

**ROSEMEAD COMMUNITY DEVELOPMENT  
COMMISSION**

**FINANCIAL STATEMENTS**

Fiscal Year Ended June 30, 2009

**ROSEMEAD COMMUNITY DEVELOPMENT COMMISSION**

**FINANCIAL STATEMENTS**

Fiscal Year Ended June 30, 2009

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Board of Directors  
Rosemead Community Development Commission  
Rosemead, California

### INDEPENDENT AUDITORS' 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, 2009, which collectively comprise of 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 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 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, 2009, and the respective changes in financial position thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The Commission has not presented *management's discussion and analysis* which according to accounting principles generally accepted in the United States of America is necessary to supplement, although not required to be part of, the basic financial statements.

The information identified in the accompanying table of contents as *required supplementary information* is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the *required supplementary information*. However, we did not audit the information and express no opinion on it.

Board of Directors  
Rosemead Community Development Commission  
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Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Rosemead Community Development Commission's basic financial statements. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2009 on our consideration of the Commission's internal control over financial reporting and 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.

*Maya Hoffman McClann P.C.*

Irvine, California  
December 18, 2009

ROSEMEAD COMMUNITY DEVELOPMENT COMMISSION

Statement of Net Assets

June 30, 2009

Assets

Cash and investments (note 2)	\$ 12,277,260
Receivables:	
Accounts	118,239
Accrued interest	52,025
Due from City of Rosemead	351
Land held for resale	4,407,616
Deferred charges	453,207
Capital assets, net (note 5)	
Land	2,425,898
Other capital assets, net	<u>13,928,331</u>
Total assets	<u>33,662,927</u>

Liabilities and Net Assets

Liabilities:

Accounts payable	459,574
Deposits payable	34,527
Due to City of Rosemead	485,082
Accrued interest payable	618,346
Noncurrent liabilities (note 6):	
Due within one year	964,802
Due in more than one year	<u>37,225,542</u>
Total liabilities	<u>39,787,873</u>

Net assets:

Invested in capital assets, net of related debt	9,046,660
Restricted for:	
Low-moderate income housing	5,966,004
Unrestricted	<u>(21,137,610)</u>
Total net assets	<u>\$ (6,124,946)</u>

See accompanying notes to the basic financial statements.

ROSEMEAD COMMUNITY DEVELOPMENT COMMISSION  
Statement of Activities  
Fiscal Year ended June 30, 2009

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Governmental Activities</u>
		<u>Charges for Services</u>	<u>Operating Contributions and Grants</u>	
Governmental activities:				
Community development	\$ 4,533,007	409,139		(4,123,868)
Interest expense	<u>1,523,391</u>	<u>-</u>	<u>-</u>	<u>(1,523,391)</u>
Total governmental activities	<u>\$ 6,056,398</u>	<u>409,139</u>	<u>-</u>	<u>(5,647,259)</u>
General revenues:				
Taxes:				
Property taxes				5,668,563
Investment income				291,192
Other general revenues				<u>6,617</u>
Total general revenues				<u>5,966,372</u>
Change in net assets				319,113
Net assets at beginning of year				<u>(6,444,059)</u>
Net assets at end of year				<u>\$ (6,124,946)</u>

See accompanying notes to the basic financial statements.

ROSEMEAD COMMUNITY DEVELOPMENT COMMISSION  
Balance Sheet - Governmental Funds  
June 30, 2009

	Low-Moderate Income Housing Set-Aside	Rosemead Housing Development Corporation	Debt Service	Capital Projects	Total
<b>Assets:</b>					
Cash and investments	\$ 1,499,153	512,628	7,551,374	2,714,105	12,277,260
Receivables:					
Accounts	-	13,682	104,557	-	118,239
Accrued interest	1,773	-	26,951	23,301	52,025
Due from City of Rosemead	-	-	-	351	351
Land held for resale	-	-	-	4,407,616	4,407,616
Advances to other funds (note 4)	4,477,945	-	-	-	4,477,945
	<u>4,477,945</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,477,945</u>
<b>Total assets</b>	<u>\$ 5,978,871</u>	<u>526,310</u>	<u>7,682,882</u>	<u>7,145,373</u>	<u>21,333,436</u>
<b>Liabilities and Fund Balance</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 2,615	-	401,029	55,930	459,574
Deposits payable	-	34,527	-	-	34,527
Due to City of Rosemead	10,252	351,600	-	123,230	485,082
Advances from other funds (note 4)	-	-	4,477,945	-	4,477,945
	<u>-</u>	<u>-</u>	<u>4,477,945</u>	<u>-</u>	<u>4,477,945</u>
<b>Total liabilities</b>	<u>12,867</u>	<u>386,127</u>	<u>4,878,974</u>	<u>179,160</u>	<u>5,457,128</u>
<b>Fund balance:</b>					
Reserved for:					
Encumbrances	-	-	-	115,000	115,000
Land held for resale	-	-	-	4,407,616	4,407,616
Advances to other funds	4,477,945	-	-	-	4,477,945
Unreserved, reported in:					
Special revenue funds	1,488,059	140,183	-	-	1,628,242
Debt service funds	-	-	2,803,908	-	2,803,908
Capital projects funds	-	-	-	2,443,597	2,443,597
	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,443,597</u>	<u>2,443,597</u>
<b>Total fund balance</b>	<u>5,966,004</u>	<u>140,183</u>	<u>2,803,908</u>	<u>6,966,213</u>	<u>15,876,308</u>
<b>Total liabilities and fund balance</b>	<u>\$ 5,978,871</u>	<u>526,310</u>	<u>7,682,882</u>	<u>7,145,373</u>	<u>21,333,436</u>

See accompanying notes to the basic financial statements.

ROSEMEAD COMMUNITY DEVELOPMENT COMMISSION

Governmental Funds

Reconciliation of the Balance Sheet of Governmental Funds  
to the Statement of Net Assets

June 30, 2009

Fund balances of governmental funds	\$ 15,876,308
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 governmental fund activity.	
Capital assets	22,246,786
Accumulated depreciation	(5,892,557)
Long-term debt has not been included in the governmental fund activity.	
Advances from City	(2,497,920)
Bonds payable	(35,435,000)
Unamortized bond premiums	(257,424)
Cost associated with the issuance of debt are capitalized and amortized in the statement of net assets and expensed in the governmental funds.	
Deferred charges	453,207
Accrued interest payable for the current portion of interest due on bonds payable has not been reported in the governmental funds.	<u>(618,346)</u>
Net assets of governmental activities	<u>\$ (6,124,946)</u>

See accompanying notes to the basic financial statements.

ROSEMEAD COMMUNITY DEVELOPMENT COMMISSION  
Statement of Revenues, Expenditures and Changes in Fund Balances -  
Governmental Funds  
Fiscal Year ended June 30, 2009

	Low-Moderate Income Housing Set-Aside	Rosemead Housing Development Corporation	Debt Service	Capital Projects	Total
<b>Revenues:</b>					
Taxes	\$ -	-	5,649,896	18,667	5,668,563
Rental income	-	409,139	-	-	409,139
Investment income	22,643	140	261,591	6,818	291,192
Other	-	6,011	606	-	6,617
<b>Total revenues</b>	<u>22,643</u>	<u>415,290</u>	<u>5,912,093</u>	<u>25,485</u>	<u>6,375,511</u>
<b>Expenditures:</b>					
<b>Current:</b>					
General government	-	720,018	104,396	1,183,769	2,008,183
Public safety	-	-	1,016,479	-	1,016,479
Public works	-	-	-	303,371	303,371
Community development	256,220	-	-	-	256,220
<b>Debt service:</b>					
Principal	-	-	915,000	-	915,000
Interest and fiscal charges	-	-	1,531,986	-	1,531,986
<b>Total expenditures</b>	<u>256,220</u>	<u>720,018</u>	<u>3,567,861</u>	<u>1,487,140</u>	<u>6,031,239</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(233,577)</u>	<u>(304,728)</u>	<u>2,344,232</u>	<u>(1,461,655)</u>	<u>344,272</u>
<b>Other financing sources (uses):</b>					
Transfers in (note 4)	928,000	250,000	-	2,330,533	3,508,533
Transfers out (note 4)	(250,000)	-	(3,258,533)	-	(3,508,533)
Transfers to City of Rosemead	-	-	-	(388,020)	(388,020)
<b>Total other financing sources (uses)</b>	<u>678,000</u>	<u>250,000</u>	<u>(3,258,533)</u>	<u>1,942,513</u>	<u>(388,020)</u>
<b>Change in fund balances</b>	<u>444,423</u>	<u>(54,728)</u>	<u>(914,301)</u>	<u>480,858</u>	<u>(43,748)</u>
Fund balances at beginning of year	<u>5,521,581</u>	<u>194,911</u>	<u>3,718,209</u>	<u>6,485,355</u>	<u>15,920,056</u>
Fund balances at end of year	<u>\$ 5,966,004</u>	<u>140,183</u>	<u>2,803,908</u>	<u>6,966,213</u>	<u>15,876,308</u>

See accompanying notes to the basic financial statements.

ROSEMEAD COMMUNITY DEVELOPMENT COMMISSION

Governmental Funds

Reconciliation of the Statement of Revenues, Expenditures,  
and Changes in Fund Balances of Governmental Funds  
to the Statement of Activities

Fiscal Year ended June 30, 2009

Net changes in fund balances of governmental funds \$ (43,748)

Amounts reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Depreciation expense (560,734)

Bond issuance costs, premiums, discounts, and similar items are recorded as expenditures in governmental funds when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

This amount is the net offset of the differences. 29,760

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 915,000

The statement of net assets includes accrued interest on long term debt. (21,165)

Change in net assets of governmental activities \$ 319,113

See accompanying notes to the basic financial statements.

## ROSEMEAD COMMUNITY DEVELOPMENT COMMISSION

### Notes to the Basic Financial Statements

Fiscal Year ended June 30, 2009

(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 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

(Continued)

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

# ROSEMEAD COMMUNITY DEVELOPMENT COMMISSION

## Notes to the Basic Financial Statements

(Continued)

(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

(Continued)

(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. Noncurrent portions of other long-term receivables are offset by fund balance reserve accounts.

Because of their spending measurement focus, expenditure recognition for governmental fund types excludes amounts represented by noncurrent liabilities. 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

(Continued)

(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

(Continued)

### (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 \$500 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 other financing sources. 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

(Continued)

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

(h) Fund Equity

In the fund financial statements, governmental funds report reservations of fund balances for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balances represent tentative management plans and are subject to change.

(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 from 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.

(2) Cash and Investments

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

Statement of net assets:

Cash and investments	<u>\$12,277,260</u>
Total cash and investments	<u>\$12,277,260</u>

Cash and investments as of June 30, 2009 consist of the following:

Deposits with financial institutions	\$ 771,091
Investments	<u>11,506,169</u>
Total cash and investments	<u>\$12,277,260</u>

**ROSEMEAD COMMUNITY DEVELOPMENT COMMISSION**

Notes to the Basic Financial Statements

(Continued)

(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.

<u>Investment Types Authorized by State Law</u>	<u>Authorized by Investment Policy</u>	<u>Maximum Maturity*</u>	<u>Maximum Percentage of Portfolio*</u>	<u>Maximum Investment In One Issuer*</u>
Local Agency Bonds	No	5 years	None	None
U.S. Treasury Obligations	Yes	5 years	None	None
U.S. Agency Securities	Yes	5 years	None	None
Banker's Acceptances	Yes	180 days	40%	30%
Commercial Paper	Yes	270 days	25%	10%
Negotiable Certificates of Deposit	Yes	1 year	30%	None
Repurchase Agreements	No	1 year	None	None
Reverse Repurchase Agreements	No	92 days	20% of 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 Fund	Yes	N/A	None	None
JPA Pools (other investment pools)	No	N/A	None	None

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

## ROSEMEAD COMMUNITY DEVELOPMENT COMMISSION

### Notes to the Basic Financial Statements

(Continued)

#### (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 Allowed</u>	<u>Maximum Investment In One Issuer</u>
Local Agency Bonds	None	None	None
U.S. Treasury Obligations	None	None	None
U.S. 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 Fund	N/A	None	None
Investment Agreements	N/A	None	None
Certificates 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 Agency manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

**ROSEMEAD COMMUNITY DEVELOPMENT COMMISSION**

Notes to the Basic Financial Statements

(Continued)

(2) Cash and Investments, (Continued)

Disclosures Relating to Interest Rate Risk, (Continued)

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

<u>Investment Type</u>		<u>Remaining Maturing (in Months)</u>			
		<u>12 Months Or Less</u>	<u>13 to 24 Months</u>	<u>25 to 60 Months</u>	<u>More Than 60 Months</u>
State investment pool	\$10,363,111	10,363,111	-	-	-
Held by bond trustee:					
Money market fund	4	4	-	-	-
Investment agreement	<u>1,143,054</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,143,054</u>
<b>Total</b>	<b><u>\$11,506,169</u></b>	<b><u>10,363,115</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>1,143,054</u></b>

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.

<u>Investment Type</u>		<u>Minimum Legal Rating</u>	<u>Exempt From Disclosure</u>	<u>Rating as of Year End</u>	
				<u>AAA</u>	<u>Not Rated</u>
State investment pool	\$10,363,111	N/A	-	-	10,363,111
Held by bond trustee:					
Money market fund	4	AAA	-	4	-
Investment agreement	<u>1,143,054</u>	<u>N/A</u>	<u>-</u>	<u>-</u>	<u>1,143,054</u>
<b>Total</b>	<b><u>\$11,506,169</u></b>		<b><u>-</u></b>	<b><u>4</u></b>	<b><u>11,506,165</u></b>

**ROSEMEAD COMMUNITY DEVELOPMENT COMMISSION**

Notes to the Basic Financial Statements

(Continued)

(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. 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>
AIG Match Funding Corp	Investment agreement	\$ 1,143,054

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 Agency deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. As of June 30, 2009, \$115,620 of the Corporation's deposits with financial institutions in excess of federal depository insurance limits were held in uncollateralized accounts

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

Investment in State Investment Pool

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

**ROSEMEAD COMMUNITY DEVELOPMENT COMMISSION**

Notes to the Basic Financial Statements

(Continued)

(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 \$2,280,000 for the Angelus Senior Housing facility at June 30, 2009. 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 \$3,486,000 for the Garvey Senior Housing facility at June 30, 2009. The Corporation paid \$60,000 and \$72,000 in lease payments to the City during the year ended June 30, 2009 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. 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, 2009, 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.

Interfund transfers were as follows for the year ended June 30, 2009:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
Low-Moderate Income Housing Set-Aside	Redevelopment Agency Debt Service Fund	\$ 928,000 (A)
Redevelopment Agency Capital Projects Fund	Redevelopment Agency Debt Service Fund	2,330,533 (B)
Rosemead Housing Development Corporation	Low-Moderate Income Housing Set-Aside	<u>250,000</u>
	Total	<u>\$ 3,508,533</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, 2009.
- (B) To transfer remaining tax increment net of pass through payments, 20% set aside and debt service payments to the Capital Projects Fund.

**ROSEMEAD COMMUNITY DEVELOPMENT COMMISSION**

Notes to the Basic Financial Statements

(Continued)

(5) Capital Assets

Capital asset activity for the year ended June 30, 2009 is as follows:

	<u>Balance at June 30, 2008</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at June 30, 2009</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 2,425,898	-	-	<u>2,425,898</u>
Total capital assets, not being depreciated	<u>2,425,898</u>	-	-	<u>2,425,898</u>
Capital assets being depreciated:				
Buildings and improvements	18,273,719	-	-	18,273,719
Vehicles	93,280	-	-	93,280
Furniture and office equipment	<u>1,453,889</u>	-	-	<u>1,453,889</u>
Total capital assets being depreciated	<u>19,820,888</u>	-	-	<u>19,820,888</u>
Less accumulated depreciation for:				
Buildings and improvements	(3,947,296)	(468,480)	-	(4,415,776)
Vehicles	(70,421)	(18,655)	-	(89,076)
Furniture and office equipment	<u>(1,314,106)</u>	<u>(73,599)</u>	-	<u>(1,387,705)</u>
Total accumulated depreciation	<u>(5,331,823)</u>	<u>(560,734)</u>	-	<u>(5,892,557)</u>
Total capital assets being depreciated, net	<u>14,489,065</u>	<u>(560,734)</u>	-	<u>13,928,331</u>
Governmental activities capital assets, net	<u>\$16,914,963</u>	<u>(560,734)</u>	-	<u>16,354,229</u>

Depreciation expense was charged entirely to the community development function of the Commission for the year ended June 30, 2009.

**ROSEMEAD COMMUNITY DEVELOPMENT COMMISSION**

Notes to the Basic Financial Statements

(Continued)

(6) Long-Term Debt

Long-term debt consists of the following at June 30, 2009:

	<u>Balance at June 30, 2008</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at June 30, 2009</u>	<u>Due within One Year</u>	<u>Due Beyond One Year</u>
Governmental activities:						
Advances from City	\$ 2,497,920	-	-	2,497,920	-	2,497,920
Tax allocation bonds, Series 2006A	12,415,000	-	845,000	11,570,000	870,000	10,700,000
Tax allocation bonds, Series 2006B	23,935,000	-	70,000	23,865,000	75,000	23,790,000
Unamortized bond premiums	<u>277,226</u>	<u>-</u>	<u>19,802</u>	<u>257,424</u>	<u>19,802</u>	<u>237,622</u>
	<u>\$39,125,146</u>	<u>-</u>	<u>934,802</u>	<u>38,190,344</u>	<u>964,802</u>	<u>37,225,542</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 amount outstanding at June 30, 2009 is \$2,497,920.

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, 2009 was \$257,424. A surety bond has been acquired to satisfy the reserve requirements. As of June 30, 2009 the outstanding balance was \$11,570,000.

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.

**ROSEMEAD COMMUNITY DEVELOPMENT COMMISSION**

Notes to the Basic Financial Statements

(Continued)

(6) Long-Term Debt (Continued)

A surety bond has been acquired to satisfy the reserve requirements. As of June 30, 2009, \$23,865,000 of the bonds are outstanding.

At June 30, 2009, debt service requirements to maturity for governmental activities long-term debt are as follows:

<u>Year Ending June 30</u>	<u>2006A Tax Allocation Bonds</u>		<u>2006B Tax Allocation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 870,000	478,131	75,000	1,037,674
2011	900,000	449,856	75,000	1,035,049
2012	930,000	419,481	80,000	1,032,336
2013	965,000	386,931	80,000	1,029,536
2014	1,000,000	353,156	85,000	1,026,649
2015-2019	5,720,000	1,032,780	460,000	5,088,680
2020-2024	1,185,000	124,223	6,110,000	4,437,556
2025-2029	-	-	7,510,000	2,992,678
2030-2034	-	-	9,390,000	1,084,064
	<u>\$11,570,000</u>	<u>3,244,558</u>	<u>23,865,000</u>	<u>18,764,222</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.

**Required Supplementary Information**

# ROSEMEAD COMMUNITY DEVELOPMENT COMMISSION

## Notes to Required Supplementary Information

Fiscal Year Ended June 30, 2009

(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 are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be re-appropriated and honored during the subsequent year.

(2) Excess Expenditures Over Appropriations

Expenditures exceeded appropriations in the following funds:

<u>Fund</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Rosemead Housing Development Corporation	\$ 694,400	720,018	(25,618)

ROSEMEAD COMMUNITY DEVELOPMENT COMMISSION

Low-Moderate Income Housing Set-Aside

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Fiscal Year ended June 30, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:				
Investment income	\$ -	-	22,643	22,643
Total revenues	<u>-</u>	<u>-</u>	<u>22,643</u>	<u>22,643</u>
Expenditures:				
Current:				
Community development	336,520	336,520	256,220	80,300
Total expenditures	<u>336,520</u>	<u>336,520</u>	<u>256,220</u>	<u>80,300</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(336,520)</u>	<u>(336,520)</u>	<u>(233,577)</u>	<u>102,943</u>
Other financing sources (uses):				
Transfers in	1,299,000	1,299,000	928,000	(371,000)
Transfers out	<u>(17,800)</u>	<u>(17,800)</u>	<u>(250,000)</u>	<u>(232,200)</u>
Total other financing sources (uses)	<u>1,281,200</u>	<u>1,281,200</u>	<u>678,000</u>	<u>(603,200)</u>
Change in fund balances	944,680	944,680	444,423	(500,257)
Fund balance at beginning of year	<u>5,521,581</u>	<u>5,521,581</u>	<u>5,521,581</u>	<u>-</u>
Fund balance at end of year	<u>\$ 6,466,261</u>	<u>6,466,261</u>	<u>5,966,004</u>	<u>(500,257)</u>

ROSEMEAD COMMUNITY DEVELOPMENT COMMISSION

Rosemead Housing Development Corporation

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Fiscal Year ended June 30, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:				
Intergovernmental	\$ 421,700	421,700	415,150	(6,550)
Interest income	-	-	140	140
Total revenues	<u>421,700</u>	<u>421,700</u>	<u>415,290</u>	<u>(6,410)</u>
Expenditures:				
Current:				
General government	<u>694,400</u>	<u>694,400</u>	<u>720,018</u>	<u>(25,618)</u>
Total expenditures	<u>694,400</u>	<u>694,400</u>	<u>720,018</u>	<u>(25,618)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(272,700)</u>	<u>(272,700)</u>	<u>(304,728)</u>	<u>(32,028)</u>
Other financing sources (uses):				
Transfers in	<u>250,000</u>	<u>250,000</u>	<u>250,000</u>	<u>-</u>
Total other financing sources (uses)	<u>250,000</u>	<u>250,000</u>	<u>250,000</u>	<u>-</u>
Change in fund balances	(22,700)	(22,700)	(54,728)	(32,028)
Fund balance at beginning of year	<u>194,911</u>	<u>194,911</u>	<u>194,911</u>	<u>-</u>
Fund balance at end of year	<u>\$ 172,211</u>	<u>172,211</u>	<u>140,183</u>	<u>(32,028)</u>

ROSEMEAD COMMUNITY DEVELOPMENT COMMISSION  
 Computation of Low/Moderate Housing Fund - Excess Surplus  
 June 30, 2009

Fund Balance - June 30, 2009		\$ 5,966,004
Less Unavailable Amounts:		
Advances to Other Funds		<u>(4,477,945)</u>
Available Low/Moderate Income Housing Funds		1,488,059
Limitation (Greater of \$1,000,000 or Four Years Set-Aside):		
Set-aside for last four years		
2008 - 2009	928,000	
2007 - 2008	1,691,206	
2006 - 2007	1,589,305	
2005 - 2006	<u>1,338,783</u>	
Total set-aside for last four years	<u>5,547,294</u>	
Base limitation		<u>1,000,000</u>
Greater Amount		<u>5,547,294</u>
Computed Excess Surplus - June 30, 2009		<u>\$ -</u>



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Board of Directors  
Community Development Commission of the City of Rosemead  
Rosemead, California

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

We have audited the financial statements of the Community Development Commission of the City of Rosemead (Commission), as of and for the year ended June 30, 2009, which collectively comprise the Commission's basic financial statements and have issued our report thereon dated December 18, 2009. 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. Such provisions included those provisions of laws and regulations identified in the *Guidelines for Comptroller Audits of California Redevelopment Agencies*, issued by the State Controller and as interpreted in the *Suggested Auditing Procedures for Accomplishing Compliance Audits of California Redevelopment Agencies*, issued by the Governmental Accounting and Auditing Committee of the California Society of Certified Public Accountants. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 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.

Board of Directors  
Community Development Commission of the City of Rosemead  
Rosemead, California  
Page Two

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 Commission'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 Commission's financial statements that is more than inconsequential will not be prevented or detected by the Commission's internal control. We consider the item that has been described in the accompanying schedule of findings and recommendations to be a significant deficiencies in internal control over financial reporting.

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 Commission's internal control.

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

We noted certain matters we reported to the management of the City of Rosemead in a separate letter dated December 18, 2009.

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

*Mayer Hoffman McCann P.C.*

Irvine, California  
December 18, 2009

# ROSEMEAD COMMUNITY DEVELOPMENT COMMISSION

## Schedule of Findings and Recommendations

June 30, 2009

### (09-1) Establishment of System Access Rights

In accordance with the implementation of the new audit risk assessment standards, we modified our approach to testing accounting system access controls. During our procedures, we noted that all finance personnel have the ability to perform the following functions:

- Establish vendors and process invoices for payment
- Make changes to the payroll master file (adding and deleting employees, making pay rate changes, etc.)
- Process payroll
- Electronically transfer funds from the City's checking account

#### Recommendation

We recommend that the City restrict system access rights for each individual in the Finance Department with respect to that individual's capability to electronically transfer funds from the City's checking account in order to adequately safeguard City assets.

#### Management's Corrective Actions Planned

Access rights are currently being defined based on job duties. Particular attention is being paid to assigning access rights based on internal controls as well as job duties. For example, check printing access will be assigned to one person and data input access to a different person.