

**Component Unit Financial Statements**  
**Baldwin Park Community Development Commission**  
***As of and for the Fiscal Year Ended June 30, 2008***  
***With Report on Audit by Independent***  
***Certified Public Accountants***

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**Baldwin Park Community Development Commission  
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## Report of Independent Auditors

### **The Honorable Board of Directors of the Baldwin Park Community Development Commission**

We have audited the accompanying basic financial statements of the governmental activities and each major fund of the Baldwin Park Community Development Commission (Agency), a component unit of the City of Baldwin Park, California, as of and for the year ended June 30, 2008, as listed on the table of contents. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of the Baldwin Park Community Development Commission as of June 30, 2008, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. 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 opinions on the financial statements that collectively comprise the Agency's basic financial statements. The combining financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.



In accordance with *Government Auditing Standards*, we have also issued a report dated November 28, 2008 on our consideration of the Agency's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements. 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.

*Vincent + Company LLP*

**Los Angeles, California  
November 28, 2008**

## Baldwin Park Community Development Commission Management Discussion and Analysis

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As Management of the Baldwin Park Community Development Commission ("Agency"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2008. Please read it in conjunction with the accompanying transmittal letter at the front of this report, and the basic financial statements, which follow this section.

### Financial Highlights

- ❖ The liabilities of the Agency exceeded its assets at the close of fiscal year June 30, 2008 by \$49,407,016 (net assets). Liabilities of the Commission exceed its assets due to the issuance of long-term debt for redevelopment assets of which the Commission does not own or subsequently contribute.
- ❖ The Agency's total net assets increased by \$263,666 in fiscal year 2007-08.
- ❖ As of the close of fiscal year June 30, 2008, the Agency's governmental funds reported combined ending fund balances of \$11,891,465, an increase of \$1,694,647 from the prior year.
- ❖ The Agency's total debt decreased by \$40,688 during the current fiscal year. The net decrease is due to a reduction of its bonded indebtedness and an increase in contractual obligations as shown on Note 8 of the notes to basic financial statements.

### Overview of the Basic Financial Statements

This discussion and analysis is intended to serve as an introduction to the Baldwin Park Community Development Commission's basic financial statements. The Agency's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to basic financial statements. This report also contains supplementary information in addition to the basic financial statements.

### Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Baldwin Park Community Development Commission's finances. These statements include all assets and liabilities, using the full accrual basis of accounting, which is similar to the accounting used by most private sector companies. All of the fiscal year's revenues and expenses are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus assets, liabilities, revenues, and expenses are reported in these statements for some items that will result in cash flows in future fiscal periods.

- ❖ *The Statement of Net Assets* presents information on all of the Commission's assets and liabilities, with the difference reported as net assets (*deficits*). Over time, increases in net assets may serve as a useful indicator to determine whether the financial position of the Commission is improving or lessening.

- ❖ *The Statement of Activities* presents information showing the Agency's revenues and expenses for the fiscal year. Functional activities are highlighted in this statement, whereby direct and indirect functional costs are shown net of related program revenue. This statement shows the extent to which the various functions depend on general taxes and non-program revenues for support.

Both of the government-wide financial statements highlight functions of the Agency that are principally supported by property tax increment. The governmental activities of the Agency include redevelopment activities in its six project areas and interest on long-term debt. Redevelopment activities, in general, include providing needed public improvements, assisting with development and rehabilitation of existing properties, and providing low and moderate-income housing to eliminate or alleviate blighted conditions.

The Government-wide Financial Statements can be found on pages 9 and 10 of this report.

### **Fund Financial Statements**

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Agency uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Agency only has governmental fund types.

*Governmental funds* – Government funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *nearterm inflows and outflows of spendable resources* as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the Agency's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Agency's near-term financing decision. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide reconciliation on pages 12 and 14 to facilitate the comparison between governmental funds and governmental activities.

The Agency maintains three individual governmental funds all of which are considered to be major funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances, for each of these funds.

The basic governmental fund financial statements can be found on pages 11 and 13 of this report.

### **Notes to Basic Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to basic financial statements can be found beginning on page 15 of this report.

**Baldwin Park Community Development Commission  
Management Discussion and Analysis**

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**Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information relating to the Agency's governmental funds. Required supplementary information can be found beginning on page 31 of this report.

**Government-wide Financial Analysis**

Our Government-wide analysis focuses on the net assets and changes in net assets for the Agency's governmental activities.

A summary of the Agency's net assets is as follows:

	Governmental Activities	
	6/30/08	6/30/07
<b>Assets:</b>		
Assets, excluding property held for redevelopment	\$ 17,806,941	\$ 15,533,187
Property held for redevelopment	433,833	433,833
<b>Total assets</b>	<b>18,240,774</b>	<b>15,967,020</b>
<b>Liabilities:</b>		
Other liabilities	26,038,922	22,898,145
Long-term liabilities	41,608,868	42,739,556
<b>Total liabilities</b>	<b>67,647,790</b>	<b>65,637,701</b>
<b>Net Assets:</b>		
Restricted for debt service	4,896,475	4,767,275
Unrestricted	(54,303,491)	(54,437,957)
<b>Total Net Assets (Deficit)</b>	<b>\$ (49,407,016)</b>	<b>\$ (49,670,682)</b>

As noted earlier, net assets may serve over time as a useful indicator of the Agency's financial position. In the case of the Agency, liabilities exceeded assets by \$49,407,016 at June 30, 2008.

By far the largest portion of the Agency's net deficit reflects its bonded indebtedness and other long-term obligations totaling \$41,608,868. Additionally, the Agency's liabilities include \$20,436,954 in advances from the City of Baldwin Park. The Agency, operating under California Redevelopment Law, must maintain debt in excess of its available assets to legally receive tax increment revenue. Bond funds are used to construct infrastructure, which becomes an asset of the City, and to alleviate blight. These expenditures do not generally create assets to offset bonded debt. Future tax increment revenues must be used to liquidate non-current bond liabilities.

**Baldwin Park Community Development Commission  
Management Discussion and Analysis**

**Governmental Activities**

Governmental activities increased the Agency's net assets by \$263,666, summarized as follows:

<b>Change in Net Assets June 30, 2008 and 2007</b>		Governmental Activities	
	6/30/08		6/30/07
<b>Revenues:</b>			
General revenues:			
Property taxes	\$ 6,605,029	\$	6,093,201
Sales taxes	530,135		890,254
Interest and other	667,181		908,454
<b>Total revenues</b>	<b>7,802,345</b>		<b>7,891,909</b>
<b>Expenses:</b>			
Community development	2,201,722		4,028,432
Interest, principal and fiscal charges	1,251,070		1,253,198
Pass thru payments	3,188,695		2,943,015
<b>Total expenses</b>	<b>6,641,487</b>		<b>8,224,645</b>
Increase (decrease) in net assets before transfers	1,160,858		(332,736)
Other financing uses	(897,193)		(937,358)
Change in net assets	<b>263,666</b>		<b>(1,270,094)</b>
Net assets (deficit) - beginning	(49,670,682)		(48,400,588)
<b>Net assets (deficit), end of year</b>	<b>\$ (49,406,016)</b>	<b>\$</b>	<b>(49,670,682)</b>

Property tax increment revenues of \$6,605,029 are the Agency's major revenue source. This is shown as the gross revenue this year, whereas in prior years it was net of pass-thru payments retained by the County.

Sales tax revenues of \$530,135 are used for debt service and decreased by \$360,119. Since by State law the sales tax revenue can be used only for debt service any excess sales tax revenue becomes revenue of the City's General Fund.

Interest and other income of \$667,181 were received from investments of available funds and interest on funds held with bond trustee.

Pass thru payments (payments of redevelopment tax increment to other governmental agencies) totaled \$3,188,695 an increase of \$245,680 over Fiscal Year 2006-07.

Interest and principal payments on outstanding debt totaled \$1,251,070.

Operating expenses of the Agency, including low and moderate expenses to monitor the affordability covenants of existing housing projects totaled \$948,091.

**Baldwin Park Community Development Commission  
Management Discussion and Analysis**

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**Financial Analysis of the Agency's Funds**

As noted earlier, the Agency uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds**

The focus of the Agency's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Agency's financing requirements. In particular, unreserved fund balances may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of June 30, 2008, the Agency's governmental funds reported combined ending fund balances of \$11,891,465, an increase of \$1,694,647 from the prior year. Unreserved fund balance were \$6,561,158 leaving \$5,330,308 in reserved fund balances.

The fund balance of the Central Business District Capital Projects Fund increased by \$1,520 during the current fiscal year reducing the deficit to \$1,093,116 as of June 30, 2008.

The fund balance of the Redevelopment Merger Capital Projects Fund increased \$159,625 during the current fiscal year to \$2,688,309 as of June 30, 2008.

The fund balance of the Low and Moderate Income Housing Fund increased \$1,404,301 during the current fiscal year to \$5,399,796 as of June 30, 2008.

**Property held for Resale**

The Agency's investment in capital assets for its governmental activities as of June 30, 2008 amounts to \$433,833. The investment in capital assets is land held for resale representing several parcels purchased for various redevelopment purposes.

**Debt Administration**

Long-Term Liabilities

At the end of the current fiscal year, the Agency had total long-term debt of \$42,698,868 consisting of the following:

	Governmental Activities	
	6/30/08	6/30/07
Tax allocation bonds	\$ 25,860,000	\$ 26,885,000
Notes payable	273,490	273,490
County deferral	16,565,378	15,281,066
<b>Total</b>	<b>\$ 42,698,868</b>	<b>\$ 42,739,556</b>

The Agency's total debt decreased \$40,688 (0.1%) during the current fiscal year. Decrease was due to increase in contractual obligations net of scheduled debt service payments made on various outstanding obligations.

**Baldwin Park Community Development Commission  
Management Discussion and Analysis**

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Time limitations on incursion of debts exist in all projects areas. Time limitations vary by the date when an area was added to the Agency.

<u>Project area</u>	<u>Time limitation to incur debt</u>
San Gabriel River	December 2, 2017
Puente/Merced	August 16, 2019
West Ramona	September 19, 2020
Central Business District	February 3, 2023
Delta	December 21, 2024
Sierra Vista	July 2, 2027

Additional information on outstanding long-term liabilities may be found in note 8 of the notes to basic financial statements.

**Economic Factors and Next Year's Budget**

For the 2007-2008 tax roll, the Agency experienced a net taxable value increase of 6.4%, compared to the countywide increase of 9.2%

In 2007-2008 the Community Development Agency has been promoting several opportunities within the Central Business District area for its potential revitalization into an urban village concept, featuring mixed uses, open plazas, entertainment uses, residential and office uses.

**Request for Information**

This financial report is designed to provide a general overview of the Agency's finances for all those with interest in the Agency's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Baldwin Park Community Development Commission, 14403 E. Pacific Avenue, Baldwin Park, California 91706.

**Baldwin Park Community Development Commission**  
**Statement of Net Assets**  
**June 30, 2008**

		Governmental Activities
<b>ASSETS</b>		
Unrestricted cash and investments	\$	6,965,080
Restricted cash and investments		4,428,429
Total cash and investments		11,393,509
Property tax and other receivables, net		896,570
Loans receivable		1,847,349
Due from other funds		3,441,889
Deferred charges		227,623
Property held for resale, net		433,833
<b>Total assets</b>		<b>18,240,774</b>
<b>LIABILITIES</b>		
Accounts payable and accrued expenses		520,989
Accrued interest payable		564,641
Due to other funds		3,426,338
Advances from other funds		20,436,954
Long-term liabilities:		
Due within one year		1,090,000
Due in more than one year		41,608,868
<b>Total liabilities</b>		<b>67,647,790</b>
<b>NET ASSETS (DEFICIT)</b>		
Restricted for debt service		4,896,475
Unrestricted (deficit)		(54,303,492)
<b>Total net assets (deficit)</b>	<b>\$</b>	<b>(49,407,016)</b>

*See notes to financial statements.*

**Baldwin Park Community Development Commission**  
**Statement of Activities**  
**For the year ended June 30, 2008**

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Change in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
<b>Functions/Programs</b>				
<b>Governmental activities</b>				
Community development	\$ 5,390,417	-	-	(5,390,417)
Interest and fiscal charges	1,251,070	-	-	(1,251,070)
Total governmental activities	<u>\$ 6,641,487</u>	<u>-</u>	<u>-</u>	<u>(6,641,487)</u>
<b>General revenues</b>				
Taxes				7,135,164
Interest and other				667,181
<b>Transfers</b>				
Total general revenues and transfers				<u>(897,193)</u>
Change in net assets				6,905,152
				263,666
<b>Net assets (deficit) - beginning</b>				<u>(49,670,682)</u>
<b>Net assets (deficit) - ending</b>				<u>\$ (49,407,016)</u>

*See notes to financial statements.*

**Baldwin Park Community Development Commission  
Balance Sheet  
Governmental Funds  
June 30, 2008**

	Low/ Moderate Income Housing	Debt Service	Capital Projects	Total
<b>ASSETS</b>				
Pooled cash and investments	\$ 5,326,907	\$ -	\$ 1,638,173	\$ 6,965,080
Cash and investments with fiscal agents	-	2,059,527	-	2,059,527
Restricted assets - cash and investments	-	2,368,902	-	2,368,902
Property tax and other receivables, net	353,568	383,454	159,548	896,570
Loans receivable	1,847,349	-	-	1,847,349
Due from other funds	2,766,268	972,205	-	3,738,473
Property held for resale, net	327,478	-	106,355	433,833
<b>Total assets</b>	<b>\$ 10,621,570</b>	<b>\$ 5,784,088</b>	<b>\$ 1,904,077</b>	<b>\$ 18,309,735</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities</b>				
Accounts payable and accrued liabilities	\$ 3	\$ 520,986	\$ -	\$ 520,989
Unearned revenues	2,174,359	-	-	2,174,359
Due to other funds	3,047,411	366,626	308,884	3,722,922
<b>Total liabilities</b>	<b>5,221,774</b>	<b>887,612</b>	<b>308,884</b>	<b>6,418,270</b>
<b>Fund balances</b>				
Reserved				
Property held for resale	327,478	-	106,355	433,833
Debt service	-	4,896,475	-	4,896,475
Unreserved	5,072,318	-	1,488,838	6,561,156
<b>Total fund balances</b>	<b>5,399,796</b>	<b>4,896,475</b>	<b>1,595,193</b>	<b>11,891,465</b>
<b>Total liabilities and fund balances</b>	<b>\$ 10,621,570</b>	<b>\$ 5,784,088</b>	<b>\$ 1,904,077</b>	<b>\$ 18,309,735</b>

*See notes to financial statements.*

**Baldwin Park Community Development Commission  
Reconciliation of the Governmental Funds  
Balance Sheet to the Statement of Net Assets  
June 30, 2008**

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

Total fund balances	\$	11,891,465
Loans receivable not expected to be collected in the current period are offset by unearned revenue in the funds. They have been recognized and are in net assets in the government-wide financial statements.		1,847,349
Certain revenues in the governmental funds are deferred because they are not collected within the prescribed time period after year-end. Those revenues are recognized on the accrual basis in the government-wide statements. Interest on Low/Moderate Income Housing agreement		327,011
Accrued interest on long-term debt is not due and payable in the current period and is not reported in the funds.		(564,641)
Deferred charges represent costs associated with the issuance of long-term debt, which are deferred and amortized over the life of the debt. The costs are reported as expenditures of current financial resources in the governmental funds.		227,623
Loans by the City to the CDC are not due and payable in the current period and therefore, not reported in the funds. They are considered interfund advances in the government-wide financial statements.		(20,436,954)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore, are not reported in the funds.		
Tax allocation bonds	\$	(25,860,000)
Notes payable		(273,490)
County deferral		(16,565,378)
		(42,698,868)
Net assets (deficit) of governmental activities	\$	(49,407,016)

*See notes to financial statements.*

**Baldwin Park Community Development Commission**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the year ended June 30, 2008**

	Low/ Moderate Income Housing	Debt Service	Capital Projects	Total
<b>Revenues</b>				
Taxes	\$ 1,253,629	\$ 6,865,847	\$ -	\$ 8,119,476
Use of money and property	258,137	318,608	108,701	685,446
Other	-	-	58,098	58,098
<b>Total revenues</b>	<u>1,511,766</u>	<u>7,184,455</u>	<u>166,799</u>	<u>8,863,020</u>
<b>Expenditures</b>				
Current:				
Community development	232,881	1,253,629	-	1,486,510
Pass through payments		3,188,695	-	3,188,695
Capital outlay:				
Community development	-	-	915,211	915,211
Debt service:				
Principal retirement	-	150,000	-	150,000
Interest and fiscal charges	-	690,739	561,984	1,252,723
<b>Total expenditures</b>	<u>232,881</u>	<u>5,283,063</u>	<u>1,477,195</u>	<u>6,993,140</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>1,278,884</u>	<u>1,901,392</u>	<u>(1,310,396)</u>	<u>1,869,881</u>
<b>Other financing sources (uses)</b>				
Proceeds of advances	125,417	-	1,471,541	1,596,959
Transfers in	-	668,270	-	668,270
Transfers out	-	(2,440,463)	-	(2,440,463)
<b>Net other financing sources (uses)</b>	<u>125,417</u>	<u>(1,772,193)</u>	<u>1,471,541</u>	<u>(175,234)</u>
<b>Change in fund balances</b>	1,404,301	129,200	161,145	1,694,647
<b>Beginning fund balances</b>	<u>3,995,495</u>	<u>4,767,275</u>	<u>1,434,048</u>	<u>10,196,818</u>
<b>Ending fund balances</b>	<u>\$ 5,399,796</u>	<u>\$ 4,896,475</u>	<u>\$ 1,595,193</u>	<u>\$ 11,891,465</u>

*See notes to financial statements.*

**Baldwin Park Community Development Commission  
Reconciliation of the Statement of Revenues, Expenditures and Changes in  
Fund Balances of the Governmental Funds to the Statement of Activities  
For the year ended June 30, 2008**

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

Net change in fund balance - governmental funds	\$	1,694,647
<p>Long-term debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Costs associated with the issuance of long-term debt are reported as expenditures in the governmental funds, but deferred and amortized throughout the period during which the related debt is outstanding in the statement of net assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.</p>		
County deferral received	\$ (984,312)	
Principal repayments of long-term debt recorded as transfers out to Baldwin Park Financing Authority	875,000	
Principal repayments of long-term debt	<u>150,000</u>	40,688
<p>Loans by the City to the CDC are recognized as other financing sources in the fund financial statements. These loans are interfund transactions, which are reported as interfund advances in the government-wide financial statements.</p>		
		(1,596,959)
<p>Repayment of long-term receivables are treated as revenue in governmental funds, but the repayment reduces the long-term receivables in the statement of net assets.</p>		
		(94,354)
<p>Issuance of long-term receivables are treated as expenditures in governmental funds but are treated as increases in receivables in the statement of net assets</p>		
		200,000
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.</p>		
Interest on Low/Moderate Income Housing agreement		17,992
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.</p>		
Change in accrued interest on long-term debt	\$ 19,162	
Amortization of issuance costs	<u>(17,510)</u>	<u>1,652</u>
Change in net assets of governmental activities		<u>\$ 263,666</u>

*See notes to financial statements.*

**NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Baldwin Park Community Development Commission (Agency), formerly known as Baldwin Park Redevelopment Agency, a component unit of the City of Baldwin Park, California (the City), was created November 27, 1974, pursuant to the State of California Health and Safety Code section entitled "Community Redevelopment Law". The Agency has the broad authority to acquire, rehabilitate, develop, administer and sell or lease property. Additionally, the Agency has the right of eminent domain to facilitate acquisition of property.

The Agency's principal objectives are to improve the commercial environment, upgrade residential neighborhoods, provide new public improvements, strengthen the City's economic base, generate added employment opportunities and improve and expand the City's industrial base.

The City performs certain general administrative functions for the Agency. The costs of such functions are allocated annually to the Agency.

The City is financially accountable for the Agency and it is included in the reporting entity of the City of Baldwin Park. Financial accountability is established based on: (1) the governing body of the Agency is substantially the same as the City Council and (2) the Agency provides a financial benefit or burden on the City.

The Agency's financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America 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 Agency's more significant accounting policies are described below.

**Government-Wide and Fund Financial Statements**

The statement of net assets and statement of activities (i.e., the government-wide financial statements) display information on all of the non-fiduciary activities of the Agency. Eliminations have been made to minimize the effect of interfund activity. The Agency's activities are normally supported by taxes and intergovernmental revenues.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Agency's activities. Direct expenses are those that are specifically associated with a program or function and are clearly identifiable to a particular function. Program revenues include grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

When both restricted and unrestricted net assets are available for use, the Agency's policy is to use restricted resources first, then the unrestricted resources as they are needed.

**NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**The Agency reports the following governmental funds:**

Low/Moderate Income Housing Fund – The Low/Moderate Income Housing Fund is used to account for monies set aside in accordance with Community Redevelopment Law for the provision of affordable housing for low and moderate income persons and families.

Debt Service Fund – The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt, including special assessment debt with governmental commitment. The principal sources of revenue for this fund are incremental property taxes and investment income.

Capital Projects Fund – The Capital Projects Fund reflects all revenues and costs of implementing the Agency Projects in accordance with the California Community Redevelopment Law, including acquisition of properties, cost of site improvements and other costs that benefit the Projects as well as administrative expenditures incurred in sustaining Agency activities.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when the liabilities are incurred regardless of the timing of related cashflows.

Fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both 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. The Agency considers taxes and assessments associated with the current fiscal period to be available if they are collected within 60 days of the end of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

**Budgetary Control and Accounting**

The budget, in all material respects, is prepared in accordance with generally accepted accounting principles. The following general procedures are followed by the Agency in establishing the annual budgets which are shown in the financial statements:

- The annual budget adopted by the City Council provides for the general operation of the Agency. The annual budget is prepared under the direction of the Executive Team.
- The Executive Team is authorized to transfer budgeted amounts up to \$10,000 between cost centers and any amount, which does not alter total budgeted appropriations to a cost center. Council approval is required for transfers in excess of \$10,000 between cost centers, or for an overall increase in total appropriations. The legal level of budgetary control is the cost center level.

**NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

- The Chief Executive Officer is authorized to transfer budgeted amounts between activities within any fund. Expenditures may not exceed appropriations at the fund level. The budgeted amounts presented in the financial statements reflect the original adopted budget and as amended.
- The budget is integrated into the accounting system and employed as a management control device during the year.
- The budget for governmental fund types is adopted on a basis consistent with generally accepted accounting principles. The modified accrual basis of accounting is employed in the preparation of the budget.
- Budget appropriations lapse at year-end.

**Tax Increment Revenues**

Incremental property tax revenues are established pursuant to California Community Redevelopment Law and result from the excess of taxes levied and collected each year in designated project areas over and above the amount which would have been produced, at current rates, by the assessed value as shown on the last equalized property tax assessment roll prior to the effective date of the ordinance establishing the designated project areas.

The County of Los Angeles is responsible for property tax and assessment levies and collections. The County's property tax calendar is July 1 to June 30. Property taxes are an enforceable lien on the property as of the preceding January 1. Property tax bills, which include assessments, are levied June 30 and are due in equal installments on November 1 and February 1 of each property tax year. The City records incremental property tax revenues upon receipt or anticipated receipt from the County; however, no accrual is recorded for delinquent taxes. Property taxes receivable reported in the fund financial statements are not offset by deferred revenues because they are collectible within 60 days of fiscal year end.

**Financial Statement Elements**

Property Held for Resale

The Agency has acquired land improvements in its project areas that are categorized as property held for resale. Such properties are carried at the lower of acquisition cost or fair value. The fund financial statements have a reserved amount equal to the carrying value of the property held for resale because such assets are not available to finance the Agency's current operations.

Cash and Investments

Investments are stated at fair value, the value at which a financial instrument could be exchanged in a current transaction between willing parties other than in a forced or liquidation sale. Interest earned on cash and investments is credited to the fund, which holds the investment.

**NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Receivables and Payables

The amount recognized as revenue under the modified accrual basis of accounting is limited to the amount that is deemed measurable and collectible.

Expenditure Allocation

The California Community Redevelopment Law (Health and Safety Code, Chapter 6, Article 2, Section 33610) authorized cities to allocate to a redevelopment agency such salaries and overhead expenses as considered appropriate to cover the cost of administrative support provided by the City.

Unearned Revenues

Unearned revenues in fund financial statements arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned revenues also arise when the Agency receives resources before it has a legal claim to them (e.g., when grant monies are received prior to the incurrence of qualifying expenditures).

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Bond premiums and discounts, if applicable, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the life of the related debt using the straight-line method.

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

Restricted Assets

Certain proceeds of debt issues, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

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.

**Baldwin Park Community Development Commission**  
**Notes to Financial Statements**  
**Year ended June 30, 2008**

**NOTE 2 RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

*Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets*

The total fund balances, \$11,891,465, differ from net assets, \$ (49,407,016), reported in the statement of net assets. The difference results primarily from the current financial resources focus in the fund balance sheet versus the long-term economic focus in the statement of net assets.

Balance Sheet Conversion to Statement of Net Assets				
Assets	Total Funds	Long-term Assets, Liabilities	Reclassifications And Eliminations	Statement of Net Assets
Pooled cash and investments	\$ 6,965,080	\$ -	\$ -	\$ 6,965,080
Cash and investments with fiscal agents	2,059,527	-	-	2,059,527
Restricted cash and investments	2,368,902	-	-	2,368,902
Receivables	896,570	-	-	896,570
Loans receivable	1,847,349	-	-	1,847,349
Deferred charges	-	227,623	-	227,623
Due from other funds	3,738,473	-	(296,584)	3,441,889
Property held for resale	433,833	-	-	433,833
<b>Total assets</b>	<u>18,309,735</u>	<u>227,623</u>	<u>(296,584)</u>	<u>18,240,773</u>
<b>Liabilities</b>				
Accounts payable	520,989	-	-	520,989
Interest payable	-	564,641	-	564,641
Unearned revenues	2,174,359	(2,174,359)	-	-
Due to other funds	3,722,922	-	(296,584)	3,426,338
Advances from other funds	-	-	20,436,954	20,436,954
Noncurrent liabilities	-	42,698,868	-	42,698,868
<b>Total liabilities</b>	<u>6,418,270</u>	<u>41,089,150</u>	<u>20,140,370</u>	<u>67,647,790</u>
<b>Fund balances / net assets</b>				
<b>Total fund balances and net assets</b>	<u>\$ 11,891,465</u>	<u>\$ (40,861,527)</u>	<u>\$ (20,436,954)</u>	<u>\$ (49,407,016)</u>

**NOTE 2      RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS  
(CONTINUED)**

Liabilities applicable to governmental activities that are not due and payable in the current period are not reported as fund liabilities; all liabilities, both current and long-term, are reported in the statement of net assets.

Bonds, county deferral, excess tax increment and note payable .....	\$ <u>(42,698,868)</u>
--	------------------------

Some assets that will not be available to pay for current period expenditures (for example, receivables) are offset by unearned revenues in governmental funds and are not included in the fund balance; these are not offset by unearned revenue in the statement of net assets.

\$ <u>2,174,359</u>
---------------------

Accrued, but not yet due, interest on long-term debt is not reported in governmental funds, but is recorded as a liability in the statement of net assets.

\$ <u>(564,641)</u>
---------------------

City loans are not reported in the governmental activities because they are not due and payable in the current period. City loans are recognized as interfund advances in the statement of net assets.....

\$ <u>(20,436,954)</u>
------------------------

Bond issuance costs and deferred amount on refunding are reported as expenditures in the governmental funds; they are capitalized and amortized over the life of the corresponding bonds for purposes of the statement of net assets.....

\$ <u>227,623</u>
-------------------

*Explanation of certain differences between the governmental fund statement of revenues, expenditures and changes in fund balances and the government-wide statement of activities*

The net change in fund balances, \$1,694,647, differs from the change in net assets, \$263,666, reported in the statement of activities. The differences results primarily from the current financial resources focus in the fund financial statements versus the long-term economic focus in the statement of activities.

**Baldwin Park Community Development Commission**  
**Notes to Financial Statements**  
**Year ended June 30, 2008**

**NOTE 2 RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS  
(CONTINUED)**

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

	Total Funds	Eliminations, Revenues and Expenses	Long-term Debt Transactions	Statement of Activities
<b>Revenues</b>				
Taxes	\$ 8,119,476	\$ (984,312)	\$ -	\$ 7,135,164
Interest and other revenues	743,544	(76,362)	-	667,182
<b>Total revenues</b>	<u>8,863,020</u>	<u>(1,060,674)</u>	<u>-</u>	<u>7,802,346</u>
<b>Expenditures</b>				
Current	4,675,205	-	(200,000)	4,475,205
Capital outlay	915,211	-	-	915,211
Debt service:				-
Principal retirement	150,000	(150,000)	-	-
Interest	1,252,723	(1,652)	-	1,251,071
<b>Total expenditures</b>	<u>6,993,139</u>	<u>(151,652)</u>	<u>(200,000)</u>	<u>6,641,487</u>
Excess (deficiency) of revenues over expenditures	<u>1,869,881</u>	<u>(909,022)</u>	<u>200,000</u>	<u>1,160,860</u>
<b>Other financing sources(uses)</b>				
Proceeds of advances	1,596,959	-	(1,596,959)	-
Transfers in	668,270	-	-	668,270
Transfers out	<u>(2,440,463)</u>	<u>875,000</u>	<u>-</u>	<u>(1,565,463)</u>
Total other financing sources (uses)	<u>(175,234)</u>	<u>875,000</u>	<u>(1,596,959)</u>	<u>(897,193)</u>
Net change for the year	<u>\$ 1,694,647</u>	<u>\$ (34,022)</u>	<u>\$ (1,396,959)</u>	<u>\$ 263,666</u>

**Baldwin Park Community Development Commission**  
**Notes to Financial Statements**  
**Year ended June 30, 2008**

**NOTE 2 RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (CONTINUED)**

County deferral is reported as revenue in governmental funds and contribute to the change in fund balance. In the government-wide financial statements, issuing debt increases long-term liabilities in the statement of net assets and does not affect the statement of activities.

County deferral ..... \$ (984,312)

Collection of receivables is treated as an asset reduction in the statement of net assets but recorded as revenues in the funds.....

\$ (94,354)

Issuance of long-term receivables are treated as expenditures in governmental funds but are treated as increases in receivables in the statement of net assets

\$ 200,000

Revenues that were not collected soon enough to be considered as available resources are not recorded as revenue in the fund statements but accrued in the government-wide financial statements.

Interest income on long-term agreement..... \$ 17,992

Repayments of bond principal and payments of excess tax increments are reported as expenditures in governmental funds and reduce fund balance because current financial resources have been used. However, principal payments reduce liabilities in the statement of net assets and do not result in expenses in the statement of activities.

Principal payments made that were recorded as expenditures..... \$ 150,000

Principal payments made that were recorded as transfers out..... \$ 875,000

Bond issuance costs are expended in governmental funds when paid; they are capitalized and amortized over the life of the corresponding bonds for purposes of the statement of activities.

Amortization in the current period..... \$ (17,510)

City loans are treated as interfund advances in the statement of net assets but recorded as revenues in the funds.....

\$ (1,596,959)

Interest expense in the statement of activities differs from the amount reported in governmental funds because accrued interest was calculated for bonds and notes payable.

Change in accrued interest payable..... \$ 19,162

**NOTE 3 NET ASSETS / FUND BALANCES**

The government-wide financial statements utilize a net assets presentation. Net assets are categorized as invested in capital assets (net of related debt), restricted, and unrestricted.

- Invested in capital assets, net of related debt - This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance of this category.

**Baldwin Park Community Development Commission**  
**Notes to Financial Statements**  
**Year ended June 30, 2008**

**NOTE 3 NET ASSETS / FUND BALANCES (CONTINUED)**

- Restricted net assets - This category presents external restrictions imposed by creditors, grantors, contributors, laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- Unrestricted net assets - This category represents the Agency's net assets, which are not restricted for any project or other purpose.

In the fund financial statements, reserves and designations segregate portions of fund balance that are either not available or have been earmarked for specific purposes. The various reserves and designations are established by actions of the Board of Directors and Management and can be increased, reduced, or eliminated by similar actions.

As of June 30, 2008, reservations of fund balance are described below:

- Debt service – To reflect the funds held by trustees or fiscal agents for future payment of bond principal and interest. These funds are not available for general operations.
- Property held for resale – To reflect assets that are long-term in nature and do not represent available spendable resources.

**NOTE 4 CASH AND INVESTMENTS**

At June 30, 2008, the Agency's cash and investments consist of:

	Less than 1 year	1 -5 years	More than 5 years	Total
Pooled cash and investments	\$ 6,965,080	\$ -	\$ -	\$ 6,965,080
Unrestricted cash and investments	<u>6,965,080</u>	<u>-</u>	<u>-</u>	<u>6,965,080</u>
Pooled investments	2,368,902	-	-	2,368,902
Cash and investments with fiscal agents	-	-	<u>2,059,527</u>	<u>2,059,527</u>
Restricted cash and investments	<u>2,368,902</u>	<u>-</u>	<u>2,059,527</u>	<u>4,428,429</u>
Total cash and investments	<u>\$ 9,333,982</u>	<u>\$ -</u>	<u>\$ 2,059,527</u>	<u>\$ 11,393,509</u>

The Agency participates in the City-wide cash and investment pool. At June 30, 2008, all of the Agency's pooled cash and investments were invested by the City Treasurer in accordance with the City's investment policy, and as prescribed by the California Government Code. Following are the information on the investment policy, risk categorization, and fair values.

**Baldwin Park Community Development Commission**  
**Notes to Financial Statements**  
**Year ended June 30, 2008**

**NOTE 4 CASH AND INVESTMENTS (CONTINUED)**

**Investment Policy**

The investment policy outlines the guidelines required to be used in effectively managing the available cash in accordance with the California Government Code. Summarized below are the investment vehicles that are authorized and certain provisions of the policy that address interest rate risk and concentration of credit risk.

	<u>Maturity</u>	<u>Maximum Allowable Investment Percentage</u>	<u>Maximum Percentage per Issuer</u>
U.S. Treasury Obligations	5 years	Unlimited	N/A
U.S. Agency Securities and Instrumentalities of Government Sponsored Corporation	5 years	Unlimited	N/A
Negotiable Certificates of Deposit	5 years	30%	N/A
Time Deposits – Collateralized	5 years	Unlimited	\$500,000
Time Deposits – Uncollateralized	5 years	Unlimited	\$100,000
Banker's Acceptances	180 days	40%	30%
Repurchase Agreements	1 year	Unlimited	N/A
Commercial Paper rated A-1 by Standard and Poor's Corporation or P-1 by Moody's Investors Services, Inc.	270 days	15%*	10%
LAIF	N/A	Unlimited	\$20,000,000

\* Additional 15% if dollar-weighted average maturity of the entire amount does not exceed 31 days.

**Cash and Investments with Fiscal Agents**

The Agency has \$2,059,527 of cash and investments held by fiscal agents in the Agency's name, which is pledged to the payment or security of certain notes and bonds. The California Government Code provides that these monies, in the absence of specific statutory provisions governing the issuance of notes and bonds, may be invested in accordance with the ordinances, resolutions or indentures specifying the types of investments its trustees or fiscal agents may make.

**Interest Rate Risk**

Interest rate risk, as defined under Governmental Accounting Standards Board (GASB) Statement No. 40, is the risk that changes in interest rates will adversely affect the fair value of an investment. Most of the Agency's investments are held in trust by the fiscal agents as required by the bond indenture. A table summarizing the distribution of the Agency's investments according to maturity at June 30, 2008 was presented previously.

**Concentration of Credit Risk**

Under GASB Statement No. 40, concentration of credit risk is the risk of loss attributable to the magnitude of the Agency's investment in a single issuer. As of June 30, 2008, the Agency's investments in First American Treasury Obligations and AIG Matched Funding Corp. amounted to \$1,127,105 and \$932,422, respectively.

**NOTE 4 CASH AND INVESTMENTS (CONTINUED)**

**Pooled Deposits and Cash**

The California Government Code requires California banks and savings and loan associations to secure a government entity's deposits by pledging government securities as collateral. The market value of pledged securities must equal at least 110% of the deposits. California law also allows financial institutions to secure the deposits by pledging first trust deed mortgage notes having a value of 150% of the total deposits. Such collateral is considered to be held in the government entity's name. At June 30, 2008, the total bank balance amount of the Agency's cash deposits was fully covered by Federal Deposit Insurance Corporation (FDIC).

**Local Agency Investment Fund (LAIF)**

Cash on deposit with LAIF represents short-term demand deposits with the State Treasurer, who invests available cash balances of participating California government entities. The management of LAIF has indicated to the Agency that as of June 30, 2008, the estimated fair value of the pool, including accrued interest, was approximately \$70.15 billion. The Agency's proportionate share of the fair value as of June 30, 2008 is \$8.81 million. LAIF's (and the Agency's) exposure to risk (credit, market or legal) is not currently available.

**NOTE 5 INTERFUND TRANSACTIONS**

At June 30, 2008, the Agency's interfund receivables and payables were as follows:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>	<u>Advances to Other Funds</u>	<u>Advances from Other Funds</u>
Major governmental funds:				
Low/Moderate Income				
Housing	\$ 2,766,268	\$ 3,047,412	\$ -	\$ -
Debt Service Funds	972,205	366,626	-	-
Capital Projects Funds	-	308,884	-	-
Total funds	<u>\$ 3,738,473</u>	<u>\$ 3,722,922</u>	<u>\$ -</u>	<u>\$ -</u>

**City Loans to Agency**

The City and the Agency have entered into a cooperative agreement providing for the advance of funds for administrative and other expenditures incurred by the Agency. A repayment schedule has not been established for these advances, however, the Agency has agreed to repay them from the first available tax increment revenues. Interest is accrued at LAIF's prevailing interest rate. At June 30, 2008,

General Fund's advances amounted to	\$ 19,409,341
Loans by other City funds to Agency	<u>1,027,613</u>
Total	<u>\$ 20,436,954</u>

**Baldwin Park Community Development Commission**  
**Notes to Financial Statements**  
**Year ended June 30, 2008**

**NOTE 5 INTERFUND TRANSACTIONS (CONTINUED)**

This amount is part of the reconciliation of the Balance Sheet to the Statement of Net Assets.

The Agency's interfund transfers during the year were as follows:

		Transfers in		Transfers out
Debt Service Funds	\$	668,270	\$	2,440,463
Total funds	\$	668,270	\$	2,440,463

**NOTE 6 LOANS RECEIVABLE AND UNEARNED REVENUES**

Loans Receivable and Unearned Revenues at June 30, 2008 consisted of the following:

		Loans Receivable		Unearned Revenues
Loans receivable from Single Family Repo Housing	\$	39,000	\$	39,000
Loans receivable from Low/Moderate Income Housing		1,808,349		1,808,349
Accrued interest from Low/Moderate Income Housing agreement		327,010		327,010
Total	\$	2,174,359	\$	2,174,359

**NOTE 7 LONG-TERM LIABILITIES**

**Changes in Long-term Liabilities**

Summary of changes in long-term liabilities during the year ended June 30, 2008 (\$ in thousands):

		Balance June 30, 2007		Increases		Decreases		Balance June 30, 2008		Due Within One Year
Bonded indebtedness	\$	26,885	\$	-	\$	1,025	\$	25,860	\$	1,090
Notes payable		273		-		-		273		-
County deferral		15,581		984		-		16,565		-
Total	\$	42,739	\$	984	\$	1,025	\$	42,698	\$	1,090

**Baldwin Park Community Development Commission**  
**Notes to Financial Statements**  
**Year ended June 30, 2008**

**NOTE 8 LONG-TERM LIABILITIES (CONTINUED)**

**Bonded Indebtedness**

At June 30, 2008, bonded indebtedness consisted of (\$ in thousands):

	<u>Date Issued</u>	<u>Final Maturity</u>	<u>Interest Rate %</u>	<u>Amount Issued</u>	<u>Outstanding</u>
<b>Tax Allocation Bonds:</b>					
Financing Authority Series A	Jan-90	Aug-19	6.65 – 7.75	\$ 14,205	\$ 4,770
San Gabriel River Project	May-98	Aug-21	3.75 – 5.25	11,875	6,700
Merged Project	Jun-00	Sep-30	4.20 – 5.75	10,215	9,100
Financing Authority Series 2003	Dec-03	Aug-21	1.75 – 5.25	6,265	5,290
Total bonded indebtedness				<u>\$ 42,560</u>	<u>\$ 25,860</u>

**Defeased Debt**

The Agency has defeased certain tax allocation bonds in prior years. Proceeds of certain bonds were placed in an irrevocable trust to provide for all future debt service payments on the old debt. Accordingly, the trust account assets and liability for the defeased bonds are not included in the Agency's financial statements. At June 30, 2008, \$1,780,000 of bonds considered defeased remains outstanding while funds with escrow agent for defeased bonds amount to \$1,805,682.

**Sources of Debt Service**

Tax allocation bonds interest and principal redemptions are to be funded by incremental tax revenues derived from the redevelopment project areas (certain incremental tax revenues are subject to a first lien of outstanding defeased bonds).

**Bond Covenants and Other Requirements**

The Agency is in compliance with all the provisions of the bond covenants and the requirements on arbitrage rebate calculations.

**County Deferral**

The Agency and County entered into an agreement whereby the County will defer tax increment (County Deferral) generated within the project area to meet the Agency's debt service obligations. Only the County Deferrals for Sierra Vista accrue interest of 2.42%. The County Deferrals are to be repaid whenever there is an excess of property tax revenues received by the Agency in excess of its bonded debt payment requirements. The County Deferrals are recorded as revenue when received by the Agency. At June 30, 2008, the balance of the County Deferrals including interest was \$16,565,378.

**Baldwin Park Community Development Commission**  
**Notes to Financial Statements**  
**Year ended June 30, 2008**

**NOTE 8 LONG-TERM LIABILITIES (CONTINUED)**

Annual Debt Service Requirements (\$ in thousands):

Year Ending June 30,	Bonded Indebtedness	Notes Payable	Total	Interest	Total Debt Service
2009	\$ 1,090	\$ -	\$ 1,090	\$ 1,431	2,521
2010	1,150	-	1,150	1,374	2,524
2011	1,070	-	1,070	1,318	2,388
2012	1,135	-	1,135	1,261	2,396
2013	1,210	-	1,210	1,197	2,407
2014-2018	7,330	-	7,330	4,831	12,161
2019-2023	7,125	-	7,125	2,527	9,652
2024-2028	4,435	-	4,435	958	5,393
2029-2032	1,315	-	1,315	116	1,431
Indeterminate		273	273	212	485
Total	\$ <u>25,860</u>	\$ <u>273</u>	\$ <u>26,133</u>	\$ <u>15,225</u>	\$ <u>41,358</u>

**NOTE 9 DEFICIT FUND BALANCES**

The following funds have deficit unreserved fund balances at June 30, 2008. Management expects to eliminate the deficits with subsequent revenue in the funds or transfers from the City's General Fund.

	Deficit at June 30, 2008
Capital Projects Fund:	
Central Business District Project	\$ 1,093,116

**NOTE 10 ADVANCES FROM OTHER FUNDS**

The California Committee on Municipal Accounting (a joint committee comprised of representatives of the *League of California Cities* and the *California Society of Certified Public Accountants*) previously recommended that loans between the primary government and its blended component units be accounted for as fund liabilities in both the primary government's and the component unit's financial statements. In this case, the primary government is the City of Baldwin Park and the component unit is the Baldwin Park Community Development Commission. The City and the Agency followed these guidelines in the preparation of the financial statements for the prior years.

**NOTE 10    ADVANCES FROM OTHER FUNDS (CONTINUED)**

In November 2004, this matter was addressed by question no. 7.479 that was added to the 2004 GASB Comprehensive Implementation Guide. This new guidance indicates that in the context of the component unit financial statements, debt owed to the primary government would be considered to be external debt that is reported only in the government-wide financial statements of the component unit. The Agency started implementing this new guidance in its 2005 financial statements.

City loans remain to be reported as interfund advances in the government-wide financial statements. Accordingly, City loans are included in the reconciliation of the balance sheet to the statement of net assets.

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**SUPPLEMENTARY INFORMATION  
COMBINING FINANCIAL STATEMENTS**

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**Baldwin Park Community Development Commission  
Combining Balance Sheet  
Debt Service Funds  
June 30, 2008**

	Redevelopment Merger	Mortgage Revenue Bonds	Central Business District Project (CBD Debt Service)	Total
<b>ASSETS</b>				
Cash and investments with fiscal agents	\$ 952,010	\$ 1,107,517	\$ -	\$ 2,059,527
Restricted assets - cash and investments	2,368,902	-	-	2,368,902
Receivables	284,414	-	99,040	383,454
Due from other funds	672,205	-	300,000	972,205
<b>Total assets</b>	<b>\$ 4,277,531</b>	<b>\$ 1,107,517</b>	<b>\$ 399,040</b>	<b>\$ 5,784,088</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities</b>				
Other liabilities	\$ 395,811	\$ -	\$ 125,175	\$ 520,986
Due to other funds	138,561	-	228,065	366,626
<b>Total liabilities</b>	<b>534,372</b>	<b>-</b>	<b>353,240</b>	<b>887,612</b>
<b>Fund balances</b>				
Reserved				
Debt service	3,743,159	1,107,517	45,800	4,896,475
<b>Total fund balances</b>	<b>3,743,159</b>	<b>1,107,517</b>	<b>45,800</b>	<b>4,896,475</b>
<b>Total liabilities and fund balances</b>	<b>\$ 4,277,531</b>	<b>\$ 1,107,517</b>	<b>\$ 399,040</b>	<b>\$ 5,784,088</b>

**Baldwin Park Community Development Commission**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Debt Service Funds**  
**For the year ended June 30, 2008**

	Redevelopment Merger	Mortgage Revenue Bonds	Central Business District Project (CBD Debt Service)	Total
<b>Revenues</b>				
Taxes	\$ 5,384,182	\$ -	\$ 1,481,666	\$ 6,865,847
Use of money and property	285,180	33,429	-	318,608
<b>Total revenues</b>	<u>5,669,362</u>	<u>33,429</u>	<u>1,481,666</u>	<u>7,184,455</u>
<b>Expenditures</b>				
Current:				
Community development	1,253,629	-	-	1,253,629
Pass through payments	2,143,698	-	1,044,997	3,188,695
Debt service				
Principal retirement	150,000	-	-	150,000
Interest and fiscal charges	645,315	1,000	44,424	690,739
<b>Total expenditures</b>	<u>4,192,642</u>	<u>1,000</u>	<u>1,089,421</u>	<u>5,283,063</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>1,476,720</u>	<u>32,429</u>	<u>392,245</u>	<u>1,901,392</u>
<b>Other financing sources (uses)</b>				
Transfers in	668,270	-	-	668,270
Transfers out	(1,918,866)	-	(521,597)	(2,440,463)
<b>Total other financing sources (uses)</b>	<u>(1,250,596)</u>	<u>-</u>	<u>(521,597)</u>	<u>(1,772,193)</u>
<b>Net change in fund balances</b>	226,124	32,429	(129,352)	129,200
<b>Beginning fund balances</b>	<u>3,517,035</u>	<u>1,075,088</u>	<u>\$ 175,152</u>	<u>4,767,275</u>
<b>Ending fund balances</b>	<u>\$ 3,743,159</u>	<u>\$ 1,107,517</u>	<u>\$ 45,800</u>	<u>\$ 4,896,475</u>

**Baldwin Park Community Development Commission  
Combining Balance Sheet  
Capital Projects Funds  
For the year ended June 30, 2008**

	Redevelopment Merger	Central Business District Project (CBD Capital Project)	Total
<b>ASSETS</b>			
Pooled cash and investments	\$ 1,638,173	\$ -	\$ 1,638,173
Other receivables, net	89,245	70,303	159,548
Note receivable, net	-	-	-
Advances to CBD Capital Project	857,777	-	857,777
Property held for resale, net	106,355	-	106,355
<b>Total assets</b>	<b>\$ 2,691,551</b>	<b>\$ 70,303</b>	<b>\$ 2,761,854</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities</b>			
Due to other funds	\$ 3,242	\$ 305,642	\$ 308,884
Advances from Redevelopment Merger Capital Project	-	857,777	857,777
<b>Total liabilities</b>	<b>3,242</b>	<b>1,163,419</b>	<b>1,166,661</b>
<b>Fund Balances</b>			
Reserved			
Property held for resale	106,355	-	106,355
Unreserved	2,581,954	(1,093,116)	1,488,838
<b>Total fund balances</b>	<b>2,688,309</b>	<b>(1,093,116)</b>	<b>1,595,193</b>
<b>Total liabilities and fund balances</b>	<b>\$ 2,691,551</b>	<b>\$ 70,303</b>	<b>\$ 2,761,854</b>

**Baldwin Park Community Development Commission**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Capital Projects Funds**  
**For the year ended June 30, 2008**

	Redevelopment Merger	Central Business District Project (CBD Capital Project)	Total
<b>Revenues</b>			
Use of money and property	\$ 108,701	\$ -	\$ 108,701
Other	56,143	1,955	58,098
<b>Total revenues</b>	<u>164,844</u>	<u>1,955</u>	<u>166,799</u>
<b>Expenditures</b>			
Capital outlay:			
Community development	677,325	237,885	915,211
Debt service:			
Interest and fiscal charges	561,984	-	561,984
<b>Total expenditures</b>	<u>1,239,309</u>	<u>237,885</u>	<u>1,477,195</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(1,074,466)</u>	<u>(235,930)</u>	<u>(1,310,396)</u>
<b>Other financing sources (uses)</b>			
Proceeds of advances	1,234,091	237,451	1,471,541
<b>Total other financing sources (uses)</b>	<u>1,234,091</u>	<u>237,451</u>	<u>1,471,541</u>
<b>Net change in fund balances</b>	159,625	1,520	161,145
<b>Beginning fund balances</b>	<u>2,528,684</u>	<u>(1,094,636)</u>	<u>1,434,048</u>
<b>Ending fund balances</b>	<u>\$ 2,688,309</u>	<u>\$ (1,093,116)</u>	<u>\$ 1,595,193</u>

**Baldwin Park Community Development Commission**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual**  
**Major Governmental Funds**  
**For the year ended June 30, 2008**

	Low/Moderate Income Housing			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 3,113,900	\$ 3,113,900	\$ 1,253,629	\$ (1,860,271)
Use of money and property	513,700	513,700	258,137	(255,563)
<b>Total revenues</b>	<u>3,627,600</u>	<u>3,627,600</u>	<u>1,511,766</u>	<u>(2,115,834)</u>
<b>Expenditures</b>				
Current:				
Community development	389,500	389,500	232,881	156,619
<b>Total expenditures</b>	<u>389,500</u>	<u>389,500</u>	<u>232,881</u>	<u>156,619</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>3,238,100</u>	<u>3,238,100</u>	<u>1,278,884</u>	<u>(1,959,215)</u>
<b>Other financing sources (uses)</b>				
Proceeds of advances	175,800	175,800	125,417	(50,383)
<b>Total other financing sources (uses)</b>	<u>175,800</u>	<u>175,800</u>	<u>125,417</u>	<u>(50,383)</u>
<b>Net change in fund balances</b>	3,413,900	3,413,900	1,404,301	(2,009,598)
<b>Beginning fund balances</b>	<u>3,995,495</u>	<u>3,995,495</u>	<u>3,995,495</u>	<u>-</u>
<b>Ending fund balances</b>	<u>\$ 7,409,395</u>	<u>\$ 7,409,395</u>	<u>\$ 5,399,796</u>	<u>\$ (2,009,598)</u>

**Baldwin Park Community Development Commission**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual**  
**Major Governmental Funds**  
**For the year ended June 30, 2008**

	Debt Service			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 6,800,000	\$ 6,800,000	\$ 6,865,847	\$ 65,847
Use of money and property	845,600	845,600	318,608	(526,992)
<b>Total revenues</b>	<u>7,645,600</u>	<u>7,645,600</u>	<u>7,184,455</u>	<u>(461,145)</u>
<b>Expenditures</b>				
Community development	1,196,000	1,196,000	1,253,629	(57,629)
Pass through payments	3,250,000	3,250,000	3,188,695	61,305
Debt service:				-
Principal retirement	150,000	150,000	150,000	-
Interest and fiscal charges	690,000	690,000	690,739	(739)
<b>Total expenditures</b>	<u>5,286,000</u>	<u>5,286,000</u>	<u>5,283,063</u>	<u>2,937</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>2,359,600</u>	<u>2,359,600</u>	<u>1,901,392</u>	<u>(458,207)</u>
<b>Other financing sources (uses)</b>				
Transfers in	2,030,500	2,030,500	668,270	(1,362,230)
Transfers out	(2,400,000)	(2,400,000)	(2,440,463)	(40,463)
<b>Total other financing sources (uses)</b>	<u>(369,500)</u>	<u>(369,500)</u>	<u>(1,772,193)</u>	<u>(1,402,693)</u>
<b>Net change in fund balances</b>	1,990,100	1,990,100	129,200	(1,860,900)
<b>Beginning fund balances</b>	<u>4,767,275</u>	<u>\$ 4,767,275</u>	<u>4,767,275</u>	<u>-</u>
<b>Ending fund balances</b>	<u>\$ 6,757,375</u>	<u>\$ 6,757,375</u>	<u>\$ 4,896,475</u>	<u>\$ (1,860,900)</u>

**Baldwin Park Community Development Commission**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual**  
**Major Governmental Funds**  
**For the year ended June 30, 2008**

	Capital Projects			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
<b>Revenues</b>				
Use of money and property	\$ 845,600	\$ 845,600	\$ 108,701	\$ (736,899)
Other	58,200	58,200	58,098	(102)
<b>Total revenues</b>	<u>903,800</u>	<u>903,800</u>	<u>166,799</u>	<u>(737,001)</u>
<b>Expenditures</b>				
Capital outlay:				
Community development	2,081,035	2,081,035	915,211	1,165,824
Debt service:				
Interest and fiscal charges	798,500	798,500	561,984	236,516
<b>Total expenditures</b>	<u>2,879,535</u>	<u>2,879,535</u>	<u>1,477,195</u>	<u>1,402,340</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(1,975,735)</u>	<u>(1,975,735)</u>	<u>(1,310,396)</u>	<u>665,339</u>
<b>Other financing sources (uses)</b>				
Proceeds of advances	1,544,300	1,544,300	1,471,541	(72,759)
<b>Total other financing sources (uses)</b>	<u>1,544,300</u>	<u>1,544,300</u>	<u>1,471,541</u>	<u>(72,759)</u>
<b>Net change in fund balances</b>	(431,435)	(431,435)	161,145	592,580
<b>Beginning fund balances</b>	<u>1,434,048</u>	<u>1,434,048</u>	<u>1,434,048</u>	<u>-</u>
<b>Ending fund balances</b>	<u>\$ 1,002,613</u>	<u>\$ 1,002,613</u>	<u>\$ 1,595,193</u>	<u>\$ 592,580</u>

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**Report of Independent Auditors on Compliance (Including the Provisions Contained in the Guidelines for Compliance Audits of Redevelopment Agencies) and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards**

**The Honorable Board of Directors of the  
Baldwin Park Community Development Commission**

We have audited the basic financial statements of the Baldwin Park Community Development Commission (Agency), a component unit of the City of Baldwin Park, California, as of and for the year ended June 30, 2008, and have issued our report thereon dated November 28, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Agency's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Agency's financial statements that is more than inconsequential will not be prevented or detected by the Agency's internal control.



A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Agency's internal control.

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

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

*Vergara + Company LLP*

**Los Angeles, California  
November 28, 2008**

