



REDEVELOPMENT AGENCY

BASIC FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORTS

For the year ended
JUNE 30, 2009



CITY OF
CHULA VISTA

C A L I F O R N I A



Redevelopment Agency of the City of Chula Vista
Basic Financial Statements
For the year ended June 30, 2009

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December 7, 2009

Honorable Members of the Agency,

The Basic Financial Statements and Independent Auditor's Report on all projects of the City of Chula Vista Redevelopment Agency for the year ended June 30, 2009 is presented in accordance with the Community Redevelopment Law, § 33000 of the Health and Safety Code of the State of California.

The accuracy of the data presented and the completeness and fairness of the presentation, including all disclosures, are the responsibility of the Agency. The Report has been prepared in accordance with Generally Accepted Accounting Principles (GAAP) as promulgated by the Governmental Accounting Standards Board (GASB). It is believed that the data reported is accurate in all material respects, that it is presented in a manner designed to fairly represent the financial position and results of operations of the Agency as measured by the financial activity in its various Funds, and that all disclosures necessary to enable the reader to gain maximum understanding of the Agency's financial affairs have been included.

Redevelopment Agency Background

Redevelopment Law

Redevelopment in California started in 1945 with the enactment of the California Redevelopment Act, which gave cities and counties the authority to establish redevelopment agencies. In 1951, the Community Redevelopment Act was codified and renamed the Community Redevelopment Law under Health and Safety Code Section 33000, et seq. Most importantly, the authority for Tax Increment financing was added.

In 1976, the State Legislature imposed a requirement that 20% of the tax increment generated from project areas must be used to improve the community's supply of affordable housing. In addition, school districts and community college districts and other taxing entities receive a portion of the redevelopment tax increment. For redevelopment projects that were adopted before AB 1290, or January 1, 1994, the Agency negotiated agreements with these taxing entities. However after the enactment of AB1290, the negotiated separate agreements with each taxing entity were eliminated and implementation of statutory reimbursement to all taxing entities was implemented.

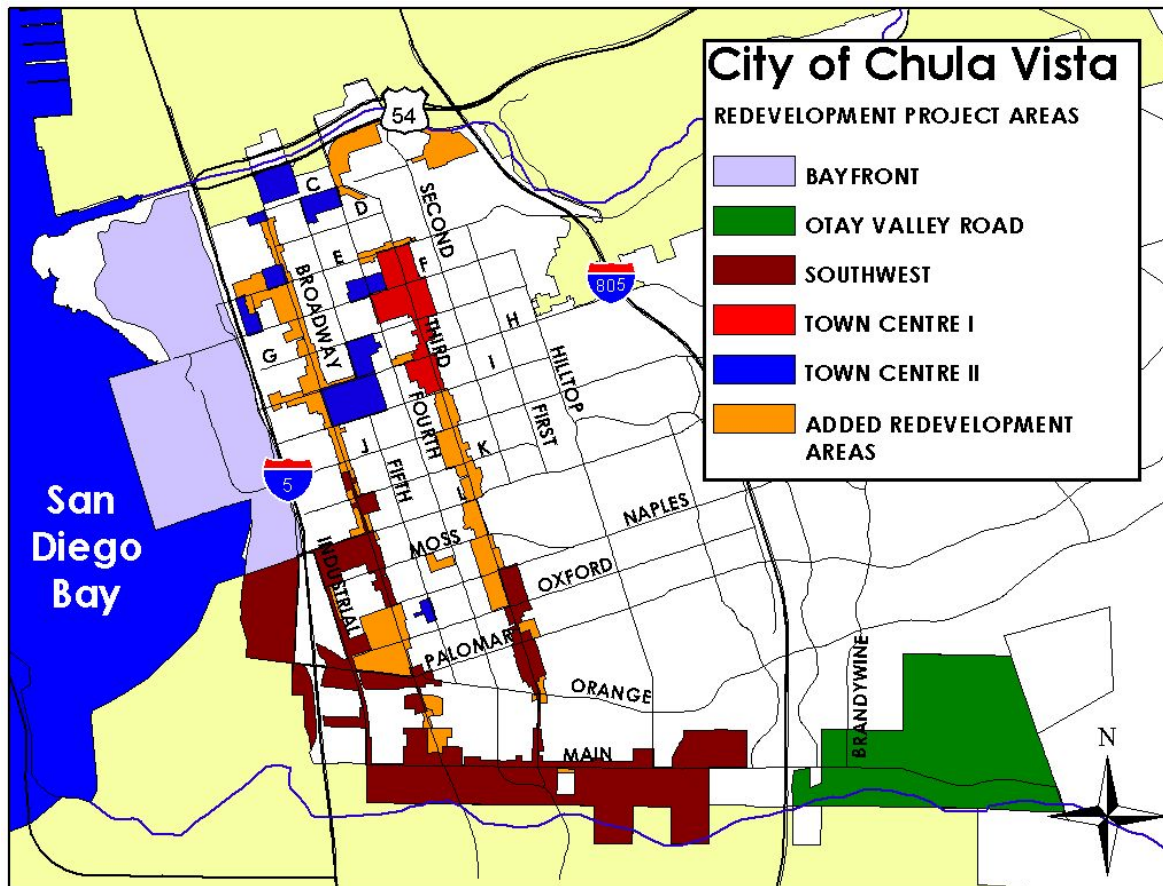
Tax Increment Primer

Tax Increment is the increase in property taxes within the redevelopment project area that result from increases in the project area assessed value that exceeds the base year assessed value. This funding source provides a way to improve an area by enabling redevelopment agencies to issue tax increment bonds without using general fund monies or raising taxes.

Tax Increment is a powerful funding source for redevelopment activities due to the increased percentage of property tax the Agency is able to retain. In California, property tax is calculated at one-percent of a property's assessed value. Of this one-percent the City receives approximately \$0.15 per dollar collected. The rest is passed through to other taxing entities (i.e. school districts, County and ERAF). However with property taxes collected in a redevelopment project area established in 1994 or later, the City and other taxing entities will still receive their share of base year taxes but the Agency will receive approximately 60 percent of the tax increment (taxes above base year values) generated in the project area (i.e. gross tax increment less 20% for low and moderate housing and 20% for AB1290 pass throughs).

The City's Redevelopment Agency

Redevelopment Project Areas



Agency History

The City of Chula Vista's Redevelopment Agency (Agency) was formed in 1974. The goals of the Agency are to reduce blight and to encourage new development, reconstruction, and rehabilitation of residential, commercial, industrial and retail uses. The map above depicts the Agency's five project areas as well as areas recently added. The table below summarizes important dates for the project areas.

Project Areas and Timelines

Project Area	Cumulative Tax Increment Revenue Limit	Final Date to Incur Debt	Date of Plan Termination	Termination Date of Revenue
Bayfront	\$ 210,000,000	No Limit	7/16/2017	7/16/2027
Bayfront Amended		7/17/2018	7/7/2029	7/7/2044
Town Centre 1	\$ 84,000,000	No Limit	7/6/2019	7/6/2029
Otay Valley	\$ 115,000,000	No Limit	12/29/2026	12/29/2036
Southwest	\$ 150,000,000	No Limit	11/27/2031	11/27/2041
Southwest Amended		No Limit	7/9/2032	7/9/2042
Town Centre 2	\$ 100,000,000	No Limit	8/15/2021	8/15/2031
Town Centre 2 Amended		No Limit	7/19/2029	7/19/2039
2004 Amendment Area	No Limit	No Limit	5/1/2034	5/1/2049

During the 1970's and 1980's the Agency focused on the Town Centre I, Town Centre II and Bayfront Redevelopment Project Areas. The Agency issued \$7.15 million in tax allocation bonds in 1979, \$25.0 million in 1984, \$38.6 million in 1986 and \$11.0 million Certificate of Participation was issued in 1987. Most of the bond proceeds were used for planning studies or public infrastructure projects that provided a public benefit. This strategic focus provided infrastructure in the downtown and bay front areas, but primarily due to a sluggish real estate market, the public investment did not have the intended effect of spurring major new development in either location. Projects during this period included: (1) streetscape improvements along Third Avenue; (2) development of a public parking structure in the Park Plaza development; and (3) removal of junkyards from the bay front.

In the 1990s, the Agency again focused on foundational planning efforts, including adoption of the Southwest Redevelopment Project Area to address the annexation of the Montgomery area. Added investment in public improvement projects included the South Bay Court House (\$1.3 million), the Palomar Trolley Center (\$776,000) and the Chula Vista Center parking structure (\$3.5 million).

The Agency's Merged Project Area was created in August 2000 pursuant to an amendment to the redevelopment plans of three of the Agency's Project Areas (i.e. Town Centre II, Otay Valley and Southwest). Subsequently in October 2000, the Agency issued its most recent Tax Allocation Bond in the amount of \$17.0 million.

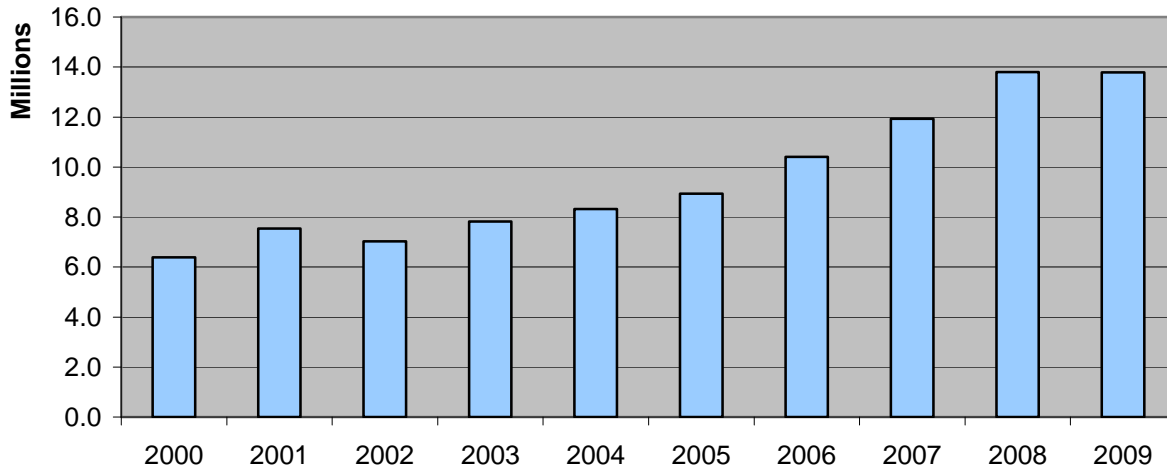


Also in 2000, a development agreement for the Gateway Chula Vista Project, a 347,000 square foot upscale office development at the northwest corner of Third Avenue and "H" Street, was entered into by the Agency, committing \$7.2 million of Agency funds, representing a shift of focus toward urban core infill opportunities afforded by changes in the real estate market and renewed interest from developers. The first of 2 phases is complete and the result is an increase of tax increment of approximately \$400,000 annually.

Over its 30 year life span, the Agency ushered in a few significant developments including the 1992 redevelopment of properties for the Scripps Hospital expansion on H Street, the construction of the Rohr Headquarters Building, upgrades to the Chula Vista Center, relocation of the auto park to Otay Valley Road and land swap for the development of the state Veterans Home in 2001. The Agency also funded the new Chula Vista Police Station in the amount of \$5.8 million in the form of relocation assistance and land acquisition.

The chart below displays the growth of tax increment for the past ten years. It should be noted that in fiscal year 2002, tax increment decreased due to the devaluation of the South Bay Power Plant by the State Board of Equalization.

**Gross Tax Increment Revenue
Ten-Year Chart
For the years ended June 30**



ACCOUNTING SYSTEMS AND BUDGETARY CONTROL

The basic financial statements are presented on an “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all of the Agency’s assets and liabilities, including capital assets, as well as infrastructure assets, and long-term liabilities, are included in the accompanying Statement of Net Assets. The Statement of Activities presents changes in net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

All governmental funds are accounted for on a spending or “current financial resources” measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the balance sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenue and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period.

In administering the Agency’s accounting systems, primary consideration is given to the adequacy of internal accounting controls, which include an array of administrative procedures. These controls are designed to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against loss from unauthorized use or disposition, as well as the reliability of financial records for accurate and fair presentation of financial reports. The concept of reasonable assurance recognizes that the cost of specific controls should not exceed the benefits likely to be derived from exercising the controls, and that this evaluation necessarily involves estimates and judgments by management. It is believed that the Agency’s internal accounting controls adequately safeguard Agency assets and provide reasonable assurance of proper recording of financial transactions.

The City Charter charges the Director of Finance with the responsibility to supervise and be responsible for the disbursement of all monies and have control over all expenditures to ensure that budget appropriations are not exceeded. The level of budgetary control, that is, the level at which expenditures are not to exceed Council approved appropriations, is established by department at the category level. An encumbrance (commitment) accounting system is utilized as a technique to enhance budgetary control during the year. Appropriations encumbered (committed) at year end automatically carry forward and are available to be used for those commitments during the subsequent year while unspent, unencumbered appropriations lapse at year end and become generally available for re-appropriation the following year.

INDEPENDENT AUDIT

An independent audit of the Agency's records is required by Community Redevelopment Law, § 33000 of the Health and Safety Code of the State of California and was performed for the year ended June 30, 2009 by the certified public accounting firm of Caporicci and Larson. The auditors report on the basic financial statements and schedules is included in the Financial Section of the Report. In general, the auditors concluded that the financial statements and schedules referred to above present fairly, in all material respects, the financial position of the Agency as of June 30, 2009, and the results of its operations and cash flows of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles. The professionalism and knowledge exhibited by Caporicci and Larson, during their audit work is greatly appreciated.

ACKNOWLEDGMENTS

Preparation of the Report and more importantly, maintaining the Agency's accounting records in a manner sufficient to earn the aforementioned auditors opinion is only accomplished with the continuous concerted effort of each and every staff member in the Finance Department. As such, I express my sincere appreciation for their dedicated service.

Respectfully,

A handwritten signature in black ink, appearing to read "Maria Kachadoorian". The signature is written in a cursive, flowing style.

Maria Kachadoorian, CPA, MPA
Director of Finance/Treasurer

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
of the Redevelopment Agency of the City of Chula Vista
Chula Vista, California

We have audited the accompanying financial statements of the government activities and each major fund of the Redevelopment Agency of the City of Chula Vista (Agency), a component unit of the City of Chula Vista, California (City), as of and for the year ended June 30, 2009, which collectively comprise the Agency's basic financial statements as listed in the foregoing table of contents. These 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Subsequent to the financial statements date of June 30, 2009 and the year then ended, the State of California (State) has proposed taking Redevelopment Agency funds from local governments. These amounts are very significant to the local governments and may affect their ongoing operations. Certain lawsuits are in process to stop such State actions. For more detailed information, see Note 13 attached in the Notes to Basic Financial Statements.

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

As described in Note 1 to the basic financial statements, the Agency implemented Governmental Accounting Standards Board Statements No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, No. 52, *Land and other Real Estate Held as Investments by Endowments*, No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, and No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in AICPA Statements on Auditing Standards*.

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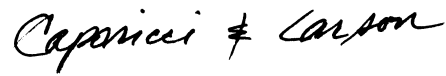
To the Board of Directors
of the Redevelopment Agency of the City of Chula Vista
Chula Vista, California
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In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2009, on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. 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 read in conjunction with this report in considering the results of our audit.

The Agency has not presented the Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of the basic financial statements.

The accompanying Required Supplementary Information, such as the budgetary information and other information, is not a required part of the basic 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 the Required Supplementary Information.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Agency's basic financial statements. The accompanying Supplementary Information is presented for purpose of additional analysis and is not a required part of the basic financial statements. The Supplementary Information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Introductory Section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on the Introductory Section.


San Diego, California
December 7, 2009

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

Redevelopment Agency of the City of Chula Vista
Statement of Net Assets
June 30, 2009

	Governmental Activities
ASSETS	
Current assets:	
Cash and investments	\$ 8,540,851
Receivables:	
Taxes	376,715
Interest	52,229
Other	6,253
Due from City of Chula Vista	1,937,623
Restricted cash and investments:	
Held by City	4,493,577
Held by fiscal agents	7,227,589
Total current assets	<u>22,634,837</u>
Noncurrent assets:	
Loans receivable	19,382,191
Advances to City of Chula Vista	440,172
Deferred charges, net	1,251,798
Capital Assets:	
Nondepreciable assets	9,790,977
Depreciable assets, net	1,418,547
Total capital assets	<u>11,209,524</u>
Total noncurrent assets	<u>32,283,685</u>
Total assets	<u><u>54,918,522</u></u>
LIABILITIES	
Current liabilities:	
Accounts payable and accrued liabilities	2,510,137
Interest payable	596,562
Long-term debt - due within one year	1,020,226
Total current liabilities	<u>4,126,925</u>
Long-term liabilities:	
Long-term debt - due in more than a year	71,245,799
Total long-term liabilities	<u>71,245,799</u>
Total liabilities	<u><u>75,372,724</u></u>
NET ASSETS	
Investments in capital assets, net of related debt	<u>11,209,524</u>
Restricted for:	
Capital projects	8,504,543
Debt service	222,692
Community development	11,922,351
Total restricted	<u>20,649,586</u>
Unrestricted	<u>(52,313,312)</u>
Total net assets	<u><u>\$ (20,454,202)</u></u>

See accompanying notes to basic financial statements.

Redevelopment Agency of the City of Chula vista
Statement of Activities and Changes in Net Assets
For the year ended June 30, 2009

Functions/Programs	Expenses	Program Revenues			Total Program Revenues	Net (Expense) Revenue and Changes in Net Assets	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions			Governmental Activities
Primary government:							
Governmental activities:							
General government	\$ 6,475,513	\$ -	\$ -	\$ -	\$ -	\$ (6,475,513)	
Interest on long-term debt	3,898,075	-	-	-	-	(3,898,075)	
Total governmental activities	\$ 10,373,588	\$ -	\$ -	\$ -	\$ -	(10,373,588)	
General revenues:							
Taxes:							
						13,781,684	
						2,388,094	
						37,275	
						(1,688,624)	
						14,518,429	
						4,144,841	
						(24,599,047)	
						\$ (20,454,206)	

See accompanying notes to basic financial statements.

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FUND FINANCIAL STATEMENTS

Redevelopment Agency of the City of Chula Vista

Balance Sheet

Governmental Funds

June 30, 2009

	Major Funds			
	Low & Mod Income Housing Special Revenue	RDA Housing Program Special Revenue	Bayfront/ Town Centre I Debt service	Town Centre II Otay Valley Southwest Merged Projects Debt Service
ASSETS				
Cash and investments	\$ 3,634,600	\$ 188,357	\$ 795,306	\$ 582,453
Receivables:				
Taxes	-	-	-	-
Interest	20,377	253	4,348	3,186
Loans	17,837,767	1,544,424	-	-
Other	6,253	-	-	-
Due from City of Chula Vista	1,937,623	-	-	-
Due from other funds	-	-	-	-
Advances to other funds	-	-	-	-
Restricted cash and investments:				
Held by City	599,462	3,894,115	-	-
Held by fiscal agent	-	-	2,032,947	1,540,827
Total assets	\$ 24,036,082	\$ 5,627,149	\$ 2,832,601	\$ 2,126,466
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ 3,560	-	\$ -	\$ -
Advances from other funds	-	-	45,126	4,691,249
Due to other funds	-	-	-	-
Deferred revenue	17,564,932	172,388	-	-
Total liabilities	17,568,492	172,388	45,126	4,691,249
Fund Balances:				
Fund Balances:				
Reserved:				
Encumbrances	10,538	39,999	-	-
Long-term receivables and advances	272,835	1,370,461	-	-
Debt service	-	-	2,832,600	2,126,466
Total reserved	<u>283,373</u>	<u>1,410,460</u>	<u>2,832,600</u>	<u>2,126,466</u>
Unreserved:				
Designated	-	-	-	-
Undesignated	6,184,217	4,044,301	(45,125)	(4,691,249)
Total unreserved	<u>6,184,217</u>	<u>4,044,301</u>	<u>(45,125)</u>	<u>(4,691,249)</u>
Total fund balances	6,467,590	5,454,761	2,787,475	(2,564,783)
Total liabilities and fund balances	\$ 24,036,082	\$ 5,627,149	\$ 2,832,601	\$ 2,126,466

See accompanying notes to basic financial statements.

Major Funds		
Bayfront/ Town Centre I Capital Projects	Town Centre II Otay Valley Southwest Merged Capital Projects	Total Governmental
\$ 31,569	\$ 3,308,566	\$ 8,540,851
71,538	305,177	376,715
148	23,917	52,229
-	-	19,382,191
-	-	6,253
-	-	1,937,623
-	505,179	505,179
4,736,376	440,171	5,176,547
-	-	4,493,577
-	3,653,815	7,227,589
<u>\$ 4,839,631</u>	<u>\$ 8,236,825</u>	<u>\$ 47,698,754</u>
\$ 396,156	\$ 2,110,421	\$ 2,510,137
-	-	4,736,375
505,179	-	505,179
1,119,986	440,171	19,297,477
<u>2,021,321</u>	<u>2,550,592</u>	<u>27,049,168</u>
-	-	50,537
3,616,388	-	5,259,684
-	-	4,959,066
<u>3,616,388</u>	<u>-</u>	<u>10,269,287</u>
-	5,686,229	5,686,229
(798,078)	4	4,694,070
<u>(798,078)</u>	<u>5,686,233</u>	<u>10,380,299</u>
2,818,310	5,686,233	20,649,586
<u>\$ 4,839,631</u>	<u>\$ 8,236,825</u>	<u>\$ 47,698,754</u>

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Redevelopment Agency of the City of Chula Vista
Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Assets
June 30, 2009

Total Fund Balances - Total Governmental Funds \$ 20,649,586

Amounts reported for governmental activities in the Statement of Net Assets were differently because:

Deferred charges, such as bonds issuance costs from issuing debt, were expenditures in the fund financial statements but were deferred and subject to capitalization and amortization on the Government-Wide Statement of Net Assets. 1,251,798

Capital assets used in governmental activities were not financial resources and therefore were not reported in governmental funds.

Nondepreciable	9,790,977
Depreciable, net	1,418,547
	11,209,524

Interest payable on long-term debt did not require current financial resources. Therefore, interest payable was not reported as a liability in Governmental Funds Balance Sheet. (596,562)

Long-term liabilities were not due and payable in the current period. Therefore, were not reported in the Governmental Funds Balance Sheet. The long-term liabilities were adjusted as follows:

Long-term liabilities - due within one year	(1,020,226)
Long-term liabilities - due in more than one year	(71,245,799)
	(72,266,025)

Deferred revenues recorded in governmental fund financial statements resulting from activities in which revenues were earned but funds were not available were recognized as revenues in the Government-Wide Financial Statements. 19,297,477

Net Assets of Governmental Activities \$ (20,454,202)

Redevelopment Agency of the City of Chula Vista
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2009

	Major Funds			
	Low & Mod Income Housing Special Revenue	RDA Housing Program Special Revenue	Bayfront/ Town Centre I Debt service	Town Centre II Otay Valley Southwest Merged Projects Debt Service
REVENUES:				
Taxes	\$ -	\$ -	\$ -	\$ -
Use of money and property	166,056	9,507	130,947	85,493
Other	12,600	(4,000)	280	201
Total revenues	178,656	5,507	131,227	85,694
EXPENDITURES:				
Current:				
General government	896,670	176,759	-	1,300
Capital outlay	-	-	-	-
Debt Service:				
Principal	-	-	955,900	64,100
Interest and fiscal charges	-	-	1,389,703	2,423,462
Bond issuance costs	-	-	-	844,584
Total expenditures	896,670	176,759	2,345,603	3,333,446
REVENUES OVER (UNDER)				
EXPENDITURES	(718,014)	(171,252)	(2,214,376)	(3,247,752)
OTHER FINANCING SOURCES (USES):				
Bond discount	-	-	-	(579,161)
Refunding bond issued	-	-	-	17,093,000
Payments to escrow agent trust	-	-	-	(15,110,000)
Proceeds from advances from City of Chula Vista	-	-	195,636	808,746
Repayment of advances from City of Chula Vista	-	-	-	(5,542,473)
Transfers in	2,756,337	-	1,175,355	8,765,742
Transfers out	(117,102)	-	-	(2,545,615)
Total other financing sources	2,639,235	-	1,370,991	2,890,239
NET CHANGE IN FUND BALANCES	1,921,221	(171,252)	(843,385)	(357,513)
FUND BALANCE:				
Beginning of year, as restated (Note xx)	4,546,369	5,626,013	3,630,860	(2,207,270)
End of year	\$ 6,467,590	\$ 5,454,761	\$ 2,787,475	\$ (2,564,783)

See accompanying notes to basic financial statements.

Major Funds		
Bayfront/ Town Centre I Capital Projects	Town Centre II Otay Valley Southwest Merged Capital Projects	Total Governmental
\$ 4,693,479	\$ 9,088,205	\$ 13,781,684
(21,406)	214,529	585,126
7,471	20,723	37,275
<u>4,679,544</u>	<u>9,323,457</u>	<u>14,404,085</u>
1,325,347	3,342,162	5,742,238
3,347	682,204	685,551
-	-	1,020,000
-	-	3,813,165
-	-	844,584
<u>1,328,694</u>	<u>4,024,366</u>	<u>12,105,538</u>
3,350,850	5,299,091	2,298,547
-	-	(579,161)
-	4,532,000	21,625,000
-	-	(15,110,000)
-	-	1,004,382
-	-	(5,542,473)
-	7,443,976	20,141,410
(2,114,156)	(17,053,161)	(21,830,034)
<u>(2,114,156)</u>	<u>(5,077,185)</u>	<u>(290,876)</u>
1,236,694	221,906	2,007,671
1,581,616	5,464,323	18,641,911
<u>\$ 2,818,310</u>	<u>\$ 5,686,229</u>	<u>\$ 20,649,582</u>

Redevelopment Agency of the City of Chula Vista
Reconciliation of the Governmental Statement of Revenues, Expenditures, and Changes
in Fund Balances to the Government-Wide Statement of Activities and Changes in Net Assets
June 30, 2009

Net Change in Fund Balances - Total Governmental Funds \$ 2,007,671

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

Depreciation expense on capital assets was reported in the Government-Wide Statement of Activities and Changes in Net Assets, but they did not require the use of current financial resources. Therefore, depreciation expense was not reported as expenditures in the Governmental Funds. (47,724)

The issuance of long-term liabilities provided current financial resources to governmental funds, but issuing debt increased long-term liabilities in the Government-Wide Statement of Net Assets. Repayment of long-term liabilities was an expenditures in governmental funds, but the repayment reduced long-term liabilities in the Government-Wide Statement of Net Assets.

Refunding bond issued	(21,625,000)
Principal payment of long-term debt	1,020,000
Payment to escrow agent trust	15,110,000
Proceeds from advances from City of Chula Vista	(1,004,382)
Repayment of advances from City of Chula Vista	5,542,473

Governmental funds reported bond issuance costs and bond discount as expenditures. However, in the Government-Wide Statement of Activities and Changes in Net Assets, the bond issuance costs and bond discount were allocated over the lives of the bond.

Bond issuance costs	844,584
Bond discount	579,161

Amortization expenses were reported in the Government-Wide Statement of Activities and Changes in Net Assets, but they did not require the use of current financial resources. Therefore, amortization expenses were not reported as expenditures in the Governmental Funds.

Bond discount	(44,774)
Deferred charges	(58,732)

Interest earned on long-term receivables did not provide current financial resources were not reported as revenues in the Governmental Funds. 1,802,968

Interest expense on long-term debt was reported in the Government-Wide Statement of Activities and Changes in Net Assets, but it did not require the use of current financial resources. This amount represented the change in accrued interest from prior year. 18,596

Change in Net Assets of Governmental Activities \$ 4,144,841

NOTES TO BASIC FINANCIAL STATEMENTS

Redevelopment Agency of the City of Chula Vista
Notes to Basic Financial Statements
For the year ended June 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Redevelopment Agency of the City of Chula Vista (Agency), a component unit of the City of Chula Vista, California, (City) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental agencies. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

A. Reporting Entity

The Agency is considered a blended component unit of the City. The Agency was created by the City of Chula Vista City Council (City Council) in October 1972. The City Manager acts as the Agency's Executive Director and the City Council acts as the governing commission, which exerts significant influence over its operations. The primary purpose of the Agency is to eliminate blighted areas by encouraging the development of residential, commercial, industrial, recreational and public facilities. The Bayfront/Town Centre I Project encompasses approximately 775 acres; its general objective is to redevelop the Bayfront area and the central business district. The goal of the Town Centre II Project, which consists of approximately 212.5 acres in the central area of Chula Vista, is to revitalize the area into a principal regional shopping center. The Otay Valley Road Project area, comprising approximately 770 acres, was created to establish and upgrade infrastructure capital improvements for the promotion of industrial development. The Southwest Project area, comprising approximately 1,100 acres, was created to upgrade the commercial, industrial, residential properties and rights-of-way at a more rapid pace than would occur without a redevelopment plan.

Funds for redevelopment projects are provided from various sources, including incremental property tax revenues, tax allocation bonds, and advances from the City.

B. Basis of Accounting and Measurement Focus

The accounts of the Agency are organized on the basis of funds, each of which is considered a separate accounting entity with its own self-balancing accounts that comprise its assets, liabilities, fund balance, revenues and expenditures. These funds are established for the purpose of carrying out specific activities or certain objectives in accordance with specific regulations, restrictions or limitations. Government resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

Government - Wide Financial Statements

The Agency's Government-Wide Financial Statements include a Statement of Net Assets and a Statement of Activities and Changes in Net Assets. These statements present summaries of governmental activities for the Agency accompanied by a total column. The Agency does not have any business-type activities, therefore only governmental activities are reported.

Redevelopment Agency of the City of Chula Vista
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

Government - Wide Financial Statements, Continued

These basic financial statements are presented on an “*economic resources*” measurement focus and the accrual basis of accounting. Accordingly, all of the Agency’s assets and liabilities, including capital assets and long-term liabilities, are included in the accompanying Statement of Net Assets. The Statement of Activities presents changes in net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Certain types of transactions reported as program revenues for the Agency are reported in three categories:

- Charges for services
- Operating grants and contributions
- Capital grants and contributions

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables and receivables. The following interfund activities have been eliminated:

- Due from and to other funds
- Advances to and from other funds
- Transfers in and out

Governmental Fund Financial Statements

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds.

All governmental funds are accounted for on a spending or *current financial resources* measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period.

Revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the Agency, are increment property tax, intergovernmental revenues, other taxes, interest revenue, rental revenue and certain charges for services. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

Redevelopment Agency of the City of Chula Vista
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

Governmental Fund Financial Statements, Continued

Deferred revenues arise when potential revenues do not meet both the “measurable” and “available” criteria for recognition in the current period. Deferred revenues also arise when the government receives resources before it has a legal claim to them, as when grant monies are received prior to incurring qualifying expenditures. In subsequent periods when both revenue recognition criteria are met or when the government has a legal claim to the resources, the deferred revenue is removed from the balance sheet and revenue is recognized.

The reconciliations of the Fund Financial Statements to the Government-Wide Financial Statements are provided to explain the differences created by the integrated approach of GASB Statement No. 34.

The Agency reports the following major governmental funds:

Low/Moderate Income Housing Special Revenue Fund is used to account for the 20% portion of the Agency’s tax increment revenue that is required to be set aside for low and moderate income housing and related expenditures.

RDA Housing Program Special Revenue Fund is used to account for specific revenue that is required to be used for low and moderate income housing and related expenditures.

Bayfront/Town Centre I Debt Service Fund is used to account for the repayment of interest and principal on long-term debt, and the accumulation of resources thereof associated with the Bayfront and Town Centre I Project Areas.

Town Centre II/Otay Valley/Southwest Merged Projects Debt Service Fund is used to account for the payment of interest and principal on long-term debt, and the accumulation of resources thereof associated with the Town Centre II, Otay Valley Road, and Southwest Merged Project Areas.

Bayfront/Town Centre I Capital Projects Fund is used to account for the financial resources used in developing the Bayfront and Town Centre I Project Areas.

Town Centre II/Otay Valley/Southwest Merged Projects Capital Projects Fund is used to account for the financial resources used in developing the Town Centre II, Otay Valley Road, and Southwest Merged Project Areas.

C. Cash and Investments

The City pools cash resources from all funds in order to facilitate the management of cash and achieve the goal of obtaining the highest yield with the greatest safety and least risk. Cash in excess of current requirements is invested in various interest-bearing accounts and other investments for varying terms.

Redevelopment Agency of the City of Chula Vista
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

C. Cash and Investments, Continued

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, highly liquid money market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available.

The City participates in an investment pool managed by the State of California titled Local Agency Investment Fund (LAIF) which has invested a portion of the pooled funds in structured notes and asset-backed securities. LAIF determines fair value on its investment portfolio based on market quotations for those securities where market quotations are readily available and based on amortized cost or best estimate for those securities where market value is not readily available. LAIF's investments are subject to credit risk with the full faith and credit of the State of California collateralizing these investments. In addition, these investments are subject to market risk as to change in interest rates.

Cash equivalents are considered amounts in demand deposits and short-term investments with a maturity date within three months of the date acquired by the Agency and are presented as "Cash and Investments" in the accompanying basic financial statements.

In accordance with GASB Statement No. 40, *Deposit and Investment Risk Disclosures (an amendment of GASB Statement No.3)*, certain disclosure requirements, if applicable, for deposit and investment risks are specified for the following areas:

- Interest Rate Risk
- Credit Risk
 - ◆ Overall
 - ◆ Custodial Credit Risk
 - ◆ Concentration of Credit Risk
- Foreign Currency Risk

D. Cash and Investments with Fiscal Agents

Cash and investments with fiscal agents are restricted for the redemption of bonded debt and for acquisition and construction of capital projects.

E. Capital Assets

The Agency's assets are capitalized at historical cost or estimated historical cost. Agency policy has set the capitalization threshold for reporting capital assets at \$5,000. Gifts or contributions of capital assets are recorded at fair market value when received. Depreciation is recorded on a straight-line basis over the useful lives of the assets as follows:

Buildings	25 years
Improvements other than buildings	15 years
Machinery and equipment	5-20 years

The Agency had no infrastructure assets included in capital assets at June 30, 2009.

Redevelopment Agency of the City of Chula Vista
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

E. Long-Term Debt

Government-Wide Financial Statements

Long-term debt and other financed obligations are reported as liabilities in the Government-Wide Financial Statements.

Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of applicable premium or discount.

Fund Financial Statements

The Fund Financial Statements do not present long-term debt. Consequently, long-term debt is shown as a reconciling item in the Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Assets.

G. Property Tax Revenues

Incremental property tax revenues represent property taxes in each project area arising from increased assessed valuations over base valuations established at the inception of the project area. Incremental property taxes from each project area accrue to the Agency until all liabilities and commitments of the project area have been repaid (including cumulative funds provided or committed by the Agency). After all such indebtedness has been repaid; all property taxes from the project area revert back to the various taxing authorities.

Property taxes are levied on March 1 and are payable in two installments: November 1 and February 1 of each year. Property taxes become delinquent on December 10 and April 10, for the first and second installments, respectively. The lien date is March 1. The County of San Diego, California (County) bills and collects property taxes and remits them to the Agency according to a payment schedule established by the County.

The County is permitted by State law to levy taxes at 1% of full market value (at time of purchase) and can increase the property tax rate no more than 2% per year. The District receives a share of this basic tax levy proportionate to what it received during the years 1976-1978.

Property tax revenue is recognized in the fiscal year for which the taxes have been levied.

No allowance for doubtful accounts was considered necessary.

Redevelopment Agency of the City of Chula Vista
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

H. Low and Moderate Income Housing

The California Health and Safety Code requires Agency project areas to deposit 20% of allocated incremental property tax revenues (or 20% of net bond proceeds plus 20% of tax incremental revenues in excess of debt service payments on the bond) into a Low and Moderate Income Housing Fund. This money is restricted for the purpose of increasing or improving the community's supply of low and moderate income housing. The Agency accounts for these revenues in a special revenue fund.

I. Net Assets

In the Government-Wide Financial Statements, net assets are classified in the following categories:

Invested in Capital Assets, Net of Related Debt - This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that attributed to the acquisition, construction, or improvement of the assets.

Restricted Net Assets - This amount is restricted by external creditors, grantors, contributors, or laws or regulations of other governments.

Unrestricted Net Assets - This amount is all net assets that do not meet the definition of "invested in capital assets, net of related debt" or "restricted net assets."

J. Fund Balance

In the Fund Financial Statements, reservations of fund balance of governmental funds are created to either satisfy legal covenants, including State laws, that require a portion of the fund balance be segregated or identify the portion of the fund balance not available for future expenditures.

K. Use of Restricted/Unrestricted Net Assets

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the Agency's policy is to apply restricted net assets first.

L. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Actual results could differ from those estimates.

Redevelopment Agency of the City of Chula Vista
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

M. Implementation of New GASB Pronouncements

In fiscal year 2009, the Agency adopted new accounting standards in order to conform to the following Governmental Accounting Standards Board Statements:

- GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*
- GASB Statement No. 52, *Land and Other Real Estate Held as Investments by Endowment*
- GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*
- GASB Statement No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in AICPA Statements on Auditing Standards*

GASB Statement No. 49 addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups.

GASB Statement No. 52 improves the quality of financial reporting by requiring endowments to report their land and other real estate investments at fair value, creating consistency in reporting among similar entities that exist to invest resources for the purpose of generating income.

GASB Statement No. 55 incorporates the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the GASB's authoritative literature. It is intended to make it easier for preparers of state and local government financial statements to identify and apply the "GAAP hierarchy," which consists of sources of accounting principles used in the preparation of financial statements so that they are presented in conformity with GAAP and the framework for selecting those principles.

GASB Statement No. 56 incorporates accounting and financial reporting guidance previously only contained in the American Institute of Certified Public Accountants (AICPA) auditing literature into the GASB's accounting and financial reporting literature for state and local governments. The Statement No. 56 guidance addresses three issues from the AICPA's literature—related party transactions, going concern considerations, and subsequent events.

Redevelopment Agency of the City of Chula Vista
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

2. CASH AND INVESTMENTS

Cash and investments consisted of the following at June 30, 2009:

Cash and investments	\$ 8,540,851
Restricted cash and investments	
Held by Agency	4,493,577
Held by fiscal agent	<u>7,227,590</u>
Total cash and investments	<u>\$ 20,262,018</u>

The Agency has pooled its cash and investments with the City in order to achieve a higher return on investment. Certain restricted funds, which are held and invested by independent outside custodians through contractual agreements, are not pooled. These restricted funds include cash with fiscal agents.

Investments Authorized by the City's Investment Policy

The table below identifies the investment types that are authorized for the City by the California Government Code (or the City's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the City's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the City, rather than the general provisions of the California Government Code or the City's investment policy.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio*	Maximum Investment in One Issuer
Bankers' Acceptances	180 days	40%	30%
Negotiable Certificates of Deposits	5 years	30%	None
Commercial Paper	270 days	25%	10%
State and Local Agency Bond Issues	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Repurchase Agreement	90 days	None	None
Reverse-Purchase Agreements	90 days	20%	None
Medium-Term Corporate Notes	5 years	30%	None
Time Certificates of Deposits	3 years	None	None
Money Market Funds	5 years	15%	None
Local Agency Investment Fund (LAIF)	N/A	None	\$40 Million**

* Excluding amounts held by bond trustee that are not subject to California Government Code restriction.

** Maximum is \$40 million per account.

Redevelopment Agency of the City of Chula Vista
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

2. CASH AND INVESTMENTS, Continued

Investments Authorized by Debt Agreement

Investment of debt proceeds held by bond trustee are governed by provisions of the debt agreement, rather than the general provisions of the California Government Code or the City's investment policy. The table below identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio*	Maximum Investment in One Issuer
U.S. Treasury Obligations	None	None	None
Federal Home Loan Mortgage Corporation	None	None	None
Farm Credit Banks	None	None	None
Federal Home Loan Banks	None	None	None
Federal National Mortgage Association	None	None	None
Student Loan Marketing Association	None	None	None
Financing Corporation	None	None	None
Resolution Funding Corporation	None	None	None
Certificates of Deposit, Time Deposits and Bankers' Acceptance	30 days	None	None
Commercial Paper	270 days	None	None
Money Market Funds	None	None	None
State Obligations	None	None	None
Municipal Obligations	None	None	None
Repurchase Agreements	None	None	None
Investment Agreements	None	None	None
Local Agency Investment Fund	None	None	None

Local Agency Investment Fund (LAIF)

The Agency invests in the Local Agency Investment Fund (LAIF), a State of California investment pool. LAIF determines fair value on its investment portfolio based on market quotations for those securities where market quotations are readily available and based on amortized cost or best estimate for those securities where market value is not readily available.

The Agency valued its investments in LAIF as of June 30, 2009, at amortized cost which approximate the fair value. The fair value is calculated by multiplying the account balance with LAIF times a fair value factor of 1.001364207 which is determined by LAIF. This fair value factor was determined by dividing all LAIF participants' total aggregate amortized cost by total aggregate fair value.

The Agency's investments with Local Agency Investment Funds (LAIF) at June 30, 2009, included a portion of the pooled funds invested in Structured Notes and Asset-Backed Securities. These investments included the following:

Redevelopment Agency of the City of Chula Vista
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

2. CASH AND INVESTMENTS, Continued

Local Agency Investment Fund (LAIF), Continued

Structured Notes are debt securities (other than asset-backed securities) whose cash-flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options.

Asset-Backed Securities, the bulk of which are mortgage-backed securities, entitle their purchasers to receive a share of the cash flows from pool of assets such as principal and interest repayments from a pool of mortgages (such as Collateralized Mortgage Obligations) or credit card receivables.

As of June 30, 2009, the City had \$29,187,002 invested in LAIF, which had invested 14.71% of the pool investment funds in Medium-Term and Short-Term Structured Notes and Asset-Backed Securities.

Risk Disclosures

See the City's Basic Financial Statements for disclosures related to cash and investments and the related risk disclosures.

3. LOANS RECEIVABLE

At June 30, 2009, the Agency had the following loans receivable:

	Governmental Activities		
	Principal	Deferred Interest	Total
South Bay Community Services	\$ 887,994	\$ 254,019	\$ 1,142,013
Heritage (South Bay Community Villas L.P.)	4,400,000	997,710	5,397,710
Chula Vista Rehabilitation CHIP Loans	1,372,036	172,388	1,544,424
Park Village Apts (Civic Center Barrio Housing Corporation)	216,883	-	216,883
Rancho Buena Vista Housing (Chelsea Investment Corporation)	1,000,000	132,658	1,132,658
Mobile Home Assistance Programs	55,952	-	55,952
St. Regis Park (Chelsea Investment Corporation)	1,387,152	750,956	2,138,108
Main Plaza (Alpha III Development Inc.)	1,500,000	202,479	1,702,479
Los Vecinos (Wakeland Housing and Development Corporation)	5,680,000	371,964	6,051,964
Total	\$ 16,500,017	\$ 2,882,174	\$ 19,382,191

South Bay Community Services

The Agency entered into a loan agreement with South Bay Community Services, a California non-profit public benefit corporation. The loan amount of \$478,200 was made to enable South Bay Community Services to develop a 40-unit affordable multi-family housing rental project to provide housing to low income families. The note is secured by a deed of trust on certain property and assignments of rents. Interest accrues annually at 3% of the unpaid principal balance of the note. At June 30, 2009, the outstanding balance of the loan was \$478,200 and interest of \$130,989 has been deferred.

Redevelopment Agency of the City of Chula Vista
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

3. LOANS RECEIVABLE, Continued

South Bay Community Services, Continued

The Agency entered into a loan agreement with South Bay Community Services for the acquisition of property located at 1536 Concord Way for a domestic violence shelter site, other transitional living programs or housing for very low income families. The loan is secured by a deed of trust and a promissory note for the properties on behalf of the Agency. Repayment of the loan is limited to annual payment based on residual receipts. At June 30, 2009, the outstanding balance of the loan was \$36,794 and interest of \$23,348 has been deferred.

The Agency entered into a \$300,000 loan agreement with South Bay Community Services for the acquisition of a real property at 746 ADA Street, and improving it with a multi-family residential project consisting of 11 units. These units, called the Trolley Trestle, will provide affordable housing for low income young adults who have completed the County of San Diego Foster Care program. The loan is secured by a Deed of Trust and Security Agreement and will accrue 3% interest. Payment of principal and interest will be made from 50% of residual receipts for 55 years. At June 30, 2009, the outstanding balance of the loan was \$373,000 and interest of \$99,682 has been deferred.

Heritage (South Bay Community Villas, L.P.)

The City entered into a loan agreement with South Bay Community Villas, L.P. for the development of the Heritage Town Center multi-family rental housing project. Agency assistance is in the form of residual receipt loan secured by a promissory note and deed of trust. The outstanding principal and interest on the loan will be repaid over fifty five years and shall accrue interest at 3% per annum. Payment of principal and interest on the Agency loan shall be made on an annual basis, out of a fund equal to fifty percent of the net cash flow of the project (residual receipts) after debt service on bonds, payment of deferred developers fee, and reasonable operating expense have been paid. At June 30, 2009, the outstanding balance of the loan was \$4,400,000 and interest of \$997,710 has been deferred.

Chula Vista Rehabilitation CHIP Loans

The Chula Vista Rehabilitation Community Housing Improvement Program (CHIP) is under the direct control of the Agency. CHIP offers deferred and low interest rate home improvement loans to qualified borrowers residing within a target area. Loan repayments are re-deposited into the program cash accounts and are redistributed as future loans. At June 30, 2009, the outstanding balance of the loan was \$1,372,036 and interest of \$172,388 has been deferred.

Park Village Apartments (Civic Center Barrio Housing Corporation)

In 1991, the Agency entered into a loan agreement with the Civic Center Barrio Housing Corporation, a California non-profit public benefit corporation. The loan was made for the purchase of land and the development of a 28-unit low income housing project. During 1992, the loan was assigned to Park Village Apartments Ltd., a California limited partnership in which Civic Center Barrio Housing Corporation is the managing general partner. The loan is secured by a deed of trust on the property and assignment of rents. Principal and interest are payable monthly. Interest accrues annually at 5% of the unpaid principal balance of the note. At June 30, 2009, the outstanding balance of the loan was \$216,883.

Redevelopment Agency of the City of Chula Vista
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

3. LOANS RECEIVABLE, Continued

Rancho Buena Vista Housing (Chelsea Investment Corporation)

The Agency has loaned \$1,000,000 to CIC Eastlake, L.P. for the development and operation of Rancho Vista Housing project, a multifamily affordable housing project. The loan will be secured by promissory notes and deeds of trust. The outstanding principal and interest amount of the loan shall be repaid over fifty-five (55) years and shall accrue at the simple interest rate of three (3%) percent per annum. Payment of principal and interest, or portions thereof, on the loan shall be made on an annual basis, out of a fund equal to fifty (50%) percent of the net cash flow of the project. At June 30, 2009, the outstanding balance of the loan was \$1,000,000 and interest of \$132,658 has been deferred.

Mobile Home Assistance Programs

The Agency entered into agreements with eligible residents of the Orange Tree Mobile Home Park, whereby the Agency loaned \$250,030 as permanent financing assistance to residents for the purpose of purchasing certain mobile home property. The loans are secured by deeds of trust on the property and mature in 2017 or when the property is sold. Contingent interest will be charged based on calculations specified in the agreement. At June 30, 2009, the outstanding balance of the loan was \$55,952.

St. Regis Park (Chelsea Investment Corporation/Sunbow Services Co., LLC)

The Agency entered into a loan agreement with Chelsea Investment Corporation for the acquisition and rehabilitation of the 119-unit Pear Tree Apartments at 1025 Broadway. All units will be affordable to low income households. The loan is secured by a deed of trust and will accrue 6% interest for 52 years. Payment of principal and interest shall be made on an annual basis out of a fund equal to 90% of the residual receipts. At June 30, 2009, the outstanding balance of the loan was \$1,387,152 and interest of \$750,956 has been deferred.

Main Plaza (Alpha III Development Inc.)

The Agency entered into a loan agreement with Main Plaza, LP (Borrower) to assist the borrower in acquiring and improving certain real property for occupation by very low, lower and low and moderate income households. The total loan amount is \$1,500,000 and bears an interest rate of 3% per annum. The loan shall be due and payable on the date that is 55 years from the date of the Agency's issuance of the Certificate of Completion. At June 30, 2009, the outstanding balance of the loan was \$1,500,000 and interest of \$202,479 has been deferred.

Los Vecinos (Wakeland Housing and Development Corporation)

The Agency entered into a loan agreement with Wakeland Housing and Development Corporation to assist the borrower in constructing 41 affordable multi-family apartment units for occupancy by extremely low, very low and lower income households. The loan was funded by the Agency's Low and Moderate Income Housing Special Revenue Fund. The loan bears an interest rate of 5% per annum. Principal and interest payments will be made on an annual basis out of a fund equal to 50% of the residual receipts for years 1-30, 75% of the residual receipts for years 31-54, until 55 years from the date the improvement are placed in service, at which time all principal and unpaid interest shall be due and payable. At June 30, 2009, the outstanding balance of the loan was \$5,680,000 and interest of \$371,964 has been deferred.

Redevelopment Agency of the City of Chula Vista
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

4. INTERFUND TRANSACTIONS

A. Due To and Due From Other Funds

As of June 30, 2009, balances were as follows:

	Due from other funds	
	Capital Projects	Total
Town Centre II		
Otay Valley		
Southwest		
Merged		
Due to other funds		
Governmental Activities:		
Bayfront/Town Centre I Capital Projects	\$ 505,179	\$ 505,179
Total	\$ 505,179	\$ 505,179

B. Advance To and Advances From Other Funds

	Advance from other funds		
	Bayfront/ Town Centre I Debt Service	Town Centre II Otay Valley Southwest Merged Projects Debt Service	Total
Governmental Activities:			
Bayfront/Town Centre I Capital Projects	\$ 45,126	\$ 4,691,249	\$ 4,736,375
Total	\$ 45,126	\$ 4,691,249	\$ 4,736,375

Redevelopment Agency of the City of Chula Vista
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

5. CAPITAL ASSETS

A. Government-Wide Financial Statements

Changes in capital assets during the year ended June 30, 2009, were as follows:

	Balance July 1, 2008	Prior Period Adjustments	Additions	Deletions	Balance June 30, 2009
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 7,530,052	\$ 2,260,925	\$ -	\$ -	\$ 9,790,977
Total capital assets, not being depreciated	7,530,052	2,260,925	-	-	9,790,977
Capital assets, being depreciated:					
Buildings and improvements	2,386,218	-	-	-	2,386,218
Machinery and equipment	12,000	-	-	-	12,000
Total capital assets, being depreciated	2,398,218	-	-	-	2,398,218
Less accumulated depreciation	(931,947)	-	(47,724)	-	(979,671)
Net capital assets, being depreciated	1,466,271	-	(47,724)	-	1,418,547
Total capital assets, net	\$ 8,996,323	\$ 2,260,925	\$ (47,724)	\$ -	\$ 11,209,524

Depreciation expense of the Agency for the year ended June 30, 2009, was \$47,724 and was charged entirely to the general government function of the Agency.

6. LONG-TERM DEBT

Long-term debt consisted of the following at June 30, 2009:

	Balance			Balance June 30, 2009	Classification	
	July 1, 2008	Additions	Deletions		Due in one year	Due in more than one year
ERAF Loans						
2005	\$ 575,000	\$ -	\$ (70,000)	\$ 505,000	\$ 75,000	\$ 430,000
2006	790,000	-	(80,000)	710,000	85,000	625,000
Advances from City of Chula Vista	30,751,207	1,004,382	(5,542,473)	26,213,116	-	26,213,116
Tax Allocation Bonds						
2000 TAB	15,110,000	-	(15,110,000)	-	-	-
2006 Senior TAB Series A	13,040,000	-	(460,000)	12,580,000	480,000	12,100,000
2006 Subordinate TAB Series B	12,035,000	-	(410,000)	11,625,000	425,000	11,200,000
2008 TAB Refunding	-	21,625,000	-	21,625,000	-	21,625,000
Less: bond discounts	(457,704)	(579,161)	44,774	(992,091)	(44,774)	(947,317)
Total	\$ 71,843,503	\$ 22,050,221	\$ (21,627,699)	\$ 72,266,025	\$ 1,020,226	\$ 71,245,799

Redevelopment Agency of the City of Chula Vista
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

6. LONG-TERM DEBT, Continued

ERAF Loans

ERAF Loan - 2005

In May 2005, the Agency entered into a loan agreement with the California Statewide Communities Development Authority in the amount of \$765,000 to finance their 2005 share of ERAF payments to the County Auditor. Interest is payable semi-annually on February 1 and August 1 at interest rates ranging from 3.87% to 5.01%.

The annual debt service requirements for the ERAF Loan - 2005 is as follows:

Year Ending June 30,	Principal	Interest	Total
2010	\$ 75,000	\$ 25,570	\$ 100,570
2011	80,000	22,118	102,118
2012	80,000	18,354	98,354
2013	85,000	14,526	99,526
2014	90,000	10,356	100,356
2015	95,000	5,880	100,880
Total	<u>\$ 505,000</u>	<u>\$ 96,804</u>	<u>\$ 601,804</u>

ERAF Loan - 2006

In May 2006, the Agency entered into a loan agreement with the California Statewide Communities Development Authority in the amount of \$930,000 to finance their 2006 share of ERAF payments to the County Auditor. Interest is payable semi-annually on February 1 and August 1 at interest rates ranging from 5.28% to 5.67%.

The annual debt service requirements for the ERAF Loan - 2006 is as follows:

Year Ending June 30,	Principal	Interest	Total
2010	\$ 85,000	\$ 40,632	\$ 125,632
2011	90,000	35,996	125,996
2012	95,000	31,052	126,052
2013	100,000	25,784	125,784
2014	105,000	20,194	125,194
2015-2016	235,000	22,074	257,074
Total	<u>\$ 710,000</u>	<u>\$ 175,732</u>	<u>\$ 885,732</u>

Redevelopment Agency of the City of Chula Vista
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

6. LONG-TERM DEBT, Continued

Advances from the City of Chula Vista

At June 30, 2009, the outstanding balance of the Advances from the City of Chula Vista was \$26,213,115. The proceeds of the advances were to fund capital projects and debt service payments. There are no set repayment terms in relation to these advances. Payments will be made as tax increment revenues are available for the repayment of the loans. Interest is calculated based on the LAIF average annual yield at the time the advance is made.

Tax Allocation Bonds

2000 Tax Allocation Bonds

In October 2000, the Agency issued \$17,000,000 2000 Tax Allocation Bonds, to provide funds to fund a reserve account, to pay the expenses of the agency in connection with the issuance of the bonds and to finance or refinance certain redevelopment activities. The bonds consist of \$9,535,000 serial bonds which mature from 2001 to 2030 in amounts ranging from \$100,000 to \$715,000 and term bonds of \$1,440,000 and \$6,025,000 which mature in 2022 and 2029, respectively. Interest is payable semiannually on March 1 and September 1 at interest rates ranging from 4.30% to 5.375%. The bonds are subject to optional redemption on any interest payment date on or after September 1, 2004, at various redemption prices. The bonds are payable solely from certain tax increment revenues of the Agency and other funds held under the indenture. The balance outstanding at June 30, 2009, was \$0. This was refunded by 2008 Tax Allocation Refunding Bonds.

2006 Senior Tax Allocation Refunding Bonds, Series A

In July 2006, the Agency issued the 2006 Senior Tax Allocation Refunding Bonds, Series A in the amount of \$13,435,000 to refinance the Agency's outstanding Bayfront/Town Centre Redevelopment Project 1994 Senior Tax Allocation Refunding Bonds, Series A, and to satisfy the reserve requirement for the Bonds and provide for the costs of issuing the Bonds. The original bond proceeds were used in the acquisition of property, demolition, relocation, public improvements and funding the Low and Mod Income Housing Project. The bonds consist of serial bonds which mature in 2028. Interest is payable semiannually on March 1 and September 1 at interest rates ranging from 4.00% to 4.60%. The bonds are subject to optional redemption on any interest payment date on or after September 1, 2012, at various redemption prices. The bonds are payable solely from certain tax increment revenues of the Agency and other funds held under the indenture. The balance outstanding at June 30, 2009 was \$12,580,000.

Redevelopment Agency of the City of Chula Vista
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

6. LONG-TERM DEBT, Continued

Tax Allocation Bonds, Continued

2006 Senior Tax Allocation Refunding Bonds, Series A, Continued

The annual debt service requirements for the 2006 Senior Tax Allocation Refunding Bonds, Series A outstanding at June 30, 2009 were as follows:

Year Ending June 30,	Principal	Interest	Total
2010	\$ 480,000	\$ 537,545	\$ 1,017,545
2011	500,000	517,945	1,017,945
2012	520,000	497,545	1,017,545
2013	540,000	474,995	1,014,995
2014	565,000	450,133	1,015,133
2015-2019	3,205,000	1,860,009	5,065,009
2020-2024	3,935,000	1,101,059	5,036,059
2025-2028	2,835,000	223,918	3,058,918
Total	<u>\$ 12,580,000</u>	<u>\$ 5,663,149</u>	<u>\$ 18,243,149</u>

2006 Subordinate Tax Allocation Refunding Bonds, Series B

In July 2006, the Agency issued \$12,325,000 2006 Subordinate Tax Allocation Refunding Bonds, Series B to refinance the Agency's outstanding Bayfront/Town Centre Redevelopment Project 1994 Senior Tax Allocation Refunding Bonds, Series C and D, and to satisfy the reserve requirement for the Bonds and provide for the costs of issuing the Bonds. The original bond proceeds were used in the acquisition of property, demolition, relocation, public improvements and funding the Low and Mod Income Housing Project. The bonds consist of \$7,995,000 serial bonds which mature from 2007 to 2021 in amounts ranging from \$290,000 to \$735,000 and term bonds of \$4,330,000 which mature in 2028. Interest is payable semiannually on April 1 and October 1 at interest rates ranging from 4.00% to 6.00%. The bonds are subject to optional redemption on any interest payment date on or after October 1, 2012, at various redemption prices. The bonds are payable solely from certain tax increment revenues of the Agency and other funds held under the indenture. The balance outstanding at June 30, 2009 was \$11,625,000.

Redevelopment Agency of the City of Chula Vista
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

6. LONG-TERM DEBT, Continued

Tax Allocation Bonds, Continued

2006 Subordinate Tax Allocation Bonds, Series B

The annual debt service requirements for the 2006 Subordinate Tax Allocation Refunding Bonds, Series B outstanding at June 30, 2009 were as follows:

Year Ending June 30,	Principal	Interest	Total
2010	\$ 425,000	\$ 569,199	\$ 994,199
2011	440,000	551,084	991,084
2012	460,000	531,384	991,384
2013	480,000	510,234	990,234
2014	500,000	487,934	987,934
2015-2019	2,890,000	2,045,606	4,935,606
2020-2024	3,690,000	1,218,879	4,908,879
2025-2028	2,740,000	248,063	2,988,063
Total	\$ 11,625,000	\$ 6,162,383	\$ 17,787,383

2008 Tax Allocation Refunding Bonds

In July 2008, the Agency issued the 2008 Tax Allocation Refunding Bonds in the amount of \$21,625,000 to refinance the Agency's outstanding Merged Redevelopment Project 2000 Tax Allocation Bonds, to satisfy the reserve requirement for the Bonds, to provide for the costs of issuing the Bonds, and to provide funds to finance or refinance redevelopment activities. The bonds consist of \$11,570,000 serial bonds which mature from 2014 to 2028 in amounts ranging from \$575,000 to \$1,020,000 and term bonds of \$3,345,000 and \$6,710,000 which mature in 2031 and 2036 respectively. Interest is payable semiannually on March 1 and September 1 at interest rates ranging from 4.00% to 4.94%. The bonds are subject to optional redemption on any interest payment date on or after September 1, 2019, at various redemption prices. The bonds are payable solely from certain tax increment revenues of the Agency and other funds held under the indenture. The balance outstanding at June 30, 2009 was \$21,625,000.

Redevelopment Agency of the City of Chula Vista
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

6. LONG-TERM DEBT, Continued

Tax Allocation Bonds, Continued

2008 Tax Allocation Refunding Bonds

The annual debt service requirements for the 2008 Tax Allocation Refunding Bonds outstanding at June 30, 2009 were as follows:

Year Ending June 30,	Principal	Interest	Total
2010	\$ -	\$ 963,636	\$ 963,636
2011	-	963,636	963,636
2012	-	963,636	963,636
2013	-	963,636	963,636
2014	-	963,636	963,636
2015-2019	3,110,000	4,516,581	7,626,581
2020-2024	3,785,000	3,823,737	7,608,737
2025-2029	4,675,000	2,914,257	7,589,257
2030-2034	5,845,000	1,712,984	7,557,984
2035-2036	4,210,000	306,138	4,516,138
Total	<u>\$ 21,625,000</u>	<u>\$ 18,091,877</u>	<u>\$ 39,716,877</u>

Defeasance of Tax Allocation Bonds

In July 2008, the Agency refunded the 2000 Tax Allocation Bonds in the amount of \$15,110,000 with the \$21,625,000 2008 Tax Allocation Bonds. The net proceeds of \$20,409,050 were used to purchase direct obligations for which the full faith and credit of the United States are pledged. These securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments of the refunded debt. As a result, a portion of these bonds were considered defeased and removed from the City's long-term debt. At June 30, 2009, the outstanding balance of the defeased portion of the Tax Allocation Bonds was \$15,110,000.

Pledged Revenues

The Agency has pledged tax revenues to the repayment of the Agency's debts through the final maturity of the Bonds, or early retirement of the Bonds, whichever comes first.

Tax revenues consist of tax increment revenues allocated to the Agency's project areas pursuant to Section 33670 of the Redevelopment Law excluding that portion of such tax increment revenues required to be paid under Tax-Sharing Agreements unless the payment of such amounts has been subordinated to payment of debt services on the Bonds. Tax increment received in 2008-2009 was \$13,781,681 and total debt service of all Tax Allocation Bonds paid was \$3,362,522. The Bonds required 25% of net revenues. In future years, annual principal and interest payments on the Tax Allocation Bonds are expected to require 31% of tax increment revenues.

Redevelopment Agency of the City of Chula Vista
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

7. DEFERRED REVENUES

A. Fund Financial Statements

Deferred revenue as of June 30, 2009 was reported as follows:

	Principal	Interest	Total
	<u> </u>	<u> </u>	<u> </u>
Loans receivable:			
South Bay Community Services	\$ 887,994	\$ 254,019	\$ 1,142,013
Heritage (South Bay Community Villas L.P.)	4,400,000	997,710	5,397,710
Chula Vista Rehabilitation CHIP Loans	-	172,388	172,388
Rancho Buena Vista Housing (Chelsea Investment Corporation)	1,000,000	132,658	1,132,658
St. Regis Park (Chelsea Investment Corporation)	1,387,152	750,956	2,138,108
Main Plaza (Alpha III Development Inc.)	1,500,000	202,479	1,702,479
Los Vecinos (Wakeland Housing and Development Corporation)	5,680,000	371,964	6,051,964
Advances to other funds	-	1,119,986	1,119,986
Other	440,171	-	440,171
	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$ 15,295,317</u>	<u>\$ 4,002,160</u>	<u>\$ 19,297,477</u>

8. COMMITMENTS AND CONTINGENCIES

A. Litigation

In addition, the Agency is a defendant in certain legal actions arising in the normal course of operations. In the opinion of management, any liabilities resulting from actions, except for those already disclosed, will not have a material adverse effect on the Agency's financial position.

B. Commitment to the City's General Fund

The City's General Fund has loaned a cumulative amount of \$694,173 to the Agency for unreimbursed services rendered by City staff. It is anticipated that the Agency will repay this loan from tax increment revenues. Currently, tax increment revenues are used to pay for related debt service expenditures and possible future debt issuance. As a result, the Agency is uncertain if the amount will be repaid to the City's General Fund. Accordingly, this contingent payable has not been reported in accompanying basic financial statements. The Agency will record the contingent payable when payment is assured

Redevelopment Agency of the City of Chula Vista
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

9. RISK MANAGEMENT AND SELF INSURANCE PROGRAMS

The Agency participates in a self-insurance program for workers' compensation and general liability coverage, which is administered by the City. The Agency pays an amount to the City representing an estimate of amounts to be paid for reported claims incurred and unreported claims based upon past experience, modified for current trends and information.

While the ultimate losses incurred through June 30, 2009, are dependent upon future developments, the Agency's management believes that amounts paid are sufficient to cover such losses. Premiums paid by the Agency for the year ended June 30, 2009, were \$15,688.

Citywide information concerning risks, insurance policy limits, deductible and designation of general fund balance for the year ended June 30, 2009, may be found in the notes of the City's basic financial statements.

10. DEFICIT FUND BALANCE

At June 30, 2009, the following funds had fund balance deficits:

Fund	Fund Type	Deficit
Debt Service Fund	Major Governmental Fund	\$ (2,564,783)

Debt Service Fund - The Debt Service Fund had an accumulated deficit of \$(2,564,783), which resulted from issuance of bonds.

11. UNRESTRICTED NET ASSET (DEFICIT)

The unrestricted net assets (deficit) of \$52,313,311 is expected to be recovered from future tax increment. In fact, the Agency, under State Law, needs to show indebtedness in order to be eligible to receive tax increment.

Redevelopment Agency of the City of Chula Vista
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

12. PRIOR PERIOD ADJUSTMENTS

Fund Financial Statements

The Agency recorded the following prior period adjustments:

Land held for resale

The Agency determined that lands owned by the Agency are used for other purposes other than resale.

Accordingly, fund balance of the Bayfront/Town Centre I Capital Projects Fund was restated as follows:

	Fund Balance as Previously Reported	Prior Period Adjustments <u>Land Held for Resale</u>	Fund Balance as Restated
Governmental Fund			
Bayfront/Town Centre I Capital Projects Fund	\$ 3,842,540	\$ (2,260,925)	\$ 1,581,615

13. SUBSEQUENT EVENTS

State Budget Crisis

Subsequent to the financial statements date of June 30, 2009, the State of California (State) enacted legislation authorizing a two-year takeaway of Redevelopment Agency funds. The estimated impact on the Redevelopment Agency is \$4,160,694 in 2009-2010 and \$855,797 in 2010-2011. These amounts were assumed in the 2009-2011 Budget. This takeaway action is being litigated by the California Redevelopment Association and other parties with hope that it will be considered unconstitutional as was last year's State proposed takeaway.

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REQUIRED SUPPLEMENTARY INFORMATION

Redevelopment Agency of the City of Chula Vista
Required Supplementary Information
For the year ended June 30, 2009

1. BUDGETARY INFORMATION

An annual budget is adopted by the Board of Directors prior to the first day of the fiscal year. The budget process includes submittal of each department's budget request for the next fiscal year, a detailed review of each department's proposed budget by the Executive Director, and a final Executive Director recommended budget that is transmitted to the Board of Directors for its review before the required date of adoption. Once transmitted to the Board of Directors, the proposed budget is made available for public inspection. A public hearing is held to give the public the opportunity to comment upon the proposed budget. Notice of such public hearing is given in a newspaper of general circulation.

The adoption of the budget is accomplished by the approval of a Budget Resolution. The legal level of budgetary control is at the department level. Any budget modification, which would result in an appropriation increase, requires Board of Directors approval. The Executive Director and Finance Director are jointly authorized to transfer appropriations within a departmental budget. Any appropriation transfers between departments require Board of Directors approval.

Reported budget figures are as originally adopted or subsequently amended plus prior year continuing appropriations. Such budget amendments during the year, including those related to supplemental appropriations, did not cause these reported budget amounts to be significantly different than the originally adopted budget amounts. All appropriations which are not obligated, encumbered or expended at the end of the fiscal year lapse become a part of the unreserved fund balance which may be appropriated for the next fiscal year.

An annual budget for the year ended June 30, 2009, was adopted and approved by the Board of Directors for the special revenue and debt service funds. These budgets are prepared on the modified accrual basis of accounting except that encumbrances outstanding at year-end are considered as expenditures. The budgets of the capital projects funds are primarily long-term budgets, which emphasize major programs and capital outlay plans extending over a number of years. Because of the long-term nature of these projects, annual budget comparisons are not considered meaningful, and accordingly, no budgetary information for capital projects funds is included in the accompanying basic financial statements.

Redevelopment Agency of the City of Chula Vista
Required Supplementary Information, Continued
For the year ended June 30, 2009

1. BUDGETARY INFORMATION, Continued

Budgetary Comparison Schedule, Low-Moderate Income Housing Special Revenue Fund

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues:				
Use of money and property	\$ 33,169	\$ 33,169	\$ 166,056	\$ 132,887
Other	-	-	12,600	12,600
Total revenues	33,169	33,169	178,656	145,487
Expenditures:				
Current:				
General government	1,468,334	1,609,374	896,670	712,704
Total expenditures	1,468,334	1,609,374	896,670	712,704
REVENUES OVER (UNDER) EXPENDITURES	(1,435,165)	(1,576,205)	(718,014)	858,191
Other Financing Sources (Uses)				
Transfers in	2,696,580	2,696,580	2,756,337	59,757
Transfers out	(117,102)	(117,102)	(117,102)	-
Total other financing sources (uses)	2,579,478	2,579,478	2,639,235	59,757
Net change in fund balance	\$ 1,144,313	\$ 1,003,273	1,921,221	\$ 917,948
Fund balance:				
Beginning of year			4,546,369	
End of year			<u>\$ 6,467,590</u>	

Redevelopment Agency of the City of Chula Vista
Required Supplementary Information, Continued
For the year ended June 30, 2009

1. BUDGETARY INFORMATION, Continued

Budgetary Comparison Schedule, RDA Housing Program Special Revenue Fund

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues:				
Use of money and property	\$ -	\$ -	\$ 9,507	\$ 9,507
Other	-	-	(4,000)	(4,000)
Total revenues	-	-	5,507	5,507
Expenditures:				
Current:				
General government	-	41,539	176,759	(135,220)
Total expenditures	-	41,539	176,759	(135,220)
REVENUES OVER (UNDER) EXPENDITURES	-	(41,539)	(171,252)	(129,713)
Net change in fund balance	\$ -	\$ (41,539)	(171,252)	\$ (129,713)
Fund balance:				
Beginning of year			5,626,013	
End of year			\$ 5,454,761	

SUPPLEMENTARY INFORMATION

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Redevelopment Agency of the City of Chula Vista
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Bayfront/Town Centre I Debt Service Fund
For the year ended June 30, 2009

	Final Budget	Actual Amounts	Variance with Final Budget
Revenues:			
Use of money and property	\$ -	\$ 130,947	\$ 130,947
Other	-	280	280
Total revenues	<u>-</u>	<u>131,227</u>	<u>131,227</u>
Expenditures:			
Debt service:			
Principal	955,900	955,900	-
Interest and fiscal charges	1,519,452	1,389,703	129,749
Total expenditures	<u>2,475,352</u>	<u>2,345,603</u>	<u>129,749</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(2,475,352)</u>	<u>(2,214,376)</u>	<u>260,976</u>
Other Financing Sources (Uses)			
Proceeds from advances from City of Chula Vista	-	195,636	195,636
Transfers in	-	1,175,355	1,175,355
Total other financing sources (uses)	<u>-</u>	<u>1,370,991</u>	<u>1,370,991</u>
Net change in fund balance	<u>\$ (2,475,352)</u>	<u>(843,385)</u>	<u>\$ 1,631,967</u>
Fund balance:			
Beginning of year		<u>3,630,860</u>	
End of year		<u>\$ 2,787,475</u>	

Redevelopment Agency of the City of Chula Vista
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Town Centre II Otay Valley Southwest Merged Projects Debt Service Fund
For the year ended June 30, 2009

	Final Budget	Actual Amounts	Variance with Final Budget
Revenues:			
Use of money and property	\$ 74,000	\$ 85,493	\$ 11,493
Other	-	201	201
Total revenues	<u>74,000</u>	<u>85,694</u>	<u>11,694</u>
Expenditures:			
Current:			
General government	1,273,760	1,300	1,272,460
Debt service:			
Principal	64,100	64,100	-
Interest and fiscal charges	1,213,734	2,423,462	(1,209,728)
Bond issuance cost	-	844,584	(844,584)
Total expenditures	<u>2,551,594</u>	<u>3,333,446</u>	<u>(781,852)</u>
REVENUES OVER			
(UNDER) EXPENDITURES	<u>(2,477,594)</u>	<u>(3,247,752)</u>	<u>(770,158)</u>
Other Financing Sources (Uses)			
Bond discount	-	(579,161)	(579,161)
Refunding bond issued	-	17,093,000	17,093,000
Payments to escrow agent trust	-	(15,110,000)	(15,110,000)
Proceeds from advances from City of Chula Vista	-	808,746	808,746
Repayment of advances from City of Chula Vista	-	(5,542,473)	(5,542,473)
Transfers in	3,094,634	8,765,742	5,671,108
Transfers out	(300,000)	(2,545,615)	(2,245,615)
Total other financing sources (uses)	<u>2,794,634</u>	<u>2,890,239</u>	<u>95,605</u>
Net change in fund balance	<u>\$ 317,040</u>	<u>(357,513)</u>	<u>\$ (674,553)</u>
Fund balance:			
Beginning of year		<u>(2,207,270)</u>	
End of year		<u>\$ (2,564,783)</u>	

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

To the Board of Directors
of the Redevelopment Agency of the City of Chula Vista
Chula Vista, California

We have audited the basic financial statements of the Redevelopment Agency of the City of Chula Vista (Agency), a component unit of the City of Chula Vista, California (City), as of and for the year ended June 30, 2009, and have issued our report thereon dated December 7, 2009. We conducted our audit in accordance with generally accepted auditing standards in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's basic financial statements are free of material misstatements, we performed tests of its compliance with certain provision of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of basic financial statement amounts. Such provisions included those provisions of laws identified in the *Guidelines for Compliance Audits of California Redevelopment Agencies*, issued by the State Controller and as interpreted in the *Suggested Auditing Procedures for Accomplishing Compliance Audits of California Redevelopment Agencies*, issued by the Governmental Accounting and Auditing Committee of the California Society of Certified Public Accountants. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

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 audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over financial reporting.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

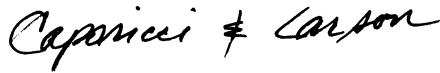
A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the Agency's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Agency's basic financial statements that is more than inconsequential will not be prevented or detected by the Agency's internal control.

To the Board of Directors
of the Redevelopment Agency of the City of Chula Vista
Chula Vista, California
Page 2

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the basic financial statements will not be prevented or detected by the Agency's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

This report is intended for the information of the Board of Directors, managements, State Controller's Office and is not intended to be and should not be used by anyone other than these specific parties. However, this report is a matter of public record and its distribution is not limited.



San Diego, California
December 7, 2009