

**WEST HOLLYWOOD
COMMUNITY DEVELOPMENT COMMISSION
WEST HOLLYWOOD, CALIFORNIA**

FINANCIAL STATEMENTS

**FOR THE SEVEN MONTHS ENDED
JANUARY 31, 2012**

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INDEPENDENT AUDITORS' REPORT

To the Honorable Chair and Members of the Governing Board
West Hollywood Community Development Commission
City of West Hollywood, California

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the West Hollywood Community Development Commission (Agency), a component unit of the City of West Hollywood, California as of and for the seven months ended January 31, 2012, 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 misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Agency, as of January 31, 2012, and the respective changes in financial position, thereof for the seven months ended January 31, 2012 in conformity with accounting principles generally accepted in the United States of America.

We would like to draw the reader's attention to Note 9 – "California Redevelopment Agency Dissolution". The note provides information on two bills passed, AB X1 26 and AB X1 27 which dissolve redevelopment agencies as of January 31, 2012 based on the California Supreme Court ruling dated December 29, 2011.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 8, 2013, on our consideration of the 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



To the Honorable Chair and Members of the Governing Board
West Hollywood Community Development Commission

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's financial statements as a whole. The combining project area statements are presented for purposes of additional analysis and are not a required part of the financial statements. These are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

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

Lance, Soll & Lingham, LLP

Brea, California
January 8, 2013

WEST HOLLYWOOD COMMUNITY DEVELOPMENT COMMISSION

**STATEMENT OF NET ASSETS
JANUARY 31, 2012**

	<u>Governmental Activities</u>
Assets:	
Cash and investments	\$ 12,053,318
Receivables:	
Accounts	\$ 7,350
Interest	10
Loans	5,243,049
Less: Allowance for loan forgiveness	<u>(5,243,049)</u>
Total Receivables	7,360
Deferred charges	885,188
Restricted assets:	
Cash and investments with trustees	32,972,222
Capital assets (Net of Depreciation):	
Land and improvements	<u>1,676,856</u>
Total Capital Assets	<u>1,676,856</u>
 Total Assets	 <u>47,594,944</u>
 Liabilities:	
Accounts payable and accrued expenses	1,826,806
Due to other governments	1,065,115
Deposits from others	15,193
Long-term liabilities:	
Due within one year	620,750
Due in more than one year	<u>46,440,504</u>
Total Long-Term Liabilities	<u>47,061,254</u>
 Total Liabilities	 <u>49,968,368</u>
 Net Assets:	
Invested in capital assets, net of related debt	1,676,856
Restricted for:	
Community development	9,425,580
Debt service	3,789,526
Unrestricted	<u>(17,265,386)</u>
 Total Net Assets	 <u>\$ (2,373,424)</u>

WEST HOLLYWOOD COMMUNITY DEVELOPMENT COMMISSION

STATEMENT OF ACTIVITIES
FOR THE SEVEN MONTHS ENDED JANUARY 31, 2012

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenues and Changes in Net Assets Governmental Activities</u>
		<u>Charges for Services</u>	<u>Operating Contributions and Grants</u>	
Functions/Programs				
Governmental Activities:				
General government	\$ 725,605	\$ -	\$ -	\$ (725,605)
Community development	996,532	-	-	(996,532)
Interest on long-term debt	2,058,608	-	-	(2,058,608)
Contributions from City	-	-	32,239,747	32,239,747
Total Governmental Activities	\$ 3,780,745	\$ -	\$ -	\$ 28,459,002
General Revenues:				
Taxes (net of pass-through payments)				2,560,274
Use of money and property				66,605
Total General Revenues				2,626,879
Change in Net Assets				31,085,881
Net Assets at July 1				(35,140,830)
Restatement of Net Assets				1,681,525
Net Assets at January 31				\$ (2,373,424)

WEST HOLLYWOOD COMMUNITY DEVELOPMENT COMMISSION

BALANCE SHEET
GOVERNMENTAL FUNDS
JANUARY 31, 2012

	<u>Capital Projects</u>	<u>Capital Projects</u>	<u>Debt Service</u>	
	<u>East Side Redevelopment Project Area</u>	<u>East Side Redevelopment Project Area</u>	<u>East Side Redevelopment Project Area</u>	
	<u>Project</u>	<u>Low and Moderate Housing</u>	<u>Tax Increment</u>	<u>Total Governmental Funds</u>
Assets:				
Cash and investments	\$ 3,230,599	\$ 8,209,429	\$ 613,290	\$ 12,053,318
Cash and investments with trustee	27,245,306	1,492,915	4,234,001	32,972,222
Receivables:				
Accounts	-	-	7,350	7,350
Interest	3	7	-	10
Loans	-	5,243,049	-	5,243,049
Less: Allowance for loan forgiveness	-	(5,243,049)	-	(5,243,049)
Total Assets	\$ 30,475,908	\$ 9,702,351	\$ 4,854,641	\$ 45,032,900
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ 113,272	\$ 276,771	\$ -	\$ 390,043
Deposits from others	15,193	-	-	15,193
Due to other governments	-	-	1,065,115	1,065,115
Total Liabilities	128,465	276,771	1,065,115	1,470,351
Fund Balances:				
Restricted for:				
Debt service	-	-	3,789,526	3,789,526
Low and moderate activities	-	9,425,580	-	9,425,580
Assigned to:				
Community development	30,347,443	-	-	30,347,443
Total Fund Balances	30,347,443	9,425,580	3,789,526	43,562,549
Total Liabilities and Fund Balances	\$ 30,475,908	\$ 9,702,351	\$ 4,854,641	\$ 45,032,900

WEST HOLLYWOOD COMMUNITY DEVELOPMENT COMMISSION

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JANUARY 31, 2012**

Fund balances of governmental funds **\$ 43,562,549**

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds 1,676,856

Bond issuance costs is an expenditure in the governmental funds, but it is deferred charges in the statement of net assets:

 Unamortized debt issuance costs - amortized over life of the bonds 885,188

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 (47,785,000)

 Loans from City (25,750)

 Unamortized net original issue discounts and (premiums) 749,496

Accrued interest payable for the current portion of interest due on Tax Allocation

Bonds has not been reported in the governmental funds. (1,436,763)

Net assets of governmental activities **\$ (2,373,424)**

WEST HOLLYWOOD COMMUNITY DEVELOPMENT COMMISSION

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE SEVEN MONTHS ENDED JANUARY 31, 2012

	<u>Capital Projects</u>	<u>Capital Projects</u>	<u>Debt Service</u>	
	<u>East Side Redevelopment Project Area</u>	<u>East Side Redevelopment Project Area</u>	<u>East Side Redevelopment Project Area</u>	
		<u>Low and Moderate Housing</u>	<u>Tax Increment</u>	<u>Total Governmental Funds</u>
	<u>Project</u>			
Revenues:				
Taxes and assessments	\$ -	\$ -	\$ 3,333,061	\$ 3,333,061
Use of money and property	52,230	19,651	(5,276)	66,605
Total Revenues	52,230	19,651	3,327,785	3,399,666
Expenditures:				
Current:				
General government	607,105	23,385	90,446	720,936
Capital outlay	412,669	583,863	-	996,532
Debt service	-	1,087,650	2,819,969	3,907,619
Total Expenditures	1,019,774	1,694,898	2,910,415	5,625,087
Excess (Deficiency) of Revenues Over (Under) Expenditures	(967,544)	(1,675,247)	417,370	(2,225,421)
Other Financing Sources (Uses):				
Pass-through agreement payments	-	-	(772,787)	(772,787)
Contribution from City	32,239,747	-	-	32,239,747
Total Other Financing Sources (Uses):	32,239,747	-	(772,787)	31,466,960
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses	31,272,203	(1,675,247)	(355,417)	29,241,539
Fund Balances:				
Beginning, July 1	(924,760)	11,100,827	4,144,943	14,321,010
End, January 31	\$ 30,347,443	\$ 9,425,580	\$ 3,789,526	\$ 43,562,549

WEST HOLLYWOOD COMMUNITY DEVELOPMENT COMMISSION

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE SEVEN MONTHS ENDED JANUARY 31, 2012**

Net change in fund balances - total governmental funds	\$ 29,241,539
Amounts reported for governmental activities in the statement of activities are different because:	
Repayment of long term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets:	
Tax allocation bonds	2,200,000
Bond issuance costs is an expenditure in the governmental funds, but it is deferred charges in the statement of net assets:	
Amortization for current fiscal year	(18,639)
Unamortized premium or discounts on bonds issued are revenue or expenditures in the governmental funds, but these are spread to future periods over the life of the new bonds:	
Amortization for current fiscal year	(15,110)
Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those assets is capitalized and allocated over their estimated useful lives through depreciation expense:	
Depreciation	(4,669)
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	(1,436,763)
Prior year accrual of interest due on bonds	1,119,523
Change in net assets of governmental activities	<u>\$ 31,085,881</u>

WEST HOLLYWOOD COMMUNITY DEVELOPMENT COMMISSION

**NOTES TO FINANCIAL STATEMENTS
FOR THE SEVEN MONTHS ENDED JANUARY 31, 2012**

I. SIGNIFICANT ACCOUNTING POLICIES

Note 1: Organization and Summary of Significant Accounting Policies

a. Description of the Reporting Entity

The West Hollywood Community Development Commission (Agency) is a component unit of a reporting entity which consists of the following primary government and component units:

Reporting Entity:

Primary Government:

City of West Hollywood

Component Units:

West Hollywood Community Development Commission
West Hollywood Housing Authority
West Hollywood Public Facilities Corporation
West Hollywood Public Financing Authority
West Hollywood Community Foundation
West Hollywood Library Fund

Discretely Presented Component Unit:

West Hollywood Marketing Corporation

The attached basic financial statements contain information relative only to the West Hollywood Community Development Commission 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 Agency was established on April 1, 1996, by the City Council of the City of West Hollywood with the adoption of Ordinance No. 96-461. The five members of the City Council, acting as the Community Development Commission, serve as the governing body of the Agency and exercise all rights, powers, duties and privileges of the Agency. The Mayor serves as Chairperson of the Agency. The redevelopment plan for the East Side Redevelopment Project was approved by Ordinance No. 97-494 adopted by the City Council on June 2, 1997. The project area consists of approximately 338 acres.

b. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) 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.

WEST HOLLYWOOD COMMUNITY DEVELOPMENT COMMISSION

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE SEVEN MONTHS ENDED JANUARY 31, 2012**

Note 1: Organization and Summary of Significant Accounting Policies (Continued)

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

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.

c. 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.

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and, so, 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 reports the following major governmental funds:

The Project Fund accounts for the general administration activities of the Agency and the payment of costs of the projects to achieve the goals established in the Redevelopment Plan.

The Low and Moderate Housing Fund accounts for financial resources segregated for the purposes of increasing and improving the community's supply of low and moderate income housing available at affordable housing costs pursuant to Section 33670 of the Health and Safety Code.

WEST HOLLYWOOD COMMUNITY DEVELOPMENT COMMISSION

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE SEVEN MONTHS ENDED JANUARY 31, 2012**

Note 1: Organization and Summary of Significant Accounting Policies (Continued)

The Tax Increment Fund accounts for tax increment received by the Agency. Increment received into this fund is then transferred to the fiscal agent for the retirement of bonded indebtedness.

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.

d. Assets, Liabilities and Net Assets or Equity

1. Investments

Investments for the Agency are reported at fair value. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

2. 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 non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown net of an allowance for uncollectibles.

Property tax revenue is recognized in the fiscal year for which the taxes have been levied providing they become available. Available means then 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 March each year and are delinquent on August 31.

3. Capital Assets

Capital assets which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

WEST HOLLYWOOD COMMUNITY DEVELOPMENT COMMISSION

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE SEVEN MONTHS ENDED JANUARY 31, 2012**

Note 1: Organization and Summary of Significant Accounting Policies (Continued)

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment is depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings	50
Building improvements	50
Public domain infrastructure	50
Construction-in-progress	N/A
Vehicles	5
Office equipment	3
Machinery and equipment	10
Equipment under lease purchase	3
Furniture and Fixtures	7

4. 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 statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized 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.

5. Fund Equity

Fund balance is essentially the difference between the assets and liabilities reported in a governmental fund. There are five separate components of fund balance, each of which identifies the extent to which the Agency is bound to honor constraints on the specific purposes for which amounts can be spent.

WEST HOLLYWOOD COMMUNITY DEVELOPMENT COMMISSION

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE SEVEN MONTHS ENDED JANUARY 31, 2012**

Note 1: Organization and Summary of Significant Accounting Policies (Continued)

Non-spendable Fund Balance - The portion of fund balance that cannot be spent due to form such as inventories, prepaid amounts, long-term loans, notes receivable, and property held for resale, unless the proceeds are restricted, committed or assigned. Also, amounts that must be maintained intact legally or contractually, such as the principal of a permanent fund would be reported as non-spendable.

Restricted Fund Balance - The portion of fund balance that is subject to externally enforceable limitations by law, enabling legislation or limitations imposed by creditors or grantors.

Committed Fund Balance - The portion of fund balance that is subject to self-imposed constraints on spending due to the formal action of the highest level of decision making authority (the Agency Governing Board).

Assigned Fund Balance - The portion of fund balance that is constrained by the Agency's intent to utilize fund balance for a specific purpose.

Unassigned Fund Balance - The portion of fund balance that is available for any purpose.

Flow Assumptions - The spending prioritization policy (the flow assumption) is to use restricted amounts. Committed resources are then used followed by Assigned resources, and finally Unassigned resources.

II. STEWARDSHIP

Note 2: Stewardship, Compliance and Accountability

a. Budgetary Data

General Budget Policies

The Governing Board approves each year's budget submitted by the Executive Director prior to the beginning of the new fiscal year. The Board conducts public meetings 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 Board. Intradepartmental budget changes are approved by the Executive Director. In most cases, expenditures may not exceed appropriations at the departmental level. At fiscal year-end, all operating budget appropriations lapse. During the year, several supplementary appropriations were necessary.

Budget Basis of Accounting

Budgets for governmental funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).

WEST HOLLYWOOD COMMUNITY DEVELOPMENT COMMISSION

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE SEVEN MONTHS ENDED JANUARY 31, 2012**

III. DETAILED NOTES ON FUNDS

Note 3: Cash and Investments

Cash and investments reported in the accompanying financial statements consisted of the following:

Cash and investments pooled with the City	\$ 12,053,318
Cash and investments with trustee	<u>32,972,222</u>
	<u>\$ 45,025,540</u>

The Agency's cash and investments are pooled with the City of West Hollywood's cash and investment in order to generate optimum interest income. Each fund's share of the pooled cash account is separately accounted for, and investment income is allocated to all participating funds based on the relationship of their average daily cash balances to the total of the pooled cash and investments. Information regarding the authorized types of deposits and investments, the type of risks (i.e. credit, interest rate, custodial, etc.) and other disclosures associated with the City's pooled cash and investments is included in the City's basic financial statements, which are available at City Hall.

Note 4: Capital Assets

Capital asset activity for the seven months ending January 31, 2012, was as follows:

	Balance July 1, 2011	Adjustment*	Increases	Decreases	Balance January 31, 2012
Capital Assets, Not Being Depreciated:					
Land	\$ -	\$ 1,338,057	\$ -	\$ -	\$ 1,338,057
Capital Assets Being Depreciated:					
Improvements other than buildings	-	400,157	-	-	400,157
Total Capital Assets	<u>-</u>	<u>1,738,214</u>	<u>-</u>	<u>-</u>	<u>1,738,214</u>
Less: accumulated depreciation:					
Improvements other than buildings	<u>-</u>	<u>(56,689)</u>	<u>(4,669)</u>	<u>-</u>	<u>(61,358)</u>
Total Capital Assets, Net	<u>\$ -</u>	<u>\$ 1,681,525</u>	<u>\$ (4,669)</u>	<u>\$ -</u>	<u>\$ 1,676,856</u>

*The transfer of capital assets to the City at June 30, 2011 was reversed in July 2011.

WEST HOLLYWOOD COMMUNITY DEVELOPMENT COMMISSION

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE SEVEN MONTHS ENDED JANUARY 31, 2012**

Note 5: Long Term Obligations

- a. A description of long-term debt outstanding of the Agency as of January 31, 2012, follows:

Bonds Payable

2003 Tax Allocation Bonds

In September 2003, the West Hollywood Community Development Commission issued \$11,500,000 Eastside Redevelopment Project 2003 Tax Allocation Bonds for the purpose of financing redevelopment activities. Out of \$11,500,000, \$8,000,000 was deposited into the Capital Projects Fund and \$3,500,000 was deposited into the Low and Moderate Housing Fund. The respective funds will repay the bonds in proportion to the proceeds received. The bonds consist of \$5,650,000 serial bonds with annual maturity dates from September 1, 2004 through September 1, 2023 and interest rates ranging from 3.000% to 5.700%, \$2,520,000 term bonds with an interest rate of 5.625% maturing September 1, 2028, and \$3,330,000 term bonds with an interest rate of 5.750% maturing September 1, 2033. Interest is payable semiannually beginning March 1, 2004. The balance outstanding at January 31, 2012, is \$9,770,000, less unamortized bond original issue discount of \$75,522, netting \$9,694,478.

2011 Tax Allocation Bonds

In March 2011, the West Hollywood Community Development Commission issued \$30,560,000 Eastside Redevelopment Project 2011 Tax Allocation Bonds, Series A to finance additional redevelopment activities within the Commission's East Side Project Area in the City of West Hollywood. The bonds consist of \$4,625,000 serial bonds with annual maturity dates from September 1, 2011 through September 1, 2021 and interest rates ranging from 2.000% to 6.250%, \$2,415,000 term bonds with an interest rate of 7.000% and maturing September 1, 2026, \$3,400,000 term bonds with an interest rate of 7.250% maturing September 1, 2031, and \$20,120,000 term bonds with an interest rate of 7.500% maturing September 1, 2042. Interest is payable semiannually beginning September 1, 2011. The balance outstanding at January 31, 2012, is \$29,120,000, less unamortized bond original issue discount of \$325,626, netting \$28,794,374.

In March 2011, the West Hollywood Community Development Commission issued \$9,420,000 Eastside Redevelopment Project 2011 Tax Allocation Bonds, Series B to finance low and moderate income housing activities. The bonds consist of \$1,125,000 serial bonds with annual maturity dates from September 1, 2011 through September 1, 2021 and interest rates ranging from 3.000% to 8.500%, \$525,000 term bonds with an interest rate of 9.250% maturing September 1, 2026, \$815,000 term bonds with an interest rate of 9.500% maturing September 1, 2031, and \$6,955,000 term bonds with an interest rate of 9.500% maturing September 1, 2042. Interest is payable semiannually beginning September 1, 2011. The balance outstanding at January 31, 2012, is \$8,895,000, less unamortized bond original issue discount of \$348,348, netting \$8,546,652.

WEST HOLLYWOOD COMMUNITY DEVELOPMENT COMMISSION

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE SEVEN MONTHS ENDED JANUARY 31, 2012**

Note 5: Long Term Obligations (Continued)

Loans from City

The City of West Hollywood has made loans to the Agency. The loans bear interest at the rate of 6%. There is no fixed repayment date because the loans will be repaid from any available funds upon demand of the City. As of January 31, 2012, the loan amounts to \$25,750 including accrued interest of \$750.

- b. The following is a schedule of changes in long-term obligations of the Agency for the seven months ended January 31, 2012:

	Balance July 1, 2011	Additions	Repayments	Balance January 31, 2012	Due Within One Year
<u>East Side Redevelopment Project Area</u>					
City Loans - Principal	\$ 25,000	\$ -	\$ -	\$ 25,000	\$ 25,000
City Loans - Unpaid Interest	750	-	-	750	750
2003 - TAB	10,005,000	-	235,000	9,770,000	245,000
2011 - TAB, Series A	30,560,000	-	1,440,000	29,120,000	290,000
2011 - TAB, Series B	9,420,000	-	525,000	8,895,000	60,000
Total	<u>\$ 50,010,750</u>	<u>\$ -</u>	<u>\$ 2,200,000</u>	<u>\$ 47,810,750</u>	<u>\$ 620,750</u>
Unamortized net original issue (discount) or premium				<u>(749,496)</u>	
Net Long-term Debt				<u>\$ 47,061,254</u>	

As previously discussed, the Agency has pledged a portion of the tax increment revenue that it receives as security for tax allocation bonds it has issued. These bonds were to provide financing for various capital projects. 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 remaining on the debt is \$123,834,315 with annual debt service requirements as indicated below. For the seven months ended January 31, 2012, the total tax increment revenue, net of pass through payments, recognized by the Agency was \$1,893,662 in the Tax Increment Fund and \$666,612 in the Low and Moderate Housing Fund, and the debt service obligation on the bonds was \$3,907,619.

WEST HOLLYWOOD COMMUNITY DEVELOPMENT COMMISSION

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE SEVEN MONTHS ENDED JANUARY 31, 2012**

Note 5: Long Term Obligations (Continued)

c. The following is a schedule, by years, of future debt service payments as of January 31:

	2003 Tax Allocation Bonds		2011 Tax Allocation Bonds, Series A	
	Principal	Interest	Principal	Interest
2012 - 2013	\$ 245,000	\$ 538,320	\$ 290,000	\$ 2,082,300
2013 - 2014	260,000	527,295	265,000	2,076,500
2014 - 2015	270,000	514,945	275,000	2,067,888
2015 - 2016	285,000	502,120	285,000	2,056,888
2016 - 2017	295,000	488,155	305,000	2,042,638
2017 - 2022	1,735,000	2,192,450	1,765,000	9,951,088
2022 - 2027	2,260,000	1,659,911	2,415,000	9,307,400
2027 - 2032	2,980,000	945,538	3,400,000	8,318,938
2032 - 2037	1,440,000	125,350	6,605,000	6,743,625
2037 - 2042	-	-	10,835,000	3,560,250
2042 - 2047	-	-	2,680,000	100,500
Totals	<u>\$ 9,770,000</u>	<u>\$ 7,494,084</u>	<u>\$ 29,120,000</u>	<u>\$ 48,308,015</u>

	2011 Tax Allocation Bonds, Series B		Total	
	Principal	Interest	Principal	Interest
2012 - 2013	\$ 60,000	\$ 827,613	\$ 595,000	\$ 3,448,233
2013 - 2014	45,000	825,513	570,000	3,429,308
2014 - 2015	50,000	823,488	595,000	3,406,321
2015 - 2016	50,000	820,738	620,000	3,379,746
2016 - 2017	55,000	817,613	655,000	3,348,406
2017 - 2022	340,000	4,021,563	3,840,000	16,165,101
2022 - 2027	525,000	3,845,688	5,200,000	14,812,999
2027 - 2032	815,000	3,549,675	7,195,000	12,814,151
2032 - 2037	2,060,000	3,012,925	10,105,000	9,881,900
2037 - 2042	3,885,000	1,654,425	14,720,000	5,214,675
2042 - 2047	1,010,000	47,975	3,690,000	148,475
Totals	<u>\$ 8,895,000</u>	<u>\$ 20,247,216</u>	<u>\$ 47,785,000</u>	<u>\$ 76,049,315</u>

Note 6: Insurance

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

Note 7: Contribution from City

At the end of the 2010-2011 fiscal year, the Agency transferred \$32,239,747 to the City Capital Improvement Fund to fund the Plummer Park project per a cooperation agreement between the City and the Agency. The transfer was reversed in the current period and is shown as a contribution from City on the financial statements.

WEST HOLLYWOOD COMMUNITY DEVELOPMENT COMMISSION

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE SEVEN MONTHS ENDED JANUARY 31, 2012**

Note 8: Net Assets Restatement

Beginning net assets have been restated by \$1,681,525 to reverse prior transfer of capital assets to the City.

Note 9: California Redevelopment Agency Dissolution

On July 18, 2011, the California Redevelopment Association (“CRA”) and the League of California Cities (“League”) filed a petition for writ of mandate with the California Supreme Court, requesting the Court to declare unconstitutional two bills that were passed as part of the 2011-12 State Budget, AB X1 26 and 27 (*California Redevelopment Association v. Matosantos*). AB X1 26 dissolves redevelopment agencies effective October 1, 2011. AB X1 27 gave redevelopment agencies an option to avoid dissolution if it commits to making defined payments for the benefit of the State, school districts and certain special districts. In 2011-12, these payments amounted to a state-wide total of \$1.7 billion. In 2012-13 and subsequent years, the payments totaled \$400 million, annually. Each city or county’s share of these payments was determined based on its proportionate share of state-wide tax increment.

On August 17, 2011 the Supreme Court issued a stay of the implementation of AB X1 26 and 27 which allowed a redevelopment agency to continue if it adopted an AB X1 27 ordinance. However, because of the effect of the stay order, the authority for the Redevelopment Agency to engage in most activities was suspended.

The Supreme Court heard oral arguments on November 10, 2011 and on December 29, 2011 announced its decision in *California Redevelopment Association v. Matosantos*. The court upheld AB X1 26 which dissolves redevelopment agencies, but invalidated in its entirety AB X1 27 which allowed redevelopment agencies to continue as long as they made the required payments. AB X1 26 established deadlines for the process of Redevelopment Agency dissolution and the handling of existing obligations. The full text of AB X1 26 may be obtained from the California legislative information website maintained by the Legislative Counsel of the State of California at: <http://www.leginfo.ca.gov/bilinfo.html>.

As of January 31, 2012 the Redevelopment Agency has been dissolved and the City of West Hollywood has elected to become the Successor Agency. The Successor Agency will be responsible for winding down the remaining activities of the dissolved Redevelopment Agency.

Note 10: Subsequent Events

On April 20, 2012, pursuant to Health and Safety Code Section 34167.5, the California State Controller issued an order to cities, counties, and agencies, directly or indirectly receiving assets from a redevelopment agency after January 1, 2011, to reverse the transfer and return assets to successor agency. The California State Controller will specifically review and audit cities, counties, and public agencies to ensure that all applicable asset transfers have been reversed. As of January 31, 2012, the Commission has reversed the prior year transfer made to the City for the Plummer Park project.

On June 27, 2012, the Legislature passed Assembly Bill 1484 to establish a requirement for the successor agency to remit to the County auditor-controller three payments as determined by the auditor-controller which consist of a payment to be made in July 2012 for taxing entities’ share of December 2011 property tax distribution to redevelopment

WEST HOLLYWOOD COMMUNITY DEVELOPMENT COMMISSION

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE SEVEN MONTHS ENDED JANUARY 31, 2012**

Note 10: Subsequent Events (Continued)

agency/successor agency, a payment to be made in November 2012 related to Low-Moderate Income Housing Fund Due Diligence Review for unencumbered cash, and a payment to be made in April 2013 related to the other Redevelopment Funds Due Diligence Review for unencumbered cash. As of the date of the report the payment in July 2012 was made in the amount of \$2,067,487, the Low-Moderate Income Housing Due Diligence Review resulted in a payment of \$342,514 in December to the County, and the other Redevelopment Funds Due Diligence Review resulted in an amount due of \$1,243,997 to the County of which has not been confirmed by the Department of Finance.

WEST HOLLYWOOD COMMUNITY DEVELOPMENT COMMISSION

COMBINING PROJECT AREA BALANCE SHEET
 ALL GOVERNMENTAL FUNDS
 JANUARY 31, 2012

	East Side Redevelopment Project Area			TOTALS	
	Capital Projects	Capital Projects	Debt Service	Capital Projects	Debt Service
	Project	Low and Moderate Housing	Tax Increment	Funds	Funds
ASSETS					
Cash and investments	\$ 3,230,599	\$ 8,209,429	\$ 613,290	\$ 11,440,028	\$ 613,290
Cash and investments with trustee	27,245,306	1,492,915	4,234,001	28,738,221	4,234,001
Receivables:					
Accounts	-	-	7,350	-	7,350
Interest	3	7	-	10	-
Loans	-	5,243,049	-	5,243,049	-
Less: Allowance for loan forgiveness	-	(5,243,049)	-	(5,243,049)	-
Total Assets	\$ 30,475,908	\$ 9,702,351	\$ 4,854,641	\$ 40,178,259	\$ 4,854,641
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 113,272	\$ 276,771	\$ -	\$ 390,043	\$ -
Deposits from others	15,193	-	-	15,193	-
Due to other governments	-	-	1,065,115	-	1,065,115
Total Liabilities	128,465	276,771	1,065,115	405,236	1,065,115
Fund Balances:					
Restricted for:					
Debt service	-	-	3,789,526	-	3,789,526
Low and moderate activities	-	9,425,580	-	9,425,580	-
Assigned to:					
Community development	30,347,443	-	-	30,347,443	-
Total Fund Balances	30,347,443	9,425,580	3,789,526	39,773,023	3,789,526
Total Liabilities and Fund Balances	\$ 30,475,908	\$ 9,702,351	\$ 4,854,641	\$ 40,178,259	\$ 4,854,641

WEST HOLLYWOOD COMMUNITY DEVELOPMENT COMMISSION

COMBINING PROJECT AREA STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUNDS
FOR THE SEVEN MONTHS ENDED JANUARY 31, 2012

	East Side Redevelopment Project Area			TOTALS	
	Capital Projects	Capital Projects	Debt Service	Capital Projects Funds	Debt Service Funds
	Project	Low and Moderate Housing	Tax Increment		
Revenues:					
Taxes and Assessments:					
Tax increment	\$ -	\$ -	\$ 3,333,061	\$ -	\$ 3,333,061
Use of Money and Property:					
Interest income	5,563	19,651	(5,276)	25,214	(5,276)
Rental income	46,667	-	-	46,667	-
Total Revenues	52,230	19,651	3,327,785	71,881	3,327,785
Expenditures:					
Current:					
General Government:					
Administrative costs	277,807	23,385	90,446	301,192	90,446
Professional services	1,400	-	-	1,400	-
Planning, survey and design	327,898	-	-	327,898	-
Capital Outlay:					
Project improvement costs	412,669	583,863	-	996,532	-
Debt Service:					
Interest expense	-	491,140	1,216,479	491,140	1,216,479
Long-term debt repayments	-	596,510	1,603,490	596,510	1,603,490
Total Expenditures	1,019,774	1,694,898	2,910,415	2,714,672	2,910,415
Excess of Revenues over (under) Expenditures	(967,544)	(1,675,247)	417,370	(2,642,791)	417,370
Other Financing Sources (Uses)					
Pass through agreement payments	-	-	(772,787)	-	(772,787)
Contribution from City	32,239,747	-	-	32,239,747	-
Total Other Financing Sources (Uses)	32,239,747	-	(772,787)	32,239,747	(772,787)
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	31,272,203	(1,675,247)	(355,417)	29,596,956	(355,417)
Fund Balances					
Beginning, July 1	(924,760)	11,100,827	4,144,943	10,176,067	4,144,943
End, January 31	\$ 30,347,443	\$ 9,425,580	\$ 3,789,526	\$ 39,773,023	\$ 3,789,526