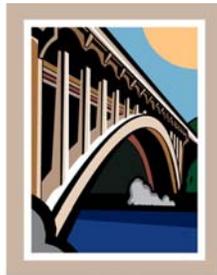


**CITY OF FOLSOM, CALIFORNIA  
REDEVELOPMENT AGENCY**

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AUDITED COMPONENT UNIT  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
JUNE 30, 2010



CITY OF  
**FOLSOM**  
DISTINCTIVE BY NATURE

# CITY OF FOLSOM, CALIFORNIA REDEVELOPMENT AGENCY

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## INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and City Council  
Redevelopment Agency of the City of Folsom  
Folsom, California

We have audited the accompanying financial statements of the governmental activities and each major fund of the Redevelopment Agency of the City of Folsom (the Agency), a component unit of the City of Folsom, California, as of and for the year ended June 30, 2010, which collectively comprise the Agency's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Agency's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

As discussed in Note 1, the financial statements present only the Redevelopment Agency of the City of Folsom and are not intended to present fairly the financial position and results of operation of the City of Folsom, California, in conformity with accounting principles generally accepted in the United States of America.

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 positions, thereof for the 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 10, 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 and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 3 through 7 and the required supplemental information on page 33 are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*Vavrinick, Trine, Day & Co. LLP*

Sacramento, California  
December 10, 2010

## CITY OF FOLSOM, CALIFORNIA

### REDEVELOPMENT AGENCY MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2010

As management of the City of Folsom Redevelopment Agency (Agency), we offer readers of the Redevelopment Agency's financial statements this narrative overview and analysis of the financial activities of the City of Folsom Redevelopment Agency for the fiscal year ended June 30, 2010.

#### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Agency's basic financial statements. The Agency's basic financial statements are comprised of three components: 1) Government-wide Financial Statements, 2) Fund Financial Statements, and 3) Notes to the Financial Statements. These two sets of financial statements provide two different views of the Agency's financial activities and financial position, short and long-term views.

**The Government-wide Financial Statements** are designed to provide readers with a broad overview of the Agency's finances, in a manner similar to a private-sector business.

The **Statement of Net Assets** presents information on all Agency assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets and liabilities may serve as a useful indicator of whether or not the financial position of the City is improving or deteriorating.

The **Statement of Activities** explains the change in net assets for the year in detail, with the emphasis on measuring the net revenues or expenses of each of the Agency's programs.

**Fund Financial Statements** are designed to report detailed information about groupings of related accounts, which are used to maintain control over resources that have been segregated for specific activities or objectives, and focus primarily on the short-term activities of the Agency. The Agency, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds** - Governmental funds are used to account for essentially the same functions reported as governmental activities in the Government-wide Financial Statements; however their focus is on near-term inflows and outflows of spendable resources, and the balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. The Governmental Fund Financial Statements provide detailed information about each of the Redevelopment Agency's funds.

For the fiscal year ended June 30, 2010, the Redevelopment Agency adopted annual appropriated budgets for the special revenue funds and debt service fund. A budgetary comparison statement has been provided for the Central Folsom Redevelopment Project Fund, Low/Moderate Housing Fund and Debt Service Fund.

**CITY OF FOLSOM, CALIFORNIA**  
**REDEVELOPMENT AGENCY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**NOTES TO THE FINANCIAL STATEMENTS**

The notes provide additional information that is essential to a full understanding of the data provided in the Government-wide and Fund Financial Statements. The notes to the financial statements can be found on pages 14 - 28 of this report.

**COMPLIANCE REPORT**

The Report on Compliance and on Internal Control can be found on page 34 - 40 of this report.

**FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS**

The Government-wide financial statements provide long-term and short-term information about the Agency's overall financial condition. This analysis addresses the financial statements of the Agency as a whole.

**City of Folsom Redevelopment Agency**  
**Net Assets**

	<b>Governmental Activities</b>	
	<b>2010</b>	<b>2009</b>
Current and other assets	\$ 35,598,726	\$ 23,017,394
Capital assets, net	<u>5,134,581</u>	<u>5,233,020</u>
Total assets	<u>40,733,307</u>	<u>28,250,414</u>
Long-term liabilities outstanding	47,000,896	32,313,348
Other liabilities	<u>2,251,804</u>	<u>3,955,899</u>
Total liabilities	<u>49,252,700</u>	<u>36,269,247</u>
Invested in capital assets	5,134,581	2,298,020
Restricted	6,856,302	9,357,442
Unrestricted	<u>(20,510,276)</u>	<u>(19,674,295)</u>
Total net assets	<u>\$ (8,519,393)</u>	<u>\$ (8,018,833)</u>

Net assets represent the difference between the Agency's resources and obligations. Over time, net assets may serve as an indication of a government's financial position. Combined net assets of the primary government declined by \$501k this year from \$(8.0) million at June 30, 2009 to \$(8.5) million at June 30, 2010. At June 30, 2010, the largest portion of the agency's net assets, approximately \$6.9 million, is restricted net assets that must be used in accordance with external restrictions. Net assets invested in capital assets in the amount of \$5.1 million represent capital assets which are used by the Agency to provide services to citizens. Additional capital asset information can be found in the Capital Asset and Debt Administration section of this MD&A. The deficit balance of unrestricted governmental activities net assets is

**CITY OF FOLSOM, CALIFORNIA**

REDEVELOPMENT AGENCY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

primarily due to the issuance of debt. This debt is used for redevelopment and economic development projects in the community but does not result in assets that are capitalized in these financial statements and is expected to be relieved by future tax increment.

The agency's total revenues and expenditures were \$10,968,356 and \$11,468,916 respectively for the fiscal year ending June 30, 2010. Of the total revenues, \$7,405,383, or 68%, was from property taxes. Total governmental activity revenues increased by \$2,628,230, or 32%, from last year. The increase is mostly attributable to \$1,550,000 payment from the City's Housing Trust Fund for low and moderate income housing projects and the recognition of \$1,836,325 in loans receivable as revenue, offset by \$401,689 decrease in Property tax increment revenue and \$89,058 decrease in investment earnings. Total governmental activity expenses increased \$960,575, mostly due to increased capital outlay expenditures in the current year.

**City of Folsom Redevelopment Agency  
Changes in Net Assets**

	<b>Governmental Activities</b>	
	<b>2010</b>	<b>2009</b>
<b>Revenues</b>		
Program revenues:		
Charges for services	\$ 1,849,471	\$ 81,287
Capital grants and contributions	1,550,000	-
General revenues:		
Tax increment	7,405,383	7,807,072
Investment earnings	161,664	250,722
Miscellaneous	1,838	201,045
Total revenues	<u>10,968,356</u>	<u>8,340,126</u>
<b>Expenses</b>		
General government	9,568,365	8,945,241
Interest	1,900,551	1,563,100
Total expenses	<u>11,468,916</u>	<u>10,508,341</u>
Decrease in net assets	(500,560)	(2,168,215)
Net assets (deficit), beginning of year	<u>(8,018,833)</u>	<u>(5,850,618)</u>
Net assets (deficit), end of year	<u><u>\$ (8,519,393)</u></u>	<u><u>\$ (8,018,833)</u></u>

**CITY OF FOLSOM, CALIFORNIA**  

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**REDEVELOPMENT AGENCY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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**GOVERNMENTAL FUNDS FINANCIAL ANALYSIS**

As noted earlier, the Agency uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The Agency's governmental funds provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the Agency's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Types of governmental funds reported by the Agency include special revenue, debt service and capital projects funds.

The Agency's special revenue funds consist of the Central Folsom Redevelopment Project Fund and the Low/Moderate Housing Fund. The unreserved fund balances as of June 30 were \$4,060,865 and \$0, respectively. Tax increment revenues provide the majority of revenue, with the Low/Moderate Housing fund receiving 20% and the Central Folsom Redevelopment Project Fund receiving the remaining 80%.

As of June 30, 2010, the Agency's governmental funds reported combined ending fund balances of \$31,288,475, an increase of \$12,456,762 in comparison with the prior fiscal year. Increase is mostly attributable to cash received in the Capital projects fund due to debt issuance.

Revenues for governmental functions overall (excluding other financing sources) totaled \$9,132,031 in fiscal year 2010, which represents an increase of \$791,908 in comparison with the prior fiscal year and is primarily due to \$1,550,000 payment from the City's Housing Trust Fund for low and moderate income housing projects, offset by \$401,689 decrease in Property tax revenue and \$89,058 decrease in investment earnings. Expenditures for governmental functions, totaling \$12,320,943, decreased by \$1,497,063 from the prior fiscal year, mainly due to decreased spending in the Capital Projects Fund.

**BUDEGTARY HIGHLIGHTS**

The difference of \$53,011 between the original budget and the final amended budget for the Central Folsom Redevelopment Project Fund reflects additional amounts to fund AB1290 programs such as Downtown Revitalization, Commercial Rehabilitation, Capital Improvement, and Murer House restoration.

Differences between the original budget and the final amended budget for the Low/Moderate Housing Fund totaling \$1,503,935 reflects the City's transfer to the Low/Moderate Housing Fund to support low and moderate housing programs.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets** - The Agency's investment in capital assets for its governmental activities as of June 30, 2010 amounts to \$5,134,581. This investment in capital assets includes land, buildings, improvements and equipment. The total decrease in the Agency's capital assets for

**CITY OF FOLSOM, CALIFORNIA**

**REDEVELOPMENT AGENCY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

the current fiscal year was 1.9% as shown in the table below. Additional information on the Agency's capital assets can be found in Note 3 of this report.

**City of Folsom Redevelopment Agency  
Changes in Capital Assets, Net of Depreciation**

	<b>Governmental Activities</b>	
	<b>2010</b>	<b>2009</b>
Land	\$ 3,888,457	\$ 3,888,457
Buildings	1,101,449	1,189,653
Improvements	138,628	145,407
Equipment	6,047	9,503
Total	<u>\$ 5,134,581</u>	<u>\$ 5,233,020</u>

**Long-term Debt** - At the end of the current fiscal year, the Redevelopment Agency had total bonded debt outstanding of \$45,230,000. The Redevelopment Agency also has Owner Participation Agreements totaling \$1,841,640. The change during the fiscal year was issuance of 2009 TAB and payments on the bonds and owner participation agreements. Additional information on the Agency's long-term debt can be found in Note 4 of this report.

**Economic Factors**

The Agency continues to face economic challenges with the continued weak regional housing market, coupled with a difficult credit market. The slowed real estate market has led to reduced sales activity, falling prices and increased foreclosures. As a result, the agency's property tax revenues decreased 5% from the prior year.

**Requests for Information**

This component unit financial report is designed to provide citizens, taxpayers, investors, and creditors with a general overview of the City of Folsom Redevelopment Agency finances and to demonstrate the Agency's accountability for the money it receives. If you have questions about this report, or need additional financial information, contact the City of Folsom, Office of Management and Budget, 50 Natoma Street, Folsom, California 95630, (916) 355-7200 or visit the City's web site at [www.folsom.ca.us](http://www.folsom.ca.us).

# CITY OF FOLSOM, CALIFORNIA

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REDEVELOPMENT AGENCY  
STATEMENT OF NET ASSETS  
JUNE 30, 2010

	<u>Governmental Activities</u>
<b>ASSETS:</b>	
Cash and investments	\$ 9,768,165
Cash with Fiscal Agent	574,900
Receivables, net of allowance for uncollectibles	7,416,450
Due from other governments	121,761
Deferred charges	1,066,044
Land held for resale	774,149
Restricted assets:	
Cash and investments	12,843,443
Cash with fiscal agent	3,033,814
Capital assets, net of accumulated depreciation	<u>5,134,581</u>
<b>Total assets</b>	<u>40,733,307</u>
<b>LIABILITIES:</b>	
Accounts payable	1,373,784
Wages payable	34,098
Interest payable	843,922
Long-term liabilities:	
Due within one year	928,888
Due in more than one year	<u>46,072,008</u>
<b>Total liabilities</b>	<u>49,252,700</u>
<b>NET ASSETS:</b>	
Invested in capital assets	5,134,581
Restricted for:	
Debt service	3,033,814
Low/moderate income housing	3,822,488
Unrestricted	<u>(20,510,276)</u>
<b>Total net assets</b>	<u><u>\$ (8,519,393)</u></u>

The accompanying notes to the basic financial statements are an integral part of this statement.

# CITY OF FOLSOM, CALIFORNIA

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REDEVELOPMENT AGENCY  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2010

	<b>Governmental Activities</b>
<b>OPERATING EXPENSES:</b>	
General government	\$ 9,568,365
Interest on long-term debt	1,900,551
	<hr/>
<b>Total operating expenses</b>	<b>11,468,916</b>
	<hr/>
<b>PROGRAM REVENUES:</b>	
Charges for services	1,849,471
Capital grants and contributions	1,550,000
	<hr/>
<b>NET EXPENSES</b>	<b>(8,069,445)</b>
	<hr/>
<b>GENERAL REVENUES:</b>	
Tax increment	7,405,383
Investment earnings	161,664
Miscellaneous	1,838
	<hr/>
<b>Total general revenues</b>	<b>7,568,885</b>
	<hr/>
<b>Change in net assets</b>	<b>(500,560)</b>
Net assets, beginning of year	(8,018,833)
	<hr/>
<b>Net assets, end of year</b>	<b>\$ (8,519,393)</b>
	<hr/> <hr/>

The accompanying notes to the basic financial statements are an integral part of this statement.

**CITY OF FOLSOM, CALIFORNIA**  
**REDEVELOPMENT AGENCY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2010**

	<b>Major Funds</b>				<b>TOTAL GOVERNMENTAL FUNDS</b>
	<b>Special Revenue Funds</b>		<b>Debt Service</b>	<b>Capital Projects</b>	
	<b>Central Folsom Redevelopment Project</b>	<b>Low/ Moderate Housing</b>			
<b>ASSETS</b>					
Cash and investments	\$ 8,135,545	\$ 1,189,238	\$ 443,382	\$ -	\$ 9,768,165
Cash with Fiscal Agent	-	-	13,060	561,840	574,900
Receivables, net of allowance for uncollectibles:					
General accounts	-	-	250	-	250
Accrued interest	14,326	5,559	804	18,628	39,317
Loans	1,651,630	5,725,253	-	-	7,376,883
Due from other funds	505,510	-	-	-	505,510
Due from other governments	97,409	24,352	-	-	121,761
Advances to other funds	-	2,692,257	-	-	2,692,257
Land held for resale	-	774,149	-	-	774,149
Restricted assets:					
Cash and investments	-	-	-	12,843,443	12,843,443
Cash with fiscal agent	-	-	3,033,814	-	3,033,814
<b>TOTAL ASSETS</b>	<b>\$ 10,404,420</b>	<b>\$ 10,410,808</b>	<b>\$ 3,491,310</b>	<b>\$ 13,423,911</b>	<b>\$ 37,730,449</b>
<b>LIABILITIES AND FUND BALANCE</b>					
Accounts payable	\$ 656,219	\$ 6,850	\$ -	\$ 710,715	\$ 1,373,784
Wages payable	24,905	9,193	-	-	34,098
Due to other funds	-	-	-	505,510	505,510
Advances from other funds	2,692,257	-	-	-	2,692,257
Deferred revenue	439,320	1,397,005	-	-	1,836,325
<b>TOTAL LIABILITIES</b>	<b>3,812,701</b>	<b>1,413,048</b>	<b>-</b>	<b>1,216,225</b>	<b>6,441,974</b>
<b>FUND BALANCE:</b>					
Reserved for:					
Loans receivable	1,212,310	4,328,248	-	-	5,540,558
Encumbrances	1,318,544	72,875	-	8,167,629	9,559,048
Debt service	-	-	3,033,814	-	3,033,814
Land held for resale	-	774,149	-	-	774,149
Low and moderate income housing	-	3,822,488	-	-	3,822,488
Unreserved:					
Undesignated	4,060,865	-	457,496	4,040,057	8,558,418
<b>TOTAL FUND BALANCE</b>	<b>6,591,719</b>	<b>8,997,760</b>	<b>3,491,310</b>	<b>12,207,686</b>	<b>31,288,475</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 10,404,420</b>	<b>\$ 10,410,808</b>	<b>\$ 3,491,310</b>	<b>\$ 13,423,911</b>	<b>\$ 37,730,449</b>

The accompanying notes to the basic financial statements are an integral part of this statement.

# CITY OF FOLSOM, CALIFORNIA

REDEVELOPMENT AGENCY  
RECONCILIATION OF THE GOVERNMENTAL FUNDS' BALANCE SHEET  
TO THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS  
AS OF JUNE 30, 2010

<b>TOTAL FUND BALANCES - TOTAL GOVERNMENTAL FUNDS</b>	\$ 31,288,475
<i>Amounts reported for Governmental Activities in the Statement of Net Assets are different because:</i>	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the Governmental Funds' balance sheets	5,134,581
Deferred costs of issuance related to long-term debt used in governmental activities are not financial resources and, therefore, are not reported in the funds	1,066,044
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	1,836,325
Long-term liabilities are not due and payable in the current period and therefore are not reported in the Governmental Funds' balance sheets:	
Interest payable accrued on long-term liabilities	(843,922)
Bonds and owner participation agreements	<u>(47,000,896)</u>
<b>NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>	<u><u>\$ (8,519,393)</u></u>

The accompanying notes to the basic financial statements are an integral part of this statement.

**CITY OF FOLSOM, CALIFORNIA**

REDEVELOPMENT AGENCY  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Major Funds				TOTAL GOVERN- MENTAL FUNDS
	Special Revenue Funds		Debt Service	Capital Projects	
	Central Folsom Redevelopment Project	Low/ Moderate Housing			
<b>REVENUES:</b>					
Tax increment revenues	\$ 5,924,306	\$ 1,481,077	\$ -	\$ -	\$ 7,405,383
Intergovernmental	-	1,550,000	-	-	1,550,000
Charges for services	6,984	1,832	-	4,330	13,146
Interest revenue	60,557	39,249	4,314	57,544	161,664
Other revenue	-	-	1,838	-	1,838
<b>TOTAL REVENUES</b>	<b>5,991,847</b>	<b>3,072,158</b>	<b>6,152</b>	<b>61,874</b>	<b>9,132,031</b>
<b>EXPENDITURES:</b>					
Current operating:					
General government	5,082,511	556,459	7,980	3,738,614	9,385,564
Debt service:					
Principal payments	401,708	-	580,000	-	981,708
Interest and fiscal charges	-	-	1,766,700	-	1,766,700
Cost of issuance	-	-	186,971	-	186,971
<b>TOTAL EXPENDITURES</b>	<b>5,484,219</b>	<b>556,459</b>	<b>2,541,651</b>	<b>3,738,614</b>	<b>12,320,943</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>507,628</b>	<b>2,515,699</b>	<b>(2,535,499)</b>	<b>(3,676,740)</b>	<b>(3,188,912)</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Proceeds of Refunding Bonds	-	-	18,095,000	-	18,095,000
Bond discount	-	-	(56,779)	-	(56,779)
Payment to refunded escrow agent	-	-	(2,392,547)	-	(2,392,547)
Transfers in	-	-	1,907,646	16,058,515	17,966,161
Transfers out	(2,961,318)	-	(15,004,843)	-	(17,966,161)
<b>TOTAL OTHER FINANCING SOURCES/(USES)</b>	<b>(2,961,318)</b>	<b>-</b>	<b>2,548,477</b>	<b>16,058,515</b>	<b>15,645,674</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(2,453,690)</b>	<b>2,515,699</b>	<b>12,978</b>	<b>12,381,775</b>	<b>12,456,762</b>
<b>FUND BALANCE, JULY 1</b>	<b>9,045,409</b>	<b>6,482,061</b>	<b>3,478,332</b>	<b>(174,089)</b>	<b>18,831,713</b>
<b>FUND BALANCE, JUNE 30</b>	<b>\$ 6,591,719</b>	<b>\$ 8,997,760</b>	<b>\$ 3,491,310</b>	<b>\$ 12,207,686</b>	<b>\$ 31,288,475</b>

The accompanying notes to the basic financial statements are an integral part of this statement.

# CITY OF FOLSOM, CALIFORNIA

## REDEVELOPMENT AGENCY RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NET CHANGE IN FUND BALANCE - TOTAL GOVERNMENTAL FUNDS** \$ 12,456,762

*Amounts reported for Governmental Activities in the  
Statement of Activities are different because:*

Depreciation expense on capital assets is reported in the Government-Wide Statement of Activities and Changes in Net Assets, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in governmental funds. (98,439)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 1,836,325

Governmental funds report debt issuance costs (deferred charges) as part of debt service expenditures, whereas these costs are deferred and amortized in the Government-Wide Statement of Activities. (23,582)

Premiums, discounts, and other charges related to long-term debt are expended in the year of issuance by governmental funds. However, these costs are deferred and amortized in the statement of activities. This amount reflects the amortization of premiums, discounts, and other deferred charges. (84,362)

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets:

Tax allocation bonds payable	\$ 580,000	
Owner participation agreements	401,708	
Proceeds from issuance of long-term debt	(18,095,000)	
Bond discount	56,779	
Payment to refunded escrow agent	2,392,547	
Issuance costs	186,971	
	186,971	(14,476,995)

Other expenses in the statement of activities that do not use current financial resources are not reported as expenditures in the governmental funds

Change in accrued interest (110,269)

**CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES** \$ (500,560)

The accompanying notes to the basic financial statements are an integral part of this statement.

# CITY OF FOLSOM, CALIFORNIA REDEVELOPMENT AGENCY

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## NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

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### 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**General** - The basic financial statements of the Redevelopment Agency of the City of Folsom (Agency) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government funds. 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 government's accounting policies are described below.

**Reporting Entity** - The Redevelopment Agency of the City of Folsom was established on August 1, 1983, as set forth in the Health and Safety Code of the State of California. The primary purpose of the Agency is to prepare and carry out plans for improvement, rehabilitation, and redevelopment of blighted areas within the City of Folsom. The council members of the City of Folsom serve as the governing board of the Agency. The City of Folsom performs all accounting and administration functions.

The Agency has established one redevelopment project area, known as the Central Folsom Redevelopment Project.

The Agency's primary source of revenue, other than loans and advances from the City, comes from property taxes, referred to in the accompanying financial statements as "tax increment revenue." Property taxes allocated to the Agency are computed in the following manner:

- The assessed valuation of all property within the project area is determined on the date of adoption of the Redevelopment Plan.
- Property taxes related to the incremental increase in assessed values after the adoption of the Redevelopment Plan are allocated to the Agency; all taxes on the "frozen" assessed valuation of the property are allocated to the City and other districts.

The Agency meets the criteria set forth under the Governmental Accounting Standards Board (GASB) Statement 14, as amended by Statement 39, for inclusion as a blended component unit within the City of Folsom reporting entity based on the City's oversight responsibility in selection of the governing board. In addition, all of the Agency's activities are conducted within the geographic boundaries of the City.

**Government-wide and Fund Financial Statements** - The government-wide financial statements (i.e. the statement of net assets and statement of activities) report information on all of the nonfiduciary activities of the Agency. For the most part, the effect of interfund activity has been removed from these statements. The Agency uses only governmental activities, which normally are supported by taxes.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment.

# CITY OF FOLSOM, CALIFORNIA REDEVELOPMENT AGENCY

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## NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2010

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Program revenues include:

- Charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and Capital grants and contributions.

General revenues include:

- Taxes, investment earnings and other items not properly included among program revenues.

The accounts of the Agency are organized on the basis of funds. A fund is a separate self-balancing set of accounts. Each fund was established for the purpose of accounting for specific activities in accordance with applicable regulations, restrictions or limitations. Separate financial statements are provided for governmental funds. Under the criteria defined by GASB No. 34, all of the Agency funds are considered to be major individual governmental funds and are reported as separate columns in the fund financial statements.

**Measurement Focus, Basis of Accounting and Basis of Presentation** - The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Under this method, revenues are recognized when measurable and available. Interest, certain state and federal grants, and charges for services are accrued when the receipt occurs within three hundred sixty five days of the end of the accounting period so as to be both measurable and available. Other revenues are considered to be measurable and available only when cash is received by the City. Property taxes are accrued when their receipt occurs within sixty days of the end of the accounting period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments are recorded only when payment is due. Proceeds of general long-term debt are reported as other financing sources.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then unrestricted resources as they are needed.

The Redevelopment Agency of the City of Folsom is a component unit of the City of Folsom and, as such, is included in combined financial statements of the City by fund classification.

# CITY OF FOLSOM, CALIFORNIA REDEVELOPMENT AGENCY

## NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2010

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### **Governmental Funds**

Governmental Fund Types - Governmental funds are used to account for the Agency's expendable financial resources and related liabilities. The following are the Agency's governmental fund types:

*Special Revenue Funds* – Special Revenue Funds are used to account for specific revenues that are restricted by law or administrative action to expenditures for particular purposes.

The Agency reports the following major special revenue governmental funds:

*Central Folsom Redevelopment Project Special Revenue Fund* - Central Folsom Redevelopment Project accounts for tax increment income. Expenditures from this fund are primarily used for redevelopment project costs and administrative expenses.

*Low/Moderate Housing Special Revenue Fund* - The Low/Moderate Housing Fund accounts for tax increment income which will be used by the Agency for the purposes of increasing and improving the City's supply of housing for persons and families of very low or moderate income.

Additionally, the Agency reports the following major governmental fund types:

*Debt Service Fund* – A Debt Service Fund is established for the project area to account for tax increment revenues, bond proceeds, amounts set aside for future debt service, and related interest income. The funds are used to repay principal and interest on indebtedness of the Agency.

*Capital Projects Fund* - Capital Projects Fund accounts for the construction proceeds of the Redevelopment Agency Refunding Tax Allocation Bonds.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

**Tax Increment Financing** - Tax increment financing has been established pursuant to the California Community Redevelopment Law. It is defined as the excess of taxes levied and collected each year in a redevelopment project area over and above the amount which would have been produced, at current rates, by the assessed value shown on the assessment roll last equalized prior to the effective date of the ordinance of the City establishing the redevelopment project area. Such funds are restricted to pay the principal and interest on loans, monies advanced to, or indebtedness incurred by, the Agency to finance or refinance a redevelopment project and are available to the Agency only after indebtedness, which is certified by the State of California, is incurred.

When the Agency's loans, advances and indebtedness, if any, together with interest thereon have been paid, all monies thereafter received from taxes upon the taxable property in such redevelopment project shall be paid into the funds of the respective taxing agencies.

# CITY OF FOLSOM, CALIFORNIA

## REDEVELOPMENT AGENCY

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### NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2010

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**Encumbrances** - Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is employed in governmental funds. Open encumbrances at year end are reported as reservations of fund balance. Encumbrances do not constitute expenditures or liabilities. All appropriations remaining at year-end lapse.

**Cash and Investments** – The cash of the Agency is kept in a pool along with the other funds of the City of Folsom for the purpose of increasing interest earnings through combined investment activities. Investments are stated at fair value.

**Cash with Fiscal Agent** - The cash of the Agency that is maintained by a fiscal agent.

**Receivables and Payables** - Property taxes related to the current fiscal year are accrued as revenue and accounts receivable and considered available if received within 60 days of year end. The amount recognized as revenue under the modified accrual basis is limited to the amount that is deemed measurable and available.

**Land held for resale** – Represents land acquired by the Agency that is intended to be held for sale at a future date.

**Restricted Assets** - Certain proceeds of debt issuances, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

**Deferred Charges** – Represent bond issuance costs and are amortized over the term of the related debt.

**Capital Assets** - Capital assets, which include land, buildings, improvements, equipment and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the government-wide financial statements. The Agency defines capital assets as assets with an initial, individual cost of more than \$5,000. Capital assets are recorded at the lower of actual historical cost or fair market value (as of the date donated for contributed assets) although for certain older assets estimated historical costs are used.

The costs of normal maintenance and repairs that do not add value to the asset or materially extend asset lives are not capitalized.

Costs of assets sold or retired (and related amounts of accumulated depreciation) are eliminated from the accounts in the year of sale or retirement and the resulting gain or loss is included in the operating statement of the related fund. In governmental funds, the sale of general capital assets is included in the statement of revenues, expenditures and changes in fund balances as proceeds from sale.

# CITY OF FOLSOM, CALIFORNIA REDEVELOPMENT AGENCY

## NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2010

Capital assets are depreciated using the straight-line method over the following useful lives:

	Years
Buildings, facilities and improvements	10-40
Computer and office equipment	3-7

**Deferred Revenue** - Deferred revenue in governmental funds consists of long-term loans receivable whose terms include forgiveness at the end of the loan period.

**Owner Participation Agreements** – The Agency has entered into Owner Participation Agreements with property owners in Folsom to encourage the development and improvement of the land. These Agreements provide for reimbursement by the Agency to the property owner for certain costs and improvements incurred. They are typically paid based on a percentage of the tax increment revenue received after the development has been completed and is paid over a fixed term, generally ten years. The Agency reports a liability for these payments based on a percentage of projected tax increment revenue estimated to be received over the life of the agreement.

**Fund Balances** - Reservations of fund balance represent amounts that are not appropriable or are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. The following is a descriptive list of the reserves and designations used by the Agency.

- *Reserved for loans receivable* - used to indicate that the long-term portion of loans receivable do not represent available, spendable resources even though they are a component of assets.
- *Reserved for encumbrances* - used to represent that portion of fund balance committed for materials and services on purchase orders and contracts, not completed at year end.
- *Reserved for debt service* - used to represent that portion of fund balance/retained earnings segregated for service of long-term indebtedness.
- *Land held for resale* – Reflects non-current resources not considered as current available funds.
- *Low-moderate income housing* - Set aside for eligible low and moderate income family housing.

**Property Taxes** - Article XIII of the California Constitution (Proposition 13) limits ad valorem taxes on real property to one percent of value plus taxes necessary to pay indebtedness approved by voters prior to July 1, 1978. The Article also established the 1975/76 assessed valuation as the base and limits annual increases to the cost of living, not to exceed two percent, for each year thereafter. Property may also be reassessed to full market value after sale, transfer of ownership, or completion of new construction. The State is prohibited under the Article from imposing new ad valorem, sales, or transactions taxes on real property. Local government may impose special taxes (except on real property) with the

# CITY OF FOLSOM, CALIFORNIA REDEVELOPMENT AGENCY

## NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2010

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approval of two-thirds of the qualified electors. Property taxes are receivable and recorded in the fiscal year for which the tax is levied. Revenue is recognized when measurable and available. Property taxes collected in advance are recorded as deferred revenue and recognized in the year they become available. The County of Sacramento levies, bills and collects property taxes for the Agency. Incremental tax increment revenues represent property taxes arising from increased assessed valuations over base valuation established at the inception of the project area. Incremental property taxes from the 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.

Secured and unsecured property taxes are levied based on the assessed value as of March 1, the lien date, of the preceding fiscal year. Secured property tax is levied on September 30 and due in two installments, on November 1 and February 1. Collection dates are December 10 and April 10, which are also the delinquent dates.

The Agency has elected to receive the property taxes from the County under the Teeter Bill. Under this program, the Agency receives 100% of the levied property taxes in periodic payments with the County assuming responsibility for the delinquencies.

**Budgetary Data** - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds except capital projects and debt service funds, which adopt multi-year length budgets. The level of control (i.e. the level at which expenditures may not legally exceed appropriations) is at the fund level. All appropriations remaining at year-end lapse, except for purchases in progress which are carried forward to the following year and reserved by encumbrances. The following procedures are used to establish the budgetary data reflected in the financial statements:

- (A) Department Heads prepare a budget request based upon the previous year's expenditures.
- (B) Meetings are held between the Department Heads, Chief Financial Officer, and City Manager for the purpose of reviewing and prioritizing the budget requests.
- (C) The City Manager submits the proposed city budget to the City Council, who makes decisions regarding department budgets.
- (D) Transfers between funds and changes in the total budget must be approved by the City Council.

**Annual Financial Statements** - These financial statements are intended to reflect the financial position, results of operations and compliance of the Redevelopment Agency of the City of Folsom. The comprehensive annual financial report of the City of Folsom, California is available at the Office of Management and Budget.

# CITY OF FOLSOM, CALIFORNIA REDEVELOPMENT AGENCY

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## NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2010

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**Interfund Transfers** - Transfers report the nonreciprocal contribution of resources from one fund to another. Since the Agency is a component unit of the City of Folsom, California, various interfund transfers were made to finance expenditures and service debt.

**Use of Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

### 2 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. The balance in the pooled cash account is available to meet current operating requirements. 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*, investments held in the City's cash and investments pool are available on demand and are stated at fair value. The value of pool shares that may be withdrawn is determined on an amortized cost basis, which is different than the fair value of the Agency's position in the pool.

Certain proceeds of debt issues, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

The Agency's share of the City's pooled cash and investments and cash with fiscal agent at June 30, 2010 was \$22,611,608 and \$3,608,714, respectively. The City's Comprehensive Annual Financial Report contains further details regarding cash and investments and can be obtained from the City's Office of Management and Budget located at 50 Natoma Street, Folsom, CA 95630 or visit the City's website at [www.folsom.ca.us](http://www.folsom.ca.us)

# CITY OF FOLSOM, CALIFORNIA REDEVELOPMENT AGENCY

## NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2010

Total Agency deposits and investments at fair value as of June 30, 2010 were as follows:

	Credit Quality Rating		Fair Value
	Moody's	S & P	
Cash pooled with the City Treasury Investments			
Local Agency Investment Fund	Not Rated	Not Rated	\$ 22,611,608
Total funds in City Treasury Investments			<u>22,611,608</u>
Cash and investments with fiscal agents			
Money market mutual funds	Not Rated	Not Rated	3,608,714
Total cash and investments with fiscal agents			<u>3,608,714</u>
Total cash and investments			<u>\$ 26,220,322</u>

### Investments

The table below identifies the investment types that are authorized for the Agency 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 Agency's investment policy) 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
Local Agency Investment Fund (LAIF)	N/A	100%	None
Bonds Issued by the City	5 years	80%	None
U.S. Treasury Bills, Notes and Bonds	5 years	80%	None
Registered State Warrants, Treasury Notes or Bonds of the State	5 years	20%	None
Bonds, Notes or Warrants of any Local Agency within the State	5 years	20%	None
Federal Agency Securities or U.S. Government Sponsored Enterprise Obligations	5 years	50%	25%
Bankers Acceptances	180 days	40%	30%
Commercial Paper *1	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	20%	10%
Repurchase agreements	1 year	30%	None
Reverse Repurchase agreements	92 days	20%	None
Medium Term Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Notes, Bonds or Obligations for Purpose of Securing Local Agency Deposits	5 years	None	None
Mortgaged Backed or Consumer Pass-through Securities	5 years	20%	None
Shares of Beneficiary Interest issued by a JPA	N/A	20%	None

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

\*1 An additional 15%, or a total of 30%, may be invested in commercial paper if the weighted dollar average of the entire amount does not exceed 31 days.

# CITY OF FOLSOM, CALIFORNIA REDEVELOPMENT AGENCY

## NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2010

**Investments Authorized by Debt Agreements** - Investment of debt proceeds held by bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the Agency's investment policy. The table below identifies the investment types that are authorized for investments held by bond trustee. The table also 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	2005 RDA	2006 RDA	2009 RDA
U.S. Treasury Obligations	None	None	None	x	x	x
U.S. Treasury Obligations	5 years	None	None	n/a	n/a	n/a
U.S. Agency Securities	None	None	None	x	x	x
Banker's Acceptances	360 days	None	None	n/a	n/a	n/a
Commercial paper	270 days	None	None	x	x	x
Commercial paper	180 days	30%	10%	n/a	n/a	n/a
Corporate bonds, notes, debentures	N/A	None	None	n/a	n/a	n/a
Money market mutual funds	N/A	None	None	x	x	x
Municipal obligations	None	None	None	x	x	x
State obligations	None	None	None	x	x	x
Investment agreements - *	None	None	None	x	x	x
California Asset Management Program (CAMP)	None	None	None	x	x	x
Local Agency Investment Fund (LAIF)	None	None	None	n/a	n/a	n/a
Other *1	None	None	None	x	x	x
City's investment policy *2	N/A	N/A	N/A	n/a	n/a	n/a
Interest bearing accounts	None	None	None	n/a	n/a	n/a
Shares in California Common law trust	None	None	None	n/a	n/a	n/a
Cash (insured at all times by FDIC)	None	None	None	n/a	n/a	n/a
Deposit Accounts (FDIC Insured) *3	None	None	None	x	x	x
CD's, time deposits and bankers acceptances	30 days	None	None	x	x	x
Certificates of deposit	None	None	None	n/a	n/a	n/a

\* With notice to Standard & Poor's and/or approved in writing by the Bond Insurer and supported by opinions of counsel.

\*1 including repurchase agreements

\*2 No securities may be purchased on margin, adequate monies to meet cash flow requirements, and no more than 50% of City's total cash be invested for longer than one year.

\*3 In Banks which have capital and surplus of at least \$5,000,000.

**Disclosures Relating to Interest Rate Risk** - Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. 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

**CITY OF FOLSOM, CALIFORNIA  
REDEVELOPMENT AGENCY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED JUNE 30, 2010**

close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations and debt service. Information about the sensitivity of the fair values of the Agency's investments (including investments held by bond trustee) to market interest rate fluctuations is provided by the following table that shows the distribution of the Agency's investments by maturity:

Investment Type	Fair Value	Investment Maturities (In Less than 1 year)
LAIF	\$ 22,611,608	\$ 22,611,608
Money market	3,608,714	3,608,714
Total	<u>\$ 26,220,322</u>	<u>\$ 26,220,322</u>

Additional disclosure related to LAIF and Money market accounts is included in the City's Comprehensive Annual Financial Report.

**3 CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2010, was as follows:

	Balance July 1, 2009	Additions	Deletions	Balance June 30, 2010
Capital assets, not being depreciated:				
Land	\$ 3,888,457	\$ -	\$ -	\$ 3,888,457
Total capital assets, not being depreciated	3,888,457	-	-	3,888,457
Capital assets, being depreciated:				
Buildings	2,646,128	-	-	2,646,128
Improvements	217,273	-	-	217,273
Equipment	26,061	-	-	26,061
Total capital assets, being depreciated	2,889,462	-	-	2,889,462
Less accumulated depreciation for:				
Buildings	(1,456,475)	(88,204)	-	(1,544,679)
Improvements	(71,866)	(6,779)	-	(78,645)
Equipment	(16,558)	(3,456)	-	(20,014)
Total accumulated depreciation	(1,544,899)	(98,439)	-	(1,643,338)
Governmental activities capital assets, net	<u>\$ 5,233,020</u>	<u>\$ (98,439)</u>	<u>\$ -</u>	<u>\$ 5,134,581</u>

**CITY OF FOLSOM, CALIFORNIA  
REDEVELOPMENT AGENCY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED JUNE 30, 2010**

**4 CHANGES IN LONG-TERM DEBT**

The following is a summary of long-term debt transactions of the Agency for the fiscal year ended June 30, 2010:

<b>Governmental Activities</b>	<b>Balance July 1, 2009</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance June 30, 2010</b>	<b>Amount Due within one year</b>
Tax allocation bonds					
1997 RDA Refunding TAB	\$ 2,935,000	\$ -	\$ (2,935,000)	\$ -	\$ -
2005 RDA Library TAB	10,190,000	-	-	10,190,000	-
2006 RDA RR Block TAB	16,945,000	-	-	16,945,000	-
2009 RDA Streetscape TAB	-	18,095,000	-	18,095,000	515,000
<b>Total Tax allocation bonds</b>	<b>30,070,000</b>	<b>18,095,000</b>	<b>(2,935,000)</b>	<b>45,230,000</b>	<b>515,000</b>
Owner participation agreements:					
Gaslight Properties	19,000	-	(19,000)	-	-
Kikkoman Food, Inc.	892,230	-	(246,047)	646,183	216,470
McCarthy/Cook	1,332,118	-	(136,661)	1,195,457	221,000
<b>Total owner participation agreements</b>	<b>2,243,348</b>	<b>-</b>	<b>(401,708)</b>	<b>1,841,640</b>	<b>437,470</b>
Less: Deferred amounts on refunding and issuance discounts/premiums	-	(94,326)	23,582	(70,744)	(23,582)
<b>Governmental activities long-term liabilities</b>	<b>\$ 32,313,348</b>	<b>\$ 18,000,674</b>	<b>\$ (3,313,126)</b>	<b>\$ 47,000,896</b>	<b>\$ 928,888</b>

**Tax Allocation Bonds**

In August 2005, the Agency issued the Redevelopment Agency Tax Allocation Bonds, Series 2005 for \$10,190,000 with interest rates ranging from 4.0% to 4.25% for the serial bonds and 4.5% for the term bonds. The bonds were issued to provide funds to pay a portion of the costs of constructing a new library facility, an adjacent baseball field and related improvements and infrastructure, to make a deposit to a reserve account in an amount equal to the Series 2005 Reserve Account Requirement (as defined in the Indenture), and fund the interest due and pay associated costs of issuance.

In August 2006, the Agency issued Redevelopment Agency Tax Allocation Bonds, Series 2006 for \$16,945,000 with interest rates ranging from 4.0% to 4.5% for the serial bonds and 4.25% to 4.375% for the term bonds. The bonds were issued to provide funds to pay for a portion of the costs of constructing the Railroad Block Parking Structure and the Folsom Railroad Block Public Plaza and related improvements and infrastructure, to make a deposit to a reserve account for the Series 2006 Bonds (as defined in the Indenture) and to pay the costs of issuance of the 2006 Bonds.

In October 2009, the Agency issued Redevelopment Agency Tax Allocation Bonds, Series 2009 for \$18,095,000 with interest rates ranging from 3.0% to 4.75% for the serial bonds

**CITY OF FOLSOM, CALIFORNIA  
REDEVELOPMENT AGENCY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED JUNE 30, 2010**

and 5.125% to 5.5% for the term bonds. The bonds were issued to provide funds to finance redevelopment activities within the Project Area (including the Streetscape Project), pay a portion of the costs of refunding the Series 1997 Bonds, make a deposit to a reserve account, pay capitalized interest and certain costs of issuance of the Series 2009 Bonds.

Annual debt service requirements to maturity for the tax allocation bonds are as follows:

Year Ending June 30	Tax Allocation Bonds	
	Principal	Interest
2011	\$ 515,000	\$ 2,017,688
2012	880,000	1,996,763
2013	940,000	1,969,463
2014	875,000	1,937,863
2015	1,100,000	1,897,413
2016-2020	6,210,000	8,767,835
2021-2025	7,630,000	7,311,219
2026-2030	9,505,000	5,374,898
2031-2035	11,950,000	2,852,221
2036-2037	5,625,000	276,392
<b>Total</b>	<b>\$ 45,230,000</b>	<b>\$ 34,401,755</b>

Current Year Defeasance:

**Central Folsom Redevelopment Project Tax Allocation Bonds, Series 2009**

On October 22, 2009, the Redevelopment Agency of the City of Folsom issued \$18,095,000 of Tax Allocation Bonds with interest rates ranging from 3.000% to 4.000% of which \$1,790,000 is to current refund prior Refunding Tax Allocation Bonds with interest rates ranging from 5.000% to 5.250% and a par value of \$2,355,000. The prior Refunding Tax Allocation Bonds were to mature annually on August 1 between 2010 and 2013. The prior Refunding Tax Allocation Bonds were callable on November 23, 2009. The pro-rata portion of the current Tax Allocation Bonds were issued at a premium of \$25,877 and, after paying issuance costs of \$19,784 and underwriter's discount of \$13,565, the net proceeds were \$1,782,528. The net proceeds from the issuance of the Tax Allocation Bonds were used to purchase U.S. government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the bonds were called on November 23, 2009. The current refunding met the requirements of an in-substance defeasance and the term bonds were removed from the City's government-wide financial statements.

As a result of the current refunding, the Redevelopment Agency of the City of Folsom reduced its total debt service requirements by \$122,050, which resulted in an economic loss

**CITY OF FOLSOM, CALIFORNIA  
REDEVELOPMENT AGENCY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED JUNE 30, 2010**

(difference between the present value of the debt service payments on the old and new debt) of \$59,415.77 and a deferred loss of \$37,547.

Owner Participation Agreements

In August 1995, the Agency entered into an owner participation agreement with Gaslight Properties, Inc. for \$272,000 to be paid in eleven annual installments of \$23,000 with one remaining payment of \$19,000. The agreement provides for reimbursement of fees and costs associated with the construction of a building on Sutter Street to be paid from property tax increment.

In January 1997, the Agency entered into an owner participation agreement with Kikkoman, Inc. with an estimated value of \$1,500,000 depending on the increase of assessed value on the property. The City is scheduled to pay \$216,470 annually. The agreement will extend for ten years.

In January 1997, the Agency entered into an owner participation agreement with McCarthy Cook (formerly Spieker Properties, L.P.) with an estimated value of \$854,819 depending on the increase of assessed value on the property. The City is currently paying \$215,000 annually. During FY 07-08, the City extended this agreement for an additional 8 1/2 years, increasing the estimated value by \$1.8 million.

The annual requirements to amortize the Owner Participation Agreements as of June 30, 2010, are as follows:

**Owner Participation Agreements**

<b>Year Ending June 30</b>	<b>Principal</b>
2011	\$ 437,470
2012	437,470
2013	434,243
2014	221,000
2015	311,457
Total	<u>\$ 1,841,640</u>

# CITY OF FOLSOM, CALIFORNIA REDEVELOPMENT AGENCY

## NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2010

### 5 TRANSFERS

Transfers report the nonreciprocal contribution from one fund to another. The following is a summary of transfers for the year ended June 30, 2010:

	Folsom	Folsom	Total
	Redevelopment Agency Debt Service Fund	Redevelopment Agency Capital Projects Fund	
<b>Transfers out</b>			
Central Folsom Redevelopment Project	\$ 1,907,646	\$ 1,053,672	\$ 2,961,318
Folsom RDA Debt Service	-	15,004,843	15,004,843
<b>Total</b>	<b>\$ 1,907,646</b>	<b>\$ 16,058,515</b>	<b>\$ 17,966,161</b>

During the year interfund transfers listed above were made to finance expenditures for capital projects and to service debt.

### 6 RISK MANAGEMENT

The Agency is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The Agency as a component unit of the City has joined together with other Cities in the State of California to participate in Northern California Cities Self Insurance Fund (NCCSIF), a joint powers agency which provides the City with a shared risk layer of coverage above the self insured \$100,000 retention for liability and workers' compensation. In addition, NCCSIF provides claims servicing to the City for the banking layer, which represents the City's self insurance. The NCCSIF is composed of 20 member cities and is governed by a board of directors appointed by the member cities. The governing board has authority over budgeting and financing. The workers' compensation and general liability programs are administered by third-party administrators. Condensed financial information for NCCSIF is included in the City's Comprehensive Annual Financial Report.

### 7 RELATED PARTY TRANSACTION

The Agency received intergovernmental revenues of \$1.550 million from the City. This was a payment from the City's Housing Trust Special Revenue fund to be used for low and moderate income housing projects.

### 8 NEW GASB STATEMENTS

The following summarizes recent GASB pronouncements and their impact, if any, on future financial statements:

# **CITY OF FOLSOM, CALIFORNIA REDEVELOPMENT AGENCY**

## **NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2010**

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GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions," was established to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The requirements of this statement are effective for fiscal periods beginning after June 15, 2010. This pronouncement will affect the way the Agency reports fund balance.

GASB Statement No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans," addresses issues related to measurement of OPEB obligations by certain employers participating in agent multiple-employer OPEB plans. The requirements of this statement are effective for fiscal periods beginning after June 15, 2011. This pronouncement should not have an affect on the Agency's financial statements.

GASB Statement No. 59, "Financial Instruments Omnibus," updates and improves existing standards regarding financial reporting of certain financial instruments and external investment pools. GASB Statement No. 59 is effective for financial statements for periods beginning after June 15, 2010. The City has not determined what impact, if any, this pronouncement will have on the financial statements.

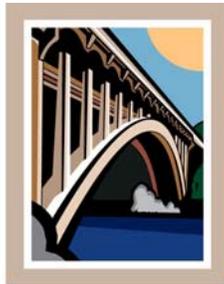
### **9 PLEDGE OF FUTURE REVENUES**

The Redevelopment Agency of the City of Folsom Tax Allocation Bonds, Series 2005, Series 2006, and Series 2009 are limited obligations of the Redevelopment Agency payable solely from and secured solely by a pledge of tax revenues on a parity basis. The pledge of tax revenues in each bond year will be in an amount equal to the annual debt service payable on the bonds. Tax revenues are defined as the taxes eligible for allocation to the Agency pursuant to the Redevelopment Law exclusive of (i) amounts, if any, not exceeding 20 percent of certain such taxes which may be required by law to be set aside for certain housing purposes; (ii) amounts, if any, received pursuant to Section 16111 of the Government Code; and (iii) amounts, if any, payable pursuant to Sections 33607.5 and 33607.7 of the Redevelopment Law. \$45,320,000 in bonds were issued in three series to refund prior bonds, finance a Library project, finance a Parking Structure, and finance the Streetscape Project, all within the agency. The total principal and interest remaining to be paid on all the bonds is \$79,631,755 through fiscal year 2037. Principal and interest paid for the current year and tax revenues were \$2,096,386 and \$5,924,306 respectively. Annual principal and interest payments on the bonds are expected to require less than 40 percent of the available revenues.

### **10 EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

For the year ended June 30, 2010, expenditures exceeded appropriations in the Central Folsom Redevelopment Project special revenue fund by \$1,271,862. These overexpenditures were funded by greater than anticipated revenues in that fund.

**REQUIRED SUPPLEMENTARY INFORMATION**



CITY OF  
**FOLSOM**  
DISTINCTIVE BY NATURE

# CITY OF FOLSOM, CALIFORNIA

REDEVELOPMENT AGENCY  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
 SPECIAL REVENUE FUND TYPE  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Central Folsom Redevelopment Project			Variance with Final Budget Positive (Negative)
	Budget		Actual	
	Original	Final		
<b>REVENUES:</b>				
Taxes	\$ 5,722,019	\$ 5,722,019	\$ 5,924,306	\$ 202,287
Charges for current services	150,000	150,000	6,984	(143,016)
Interest revenue	100,000	100,000	60,557	(39,443)
Miscellaneous	10,547,052	10,547,052	-	(10,547,052)
<b>TOTAL REVENUES</b>	16,519,071	16,519,071	5,991,847	(10,527,224)
<b>EXPENDITURES:</b>				
Current operating:				
General government	3,699,346	3,752,357	5,082,511	(1,330,154)
Debt Service:				
Principal Payments	460,000	460,000	401,708	58,292
<b>TOTAL EXPENDITURES</b>	4,159,346	4,212,357	5,484,219	(1,271,862)
<b>EXCESS REVENUES AND OTHER SOURCES OVER EXPENDITURES</b>	12,359,725	12,306,714	507,628	(11,799,086)
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers out	(12,359,725)	(12,359,725)	(2,961,318)	9,398,407
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	(12,359,725)	(12,359,725)	(2,961,318)	9,398,407
<b>NET CHANGE IN FUND BALANCE</b>	-	(53,011)	(2,453,690)	(2,400,679)
<b>FUND BALANCE, JULY 1</b>	9,045,409	9,045,409	9,045,409	-
<b>FUND BALANCE, JUNE 30</b>	\$ 9,045,409	\$ 8,992,398	\$ 6,591,719	\$ (2,400,679)

# CITY OF FOLSOM, CALIFORNIA

REDEVELOPMENT AGENCY  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
 SPECIAL REVENUE FUND TYPE  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Low/Moderate Housing Fund			
Budget		Actual	Variance with Final Budget Positive (Negative)
Original	Final		
\$ 1,430,505	\$ 1,430,505	\$ 1,481,077	\$ 50,572
-	1,550,000	1,550,000	-
50,000	50,000	1,832	(48,168)
100,000	100,000	39,249	(60,751)
1,362,427	1,362,427	-	(1,362,427)
2,942,932	4,492,932	3,072,158	(1,420,774)
2,972,932	3,018,997	556,459	2,462,538
-	-	-	-
2,972,932	3,018,997	556,459	2,462,538
(30,000)	1,473,935	2,515,699	1,041,764
-	-	-	-
-	-	-	-
-	-	-	-
(30,000)	1,473,935	2,515,699	1,041,764
6,482,061	6,482,061	6,482,061	-
\$ 6,452,061	\$ 7,955,996	\$ 8,997,760	\$ 1,041,764

**REVENUES:**

Taxes  
 Intergovernmental  
 Charges for current services  
 Interest revenue  
 Miscellaneous

**TOTAL REVENUES**

**EXPENDITURES:**

Current operating:  
     General government  
 Debt Service:  
     Principal Payments

**TOTAL EXPENDITURES**

**EXCESS REVENUES AND OTHER  
 SOURCES OVER EXPENDITURES**

**OTHER FINANCING SOURCES (USES):**

Transfers in  
 Transfers out

**TOTAL OTHER  
 FINANCING SOURCES (USES)**

**NET CHANGE IN FUND BALANCE**

**FUND BALANCE, JULY 1**

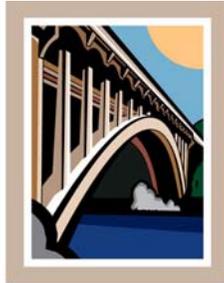
**FUND BALANCE, JUNE 30**

# CITY OF FOLSOM, CALIFORNIA

REDEVELOPMENT AGENCY  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
 DEBT SERVICE FUND TYPE  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Folsom Redevelopment Agency Debt Service Fund			Variance with Final Budget Positive (Negative)
	Budget		Actual	
	Original	Final		
<b>REVENUES:</b>				
Interest revenue	\$ 7,980	\$ 7,980	\$ 4,314	\$ (3,666)
Miscellaneous	-	-	1,838	1,838
<b>TOTAL REVENUES</b>	7,980	7,980	6,152	(1,828)
<b>EXPENDITURES:</b>				
Current Operating:				
General government	-	-	7,980	(7,980)
Debt Service:				
Principal Payments	580,000	580,000	580,000	-
Interest and fiscal charges	1,327,646	1,327,646	1,766,700	(439,054)
Cost of issuance	-	-	186,971	(186,971)
<b>TOTAL EXPENDITURES</b>	1,907,646	1,907,646	2,541,651	(634,005)
<b>EXCESS REVENUES AND OTHER SOURCES OVER EXPENDITURES</b>	(1,899,666)	(1,899,666)	(2,535,499)	(635,833)
<b>OTHER FINANCING SOURCES (USES):</b>				
Proceeds of Refunding Bonds	-	-	18,095,000	18,095,000
Bond discount	-	-	(56,779)	(56,779)
Payment to Refunded Escrow agent	-	-	(2,392,547)	(2,392,547)
Transfers in	1,907,646	1,907,646	1,907,646	-
Transfers out	(7,980)	(7,980)	(15,004,843)	(14,996,863)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	1,899,666	1,899,666	2,548,477	648,811
<b>NET CHANGE IN FUND BALANCE</b>	-	-	12,978	12,978
<b>FUND BALANCE, JULY 1</b>	3,478,332	3,478,332	3,478,332	-
<b>FUND BALANCE, JUNE 30</b>	\$ 3,478,332	\$ 3,478,332	\$ 3,491,310	\$ 12,978

# COMPLIANCE REPORT



CITY OF  
**FOLSOM**  
DISTINCTIVE BY NATURE



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

To the Honorable Mayor and  
Members of the City Council  
Redevelopment Agency of the City of Folsom  
Folsom, California

We have audited the financial statements of the governmental activities and each major fund of the Redevelopment Agency of the City of Folsom, California (the Agency), a component unit of the City of Folsom, California as of and for the year ended June 30, 2010, and have issued our report thereon dated December 10, 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 as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. Such provisions included those provisions of laws and regulations 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying *schedule of findings and responses* as items 2010-1 through 2010-4.

The Agency's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Agency's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of the Agency's Board, management, and the California State Controller and is not intended to be and should not be used by anyone other than these specified parties.

Vaurinik, Trine, Day & Co. LLP

Sacramento, California  
December 10, 2010

**REDEVELOPMENT AGENCY  
CITY OF FOLSOM, CALIFORNIA**

**SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2010**

**FINDING 2010-1**

**HOUSING FUND PROPERTIES**

**Criteria:**

Per the *November 1998 Guidelines for Compliance Audits of California Redevelopment Agencies* and Health and Safety Code 33418.

- As part of this monitoring, an agency shall require owners or managers of the housing to submit an annual report to the agency.
- The annual reports shall include for each rental unit the rental rate and the income and family size of the occupants, and for each owner-occupied unit whether there was a change in ownership from the prior year and, if so, the income and family size of the new owners.
- The agency shall compile and maintain a database of existing, new and substantially rehabilitated, housing units developed or otherwise assisted with moneys from the Low and Moderate Income Housing Fund, or otherwise counted towards the requirements of subdivision (a) or (b) of Section 33413. The database shall be made available to the public on the Internet and updated on an annual basis. The database shall require all of the following information for each owner-occupied unit or rental unit, or for each group of units, if more than one unit is subject to the same covenant.

**Condition Found:**

As a result of our audit, we noted the Agency does not have formalized policies and procedures in place to ensure affordable housing data is compiled in compliance with the Health and Safety Code requirements and is not reporting such data to the HCD as required.

**Context:**

The Agency is required to monitor compliance with affordability covenants with its Low and Moderate Income Housing projects.

**Effect:**

The Agency did not maintain its database to ensure that annual reports were received in compliance with the following provisions of Health and Safety Code 33418.

**Cause:**

The Agency did not properly compile affordable housing data in compliance with the Health and Safety Code.

**Recommendation:**

We recommend the agency implement procedures to ensure compliance with the requirements of sec. 33418.

**REDEVELOPMENT AGENCY  
CITY OF FOLSOM, CALIFORNIA**

**SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2010**

**View of responsible official and planned corrective action:**

Management is aware of the requirement and has taken action in FY 2010/2011 to be in compliance with the requirements of sec. 33418.

**FINDING 2010-2**

**ANNUAL REPORTING**

**Criteria:**

Per the *November 1998 Guidelines for Compliance Audits of California Redevelopment Agencies* and Health and Safety Code the Agency is required *present an annual report to its legislative body within six months of the end of the agency's fiscal year.*

**Condition Found:**

We noted the Agency had their annual reports approved after the 6 month requirement pursuant to the Health and Safety Code sec. above. Also, we noted the Agency did not have its Financial Transactions and HCD report submitted to its legislative body for approval pursuant to the following provisions of Health and Safety Code sec. 33080.1.

**Context:**

The Agency is required *present an annual report to its legislative body within six months of the end of the agency's fiscal year.*

**Effect:**

The Agency did not comply with Health and Safety Code sec. 33080.1

**Cause:**

The Agency did not submit its annual reports to the City Council within six months after June 30.

**Recommendation:**

We recommend the Agency implement procedures to ensure compliance with the requirements of sec. 33080.1

**View of responsible official and planned corrective action:**

Management will submit all applicable reports to the City Council within six months of the end of the Agency's fiscal year.

**REDEVELOPMENT AGENCY  
CITY OF FOLSOM, CALIFORNIA**

**SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2010**

**FINDING 2010-3**

**HOUSING FUND – LAND HELD FOR RESALE**

**Criteria:**

The *1998 Guidelines for Compliance Audits of California Redevelopment Agencies* and Health & Safety Code sec. 33334.16 requires that all properties held five years or longer and purchased with Housing Fund monies must either 1) obtain a one-time extension by resolution or 2) sell the property and deposit the proceeds less and selling costs of the sale back into the Housing Fund.

**Condition Found:**

It was noted that there were two properties over the five-year threshold for which the Agency did not obtain a one-time extension or sell the property. It was further noted that there are currently no measures in place to either sell the properties or obtain the necessary extension through a resolution.

**Context:**

The Agency's Housing Fund currently owns two properties that are designated for future low and moderate income housing development.

**Effect:**

The effect of noncompliance with Health & Safety Code sec. 33334.16 may require the Agency to sell the properties and deposit the proceeds less and selling costs of the sale back into the Housing Fund.

**Cause:**

The Agency did not have procedures in place to monitor compliance with Health & Safety Code sec. 33334.16.

**Recommendation:**

We recommend the agency implement procedures to ensure compliance with the requirements of sec. 33334.16

**View of responsible official and planned corrective action:**

Management is aware of the requirement and has taken action in FY 2010/2011 to be in compliance with the requirements of sec. 33334.16.

**REDEVELOPMENT AGENCY  
CITY OF FOLSOM, CALIFORNIA**

**SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2010**

**FINDING 2010-4**

**HOUSING FUND - REPORTING**

**Criteria:**

In accordance with the *November 1998 Guidelines for Compliance Audits of California Redevelopment Agencies* and per the Health & Safety Code §33080.1 sections (c) through (g), all RDA's prepare and submit the following separate reports: 1) Blight progress report and 2) Property report, to be submitted no later than 6 months following the Agency's fiscal year-end.

**Condition Found:**

While performing compliance testwork, we noted the Blight Progress Report and Property Report were submitted as part of the fiscal year 2008-2009 HCD report; however, it did not include any of the properties held by the Agency or detail the removal of any blighting conditions.

**Context:**

The Agency did not submit completed Blight Progress report and Property reports to the HCD.

**Effect:**

The Agency did not comply with reporting requirement per the Health & Safety Code §33080.1 sections (c) through (g).

**Cause:**

The Agency did not have procedures in place to ensure the completeness of its annual HCD reports.

**Recommendation:**

We recommend the Agency implement policies and procedures to ensure that the HCD report is completed in compliance with requirements set forth in the Health and Safety Code Section 33080.1

**View of responsible official and planned corrective action:**

Management will prepare and submit all applicable sections of the HCD report in the future.

**REDEVELOPMENT AGENCY  
CITY OF FOLSOM, CALIFORNIA**

**SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
JUNE 30, 2010**

None noted.