

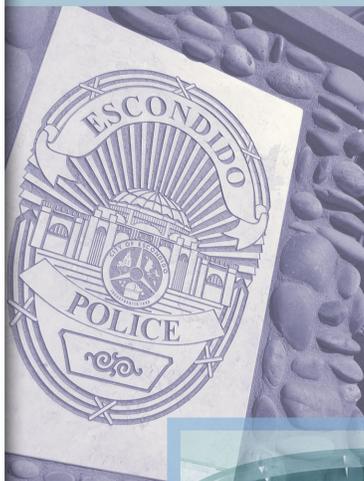


COMMUNITY

DEVELOPMENT

COMMISSION

Financial Statements & Supplemental Data



FISCAL YEAR ENDED JUNE 30, 2011  
CITY OF ESCCONDIDO • CALIFORNIA



**CITY OF ESCONDIDO  
COMMUNITY DEVELOPMENT COMMISSION**

**ANNUAL FINANCIAL REPORT**

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

**Chairperson  
Vice Chairperson  
Member  
Member  
Member  
Executive Director  
Fiscal Officer  
General Counsel  
Secretary**

**Sam Abed, Mayor  
Marie Waldron, Mayor Pro Tem  
Olga Diaz, Council Member  
Ed Gallo, Council Member  
Michael Morasco, Council Member  
Clay Phillips, City Manager  
Gilbert Rojas, Director of Finance  
Jeffrey Epp, City Attorney  
Marsha Whalen, City Clerk**

**Prepared by  
The Department of Finance**



**CITY OF ESCONDIDO COMMUNITY DEVELOPMENT COMMISSION  
ANNUAL FINANCIAL REPORT  
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 Board of Directors of the City of Escondido  
Community Development Commission  
Escondido, California

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the 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, each major fund, and the aggregate remaining fund information of the Commission, as of June 30, 2011, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

We would like to draw the reader's attention to Note 11 – "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*, we have also issued our report dated November 17, 2011, on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 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 Board of Directors of the City of Escondido  
Community Development Commission  
Escondido, California

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission's financial statements as a whole. The computation of low and moderate income housing funds excess/surplus is presented for purposes of additional analysis and is not a required part of the financial statements. This is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

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

*Lance, Soll & Loughard, LLP*

Brea, California  
November 17, 2011



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

To the Board of Directors of the City of Escondido  
Community Development Commission  
Escondido, California

### Compliance

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

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 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 Commission's compliance with those requirements.

In our opinion, the 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. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that are required to be reported under *Government Auditing Standards*.

### Annual Report

In accordance with Health and Safety Code Section 33080.1, the Commission is required to submit an annual report to the governing body and the State Controller's Office which should include a description of the agency's progress, including specific actions and expenditures, in alleviating blight in the previous fiscal year. In addition, the Commission is required to submit a description of the total number and nature of the properties that the agency owns and those properties the agency has acquired in the previous fiscal year. This information was not included in the annual report for the fiscal year ended June 30, 2010. We recommend that the Agency include this information for the year under audit.



To the Board of Directors of the City of Escondido  
Community Development Commission  
Escondido, California

### **Internal Control Over Compliance**

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

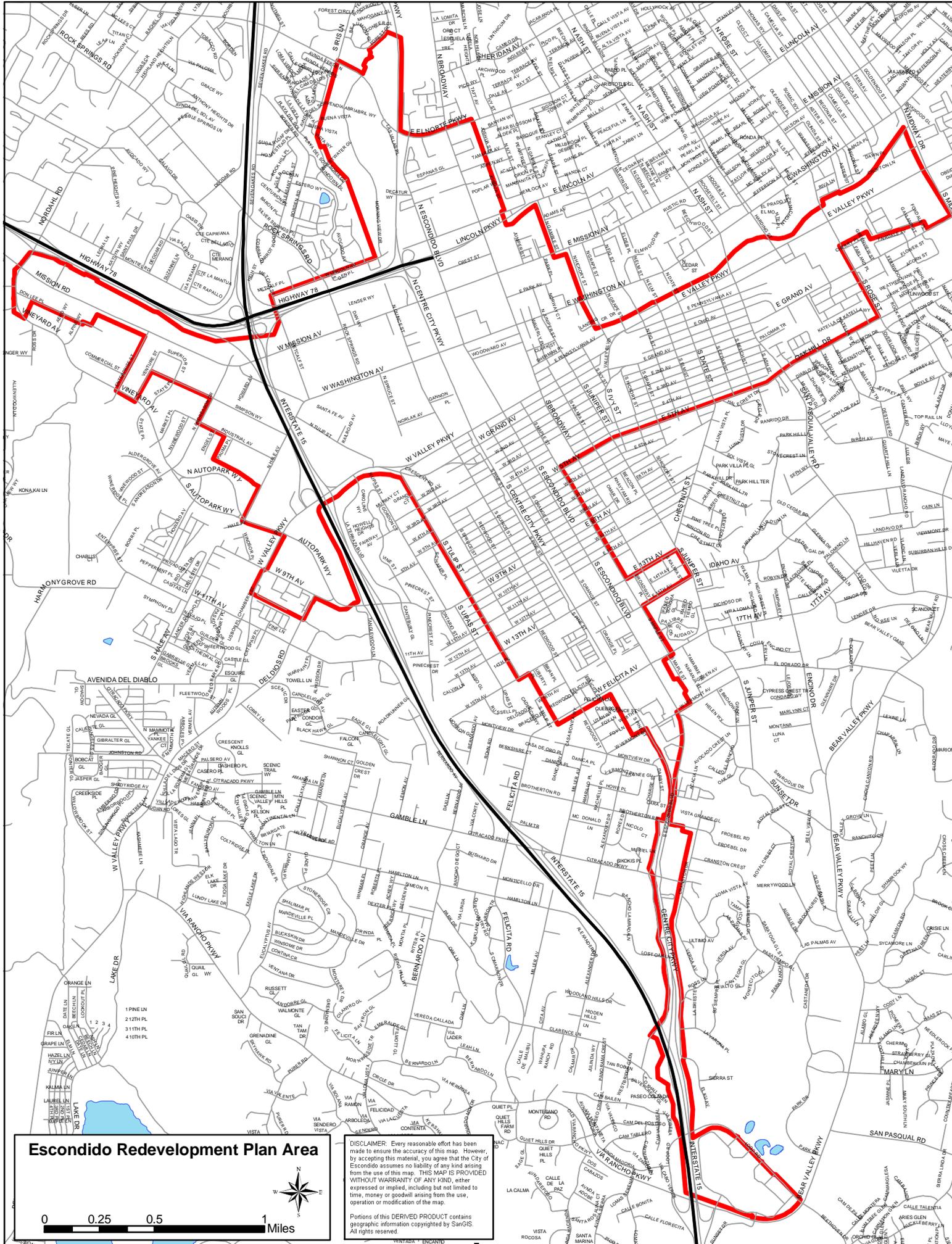
A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance on a timely basis. A material weakness in internal control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

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

This report is intended for the information of management, the Audit Committee, 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 & Lingham, LLP*

Brea, California  
November 17, 2011



**Escondido Redevelopment Plan Area**



0 0.25 0.5 1 Miles

DISCLAIMER: Every reasonable effort has been made to ensure the accuracy of this map. However, by accepting this material, you agree that the City of Escondido assumes no liability of any kind arising from the use of this map. THIS MAP IS PROVIDED WITHOUT WARRANTY OF ANY KIND, either expressed or implied, including but not limited to time, money or goodwill arising from the use, operation or modification of the map.

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**City of Escondido Community Development Commission**  
**Statement of Net Assets**  
**June 30, 2011**

	<u>Governmental Activities</u>
<u>Assets</u>	
Current Assets:	
Cash and investments	\$ 8,284,159
Cash and investments with fiscal agent	2,589,883
Receivables	4,409,832
Total Current Assets	<u>15,283,874</u>
Non-Current Assets:	
Loans receivable	39,185,868
Loans receivable from the City of Escondido	469,988
Deferred bond issue costs	660,151
Land held for resale	2,839,976
Capital assets:	
Not being depreciated	2,766,714
Being depreciated, net	38,176,017
Total Non-Current Assets	<u>84,098,714</u>
Total Assets	<u>99,382,588</u>
<u>Liabilities</u>	
Current Liabilities:	
Accounts payable	5,520,873
Accrued expenses	16,197
Interest payable	840,228
Total Current Liabilities	<u>6,377,298</u>
Non-Current Liabilities:	
Due within one year	8,324,764
Due in more than one year	67,871,441
Total Non-Current Liabilities	<u>76,196,205</u>
Total Liabilities	<u>82,573,503</u>
<u>Net Assets (Deficit)</u>	
Invested in capital assets, net of related debt	40,611,340
Restricted:	
Low and moderate housing	42,037,670
Debt service	480,467
Community development	521,128
Unrestricted	<u>(66,841,520)</u>
Total Net Assets	<u>\$ 16,809,085</u>

See Accompanying Notes to Basic Financial Statements.

**City of Escondido Community Development Commission  
Statement of Activities  
For the Fiscal Year Ended June 30, 2011**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Governmental Activities Total
Governmental Activities:				
Community development	\$ 10,640,884	\$ 75,321	\$ 425,444	\$ (10,140,119)
Interest and fiscal charges	4,759,091			(4,759,091)
Total Governmental Activities	<u>\$ 15,399,975</u>	<u>\$ 75,321</u>	<u>\$ 425,444</u>	<u>(14,899,210)</u>
General Revenues				
Tax increment				13,002,528
Investment income, unrestricted				530,111
Miscellaneous				9,377
Total General Revenues				<u>13,542,016</u>
Change in Net Assets				(1,357,194)
Net Assets - Beginning of Year, as Restated				<u>18,166,279</u>
Net Assets - End of Year				<u>\$ 16,809,085</u>

See Accompanying Notes to Basic Financial Statements.

**City of Escondido Community Development Commission  
Balance Sheet  
Governmental Funds  
June 30, 2011**

	Special Revenue	Debt Service	Capital Projects	
	Low and Moderate Income Housing	Community Development Commission	Capital Projects Fund	Total
<u>Assets</u>				
Cash and investments	\$ 1,728,612	\$ 6,504,836	\$ 50,711	\$ 8,284,159
Cash and investments with fiscal agent		2,589,883		2,589,883
Receivables (net):				
Interest	4,088,075	71,339	429	4,159,843
Taxes	58,043	191,946		249,989
Loans	39,185,868			39,185,868
Loans receivable from the City of Escondido			469,988	469,988
Land held for resale, at cost	2,839,976			2,839,976
Advances to other funds	3,399,292			3,399,292
Total Assets	<u>\$ 51,299,866</u>	<u>\$ 9,358,004</u>	<u>\$ 521,128</u>	<u>\$ 61,178,998</u>
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Accounts payable	\$ 42,628	\$ 5,478,245	\$	\$ 5,520,873
Accrued expenditures	16,197			16,197
Deferred revenue	4,071,330			4,071,330
Advances from other funds		3,399,292		3,399,292
Total Liabilities	<u>4,130,155</u>	<u>8,877,537</u>		<u>13,007,692</u>
Fund Balances:				
Nonspendable	45,425,136		469,988	45,895,124
Restricted:				
Low and moderate housing	1,744,575			1,744,575
Debt service		480,467		480,467
Community development			51,140	51,140
Total Fund Balances	<u>47,169,711</u>	<u>480,467</u>	<u>521,128</u>	<u>48,171,306</u>
Total Liabilities and Fund Balances	<u>\$ 51,299,866</u>	<u>\$ 9,358,004</u>	<u>\$ 521,128</u>	

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

Capital assets used in governmental activities are not financial resources and, are not reported in the funds	40,942,731
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds	4,071,330
Long-term debt, including bonds payable, amortization, interest, and accretion, are due and payable in the current period and therefore are not reported in the funds	<u>(76,376,282)</u>
Net assets of governmental activities	<u>\$ 16,809,085</u>

See Accompanying Notes to Basic Financial Statements.

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

	Special Revenue	Debt Service	Capital Projects	
	Low and Moderate Income Housing	Community Development Commission	Capital Projects Fund	Total
Revenues:				
Tax increment	\$ 4,773,102	\$ 19,092,408	\$	\$ 23,865,510
Lease income	75,321			75,321
Investment income	136,892	(278,787)	1,012	(140,883)
Intergovernmental	816,036			816,036
Miscellaneous	9,377			9,377
Total Revenues	<u>5,810,728</u>	<u>18,813,621</u>	<u>1,012</u>	<u>24,625,361</u>
Expenditures:				
Community development	1,612,338	717,470	5,609,645	7,939,453
Debt service:				
Principal retirements		28,705,000		28,705,000
Interest and fiscal charges		3,204,764		3,204,764
SERAF payment		1,761,576		1,761,576
Agency tax sharing agreement		9,101,406		9,101,406
Total Expenditures	<u>1,612,338</u>	<u>43,490,216</u>	<u>5,609,645</u>	<u>50,712,199</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>4,198,390</u>	<u>(24,676,595)</u>	<u>(5,608,633)</u>	<u>(26,086,838)</u>
Other Financing Sources (Uses):				
Transfers in	176,887	788,753	5,612,368	6,578,008
Transfers out	(788,753)	(5,789,255)		(6,578,008)
Total Other Financing Sources (Uses)	<u>(611,866)</u>	<u>(5,000,502)</u>	<u>5,612,368</u>	
Net Change in Fund Balances	3,586,524	(29,677,097)	3,735	(26,086,838)
Fund Balances - Beginning of Year	<u>43,583,187</u>	<u>30,157,564</u>	<u>517,393</u>	<u>74,258,144</u>
Fund Balances - End of Year	<u>\$ 47,169,711</u>	<u>\$ 480,467</u>	<u>\$ 521,128</u>	<u>\$ 48,171,306</u>

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

Net change in fund balances - total governmental funds	\$ (26,086,838)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays and retirements in the current period.	(2,736,016)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds	280,402
The issuance of long-term debt provides current financial resources of governmental funds while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are all deferred and amortized or accreted in the statement of activities. This amount is the net effect of those differences.	<u>27,185,258</u>
Change in net assets of governmental activities	<u>\$ (1,357,194)</u>

See Accompanying Notes to Basic Financial Statements.

**City of Escondido Community Development Commission**  
**Notes to the Basic Financial Statements**  
**June 30, 2011**

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**1. Summary of Significant Accounting Policies**

The following is a summary of the significant accounting policies of the City of Escondido Community Development Commission (Commission):

**A. Reporting Entity - City of Escondido Community Development Commission**

The Commission was established in 1984 and currently involves Civic Center development including a community theater, park and convention facilities. Other activities include providing housing financial assistance to increase and improve the community's supply of low and moderate-income housing. The original redevelopment plan is dated December 19, 1984 and has a life of 51 years.

The Commission is an integral part of the reporting entity of the City of Escondido (City). The funds of the Commission have been blended within the financial statements of the City because the City Council of the City of Escondido is the governing board of the Commission and exercises control over the operations of the Commission. The Commission does not have business-type activities and therefore only reports governmental activities. Only the funds of the Commission are included herein, therefore, these financial statements do not purport to represent the financial position or results of operations of the City of Escondido, California.

**B. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the activities of the Commission. For the most part, the effect of the interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

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 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.

**City of Escondido Community Development Commission**  
**Notes to the Basic Financial Statements (Continued)**  
**June 30, 2011**

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**1. Summary of Significant Accounting Policies (Continued)**

Fund financial statements for the Commission's governmental funds are presented after the government-wide financial statements. These statements normally display information about major funds individually and non-major funds in the aggregate for governmental funds.

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

Basis of accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting wherein revenues are recorded when they are both earned and realized, regardless of the timing of the related cash flows.

Governmental fund statements are reported using the modified accrual basis of accounting wherein revenues are recognized as soon as they are both measurable and available as a resource to finance operations of the current year. Under this method, revenues are recognized when measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Commission considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Expenditures are recorded when incurred except that interest on long-term debt is recorded as an expenditure on its due date.

Property taxes and interest income associated with the current fiscal period are accrued and recognized as revenues of the current fiscal period to the extent it is collected within the availability period. Other revenue items are considered to be measurable and available when cash is received by the government.

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 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 arise 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.

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 the balance sheet in spite of their spending measurement focus. However, special reporting treatments are used to indicate that they should not be considered "available spendable resources" since they do not represent net current assets. Recognition of governmental fund type revenue represented by a non-current receivable are deferred until they become current receivables. Non-current portions of other long-term receivables are offset by nonspendable fund balance.

**City of Escondido Community Development Commission**  
**Notes to the Basic Financial Statements (Continued)**  
**June 30, 2011**

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**1. Summary of Significant Accounting Policies (Continued)**

As a result of their spending measurement focus, expenditure recognition for governmental fund types excludes amounts represented by non-current 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 another financing source rather than as a fund liability. Amounts paid to reduce long-term indebtedness are reported as fund expenditures.

Tax increment revenue

The Commission has no power to levy and collect taxes, and any legislative property tax de-emphasis might necessarily reduce the amount of tax revenues that would otherwise be available to pay the principal of, and interest on loans from the City. Broadened property tax exemptions could have a similar effect. Conversely, any increase in the tax rate or assessed valuation, or any reduction or elimination of present exemptions would necessarily increase the amount of tax revenues that would be available to pay principal and interest on tax allocation bonds or loans from the Commission.

Tax increment levies 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 (County) bills and collects the tax increment and remits them to the Commission in installments during the year. Tax increment revenues are recognized when levied to the extent that they result in current receivables.

The Commission reports the following major governmental funds:

The Low and Moderate Income Housing Special Revenue Fund is used to account for the 20% portion of the Commission's tax increment revenue that is required to be set aside for low and moderate income housing and related expenditures, and other specific revenue sources that are legally restricted for specified purposes.

The Community Development Commission Debt Service Fund is used to account for the payment of interest and principal on long-term debt, and the accumulation of resources thereof.

The Community Development Commission Capital Projects Fund is used to account for the financial resources used in developing the project areas as well as the capital expenditures incurred in sustaining Commission activities.

**D. Assets, Liabilities, and Net Assets or Equity**

Cash and investments

Investments are reported in the accompanying financial statements at fair value, except for certain certificates of deposit and investment 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.

**City of Escondido Community Development Commission**  
**Notes to the Basic Financial Statements (Continued)**  
**June 30, 2011**

---

**1. Summary of Significant Accounting Policies (Continued)**

The Commission's cash and investments held by fiscal agents are pledged to the payment or security of certain long-term debt issuances. The California Government Code provides that these monies, in the absence of specific statutory provisions governing the issuance of bonds, may be invested in accordance with the ordinance, resolutions or indentures specifying the types of investments its trustees or fiscal agents may make.

Cash and investments, except for cash and investments with fiscal agents, are pooled with other City of Escondido funds for investment purposes, with interest being allocated quarterly to all funds legally requiring allocation and to other various funds at the direction of management based on average month-end pooled funds cash and investment balances. Interest income for cash and investments excluded from pooled cash is credited directly to the related fund. Investment policies applicable to the Commission's funds are those of the City of Escondido and are included in the notes to the City's basic financial statements.

Land held for resale

Land acquired by the Commission and held for resale is recorded at cost unless market value is determined to be below cost.

Capital assets

Capital assets, which include property, plant, and equipment, of the Commission are reported in the governmental activities column in the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are valued at the fair value of the assets on the date on which they were contributed. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. The Commission utilizes a capitalization threshold of \$5,000 - \$10,000 depending on asset type.

Depreciation is charged to operations using the straight-line method over the estimated useful lives of the assets as follows:

Buildings and improvements	20-40 Years
Machinery and equipment	3-15 Years
Land improvements	5 Years

Employee leave benefits

Depending upon length of employment, Commission employees earn 12 to 27 vacation days a year. Sick leave is accrued at the rate of 12 days per year. Employees can carry forward to subsequent years two to three years worth of earned but unused vacation leave benefits depending on employee group. Upon termination, the Commission is obligated to compensate employees for all earned but unused vacation days. The earned but unused sick leave benefits are not payable in the event of employee termination. These benefits are considered to be contingent liabilities subject to the continuation of the employee relationship. Such sick leave benefits are therefore not recorded as liabilities in the accompanying financial statements.

In the government-wide financial statements, a liability is accrued for all earned but unused vacation leave benefits relating to the operations of the funds. This liability will be liquidated as either additional cash payments in the event of employee termination or as part of budgeted salary expenditures if used by employees as compensated leave time while still employed by the

**City of Escondido Community Development Commission**  
**Notes to the Basic Financial Statements (Continued)**  
**June 30, 2011**

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**1. Summary of Significant Accounting Policies (Continued)**

Commission. In the fund financial statement governmental funds accrue current liabilities for material vacation leave benefits due on demand to governmental fund employees that have terminated prior to year-end. Non-current amounts will be recorded as fund expenditures in the year in which they are paid or become due on demand to terminated employees.

Fund equity

In the fund financial statements, governmental funds report nonspendable fund balance for amounts that are not available for appropriation and restricted fund balance for amounts that are legally restricted by outside parties for use for a specific purpose. The Commission's Board of Directors adopts and amends committed fund balance amounts through a resolution. The Finance Director authorizes assigned amounts for specific purposes pursuant to the policy-making powers granted to him through a resolution.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted amounts to be used first, then unrestricted. When an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, they are considered to be spent in the order as follows: committed, assigned and then unassigned.

Use of estimates

The preparation of basic 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 at the reporting date and revenue and expenses during the reporting period. Actual results could differ from those estimates.

**2. Stewardship, Compliance and Accountability**

**A. Budgetary Data**

The Commission adopts an annual budget prepared on the modified accrual basis for the Special Revenue and Debt Service Funds. The Executive Director is required to prepare and submit to the Commission's Board of Directors the annual budget of the Commission and administer it after adoption. Any revisions that alter the total appropriations of the fund must be approved by the Board of Directors. Prior year appropriations lapse unless they are encumbered at year-end or re-appropriated through the formal budget process.

**3. Cash and Investments**

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

Statement of Net Assets:	
Cash and investments	\$ 8,284,159
Cash and investments with fiscal agent	<u>2,589,883</u>
Total cash and investments	<u><u>\$ 10,874,042</u></u>

**City of Escondido Community Development Commission**  
**Notes to the Basic Financial Statements (Continued)**  
**June 30, 2011**

**3. Cash and Investments (Continued)**

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

Equity in City investment pool	\$ 8,284,159
Investments	2,589,883
Total cash and investments	\$ 10,874,042

Equity in the Cash and Investment Pool of the City of Escondido

The Commission has no separate bank accounts or investments other than in equity investments held by fiscal agent (i.e. fiscal agent) and the Commission's equity in the cash and investment pool managed by the City of Escondido. The Commission is a voluntary participant in that pool. This pool is governed by and under the regulatory oversight of the investment policy adopted by the City Council of the City of Escondido. The Commission has not adopted an investment policy separate from that of the City of Escondido. The fair value of the Commission's investment in this pool is reported in the accompanying financial statements at amounts based upon the Commission's pro-rata share of the fair value calculated by the City for the entire City portfolio. The balance available for withdrawal is based on the accounting records maintained by the City, which are recorded on an original cost basis.

Investments Authorized by Debt Agreements

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

Authorized Investment Types	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. Treasury Obligations	None	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptance	360 days	20%	10%
Commercial Paper	270 days	15%	10%
Money Market Mutual Funds	N/A	20%	10%
Investment Contracts	30 years	None	None
Repurchase Agreements	None	None	None
State and Municipal Obligations	None	None	None
State and Pooled Investment Fund	None	None	None

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the Commission manages 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.

**City of Escondido Community Development Commission**  
**Notes to the Basic Financial Statements (Continued)**  
**June 30, 2011**

**3. Cash and Investments (Continued)**

Information about the Commission's exposure to interest rate risk as a result of its equity in the cash and investment pool of the City of Escondido is provided by disclosures in the notes to the basic financial statements of the City of Escondido that shows the distribution of the City's investments by maturity.

Information about the sensitivity of the fair values of the Commission's investments held by fiscal agent to market interest rate fluctuations is provided by the following table that shows the distribution of these investments by maturity:

<u>Investment Type</u>	<u>Remaining Maturity (in Months)</u>				<u>Total</u>
	<u>18 Months or Less</u>	<u>18 to 42 Months</u>	<u>42-66 Months</u>	<u>More Than 66 Months</u>	
Held by fiscal agents:					
Money market funds	<u>\$ 2,589,883</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ 2,589,883</u>
Total	<u><u>\$ 2,589,883</u></u>	<u><u>\$</u></u>	<u><u>\$</u></u>	<u><u>\$</u></u>	<u><u>\$ 2,589,883</u></u>

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, or debt agreements, and the actual rating as of year end for each investment type:

<u>Investment Type</u>	<u>Total</u>	<u>Minimum Legal Rating</u>	<u>Exempted From Disclosure</u>	<u>Rating as of Year End</u>	
				<u>AAA</u>	<u>Not Rated</u>
Held by fiscal agent:					
Money market funds	<u>\$2,589,883</u>	N/A	<u>\$</u>	<u>\$2,589,883</u>	<u>\$</u>
Total	<u><u>\$2,589,883</u></u>		<u><u>\$</u></u>	<u><u>\$2,589,883</u></u>	<u><u>\$</u></u>

On August 5, 2011, Standard & Poor's Ratings Services lowered its long-term sovereign credit rating on the United States of America to AA+ from AAA. As a result, on August 8, 2011, Standard & Poor's Ratings Services lowered its issuer credit ratings and related issue ratings on various Federal Home Loan Bank, Federal Farm Credit Bank, Fannie Mae and Freddie Mac to AA+ from AAA. The Commission has various investments held with fiscal agents which invests in various underlying securities, including the federal agency securities listed above.

Concentration of Credit Risk

There are no investments in any one issuer (other than U.S. Treasury securities, mutual funds, and investment pools) that represent 5% or more of total investments for the entire entity (or for each separate major fund or for nonmajor funds in the aggregate).



**City of Escondido Community Development Commission**  
**Notes to the Basic Financial Statements (Continued)**  
**June 30, 2011**

**5. Interfund Transfers and Advances (Continued)**

The Low and Moderate Income Housing Fund entered into non-interest bearing agreements with the Community Development Commission Debt Service Fund for advances totaling \$3,399,292 for the Educational Revenue Augmentation Fund payments made for fiscal years 2003-2004 through 2005-2006.

**6. Capital Assets**

Changes in capital assets during the year ended June 30, 2011, were as follows:

	<u>Balance at July 1, 2010</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at June 30, 2011</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	<u>\$ 2,766,714</u>	<u>\$ 3,307,576</u>	<u>\$ 3,307,576</u>	<u>\$ 2,766,714</u>
Capital assets, being depreciated:				
Land improvements	139,295			139,295
Buildings and improvements	82,080,470	2,302,068	2,302,068	82,080,470
Machinery and equipment	<u>276,473</u>			<u>276,473</u>
Total capital assets, being depreciated	<u>82,496,238</u>	<u>2,302,068</u>	<u>2,302,068</u>	<u>82,496,238</u>
Less accumulated depreciation:				
Land improvements	(139,295)			(139,295)
Buildings and improvements	(41,168,437)	(2,736,016)		(43,904,453)
Machinery and equipment	<u>(276,473)</u>			<u>(276,473)</u>
Total accumulated depreciation	<u>(41,584,205)</u>	<u>(2,736,016)</u>		<u>(44,320,221)</u>
Total capital assets, being depreciated, net	<u>40,912,033</u>	<u>(2,736,016)</u>		<u>38,176,017</u>
Governmental activities capital assets, net	<u>\$ 43,678,747</u>	<u>\$ 571,560</u>	<u>\$ 3,307,576</u>	<u>\$ 40,942,731</u>

Depreciation of \$2,736,016 was charged to community development.

**City of Escondido Community Development Commission**  
**Notes to the Basic Financial Statements (Continued)**  
**June 30, 2011**

**7. Long-Term Liabilities**

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

	Balance at July 1, 2010	Adjustments*	Additions/ Accretion	Deletions	Balance at June 30, 2011	Due within One Year	Due Beyond One Year
<b>Tax Allocation Bonds:</b>							
January 1992	\$ 3,786,572	\$	\$ 247,163	\$	\$ 4,033,735	\$	\$ 4,033,735
<b>Lease Revenue Bonds:</b>							
December 2001	5,070,000			(2,490,000)	2,580,000	2,580,000	
January 2007A	37,820,000			(3,815,000)	34,005,000	4,045,000	29,960,000
January 2007B	15,595,000			(1,600,000)	13,995,000	1,695,000	12,300,000
<b>Advances from</b>							
City of Escondido	10,032,652	23,491,576	1,484,065	(20,000,000)	15,008,293		15,008,293
<b>Loans payable</b>							
	6,100,000			(800,000)	5,300,000		5,300,000
<b>Employee leave benefits payable</b>							
	82,228		2,259	(36,843)	47,644	4,764	42,880
<b>Totals</b>	<u>\$ 78,486,452</u>	<u>\$ 23,491,576</u>	<u>\$ 1,733,487</u>	<u>\$ (28,741,843)</u>	<u>74,969,672</u>	<u>\$ 8,324,764</u>	<u>\$ 66,644,908</u>
			Unamortized bond premium		1,531,971		
			Unamortized loss on refunding		(305,438)		
		Totals	Totals		<u>\$ 76,196,205</u>		

\* The adjustment was made to record matured unpaid interest through June 30, 2010 as long term debt.

**Tax Allocation Bonds:**

In January 1992, the Escondido Joint Powers Financing Authority issued \$35,986,152 Revenue Bonds Series 1992 for the purpose of making a loan to the Commission. In December 2001, the Commission issued \$22,420,000 Revenue Bonds to advance refund \$23,585,000 of the bonds. The remaining bonds consist of capital appreciation bonds in the initial amounts of \$612,259 and \$568,893 due on September 1, 2012 and September 1, 2013, respectively, in the accreted amounts of \$2,240,000 each. The outstanding balance at June 30, 2011, includes \$2,852,583 of accreted value of the capital appreciation bonds. The outstanding balance at June 30, 2011, is \$4,033,735.

**Lease Revenue Bonds**

In December 2001, the Commission issued \$22,420,000 of Lease Revenue Bonds to refund \$22,005,000 of the 1992 Certificates of Participation which were issued to refund certain certificates of participation originally issued by the City of Escondido in 1986 to finance a portion of the construction of the City Hall. The Bonds are due in annual installments from 2002 through 2011, with interest rates ranging from 3% to 3.7% and annual installments of \$1,970,000 to \$2,580,000. The outstanding balance at June 30, 2011, is \$2,580,000.

**City of Escondido Community Development Commission**  
**Notes to the Basic Financial Statements (Continued)**  
**June 30, 2011**

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**7. Long-Term Liabilities (Continued)**

In January 2007, the Escondido Joint Powers Financing Authority issued \$40,025,000 2007A Lease Revenue Refunding Bonds and \$16,525,000 2007B Taxable Lease Revenue Refunding Bonds to refund the 1995 Certificates of Participation (COP) Lease Revenue Bonds, originally issued in the principal amount of \$51,385,757 to provide financing for the Civic Center construction project. As a result, the 1995 COP is considered to be defeased and the respective liability has been removed from the statement of net assets.

The 2007A Lease Revenue Refunding Bonds bear interest rates between 3.75% to 5% payable semiannually on March 1 and September 1 of each year. The 2007A Lease Revenue Refunding Bonds mature between September 1, 2009 and September 1, 2018, in amounts ranging from \$2,205,000 to \$5,025,000. The 2007B Taxable Lease Revenue Refunding Bonds mature on September 1, 2018 at 5.53% rate. The 2007B bonds are subject to mandatory redemption from a sinking fund account in amounts ranging from \$930,000 to \$2,045,000 commencing September 1, 2009. Both 2007A and 2007B bonds are subject to mandatory redemption as a whole or in part on any date without premium, from unused insurance or condemnation proceed as described in the bond covenants. The reserve for 2007A and 2007B bonds was in the form of a surety bond and is fully funded. The outstanding balance at June 30, 2011, is \$48,000,000. Unamortized bond premium and loss on defeasance was \$1,531,971 and \$305,438, respectively, at June 30, 2011. Unamortized bond deferred charges were \$660,151 at June 30, 2011.

Employee Leave Benefits Payable

The Commission's policies relating to employee leave benefits are described in Note 1. This liability will be paid in future years from future resources primarily from the Low and Moderate Income Housing Fund. The balance at June 30, 2011, is \$47,644.

Advances from the City of Escondido

The Commission and the City have entered into a cooperative agreement to loan the Commission monies for general operations and authorized development activities. The agreement specifies that the loan will be reimbursed to the City from whatever revenues the Commission possesses, or is entitled to, including future tax increment funds. Interest was accrued at 6.78% per annum through February 1989, on funds the Commission expended for authorized purposes. Subsequent to February 1989, the interest accrued to the City was one percent plus the average annual AA Municipal General Obligation Bond rate for a twenty-year bond. The balance at June 30, 2011, including accrued unpaid interest of \$9,877,487 is \$15,008,293.

Loans Payable

In 2002, 2004, 2006 and 2008, the Commission of the City of Escondido received loans from the California Housing Finance Agency. The proceeds of the loans were used to finance the property acquisitions for the projects of Washington Plaza Apartments, Trinity Apartments, Brotherton, Las Ventanas, and SoCal Housing. The term of the loans are ten years with an annual interest rate of 3%. Payment is deferred for the term of the loans. The balance at June 30, 2011, is \$5,300,000.

Debt to Maturity Schedule

The annual requirements to amortize the tax allocation bonds and the lease revenue bonds, including accreted values, are as follows: (in thousands)

**City of Escondido Community Development Commission**  
**Notes to the Basic Financial Statements (Continued)**  
**June 30, 2011**

**7. Long-Term Liabilities (Continued)**

Year Ending June 30	Bonds*		Revenue Bonds	
	Principal	Interest	Principal	Interest
2012	\$	\$	\$ 8,320	\$ 2,345
2013	2,240		6,715	2,000
2014	2,240		3,475	1,742
2015			5,785	1,503
2016			6,085	1,198
2017-2019			20,200	1,596
Total	\$ 4,480	\$	\$ 50,580	\$ 10,384

\*The above totals include capital appreciation of \$940,591 that will be accrued in future years.

Pledged Revenue

The Commission has outstanding debt issuances that are collateralized by pledged tax increment revenue. The term of the commitment of pledged revenues and the purposes for which the proceeds of these debt issuances were utilized are disclosed in the debt descriptions provided herein. The amount of the remaining commitment of the pledge is equal to the amount of the remaining debt service to maturity of the related debt issuances as disclosed above. For the current year, debt service payments as a percentage of the pledged revenue is indicated in the table below.

Description of Pledged Revenue	Annual Amount of Pledged Revenue (net of expenses, where required)	Annual Debt Service Payments (of all debt secured by this revenue)	Debt Service as a Percentage of Pledged Revenue
Tax increment revenue	\$ 9,991,002	\$	0%
Loan repayment revenue	10,585,612	10,585,612	100%

Prior Year Defeasance of Long-Term Debt

In prior years, the Commission defeased certain certificates of participation and tax allocation bonds by placing the proceeds of refunding the debt issues in an irrevocable trust to provide for all future debt service payments on the old debt issues. Accordingly, the trust account assets and the liability for the defeased debt issues are not included in the Commission's financial statements. As of June 30, 2011, \$4,095,000 of bonds outstanding are considered defeased.

**City of Escondido Community Development Commission**  
**Notes to the Basic Financial Statements (Continued)**  
**June 30, 2011**

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**8. Insurance**

The Commission is covered under the City of Escondido's insurance policies. Therefore, the limitation and self-insured retentions applicable to the City of Escondido also apply to the Commission. Additional information as to coverage and self-insured retentions can be obtained by contacting the City.

**9. SERAF Shift for fiscal year 2010-2011**

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. This decision is in the process of being appealed by CRA and its member agencies.

The payment of the SERAF was due on May 10, 2011 for fiscal year 2010-2011 and it was made in the amount of \$1,761,576 and was made from available resources.

**10. Related Party Transaction**

In February 2011, the Commission's Board of Directors approved the transfer of certain parcels of real property to the City of Escondido. These properties were originally purchased by the Commission. Title of ownership was transferred to the City for the properties which consist of 480 North Spruce Street and four vacant lots addressed as 314 E. Grand Avenue, 304 E. Grand Avenue, 112-118 N. Juniper Street and 316 E. Grand Avenue. The value of these properties was \$3,307,576.

**11. 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.

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.

**City of Escondido Community Development Commission**  
**Notes to the Basic Financial Statements (Continued)**  
**June 30, 2011**

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**11. California Redevelopment Agency Uncertainty (Continued)**

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 Commission is unknown and consequently the status and even future existence of the Commission is uncertain as such. In accordance with AB1X 27, the Commission has passed a resolution of intent to continue and will be required to make a payment to the State by January 15, 2012 to avoid dissolution. The Department of Finance issued their estimated payments amounts and the Commission filed an appeal regarding the calculation. The Department of Finance reviewed the Commission's appeal regarding the calculation and on October 15, 2011 determined the estimated payment stands without revision, resulting in a payment amount of \$9,405,500.

**12. Net Asset Restatements**

Net assets were restated by \$23,491,576 to reflect the liability for accrued unpaid interest on the advances from the City of Escondido.

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**REQUIRED SUPPLEMENTARY INFORMATION**



**City of Escondido Community Development Commission  
Low and Moderate Income Housing Special Revenue Fund  
Budgetary Comparison Schedule  
For the Fiscal Year Ended June 30, 2011**

	Budgeted Amounts		Actual	Variance Over (Under)
	Original	Final		
<b>Revenues:</b>				
Tax increment	\$ 4,867,975	\$ 4,867,975	\$ 4,773,102	\$ (94,873)
Intergovernmental			816,036	816,036
Lease income	48,000	48,000	75,321	27,321
Investment income	75,000	75,000	136,892	61,892
Miscellaneous	295,000	295,000	9,377	9,377
<b>Total Revenues</b>	<b>5,285,975</b>	<b>4,990,975</b>	<b>5,810,728</b>	<b>819,753</b>
<b>Expenditures:</b>				
Community development:				
Low and moderate housing	1,142,320	1,142,320	1,278,444	136,124
Mobile home management	41,530	41,530	31,919	(9,611)
Rental subsidy	300,000	300,000	301,975	1,975
<b>Total Expenditures</b>	<b>1,483,850</b>	<b>1,483,850</b>	<b>1,612,338</b>	<b>128,488</b>
<b>Excess of Revenues Over Expenditures</b>	<b>3,802,125</b>	<b>3,507,125</b>	<b>4,198,390</b>	<b>691,265</b>
<b>Other Financing (Uses):</b>				
Transfers in			176,887	176,887
Transfers out		(788,753)	(788,753)	
<b>Total Other Financing Sources (Uses)</b>		<b>(788,753)</b>	<b>(611,866)</b>	<b>176,887</b>
<b>Net Change in Fund Balance</b>	<b>3,802,125</b>	<b>2,718,372</b>	<b>3,586,524</b>	<b>868,152</b>
<b>Fund Balance - Beginning of Year</b>	<b>43,583,187</b>	<b>43,583,187</b>	<b>43,583,187</b>	
<b>Fund Balance - End of Year</b>	<b>\$ 47,385,312</b>	<b>\$ 46,301,559</b>	<b>\$ 47,169,711</b>	<b>\$ 868,152</b>

**City of Escondido Community Development Commission**  
**Notes to the Required Supplementary Information**  
**For the Fiscal Year Ended June 30, 2011**

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A. Budgetary Data

The Commission adopts an annual budget prepared on the modified accrual basis for the Special Revenue and Debt Service Funds. The Fiscal Officer is required to prepare and submit to the Commission Board of Directors the annual budget of the Commission and administer it after adoption. Any revisions after that alter the total appropriations of the fund must be approved by the Board of Directors. Prior year appropriations lapse unless they are encumbered at year-end or re-appropriated through the formal budget process.

## **SUPPLEMENTARY INFORMATION**



**City of Escondido Community Development Commission  
Community Development Commission Debt Service Fund  
Budgetary Comparison Schedule  
For the Fiscal Year Ended June 30, 2011**

	Final Budget Amount	Actual	Variance Over (Under)
<b>Revenues:</b>			
Tax increment	\$ 19,132,000	\$ 19,092,408	\$ (39,592)
Investment income	255,000	(278,787)	(533,787)
Miscellaneous	349,640		(349,640)
Total Revenues	<u>19,736,640</u>	<u>18,813,621</u>	<u>(923,019)</u>
<b>Expenditures:</b>			
Community development	766,469	717,470	(48,999)
Debt service:			
Principal retirements	28,705,000	28,705,000	
Interest and fiscal charges	3,173,082	3,204,764	31,682
SERAF payment	2,000,000	1,761,576	(238,424)
Agency tax sharing agreement	9,218,000	9,101,406	(116,594)
Total Expenditures	<u>43,862,551</u>	<u>43,490,216</u>	<u>(372,335)</u>
(Deficiency) of Revenues Over Expenditures	<u>(24,125,911)</u>	<u>(24,676,595)</u>	<u>(550,684)</u>
<b>Other Financing Sources:</b>			
Transfers in	788,753	788,753	
Transfers out	<u>(5,612,368)</u>	<u>(5,789,255)</u>	<u>(176,887)</u>
Total Other Financing Sources (Uses)	<u>(4,823,615)</u>	<u>(5,000,502)</u>	<u>(176,887)</u>
Net Change in Fund Balance	(28,949,526)	(29,677,097)	(727,571)
Fund Balance - Beginning of Year, as restated	<u>30,157,564</u>	<u>30,157,564</u>	
Fund Balance - End of Year	<u>\$ 1,208,038</u>	<u>\$ 480,467</u>	<u>\$ (727,571)</u>

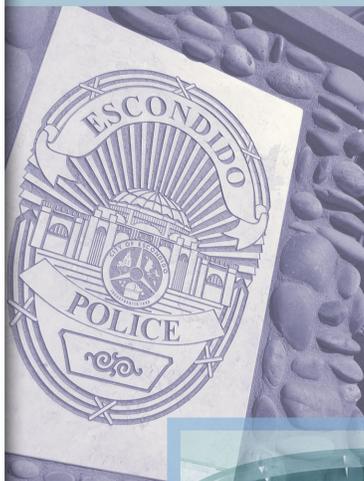
**City of Escondido Community Development Commission**  
**Excess Surplus Calculation**  
**For the Fiscal Year Ended June 30, 2011**

	<b>Low and Moderate Housing Funds All Project Areas July 1, 2010</b>	<b>Low and Moderate Housing Funds All Project Areas July 1, 2011</b>
Opening Fund Balance	\$ 43,583,187	\$ 47,169,711
Less Unavailable Amounts:		
Land held for resale	\$ (2,518,964)	\$ (2,839,976)
ERAF loans	(3,399,292)	(3,399,292)
Encumbrances (Section 33334.12 (g)(2))	(5,743,166)	(1,744,853)
Residual Receipt loans	(17,208,880)	(27,204,880)
Rehabilitation loans	(14,712,885)	(11,980,710)
	<u>(43,583,187)</u>	<u>(47,169,711)</u>
Available Low and Moderate Income Housing Funds		
Limitation (greater of \$1,000,000 or four years set-aside)		
Set-Aside for last four years:		
2010 - 2011	\$	\$ 4,773,102
2009 - 2010	4,965,758	4,965,758
2008 - 2009	5,343,741	5,343,741
2007 - 2008	5,267,305	5,267,305
2006 - 2007	4,585,959	
<b>Total</b>	<b><u>\$ 20,162,763</u></b>	<b><u>\$ 20,349,906</u></b>
<b>Base Limitation</b>	<b><u>\$ 1,000,000</u></b>	<b><u>\$ 1,000,000</u></b>
Greater amount	<u>20,162,763</u>	<u>20,349,906</u>
<b>Computed Excess/Surplus</b>	<b><u>None</u></b>	<b><u>None</u></b>



# ESCONDIDO

City of Choice



CITY OF ESCONDIDO • CALIFORNIA