

**OCEANSIDE COMMUNITY
DEVELOPMENT COMMISSION**

**COMPONENT UNIT
FINANCIAL STATEMENTS**

FOR THE YEAR ENDED JUNE 30, 2014

OCEANSIDE COMMUNITY
DEVELOPMENT COMMISSION

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FOR THE YEAR ENDED JUNE 30, 2014

OCEANSIDE COMMUNITY DEVELOPMENT COMMISSION
COMPONENT UNIT FINANCIAL STATEMENTS

JUNE 30, 2014

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INDEPENDENT AUDITORS' REPORT

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

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of the Oceanside Community Development Commission (the Commission), a component unit of the City of Oceanside, California, (the City) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.



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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Commission, as of June 30, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 23, 2015, 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* in considering the Commission's internal control over financial reporting and compliance.

Brea, California
January 23, 2015

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

OCEANSIDE COMMUNITY DEVELOPMENT COMMISSION

STATEMENT OF NET POSITION
JUNE 30, 2014

	<u>Governmental Activities</u>
Assets:	
Cash and investments	\$ 1,473,982
Receivables:	
Accounts	34,544
Notes	5,261,949
Due from other governments	<u>4,696</u>
Total Assets	<u>6,775,171</u>
Liabilities:	
Current liabilities:	
Accounts payable and accrued expenses	65,133
Deposits	106,070
Due to other governments	<u>156,165</u>
Total Liabilities	<u>327,368</u>
Net Position:	
Restricted for low and moderate housing	<u>6,447,803</u>
Total Net Position	<u>\$ 6,447,803</u>

OCEANSIDE COMMUNITY DEVELOPMENT COMMISSION

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

	Program Revenues			Net (Expense) Revenues and Changes in Net Position Governmental Activities	
	Expenses	Charges for Services	Operating Contributions and Grants		Capital Contributions and Grants
Functions/Programs					
Governmental Activities:					
Community development	\$ 15,171,837	\$ 72,129	\$ 15,015,934	\$ -	\$ (83,774)
Total Governmental Activities	\$ 15,171,837	\$ 72,129	\$ 15,015,934	\$ -	(83,774)
General Revenues:					
Use of money and property					187,755
Other					9,759
Total General Revenues					197,514
Change in Net Position					113,740
Net Position at Beginning of Year					6,334,063
Net Position at End of Year					\$ 6,447,803

FUND FINANCIAL STATEMENTS
Governmental Fund Financial Statements

OCEANSIDE COMMUNITY DEVELOPMENT COMMISSION

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014

	Housing Assistance Program Special Revenue
	<u> </u>
Assets:	
Cash and investments	\$ 1,473,982
Receivables:	
Accounts	34,544
Notes	5,261,949
Due from other governments	<u>4,696</u>
Total Assets	<u><u>\$ 6,775,171</u></u>
Liabilities, Deferred Inflows, and Fund Balances:	
Liabilities:	
Accounts payable and accrued liabilities	65,133
Deposits	106,070
Due to other governments	<u>156,165</u>
Total Liabilities	<u>327,368</u>
Deferred Inflows of Resources:	
Unavailable revenues	<u>5,274,661</u>
Total Deferred Inflows of Resources	<u>5,274,661</u>
Fund Balances:	
Restricted for:	
Low and moderate income housing	<u>1,173,142</u>
Total Fund Balances	<u>1,173,142</u>
Total Liabilities, deferred inflows and Fund Balances	<u><u>\$ 6,775,171</u></u>

OCEANSIDE COMMUNITY DEVELOPMENT COMMISSION

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2014**

Fund balances of governmental funds **\$ 1,173,142**

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

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

5,274,661

Net position of governmental activities **\$ 6,447,803**

OCEANSIDE COMMUNITY DEVELOPMENT COMMISSION

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	Housing Assistance Program Special Revenue
Revenues:	
Intergovernmental	\$ 14,571,847
Charges for services	72,129
Interest and rental	187,755
Other revenue	419,082
Total Revenues	15,250,813
Expenditures:	
Current:	
Community development	15,171,837
Total Expenditures	15,171,837
Excess (Deficiency) of Revenues Over (Under) Expenditures	78,976
Fund Balances:	
Beginning of Year	1,094,166
End of Year	\$ 1,173,142

OCEANSIDE COMMUNITY DEVELOPMENT COMMISSION

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

Net change in fund balances - total governmental funds	\$ 78,976
Revenues reported as unavailable revenue in the governmental funds and recognized in the statement of activities. These are included in the intergovernmental revenues in the governmental fund activity.	<u>34,764</u>
Change in net position of governmental activities	<u><u>\$ 113,740</u></u>

NOTES TO FINANCIAL STATEMENTS

OCEANSIDE COMMUNITY DEVELOPMENT COMMISSION

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014

Note 1: Summary of Significant Accounting Policies

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

a. Financial Reporting Entity

The Commission was established on July 16, 1980, and includes all activities previously performed by the Former Oceanside Redevelopment Agency and the Oceanside Housing Authority. The Former Oceanside Redevelopment Agency was originally established on November 19, 1975, pursuant to the State of California Health and Safety Code entitled "Community Redevelopment Law". Its purpose was to eliminate blighted areas by encouraging the development of residential, commercial, industrial, recreational and public facilities. The Oceanside Housing Authority was originally established on February 24, 1971, and dissolved April 9, 1975, due to inactivity. It was reactivated on April 9, 1980, pursuant to the State of California Health and Safety Code. This department is responsible for all assisted housing projects within the City of Oceanside (the City). The Former Redevelopment Agency was dissolved on January 31, 2012 through Supreme Court decision on Assembly Bill 1X 26.

b. Basis of Accounting and Measurement Focus

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

Government-Wide Financial Statements:

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

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

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

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

OCEANSIDE COMMUNITY DEVELOPMENT COMMISSION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 1: Summary of Significant Accounting Policies (Continued)

Governmental Fund Financial Statements

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

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

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

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

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

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

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

Note 1: Summary of Significant Accounting Policies (Continued)

c. Encumbrances

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

d. Cash, Cash Equivalents and Investments

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

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

e. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense / expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Commission has one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

OCEANSIDE COMMUNITY DEVELOPMENT COMMISSION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 1: Summary of Significant Accounting Policies (Continued)

f. Fund Balances and Net Position

Fund Financial Statements

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

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

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

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

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

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

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

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

Government-Wide Financial Statements

The net position reported on the Statement of Net Position consist of the following three categories:

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

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

Unrestricted Net Position - This amount is all net position that do not meet the definition of "net investment in capital assets" or "restricted net position".

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

OCEANSIDE COMMUNITY DEVELOPMENT COMMISSION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 1: Summary of Significant Accounting Policies (Continued)

g. Net position flow assumption

Sometimes the Commission will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Commission’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

h. Fund balance flow assumption

Sometimes the Commission will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government’s policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

i. Use of Estimates

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

Note 2: Cash and Investments

Cash and investments at June 30, 2014, are classified in the accompanying financial statements as follows:

Unrestricted	
Cash and investments pooled with the City of Oceanside	<u>\$ 1,473,982</u>
	<u>\$ 1,473,982</u>

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

OCEANSIDE COMMUNITY DEVELOPMENT COMMISSION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 3: Note Receivable

As of June 30, 2014, the Commission had notes receivable reported in the following funds:

Housing Assistance Program Special Revenue Fund	<u>\$ 5,261,949</u>
Total	<u>\$ 5,261,949</u>

As of June 30, 2014, the Commission's Housing Assistance Program Special Revenue Fund was owed \$5,261,949 for various low or noninterest bearing loans to property owners for the rehabilitation of property and first time home buyer program within the City. The notes are payable upon the sale of the property or upon the death of the current property owner.

Note 4: Commitments and Contingencies

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

OCEANSIDE COMMUNITY DEVELOPMENT COMMISSION

BUDGETARY COMPARISON SCHEDULE
 HOUSING ASSISTANCE PROGRAM
 YEAR ENDED JUNE 30, 2014

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Budgetary Fund Balance, July 1	\$ 1,094,166	\$ 1,094,166	\$ 1,094,166	\$ -
Resources (Inflows):				
Intergovernmental	14,532,646	14,717,944	14,571,847	(146,097)
Charges for services	78,759	78,759	72,129	(6,630)
Interest and rentals	142,258	142,258	187,755	45,497
Miscellaneous	2,175,765	2,130,602	419,082	(1,711,520)
Transfers in	60,000	60,000	-	(60,000)
Amounts Available for Appropriations	18,083,594	18,223,729	16,344,979	(1,878,750)
Charges to Appropriations (Outflow):				
Community development	17,371,426	17,326,263	15,171,837	2,154,426
Total Charges to Appropriations	17,371,426	17,326,263	15,171,837	2,154,426
Budgetary Fund Balance, June 30	\$ 712,168	\$ 897,466	\$ 1,173,142	\$ 275,676

OCEANSIDE COMMUNITY DEVELOPMENT COMMISSION

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2014**

BUDGETARY INFORMATION:

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

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

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

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

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