

REDEVELOPMENT AGENCY BASIC FINANCIAL STATEMENTS & INDEPENDENT AUDITOR'S REPORTS



For the year ended
JUNE 30, 2010



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, 2010

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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, 2010, 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 opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate under the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Agency as of June 30, 2010, and the respective changes in financial position for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2010, 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. 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.

To the Board of Directors
of the Redevelopment Agency of the City of Chula Vista
Chula Vista, California
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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 budgetary information, as listed in the table of contents, 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.

Caporicci & Larson, Inc.

Caporicci & Larson, Inc.
A Subsidiary of Marcum LLP
Certified Public Accountants
San Diego, California
December 22, 2010

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, 2010

	Governmental Activities
ASSETS	
Current assets:	
Cash and investments	\$ 6,458,980
Receivables:	
Taxes	887,011
Interest	28,107
Other	676
Due from City of Chula Vista	733,302
Total current assets	<u>8,108,076</u>
Noncurrent assets:	
Restricted cash and investments:	
Held by City	4,629,509
Held by fiscal agents	7,227,852
Loans receivable	19,882,658
Deferred charges, net	1,193,066
Capital Assets:	
Nondepreciable assets	9,790,977
Depreciable assets, net	1,370,823
Total capital assets	<u>11,161,800</u>
Total noncurrent assets	<u>44,094,885</u>
Total assets	<u>52,202,961</u>
LIABILITIES	
Current liabilities:	
Accounts payable and accrued liabilities	2,631,776
Interest payable	595,039
Long-term debt - due within one year	1,110,000
Total current liabilities	<u>4,336,815</u>
Long-term liabilities:	
Long-term debt - due in more than a year	68,225,137
Total long-term liabilities	<u>68,225,137</u>
Total liabilities	<u>72,561,952</u>
NET ASSETS	
Investments in capital assets	<u>11,161,800</u>
Restricted for:	
Capital projects	8,880,935
Debt service	3,578,585
Community development	14,181,174
Total restricted	<u>26,640,694</u>
Unrestricted (deficit)	<u>(58,161,485)</u>
Total net assets (deficit)	<u>\$ (20,358,991)</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, 2010

Functions/Programs	Expenses	Program Revenues			Total Program Revenues	Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating	Capital		
			Grants and Contributions	Grants and Contributions		
Primary government:						
Governmental activities:						
General government	\$ 11,919,913	\$ -	\$ -	\$ -	\$ -	\$ (11,919,913)
Interest on long-term debt	3,356,469	-	-	-	-	(3,356,469)
Total governmental activities	\$ 15,276,382	\$ -	\$ -	\$ -	\$ -	(15,276,382)
General revenues:						
Taxes:						
						15,193,533
						748,206
						789,416
						(1,359,558)
						15,371,597
						95,215
						(20,454,206)
						\$ (20,358,991)

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, 2010

	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	\$ 3,110,992	\$ -	\$ 2,325	\$ 1,555
Receivables:				
Taxes	-	-	-	-
Interest	18,163	-	262	725
Loans	19,882,658	-	-	-
Other	183	-	-	-
Due from City of Chula Vista	733,302	-	-	-
Advances to other funds	4,164,850	-	-	-
Restricted cash and investments:				
Held by City	4,629,509	-	-	-
Held by fiscal agent	-	-	2,032,906	1,540,812
Total assets	\$ 32,539,657	\$ -	\$ 2,035,493	\$ 1,543,092
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ 11,792	-	\$ -	\$ -
Advances from other funds	-	-	1,384,321	7,734,094
Deferred revenue	18,346,691	-	-	-
Total liabilities	18,358,483	-	1,384,321	7,734,094
Fund Balances:				
Fund Balances:				
Reserved:				
Encumbrances	7,248	-	-	-
Long-term receivables and advances	5,700,817	-	-	-
Debt service	-	-	2,035,493	1,543,092
Total reserved	5,708,065	-	2,035,493	1,543,092
Unreserved:				
Designated	-	-	-	-
Undesignated	8,473,109	-	(1,384,321)	(7,734,094)
Total unreserved	8,473,109	-	(1,384,321)	(7,734,094)
Total fund balances	14,181,174	-	651,172	(6,191,002)
Total liabilities and fund balances	\$ 32,539,657	\$ -	\$ 2,035,493	\$ 1,543,092

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
\$ 581,932	\$ 2,762,176	\$ 6,458,980
44,112	842,899	887,011
97	8,860	28,107
-	-	19,882,658
-	493	676
-	-	733,302
4,953,565	-	9,118,415
-	-	4,629,509
-	3,654,134	7,227,852
<u>\$ 5,579,706</u>	<u>\$ 7,268,562</u>	<u>\$ 48,966,510</u>
\$ 424,560	\$ 2,195,424	\$ 2,631,776
-	-	9,118,415
1,347,349	-	19,694,040
<u>1,771,909</u>	<u>2,195,424</u>	<u>31,444,231</u>
31,639	246,656	285,543
3,606,216	-	9,307,033
-	-	3,578,585
<u>3,637,855</u>	<u>246,656</u>	<u>13,171,161</u>
169,942	4,826,482	4,996,424
-	-	(645,306)
<u>169,942</u>	<u>4,826,482</u>	<u>4,351,118</u>
<u>3,807,797</u>	<u>5,073,138</u>	<u>17,522,279</u>
<u>\$ 5,579,706</u>	<u>\$ 7,268,562</u>	<u>\$ 48,966,510</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, 2010

Total Fund Balances - Total Governmental Funds \$ 17,522,279

Amounts reported for governmental activities in the Statement of Net Assets were different 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. 1,193,066

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

Nondepreciable	9,790,977
Depreciable, net	1,370,823
	11,161,800

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. (595,039)

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	(1,110,000)
Long-term liabilities - due in more than one year	(68,225,137)
	(69,335,137)

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. 19,694,040

Net Assets (deficit) of Governmental Activities \$ (20,358,991)

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, 2010

	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	172,372	10,888	98,362	2,994
Other	1,163	49	384	314
Total revenues	173,535	10,937	98,746	3,308
EXPENDITURES:				
Current:				
General government	470,183	222	5,382	2,475
Capital outlay	-	-	-	-
Debt Service:				
Principal	-	-	996,585	68,415
Interest and fiscal charges	-	-	1,323,805	1,930,681
Total expenditures	470,183	222	2,325,772	2,001,571
REVENUES OVER (UNDER)				
EXPENDITURES	(296,648)	10,715	(2,227,026)	(1,998,263)
OTHER FINANCING SOURCES (USES):				
Proceeds from advances from City of Chula Vista	-	-	175,718	696,462
Repayment of advances from City of Chula Vista	-	-	(472,955)	(2,309,887)
Transfers to City of Chula Vista	(115,569)	(116,603)	-	-
Transfers in	8,125,866	65	1,724,390	2,809,733
Transfers out	(65)	(5,348,938)	(1,336,430)	(2,824,264)
Total other financing sources	8,010,232	(5,465,476)	90,723	(1,627,956)
NET CHANGE IN FUND BALANCES	7,713,584	(5,454,761)	(2,136,303)	(3,626,219)
FUND BALANCE (DEFICIT):				
Beginning of year	6,467,590	5,454,761	2,787,475	(2,564,783)
End of year	<u>\$ 14,181,174</u>	<u>\$ -</u>	<u>\$ 651,172</u>	<u>\$ (6,191,002)</u>

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
\$ 4,580,034	\$ 10,613,499	\$ 15,193,533
11,277	55,750	351,643
4,928	782,578	789,416
<u>4,596,239</u>	<u>11,451,827</u>	<u>16,334,592</u>
2,242,425	7,539,229	10,259,916
93,887	1,518,386	1,612,273
-	-	1,065,000
-	-	3,254,486
<u>2,336,312</u>	<u>9,057,615</u>	<u>16,191,675</u>
2,259,927	2,394,212	142,917
-	-	872,180
-	-	(2,782,842)
-	(1,127,386)	(1,359,558)
1,336,430	2,824,264	16,820,748
<u>(2,606,870)</u>	<u>(4,704,181)</u>	<u>(16,820,748)</u>
<u>(1,270,440)</u>	<u>(3,007,303)</u>	<u>(3,270,220)</u>
989,487	(613,091)	(3,127,303)
<u>2,818,310</u>	<u>5,686,229</u>	<u>20,649,582</u>
<u>\$ 3,807,797</u>	<u>\$ 5,073,138</u>	<u>\$ 17,522,279</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, 2010

Net Change in Fund Balances - Total Governmental Funds \$ (3,127,303)

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.

Principal payment of long-term debt	1,065,000
Proceeds from advances from City of Chula Vista	(872,180)
Repayment of advances from City of Chula Vista	2,782,842

Amortization expense was reported in the Government-Wide Statement of Activities and Changes in Net Assets, but did not require the use of current financial resources. Therefore, amortization expense was not reported as an expenditure in the Governmental Funds.

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

Interest earned on long-term receivables did not provide current financial resources and was not reported as revenue in the Governmental Funds. 396,563

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. 1,523

Change in Net Assets of Governmental Activities \$ 95,215

NOTES TO BASIC FINANCIAL STATEMENTS

Redevelopment Agency of the City of Chula Vista
Notes to Basic Financial Statements
For the year ended June 30, 2010

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, 2010

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 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:

- 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.

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 taxes, 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.

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.

Redevelopment Agency of the City of Chula Vista
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

Governmental Fund Financial Statements, Continued

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 housing and related expenditures other than those in the Low & Moderate Income Housing fund. This fund was closed out in 2010.

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 Agency maintains its cash with the City, which 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.

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.

Redevelopment Agency of the City of Chula Vista
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

C. Cash and Investments, Continued

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, 2010.

F. 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.

Redevelopment Agency of the City of Chula Vista
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

F. Long-Term Debt, Continued

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 revenues are recognized in the fiscal year for which the taxes have been levied.

No allowance for doubtful accounts was considered necessary.

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.

Redevelopment Agency of the City of Chula Vista
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

I. Net Assets

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

Invested in Capital Assets – This amount consists of capital assets net of accumulated depreciation.

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

Unrestricted Net Assets – This amount represents the remaining 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 resources are available, the Agency’s policy is to apply restricted resources 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.

2. CASH AND INVESTMENTS

The following is a summary of pooled cash and investments and restricted cash and investments at June 30, 2010:

Local Agency Investment Fund	\$ 6,458,980
Restricted cash and investments	
Held by Agency	4,629,509
Held by fiscal agent	7,227,852
Total cash and investments	\$ 18,316,341

Redevelopment Agency of the City of Chula Vista
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

2. CASH AND INVESTMENTS, Continued

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. Where applicable, the Agency follows the City's investment policy.

Cash and investments consisted of the following at June 30, 2010:

Cash:	
Demand deposits with financial institution	\$ 4,629,509
Total cash	<u>4,629,509</u>
Investments:	
Local Agency Investment Fund	6,458,980
Investments held by fiscal agent:	
Money market fund	2,032,906
US Treasury obligations	5,194,946
Total investments	<u>13,686,832</u>
Total cash and investments	<u>\$ 18,316,341</u>

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.

** Maxium 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, 2010

2. CASH AND INVESTMENTS, Continued

Investments Authorized by Debt Agreement

Investment of debt proceeds held by bond trustees 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, 2010, 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 1.001643776 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, 2010, included a portion of the pooled funds invested in Structured Notes and Asset-Backed Securities.

Redevelopment Agency of the City of Chula Vista
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

2. CASH AND INVESTMENTS, Continued

Local Agency Investment Fund (LAIF), Continued

These investments included the following:

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, 2010, the Agency had \$6,458,980 invested in LAIF, which had invested 5.42% of the pool investment funds in Medium-Term and Short-Term Structured Notes and Asset-Backed Securities.

Risk Disclosures

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rate 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. One of the ways that the Agency manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flows and liquidity needed for operations. Information about the sensitivity of the fair values of the Agency's investments and those held by bond trustees to market interest rate fluctuations is provided by the following table that shows the distribution of the Agency's investments by maturity:

Investment Type	Totals	Remaining Maturity 12 Months or Fewer
Local Agency Investment Fund	\$ 6,458,980	\$ 6,458,980
Held by fiscal agents:		
Money Market Funds	2,032,906	2,032,906
US Treasury obligations	5,194,946	5,194,946
Totals	\$ 13,686,832	\$ 13,686,832

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. To be eligible to receive Agency money, a bank, savings association, federal association, or federally insured industrial loan company has received an overall rating of not less than "satisfactory" in its most recent evaluation by the appropriate federal financial supervisory agency of its record of meeting the credit needs of California's communities, including low- and moderate-income neighborhoods.

Redevelopment Agency of the City of Chula Vista
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

2. CASH AND INVESTMENTS, Continued

Credit Risk, Continued

Agency investments are rated by the nationally recognized statistical rating organizations as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Moody's</u>	<u>Standard & Poor's</u>
State of California - Local Agency Investment Fund	\$ 6,458,980	Not Rated	Not Rated
Money market funds	2,032,906	Aaa	AAA
US Treasury obligations	5,194,946	Aaa	AAA
	<u>\$ 13,686,832</u>		

Custodial Credit Risk

Demand Deposits:

The California Government Code requires California banks and savings and loan associations to secure the Agency's cash deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in the Agency's name.

The market value of pledged securities must equal at least 110% of the Agency's pooled cash deposits. California law also allows institutions to secure Agency deposits by pledging first trust deed mortgage notes having a value of 150% of the Agency's total cash deposits. The Agency may waive collateral requirements for cash deposits, which are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation. The Agency, however, has not waived the collateralization requirements.

Investments:

For an investment, custodial credit risk is the risk that, in the event of the failure of the counter party, the Agency will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All securities, with the exception of LAIF and other pooled investments, are held by a third-party custodian (BNY Western Trust). BNY is a registered member of the Federal Reserve Bank.

Concentration of Credit Risk

The investment policy of the City contains limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. Investments in any one issuer that represent 5% or more of total Agency's investments are as follows:

<u>Investments</u>	<u>Amount Invested</u>	<u>Percentage of Investments</u>
Local Agency Investment Fund	\$ 6,458,980	47.19%
Money Market Funds	2,032,906	14.85%
US Treasury obligations	5,194,946	37.96%
Total	<u>\$ 13,686,832</u>	<u>100.00%</u>

Redevelopment Agency of the City of Chula Vista
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

3. LOANS RECEIVABLE

At June 30, 2010, the Agency had the following loans receivable:

	Governmental Activities		
	Principal	Deferred Interest	Total
South Bay Community Services	\$ 887,994	\$ 279,067	\$ 1,167,061
Heritage (South Bay Community Villas L.P.)	4,400,000	1,129,710	5,529,710
Chula Vista Rehabilitation CHIP Loans	1,273,238	164,352	1,437,590
Park Village Apts (Civic Center Barrio Housing Corporation)	210,934	-	210,934
Rancho Buena Vista Housing (Chelsea Investment Corporation)	1,000,000	162,658	1,162,658
Mobile Home Assistance Programs	55,952	-	55,952
St. Regis Park (Chelsea Investment Corporation)	1,387,152	834,185	2,221,337
Main Plaza (Alpha III Development Inc.)	1,500,000	247,479	1,747,479
Los Vecinos (Wakeland Housing and Development Corporation)	5,680,000	669,937	6,349,937
Total	\$ 16,395,269	\$ 3,487,389	\$ 19,882,658

South Bay Community Services

In 1998, 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, 2010, the outstanding balance of the loan was \$478,200 and interest of \$142,641 has been deferred.

In 1998, 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, 2010, the outstanding balance of the loan was \$36,794 and interest of \$25,554 has been deferred.

In 1999, 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, 2010, the outstanding balance of the loan was \$373,000 and interest of \$110,872 has been deferred.

Redevelopment Agency of the City of Chula Vista
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

3. LOANS RECEIVABLE, Continued

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

In 2002, 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 accrues 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, 2010, the outstanding balance of the loan was \$4,400,000 and interest of \$1,129,710 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, 2010, the outstanding balance of the loan was \$1,273,238 and interest of \$164,352 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, 2010, the outstanding balance of the loan was \$210,934.

Rancho Buena Vista Housing (Chelsea Investment Corporation)

In 2000, the Agency 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 will be repaid over fifty-five (55) years and accrues interest at the simple interest rate of three (3%) percent per annum. Payment of principal and interest, or portions thereof, on the loan are 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, 2010, the outstanding balance of the loan was \$1,000,000 and interest of \$162,658 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, 2010, the outstanding balance of the loan was \$55,952.

Redevelopment Agency of the City of Chula Vista
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

3. LOANS RECEIVABLE, Continued

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

In 2000, 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 are affordable to low income households. The loan is secured by a deed of trust and accrues 6% interest for 52 years. Payment of principal and interest is made on an annual basis out of a fund equal to 90% of the residual receipts. At June 30, 2010, the outstanding balance of the loan was \$1,387,152 and interest of \$834,185 has been deferred.

Main Plaza (Alpha III Development Inc.)

In 2003, 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 is due and payable on the date that is 55 years from the date of the Agency's issuance of the Certificate of Completion, which is in 2061. At June 30, 2010, the outstanding balance of the loan was \$1,500,000 and interest of \$247,479 has been deferred.

Los Vecinos (Wakeland Housing and Development Corporation)

In 2008, 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 improvements are placed in service, at which time all principal and unpaid interest shall be due and payable. The improvements were placed in service on February 7, 2008. At June 30, 2010, the outstanding balance of the loan was \$5,680,000 and interest of \$669,937 has been deferred.

Redevelopment Agency of the City of Chula Vista
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

4. INTERFUND TRANSACTIONS

A. Advances To and Advances From Other Funds

As of June 30, 2010, Interfund balances were as follows:

Advance to 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	\$ 46,556	\$ 4,907,009	\$ 4,953,565
Low & Moderate Income Housing Fund	1,337,765	2,827,085	4,164,850
Total	\$ 1,384,321	\$ 7,734,094	\$ 9,118,415

B. Transfers In and Out

As of June 30, 2010, transfers were as follows:

Transfers Out	Transfers In						
	Low & Moderate Income Housing Special Revenue	RDA Housing Program Special Revenue	Bayfront/Towncentre I Debt Service	Town Centre II Otay Valley Southwest Merged Projects Debt Service	Bayfront/Towncentre I Capital Projects	Town Centre II Otay Valley Southwest Merged Capital Projects	Total
Governmental Activities:							
Low & Moderate Income Housing	\$ -	\$ 65	\$ -	\$ -	\$ -	\$ -	\$ 65
RDA Housing Program	5,348,938	-	-	-	-	-	5,348,938
Bayfront/Town Centre I Debt Service	-	-	-	-	1,336,430	-	1,336,430
Town Centre II Otay Valley SW Merged Projects Debt Service	-	-	-	-	-	2,824,264	2,824,264
Bayfront/Town Centre I Capital Projects	916,007	-	1,690,863	-	-	-	2,606,870
Town Centre II Otay Valley SW Merged Projects Capital Projects	1,860,921	-	33,527	2,809,733	-	-	4,704,181
Total	\$ 8,125,866	\$ 65	\$ 1,724,390	\$ 2,809,733	\$ 1,336,430	\$ 2,824,264	\$ 16,820,748

5. DUE FROM THE CITY OF CHULA VISTA

At June 30, 2010, the Agency had amounts due from the City of Chula Vista of \$733,302. This amount represents a one day loan which was made to cover cash overdraws from reimbursements not received as of June 30, 2010.

Redevelopment Agency of the City of Chula Vista
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

6. CAPITAL ASSETS

A. Government-Wide Financial Statements

Changes in capital assets during the year ended June 30, 2010, were as follows:

	Balance July 1, 2009	Additions	Deletions	Balance June 30, 2010
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 9,790,977	\$ -	\$ -	\$ 9,790,977
Total capital assets, not being depreciated	<u>9,790,977</u>	<u>-</u>	<u>-</u>	<u>9,790,977</u>
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	<u>2,398,218</u>	<u>-</u>	<u>-</u>	<u>2,398,218</u>
Less accumulated depreciation	<u>(979,671)</u>	<u>(47,724)</u>	<u>-</u>	<u>(1,027,395)</u>
Net capital assets, being depreciated	<u>1,418,547</u>	<u>(47,724)</u>	<u>-</u>	<u>1,370,823</u>
Total capital assets, net	<u>\$ 11,209,524</u>	<u>\$ (47,724)</u>	<u>\$ -</u>	<u>\$ 11,161,800</u>

Depreciation expense of the Agency for the year ended June 30, 2010, was \$47,724 and was charged entirely to the general government function of the Agency.

7. LONG-TERM DEBT

Long-term debt consisted of the following at June 30, 2010:

	Balance			Balance June 30, 2010	Classification	
					July 1, 2009	Additions
ERAF Loans						
2005	\$ 505,000	\$ -	\$ (75,000)	\$ 430,000	\$ 80,000	\$ 350,000
2006	710,000	-	(85,000)	625,000	90,000	535,000
Advances from City of Chula Vista	26,213,116	872,180	(2,782,842)	24,302,454	-	24,302,454
Tax Allocation Bonds						
2006 Senior TAB Series A	12,580,000	-	(480,000)	12,100,000	500,000	11,600,000
2006 Subordinate TAB Series B	11,625,000	-	(425,000)	11,200,000	440,000	10,760,000
2008 TAB Refunding	21,625,000	-	-	21,625,000	-	21,625,000
Less: bond discounts	<u>(992,091)</u>	<u>-</u>	<u>44,774</u>	<u>(947,317)</u>	<u>-</u>	<u>(947,317)</u>
Total	<u>\$ 72,266,025</u>	<u>\$ 872,180</u>	<u>\$ (3,803,068)</u>	<u>\$ 69,335,137</u>	<u>\$ 1,110,000</u>	<u>\$ 68,225,137</u>

Redevelopment Agency of the City of Chula Vista
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

7. 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
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>\$ 430,000</u>	<u>\$ 71,234</u>	<u>\$ 501,234</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
2011	\$ 90,000	\$ 35,996	\$ 125,996
2012	95,000	31,052	126,052
2013	100,000	25,784	125,784
2014	105,000	20,188	125,188
2015	115,000	14,282	129,282
2016	120,000	7,792	127,792
Total	<u>\$ 625,000</u>	<u>\$ 135,094</u>	<u>\$ 760,094</u>

Advances from the City of Chula Vista

At June 30, 2010, the outstanding balance of the Advances from the City of Chula Vista was \$24,302,453. The proceeds of the advances were to fund 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.

Redevelopment Agency of the City of Chula Vista
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

7. LONG-TERM DEBT, Continued

Tax Allocation 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, 2010 was \$12,100,000.

The annual debt service requirements for the 2006 Senior Tax Allocation Refunding Bonds, Series A outstanding at June 30, 2010 were as follows:

Year Ending June 30,	Principal	Interest	Total
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	590,000	424,145	1,014,145
2016-2020	3,335,000	1,723,626	5,058,626
2021-2025	4,110,000	922,676	5,032,676
2026-2028	1,940,000	114,540	2,054,540
Total	\$ 12,100,000	\$ 5,125,604	\$ 17,225,604

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, 2010 was \$11,200,000.

Redevelopment Agency of the City of Chula Vista
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

7. 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, 2010 were as follows:

Year Ending June 30,	Principal	Interest	Total
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	525,000	464,096	989,096
2016-2020	3,030,000	1,899,161	4,929,161
2021-2025	3,885,000	1,022,503	4,907,503
2026-2028	1,880,000	126,788	2,006,788
Total	<u>\$ 11,200,000</u>	<u>\$ 5,593,184</u>	<u>\$ 16,793,184</u>

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, 2010 was \$21,625,000.

Redevelopment Agency of the City of Chula Vista
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

7. LONG-TERM DEBT, Continued

Tax Allocation Bonds, Continued

2008 Tax Allocation Refunding Bonds, Continued

The annual debt service requirements for the 2008 Tax Allocation Refunding Bonds outstanding at June 30, 2010 were as follows:

Year Ending June 30,	Principal	Interest	Total
2011	\$ -	\$ 963,636	\$ 963,636
2012	-	963,636	963,636
2013	-	963,636	963,636
2014	-	963,636	963,636
2015	575,000	952,136	1,527,136
2016-2020	3,235,000	4,389,681	7,624,681
2021-2025	3,940,000	3,662,660	7,602,660
2026-2030	4,885,000	2,698,901	7,583,901
2031-2035	6,120,000	1,432,331	7,552,331
2036-2037	2,870,000	137,988	3,007,988
Total	\$ 21,625,000	\$ 17,128,241	\$ 38,753,241

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 2009-2010 was \$13,884,638 and total debt service of all Tax Allocation Bonds paid was \$2,975,381. The Bonds required 21% of net revenues. In future years, annual principal and interest payments on the Tax Allocation Bonds are expected to require approximately 30% 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

8. DEFERRED REVENUES

A. Fund Financial Statements

Deferred revenue as of June 30, 2010 was reported as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Loans receivable:			
South Bay Community Services	\$ 887,994	\$ 279,068	\$ 1,167,062
Heritage (South Bay Community Villas L.P.)	4,400,000	1,129,710	5,529,710
Chula Vista Rehabilitation CHIP Loans	-	164,352	164,352
Rancho Buena Vista Housing (Chelsea Investment Corporation)	1,000,000	162,658	1,162,658
St. Regis Park (Chelsea Investment Corporation)	1,387,152	834,185	2,221,337
Main Plaza (Alpha III Development Inc.)	1,500,000	247,479	1,747,479
Los Vecinos (Wakeland Housing and Development Corporation)	5,680,000	669,937	6,349,937
Advances to other funds	-	1,351,505	1,351,505
Total	<u>\$ 14,855,146</u>	<u>\$ 4,838,894</u>	<u>\$ 19,694,040</u>

9. 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 spent a cumulative amount of \$807,264 on unreimbursed City staff time rendered on behalf of the Agency. It is anticipated, however, not assured, that the Agency will repay this amount 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.

10. 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, 2010, 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, 2010, were \$16,798.

Citywide information concerning risks, insurance policy limits, deductible and designation of general fund balance for the year ended June 30, 2010, may be found in the notes of the City's basic financial statements.

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

11. DEFICIT FUND BALANCE

At June 30, 2010, the following funds had fund balance deficits:

Fund	Fund Type	Deficit
Debt Service Fund	Major Governmental Fund	\$ (6,191,002)

Debt Service Fund - The Debt Service Fund for the Merged Project Area had an accumulated deficit of \$(6,191,002), which resulted from insufficient revenues and transfers to the City for repayments of other advances.

12. UNRESTRICTED NET ASSET (DEFICIT)

The unrestricted net assets (deficit) of \$(58,161,485) is expected to be recovered from future tax increment. The Agency, under State Law, is required to maintain certain indebtedness in order to be eligible to receive tax increment.

13. SUBSEQUENT EVENT

State Budget Crisis

In 2009, the State enacted legislation authorizing a two-year takeaway of Redevelopment Agency funds. The payment was \$4,160,694 in 2009-2010 and another \$855,797 is anticipated for 2010-2011. These amounts were assumed in the 2009-2011 Budgets. This action was litigated by the California Redevelopment Association and other parties. This lawsuit challenges the constitutionality of ABX 4-26 and seeks to prevent the State from taking redevelopment funds for non-development purposes. As of the date of this report, the court's decision is currently being appealed and the results have not yet been determined.

REQUIRED SUPPLEMENTARY INFORMATION

Redevelopment Agency of the City of Chula Vista
Required Supplementary Information
For the year ended June 30, 2010

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, 2010, 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, 2010

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	\$ 18,636	\$ 18,636	\$ 172,372	\$ 153,736
Other	-	-	1,163	1,163
Total revenues	18,636	18,636	173,535	154,899
Expenditures:				
Current:				
General government	1,425,861	1,435,349	470,183	965,166
Total expenditures	1,425,861	1,435,349	470,183	965,166
REVENUES OVER (UNDER) EXPENDITURES	(1,407,225)	(1,416,713)	(296,648)	1,120,065
Other Financing Sources (Uses)				
Transfers in	6,748,474	6,748,474	8,125,866	1,377,392
Transfers out	(115,569)	(115,569)	(115,634)	(65)
Total other financing sources (uses)	6,632,905	6,632,905	8,010,232	1,377,327
Net change in fund balance	\$ 5,225,680	\$ 5,216,192	7,713,584	\$ 2,497,392
Fund balance:				
Beginning of year			6,467,590	
End of year			\$ 14,181,174	

Redevelopment Agency of the City of Chula Vista
Required Supplementary Information, Continued
For the year ended June 30, 2010

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	\$ -	\$ -	\$ 10,888	\$ 10,888
Other	-	-	49	49
Total revenues	-	-	10,937	10,937
Expenditures:				
Current:				
General government	-	39,999	222	39,777
Total expenditures	-	39,999	222	39,777
REVENUES OVER (UNDER) EXPENDITURES	-	(39,999)	10,715	50,714
Other Financing Sources (Uses)				
Transfers in	-	-	65	65
Transfers out	(3,920,000)	(3,920,000)	(5,465,541)	(1,545,541)
Total other financing sources (uses)	(3,920,000)	(3,920,000)	(5,465,476)	(1,545,476)
Net change in fund balance	\$ (3,920,000)	\$ (3,959,999)	(5,454,761)	\$ (1,494,762)
Fund balance:				
Beginning of year			5,454,761	
End of year			\$ -	

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, 2010

	Final Budget	Actual Amounts	Variance with Final Budget
Revenues:			
Use of money and property	\$ -	\$ 98,362	\$ 98,362
Other	-	384	384
Total revenues	<u>-</u>	<u>98,746</u>	<u>98,746</u>
Expenditures:			
Current:			
General government	10,000	5,382	4,618
Debt service:			
Principal	996,584	996,585	(1)
Interest and fiscal charges	1,369,643	1,323,805	45,838
Total expenditures	<u>2,376,227</u>	<u>2,325,772</u>	<u>50,455</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(2,376,227)</u>	<u>(2,227,026)</u>	<u>149,201</u>
Other Financing Sources (Uses)			
Proceeds from advances from City of Chula Vista	-	175,718	175,718
Repayment of advances from City of Chula Vista	-	(472,955)	(472,955)
Transfers in	2,614,861	1,724,390	(890,471)
Transfers out	(1,336,430)	(1,336,430)	-
Total other financing sources (uses)	<u>1,278,431</u>	<u>90,723</u>	<u>(1,187,708)</u>
Net change in fund balance	<u>\$ (1,097,796)</u>	<u>(2,136,303)</u>	<u>\$ (1,038,507)</u>
Fund balance:			
Beginning of year		<u>2,787,475</u>	
End of year		<u>\$ 651,172</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, 2010

	Final Budget	Actual Amounts	Variance with Final Budget
Revenues:			
Use of money and property	\$ -	\$ 2,994	\$ 2,994
Other	-	314	314
Total revenues	<u>-</u>	<u>3,308</u>	<u>3,308</u>
Expenditures:			
Current:			
General government	-	2,475	(2,475)
Debt service:			
Principal	68,415	68,415	-
Interest and fiscal charges	2,171,939	1,930,681	241,258
Total expenditures	<u>2,240,354</u>	<u>2,001,571</u>	<u>238,783</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(2,240,354)</u>	<u>(1,998,263)</u>	<u>242,091</u>
Other Financing Sources (Uses)			
Proceeds from advances from City of Chula Vista	-	696,462	696,462
Repayment of advances from City of Chula Vista	-	(2,309,887)	(2,309,887)
Transfers in	3,369,562	2,809,733	(559,829)
Transfers out	(2,824,264)	(2,824,264)	-
Total other financing sources (uses)	<u>545,298</u>	<u>(1,627,956)</u>	<u>(2,173,254)</u>
Net change in fund balance	<u>\$ (1,695,056)</u>	<u>(3,626,219)</u>	<u>\$ (1,931,163)</u>
Fund balance:			
Beginning of year		<u>(2,564,783)</u>	
End of year		<u>\$ (6,191,002)</u>	



Caporicci & Larson, Inc.
A Subsidiary of Marcum LLP
Certified Public Accountants

**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, 2010, and have issued our report thereon dated December 22, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Agency's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over financial reporting.

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

Our consideration of the 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 the Agency's 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.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. Such provisions 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 result of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Board of Directors of the Agency, others within the entity, and the State Controller and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



Caporicci & Larson, Inc.
A Subsidiary of Marcum LLP
Certified Public Accountants
San Diego, California
December 22, 2010