Deposits with fiscal agent	\$	770,224
Total Cash		<u>770,224</u>
Investments:		
In City Treasurer's pool		3,872,424
With fiscal agent		<u>4,688,738</u>
Total Investments		8,561,162
Total Cash and Investments	\$	<u><u>9,331,386</u></u>

**REDEVELOPMENT AGENCY OF THE CITY OF GRASS VALLEY**  
(A Component Unit of the City of Grass Valley, California)  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED JUNE 30, 2009

**NOTE 2: DETAILED NOTES (CONTINUED)**

**A. Cash and Investments (Continued)**

**Cash**

At year end, the carrying amount of the Agency's cash deposits was \$770,224 and the bank balance was \$770,224.

Custodial Credit Risk For Deposits - Custodial Credit Risk is the risk that, in the event of the failure of a depository financial institution, the Agency will not be able to recover its deposits or collateral securities that are in the possession of an outside party. Government Code requires that deposits in excess of the Federal Deposit Insurance Corporation coverage must be collateralized at 105 percent to 150 percent of the value of the deposit to guarantee the safety of the public funds. The Agency does not have a formal investment policy that would further limit its deposits.

**Investments**

As of June 30, 2009, the Agency's investments consisted of the following:

	Interest Rate	Maturities			Fair Value	Weighted Average Maturity (Years)
		0-1 year	1-5 years	Over 5 years		
<b>Investments in City Investment Pool</b>	Variable	\$ 3,872,424	\$ -	\$ -	\$ 3,872,424	0.00
<b>Investments Held by Fiscal Agent</b>						
Government agency securities	-	105,766	-	-	105,766	.42
Local Agency Investment fund (LAIF)	Variable	<u>4,582,972</u>	-	-	<u>4,582,972</u>	.09
Total Investments Held by Fiscal Agent		<u>8,561,162</u>	-	-	<u>8,561,162</u>	.09
Total Investments		<u>\$ 8,561,162</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,561,162</u>	<u>\$ .09</u>

Interest Rate Risk - Interest rate risk is the risk of loss due to the fair value of an investment falling due to interest rates rising. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. All investments of the Agency except cash and investments with fiscal agent are pooled with the City of Grass Valley investment pool. The Agency does not have a formal investment policy that further limits investment maturities as a means of managing its exposure to fair value losses.

Credit Risk - Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. State law and City investment policy limit investments in commercial paper to the rating of A1 or better by Standards & Poor's or P-1 or better by Moodys' Investors Service; and corporate bonds to the rating of A or better by both Standards and Poor's and Moody's Investors Service. No limits are placed on U.S. government agency securities and U.S. Treasuries. The Agency does not have a formal investment policy that would further limit its investment choices.

Custodial Credit Risk - Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, the Agency will not be able to recover its deposits or collateral securities that are in the possession of an outside party. The Agency does not have a formal investment policy that would further limit the exposure to custodial credit risk.

Concentration of Credit Risk - Concentration of credit risk is the risk of loss attributed to the magnitude of the Agency's investment in a single issuer of securities. When investments are concentrated in one issuer, this concentration presents a heightened risk of potential loss. State law restricts the Agency's investments in commercial paper to 40% of its investment pool and to 10% per issuer, corporate bonds and medium term notes to 30% of its investment pool and to 10% per issuer, and banker's acceptances to 15% of its investment pool and to 10% per issuer. The Agency has invested all cash except cash and investments with fiscal agents in the City investment pool which contains a diversification of investments.

**REDEVELOPMENT AGENCY OF THE CITY OF GRASS VALLEY**  
(A Component Unit of the City of Grass Valley, California)  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

**NOTE 2: DETAILED NOTES (CONTINUED)**

**B. Notes Receivable**

The following is a summary of the notes receivable for the year ended June 30, 2009.

**Redevelopment Housing**

The Agency has made loans to qualifying participants within the City of Grass Valley to provide housing to low and moderate income participants. At June 30, 2009, loans receivable consisted of the following:

Springhill Garden Apartments, LLC loan dated September 23, 2008, payable in annual installments commencing in 2011, with an interest rate of 3% and maturity in 30 years.

Total Loans	<u>\$ 300,000</u>
-------------	-------------------

**C. Capital Assets**

Capital assets activity for the year ended June 30, 2009, was as follows:

	<u>Balance July 1, 2008</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2009</u>
Capital Assets, Not Being Depreciated:				
Land	\$ 880,043	\$ 456,343	\$ -	\$ 1,336,386
Total Capital Assets, Not Being Depreciated	<u>880,043</u>	<u>456,343</u>	<u>-</u>	<u>1,336,386</u>
Total Capital Assets	<u>\$ 880,043</u>	<u>\$ 456,343</u>	<u>\$ -</u>	<u>\$ 1,336,386</u>

**D. Long-Term Liabilities**

The following is a summary of long-term liabilities transactions for the year ended June 30, 2009.

<u>Type of Indebtedness</u>	<u>Balance July 1, 2008</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2009</u>	<u>Amounts Due Within One Year</u>
Tax Allocation Bonds:	\$ 4,180,000	\$ 5,980,000	\$ 70,000	\$ 10,090,000	\$ 75,000
Less: bond discount	-	( 188,919)	-	( 188,919)	( 6,297)
Less: bond issue costs	-	( 185,150)	-	( 185,150)	( 6,172)
Total Long Term Liabilities	<u>\$ 4,180,000</u>	<u>\$ 5,605,931</u>	<u>\$ 70,000</u>	<u>\$ 9,715,931</u>	<u>\$ 62,531</u>

At June 30, 2009, Tax Allocation Bonds payable consisted of the following:

\$3,185,000 of 2000 Tax Allocation Bonds, dated April 1, 2000, payable in annual installments of \$20,000 to \$300,000, with an interest rate of 6% to 6.4% and maturity on December 1, 2034.	\$ 2,925,000
\$1,470,000 of Association of Bay Area Governments Lease Revenue Bonds, dated January 10, 2002, payable in annual installments of \$35,000 to \$100,000, with an interest rate of 3% to 5% and maturity on December 1, 2025.	1,185,000
\$5,980,000 of 2008 Tax Allocation Bonds, dated December 1, 2008, payable in annual installments of \$55,000 to \$660,000, with an interest rate of 4.00% to 7.125% and maturity on December 1, 2038. The bond proceeds will be used to finance redevelopment activities. Of the balance \$456,343 had been used for the acquisition of capital assets.	<u>5,980,000</u>
Total Tax Allocation Bonds Payable	<u>\$ 10,090,000</u>

**REDEVELOPMENT AGENCY OF THE CITY OF GRASS VALLEY**  
(A Component Unit of the City of Grass Valley, California)  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

**NOTE 2: DETAILED NOTES (CONTINUED)**

**D. Long-Term Liabilities (Continued)**

The annual aggregate maturities for the years subsequent to June 30, 2009, are as follows:

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 75,000	\$ 637,994	\$ 712,994
2011	135,000	633,250	768,250
2012	190,000	625,825	815,825
2013	190,000	616,875	806,875
2014	190,000	607,600	797,600
2015-2019	1,125,000	2,874,946	3,999,946
2020-2024	1,515,000	2,499,773	4,014,773
2025-2029	1,700,000	1,982,223	3,682,223
2030-2034	2,080,000	1,381,102	3,461,102
2035-2039	<u>2,890,000</u>	<u>541,479</u>	<u>3,431,479</u>
Total	<u>\$ 10,090,000</u>	<u>\$ 12,401,067</u>	<u>\$ 22,491,067</u>

**Prior Advance Refunding**

On January 10, 2002, the Agency issued \$535,000 and \$1,470,000 in refunding debt to advance refund the outstanding Police Facility Lease and the outstanding 1995 Tax Allocation bonds. The purpose of the refunding was to reduce the total debt service payments. At June 30, 2009, the outstanding Police Facility lease was retired and the outstanding Tax Allocation bonds were \$1,100,000 and are considered defeased.

**NOTE 3: OTHER INFORMATION**

**A. Employee's Retirement Plan**

The Agency is a component unit of the City of Grass Valley and as such the Agency employee's are covered under the retirement plan of the City of Grass Valley. Required disclosure information regarding employee's retirement plan can be found in the City's audited financial statements.

**B. Insurance**

Because of the close relationship between the Agency and the City of Grass Valley, the Agency's liability coverage is provided by the City's insurance policies. Complete information on risk management can be found in the City of Grass Valley's audited financial statements.

**C. Low and Moderate Housing Obligation**

Section 333346 subdivision (c) of the California Health and Safety Code (the Code), requires the Agency project areas to deposit 20 percent of allocated tax increment revenues into a Redevelopment Housing Fund. Activity in this fund for the year ended June 30, 2009, was as follows:

Ending balance June 30, 2008	\$ 696,921
Revenue set aside:	
tax increment x .20	365,988
Interest earned	18,870
Transfers from City of Grass Valley	<u>6,070</u>
Total Available	390,928
Less: Expenditure Allocations	( <u>145,617</u> )
Ending balance June 30, 2009	<u>\$ 942,232</u>

**D. Advances to the City of Grass Valley**

Advances to the City of Grass Valley were made for capital projects. At June 30, 2009, the Redevelopment Projects fund had an advance receivable plus accrued interest from the City of \$605,557.

**REDEVELOPMENT AGENCY OF THE CITY OF GRASS VALLEY**  
 (A Component Unit of the City of Grass Valley, California)  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

**NOTE 3: OTHER INFORMATION (CONTINUED)**

**E. Transfers to City of Grass Valley**

Transfers to City of Grass Valley were made for housing programs and for capital projects. During the year ended June 30, 2009, the following transfers were made:

Redevelopment Projects	\$ 41,937
Total Transfers	<u>\$ 41,937</u>

**F. Transfers**

Transfers are indicative of funding for capital projects, lease payments or debt service and reimbursement of various Agency operations. The following are the interfund transfers for the year ended June 30, 2009:

	<u>Transfer In</u>	<u>Transfer Out</u>
Redevelopment Projects	\$ -	\$ 5,000,000
Redevelopment bonds 2008	<u>5,000,000</u>	<u>-</u>
Total	<u>\$ 5,000,000</u>	<u>\$ 5,000,000</u>

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**REQUIRED SUPPLEMENTARY INFORMATION**  
**(Unaudited)**

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**REDEVELOPMENT AGENCY OF THE CITY OF GRASS VALLEY**  
(A Component Unit of the City of Grass Valley, California)  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE**  
**REDEVELOPMENT HOUSING - MAJOR SPECIAL REVENUE FUND**  
**FOR THE YEAR ENDED JUNE 30, 2009**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b><u>REVENUES</u></b>				
Taxes and assessments	\$ 351,338	\$ 351,338	\$ 365,988	\$ 14,650
Use of money and property	22,000	22,000	18,870	(3,130)
<b>Total Revenues</b>	<u>373,338</u>	<u>373,338</u>	<u>384,858</u>	<u>11,520</u>
<b><u>EXPENDITURES</u></b>				
Current:				
Community development	248,214	552,304	145,617	406,687
<b>Total Expenditures</b>	<u>248,214</u>	<u>552,304</u>	<u>145,617</u>	<u>406,687</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	<u>125,124</u>	<u>(178,966)</u>	<u>239,241</u>	<u>418,207</u>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Transfers in (out) from City of Grass Valley	-	-	6,070	6,070
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>-</u>	<u>6,070</u>	<u>6,070</u>
<b>Net Change in Fund Balance</b>	125,124	(178,966)	245,311	424,277
<b>Fund Balance - Beginning</b>	696,921	696,921	696,921	-
<b>Fund Balance - Ending</b>	<u>\$ 822,045</u>	<u>\$ 517,955</u>	<u>\$ 942,232</u>	<u>\$ 424,277</u>

See the accompanying note to the Required Supplementary Information.

**REDEVELOPMENT AGENCY OF THE CITY OF GRASS VALLEY**  
(A Component Unit of the City of Grass Valley, California)  
**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION**  
**FOR THE YEAR ENDED JUNE 30, 2009**

**BUDGETARY BASIS OF ACCOUNTING**

The budget for the Agency is adopted with the City of Grass Valley budget. The City of Grass Valley follows these procedures annually in establishing the budgetary data reflected in the financial statements:

- (1) The City Administrator submits to the City Council a proposed draft budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them.
- (2) The City Council reviews the proposed budget at regularly scheduled meetings, which are open to the public. The Council also conducts a public hearing on the proposed budget to obtain comments from interested persons.
- (3) Prior to July 1, the budget is adopted through the passage of a resolution.
- (4) From the effective date of the budget, which is adopted and controlled at the department level, the amounts stated therein, as proposed expenditures become appropriations to the various City departments. The City Council may amend the budget by motion during the fiscal year. The City Administrator may authorize transfers from one object or purpose to another within the same department.

Formal budgetary integration is employed as a management control device during the year. The Agency presents a comparison of annual budgets to actual results for its major special revenue fund. The amounts reported on the budgetary basis are generally on a basis consistent with accounting principles generally accepted in the United States of America (GAAP).

The Agency uses an encumbrance system as an extension of normal budgetary accounting for the general and other governmental funds. Under this system, purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of applicable appropriations. Encumbrances outstanding at year end are recorded as reservations of fund balance since they do not constitute expenditures or liabilities. Unencumbered appropriation lapse at year-end. Encumbered appropriations are carried forward in the ensuing year's budget.

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**OTHER REPORT AND SCHEDULES**

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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**

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

We have audited the 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, and have issued our report thereon dated December 16, 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 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 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.

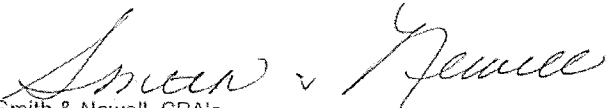
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

We also performed the procedures contained in the publication entitled "Guidelines for Compliance Audits of California Redevelopment Agencies" dated November 1998, promulgated by the California State Controller, Division of Local Government Fiscal Affairs, in connection with a review of the Agency's compliance with laws, regulations, and administrative requirements governing activities of the Agency, as required by the Health and Safety Code of the State of California.

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

This report is intended solely for the information and use of management, Governing Board, others within the organization, and the State Controller's Office and is not intended and should not be used by anyone other than these specified parties.

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

**REDEVELOPMENT AGENCY OF THE CITY OF GRASS VALLEY**  
(A Component Unit of the City of Grass Valley, California)  
**STATUS OF PRIOR YEAR RECOMMENDATIONS**  
FOR THE YEAR ENDED JUNE 30, 2009

<u>Audit Reference</u>	<u>Status of Prior Year Recommendations</u>
08-FS-01	<p><b>MINUTES</b></p> <p><b>Recommendation</b></p> <p>We recommend that Agency minutes be prepared in a timely manner.</p> <p><b>Status</b></p> <p>Implemented</p>

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