

Component Unit Financial Statements
El Monte Community Redevelopment Agency
Year ended June 30, 2011
With Report of Independent Auditors



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Report of Independent Auditors

The Honorable Board of Directors of the El Monte Community Redevelopment Agency

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

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

As discussed in Note 10, the Agency was dissolved on February 1, 2012 in accordance with Assembly Bill (AB) X1 26. By operation of law, the Agency's assets were transferred to the City, which is the designated successor agency.

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 El Monte Community Redevelopment Agency as of June 30, 2011, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

During the year, the Agency implemented Government Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Government Fund-type Definitions*, as discussed in Note 1. As a result of this required implementation, fund balance classifications in the governmental fund financial statements have been changed to reflect the new fund balance classifications under GASB 54.

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In accordance with *Government Auditing Standards* issued by the Comptroller General of the United States, we have also issued our report dated March 23, 2012, on our consideration of the El Monte Community Redevelopment Agency'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 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.

Agency Management has not presented a Management's Discussion and Analysis that accounting principles generally accepted in the United States of America have determined is necessary to supplement, although not required to be part of, the basic financial statements.

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 and the computation of low and moderate income housing fund excess surplus is presented for purposes of additional analysis and are not required parts of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Los Angeles, California
March 23, 2012

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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EI Monte Community Redevelopment Agency
Statement of Net Assets
June 30, 2011

ASSETS	<u>Governmental Activities</u>
Cash and investments	\$ 958,456
Receivables:	
Tax increment	308,725
Accounts	157,746
Loans, net	2,081,711
Land held for resale	8,312,639
Bond issue cost	710,503
Advances to other funds	864,036
Allowance for doubtful accounts	(864,036)
Restricted assets:	
Cash and investments with trustee	6,917,126
Total assets	<u><u>19,446,906</u></u>
 LIABILITIES 	
Current liabilities:	
Accounts payable and accrued expenses	419,461
Due to other governments	113,767
Deposits from others	595,651
Accrued interest payable	98,567
Noncurrent liabilities:	
Due within one year	745,000
Due in more than one year	119,727,578
Advances from other City funds	864,036
Total liabilities	<u><u>122,564,060</u></u>
 NET ASSETS (DEFICIT) 	
Restricted for:	
Community development	11,590,213
Debt service	3,635,432
Unrestricted (deficit)	(118,342,799)
Total net assets (deficit) \$	<u><u>(103,117,154)</u></u>

See notes to financial statements.

**El Monte Community Redevelopment Agency
Statement of Activities
Year ended June 30, 2011**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenues and Changes in Net Assets Governmental Activities
Governmental Activities		Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants	
General government	\$ 4,222,722	\$ -	\$ -	\$ -	\$ (4,222,722)
Community development	4,755,989	-	-	-	(4,755,989)
Interest and other charges	7,932,381	-	-	-	(7,932,381)
Total governmental activities	16,911,092	-	-	-	(16,911,092)
General revenues					
					4,728,363
					2,606,800
					7,649
					1,061,904
					101,493
			Total general revenues		8,506,209
					(864,036)
					(9,268,919)
					(93,848,235)
					\$ (103,117,154)

See notes to financial statements.

FUND FINANCIAL STATEMENTS

**El Monte Community Redevelopment Agency
Governmental Funds
Balance Sheet
June 30, 2011**

	Capital Projects							Total
	Low and Moderate Income Housing	Downtown El Monte Project Area	Downtown Amendment #2	El Monte Center Project Area	El Monte Center Amendment #1	Northwest El Monte Project Area	Valley/Durfee Project Area	
ASSETS								
Cash and investments	\$ 406,105	\$ 492,850	\$ -	\$ -	\$ 59,501	\$ -	\$ -	\$ 958,456
Cash and investments with trustee Receivables:	1,981,530	-	-	-	-	-	-	1,981,530
Tax increment	53,138	-	-	-	-	-	-	53,138
Accounts	2,604	16,323	53,200	-	3	-	-	72,130
Loans, net	928,568	18,008	-	-	616,071	519,064	-	2,081,711
Due from other funds	2,304,765	-	-	842,616	-	1,603,677	1,629,162	6,380,220
Land held for resale	980,565	7,332,074	-	-	-	-	-	8,312,639
Advances to other funds	864,036	-	-	-	-	-	-	864,036
Allowance for doubtful accounts	(864,036)	-	-	-	-	-	-	(864,036)
Total assets	\$ 6,657,275	\$ 7,859,255	\$ 53,200	\$ 842,616	\$ 675,575	\$ 2,122,741	\$ 1,629,162	\$ 19,839,824
LIABILITIES								
Accounts payable	\$ -	\$ 351,112	\$ -	\$ -	\$ -	\$ 46,874	\$ -	\$ 397,986
Deposits from others	43,300	492,850	-	-	59,501	-	-	595,651
Due to other funds	-	5,054,615	119,543	-	100,176	-	-	5,274,334
Due to other governments	-	-	-	-	-	-	-	-
Deferred revenue	519,902	20,048	-	-	1,667	78,921	-	620,538
Advances from other funds	-	-	-	-	-	-	-	-
Total liabilities	\$ 563,202	\$ 5,918,625	\$ 119,543	\$ -	\$ 161,344	\$ 125,795	\$ -	\$ 6,888,509
FUND BALANCES (DEFICITS)								
Nonspendable:								
Land held for resale	980,565	7,332,074	-	-	-	-	-	8,312,639
Loans receivable, net of deferred revenue	408,666	-	-	-	616,071	519,064	-	1,543,801
Restricted:								
Capital projects	4,704,842	-	-	842,616	-	1,477,882	1,629,162	8,654,502
Debt service	-	-	-	-	-	-	-	-
Unassigned	-	(5,391,444)	(66,343)	-	(101,840)	-	-	(5,559,627)
Total fund balances (deficits)	\$ 6,094,073	\$ 1,940,630	\$ (66,343)	\$ 842,616	\$ 514,231	\$ 1,996,946	\$ 1,629,162	\$ 12,951,315
Total liabilities and fund balances (deficits)	\$ 6,657,275	\$ 7,859,255	\$ 53,200	\$ 842,616	\$ 675,575	\$ 2,122,741	\$ 1,629,162	\$ 19,839,824

See notes to financial statements.

**EI Monte Community Redevelopment Agency
Governmental Funds
Balance Sheet (Continued)
June 30, 2011**

	Debt Service										Total
	Valley/Durfee Project Area	Downtown EI Monte Project Area	Downtown Amendment #2	EI Monte Center Project Area	EI Monte Center Amendment #1	Northwest EI Monte Project Area	Debt Service Funds	Other Non-Major Governmental Funds	Total Governmental Funds		
ASSETS											
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 958,456
Cash and investments with trustee	-	1,664,626	-	448,211	813,034	-	-	-	2,009,725	-	6,917,126
Receivables:											
Tax increment	-	191,021	33,565	2,171	28,658	172	255,587.00	-	25,383.00	-	308,725
Accounts	60,233	-	-	-	-	-	60,233.00	-	-	-	157,746
Loans, net	-	-	-	-	-	-	-	-	-	-	2,081,711
Due from other funds	-	-	1,531,910	-	-	-	1,531,910.00	71,428.00	-	-	7,983,558
Land held for resale	-	-	-	-	-	-	-	-	-	-	8,312,639
Advances to other funds	-	-	-	-	-	-	-	-	-	-	864,036
Allowance for doubtful accounts	-	-	-	-	-	-	-	-	-	-	(864,036)
Total assets	\$ 60,233	\$ 1,855,647	\$ 1,565,475	\$ 450,382	\$ 841,692	\$ 172	\$ 4,773,601	\$ 2,106,536	\$ 26,719,961		
LIABILITIES											
Accounts payable	\$ 1	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1.00	\$ 21,474	\$ 419,461		
Deposits from others	-	1,932,360	-	272,598	379,458	172	2,584,588.00	124,636	7,983,558		
Due to other funds	-	76,328	-	17,150	20,289	-	113,767.00	-	113,767		
Deferred revenue	-	-	-	-	-	-	-	-	620,538		
Advances from other funds	-	-	-	-	-	-	-	864,036	864,036		
Total liabilities	1	2,008,688	-	289,748	399,747	172	2,698,356	1,010,146	10,597,011		
FUND BALANCES (DEFICITS)											
Nonspendable:											
Land held for resale	-	-	-	-	-	-	-	-	-	-	8,312,639
Loans receivable, net of deferred revenue	-	-	-	-	-	-	-	-	-	-	1,543,801
Restricted:											
Capital projects	-	1,664,626	-	448,211	813,034	-	2,925,871.00	9,840	11,590,213		
Debt service	60,232	-	1,565,475	-	-	-	1,625,706.86	2,009,725	3,635,432		
Unassigned	-	(1,817,667)	-	(287,577)	(371,089)	-	(2,476,333.00)	(923,175)	(8,959,135)		
Total fund balances (deficits)	60,232	(153,041)	1,565,475	160,634	441,945	-	2,075,245	1,096,390	16,122,950		
Total liabilities and fund balances (deficits)	\$ 60,233	\$ 1,855,647	\$ 1,565,475	\$ 450,382	\$ 841,692	\$ 172	\$ 4,773,601	\$ 2,106,536	\$ 26,719,961		

See notes to financial statements.

**El Monte Community Redevelopment Agency
 Reconciliation of the Balance Sheet of Governmental Funds
 to the Statement of Net Assets
 June 30, 2011**

Fund balance of governmental funds \$ 16,122,950

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

Deferred revenue is present in the governmental fund financial statements to indicate that receivables are not available currently; however, in the Statement of Net Assets these deferrals are eliminated. 620,538

Bond issuance costs are an expenditure in the governmental funds, but are deferred charges in the statement of net assets.
 Unamortized debt issuance costs, amortized over the life of the new bonds 710,503

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

Bonds payable	\$	(27,250,000)	
Governmental loans		(1,318,527)	
Loans from City		(92,813,838)	
Unamortized bond discount		400,783	
Unamortized net (gain) loss on bonds defeased		<u>509,004</u>	(120,472,578)

Accrued interest payable for the current portion of interest due on bonds payable has not been reported in the governmental funds. (98,567)

Net assets of governmental activities \$ (103,117,154)

See notes to financial statements.

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El Monte Community Redevelopment Agency
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year ended June 30, 2011

	Capital Projects							Total Capital Projects Funds	
	Combined		Downtown El		El Monte		Northwest El		
	Low and Moderate Income Housing	Moderate Income Housing	Monte Project Area	Project	Center Project Area	Project	Monte Project Area		Project
Revenues									
Taxes and assessments	\$ 1,371,105	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,371,105	
Intergovernmental grants	-	2,606,800	-	-	-	-	-	2,606,800	
Charges for services	-	7,649	-	-	-	-	-	7,649	
Use of money and property	81,379	880,000	45	-	38,895	33,811	785	1,034,915	
Other revenue	-	101,493	-	-	-	-	-	101,493	
Total revenues	1,452,484	3,585,942	45	-	38,895	33,811	785	5,121,962	
Expenditures									
Current:									
General government	580,895	1,994,627	99,600	166,400	132,200	618,118	154,800	3,746,640	
Community development	142,680	4,120,697	-	-	-	45,561	-	4,308,938	
Pass-through agreement payments	-	-	-	-	-	-	-	-	
SERAF payments	-	-	-	-	-	-	-	-	
Capital outlay	-	10,680	-	-	-	436,012	-	446,692	
Debt service	566,841	-	-	-	-	-	-	566,841	
Total expenditures	1,290,416	6,126,004	99,600	166,400	132,200	1,099,691	154,800	9,069,111	
Excess (deficiency) of revenues over expenditures	162,068	(2,530,062)	(99,555)	(166,400)	(93,305)	(1,065,880)	(154,015)	(3,947,149)	
Other financing sources (uses)									
Transfers in	565,701	1,331,200	-	-	-	2,299,123	1,345,888	5,541,912	
Transfers out	(565,701)	-	-	-	-	-	-	(565,701)	
Net other financing sources (uses)	-	1,331,200	-	-	-	2,299,123	1,345,888	4,976,211	
Special Item	(864,036)	-	-	-	-	-	-	(864,036)	
Change in fund balance	(701,968)	(1,198,862)	(99,555)	(166,400)	(93,305)	1,233,243	1,191,873	165,026	
Fund balance, beginning of year	6,247,080	5,072,043	33,212	1,009,016	652,431	763,703	437,289	14,214,774	
Prior period adjustment	548,961	(1,932,551)	-	-	(44,895)	-	-	(1,428,485)	
Fund balance, beginning of year as restated	6,796,041	3,139,492	33,212	1,009,016	607,536	763,703	437,289	12,786,289	
Fund balance (deficit), end of year	6,094,073	1,940,630	(66,343)	842,616	514,231	1,996,946	1,629,162	12,951,315	

See notes to financial statements.

**EI Monte Community Redevelopment Agency
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds (Continued)
Year ended June 30, 2011**

	Debt Service										Total Debt Service Funds	Other Non-Major Governmental Funds	Total Governmental Funds
	Valley/Durfee Project Area	Downtown EI Monte Project Area	Downtown Amendment #2	EI Monte Center Project Area	EI Monte Center Amendment #1	Northwest EI Monte Project Area	Tax Increment	Tax Increment	Tax Increment	Tax Increment			
Revenues													
Taxes and assessments	\$ 765,887	\$ 1,091,926	\$ 492,487	\$ 857,708	\$ 653,944	\$ 1,570,439	\$ 5,432,391	\$ -	\$ -	\$ -	\$ 6,803,496	\$ -	\$ 6,803,496
Intergovernmental grants	-	-	-	-	-	-	-	-	-	-	2,606,800	-	2,606,800
Charges for services	-	-	-	-	-	-	-	-	-	-	7,649	-	7,649
Use of money and property	1,599	168	2,077	233	82	2,895	7,054	19,935	-	-	1,061,904	19,935	1,081,839
Other revenue	-	-	-	-	-	-	-	-	-	-	101,493	-	101,493
Total revenues	<u>767,486</u>	<u>1,092,094</u>	<u>494,564</u>	<u>857,941</u>	<u>654,026</u>	<u>1,573,334</u>	<u>5,439,445</u>	<u>19,935</u>	<u>-</u>	<u>-</u>	<u>10,581,342</u>	<u>19,935</u>	<u>10,581,342</u>
Expenditures													
Current:													
General government	14,962	27,597	10,095	18,323	-	41,739	112,716	1,887	-	-	3,861,243	1,887	3,861,243
Community development	-	-	-	-	-	-	-	-	-	-	4,308,938	-	4,308,938
Pass-through agreement payments	55,159	340,313	35,389	-	428,510	756,179	1,615,550	-	-	-	1,615,550	-	1,615,550
SERAF payments	34,185	100,000	47,681	101,277	42,200	67,092	392,435	29,548	-	-	421,983	29,548	421,983
Capital outlay	-	745,270	-	533,601	213,833	-	1,492,704	359	-	-	447,051	359	447,051
Debt service	104,306	1,213,180	93,165	653,201	684,543	865,010	3,613,405	31,794	-	-	2,059,545	31,794	12,714,310
Total expenditures	<u>663,180</u>	<u>(121,086)</u>	<u>401,399</u>	<u>204,740</u>	<u>(30,517)</u>	<u>708,324</u>	<u>1,826,040</u>	<u>(11,859)</u>	<u>-</u>	<u>-</u>	<u>(2,132,968)</u>	<u>(11,859)</u>	<u>(2,132,968)</u>
Excess (deficiency) of revenues over expenditures													
Other financing sources (uses)													
Transfers in	-	-	-	-	-	-	-	16,031	-	-	5,557,943	-	5,557,943
Transfers out	(1,345,888)	(1,331,200)	-	-	-	(2,299,123)	(4,976,211)	(16,031)	-	-	(5,557,943)	-	(5,557,943)
Net other financing sources (uses)	<u>(1,345,888)</u>	<u>(1,331,200)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,299,123)</u>	<u>(4,976,211)</u>	<u>(16,031)</u>	<u>-</u>	<u>-</u>	<u>(864,036)</u>	<u>-</u>	<u>(864,036)</u>
Special Item													
Change in fund balance	(682,708)	(1,452,286)	401,399	204,740	(30,517)	(1,590,799)	(3,150,171)	(11,859)	-	-	(2,997,004)	(11,859)	(2,997,004)
Fund balance, beginning of year	742,940	1,299,245	1,164,076	(44,106)	472,462	1,559,933	5,194,550	1,111,515	-	-	20,520,839	1,111,515	20,520,839
Prior period adjustment	-	-	-	-	-	30,866	30,866	(3,266)	-	-	(1,400,889)	-	(1,400,889)
Fund balance, beginning of year as restated	742,940	1,299,245	1,164,076	(44,106)	472,462	1,590,799	5,225,416	1,108,249	-	-	19,119,954	1,108,249	19,119,954
Fund balance, end of year	<u>60,232</u>	<u>(153,041)</u>	<u>1,565,475</u>	<u>160,634</u>	<u>441,945</u>	<u>2,075,245</u>	<u>2,075,245</u>	<u>1,096,390</u>	<u>-</u>	<u>-</u>	<u>16,122,950</u>	<u>1,096,390</u>	<u>16,122,950</u>

See notes to financial statements.

**El Monte Community Redevelopment Agency
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the Statement of Activities
Year ended June 30, 2011**

Net change in fund balances - total governmental funds	\$ (2,997,004)
Amounts reported for governmental activities in the Statement of Activities differ from the amounts reported in the Statement of Revenues, Expenditures, and Changes in Fund Balances because:	
Repayment of bonds and other long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets:	
Bonds payable	725,000
County deferral	46,805
Bond issuance cost is an expenditure in the governmental funds, but it is considered deferred charges in the statement of net assets:	
Amortization for current fiscal year	(64,592)
Unamortized premiums or discounts on bonds issued are revenues or expenditures in the governmental funds, but these are deferred and spread to future periods over the life of the new bonds in the statement of net assets:	
Amortization for current fiscal year	(36,434)
Interest accrued on City Loans is considered to be an expense in the Statement of Activities, but it is only recorded as an expenditure in the Statement of Net Assets when due and payable	
	(6,536,425)
Interest accrued on County of Los Angeles is considered to be an expense in the Statement of Activities, but is only recorded as an expenditure in the Statement of Net Assets when due and payable	
	(27,405)
Gain or loss on defeasance of debt is an expenditure in the governmental funds, but is deferred in the statement of net assets and are spread to future periods in the statement of activities:	
Amortization for current fiscal year	(19,577)
Revenues which were previously deferred in the governmental funds and meet the revenue recognition criteria currently, were previously reported as revenues in the statement of activity	
	(361,479)
Expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:	
Current accrual of interest due on bonds	(98,567)
Prior year accrual of interest due on bonds	100,759
Change in net assets of governmental activities	<u>\$ (9,268,919)</u>

See notes to financial statements.

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of the Reporting Entity

The EI Monte Community Redevelopment Agency is a component unit of a reporting entity, which consists of the following primary and component units:

Primary Government:

City of EI Monte

Component Units:

EI Monte Community Redevelopment Agency
EI Monte Community Housing Authority
EI Monte Public Financing Authority

The basic financial statements contain information relative only to the EI Monte Community Redevelopment Agency as one component unit, which is an integral part of the total reporting entity. They do not contain financial data relating to the other component units.

The EI Monte Community Redevelopment Agency was established on February 29, 1972, pursuant to the State of California Health and Safety Code Section 33000. Its purpose is to prepare and carry out plans for the improvement, rehabilitation and development of blighted areas within the territorial limits of the City of EI Monte.

Current Project Areas for the Redevelopment Agency as of the fiscal year-end are:

<u>Project Area</u>	<u>Date Adopted</u>
East Valley Mall	November 29, 1977
EI Monte Plaza	February 14, 1978
Plaza EI Monte	November 24, 1981
EI Monte Center	October 11, 1983
EI Monte Center Amendment #1	April 25, 1989
Downtown EI Monte	July 14, 1987
Downtown EI Monte Amendment #2	May 1, 2001
Northwest EI Monte	December 14, 1993
Valley/Durfee	July 15, 2003

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

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

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 recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental 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. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal 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.

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

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Agency's accounts 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. The following are types of funds used:

- *Capital Projects Funds* - Used to account for financial resources used for the construction of specific capital projects.
- *Debt Service Funds* - The Agency's debt service funds are used to account for property tax increment revenue and related interest income. Disbursements from this fund consist mainly of principal and interest on indebtedness.
- *Combined Low and Moderate Income Housing Fund* - to account for the financial resources segregated for the purpose of providing housing to low and moderate income residents of the City.

The Agency reports the following major governmental funds:

Combined Low and Moderate Income Housing Fund
Downtown El Monte Project Area
Downtown Amendment #2
El Monte Center Project Area
El Monte Center Amendment #1
Northwest El Monte Project Area
Valley/Durfee Project Area

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

Accounting and Reporting Policies

The Agency has conformed to the pronouncements of the Governmental Accounting Standards Board (GASB), which are the primary authoritative statements of accounting principles generally accepted in the United States of America applicable to state and local governments.

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

Investments

The Agency records investments in accordance with the provisions of GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Pools*. This accounting pronouncement generally applies to investments in external investment pools, investments purchased with maturities greater than one year, mutual funds, and certain investment agreements. Generally, governmental entities need to report the fair value changes for these investments at year-end and record these gains or losses on their income statement.

The Agency's investments are reported at fair value. Changes in fair value that occur during a fiscal year are recognized as investment income reported for that fiscal year. Investment income includes interest earnings, changes in fair value of investments, and any gains or losses realized upon the liquidation, maturity, or sale of investments.

The Agency pools cash and investments of all City funds, except for assets held by fiscal agents. Each fund's share in this pool is displayed in the accompanying financial statements as cash and investments. Investment income earned by the pooled investments is allocated to the various funds based on each fund's average cash and investment balance.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Advances between funds, as reported in the fund financial statements, are offset by nonspendable fund balance account in applicable governmental funds to indicate that they are not available for appropriation and not expendable available financial resources.

All trade and property tax receivables are shown net of allowance for uncollectible accounts.

Property tax revenue is recognized in the fiscal year for which the taxes have been levied provided they become available. Available means due, or past due and receivable within the current period and collected within the current period or expected to be collected soon enough thereafter (not to exceed 60 days) to be used to pay liabilities of the current period. The County of Los Angeles collects property taxes for the Agency. Tax liens attach annually as of 12:01 A.M. on the first day in January preceding the fiscal year for which the taxes are levied. The tax levy covers the fiscal period July 1 to June 30. All secured personal property taxes and one-half of the taxes on real property are due November 1; the second installment is due February 1. All taxes are delinquent, if unpaid, on December 10 and April 10, respectively. Unsecured personal property taxes become due on the first of January each year and are delinquent on August 31.

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

Inventories and Prepaid Items

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Land Held for Resale

Land held for resale is recorded at the lower of cost or fair value. Amounts equal to the carrying value of land held for resale are considered non-spendable fund balance because such assets are not available to finance the Agency's current operations.

Capital Assets

Capital assets which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. Purchased and constructed assets are recorded at historical cost or estimated if historical cost is not known. Donated capital assets are recorded at estimated fair market value at the date of donation.

In accordance with GASB Statement No. 34, the Agency is required to report general infrastructure assets; however, the Agency does not own any capital assets as of the date of this report.

Long-term Obligations

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

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

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

Net Assets

In the government-wide financial statements, net assets are reported in three categories: net assets invested in capital assets; restricted net assets and unrestricted net assets. Restricted net assets represent net assets restricted by parties outside of the Agency (such as investors, grantors, contributors, laws, and regulations of other governments) and include unspent proceeds of bonds issued to acquire or construct capital assets. All other net assets are considered unrestricted.

Fund Balance Reporting

During the fiscal year ended June 30, 2011, the Agency has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement establishes the following fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds:

Nonspendable fund balance 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. The Agency's nonspendable fund balance represents land held for resale and advances to other funds.

Restricted fund balance includes resources that are subject to externally enforceable legal and contractual restrictions. It includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. The Agency's restricted fund balances represent resources restricted for debt service and Low/Moderate Income Housing programs.

Committed fund balance includes amounts that can be used only for the specific purposes determined by a formal action of the Agency's highest level of decision-making authority (City Council). The Agency has no committed fund balances.

Assigned fund balance consists of funds that are set aside for specific purposes by the Agency's highest level of decision making authority or a body or official that has been given the authority to assign funds. The Agency has no assigned fund balances.

Unassigned fund balance is the residual classification for the Agency's general fund and includes all spendable amounts not contained in the other classifications. This category also provides the resources necessary to meet unexpected expenditures and revenue shortfalls.

When expenditures are incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) fund balances are available, the Agency prefers to first apply restricted fund balance. When expenditures are incurred for purposes for which committed, assigned, or unassigned fund balances are available, the Agency prefers to first apply committed fund balance, then assigned fund balance, and finally unassigned fund balance.

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgetary Data

General Budget Policies

Generally, the Governing Board approves each year's budget submitted by the Executive Director. The Board conducts public meetings on the budget prior to its adoption. The budget is prepared by fund, function and activity, and includes information on the past year, current year estimates and requested appropriations for the next fiscal year. Supplemental appropriations when required during the period are also approved by the Governing Board. Intradepartmental budget changes are approved by the Executive Director. In most cases, expenditure may not exceed appropriations at the departmental level. At fiscal year-end, all operating budget appropriations lapse.

Encumbrances

Encumbrances are estimations of costs related to unperformed contracts for goods and services. These commitments are recorded for budgetary control purposes in governmental funds. Encumbrances outstanding at year-end are reported as a reservation of fund balance. They represent the estimated amount of the expenditure ultimately to result if unperformed contracts in process at year-end are completed. They do not constitute expenditures or estimated liabilities.

NOTE 2 CASH AND INVESTMENTS

Cash and investments at June 30, 2011, consist of the following:

	Total
Statement of net assets:	
Cash and investments pooled with the City	\$ 958,456
Cash and investments with trustee	6,917,126
Total cash and investments	\$ 7,875,582

The Agency funds are pooled with the City of El Monte's cash and investments in order to generate optimum interest income. The City follows GASB Statement No. 40, *Deposit and Investment Risk Disclosures*. GASB No. 40 establishes and modifies disclosure requirements related to deposit and investment risks. The information required by GASB Statement No. 40 related to authorized investments, credit risk, etc. is available in the City's Comprehensive Annual Financial Report.

Investments Authorized by Debt Agreements

Investments of debt proceeds held by fiscal agent are governed by provisions of the debt covenants rather than the general provisions of the California Government Code. These provisions allow for the acquisition of investments allowed by the government code but also include defeasance obligations, investment agreements and pre-refunded municipal obligations. These provisions do not specify maximum maturities or concentration of risk limitations.

NOTE 3 LOANS RECEIVABLE

As of June 30, 2011, the following loans receivable were present. Allowance for doubtful accounts was provided for certain receivables for which collection is not assured.

Low- Mod Housing Fund Program

First Time Homebuyers Loans		\$	855,400
Lee "Blessed Rock"			73,168
TDF Senior Housing :			
Special Construction Loan	\$	362,139	
Project Gap Loan		567,610	
Long-Term Project Note		929,732	
Sub-total		1,859,481	
Allowance for Doubtful Accounts		(1,859,481)	-
Sub-total			928,568

Non Low- Mod Housing Fund Programs

Singing Wood (Northwest)			519,064
RHCDC Working Capital (Center)			616,071
Edwards (Downtown)			18,008
Pacific Place (Northwest):			
JT LLC Working Capital	\$	500,700	
JT LLC Participation Note		400,000	
Legal Fees		155,553	
Sub-total		1,056,253	
Allowance for Doubtful Accounts		(1,056,253)	-
Sub-total			1,153,143
			\$ 2,081,711

First Time Home Buyers Loans

Loans receivable consist of low interest and no interest home assistance loans made to qualified low-income homeowners. These loans shall be due and payable in full when the borrower's legal interest in the property, which is security for the loan, is sold, transferred or conveyed.

NOTE 3 LOANS RECEIVABLE (CONTINUED)

Lee "Blessed Rock of El Monte"

On April 3, 1996, the El Monte Community Redevelopment Agency sold to the "Blessed Rock of El Monte" a property within the Downtown El Monte Low and Moderate Housing Area. Tom Lee executed a promissory note in favor of the Agency for \$706,213. The note bears interest at the rate of 1.0% to 4.0% per annum for a term of 15 years.

TDF Senior Housing

This "Original Project Gap Loan" was approved on January 1, 2003. The note bears interest at 3% for a term of 45 years.

Singing Wood Senior Housing

On July 15, 2002, the El Monte Community Redevelopment Agency provided a loan to Sinaina Wood Senior Housing, a California Limited Partnership, in the amount of \$461,142. Interest shall accrue on the loan at the rate of 3% per annum until the loan is paid in full. Annual payments are to commence on or before April 15 of the first full year after the first residential unit is rented and continue on April 15 each year thereafter until all principal and interest accrued thereon has been repaid. The annual payment shall be derived from 50% of annual residual receipts derived from the operation of the project. All outstanding indebtedness, including interest, must be repaid in full at the end of the 30-year term of the loan.

Rio Hondo Community Development Corporation (RHCDC) Working Capital

On August 26, 2003, the El Monte Community Redevelopment Agency provided a loan to RHCDC for the purchase of rental properties. The original loan amount was \$1,091,000 at an interest rate of 5.65% per annum. The promissory note expires on August 26, 2023.

Pacific Place Expansion Project

On September 14, 2005, the City of El Monte executed a promissory note to JT LLC for the Pacific Place Expansion Project. The City used the Section 108 Loan 2004-A proceeds to fund this note. Principal payments are due annually beginning July 15, 2007, and range from \$130,000 to \$340,000 over the term of the loan, which ends on March 14, 2023. Interest payments on this note are due in quarterly installments on the first day of every calendar year quarter at a rate equal to the rate payable by the City to HUD.

NOTE 4 INVESTMENT IN LAND HELD FOR RESALE

The Agency acquired several parcels of land for redevelopment purposes. The carrying amount of land is reported at cost which management believes approximates fair market value. At June 30, 2011, the Agency's investment in land held for resale amounted to:

Downtown El Monte Project Area - Project Fund	\$	7,332,074
Low and Moderate Income Housing Fund		980,565
Total	\$	8,312,639

El Monte Community Redevelopment Agency
Notes to Financial Statements
Year ended June 30, 2011

NOTE 5 INTERFUND RECEIVABLE, PAYABLE AND TRANSFERS

The composition of interfund balances as of June 30, 2011, is as follows:

Due to/from Other Funds

Funds	Due to Other Funds								Total
	El Monte Center Tax Increment	El Monte Center Amendment #1 Capital Project	El Monte Center Amendment #1 Tax Increment	Downtown El Monte - Capital Project	Downtown El Monte - Tax Increment	Downtown Amendment #2 Capital Project	Northwest El Monte - Tax Increment	Other Governmental Funds	
Due from Other Funds:									
Combined Low and Moderate Income Housing	\$ 272,598	\$ 88,776	\$ 390,858	\$ 907,904	\$ 519,993	\$ -	\$ -	\$ 124,636	\$ 2,304,765
El Monte Center Project Area	-	-	-	842,616	-	-	-	-	842,616
Downtown Amendment #2 - Tax Increment	-	-	-	-	1,412,367	119,543	-	-	1,531,910
Northwest El Monte - Project Fund	-	-	-	1,603,677	-	-	-	-	1,603,677
Valley/Durfee - Project Fund	-	-	-	1,629,162	-	-	-	-	1,629,162
Other Non-Major Governmental Funds	-	-	-	71,256	-	-	172	-	71,428
Total	\$ 272,598	\$ 88,776	\$ 390,858	\$ 5,054,615	\$ 1,932,360	\$ 119,543	\$ 172	\$ 124,636	\$ 7,983,558

For financial presentation purposes, management has presented cash balances for the Agency as a whole, separate from the City of El Monte. At June 30, 2011, short-term interfund borrowing of cash among Agency funds was recorded to acknowledge the financing of cash deficits by other funds, as required for proper financial reporting in accordance with generally accepted accounting principles.

Interfund Transfers

	Transfer In from Other Funds					Total
	Low and Moderate Income Housing Combined	Downtown El Monte Project Area Capital Project	Northwest El Monte Project Area Capital Project	Valley/Durfee Project Area Capital Project	Other Nonmajor Governmental Funds	
Transfer Out to Other Funds						
Combined Low and Moderate Income Housing	\$ 565,701	\$ -	\$ -	\$ -	\$ -	\$ 565,701
Valley/Durfee Project Area Tax Increment	-	-	-	1,345,888	-	1,345,888
Downtown El Monte Project Area Tax Increment	-	1,331,200	-	-	-	1,331,200
Northwest El Monte Project Area Tax Increment	-	-	2,299,123	-	-	2,299,123
Other Nonmajor Governmental Funds	-	-	-	-	16,031	16,031
Total	\$ 565,701	\$ 1,331,200	\$ 2,299,123	\$ 1,345,888	\$ 16,031	\$ 5,557,943

The Agency transfers monies between its various project areas for debt servicing purposes and to fund project costs and low and moderate income housing activities.

El Monte Community Redevelopment Agency
Notes to Financial Statements
Year ended June 30, 2011

NOTE 6 LONG-TERM DEBT

The following table shows the movement of the City's long-term debt during the fiscal year 2010-11:

	Balance June 30, 2010	Prior Period Adjustment (Note 9)	As Adjusted	Increases	Repayments	Balance June 30, 2011	Due Within One Year
East Valley Mall Project Area							
City Loans - Principal	\$ 109,313	\$ (109,313)	\$ -	\$ -	\$ -	\$ -	\$ -
City Loans - Unpaid Interest	21,658	(21,658)	-	-	-	-	-
Total	\$ 130,971	\$ (130,971)	\$ -	\$ -	\$ -	\$ -	\$ -
El Monte Plaza Project Area							
City Loans - Principal	\$ 437,487	\$ (437,487)	\$ -	\$ -	\$ -	\$ -	\$ -
City Loans - Unpaid Interest	1,212,146	(1,212,146)	-	-	-	-	-
Total	\$ 1,649,633	\$ (1,649,633)	\$ -	\$ -	\$ -	\$ -	\$ -
El Monte Center Project Area							
City Loans - Principal	\$ 12,998,640	\$ (556,789)	\$ 12,441,851	\$ -	\$ -	\$ 12,441,851	\$ -
City Loans - Unpaid Interest	10,130,769	(2,402,973)	7,727,796	460,897	-	8,188,693	-
County of Los Angeles	339,825	-	339,825	10,195	57,000	299,020	-
2007 Tax Allocation Refunding Senior	5,340,000	-	5,340,000	-	190,000	5,150,000	195,000
2007 Tax Allocation Refunding Subordinate	580,000	-	580,000	-	20,000	560,000	20,000
Total	\$ 29,389,234	\$ (2,959,762)	\$ 26,429,472	\$ 471,092	\$ 267,000	\$ 26,633,564	\$ 215,000
El Monte Center Amendment#1							
City Loans - Principal	\$ 4,422,479	\$ (3,025,877)	\$ 1,396,602	\$ -	\$ -	\$ 1,396,602	\$ -
City Loans - Unpaid Interest	7,253,489	(2,281,499)	4,971,990	531,632	-	5,503,622	-
2007 Tax Allocation Refunding Senior	2,350,000	-	2,350,000	-	85,000	2,265,000	85,000
2007 Tax Allocation Refunding Subordinate	305,000	-	305,000	-	10,000	295,000	10,000
Total	\$ 14,330,968	\$ (5,307,376)	\$ 9,023,592	\$ 531,632	\$ 95,000	\$ 9,460,224	\$ 95,000
Downtown El Monte Project Area							
City Loans - Principal	\$ 14,582,776	\$ (2,639,806)	\$ 11,942,970	\$ -	\$ -	\$ 11,942,970	\$ -
City Loans - Unpaid Interest	14,594,570	5,249,498	19,844,068	2,418,770	-	22,262,838	-
LACMTA	450,000	-	450,000	-	-	450,000	-
2007 Tax Allocation Refunding Senior	10,230,000	-	10,230,000	-	190,000	10,040,000	200,000
2007 Tax Allocation Refunding Subordinate	1,235,000	-	1,235,000	-	25,000	1,210,000	20,000
Total	\$ 41,092,346	\$ 2,609,692	\$ 43,702,038	\$ 2,418,770	\$ 215,000	\$ 45,905,808	\$ 220,000
Northwest El Monte Project Area							
City Loans - Principal	\$ 6,119,417	\$ (3,092,232)	\$ 3,027,185	\$ -	\$ -	\$ 3,027,185	\$ -
City Loans - Unpaid Interest	24,519,373	(78,752)	24,440,621	3,118,510	-	27,559,131	-
County of Los Angeles	548,102	-	548,102	27,405	-	575,507	-
Total	\$ 31,186,892	\$ (3,170,984)	\$ 28,015,908	\$ 3,145,915	\$ -	\$ 31,161,823	\$ -
Valley/Durfee Project Area							
City Loans - Principal	\$ 276,378	\$ 154,259	\$ 430,637	\$ -	\$ -	\$ 430,637	\$ -
City Loans - Unpaid Interest	44,818	8,875	53,693	6,616	-	60,309	-
Total	\$ 321,196	\$ 163,134	\$ 484,330	\$ 6,616	\$ -	\$ 490,946	\$ -
Housing							
2007 Tax Allocation Refunding Senior	\$ 7,060,000	\$ -	\$ 7,060,000	\$ -	\$ 185,000	\$ 6,875,000	\$ 190,000
2007 Tax Allocation Refunding Subordinate	875,000	-	875,000	-	20,000	855,000	25,000
Total	\$ 7,935,000	\$ -	\$ 7,935,000	\$ -	\$ 205,000	\$ 7,730,000	\$ 215,000
Total - All Project Areas							
City Loans - Principal	\$ 38,946,490	\$ (9,707,245)	\$ 29,239,245	\$ -	\$ -	\$ 29,239,245	\$ -
City Loans - Unpaid Interest	57,776,823	(738,655)	57,038,168	6,536,425	-	63,574,593	-
Loans - Other Governments	1,337,927	-	1,337,927	37,600	57,000	1,318,527	-
Bonds Payable	27,975,000	-	27,975,000	-	725,000	27,250,000	745,000
Total	126,036,240	\$ (10,445,900)	\$ 115,590,340	\$ 6,574,025	\$ 782,000	121,382,365	\$ 745,000
Adjustments:							
Unamortized net original issue(discount) or premium	(437,217)					(400,783)	
Unamortized net bond defeasance gain or (loss)	(528,581)					(509,004)	
Total	\$ 125,070,442					\$ 120,472,578	

NOTE 6 LONG-TERM DEBT (CONTINUED)

Advances from the City of El Monte

The Agency has received total advances of \$29,239,245 from the City of El Monte. The Agency has accrued interest in the amount of \$63,574,593 on these advances as of June 30, 2011. The total outstanding balance at June 30, 2011 is \$92,813,838, including interest.

Loans - Other Governments

County of Los Angeles Reimbursement Agreement

During 2003-04, the County of Los Angeles implemented the repayment provisions of Agreement 45043 between the County and the Agency - El Monte Center Redevelopment Project. This Agreement is related to tax increment adjustments and overpayments between 1988 and 1995 in the amount of \$324,818. This obligation to the County, together with accrued-interest thereon, shall be paid in full from tax increment revenues by a date no later than July 1, 2027. During the current year, payments of \$46,805 in principal and \$10,195 in interest were made on this debt. At June 30, 2011, the balance outstanding including accrued interest was \$293,020.

During 2007-08, the County of Los Angeles entered into an agreement with the Agency - Northwest El Monte Project Area. The agreement is related to tax increment adjustments and overpayments during 2007-08 to assist in funding the Gibson Park improvements in the amount of \$254,530. In 2008-09, there is an additional deferral in the amount of \$229,888. Interest on these deferrals is at 5% compounded annually. The terms of this repayment are presently being negotiated between the Agency and the County. During the current year, interest in the amount of \$27,405 was added to the principal. At June 30, 2011, the principal outstanding including accrued interest was \$575,507.

The Agency entered into a loan agreement with LACMTA for \$450,000 for the Demolition of Vacant Structures and the Installation of Temporary Public Mass Transit Commuter Facilities on Agency leased property (former Chevrolet Dealership). At June 30, 2011, the principal amount outstanding was \$450,000.

Tax Allocation Bonds Payable

The El Monte Public Financing Authority has issued tax allocation bonds, the proceeds of which were loaned to the Redevelopment Agency to finance certain redevelopment activities of the Agency and, in some cases, to refinance prior debt. The bonds are special obligations of the Authority payable from and secured by revenues consisting primarily of amounts payable by the Agency under the loan agreements.

The Agency has pledged a portion of the future property tax increment revenue, including Low and Moderate Income Housing set-aside. The bonds are payable solely from the property tax increment generated by the Agency. The Agency has committed to appropriate each year, from these resources, amounts sufficient to cover the principal and interest requirements on the debt. Total principal and interest thereon remaining on the debt is \$45,237,964 payable through 2039.

NOTE 6 LONG-TERM DEBT (CONTINUED)

\$26,205,000 - Senior Tax Allocation Revenue Bonds, Series 2007

The Bonds are dated July 3, 2007 and were issued to provide funds to the Agency to be applied (i) to refund the \$9,655,000 Tax Allocation Revenue Bonds, Series 1998 (Multiple Redevelopment Project Area Loans), \$3,810,000 Housing Set-Aside Revenue Bonds, Series 1998 (El Monte Community Redevelopment Agency Loan) and a portion of the \$10,010,000 Subordinate Tax Allocation Revenue Bonds, Series 2005 (Multiple Redevelopment Project Area Loans); ii) to finance redevelopment activity in the Downtown Project Area and the El Monte Center Project Area, including El Monte Center Amendment No. 1, and to fund a reserve fund and costs of issuance of the Bonds.

The following schedule illustrates the debt service requirements to maturity for the bonds as of June 30, 2011:

Year Ending June 30,	Senior Tax Allocation Revenue Bond, Series 2007		
	Principal	Interest	Total
2012	\$ 670,000	\$ 1,094,606	\$ 1,764,606
2013	705,000	1,068,644	1,773,644
2014	730,000	1,040,444	1,770,444
2015	755,000	1,011,244	1,766,244
2016	790,000	981,044	1,771,044
2017-2021	4,500,000	4,356,119	8,856,119
2022-2026	5,590,000	3,267,406	8,857,406
2027-2031	5,235,000	1,905,669	7,140,669
2032-2036	3,645,000	941,925	4,586,925
2037-2039	1,710,000	122,788	1,832,788
Total	\$ 24,330,000	\$ 15,789,889	\$ 40,119,889

\$3,135,000 - Subordinate Tax Allocation Revenue Bonds, Series 2007

The Bonds are dated July 3, 2007, and were issued to provide funds to the Agency to be applied (i) to refund a portion of the Authority's Subordinate Tax Allocation Revenue Bonds, Series 2005 (Multiple Redevelopment Project Area Loans) (the "2005 Bonds"); (ii) to finance redevelopment activity in the Project Areas; and (iii) to fund a reserve account and costs of issuance of the Bonds.

The following schedule illustrates the debt service requirements to maturity for the bonds as of June 30, 2011:

NOTE 6 LONG-TERM DEBT (CONTINUED)

Year Ending June 30,	Subordinate Tax Allocation Revenue Bond, Series 2007		
	Principal	Interest	Total
2012	\$ 75,000	\$ 149,130	\$ 224,130
2013	70,000	145,755	215,755
2014	80,000	142,675	222,675
2015	95,000	139,075	234,075
2016	90,000	134,681	224,681
2017-2021	520,000	604,654	1,124,654
2022-2026	665,000	460,225	1,125,225
2027-2031	640,000	269,770	909,770
2032-2036	465,000	134,355	599,355
2037-2039	220,000	17,755	237,755
Total	\$ 2,920,000	\$ 2,198,075	\$ 5,118,075

\$30,000,000 - Subordinate Tax Allocation Revenue Bonds, Series 2007

The Bonds are dated July 12, 2007, and were issued pursuant to the Subordinate Downtown Loan Agreement dated as of July 1, 2007, by and between the Authority and the Agency (the "Loan Agreement"). The Loan is being made to the Agency to provide funds to the Agency to be applied to enable the Agency: (i) to purchase the property (as defined in the Indenture), (ii) to purchase two (2) relocation properties (the "Relocation Sites") for the City of El Monte and to construct movements on the Relocation Sites, (iii) to purchase or acquire real property for parks, (iv) to finance redevelopment activity in the Project Area (as defined in the Indenture) including low and moderate income housing and (v) to fund a reserve fund and costs of issuance of the Bonds. The Closing Receipt of the bond acknowledged that the City purchased the Bonds pursuant to the Bond Purchase Agreement dated as of July 1, 2007, by and between the City, the Agency and the Authority. The Agency in turn received from the City of El Monte the quitclaim deeds for the Property evidencing the legal transfer thereof to the Agency.

Since this transaction currently involves only related component units of the City of El Monte and there was no exchange of financial resources between those entities, it has not been reflected in this financial report. The ultimate intent is to issue these bonds to external parties and when that event occurs, the bonds and related transactions will be reflected in the appropriate financial statement.

NOTE 6 LONG-TERM DEBT (CONTINUED)

Agency Cooperation Agreement and the Taxable Lease Revenue Bond Payable

The El Monte Public Financing Authority has issued taxable lease revenue bonds on behalf of the City of El Monte, part of the proceeds of which were loaned to the Redevelopment Agency to finance certain redevelopment activities. The Taxable Recovery Zone Economic Development Lease Revenue Bonds, Series 2010A and the Taxable Lease Revenue Bonds, Series 2010B were issued on December 13, 2010 to provide funds to the Agency to (1) finance the acquisition and development of the City of El Monte Maintenance Yard Facility; (2) fund reserve account; (3) pay for cost of issuance.

These bonds are special obligations of the Authority payable from and secured by revenues consisting primarily of amounts payable by the City under the Lease Agreement. While the General Fund has been identified as a source of payment, the City also identified other sources of payments and entered into certain agreements, as follow:

- a) The Agency Cooperation Agreement
- b) City Enterprise Sublease Agreement
- c) Federal Direct Payments

Under the Agency Cooperation Agreement, the Agency agrees to pay the City for a portion of the acquisition and construction costs of the project. The payment obligations provided under the Agency Cooperation Agreement constitute a continuing agreement with the Agency to secure the full and final payment under the obligation. Payments to the City shall be made within five business days prior to the Interest Payment Date of the bonds. In the event there is a shortfall in the amount needed to pay the City obligation under the Lease Agreement, the Agency shall contribute the shortfall to the City.

The 2010 Lease Revenue Bonds are backed by a City General Fund pledge, which shall be payable from any source of available funds to the City. However, the bonds were structured with 2 primary sources of revenue (lease payments):

1. Agency Cooperation Agreement – The Agreement pledges to pay for a portion of the costs to acquire and construct the project in the form of annual lease payment, summarized below:
 - \$245,000 from the Northwest project area
 - \$485,000 from the Valley/Durfee project area
2. City Enterprise Sublease Agreement – The Agreement provides that the City Water Enterprise and City Sewer Enterprise will lease a portion of the property from the City, and shall make sublease payments to the City general fund to be applied by the City for the payment of the lease payments as follows:
 - \$200,000 Water enterprise fund
 - \$300,000 Sewer enterprise fund

The Agency Cooperation Agreement provides that the Agency may incur bonded indebtedness superior to the Agency obligation under the Agency Cooperation Agreement. These Taxable Lease Revenue Bonds and the related capital outlay are

El Monte Community Redevelopment Agency
Notes to Financial Statements
Year ended June 30, 2011

NOTE 6 LONG-TERM DEBT (CONTINUED)

currently recorded in the General Fund and have not been reflected in the Agency financial statements except for this disclosure.

The information regarding the City Enterprise Sublease Agreement and Federal Direct Payments is available in the City's Comprehensive Annual Financial Report.

\$14,790,000 – Taxable Recovery Zone Economic Development Lease Revenue Bonds, Series 2010A

The following schedule illustrates the debt service requirements to maturity for the bonds as of June 30, 2011:

Year Ending June 30,	2010 Lease Revenue Bonds Series A	
	Principal	Net Interest*
2012	\$ -	\$ 807,619
2013	-	725,044
2014	-	725,044
2015	-	725,044
2016	-	725,044
2017-2021	-	3,625,222
2022-2026	1,785,000	5,315,175
2027-2031	3,350,000	6,238,428
2032-2036	4,245,000	6,234,900
2037-2039	5,410,000	6,239,125
Total	\$ 14,790,000	\$ 31,360,645

Note: Net interest is gross interest minus the 45% subsidy from the U.S. Treasury Department pursuant to the "Build America Bonds" program which was created by the Recovery Act of 2009.

The Agency's share of this bond obligation is \$8,637,360 as determined by City Management. This obligation is expected to be repaid using the Agency's tax increment revenues.

\$4,465,000 – Taxable Lease Revenue Bonds, Series 2010B

The following schedule illustrates the debt service requirements to maturity for the bonds as of June 30, 2011:

NOTE 6 LONG-TERM DEBT (CONTINUED)

Year Ending June 30,	2010 Lease Revenue Bonds Series B	
	Principal	Net Interest*
2012	\$ 190,000	\$ 247,308
2013	310,000	212,574
2014	325,000	197,160
2015	340,000	180,999
2016	360,000	164,093
2017-2021	2,075,000	534,544
2022-2023	865,000	62,156
Total	\$ 4,465,000	\$ 1,598,834

Note: Net interest is gross interest minus the 35% subsidy from the U.S. Treasury Department pursuant to the "Build America Bonds" program which was created by the Recovery Act of 2009.

The Agency's share of this bond obligation is \$2,607,560 as determined by City Management. This obligation is expected to be repaid using the Agency's tax increment revenues.

NOTE 7 LITIGATION

The Agency is subject to litigation arising in the normal course of business. In the opinion of the Agency's legal counsel, there is no pending litigation that is likely to have a material adverse effect on the financial position of the Agency which is not covered through terms of a development contract with the Agency.

NOTE 8 FUND EQUITY/NET ASSETS

As of June 30, 2011, the Agency had an unrestricted deficit of \$117,822,897. This deficit was created by funding redevelopment projects through the issuance of long-term indebtedness to outside entities and borrowing from the City of El Monte. As discussed in Note 6, the City of El Monte has loaned the Agency \$92,813,838 (including accrued interest of \$63,574,593). This loan has no specified repayment date.

NOTE 9 PRIOR PERIOD ADJUSTMENT

In fiscal year 2010-11, the Agency reviewed the Land Held for Resale and the City Loans accounts. The beginning net asset balance at July 1, 2010 has been restated to record the adjustment, as follows:

Net assets (deficit) at June 30, 2010, as previously reported	\$ (102,893,250)
Decrease in loan principal from the City of El Monte	9,707,245
Decrease loan interest from the City of El Monte	738,655
Land held for resale:	
Land sold in 2007 but not recorded	(2,030,000)
Adjustment due to change in capitalization policy	93,708
Adjustment to the Vista del Valle Home Assistance Program	440,400
Others	95,007
Net assets (deficit) at June 30, 2010, as restated	\$ (93,848,235)

NOTE 10 SUBSEQUENT EVENTS AND DISSOLUTION OF THE AGENCY

On December 29, 2011, the Supreme Court filed its opinion ruling that Assembly Bill (AB) X1 26 is constitutional and valid and that AB X1 27 is unconstitutional and invalid. Consequently, all redevelopment agencies were dissolved on February 1, 2012 in accordance with that bill. The City of El Monte currently serves as the successor agency that is responsible for all the remaining obligations of the dissolved Agency.

COMBINING AND INDIVIDUAL FUND SCHEDULES

	Low-Moderate Income Housing Fund		East Valley Mall Project Area	
	Capital Projects	Capital Projects	Debt Service	Capital Projects
	General Agency Fund	Combined Housing Fund	Debt Service Reserve	Tax Increment Project
ASSETS				
Cash and investments	\$ -	\$ 406,105	\$ -	\$ -
Cash and investments with trustee	-	-	1,981,530	-
Receivables:				
Tax increment	-	53,138	-	-
Accounts	16,000	2,604	-	9,383
Loans, net	-	928,568	-	-
Due from other funds	-	2,304,765	-	68,081
Land held for resale	-	980,565	-	-
Advances to other funds	-	864,036	-	-
Allowance for doubtful accounts	-	(864,036)	-	-
Total assets	\$ 16,000	\$ 4,675,745	\$ 1,981,530	\$ 68,081
LIABILITIES				
Accounts payable	\$ 21,474	\$ -	\$ -	\$ -
Deposits from others	-	43,300	-	-
Due to other funds	103,208	-	-	-
Due to other governments	-	-	-	-
Deferred revenue	-	519,902	-	-
Advances from other funds	-	-	-	550,940
Total liabilities	124,682	563,202	-	550,940
FUND BALANCES (DEFICITS)				
Nonspendable:				
Land held for resale	-	980,565	-	-
Loans receivable, net of deferred revenue	-	408,666	-	-
Restricted:				
Capital projects	-	2,723,312	1,981,530	-
Debt service	-	-	-	-
Unassigned	(108,682)	-	-	(482,859)
Total fund balances (deficits)	(108,682)	4,112,543	1,981,530	(482,859)
Total liabilities and fund balances (deficits)	\$ 16,000	\$ 4,675,745	\$ 1,981,530	\$ 68,081

**El Monte Redevelopment Agency
Combining Project Area Balance Sheet
All Governmental Funds
June 30, 2011**

El Monte Plaza Project Area		Plaza El Monte Project Area		El Monte Center Project Area	
Debt Service	Capital Projects	Debt Service	Capital Projects	Debt Service	Capital Projects
Tax Increment	Project	Tax Increment	Project	Tax Increment	Project
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	448,211	-
-	-	-	-	2,171	-
-	-	-	-	-	-
-	-	2,890	457	-	842,616
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,890</u>	<u>\$ 457</u>	<u>\$ 450,382</u>	<u>\$ 842,616</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
20,683	745	-	-	272,598	-
-	-	-	-	17,150	-
-	-	-	-	-	-
279,914	-	33,182	-	-	-
<u>300,597</u>	<u>745</u>	<u>33,182</u>	<u>-</u>	<u>289,748</u>	<u>-</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	457	448,211	842,616
-	-	-	-	-	-
(300,597)	(745)	(30,292)	-	(287,577)	-
<u>(300,597)</u>	<u>(745)</u>	<u>(30,292)</u>	<u>457</u>	<u>160,634</u>	<u>842,616</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,890</u>	<u>\$ 457</u>	<u>\$ 450,382</u>	<u>\$ 842,616</u>

	El Monte Center Amendment #1		Downtown El Monte Project Area	
	Debt Service	Capital Projects	Debt Service	Capital Projects
	Tax Increment	Project	Tax Increment	Project
ASSETS				
Cash and investments	\$ -	\$ 59,501	\$ -	\$ 492,850
Cash and investments with trustee	813,034	-	1,664,626	-
Receivables:				
Tax increment	28,658	-	191,021	-
Accounts	-	3	-	16,323
Loans, net	-	616,071	-	18,008
Due from other funds	-	-	-	-
Land held for resale	-	-	-	7,332,074
Advances to other funds	-	-	-	-
Allowance for doubtful accounts	-	-	-	-
Total assets	\$ 841,692	\$ 675,575	\$ 1,855,647	\$ 7,859,255
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	\$ 351,112
Deposits from others	-	59,501	-	492,850
Due to other funds	379,458	100,176	1,932,360	5,054,615
Due to other governments	20,289	-	76,328	-
Deferred revenue	-	1,667	-	20,048
Advances from other funds	-	-	-	-
Total liabilities	399,747	161,344	2,008,688	5,918,625
FUND BALANCES (DEFICITS)				
Nonspendable:				
Land held for resale	-	-	-	7,332,074
Loans receivable, net of deferred revenue	-	616,071	-	-
Restricted:				
Capital projects	813,034	-	1,664,626	-
Debt service	-	-	-	-
Unassigned	(371,089)	(101,840)	(1,817,667)	(5,391,444)
Total fund balances (deficits)	441,945	514,231	(153,041)	1,940,630
Total liabilities and fund balances (deficits)	\$ 841,692	\$ 675,575	\$ 1,855,647	\$ 7,859,255

**El Monte Community Redevelopment Agency
Combining Project Area Balance Sheet (Continued)
All Governmental Funds
June 30, 2011**

Downtown Amendment #2 Area		Northwest El Monte Project Area		Valley/Durfee Project Area	
Debt Service	Capital Projects	Debt Service	Capital Projects	Debt Service	Capital Projects
Tax Increment	Project	Tax Increment	Project	Tax Increment	Project
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
33,565	-	172	-	-	-
-	53,200	-	-	60,233	-
-	-	-	519,064	-	-
1,531,910	-	-	1,603,677	-	1,629,162
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 1,565,475</u>	<u>\$ 53,200</u>	<u>\$ 172</u>	<u>\$ 2,122,741</u>	<u>\$ 60,233</u>	<u>\$ 1,629,162</u>
\$ -	\$ -	\$ -	\$ 46,874	\$ 1	\$ -
-	-	-	-	-	-
-	119,543	172	-	-	-
-	-	-	78,921	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	119,543	172	125,795	1	-
-	-	-	-	-	-
-	-	-	440,143	-	-
-	-	-	1,556,803	-	1,629,162
1,565,475	-	-	-	60,232	-
-	(66,343)	-	-	-	-
<u>1,565,475</u>	<u>(66,343)</u>	<u>-</u>	<u>1,996,946</u>	<u>60,232</u>	<u>1,629,162</u>
<u>\$ 1,565,475</u>	<u>\$ 53,200</u>	<u>\$ 172</u>	<u>\$ 2,122,741</u>	<u>\$ 60,233</u>	<u>\$ 1,629,162</u>

**El Monte Community Redevelopment Agency
Combining Project Area Balance Sheet (Continued)
All Governmental Funds
June 30, 2011**

	El Monte Center Debt Service	El Monte Center Annex Debt Service	Totals		
	Reserve	Reserve	Debt Service Funds	Capital Projects Funds	Total Governmental Funds
ASSETS					
Cash and investments	\$ -	\$ -	\$ -	\$ 958,456	\$ 958,456
Cash and investments with trustee	1,775,637	234,088	6,917,126	-	6,917,126
Receivables:					
Tax increment	-	-	255,587	53,138	308,725
Accounts	-	-	60,233	97,513	157,746
Loans, net	-	-	-	2,081,711	2,081,711
Due from other funds	-	-	1,602,881	6,380,677	7,983,558
Land held for resale	-	-	-	8,312,639	8,312,639
Advances to other funds	-	-	-	864,036	864,036
Allowance for doubtful accounts	-	-	-	(864,036)	(864,036)
Total assets	\$ 1,775,637	\$ 234,088	\$ 8,835,827	\$ 17,884,134	\$ 26,719,961
LIABILITIES					
Accounts payable	\$ -	\$ -	\$ 1	\$ 419,460	\$ 419,461
Deposits from others	-	-	-	595,651	595,651
Due to other funds	-	-	2,605,271	5,378,287	7,983,558
Due to other governments	-	-	113,767	-	113,767
Deferred revenue	-	-	-	620,538	620,538
Advances from other funds	-	-	864,036	-	864,036
Total liabilities	-	-	3,583,075	7,013,936	10,597,011
FUND BALANCES (DEFICITS)					
Nonspendable:					
Land held for resale	-	-	-	8,312,639	8,312,639
Loans receivable, net of deferred revenue	-	-	-	1,464,880	1,464,880
Restricted:					
Capital projects	-	-	4,907,401	6,761,733	11,669,134
Debt service	1,775,637	234,088	3,635,432	-	3,635,432
Unassigned	-	-	(3,290,081)	(5,669,054)	(8,959,135)
Total fund balances (deficits)	1,775,637	234,088	5,252,752	10,870,198	16,122,950
Total liabilities and fund balances (deficits)	\$ 1,775,637	\$ 234,088	\$ 8,835,827	\$ 17,884,134	\$ 26,719,961

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	Low-Moderate Income Housing Fund		East Valley Mall Project Area		
	Capital Projects General Agency Fund	Capital Projects Combined Housing Fund	Debt Service Debt Service Reserve	Debt Service Tax Increment	Capital Projects Project
Revenues					
Tax increment	\$ -	\$ 1,371,105	\$ -	\$ -	\$ -
Intergovernmental grants	-	-	-	-	-
Charges for services	-	-	-	-	-
Use of money and property:					
Interest income	-	60,005	199	-	2
Rental income	-	21,175	-	-	19,637
Miscellaneous revenue	-	-	-	-	-
Total revenues	<u>-</u>	<u>1,452,285</u>	<u>199</u>	<u>-</u>	<u>19,639</u>
Expenditures					
Current:					
General government:					
Administrative costs	(371)	580,895	-	480	1,298
Professional services	-	-	-	-	-
Community development:					
Acquisition costs	-	142,680	-	-	-
Pass-through agreement payments	-	-	-	-	-
SERAF payments	-	-	-	12,672	-
Capital outlay:					
Project improvement costs	359	-	-	-	-
Debt service:					
Long-term debt repayments	-	-	205,000	-	-
Interest and other fiscal charges	-	1,140	360,701	-	-
Total expenditures	<u>(12)</u>	<u>724,715</u>	<u>565,701</u>	<u>13,152</u>	<u>1,298</u>
Excess (deficiency) of revenues over expenditures	<u>12</u>	<u>727,570</u>	<u>(565,502)</u>	<u>(13,152)</u>	<u>18,341</u>
Other financing sources (uses)					
Transfers in	-	-	565,701	-	16,031
Transfers out	-	(565,701)	-	(16,031)	-
Net other financing sources (uses)	<u>-</u>	<u>(565,701)</u>	<u>565,701</u>	<u>(16,031)</u>	<u>16,031</u>
Special Item					
Change in fund balance	<u>12</u>	<u>(702,167)</u>	<u>199</u>	<u>(29,183)</u>	<u>34,372</u>
Fund balance, beginning of year	(108,694)	4,265,749	1,981,331	(453,676)	(24,989)
Prior period adjustment	-	548,961	-	-	-
Fund balance, beginning of year, as restated	(108,694)	4,814,710	1,981,331	(453,676)	(24,989)
Fund balance, end of year	<u>\$ (108,682)</u>	<u>\$ 4,112,543</u>	<u>\$ 1,981,530</u>	<u>\$ (482,859)</u>	<u>\$ 9,383</u>

**El Monte Community Redevelopment Agency
Combining Project Area Statement of Revenues, Expenditures,
and Changes in Fund Balances
All Governmental Funds
Year ended June 30, 2011**

El Monte Plaza Project Area		Plaza El Monte Project Area		El Monte Center Project Area	
Debt Service	Capital Projects	Debt Service	Capital Projects	Debt Service	Capital Projects
Tax Increment	Project	Tax Increment	Project	Tax Increment	Project
\$ -	\$ -	\$ -	\$ -	\$ 857,708	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
147	51	5	1	233	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>147</u>	<u>51</u>	<u>5</u>	<u>1</u>	<u>857,941</u>	<u>-</u>
480	-	-	-	18,323	166,400
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
16,876	-	-	-	101,277	-
-	-	-	-	-	-
-	-	-	-	267,000	-
-	-	-	-	266,601	-
<u>17,356</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>653,201</u>	<u>166,400</u>
(17,209)	51	5	1	204,740	(166,400)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>(17,209)</u>	<u>51</u>	<u>5</u>	<u>1</u>	<u>204,740</u>	<u>(166,400)</u>
(283,388)	(796)	(27,031)	456	(44,106)	1,009,016
-	-	(3,266)	-	-	-
<u>(283,388)</u>	<u>(796)</u>	<u>(30,297)</u>	<u>456</u>	<u>(44,106)</u>	<u>1,009,016</u>
\$ (300,597)	\$ (745)	\$ (30,292)	\$ 457	\$ 160,634	\$ 842,616

	El Monte Center Amendmen #1		Downtown El Monte Project Area	
	Debt Service	Capital Projects	Debt Service	Capital Projects
	Tax Increment	Project	Tax Increment	Project
Revenues				
Tax increment	\$ 653,944	\$ -	\$ 1,091,926	\$ -
Intergovernmental grants	-	-	-	2,606,800
Charges for services	-	-	-	7,649
Use of money and property:				
Interest income	82	38,895	168	-
Rental income	-	-	-	880,000
Miscellaneous revenue	-	-	-	101,493
Total revenues	<u>654,026</u>	<u>38,895</u>	<u>1,092,094</u>	<u>3,595,942</u>
Expenditures				
Current:				
General government:				
Administrative costs	-	132,200	27,597	898,416
Professional services	-	-	-	1,096,211
Community development				
Acquisition costs	-	-	-	4,120,697
Pass-through agreement payments	428,510	-	340,313	-
SERAF payments	42,200	-	100,000	-
Capital outlay:				
Project improvement costs	-	-	-	10,680
Debt service:				
Long-term debt repayments	95,000	-	215,000	-
Interest and other fiscal charges	118,833	-	530,270	-
Total expenditures	<u>684,543</u>	<u>132,200</u>	<u>1,213,180</u>	<u>6,126,004</u>
Excess (deficiency) of revenues over expenditures	<u>(30,517)</u>	<u>(93,305)</u>	<u>(121,086)</u>	<u>(2,530,062)</u>
Other financing sources (uses)				
Transfers in	-	-	-	1,331,200
Transfers out	-	-	(1,331,200)	-
Net other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(1,331,200)</u>	<u>1,331,200</u>
Special Item	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in fund balance	<u>(30,517)</u>	<u>(93,305)</u>	<u>(1,452,286)</u>	<u>(1,198,862)</u>
Fund balance, beginning of year	472,462	652,431	1,299,245	5,072,043
Prior period adjustment	-	(44,895)	-	(1,932,551)
Fund balance, beginning of year, as restated	<u>472,462</u>	<u>607,536</u>	<u>1,299,245</u>	<u>3,139,492</u>
Fund balance, end of year	<u>\$ 441,945</u>	<u>\$ 514,231</u>	<u>\$ (153,041)</u>	<u>\$ 1,940,630</u>

**EI Monte Community Redevelopment Agency
Combining Project Area Statement of Revenues, Expenditures,
and Changes in Fund Balances (Continued)
All Governmental Funds
Year ended June 30, 2011**

Downtown EI Monte Project Area #2		Northwest EI Monte Project Area		Valley/Durfee Project Area	
Debt Service	Capital Projects	Debt Service	Capital Projects	Debt Service	Capital Projects
Tax Increment	Project	Tax Increment	Projects	Tax Increment	Projects
\$ 492,487	\$ -	\$ 1,570,439	\$ -	\$ 765,887	\$ -
	-				
	-				
2,077	45	2,895	33,811	1,599	785
-	-	-	-	-	-
-	-	-	-	-	-
<u>494,564</u>	<u>45</u>	<u>1,573,334</u>	<u>33,811</u>	<u>767,486</u>	<u>785</u>
10,095	99,600	41,739	316,600	14,962	154,800
	-	-	301,518	-	
-	-	-	45,561	-	-
35,389	-	756,179	-	55,159	-
47,681	-	67,092	-	34,185	-
-	-	-	436,012	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>93,165</u>	<u>99,600</u>	<u>865,010</u>	<u>1,099,691</u>	<u>104,306</u>	<u>154,800</u>
401,399	(99,555)	708,324	(1,065,880)	663,180	(154,015)
-	-	-	2,299,123	-	1,345,888
-	-	(2,299,123)	-	(1,345,888)	-
-	-	(2,299,123)	2,299,123	(1,345,888)	1,345,888
-	-	-	-	-	-
<u>401,399</u>	<u>(99,555)</u>	<u>(1,590,799)</u>	<u>1,233,243</u>	<u>(682,708)</u>	<u>1,191,873</u>
1,164,076	33,212	1,559,933	763,703	742,940	437,289
-	-	30,866	-	-	-
<u>1,164,076</u>	<u>33,212</u>	<u>1,590,799</u>	<u>763,703</u>	<u>742,940</u>	<u>437,289</u>
<u>\$ 1,565,475</u>	<u>\$ (66,343)</u>	<u>\$ -</u>	<u>\$ 1,996,946</u>	<u>\$ 60,232</u>	<u>\$ 1,629,162</u>

El Monte Community Redevelopment Agency
Combining Project Area Statement of Revenues, Expenditures,
and Changes in Fund Balances (Continued)
All Governmental Funds
Year ended June 30, 2011

	El Monte Center Debt Service	El Monte Center Annex Debt Service	Totals		Total Governmental Funds
	Reserve	Reserve	Debt Service Funds	Capital Projects Funds	
Revenues					
Tax increment	\$ -	\$ -	\$ 5,432,391	\$ 1,371,105	\$ 6,803,496
Intergovernmental grants	-	-	-	2,606,800	2,606,800
Charges for services	-	-	-	7,649	7,649
Use of money and property:					
Interest income	81	11	7,497	133,595	141,092
Rental income	-	-	-	920,812	920,812
Miscellaneous revenue	-	-	-	101,493	101,493
Total revenues	<u>81</u>	<u>11</u>	<u>5,439,888</u>	<u>5,141,454</u>	<u>10,581,342</u>
Expenditures					
Current:					
General government:					
Administrative costs	-	-	113,676	2,349,838	2,463,514
Professional services	-	-	-	1,397,729	1,397,729
Community development:					
Acquisition costs	-	-	-	4,308,938	4,308,938
Pass-through agreement payments	-	-	1,615,550	-	1,615,550
SERAF payments	-	-	421,983	-	421,983
Capital outlay:					
Project improvement costs	-	-	-	447,051	447,051
Debt service:					
Long-term debt repayments	-	-	782,000	-	782,000
Interest and other fiscal charges	-	-	1,276,405	1,140	1,277,545
Total expenditures	<u>-</u>	<u>-</u>	<u>4,209,614</u>	<u>8,504,696</u>	<u>12,714,310</u>
Excess (deficiency) of revenues over expenditures	<u>81</u>	<u>11</u>	<u>1,230,274</u>	<u>(3,363,242)</u>	<u>(2,132,968)</u>
Other financing sources (uses)					
Transfers in	-	-	565,701	4,992,242	5,557,943
Transfers out	-	-	(4,992,242)	(565,701)	(5,557,943)
Net other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(4,426,541)</u>	<u>4,426,541</u>	<u>-</u>
Special Item	<u>-</u>	<u>-</u>	<u>-</u>	<u>(864,036)</u>	<u>(864,036)</u>
Change in fund balance	<u>81</u>	<u>11</u>	<u>(3,196,267)</u>	<u>199,263</u>	<u>(2,997,004)</u>
Fund balance, beginning of year	1,775,556	234,077	8,421,419	12,099,420	20,520,839
Prior period adjustment	-	-	27,600	(1,428,485)	(1,400,885)
Fund balance, beginning of year, as restated	<u>1,775,556</u>	<u>234,077</u>	<u>8,449,019</u>	<u>10,670,935</u>	<u>19,119,954</u>
Fund balance, end of year	<u>\$ 1,775,637</u>	<u>\$ 234,088</u>	<u>\$ 5,252,752</u>	<u>\$ 10,870,198</u>	<u>\$ 16,122,950</u>

**EI Monte Community Redevelopment Agency
 Computation of Low and Moderate
 Income Housing Funds
 Excess Surplus**

OPENING FUND BALANCE - JULY 1, 2010		\$ 6,796,041
LESS UNAVAILABLE AMOUNTS:		
Unspent debt proceeds (Section 33334.12 (g)(3)(B))		<u>(1,981,530)</u>
AVAILABLE LOW AND MODERATE INCOME HOUSING FUNDS		4,814,511
LIMITATION (GREATER OF \$1,000,000 OR FOUR YEARS SET-ASIDE):		
Set-aside for the last four years:		
2010-2011	\$	1,371,105
2009-2010		1,321,899
2008-2009		1,341,965
2007-2008		<u>1,189,828</u>
Total set-aside for the last four years	\$	<u>5,224,797</u>
Base limitation	\$	<u>1,000,000</u>
GREATER AMOUNT		\$ <u>5,224,797</u>
COMPUTED EXCESS SURPLUS - JULY 1, 2011		\$ <u>None</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
El Monte Community Development Agency**

We have audited the basic financial statements of the El Monte Community Redevelopment Agency (Agency), a component unit of the City of El Monte, California, as of and for the year ended June 30, 2011, and have issued our report thereon dated March 23, 2012. 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.

Internal Control Over Financial Reporting

Management of the Agency is responsible for establishing and maintaining effective 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of finding as item FS 11-01.



Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. Such provisions included those provisions of laws and regulations identified in the *Guidelines for 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 instances of noncompliance or other matters that are required to be reported under Government Auditing Standards as described in the accompanying schedule of findings as Finding 2011-01 to 2011-03.

The El Monte Community Redevelopment Agency's responses to the findings identified in our audit are described in the accompanying summary of findings. We did not audit the City of El Monte's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information of the Board of Directors and management of the El Monte Community Redevelopment Agency 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.

Los Angeles, California
March 23, 2012

Section I – Financial Statement Findings

The following financial statement findings were noted as part of the City audit and were also determined applicable to the Agency:

FS 11-01: Year-end Closing Process

Condition and Context

This year's closing process was delayed because some important procedures were not performed on time. These included:

- Reconciliation of major balance sheet accounts.
- Accounts and notes receivables were not updated and reconciled with the general ledger in a timely manner.
- Cut off procedures. There appears to be inadequate cut-off procedures relating to year-end accruals.

Cause and Effect

During the fiscal year 2009-10, there was major personnel turnover in the City including the resignation of the accounting manager. A new Finance Director was hired in 2010. However, currently, the accounting personnel and support are not sufficient and knowledgeable to ensure that the accounting records are updated and transactions are recorded correctly. The results of these conditions were delays in producing closing entries, trial balances, schedules, reconciliations, account analysis, and post-closing other financial reports needed by management and the auditors. This also resulted in numerous audit adjustments and late submission of the annual report to the State Controller's Office.

Recommendation

We recommend that the City of El Monte establish proper closing and reconciliation procedures and assign responsibility for completing the procedures to specific City personnel. The closing procedures should be documented in a checklist that indicates who will perform each procedure and when completion of each procedure is due and is accomplished. The timing of specific procedures could be coordinated with the timing of management's or the auditor's need for the information. These reconciliations will help to ensure meaningful and accurate financial statements

We also recommend that the City hire an experienced competent Controller or Accounting Manager who will be responsible for ensuring that key internal control processes are implemented including timely update of subsidiary records and reconciliation of account balances, proper recording of transactions, and timely closing of the books.

Management Response

Section II – Compliance Findings

Finding 2011-01 – Annual Reporting

Criteria

In accordance with the California Health and Safety Code Section 33080.1, the Agency must present an annual report to its legislative body and the State Controller's Office within six months of the end of a fiscal year (December 31). The annual report contains several items, including the independent auditor's reports, blight progress report and others.

Condition

This is a recurring prior year finding. The annual report for FY 10-11 was submitted late. The audited Agency financial statements were finalized on March 23, 2011.

Recommendation

We recommend that the Agency strengthened procedures to ensure that reports submitted are complete. We also recommend that the Agency establish proper closing procedures to ensure that the accounting records are finalized in order that audit can be conducted and completed by the mandated deadline.

Management Response

Finding 2011-02 – Affordable Housing - Planning and Administrative Expenses Charged to the Low and Moderate Income Housing Fund

Criteria

Health and Safety Code Section 33334.3 states the following:

“- (d) It is the intent of the Legislature that the Low and Moderate Income Housing Fund be used to the maximum extent possible to defray the costs of production, improvement, and preservation of low- and moderate-income housing and that the amount of money spent for planning and general administrative activities associated with the development, improvement, and preservation of that housing not be disproportionate to the amount actually spent for the costs of production, improvement, or preservation of that housing. The agency shall determine annually that the planning and administrative expenses are necessary for the production, improvement, or preservation of low- and moderate-income housing.”

This determination must be made annually in writing.

Condition

This is a recurring prior year finding. During our audit, we noted that for the Fiscal Year 2010-2011, we noted that there was no Board approved written determination showing that planning and administrative expenditures charged to the Housing Fund were necessary for the production, improvement, or preservation of low- and moderate-income housing.

Recommendation:

We recommend that the Agency implement effective procedures to ensure compliance with the requirements of the Health & Safety Code applicable to redevelopment agencies.

Management Response:

Finding # 2011-03 – Housing Assistance

Criteria

Agencies shall require property owners or managers of low and moderate income property owners to submit an annual report to the Agency.

Health and Safety Code Section 33418 states the following:

“- (d) (a) An agency shall monitor, on an ongoing basis, any housing affordable to persons and families of low or moderate income developed or otherwise made available pursuant to any provisions of this part. As part of this monitoring, an agency shall require owners or managers of the housing to submit an annual report to the agency. The annual reports shall include for each rental unit the rental rate and the income and family size of the occupants, and for each owner-occupied unit whether there was a change in ownership from the prior year and, if so, the income and family size of the new owners. The income information required by this section shall be supplied by the tenant in a certified statement on a form provided by the agency.”

Condition

This is a recurring prior year finding. During our audit, we noted that the Agency does not have any system or procedure of monitoring the Agency's affordable housing program. There was no annual monitoring report received from each of the managers or owners of properties providing affordable housing to low- and moderate-income households.

Recommendation:

We recommend that the Agency implement stricter procedures to ensure that systems or procedures for monitoring the Agency's affordable housing program are in place and are functioning effectively.

Management Response:

**El Monte Community Redevelopment Agency
Status of Prior Year Findings
Year ended June 30, 2011**

Finding Reference	Finding Description	Condition	Recommendation	Current Status
FS 10-01	Year-end Closing Process	<p>This year's closing process was delayed because some important procedures were not performed on time. These included:</p> <ul style="list-style-type: none"> • Reconciliation of major balance sheet accounts. Cash and investment accounts were not being reconciled monthly. • Accounts and notes receivables were not updated and reconciled with the general ledger in a timely manner. • Cut off procedures. There appears to be inadequate cut-off procedures relating to year-end accruals. 	<p>We recommend that the City of El Monte establish proper closing and reconciliation procedures and assign responsibility for completing the procedures to specific City personnel. The closing procedures should be documented in a checklist that indicates who will perform each procedure and when completion of each procedure is due and is accomplished. The timing of specific procedures could be coordinated with the timing of management's or the auditor's need for the information. These reconciliations will help to ensure meaningful and accurate financial statements</p>	Not implemented. See Finding FS 11-01.
			<p>We also recommend that the City hire an experienced competent Controller or Accounting Manager who will be responsible for ensuring that key internal control processes are implemented including timely update of subsidiary records and reconciliation of account balances, proper recording of transactions, and timely closing of the books.</p>	

**EI Monte Community Redevelopment Agency
 Status of Prior Year Findings (Continued)
 Year ended June 30, 2011**

Finding Reference	Finding Description	Condition	Recommendation	Current Status
FS 10-02	Bank Reconciliation	<p>During our review of cash and investments, it was determined that the main checking account and payroll account were not properly reconciled. It was also noted that reconciliations for both the main account and payroll account were not prepared on a timely basis. Several material adjustments were required to correct the balance of pooled cash in the general ledger. In addition, transfers to the payroll account were not accounted properly in the reconciliations. Lastly, we noted material outgoing wire transfers were not recorded in the accounting records.</p>	<p>We recommend that the City of EI Monte reconcile all cash and investment accounts on a monthly, timely basis in order to verify that the balance on the general ledger is properly recorded. Furthermore, reconciliation of main checking account and payroll account should be performed at the earliest possible time, to determine if there are material disbursements that are not accounted for properly. In addition, it is generally easier and less time-consuming to reconcile accounts while transactions can still be recalled</p>	Implemented.

**EI Monte Community Redevelopment Agency
 Status of Prior Year Findings (Continued)
 Year ended June 30, 2011**

Finding Reference	Finding Description	Condition	Recommendation	Current Status
FS 10-03	<p>Unsupported loans between the City and the Redevelopment Agency</p>	<p>The Redevelopment Agency currently has loans from the City. However, efforts during the audit process to find documentation of all these loans within the office proved to be futile. We noted that approximately 69% of the loans between the City and the Redevelopment Agency do not have supporting documentation such as loan agreements and/or adopted or approved resolutions. Hence, we were not able to substantiate such loans during our audit.</p>	<p>The availability of records can be critical to a business organization in the event of an audit by federal or state agencies, a lawsuit, an insurance claim, a dispute or other circumstances. Supporting documentation for items in the books of account should be readily available within the organization. We strongly recommend that a better system of document retention and file maintenance be implemented. A clear, written record-retention policy can help ensure that the appropriate records are available when they are needed. This type of file maintenance is a basic element of a strong system of accounting procedures and related controls. Clearly, an improved filing system would provide the way for increased efficiencies and greatly aid the organization.</p>	<p>Implemented.</p>
Finding 2010-01	<p>Annual Reporting</p>	<p>The annual report for FY 09-10 was submitted late. The audited Agency financial statements were finalized on May 31, 2011.</p>	<p>We recommend that the Agency strengthened procedures to ensure that reports submitted are complete. We also recommend that the Agency establish proper closing procedures to ensure that the accounting records are finalized in order that audit can be conducted and completed by the mandated deadline.</p>	<p>Not implemented. See Finding 2011-01</p>

**El Monte Community Redevelopment Agency
Status of Prior Year Findings (Continued)
Year ended June 30, 2011**

Finding Reference	Finding Description	Condition	Recommendation	Current Status
Finding 2010-02	Affordable Housing Planning & Administrative Expenses Charged to the Low and Moderate Income Housing Fund	During our audit, we noted that for the Fiscal Year 2010-2011, we noted that there was no Board approved written determination showing that planning and administrative expenditures charged to the Housing Fund were necessary for the production, improvement, or preservation of low- and moderate-income housing.	We recommend that the Agency implement effective procedures to ensure compliance with the requirements of the Health & Safety Code applicable to redevelopment agencies.	Not implemented. See Finding 2011-02
Finding 2010-03	Housing Assistance	During our audit, we noted that the Agency does not have any system or procedure of monitoring the Agency's affordable housing program. There was no annual monitoring report received from each of the managers or owners of properties providing affordable housing to low- and moderate-income households.	We recommend that the Agency implement stricter procedures to ensure that systems or procedures for monitoring the Agency's affordable housing program are in place and are functioning effectively.	Not implemented. See Finding 2011-03