



PINOLE REDEVELOPMENT AGENCY

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED

JUNE 30, 2009

WITH

INDEPENDENT AUDITOR'S REPORT

Redevelopment Agency

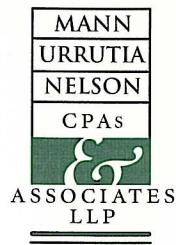


our mission:
to focus attention and financial investment in the City to reverse downward trends, create jobs, **revitalize** the business climate, **rehabilitate** & add to the housing stock, & **encourage** active participation and private investment by property owners which would not otherwise occur.

PINOLE REDEVELOPMENT AGENCY
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

TABLE OF CONTENTS

	Page
Independent Auditor's Report	1
Management's Discussion and Analysis	3 - 6
Financial Statements	
Agency-wide Financial Statements	
Statement of Net Assets	8
Statement of Activities	9
Fund Financial Statements	
Balance Sheet - Governmental Funds	11
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	12
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	13
Notes to Financial Statements	14 - 33
Required Supplemental Information	
Schedule of Revenues, Expenditures and Changes in Fund Balances Budget and Actual - General Fund	34
Report on Compliance and on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	35 - 36
Schedule of Findings and Responses	37
Supplementary Information	
Principal Property Taxpayers	38
Pledged Tax Revenues and Coverage Ratio for Senior Bonds	39
Taxpayers Appeals Information	40
Description of Outstanding Indebtedness Payable from Pledged Tax Revenues	41
Statement of the Annual Review and Calculation of Remaining Pledged Tax Revenues, Remaining Payment Requirements and Amounts, If Any, Deposited in Escrow	42
Aggregate Assessed Value of the Project Area	43
Pinole Vista Project Area Second Subordinate Debt/Projected Debt Service Coverage	44
Second Subordinate Debt Service Coverage Assuming Max New Bonds and Assuming No Growth in Revenues	45
Third Subordinate Debt Service Coverage Assuming Max New Bonds and Assuming No Growth in Revenues	46
Housing Set-Aside Reserves and Series 1999 Debt Service Coverage Assuming No Growth in Revenues	47



INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members
 of the Pinole Redevelopment Agency
 Pinole, California

We have audited the accompanying financial statements of the governmental activities and each major fund of the Pinole Redevelopment Agency (the Agency), a component unit of the City of Pinole, as of and for the year ended June 30, 2009, as listed in the Table of Contents. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the *Guidelines for Compliance Audits of California Redevelopment Agencies*, issued by the State Controller 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 disclosure in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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 Pinole Redevelopment Agency as of June 30, 2009, and the respective changes in the financial position 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 9, 2009 on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and Required Supplemental Information are not a required part of the financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures to this information, which consisted principally of inquiries of management regarding the methods of measurement and presentation of this information. However, we did not audit this information and we express no opinion on it.

Our audit was made for the purpose of forming an opinion on the financial statements of the Pinole Redevelopment Agency taken as a whole. The accompanying supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of the Agency. Such information has not been subjected to the auditing procedures applied in the audit of the agency-wide and fund financial statements and, accordingly, we express no opinion on them.

Sacramento, CA
 December 9, 2009

PRINCIPALS

Chris A. Mann, CPA, CFP • John R. Urrutia, CPA • Michelle O. Nelson, CPA, CFE, CVA • Christine L. Collins, EA

Kriss Ann Mann, CPA CCPS • Justin J. Williams, CPA

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PINOLE REDEVELOPMENT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2009

Fiscal 2009 marks the eighth year the Agency has issued its financial statements in the format prescribed by the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34), which requires the Agency to provide this overview of its financial activities for the fiscal year.

THE PURPOSE OF THE AGENCY

The Agency is a component unit of the City of Pinole; it is controlled by the City, which appoints the Agency's Board of Directors. City employees perform all the duties and functions required of the Agency.

The Agency's purpose under California law is to eliminate urban blight in the City of Pinole; it is given certain powers under the law to assist it in that endeavor. The Agency may condemn property under certain circumstances prescribed by the law and it may incur indebtedness to finance redevelopment of property. The Agency may not assess property taxes, but it may receive any increases in property taxes over amounts received in the year before the property in the Agency's area became subject to redevelopment (called the Base year). The increases are called Property Tax Increments. One-fifth of the property tax increments received must be used to increase supply of low and moderate-income housing.

FISCAL 2009 FINANCIAL HIGHLIGHTS

During this fiscal period, the Agency completed the Kaiser Medical Building facility on Pinole Valley Road, as the 2009 financial highlights show:

- The Agency's entity-wide net assets decreased by \$2,409,983 in fiscal 2009.
- The Agency's entity-wide net assets balance at June 30, 2009 totaled \$18,921,361.
- At June 30, 2009, the total of all the Agency's fund balances were \$50,694,066, representing a decrease of \$3,231,664 from fiscal 2008.
- Total Agency revenues were \$11,312,142.
- Agency expenditures totaled \$13,722,125 of which \$2,632,559 was spent on interest on long-term debt and related costs. The Agency also spent \$4,766,556 in general administrative activities.
- The General Fund's revenues of \$2,389,633 were \$583,241 lower than the prior year, while expenditures and transfers out of \$2,227,996 were \$36,076 lower than the prior year. Ending fund balance increased to \$16,065,965.
- The Debt Service Fund's revenues and transfers in of \$4,383,625 were \$886,949 lower than the prior year, while expenditures of \$5,047,863 were \$22,430 higher than the prior year. Ending fund balance decreased \$664,238, to \$5,278,900.
- The Capital Projects Fund's revenues of \$9,022,193 were \$661,496 lower than the prior year, likewise expenditures and transfers out of \$11,751,256 were \$2,175,581 lower than the prior year. Ending fund balance decreased \$2,729,063 to \$29,349,201.

The Basic Financial Statements

The Basic Financial Statements comprise the Agency-wide Financial Statements and the fund Financial Statement; these two sets of financial statements provide two different views of the Agency's financial activities and financial position.

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

All of the Agency's activities are grouped into Governmental Activities.

PINOLE REDEVELOPMENT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2009

The Fund Financial Statements report the Agency's operations in more detail than the Agency-wide statements and focus primarily on the short-term activities of the Agency's three Funds. The Fund Financial Statements measure only current revenues and expenditures and fund balances; they exclude capital assets, long-term debt and other long-term amounts.

Major funds account for the major financial activities of the Agency and are presented individually. The Agency reports all three of its Funds as Major Funds; their purpose is explained in Note 1A to the financial statements.

The Agency-wide Financial Statements

The Statement of Net Assets and the Statement of Activities present information about the Agency's **Governmental Activities** – All of the Agency's basic services are considered to be governmental activities, including general administration, public services recreation, community development and debt service. General Agency revenues such as property tax increments support these services. These financial statements are prepared on the accrual basis, which means they measure the flow of all economic resources of the Agency as a whole.

Fund Financial Statements

The Fund Financial Statements provide detailed information about each of the Agency's most significant funds, called Major Funds. The concept of major funds, and the determination of which are major funds, was established by GASB Statement 34 and replaces the concept of combining like funds and presenting them in total. Instead, each Major Fund is presented individually, with all Non-major Funds summarized and presented only in a single column. Because of their relative importance the Agency has designated all three of its funds to be major funds.

All the agency's funds are Governmental Funds; financial statements for these funds are prepared on the modified accrual basis, which means they measure only current financial resources and uses. Capital assets and other long-lived assets, along with long-term liabilities, are not presented in the Governmental Fund Financial Statements.

Comparisons of budget and Actual financial information are presented only for the General Fund.

FINANCIAL ACTIVITIES OF THE AGENCY AS A WHOLE

This analysis focuses on the net assets and changes in net assets of the Agency's Governmental Activities in the Agency-wide Statement of Net Assets and Statement of Activities that follow.

The Agency's net assets decreased significantly to \$18,921,361 in 2009 from \$21,331,344 in 2008. This decrease in the Change in Net Assets is reflected in the Statement of Activities, as explained below:

- Cash available decreased significantly by the amount \$6,668,553, reflecting the combined effects of the renovations (\$1,300,101) of roadways (Fitzgerald Drive) at the Pinole Vista Crossing Shopping Center and forgiveness (\$2,700,000) of Phase-I Infrastructure Loan to the Developer of the Pinole Shores Business Park (see Note 4-M) coupled with payment of project costs for other public infrastructure.
- Accounts and interest receivable increased by \$329,636, reflecting a delay in the receipt of a quarterly ground lease payment for the Pinole Vista Shopping Center Project.
- Notes and loans receivable decreased \$2,902,249, primarily reflecting forgiveness (November 2009) of the Phase-I Infrastructure Loan (\$2,700,000) to Panattoni Development LLC for Improvements related to the Pinole Shores Business Park Project (Note 4m).
- Capital assets (net of accumulated depreciation) increased \$1,223,792, reflecting the completion (and capitalization) of the infrastructure improvements related to the renovation of roadways (Fitzgerald Drive) adjacent to the Pinole Vista Shopping Center Project (\$1,300,101) offset by depreciation expense charged to Agency assets.
- Long-term debt decreased \$2,464,201, reflecting principal reductions from debt service repayments of outstanding Tax Allocation Bonds.

PINOLE REDEVELOPMENT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2009

Unrestricted net assets are normally the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants or other legal requirements. At June 30, 2009, the Agency's net unrestricted balance was \$8,850,753. This amount is less than the cash on hand, as the Agency has provided funding through debt issues for redevelopment projects in advance of collecting tax increment revenue.

Fiscal Year 2009 Governmental Activities

The Agency's fiscal 2009 on-going revenue came primarily from property tax increments, which amounted to \$9,329,281, a modest (2%) increase of \$182,114 over the prior year; offset by a substantial reduction in amounts collected from investment earnings (\$616,543) and loan repayment (\$824,418) revenues.

Agency expenses of \$13,722,125 in fiscal 2009 were incurred for: interest on debt financing (\$2,632,559), general administration (\$4,766,556), and program activities (\$6,323,010) including forgiveness of a development loan for public infrastructure (\$2,700,000) commercial and residential rehabilitation projects and roadway renovation in the Agency's primary commercial zone.

The Agency's Fund Financial Statements

At June 30, 2009, the Agency's governmental funds reported combined fund balances of \$50,694,066, which is a decrease of \$3,231,664 compared with last year.

Revenues decreased \$1,395,383 this year to a total of \$11,523,922, reflecting a significant reduction in both investment earnings (declining interest rates and small investment corpus) coupled with a reduction in loan repayments (extraordinary loan payoffs were collected in the prior fiscal year). Expenditures decreased \$678,240 in fiscal 2009, primarily reflecting a decline in administrative costs, to total expenditures of \$14,755,586.

Analysis of Major Governmental Funds

General Fund

This fund accounts for the portion of Redevelopment Agency property tax increment required under California law to be set aside to fund low and moderate-income housing expenditures. The Agency's residential and commercial loan programs for low and moderate-income residents and similar loans to non-profit corporations developing such housing are accounted for in this Fund (further details on these programs may be found in Note 4. In this Fund, new loans are accounted for as expenditures and repayments on loans are accounted for as revenues.

Principal payments and in many cases interest payments are deferred on these low and moderate income loans until the property is sold or re-financed, and are not considered revenues until they are received. Principal and interest on loans to non-profit developers of such properties typically are at below-market rates and payments are deferred for a considerable number of years to assist these non-profit organizations in their efforts to develop such housing. All these loans are secured by deeds of trust on the underlying property, and if the facilities constructed with these loans are not used for the purposes intended, the loans become due and payable immediately.

Expenditures remained relatively unchanged in fiscal 2009 because of the absence of major housing project activity. Revenues in fiscal 2009 were \$2,389,633, noticeably (\$583,241) less than fiscal 2008, reflecting a decline in investment earnings and an unanticipated (unscheduled) loan repayment (PALC Project) received in the previous fiscal period. Interest income from inactive funds also decreased (\$152,892) markedly this fiscal period, reflecting the impact of an overall deterioration in fixed income market rates of interest accompanying the Global Recession of 2008.

The Fund's fiscal year end fund balance of \$16,065,965 is committed to fund future low and moderate-income housing expenditures; however, a substantial portion of these funds may be required to repair construction defects and/or liquidate the Agency's debt financing of the Pinole Assisted Living Center.

The balance of outstanding loans is recorded as a receivable, with an offsetting credit for that portion of the loans that have subordination provisions resulting in extended deferral of debt payments. At the end of fiscal 2009, the outstanding balances of such loans were \$35,187,826, against which a subordination allowance of \$29,036,120 was established.

PINOLE REDEVELOPMENT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2009

Debt Service Fund

This fund accounts for payments of principal and interest on the City's Tax Allocation Bonds. These Bonds were issued by the Redevelopment Agency to finance improvements in blighted areas in the Agency's project areas, and are serviced out of property tax increments received by the Agency. Financial resources are transferred into the fund from the Agency funds collecting those increments in sufficient amounts to service this debt. The reserves required under the Tax Allocation Bond indentures are also accounted for in this Fund.

In fiscal 2009, \$2,365,000 in principal and \$2,660,528 in interest and fiscal charges were paid out of this Fund to service these Bonds. Transfers of \$4,271,529 into the fund provided the resources for these payments. The fund ended fiscal 2009 with \$5,278,900 fund balance, \$664,238 less than fiscal 2008. Maintaining fund balance at this level reflects augmentation (\$716,927) of the debt service reserves required by the Agency's indentures for funding of debt service reserve accounts, in amounts sufficient to cover one year's anticipated debt service payments.

Capital Projects Fund

This Fund accounts for capital improvement projects and loans to developers in the Agency's project areas.

The Agency decreased (\$2,904,310) the amount of loans to local businesses to assist them in rehabilitating their properties and in construction funding. Loans of this type are secured by second deeds of trust on the respective properties and are interest bearing. The substantial decrease in the unreserved amount reflects forgiveness (November 2009) of the Phase-I infrastructure loan to Panattoni Development Company for the Pinole Shores Business Park development project.

Property tax revenues of the Fund were \$7,463,425 in fiscal 2009, up \$145,691 from fiscal 2008, as assessed valuations rose modestly in fiscal 2008, reflecting negligible sales of existing and limited new construction activity of privately owned properties within the project area. Rents and ground leases decreased \$140,593 mainly due to the absence of "surplus" ground lease payments reported in the prior year for operation of the Pinole Vista Shopping Center.

Fund expenditures (\$8,924,879) decreased by \$809,624 fiscal 2009, down from \$9,734,503 in fiscal 2008, primarily reflecting decreases in administrative program activities.

CAPITAL ASSETS

GASB 34 requires the Agency to record all its capital assets including infrastructure, which was not recorded in years prior to the implementation of the new reporting pronouncement. Infrastructure includes roads, bridges, signals and similar assets used by the entire population. GASB 34 also allows the Agency four years to record all its infrastructure assets in its financial statements.

Capital assets amounted to \$16,490,345 as of June 30, 2009, principally consisting of \$12,165,231 (net of depreciation) of buildings and improvements and \$4,325,114 of land (which is not subject to depreciation).

DEBT ADMINISTRATION

Each of the City's debt issues is discussed in detail in Note 8 to the financial statements. At June 30, the Agency's debt comprised six Tax Allocation Bond issues with interest rates of from 2.0% to 6.75%, all secured by property tax increment revenues. No additional debt was incurred, during the 2009 fiscal period.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This Component Unit Financial Report is intended to provide citizens, taxpayers, investors, and creditors with a general overview of the Agency's finances. Questions about this Report should be directed to the Finance Department, at 2131 Pear Street, Pinole, CA 94564.

STATEMENT OF NET ASSETS AND STATEMENT OF ACTIVITIES

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

The Statement of Net Assets reports the difference between the Agency's total assets and the Agency's total liabilities, including all the Agency's capital assets and all its long-term debt. The Statement of Net Assets presents similar information to the old balance sheet format, but presents it in a way that focuses the reader on the composition of the Agency's net assets, by subtracting total liabilities from total assets.

The Statement of Net Assets summarizes the financial position of all the Agency's governmental activities in a single column.

The Statement of Activities reports increases and decreases in the Agency's net assets. It is also prepared on the full accrual basis, which means it includes all the Agency's revenues and all its expenses, regardless of when cash changes hands. This differs from the "modified accrual" basis used in the Fund financial statements, which reflects only current assets, current liabilities, available revenues and measurable expenditures.

The Statement of Activities presents the Agency's expenses first, listed by program. Program revenues are then deducted from program expenses to arrive at the net expense of each program. The Agency's general revenues are then listed and the change in net assets is computed and reconciled with the Statement of Net Assets.

PINOLE REDEVELOPMENT AGENCY
STATEMENT OF NET ASSETS
JUNE 30, 2009

ASSETS

Cash and investments (Note 2)	\$	7,360,439
Cash and investments with fiscal agents (Note 2)		15,930,511
Receivables:		
Accounts		386,527
Interest		10,676
Notes and loans receivable, net of allowance of \$29,036,120 (Note 4)		6,151,706
Prepaid bond issuance costs		1,035,127
Due from other governmental funds of the City		2,014,789
Land held for redevelopment (Note 5)		26,060,736
Capital assets (Note 6)		
Land and construction in progress		4,325,114
Other capital assets, net of accumulated depreciation		12,165,231
Total capital assets		<u>16,490,345</u>
Total Assets	\$	<u>75,440,856</u>

LIABILITIES

Accounts payable and accrued expenses	\$	217,069
Accrued Interest		1,096,444
Deposits		3,000
Mortgage notes on land held for redevelopment (Note 7):		
Due within one year		60,923
Due in more than one year		778,828
Long-term liabilities (Note 8):		
Due within one year		2,758,684
Due in more than one year		<u>51,604,547</u>
Total Liabilities		<u>56,519,495</u>

NET ASSETS

Invested in capital assets, net of related debt		4,791,708
Restricted for:		
Debt service		5,278,900
Unrestricted		<u>8,850,753</u>
Total Net Assets		<u>18,921,361</u>
Total Liabilities and Net Assets	\$	<u>75,440,856</u>

See accompanying notes to the component unit financial statements.

PINOLE REDEVELOPMENT AGENCY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
General administration	\$ 4,766,556	\$ -	\$ -	\$ -	\$ (4,766,556)
Community development	6,323,010	500,418	-	463,211	(5,359,381)
Interest on long-term debt	<u>2,632,559</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,632,559)</u>
 Total Governmental Activities	 \$ <u>13,722,125</u>	 \$ <u>500,418</u>	 \$ <u>-</u>	 \$ <u>463,211</u>	 \$ <u>(12,758,496)</u>
General revenues:					
Tax increment					\$ 9,329,281
Investment earnings					1,000,077
Miscellaneous					<u>19,155</u>
 Total general revenues and transfers					 <u>10,348,513</u>
 Change in net assets					 (2,409,983)
 Net assets - beginning					 <u>21,331,344</u>
 Net assets - ending					 \$ <u>18,921,361</u>

See accompanying notes to the component unit financial statements.

GOVERNMENTAL FUND FINANCIAL STATEMENTS

GASB 34 revised the format of the Fund Financial Statements so that only individual major funds are presented, while non-major funds are combined in a single column. Major funds are defined generally as having significant activities or balances in the current year. No distinction is made between fund types and the practice of combining like funds and presenting their totals in separate columns (Combined Financial Statements) has been discontinued, along with the use of the General Fixed Assets and General Long-term Debt Account Groups.

The Pinole Redevelopment Agency determined all funds to be major funds in fiscal year 2009:

General Fund

This is the Agency's primary operating fund. It accounts for all financial resources of the Agency, except for those required to be accounted for in another fund. The Agency's Housing Program activities are accounted for in the General Fund.

Capital Projects Fund

This fund is used to account for the acquisition and construction of capital facilities by the Agency.

Debt Service

This fund is used to account for the payment of interest and principal on the general long-term debt of the Agency.

PINOLE REDEVELOPMENT AGENCY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2009

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Totals</u>
<u>ASSETS</u>				
Cash and investments	\$ 4,671,687	\$ 1,971,825	\$ 716,927	\$ 7,360,439
Cash and investments with fiscal agents	8,477,504	2,891,034	4,561,973	15,930,511
Accounts receivables	-	386,527	-	386,527
Interest receivables	-	10,676	-	10,676
Notes and loans receivable	258,847	5,892,859	-	6,151,706
Due from other governmental funds	-	2,014,789	-	2,014,789
Land held for redevelopment	<u>3,415,487</u>	<u>22,645,249</u>	<u>-</u>	<u>26,060,736</u>
Total Assets	<u>\$ 16,823,525</u>	<u>\$ 35,812,959</u>	<u>\$ 5,278,900</u>	<u>\$ 57,915,384</u>

LIABILITIES AND FUND BALANCES

LIABILITIES:				
Accounts payable and accrued liabilities	\$ 14,443	\$ 202,626	\$ -	\$ 217,069
Accrued interest	-	9,792	-	9,792
Mortgage notes on land held for redevelopment	484,270	355,481	-	839,751
Deferred revenue	258,847	5,892,859	-	6,151,706
Deposits payable	<u>-</u>	<u>3,000</u>	<u>-</u>	<u>3,000</u>
Total Liabilities	<u>757,560</u>	<u>6,463,758</u>	<u>-</u>	<u>7,221,318</u>
FUND BALANCES:				
Reserved for: Debt service	-	-	5,278,900	5,278,900
Reserved for: Land held for redevelopment net of related mortgages	2,931,217	22,289,768	-	25,220,985
Unreserved: Undesignated	<u>13,134,748</u>	<u>7,059,433</u>	<u>-</u>	<u>20,194,181</u>
Total fund balances	<u>16,065,965</u>	<u>29,349,201</u>	<u>5,278,900</u>	<u>50,694,066</u>
Total Liabilities and Fund Balances	<u>\$ 16,823,525</u>	<u>\$ 35,812,959</u>	<u>\$ 5,278,900</u>	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the Governmental Funds (net of accumulated depreciation of \$3,436,543)	16,490,345
Revenues which are deferred on the Fund Balance Sheets because they are not available currently are taken into revenue in the Statement of Activities	6,151,706
Prepaid bond issuance costs are not capitalized and are therefore not reported in the Governmental Funds	1,035,127
Long term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Bonds payable	(53,455,000)
Loans and mortgages payable	(801,398)
Non-current portion of compensated absences	(106,833)
Accrued interest	<u>(1,086,652)</u>
Net assets of governmental activities	<u>\$ 18,921,361</u>

See accompanying notes to the component unit financial statements.

PINOLE REDEVELOPMENT AGENCY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Totals</u>
<u>REVENUES</u>				
Taxes and assessments	\$ 1,865,856	\$ 7,463,425	\$ -	\$ 9,329,281
Intergovernmental	-	463,211	-	463,211
Loan repayments	16,601	195,183	-	211,784
Investment earnings	494,529	393,452	112,096	1,000,077
Rents and ground leases	-	500,418	-	500,418
Other revenues	<u>12,647</u>	<u>6,504</u>	<u>-</u>	<u>19,151</u>
Total Revenues	<u>2,389,633</u>	<u>9,022,193</u>	<u>112,096</u>	<u>11,523,922</u>
<u>EXPENDITURES</u>				
Current operations:				
General administration	292,774	4,275,843	22,335	4,590,952
Community development	302,107	2,947,732	-	3,249,839
Debt service:				
Principal	-	77,696	2,365,000	2,442,696
Interest and fiscal charges	28,819	63,770	2,660,528	2,753,117
Capital outlay	<u>159,144</u>	<u>1,559,838</u>	<u>-</u>	<u>1,718,982</u>
Total Expenditures	<u>782,844</u>	<u>8,924,879</u>	<u>5,047,863</u>	<u>14,755,586</u>
Excess (deficiency) of revenues over expenditures	<u>1,606,789</u>	<u>97,314</u>	<u>(4,935,767)</u>	<u>(3,231,664)</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers in	-	-	4,271,529	4,271,529
Transfers out	<u>(1,445,152)</u>	<u>(2,826,377)</u>	<u>-</u>	<u>(4,271,529)</u>
Total other financing sources (uses)	<u>(1,445,152)</u>	<u>(2,826,377)</u>	<u>4,271,529</u>	<u>-</u>
Net change in fund balance	161,637	(2,729,063)	(664,238)	(3,231,664)
Fund balances - beginning	<u>15,904,328</u>	<u>32,078,264</u>	<u>5,943,138</u>	<u>53,925,730</u>
Fund balances - ending	<u>\$ 16,065,965</u>	<u>\$ 29,349,201</u>	<u>\$ 5,278,900</u>	<u>\$ 50,694,066</u>

See accompanying notes to the component unit financial statements.

PINOLE REDEVELOPMENT AGENCY
RECONCILIATION OF THE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

Reconciliation of the change in fund balances - total governmental funds to the change in net assets of governmental activities:

Net change in fund balances - total governmental funds	\$ (3,231,664)
<p>Governmental Funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>	
Capital asset purchases capitalized	1,733,337
Depreciation expense	(509,545)
<p>Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets:</p>	
Bond principal payments	2,365,000
Loan and mortgage payments	77,696
<p>Issuance costs and discounts related to the issuance of long-term liabilities is an expenditure in the governmental funds, but increases the assets in the statement of net assets.</p>	
Amortization of prepaid bond issuance costs	(72,542)
<p>Receipts of payments and disbursements of funds related to notes and loans receivable are reported as revenues and expenditures, respectively, in governmental funds, but as increases and decreases, respectively, in notes receivable in the Statement of Net Assets</p>	
Loan program receipts	(211,784)
Loans made during the year	940,685
<p>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:</p>	
Change in accrued compensated absences	9,422
Change in interest payable on long-term debt	120,562
Change in allowance for notes receivable	<u>(3,631,150)</u>
Change in net assets of governmental activities	<u>\$ (2,409,983)</u>

See accompanying notes to the component unit financial statements.

PINOLE REDEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Pinole Redevelopment Agency (the "Agency") was formed in 1972 to finance redevelopment projects in the City of Pinole (the "City"). The Agency is a component unit of the City and is accounted for as separate funds of the City in the City's financial statements. All members of the Agency's governing body are also members of the governing body of the City of Pinole. The Agency has no employees and all staff services are performed by the City personnel. The City also performs substantial other services for the Agency. Costs incurred by the City to provide such services are reimbursed by the Agency.

The original Redevelopment Plan and Redevelopment Project Areas, consisting of approximately 880 acres, were adopted in 1972. The Plan was amended in December 1981, adding 325 acres to the Project Area.

The Agency's primary source of revenue is the investment in property taxes derived from any increments in assessed value occurring in the Project Area after the adoption of the Redevelopment Plan. The Agency has no power to levy and collect taxes and any legislative property tax reduction could lower the amount of tax revenues that would otherwise be available to pay the principal and interest on bonds or loans from the City. Conversely, any increase in the tax rate or assessed valuation or any elimination of present exemptions could increase the amount of tax revenues that would be available to pay principal and interest on bonds or loans from the City. The Agency is also authorized to finance the Redevelopment Plan from other sources, including assistance from the City, the State and federal governments, interest income and the issuances of Agency debt.

The accounting policies of the Pinole Redevelopment Agency conform with generally accepted accounting principles in the United States of America as applicable to governments. The following is a summary of the significant policies:

A. Basis of Presentation

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

These statements require that the financial statements described below be presented.

Government-wide Financial Statements:

The Statement of Net Assets and Statement of Activities include the activities of the overall Agency government. Eliminations have been made to minimize the double counting of internal activities.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the Agency's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs, (b) grants and contributions that are restricted to meeting the operational needs of a particular program and (c) fees, grants and contributions that are restricted to financing the acquisition or construction of capital assets. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements:

The fund financial statements provide information about the Agency. Separate statements for each governmental fund are presented. The emphasis of fund financial statements is on major individual funds, each of which is displayed in a separate column. The Agency considers all its funds to be major funds. A fund is considered major if it is the primary operating fund of the Agency or meets the following criteria:

- a. Total assets, liabilities, revenues or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

PINOLE REDEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund - The General Fund is the general operating fund of the Agency and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds. The Agency's Housing Program activities are accounted for in the General Fund.

Debt Service Fund - Debt Service Funds are used to account for the accumulation of financial resources for the payment of interest and principal on the general long-term debt of the Agency other than debt service payments made by enterprise funds.

Capital Project Fund - Capital Project Funds are used to account for financial resources used for the acquisition or construction of major capital facilities other than those financed by enterprise funds.

Major Funds

All of the Agency's funds as listed above were reported as major governmental funds in the accompanying financial statements:

B. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements regardless of the measurement focus applied.

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

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

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

Grant revenues are recognized in the fiscal year in which all eligibility requirements are met. Under the terms of grant agreements, the Agency may fund certain programs with a combination of cost-reimbursement grants, categorical block grants, and general revenues. Thus, both restricted and unrestricted net assets may be available to finance program expenditures. The Agency's policy is to first apply restricted grant resources to such programs, followed by general revenues if necessary.

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

PINOLE REDEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Expenditures are also generally recognized under the modified accrual basis of accounting. An exception to this rule is principal and interest on general long-term debt, which is not recognized by debt service funds until it is due. Financial resources usually are appropriated in funds responsible for repaying debt for transfer to a debt service fund in the period in which maturing debt principal and interest must be paid. Thus, the liability is recognized by the fund responsible for paying the debt, not the debt service fund.

Certain indirect costs are included in program expenses reported for individual functions and activities.

C. Capital Assets

The accounting treatment over capital assets depends on whether the assets are reported in the government-wide or fund financial statements.

Government-wide Statements

In the government-wide financial statements, fixed assets with an historical cost over \$1,000 are accounted for as capital assets. All fixed assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated fixed assets which are recorded at their estimated fair value at the date of donation. Estimated historical cost was used to value the majority of the assets.

With the implementation of GASB Statement 34, the Agency has recorded all its public domain (infrastructure) capital assets, which include streets, bridges, roads, storm drains, and parks.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation on all assets is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings	50 years
Equipment	5-10 years
Streets and roads	50 years
Parks	70 years

Fund Financial Statements

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

D. Bond Issuance Costs and Premiums/Discounts

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the governmental activities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using a method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Unamortized bond issuance costs are reported on the statement of net assets and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

PINOLE REDEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Revenues

The Agency's primary source of revenue is property taxes. Property taxes allocated to the Agency are computed in the following manner:

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

F. Property Tax

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

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

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

G. Equity Classifications

Government-wide Statements

Net Assets are the excess of all the City's assets over all its liabilities, regardless of fund. Net Assets are divided into three categories under GASB Statement 34. These categories apply only to Net Assets, which is determined at the Government-wide level, and are described below:

- a. Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets - Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

PINOLE REDEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated.

Reserves for land held for redevelopment net of related mortgages are the portions of fund balances set aside to indicate these items do not represent available, spendable resources even though they are an asset of the Fund.

Reserve for debt service is the portion of fund balance legally restricted for the payment of principal and interest on long-term liabilities.

H. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2: CASH AND INVESTMENTS

Cash and investments as of June 30, 2009 are classified in the accompanying financial statements as follows:

	Cash	Investments	Total
Governmental activities	\$ <u>7,360,439</u>	\$ <u>15,930,511</u>	\$ <u>23,290,950</u>
Total cash and investments	\$ <u><u>7,360,439</u></u>	\$ <u><u>15,930,511</u></u>	\$ <u><u>23,290,950</u></u>

Cash and investments are carried at fair value as of June 30, 2009 and consist of the following:

Cash in investment pools	\$ 2,588,616
Deposits with financial institutions	4,671,823
Certificates of deposit	100,000
Cash and investments held by fiscal agent	
Federal agency securities	10,694,876
Money market funds	2,294,113
Certificates of deposit	<u>2,941,522</u>
Total cash and investments	<u>\$ 23,290,950</u>

PINOLE REDEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

Authorized Investments of the Agency

The table below identifies the investment types that are authorized by the Agency's investment policy. This table does not address investments of debt proceeds held by bond trustees 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.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in one Issuer
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	40%	None
Repurchase Agreements	30 days	10%	None
Banker's Acceptances	180 days	40%	10%
Commercial Paper (Minimum rating of "A" or higher)	180 days	15%	None
Medium-term Corporate Notes (Minimum rating of "AA" or higher)	5 years	30%	None
Negotiable Certificates of Deposit issued in California	5 years	10%	None
Negotiable Certificates of Deposit	5 years	30%	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Insured savings account or money market account	N/A	None	None
Mutual Funds	N/A	15%	None

Investments Authorized by Debt Agreements

Investments 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 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
U.S. Treasury Obligations	None	None	None
U.S. Agency Securities	None	None	None
State or Municipal Bonds or Notes rated "AA" or better	None	None	None
Repurchase Agreements rated "A" or better	30 days	None	None
Investment Agreements and Contracts	None	None	None
Money Market Funds rated "AA-m" or better	N/A	None	None
Certificates of Deposit	None	None	None
Commercial Paper rated "A-1" or better	None	None	None
Federal Funds or Bankers Acceptances	1 year	None	None
Local Agency Investment Fund (LAIF)	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's interest rate risk is mitigated 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.

PINOLE REDEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
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 rate fluctuations is provided by the following table that shows the distribution of the Agency's investments by maturity as of June 30, 2009:

	Remaining Maturity		
	12 months or less	1-5 years	Fair Value
Cash in investment pools	\$ 2,588,616	\$ -	\$ 2,588,616
Certificates of deposit	100,000	-	100,000
Cash and investments held by fiscal agent:			
Federal agency securities	10,694,876	-	10,694,876
Money market funds	2,294,113	-	2,294,113
Certificates of deposit	<u>2,941,522</u>	-	<u>2,941,522</u>
	<u>\$ 18,619,127</u>	<u>\$ -</u>	<u>\$ 18,619,127</u>

Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

The Agency has no investments (including investments held by bond trustees) that are highly sensitive to interest rate fluctuations.

Disclosures 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 investment policy, or debt agreements, and the actual rating as of the fiscal year for each investment type.

	Total	Rating as of Fiscal Year End		
		S&P	Moody's	N/A
State Investment Pool (LAIF)	\$ 2,273,712			Not rated
CalTrust Investment Pool	314,904	AAf / S1+		
Certificates of Deposit	100,000			Not rated
Cash and investments held by fiscal agent:				
1st American Treasury Obligation Fund	2,294,113	AAAm	Aaa	
Certificates of Deposit	2,941,522			Not rated
Federal Farm Credit Banks Funding Corporation	5,187,173	AAA	Aaa	
Federal Home Loan Bank	4,257,183	AAA	Aaa	
Federal Home Loan Mortgage Corporation	<u>1,250,520</u>	AAA	Aaa	
	<u>\$ 18,619,127</u>			

PINOLE REDEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

Concentration of Credit Risk

Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total Agency investments are as follows:

<u>Issuer</u>	<u>Investment Type</u>	<u>Reported Amount</u>
Federal Home Loan Bank	Federal agency securities	\$ 4,257,183
Federal Farm Credit Bank	Federal agency securities	5,187,173
Federal Home Loan Mortgage Corp	Federal agency securities	1,250,520
F.D.I.C. Insured Banks	Certificate of Deposits	2,941,522

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 the 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 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 provision 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 government 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's 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's bank balances were \$5,291,358, of which \$830,937 was insured.

Investment in State and County Investment Pool

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

Allocation of Interest Income Among Funds

Interest income from pooled investments is allocated to those funds which are required by law or administrative action to receive interest. Interest is allocated quarterly based on the average ending cash balances for the previous three months in each fund receiving interest.

PINOLE REDEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 3: INTERFUND TRANSACTIONS

Transfers Between Funds

Transfers between funds during the fiscal year ended June 30, 2009 were as follows:

<u>Transfers From</u>	<u>Transfer To</u>	<u>Description of Transfer</u>	<u>Amount Transferred</u>
General Fund	Debt Service Fund	Retirement of debt	\$ 1,445,152
Capital Projects Fund	Debt Service Fund	Retirement of debt	<u>2,826,377</u>
			<u>\$ 4,271,529</u>

Due from the City of Pinole to the Redevelopment Agency during the fiscal year ended June 30, 2009 were as follows:

<u>Due from the City of Pinole to the Redevelopment Agency</u>	<u>Amount Transferred</u>
The Agency recorded a due from the City of Pinole in accordance with the collateralized investment agreement to provide sufficient working capital.	\$ 823,335
The Agency recorded a due from the City of Pinole to cover the City's negative cash balance at June 30, 2009.	<u>1,191,454</u>
Net Total Transfers	<u>\$ 2,014,789</u>

The City of Pinole entered into a collateralized investment agreement with the Agency in May 2008. The authorized investment amount is \$2,500,000 and provides for a capitalized interest period of three years followed by amortization of the investment principal and interest in equal payments for the succeeding twelve years. The term of the agreement is 15 years with an interest rate of 4.5%. The investment agreement is fully collateralized by real property owned by the City.

PINOLE REDEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 4: NOTES AND LOANS RECEIVABLE

The Agency engages in programs designed to encourage business enterprises, or construction or improvement in low-to-moderate income housing or other projects. Under these programs, grants or loans are provided under favorable terms to businesses, homeowners or developers who agree to spend these funds in accordance with the Agency's terms.

The balance of notes and loans receivable, net of allowance, has been offset in the fund financial statements by deferred revenue as they are not expected to be repaid during fiscal year 2010.

These notes and loans receivable, including interest, are comprised of the following at June 30, 2009 and are explained in detail below:

	Notes Receivable	Less: Allowance for Doubtful Notes	Total
Housing Rehabilitation	\$ 384,798	\$ (192,399)	\$ 192,399
Commercial Rehabilitation	2,195,757	(480,709)	1,715,048
First Time Home-Buyer	424,600	(383,600)	41,000
Mixed-Use	443,757	(266,254)	177,503
Peace Officer Loan	6,000	(6,000)	-
Bridge Housing Loan	1,426,376	(1,400,928)	25,448
Alvarez Court	1,298,737	(1,298,737)	-
Eastbluff Apartment Loan	1,862,677	(1,862,677)	-
Downtown Partners - General Construction Loan	2,280,171	(2,280,171)	-
Pinole Valley Shopping Center	369,268	-	369,268
Occu-ease Optical Products	1,334,040	-	1,334,040
Pinole Assisted Living Community	17,767,083	(17,767,083)	-
Pinole Shores Business Park Project	4,997,000	(2,700,000)	2,297,000
Gateway West Development Project	322,562	(322,562)	-
Happy Sashimi Restaurant Projects	75,000	(75,000)	-
Total	<u>\$ 35,187,826</u>	<u>\$ (29,036,120)</u>	<u>\$ 6,151,706</u>

A. Housing Rehabilitation Notes Receivable

The Agency has provided loans to various homeowners for rehabilitation of property. These loans are secured by second deeds of trust on the property and have a range of interest rates from 2% to 6% with a maximum fifteen-year term. The gross balance of these notes receivable totaled \$384,798 at June 30, 2009.

B. Commercial Rehabilitation Notes Receivable

The Agency has provided loans to various businesses for rehabilitation of property. These loans are secured by the deeds of trust on the property and have a range of interest rates from 0% to 2% with a maximum fifteen-year term. The gross balance of these notes receivable totaled \$2,195,757 at June 30, 2009.

C. First Time Home-Buyer Loans Receivable

In 1995, the Agency implemented a first time homebuyer program designed to encourage home ownership among low-income persons by providing down payment assistance. Under this program, loans are provided at no interest and are due upon sale or transfer of the property, refinance or payoff of the first mortgage, recordation of a third mortgage or default of the first mortgage. At the time of the loan repayment, the Agency shares in equity appreciation based on the Agency's loan share of the original purchase price. The gross balance of the notes receivable arising from this program at June 30, 2009 was \$424,600, of which \$114,600 was borrowed by the Agency's employees.

PINOLE REDEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 4: NOTES AND LOANS RECEIVABLE (CONTINUED)

D. Mixed-Use Notes Receivable

In 1998, the Agency implemented a mixed-use property rehabilitation loan program. These loans are secured by the deeds of trust on the properties. For loans that bear no interest the term of the loan is 10 years. For the loans that bear 2% and 6% interest rates, the term is 15 years. As of June 30, 2009, two loans were outstanding with a gross balance of \$443,757.

E. Peace Officer Loan

The Agency provides down payment assistance not to exceed the lower of \$30,000 or 20% of the purchase price of a home, to a qualified peace officer employed by the community. The peace officer must occupy the residence for at least 10 years or must repay a prorated portion of the down payment assistance. As of June 30, 2009, the total outstanding gross balance was \$6,000.

F. Bridge Housing Loan

The Agency assisted Bridge Housing Corporation with its acquisition and development of the Pinole Grove Senior Housing Project by providing \$900,000 in the form of land and cash in return for a note bearing simple interest at a rate of 4% per year, secured by a deed of trust on the Project.

Principal and interest are due annually, but are payable only from surplus cash flow as defined in the note. The project is not expected to generate a surplus cash flow and under the terms of the note, any unpaid principal and interest remaining at the expiration of the note in the year 2024 will be forgiven if Bridge Housing maintains the affordability of the project for an additional nineteen years. As of June 30, 2009, the outstanding gross balance was \$1,426,376.

G. Alvarez Court

In August 2000, the Agency approved a loan of up to \$609,000 to assist the Resources for Community Development with the development of a housing project for persons with disabilities. In August 2002 the Agency amended the loan agreement, increasing the loan amount to \$988,000. The term of the loan is 40 years from the date of final closing by Housing and Urban Development, bearing a simple interest at a rate of 4% and is secured by first deed of trust. As of June 30, 2009, the total outstanding balance was \$1,298,737.

H. Eastbluff Apartments Loan

In 1996, the Pinole Redevelopment Agency assisted Eastbluff Associates with its development of the Eastbluff Apartments by providing \$975,000 in exchange for a note. The note was renegotiated in June 1998 and is secured by a deed of trust. The note bears an annual compound interest rate of 7.5% for a term of 55 years or until the property is sold. Payments are the greater of \$63,375 per year or 50% of the surplus cash flow as defined in the terms of the note. Payments are only received if surplus cash flow exists. As of June 30, 2009, the outstanding gross balance was \$1,862,677.

PINOLE REDEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 4: NOTES AND LOANS RECEIVABLE (CONTINUED)

I. Downtown Partners

In November 2003, the Agency loaned Downtown Partners, LLC \$4,100,000 at an interest rate of 7%, with principal and accrued interest becoming due in 18 months. The overall development for this project included the demolition of existing structures and the construction of a new three-story and two-story mixed use commercial and multi-family residential building which will contain a total of 24 new rental-housing units and commercial and retail tenants.

In November 2003, the Agency loaned Downtown Partners, LLC an additional \$300,000 at an interest rate of 0% for an economic development assistance loan through the commercial rehabilitation program. The loan principal shall be due in a balloon payment on or before December 31, 2052. Downtown Partners has two ten-year renewable option terms that may extend the due date.

In March 2005, Downtown Partners, LLC paid off \$2,400,000 of the above notes and refinanced the remaining balance at 6% interest compounded annually. The new Note is due in full by March 31, 2010. As of June 30, 2009, the outstanding gross balance including accrued interest was \$2,280,171.

J. Pinole Valley Shopping Center

The Agency owns the Pinole Valley Shopping Center and its land. On June 28, 2001, the Redevelopment Agency signed a ground lease with The Kivel Stadt Group (TKG) Pinole Valley, LLC to operate the Shopping Center. Under the agreement, TKG is authorized to manage and make improvements to the Shopping Center, and to share lease revenue generated from the Shopping Center. The lease lasts for 50 years with 2 ten-year options. After 20 years, the Shopping Center may be sold if both the Agency and TKG agree. Ground lease payments (base rent) due to the Redevelopment Agency are determined on the basis of the Redevelopment Agency's investment in acquiring the Shopping Center, but are deferred (without interest penalty) when the center's net cash flows are not sufficient to pay base rent. As of June 30, 2009, the Agency's investment in the Shopping Center was \$1,800,000, and the amount of deferred rent owed to the Agency was \$369,268 which represents the minimum amount due under the agreement. The Agency has provided an allowance on 50% of the deferred rent due to uncertainty regarding collectibility.

K. Occu-ease Optical Products

The Agency loaned Occu-ease Optical Products \$1,331,280 at an interest rate of 4.0%, with interest-only payments for the first 59 months and then a final principal payment on the 60th month. This company has conducted business within the City of Pinole for the past 27 years and was required to move to a new location, as a result of the Agency's purchase of their property for construction of a new Youth Center. The Agency provided relocation assistance and a loan to the company to acquire and construct a new facility within the Sunnyview / San Pablo Avenue light industrial business complex. The project was part of an economic plan to facilitate the development of underutilized parcels along the West San Pablo Avenue Corridor to strengthen the city's industrial base. As of June 30, 2009, the outstanding gross balance including accrued interest was \$1,334,040.

PINOLE REDEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 4: NOTES AND LOANS RECEIVABLE (CONTINUED)

L. Pinole Assisted Living Community

Pinole Assisted Living Community (PALC) is a tax-exempt non-profit corporation that constructed and operates a 72-unit-assisted-living facility for the elderly known as Pinole Senior Village. PALC is governed by a five-member Board of Directors; two of these members are Agency representatives.

The PALC facility is located on land leased from the Redevelopment Agency under the terms of a lease signed in 1999. The cost of the facility was borne by the Agency out of the proceeds of its 1999 Subordinate Tax Allocation Bonds issue. Under the terms of the PALC lease and related agreements, PALC is to reimburse the Agency for these costs and to pay for the lease and for emergency services rendered by the Agency. Unpaid amounts accrue interest at rates set forth in the agreements.

The facility was opened in early 2001 and until recently occupancy rates had not reached levels that covered operating costs. As a result, PALC has made limited payments required under its lease or other agreements with the Agency. In the event that PALC cannot make the payments required, ownership of the entire facility passes to the Agency.

At June 30, 2009, PALC owed the Agency the following amounts:

Construction cost advances	\$ 14,924,056
Advances for operating expenses	2,161,544
Lease payments	570,836
Emergency services	<u>110,647</u>
	<u>\$ 17,767,083</u>

In 2007 PALC settled a legal dispute with the builder to make needed repairs to the building. Once the repairs are completed, it is anticipated that PALC will sell the building and repay the Agency with the proceeds from the sale. The Agency has provided a 100% allowance for the balance of the PALC note receivable due to the uncertainty of collectibility.

M. Pinole Shores Business Park Project

In August 2006, the Agency loaned \$2,697,000 to Pinole Shores, LLC for the Pinole Shores Business Park. During the year ending June 30, 2008 an additional \$2,300,000 was loaned by the Agency. The loan assisted with the acquisition and development of the 850 - 870 San Pablo Avenue property. The loan accrues interest at 7% simple interest for 31 years. The interest is forgiven upon repayment of principal. The developer will repay the \$2,300,000 loan upon purchase of the phase II property. The loan principal was originally going to be repaid from revenues received by the City from special taxes derived from the formation of a Community Facilities District. In November 2009 the City Council approved to dissolve the Community Facilities District and the special taxes to repay the remaining portion of the loan. As of June 30, 2009, the outstanding gross balance including accrued interest was \$4,997,000. An allowance of \$2,700,000 was recorded at June 30, 2009 which represents the amount of the loan that will be forgiven.

N. Gateway West Development Project

In October 2003, the Agency and TKG Pinole Gateway, LLC entered into a ground lease, which was terminated in November 2007. The outstanding balance of accrued rent payments and accrued interest for late payments of \$322,562, was discharged by termination of the ground lease. The rent is \$7,987 per month with a 5% penalty if the payment is late. Any unpaid rent accrues interest at a rate equal to the lesser of (i) the highest rate allowed by law or (ii) the prime rate plus 4%. TKG has not made a payment on the ground lease. An allowance for doubtful accounts has been accrued for the full amount of the note receivable. As of June 30, 2009, the outstanding gross balance of accrued rent payments and accrued interest was \$322,562.

PINOLE REDEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 4: NOTES AND LOANS RECEIVABLE (CONTINUED)

O. Happy Sashimi Restaurant Project

In August 2006, the Agency and Happy Sashimi, LLC entered into a loan for building improvements. The loan is secured by a Financing statement. The loan accrues interest at 5% simple interest for 7 years. On each anniversary of the date of the note while the property is operated by the borrower as a restaurant, one-seventh of the original amount of the note, together with accrued interest, will be forgiven by the Agency and deemed to have been paid by the borrower. As of June 30, 2009, the outstanding gross balance including accrued interest was \$75,000.

P. Allowance for Doubtful Notes

The Agency has several programs under which it extends loans to qualifying individuals or groups for the purpose of improving the Agency's housing stock and/or its supply of low-and-moderate income housing. Certain loans provide for the eventual forgiveness of the loan balance if the borrower complies with all the terms of the loan over its full term. The Agency has provided a 100% allowance for all notes receivable subject to long-term deferral and/or payment from future refinancing as well as all note receivables having subordination provisions except for those accounts that have current payment activity and are not delinquent at June 30, 2009.

NOTE 5: LAND HELD FOR REDEVELOPMENT

At June 30, 2009, the Agency held these properties for resale or redevelopment:

- a) 811 San Pablo Avenue
- b) 1300 and 1400 Pinole Valley Road
- c) 2850 Estates Avenue
- d) Pinole Vista
- e) 600 Tennent Avenue
- f) 850 San Pablo Avenue
- g) Henry Parcel
- h) Patel Property
- i) 870 San Pablo Avenue
- j) 2301 San Pablo Avenue
- k) 2425-2433 and 2441 San Pablo Avenue
- l) Pinole Valley Shopping Center
- m) 612 Tennent Avenue
- n) 2150 San Pablo Avenue
- o) 609 Maiden Lane
- p) 620 Maiden Lane
- q) 648 Tennent Avenue

d) In August 2009 a subsequent event occurred regarding the Pinole Vista land held for redevelopment. The Pinole Redevelopment Agency sold a portion of the Pinole Vista property for \$1,054,105.

l) The Pinole Valley Shopping Center land held for redevelopment is a pledged asset against the \$20,500,000 loan from Mechanics Bank to TKG Pinole Valley, LLC for the construction of the Pinole Valley Shopping Center. The Pinole Redevelopment Agency is not a guarantor for the loan and therefore the liability is not recorded on the Agency's financial statements.

o) The 609 Maiden Lane property was sold subsequent to the close of the fiscal year in August 2009.

p) The 620 Maiden Lane property was sold subsequent to the close of the fiscal year in September 2009.

The balance of these properties for resale or redevelopment at June 30, 2009 is \$26,060,736.

PINOLE REDEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 6: CAPITAL ASSETS

	<u>Balance at July 1, 2008</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Balance at June 30, 2009</u>
Governmental activities:					
Capital assets not being depreciated					
Land	\$ 3,674,324	\$ -	\$ -	\$ -	\$ 3,674,324
Construction-in-progress	<u>443,001</u>	<u>1,651,171</u>	<u>-</u>	<u>(1,443,382)</u>	<u>650,790</u>
Total capital assets not being depreciated	<u>4,117,325</u>	<u>1,651,171</u>	<u>-</u>	<u>(1,443,382)</u>	<u>4,325,114</u>
Capital assets being depreciated					
Buildings and improvements	12,356,937	-	-	66,752	12,423,689
Equipment	177,691	58,718	-	-	236,409
Vehicles	14,600	-	-	-	14,600
Streets and roads	1,035,175	-	-	1,300,101	2,335,276
Storm drains	-	-	-	51,511	51,511
Bridges	433,276	-	-	-	433,276
Parks	<u>58,547</u>	<u>23,448</u>	<u>-</u>	<u>25,018</u>	<u>107,013</u>
Total assets being depreciated	<u>14,076,226</u>	<u>82,166</u>	<u>-</u>	<u>1,443,382</u>	<u>15,601,774</u>
Less accumulated depreciation					
Buildings and improvements	(2,724,608)	(389,759)	-	-	(3,114,367)
Equipment	(70,784)	(52,020)	-	-	(122,804)
Vehicles	(9,733)	(2,920)	-	-	(12,653)
Streets and roads	(105,657)	(51,722)	-	-	(157,379)
Storm drains	-	(57)	-	-	(57)
Bridges	-	(5,777)	-	-	(5,777)
Parks	<u>(16,216)</u>	<u>(7,290)</u>	<u>-</u>	<u>-</u>	<u>(23,506)</u>
Total accumulated depreciation	<u>(2,926,998)</u>	<u>(509,545)</u>	<u>-</u>	<u>-</u>	<u>(3,436,543)</u>
Governmental activities capital assets, net	<u>\$ 15,266,553</u>	<u>\$ 1,223,792</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,490,345</u>

Depreciation was charged to functions as follows:

Governmental Activities:	
General administration	\$ 112,484
Community development	<u>397,061</u>
Total governmental activities depreciation expense	<u>\$ 509,545</u>

PINOLE REDEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 7: MORTGAGE NOTES ON LAND HELD FOR REDEVELOPMENT

The long-term mortgage notes associated with land purchased for redevelopment are reported on the fund financial statements as they are related to the non-operating assets also reported on the fund financial statements. These mortgages are explained in detail below:

The Agency executed a promissory note for \$195,235 in connection with the purchase of land at 870 San Pablo Avenue in March 2004. This property is the site of the Pinole Shores Business Park. The Agency is required to make interest only payments for ninety-six (96) months. Interest is computed at the rate of 5% with a final balloon payment of the principal due in April 2012. As of June 30, 2009 the balance outstanding on the note payable was \$195,235.

The Agency executed a promissory note for \$181,500 in connection with the purchase of land at 648 Tennent Avenue in November 2007. The Agency is required to make principal and interest payments for 120 months. Interest is computed at the rate of 5.75%. The loan maturity date is November 2017. As of June 30, 2009 the balance outstanding on the note payable was \$160,246.

The Agency executed a promissory note for \$548,500 in connection with the purchase of land at 612 Tennent Avenue in November 2007. The Agency is required to make principal and interest payments for 120 months. Interest is computed at the rate of 5.75%. The loan maturity date is November 2017. As of June 30, 2009 the balance outstanding on the note payable was \$484,270.

Debt service requirements are shown below for the mortgages on land held for redevelopment:

For the Year Ending June 30	Principal	Interest
2010	\$ 60,923	\$ 44,996
2011	64,521	41,400
2012	263,565	35,150
2013	72,363	24,094
2014	76,363	19,522
2015 - 2019	<u>302,016</u>	<u>30,904</u>
Total	<u>\$ 839,751</u>	<u>\$ 196,066</u>

PINOLE REDEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 8: LONG-TERM LIABILITIES

Governmental Activities

The following is a summary of long-term liabilities transactions related to governmental activities of the Agency for the year ended June 30, 2009:

	<u>Balance at July 1, 2008</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2009</u>	<u>Current Portion</u>
Tax Allocation Bonds:					
2004 Series A Subordinate Bonds	\$ 21,600,000	\$ -	\$ -	\$ 21,600,000	\$ -
2004 Series B Subordinate Bonds	8,395,000	-	-	8,395,000	325,000
2003 Series A Subordinate Bonds	6,895,000	-	(585,000)	6,310,000	605,000
1999 Subordinate Bonds	6,870,000	-	(835,000)	6,035,000	745,000
1998 Series A Bonds	7,145,000	-	(580,000)	6,565,000	600,000
1998 Series B Bonds	<u>4,915,000</u>	<u>-</u>	<u>(365,000)</u>	<u>4,550,000</u>	<u>390,000</u>
Total Bonds Payable	<u>55,820,000</u>	<u>-</u>	<u>(2,365,000)</u>	<u>53,455,000</u>	<u>2,665,000</u>
Mortgage Payables:					
613-635 Tennent Avenue	478,344	-	(37,444)	440,900	39,917
2810 Pinole Valley Road	<u>400,750</u>	<u>-</u>	<u>(40,252)</u>	<u>360,498</u>	<u>41,684</u>
Total mortgages	<u>879,094</u>	<u>-</u>	<u>(77,696)</u>	<u>801,398</u>	<u>81,601</u>
Compensated Absences	<u>121,320</u>	<u>58,011</u>	<u>(72,498)</u>	<u>106,833</u>	<u>12,083</u>
Governmental activities long-term liabilities	<u>\$ 56,820,414</u>	<u>\$ 58,011</u>	<u>\$ (2,515,194)</u>	<u>\$ 54,363,231</u>	<u>\$ 2,758,684</u>

PINOLE REDEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 8: LONG-TERM LIABILITIES (CONTINUED)

A description of the long-term liabilities related to governmental activities at June 30, 2009 follows:

A. 2004 Series A and B Tax Allocation Bonds

In September 2005 the Agency authorized the issuance of the \$21,600,000 of 2004A and \$8,395,000 of 2004B Subordinate Tax Allocation Bonds. The 2004A bonds were issued for the following purposes:

- 1) \$3,215,000 of Taxable Subordinate Housing Set Aside Tax Allocation Bonds to provide for financing of certain capital improvements within the Agency's Pinole Vista Redevelopment Project Area. The Bonds will be repaid from Housing Set-Aside revenue. Principal payments are due semiannually in February and August until 2019. The interest rate on the Bonds range from 5.40% to 5.60% annually. Interest is due annually on February 1 through 2019.
- 2) \$7,195,000 of Tax-Exempt Second-Subordinate Tax Allocation Bonds to finance and refinance certain public capital improvements within the Agency's Pinole Vista Redevelopment Project Area. The Bonds will be repaid from Housing Set-Aside revenue. Principal payments are due semiannually in February and August until 2022. The interest rate on the Bonds range from 4.25% to 4.50% annually. Interest is due annually on February 1 through 2022.
- 3) \$11,190,000 of Third-Subordinate Tax Allocation Bonds to finance public capital improvements within the Pinole Vista Redevelopment Project Area. The Bonds will be repaid from Housing Set-Aside revenue. Principal payments are due semiannually in February and August until 2023. The interest rate on the Bonds range from 3.75% to 4.50% annually. Interest is due annually on February 1 through 2023.

The 2004B Taxable Second-Subordinate Tax Allocation Bonds in the aggregate principal of \$8,395,000 were issued to finance and refinance certain public capital improvements within the Agency's Pinole Vista Redevelopment Project Area. Repayment on the Bonds will be from tax increment revenues allocated to the Agency from the Project Area. Principal payments are due semiannually in February and August until 2020. The interest rate on the Bonds range from 4.54% to 5.60% annually. Interest is due annually on February 1 through 2020.

B. 2003 Series A Tax Allocation Bonds

In 2003 the Agency issued \$8,830,000 of Subordinate Tax Allocation Bonds for the purpose of financing and refinancing public capital improvements within the Pinole Vista Redevelopment Project Area as well as refunding the outstanding principal amount of the Series 1993A Bonds. The 2003A Bonds will be repaid from tax increment revenues allocated to the Agency from the Project Area. Principal payments are due annually on August 1 until 2018. The Bonds bear interest at 2.0% and 4.5% annually. Interest is due semi-annually on February 1 and August 1 through 2018.

C. 1999 Subordinate Tax Allocation Bonds

In 1999, the Agency issued \$10,800,000 of Subordinate Tax Allocation Bonds, Series 1999 for the purpose of making a loan to Pinole Assisted Living Community to aid in the construction of an assisted living facility, known as Pinole Valley Assisted Living located in the Agency. The 1999 Bonds will be repaid from the subordinated pledged tax revenues defined in the bond indenture. Commencing on August 1, 2002, principal payments are due annually on August 1 until 2016. The Bonds bear interest between 4.0% and 5.25% annually. Interest is due semi-annually on August 1 and February 1 through 2016.

D. 1998 Series A and Series B Tax Allocation Bonds

In 1998, the Agency issued \$11,920,000 of Tax Allocation Refunding Bonds, Series 1998A and \$7,725,000 of Tax Allocation Refunding Bonds, Series 1998B, for the purpose of refunding the Series 1992A and Series 1992B Tax Allocation Bonds, issued in 1992 to fund certain capital improvements. The 1998 Bonds will be repaid from pledged tax revenues. Principal payments are due annually on August 1 until 2017. The Bonds bear interest between 4.0% and 6.75% annually. Interest is due semi-annually on August 1 and February 1 through 2017.

PINOLE REDEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 8: LONG-TERM LIABILITIES (CONTINUED)

E. Tax Allocation Bonds Debt Service Requirements

Debt service requirements are shown below for bonds payable:

<u>For the Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 2,665,000	\$ 2,555,077
2011	2,675,000	2,434,290
2012	2,800,000	2,304,043
2013	2,935,000	2,163,874
2014	3,085,000	2,010,513
2015 - 2019	19,515,000	7,441,063
2020 - 2024	19,780,000	2,594,737
Total	<u>\$ 53,455,000</u>	<u>\$ 21,503,597</u>

F. Mortgage Payables

In September 2002, the Agency acquired the property adjacent to Memorial Hall at Tennent Avenue for \$650,000 to construct a community center in Old Town Pinole with indoor access to the Memorial Hall. The entire purchase price was carried back by the sellers in a note. Principal and interest on the note at 6.5% are due semi-annually for fifteen years in March and September.

The Agency signed a promissory note for \$560,000 in connection with the purchase of land at 2810 Pinole Valley Road in March 2004. Payments are \$4,500 - \$5,500 per month including interest at 4.5% - 5.5%. Final balloon principal payment of \$129,909 is due March 2014.

G. Mortgage Payables Debt Service Requirements

Debt service requirements are shown below for mortgage payables:

<u>For the Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 81,601	\$ 46,345
2011	87,930	42,016
2012	96,961	36,986
2013	102,548	31,399
2014	219,212	22,642
2015 - 2019	213,146	29,179
Total	<u>\$ 801,398</u>	<u>\$ 208,567</u>

I. Accumulated Compensated Absences

Compensated absences comprise unused vacation leave and compensatory time off, which are accrued as earned. No compensation is payable for sick leave. The liability for compensated absences is determined annually. Amounts expected to be paid out of current financial resources are recorded as fund liabilities; the long-term portion is recorded in the Statement of Net Assets.

PINOLE REDEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 9: DEBT WITHOUT AGENCY COMMITMENT

In 1998, the Pinole Redevelopment Agency assisted the Eastbluff Apartments in the issuance of \$4,959,000 of Multi-family Housing Revenue Bonds to rehabilitate the 144 unit Eastbluff Apartments. The City and Agency have no direct or contingent liability or moral obligation for the payment of this debt. The full payment of the debt is due on December 1, 2028 and will be paid from the the Eastbluff Apartments rental revenues. Therefore, this debt is not included in long-term debt of the City or Agency.

NOTE 10: CONTINGENT LIABILITIES AND COMMITMENTS

Contingent Liabilities

The Agency has received federal and state grants for specific purposes that are subject to review and audit by the federal and state government. Although such audits could result in expenditure disallowances under grant terms, any required reimbursements are not expected to be material.

The Agency is subject to litigation arising in the normal course of business. In the opinion of the Agency's attorney, there is no pending litigation which is likely to have a material adverse effect on the financial position of the Agency.

NOTE 11: SUBSEQUENT EVENT

In July 2009, the California Legislature passed ABX4-26 as part of the State's budget package which requires redevelopment agencies to remit approximately \$2.05 billion in redevelopment revenues back to the State. Under ABX4-26, each redevelopment agency must contribute a proportionate share of revenue to the newly created Supplemental Educational Revenue Augmentation Fund (SERAF). The bill authorizes redevelopment agencies, from July 1, 2009, to June 30, 2010, to suspend all or part of its required 20% allocation to its Low and Moderate Income Housing Fund in order to make the required payments. The Housing Fund must be repaid by June 30, 2015. If the agency fails to repay the Housing Fund, the required allocation of tax increment to the Housing Fund is increased to 25% for most agencies as long as the project area continues to receive tax increment. This will result in the delay or elimination of many affordable housing projects where redevelopment funding is a key funding component. In October 2009, the California Redevelopment Association and two of its members filed a lawsuit to challenge the constitutionality of the bill. A ruling is expected before May 2010, the date redevelopment agencies must make their 2009-2010 payment to the State. The amount payable to the State from the Agency totals \$3,558,867 in 2009-2010 and \$711,173 for 2010-2011.

REQUIRED SUPPLEMENTAL INFORMATION

PINOLE REDEVELOPMENT AGENCY
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
<u>REVENUES</u>				
Taxes increment	\$ 1,944,378	\$ 1,944,378	\$ 1,865,856	\$ (78,522)
Recovery Income	-	-	-	-
Loan program receipts	173,845	173,845	16,601	(157,244)
Investment earnings	365,000	365,000	494,529	129,529
Rents and ground leases	17,218	17,218	-	(17,218)
Other revenues	-	-	12,647	12,647
Total Revenues	<u>2,500,441</u>	<u>2,500,441</u>	<u>2,389,633</u>	<u>(110,808)</u>
<u>EXPENDITURES</u>				
Current operations:				
General administration	310,586	310,586	292,774	(17,812)
Community development	2,990,350	2,990,350	302,107	(2,688,243)
Debt service:				
Interest and fiscal charges	29,026	29,026	28,819	(207)
Capital outlay	<u>1,352,000</u>	<u>1,352,000</u>	<u>159,144</u>	<u>(1,192,856)</u>
Total Expenditures	<u>4,681,962</u>	<u>4,681,962</u>	<u>782,844</u>	<u>(3,899,118)</u>
Excess (deficiency) of revenues over expenditures	<u>(2,181,521)</u>	<u>(2,181,521)</u>	<u>1,606,789</u>	<u>3,788,310</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers in	-	-	-	-
Transfers out	<u>(1,445,152)</u>	<u>(1,445,152)</u>	<u>(1,445,152)</u>	<u>-</u>
Total other financing sources (uses)	<u>(1,445,152)</u>	<u>(1,445,152)</u>	<u>(1,445,152)</u>	<u>-</u>
Net change in fund balance	(3,626,673)	(3,626,673)	161,637	3,788,310
Fund balances, beginning	<u>11,883,288</u>	<u>11,883,288</u>	<u>15,904,328</u>	<u>4,021,040</u>
Fund balances, ending	<u>\$ 8,256,615</u>	<u>\$ 8,256,615</u>	<u>\$ 16,065,965</u>	<u>\$ 7,809,350</u>



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

Members of the Governing Board
of the Pinole Redevelopment Agency
Pinole, California

We have audited the financial statements of Pinole Redevelopment Agency, a component unit of the City of Pinole, as of and for the year ended June 30, 2009, and have issued our report thereon dated December 9, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the *Guidelines for Compliance Audits of California Redevelopment Agencies*, issued by the State Controller 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 Pinole Redevelopment Agency's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Pinole Redevelopment Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Pinole Redevelopment Agency's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Pinole Redevelopment Agency's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Pinole Redevelopment Agency's financial statements that is more than inconsequential will not be prevented or detected by the Pinole Redevelopment Agency's internal control.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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 Pinole Redevelopment 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 include those provisions of laws and regulations identified in the *Guidelines for Compliance Audits of California Redevelopment Agencies*, issued by the State Controller. 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 an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2009-1.

We noted certain matters that we reported to management of the Redevelopment Agency of the City of Pinole in a separate letter dated December 9, 2009.

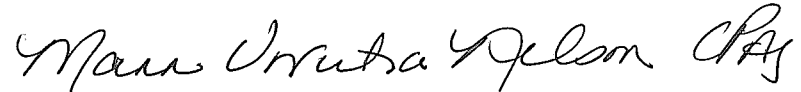
PRINCIPALS

Chris A. Mann, CPA, CFP • John R. Urrutia, CPA • Michelle O. Nelson, CPA, CFE, CVA • Christine L. Collins, EA

Kriss Ann Mann, CPA CCPS • Justin J. Williams, CPA

The Pinole Redevelopment Agency's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the Pinole Redevelopment Agency's response, and accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Agency Board, management and the State Controller, however, this report is a matter of public record and its distribution is not limited.


Sacramento, California
December 9, 2009

PINOLE REDEVELOPMENT AGENCY
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2009

Finding 2009-1: RDA Compliance

Criteria

Health and Safety Code 33080.1 requires that the Agency submit on a timely basis to its legislative body and the State Controller their annual report within six months of the end of the fiscal year (generally December 31).

Condition

The State Controller's and Department of Housing and Community Development reports were due no later than December 31, 2008, but were filed by the Agency staff on January 9, 2009.

Cause

It appears turnover in the Redevelopment Agency resulted in miscommunication of deadlines and required information needed to complete the report.

Recommendation

We recommend that Agency management ensure they submit all required reports based on RDA guidelines for the 2008-09 fiscal year.

Management's Response

Agency Staff understands the reporting and filing deadlines for the State Controller's and the Housing and Community Development ("HCD") financial reports and will make every possible effort to meet the compliance deadlines in 2008-09 and thereafter. The filing for 2007-08 was in part delayed pending a legal determination as to what portion of the settlement proceeds received from the construction defect lawsuit related to the Pinole Assisted Living Center Project are properly excluded from the "excess surplus" computation included in the Housing Set-aside Fund portion of the annual report to HCD.

SUPPLEMENTARY INFORMATION

PINOLE REDEVELOPMENT AGENCY
PRINCIPAL PROPERTY TAXPAYERS
JUNE 30, 2009

<u>Owner</u>	<u>Fiscal Year 2008-2009 Assessed Value</u>	<u>Percentage of Total Assessed Value</u>
PINOLE REDEVELOPMENT AGENCY	\$ 52,088,960	5.1%
PINOLE VISTA LLC	22,914,008	2.2%
PETER L. & SHELLY THIGPEN	20,943,497	2.0%
KW PINOLE LLC	20,391,840	2.0%
PINOLE DUNDEE ONE LLC	19,570,500	1.9%
DAYTON HUDSON CORPORATION	16,485,944	1.6%
JACKSON RETAIL VENTURE	15,000,000	1.5%
APPIAN ASSOCIATES	14,444,420	1.4%
ALPHA BETA COMPANY	13,971,082	1.4%
THOMAS J. FITZGERALD TRUST	13,345,552	1.3%
	<u>\$ 209,155,803</u>	<u>20.4%</u>
TOTAL REDEVELOPMENT AREA SECURED ASSESSED VALUATION	<u><u>\$1,023,891,920</u></u>	

Source: HdI Coren & Cone

PINOLE REDEVELOPMENT AGENCY
PLEDGED TAX REVENUES AND COVERAGE RATIO FOR THE SENIOR BONDS
JUNE 30, 2009

Pledged Tax Revenues (1)	\$	7,463,425
Debt Service on Bonds (2)		
Series 2003		842,550
Series 1998		1,589,611
Total Debt Service	<u>\$</u>	<u>2,432,161</u>
Debt Service Coverage for the Bonds		307%

Notes:

- (1) Net of housing set-aside.
- (2) Actual debt service on the outstanding 1998A and 1998B Series Bonds, and the Series 2003A Bond and excluding the Series 1999 Bond, which is paid by the housing set-aside fund.

PINOLE REDEVELOPMENT AGENCY
TAXPAYERS APPEALS INFORMATION
JUNE 30, 2009

Year	Total No. of Appeals Filed
2003-04	3
2004-05	5
2005-06	3
2006-07	5
2007-08	4
2008-09	24

Source: Hdl, Coren & Cone

Notes:				Projected Revenue Loss
[1]	Pending Appeals	FY 2004-05	1	\$1,450
		FY 2005-06	2	\$10,809
		FY 2006-07	4	\$27,123
		FY 2007-08	4	\$44,907
		FY 2008-09	24	\$43,428
		Open Appeals	35	\$127,717

[2] During the past nine (9) tax years there have been no appeals made by the top 25 property owners within the Pinole Vista Project Area.

PINOLE REDEVELOPMENT AGENCY
 DESCRIPTION OF OUTSTANDING INDEBTNEDNESS PAYABLE FROM PLEDGED TAX REVENUES
 JUNE 30, 2009

Ending									
Year	Series 1999	Series 1998A	Series 1998B	Series 2003A	Series 2004A	Series 2004B	Loan Payable	Mortgages Payable	Total
2010	1,035,633	906,233	678,281	844,700	980,632	774,599		127,946	5,348,024
2011	882,284	903,358	677,622	840,550	1,025,633	779,844		129,946	5,239,237
2012	890,190	903,426	675,369	837,675	1,018,202	779,181		133,947	5,237,990
2013	895,588	906,310	671,522	836,575	1,011,043	777,837		133,947	5,232,822
2014	907,980	906,625	669,994	832,750	999,152	779,012		241,854	5,337,367
2015	912,350	899,625	670,400	835,913	992,803	779,183		67,946	5,158,220
2016	923,906	900,871	668,444	834,500	1,336,722	778,350		67,947	5,510,740
2017	908,230	905,000	668,956	838,600	1,347,953	769,860		67,946	5,506,545
2018		902,000	666,768	836,400	2,282,997	775,560		38,486	5,502,211
2019					3,086,028	2,434,640			5,520,668
2020					3,090,523	2,433,400			5,523,923
2021					4,012,962	385,440			4,398,402
2022					4,400,163				4,400,163
2023					4,399,975				4,399,975
2024					3,652,275				3,652,275
	<u>\$ 7,356,161</u>	<u>\$ 8,133,448</u>	<u>\$ 6,047,356</u>	<u>\$ 7,537,663</u>	<u>\$ 33,637,063</u>	<u>\$ 12,246,906</u>	<u>\$ -</u>	<u>\$ 1,009,965</u>	<u>\$ 75,968,562</u>

Source: City of Pinole Finance

PINOLE REDEVELOPMENT AGENCY
 STATEMENT OF THE ANNUAL REVIEW AND CALCULATION OF REMAINING PLEDGED TAX REVENUES
 JUNE 30, 2009

Maximum limit on tax increment revenues (adopted 1987)	\$	140,424,384
CPI Adjustments to 06/30/2009		141,288,150
Adjusted limit on tax increment revenues		281,712,534
Cumulative tax increment revenues received		119,111,934
 Tax increment revenues yet to be received	 \$	 162,600,600
 Remaining Debt Service		
Series 1999	\$	7,356,161
Series 1998A		8,133,451
Series 1998B		6,047,356
Series 2003A		7,537,663
Series 2004A		33,637,060
Series 2004B		12,246,906
Mortgage Payable		485,965
Estimated future fees for Trustee		127,452
 Total	 \$	 75,572,014

PINOLE REDEVELOPMENT AGENCY
AGGREGATE ASSESSED VALUE OF THE PROJECT AREA
JUNE 30, 2009

<u>Assessed Value</u>	<u>Original Area</u>	<u>Added Area</u>	<u>Total</u>
Secured	569,569,003	416,994,443	986,563,446
Unsecured	31,584,368	5,438,769	37,023,137
Nonunitary Utility	250,837	27,500	278,337
Total Assessed Value	<u><u>601,404,208</u></u>	<u><u>422,460,712</u></u>	<u><u>1,023,864,920</u></u>

PINOLE REDEVELOPMENT AGENCY
PINOLE VISTA PROJECT AREA
SECOND SUBORDINATE DEBT/PROJECTED DEBT SERVICE COVERAGE
(2003 Indenture Covenants)
JUNE 30, 2009

<i>Year</i>	<i>Gross Revenues (1)</i>	<i>Pass-thrus & County Admin</i>	<i>Housing Set- Aside</i>	<i>Available Revenues</i>	<i>Senior Bonds Debt Service (2)</i>	<i>Second Subordinate Pledged Revenues</i>	<i>Series 2003A Bond Debt Service</i>	<i>Second Subordinate Debt Service Coverage</i>
2009	9,938,156	608,875	1,987,631	7,341,650	1,613,778	5,727,872	851,325	6.73
2010	9,938,156	608,875	1,987,631	7,341,650	1,610,445	5,731,205	853,775	6.71
2011	9,938,156	608,875	1,987,631	7,341,650	1,608,583	5,733,067	850,625	6.74
2012	9,938,156	608,875	1,987,631	7,341,650	1,608,377	5,733,273	850,475	6.74
2013	9,938,156	608,875	1,987,631	7,341,650	1,609,214	5,732,436	849,875	6.75
2014	9,938,156	608,875	1,987,631	7,341,650	1,611,450	5,730,200	848,275	6.76
2015	9,938,156	608,875	1,987,631	7,341,650	1,606,787	5,734,863	852,225	6.73
2016	9,938,156	608,875	1,987,631	7,341,650	1,608,262	5,733,388	849,600	6.75
2017	9,938,156	608,875	1,987,631	7,341,650	1,615,375	5,726,275	854,400	6.70
2018	9,938,156	608,875	1,987,631	7,341,650	1,612,537	5,729,113	852,800	6.72
Totals	\$ 99,381,560	\$ 6,088,750	\$ 19,876,310	\$ 73,416,500	\$ 16,104,808	\$ 57,311,692	\$ 8,513,375	6.73

(1) Assuming no growth in revenues

(2) 1998 Series A and B

Pinole Redevelopment Agency
 Second Subordinate Debt Service Coverage Assuming Max New Bonds
 Assuming No Growth in Revenues
 (2004 Indenture Covenants)
 JUNE 30, 2009

<i>Fiscal Year Ending 06/30</i>	<i>Available Revenues</i>	<i>Senior Bonds Debt Service (2)</i>	<i>Second Subordinate Pledged Revenue</i>	<i>Series 2003 A Debt Service(2)</i>	<i>Series 2004 Taxable Debt Service (1) & (2)</i>	<i>Series 2004 Tax Exempt Debt Service (1) &(2)</i>	<i>Combined Subordinate Debt Service (2)</i>	<i>Second Subordinate Debt Service Coverage</i>
2009	7,341,650	1,613,778	5,727,872	851,325	449,599	315,513	1,616,437	3.54
2010	7,341,650	1,610,445	5,731,205	853,775	774,599	315,513	1,943,887	2.95
2011	7,341,650	1,608,583	5,733,067	850,625	779,844	315,513	1,945,982	2.95
2012	7,341,650	1,608,377	5,733,273	850,475	779,181	315,513	1,945,169	2.95
2013	7,341,650	1,609,214	5,732,436	849,875	777,837	315,513	1,943,225	2.95
2014	7,341,650	1,611,450	5,730,200	848,275	779,012	315,513	1,942,800	2.95
2015	7,341,650	1,606,787	5,734,863	852,225	779,183	315,513	1,946,921	2.95
2016	7,341,650	1,608,262	5,733,388	849,600	778,350	315,513	1,943,463	2.95
2017	7,341,650	1,615,375	5,726,275	854,400	769,860	315,513	1,939,773	2.95
2018	7,341,650	1,612,537	5,729,113	852,800	775,560	315,513	1,943,873	2.95
2019	7,341,650	-	7,341,650	-	2,434,640	315,513	2,750,153	2.67
2020	7,341,650	-	7,341,650	-	2,433,400	315,513	2,748,913	2.67
2021	7,341,650	-	7,341,650	-	385,440	2,360,513	2,745,953	2.67
2022	7,341,650	-	7,341,650	-	-	2,748,600	2,748,600	2.67
2023	7,341,650	-	7,341,650	-	-	2,748,350	2,748,350	2.67
Total	\$ 110,124,750	\$ 16,104,808	\$ 94,019,942	\$ 8,513,375	\$ 12,696,505	\$ 11,643,613	\$ 32,853,493	

(1) Net of Capitalized Interest

(2) Bond Year Ending 07/31 (of previous fiscal year)

Pinole Redevelopment Agency
 Third Subordinate Debt Service Coverage Assuming Max New Bonds
 Assuming No Growth in Revenues
 JUNE 30, 2009

Fiscal Year Ending 06/30	Available Revenues	1998 Bonds Debt Service (2)	Series 2003 A Debt Service (2)	Series 2004 Second			2004 3rd Subordinate Debt Service(1) & (2)	Pledge to Housing Set Aside Bonds	Total Debt Service (2)	3rd Subordinate Bonds Coverage
				Series 2004 Taxable Debt Service (1) & (2)	Subordinate Tax Exempt Debt Service (1) & (2)					
2009	7,341,650	1,613,778	851,325	449,599	315,513		487,370	360,000	4,077,585	1.80
2010	7,341,650	1,610,445	853,775	774,599	315,513		487,370	-	4,041,702	1.82
2011	7,341,650	1,608,583	850,625	779,844	315,513		487,370	-	4,041,935	1.82
2012	7,341,650	1,608,377	850,475	779,181	315,513		487,370	-	4,040,916	1.82
2013	7,341,650	1,609,214	849,875	777,837	315,513		487,370	-	4,039,809	1.82
2014	7,341,650	1,611,450	848,275	779,012	315,513		487,370	-	4,041,620	1.82
2015	7,341,650	1,606,787	852,225	779,183	315,513		487,370	-	4,041,078	1.82
2016	7,341,650	1,608,262	849,600	778,350	315,513		847,370	-	4,399,095	1.67
2017	7,341,650	1,615,375	854,400	769,860	315,513		843,870	-	4,399,018	1.67
2018	7,341,650	1,612,537	852,800	775,560	315,513		844,995	-	4,401,405	1.67
2019	7,341,650	-	-	2,434,640	315,513		1,649,595	-	4,399,748	1.67
2020	7,341,650	-	-	2,433,400	315,513		1,650,370	-	4,399,283	1.67
2021	7,341,650	-	-	385,440	2,360,513		1,652,450	-	4,398,403	1.67
2022	7,341,650	-	-	-	2,748,600		1,651,563	-	4,400,163	1.67
2023	7,341,650	-	-	-	2,748,350		1,651,625	-	4,399,975	1.67
2024	7,341,650	-	-	-	-		3,652,275	-	3,652,275	2.01
Total	\$ 110,124,750	\$ 16,104,808	\$ 8,513,375	\$ 12,696,505	\$ 11,643,613	\$ 14,203,428	\$ 360,000	\$ 63,521,728		

(1) Net of Capitalized Interest

(2) Bond Year Ending 07/31 (of previous fiscal year)

Pinole Redevelopment Agency
Housing Set Aside Revenues &
Series 1999 Debt Service Coverage
Assuming No Growth in Revenues
JUNE 30, 2009

<i>Fiscal Year Ending 06/30</i>	<i>Housing Set Aside</i>	<i>Pledged 3rd Supplemental Tax Revenues</i>	<i>Releases Under 1999 Indentures</i>	<i>Combined Pledged Revenues</i>	<i>Series 1999 Debt Service (1) & (2)</i>	<i>Subordinate Series 2004 Debt Service (1) & (2)</i>	<i>Required Reserve Deposits under 1999 Indenture</i>	<i>Combined Debt Service (2)</i>	<i>Debt Service Coverage</i>
2009	1,987,631	360,000		2,347,631	1,182,758	177,750	220,338	1,580,846	1.49
2010	1,987,631			1,987,631	1,053,513	177,750		1,231,263	1.61
2011	1,987,631		1,542,366	3,529,997	897,752	222,750		1,120,502	3.15
2012	1,987,631			1,987,631	906,815	215,320		1,122,135	1.77
2013	1,987,631			1,987,631	913,565	208,160		1,121,725	1.77
2014	1,987,631			1,987,631	927,610	196,270		1,123,880	1.77
2015	1,987,631			1,987,631	933,350	189,920		1,123,270	1.77
2016	1,987,631			1,987,631	946,350	173,840		1,120,190	1.77
2017	1,987,631			1,987,631	931,463	188,570		1,120,033	1.77
2018	1,987,631			1,987,631		1,122,490		1,122,490	1.77
2019	1,987,631			1,987,631		1,120,920		1,120,920	1.77
2020	1,987,631			1,987,631		1,124,640		1,124,640	1.77
2021	1,987,631			1,987,631				-	
2022	1,987,631			1,987,631				-	
2023	1,987,631			1,987,631				-	
Total	\$ 29,814,465	\$ 360,000	\$ 1,542,366	\$ 31,716,831	\$ 8,693,176	\$ 5,118,380	\$ 220,338	\$ 14,031,894	

(1) Net of Capitalized Interest

(2) Bond Year Ending 07/31 (of previous fiscal year)