



**OCEANSIDE COMMUNITY  
DEVELOPMENT COMMISSION**

**COMPONENT UNIT  
FINANCIAL STATEMENTS**

**For the Year Ended June 30, 2011**

**Lance Soll & Lunghard, LLP**

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OCEANSIDE COMMUNITY  
DEVELOPMENT COMMISSION

COMPONENT UNIT  
FINANCIAL STATEMENTS

For the Year Ended June 30, 2011

OCEANSIDE COMMUNITY DEVELOPMENT COMMISSION  
COMPONENT UNIT FINANCIAL STATEMENTS

June 30, 2011

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CERTIFIED PUBLIC ACCOUNTANTS

- Brandon W. Burrows, CPA
- David E. Hale, CPA, CFP  
A Professional Corporation
- Donald G. Slater, CPA
- Richard K. Kikuchi, CPA
- Susan F. Matz, CPA
- Shelly K. Jackley, CPA
- Bryan S. Gruber, CPA

## INDEPENDENT AUDITOR'S REPORT

To the Chairman and Commissioners of the  
Oceanside Community Development Commission  
City of Oceanside, California

We have audited the accompanying financial statements of the governmental activities and each major fund of the Oceanside Community Development Commission, a component unit of City of Oceanside, California, as of and for the year ended June 30, 2011, which collectively comprise the Oceanside Community Development Commission's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Oceanside Community Development 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 *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 misstatements. 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 Oceanside Community Development 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.

We would like to draw the reader's attention to Note 10 – "California Redevelopment Agency Uncertainty". The note provides information on two bills passed, AB1X26 and 27 which dissolve redevelopment agencies effective October 1, 2011 and provide an option to avoid dissolution by making certain defined payments.

In accordance with *Government Auditing Standards* issued by the Comptroller General of the United States, we have also issued our report dated October 21, 2011, on our consideration of the Oceanside Community Development 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.



To the Chairman and Commissioners of the  
Oceanside Community Development Commission  
City of Oceanside, California

The Oceanside Community Development Commission has not presented the management's discussion and analysis that is a required supplement, although not required to be part of the basic financial statements prepared in accordance with accounting principles generally accepted in the United States of America.

The budgetary comparison schedule identified in the accompanying table of contents is supplementary information and is also not a required part of the basic financial statements but is supplementary information required by the 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.

Our audit was conducted for the purpose of forming opinion on the financial statements that collectively comprise the Oceanside Community Development Commission's basic financial statements. The computation of low and moderate income housing funds excess/surplus are presented for purposes of additional analysis and are not a required part of the basic financial statements. The low and moderate income housing funds excess/surplus and related note have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

*Lane, Soll & Luykard, LLP*

Brea, California  
October 21, 2011



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## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND INTERNAL CONTROL OVER COMPLIANCE

To the Chairman and Commissioners of the  
Oceanside Community Development Commission  
City of Oceanside, California

### Compliance

We have audited the Oceanside Community Development Commission's 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 Oceanside Community Development Commission's management. Our responsibility is to express an opinion on Oceanside Community Development 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 the *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 that could have a material effect on redevelopment program has occurred. An audit includes examining, on a test basis, evidence about the Oceanside Community Development 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 the Oceanside Community Development Commission's compliance with those requirements.

In our opinion, the Oceanside Community Development Commission complied, in all material respects, with the compliance requirements referred to above that are applicable to the redevelopment program for the year ended June 30, 2011.

### Internal Control Over Compliance

Management of the Oceanside Community Development 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 Oceanside Community Development 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 Oceanside Community Development Commission's internal control over compliance.



To the Chairman and Commissioners of the  
Oceanside Community Development Commission  
City of Oceanside, California

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 for the information of management, the Audit Committee, management, and the California State Controller and it is not intended to be and should not be used by anyone other than these specified parties.

*Lance, Soll & Lughard, LLP*

Brea, California  
October 21, 2011

## **BASIC FINANCIAL STATEMENTS**

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## **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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OCEANSIDE COMMUNITY DEVELOPMENT COMMISSION

STATEMENT OF NET ASSETS  
JUNE 30, 2011

	<b>Governmental Activities</b>
<b>Assets:</b>	
Cash and investments	\$ 15,438,192
Restricted cash and investments with fiscal agent	3,216,717
Receivables:	
Accounts	222,461
Interest	72,783
Loans	13,354,694
Due from other governments	41,781
Land and building held for resale (net)	<u>9,492,993</u>
 Total current assets	 <u>41,839,621</u>
 Noncurrent assets:	
Capital assets (net of depreciation):	
Non depreciable assets	22,555,194
Depreciable assets, net	<u>17,493,495</u>
Total capital assets, net	<u>40,048,689</u>
 <b>Total Assets</b>	 <b><u>81,888,310</u></b>
 <b>Liabilities:</b>	
Current liabilities:	
Accounts payable and accrued expenses	1,683,110
Interest payable	927,913
Due to other governments	121,564
Deposits	103,935
Long-term liabilities - due within one year	<u>4,061,705</u>
 Total current liabilities	 <u>6,898,227</u>
 Noncurrent liabilities:	
Long-term liabilities - due in more than one year	<u>74,816,815</u>
 <b>Total Liabilities</b>	 <b><u>81,715,042</u></b>
 <b>Net Assets:</b>	
Invested in capital assets, net of related debt	22,053,689
Restricted for:	
Community development	35,337,575
Debt service	294,146
Unrestricted	<u>(57,512,142)</u>
 <b>Total Net Assets</b>	 <b><u>\$ 173,268</u></b>

OCEANSIDE COMMUNITY DEVELOPMENT COMMISSION

STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenues and Changes in Net Assets Governmental Activities</u>	
		<u>Charges for Services</u>	<u>Operating Contributions and Grants</u>		<u>Capital Contributions and Grants</u>
<b>Functions/Programs</b>					
<b>Governmental Activities:</b>					
Community development	\$ 18,190,425	\$ 145,533	\$ 17,182,770	\$ -	\$ (862,122)
Interest on long-term debt	4,116,720	-	-	-	(4,116,720)
Contributions to other governments	14,227,459	-	-	-	(14,227,459)
<b>Total Governmental Activities</b>	<b>\$ 36,534,604</b>	<b>\$ 145,533</b>	<b>\$ 17,182,770</b>	<b>\$ -</b>	<b>(19,206,301)</b>
<b>General Revenues:</b>					
Taxes (net of pass-through payments)					10,028,701
Use of money and property					278,802
Other					443,054
<b>Total General Revenues</b>					<b>10,750,557</b>
Change in Net Assets					(8,455,744)
Net Assets at Beginning of Year					8,143,397
Restatement of Net Assets					485,615
<b>Net Assets at End of Year</b>					<b>\$ 173,268</b>

**FUND FINANCIAL STATEMENTS**  
**Governmental Fund Financial Statements**

OCEANSIDE COMMUNITY DEVELOPMENT COMMISSION

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2011**

	Housing Assistance Program Special Revenue	Redevelopment Area Capital Project	Low and Moderate Housing Capital Project	Redevelopment Area Debt Service	Total Governmental Funds
<b>Assets:</b>					
Cash and investments	\$ 3,514,810	\$ 6,000,456	\$ 5,408,816	\$ 514,110	\$ 15,438,192
Restricted cash and investments	136,564	100,000	-	2,980,153	3,216,717
Receivables:					
Accounts	13,849	173,843	34,769	-	222,461
Interest	-	72,783	-	-	72,783
Notes	4,652,290	363,828	8,338,576	-	13,354,694
Due from other governments	41,781	-	-	-	41,781
Land and buildings held for resale	-	9,492,993	-	-	9,492,993
Advances to other funds	-	-	4,317,085	-	4,317,085
<b>Total Assets</b>	<b>\$ 8,359,294</b>	<b>\$ 16,203,903</b>	<b>\$ 18,099,246</b>	<b>\$ 3,494,263</b>	<b>\$ 46,156,706</b>
<b>Liabilities and Fund Balances:</b>					
<b>Liabilities:</b>					
Accounts payable and accrued liabilities	\$ 238,043	\$ 1,445,067	\$ -	\$ -	\$ 1,683,110
Deposits	103,935	-	-	-	103,935
Due to other governments	121,564	-	-	-	121,564
Deferred revenue	1,251,697	363,828	2,683,766	-	4,299,291
Advances from other funds	-	1,116,968	-	3,200,117	4,317,085
<b>Total Liabilities</b>	<b>1,715,239</b>	<b>2,925,863</b>	<b>2,683,766</b>	<b>3,200,117</b>	<b>10,524,985</b>
<b>Fund Balances:</b>					
<b>Nonspendable:</b>					
Advances to other funds	-	-	4,317,085	-	4,317,085
Land and buildings held for resale	-	9,492,993	-	-	9,492,993
Long-term receivables	3,400,593	-	5,654,810	-	9,055,403
<b>Restricted for:</b>					
Debt utilization and/or by debt covenants	-	-	-	294,146	294,146
Low and moderate income housing	3,243,462	-	5,443,585	-	8,687,047
Capital projects	-	3,785,047	-	-	3,785,047
<b>Total Fund Balances</b>	<b>6,644,055</b>	<b>13,278,040</b>	<b>15,415,480</b>	<b>294,146</b>	<b>35,631,721</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 8,359,294</b>	<b>\$ 16,203,903</b>	<b>\$ 18,099,246</b>	<b>\$ 3,494,263</b>	<b>\$ 46,156,706</b>

OCEANSIDE COMMUNITY DEVELOPMENT COMMISSION

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2011

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**Fund balances of governmental funds** **\$ 35,631,721**

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Capital assets	\$ 50,835,481	
Accumulated depreciation	<u>(10,786,792)</u>	
		40,048,689

Deferred revenue is present in governmental fund financial statements to indicate that receivables are not available currently; however, in the Statement of Net Assets these deferrals are eliminated.

4,299,291

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.

Bonds payable	(48,560,000)	
Certificates of participation	(17,995,000)	
Advances from City of Oceanside	<u>(12,323,520)</u>	
		(78,878,520)

Accrued interest payable for the current portion of interest due on long-term liabilities has not been reported in the governmental funds.

(927,913)

**Net assets of governmental activities**

**\$ 173,268**

OCEANSIDE COMMUNITY DEVELOPMENT COMMISSION

STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Housing Assistance Program Special Revenue	Redevelopment Area Capital Project	Low and Moderate Housing Capital Project	Redevelopment Area Debt Service	Total Governmental Funds
<b>Revenues:</b>					
Taxes	\$ -	\$ 8,861,658	\$ 2,215,415	\$ -	\$ 11,077,073
Intergovernmental	14,964,007	-	-	-	14,964,007
Charges for services	117,022	11,806	-	-	128,828
Interest and rental	185,349	60,755	22,604	10,094	278,802
Developer fees	-	16,705	-	-	16,705
Other revenue	428,401	14,653	-	-	443,054
<b>Total Revenues</b>	<b>15,694,779</b>	<b>8,965,577</b>	<b>2,238,019</b>	<b>10,094</b>	<b>26,908,469</b>
<b>Expenditures:</b>					
Current:					
Community development	15,956,402	1,309,518	210,217	-	17,476,137
Capital outlay	-	31,458	-	-	31,458
Debt service	-	-	-	8,092,086	8,092,086
<b>Total Expenditures</b>	<b>15,956,402</b>	<b>1,340,976</b>	<b>210,217</b>	<b>8,092,086</b>	<b>25,599,681</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>(261,623)</b>	<b>7,624,601</b>	<b>2,027,802</b>	<b>(8,081,992)</b>	<b>1,308,788</b>
<b>Other Financing Sources (Uses):</b>					
Transfers in	-	-	288,900	5,144,848	5,433,748
Transfers out	-	(5,144,848)	-	(288,900)	(5,433,748)
Long-term debt issued	-	-	-	871,019	871,019
Pass-through agreement payments	-	(1,048,372)	-	-	(1,048,372)
Payment to Educational Revenue Augmentation Fund	-	(748,727)	-	-	(748,727)
Contribution from (to) City	29,268	(14,497,062)	-	989,062	(13,478,732)
<b>Total Other Financing Sources (Uses):</b>	<b>29,268</b>	<b>(21,439,009)</b>	<b>288,900</b>	<b>6,716,029</b>	<b>(14,404,812)</b>
<b>Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses</b>	<b>(232,355)</b>	<b>(13,814,408)</b>	<b>2,316,702</b>	<b>(1,365,963)</b>	<b>(13,096,024)</b>
<b>Fund Balances:</b>					
Beginning of Year, as previously reported	7,011,795	27,092,448	13,098,778	1,660,109	48,863,130
Restatements	(135,385)	-	-	-	(135,385)
Beginning of Year, as restated	6,876,410	27,092,448	13,098,778	1,660,109	48,727,745
<b>Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses</b>	<b>(232,355)</b>	<b>(13,814,408)</b>	<b>2,316,702</b>	<b>(1,365,963)</b>	<b>(13,096,024)</b>
<b>End of Year</b>	<b>\$ 6,644,055</b>	<b>\$ 13,278,040</b>	<b>\$ 15,415,480</b>	<b>\$ 294,146</b>	<b>\$ 35,631,721</b>

**OCEANSIDE 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 FISCAL YEAR ENDED JUNE 30, 2011**

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**Net change in fund balances - total governmental funds** **\$ (13,096,024)**

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

Proceeds of debt is revenue in the governmental funds, but these are additions to the Statement of Net Assets.

Advances received from City of Oceanside		(871,019)
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Repayment of principal on long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.

Bonds payable	\$ 2,230,000	
Certificates of participation	1,650,000	
Advances from City of Oceanside	<u>25,172</u>	
		3,905,172

Collections on receivables and loan transactions offset by deferred revenue are reported as revenue and expenditures in governmental funds; however, they do not provide revenue or expenses in the Statement of Activities.

2,218,763

Governmental funds report capital outlay as expenditures. However, in the Statement of Activities the cost of those assets is capitalized and allocated over their estimated useful lives through depreciation expense:

Depreciation	<u>(682,830)</u>	(682,830)
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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:

Current accrual of interest due on bonds	(927,913)	
Prior year accrual of interest due on bonds	<u>998,107</u>	
		<u>70,194</u>

**Change in net assets of governmental activities** **\$ (8,455,744)**

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## **NOTES TO FINANCIAL STATEMENTS**

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## OCEANSIDE COMMUNITY DEVELOPMENT COMMISSION

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011

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

The basic financial statements of the Oceanside Community Development Commission (the Commission) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental agencies. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the Commission's accounting policies are described below.

#### **a. Financial Reporting Entity**

The Commission was established on July 16, 1980, and includes all activities previously performed by the Oceanside Redevelopment Agency and the Oceanside Housing Authority. The Oceanside Redevelopment Agency was originally established on November 19, 1975, pursuant to the State of California Health and Safety Code entitled "Community Redevelopment Law". Its purpose is to eliminate blighted areas by encouraging the development of residential, commercial, industrial, recreational and public facilities. The Oceanside Housing Authority was originally established on February 24, 1971, and dissolved April 9, 1975, due to inactivity. It was reactivated on April 9, 1980, pursuant to the State of California Health and Safety Code. This department is responsible for all assisted housing projects within the City of Oceanside (the City).

#### **b. Basis of Accounting and Measurement Focus**

The accounts of the Commission are organized on the basis of funds, each of which is considered 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. Government resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

#### **Government-Wide Financial Statements:**

The Commission's government-wide financial statements include a Statement of Net Assets and a Statement of Activities. These statements present summaries of governmental type activities for the Commission.

These basic financial statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the Commission's assets and liabilities, including capital assets and long-term liabilities, are included in the accompanying Statement of Net Assets. The Statement of Activities presents changes in net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Certain types of transactions are reported as program revenues for the Commission in three categories:

- Charges for services
- Operating grants and contributions
- Capital grants and contributions

# OCEANSIDE COMMUNITY DEVELOPMENT COMMISSION

## NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2011

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### Note 1: Summary of Significant Accounting Policies (Continued)

#### Governmental Fund Financial Statements

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues Expenditures and Changes in Fund Balances for all major governmental funds. An accompanying schedule is presented to reconcile and explain the differences in net assets as presented in these statements to the net assets presented in the government-wide financial statements. The Commission has presented all funds as major funds.

All governmental funds are accounted for on a spending or "current financial resources" measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period.

Revenues are recorded when received in cash, except those revenues subject to accrual (generally 60 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the Commission, are property taxes and other taxes. Expenditures are generally recorded in the accounting period in which the related fund liability is incurred, except for principal and interest on long-term liabilities which are recognized as expenditures only when payment is due.

Deferred revenues arise when potential revenues do not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when the government receives resources before it has a legal claim to them as when grant monies are received prior to incurring qualifying expenditures. In subsequent periods when both revenue recognition criteria are met or when the government has a legal claim to the resources, the deferred revenue is removed from the balance sheet and revenue is recognized.

The Reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements is provided to explain the differences created by the integrated approach of GASB Statement No. 34.

The funds designated as major funds are determined by a mathematical calculation consistent with GASB Statement No. 34. The Commission reports the following major governmental funds:

The Housing Assistance Program Special Revenue Fund is used to account for the operation of the City's low and moderate income housing program. Financing is provided by HUD (Section 8), Community Development Block Grants, and service fees on mortgage revenue bonds.

The Redevelopment Area Capital Projects Fund is used to account for administrative costs and capital improvements funded by long-term debt issued by the Community Development Commission.

The Low and Moderate Housing Capital Projects Fund is used to account for the required 20% set-aside of property tax increments that is legally restricted for increasing or improving housing for low and moderate income households.

OCEANSIDE COMMUNITY DEVELOPMENT COMMISSION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2011

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

The Redevelopment Area Debt Service Fund is used to account for the payment of interest and principal on debt of the Commission.

**c. Encumbrances**

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the general, special revenue and capital project funds. By policy, carry-over of unexpended operating appropriations for one fiscal year to another for incomplete projects are allowed with City Manager approval. The City Council must approve all carry-over appropriations for reallocated funds to different projects and programs.

**d. Cash, Cash Equivalents and Investments**

The Commission pools its available cash for investment purposes with the City of Oceanside. The Commission considers pooled cash and investment amounts with original maturities of three months or less to be cash equivalents.

Highly liquid investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available.

**e. Property Taxes**

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on July 1 and are payable in two installments on December 10 and April 10. The County of San Diego (the County) bills and collects the property taxes and remits them to the Commission in installments during the year. Commission property tax revenues are recognized when levied.

The County is permitted by State Law (Proposition 13) to levy taxes at 1% of full market value (at time of purchase) and can increase the property assessed value not more than two percent per year. The Commission received tax revenue based on the incremental increase in taxable valuation in the redevelopment area above the base year valuation.

**f. Land and Buildings Held for Resale**

Land and buildings held for resale is carried at the lower of cost or market but not greater than the net realizable value.

**g. Capital Assets**

Capital assets are valued at historical cost or estimated historical cost if actual historical cost was not available. Donated fixed assets are valued at their estimated fair market value on the date donated. City policy has set the capitalization threshold for reporting infrastructure at \$100,000; all other capital assets are set at \$10,000. Depreciation is recorded on a straight-line basis over estimated useful lives of the assets as follows:

OCEANSIDE COMMUNITY DEVELOPMENT COMMISSION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2011

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Note 1: Summary of Significant Accounting Policies (Continued)

Buildings	50 - 60 years
Improvements other than buildings	30 - 60 years
Machinery and equipment	5 - 20 years

Interest accrued during capital assets construction, if any, on an asset financed by governmental fund types is not capitalized as part of the asset cost.

**h. Long-Term Liabilities**

**Government-Wide Financial Statements**

Long-term debt and other financed obligations are reported as liabilities in the appropriate funds.

Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds on a straight-line basis. Bonds payable are reported net of the applicable premium or discount.

**Fund Financial Statements**

The fund financial statements do not present long-term debt. Therefore, it is shown in the Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Assets.

**i. Fund Balances and Net Assets**

**Fund Financial Statements**

The fund balances reported on the fund financial statements consist of the following categories:

Nonspendable Fund Balance - This includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted Fund Balance - This includes amounts that can be spent only, for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

Committed Fund Balance - This includes amounts that can be used only for the specific purposes determined by a formal action of the commission.

Assigned Fund Balance - This includes amounts that are designated by the commission for specific purposes.

Unassigned Fund Balance - This is the residual classification that includes all spendable amounts not contained in the other classifications.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available, the Commission's policy is to apply restricted fund balance first.

OCEANSIDE COMMUNITY DEVELOPMENT COMMISSION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2011

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

When an expenditure is incurred for purposes for which committed, assigned or unassigned fund balances are available, the Commission's policy is to apply committed fund balance first, then assigned fund balance, and finally unassigned fund balance.

**Government-Wide Financial Statements**

The net assets reported on the Statement of Net Assets consist of the following three categories:

Invested in Capital Assets, Net of Related Debt - This amount consists of capital assets, net of accumulated depreciation and reduced by outstanding debt that attributed to the acquisition, construction, or improvement of the assets.

Restricted Net Assets - This amount is restricted by external creditors, grantors, contributors, or laws or regulations of other governments.

Unrestricted Net Assets - This amount is all net assets that do not meet the definition of "invested in capital assets, net of related debt" or "restricted net assets".

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the Commission's policy is to apply restricted net assets first.

**j. Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates and assumptions

**Note 2: Cash and Investments**

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

Unrestricted	
Cash and investments pooled with the City of Oceanside	\$ 15,438,192
Restricted	
Cash and investments with fiscal agent	<u>3,216,717</u>
	<u>\$ 18,654,909</u>

The Commission's funds are pooled with the City of Oceanside's cash and investments in order to generate optimum interest income. The information required by GASB Statement No. 40 related to authorized investments, credit risk, etc., is available in the comprehensive annual financial report of the City.

OCEANSIDE COMMUNITY DEVELOPMENT COMMISSION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2011

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**Note 3: Note Receivable**

At June 30, 2011, the Commission had notes receivable reported in the following funds:

Housing Assistance Program Special Revenue Fund	\$ 4,652,290
Low and Moderate Housing Capital Projects Fund	8,338,576
Redevelopment Area Capital Projects Fund	<u>363,828</u>
Total	<u>\$ 13,354,694</u>

At June 30, 2011, the Commission's Housing Assistance Program Special Revenue Fund was owed \$4,652,290 for various low or noninterest bearing loans to property owners for the rehabilitation of property and first time home buyer program within the City. The notes are payable upon the sale of the property or upon the death of the current property owner.

At June 30, 2011, the Commission's Low and Moderate Housing Capital Projects Fund was owed \$54,810 for various low and moderate income housing loans for a home buyer program.

On September 10, 2008, the Commission loaned \$5,600,000 to a developer in accordance with a regulatory agreement executed by the Commission and the Developer. The note is secured by a deed of trust. The note bears interest at a rate of 3% compounded annually from the date the amounts are disbursed for 55 years, at which time all principal and interest are due. At June 30, 2011, the outstanding balance including accrued interest of \$489,566 is \$6,089,566.

On June 10, 2009, the Commission loaned \$606,380 to California Surf Museum in accordance with the tenant improvement loan agreement executed by the Commission and the Museum on August 13, 2008. Pursuant to the agreement, in the event that the Museum satisfies the performance standards set forth in the agreement, the Commission agrees to forgive 1/5th of the loan amount each year for five years. At June 30, 2011, the outstanding balance is \$363,828.

The Commission entered into various loan agreements with Mission Grove Housing, L.P, dated December 21, 2001 totaling \$1,385,000 at a rate of 0% interest during the construction phase and 3% simple interest thereafter. The note is secured by a deed of trust. At June 30, 2011, the outstanding balance with accrued interest is \$1,696,625. On February 11, 2003, entered into another agreement with Mission Grove Housing, L.P, for \$718,000 at a rate of 3%. The term of the note is for 20 years. The note is secured by a deed of trust. At June 30, 2011, the outstanding balance is \$497,575.

**OCEANSIDE COMMUNITY DEVELOPMENT COMMISSION**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2011**

**Note 4: Interfund Transactions**

**Long-Term Advances**

At June 30, 2011, the Commission had the following interfund long-term advances:

<u>Advances From</u>	<u>Advances To</u>	<u>Amount</u>
Low and Moderate Housing Capital Projects Fund	Debt Services Fund	\$ 3,200,117
	Redevelopment Area Capital Projects Fund	<u>1,116,968</u>
		<u><u>\$ 4,317,085</u></u>

The Low and Moderate Income Housing Fund advanced funds to the Redevelopment Area Capital Project Fund to fund redevelopment projects. The loan is payable from tax increment revenues. The loan bears no interest and principal payments are due annually through June 1, 2017. The remaining principal payments are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>
2012	\$ 506,475
2013	547,500
2014	574,500
2015	594,975
2016	567,555
2017	<u>409,112</u>
	<u><u>\$ 3,200,117</u></u>

On June 23, 2010, the Commission passed a resolution approving an advance from the Low and Moderate Housing Capital Project Fund to the Redevelopment Area Capital Project Fund for \$1,116,968 for the purpose of providing funding to pay the County's "Supplemental" Educational Revenue Augmentation Fund (SERAF) payment for 2010-2011. There is no repayment schedule, however State legislation requires it to be repaid by June 30, 2015, to avoid penalty. If it is not repaid by that date, then the set-aside percentage to Low and Moderate Income Housing will increase from 20% to 25% for the remainder of the life of the Agency.

**Transfers**

Transfers in and out for the year ended June 30, 2011 are as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>
Redevelopment Area Capital Projects Fund	Redevelopment Area Debt Service Fund	\$ 5,144,848
Redevelopment Area Debt Service Fund	Low and Moderate Housing Capital Project	<u>288,900</u>
		<u><u>\$ 5,433,748</u></u>

The transfers were for debt service payments and for advances.

**OCEANSIDE COMMUNITY DEVELOPMENT COMMISSION**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2011**

**Note 5: Capital Assets**

A summary of changes in the capital assets at June 30, 2011, is as follows:

	Balance at July 1, 2010	Adjustments	Adjusted Balance at July 1, 2010	Additions	Deletions	Balance at June 30, 2011
Capital assets, not being depreciated:						
Land	\$ 20,013,231	\$ 621,000	\$ 20,634,231	\$ -	\$ -	\$ 20,634,231
Construction in progress	1,920,963	-	1,920,963	-	-	1,920,963
Total capital assets, not being depreciated	21,934,194	621,000	22,555,194	-	-	22,555,194
Capital assets, being depreciated:						
Buildings and structures	27,236,400	-	27,236,400	-	-	27,236,400
Machinery and equipment	200,413	-	200,413	-	-	200,413
Improvements other than building	843,474	-	843,474	-	-	843,474
Total capital assets, being depreciated	28,280,287	-	28,280,287	-	-	28,280,287
Less accumulated depreciation for:						
Buildings and structures	9,853,146	-	9,853,146	587,168	-	10,440,314
Machinery and equipment	166,469	-	166,469	11,314	-	177,783
Improvements other than building	84,347	-	84,347	84,348	-	168,695
Total accumulated depreciation	10,103,962	-	10,103,962	682,830	-	10,786,792
Total capital assets, being depreciated, net	18,176,325	-	18,176,325	(682,830)	-	17,493,495
Capital assets, net	\$ 40,110,519	\$ 621,000	\$ 40,731,519	\$ (682,830)	\$ -	\$ 40,048,689

Depreciation expense of \$682,830 was charged to community development and is reflected on the Statement of Activities.

**Note 6: Land and Buildings Held for Resale:**

Land and buildings held for resale are recorded in the Redevelopment Area Capital Projects Fund at the lower of cost or market, but not greater than net realizable value. The available fund balance is reserved in amount equal to the carrying value of land and buildings held for resale because such assets are not available to finance current operations. The amount recorded as assets held for resale and the corresponding fund balance reserved as of June 30, 2011, was \$9,492,993.

**OCEANSIDE COMMUNITY DEVELOPMENT COMMISSION**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2011**

**Note 7: Long Term Liabilities:**

The following is a summary of changes in governmental activities long-term debt for the year ended June 30, 2011:

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011	Due Within One Year
Bonds payable	\$ 50,790,000	\$ -	\$ (2,230,000)	\$ 48,560,000	\$ 2,330,000
Certificates of Participation	19,645,000	-	(1,650,000)	17,995,000	1,705,000
Advances from City	11,477,673	871,019	(25,172)	12,323,520	26,705
<b>Total</b>	<b>\$ 81,912,673</b>	<b>\$ 871,019</b>	<b>\$ (3,905,172)</b>	<b>\$ 78,878,520</b>	<b>\$ 4,061,705</b>

**a. Bonds Payable**

At June 30, 2011, bonds payable consisted of the following:

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011	Due Within One Year	Due in More Than One Year
2002 Tax Allocation Refunding Bonds	\$ 18,030,000	\$ -	\$ (750,000)	\$ 17,280,000	\$ 785,000	\$ 16,495,000
2003 Tax Allocation Refunding Bonds	5,150,000	-	(485,000)	4,665,000	505,000	4,160,000
Subordinate 2003 Tax Allocation Bond	15,725,000	-	(655,000)	15,070,000	685,000	14,385,000
2004 Tax Allocation Refunding Bonds	11,885,000	-	(340,000)	11,545,000	355,000	11,190,000
<b>Totals</b>	<b>\$ 50,790,000</b>	<b>\$ -</b>	<b>\$ (2,230,000)</b>	<b>\$ 48,560,000</b>	<b>\$ 2,330,000</b>	<b>\$ 46,230,000</b>

2002 Tax Allocation Refunding Bonds - Original Issue \$22,030,000

The 2002 Tax Allocation Refunding Bonds were issued to finance the Commission's projects in the Downtown Redevelopment Project pursuant to the Redevelopment Plan, to provide for fund reserves, and pay for the costs of the bond issuance.

The bonds mature annually through 2020, in amounts ranging from \$715,000 to \$1,640,000. Interest rates vary from 3.0% to a maximum of 5.5% and are payable semiannually on September 1 and March 1. The bonds can be redeemed prior to maturity if notice of such redemption is mailed and trustee is satisfied with such procedure. Bonds maturing before September 1, 2013, are not subject to redemption prior to maturity. Bonds maturing on or after September 1, 2013, are subject to redemption in whole or in part on September 1, 2012, and each interest date thereafter. At June 30, 2011, the outstanding balance of these bonds was \$17,280,000.

OCEANSIDE COMMUNITY DEVELOPMENT COMMISSION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2011

**Note 7: Long Term Liabilities (Continued)**

The annual debt service requirements on these bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2012	\$ 785,000	\$ 928,463	\$ 1,713,463
2013	825,000	888,213	1,713,213
2014	865,000	845,963	1,710,963
2015	910,000	801,019	1,711,019
2016	955,000	752,631	1,707,631
2017-2021	5,590,000	2,912,944	8,502,944
2022-2026	7,350,000	1,104,000	8,454,000
Totals	<u>\$ 17,280,000</u>	<u>\$ 8,233,233</u>	<u>\$ 25,513,233</u>

2003 Tax Allocation Refunding Bonds - Original Issue \$7,740,000

The 2003 Tax Allocation Refunding Bonds were issued to defease the Commission's outstanding \$7,725,000 Downtown Redevelopment Project, 1993 Tax Allocation Refunding Bonds, to acquire a municipal bond issuance policy and to pay costs of issuance.

The bonds mature annually through 2019, in amounts ranging from \$460,000 to \$670,000. Interest rates vary from 2.0% to a maximum of 4.0% and are payable semiannually on September 1 and March 1. The bonds can be redeemed prior to maturity if notice of such redemption is mailed and trustee is satisfied with such procedure. Bonds maturing before September 1, 2014, are not subject to redemption prior to maturity. Bonds maturing on or after September 1, 2014, are subject to redemption in whole or in part on September 1, 2013, and each interest date thereafter. At June 30, 2011, the outstanding balance of these bonds was \$4,665,000.

The annual debt service requirements on these bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2012	\$ 505,000	\$ 169,450	\$ 674,450
2013	525,000	148,850	673,850
2014	545,000	128,813	673,813
2015	570,000	109,300	679,300
2016	590,000	88,263	678,263
2017-2021	1,930,000	118,000	2,048,000
Totals	<u>\$ 4,665,000</u>	<u>\$ 762,676</u>	<u>\$ 5,427,676</u>

OCEANSIDE COMMUNITY DEVELOPMENT COMMISSION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2011

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**Note 7: Long Term Liabilities (Continued)**

Subordinate 2003 Tax Allocation Bonds - Original Issue \$17,800,000

The Subordinate 2003 Tax Allocation Bonds were issued to finance the Commission's undertakings in the Downtown Redevelopment Project pursuant to the Redevelopment Plan, to fund a reserve account, to pay costs of issuance and to fund capitalized interest on the 2003 Escrow Term Bonds.

The bonds mature annually through 2026, in amounts ranging from \$620,000 to \$1,425,000. Interest rates vary from 2.0% to a maximum of 5.2% and are payable semiannually on September 1 and March 1. The bonds can be redeemed prior to maturity if notice of such redemption is mailed and trustee is satisfied with such procedure. Bonds maturing before September 1, 2013, are not subject to redemption prior to maturity. Bonds maturing on or after September 1, 2013, are subject to redemption in whole or in part on September 1, 2012, and each interest date thereafter. At June 30, 2011, the outstanding balance of these bonds was \$15,070,000.

The annual debt service requirements on these bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2012	\$ 685,000	\$ 801,220	\$ 1,486,220
2013	720,000	766,058	1,486,058
2014	755,000	728,798	1,483,798
2015	790,000	689,590	1,479,590
2016	835,000	648,205	1,483,205
2017-2021	4,880,000	2,514,478	7,394,478
2022-2026	6,405,000	946,534	7,351,534
Total	<u>\$ 15,070,000</u>	<u>\$ 7,094,883</u>	<u>\$ 22,164,883</u>

2004 Tax Allocation Refunding Bonds - Original Issue \$13,510,000

The 2004 Tax Allocation Refunding Bonds were issued to defease the Commission's outstanding \$14,935,000 Downtown Redevelopment Project, 1994 Tax Allocation Refunding Bonds outstanding, to acquire a municipal bond issuance policy and to pay costs of issuance.

The bonds mature annually through 2024, in amounts ranging from \$340,000 to \$1,550,000. Interest rates vary from 2.5% to a maximum of 4.5% and are payable semiannually on March 1 and September 1, commencing March 1, 2005. The bonds can be redeemed prior to maturity if notice of such redemption is mailed and trustee is satisfied with such procedure. Bonds maturing before September 1, 2015, are not subject to redemption prior to maturity. Bonds maturing on or after September 1, 2015, are subject to redemption in whole or in part on September 1, 2014 and each interest date thereafter. At June 30, 2011, the outstanding balance of these bonds was \$11,545,000.

OCEANSIDE COMMUNITY DEVELOPMENT COMMISSION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2011

Note 7: Long Term Liabilities (Continued)

Year Ending June 30,	Principal	Interest	Total
2012	\$ 355,000	\$ 489,854	\$ 844,854
2013	370,000	476,279	846,279
2014	375,000	462,773	837,773
2015	385,000	448,041	833,041
2016	400,000	432,341	832,341
2017-2021	3,840,000	1,832,566	5,672,566
2022-2026	5,820,000	537,068	6,357,068
Total	<u>\$ 11,545,000</u>	<u>\$ 4,678,922</u>	<u>\$ 16,223,922</u>

b. Certificates of Participation

At June 30, 2011, certificates of participation (COP) payable consisted of the following:

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011	Due Within One Year	Due in More Than One Year
2005 Refunding COP	\$ 19,645,000	\$ -	\$ (1,650,000)	\$ 17,995,000	\$ 1,705,000	\$ 16,290,000
Totals	<u>\$ 19,645,000</u>	<u>\$ -</u>	<u>\$ (1,650,000)</u>	<u>\$ 17,995,000</u>	<u>\$ 1,705,000</u>	<u>\$ 16,290,000</u>

2005 Refunding Certificates of Participation - Original Issue \$20,170,000

The 2005 Refunding Certificates of Participation were issued by the Commission to partially refund the 1995 Refunding Certificates of Participation, which was used for the City's Civic Center Project and to pay the costs of issuance. The certificates consist of serial certificates in the amount of \$20,170,000 due in annual installments of \$135,000 to \$2,350,000. Interest rates range from 3% to 5% and are payable semiannually on February 1 and August 1. Certificates maturing before August 1, 2016, are not subject to redemption prior to maturity. Certificates maturing on or after August 1, 2016, are subject to redemption in whole or in part on August 1, 2015, and each interest date thereafter. At June 30, 2011, the outstanding balance of these certificates was \$17,995,000.

The annual debt service requirements on these certificates are as follows:

Year Ending June 30	Principal	Interest	Total
2012	\$ 1,705,000	\$ 716,007	\$ 2,421,007
2013	1,765,000	653,001	2,418,001
2014	1,835,000	583,088	2,418,088
2015	1,905,000	510,375	2,415,375
2016	1,990,000	434,963	2,424,963
2017-2021	8,795,000	860,825	9,655,825
Totals	<u>\$ 17,995,000</u>	<u>\$ 3,758,259</u>	<u>\$ 21,753,259</u>

**OCEANSIDE COMMUNITY DEVELOPMENT COMMISSION**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2011**

**Note 7: Long Term Liabilities (Continued)**

**c. Advances from the City**

At June 30, 2011, advances from the City consisted of the following:

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011	Due Within One Year	Due in More Than One Year
Consolidated Loan Principal	\$ 8,918,297	\$ -	\$ -	\$ 8,918,297	\$ -	\$ 8,918,297
Consolidated Loan Matured						
Unpaid Interest	1,969,445	871,019	-	2,840,464	-	2,840,464
Total Consolidated Loan	10,887,742	871,019	-	11,758,761	-	11,758,761
2001 Advance from City	589,931	-	(25,172)	564,759	26,705	538,054
Total	<u>\$ 11,477,673</u>	<u>\$ 871,019</u>	<u>\$ (25,172)</u>	<u>\$ 12,323,520</u>	<u>\$ 26,705</u>	<u>\$ 12,296,815</u>

1. The Commission entered into a loan agreement with the City to restructure unpaid loans made to the Commission in 1986 and 1989 to fund downtown redevelopment projects. The loan represents the unpaid principal portion of \$2,000,000 and \$1,443,011 of the 1986 and 1989 loans, respectively, and the accumulated unpaid interest on those loans. Annual interest of 10% is deferred and added to the outstanding balance until December 2017. Annual payments ranging from \$2,870,000 to \$3,115,000 will begin in December 2018. As of June 30, 2011, the outstanding balance of the loan including matured unpaid interest of \$2,840,464 was \$11,758,761.

The annual debt service requirements on this loan are as follows:

Year Ending June 30,	Principal	Interest	Total
2019-2023	\$ 7,467,757	\$ 7,862,243	\$ 15,330,000
2024-2028	11,786,177	3,753,192	15,539,369
	19,253,934	<u>\$ 11,615,435</u>	<u>\$ 30,869,369</u>
Less: Future interest added to principal	<u>(7,495,173)</u>		
Balance at June 30, 2011	<u>\$ 11,758,761</u>		

2. On June 1, 2001, the Commission entered into a loan agreement with the City whereby the City agreed to advance \$738,321. The loan is payable in semiannual payments of \$30,098 on June 1 and December 1, at a 6% interest rate. As of June 30, 2011, the outstanding balance of the loan was \$564,759.

**OCEANSIDE COMMUNITY DEVELOPMENT COMMISSION**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2011**

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**Note 7: Long Term Liabilities (Continued)**

The annual debt service requirements on this loan are as follows:

Year Ending June 30,	Principal	Interest	Total
2012	\$ 26,705	\$ 33,491	\$ 60,196
2013	28,331	31,865	60,196
2014	30,056	30,140	60,196
2015	31,887	28,309	60,196
2016	33,828	26,366	60,194
2017-2021	202,674	98,306	300,980
2022-2026	211,278	29,505	240,783
Totals	<u>\$ 564,759</u>	<u>\$ 277,982</u>	<u>\$ 842,741</u>

**Note 8: Commitments and Contingencies**

**a. SERAF**

On July 23, 2009, the State adopted legislation, requiring a shift of monies during fiscal years 2009-2010 and 2010-2011 to be deposited into the County "Supplemental" Educational Revenue Augmentation Fund (SERAF). These monies were to be distributed to meet the State's Prop 98 obligations to schools. The California Redevelopment Association (CRA) and its member agencies filed a legal action in an attempt to stop these amounts from having to be paid; however, in May 2010 the Sacramento Superior Court upheld the legislation.

The payment of the SERAF was due on May 10, 2011, for fiscal year 2010-2011 and it was made in the amount of \$748,727 using available resources.

To accomplish the payment for 2009-2010, the Commission borrowed \$1,116,968 from the Low and Moderate Housing Capital Projects Fund (after adopting appropriate findings of necessity) and used \$2,519,708 of its available resources. In the accompanying financial statements, the amount paid to the County has been reported as a use of current year resources. Borrowings and/or suspended set-aside amounts relating to the Low and Moderate Housing Capital Projects Fund have been reflected as inter-fund advances between the accounting funds of the Commission.

**b. Contingent Liabilities**

The Commission is involved in certain matters of litigation that have arisen in the normal course of conducting business. Commission management believes, based upon consultation with the City Attorney, that these cases, in the aggregate, are not expected to result in a material adverse financial impact on the Commission. Additionally, Commission management believes that the current insurance programs are sufficient to cover any potential losses should an unfavorable outcome be realized.

**c. Development Disposition Agreement**

On June 17, 2009, the Commission approved a Disposition Agreement and authorized the Executive Director of the Commission to enter into a lease with S.D. Malkin Properties for the development of the Beachfront Resort. The Commission's investment

OCEANSIDE COMMUNITY DEVELOPMENT COMMISSION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2011

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**Note 8: Commitments and Contingencies (Continued)**

in the project is expected to total \$27.61 million and includes environmental impact reports, off-site public improvements, and parking garage easements and extraordinary covenants. In order to fund these commitments, the Commission intends to use \$5.1 million of existing Tax Allocation Bond proceeds to pay for a portion of the off-site public improvements and additional impact fees, and will issue two additional Tax Allocation Bonds totaling \$17.26 million and future transient occupancy tax generated from the project totaling \$5 million to pay for the parking garage easements and extraordinary covenants. During the fiscal year ended June 30, 2011, the Commission did not make any payments towards this project. The total cost to date as of June 30, 2011, is \$0.

**Note 9: Restatement of Net Assets and Fund Balances**

**a. Government-Wide Financial Statements**

Beginning net assets balances in the government-wide financial statements were restated as follows:

	Governmental Activities
To capitalize land purchased in prior year	\$ 621,000
To adjust for loans which were forgiven in prior years	<u>(135,385)</u>
	<u>\$ 485,615</u>

**b. Governmental Fund Financial Statements**

Beginning fund balances in the governmental fund financial statements were restated as follows:

	Low and Moderate Housing Capital Projects Fund
To adjust for loans which were forgiven in prior years	\$ <u>(135,385)</u>
	<u>\$ (135,385)</u>

**Note 10: California Redevelopment Agency Uncertainty**

On July 18, 2011, the California Redevelopment Association ("CRA") and the League of California Cities ("League") filed a petition for writ of mandate with the California Supreme Court, requesting the Court to declare unconstitutional two bills that were passed as part of the 2011-12 State Budget, AB1X 26 and 27. AB1X 26 dissolves redevelopment agencies effective October 1, 2011. AB1X 27, give redevelopment agencies an option to avoid dissolution if it commits to making defined payments for the benefit of the State, school districts and certain special districts. In 2011-12, these payments amount to a state-wide total of \$1.7 billion. In 2012-13 and subsequent years, the payments total \$400 million, annually. Each city or county's share of these payments is determined based on its proportionate share of state-wide tax increment.

**OCEANSIDE COMMUNITY DEVELOPMENT COMMISSION**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2011**

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**Note 10: California Redevelopment Agency Uncertainty (Continued)**

CRA and the League contend that AB1X 26 and 27 are unconstitutional because they violate Proposition 22 which was passed by the voters in November, 2010. The effect of the legislation is to achieve a possible unconstitutional result, the use of redevelopment agencies' tax increment funds to benefit the State and other units of local government, by way of threatening of the dissolution of redevelopment agencies.

Therefore, the CRA and the League have requested that the Court issue a stay, suspending the effectiveness of AB1X 26 and 27 until the Court can rule on its constitutionality. CRA and the League also asked the Court to expedite the briefing and hearing of the case so that a decision can be rendered by the Court before January 15, 2012, when the first payments are due. On August 11<sup>th</sup>, the California Supreme Court agreed to hear the case and granted a partial stay which was subsequently clarified.

As of the time of the issuance of this report, the outcome of AB1X 26 and 27 upon the Agency is unknown and consequently the status and even future existence of the Agency is uncertain as such. In accordance with AB1X 27, the Agency has passed a resolution of intent to continue and will be required to make a payment to the State in the estimated amount of \$2,851,264, by January 15, 2012, to avoid dissolution.

**REQUIRED SUPPLEMENTARY INFORMATION**

OCEANSIDE COMMUNITY DEVELOPMENT COMMISSION

**BUDGETARY COMPARISON SCHEDULE  
HOUSING ASSISTANCE PROGRAM  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, as restated	\$ 6,876,410	\$ 6,876,410	\$ 6,876,410	\$ -
<b>Resources (Inflows):</b>				
Intergovernmental	15,361,006	15,361,006	14,964,007	(396,999)
Charges for services	153,942	153,942	117,022	(36,920)
Interest and rental	83,750	83,750	185,349	101,599
Other revenue	822,713	2,202,713	428,401	(1,774,312)
Contribution from (to) City	-	-	29,268	29,268
<b>Amounts Available for Appropriation</b>	<b>23,297,821</b>	<b>24,677,821</b>	<b>22,600,457</b>	<b>(2,077,364)</b>
<b>Charges to Appropriation (Outflow):</b>				
Community development	16,817,239	18,204,239	15,956,402	2,247,837
<b>Total Charges to Appropriations</b>	<b>16,817,239</b>	<b>18,204,239</b>	<b>15,956,402</b>	<b>2,247,837</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 6,480,582</b>	<b>\$ 6,473,582</b>	<b>\$ 6,644,055</b>	<b>\$ 170,473</b>

## OCEANSIDE COMMUNITY DEVELOPMENT COMMISSION

### NOTES TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2011

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#### 1. BUDGETARY INFORMATION:

The Commission follows these procedures in establishing the budgetary data reflected in the financial statements.

- During May of each year, the Executive Director submits to the Commissioners a proposed annual operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the revenue sources to finance the expenditures.
- Public hearings are conducted at Commissioners' meetings to obtain taxpayer comments prior to and after May.
- Prior to July 1, the budget is legally adopted through passage of an appropriation resolution.

The Executive Director is authorized to transfer funds appropriated within the same fund. Revisions that alter the total appropriations of any department or fund must be approved by the Commissioners.

Budgets are adopted for the special revenue and capital project funds on a basis consistent with accounting principles generally accepted in the United States of America. Budgeted amounts are as originally adopted and as further amended by the Commissioners. All annual appropriations lapse at year-end.

Formal budgetary integration is employed as a management control device during the year for the governmental fund types other than the debt service funds. Expenditures may not legally exceed appropriations at the activity level.

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## **SUPPLEMENTARY INFORMATION**

OCEANSIDE COMMUNITY DEVELOPMENT COMMISSION

COMPUTATION OF LOW AND MODERATE  
INCOME HOUSING FUNDS  
EXCESS/SURPLUS

	Low and Moderate Housing Funds - All Project Areas July 1, 2010	Low and Moderate Housing Funds - All Project Areas July 1, 2011
Opening Fund Balance	\$ 13,098,778	\$ 15,415,480
Less Unavailable Amounts:		
Advances to other funds	\$ (4,605,985)	\$ (4,317,085)
Notes receivable	(5,949,230)	(8,338,576)
	<u>(10,555,215)</u>	<u>(16,972,746)</u>
Available Low and Moderate Income Housing Funds	2,543,563	(1,557,266)
Limitation (greater of \$1,000,000 or four years set-aside)		
Set-Aside for last four years:		
2010 - 2011	-	2,215,415
2009 - 2010	2,228,294	2,228,294
2008 - 2009	2,842,988	2,842,988
2007 - 2008	2,117,273	2,117,273
2006 - 2007	1,807,499	-
	<u>8,996,054</u>	<u>9,403,970</u>
<b>Total</b>	<b><u>\$ 8,996,054</u></b>	<b><u>\$ 9,403,970</u></b>
<b>Base Limitation</b>	<b><u>\$ 1,000,000</u></b>	<b><u>\$ 1,000,000</u></b>
Greater amount	<u>8,996,054</u>	<u>9,403,970</u>
<b>Computed Excess/Surplus</b>	<b><u>None</u></b>	<b><u>None</u></b>