

**REDEVELOPMENT AGENCY OF THE
CITY OF DESERT HOT SPRINGS**

FINANCIAL STATEMENTS

Year Ended June 30, 2009

Redevelopment Agency of the City of Desert Hot Springs
Financial Statements
Year Ended June 30, 2009

TABLE OF CONTENTS

	PAGE
Independent Auditors' Report	1
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	2
Statement of Activities	3
Fund Financial Statements:	
Balance Sheet - Governmental Funds	4 - 5
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	6
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	7 - 8
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	9
Notes to Financial Statements	10 - 22
Required Supplementary Information	
Notes to Required Supplementary Information	23
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual	
Low Income Housing - Special Revenue Fund	24
Help Program - Special Revenue Fund	25
Supplementary Information	
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual	
Debt Service Fund	26
Capital Project Fund	27
Independent Auditors' 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>	28 - 29
Schedule of Findings and Recommendations	30

Independent Auditors' Report

Board Members
Redevelopment Agency of the City of Desert Hot Springs
Desert Hot Springs, California

We have audited the accompanying financial statements of the governmental activities and each major fund, of the Redevelopment Agency of the City of Desert Hot Springs (the Agency), a component unit of the City of Desert Hot Springs, 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 financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and 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 opinions.

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

As described more fully in Note 1, the financial statements present only the Agency and are not intended to present fairly the financial position and results of operations of the City of Desert Hot Springs, California 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 30, 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 Agency has not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

The required supplementary information, such as the major fund budgetary comparison schedules, is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board (GASB). We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's basic financial statements. The other supplementary 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. The supplementary information has been subjected to the auditing procedures applied in the 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.

Teaman Ramirez & Smith

December 30, 2009

BASIC FINANCIAL STATEMENTS

Redevelopment Agency of the City of Desert Hot Springs
Statement of Net Assets
June 30, 2009

	<u>Governmental Activities</u>
ASSETS	
Cash and Investments	\$ 22,149,258
Restricted Cash and Investments:	
Fiscal Agent	16,955,117
Revolving Loan Program	466,738
Receivables:	
Accounts	25,133
Interest	44,791
Notes	1,242,424
Special Assessment	10,767
Coachella Valley Housing Coalition	727,420
Debt Issuance Costs	976,773
Property Held for Resale	<u>1,972,364</u>
 Total Assets	 <u>44,570,785</u>
LIABILITIES	
Accounts Payable and Accrued Liabilities	3,902,554
Interest Payable	839,414
Noncurrent Liabilities:	
Due Within One Year	1,285,000
Due in More Than One Year	<u>41,102,311</u>
 Total Liabilities	 <u>47,129,279</u>
NET ASSETS	
Restricted for:	
Debt Service	3,609,620
Low Moderate Income Housing	6,368,422
Unrestricted	<u>(12,536,536)</u>
 Total Net Assets	 <u><u>\$ (2,558,494)</u></u>

The accompanying notes are an integral part of this statement.

Redevelopment Agency of the City of Desert Hot Springs
Statement of Activities
Year Ended June 30, 2009

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
Economic Development	\$ 24,387,475	\$ -	\$ -	\$ -	\$ (24,387,475)
Interest on Long-Term Debt	2,435,525	-	-	-	(2,435,525)
Total Governmental Activities	<u>\$ 26,823,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(26,823,000)</u>
General Revenues:					
Taxes					9,712,845
Investment Income					950,025
Other					<u>47,746</u>
Total General Revenues and Transfers					<u>10,710,616</u>
Change in Net Assets					(16,112,384)
Total Net Assets - Beginning					<u>13,553,890</u>
Total Net Assets - Ending					<u>\$ (2,558,494)</u>

Redevelopment Agency of the City of Desert Hot Springs
Balance Sheet
Governmental Funds
June 30, 2009

	Special Revenue		
	RDA Low Income Housing	RDA Help Program	Debt Service RDA
ASSETS			
Cash and Investments	\$ 4,635,354	\$ 37,362	\$ 9,323,902
Restricted Cash and Investments:			
Fical Agent			705,047
Revolving Loan Program		466,738	
Accounts Receivable	17,278		189
Notes Receivable	1,105,175	727,420	
Interest Receivable	10,711	1,176	17,694
Property Held for Resale	1,272,364		
	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 7,040,882</u>	<u>\$ 1,232,696</u>	<u>\$ 10,046,832</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable	\$ 72,561	\$	\$
Accrued Liabilities			1,395,120
Deferred Revenue	1,105,175	727,420	
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>1,177,736</u>	<u>727,420</u>	<u>1,395,120</u>
Fund Balances:			
Reserved for:			
Debt Service			
Capital Projects			
Property Held for Resale	1,272,364		
Unreserved, Reported In:			
Special Revenue Funds	4,590,782	505,276	
Debt Service Funds			8,651,712
Capital Project Funds			
	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances	<u>5,863,146</u>	<u>505,276</u>	<u>8,651,712</u>
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities and Fund Balances	<u>\$ 7,040,882</u>	<u>\$ 1,232,696</u>	<u>\$ 10,046,832</u>

The accompanying notes are an integral part of this statement.

Capital Projects RDA	Total
\$ 8,152,640	\$ 22,149,258
16,250,070	16,955,117
7,666	466,738
148,016	25,133
15,210	1,980,611
700,000	44,791
	1,972,364
<u>\$ 25,273,602</u>	<u>\$ 43,594,012</u>
\$ 2,407,396	\$ 2,479,957
27,477	1,422,597
148,016	1,980,611
<u>2,582,889</u>	<u>5,883,165</u>
3,609,620	3,609,620
12,640,450	12,640,450
700,000	1,972,364
	5,096,058
	8,651,712
5,740,643	5,740,643
<u>22,690,713</u>	<u>37,710,847</u>
<u>\$ 25,273,602</u>	<u>\$ 43,594,012</u>

The accompanying notes are an integral part of this statement.

**Redevelopment Agency of the City of Desert Hot Springs
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets
June 30, 2009**

Fund balances of governmental funds	\$ 37,710,847
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Interest expenditures are recognized when due and, therefore, interest payable is not recorded in the governmental funds.	(839,414)
Long-term receivables are not available to pay for current period expenditures and are deferred in the funds. Long-term receivables include:	
Notes Receivable	1,242,424
Special Assessment Receivables	10,767
Receivable from CVHC	727,420
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds. Long-term liabilities include:	
Tax Allocation Bonds	(42,215,000)
Unamortized Premium	(22,077)
Unamortized Discount	1,069,766
California HFA Loan	(1,220,000)
Issuance costs net of accumulated amortization were reported as expenditures in the governmental funds.	<div style="border-top: 1px solid black; border-bottom: 3px double black;">976,773</div>
Net assets of governmental activities	<div style="border-top: 1px solid black; border-bottom: 3px double black;">\$ (2,558,494)</div>

The accompanying notes are an integral part of this statement.

This page intentionally left blank

Redevelopment Agency of the City of Desert Hot Springs
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2009

	Special Revenue		
	RDA Low Income Housing	RDA Help Program	Debt Service RDA
REVENUES			
Taxes	\$ 1,942,569		\$ 7,770,276
Interest	86,857	8,537	170,598
Miscellaneous	358		
Total Revenues	2,029,784	8,537	7,940,874
EXPENDITURES			
Current:			
Economic Development	1,024,131		861,246
Capital Outlay	54,672		
Debt Service:			
Principal			395,000
Interest	2,900		2,155,208
Pass-Through Agreements			3,088,255
Total Expenditures	1,081,703	-	6,499,709
Excess (Deficiency) of Revenues over Expenditures	948,081	8,537	1,441,165
OTHER FINANCING SOURCES (USES)			
Transfers In			148,722
Transfers Out	(148,722)		(4,500,000)
Total Other Financing Sources (Uses)	(148,722)	-	(4,351,278)
Net Change in Fund Balances	799,359	8,537	(2,910,113)
Fund Balances, Beginning of Year	5,063,787	496,739	11,561,825
Fund Balances, End of Year	\$ 5,863,146	\$ 505,276	\$ 8,651,712

The accompanying notes are an integral part of this statement.

Capital Projects RDA	Total
\$	\$ 9,712,845
684,033	950,025
47,388	47,746
731,421	10,710,616
4,615,503	6,500,880
15,166,796	15,221,468
	395,000
	2,158,108
	3,088,255
19,782,299	27,363,711
(19,050,878)	(16,653,095)
4,500,000	4,648,722
	(4,648,722)
4,500,000	-
(14,550,878)	(16,653,095)
37,241,591	54,363,942
\$ 22,690,713	\$ 37,710,847

The accompanying notes are an integral part of this statement.

Redevelopment Agency of the City of Desert Hot Springs
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
Year Ended June 30, 2009

Net change in fund balances - total governmental funds \$ (16,653,095)

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

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.

Amortization of Premium on Tax Allocation Bonds	1,815
Amortization of Discounts on Tax Allocation Bonds	(37,209)
Amortization of Issuance Costs	(45,077)
Principal Paid on Tax Allocation Bonds	395,000

Interest expenditures are recognized when paid in the governmental funds. Interest expense is recognized when incurred in the statement of activities. This amount represents the change in interest payable from the prior year. (242,023)

Increases in long-term notes receivable use current financial resources and are included in the expenditures of governmental funds. Repayments of long-term notes receivable provide current financial resources and are included in the revenues of governmental funds. These changes in notes receivable are not reflected in the revenues or expenses in the statement of activities. 468,205

Change in net assets of governmental activities \$ (16,112,384)

Redevelopment Agency of the City of Desert Hot Springs
Notes to Financial Statements
Year Ended June 30, 2009

<u>NOTE</u>	<u>DESCRIPTION</u>	<u>PAGE</u>
1	Reporting Entity and Summary of Significant Accounting Policies	11 - 14
2	Cash and Investments	14 - 16
3	Interfund Transactions	17
4	Long-Term Debt	17 – 21
5	Long-Term Receivables	21
6	Classification of Net Assets and Fund Equity	21
7	Contingencies/Subsequent Events	22

Redevelopment Agency of the City of Desert Hot Springs
Notes to Financial Statements
Year Ended June 30, 2009

1) REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Accounting policies of the Redevelopment Agency of the City of Desert Hot Springs (the Agency) conform to accounting principles generally accepted in the United States of America as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for governmental accounting and financial reporting principles. The following is a summary of significant policies.

A) Reporting Entity

The Agency has established two redevelopment project areas. Project Area No. 1 was adopted on July 6, 1982. Its objective is to strengthen land use pattern and utilization through the redevelopment and development of under-utilized land in order to enhance the viability of commercial, residential and industrial core areas of the City. Project Area No. 2 was adopted on November 20, 1984. Its objectives are to eliminate conditions of blight by providing needed public improvements, by encouraging rehabilitation and repair of deteriorating structures, by facilitating land assembly and by development which will result in employment opportunities and an expanded tax base.

On December 16, 1997, the Redevelopment Agency unanimously approved the proposal to merge Redevelopment Project Areas #1 and #2. The merger has allowed the Redevelopment area to expand and thereby generate more tax increment monies.

B) Description of funds

The accounts of the Agency are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures. The following types of funds are used:

Governmental Fund Types

Special Revenue Funds - Account for the proceeds of specific revenue sources that are restricted by law or administrative action for specified purposes.

Debt Service Funds - Account for property tax increment revenue and related interest income. Disbursements from these funds consist mainly of principal and interest on RDA indebtedness.

Capital Projects Funds - Account for financial resources used for the construction of specific capital projects.

C) Basis of Accounting and Measurement Focus

Government-Wide Financial Statements

The Agency's Government-wide Financial Statements include a Statement of Net Assets and a Statement of Activities. These statements present summaries of governmental activities for the Agency.

These statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the Agency's assets and liabilities, including capital assets and (if applicable) long-term debt, are included in the accompanying Statement of Net Assets. The Statement of Activities presents changes in net assets.

Redevelopment Agency of the City of Desert Hot Springs
Notes to Financial Statements
Year Ended June 30, 2009

1) REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

C) Basis of Accounting and Measurement Focus - Continued

Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. The types of transactions reported as program revenues for the Agency are reported in three categories: 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions. Charges for services include revenues from customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function. Operating grants and contributions include revenues restricted to meeting the requirements of a particular operating function and may include state shared revenues and grants. Capital grants and contributions include revenues restricted to meeting the requirements of a particular capital function and may include grants and developer fees. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Certain eliminations have been made as prescribed by GASB Statement No. 34 with regard to interfund activities, payables, and receivables. All internal balances in the government-wide financial statements have been eliminated.

Governmental Fund Financial Statements

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures, and Changes in Fund Balances for all major governmental funds. An accompanying schedule is presented to reconcile and explain the differences in fund balances as presented in these Statements to the Net Assets presented in the government-wide financial statements. The Agency has presented all funds as major funds because of their significance to the Agency as a whole.

All governmental funds are accounted for on a spending or "current financial resources" measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the balance sheets. The Statement of Revenues, Expenditures and Changes in Fund Balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in fund balances. Revenues are recognized in the accounting period in which they become susceptible to accrual, that is, when they become both measurable and available to finance expenditures of the current period. "Measurable" means that the amount of the transaction can be determined, and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Accrued revenues include property taxes (tax increment) received within 90 days after year-end, and earnings on investments. Expenditures are recorded when the fund liability is incurred, if measurable, except for unmatured interest on long-term debt, which is recognized when due. The Agency uses a 90 day period for revenue recognition to accurately report revenue in the period earned.

The Agency reports the following major governmental funds:

The *Low Income Housing Fund* accounts for the receipt of 20 percent of the gross tax increment allocation, which is restricted for use on projects that increase or preserve the supply of low and moderate income housing in accordance with Health and Safety Code Section 33334.

The *Help Program Special Revenue Fund* accounts for grant funds for the purpose of funding loans for a homeownership assistance program.

Redevelopment Agency of the City of Desert Hot Springs
Notes to Financial Statements
Year Ended June 30, 2009

1) REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

C) Basis of Accounting and Measurement Focus - Continued

The *Debt Service Fund* accounts for the accumulation of resources for, and the payment of principal and interest on the Agency's debt and other long-term obligations.

The *Capital Projects Fund* accounts for all project expenditures, including acquisition of properties, cost of site improvements, and other costs within the project area.

D) Cash and Investments

The Agency has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 31, "Accounting and Financial Reporting for Certain Investments and External Pools", which require governmental entities to report certain investments at fair value in the balance sheet and recognize the corresponding change in the fair value of investments in the year in which the change occurred. In accordance with GASB Statement No. 31, the Agency has adjusted certain investments to fair value (when material).

E) Budgetary Data

The Agency adopts an annual budget prepared on the modified accrual basis for all of its governmental funds. Under Section 2-16(g) of the City of Desert Hot Springs Municipal Code, the Executive Director is required to prepare and submit to the Agency Board the annual budget of the Agency and administer it after adoption. The Executive Director is authorized to transfer budgeted amounts between the accounts of any department; however, any revisions that alter the total appropriations of any department must be approved by the Agency Board. For each fund, total expenditures may not legally exceed total appropriations.

F) Tax Increment Financing

The law provides a means for financing redevelopment projects based upon an allocation of taxes collected within a redevelopment project. The assessed valuation of a redevelopment project last equalized prior to adoption of a redevelopment plan or amendment to such redevelopment plan, or "base roll," is established and, except for any period during which the assessed valuation drops below the base year level, the taxing bodies thereafter receive the taxes produced by the levy of the current tax rate upon the base roll. Taxes collected upon any increase in assessed valuation over the base roll ("tax increment") may be pledged by a redevelopment agency to the repayment of any indebtedness incurred in financing or refinancing a redevelopment project. Redevelopment agencies themselves have no authority to levy property taxes.

G) Property Tax Calendar

Property taxes are assessed and collected each fiscal year according to the following property tax calendar:

Lien Date	- January 1
Levy Date	- July 1 - June 30
Due Date	- November 1 - 1st Installment February 1 - 2nd Installment
Collection Date	- December 10 - 1st Installment April 10 - 2nd Installment

Redevelopment Agency of the City of Desert Hot Springs
Notes to Financial Statements
Year Ended June 30, 2009

1) REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

H) Use of Restricted Resources

When both restricted and unrestricted resources are available for use, it is the Agency's policy to use restricted resources first, and then unrestricted resources as they are needed. Restricted resources are defined as resources received from outside agencies dedicated for specific projects or purposes.

I) 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.

J) Relationship to the City of Desert Hot Springs

The Agency is an integral part of the reporting entity of the City of Desert Hot Springs. The funds of the Agency have been blended within the financial statements of the City because the City Council of the City of Desert Hot Springs is the governing board of the Agency and exercises control over the operations of the Agency. Only the funds of the Agency are included herein; therefore, these financial statements do not purport to represent the financial position or results of operations of the City of Desert Hot Springs. Financial Statements for the City of Desert Hot Springs may be obtained from the finance department of the City of Desert Hot Springs.

2) CASH AND INVESTMENTS

The Agency pools all of its cash and investments with the City except those funds required to be held by outside fiscal agents under the provisions of bond indentures.

Cash and investments as June 30, 2009, are classified in the accompanying financial statements as follows:

Cash and Investments	\$ 22,149,259
Restricted Cash and Investments	<u>17,421,855</u>
Total Cash and Investments	<u>\$ 39,571,114</u>

Cash and investments as of June 30, 2009, consist of the following:

Cash Demand Deposits	\$ 8,710,667
Pooled Investments - LAIF	13,905,330
Mutual Funds	<u>16,955,117</u>
Total Cash and Investments	<u>\$ 39,571,114</u>

Redevelopment Agency of the City of Desert Hot Springs
Notes to Financial Statements
Year Ended June 30, 2009

2) CASH AND INVESTMENTS - Continued

Investments Authorized by the Agency's Investment Policy

The table below identifies the investment types that are authorized for the Agency by the California Government Code (or the Agency's investment policy, where more restrictive). This table does not address investments of debt proceeds held by trustees that are governed by the provisions of debt agreements of the Agency, rather than the general provisions of the California Government Code or the Agency's investments policy. The Agency's investment policy does not contain any specific provisions intended to limit the Agency's exposure to interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage Of Portfolio	Maximum Investment In One Issuer
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptances	180 days	40%	30%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Money Market Mutual Funds	N/A	20%	10%
Local Agency Investment Fund (LAIF)	N/A	None	None

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. Information about the sensitivity of the fair values of the Agency's investments to market interest rate fluctuations is provided by the following table that shows the maturity date of each investment.

Investment Type	Maturity Date
State Investment Pool (LAIF)	Less than one year
Mutual Funds	Less than one year
Total	

\$ 13,905,330	
16,955,117	
\$ 30,860,447	

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the Agency's investment policy, or debt agreements, and the actual rating as of year end for each investment type. LAIF does not have a rating provided by a nationally recognized statistical rating organization.

Investment Type	Total	Minimum Legal Rating	Rating as of Year End		
			AAA	AA	Not Rated
Held by Bond Trustee:					
Mutual Funds	\$ 16,955,117	A	\$ 3,610,277	-	13,344,840

Redevelopment Agency of the City of Desert Hot Springs
Notes to Financial Statements
Year Ended June 30, 2009

2) CASH AND INVESTMENTS - Continued

Concentration of Credit Risk

The investment policy of the Agency contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. There are no investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total Agency investments.

Custodial Credit Risk

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

At June 30, 2009, the balances held per bank were \$8,710,667 of which \$8,460,667 was in excess of federal depository insurance limits and held in accounts collateralized by the pledging financial institution, but not in the Agency's name, as discussed above.

The custodial credit risk for investments is the risk, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction; a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the Agency's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect of investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF).

Investment in State Investment Pool

The Agency is a voluntary participant in the LAIF that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the Agency's investment in this pool is reported in the accompanying financial statements at amounts based upon the Agency's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

LAIF is a governmental investment pool managed and directed by the California State Treasurer and is not registered with the Securities and Exchange Commission. An oversight committee comprised of California State officials and various participants provide oversight to the management of the fund. The daily operations and responsibilities of LAIF fall under the auspices of the State Treasurer's office. The Agency is a voluntary participant in the investment pool.

Redevelopment Agency of the City of Desert Hot Springs
Notes to Financial Statements
Year Ended June 30, 2009

3) INTERFUND TRANSACTIONS

Interfund transfers for the year ended June 30, 2009, consisted of the following:

		<u>TRANSFER FROM</u>		
		<u>Low Income Housing Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
TRANSFER TO	Capital Projects Fund	\$	\$ 4,500,000	\$ 4,500,000
	Debt Service Fund	<u>148,722</u>	<u></u>	<u>148,722</u>
Total		<u>\$ 148,722</u>	<u>\$ 4,500,000</u>	<u>\$ 4,648,722</u>

Transfers made from the Low Income Housing Fund to the Debt Service Fund were utilized for the Low Income Housing Fund's portion of debt payments. Transfers made from the Debt Service Fund to the Capital Project Fund were utilized for the Redevelopment Agency's share of salaries, benefits, non departmental general funds costs, workers compensation and general liability costs, auditing costs, leasing of street lighting, and various approved capital projects.

4) LONG-TERM DEBT

A summary of changes in long-term debt for the year ended June 30, 2009, is as follows:

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance End of Year</u>	<u>Current Portion</u>
2006 Tax Allocation Refunding Bonds	\$ 6,775,000	\$	\$ (395,000)	\$ 6,380,000	\$ 490,000
Premium on Bonds	23,892		(1,815)	22,077	
2008 Tax Allocation Bonds A-1	19,965,000			19,965,000	795,000
Discount on Bonds	(896,086)		30,120	(865,966)	
2008 Tax Allocation Bonds A-2	15,870,000			15,870,000	
Discount on Bonds	(210,889)		7,089	(203,800)	
California HFA Loan	<u>1,220,000</u>	<u></u>	<u></u>	<u>1,220,000</u>	<u></u>
	<u>\$ 42,746,917</u>	<u>\$ -</u>	<u>\$ (359,606)</u>	<u>\$ 42,387,311</u>	<u>\$ 1,285,000</u>

Redevelopment Agency of the City of Desert Hot Springs
Notes to Financial Statements
Year Ended June 30, 2009

4) LONG-TERM DEBT - Continued

A) 2006 Tax Allocation Refunding Bonds

In August of 2006, the Agency issued \$7,025,000 in Merged Redevelopment Project Tax Allocation Refunding Bonds, with interest payments of 3.50% to 4.25% payable semi-annually on September 1 and March 1 of each year to refund \$7,085,000 of outstanding Redevelopment Project No. 1, 1993 Tax Allocation Parity Bonds, Series A and B, and \$1,050,000 Redevelopment Project No. 2, 1993 Tax Allocation Bonds, Series A with interest rates ranging from 3.75% to 6.60%. As a result, the 1993 Series bonds are considered to be defeased and the liability for those bonds has been removed from the City's books.

At June 30, 2009, the amount in the Bond Reserve Fund was sufficient to cover the minimum bond reserve requirement. Annual debt service requirements to maturity are as follows:

Fiscal Year Ending June 30,	Principal	Interest
2010	\$ 490,000	\$ 245,119
2011	500,000	225,319
2012	520,000	204,920
2013	535,000	184,487
2014	550,000	163,456
2015-2019	3,030,000	466,681
2020-2022	755,000	19,878
	\$ 6,380,000	\$ 1,509,860

B) 2008 Tax Allocation Bonds

In April of 2008, the Redevelopment Agency of the City of Desert Hot Springs issued \$19,965,000 in Merged Redevelopment Project Tax Allocation Series A-1 (Taxable) and \$15,870,000 in Merged Redevelopment Project Tax Allocation Series A-2 (Non-Taxable) Bonds. The Series A-1 Bonds pay 7.00% to 7.50% interest semi-annually on September 1 and March 1 to maturity in 2024. The Series A-2 Bonds pay 5.00% to 5.75% interest semi-annually on September 1 and March 1 to maturity in 2039. The Bonds were issued to finance activities within the project area.

Redevelopment Agency of the City of Desert Hot Springs
Notes to Financial Statements
Year Ended June 30, 2009

4) LONG-TERM DEBT - Continued

B) 2008 Tax Allocation Bonds - Continued

The debt service maturity schedule for the 2008 A-1 Tax Allocation Bonds is as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2010	\$ 795,000	\$ 1,369,725	\$ 2,164,725
2011	850,000	1,312,150	2,162,150
2012	910,000	1,250,550	2,160,550
2013	975,000	1,184,575	2,159,575
2014	1,040,000	1,114,050	2,154,050
2015	1,115,000	1,038,625	2,153,625
2016	1,190,000	957,950	2,147,950
2017	1,275,000	871,675	2,146,675
2018	1,365,000	779,275	2,144,275
2019	1,460,000	680,400	2,140,400
2020	1,565,000	574,525	2,139,525
2021	1,670,000	461,300	2,131,300
2022	1,790,000	340,200	2,130,200
2023	1,915,000	210,525	2,125,525
2024	2,050,000	71,750	2,121,750
Total	<u>\$ 19,965,000</u>	<u>\$ 12,217,275</u>	<u>\$ 32,182,275</u>

Redevelopment Agency of the City of Desert Hot Springs
Notes to Financial Statements
Year Ended June 30, 2009

4) LONG-TERM DEBT - Continued

B) 2008 Tax Allocation Bonds - Continued

The debt service maturity schedule for the 2008 A-2 Tax Allocation Bonds is as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2010	\$ -	\$ 865,772	\$ 865,772
2011	-	865,773	865,773
2012	-	865,772	865,772
2013	-	865,773	865,773
2014	-	865,772	865,772
2015	-	865,773	865,773
2016	-	865,772	865,772
2017	-	865,773	865,773
2018	-	865,772	865,772
2019	-	865,773	865,773
2020	-	865,772	865,772
2021	545,000	852,148	1,397,148
2022	650,000	822,272	1,472,272
2023	690,000	788,773	1,478,773
2024	725,000	753,397	1,478,397
2025	760,000	715,322	1,475,322
2026	800,000	674,373	1,474,373
2027	845,000	631,191	1,476,191
2028	885,000	585,779	1,470,779
2029	935,000	538,004	1,473,004
2030	985,000	485,479	1,470,479
2031	1,040,000	427,950	1,467,950
2032	1,100,000	367,153	1,467,153
2033	1,160,000	302,946	1,462,946
2034	795,000	247,400	1,042,400
2035	840,000	200,938	1,040,938
2036	715,000	156,745	871,745
2037	755,000	114,966	869,966
2038	800,000	70,770	870,770
2039	845,000	24,016	869,016
Total	\$ 15,870,000	\$ 18,283,119	\$ 34,153,119

Redevelopment Agency of the City of Desert Hot Springs
Notes to Financial Statements
Year Ended June 30, 2009

4) LONG-TERM DEBT - Continued

C) California HFA Loan

The Agency participates in a revolving loan program with the California Housing Finance Agency (HFA). The loan program allows for the Agency to borrow up to \$1,220,000. These funds are to be used to purchase property that will be used to develop low income housing. As of June 30, 2009, the Agency has drawn \$1,220,000.

5) LONG-TERM RECEIVABLES

Notes Receivable

The Agency operates a housing rehabilitation loan program, which provides loans to borrowers who meet certain qualifications for the purpose of rehabilitating their homes. The loans are secured by a deed of trust and are normally repaid when the home changes ownership. Since the loans are not currently available resources they are offset with deferred revenue in the fund financial statements. The balance of the loans receivable outstanding at June 30, 2009, was \$1,242,424.

Special Assessment Receivable

During the fiscal year ended June 30, 1987, the Capital Projects Fund of the Redevelopment Agency financed construction of certain public improvements pursuant to the Municipal Act of 1913 and provisions of the Streets and Highway Code of the State of California. At June 30, 2009, the Agency had receivables for unpaid assessments from the property owners benefited in the amount of \$10,767. The receivables bear interest at a rate not exceeding 12 percent and will be recognized as income when collected. No amounts were repaid during fiscal year ending June 30, 2009.

Coachella Valley Housing Coalition

The Agency has contracted with the Coachella Valley Housing Coalition (CVHC) to use funds from the loan agreement with California Housing Finance Authority to purchase property that will be used to develop low income housing. To date, the Agency has disbursed \$727,420 (less repayments of \$0 to the CVHC). The Agency is the lead agency for these agreements and has fiduciary/reporting responsibilities. The receivable balance owed to the Agency is \$727,420 as of June 30, 2009. The balance on hand as of June 30, 2009 is \$466,738.

6) CLASSIFICATION OF NET ASSETS AND FUND EQUITY

Net Assets

Net assets are the difference between assets and liabilities. Net assets are reported as restricted when there are legal limitations imposed on their use by Agency legislation or external restrictions by other governments, creditors or grantors.

Fund Equity

Under accounting principles generally accepted in the United States of America, a governmental entity may set up "reserves" of fund equity to segregate fund balances, which are not appropriable for expenditure in future periods, or which are legally set aside for specific future use.

Redevelopment Agency of the City of Desert Hot Springs
Notes to Financial Statements
Year Ended June 30, 2009

7) CONTINGENCIES/SUBSEQUENT EVENTS

Subsequent to June 30, 2009, the State of California passed legislation to divert approximately \$2.05 billion of local redevelopment funds to use for State purposes, as part of the 2009-10 State budget. This includes \$1.7 billion in fiscal year 2009-10 and another \$350 million in fiscal year 2010-11. The California Redevelopment Association (CRA) has filed a lawsuit in Sacramento Superior Court to challenge the constitutionality of this legislation. Currently, the effect that this legislation and resulting lawsuit will have on the Agency's future revenues is unknown.

The Agency has received funds for specific purposes that are subject to review by the State. Although such audits could generate differences under the regulations of the Health and Safety Code, it is believed that any required reimbursements will not be material.

The Agency has an agreement with the California Housing Finance Agency (CHFA). The agreement with the Agency specifies that funds may be returned to the CHFA if certain compliance timelines have elapsed. The Agency believes amounts returned, if any, would not be material.

As of June 30, 2009, in the opinion of the Agency Administration and the Agency's Attorneys, there are no other outstanding matters which would have a material effect on the financial position of the Agency.

On July 1, 2009 the Agency issued \$5,635,500 in Merged Redevelopment Project Tax Allocation Bonds. The proceeds will be used to finance low and moderate income housing projects, fund a debt service reserve account and pay costs of issuance of the Bonds.

In November 2009, the Agency's Board approved the deposit of \$3,635,000 of unallocated bond proceeds into an escrow account for future debt service payments of the Merged Redevelopment Project Tax Allocation Bonds, Series 2008A-1 (Taxable).

REQUIRED SUPPLEMENTARY INFORMATION

Redevelopment Agency of the City of Desert Hot Springs
Notes to Required Supplementary Information
Year Ended June 30, 2009

1) BUDGETS AND BUDGETARY ACCOUNTING

The City adopts an annual budget for itself and the Agency on a basis consistent with generally accepted accounting principles. All governmental funds where revenues and expenditures can be estimated or anticipated have legally adopted annual budgets. The City Manager is required to prepare and submit to the City Council the annual budget of the City and administer it after adoption. The fiscal year 2009 budget was adopted by City Council on July 1, 2008. The City Manager is authorized to transfer budgeted amounts between the accounts of any department; however, any revisions that alter the total appropriations of any department must be approved by City Council. Prior appropriations lapse unless they are re-appropriated through the formal budget process. Total expenditures may not legally exceed total appropriations at the fund level. Supplemental appropriations were made during the year to the Low Income Housing and Debt Service Funds that amounted to an increase in budgetary expenditures of \$650,000 and \$1,116,056 respectively. The supplemental appropriations were approved by the City Council for additional statutory pass-through payments in the Debt Service Fund and for land acquisitions in the Low Income Housing Fund.

Redevelopment Agency of the City of Desert Hot Springs
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Low Income Housing - Special Revenue Fund
Budget and Actual
Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variances with
	Original	Final	Amounts	Final Budget Positive (Negative)
Revenues				
Taxes	\$ 1,848,800	\$ 1,848,800	\$ 1,942,569	\$ 93,769
Interest	165,000	165,000	86,857	(78,143)
Miscellaneous	\$ 1,000	1,000	358	(642)
Total Revenues	2,014,800	2,014,800	2,029,784	14,984
Expenditures				
Current:				
Economic Development	1,851,910	845,910	1,024,131	(178,221)
Capital Outlay	100,000	1,756,000	54,672	1,701,328
Debt Service:				
Interest			2,900	(2,900)
Total Expenditures	1,951,910	2,601,910	1,081,703	1,520,207
Excess (Deficiency) of Revenues over Expenditures	62,890	(587,110)	948,081	1,535,191
Other Financing Sources (Uses)				
Transfers Out	(148,985)	(148,985)	(148,722)	263
Total Other Financing Sources (Uses)	(148,985)	(148,985)	(148,722)	263
Net Change in Fund Balance	(86,095)	(736,095)	799,359	1,535,454
Fund Balance - Beginning of Year	5,063,787	5,063,787	5,063,787	-
Fund Balance - End of Year	\$ 4,977,692	\$ 4,327,692	\$ 5,863,146	\$ 1,535,454

Redevelopment Agency of the City of Desert Hot Springs
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Help Program - Special Revenue Fund
Budget and Actual
Year Ended June 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variances with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
				<u>Positive (Negative)</u>
Revenues				
Interest	\$ 17,385	\$ 11,385	\$ 8,537	\$ (2,848)
Total Revenues	17,385	11,385	8,537	(2,848)
Expenditures				
Current:				
Economic Development		2,900		2,900
Debt Service:				
Interest	33,000	34,463		34,463
Total Expenditures	33,000	37,363	-	37,363
Net Change in Fund Balance	(15,615)	(25,978)	8,537	34,515
Fund Balance - Beginning of Year	496,739	496,739	496,739	-
Fund Balance - End of Year	<u>\$ 481,124</u>	<u>\$ 470,761</u>	<u>\$ 505,276</u>	<u>\$ 34,515</u>

SUPPLEMENTARY INFORMATION

Redevelopment Agency of the City of Desert Hot Springs
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Debt Service Fund
Budget and Actual
Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variances with
	Original	Final	Amounts	Final Budget Positive (Negative)
Revenues				
Taxes	\$ 7,395,455	\$ 7,395,455	\$ 7,770,276	\$ 374,821
Interest	500,000	500,000	170,598	(329,402)
Total Revenues	7,895,455	7,895,455	7,940,874	45,419
Expenditures				
Current:				
Economic Development	75,200	797,893	861,246	(63,353)
Debt Service:				
Principal	1,285,000	482,101	395,000	87,101
Interest	2,518,242	3,321,141	2,155,208	1,165,933
Pass-Through Agreements	1,351,000	3,336,535	3,088,255	248,280
Total Expenditures	5,229,442	7,937,670	6,499,709	1,437,961
Excess (Deficiency) of Revenues over Expenditures	2,666,013	(42,215)	1,441,165	1,483,380
Other Financing Sources (Uses)				
Transfers In	148,985	148,722	148,722	-
Transfers Out	(4,500,000)	(4,500,000)	(4,500,000)	-
Total Other Financing Sources (Uses)	(4,351,015)	(4,351,278)	(4,351,278)	-
Net Change in Fund Balance	(1,685,002)	(4,393,493)	(2,910,113)	1,483,380
Fund Balance - Beginning of Year	11,561,825	11,561,825	11,561,825	-
Fund Balance - End of Year	\$ 9,876,823	\$ 7,168,332	\$ 8,651,712	\$ 1,483,380

Redevelopment Agency of the City of Desert Hot Springs
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Capital Project Fund
Budget and Actual
Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variances with
	Original	Final	Amounts	Final Budget
				Positive (Negative)
Revenues				
Interest	\$ 897,075	\$ 897,075	\$ 684,033	\$ (213,042)
Miscellaneous		1,216	47,388	46,172
Total Revenues	897,075	898,291	731,421	(166,870)
Expenditures				
Current:				
Economic Development	6,618,611	6,173,641	4,615,503	1,558,138
Capital Outlay	31,876,592	32,812,468	15,166,796	17,645,672
Total Expenditures	38,495,203	38,986,109	19,782,299	19,203,810
Excess (Deficiency) of Revenues over Expenditures	(37,598,128)	(38,087,818)	(19,050,878)	19,036,940
Other Financing Sources (Uses)				
Transfers In	4,500,000	4,500,000	4,500,000	-
Transfers Out	(523,166)	(232,925)		232,925
Total Other Financing Sources (Uses)	3,976,834	4,267,075	4,500,000	232,925
Net Change in Fund Balance	(33,621,294)	(33,820,743)	(14,550,878)	19,269,865
Fund Balance - Beginning of Year	37,241,591	37,241,591	37,241,591	-
Fund Balance - End of Year	\$ 3,620,297	\$ 3,420,848	\$ 22,690,713	\$ 19,269,865

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

Board Members
Redevelopment Agency of the City of Desert Hot Springs
Desert Hot Springs, California

We have audited the governmental activities and each major fund of the Redevelopment Agency of the City of Desert Hot Springs (the Agency) as of and for the year ended June 30, 2009, and have issued our report thereon dated December 30, 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 opinion 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. Such provisions include those provisions of laws and regulations identified in the *Guidelines for Compliance Audits of California Redevelopment Agencies*, issued by the State Controller. 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*. However, the results of our procedures disclosed an immaterial instance of noncompliance with the provisions described in the *Guidelines for Compliance Audits of California Redevelopment Agencies* which is described in the accompanying schedule of findings as item 2009-1.

This report is intended solely for the information and use of the management and Board Members of the Redevelopment Agency of the City of Desert Hot Springs, and the State Controller's Office, Division of Accounting and Reporting and is not intended to be and should not be used by anyone other than these specified parties.

Team Ramirez & Smith

December 30, 2009

**Redevelopment Agency of the City of Desert Hot Springs
Schedule of Findings and Recommendations
For the Year Ended June 30, 2009**

2009-1 Submission of Reports

Section 33080.1 of the Health and Safety Code requires the Agency to produce and submit certain reports (within six months following the end of the Agency's fiscal year) to its legislative body and the State Controller for the previous year.

Based upon our review and testing, it appears that the City did not submit a Blight Progress report to the appropriate bodies.

Recommendation:

The Agency should take appropriate steps to ensure that the required reports are submitted to the appropriate bodies within the appropriate allotted time.

Management Response:

The Finance Department staff and Redevelopment Agency staff will work together to create an internal procedure to identify the responsibility of each department's function going forward with regards to all annual reporting requirements for the Redevelopment Agency.