



## THE CITY OF SAN DIEGO

DATE ISSUED: March 10, 2010

REPORT NO: RA-10-12

ATTENTION: Honorable Chair and Members of the Redevelopment Agency,  
Docket of March 16, 2010

SUBJECT: Redevelopment Agency Annual Financial Report and Yellow Book  
Report- Fiscal Years 2003 through 2007 and 2009

### REQUESTED ACTION:

Should the Redevelopment Agency receive and file the Redevelopment Agency Annual Financial Report (AFR) and the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters (Yellow Book Report) for Fiscal Years 2003 through 2007 and 2009.

### STAFF RECOMMENDATION:

It is recommended that the Redevelopment Agency adopt the resolution to receive and file the AFR and Yellow Book Report for Fiscal Years 2003 through 2007 and 2009.

### SUMMARY:

California Health and Safety Code section 33080 requires redevelopment agencies to file an independent financial audit, including an opinion regarding the agency's compliance with laws, regulations and administrative requirements. The Agency recently completed the fiscal year 2009 AFR, receiving an unqualified audit opinion on the financial statements from its independent auditor Macias Gini & O'Connell LLP. The DPWG reviewed the fiscal year 2009 AFR prior to the issuance of the audit opinion and issued its certification letter on December 28<sup>th</sup>, 2009.

Additionally, we are requesting that the fiscal years 2003 through 2007 AFR's also be received and filed by the Agency Board. These statements were completed prior to the formation of the DPWG subgroup tasked with reviewing disclosures related to the Redevelopment Agency's financial statements. At the January 26<sup>th</sup>, 2009 Audit Committee meeting, the Audit Committee requested that the reports be reviewed by the DPWG prior to a recommendation by them that the Redevelopment Agency receive and file the AFR's. The DPWG formed a subgroup including certain members of the DPWG and relevant participants from the City and Agency. The review was limited to a careful reading of the specified audited financial statements and asking questions to relevant participants. A certification letter on the disclosures for the 2003 through 2007 AFR's was issued on August 30, 2009.

Prior to completing the DPWG review process of the 2003 through 2007 AFR's, the fiscal year 2008 AFR was completed and the report was received and filed by the Agency Board on June 16<sup>th</sup> 2009.

### **Redevelopment Agency**

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City Planning & Community Investment



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The Yellow Book Report prepared by the Agency's independent auditor Macias Gini & O'Connell LLP is included in the body of each AFR. In addition to identifying internal control deficiencies and compliance findings, the yellow book report tracks the status of prior year findings. The fiscal year 2009 Yellow Book Report identified two instances of non-compliance and one deficiency in internal controls. Additionally, the status of a prior year finding on Material Weakness in Internal Controls over Financial Reporting continues to be in progress. For additional information regarding these findings, management responses to the findings and a description of the status of corrective actions taken to date please see page 106 of the fiscal year 2009 AFR.

The completion and delivery of the Fiscal Year 2009 AFR and the elimination of the prior year financial statement backlog is a significant milestone in the efforts of the Agency to produce timely financial statements and improve credit ratings. Additionally, the Agency is now in compliance with California Health and Safety Code 33080.1 which requires that the Agency file the AFR as part of the Redevelopment Agency Annual Report within six months of the end of the fiscal year.

FISCAL CONSIDERATIONS: None with this action.

PREVIOUS AGENCY and/or COMMITTEE ACTION

On January 26<sup>th</sup>, 2009, the City Comptroller's Office presented information on the fiscal years 2003 through 2007 AFR's. The Audit Committee requested that the DWPG review the AFR's prior to a recommendation from the Audit Committee that the Redevelopment Agency receive and file the AFR's. After receiving a certification letter from the DPWG, the Audit Committee held a second meeting on November 9, 2009. During this meeting, audit committee members requested additional information on findings identified in the Yellow Book Report and other related matters. A third and final meeting regarding these AFR's was held on December 7, 2009, in which the Audit Committee recommended that the Agency Board receive and file the Fiscal year 2003 through 2007 AFR's.

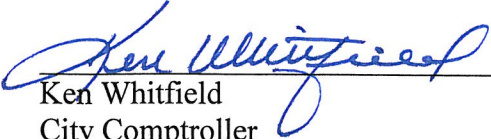
On February 1, 2010, the Audit Committee recommended that the Agency Board receive and file the Fiscal Year 2009 AFR. The Committee also requested that staff provide additional information and analysis of the outstanding debt and repayment ability for each redevelopment project area. Staff provided detailed information on the debt and repayment at a hearing of the Redevelopment Agency and City Council on February 23, 2010. (Refer to report to the Redevelopment Agency and City Council dated February 17, 2010, # RA-10-11, RTC-10-015). Additional hearings on the debt and repayment topic are anticipated.

COMMUNITY PARTICIPATION AND PUBLIC OUTREACH EFFORTS: None

KEY STAKEHOLDERS AND PROJECTED IMPACTS:

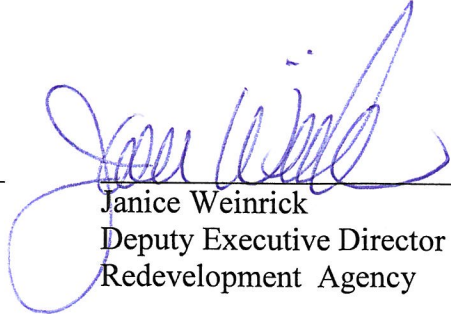
This action represents a milestone in the fiscal reform of the City and Agency and reinforces to the residents and the investment community alike that the City and Agency are working diligently to stabilize its finances, achieve optimal credit ratings, and recover from past delays in financial reporting.

Respectfully submitted,



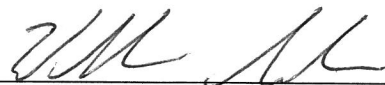
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Ken Whitfield  
City Comptroller  
City of San Diego



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Janice Weinrick  
Deputy Executive Director  
Redevelopment Agency



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Approved: William Anderson  
Assistant Executive Director  
Redevelopment Agency

- Attachment 1. Redevelopment Agency Fiscal Year 2009 Annual Financial Report
- Attachment 2. Redevelopment Agency Fiscal Year 2007 Annual Financial Report
- Attachment 3. Redevelopment Agency Fiscal Year 2006 Annual Financial Report
- Attachment 4. Redevelopment Agency Fiscal Year 2005 Annual Financial Report
- Attachment 5. Redevelopment Agency Fiscal Year 2004 Annual Financial Report
- Attachment 6. Redevelopment Agency Fiscal Year 2003 Annual Financial Report