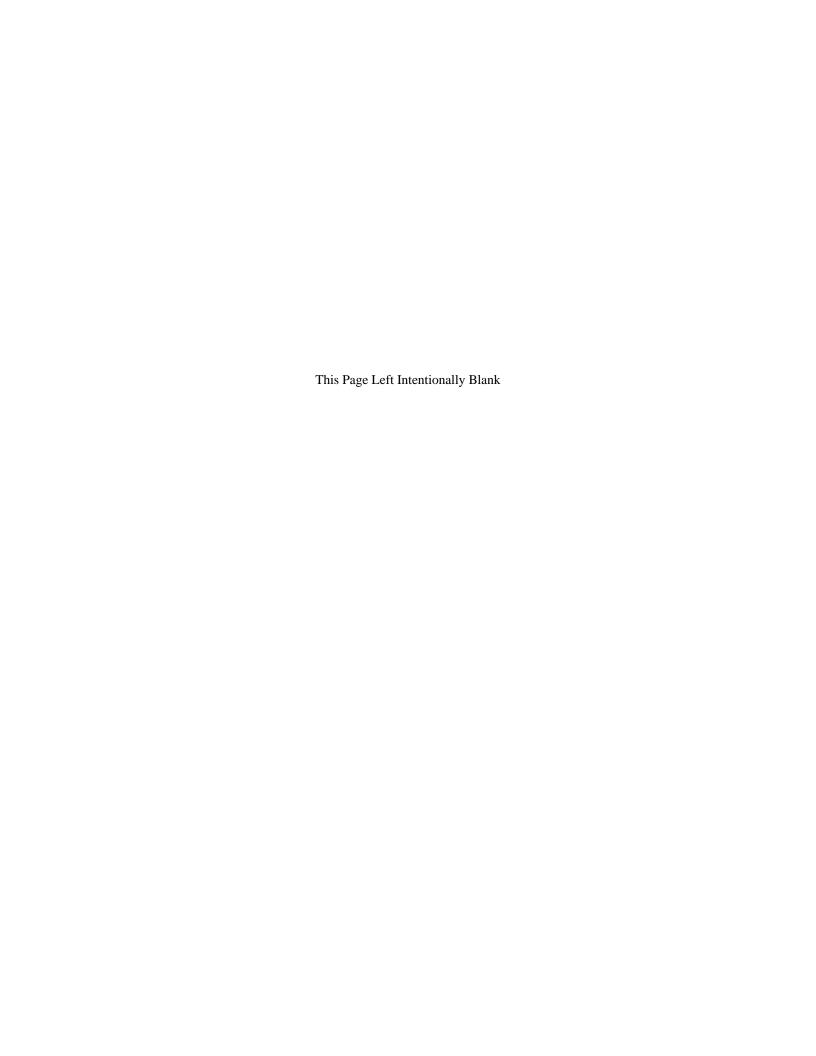
REDEVELOPMENT AGENCY OF

THE CITY OF ROSEVILLE

BASIC COMPONENT UNIT FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011



REDEVELOPMENT AGENCY OF THE CITY OF ROSEVILLE BASIC COMPONENT UNIT FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

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INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

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

We have audited the accompanying financial statements of the governmental activities and each major fund of the Redevelopment Agency of the City of Roseville (the Agency), a component unit of the City of Roseville, California, as of and for the year ended June 30, 2011, which collectively comprise the Agency's basic component unit financial statements as listed in the Table of Contents. These basic component unit financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in the United States of America and the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the component unit financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the basic component unit financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly in all material respects, the financial position of the governmental activities and each major fund of the Agency as of June 30, 2011, and the respective changes in the financial position and the respective budgetary comparisons for the General Funds for the year then ended, in conformity with generally accepted accounting principles in the United States of America.

As disclosed in Note 13, the State of California adopted ABx1 26 on June 28, 2011, which suspends all new redevelopment activities except for limited specified activities as of that date and dissolves redevelopment agencies effective October 1, 2011. The State simultaneously adopted ABx1 27 which allows redevelopment agencies to avoid dissolution by opting into an "alternative voluntary redevelopment program" requiring specified substantial annual contributions to local schools and special districts. These conditions raise substantial doubt about the ability of the Agency to continue as a going concern. However, on August 11, 2011, the California Supreme Court issued a partial stay of ABx1 26 and a full stay of ABx1 27, but the partial stay did not include the section of ABx1 26 that suspends all new redevelopment activities. As a result, the accompanying financial statements have been prepared assuming that the Agency will continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

As of July 1, 2010, the Agency adopted the provisions of Governmental Accounting Standards Board Statement Number 54 (GASB 54), *Fund Balance Reporting and Governmental Fund Type Definitions*. As discussed in Note 10B to the financial statements, the provisions of this statement affect the classification of fund balances reported in the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2011, on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

November 21, 2011

Mane & associates

MANAGEMENT'S DISCUSSION AND ANALYSIS

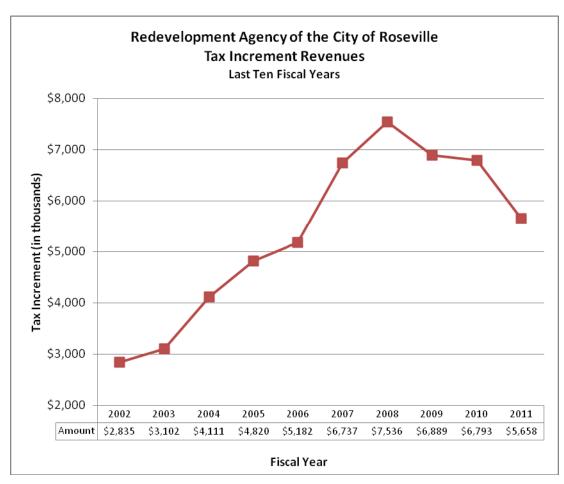
The Agency has issued its financial statements in the format prescribed by the provisions of Government Accounting Standards Board Statement 34 (GASB 34), which requires the Agency to provide this overview of its financial activities for the fiscal year. Please read this overview in conjunction with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

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

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

FISCAL 2011 FINANCIAL HIGHLIGHTS

During Fiscal 2011, the Agency continued to be affected by a severely weakened economy that resulted in lower tax increment revenues than in previous years. According to the Placer County Assessor, fiscal year 2011 assessed values declined 10.7% from fiscal year 2010 primarily due to successful property tax appeals in response to lower property values. Although these Proposition 8 appeals are temporary, this coupled with a lower than expected level of property resales and resales at reduced values, the Agency experienced a \$1,134,358 loss in tax revenues; a significant 17% reduction from fiscal year 2010.



FISCAL 2011 FINANCIAL HIGHLIGHTS (continued)

Agency-wide:

- The Agency's net assets totaled (\$30.0) million at June 30, 2011, all of which were Governmental assets.
- Agency-wide revenues included program revenues of \$.1 million and general revenues and transfers of \$5.8 million for a total of \$5.9 million.
- Total Agency-wide expenses were \$5.4 million, of which \$1.0 million were for Program administration; \$2.0 million were for pass-through payments, \$.4 million were for the payment of the State of California Supplemental Educational Revenue Augmentation Fund, and \$2.0 million was for interest on long-term debt.

Fund Level:

- Governmental Fund balances increased to \$28.9 million in fiscal 2011, an increase of \$2.9 million from the prior year's restated balance of \$26 million. Fund balance restatements were related to the movement of advances from the City of \$17.8 million from fund liabilities to long-term liabilities.
- Governmental Fund revenues decreased to \$6.0 million in fiscal 2011, down \$3.2 million from the prior year's \$9.2 million.
- Governmental Fund expenditures decreased to \$8.3 million in fiscal 2011, down \$7.4 million from the prior year's \$15.7 million

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

This report is in two parts:

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

The Basic Financial Statements

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

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

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

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

The Agency-wide Financial Statements

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

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

Fund Financial Statements

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

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

The Agency has four Major Funds in 2011. These are the Roseville Redevelopment Project Area General Fund, the Roseville Flood Control Project Area General Fund, the Low and Moderate Income Housing Fund and the Debt Service Fund.

FINANCIAL ACTIVITIES OF THE AGENCY AS A WHOLE

Statement of Net Assets

The Agency's net assets decreased \$11.3 million to (\$30.0) million in 2011, down from a deficit of (\$18.7) million in 2010. This decrease in the Change in Net Assets is reflected in the Statement of Activities. The Agency's Net Assets at June 30, 2011 are discussed below:

- Cash and investments available for the Agency's operations and capital improvement projects were \$22.7 million, all of which was invested in accordance with applicable bond indentures, State statutes and City ordinance in the City of Roseville's cash and investment pool.
- Loans to qualifying individuals and groups for the purpose of assisting in eliminating blight were \$7.1 million. These loans were made under various programs and substantially all are long-term in nature.
- Land held for redevelopment and capital assets were \$8.0 million. These assets include the land and buildings discussed in Notes 5 and 9. Capital assets in the amount of \$1.8 million were transferred to the City during the fiscal year.
- The Agency's long-term liabilities had a net increase of \$14.5 million to \$66.0 million from the restated balance of \$52.7 million in fiscal year 2010, due to the re-statement of Advances from the City to Long-Term Liabilities of \$17.8 million as well as the addition of \$15.3 million of new debt and the repayment of \$.9 million.
- Other assets and liabilities included normal business receivables and payables.

Statement of Net Assets (Dollars in thousands)

Assets:	2011	2010
Current and other assets	\$29,957	\$30,425
Capital assets and land held for redevelopment	8,043	<u>5,205</u>
Total assets	38,001	35,630
Liabilities:		
Current and other liabilities	1,972	4,141
Noncurrent liabilities	66,029	53,341
Total liabilities	68,001	57,482
Net Assets:		
Restricted for debt service	11,500	14,127
Restricted for low & moderate housing	9,404	6,310
Unrestricted	(50,905)	(<u>42,290</u>)
Total net assets (deficit)	(\$30,000)	<u>(\$21,852)</u>

Statement of Activities

Of the Agency's fiscal 2011 revenue, \$5.7 million came from incremental property taxes. This amount compares with \$6.8 million in fiscal 2010, a decrease of \$1.1 million due in part to successful Proposition 8 Appeals and reduced supplemental tax revenues that result when property is re-assessed due to a change in ownership. Investment earnings accounted for \$.3 million of Agency revenues, a decrease of \$.1 million from 2010.

Functional expenses include only current year expenses, which are discussed in detail below. It does not include capital outlays. In fiscal 2011, the Agency transferred \$2.0 million in capital assets to the City for future maintenance. The composition of fiscal 2011's capital asset additions and retirements is shown in detail at Note 5.

The Agency transferred \$.3 million to the City of Roseville for indirect costs and transferred \$9.8 million to the City of Roseville to reestablish long-term advances from the City that were used to fund projects and land acquisitions. Interest on long term debt increased to \$2.0 million from \$1.9 million in fiscal year 2010.

Statement of Activities (Dollars in thousands)

Revenues:	2011	2010
General Revenues		
Taxes	\$5,658	\$6,793
Interest Earnings	258	364
Miscellaneous	8	611
Operating Grants and Contributions	<u>61</u>	1,979
Total Revenues	5,985	9,746
Expenses:		
Community Development	980	594
Pass-through and SERAF Payments	2,399	4,544
Interest on Long Term Debt	2,042	1,970
Total Expenses	<u>5,421</u>	7,108
Net Program expense	5,360	5,129
Transfers (net)	(9,890)	1,601
Contributions to City of Roseville	<u>(1,987)</u>	(8,159)
Changes in net assets	(11,313)	(3,919)
Net assets (deficit) beginning, as restated (Note 10D)	(<u>18,687</u>)	(17,933)
Net assets (deficit) ending	<u>(\$30,000)</u>	(\$21,852)

The Statement of Activities presents program revenues and expenses and general revenues in detail. All these are elements in the Change in Net Assets for the year. The Statement of Activities shows the net cost of each of the Agency's programs—Community development and planning, and interest. Net cost is defined as total program cost less the revenues generated by those specific activities. In the Agency's case, program revenues of \$.1 million was not enough to offset Community development and planning, and debt service interest costs of \$3.0 million due to the fact that the Agency's main source of revenues is property tax increment which is a general revenue.

Fund Financial Statements

At June 30, 2011, the Agency's funds reported combined fund balances of \$28.9 million, an increase of \$2.9 million from fiscal 2010 after the restatement for Fund balance related to the movement of advances from the City of \$17.8 million from fund liabilities to long-term liabilities.. The Roseville Redevelopment Project Area Fund balance increased \$3.1 million, the Roseville Flood Control Project Area Fund balance increased \$0.3 million, the Low and Moderate Income Housing Fund balance increased \$1.4 million and the Debt Service Fund decreased by \$1.9 million.

Revenues at the fund level decreased \$3.2 million this year to a new total of \$6.0 million, which was primarily from reductions in tax increment and federal grants in the General Fund.

Expenditures decreased \$7.3 million this year to \$8.3 million. Expenditures of the Roseville Redevelopment Project Area Fund were \$5.2 million, expenditures of the Roseville Flood Control Project Area Fund were \$0.7 million, Low and Moderate Income Housing Fund expenditures were \$.2 million, and the Debt Service Fund expenditures were \$2.3 million.

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

	General	Funds			
	Roseville	Roseville	Low and		Total
	Redevelopment	Flood Control	Moderate	Debt	Governmental
	Project Area	Project Area	Income Housing	Service	Funds
REVENUES	\$5,052,889	\$878,623	\$50,369	\$25,177	\$6,007,058
EXPENDITURES	5,249,790	650,252	165,547	2,270,301	8,335,890
EVCESS (DEFICIENCY) OF					
EXCESS (DEFICIENCY) OF	(106.001)	220 271	(115 170)	(2.245.124)	(2.220.022)
REVENUES OVER EXPENDITURES	(196,901)	228,371	(115,178)	(2,245,124)	(2,328,832)
OTHER FINANCING SOURCES	3,338,055	59,944	1,559,196	297,653	5,254,848
	2,550,655		1,000,100	257,000	2,22 1,0 10
NET CHANGE IN FUND BALANCE	3,141,154	288,315	1,444,018	(1,947,471)	2,926,016
FUND BALANCES (DEFICIT) AT					
BEGINNING OF PERIOD AS RESTATED					
(NOTE 10D)	10,389,672	(494,992)	2,657,118	13,447,439	25,999,237
FUND BALANCES (DEFICIT) AT END					
OF PERIOD	\$13,530,826	\$ (206,677)	\$4,101,136	\$11,499,968	\$28,925,253

Analyses of Major Funds

General Funds

The General Funds account for monies received from tax increment funds intended for major capital projects in the Redevelopment Plan and Roseville Flood Control Redevelopment Project Areas. The Agency's commercial rehabilitation loan program for small business owners to renovate and rehabilitate commercial property in need of repair is accounted for in this Fund. In these Funds, new loans are accounted for as expenditures and repayments on loans are accounted for as revenues. The balance of outstanding loans is recorded as a receivable, with an offsetting credit to deferred revenue.

The Funds' revenues were \$5.9 million in fiscal 2011, a decrease of \$3.1 million. Tax revenues were \$5.7 million in fiscal 2011, a decrease of \$1.1 million from fiscal 2010. The decrease was mainly due to the decrease in supplemental tax revenues that result when property is re-assessed due to a change in ownership, and as well as County re-assessments which lowered property values. Investment earnings remained about the same as fiscal 2010 at \$.2 million, as equal average investment balances were accompanied by nominal interest rate decreases.

Fund expenditures were \$5.9 million in fiscal 2011, a decrease of \$6.4 million. Capital outlay of \$2.2 million was \$4.2 million lower than the prior year. Most of this is due to the completion of the Riverside Streetscape project which began in October of 2010. Passthroughs and SERAF payments of \$2.4 million in fiscal 2011 were \$2.1 lower than fiscal 2010.

Included in other financing sources in fiscal 2011 was a net \$3.3 million for transfers in and out, representing 1) restatement of advances to loans; 2) transfer in of bond proceeds for CIP project expense reimbursements and land acquisitions, 3) property tax increments transferred to the Low and Moderate Income Housing Fund, 4) indirect costs transferred to the City of Roseville, 5) transfer to debt service fund for annual principal and interest due on bonds.

The Fund's fiscal year end fund surplus of \$13.5 million is due primarily to the restatement of advances to Agency and lower capital outlay and SERAF expenditures as compared to fiscal 2010.

Low and Moderate Income Housing Fund

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

The Fund's operations are financed by periodic transfers from the Agency's General Fund; 20% of each tax increment payment that is received by the Agency. In fiscal 2011, these transfers amounted to \$1.1 million, as compared to \$1.4 million in fiscal 2010. The \$1.1 million decrease in tax increment revenue from the prior year resulted in a proportional reduction in the 20% set-aside to the Low and Moderate fund.

In fiscal 2011, the balances of loans under the above programs remained the same as fiscal 2010 at \$5.3 million. Principal payments and in many cases interest payments are deferred on these low and moderate income loans until the property is sold or re-financed, and are not considered Fund revenues until they are received. Principal and interest on loans to non-profit developers of such properties typically are at below-market rates and payments are deferred for considerable periods of years to assist these non-profit organizations in their efforts to develop such housing.

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

One loan payment in the amount of \$19,310 (principal); the eighth of a ten year loan, was received in fiscal 2011.

Interest revenue decreased \$.06 million from fiscal 2010 as equal average investment balances were accompanied by nominal interest rate decreases.

The Fund's fiscal year-end fund balance of \$4.1 million is available only to fund future low and moderate income housing expenditures.

DEBT SERVICE FUND

This fund accounts for resources used for the purpose of paying the principal, interest and related costs on the Agency's pledge of tax increment for the repayment of the 2002 Tax Allocation Bonds, 2006A, 2006AT, and 2006HT Tax Allocation Bonds which are more fully described in Note 6 to the financial statements. The tax increment revenue that is used in part to pay the bond principal, interest and related costs, is recorded in the General Fund and transferred to this fund for payment to the trustee. This fund also includes the unspent bond proceeds from the sale of those bonds as held by the City's fiscal agent.

2002 Tax Allocation Bonds

On October 23, 2002 the Redevelopment Agency issued Tax Allocation Bonds in the original principal amount of \$14,500,000 to fund certain redevelopment activities of benefit to property within the Agency's Roseville Redevelopment Project Area. The Bonds are special obligations of the Agency and are secured by the Agency's tax increment revenue. Principal payments are payable annually on September 1 and interest payments are due semi-annually on March 1 and September 1, through September 1, 2033. Debt service expenditures included \$609,725 in interest and fiscal fees and \$310,000 in principal payments. As of June 30, 2011, the total principal and interest remaining to be paid on the bonds is \$20,221,380.

2006A; 2006AT; 2006HT Tax Allocation Bonds

On October 26, 2006, the Redevelopment Agency issued Tax Allocation Bonds Series 2006 A, Taxable Tax Allocation Bonds Series 2006 A-T, and Taxable Tax Allocation Bonds, Series 2006 H-T in the amounts of \$13,155,000, \$3,285,000, and \$6,505,000, respectively, for a total principal amount of \$22,945,000. The Series A bonds bear interest at 4.50%-5.00%, the Series A-T at 5.31%-5.90%, and the Series H-T at 5.31%-6.07%. The proceeds for the Series A and Series A-T bonds are being used to fund redevelopment activities of benefit to property within the Agency's Redevelopment Project Area. The proceeds for the Series H-T bonds are being used to pay the costs of low- and moderate-income housing projects of the Agency's Redevelopment Project Area. The Series A-T bonds are secured by tax revenues, which are allocated to the Agency from the Project Area. The Series H-T bonds are secured by the tax increment revenue deposited in the Agency's Low and Moderate Income Housing Fund. Interest on the bonds is payable semiannually on March 1 and September 1. Principal for the Series A-T is payable annually on September 1 through 2040. Principal for the Series A-T is payable annually on September 1 through 2028. Debt service expenditures included \$1,180,576 in interest payments and fiscal fees and \$170,000 in principal payments. As of June 30, 2011, the total principal and interest remaining to be paid on the bonds is \$47,165,342.

Redvelopment Agency of the City of Roseville Tax Allocation Bonds as of June 30, 2011

		Original					Principal &
		Issue	Balance		Balance	Interest &	Interest
Issue	Issue Date	Amount	June 30, 2010	Retirements	June 30, 2011	Fees	Balance
Series 2002	10/23/2002	14,500,000	12,590,000	310,000	12,280,000	609,725	20,221,380
Series 2006 A	10/26/2009	13,155,000	13,155,000		13,155,000	642,507	29,500,563
Series 2006 AT	10/26/2009	3,285,000	2,875,000	95,000	2,780,000	166,511	4,415,288
Series 2006 HT	10/26/2009	6,505,000	6,225,000	75,000	6,150,000	371,558	13,249,491
Total Debt Activ	ity	\$37,445,000	\$34,845,000	\$480,000	\$34,365,000	\$1,790,301	\$67,386,722

DEBT ADMINISTRATION

As of June 30, 2010, the Agency had four advances from the City of Roseville totaling \$13.4 million. During fiscal year 2011, those advances totaling \$17.8 million including deferred interest were reclassified as long-term debt and additional advances were received from the City, making the total long-term debt \$32,768,517. See Note 6D for further explanation.

Redevelopment Agency of the City of Roseville Long-Term Interfund Debt as of June 30, 2011

	_	Ва				
				Strategic		
	Original Loan	Auto	City's General	Improvement		
Purpose	Amount	Replacement	Fund	Fund	Gas Tax Fund	TOTAL
Passthrough Loan	\$85,671		\$85,671			\$85,671
Acq 238 Vernon Street	1,000,000			\$1,064,353		\$1,064,353
Loan to RCDC	5,000,000			5,033,598		\$5,033,598
Flood Construction	7,747,948		5,378,808			\$5,378,808
Vernon Streets cape	1,500,000		1,567,916			\$1,567,916
Flood Construction	3,900,000				\$4,860,917	\$4,860,917
Formation Costs	929,201	1,344,120				\$1,344,120
Formation Costs	170,000	325,549				\$325,549
Formation Costs	100,000	178,699				\$178,699
Automall Façade	3,000,000			3,030,885		\$3,030,885
Riverside Ave Streetscape	4,000,000			4,020,590		\$4,020,590
Acq 8051 Washington	3,747,688			3,766,979		\$3,766,979
Acq 320 Vernon St	2,100,000			2,110,432		\$2,110,432
Total Debt Activity	\$33,280,508	\$1,848,368	\$7,032,395	\$19,026,837	\$4,860,917	\$32,768,517

CAPITAL ASSETS

GASB 34 requires the Agency to record all its capital assets including any infrastructure. At the end of fiscal 2011, capital assets recorded on the Agency's financial statements, at cost, included \$6.3 million in land held for resale.

Capital assets in the amount of \$2.0 million were transferred to the City for future maintenance.

CAPITAL A	SSETS	
(Dollars in the	ousands)	
	2011	2010
Land Held for Resale	\$6,281	\$5,205

ECONOMIC OUTLOOK AND MAJOR INITIATIVES

The economy of the City and major initiatives of the Agency for the coming year are discussed in detail in the Transmittal Letter to the City of Roseville Comprehensive Annual Financial Report for the fiscal year ended June 30, 2011.

CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT

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

STATEMENT OF NET ASSETS AND STATEMENT OF ACTIVITIES

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

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

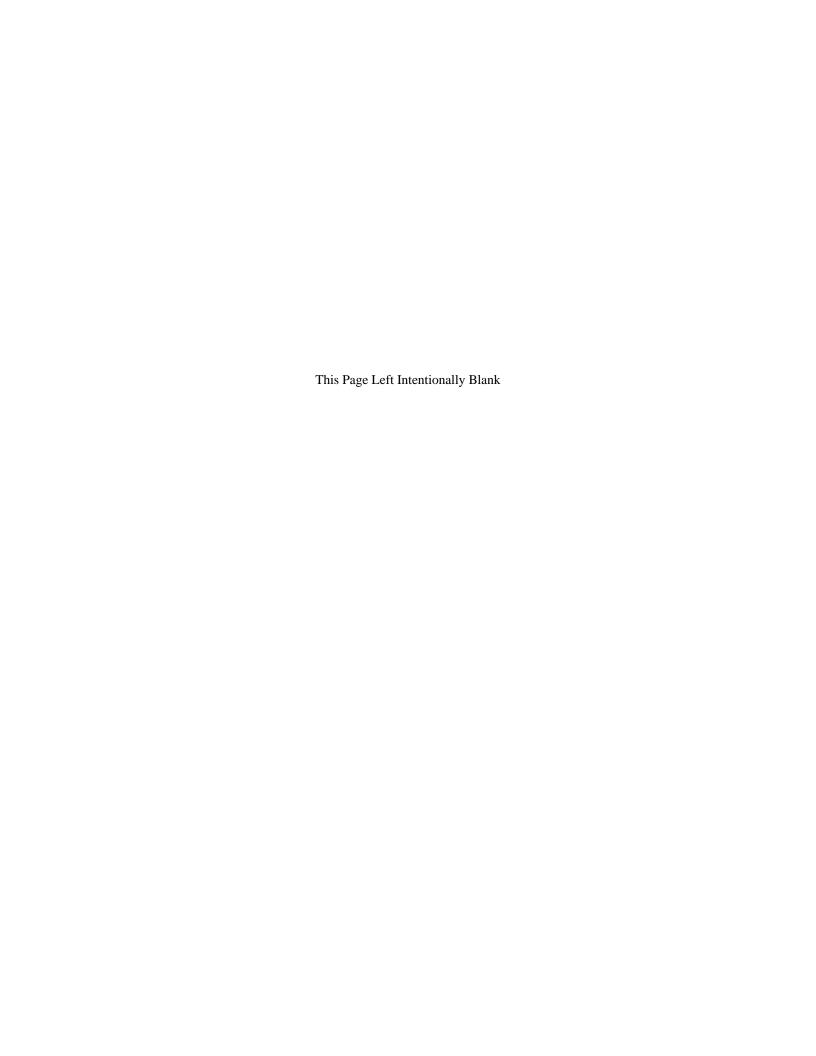
The Statement of Activities reports increases and decreases in the Agency's net assets. It presents the Agency's expenses that are listed by program first. Program revenues — that is, revenues which are generated directly by these programs — are then deducted from program expenses to arrive at the net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

REDEVELOPMENT AGENCY OF THE CITY OF ROSEVILLE STATEMENT OF NET ASSETS JUNE 30, 2011

	Governmental Activities
ASSETS	
Cash and investments in City Treasury (Note 2)	\$11,243,797
Restricted cash and investments with fiscal agents (Note 2)	11,499,968
Receivables:	
Accounts	5,667
Taxes	21,916
Accrued interest	72,451
Notes receivable (Note 3)	7,113,629
Land held for resale (Note 9)	6,281,007
Capital assets (Note 5):	
Capital assets not being depreciated	1,762,188
Total assets	38,000,623
LIABILITIES	
Accounts payable	40,883
Accrued liabilities	734,577
Deferred liabilities	91,733
Long-term liabilities (Note 6):	,,,,,
Due within one year	1,104,625
Due in more than one year	66,028,892
Total liabilities	68,000,710
NET ACCETS (DEELCHT) (Note 10).	
NET ASSETS (DEFICIT) (Note 10): Restricted for:	
Debt service	11 400 069
Low and moderate income housing	11,499,968 9,404,470
Unrestricted net assets (deficit)	(50,904,525)
Omesareted net assets (denen)	(30,704,323)
Total net assets (deficit)	(\$30,000,087)

REDEVELOPMENT AGENCY OF THE CITY OF ROSEVILLE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2011

Program expenses:	
Community development and planning:	
Program administration	\$980,435
Pass-through and SERAF payments (Notes 7 & 12)	2,399,192
Interest	2,041,790
Total program expenses	5,421,417
Program revenues:	
Operating grants and contributions	61,323
Total program revenues	61,323
Net program expense	5,360,094
General revenues:	
Property tax increment	5,658,209
Use of money and property	258,180
Miscellaneous revenues	7,606
Contributions to the City of Roseville (Note 5)	(1,986,942)
Transfers in from the City of Roseville (Note 4B)	220,558
Transfer (out) to the City of Roseville (Note 4B)	(10,110,878)
Total general revenues and transfers	(5,953,267)
Change in Net Assets	(11,313,361)
Net assets (deficit)-beginning, as restated (Note 10D)	(18,686,726)
Net assets (deficit)-ending	(\$30,000,087)



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 2011.

GENERAL FUNDS:

Roseville Redevelopment Project Area

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

Roseville Flood Control Project Area

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

LOW AND MODERATE INCOME HOUSING FUND

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

DEBT SERVICE FUND

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

REDEVELOPMENT AGENCY OF THE CITY OF ROSEVILLE GOVERNMENTAL FUNDS BALANCE SHEET JUNE 30, 2011

	Genera	l Funds	Low and	Low and		
	Roseville Redevelopment Project Area	Roseville Flood Control Project Area	Moderate Income Housing	Debt Service	Total Governmental Funds	
ASSETS						
Cash and investments in City Treasury (Note 2) Restricted cash and investments with fiscal agents (Note 2) Receivables:	\$8,574,411	\$87	\$2,669,299	\$11,499,968	\$11,243,797 11,499,968	
Accounts	5,667				5,667	
Taxes	21,916				21,916	
Accrued interest Advances to other funds (Note 4C)	63,595		8,856 653,469		72,451 653,469	
Notes receivable (Note 3)	1,810,295		5,303,334		7,113,629	
Land held for resale (Note 9)	5,419,762		861,245		6,281,007	
Total Assets	\$15,895,646	\$87	\$9,496,203	\$11,499,968	\$36,891,904	
	++++,++++++++++++++++++++++++++++++++++		+2,122,-22	+,,	+==,===,==	
LIABILITIES						
Accounts payable	\$40,883				\$40,883	
Advances from the first (New 46)	21,059	\$20 <i>6.</i> 7 <i>6.</i> 4			21,059	
Advances from other funds (Note 4C) Deferred revenue (Note 3)	446,705 1,856,173	\$206,764	\$5,303,334		653,469 7,159,507	
Deferred liabilities	1,030,173		91,733		91,733	
Total Liabilities	2,364,820	206,764	5,395,067		7,966,651	
	2,304,620	200,704	3,393,007		7,900,031	
FUND BALANCES (Note 10)						
Nonspendable:						
Items not in spendable form:						
Land held for resale	5,419,762				5,419,762	
Restricted for: Low and moderate income housing			4,101,136		4,101,136	
Debt service			4,101,130	\$11,499,968	11,499,968	
Unassigned	8,111,064	(206,677)			7,904,387	
Total Fund Balances (Deficits)	13,530,826	(206,677)	4,101,136	11,499,968	28,925,253	
Total Liabilities and Fund Balances	\$15,895,646	\$87	\$9,496,203	\$11,499,968		
Amounts reported for Governmental Activities in the Staten different from those reported in the Governmental Funds about because of the following:		re				
CAPITAL ASSETS Capital assets used in Governmental Activities are not cu and therefore are not reported in the Governmental Fun		ncial resources			1,762,188	
ACCRUAL OF NON-CURRENT REVENUES AND EXP Revenues which are deferred on the Fund Balance Sheet currently are taken into revenue in the Statement of Ac	s because they are r	not available			7,159,507	
Non-current portion of compensated absences, included	in accrued liabilities	s			(123,084)	
LONG-TERM ASSETS AND LIABILITIES The assets and liabilities below are not due and payable is reported in the Funds:	in the current period	l and therefore are	not			
Long-term debt Interest payable					(67,133,517) (590,434)	
NET ASSETS (DEFICIT) OF GOVERNMENTAL AC	CTIVITIES				(\$30,000,087)	

REDEVELOPMENT AGENCY OF THE CITY OF ROSEVILLE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES FOR THE YEAR ENDED JUNE 30, 2011

	General	Funds	Low and		
	Roseville Redevelopment Project Area	Roseville Flood Control Project Area	Moderate Income Housing	Debt Service	Total Governmental Funds
REVENUES					
Property tax increment	\$4,788,840	\$869,369			\$5,658,209
Subventions and grants	53,358	7,965			61,323
Use of money and property	200,655	1,289	\$31,059	\$25,177	258,180
Miscellaneous revenues	10,036		19,310		29,346
Total Revenues	5,052,889	878,623	50,369	25,177	6,007,058
EXPENDITURES					
Community development and planning:					
Program administration	608,009	17,050	145,130		770,189
Pass-through and SERAF payments (Note 7 and Note 12)	2,131,273	267,919			2,399,192
Grants and loans	213,749				213,749
Capital outlay	2,209,521				2,209,521
Debt service:					
Principal retirement	87,238	365,283		480,000	932,521
Interest and fiscal fees			20,417	1,790,301	1,810,718
Total Expenditures	5,249,790	650,252	165,547	2,270,301	8,335,890
EXCESS (DEFICIENCY) OF REVENUES					
OVER EXPENDITURES	(196,901)	228,371	(115,178)	(2,245,124)	(2,328,832)
OTHER FINANCING SOURCES (USES)					
Issuance of advances (Note 6)	14,847,668	297,500			15,145,168
Transfers from the City of Roseville (Note 4B)	220,558	,			220,558
Transfers (out) to the City of Roseville (Note 4B)	(10,087,713)		(23,165)		(10,110,878)
Transfers in (Note 4A)	495,761	20,000	2,028,919	1,629,649	4,174,329
Transfers (out) (Note 4A)	(2,138,219)	(257,556)	(446,558)	(1,331,996)	(4,174,329)
Total Other Financing Sources (Uses)	3,338,055	59,944	1,559,196	297,653	5,254,848
NET CHANGE IN FUND BALANCES	3,141,154	288,315	1,444,018	(1,947,471)	2,926,016
FUND BALANCES (DEFICIT) AT BEGINNING OF					
PERIOD, AS RESTATED (NOTE 10D)	10,389,672	(494,992)	2,657,118	13,447,439	25,999,237
FUND BALANCES (DEFICIT) AT END OF PERIOD	\$13,530,826	(\$206,677)	\$4,101,136	\$11,499,968	\$28,925,253

REDEVELOPMENT AGENCY OF THE CITY OF ROSEVILLE

Reconciliation of the

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS with the

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2011

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

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS

\$2,926,016

Amounts reported for governmental activities in the Statement of Activities are different because of the following:

CAPITAL ASSETS TRANSACTIONS

Governmental Funds report capital outlays as expenditures. However,

in the Statement of Activities the cost of those assets is capitalized and allocated over their estimated useful lives and reported as depreciation expense.

Capitalized expenditures are therefore added back to fund balance 2,193,938 Transfer of capital assets to the City of Roseville (1,986,942)

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.

Proceeds from issuance of advances is deducted from fund balance	(15,145,168)
Repayment of debt principal are added back to fund balance	932,521
Interest on advances accrued to principal is deducted from fund balance	(238,363)

ACCRUAL OF NON-CURRENT ITEMS

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

Deferred revenues	(8,895)
Interest payable	7,291
Long-term compensated absences, included in accrued liabilities	6,241

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES

(\$11,313,361)

REDEVELOPMENT AGENCY OF THE CITY OF ROSEVILLE GENERAL FUND - ROSEVILLE REDEVELOPMENT PROJECT AREA STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL FOR THE YEAR ENDED JUNE 30, 2011

_	Budgeted Amounts			Variance with Final Budget
_	Original	Final	Actual Amounts Budgetary Basis	Positive (Negative)
REVENUES				
Property tax increment	\$5,153,150	\$5,100,183	\$4,788,840	(\$311,343)
Subventions and grants	53,200	53,675	53,358	(317)
Use of money and property	187,799	201,239	200,655	(584)
Miscellaneous revenues			10,036	10,036
TOTAL REVENUES	5,394,149	5,355,097	5,052,889	(302,208)
EXPENDITURES				
Community development and planning:				
Program administration	757,815	664,863	608,009	56,854
Pass-through payments	1,819,050	2,186,539	2,131,273	55,266
Grants	488,500	402,950	213,749	189,201
Capital outlay	2,840,000	8,113,076	2,209,521	5,903,555
Debt service:				
Principal			87,238	(87,238)
Interest	76,500	76,500		76,500
TOTAL EXPENDITURES	5,981,865	11,443,928	5,249,790	6,194,138
EXCESS (DEFICIENCY) OF REVENUES				
OVER EXPENDITURES	(587,716)	(6,088,831)	(196,901)	5,891,930
OVER EXITERDITORES	(367,710)	(0,000,031)	(170,701)	3,671,730
OTHER FINANCING SOURCES (USES)				
Issuance of advances			14,847,668	14,847,668
Transfers in from the City of Roseville			220,558	220,558
Transfers (out) to the City of Roseville	(312,672)	(312,672)	(10,087,713)	(9,775,041)
Transfers in	2,840,000	19,197,263	495,761	(18,701,502)
Transfers (out)	(2,298,965)	(11,990,584)	(2,138,219)	9,852,365
TOTAL OTHER FINANCING SOURCES (USES)	228,363	6,894,007	3,338,055	(3,555,952)
NET CHANGE IN FUND BALANCE	(\$359,353)	\$805,176	3,141,154	\$2,335,978
Fund balance at beginning of year, as restated			10,389,672	
Fund balance at end of year			\$13,530,826	

REDEVELOPMENT AGENCY OF THE CITY OF ROSEVILLE GENERAL FUND - ROSEVILLE FLOOD CONTROL PROJECT AREA STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL FOR THE YEAR ENDED JUNE 30, 2011

	Budgeted	Amounts		Variance with Final Budget	
	Original	Final	Actual Amounts Budgetary Basis	Positive (Negative)	
REVENUES					
Property tax increment	\$970,711	\$915,511	\$869,369	(\$46,142)	
Subventions and grants	10,100	9,456	7,965	(1,491)	
Use of money and property		130	1,289	1,159	
TOTAL REVENUES	980,811	925,097	878,623	(46,474)	
EXPENDITURES					
Community development and planning:					
Program administration	23,582	17,619	17,050	569	
Pass-through payments	205,868	268,594	267,919	675	
Debt service:			265.202	(2.65, 202)	
Principal	242.000	242.000	365,283	(365,283)	
Interest	243,000	243,000		243,000	
TOTAL EXPENDITURES	472,450	529,213	650,252	(121,039)	
EXCESS (DEFICIENCY) OF REVENUES					
OVER EXPENDITURÉS	508,361	395,884	228,371	(167,513)	
OTHER FINANCING SOURCES (USES)					
Issuance of advances			297,500	297,500	
Transfers in			20,000	20,000	
Transfers (out)	(149,144)	(273,312)	(257,556)	15,756	
TOTAL OTHER FINANCING SOURCES (USES)	(149,144)	(273,312)	59,944	333,256	
NET CHANGE IN FUND BALANCE	\$359,217	\$122,572	288,315	\$165,743	
Fund balance (deficit) at beginning of year, as restated			(494,992)		
Fund balance (deficit) at end of year			(\$206,677)		

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNT POLICIES

A. Organization and Purpose

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

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

B. Basis of Presentation

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNT POLICIES (Continued)

C. Major Funds

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

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

GENERAL FUNDS:

Roseville Redevelopment Project Area

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

Roseville Flood Control Project Area

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

LOW AND MODERATE INCOME HOUSING FUND

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

DEBT SERVICE FUND

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

D. Basis of Accounting

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNT POLICIES (Continued)

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

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

E. Revenues

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

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

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

F. Property Tax

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

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

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

REDEVELOPMENT AGENCY OF THE CITY OF ROSEVILLE

Notes to the Basic Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNT POLICIES (Continued)

G. Budgets and Budgetary Accounting

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

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

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

H. Fund Reclassification

The activities of the Roseville Redevelopment Project Area and Roseville Flood Control Project Area were previously combined and reported in the General Fund. The activity is now reported in two separate funds.

NOTE 2 - CASH AND INVESTMENTS

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

A. Classification

Cash and investments are classified in the financial statements as shown below, based on whether or not their use is restricted under the terms of Agency debt instruments. Investments are carried at fair value as follows at June 30, 2011:

Cash and Investments in City Treasury	\$11,243,797
Restricted cash and investments with fiscal agent	11,499,968
Total Cash and Investments	\$22,743,765

NOTE 2 - CASH AND INVESTMENTS (Continued)

B. Investments Authorized by Debt Agreements

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

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

C. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Agency generally manages its interest rate risk by usually holding investments to maturity.

		Restricted	
	Cash and	Cash and	
	Investments	Investments	Total
Money Market Mutual Funds			
(U.S. Securities)		\$136	\$136
City of Roseville Pooled Cash	\$11,243,797		11,243,797
California Asset Management Pool		11,499,832	11,499,832
Total Investments	\$11,243,797	\$11,499,968	\$22,743,765

Money market mutual funds and investment pools are available for withdrawal on demand. At June 30, 2011, the Federated Treasury Obligation Money Market Fund had an average maturity of 46 days.

NOTE 2 - CASH AND INVESTMENTS (Continued)

D. Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The actual rating as of June 30, 2011, for the Money Market Mutual Fund was AAAm as provided by Standard and Poor's Investment Rating System.

The Agency is a participant in the California Asset Management Program (CAMP). CAMP is an investment pool offered by the California Asset Management Trust (the Trust). The Trust is a joint powers authority and public agency created by the Declaration of Trust and established under the provisions of the California Joint Exercise of Powers Act (California Government Code Sections 6500 et seq., or the "Act") for the purpose of exercising the common power of its Participants to invest certain proceeds of debt issues and surplus funds. The Trust's investments are limited to investments permitted by subdivisions (a) to (n), inclusive, of Section 53601 of the California Government Code. The Agency reports its investments in CAMP at the fair value amounts provided by CAMP, which is the same as the value of the pool share. At June 30, 2011, the fair value approximated is the Agency's cost. At June 30, 2011, these investments have an average maturity of 52 days and CAMP was rated AAAm as provided by Standard and Poor's Investment Rating System.

NOTE 3 - NOTES RECEIVABLE AND DEFERRED REVENUE

A. First Time Home-Buyer Notes Receivable

The Agency engages in a first time home-buyer program designed to encourage home ownership among low income persons. Under this program, grants or loans are provided at no interest and are due upon sale or transfer of the property. These loans have been offset by deferred revenue as they are not expected to be repaid during fiscal year 2012. The balance of the notes receivable arising from this program at June 30, 2011, was \$2,117,453.

B. Affordable Housing Loan Agreements

The Agency has entered into various loan agreements with real property owners for the purpose of making property improvements to rental units affordable to low and very low-income individuals. Under this program, loans are provided with at an interest rate of 3% and are deferred 15 to 40 years. These loans have been offset by deferred revenue as they are not expected to be repaid during the fiscal year 2012. The balance arising from this program at June 30, 2011, was \$3,185,881.

C. Commercial Rehabilitation Notes Receivable

The Agency engages in a commercial rehabilitation program designed to aid small business owners in renovating and rehabilitating commercial property in need of repair. These notes will be forgiven at the end of the Owner Participation Agreement term, which is five to fifteen years, if the property has not been sold. If the property is sold prior to the completion of the agreement term a proportionate amount of the note will be forgiven. The notes are secured by a deed of trust on the property. During the year ended June 30, 2011 one business owner defaulted on its loan and the Agency wrote off the loan and associated accrued interest totaling \$141,389. At June 30, 2011, \$1,810,295 in notes had been issued to three property owners.

NOTE 4 – INTERFUND TRANSACTIONS

A. Transfers Between Agency Funds

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

Transfers between Agency funds during the fiscal year ended June 30, 2011, consisted of transfers of \$935,128 and \$168,791 from the Roseville Redevelopment Project Area Fund and Roseville Flood Control Project Area, respectively, to the Low and Moderate Income Housing Special Revenue Fund for the State required set-aside of tax increment revenue. The Debt Service Fund received transfers of \$1,183,091 and \$446,558 from the Roseville Redevelopment Project Area Fund and the Low and Moderate Income Housing Fund, respectively, for debt service. The Debt Service Fund transferred \$406,996 to the Roseville Redevelopment Project Area Fund to fund two loans and to acquire 116 and 126 Pacific Street for the future development of a parking structure, and transferred \$925,000 to the Low and Moderate Income Housing Fund for the acquisition of 304 Washington Boulevard for future development. The Roseville Redevelopment Project Area Fund transferred \$20,000 to the Roseville Flood Control Project Area for a short term loan to offset negative fund balance, and the Roseville Flood Control Project Area transferred \$88,765 to the Roseville Redevelopment Project Area Fund for the repayment of a fiscal year 2010 short term loan for negative fund balance.

B. Transfers Between the City and the Agency

The City transferred \$5,818 to the Roseville Redevelopment Project Area Fund to fund capital projects and the City transferred land to be held for resale of \$214,740 to the Roseville Redevelopment Project Area Fund.

The Roseville Redevelopment Project Area Fund and the Low and Moderate Income Housing Fund transferred \$312,672 and \$23,165, respectively, to the City to fund their share of indirect costs for the fiscal year ended June 30, 2011.

The Roseville Redevelopment Project Area Fund transferred \$9,775,041 to the City to reestablish the advances from the City to fund projects and land acquisitions discussed in Note 6D below.

C. Redevelopment Advances

During the fiscal year ending June 30, 2010, the Agency approved an interfund advance authorizing the Roseville Redevelopment Project Area Fund and the Roseville Flood Control Project Area to borrow \$558,381 and \$258,455, respectively, from the Low and Moderate Income Housing Fund to assist in making the Agency's fiscal year 2009-10 SERAF payment as discussed in Note 12. This loans do not bear interest and are repayable in five equal annual installments, and must be repaid prior to June 30, 2015.

NOTE 5 – CAPITAL ASSETS

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

A. Capital Asset Additions and Retirements

Capital assets at June 30, 2011, comprise:

	Balance at June 30, 2010 (as restated)	Additions	Transfer to the City	Balance at June 30, 2011
Capital assets not being depreciated:				
Land	\$1,555,192	\$206,996		\$1,762,188
Construction in progress	- <u></u>	1,986,942	(\$1,986,942)	
Governmental activity capital assets, net	\$1,555,192	\$2,193,938	(\$1,986,942)	\$1,762,188

NOTE 6 – LONG-TERM DEBT

A. Current Year Transactions and Balances

	Balance				
	June 30, 2010			Balance	Current
	(as restated)	Additions	Retirements	June 30, 2011	Portion
Tax Allocation Bonds:					
2002 Redevelopment Project Tax Allocation Bonds,					
3%-5.14%, due 9/1/33	\$12,590,000		\$310,000	\$12,280,000	\$325,000
2006 Redevelopment Project Tax Allocation Bonds, Series A					
4.5%-5.00%, due 9/1/40	13,155,000			13,155,000	
2006 Redevelopment Project Taxable Tax Allocation					
Bonds, Series A-T					
5.31%-5.90%, due 9/1/28	2,875,000		95,000	2,780,000	100,000
2006 Redevelopment Project Taxable Tax Allocation					
Housing Bonds, Series H-T					
5.31%-6.07%, due 9/1/40	6,225,000		75,000	6,150,000	80,000
Total Tax Allocation Bonds	34,845,000		480,000	34,365,000	505,000
Advances from the City of Roseville	17,837,507	\$15,383,531	452,521	32,768,517	599,625
Total	\$52,682,507	\$15,383,531	\$932,521	\$67,133,517	\$1,104,625

NOTE 6 – LONG-TERM DEBT (Continued)

B. 2002 Roseville Redevelopment Project Tax Allocation Bonds

On October 23, 2002, the Redevelopment Agency issued Tax Allocation Bonds in the original principal amount of \$14,500,000 to fund certain redevelopment activities of benefit to property within the Agency's Roseville Redevelopment Project Area. The Bonds are special obligations of the Agency and are secured by the Agency's tax increment revenue. As disclosed in the official statement, pledged future tax increment revenues are expected to provide coverage for debt service over the life of the Bonds. Principal payments are payable annually on September 1 and interest payments are due semi-annually on March 1 and September 1, through September 1, 2033.

C. 2006 Roseville Redevelopment Project Tax Allocation Bonds

On October 26, 2006, the Redevelopment Agency issued Tax Allocation Bonds Series 2006 A, Taxable Tax Allocation Bonds Series 2006 A-T, and Taxable Tax Allocation Bonds, Series 2006 H-T in the amounts of \$13,155,000, \$3,285,000, and \$6,505,000, respectively, for a total principal amount of \$22,945,000. The Series A bonds bear interest at 4.50%-5.00%, the Series A-T at 5.31%-5.90%, and the Series H-T at 5.31%-6.07%. The proceeds for the Series A and Series A-T bonds were used to fund redevelopment activities of benefit to properties within the Agency's Redevelopment Project Area. The proceeds for the Series H-T bonds were used to pay the costs of low-and-moderate-income housing projects of the Agency's Redevelopment Project Area. The Series A and Series A-T bonds are secured by tax revenues, which are allocated to the Agency from the Project Area. The Series H-T bonds are secured by the tax increment revenue deposited in the Agency's Low and Moderate Income Housing Fund. As disclosed in the official statement, pledged future tax increment revenues are expected to provide coverage over debt service over the life of the Bonds. Interest on the bonds is payable semiannually on March 1 and September 1. Principal for the Series A is payable annually on September 1 beginning 2028 through 2040. Principal for the Series A-T is payable annually on September 1 through 2040. Principal for the Series A-T is payable annually on September 1 through 2028.

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

At June 30, 2011, the Roseville Redevelopment Project Area Fund and Roseville Flood Control Project Area Fund General Fund and Low and Moderate Income Housing Fund had received advances from the City which were not expected to be repaid within the next year. These long-term interfund advances consist of seven advances, including principal and unpaid accrued interest, as follows:

- (1) Advance in the amount of \$85,671 bears no interest and will be repaid in 2015.
- (2) Advance in the amount of \$1,064,353 bears interest at 3.15% and will be repaid in fiscal year 2023.
- (3) Advance in the amount of \$5,033,598 will be repaid in fiscal year 2029. This advance bears interest at the average rate of the City's pooled investments, plus 1%.
- (4) Advances in the amount of \$13,151,761 will be repaid in fiscal year 2029. These advances bear interest at the average interest rate of the City's pooled investments.
- (5) Advance in the amount of \$325,549 bears interest at the average rate of the City's pooled investments and will be repaid in 2030.
- (6) Advance in the amount of \$178,699 bears interest at the average rate of the City's pooled investments and will be repaid in 2030.
- (7) Advances in the amount of \$12,928,886 bear interest at the average rate of the City's pooled investments and will be repaid in 2040.

NOTE 6 – LONG-TERM DEBT (Continued)

As discussed in Note 10D below, these advances had previously been reported as fund liabilities in the Roseville Redevelopment Project Area Fund and Roseville Flood Control Project Area Fund, but are now reported as long-term liabilities and the beginning balance of long-term debt has been restated to reflect this change.

E. Debt Service Requirement

Annual debt service requirements for the Bonds and advances are shown below:

	Governmental Activities		
For the Year			
Ending June 30	Principal	Interest	
2012	\$1,104,625	\$2,113,583	
2013	726,311	2,081,577	
2014	687,057	2,053,094	
2015	795,804	2,022,425	
2016	738,247	1,989,478	
2017 - 2021	6,116,924	9,341,952	
2022 - 2026	7,766,973	8,053,777	
2027 - 2031	18,559,991	6,250,735	
2032 - 2036	7,838,699	4,181,733	
2037 - 2041	22,798,886	1,796,112	
Total	\$67,133,517	\$39,884,466	

F. Pledged Revenues

As discussed above, the Agency has pledged all future tax increment revenues of the Roseville Redevelopment Project Area, less amounts required to be set aside in the Low and Moderate Income Housing Fund, for the repayment of the 2002 Tax Allocation Bonds and the 2006 Series A and Series A-T Tax Allocation Bonds, which are considered parity obligations. The pledge of all future tax increment revenues ends upon repayment of the remaining debt service on the Bonds which is expected in 2040, and as of June 30, 2011, the total principal and interest remaining to be paid on these bonds is \$54,137,237. For fiscal year 2011 net tax increment revenues amounted to \$3,853,172 which represented coverage of 212% over the debt service of \$1,817,534.

Also as discussed above, the Agency has pledged the tax increment revenue deposited in the Low and Moderate Income Housing Fund for the repayment of the 2006 Series H-T Tax Allocation Bonds. The pledge of all future tax increment revenues ends upon repayment of the remaining debt service on the Bonds which is expected in 2040, and as of June 30, 2011, the total principal and interest remaining to be paid on these bonds is \$13,249,494. For fiscal year 2011 tax increment revenues amounted to \$1,103,919 which represented coverage of 248% over the debt service of \$444,703.

NOTE 7 - PASS THROUGH AGREEMENTS

As part of the Agency Improvement Plan adoption, the Agency entered into agreements with various taxing entities which require the Agency to pass through portions of Project Area incremental property taxes to each taxing entity. In certain cases the Agency retains these pass through payments until certain projects have been completed. Payments under these pass through agreements amounted to \$1,735,087 for the year ended June 30, 2011.

NOTE 8 – DEVELOPMENT AGREEMENTS

A. Historic District Parking Lot

In October of 2011, construction was completed on a 158-space surface level parking lot located at 400 Lincoln in what was formerly a vacant lot. The new parking lot in the Historic District will serve the District's businesses, residents and property owners and will begin to make the area attractive to new business opportunities. It is seen by the local businesses and many of the District property owners as a vital asset to the District. A significant demand for parking in the District, particularly in the late morning/early afternoon and in the evening on the weekends, was one of the primary reasons the parking lot was constructed. The improvements to the lot included paving, striping, lights, garbage receptacles and landscaping. The final cost of the construction and improvement s was \$508,172 and was funded by bond proceeds from the Agency's 2006A Tax Allocation Bond issue.

B. Roseville Automall Façade Improvements

In fiscal 2011, the Agency participated in the upgrade and improvement of the wall surrounding the Roseville Automall. The project, completed in conjunction with the Roseville Automall Association, provided substantial improvements to both the public and private right-of-way. Improvements included the repair and repainting of the surrounding wall, the addition of six external auto display platforms, and additional landscaping and signage. These represent the first significant upgrades to the wall since it was constructed nearly two decades ago.

NOTE 9 – LAND HELD FOR RESALE

Overall, the project budget was close to \$6.0 million. The Agency funded nearly one-half of the project for a total cost of \$2,679,941. The Roseville Automall Association funded the balance of the project and accepted the ongoing responsibility for maintaining the public improvements in good condition and repair. Construction of the project was completed in January, 2011.

In April 2007, the Agency purchased a parcel located at 8051 Washington Boulevard. In March 2010, the Agency purchased property at 133 Church Street. In April 2010, the Agency purchased property at 330 Vernon Street. In June 2011, the Agency purchased a parcel located at 304 Washington Boulevard. This parcel will be developed by a private developer into 71 Mixed Use residential units with commercial and parking on the first floor. These properties are accounted for at the lower of cost or net realizable value. The properties are held by the Agency for resale in the future. As of June 30, 2011, total carrying value of the properties amounted to \$6,281,007.

NOTE 10 – NET ASSETS AND FUND BALANCES

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

A. Net Assets

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

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

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

B. Fund Balances

The Agency's fund balances are classified in accordance with Governmental Accounting Standards Board Statement Number 54 (GASB 54), *Fund Balance Reporting and Governmental Fund Type Definitions*, which requires the Agency to classify its fund balances based on spending constraints imposed on the use of resources. For programs with multiple funding sources, the Agency prioritizes and expends funds in the following order: Restricted, Committed, Assigned, and Unassigned. Each category in the following hierarchy is ranked according to the degree of spending constraint:

Nonspendable represents balances set aside to indicate items do not represent available, spendable resources even though they are a component of assets. Fund balances required to be maintained intact, such as Permanent Funds, and assets not expected to be converted to cash, such as prepaids, notes receivable, and land held for redevelopment are included. However, if proceeds realized from the sale or collection of nonspendable assets are restricted, committed or assigned, then Nonspendable amounts are required to be presented as a component of the applicable category.

Restricted fund balances have external restrictions imposed by creditors, grantors, contributors, laws, regulations, or enabling legislation which requires the resources to be used only for a specific purpose. Encumbrances and nonspendable amounts subject to restrictions are included along with spendable resources.

Committed fund balances have constraints imposed by formal action of the Agency Board which may be altered only by formal action of the Agency Board. Encumbrances and nonspendable amounts subject to council commitments are included along with spendable resources.

NOTE 10 – NET ASSETS AND FUND BALANCES (Continued)

Assigned fund balances are amounts constrained by the Agency's intent to be used for a specific purpose, but are neither restricted nor committed. Intent is expressed by the Agency Board or its designee and may be changed at the discretion of the Agency Board or its designee. This category includes encumbrances; Nonspendables, when it is the Agency's intent to use proceeds or collections for a specific purpose, and residual fund balances, if any, of Special Revenue, Capital Projects and Debt Service Funds which have not been restricted or committed.

Unassigned fund balance represents residual amounts that have not been restricted, committed, or assigned. This includes the residual general fund balance and residual fund deficits, if any, of other governmental funds.

C. Fund Balance Deficit

The Roseville Flood Control Project Area Fund had deficit fund balance at June 30, 2011 of \$206,677. Future tax increment revenues are expected to offset this deficit.

D. Restatements

During fiscal year 2011, the Agency determined that long-term advances, including accrued interest, from the City should be reported as long-term liabilities, rather than liabilities in the Roseville Redevelopment Project Area Fund and Roseville Flood Control Project Area Fund. As a result, fund balance has been increased as of July 1, 2010 in each of the funds by \$10,302,590 and \$7,534,917, respectively.

The Agency determined that land owned by the Agency had been transferred to the City in the prior year. The land was returned to the Agency as of July 1, 2010 and capital assets and beginning net assets have been restated and increased in the amount of \$1,480,823.

The Agency determined that deferred revenue associated with notes receivable had not been recognized as revenue at the Agency-wide level in the prior year, therefore beginning net assets has been restated and increased in the amount of \$1,610,573 as of July 1, 2010.

NOTE 11 – CONTINGENT LIABILITIES

The Agency is subject to litigation arising in the normal course of business. In the opinion of the City Attorney there is no pending litigation, other than as disclosed in Note 13 below, which is likely to have a material adverse effect on the financial position of the Agency.

The Agency entered into an agreement with the Roseville Community Development Corporation, a component unit of the City of Roseville, under which the Agency agreed to provide funding to the Corporation in the form of a start-up loan not to exceed five million dollars (\$5,000,000). The loan is a 20 year loan deferred for 10 years with accrued interest and principal due beginning January 1, 2021. As of June 30, 2011, no funds had been drawn down from the loan.

NOTE 12 – TAX INCREMENT SHIFT TO SUPPLEMENTAL EDUCATIONAL REVENUE AUGMENTATION FUND (SERAF)

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 determines each agency's SERAF payment by November 15 of each year, and payments are due by May 10 of the applicable year. The Agency made its first SERAF payment of \$2,314,109 in fiscal year 2009-10 and its second SERAF payment of \$476,434 in fiscal year 2010-11. The Agency borrowed funds from the Low and Moderate Income Housing Special Revenue Fund to make the first SERAF payment. The repayment terms for the advance are discussed in Note 4C above.

NOTE 13 – PROPOSED DISSOLUTION OF REDEVELOPMENT AGENCIES

In an effort to balance its budget, the State of California adopted ABx1 26 on June 28, 2011, which suspends all new redevelopment activities except for limited specified activities as of that date and dissolves redevelopment agencies effective October 1, 2011. The State simultaneously adopted ABx1 27 which allows redevelopment agencies to avoid dissolution by the City opting into an "alternative voluntary redevelopment program" requiring specified substantial annual contributions to local schools and special districts. Concurrently with these two measures, the State passed various budget and trailer bills that are related and collectively constitute the Redevelopment Restructuring Acts. If all sponsoring communities were to opt-in to the voluntary program, these contributions amount to an estimated \$1.7 billion for fiscal year 2012 and an estimated \$400 million in each succeeding year. If the City fails to make the voluntary program payment, the Agency would become subject to the dissolution provisions of ABx1 26.

On July 18, 2011, the California Redevelopment Association, the League of California Cities and others challenged the validity and constitutionality of ABx1 26 and 27 to the California Supreme Court on numerous grounds, including that the acts violate certain provisions of the California Constitution. On August 11, 2011, as modified on August 17, 2011, the California Supreme Court agreed to hear the case and issued a partial stay of ABx1 26 and a full stay of ABx1 27, but the stay did not include the section of ABx1 26 that suspends all new redevelopment activities. It is anticipated that the Court will render its decision before January 15, 2012, the date the first voluntary program payment is due.

The suspension provisions of ABx1 26 prohibit all redevelopment agencies from a wide range of activities, including incurring new indebtedness or obligations, entering into or modifying agreements or contracts, acquiring or disposing of real property, taking actions to adopt or amend redevelopment plans and other similar actions, except actions required by law or to carry out existing enforceable obligations, as defined in ABx1 26. During the suspension period, an agency is required to prepare an Enforceable Obligation Payment Schedule no later than August 29, 2011, that allows it to continue to pay certain obligations. The Agency adopted its Enforceable Obligation Payment Schedule on August 25, 2011.

In addition, the suspension provisions require the State Controller to review the activities of all redevelopment agencies to determine whether an asset transfer between an agency and any public agency occurred on or after January 1, 2011. If an asset transfer did occur and the public agency that received the asset is not contractually committed to a third party for the expenditure or encumbrance of the asset, the State Controller is required to order the asset returned to the redevelopment agency. The State Controller's Office has not yet provided any information about the timing or the process for this statewide asset transfer review.

NOTE 13 – PROPOSED DISSOLUTION OF REDEVELOPMENT AGENCIES (Continued)

The continuation of the Agency beyond October 1, 2011 will initially depend upon whether the Supreme Court rules in favor of the petitioners. There are three possible consequences to the Agency from a decision of the Supreme Court, when it is rendered:

- 1. The City adopted an Ordinance to opt-in to the alternative voluntary redevelopment program on August 25, 2011, which subsequently was finally passed at a second reading of the Ordinance; therefore if the Supreme Court determines that both ABx1 26 and ABx1 27 are valid, the City will implement the Ordinance. The City would then be required to make annual payments to the County Auditor-Controller and the Agency would no longer be subject to the suspension provisions. The State Department of Finance calculated the City's Voluntary Program payment for fiscal year 2012 to be \$1,867,259.
- 2. If the Supreme Court determines that both ABx1 26 and ABx1 27 are valid and the City decides not to participate in the alternative voluntary redevelopment program, or if the Supreme Court determines that ABx1 26 is valid, but ABx1 27 is not valid, the Agency will continue to be subject to the suspension provisions and would be dissolved in accordance with certain provisions of ABx1 26. Prior to dissolution, any transfers of Agency assets subsequent to January 1, 2011 to the City and the Roseville Community Development Corporation, including those discussed in Notes 4B, 5 and 11, that were not obligated to third parties or encumbered may be subject to the State Controller's review discussed above and may be required to be returned to the Agency. Upon dissolution, all assets and obligations of the Agency would be transferred to a successor agency.
- 3. If the Supreme Court determines that both ABx1 26 and ABx1 27 are invalid, the Agency would no longer be subject to the suspension provisions and would continue in existence under California Redevelopment Law as it existed prior to the enactment of ABx1 26 and ABx1 27.

As of November 21, 2011, the Supreme Court has not ruled on the case and the Agency is subject to the suspension provisions as discussed above.

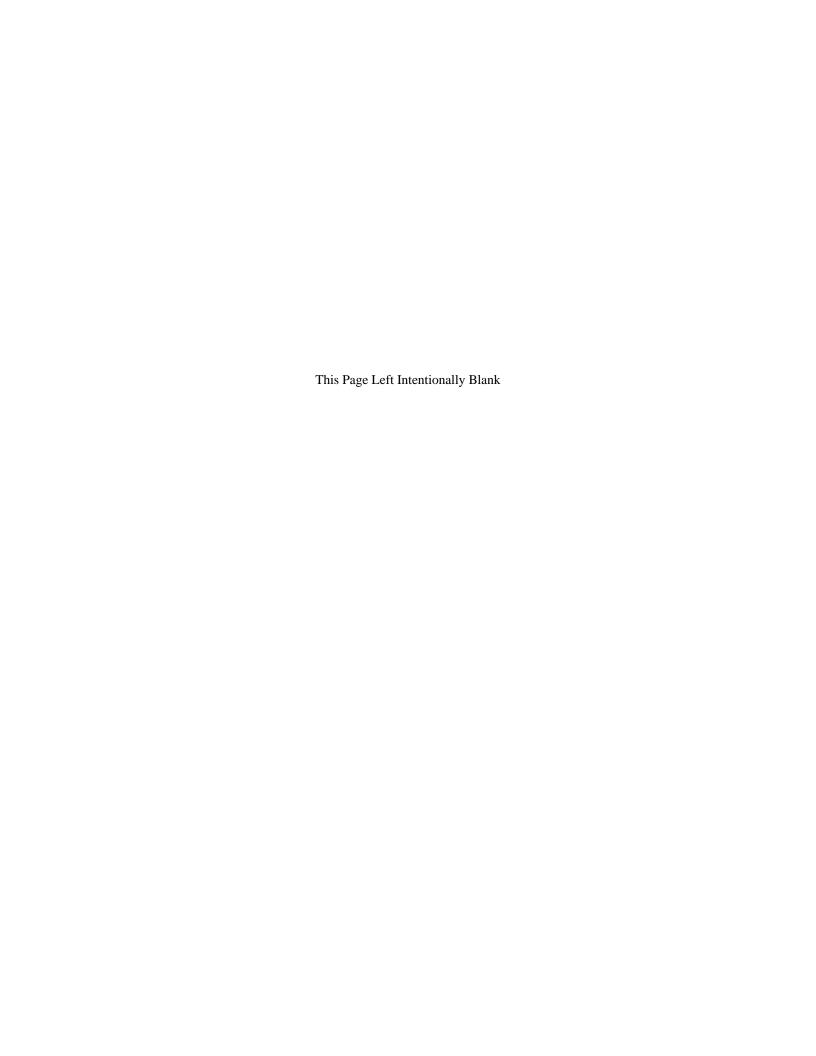
REDEVELOPMENT AGENCY OF THE CITY OF ROSEVILLE LOW AND MODERATE INCOME HOUSING FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL FOR THE YEAR ENDED JUNE 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive
	Original	Final	Budgetary Basis	(Negative)
REVENUES				
Use of money and property Miscellaneous revenue	\$49,363	\$43,843	\$31,059 19,310	(\$12,784) 19,310
TOTAL REVENUES	49,363	43,843	50,369	6,526
EXPENDITURES Community development and planning:	260 104	260 104	145 120	115.054
Program administration Grants and loans Capital outlay Debt service:	260,184 2,360,000	260,184 904,427 860,000	145,130	115,054 904,427 860,000
Principal Interest		1,500,000 21,000	20,417	1,500,000 583
TOTAL EXPENDITURES	2,620,184	3,545,611	165,547	3,380,064
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(2,570,821)	(3,501,768)	(115,178)	3,386,590
OTHER FINANCING SOURCES (USES) Transfers (out) to the City of Roseville Transfers in Transfers (out)		(18,165) 2,302,242 (597,653)	(23,165) 2,028,919 (446,558)	(5,000) (273,323) 151,095
TOTAL OTHER FINANCING SOURCES		1,686,424	1,559,196	(127,228)
NET CHANGE IN FUND BALANCE	(\$2,570,821)	(\$1,815,344)	1,444,018	\$3,259,362
Fund balance at beginning of year			2,657,118	
Fund balance at end of year			\$4,101,136	

REDEVELOPMENT AGENCY OF THE CITY OF ROSEVILLE DEBT SERVICE FUND SCHEDULE OF REVENUES, EXPENDITURES

AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL FOR THE YEAR ENDED JUNE 30, 2011

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual Amounts Budgetary Basis	Positive (Negative)
REVENUES				
Use of money and property			\$25,177	\$25,177
TOTAL REVENUES			25,177	25,177
EXPENDITURES				
Debt service:	¢ 400 000	¢400,000	400,000	
Principal Interest and fiscal charges	\$480,000 1,154,562	\$480,000 1,154,562	480,000 1,790,301	(635,739)
interest and fiscal charges	1,134,302	1,134,302	1,790,301	(033,739)
TOTAL EXPENDITURES	1,634,562	1,634,562	2,270,301	(635,739)
EXCESS (DEFICIENCY) OF REVENUES				
OVER EXPENDITURES	(1,634,562)	(1,634,562)	(2,245,124)	(610,562)
OTHER FINANCING SOURCES (USES)				
Transfers in	1,634,562	1,634,562	1,629,649	(4,913)
Transfers out	(2,840,000)	(5,148,200)	(1,331,996)	3,816,204
TOTAL OTHER FINANCING SOURCES	(1,205,438)	(3,513,638)	297,653	3,811,291
NET CHANGE IN FUND BALANCE	(\$2,840,000)	(\$5,148,200)	(1,947,471)	\$3,200,729
Fund balance at beginning of year			13,447,439	
Fund balance at end of year			\$11,499,968	

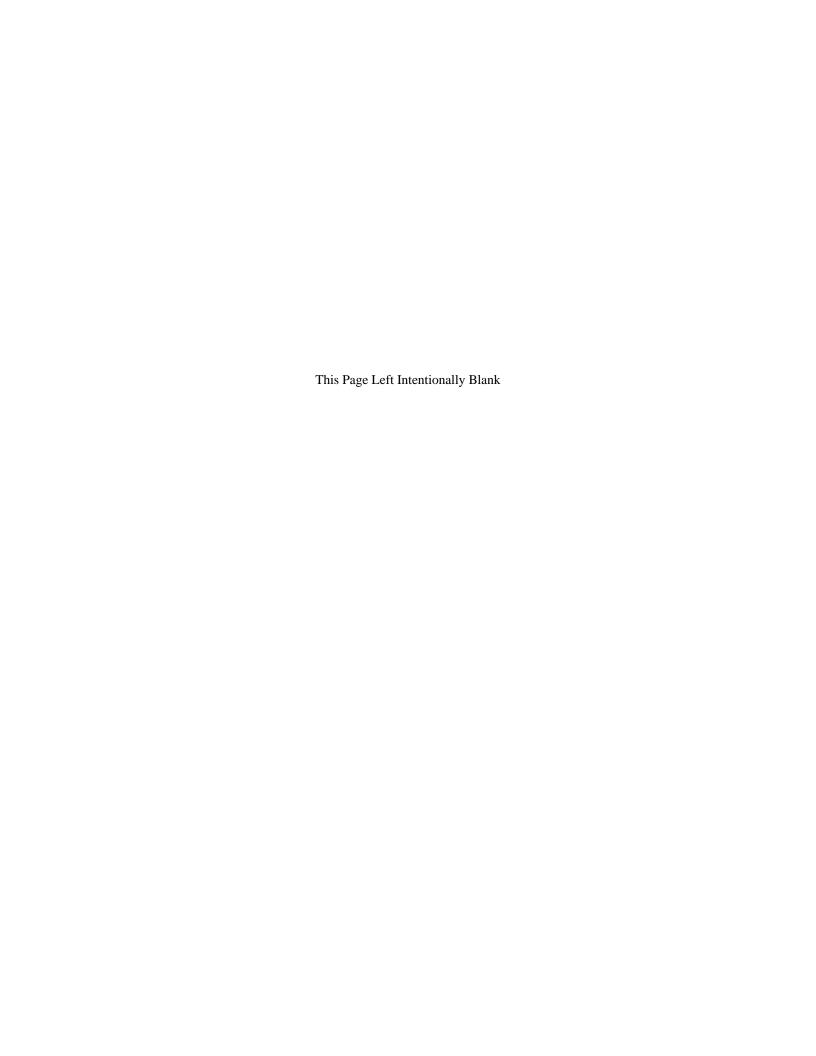


REDEVELOPMENT AGENCY OF THE CITY OF ROSEVILLE EXCESS SURPLUS CALCULATION

Excess surplus is defined in Health and Safety Code Section 33334.12(b) as any unexpended and unencumbered amount in an Agency's Low and Moderate Income Housing Fund that exceeds the greater of \$1,000,000 or the aggregate amount deposited into the Low and Moderate Income Housing Fund during the preceding four fiscal years, as of the beginning of the fiscal year.

If excess surplus exists, the Agency must lawfully spend the excess or transfer it to a housing authority or other public agency in the following fiscal year, expend or encumber in the next two fiscal years or face sanctions. Essentially, agencies have a three-year window to expend, encumber, or transfer the excess surplus.

	Low and Moderate Income Housing Funds All Project Areas July 1, 2010		
Opening Fund Balance July 1, 2010		\$2,657,118	
Less Unavailable Amounts: SERAF loans Encumbrances (Section 33334.12(g)(2))	(\$816,836) (179,742)	(996,578)	
Available Low and Moderate Income Housing Funds		1,660,540	
Limitation (greater of \$1,000,000 or four years set-aside) Set-Aside for last four years - fiscal years ended: June 30, 2010 June 30, 2009 June 30, 2008 June 30, 2007 Total Base limitation	\$1,358,514 1,377,575 1,507,118 1,347,474 \$5,590,681 \$1,000,000		
Greater amount	_	5,590,681	
Computed Excess Surplus - July 1, 2010		None	





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INDEPENDENT AUDITOR'S 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 Governing Board of Redevelopment Agency of the City of Roseville Roseville, California

We have audited the financial statements of Redevelopment Agency of the City of Roseville as of and for the year ended June 30, 2011, and have issued our report thereon dated November 21, 2011. The report included a special emphasis paragraph concerning proposed redevelopment dissolution and a paragraph discussing the implementation of Governmental Accounting Standards Board Statement Number 54 (GASB 54), *Fund Balance Reporting and Governmental Fund Type Definitions*. 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

Management of the Agency is responsible for establishing and maintaining effective 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 deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Agency's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards which are described in our separately issued Memorandum on Internal Control dated November 21, 2011.

As part of our audit, we prepared and issued our separate Memorandum on Internal Control dated November 21, 2011, which is an integral part of our audit and should be read in conjunction with this report.

This report is intended solely for the information and use of management, Agency Board, others within the Agency, the State Controller's Office, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

November 21, 2011

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INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE AND ON
INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH THE
CALIFORNIA HEALTH AND SAFETY CODE
AS REQUIRED BY SECTION 33080.1

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

Compliance

We have audited Redevelopment Agency of the City of Roseville's compliance with the California Health and Safety Code as required by Section 33080.1 for the year ended June 30, 2011. Compliance with the requirements referred to above is the responsibility of the Agency's management. Our responsibility is to express an opinion on the Agency's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Guidelines for Compliance Audits of California Redevelopment Agencies*, *June 2011*, issued by the State Controller.

Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the Agency has occurred. An audit includes examining, on a test basis, evidence about the Agency's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Agency's compliance with those requirements.

In our opinion, the Agency complied, in all material respects, with the compliance requirements referred to above that are applicable for the year ended June, 30, 2011.

Internal Control Over Compliance

Management of the Agency is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit, we considered the Agency's internal control over compliance to determine the auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over compliance.

A deficiency in internal control over compliance 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 and correct, noncompliance on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses in internal control over compliance.

We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, Agency Board, others within the Agency, the State Controller's Office, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

November 21, 2011

Jane & associates