

**YUCCA VALLEY  
REDEVELOPMENT AGENCY**

**Financial Statements and  
Supplemental Data**

**For the year ended June 30, 2009**

**(With Independent Auditor's Report Thereon)**

**Yucca Valley Redevelopment Agency  
Financial Statements and Supplemental Data  
For the year ended June 30, 2009**

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Yucca Valley Redevelopment Agency  
Yucca Valley, California

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities and each major fund of Yucca Valley Redevelopment Agency, a component unit of the Town of Yucca Valley, California, as of and for the year ended June 30, 2009, which collectively comprise the Agency's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Agency's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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 Yucca Valley Redevelopment Agency, as of June 30, 2009, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Agency has not presented *Managements' Discussion and Analysis* nor has it presented a budgetary comparison schedule for each major special revenue fund that has a legally adopted budget. The Governmental Accounting Standards Board has determined that the aforementioned items are necessary to supplement, although not required to be a part of, the basic financial statements.

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In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2009, on our consideration of the Yucca Valley Redevelopment 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.

*Rogers, Anderson, Mohr & Sutt LLP*

November 16, 2009

**Yucca Valley Redevelopment Agency**  
**Statement of Net Assets**  
**June 30, 2009**

	Governmental Activities
<b>Assets</b>	
Cash and investments	\$ 12,242,625
Cash with fiscal agent	743,203
Receivables:	
Property taxes	98,639
Interest	44,475
Notes	15,000
Escrow deposit	25,000
Deferred charges	315,518
Total assets	13,484,460
<b>Liabilities</b>	
Accounts payable and accrued expenses	346,051
Interest payable	40,642
Long-term liabilities:	
Due within one year	170,000
Due in more than one year	9,986,567
Total liabilities	10,543,260
<b>Net assets</b>	
Restricted for:	
Low and moderate housing	1,801,733
Unrestricted	1,139,467
Total net assets	\$ 2,941,200

*The accompanying notes are an integral part of these financial statements.*

**Yucca Valley Redevelopment Agency  
Statement of Activities  
For the year ended June 30, 2009**

	Governmental Activities
<b>Program expenses</b>	
Governmental activities:	
General government	\$ 237,738
Community development	74,820
Low and moderate housing	21,894
Interest on long-term debt	587,688
Total program expenses	922,140
<b>General revenues</b>	
Taxes:	
Tax increment, net	1,823,555
Intergovernmental, unrestricted	22,257
Investment income	272,750
Miscellaneous	1,095
Total general revenues	2,119,657
Change in net assets	1,197,517
Net assets, beginning of year	1,743,683
Net assets, end of year	\$ 2,941,200

*The accompanying notes are an integral part of these financial statements.*

**Yucca Valley Redevelopment Agency  
Balance Sheet  
Governmental Funds  
June 30, 2009**

	Special Revenue	Debt Service	Capital Projects	Total Governmental Funds
<b>Assets</b>				
Cash and investments	\$ 1,780,266	\$ 3,612,693	\$ 6,849,666	\$ 12,242,625
Cash with fiscal agent	-	743,203	-	743,203
Receivables:				
Property taxes	-	98,639	-	98,639
Interest	6,467	13,124	24,884	44,475
Notes	15,000	-	-	15,000
Escrow deposit	-	-	25,000	25,000
<b>Total assets</b>	<b>\$ 1,801,733</b>	<b>\$ 4,467,659</b>	<b>\$ 6,899,550</b>	<b>\$ 13,168,942</b>
<b>Liabilities and fund balances</b>				
Liabilities:				
Accounts payable	\$ -	\$ 339,042	\$ 2,322	\$ 341,364
Accrued payroll	-	4,687	-	4,687
<b>Total liabilities</b>	<b>-</b>	<b>343,729</b>	<b>2,322</b>	<b>346,051</b>
Fund balances:				
Reserved for:				
Notes receivable	15,000	-	-	15,000
Escrow deposit	-	-	25,000	25,000
Unreserved, reported in:				
Special revenue funds	1,786,733	-	-	1,786,733
Debt service funds	-	4,123,930	-	4,123,930
Capital projects funds	-	-	6,872,228	6,872,228
<b>Total fund balances</b>	<b>1,801,733</b>	<b>4,123,930</b>	<b>6,897,228</b>	<b>12,822,891</b>
<b>Total liabilities and fund balances</b>	<b>\$ 1,801,733</b>	<b>\$ 4,467,659</b>	<b>\$ 6,899,550</b>	<b>\$ 13,168,942</b>

*The accompanying notes are an integral part of these financial statements.*

**Yucca Valley Redevelopment Agency  
 Reconciliation of the Balance Sheet of Governmental Funds  
 to the Statement of Net Assets  
 June 30, 2009**

Fund balances of governmental funds \$12,822,891

Amounts reported for governmental activities in the Statement of  
 Net Assets are different because:

Long-term liabilities are not due and payable in the current period and  
 accordingly, are not reported as liabilities. All liabilities (both current  
 and long-term) are reported in the Statement of Net Assets.

Bonds payable	(10,460,000)
Deferred loss on refunding	185,541
Bond discount	117,892

Accrued interest payable for the current portion of interest due on long-term liabilities has not been reported in the governmental funds.	(40,642)
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Other long-term assets are not available to pay for current-period  
 expenditures and, therefore, are deferred in the funds.

Deferred charges	315,518
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Net assets of governmental activities	\$ 2,941,200
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*The accompanying notes are an integral part of these financial statements.*

**Yucca Valley Redevelopment Agency**  
**Statement of Revenues, Expenditures and Changes**  
**in Fund Balances**  
**Governmental Funds**  
**For the year ended June 30, 2009**

	Special Revenue	Debt Service	Capital Projects	Total Governmental Funds
<b>Revenues</b>				
Tax increment	\$ -	\$ 2,683,423	\$ -	\$ 2,683,423
Intergovernmental	-	22,257	-	22,257
Investment income	32,512	79,513	160,725	272,750
Miscellaneous	-	1,095	-	1,095
	<u>32,512</u>	<u>2,786,288</u>	<u>160,725</u>	<u>2,979,525</u>
Total revenues				
<b>Expenditures</b>				
Current:				
General government	-	237,738	-	237,738
Community development	21,894	-	63,940	85,834
Debt service:				
Principal	-	165,000	-	165,000
Interest and fiscal charges	-	627,183	-	627,183
Pass-through payments	-	859,868	-	859,868
	<u>21,894</u>	<u>1,889,789</u>	<u>63,940</u>	<u>1,975,623</u>
Total expenditures				
Excess of revenues over expenditures	<u>10,618</u>	<u>896,499</u>	<u>96,785</u>	<u>1,003,902</u>
<b>Other financing sources (uses)</b>				
Transfers in	512,663	68,445	-	581,108
Transfers out	(68,445)	(512,663)	-	(581,108)
	<u>444,218</u>	<u>(444,218)</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)				
Net change in fund balances	454,836	452,281	96,785	1,003,902
Fund balances, beginning of year	<u>1,346,897</u>	<u>3,671,649</u>	<u>6,800,443</u>	<u>11,818,989</u>
Fund balances, end of year	<u>\$ 1,801,733</u>	<u>\$ 4,123,930</u>	<u>\$ 6,897,228</u>	<u>\$ 12,822,891</u>

*The accompanying notes are an integral part of these financial statements.*

**Yucca Valley Redevelopment Agency  
 Reconciliation of the Statement of Revenues, Expenditures, and  
 Changes in Fund Balances of Governmental Funds to the  
 Statement of Activities  
 For the year ended June 30, 2009**

Net change in fund balances of governmental funds \$ 1,003,902

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

The repayment of the principal of long-term debt consumes the current  
 financial resources of governmental funds. This transaction, however,  
 does not have an effect on net assets.

Principal payments on debt 165,000

Some expenses reported in the statement of activities do not require the  
 use of current financial resources and, therefore, are not reported as  
 expenditures in governmental funds.

Accrued interest expense 53,325

Amortization of:

Loss on refunding (9,765)

Cost of issuance (10,880)

Bond discount (4,065)

Change in net assets of governmental activities \$ 1,197,517

*The accompanying notes are an integral part of these financial statements.*

**Yucca Valley Redevelopment Agency  
Notes to the Basic Financial Statements  
For the year ended June 30, 2009**

**Note 1: Summary of Significant Accounting Policies**

The following is a summary of the significant accounting policies of the Yucca Valley Redevelopment Agency (the Agency):

*(a) Reporting Entity*

The Agency was created by Ordinance No. 37 of the Yucca Valley Town Council, adopted September 3, 1992. The Agency was established pursuant to the Community Redevelopment Law of California. Project Area No. 1 was adopted as of August 6, 1993. The specific goal of the Project is to eliminate the many instances of visual, economic, physical and social blight within the project area.

*(b) Measurement Focus and Basis of Accounting*

The basic financial statements of the Agency are composed of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to the basic financial statements

*Government-wide Financial Statements*

Government-wide financial statements display information about the reporting government as a whole, except for its fiduciary activities. These statements include separate columns for the governmental and business-type activities of the primary government (including its blended component units), as well as its discretely presented component units. The Yucca Valley Redevelopment Agency has no business-type activities or discretely presented component units or fiduciary activities. Eliminations have been made in the Statement of Activities so that certain allocated expenses are recorded only once (by function to which they were allocated). However, general government expenses have not been allocated as indirect expenses to the various functions of the Agency. As a general rule, the effect of interfund activity has been eliminated from the government-side financial statements.

Government-wide financial statements are presented using the *economic resources measurement focus* and the *accrual basis of accounting*. Under the economic resources measurement focus, all (both current and long-term) economic resources and obligations of the reporting government are reported in the government-wide financial statements. The *basis of accounting* refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements.

**Yucca Valley Redevelopment Agency  
Notes to the Basic Financial Statements  
For the year ended June 30, 2009**

**Note 1: Summary of Significant Accounting Policies (continued)**

*(b) Measurement Focus and Basis of Accounting (continued)*

Under the accrual basis of accounting, revenues, expenses, gains, losses, assets, and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33.

Program revenues include charges for services and payments made by parties outside of the reporting government's citizenry if that money is restricted to a particular program. Program revenues are netted with program expenses in the statement of activities to present the net cost of each program.

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as expenditures. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability, rather than as expenditures.

*Fund Financial Statements*

The underlying accounting system of the Agency is organized and operated on the basis of separate funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Fund financial statements for the government's governmental, proprietary, and fiduciary funds are presented after the government-wide financial statements. These statements display information about major funds individually and nonmajor funds in the aggregate for governmental and enterprise funds. Fiduciary statements include financial information for fiduciary funds and similar component units. Fiduciary funds primarily represent assets held by the Agency in a custodial capacity for other individuals or organizations. The Agency has no nonmajor funds, enterprise funds, or fiduciary funds.

*Governmental Funds*

In the fund financial statements, governmental funds and agency funds are presented using the *modified-accrual basis of accounting*. Their revenues are recognized when they become *measurable and available* as net current assets.

**Yucca Valley Redevelopment Agency**  
**Notes to the Basic Financial Statements**  
**For the year ended June 30, 2009**

**Note 1: Summary of Significant Accounting Policies (continued)**

*(b) Measurement Focus and Basis of Accounting (continued)*

*Measurable* means that the amounts can be estimated, or otherwise determined. *Available* means that the amounts were collected during the reporting period or soon enough thereafter to be available to finance the expenditures accrued for the reporting period. The Agency uses a sixty day availability period.

Revenue recognition is subject to the *measurable* and *available* criteria for the governmental funds. *Exchange transactions* are recognized as revenues in the period in which they are earned (i.e., the related goods or services provided). *Locally imposed derived tax revenues* are recognized as revenues in the period in which the underlying exchange transaction upon which they are based takes place. *Imposed non-exchange transactions* are recognized as revenues in the period for which they were imposed. If the period of use is not specified, they are recognized as revenues when an enforceable legal claim to the revenues arises or when they are received, whichever occurs first. *Government-mandated and voluntary non-exchange transactions* are recognized as revenues when all applicable eligibility requirements have been met.

In the fund financial statements, government funds are presented using the *current financial resources measurement focus*. This means that only current assets and current liabilities are generally included on their balance sheets. The reported fund balance (net current assets) is considered to be a measure of "available spendable resources." Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Non-current portions of long-term receivables due to governmental funds are reported on their balance sheets in spite of their spending measurement focus. Special reporting treatments are used to indicate, however, that they should not be considered "available spendable resources," since they do not represent net current assets. Recognition of governmental fund type revenues represented by noncurrent receivables are deferred until they become current receivables. Noncurrent portions of long-term receivables are offset by fund balance reserve accounts.

Because of their spending measurement focus, expenditure recognition for governmental fund types excludes amounts represented by noncurrent liabilities. Amounts expended to acquire capital assets are recorded as *expenditures* in the year that resources were expended, rather than as fund assets. The proceeds of long-term debt are recorded as an *other financing source* rather than as a fund liability. Amounts paid to reduce long-term indebtedness are reported as fund expenditures.

When both restricted and unrestricted resources are combined in a fund, expenses are considered to be paid first from restricted resources, and then from unrestricted resources.

**Yucca Valley Redevelopment Agency  
Notes to the Basic Financial Statements  
For the year ended June 30, 2009**

**Note 1: Summary of Significant Accounting Policies (continued)**

(c) *Major Funds*

The following funds are presented as major funds in the accompanying basic financial statements:

*Special Revenue – Low and Moderate Housing Fund* – To account for the required 20% set aside of property tax increments that is legally restricted for increasing or improving housing for low and moderate income households.

*Debt Service – Redevelopment Debt Service Fund* – To account for the accumulation of resources for the payment of debt service for bond principal, interest, trustee fees and the payment of support services.

*Capital Projects – Redevelopment Capital Projects Fund* – To account for the bond proceeds, interest and other funding that will be used for development, planning, construction and land acquisition.

(d) *Relationship to the Town of Yucca Valley*

The Yucca Valley Redevelopment Agency is an integral part of the reporting entity of the Town of Yucca Valley (the Town). The funds of the Agency have been included within the scope of the comprehensive annual financial report of the Town because the Town is financially accountable. Only the funds of the Agency are included herein and these financial statements, therefore, do not purport to represent the financial position or results of operations of the Town of Yucca Valley, California.

(e) *Tax Increment Revenue*

The Agency has no power to levy and collect taxes, and any legislative property tax de-emphasis might necessarily reduce the amount of tax revenues that would otherwise be available to pay the principal of, and interest on loans from the Town of Yucca Valley. Broadened property tax exemptions could have a similar effect. Conversely, any increase in the tax rate or assessed valuation, or any reduction or elimination of present exemptions would necessarily increase the amount of tax revenues that would be available to pay principal and interest on tax allocation bonds or loans from the Town.

The following table details the Agency's property tax calendar:

Lien date	January 1
Levy date	March 1
Due dates	November 1 and February 1
Collection dates	December 10 and April 10

The County of San Bernardino bills and collects the property taxes and remits them to the Agency in installments during the year.

**Yucca Valley Redevelopment Agency  
Notes to the Basic Financial Statements  
For the year ended June 30, 2009**

**Note 1: Summary of Significant Accounting Policies (continued)**

*(f) Investments*

GASB Statement No. 31 establishes fair value standards for investments in participating interest earning investment contracts, external investment pools, equity securities, option contracts, stock warrants and stock rights that have readily determinable fair values. Accordingly, the Agency reports its investments at fair value in the balance sheet. All investment earnings, including changes in the fair value of investments, is recognized, as revenue in the operating statement.

The Agency pools cash and investments of all funds. Each fund's share in this pool is displayed in the accompanying financial statements as *cash and investments*. Investment income earned by the pooled investments is allocated to the various funds based on each fund's average cash and investment balance.

*(g) 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 and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenue and expenditures during the reporting period.

**Note 2: Cash and Investments**

The Town's Treasurer maintains a cash and investment pool used by all funds of the Town and by certain component units of the Town, including the Agency. The Agency does not own specifically identifiable securities of the Town's pool. The Agency's portion of this pool is reported on the financial statements as "cash and investments." Investment policies and associated risk factors applicable to Agency's funds are those of the Town and are included in the Town's comprehensive annual financial report.

Cash and investments are reported as follows:

Statement of Net Assets:	
Cash and investments	\$ 12,242,625
Cash with fiscal agent	<u>743,203</u>
Total	<u>\$ 12,985,828</u>

**Yucca Valley Redevelopment Agency  
Notes to the Basic Financial Statements  
For the year ended June 30, 2009**

**Note 2: Cash and Investments (continued)**

Cash and investments held by the Agency consist of the following at June 30, 2009:

Town of Yucca Valley investment pool	\$ 12,242,625
Money market funds	<u>743,203</u>
 Total cash and investments held by Agency	 <u>\$ 12,985,828</u>

*Investments Authorized by the California Government Code and the Agency's Investment Policy*

The table below identifies the *investment types* that are authorized for the Agency by the California Government Code and the Agency's investment policy. The table also identifies certain provisions of the California Code (or the Agency's investment policy, if more restrictive) that address *interest rate 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 Agency, rather than the general provisions of the California Government Code or the Agency's investment policy.

Investment Types Authorized by State Law	Authorized by Investment Policy	Maximum Maturity*	Maximum Percentage of Portfolio*	Maximum Investment In One Issuer*
Local Agency Bonds	No	5 years	None	None
U.S. Treasury Obligations	Yes	2 years	None	None
U.S. Agency Securities	Yes	5 years	None	None
Banker's Acceptances	Yes	180 days	40%	30%
Commercial Paper	Yes	180 days	25%	10%
Negotiable Certificate of Deposits	Yes	2 years	30%	None
Repurchase Agreements	No	1 year	None	None
			20% of base	
Reverse Repurchase Agreements	No	92 days	value	None
Medium-Term Notes	No	5 years	15%	None
Mutual Funds	No	N/A	20%	10%
Money Markey Mutual Funds	Yes	N/A	15%	10%
Mortgage Pass-Through Securities	Yes	5 years	20%	None
County Pooled Investment Funds	No	N/A	None	None
Local Agency Investment Fund	Yes	N/A	None	None
JPA Pools (other investment pools)	No	N/A	None	None

\*Based on state law requirements or investment policy requirements, whichever is more restrictive.

**Yucca Valley Redevelopment Agency  
Notes to the Basic Financial Statements  
For the year ended June 30, 2009**

**Note 2: Cash and Investments (continued)**

*Investments Authorized by Debt Agreements*

Investment of debt proceeds held by bond trustees 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* and *concentration of credit risk*.

Authorized Investment Type	Maximum Maturity	Maximum Percentage Allowed	Maximum Investment In One Issuer
U.S. Treasury Obligations	None	None	None
U.S. Agency Securities	None	None	None
Banker's Acceptances	180 days	None	None
Commercial Paper	270 days	None	None
Money Markey Mutual Funds	N/A	None	None
Repurchase/Investment Agreements	None	None	None
Investment Contracts	None	None	None
Local Agency Investment Fund	N/A	None	None
FHA Obligations Guaranteed by U.S. Government	None	None	None
Federal Funds	180 days	None	None
Negotiable Certificate of Deposit	180 days	None	None
Time Deposits	180 days	None	None
FDIC Insured Deposits	None	None	None
Debt Obligations	None	None	None

*Disclosure 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 close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

**Yucca Valley Redevelopment Agency  
Notes to the Basic Financial Statements  
For the year ended June 30, 2009**

**Note 2: Cash and Investments (continued)**

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		Remaining Maturity (in Months)			
		12 Months or Less	13 to 24 Months	25 to 60 Months	More Than 60 Months
Town of Yucca Valley investment pool	\$ 12,242,625	\$ 12,242,625	\$ -	\$ -	\$ -
Held by bond trustee:					
Money market funds	743,203	743,203	-	-	-
<b>Totals</b>	<b>\$ 12,985,828</b>	<b>\$ 12,985,828</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

*Disclosure Relating to Credit risk*

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

Investment Type		Minimum Legal Rating	Exempt From Disclosure	Rating as of Year End	
				Aa	Not Rated
Town of Yucca Valley investment pool	\$ 12,242,625	N/A	\$ -	\$ -	\$ 12,242,625
Held by bond trustee:					
Money market funds	743,203	A	-	743,203	-
<b>Totals</b>	<b>\$ 12,985,828</b>		<b>\$ -</b>	<b>\$ 743,203</b>	<b>\$ 12,242,625</b>

*Concentration of Credit Risk*

The investment policy of the Agency contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. There were no investments in any one issuer (other than U.S. Treasury securities, mutual funds or external investment pools) that represent 5% or more of *total Agency investments* for the year ended June 30, 2009.

**Yucca Valley Redevelopment Agency**  
**Notes to the Basic Financial Statements**  
**For the year ended June 30, 2009**

**Note 2: Cash and Investments (continued)**

*Custodial Credit Risk*

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the Agency's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provisions for deposits.

The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure Agency deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. As of June 30, 2009, the Agency (as a participant in the Town of Yucca Valley's pooled cash) did not have deposits with financial institutions in excess of federal depository insurance limits held in collateralized account(s).

For investments identified herein as held by bond trustee, the bond trustee selects the investment under the terms of the applicable trust agreement, acquires the investment, and holds the investment on behalf of the reporting government.

*Investment in State Investment Pool*

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

**Yucca Valley Redevelopment Agency  
Notes to the Basic Financial Statements  
For the year ended June 30, 2009**

**Note 3: Long-Term Liabilities**

Long-term liability activity for the year ended June 30, 2009 was as follows:

Description	Beginning balance	Additions	Reductions	Ending balance	Due within one year
2008 Refunding TABS	\$ 10,625,000	\$ -	\$ 165,000	\$ 10,460,000	\$ 170,000
Subtotal bonds payable	10,625,000	-	165,000	10,460,000	170,000
Plus/(less) deferred amounts:					
Deferred loss on refunding	(195,306)	-	(4,065)	(191,241)	-
Issuance discount	(121,957)	-	(9,765)	(112,192)	-
Total long-term liabilities	<u>\$ 10,307,737</u>	<u>\$ -</u>	<u>\$ 151,170</u>	<u>\$ 10,156,567</u>	<u>\$ 170,000</u>

*2008 Tax Allocation Bonds*

In May 2008, the Agency issued Yucca Valley Redevelopment Project Area No. 1 Tax Allocation Bonds, Series of 2008, in the aggregate principal of \$10,625,000.

The bonds are dated May 1, 2008 and are in denominations of \$5,000 and bear interest at rates ranging from 3.10% to 5.75%. Principal is payable annually on June 1 beginning on June 1, 2009. Interest is payable semi-annually on June 1 and December 1. The bonds mature between the time frames of June 1, 2009 and June 1, 2038 in amounts ranging from \$165,000 to \$695,000. Per the bond indenture, a reserve of \$738,500 is required to be maintained. At June 30, 2009, the balance held in the reserve account was \$743,203 and the amount of bonds outstanding was \$10,460,000.

The bonds were issued to refund on a current basis the \$1,730,000 Yucca Valley Redevelopment Agency, 1995 Tax Allocation Bonds Series A and on an advanced basis the \$2,665,000 Yucca Valley Redevelopment Agency, 2004 Tax Allocation Revenue Bonds. The bonds were also issued to fund redevelopment activities within and for the benefit of the Redevelopment Project. A portion of the bond proceeds from the sale were placed in an irrevocable trust to be used to service the future debt service requirements of the old debt.

The reacquisition price exceeded the net carrying amount of the old debt by \$195,306. This amount is being netted against the new debt and being amortized over the remaining life of the 1995 Tax Allocation Bonds Series A refunded debt. The advance refunding resulted in a decrease in debt service payments over the next 27 years of \$580,972 and resulted in an economic gain of \$464,786.

**Yucca Valley Redevelopment Agency  
Notes to the Basic Financial Statements  
For the year ended June 30, 2009**

**Note 3: Long-Term Liabilities (continued)**

*Pledged Revenues*

The Agency has pledged 100% of future tax increment revenue (less amounts payable by or required to be set-aside by the Agency under any pass-through agreements and by the amount required to be set-aside for low and moderate housing as required by the California Health and Safety Code) as security for the *2008 Tax Allocation Bonds* in the amount of \$22,149,957 (total principal and interest at issuance). The pledge is considered outstanding for the duration of the debt service requirements. Total pledged revenues for the fiscal year ended June 30, 2009, totaled \$2,683,423 with the required debt service amount of \$775,787 (principal and interest paid in fiscal year ended June 30, 2009).

*Debt Service Requirements to Maturity*

The annual requirements to amortize outstanding long-term liabilities of the Agency as of June 30, 2009 are as follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 170,000	\$ 568,992
2011	175,000	562,702
2012	180,000	555,702
2013	190,000	548,142
2014	195,000	540,162
2015-2019	1,130,000	2,607,357
2020-2024	1,455,000	2,306,099
2025-2029	1,900,000	1,885,214
2030-2034	2,495,000	1,320,775
2035-2038	2,570,000	559,187
Totals	<u>\$ 10,460,000</u>	<u>\$ 11,454,332</u>

**Yucca Valley Redevelopment Agency  
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**Note 4: Transfers In and Out**

Transfers in and out for the year ended June 30, 2009 were as follows:

Transfers from	Transfers to	Amount
Low and Moderate Housing Fund	Debt Service – Redevelopment Debt Service Fund	\$ 68,445
Debt Service – Redevelopment Debt Service Fund	Low and Moderate Housing Fund	<u>512,663 (a)</u>
Total transfers		<u>\$ 581,108</u>

(a) A transfer of \$512,663 was made from the Redevelopment Debt Service Fund to the Low and Moderate Housing Fund, which represents the 20% set aside required to be recorded in the Low and Moderate Income Housing Fund.

**Note 5: Notes Receivable**

In November 2008, the Agency executed a note receivable with the Morongo Basin Unity Home (the Home) in the amount of \$15,000. The Home is to use the proceeds of the note to fund the final renovation needed to complete a transitional housing project which serves to provide assistance to victims and children of domestic violence. The note bears an interest rate of 2.7% and is payable in annual installments beginning in November 2009 with final payment due in November 2018.