

ROSEMEAD COMMUNITY DEVELOPMENT COMMISSION

FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2011



ROGERS, ANDERSON, MALODY & SCOTT, LLP
CERTIFIED PUBLIC ACCOUNTANTS, SINCE 1948

ROSEMEAD COMMUNITY DEVELOPMENT COMMISSION

FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2011

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INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities and each major fund of the Rosemead Community Development Commission (the Commission), a component unit of the City of Rosemead, California, as of and for the year ended June 30, 2011, which collectively comprise the Commission's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Commission's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Commission as of June 30, 2011, and the respective changes in financial position thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As explained in Note 8 of these financial statements, it is uncertain as to the future continuation of redevelopment agencies in the State of California as a result of certain legislative actions enacted by the California State Legislature.

During the year under audit, the Commission adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 1, 2011 on our consideration of the Commission'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 considered in assessing the results of our audit.

Management has omitted Management's Discussion and Analysis that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Rogers, Anderson, Malody & Scott, CP

December 1, 2011

Rosemead Community Development Commission
Statement of Net Assets
June 30, 2011

	<u>Governmental Activities</u>
ASSETS	
Cash and investments (note 2)	\$ 15,827,032
Accounts receivable	447,654
Interest receivable	8,213
Due from City of Rosemead	226,314
Land held for resale	4,407,616
Deferred charges	628,120
Capital assets, depreciated, net (note 5)	<u>18,942,276</u>
Total assets	<u>40,487,225</u>
LIABILITIES	
Accounts payable	864,659
Deposits payable	136,376
Due to City of Rosemead	727,478
Accrued interest payable	402,454
Noncurrent liabilities:	
Due within one year	1,215,022
Due in more than one year	<u>43,566,744</u>
Total liabilities	<u>46,912,733</u>
NET ASSETS	
Restricted for:	
Low and moderate income housing	6,795,794
Unrestricted (deficit)	<u>(13,221,302)</u>
Total net assets (deficit)	<u><u>\$ (6,425,508)</u></u>

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

Rosemead Community Development Commission
Statement of Activities
For the Year Ended June 30, 2011

	Program Revenues			
Expenses	Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants	Governmental Activities
Governmental activities:				
Community development	\$ 5,331,277	\$ 415,951	\$ -	\$ -
Interest expense	1,680,003	-	-	-
Total governmental activities	\$ 7,011,280	\$ 415,951	\$ -	\$ -
General revenues:				
Tax increment				6,893,575
Investment income				122,062
Other general revenues				7,997
				7,997
Total general revenues				7,023,634
Change in net assets				428,305
Net assets (deficit), beginning of year				(6,853,813)
Net assets (deficit), end of year				\$ (6,425,508)

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

Rosemead Community Development Commission
Balance Sheet
Governmental Funds
June 30, 2011

	Low-Moderate Income Housing Set-Aside	Rosemead Housing Development Corporation	Debt Service	Capital Projects	Total
ASSETS					
Cash and investments	\$ 2,342,659	\$ 73,597	\$ 10,044,954	\$ 3,365,822	\$ 15,827,032
Accounts receivable	-	14,442	376,350	56,862	447,654
Interest receivable	2,157	-	1,533	4,523	8,213
Due from City of Rosemead	-	-	-	226,314	226,314
Land held for resale	-	-	-	4,407,616	4,407,616
Advances to other funds (note 4)	4,477,945	-	-	-	4,477,945
Total assets	<u>\$ 6,822,761</u>	<u>\$ 88,039</u>	<u>\$ 10,422,837</u>	<u>\$ 8,061,137</u>	<u>\$ 25,394,774</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 1,814	\$ 6,090	\$ 15	\$ 856,740	\$ 864,659
Deposits payable	-	36,376	-	100,000	136,376
Due to City of Rosemead	25,153	-	-	702,325	727,478
Deferred Revenue	-	-	-	53,315	53,315
Advances from other funds (note 4)	-	-	4,477,945	-	4,477,945
Total liabilities	<u>26,967</u>	<u>42,466</u>	<u>4,477,960</u>	<u>1,712,380</u>	<u>6,259,773</u>
Fund balances:					
Restricted for:					
Low and moderate housing	6,795,794	45,573	-	-	6,841,367
Debt service	-	-	5,944,877	-	5,944,877
Capital projects	-	-	-	1,941,141	1,941,141
Land held for resale	-	-	-	4,407,616	4,407,616
Total fund balances	<u>6,795,794</u>	<u>45,573</u>	<u>5,944,877</u>	<u>6,348,757</u>	<u>19,135,001</u>
Total liabilities and fund balances	<u>\$ 6,822,761</u>	<u>\$ 88,039</u>	<u>\$ 10,422,837</u>	<u>\$ 8,061,137</u>	<u>\$ 25,394,774</u>

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

**Rosemead Community Development Commission
Reconciliation of the Balance Sheet of Governmental
Funds to the Statement of Net Assets
June 30, 2011**

Fund balances of governmental funds	\$ 19,135,001
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets, net of depreciation, have not been included as financial resources in the governmental fund activity.	
Capital assets	26,045,293
Accumulated depreciation	(7,103,017)
Long-term debt has not been included in the governmental fund activity.	
Bonds payable	(44,745,000)
Unamortized bond premiums	(217,820)
Costs associated with the issuance of debt are capitalized and amortized in the statement of net assets and expensed in the governmental funds.	
Deferred charges	628,120
Discount on bonds	181,054
Accrued interest payable for the current portion of interest due on bonds payable has not been reported in the governmental funds.	
	(402,454)
Revenues that are measurable but not available. Amounts are recorded as deferred revenue under the modified accrual basis of accounting.	
	<u>53,315</u>
Net assets of governmental activities	<u><u>\$ (6,425,508)</u></u>

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

Rosemead Community Development Commission
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2011

	Low-Moderate Income Housing Set-Aside	Rosemead Housing Development Corporation	Debt Service	Capital Projects	Total
REVENUES					
Tax increment	\$ -	\$ -	\$ 6,893,575	\$ -	\$ 6,893,575
Rental Income	-	415,951	-	-	415,951
Investment income	6,268	40	56,578	59,176	122,062
Other	-	-	-	7,997	7,997
Total revenues	<u>6,268</u>	<u>415,991</u>	<u>6,950,153</u>	<u>67,173</u>	<u>7,439,585</u>
EXPENDITURES					
Current:					
General government	-	-	115,621	1,750	117,371
Public safety	-	-	995,468	-	995,468
Public works	-	-	-	5,803,685	5,803,685
Community development	292,372	803,834	-	-	1,096,206
Debt service:					
Principal	-	-	975,000	2,497,920	3,472,920
Interest and fiscal charges	-	-	1,882,092	-	1,882,092
Cost of issuance of bonds	-	-	-	275,344	275,344
Total expenditures	<u>292,372</u>	<u>803,834</u>	<u>3,968,181</u>	<u>8,578,699</u>	<u>13,643,086</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(286,104)</u>	<u>(387,843)</u>	<u>2,981,972</u>	<u>(8,511,526)</u>	<u>(6,203,501)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in (note 4)	974,464	355,000	1,133,461	-	2,462,925
Transfers out (note 4)	(355,000)	-	(974,464)	(1,133,461)	(2,462,925)
Transfers to the City of Rosemead	-	-	-	(543,883)	(543,883)
Discount on bonds	-	-	-	(192,139)	(192,139)
Proceeds from long-term debt	-	-	-	11,230,000	11,230,000
Total other financing sources (uses)	<u>619,464</u>	<u>355,000</u>	<u>158,997</u>	<u>9,360,517</u>	<u>10,493,978</u>
Net change in fund balances	333,360	(32,843)	3,140,969	848,991	4,290,477
Fund balances, beginning of year	<u>6,462,434</u>	<u>78,416</u>	<u>2,803,908</u>	<u>5,499,766</u>	<u>14,844,524</u>
Fund balances, end of year	<u>\$ 6,795,794</u>	<u>\$ 45,573</u>	<u>\$ 5,944,877</u>	<u>\$ 6,348,757</u>	<u>\$ 19,135,001</u>

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

**Rosemead Community Development Commission
 Reconciliation of the Statement of Revenues, Expenditures, and
 Changes in Fund Balances of Governmental Funds to the
 Statement of Activities
 For the Year Ended June 30, 2011**

Net change in fund balances - total governmental funds \$ 4,290,477

Amounts reported for governmental activities in the statement of activities differ from the amounts reported in the statement of activities because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives as depreciation expense.

Capital outlay	3,798,507
Depreciation expense	(505,112)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has an effect on net assets.

Principal payments on debt	3,472,920
Proceeds from long-term debt	(11,230,000)
Discount on issuance	192,139
Cost of issuance	275,344

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.

Decrease in accrued interest payable	193,372
Amortization of bond issuance costs	(68,059)
Amortization of issuance discounts	(11,085)
Amortization of bond premiums	19,802

Change in net assets of governmental activities	\$ 428,305
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The accompanying notes are an integral part of these financial statements.

Rosemead Community Development Commission
Notes to the Basic Financial Statements
June 30, 2011

(1) Summary of Significant Accounting Policies

(a) Reporting Entity

The Rosemead Redevelopment Agency was established in June 1972 pursuant to State of California Health and Safety Code Section 33000 entitled *Community Redevelopment Law*. The Agency's name was changed to the Rosemead Community Development Commission (the Commission) in January 2002. Its purpose is to finance street, park and utility improvements. It also acquires and constructs major capital facilities all within the Rosemead Project Area No.1. The Commission is a blended component unit of the City of Rosemead, California, (the City) and is included in the basic financial statements of the City. The financial statements contain information for the Commission only. The City's financial statements can be obtained from the Finance Department of the City.

Governmental Accounting Standards Board (GASB) Statement No. 14, the *Financial Reporting Entity*, defines the reporting entity as the primary government and those component units for which the primary government is, or has the potential to be, financially accountable. Financial accountability is defined as appointment of a voting majority of the component unit's Board and either (a) the primary government has the ability to impose its will or (b) the possibility exists that the component unit will provide a financial benefit to, or impose a financial burden on, the primary government.

Based upon the above criteria, the Rosemead Housing Development Corporation (the Corporation), is a blended component unit of the Commission as the Commission's governing board serves as the governing board of the Corporation.

Since the City Council of the City also serves as the Board of Directors of the Commission, the City, in effect, has the ability to influence and control operations. Therefore, the City has oversight responsibility for the Commission. Accordingly, the Commission is a blended component unit of the City.

(b) Basis of Accounting and Measurement Focus

The *basic financial statements* of the Commission are composed of the following:

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

Rosemead Community Development Commission
Notes to the Basic Financial Statements
June 30, 2011

(1) Summary of Significant Accounting Policies, (continued)

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

Government-wide Financial Statements

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

Government-wide financial statements are presented using the *economic resources measurement* focus and the *accrual basis of accounting*. Under the economic resources measurement focus, all (both current and long-term) economic resources and obligations of the reporting government are reported in the government-wide financial statements. *Basis of accounting* refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Under the accrual basis of accounting, revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33.

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

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

Rosemead Community Development Commission
Notes to the Basic Financial Statements
June 30, 2011

(1) Summary of Significant Accounting Policies, (continued)

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

Fund Financial Statements

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

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

Governmental Funds

In the fund financial statements, governmental funds and agency funds are presented using the *modified-accrual basis of accounting*. Their revenues are recognized when they become *measurable* and *available* as net current assets. *Measurable* means that the amounts can be estimated, or otherwise determined. *Available* means that the amounts were collected during the reporting period or soon enough thereafter to be available to finance the expenditures accrued for the reporting period. The Commission uses a sixty day availability period.

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

Rosemead Community Development Commission
Notes to the Basic Financial Statements
June 30, 2011

(1) Summary of Significant Accounting Policies, (continued)

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

Governmental Funds (continued)

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

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

Because of their spending measurement focus, expenditure recognition for governmental fund types excludes amounts represented by noncurrent liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

Amounts expended to acquire capital assets are recorded as *expenditures* in the year that resources were expended, rather than as fund assets. The proceeds of long-term debt are recorded as an *other financing source* rather than as a fund liability. Amounts paid to reduce long-term indebtedness are reported as fund expenditures.

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

Rosemead Community Development Commission
Notes to the Basic Financial Statements
June 30, 2011

(1) Summary of Significant Accounting Policies, (continued)

(c) Property Taxes

Real property taxes are levied for the period from July 1 to June 30 against property owners of record on March 1. The taxes are due in two installments, on December 10 and April 10, and become delinquent after December 10 and April 10, respectively. Under the provisions of NCGA Interpretation 3, property tax revenue is recognized in the fiscal year for which the taxes have been levied, provided it is collected within sixty days of the end of the fiscal year in the fund financial statements.

(d) Major Funds

The Commission reports the following major governmental funds:

Low-Moderate Income Housing Set-Aside Fund - Accounts for the 20% of gross property tax increment revenue received by the Commission to fund future projects involving the replacement or rehabilitation of low- and moderate-income housing within City limits.

Rosemead Housing Development Corporation (the Corporation) - Accounts for the construction and financing of low- and moderate-income housing.

Debt Service Fund - Accounts for the accumulation of resources for the payment of principal, interest and related costs associated with all long-term debt of the Commission.

Capital Projects Fund - Accounts for the financial resources to be used for the improvement and rehabilitation of the community redevelopment project areas and acquisition or construction of major capital facilities within the Commission.

(e) Cash and Investments

Cash includes amounts in demand and time deposits. Investments are reported in the accompanying balance sheet at fair value, except for certain money market contracts that are reported at cost because they are not transferable and they have terms that are not affected by changes in market interest rates.

Changes in fair value that occur during a fiscal year are recognized as investment income reported for that fiscal year. Investment income includes interest earnings, changes in fair value and any gains or losses realized upon the liquidation, maturity or sale of investments.

Rosemead Community Development Commission
Notes to the Basic Financial Statements
June 30, 2011

(1) Summary of Significant Accounting Policies, (continued)

(f) Capital Assets

Capital assets, which include land, buildings, equipment and infrastructure assets (e.g., roads, bridges, traffic signals and similar items), are reported in the government-wide financial statements. Capital assets are defined by the Commission as assets with an initial individual cost of more than \$10,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of an asset or materially extend an asset's useful life are not capitalized. Construction in progress costs are transferred to their respective fixed asset category upon completion.

Depreciation is charged to operations using the straight-line method based on the estimated useful life of an asset. The estimated useful lives of depreciable assets are as follows:

Buildings	50 years
Improvements other than buildings	15 years
Furniture and office equipment	7 years
Streets	30 years
Sidewalks	40 years
Vehicles	5 years

(g) Long-term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. Bond premiums, discounts and issuance costs are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums, discounts and issuance costs during the current period. The face amount of debt issued is reported as an other financing source. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Rosemead Community Development Commission
Notes to the Basic Financial Statements
June 30, 2011

(1) Summary of Significant Accounting Policies, (continued)

(h) Fund Equity

The Commission implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* during the year ended June 30, 2011. This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable – amounts that are not in a spendable form (such as inventory) or are required to be maintained intact.
- Restricted – amounts constrained to specific purposes by their providers (such as grantors, bondholders and higher levels of government), through constitutional provisions or by enabling legislation.
- Committed – amounts constrained to specific purposes by a government itself, using the highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint.
- Assigned – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.
- Unassigned – amounts that are for any purpose; positive amounts are reported only in a general fund.

The Board of Directors establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. The Board designates the Finance Committee and City Manager as the Commission officials to determine, define, and make the necessary account or fund transfers for the amounts to those components of fund balance that are classified as "Assigned Fund Balance".

When both restricted and unrestricted resources are available for use when an expenditure is incurred, it is the Commission's policy to use restricted resources first, then unrestricted resources as they are needed. It is the Commission's policy to consider committed amounts as being reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Rosemead Community Development Commission
Notes to the Basic Financial Statements
June 30, 2011

(1) Summary of Significant Accounting Policies, (continued)

(i) Low-Moderate Income Housing Set-Aside

On October 9, 1991 the Commission prepaid its housing obligation in the amount of \$6,813,850 from proceeds of its 1987 tax allocation notes. This prepayment was restructured in 1993 along with the 1993 series tax allocation bonds. As a result, the Commission's housing obligation has been reduced by \$469,142 per year until the 2021-22 fiscal year.

(j) Use of Estimates

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

(k) Land Held for Resale

Land acquired by the Commission for future development and sale is valued at the lower of cost or net realizable- value.

(2) Cash and Investments

Cash and investments as of June 30, 2011 are classified in the accompanying financial statements as follows:

Statement of net assets:

Cash and investments	\$ 15,827,032
Total cash and investments	\$ 15,827,032

Cash and investments as of June 30, 2011 consist of the following:

Deposits with financial institutions	\$ 7,396,998
Investments	8,430,034
Total cash and investments	\$ 15,827,032

Rosemead Community Development Commission
Notes to the Basic Financial Statements
June 30, 2011

(2) Cash and Investments, (continued)

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

The table below identifies the investment types that are authorized for the City by the California Government Code and the City's investment policy. The table also identifies certain provisions of the California Government Code (or the City's investment policy, if more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the City, rather than the general provisions of the California Government Code or the City's investment policy.

Investment Types Authorized by State Law	Authorized by Investment Policy	Maximum Maturity*	Maximum Percentage of Portfolio*	Maximum Investment in One Issuer*
Local Agency Bonds	No	5 years	None	None
US Treasury Obligations	Yes	5 years	None	None
US Agency Securities	Yes	5 years	None	None
Banker's Acceptances	Yes	180 days	40	30%
Commercial Paper	Yes	270 days	25%	10%
Negotiable Certificate of Deposit	Yes	1 year	30%	None
Repurchase Agreements	No	1 year	None	None
Reverse Repurchase Agreements	No	92 days	20% base value	None
Medium-Term Notes	Yes	5 years	10%	None
Mutual Funds	Yes	N/A	20%	10%
Money Market Mutual Funds	Yes	N/A	20%	10%
Mortgage Pass-Through Securities	No	5 years	20%	None
County Pooled Investment Funds	No	N/A	None	None
Local Agency Investment Funds	Yes	N/A	None	None
JPA Pools (other investment pools)	No	N/A	None	None

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

Rosemead Community Development Commission
Notes to the Basic Financial Statements
June 30, 2011

(2) Cash and Investments, (continued)

Investments Authorized by Debt Agreements

Investment of debt proceeds held by bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the City's investment policy. The table below identifies the investment types that are authorized for investments held by bond trustee. The table also identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk.

<u>Authorized Investment Type</u>	<u>Maximum maturity</u>	<u>Maximum percentage of portfolio</u>	<u>Maximum investment in one</u>
Local Agency Bonds	None	None	None
US Treasury Obligations	None	None	None
US Agency Securities	None	None	None
Banker's Acceptances	1 year	None	None
Commercial Paper	1 year	None	10%
Repurchase Agreements	30 days	None	None
Money Market Mutual Funds	N/A	20%	10%
Local Agency Investment Funds	N/A	None	None
Investment Agreements	N/A	None	None
Certificate of Deposits	1 year	None	None

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the Commission manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Rosemead Community Development Commission
Notes to the Basic Financial Statements
June 30, 2011

(2) Cash and Investments, (continued)

Disclosures Relating to Interest Rate Risk, (continued)

Information about the sensitivity of the fair values of the Commission's investments (including investments held by bond trustee) to market interest rate fluctuations is provided by the following table that shows the distribution of the Agency's investments by maturity:

Investment Type	Amount	Remaining Maturity			
		12 Months Or Less	13-24 Months	25-60 Months	More Than 60 Months
State investment pool	\$6,162,809	\$6,162,809	\$ -	\$ -	\$ -
Held by bond trustee:					
Money market mutual funds	1,143,054	1,143,054	-	-	-
Certificates of deposit	1,124,171	-	-	1,124,171	-
Total	\$8,430,034	\$7,305,863	\$ -	\$1,124,171	\$ -

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 City's investment policy, or debt agreements, and the actual rating as of year end for each investment type.

Investment Type	Amount	Minimum Legal Rating	Rating as of Year End		
			AAA	Aa2	Not Rated
State investment pool	\$ 6,162,809	N/A	\$ -	\$ -	\$6,162,809
Held by bond trustee:					
Money market mutual funds	1,143,054	N/A	1,143,054	-	-
Certificates of deposit	1,124,171	N/A	-	-	1,124,171
Total	\$ 8,430,034		\$1,143,054	\$ -	\$7,286,980

Rosemead Community Development Commission
Notes to the Basic Financial Statements
June 30, 2011

(2) Cash and Investments, (continued)

Concentration of Credit Risk

The investment policy contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. The Commission had no investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total Commission's investments.

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 City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following 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 governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure Commission deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. As of June 30, 2011, the Commission had no deposits with financial institutions in excess of federal depository insurance limits.

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

Investment in State Investment Pool

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

Rosemead Community Development Commission
Notes to the Basic Financial Statements
June 30, 2011

(3) Operating Lease

The Corporation entered into a 55-year lease agreement with the City for the use of the Angelus Senior Housing facility for \$60,000 annually, expiring June 2047. Total lease commitments remaining are \$2,160,000 for the Angelus Senior Housing facility at June 30, 2011. The Corporation also entered into a 55-year lease agreement with the City for use of the Garvey Senior Housing facility for \$72,000 annually, expiring November 2057. Total lease commitments remaining are \$3,342,000 for the Garvey Senior Housing facility at June 30, 2011. The Corporation paid \$60,000 and \$72,000 in lease payments to the City during the year ended June 30, 2011 for the Angelus and Garvey Senior Housing facilities, respectively.

(4) Interfund Activity

Noncurrent Interfund Receivable and Payable Balances

Under State law, the Commission is required to set aside a portion of its property tax increment revenue for low-and moderate-income housing. The Commission has made findings that, for the years ended June 30, 1986 through 1991, it was allowed to defer funding of the set-aside funds. The set-aside amounts incurred during the fiscal years ended June 30, 1994, 1995 and 1996 were also deferred until the fiscal year ending June 30, 2023, as provided by the Commission's adoption of the housing deficit repayment plan. As of June 30, 2011, the accumulated set-aside amount not yet funded was approximately \$4,477,945. As required by law, the Commission devised a plan to fund the accumulating amount.

**Rosemead Community Development Commission
Notes to the Basic Financial Statements
June 30, 2011**

(4) Interfund Activity (continued)

Interfund transfers were as follows for the year ended June 30, 2011:

	Transfers in:			Total
	Low-Moderate Income Housing Set-Aside	Rosemead Housing Development Corporation	Debt Service Fund	
<u>Transfers out:</u>				
Debt Service Funds	\$ 974,464	\$ -	\$ -	\$ 974,464 (A)
Low-Moderate Income Housing Set-Aside	-	355,000	-	355,000
Capital Projects Fund	-	-	1,133,461	1,133,461 (B)
 Totals	<u>\$ 974,464</u>	<u>\$ 355,000</u>	<u>\$1,133,461</u>	<u>\$2,462,925</u>

The following describes the significant transfers in and transfers out included in the financial statements:

- (A) To record the low and moderate income housing set-aside for the year ended June 30, 2011.
- (B) To record the Series 2010A Tax Allocation Bond proceeds deposited into the 2010 Debt Service Reserve Fund.

Rosemead Community Development Commission
Notes to the Basic Financial Statements
June 30, 2011

(5) Capital Assets

Capital asset activity for the year ended June 30, 2011 is as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Government activities:				
Capital assets not being depreciated:				
Land	\$ 2,425,898	\$ -	\$ -	\$ 2,425,898
Construction in progress	-	3,589,363		3,589,363
Total capital assets, not being depreciated	2,425,898	3,589,363	-	6,015,261
Capital assets being depreciated:				
Buildings and improvements	18,273,719	209,144	-	18,482,863
Vehicles	93,280	-	-	93,280
Furniture and office equipment	1,453,889	-	-	1,453,889
Total capital assets being depreciated	19,820,888	209,144	-	20,030,032
Less accumulated depreciation:				
Buildings and improvements	(5,071,173)	(493,511)	-	(5,564,684)
Vehicles	(93,280)	-	-	(93,280)
Furniture and office equipment	(1,433,452)	(11,601)	-	(1,445,053)
Total accumulated depreciation	(6,597,905)	(505,112)	-	(7,103,017)
Total capital assets being depreciated, net	13,222,983	(295,968)	-	12,927,015
Governmental activities capital assets, net	\$15,648,881	\$3,293,395	\$ -	\$ 18,942,276

Depreciation expense was charged entirely to the community development function of the Commission for the year ended June 30, 2011.

Rosemead Community Development Commission
Notes to the Basic Financial Statements
June 30, 2011

(6) Long-Term Debt

Long-term debt consists of the following at June 30, 2011:

	Beginning Balance	Additions	Deletions	Ending Balance	Due in One Year
Bonds:					
Tax Allocation Bonds, Series 2006A	\$ 10,700,000	\$ -	\$ 900,000	\$ 9,800,000	\$ 930,000
Tax Allocation Bonds, Series 2006B	23,790,000	-	75,000	23,715,000	80,000
Tax Allocation Bonds, Series 2010A	-	11,230,000	-	11,230,000	200,000
Subtotal bonds	34,490,000	11,230,000	975,000	44,745,000	1,210,000
Deferred amounts:					
Unamortized bond premiums	237,622	-	19,802	217,820	19,802
Discount on issuance	-	(192,139)	(11,085)	(181,054)	(14,780)
Total bonds	34,727,622	11,037,861	983,717	44,781,766	1,215,022
Advances from City	2,497,920	-	2,497,920	-	-
Total long-term debt	<u>\$ 37,225,542</u>	<u>\$ 11,037,861</u>	<u>\$ 3,481,637</u>	<u>\$ 44,781,766</u>	<u>\$1,215,022</u>

Advances from City

In November 2007, the City of Rosemead's General Fund advanced to the Rosemead Community Development Commission \$2,497,920 at an interest rate of 5.25%, to be paid back over 20 years. Accrued interest is payable in annual installments of \$131,141 beginning on September 28, 2008, and continuing until September 28, 2027, at which time the remaining principal and interest shall be due in full. The loan was retired during the fiscal year ended June 30, 2011.

Rosemead Community Development Commission
Notes to the Basic Financial Statements
June 30, 2011

(6) Long-Term Debt (continued)

Tax Allocation Bonds, Series 2006A

On March 9, 2006, the Commission issued tax allocation bonds in the amount of \$14,005,000 (Series 2006A) to: (1) refund a portion of the Commission's outstanding Series 1993A bonds and (2) to finance redevelopment activity in Redevelopment Project Area No.1. The bonds bear interest ranging from 3.25% to 5.00% and mature in annual installments of \$780,000 to \$1,250,000 on various dates through October 1, 2022. The Commission purchased a surety bond in lieu of cash reserve in the amount of \$1,323,238. Portions of the bonds are subject to early redemption, at the option of the Commission, beginning October 1, 2017. Bond premiums are amortized over the life of the bonds. The unamortized balance as of June 30, 2011 was \$217,820. A surety bond has been acquired to satisfy the reserve requirements. As of June 30, 2011 the outstanding balance was \$9,800,000.

Tax Allocation Bonds, Series 2006B

In December 2006, the Commission issued \$24,230,000 in Project Area No.1 Tax Allocation Bonds. The bonds mature in amounts ranging from \$70,000 to \$1,430,000 with interest rates ranging from 3.25% to 4.25% through October 1, 2025. The net proceeds were used to refund the remaining \$23,095,000 amount outstanding on the 1993 Tax Allocation Bonds. The securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1993 Bonds. As a result, the entire 1993 Bonds are considered to be defeased and the liability for those bonds has been removed from the government-wide financial statements. A surety bond has been acquired to satisfy the reserve requirements. As of June 30, 2011 the outstanding balance was \$23,715,000.

Tax Allocation Bonds, Series 2010A

In July 2010, the Commission issued \$11,230,000 in Merged Project Area Tax Allocation Bonds. The bonds mature in amounts ranging from \$200,000 to \$1,135,000 with interest rates ranging from 3.00% to 5.00% through December 1, 2023. The bonds were issued to provide funds to finance the costs of certain redevelopment projects within the Merged Project Area including infrastructure improvements and the acquisition of land. Principal is payable annually on December 1, beginning on December 1, 2011. Interest is payable semi-annually on June 1 and December 1. Per the bond indenture, a reserve is required to be maintained. At June 30, 2011, the balance held in the reserve account was \$1,143,054. As of June 30, 2011 the outstanding balance was \$11,230,000.

**Rosemead Community Development Commission
Notes to the Basic Financial Statements
June 30, 2011**

(6) Long-Term Debt, (continued)

At June 30, 2011, debt service requirements to maturity for governmental activities long-term debt are as follows:

Fiscal years ending June 30,	Principal	Interest
2012	\$ 1,210,000	\$ 1,902,336
2013	1,795,000	1,852,124
2014	1,855,000	1,790,511
2015	1,920,000	1,718,574
2016	1,995,000	1,635,579
2017-2021	11,360,000	6,777,216
2022-2026	10,515,000	4,188,559
2027-2031	8,215,000	2,279,891
2032-2034	5,880,000	399,406
Totals	<u>\$ 44,745,000</u>	<u>\$ 22,544,196</u>

(7) Risk Management

The Commission is exposed to various risks of loss related to torts; thefts of, damage to and destruction of assets; errors and omissions; and natural disasters. The Commission, through the City, carries commercial liability insurance coverage. The Commission carries no insurance coverage for natural disasters. Since the Commission does not have any employees (it uses employees from the City), it is not liable for injury to employees, workers' compensation, or employee health and accident insurance. The City has had no reductions in insurance coverage, nor did the City have any settlements that were in excess of insurance coverage in any of the three preceding years.

Rosemead Community Development Commission
Notes to the Basic Financial Statements
June 30, 2011

(8) Recent Changes in Legislation Affecting California Redevelopment Agencies

On June 29, 2011, the Governor of the State of California signed Assembly Bills X1 26 and 27 as part of the State's budget package. Assembly Bill X1 26 requires each California redevelopment agency to suspend (effective July 1, 2011) nearly all activities except to implement existing contracts, meet already-incurred obligations, preserve its assets and prepare for the impending dissolution of the agency. Assembly Bill X1 27 provides a means for redevelopment agencies to continue to exist and operate by means of a Voluntary Alternative Redevelopment Program. Under this program, each agency would adopt an ordinance agreeing to make certain payments to the County Auditor Controller in fiscal year 2011-12 and annual payments each fiscal year thereafter. Assembly Bill X1 26 indicates that the agency "may use any available funds not otherwise obligated for other uses" to make this payment. The Agency intends to use available monies of its redevelopment agency for this purpose. The amounts to be paid after fiscal year 2012-13 have yet to be determined by the state legislature.

Assembly Bill X1 26 directs the State Controller of the State of California to review the propriety of any transfers of assets between redevelopment agencies and other public bodies that occurred after January 1, 2011. If the public body that received such transfers is not contractually committed to a third party for the expenditure or encumbrance of those assets, the State Controller is required to order the available assets to be transferred to the public body designated as the successor agency by Assembly Bill X1 26.

The League of California Cities and the California Redevelopment Association (CRA) filed a lawsuit on July 18, 2011 on behalf of cities, counties and redevelopment agencies petitioning the California Supreme Court to overturn Assembly Bills X1 26 and 27 on the grounds that they violate the California Constitution. On August 11, 2011, the California Supreme Court issued a stay of all of Assembly Bill X1 27 and most of Assembly Bill X1 26. The California Supreme Court stated in its order that "the briefing schedule is designed to facilitate oral argument as early as possible in 2011, and a decision before January 15, 2012." A second order issued by the California Supreme Court on August 17, 2011 indicated that certain provisions of Assembly Bills X1 26 and 27 were still in effect and not affected by its previous stay, including requirements to file an appeal of the determination of the community remittance payment by August 15, the requirement to adopt an Enforceable Obligations Payment Schedule ("EOPS") by August 29, 2011, and the requirement to prepare a preliminary draft of the initial Recognized Obligation Payment Schedule ("ROPS") by September 30, 2011.

**Rosemead Community Development Commission
Notes to the Basic Financial Statements
June 30, 2011**

(8) Recent Changes in Legislation Affecting California Redevelopment Agencies (continued)

Because the stay provided by Assembly Bill X1 26 only affects enforcement, each agency must adopt an Enforceable Obligation Payment Schedule and draft Recognized Obligation Payment Schedule prior to September 30, as required by the statute. Enforceable obligations include bonds, loans and payments required by the federal or state government; legally enforceable payments required in connection with agency employees such as pension payments and unemployment payments, judgments or settlements; legally binding and enforceable agreements or contracts; and contracts or agreements necessary for the continued administration or operation of the agency that are permitted for purposes set forth in ABX1 26.

On August 9, 2011, the Commission adopted Ordinance No. 917 indicating it will comply with the Voluntary Alternative Redevelopment Program in order to permit the continued existence and operation of the agency, in the event Assembly Bills X1 26 and/or 27 are upheld as constitutional. The initial payment by the agency is estimated to be \$2,112,991 with one half due on January 15, 2012 and the other half due May 15, 2012. Thereafter, an estimated \$500,000 will be due annually. The semi-annual payments will be due on January 15 and May 15 of each year and would increase or decrease with changes in tax increment. Additionally, an increased amount would be due to schools if any new debt is incurred. Assembly Bill X1 27 allows a one-year reprieve on the agency's obligation to contribute 20% of tax increment to the low and moderate income housing fund so as to permit the Agency to assemble sufficient funds to make its initial payments.

Management believes that the Commission will have sufficient funds to pay its obligations as they become due during the fiscal year ending June 30, 2012. The nature and extent of the operation of redevelopment agencies in the State of California beyond that fiscal year are dependent upon the outcome of litigation surrounding the actions of the State.

(9) Excess of Expenditures Over Appropriations

Excess of expenditures over appropriations in individual funds are as follows:

<u>Fund</u>	<u>Expenditures</u>	<u>Appropriations</u>	<u>Excess</u>
Low-Mod Housing	\$ 292,372	\$ 261,200	\$(31,172)
RHDC	\$ 803,834	\$ 797,500	\$ (6,334)

Required Supplementary Information

Rosemead Community Development Commission
Notes to Required Supplementary Information
June 30, 2011

(1) Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the governmental fund. All annual appropriations lapse at fiscal year end.

On or before the last day in March of each year, the Commission submits a request for appropriations to the City Manager so that a budget may be prepared. Before the first Thursday of June 30, the proposed budget is presented to the Commission's governing board for review. The governing board holds public hearings and a final budget must be prepared and adopted no later than June 30.

The appropriated budget is prepared by fund, function and department. The Commission's department heads, with approval of the Finance Director and City Manager, may make transfers of appropriations within a department and between departments within a fund. Transfers of appropriations between funds must be approved by the governing board. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the fund level. The governing board made several supplemental budgetary appropriations throughout the year. The supplemental budgetary appropriations made in the governmental funds are detailed in the required supplementary information.

Encumbrance accounting is employed in the governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at each year end do not constitute expenditures or liabilities because the commitments will be re-appropriated and honored during the subsequent year.

Rosemead Community Development Commission
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Low-Moderate Income Housing Set-Aside Fund
For the Year Ended June 30, 2011

	Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Investment income	\$ -	\$ 6,268	\$ 6,268
Total revenues	-	6,268	6,268
EXPENDITURES			
Current:			
Community development	261,200	292,372	(31,172)
Total expenditures	261,200	292,372	(31,172)
Excess of revenues over (under) expenditures	(261,200)	(286,104)	(24,904)
OTHER FINANCING SOURCES (USES)			
Transfers in	-	974,464	974,464
Transfers out	(250,000)	(355,000)	(105,000)
Total other financing sources (uses)	(250,000)	619,464	869,464
Net change in fund balance	(511,200)	333,360	844,560
Fund balance, beginning of year	6,462,434	6,462,434	-
Fund balance, end of year	\$ 5,951,234	\$ 6,795,794	\$ 844,560

Rosemead Community Development Commission
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Rosemead Housing Development Corporation Fund
For the Year Ended June 30, 2011

	Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Rental income	\$ 416,700	\$ 415,951	\$ (749)
Investment income	-	40	40
Total revenues	<u>416,700</u>	<u>415,991</u>	<u>(709)</u>
EXPENDITURES			
Current:			
Community development	<u>797,500</u>	<u>803,834</u>	<u>(6,334)</u>
Total expenditures	<u>797,500</u>	<u>803,834</u>	<u>(6,334)</u>
Excess of revenues over (under) expenditures	<u>(380,800)</u>	<u>(387,843)</u>	<u>(7,043)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	<u>-</u>	<u>355,000</u>	<u>355,000</u>
Total other financing sources (uses)	<u>-</u>	<u>355,000</u>	<u>355,000</u>
Net change in fund balance	(380,800)	(32,843)	347,957
Fund balance, beginning of year	<u>78,416</u>	<u>78,416</u>	<u>-</u>
Fund balance, end of year	<u>\$ (302,384)</u>	<u>\$ 45,573</u>	<u>\$ 347,957</u>

**Rosemead Community Development Commission
 Computation of Low and Moderate Income Housing – Excess Surplus
 July 1, 2010**

Opening fund balance - July 1, 2010		<u>\$6,462,434</u>
Adjusted balance		1,984,489
Limitation (greater of \$1,000,00 or four years set-aside)		
2008 - 2009	\$ 928,000	
2007 - 2008	1,454,337	
2006 - 2007	1,019,082	
2005 - 2006	<u>989,417</u>	
Total	<u>\$ 4,390,836</u>	
Base limitation	<u>\$ 1,000,000</u>	
Greater amount		<u>4,390,836</u>
Computed excess surplus - July 1, 2010		<u>\$ -</u>



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Board of Directors
Rosemead Community Development Commission
Rosemead, California

***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***

We have audited the financial statements of the governmental activities and each major fund of Rosemead Community Development Commission (the Commission), a component unit of the City of Rosemead, California, as of and for the year ended June 30, 2011, and have issued our report thereon dated December 1, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal control over financial reporting

In planning and performing our audit, we considered the Commission's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the basic component unit financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over financial reporting.

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

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

Compliance

As part of obtaining reasonable assurance about whether the basic component unit financial statements of the Commission are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

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

Rogers, Anderson, Malady & Scott, LLP

December 1, 2011



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Rosemead, California

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***Independent Auditor's Report on Compliance
with Health and Safety Code Section 33080.1***

Compliance

We have audited Rosemead Community Development Commission's (the Commission) compliance with the California Health and Safety Code as required by Section 33080.1 for the year ended June 30, 2011. Compliance with the requirements referred to above is the responsibility of Commission's management. Our responsibility is to express an opinion on Commission's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and *Guidelines for Compliance Audits of California Redevelopment Agencies, June 2011*, issued by the State Controller and as interpreted in the *Auditing Procedures for Accomplishing Compliance Audits of California Redevelopment Agencies, August 2011*, issued by the Governmental Accounting and Auditing Committee of the California Society of Certified Public Accountants.

Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above could have a material effect on the Commission has occurred. An audit includes examining, on a test basis, evidence about the Commission's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Commission's compliance with those requirements. In our opinion, except for Finding 2011-01 below, the Commission complied, in all material respects, with the compliance requirements referred to above that are applicable for the year ended June 30, 2011.

MEMBERS

American Institute of
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California Society of
Certified Public Accountants

Finding 2011-01:

A. Pursuant to §33080 of the California Community Redevelopment Law, each redevelopment agency shall perform the following within six months of the end of the agency's fiscal year:

1. File a copy of the annual report (as defined by §33080.1 of the California Community Redevelopment Law) with the State Controller's Office and the agency's legislative body.

The Blight Progress and the Property reports were not submitted to the State Controller's Office.

Management's Corrective Actions Planned

Staff will ensure that these reports are included in future submittals to the State Controller's Office as they are already in the file.

B. Pursuant to §33080.1 of the California Community Redevelopment Law, each redevelopment agency shall file a fiscal statement that includes substantially all of the information required by §33080.5.

Although the required information was presented to the Commission Board, it was not a "cohesive whole report" as required by the State Controller's Office. In their report, *Selected Redevelopment Agencies – Review Report, Analysis of Administrative, Financial and Reporting Practices* dated March 2011, the Controller's Office commented that the required information, although available, needs to be presented in a cohesive whole report.

Management's Corrective Actions Planned

Staff will ensure that future information is included in a cohesive report.

C. Pursuant to §33080.1(g) of the California Community Redevelopment Law, each redevelopment agency shall file an annual report containing:

- i. The time limit for the commencement for eminent domain proceeding to acquire property within the project area(s)

This information was not provided.

Management's Corrective Actions Planned

Staff will ensure that future annual reports to the Commission include the expiration date of Project Area's 2 eminent domain authority.

In addition, the results of our procedures disclosed an immaterial instance of noncompliance with the provisions described in the *Guidelines for Compliance Audits of California Redevelopment Agencies, June 2011* listed below as Finding 2011-02:

Finding 2011-02

Section §33606 of the Health and Safety Code requires a Redevelopment Agency to adopt a budget which includes proposed indebtedness, a work program and goals, and an examination of the previous year's achievements along with a comparison with the previous year's work program.

During the fiscal year being audited, the Commission did adopt a budget but the budget did not contain any proposed indebtedness even though the Commission issued debt during the year under audit. Also, although the budget did contain the required work program and goals, however, it did not include an examination of the previous year's achievements along with a comparison with the previous year's work program.

Management's Corrective Actions Planned

Staff will ensure that these budget requirements are met when adopting future budgets.

Internal control over compliance

Management of the Commission is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit, we considered the Commission's internal control over compliance to determine the auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over compliance.

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

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

This report is intended solely for the information and use of management, Board of Directors, others within the entity, and the State Controller's Office, Division of Accounting and Reporting and is not intended to be and should not be used by anyone other than these specified parties.

Rogers, Anderson, Malody & Scott, LLP

December 1, 2011