

**CENTRAL COMMERCIAL DISTRICT REVITALIZATION CORPORATION**

**3161 National Avenue  
San Diego, CA 92113**

Office of the Secretary  
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September 16, 2009

Luis Ojeda  
Community & Economic Development Agency  
1200 Third Avenue, Suite 1400, MS-56D  
San Diego, CA 92101

Re: Audited Financials for Year Ended June 30, 2008

Dear Luis:

Enclosed is the financial package for the year ended June 30, 2008, including the independent auditor's report, the Statement of Financial Position, Statement of Activity, Statement of Cash Flows, Notes to Financials and the Statement of Compliance and Statement of Expenditures of the District's Funds by Expenditure Classifications as contained in the District's Final Budget, as required by the Agreement dated as of July 1, 2007.

Very truly yours,



Marshall A. Lewis  
Secretary

Enclosures

cc w/encls: CCDRC Board of Directors

# CENTRAL COMMERCIAL DISTRICT REVITALIZATION CORPORATION

## Statement of Compliance

The Central Commercial District Revitalization Corporation, a California corporation, has materially complied with the terms of the Service Agreement between the City of San Diego, a municipal corporation, and the Corporation dated July 1, 2007, covering the period from July 1, 2007 to June 30, 2008. Attached is a Statement of Expenditures of the Maintenance Assessment District's funds identified in the same expenditure classifications as contained in the Maintenance Assessment District's final budget, showing the comparison to the budget amounts.

Dated: July 3, 2008

Central Commercial District  
Revitalization Corporation

By



Marshall A. Lewis  
Corporate Secretary

FY 2008-09 District Budget for Central Commercial Maintenance Assessment District

Account Code	Expense	Amount	Actual												Year to Date
			Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	
3000	Supplies/Services/Other	2,800.00	165.92		195.92	169.42	173.17	205.92	329.92	279.42	175.92	269.54	183.42	180.52	2,329.09
3101	Office/Supplies	2,000.00	34.84	86.24	55.99	50.28	409.84	80.73	61.89	27.60	92.18	59.04	16.93	42.42	1,017.98
3102	Postage/Mailing	1,000.00	5.17	2.53		4.89	2.53	263.52	3.70	2.87	2.53	2.36	10.76	52.44	353.30
3110	District Mailings	2,000.00													0.00
3114	Official Forms & Documents	500.00													0.00
3214	Garden Nursery Stock	2,000.00					1,403.00	1,218.70							2,621.70
3225	Cleaning & Janitorial Supplies	8,600.00	314.63	534.77	554.52		583.37		694.52	496.16		511.13	775.34		4,464.44
3260	Other Materials	3,000.00													0.00
3298	Unclassified Materials & Supplies	7,000.00	247.31	400.54	85.94	286.72	429.80	327.76	808.27	485.63	80.54	536.09	383.28	927.49	4,999.37
3300	Repairs and Maintenance	1,000.00													0.00
3330	Auto Repair Supplies	3,000.00													0.00
3340	Other Repairs & Maint Supplies	500.00													0.00
4100	Professional Services	9,000.00													0.00
4141	Legal Services	20,000.00													0.00
4145	Audit Services	7,500.00	1,500.00			1,500.00							2,000.00		5,000.00
4146	Permits/Fees	300.00				20.00									20.00
4150	Misc Services	10,000.00													0.00
4151	Unclassified Professional Services	25,000.00	1,512.00	1,512.00	1,512.00	1,512.00	1,512.00	2,135.00	1,512.00	1,512.00	1,512.00	2,135.00	1,512.00	1,512.00	19,390.00
4210	Contractual Services	1,000.00													0.00
4211	Maintenance and Janitorial Serv	147,000.00	8,676.86	7,769.69	9,869.36	8,880.97	7,701.71	14,514.29	9,067.14	9,854.58	8,172.50	10,221.54	8,460.77	9,474.38	112,663.79
4212	Repair & Upkeep of Equipment	3,000.00	164.72	150.76	237.75	348.96	138.98	93.99	322.97	94.43	487.78	226.42	49.98	87.84	2,404.58
4217	Landscape Services	50,000.00	2,892.28	2,589.89	3,289.77	2,960.31	2,567.23	4,838.09	3,022.36	3,284.86	2,724.17	3,407.17	2,820.25	3,158.13	37,554.51
4218	Waste Removal	9,000.00	629.99	684.98	629.98	629.98	629.98	629.98	629.98	629.98	629.98	629.98	629.98	629.98	7,614.77
4222	Misc. Contractual Services	18,000.00													0.00
4225	Misc. Contractual Svc St	2,000.00													0.00
4314	Photocopying	1,500.00	106.34	16.63	52.86	40.12	43.37	662.89	67.49	49.18	30.34	9.75	24.32	15.15	1,118.44
4400	Mileage	8,000.00	1,067.02	510.54	837.78	534.80	690.83	1,027.68	375.22	648.50	233.10	301.30	827.20	218.35	7,272.32
4434	Parking Charges	1,200.00													0.00
4682	Rent Land Bldgs	2,000.00													0.00
4685	Equipment Rental Outside	1,000.00	104.48	104.48	104.48	208.96		242.10	104.48	104.48	121.05	105.36	105.36	121.94	1,427.17
4810	Insurance	7,000.00													0.00
4812	Fidelity & General Insurance	10,000.00	129.00	43.00					1,110.00		3,555.80				4,837.80
4813	Other Insurance	1,000.00													0.00
4921	Equipment Depreciation	2,000.00													0.00
4922	Equipment Purchases	5,000.00													0.00
4931	Miscellaneous Charges	1,000.00	27.10	366.82	84.00						8.00	344.00	12.00	64.40	906.32
	<b>Total Supplies &amp; Services</b>	<b>374,900.00</b>	<b>17,577.66</b>	<b>14,772.87</b>	<b>17,510.35</b>	<b>17,147.41</b>	<b>16,285.81</b>	<b>26,240.65</b>	<b>18,109.94</b>	<b>17,469.69</b>	<b>17,825.89</b>	<b>18,758.68</b>	<b>17,811.59</b>	<b>16,485.04</b>	<b>215,995.58</b>
4279	<b>Capital Improvements Program</b>	<b>5,000.00</b>													<b>0.00</b>
5101	Electric Services	500.00													0.00
5201	Telephone & Telegraph	1,000.00													0.00
5203	Special District Lighting	300.00													0.00
5204	Water Services Incl Hydrant Rent	3,000.00		32.52	62.66	119.63	85.45	76.90	68.36	63.14	73.23	1,061.72	73.23	(732.16)	984.68
5211	Cellular Telephone Service	1,000.00	123.50	7.35	3.85		3.85	126.88	12.39		3.13	3.13	154.62	1.58	440.28
	<b>Total Utilities</b>	<b>5,800.00</b>	<b>123.50</b>	<b>39.87</b>	<b>66.51</b>	<b>119.63</b>	<b>89.30</b>	<b>203.78</b>	<b>80.75</b>	<b>63.14</b>	<b>76.36</b>	<b>1,064.85</b>	<b>227.85</b>	<b>(730.58)</b>	<b>1,424.96</b>
	<b>Total Costs/Appropriations</b>	<b>385,700.00</b>	<b>17,701.16</b>	<b>14,812.74</b>	<b>17,576.86</b>	<b>17,267.04</b>	<b>16,375.11</b>	<b>26,444.43</b>	<b>18,190.69</b>	<b>17,532.83</b>	<b>17,902.25</b>	<b>19,823.53</b>	<b>18,039.44</b>	<b>15,754.46</b>	<b>217,420.54</b>
4905	Contingency Reserve	45,900.00													0.00
	<b>Grand Total</b>	<b>431,600.00</b>	<b>17,701.16</b>	<b>14,812.74</b>	<b>17,576.86</b>	<b>17,267.04</b>	<b>16,375.11</b>	<b>26,444.43</b>	<b>18,190.69</b>	<b>17,532.83</b>	<b>17,902.25</b>	<b>19,823.53</b>	<b>18,039.44</b>	<b>15,754.46</b>	<b>217,420.54</b>

Rat  
4 Sep 09

**CENTRAL COMMERCIAL DISTRICT  
REVITALIZATION CORPORATION**  
Financial Statements  
For The Year Ended June 30, 2008  
And  
Independent Auditors' Report

**CENTRAL COMMERCIAL DISTRICT REVITALIZATION CORPORATION**

Financial Statements

June 30, 2008

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Central Commercial District Revitalization Corporation

We have audited the accompanying statement of financial position of Central Commercial District Revitalization Corporation (a Non-Profit Organization) as of June 30, 2008, and the related statements of activity, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based upon our audit.

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

We were unable to confirm the Assessments to property owners in the District made for the fiscal year 2008 totaling \$218,507, which are collected by the City of San Diego and related receivables totaling \$283,527 and were unable to satisfy ourselves by alternate procedures. The inability to obtain confirmation of the assessments and related receivables from the City of San Diego raises the issue as to the accuracy of the amount of such receivables created by the revenue recording method of the Corporation as outlined in Notes 2 and 3 to the financial statements.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to confirm the assessments and related receivables referred to in the preceding paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Central Commercial District Revitalization Corporation as of June 30, 2008, and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles.

  
The Guerrero Company  
Certified Public Accountants

San Diego, California  
July 24, 2009

**CENTRAL COMMERCIAL DISTRICT REVITALIZATION CORPORATION**

Statement of Financial Position

June 30, 2008

**ASSETS**

**Current Assets:**

Cash - Checking	\$ 12,454
Grants Receivable	7,266
Assessments Collected and Available	145,337
Assessments - Past Due	138,420
Deposits	998
Prepaid expenses	3,906
Total Current Assets	<u>308,381</u>

**Fixed Assets**

Tools & Equipment	4,123
Accumulated Depreciation	<u>(4,123)</u>
Net Fixed Assets	0

**Other Assets**

Other Assets	100
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**Total Assets** \$ 308,481

**LIABILITIES AND NET ASSETS**

**Current Liabilities:**

Accounts Payable	\$ 3,879
Accrued Payroll	2,058
Total Current Liabilities	<u>5,937</u>

**Restricted Assets** 7,358

**Unrestricted Net Assets** 295,186

**Total Liabilities and Net Assets** \$ 308,481

The accompanying notes are an integral part of these financial statements.

**CENTRAL COMMERCIAL DISTRICT REVITALIZATION CORPORATION**

Statement of Activities

For the Year Ended June 30, 2008

**CHANGES IN UNRESTRICTED NET ASSETS:**

**Revenue:**

Tax Assessments	\$ 218,507
Grants	4,422
Other	365
Bank Interest	395
Investment Income - City of San Diego	8,167
Total Revenue	<u>231,856</u>

**Expenses:**

Maintenance, Security, & Beautification Expenses	160,539
Event Expenses	27,869
Administrative Expenses	16,989
City Contract Fee	8,741
Insurance	4,567
Office Expenses	11,914
Total Expenses	<u>230,619</u>

<b>Increase in Unrestricted Net Assets - Current Year</b>	1,237
Prior year adjustment of beginning balance	<u>6,425</u>
<b>Increase in Unrestricted Net Assets</b>	7,662
<b>Changes in Temporarily Restricted Net Assets</b>	
Grants	7,358
<b>Increase in Temporarily Restricted Net Assets</b>	<u>\$ 7,358</u>
<b>Net Assets at Beginning of Year</b>	<u>280,166</u>
<b>Net Assets at End of Year</b>	<u><u>295,186</u></u>

The accompanying notes are an integral part of these financial statements.

**CENTRAL COMMERCIAL DISTRICT REVITALIZATION CORPORATION**

Statement of Cash Flows

For the Year Ended June 30, 2008

<b>Cash Flows From Operating Activities:</b>	
Increase in Net Assets	\$ 15,020
Adjustments to Reconcile the Change in Net Assets to Net Cash Provided by Operating Activities:	
Increase in Accounts Receivable	(11,081)
Decrease in Prepaid Expenses	2,438
Increase in Payables	456
Decrease in Deferred Revenue	(13,160)
Increase in Deposits	(178)
Increase in Temporarily Restricted Net Assets	7,358
Total Adjustments	<u>(14,167)</u>
<b>Net Cash Used by Operating Activities</b>	<u>853</u>
<b>Cash Flows From Investing Activities</b>	<u>-</u>
<b>Cash Flows From Financing Activities</b>	<u>-</u>
<b>Net Increase(Decrease) in Cash</b>	853
<b>Cash at Beginning of Period</b>	<u>11,601</u>
<b>Cash at End of Period</b>	<u>\$ 12,454</u>

The accompanying notes are an integral part of these financial statements.

# CENTRAL COMMERCIAL DISTRICT REVITALIZATION CORPORATION

Notes to Financial Statements

June 30, 2008

## NOTE 1 - Summary of Significant Accounting Policies

The Corporation was incorporated under the name "Central Commercial District Revitalization Corporation" as a California Nonprofit Public Benefit Corporation on October 4, 2000. The purpose of the Corporation is to revitalize and provide maintenance, beautification improvements and security to the Central Commercial Maintenance Assessment District, a special district funded by taxpayers who own the properties within the District, the boundaries of which are defined as follows:

Both sides of Imperial Avenue from Interstate 5 to 32<sup>nd</sup> Street; both sides of Commercial Avenue from Interstate 5 to 28<sup>th</sup> Street; both sides of the streets linking Imperial Avenue and Commercial Street between Interstate 5 and 28<sup>th</sup> Street; and both sides of National Avenue from 28<sup>th</sup> Street to 32<sup>nd</sup> Street.

There is an agreement between the Corporation and the City of San Diego whereby the City of San Diego will coordinate with the County of San Diego the collection of assessments and provide administrative services, general assistance and information to the Corporation. The Corporation provides the maintenance function as outlined in the agreement.

### Financial Statement Presentation

The Corporation has adopted the provisions of Statement of Financial Accounting Standards No. 117, "Financial Statements for Not-for-Profit Organizations." Statement No 117 establishes standards for general-purpose external financial statements provided by nonprofit organizations, in order to enhance the relevance, understandability, and comparability of financial statements issued by those organizations. Statement No. 117 also requires that net assets and revenue, gains, expenses and losses be classified as unrestricted, temporarily restricted and permanently restricted, as follows:

- \* Unrestricted Net Assets represents the portion of expendable funds that are available for support of the operations of the organization
- \* Temporarily Restricted Net Assets consists of contributions that are subject to specific donor-imposed stipulations that can be fulfilled by actions of the organization pursuant to those stipulations or that expire by the passage of time.
- \* Permanently Restricted Net Assets consists of contributions subject to donor-imposed stipulations that they be maintained permanently by the organization.

### Deposits

Deposits include a water meter deposit with the City of San Diego for \$998.

### Other Assets

Other assets are common stock gifted to the Corporation.

Note 1 – Continued:

**Fixed Assets**

Equipment and furniture are recorded at cost, less accumulated depreciation, which is computed on a straight-line basis, over their estimated useful lives of 3 to 5 years.

**Income Taxes**

The Corporation was organized and is operated exclusively for charitable purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code and a similar California law, and is not subject to income taxes.

**Use of Estimates in the Preparation of Financial Statements**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts. These estimates are based on information available as of the date of the financial statements; therefore, actual results could differ from these estimates.

**NOTE 2 - Revenues**

The Corporation recognizes income and a related asset from assessments to property owners in the district by the County of San Diego on behalf of the District. The assessments when collected by the County are held by the City of San Diego which advances operating funds to the Corporation and then replenishes those funds as the Corporation expends such funds on District functions of maintenance, lighting, security and beautification of the public rights-of-way within the District. An annual contract between the City of San Diego and the Corporation sets forth the procedures and obligations of the Corporation and the City. The contract further states that in the event of termination by either party, the City of San Diego will assume the administration of the contract as defined by the San Diego Municipal Code.

**NOTE 3 – Assessments Collected and Available**

The City of San Diego has not responded to requests for confirmation of the amount of assessments, nor of the related receivables. The amount of assessments is reported by the City in its accounting reports, and the Corporation has calculated the receivables by aggregating all such reported assessments from inception, adding the earnings shown by the City accounting reports from investment of the assessments by the City, and reducing that sum by the aggregate of all expenditures from the District from inception.

**NOTE 4 – Deferred Revenue**

These amounts represent grants aggregating \$7,266 received from donors and foundations on behalf of community groups for which the Corporation acts as fiscal agent.



Guerrero, Jimenez, Diaz

& Co. LLP

A Certified Public Accounting Firm

July 28, 2009

Board of Directors  
Central Commercial District Revitalization Corporation  
3161 National Avenue  
San Diego, CA 92113

In connection with our audit of your financial statements for the fiscal year ended June 30, 2008, we submit the following comments and recommendations for your consideration:

Grant – After School Strings

Central Commercial District Revitalization Corporation (CCDRC) has over the past few years acted as fiscal agent for "After school strings" program which generally has been funded by Grants, some of which come from the City of San Diego. We noted in the course of our audit procedures that the grant income was \$ 6,607 for the fiscal year ended June 30, 2008 and that program expenses totaled \$19,715 for the same period. We submit the following comments regarding this program:

**Bank account:** There is no separate bank account for this activity and all income and related expenses are deposited and paid from the CCDRC bank account which obviously means that such funds are commingled. We previously recommended that a separate bank account be established for this activity and again repeat our recommendation.

**Program expenses:** Program expenses exceeded program revenues by \$13,108 which were paid from CCDRC funds which generally come from property owner assessments which raises the issue of whether these are authorized expenditures. We recommend that the relationship between CCDRC and the "After school strings" program be clarified by the Board of Directors and such activity segregated and approved.

Revenues – City of San Diego

The City of San Diego has consistently ignored our request for confirmation of assessments receivable which results in us having to qualify our audit report. There is an obvious issue and we can only speculate whether it relates to your revenue recognition method or an internal communications problem within the City structure. We recommend that an effort be made and or continued to resolve this issue with the City of San Diego.

Risk of Fraud

Recent developments involving fraud within well-known companies have created a new and more expanded audit environment emphasizing the detection of fraud.

In this connection we feel it is worth repeating this comment regarding management's (including your Board of Directors) responsibilities in this area and submit the following comments and recommendations for your consideration.

Awareness

Management should have an awareness and understanding of fraud and its related risks.

Controls (Existence or Absence of)

Management should identify the control procedures in existence.

Control Procedures:

Small organizations generally exhibit an absence of control due to the lack of personnel. The following is a list of control procedures, which are practical and relatively easy to implement. (Note – these procedures are general in nature and are not all-inclusive and you may already have such procedures in place).

1. Check signing – requires 2 signatures
2. Timely bank reconciliation and reviewed by a responsible officer.
3. Board of Directors – involvement by taking an active part in the operations.
4. Use of pre-numbered (tickets) at special events and accountability of all receipts and/or merchandise
5. Timely intact deposit of all receipts.
6. Approval of expenditures by a responsible person.
7. All expenses paid by check (within practical limits).

We wish to thank Mr. Marshall A. Lewis, your Secretary, and Mr. Don Shuckett, your Executive Director for their help in the conduct of our audit. We have also discussed the contents of this letter with them, and we are available to answer any questions regarding its contents.

Sincerely,

Guerrero, Jimenez, Diaz & Co. LLP