

EL CERRITO REDEVELOPMENT AGENCY

CITY OF EL CERRITO

**BASIC COMPONENT UNIT
FINANCIAL STATEMENTS**

FOR THE YEAR ENDED JUNE 30, 2009

This Page Left Intentionally Blank

**EL CERRITO REDEVELOPMENT AGENCY
 BASIC COMPONENT UNIT FINANCIAL STATEMENTS
 JUNE 30, 2009**

TABLE OF CONTENTS

	<u>Page</u>
FINANCIAL SECTION:	
Independent Auditor’s Report	1
Basic Component Unit Financial Statements:	
Agency-wide Financial Statements:	
Statement of Net Assets	4
Statement of Activities	5
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	8
Balance Sheet - Reconciliation of Governmental Fund Balances to the Net Assets of Governmental Activities.....	11
Statement of Revenues, Expenditures, and Changes in Fund Balance.....	12
Reconciliation of the Net Change in Fund Balances – Total Governmental Funds with the Statement of Activities	14
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual: Low/Moderate Housing Special Revenue Fund.....	15
Notes to Component Unit Financial Statements	17
Supplemental Information:	
Budgeted Major Funds, Other than the Special Revenue Funds - Combining Schedules of Revenues, Expenditures and Changes in Fund Balances Budget and Actual.....	32
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> ..	35
Status of Prior Year Findings	37

This Page Left Intentionally Blank

ACCOUNTANCY CORPORATION
3478 Buskirk Ave. - Suite 215
Pleasant Hill, California 94523
(925) 930-0902 • FAX (925) 930-0135
maze@mazeassociates.com
www.mazeassociates.com

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

Members of the Governing Board
El Cerrito Redevelopment Agency
El Cerrito, California

We have audited the accompanying financial statements of the governmental activities and each major fund of the El Cerrito Redevelopment Agency, a component unit of the City of El Cerrito, 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 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 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 respective 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 Low/Moderate Housing Fund 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 December 1, 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 financial statements but is supplementary information required by the Governmental Accounting Standards Board. The Agency has not presented the Management Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic component unit financial statements

Our audit was made for the purpose of forming an opinion on the basic 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 basic financial statements of the Agency. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements, and in our opinion is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Mane & Associates

December 1, 2009

EL CERRITO REDEVELOPMENT AGENCY

**STATEMENT OF NET ASSETS AND STATEMENT
OF ACTIVITIES**

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 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.

EL CERRITO REDEVELOPMENT AGENCY
STATEMENT OF NET ASSETS
JUNE 30, 2009

ASSETS:	
Cash and investments (Note 2)	\$4,439,061
Cash and investments with fiscal agents (Note 2)	3,347,521
Accounts receivable	8,973
Loans receivable (Note 4)	3,372,703
Deposits	20,000
Deferred charges	215,053
Land held for redevelopment (Note 1I)	8,973,753
Land and construction in progress (Note 5)	783,222
Capital Assets, net of depreciation (Note 5)	<u>5,233,480</u>
Total assets	<u>26,393,766</u>
 LIABILITIES:	
Accounts, deposits and contracts payable	107,181
Due to the City (Note 3D)	183,936
Advances from the City (Note 3C)	1,200,000
Bonds interest payable	607,856
Unearned revenue	146,804
Long-term debt (Note 6)	
Due in one year	958,193
Due in more than one year	<u>23,900,011</u>
Total liabilities	<u>27,103,981</u>
 NET ASSETS (DEFICIT) (Note 8):	
Restricted for:	
Debt service	1,038,021
Low and moderate income housing	<u>3,769,859</u>
Total restricted net assets	<u>4,807,880</u>
Unrestricted net assets (deficit)	<u>(5,518,095)</u>
Total net assets (deficit)	<u><u>(\$710,215)</u></u>

See accompanying notes to financial statements

EL CERRITO REDEVELOPMENT AGENCY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009

Expenses:	
Community Development	\$1,436,403
Pass through payments (Note 7)	1,204,160
Interest on long-term debt	1,088,672
Transfers to the City of El Cerrito (Note 3B)	<u>2,576,649</u>
Total program expenses	<u>6,305,884</u>
General revenues:	
Incremental property taxes	5,848,045
Investment earnings	221,615
Other revenue	<u>127,754</u>
Total general revenues	<u>6,197,414</u>
Change in Net Assets	(108,470)
Net Assets (Deficit) Beginning	<u>(601,745)</u>
Net Assets (Deficit) Ending	<u><u>(\$710,215)</u></u>

See accompanying notes to financial statements

This Page Left Intentionally Blank

EL CERRITO REDEVELOPMENT AGENCY

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.

REDEVELOPMENT CAPITAL PROJECTS FUND

This fund accounts for tax increment funds for capital projects in the Redevelopment Plan Project Area.

2004 BOND SERIES A CAPITAL PROJECTS FUND

This fund accounts for capital projects funded by the 2004 Series A Tax Allocation Bonds.

SENIOR CENTER CAPITAL PROJECTS FUND

This fund accounts for funds for capital projects related to the Senior Center.

LIBRARY CAPITAL PROJECTS FUND

This fund accounts for funds for capital projects related to the Library.

LOW AND MODERATE INCOME HOUSING SPECIAL REVENUE FUND

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

REDEVELOPMENT DEBT SERVICE FUND

This fund accounts for payment of interest and principal on the Agency's long-term debt issues.

2004 BOND SERIES A&B DEBT SERVICE FUND

This fund accounts for payment of interest and principal on the Agency's 2004 Series A&B Tax Allocation Bonds.

EL CERRITO REDEVELOPMENT AGENCY
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2009

	Redevelopment Capital Projects	2004 Bond Series A Capital Projects	Senior Center Capital Projects	Library Capital Projects	Low & Mod Income Housing Special Revenue
ASSETS:					
Cash and investments (Note 2)	\$1,455,028	\$250,798	\$1,397,925	\$1,194,683	\$107,788
Cash and investment with fiscal agents (Note 2)		1,303,242			694,890
Accounts receivable	6,154				2,819
Loans receivable					3,372,703
Deposits	10,000				10,000
Advance to other funds (Note 3C)					396,427
Land held for redevelopment (Note 1I)	5,023,753				3,950,000
Total Assets	\$6,494,935	\$1,554,040	\$1,397,925	\$1,194,683	\$8,534,627
LIABILITIES:					
Accounts payable	\$96,689				\$10,492
Accrued liabilities	83,202				
Due to the City (Note 3C)					181,573
Deferred revenue			\$146,804		3,372,703
Advance from the City (Note 3C)					1,200,000
Advance from other funds (Note 3C)	396,427				
Total Liabilities	576,318		146,804		4,764,768
FUND BALANCES					
Fund balances (Note 8)					
Reserved for:					
Advance to other funds					396,427
Encumbrances	45,979				477,297
Land held for redevelopment	5,023,753				3,950,000
Debt service					
Low and moderate income housing					
Unreserved:					
Designated for:					
Capital projects	848,885	\$1,554,040	1,251,121	\$1,194,683	
Undesignated					(1,053,865)
Total Fund Balances	5,918,617	1,554,040	1,251,121	1,194,683	3,769,859
Total Liabilities and Fund Balances	\$6,494,935	\$1,554,040	\$1,397,925	\$1,194,683	\$8,534,627

See accompanying notes to financial statements

Redevelopment Debt Service	2004 Bond Series A&B Debt Service	Total Governmental Funds
\$32,839		\$4,439,061
640,978	\$708,411	3,347,521
		8,973
		3,372,703
		20,000
		396,427
		8,973,753
<u>\$673,817</u>	<u>\$708,411</u>	<u>\$20,558,438</u>
		\$107,181
		83,202
	\$2,363	183,936
		3,519,507
		1,200,000
		396,427
	<u>2,363</u>	<u>5,490,253</u>
		396,427
		468,276
\$673,817	706,048	8,973,753
		1,379,865
		4,848,729
		(998,865)
<u>673,817</u>	<u>706,048</u>	<u>15,068,185</u>
<u>\$673,817</u>	<u>\$708,411</u>	<u>\$20,558,438</u>

This Page Left Intentionally Blank

EL CERRITO REDEVELOPMENT AGENCY
GOVERNMENTAL FUNDS
BALANCE SHEET - RECONCILIATION OF GOVERNMENTAL
FUND BALANCES TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2009

Total fund balances reported on the governmental funds balance sheet \$15,068,185

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:

CAPITAL ASSETS

Capital assets used in Governmental Activities are not current assets or financial resources
and therefore are not reported in the Governmental Funds. 6,016,702

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:

Deferred revenue	3,372,703
Long-term debt	(24,825,961)
Interest payable	(556,897)
Bond issue costs	215,053
	215,053

NET ASSETS OF GOVERNMENTAL ACTIVITIES (\$710,215)

See accompanying notes to financial statements

EL CERRITO REDEVELOPMENT AGENCY
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2009

	Redevelopment Capital Projects	2004 Bond Series A Capital Projects	Senior Center Capital Projects	Library Capital Projects	Low & Mod Income Housing Special Revenue
REVENUES					
Taxes and assessments	\$4,678,436				\$1,169,609
Use of money and property	44,398	\$32,950	\$27,367	\$23,836	92,126
Other revenue	2,754				125,000
Total Revenues	4,725,588	32,950	27,367	23,836	1,386,735
EXPENDITURES					
Community development	1,119,945				3,680,355
Capital outlay	22,893				
Pass through agreements (Note 7)	1,204,160				
Debt service:					
Principal					
Interest and fiscal charges	5,494				2,686
Total Expenditures	2,352,492				3,683,041
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	2,373,096	32,950	27,367	23,836	(2,296,306)
OTHER FINANCING SOURCES (USES)					
Issuance of debt (Note 6)	2,667,000				
Transfers to the City (Note 3B)	(996,109)	(1,366,471)			(214,069)
Transfers in (Note 3A)		250,494			
Transfers out (Note 3A)	(1,241,503)		(110,678)	(139,816)	(606,335)
Total Other Financing Sources (Uses)	429,388	(1,115,977)	(110,678)	(139,816)	(820,404)
NET CHANGE IN FUND BALANCES	2,802,484	(1,083,027)	(83,311)	(115,980)	(3,116,710)
FUND BALANCES AT BEGINNING OF YEAR	3,116,133	2,637,067	1,334,432	1,310,663	6,886,569
FUND BALANCES AT END OF YEAR	\$5,918,617	\$1,554,040	\$1,251,121	\$1,194,683	\$3,769,859

See accompanying notes to financial statements

<u>Redevelopment Debt Service</u>	<u>2004 Series A&B Debt Service</u>	<u>Total Governmental Funds</u>
		\$5,848,045
\$476	\$462	221,615
		127,754
<u>476</u>	<u>462</u>	<u>6,197,414</u>
		4,800,300
		22,893
		1,204,160
475,000	305,000	780,000
<u>303,221</u>	<u>712,771</u>	<u>1,024,172</u>
<u>778,221</u>	<u>1,017,771</u>	<u>7,831,525</u>
<u>(777,745)</u>	<u>(1,017,309)</u>	<u>(1,634,111)</u>
		2,667,000
786,479	1,061,359	(2,576,649)
		2,098,332
		<u>(2,098,332)</u>
<u>786,479</u>	<u>1,061,359</u>	<u>90,351</u>
8,734	44,050	(1,543,760)
<u>665,083</u>	<u>661,998</u>	<u>16,611,945</u>
<u>\$673,817</u>	<u>\$706,048</u>	<u>\$15,068,185</u>

EL CERRITO REDEVELOPMENT AGENCY
 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 Net Changes in Fund Balances reported on the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance, 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 (\$1,543,760)

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.

The capital outlay expenditures are therefore added back to fund balance	122,893
Depreciation expense is deducted from the fund balance	(108,806)

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	747,757
Unpaid principal of the Target Note Payable is added back to fund balance	32,243
Bond issuance costs amortization is deducted from fund balance	(21,237)
Proceeds from the issuance of long term debt is deducted from fund balance	(2,667,000)

ACCRUAL OF NON-CURRENT ITEMS

The amounts 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 revenue	3,372,703
Interest payable	(43,263)

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>(\$108,470)</u></u>
---	---------------------------

See accompanying notes to financial statements

EL CERRITO REDEVELOPMENT AGENCY
 LOW AND MODERATE INCOME HOUSING SPECIAL REVENUE FUND
 STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes and assessments	\$1,088,735	\$1,088,735	\$1,169,609	\$80,874
Use of money and property	106,000	106,000	92,126	(13,874)
Other revenue			125,000	125,000
	<u>1,194,735</u>	<u>1,194,735</u>	<u>1,386,735</u>	<u>192,000</u>
EXPENDITURES				
Community Development	3,025,118	3,025,118	3,680,355	(655,237)
Debt Service:				
Interest and fiscal charges	500	500	2,686	(2,186)
	<u>3,025,618</u>	<u>3,025,618</u>	<u>3,683,041</u>	<u>(657,423)</u>
OTHER FINANCING SOURCES (USES)				
Transfer to the City	(214,069)	(214,069)	(214,069)	
Transfers (out)	(603,685)	(603,685)	(606,335)	(2,650)
	<u>(817,754)</u>	<u>(817,754)</u>	<u>(820,404)</u>	<u>(2,650)</u>
NET CHANGE IN FUND BALANCES	<u>(\$2,648,637)</u>	<u>(\$2,648,637)</u>	(3,116,710)	<u>(\$468,073)</u>
FUND BALANCE AT BEGINNING OF YEAR			<u>6,886,569</u>	
FUND BALANCE AT END OF YEAR			<u>\$3,769,859</u>	

See accompanying notes to financial statements

This Page Left Intentionally Blank

EI CERRITO REDEVELOPMENT AGENCY
Notes to the Basic Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNT POLICIES

A. *Organization and Purpose*

The El Cerrito Redevelopment Agency was created 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 Area. The El Cerrito Redevelopment Project was adopted in November of 1977 to provide an improved physical, social and economic environment 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 El Cerrito 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 United States of America. 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.

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. All of the Agency's funds are major funds.

EI CERRITO REDEVELOPMENT AGENCY
Notes to the Basic Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNT POLICIES (Continued)

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

Redevelopment Capital Projects Fund - This fund accounts for tax increment funds for capital projects in the Redevelopment Plan Project Area.

2004 Bond Series A Capital Projects Fund - This fund accounts for capital projects funded by the 2004 Series A Tax Allocation Bonds.

Senior Center Capital Projects Fund – This fund accounts for funds for capital projects related to the Senior Center.

Library Capital Projects Fund – This fund accounts for funds for capital projects related to the Library.

Low And Moderate Income Housing Special Revenue Fund - This fund accounts for the twenty percent housing set aside from the tax increment proceeds from the Redevelopment Plan Project Area.

Redevelopment Debt Service Fund - This fund accounts for payment of interest and principal on the Agency's long-term debt issues.

2004 Bond Series A&B Debt Service Fund - This fund accounts for payment of interest and principal on the Agency's 2004 Series A&B 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 generally within sixty days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general 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 general long-term debt and acquisitions under capital leases are reported as *other financing sources*.

Non-exchange transactions, in which the Agency 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.

EI CERRITO REDEVELOPMENT AGENCY
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

Property tax is recognized in the fiscal year for which the tax is levied. The County of Contra Costa levies, bills and collects property taxes for the Agency; under the County's "Teeter Plan" the County remits the entire amount levied and handles all delinquencies, retaining interest and penalties. Secured and unsecured property taxes are levied on January 1.

Secured property tax is due in two installments, on November 1 and February 1, becomes a lien on those dates and becomes delinquent on December 10 and April 10, respectively. Unsecured property tax is due on July 1, and becomes delinquent on August 31.

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.

H. Expenditures in Excess of Appropriations

During fiscal 2009, the Low and Moderate Income Housing Special Revenue Fund had expenditures in excess of budget in the amount of \$657,423. The fund had sufficient resources to finance these expenditures.

EI CERRITO REDEVELOPMENT AGENCY
Notes to the Basic Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNT POLICIES (Continued)

I. Land held for Redevelopment

At June 30, 2009 the Agency had eight parcels held for redevelopment, five of which were acquired in prior years, and three that were acquired in the current year. All of the parcels are being held for future development projects. The parcels are accounted for at the lower of cost or net realizable value.

NOTE 2 - CASH AND INVESTMENTS

The Agency pools cash from all sources and all funds with the City of El Cerrito, except Cash with Fiscal Agents, so that it can be invested at the maximum yield, consistent with safety and liquidity, while individual funds can make expenditures at any time.

A. Policies

The Agency and its fiscal agents invest in individual investments and in investment pools. Individual investments are evidenced by specific identifiable *securities instruments*, or by an electronic entry registering the owner in the records of the institution issuing the security, called the *book entry* system. Individual investments are generally made by the Agency's fiscal agents as required under its debt issues, the Agency normally invests only in the California Local Agency Investment Fund pool administered by the State.

The Agency's investments are carried at fair value, as required by generally accepted accounting principles. The Agency adjusts the carrying value of its investments to reflect their fair value at each fiscal year end, and it includes the effects of these adjustments in income for that fiscal year.

B. 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 or agency agreements.

Cash and investments available	
for Agency operations	\$4,439,061
Cash and investments with fiscal agents	<u>3,347,521</u>
Total Agency Cash and Investments	<u><u>\$7,786,582</u></u>

EI CERRITO REDEVELOPMENT AGENCY
Notes to the Basic Financial Statements

NOTE 2 - CASH AND INVESTMENTS (Continued)

C. Investments Authorized by the California Government Code and the City's Investment Policy

The Agency's Investment Policy and the California Government Code allow the Agency to invest in the following, provided the credit ratings of the issuers are acceptable to the City; and approved percentages and maturities are not exceeded. The table below also identifies certain provisions of the California Government Code, or the City's Investment Policy where the City's Investment Policy is more restrictive.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Minimum Credit Quality</u>	<u>Maximum in Portfolio</u>	<u>Maximum Investment In One Issuer</u>
State of California Local Agency Investment Fund (LAIF Pool)	On Demand	N/A	\$40,000,000 per account	\$40,000,000 per account
U. S. Treasury Bonds, Notes and Bills	5 Years	N/A	No Limit	No Limit
U.S. Federal Agency and U.S. Government Sponsored Enterprise Securities	5 Years	N/A	No Limit	No Limit
Banker's Acceptances	180 Days	N/A	30%	30%
Commercial Paper	270 Days	P-1, A-1, F-1	25%	10%
Certificates of Deposit	5 Years	N/A	30%	10%
Negotiable Certificates of Deposit	5 Years	A	30%	No Limit
Medium-Term Corporate Notes	5 Years	A	30%	No Limit
Money Market Mutual Funds	On Demand	Highest Rating Category	5%	No Limit

EI CERRITO REDEVELOPMENT AGENCY
Notes to the Basic Financial Statements

NOTE 2 - CASH AND INVESTMENTS (Continued)

D. 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 Agency 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
<i>For all purposes other than defeasance:</i>		
Obligations of any of the following federal agencies which obligations represent the full faith and credit of the U.S. including:		
Export-Import Bank		
Rural Economic Community Development Administration		
U.S. Maritime Administration		
Small Business Administration		
U.S. Department of Housing & Urban Development (PHAs)		
Federal Housing Administration		
Federal Financing Bank		
Direct obligations of any of the following federal agencies which obligations are not fully guaranteed by the full faith and credit of the U.S.:		
Senior debt obligations of:		
Federal National Mortgage Association		
Federal Home Loan Mortgage Corporation		
Federal Home Loan Bank System		
Other Government Sponsored Agencies approved by the Bond Issuer		
Resolution Funding Corporation		
Bankers' Acceptances	1 year	P-1, A-1 or A-1+
Commercial Paper	270 days	P-1 or A-1+
Pre-refunded Municipal Obligations		Highest ratings category
Municipal Obligations		Aaa/AAA
General Obligations of States		A2/A
Investment Agreements (A)		
Other forms of investments (including repurchase agreements) (A)		

(A) Investment agreements and other forms of investments, including repurchase agreements, must be approved in writing by the Bond Issuer

EI CERRITO REDEVELOPMENT AGENCY
Notes to the Basic Financial Statements

NOTE 2 - CASH AND INVESTMENTS (Continued)

E. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Normally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

Information about the sensitivity of the fair values of the Agency's investments (including investments held by bond trustees) to market interest rate fluctuations is provided by the following table that shows the Agency's investments, which are available for withdrawal on demand as discussed below:

	Investments		Total
	Investments	With Fiscal Agent	
<i>Investments:</i>			
Local Agency Investment Fund		\$1,997,295	\$1,997,295
Blackrock Institutional Money Market Fund		1,350,226	1,350,226
City of El Cerrito Investment Pool	\$4,439,061		4,439,061
Total Investments	\$4,439,061	\$3,347,521	\$7,786,582

The Agency is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The Agency reports its investment in LAIF at the fair value amount provided by LAIF, which is the same as the value of the pool share. The balance is available for withdrawal on demand, and is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, United States Treasury Notes and Bills, and corporations. At June 30, 2009, these investments had an average maturity of 235 days.

Money market funds are available for withdrawal on demand and at June 30, 2009 matured in an average of 52 days for the Blackrock Institutional Money Market Fund. The balance in the City of El Cerrito Investment Pool is available for withdrawal on demand at June 30, 2009.

F. 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 rating as of June 30, 2009 for the Blackrock Institutional Money Market Fund was AAAM as provided by Standard and Poor's. As an external investment pool, the Local Agency Investment Fund was not rated as of June 30, 2009, and the City's investment pool was not rated as of June 30, 2009.

EI CERRITO REDEVELOPMENT AGENCY
Notes to the Basic Financial Statements

NOTE 3 – 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 an expenditure on behalf of another fund. Less often, a transfer may be made to open or close a fund.

<u>Fund Receiving Transfers</u>	<u>Fund Making Transfers</u>	<u>Amount Transferred</u>
2004 Bond Series A Capital Projects Fund	Senior Center Capital Projects Fund	\$110,678 (A)
	Library Capital Projects Fund	139,816 (A)
Redevelopment Debt Service Fund	Redevelopment Capital Projects Fund	451,424 (B)
	Low & Moderate Income Housing Special Revenue Fund	335,055 (B)
2004 Series A & B Debt Service Fund	Redevelopment Capital Projects Fund	790,079 (B)
	Low & Moderate Income Housing Special Revenue Fund	271,280 (B)
Total Interfund Transfers		<u><u>\$2,098,332</u></u>

The reasons for these transfers are set forth below:

- (A) To allocate interest
- (B) To fund debt service

B. Transfers Between the Agency and the City

<u>City Fund Receiving Transfers</u>	<u>Fund Making Transfers</u>	<u>Amount Transferred</u>
General Fund	Redevelopment Capital Projects Fund	\$996,109 (A)
	Low & Moderate Income Housing Special Revenue Fund	214,069 (A)
City Hall Construction Fund	Redevelopment Capital Projects Fund	1,366,471 (B)
		<u><u>\$2,576,649</u></u>

The reasons for these transfers are set forth below:

- (A) To return unspent capital project funds and pay for indirect costs
- (B) To fund capital projects

C. Redevelopment Advances

During the fiscal years ending June 30, 2005 and June 30, 2006 the Agency approved interfund advances of \$305,088 and \$304,820 from the Low and Moderate Income Housing Fund to the Redevelopment Capital Projects Fund for the purpose of paying the Agency's share of the countywide Education Revenue Augmentation Fund (ERAF). These loans do not bear interest and are repayable in ten equal annual installments. The balance of the loans at June 30, 2009 was \$396,427.

During the fiscal year ending June 30, 2009, the City authorized the General Fund to loan \$1,200,000 to the Redevelopment Agency Low and Moderate Income Housing Fund to assist in funding the loan to Ohlone Gardens discussed in Note 4. This loan bears annual interest of 4% and is repayable in ten annual installments.

EI CERRITO REDEVELOPMENT AGENCY
Notes to the Basic Financial Statements

NOTE 3 – INTERFUND TRANSACTIONS (Continued)

D. *Current Interfund Balances Due to the City*

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 City's General Fund was owed \$181,573 from the Low and Moderate Income Housing Special Revenue Fund, and \$2,363 from the Redevelopment Debt Service Fund.

NOTE 4 – LOANS RECEIVABLE

A. *Ohlone Gardens, L.P.*

In fiscal 2009, the Agency entered into a predevelopment, acquisition and construction loan agreement with Ohlone Gardens, L.P. for \$3,500,000 to assist with the acquisition and construction of a 57 unit affordable housing development including at least ten special needs units with appropriate supportive services and an office space that will accommodate the Hatlen Center for the Blind. The Loan bears simple interest at the rate of 3% per year, beginning with the date of first disbursement and is repayable 55 years from the date of occupancy from residual receipts, as defined in the agreement. The Loan is secured by a deed of trust in the first position on the property. The deed of trust may subsequently be subordinated to other financing as defined in the agreement. Predevelopment activities and acquisition of the site began in fiscal year 2009 and the developer drew down \$3,022,703 of the Loan and \$477,297 remains available for draw down at June 30, 2009.

B. *Idaho Apartments*

The Agency entered into an Owner Participation Agreement for Idaho Apartments in 1997 in which the Agency agreed to make a loan to the project which included rehabilitation of the deteriorated building. At that time, the developer requested assistance to help repay a loan from a non-profit agency. In August 2000, the non-profit agency loan was replaced by another loan obtained by the developer and the Agreement was amended to reflect that fact as well as reaffirm the Agency's commitment to make a loan of up to \$350,000 to repay the developer's other loan when that loan matured in 2008. The Loan bears simple interest at the rate of 3% per year, beginning with the date of first disbursement and is repayable in 126 months from the date of occupancy from residual receipts, as defined in the agreement. The Loan is secured by a subordinated deed of trust in the third position on the property. The Agency disbursed \$350,000 to the developer during the year ended June 30, 2009.

C. *Business Video Surveillance Loan Program*

The Agency established a video surveillance loan program that provides loans to local businesses for up to 50% of the cost of video surveillance equipment up to a maximum of \$5,000. The loans do not bear interest and are payable in four equal installments. However, the annual loan payments will be forgiven as long as the equipment is maintained in working order, which is determined by an annual inspection and certification provided by the police department. During the year ended June 30, 2009, the Agency issued 34 loans totaling \$87,671. The Agency expects that the loans will be forgiven, therefore they have not been recorded as loans receivable.

EI CERRITO REDEVELOPMENT AGENCY
Notes to the Basic Financial Statements

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 \$10,000.

All capital assets with limited useful lives are depreciated over their estimated useful lives. The purpose of depreciation is to spread the cost of capital assets equitably among all users over the life of these assets. The amount charged to depreciation expense each year represents that year's pro rata share of the cost of capital assets.

Depreciation of all capital assets is charged as an expense against operations each year and the total amount of depreciation taken over the years, called accumulated depreciation, is reported on the balance sheet as a reduction in the book value of capital assets. The useful lives for buildings are 50 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.

A. Capital Asset Additions and Retirements

Capital assets at June 30 comprise:

	Balance at June 30, 2008	Additions	Balance at June 30, 2009
Capital assets not being depreciated:			
Land	\$597,621		\$597,621
Construction in progress	185,601		185,601
Total capital assets not being depreciated	783,222		783,222
Capital assets being depreciated:			
Buildings and improvements	5,382,058	\$22,893	5,404,951
Equipment		100,000	100,000
Total capital assets being depreciated	5,382,058	122,893	5,504,951
Less accumulated depreciation for:			
Buildings and improvements	(162,665)	(107,616)	(270,281)
Equipment		(1,190)	(1,190)
Total accumulated depreciation	(162,665)	(108,806)	(271,471)
Net capital assets being depreciated	5,219,393	14,087	5,233,480
Capital assets, net	\$6,002,615	\$14,087	\$6,016,702

EI CERRITO REDEVELOPMENT AGENCY
Notes to the Basic Financial Statements

NOTE 6 – LONG-TERM DEBT

The Agency generally incurs long-term debt to finance projects or purchase assets which will have useful lives equal to or greater than the related debt.

Bond issuance costs are capitalized and amortized over the terms of the respective bonds using a method that approximates the effective interest method.

The Agency's debt issues and transactions are summarized below:

	Original Issue Amount	Balance June 30, 2008	Additions	Retirements	Balance June 30, 2009	Current Portion
<i>Governmental Activity Debt</i>						
Tax Allocation Bonds:						
1997 Refunding, Series A	\$7,450,000	\$4,870,000		\$325,000	\$4,545,000	\$340,000
1998 Refunding, Series B	2,630,000	1,430,000		150,000	1,280,000	155,000
2004, Series A	10,315,000	10,315,000			10,315,000	
2004, Series B	6,510,000	5,790,000		305,000	5,485,000	355,000
Target Note Payable	750,000	566,204			566,204	
Valente Note Payable	2,667,000		\$2,667,000		2,667,000	108,193
Total Governmental Activity		<u>\$22,971,204</u>	<u>\$2,667,000</u>	<u>\$780,000</u>	<u>\$24,858,204</u>	<u>\$958,193</u>

A. Tax Allocation Bonds

1997 Tax Allocation Refunding Bonds- On December 3, 1997, the Agency issued Series 1997 A in the amount of \$7,450,000 at 3.70%-4.90% interest. The proceeds from the Tax Allocation Refunding Bonds, Series 1997 A, were used to refund the Agency's \$7,185,000 El Cerrito Redevelopment Project Area Refunding Tax Allocation Bonds, Series 1991 A. The Series 1997 A Bonds are secured by a pledge of certain tax increment revenues from the Project Area. Interest is payable semiannually on January 1 and July 1 through 2019. Principal is payable annually on July 1.

1998 Tax Allocation Refunding Bonds - On April 2, 1998, the El Cerrito Redevelopment Agency issued Series 1998 B Tax Allocation Refunding Bonds in the amount of \$2,630,000 at 3.70% 5.25% interest. The proceeds from the Tax Allocation Refunding Bonds, Series 1998 B were used to refund the Agency's El Cerrito Redevelopment Project Area Bonds, Series 1990 A in the amount of \$3,025,000. The Series 1998 B is secured by a pledge of certain tax increment revenues from the Project Area. Interest is payable semiannually on January 1 and July 1 through 2015. Principal is payable annually on July 1.

2004 Tax Allocation Bonds - On September 30, 2004, the Agency issued Series 2004 A and B Tax Allocation Bonds in the amount of \$10,315,000 and \$6,510,000 respectively for a total original principal amount of \$16,825,000. The proceeds are being used to finance activities such as public facilities and infrastructure improvements, the financing of various housing projects within the Project Area and the repayment of a note payable. The Bonds are payable from tax increment revenues receivable by the Agency with respect to the Project Area. Interest is payable semi-annually on January 1 and July 1 through 2023. Principal is payable annually on July 1 commencing on July 1, 2013 for the 2004 A Tax Allocation Bonds and July 1, 2005 for the 2004 B Tax Allocation Bonds.

EI CERRITO REDEVELOPMENT AGENCY
Notes to the Basic Financial Statements

NOTE 6 – LONG-TERM DEBT (Continued)

The pledge of all future tax increment revenues (housing and non-housing revenue) ends upon repayment of \$30,213,156 remaining debt service on the three Bonds above which is scheduled to occur in 2023. Projected tax increment revenues from the Agency's Capital Projects Fund (non-housing revenues) are expected to provide coverage over debt service of 264% over the life of the bonds. For fiscal year 2009, non-housing tax increment revenue amounted to \$4,247,284 which represented coverage of 3.55 over the \$1,196,236 non-housing portion of debt service.

Projected revenues for the low and moderate income housing set-aside amounts required to be deposited into the Agency's Low and Moderate Income Housing Special Revenue Fund (housing revenues) are expected to provide coverage over debt service of 162% over the life of the bonds. For fiscal year 2009, the low and moderate income housing set-aside amounts to the Low and Moderate Income Housing Fund amounted to \$1,061,821, which represented coverage of 1.77 over the \$599,757 housing portion of debt service.

B. Target Note Payable

The Agency entered into a loan agreement, in October 1990, with Dayton Hudson (Target) in the amount of \$750,000. Principal and interest payments are due annually on June 1. Under the terms of the loan agreement, interest on the loan is 9% and the Agency will make annual payments \$76,355 until June 1, 2018. The Target store was unexpectedly closed in fiscal year 2008 and the Agency suspended debt service payments. At June 30, 2009, the unpaid principal and interest totaling \$83,202 has been recorded as an accrued liability in the Redevelopment Capital Projects Fund. In October 2009, the Agency entered into an agreement with Target and a potential developer of the site that provides for the forgiveness of the Agency's loan if the property is sold to the developer or if the loan agreement is terminated. Management believes the note will ultimately be forgiven, however, as of June 30, 2009 conditions necessary to permit loan forgiveness had not been satisfied and the loan balance remains a liability.

C. Valente Note Payable

The Agency purchased land in March 2009 and agreed to pay the owner out of tax increment revenues, signing a note in the amount of \$2,667,000. Interest on the note is 6.75% and the Agency will make annual principal and interest payments in the amount of \$288,215 for 15 years.

EI CERRITO REDEVELOPMENT AGENCY
Notes to the Basic Financial Statements

NOTE 6 – LONG-TERM DEBT (Continued)

D. Debt Service Requirements

Debt service requirements are shown below for all long-term debt except the Target Note Payable, because the ultimate repayment terms of the Target Note cannot be determined at this time as discussed in B. above.

Year ending June 30	Governmental Activities	
	Principal	Interest
2010	\$958,193	\$1,159,821
2011	1,045,496	1,111,050
2012	1,143,292	1,055,956
2013	1,241,614	995,849
2014	1,355,498	933,561
2015-2019	8,303,215	3,583,308
2020-2024	10,244,692	1,404,842
	<u>\$24,292,000</u>	<u>\$10,244,387</u>

NOTE 7 – PASS THROUGH AGREEMENTS

As part of the Agency 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. Payments under these pass through agreements amounted to \$1,204,160 for the year ended June 30, 2009.

NOTE 8 – 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.

EI CERRITO REDEVELOPMENT AGENCY
Notes to the Basic Financial Statements

NOTE 8 – NET ASSETS AND FUND BALANCES (Continued)

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.

NOTE 9 – CERRITO THEATER LEASE

In May 2003, the Agency entered into a long-term lease with Downey Street Productions for the Cerrito Theater. The lease was terminated in fiscal year 2009 and a new five year lease was executed with Pleasantown Motion Picture Company LLC. (tenant) in July 2009. The tenant is obligated to remit monthly base rent of \$4 thousand, increased each year as specified in the lease. In addition, the tenant is to pay the Agency's property tax and assessment expenses of the Theater as defined in the agreement, along with 5% of calendar year gross receipts from the Theater and restaurant in excess of \$960 thousand, as adjusted for increases in the Consumer Price Index.

Ownership of the Theater and property remains with the Agency at the end of the lease term.. Therefore, the Agency has recorded the lease transaction as an operating lease and has included the cost of Theater renovations in its capital assets which were completed in fiscal year 2007.

NOTE 10 – 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.

NOTE 11 – SUBSEQUENT EVENT

The State of California adopted AB26 4X in July 2009 which directs that a portion of the incremental property taxes received by redevelopment agencies based on the property taxes received in fiscal year 2006-07 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 is \$1,767,418 in fiscal year 2009-10 and is estimated to be \$363,530 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 40% of the Agency's cash and investments available for operations 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 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.

This Page Left Intentionally Blank

EL CERRITO REDEVELOPMENT AGENCY
 BUDGETED MAJOR FUNDS, OTHER THAN THE SPECIAL REVENUE FUNDS
 COMBINING SCHEDULES OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	Redevelopment Capital Projects Fund			2004 Bond Series A Capital Projects		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
Revenues:						
Taxes and assessments	\$3,991,411	\$4,678,436	\$687,025			
Use of money and property	200,000	44,398	(155,602)	\$75,000	\$32,950	(\$42,050)
Other revenue		2,754	(2,754)			
Total Revenues	4,191,411	4,725,588	528,669	75,000	32,950	(42,050)
Expenditures:						
Current:						
Community development	1,333,401	1,119,945	213,456			
Capital Outlay		22,893	(22,893)			
Pass through agreements	1,168,873	1,204,160	(35,287)			
Debt service:						
Principal payments	35,146		35,146			
Interest and fiscal fees	52,057	5,494	46,563			
Total Expenditures	2,589,477	2,352,492	236,985			
Excess of revenues over (under) expenditures	1,601,934	2,373,096	771,162	75,000	32,950	(42,050)
Other Financing Sources (uses):						
Issuance of debt		2,667,000	2,667,000			
Transfers to the City	(996,109)	(996,109)		(1,555,000)	(1,366,471)	188,529
Transfers in					250,494	250,494
Transfers (out)	(1,386,360)	(1,241,503)	144,857			
Total other financing sources (uses)	(2,382,469)	429,388	2,811,857	(1,555,000)	(1,115,977)	439,023
Net change in fund balances	(\$780,535)	2,802,484	\$3,583,019	(\$1,480,000)	(1,083,027)	\$396,973
Fund Balances at beginning year		3,116,133			2,637,067	
Fund Balances at end of year		\$5,918,617			\$1,554,040	

Senior Center Capital Projects Fund			Library Capital Projects Fund			Redevelopment Debt Service		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
\$40,000	\$27,367	(\$12,633)	\$40,000	\$23,836	(\$16,164)	\$1,000	\$476	(\$524)
40,000	27,367	(12,633)	40,000	23,836	(16,164)	1,000	476	(524)
100,000		100,000	100,000		100,000			
						475,000	475,000	
						303,221	303,221	
100,000		100,000	100,000		100,000	778,221	778,221	
(60,000)	27,367	87,367	(60,000)	23,836	83,836	(777,221)	(777,745)	(524)
	(110,678)	(110,678)		(139,816)	(139,816)	778,222	786,479	8,257
	(110,678)	(110,678)		(139,816)	(139,816)	778,222	786,479	8,257
<u>(\$60,000)</u>	<u>(83,311)</u>	<u>(\$23,311)</u>	<u>(\$60,000)</u>	<u>(115,980)</u>	<u>(\$55,980)</u>	<u>\$1,001</u>	<u>8,734</u>	<u>\$7,733</u>
	1,334,432			1,310,663			665,083	
	<u>\$1,251,121</u>			<u>\$1,194,683</u>			<u>\$673,817</u>	

(Continued)

EL CERRITO REDEVELOPMENT AGENCY
 BUDGETED MAJOR FUNDS, OTHER THAN THE SPECIAL REVENUE FUNDS
 COMBINING SCHEDULES OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	2004 Bond Series A&B Debt Service		
	Budget	Actual	Variance Positive (Negative)
Revenues:			
Taxes and assessments			
Use of money and property	\$2,000	\$462	(\$1,538)
Other revenue			
Total Revenues	<u>2,000</u>	<u>462</u>	<u>(1,538)</u>
Expenditures:			
Current:			
Community development			
Capital Outlay			
Pass through agreements			
Debt service:			
Principal payments	355,000	305,000	50,000
Interest and fiscal fees	706,823	712,771	(5,948)
Total Expenditures	<u>1,061,823</u>	<u>1,017,771</u>	<u>44,052</u>
Excess of revenues over (under) expenditures	<u>(1,059,823)</u>	<u>(1,017,309)</u>	<u>42,514</u>
Other Financing Sources (uses):			
Issuance of debt			
Transfers to the City			
Transfers in	1,061,823	1,061,359	(464)
Transfers (out)			
Total other financing sources (uses)	<u>1,061,823</u>	<u>1,061,359</u>	<u>(464)</u>
Net change in fund balances	<u>\$2,000</u>	44,050	<u>\$42,050</u>
Fund Balances at beginning year		<u>661,998</u>	
Fund Balances at end of year		<u>\$706,048</u>	

**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***

Members of the El Cerrito Redevelopment Agency
El Cerrito, California

We have audited the financial statements of the El Cerrito Redevelopment Agency as of and for the year ended June 30, 2009, and have issued our report thereon dated December 1, 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 December 1, 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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

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.

Mane & Associates

December 1, 2009

**EL CERRITO REDEVELOPMENT AGENCY
STATUS OF PRIOR YEAR FINDINGS
PREPARED BY MANAGEMENT**

08-01: Monitoring Reports

Health & Safety Code Section 33418 requires that the Agency have property owners or managers of housing involving Agency funding to submit an annual report to the Agency. We selected the Village at Town Center Apartments project to test for compliance with this requirement; however, due to staff changes in the City and with the property owners, the annual report was not submitted to the Agency during fiscal year 2008. The Agency should require all applicable property owners or managers to submit the required reports annually and review the reports for compliance.

Current Status:

Due to staff changes in the City and with the property owners this report was not received until November, 2008. It will be received by June 30 for coming years.

08-02: Financial Reporting

Health & Safety Code §33080.1 requires that the Agency submit the following reports to the State Controller's Office and to the Board within six months after year end:

- a. Independent auditor's report on financial statements
- b. Independent auditor's report on legal compliance
- c. Annual report of Financial Transactions of Community Redevelopment Agencies
- d. Housing activities report
- e. Blight progress report
- f. Loan report
- g. Property report

We received a confirmation from the State Controller's Office informing us that the Agency had not submitted the Annual Report of Financial Transactions or Housing Activities, Blight Progress, Loan and Property Reports within the six month time frame (filed on January 22, 2008). In addition, the auditor's report on financial statements and legal compliance were not submitted to the Board until February 22, 2008. The delays were caused by problems with the computer disk from the State and with the City's consultants. In order to be in compliance with the Health & Safety Code, the Agency should ensure that the reports are filed timely with both the State Controller and the Board.

Current Status:

Problems with the delivery and functionality of the computer disk from the State, as well as our consultant's timeliness caused this report to be late. This year and for the following years it will be on time and documented as delivered.

This Page Left Intentionally Blank