

**REDEVELOPMENT AGENCY OF
THE CITY OF MOORPARK**

COMPONENT UNIT FINANCIAL STATEMENTS

**WITH REPORT ON AUDIT BY INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS**

JUNE 30, 2005

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**REDEVELOPMENT AGENCY OF
THE CITY OF MOORPARK**

**COMPONENT UNIT FINANCIAL STATEMENTS
JUNE 30, 2005**

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INDEPENDENT AUDITORS' REPORT

The Honorable Chairman and Members of the Agency
Redevelopment Agency of the City of Moorpark
Moorpark, California

We have audited the accompanying component unit financial statements of the governmental activities and each major fund of the Redevelopment Agency of the City of Moorpark (the Agency), a component unit of the City of Moorpark, California, as of and for the year ended June 30, 2005, 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 significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of the Redevelopment Agency of the City of Moorpark, California, as of June 30, 2005, and the respective changes in financial positions, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the financial statements, the Agency adopted Governmental Accounting Standards Board (GASB) Statement No. 40, *Deposit and Investment Risk Disclosures* – an amendment of GASB Statement No. 3, effective July 1, 2004.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2005, 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 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.

The required supplementary information, such as management's discussion and analysis on pages 3 through 8 and the major Special Revenue Fund budgetary comparison schedule on page 31, are not a required part of the basic financial statements, but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's basic financial statements. The other supplementary information listed in the table of contents, including additional budgetary comparison schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Vavunet, Trinis, Day & Co., LLP

Rancho Cucamonga, California
October 20, 2005

CITY OF MOORPARK

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2005

As management of the Moorpark Redevelopment Agency ("Agency"), we offer readers of the Agency's financial statements this narrative overview and analysis of the financial activities of the Agency for the fiscal year ended June 30, 2005. It is encouraged that the readers consider the information presented here in conjunction with the accompanying basic financial statements which immediately follow this section.

Financial Highlights

- The assets of the Agency exceeded its liabilities at the close of the most recent fiscal year by \$4,083,535 (*net assets*).
- The Agency's total debt decreased by \$405,000 during the current fiscal year. The decrease was attributable to debt service payments on the 1999 and 2001 Tax Allocation Bonds.
- The Agency's governmental funds reported combined ending fund balances of \$16,155,534, an increase of \$2,132,863 from prior year. This increase is primarily attributable to two loan payoffs from Janns IV Recreation and one loan payoff from Cabrillo Economic Development received during the year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Agency's basic financial statements. The Agency's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. These statements are designed to provide readers with a broad overview of the Agency's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Agency's assets and liabilities, with the difference between the two reported as *net assets*. In time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Agency is improving or deteriorating.

The *statement of activities* presents information on how the Agency's net assets changed during the fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods; (i.e., uncollected taxes).

The government-wide financial statements include only the Agency itself.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Agency, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds can be divided into three categories: governmental funds, proprietary funds and fiduciary funds. The Agency uses only governmental funds.

CITY OF MOORPARK

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2005

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

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

The Agency maintains three individual governmental funds and all of them are considered to be major funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the Low-Moderate Income Housing Fund, Debt Service Fund and the Capital Projects Fund.

The Agency adopts an annual appropriated budget for each of its governmental funds. A budgetary comparison statement has been provided for these funds to demonstrate compliance with the budget.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Supplementary Information. The Agency's Capital Projects Fund and Debt Service Fund Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual are presented.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Agency, assets exceeded liabilities by \$4,083,535 at the close of the most recent fiscal year. Of the \$26,422,068 in total Liabilities, \$5 million is attributable to the loan from the General Fund to the Agency. Both principal and interest will be repaid on or before June 30, 2006. In addition, \$19.3 million is outstanding debt for the 1999 Tax Allocation Bonds and the 2001 Tax Allocation Bonds.

CITY OF MOORPARK

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2005

The Agency's net assets increased by \$926,990 during the current fiscal year.

**Table 1
Net Assets
Governmental Activities
As of June 30, 2005 and 2004**

	<u>2005</u>	<u>2004</u>
Assets:		
Current and other assets	\$25,822,239	\$25,367,695
Capital assets - land	4,683,364	4,683,364
Total Assets	<u>30,505,603</u>	<u>30,051,059</u>
Liabilities:		
Long-term debt outstanding	19,300,000	19,705,000
Other liabilities	7,122,068	7,189,514
Total Liabilities	<u>26,422,068</u>	<u>26,894,514</u>
Net Assets:		
Invested in capital assets, net of related debt	4,683,364	4,683,364
Restricted	4,094,686	3,031,116
Unrestricted	(4,694,515)	(4,557,935)
Total Net Assets (Note 13)	<u><u>\$4,083,535</u></u>	<u><u>\$3,156,545</u></u>

CITY OF MOORPARK

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2005

Table 2
Changes in Net Assets
Governmental Activities
As of June 30, 2005 and 2004

	<u>2005</u>	<u>2004</u>
Revenues		
Property tax - Redevelopment Agency tax increment	\$3,901,779	\$4,116,542
Investment income	645,572	493,845
Other/Rentals	38,100	22,547
Transfer in from the City of Moorpark	0	16,741
Gain from sale of property	48,339	0
Settlement agreement	0	(500,000)
Total Revenues, Transfers and Special Items	<u>4,633,790</u>	<u>4,149,675</u>
Expenses		
Public Services	2,528,957	3,145,449
Interest on long-term debt	1,177,843	1,097,422
Total Expenses	<u>3,706,800</u>	<u>4,242,871</u>
Increase/decrease in net assets	<u>\$926,990</u>	<u>(\$93,196)</u>

Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$16,155,534.

The Capital Projects Fund is the chief operating fund of the Agency. At the end of the current fiscal year, the fund balance of the Capital Projects Fund was \$11,625,279.

The Agency has two other major funds: Low-Moderate Income Housing and the Debt Service Fund. The Low-Moderate Income Housing Fund, a special revenue fund, is used to account for funds that are set aside for low and moderate income housing, as well as related expenditures. The Debt Service Fund is for the accumulation of resources to be used for the repayment of Agency debt.

CITY OF MOORPARK

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2005

Budgetary Highlights

Supplemental appropriations were approved during the year for First –Time Home Buyer Program Services and additional funding was requested to cover the full ERAF payment that was higher than anticipated. Additionally, capital projects included, Civic Center Driveway Modification project, High Street Streetscape project, Moorpark Avenue Widening project, Rail Crossing Improvements at Spring Road, Flinn Avenue Realignment project and Magnolia Park Design.

Capital Assets

The Agency purchased the property located at 282 Los Angeles Avenue for \$400,638 during the 2004-05 fiscal year. In addition, the Agency sold three properties located on Moonsong Court for a combined “affordable sales price” of \$411,617. Resale restrictions have been recorded against all properties purchased through the City’s First Time Home Buyer Program. The City has also recorded Deeds of Trust (“silent second mortgages”) against these properties, for the difference between the “affordable sales price” and the market price of the homes. These Deeds of Trust are payable to the City only in the event of default of the resale restrictions.

Long-term Debt

At the end of the current fiscal year, the Agency had total debt outstanding of \$19,300,000.

Agency Outstanding Debt

	Governmental Activities <u>June 30, 2005</u>	Governmental Activities <u>June 30, 2004</u>
1999 Tax Allocation Bonds	\$ 7,700,000	\$ 8,095,000
2001 Tax Allocation Bonds	<u>11,600,000</u>	<u>11,610,000</u>
Total	<u>\$ 19,300,000</u>	<u>\$ 19,705,000</u>

The Agency’s total debt decreased by \$405,000 during the current fiscal year due to payment of 1999 and 2001 Tax Allocation Bonds.

Economic Factors and Next Year’s Budgets and Rates

- The Redevelopment Agency’s budget continues to be challenged by the State’s transfer of funds to the schools (ERAF shift). The Agency’s shift as calculated by the State Department of Finance for FY 2005-06 is \$295,182. This is an increase of \$1,484 in comparison to last year’s shift of \$293,698.
- Assessed property values are expected to have a nominal increase.
- Interest income will show a slight increase as interest rates continue to rise.

All of these factors were considered in preparing the Agency’s budget for FY 2005-06.

CITY OF MOORPARK

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2005

Requests for Information

This financial report is designed to provide a general overview of the Moorpark Redevelopment Agency's finances for all those with an interest in the Agency's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, Moorpark Redevelopment Agency, 799 Moorpark Avenue, Moorpark, California 93021.

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE STATEMENTS

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REDEVELOPMENT AGENCY OF THE CITY OF MOORPARK

**STATEMENT OF NET ASSETS
JUNE 30, 2005**

	<u>Governmental Activities</u>
ASSETS	
Cash and investments	\$ 19,581,507
Receivables:	
Accounts	77,070
Interest	139,873
Notes	2,782,646
Due from the City of Moorpark	188,834
Property held for resale/development	1,658,886
Restricted cash and investments	1,393,423
Non-depreciable:	
Land	4,683,364
Total Assets	<u>30,505,603</u>
LIABILITIES	
Accounts payable and accrued liabilities	1,271,095
Retentions payable	20,622
Interest payable	238,009
Deposits	5,760
Due to the City of Moorpark	5,586,582
Noncurrent liabilities:	
Due within one year	420,000
Due in more than one year	18,880,000
Total Liabilities	<u>26,422,068</u>
NET ASSETS	
Invested in capital assets net of related debt	4,683,364
Restricted for:	
Debt service	1,393,423
Housing set-aside	2,701,263
Unrestricted	(4,694,515)
Total Net Assets	<u>\$ 4,083,535</u>

See accompanying notes to financial statements.

REDEVELOPMENT AGENCY OF THE CITY OF MOORPARK

STATEMENT OF ACTIVITIES

JUNE 30, 2005

	Expenses	Program Revenues		Net Governmental Activities
		Charges for Services	Operating Contributions and Grants	
Governmental Activities:				
Public services	\$ 2,551,989			\$ (2,551,989)
Interest on long-term debt	1,154,811			(1,154,811)
Total Governmental Activities	\$ 3,706,800	\$ -	\$ -	\$ (3,706,800)

General Revenues:

Taxes:

Property tax, Redevelopment Agency tax increment	3,901,779
Investment income	645,572
Other	38,100
Gain on sale of property	48,339

Total General Revenues 4,633,790

Change in Net Assets 926,990

Net Assets at Beginning of Year, as Restated (Note #13) 3,156,545

Net Assets at End of Year \$ 4,083,535

See accompanying notes to financial statements.

FUND FINANCIAL STATEMENTS

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REDEVELOPMENT AGENCY OF THE CITY OF MOORPARK

**BALANCE SHEET
JUNE 30, 2005**

ASSETS	Special Revenue			Totals
	Low/Mod Housing	Capital Projects	Debt Service	
Cash and investments	\$ 2,943,120	\$ 10,812,042	\$ 5,826,345	\$ 19,581,507
Restricted cash and investments			1,393,423	1,393,423
Receivables:				
Accounts	15,219	975	60,876	77,070
Interest	5,421	134,452		139,873
Due from the City of Moorpark		188,834		188,834
Property held for resale/development	782,285	876,601		1,658,886
Total Assets	<u>\$ 3,746,045</u>	<u>\$ 12,012,904</u>	<u>\$ 7,280,644</u>	<u>\$ 23,039,593</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable and accrued liabilities	\$ 20,049	\$ 17,109	\$ 1,233,937	\$ 1,271,095
Retention payable		20,622		20,622
Deposits, principally from developers	715	5,045		5,760
Due to the City of Moorpark (Note #6)	241,733	344,849	5,000,000	5,586,582
Total Liabilities	<u>262,497</u>	<u>387,625</u>	<u>6,233,937</u>	<u>6,884,059</u>
FUND BALANCES				
Reserved for:				
Debt service			1,393,423	1,393,423
Property held for resale/development	782,285	876,601		1,658,886
Receivable from the City of Moorpark		188,834		188,834
Housing set-aside	2,701,263			2,701,263
Unreserved, reported in:				
Capital projects fund		10,559,844		10,559,844
Debt service fund			(346,716)	(346,716)
Total Fund Balances	<u>3,483,548</u>	<u>11,625,279</u>	<u>1,046,707</u>	<u>16,155,534</u>
Total Liabilities and Fund Balances	<u>\$ 3,746,045</u>	<u>\$ 12,012,904</u>	<u>\$ 7,280,644</u>	<u>\$ 23,039,593</u>

See accompanying notes to financial statements.

REDEVELOPMENT AGENCY OF THE CITY OF MOORPARK

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2005**

Fund Balances of Governmental Funds	\$ 16,155,534
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets of governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	4,683,364
Long-term loans and notes receivable are not current financial resources. Therefore, they are not included in the governmental funds.	2,782,646
Interest expenditures are recognized when due, and therefore, interest payable is not recorded in the governmental funds.	(238,009)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.	<u>(19,300,000)</u>
Net Assets of Governmental Activities	<u>\$ 4,083,535</u>

See accompanying notes to financial statements.

**REDEVELOPMENT AGENCY OF THE CITY OF MOORPARK
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES**

YEAR ENDED JUNE 30, 2005

	Special Revenue			
	Low/Mod Housing	Capital Projects	Debt Service	Total
REVENUES				
Taxes			\$ 3,901,779	\$ 3,901,779
Use of money and property	\$ 67,492	\$ 414,131	163,949	645,572
Other revenue	857,500	795,247		1,652,747
Total Revenues	924,992	1,209,378	4,065,728	6,200,098
EXPENDITURES				
Current:				
Public services	424,139	740,696	1,329,747	2,494,582
Capital outlay		57,407		57,407
Debt service:				
Principal			405,000	405,000
Interest			1,158,585	1,158,585
Total Expenditures	424,139	798,103	2,893,332	4,115,574
Excess (Deficiency) of Revenues Over (Under) Expenditures	500,853	411,275	1,172,396	2,084,524
OTHER FINANCING SOURCES (USES)				
Transfers in	780,356		152,674	933,030
Gain from sale of property	48,339			48,339
Transfers out	(152,674)		(780,356)	(933,030)
Total Other Financing Sources (Uses)	676,021		(627,682)	48,339
Net Change in Fund Balances	1,176,874	411,275	544,714	2,132,863
Fund Balances, Beginning of Year, as Restated	2,306,674	11,214,004	501,993	14,022,671
Fund Balances, End of Year	\$ 3,483,548	\$ 11,625,279	\$ 1,046,707	\$ 16,155,534

See accompanying notes to financial statements.

REDEVELOPMENT AGENCY OF THE CITY OF MOORPARK

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES**

YEAR ENDED JUNE 30, 2005

Net Change in Fund Balances - Total Governmental Funds \$ 2,132,863

Amounts reported for governmental activities in the Statement of Activities differs from the amounts reported in the Statement of Revenues, Expenditures, and Changes in Fund Balances because:

Governmental funds report revenues when notes receivable are repaid and expenditures when new notes are funded. These changes in notes receivable are not reflected in the Statement of Activities. The current year changes in notes receivable are reconciled as follows:

Repayments of notes receivable (1,614,647)

Principal repayments of long-term debt are expenditures in the governmental funds, but the repayments reduce long-term liabilities in the Statement of Net Assets. 405,000

Accrued Interest for Tax Allocation Bonds. This is the net change in accrued interest for the current period. 3,774

Change in Net Assets of Governmental Activities \$ 926,990

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

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REDEVELOPMENT AGENCY OF THE CITY OF MOORPARK

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

NOTE #1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Redevelopment Agency of the City of Moorpark (the Agency) conform to accounting principles generally accepted in the United States of America as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for governmental accounting and financial reporting principles. The following is a summary of the significant policies.

A. Reporting Entity

The Agency is a separate governmental entity created on March 13, 1987, pursuant to the Community Redevelopment Law of the State of California Health and Safety Code. It has been included as a component unit of the City of Moorpark (the City) for purposes of the City's annual financial report. The Agency has responsibility for elimination of blight within the limits of the project areas by preparing and carrying out redevelopment plans for area improvements and rehabilitation.

The Agency's primary source of revenue comes from property taxes (tax increment), referred to in the accompanying financial statements as "taxes". The assessed valuation of all property within the project area is determined on the date of adoption of the Redevelopment Plan. Property taxes related to the incremental increase in assessed values after the adoption of the Redevelopment Plan are allocated to the Agency; all taxes on the "frozen" assessed valuation of the property are allocated to the City and other districts.

The Agency has no power to levy and collect taxes and any legislative property tax de-emphasis might reduce the amount of tax revenues that would otherwise be available to pay the principal and interest on debt. Broadened property tax exemptions could have a similar effect. Conversely, any increase in the tax rate or assessed valuation, or any reduction or elimination of present exemptions would increase the amount of tax revenues that would be available to pay principal and interest on debt.

B. Accounting and Reporting Policies

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

On July 1, 2004, the Agency adopted, GASB Statement No. 40, *Deposit and Investment Risk Disclosures*. This Statement amends GASB Statement No.3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements* to address common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk and foreign currency risk. As an element of interest rate risk, this Statement requires certain disclosures of investments that have fair values, which are highly sensitive to changes in interest rates. Deposit and investment policies related to the risks identified in this Statement also should be disclosed. See Note #2.

REDEVELOPMENT AGENCY OF THE CITY OF MOORPARK

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

NOTE #1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Description of Funds

The accounts of the Agency 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:

Governmental Fund Types

- *Special Revenue Fund* – Used to account for the proceeds of specific revenue sources that are restricted by law or administrative action for specified purposes.
- *Debt Service Fund* – The debt service fund of the RDA is used to account for property tax increment revenue and related interest income. Disbursements from this fund consist mainly of principal and interest on indebtedness.
- *Capital Projects Funds* – Used to account for financial resources used for the construction of specific capital projects.

D. Basis of Accounting and Measurement Focus

Government – Wide Financial Statements

The Agency's Government-Wide Financial Statements include a Statement of Net Assets and a Statement of Activities. These statements present summaries of Governmental Activities for the Agency.

These statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the Agency's assets and liabilities, including capital assets as well as long-term debt, are included in the accompanying Statement of Net Assets. The Statement of Activities presents changes in net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. The types of transactions reported as program revenues for the Agency are reported in three categories: 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions. Charges for services include revenues from customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function. Operating grants and contributions include revenues restricted to meeting the requirements of a particular operating function and may include state shared revenues and grants. Capital grants and contributions include revenues restricted to meeting the requirements of a particular capital function and may include grants and developer fees. Taxes and other items not properly included among program revenues are reported instead as general revenues.

All internal balances in the government-wide statements have been eliminated as prescribed by GASB Statement No. 34.

REDEVELOPMENT AGENCY OF THE CITY OF MOORPARK

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

NOTE #1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Fund Financial Statements

Governmental fund financial statements include a Balance Sheet and Statement of Revenue, Expenditures, and Changes in Fund Balances for all major governmental funds. An accompanying schedule is presented to reconcile and explain the differences in fund balances as presented in these statements to the net assets presented in the Government-Wide Financial Statements. The Agency has presented all funds as major funds because of their significance to the Agency as a whole.

All governmental funds are accounted for on a spending or “*current financial resources*” measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheets. The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in fund balances. Revenues are recognized in the accounting period in which they become susceptible to accrual, that is, when they become both measurable and available to finance expenditures of the current period. “Measurable” means that the amount of the transaction can be determined, and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Accrued revenues include property taxes (tax increment) received within 60 days after year-end, and earnings on investments. Expenditures are recorded when the fund liability is incurred, if measurable, except for unmatured interest on long-term debt, which is recognized when due.

The Agency reports the following major governmental funds:

The *Low and Moderate Income Housing Special Revenue Fund* is used to account for the receipt of 20 percent of the gross tax increment allocation, which is restricted for use on projects that increase or preserve the supply of low and moderate income housing in accordance with Health and Safety Code Section 33334.

The *Capital Projects Fund* is used to account for all project expenditures, including acquisition of properties, cost of site improvements, and other costs within the Project Areas.

The *Debt Service Fund* is used to account for the accumulation of resources for, and the payment of principal and interest on the Agency’s debt and other long-term obligations.

E. Budgetary Controls and Encumbrances

The Agency adopts an annual budget using the modified-accrual basis of accounting, consistent with accounting principles generally accepted in the United States of America. Budgetary controls are established at the department level. At year-end, unexpended appropriations lapse.

The Agency Executive Director may transfer budget appropriations between major categories within a fund in conformance with the policies set by the Agency Board. Any major changes or amendments must be approved by the Agency Board. Adopted budget and budget amendments made during the year are reflected in the accompanying component unit financial statements.

REDEVELOPMENT AGENCY OF THE CITY OF MOORPARK

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

NOTE #1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that effect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

G. Investments

The Agency has adopted the provisions of GASB Statement No 31, "Accounting and Financial Reporting for Certain Investments and External Pools", which require governmental entities to report certain investments at fair value in the balance sheet and recognize the corresponding change in the fair value of investments in the year in which the change occurred. In accordance with GASB Statement No. 31, the Agency has adjusted certain investments to fair value (when material).

H. Property Held for Resale/Development

Property held for resale in the Low and Moderate-Income Housing Special Revenue Fund and the Capital Projects Fund represent land and buildings (properties) purchased by the Agency. Such properties are valued at the lower of cost or estimated net realizable value (as determined by a disposition and development agreement between the Agency and a developer) and has been offset by a reservation of fund balance to indicate that assets constitute future capital projects and are not available spendable resources. The balance outstanding at June 30, 2005 was \$1,658,886.

I. Capital Assets

Capital assets are reported in Governmental Activities column of the Government-Wide Financial Statements. Capital assets are defined by the Agency as all land and buildings; vehicles, computers and equipment with an initial individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated or annexed capital assets are recorded at estimated market value at the date of donation or annexation.

J. Property Taxes

The Agency receives incremental property taxes on property within its project area over a base-assessed valuation on the date the project area was established.

The duties of assessing and collecting property taxes are performed by the Ventura County Assessor and Tax Collector, respectively. Tax levies cover the period from July 1 to June 30 of each year. All tax liens attach annually on the first day in January preceding the fiscal year for which the taxes are levied. Taxes are levied on both real and personal property, as it exists on that date.

Secured property taxes are levied against real property and are due and payable in two equal installments. The first installment is due on November 1 and becomes delinquent if not paid by December 10. The second installment is due on February 1 and becomes delinquent if not paid by April 10. Unsecured personal property taxes are due on July 1 each year. These taxes become delinquent if not paid by August 31.

REDEVELOPMENT AGENCY OF THE CITY OF MOORPARK

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

NOTE #1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Use of Restricted Resources

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

L. New Accounting Pronouncements

GASB Statement No. 42 – In November 2003, the GASB issued Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*. This statement requires governments to measure, recognize, and disclose the effects of capital asset impairments in their financial statements when it occurs. This statement also clarifies and establishes accounting requirements for insurance recoveries, including those associated with capital asset impairment. This statement is not effective until June 30, 2006. The Agency has not determined its effect on the financial statements.

GASB Statement No. 43 – In April 2004, the GASB issued Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This statement establishes accounting and financial reporting standards for plans that provide postemployment benefits other than pension benefits (known as other postemployment benefits or OPEB). This statement is not effective until June 30, 2007. This statement is not expected to have a significant impact on the financial statements of the Agency.

GASB Statement No. 44 – In May 2004, the GASB issued Statement No. 44, *Economic Condition Reporting: The Statistical Section-an amendment of NCGA Statement No. 1*. This Statement amends the portions of NCGA Statement 1, *Governmental Accounting and Financial Reporting Principles*, that guide the preparation of the statistical section. The statistical section presents detailed information, typically in ten-year trends, that assists users in utilizing the basic financial statements, notes to basic financial statements, and required supplementary information to assess the economic condition of a government. This statement is not effective until June 30, 2006. This statement is not expected to have a significant impact on the financial statements of the Agency.

GASB Statement No. 45 – In June 2004, the GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This Statement establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers. This statement is not effective until June 30, 2008. The Agency has not determined its effect on the financial statements.

GASB Statement No. 46 – In December 2004, the GASB issued Statement No. 46, *Net assets Restricted By Enabling Legislation*, an amendment of GASB No. 34. This statement clarifies that a legally enforceable enabling legislation restriction is one that a party external to a government can compel a government to honor. Accordingly, it clarifies the determination of restricted net assets within the statement of net assets. This statement is not effective until June 30, 2006. The Agency has not determined its effect on the financial statements.

REDEVELOPMENT AGENCY OF THE CITY OF MOORPARK

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

NOTE #1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

GASB Statement No. 47 – In June 2005, the GASB issued Statement No. 47, *Accounting for Termination Benefits*. This statement establishes accounting standards for termination benefits. This statement is not effective until June 30, 2006. The Agency has not determined its effect on the financial statements.

NOTE #2 – CASH AND INVESTMENTS

Cash and investments as of June 30, 2005, are classified in the accompanying financial statements as follows:

Statement of Net Assets	
Cash and Investments	\$ 19,581,507
Restricted Cash and Investments	<u>1,393,423</u>
Total Cash and Investments	<u>\$ 20,974,930</u>

Cash and investments as of June 30, 2005, consist of the following:

Unrestricted:	
Pooled deposits with City of Moorpark	\$ 15,346
Demand Deposits	92,709
Investments	<u>19,473,452</u>
Total Unrestricted Cash and Investments	19,581,507
Restricted Cash and Investments	<u>1,393,423</u>
Total Cash and Investments	<u>\$ 20,974,930</u>

The Agency's deposits are pooled with other deposits of the City of Moorpark. Detailed information on the City's deposits can be found in the City's financial statements.

Investments Authorized by the Agency's Investment Policy

The Agency's investment policy only authorizes investment in the local government investment pool administered by the State of California (LAIF) and pooled cash and investment with the City of Moorpark (the City). The Agency's investment policy does not contain any specific provisions intended to limit the Agency's exposure to interest rate risk, credit risk, and concentration of credit risk. Detailed information concerning the City's pooled cash and investment can be found in the City's Comprehensive Annual Financial Report for the year ended June 30, 2005.

REDEVELOPMENT AGENCY OF THE CITY OF MOORPARK

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005**

NOTE #2 – CASH AND INVESTMENTS (Continued)

Investments Authorized by Debt Agreements

Investment of debt proceeds held by bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the Agency's investment policy. The table below identifies the investment types that are authorized for investments held by bond trustees. The table also identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>
U.S. Treasury Obligations	None
U.S. Agency Securities	None
Banker's Acceptances	180 days
Commercial Paper	270 days
Money Market Mutual Funds	N/A
Investment Contracts	30 years

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. As of year end, the weighted average maturity of the investments contained in the LAIF investment pool is approximately 10.5 months.

Information about the sensitivity of the fair values of the Entity's investments to market interest rate fluctuations is provided by the following table that shows the maturity date of each investment:

<u>Investment Type</u>	<u>Value</u>	<u>Maturity Date</u>
State Investment Pool	\$ 19,473,452	10.5 months average
CDC Investment Agreement	584,674	October 1, 2031
Transamerica Occidental Life	771,100	October 1, 2018
Total	<u>\$ 20,829,226</u>	

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. LAIF and investment contracts do not have a rating provided by a nationally recognized statistical rating organization.

REDEVELOPMENT AGENCY OF THE CITY OF MOORPARK

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

NOTE #2 – CASH AND INVESTMENTS (Continued)

Concentration of Credit Risk

Investments in any one issuer that represent 5 percent or more of total investments by reporting unit (primary government, governmental activities, major fund, etc.) are as follows:

\$771,100 of the cash and investments (including amount held with bond trustee) reported in the Debt Service Fund (a major fund of the Agency) is held in the form of a nonnegotiable unrated investment contract issued by Transamerica Occidental Life Insurance Company that matures on October 1, 2018.

\$584,674 of the cash and investments (including amount held with bond trustee) reported in the Debt Service Fund (a major fund of the Agency) is held in the form of a nonnegotiable unrated investment contract issued by CDC that matures on October 1, 2031.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the Agency's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits.

All of the Agency's \$92,709 demand deposits with financial institutions are covered by Federal depository insurance limits.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the Agency's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF).

REDEVELOPMENT AGENCY OF THE CITY OF MOORPARK

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

NOTE #2 – CASH AND INVESTMENTS (Continued)

Investment in State Investment Pool

The Agency is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the Agency's investment in this pool is reported in the accompanying financial statements at amounts based upon the Agency's pro-rata share of the fair value provided by LAIF for the Agency LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

NOTE #3 – NOTES RECEIVABLE

A. Janss Notes

On February 19, 2003, the Agency entered into an agreement with Janss IV Recreation Inc. whereby the Agency loaned \$400,000 in exchange for a promissory note. The loan shall be for a term of thirty (30) years and shall bear interest at a rate of three percent (3%) per annum for the first five (5) years, and at an adjustable rate not to exceed six percent (6%) per annum for the remaining twenty five (25) years of the loan. Principal and interest shall be payable in monthly installments. On April 15, 2005, the outstanding balance was paid in full.

On September 5, 2003, the Agency entered into an agreement with Janss IV Recreation Inc. whereby the Agency loaned \$350,000 in exchange for a promissory note. The loan shall be for a term of five (5) years with monthly payments of \$1,476 based on a thirty (30) year amortization and the balance of all principal and accrued interest are due at the end of the five (5) year term. On April 15, 2005, the outstanding balance was paid in full.

B. Mission Bell Note

On August 2, 1995, the Agency entered into an agreement with Mission Bell Partners whereby in return for land disposition, the Agency received seven promissory notes totaling \$3,934,500. The notes bear simple interest at rates ranging from four percent to six percent per annum from August 29, 1995 until August 29, 2027. In June 2004 the Agency, per a settlement agreement, discharged three of the seven promissory notes totaling \$500,000. The balance of the remaining three notes outstanding at June 30, 2005, was \$2,735,096. Principal and interest payments are due annually on September 2nd.

REDEVELOPMENT AGENCY OF THE CITY OF MOORPARK

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

NOTE #3 – NOTES RECEIVABLE (Continued)

C. Cabrillo Note

On May 23, 2001, the Agency entered into an agreement with Cabrillo Economic Development Corporation whereby in return for land disposition, the Agency received a \$1,475,000 note. The note bears simple interest at the rate equal to the quarterly interest rate announced by the Local Investment Fund (LAIF). Principal and interest are due and payable upon the sale of each designated market rate home. The borrower shall pay to the City the amount of \$33,523, which is equal to 1/44th of the total principal due under this note at the time of sale. This amount is disbursed to the Agency through the sales escrow. The balance outstanding was paid in full as of April 14, 2005, with the sale of all remaining lots.

D. Rehab Loans

The Agency operates a rehabilitation loan program for the renovation of low-moderate income housing. The total balance outstanding at June 30, 2005, was \$47,550.

NOTE #4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2005, was as follows:

	Beginning Balance	See Note 13 Prior Period Adjustment	Beginning Balance as Restated	Increases	Decreases	Ending Balance
Governmental Activities						
Capital assets not being depreciated:						
Land	\$ 4,893,795	\$ (210,431)	\$ 4,683,364			\$ 4,683,364

No depreciation expense was charged to the governmental functions/programs.

REDEVELOPMENT AGENCY OF THE CITY OF MOORPARK

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005**

NOTE #5 – INTERFUND ACTIVITY

Interfund Transfers

With the Agency Board approval, resources may be transferred from one fund to another. Transfers between individual funds during the fiscal year ended June 30, 2005 are presented below:

		Transfer From		
		Low/Mod Housing Special Revenue	Debt Service	Total
Transfer To	Low/Mod Housing Special Revenue		\$ 780,356	\$ 780,356
	Debt Service	\$ 152,674		152,674
	Total	\$ 152,674	\$ 780,356	\$ 933,030

The Debt Service Fund transferred funds to the Low/Mod Housing Special Revenue Fund to meet the low and moderate income housing 20 percent tax increment set-aside requirement.

The Low/Mod Housing Special Revenue Fund transferred funds to the Debt Service Fund to pay the 20% debt service on bond issues.

NOTE #6 – DUE TO THE CITY OF MOORPARK

During the fiscal year 2003-2004 the City’s General Fund advanced the Agency \$5,000,000 for capital projects which will eliminate blighted project areas. The advance will bear interest at a rate equivalent to the City investment in LAIF, plus one percent. The advance was renewed in June 2005. The Agency will repay the amount advanced from the City, both principal and interest on or before June 30, 2006.

During the fiscal year, the City’s General Fund advanced the Agency’s Capital Projects Fund \$344,849 and the Agency’s Low/Mod Housing Special Revenue Fund \$241,733 for redevelopment activities. These advances will be paid back to the City’s General Fund in July 2005.

REDEVELOPMENT AGENCY OF THE CITY OF MOORPARK

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005**

NOTE #7 – LONG-TERM DEBT

Changes in long-term debt for the year ended June 30, 2005, are as follows:

	Balance at Beginning of Year	Additions	Reductions	Balance at End of Year	Due Within One Year
1999 Tax Allocation Bonds	\$ 8,095,000		\$ (395,000)	\$ 7,700,000	\$ 405,000
2001 Tax Allocation Bonds	11,610,000		(10,000)	11,600,000	15,000
	<u>\$ 19,705,000</u>	<u>\$ -</u>	<u>\$ (405,000)</u>	<u>\$ 19,300,000</u>	<u>\$ 420,000</u>

A. 1999 Tax Allocation Bonds

In 1999, the Redevelopment Agency issued a \$9,860,000 aggregated principal amount of Moorpark Redevelopment Project 1999 Tax Allocation Refunding Bonds (the Bonds). The purpose of the Bonds was to advance refund the Agency's previously issued \$10,000,000 Moorpark Redevelopment Project, 1993 Tax Allocation Bonds. The purpose of the 1993 Bonds was to finance a portion of the costs of implementing the Redevelopment Plan, including low-and moderate-income housing projects. The 1999 Bonds bear interest at rates ranging from 3.05 percent to 4.875 percent per annum, payable semi-annually on April 1 and October 1 of each year, commencing on October 1, 1999 and are subject to mandatory sinking fund redemption commencing on October 1, 2009 and on each October 1 thereafter. The Bonds are payable from and secured by the tax revenues to be derived from the project area.

The bonds are secured by all property tax increment revenues, which are deposited in the Debt Service Fund. Cash and investments in the custody of the fiscal agent are restricted by the bond resolutions for payment of principal and interest on the Tax Allocation Bonds. In addition, the bond resolutions require retention of funds held by the fiscal agent prior to use for other than debt service.

The Redevelopment Agency is in compliance with the covenants contained in debt indentures, which require the establishment of certain specific accounts for the Tax Allocation Bonds.

Debt service payments on the 1999 Tax Allocation Refunding Bonds payable will be made from the Debt Service Fund. Annual debt service requirements to maturity are as follows:

Year Ended June 30	Tax Allocation Bond		Total
	Principal	Interest	
2006	\$ 405,000	\$ 353,065	\$ 758,065
2007	425,000	336,668	761,668
2008	440,000	319,148	759,148
2009	460,000	300,583	760,583
2010	475,000	279,759	754,759
2011-2015	2,760,000	1,015,952	3,775,952
2016-2020	2,735,000	274,828	3,009,828
Total	<u>\$ 7,700,000</u>	<u>\$ 2,880,002</u>	<u>\$ 10,580,002</u>

REDEVELOPMENT AGENCY OF THE CITY OF MOORPARK

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

NOTE #7 – LONG-TERM DEBT (Continued)

B. 2001 Tax Allocation Bond

In December 2001, the Redevelopment Agency of the City of Moorpark issued \$11,625,000 of Tax Allocation Parity Bonds. The proceeds of the Bonds will be used to fund redevelopment activities within the Moorpark Redevelopment Project area. Interest on the 2001 Bonds is payable semi-annually on April 1 and October 1, commencing April 1, 2002, at rates ranging from 2.85 percent to 5.13 percent per annum. The 2001 Bonds maturing October 2031, are subject to mandatory sinking fund redemption in the amount of the principal and accrued interest. The Bonds are payable from and secured by the tax revenues to be derived from the project area.

The bonds are secured by all property tax increment revenues, which are deposited in the Debt Service Fund. Cash and investments in the custody of the fiscal agent are restricted by the bond resolutions for payment of principal and interest on the Tax Allocation Bonds. In addition, the bond resolutions require retention of funds held by the fiscal agent prior to use for other than debt service.

The Redevelopment Agency is in compliance with the covenants contained in debt indentures, which require the establishment of certain specific accounts for the Tax Allocation Bonds.

Debt service payments on the 2001 Tax Allocation Parity Bonds payable will be made from the Debt Service Fund. Annual debt service requirements to maturity are as follows:

Year Ended June 30	Tax Allocation Bond		Total
	Principal	Interest	
2006	\$ 15,000	\$ 591,216	\$ 606,216
2007	15,000	590,819	605,819
2008	15,000	590,309	605,309
2009	15,000	589,176	604,176
2010	20,000	588,469	608,469
2011-2015	85,000	2,931,395	3,016,395
2016-2020	720,000	2,893,471	3,613,471
2021-2025	3,705,000	2,289,047	5,994,047
2026-2030	4,755,000	1,211,423	5,966,423
2031-2032	2,255,000	116,978	2,371,978
Total	<u>\$11,600,000</u>	<u>\$12,392,303</u>	<u>\$ 23,992,303</u>

C. Prior Year Defeasance of Debt

In 1999, the Agency defeased the 1993 Tax Allocation Revenue Bonds by placing the proceeds of new bonds in an escrow account, with the 1999 Tax Allocation Refunding Bonds issue's trustee, to provide for all further debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Agency's financial statements. In October 2004, these bonds were called in full.

REDEVELOPMENT AGENCY OF THE CITY OF MOORPARK

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

NOTE #8 – CLASSIFICATION OF NET ASSETS AND FUND BALANCE

Net Assets

Net assets are the difference between assets and liabilities. Net assets invested in capital assets, net of related debt are capital assets, less accumulated depreciation and any outstanding debt related to the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are legal limitations imposed on their use by Agency legislation or external restrictions by other governments, creditors or grantors.

Fund Balance

Under accounting principles generally accepted in the United States of America a governmental entity may set up "reserves" of fund equity to segregate fund balances, which are not appropriate for expenditure in future periods, or which are legally set aside for a specific future use. Fund "designations" also may be established to indicate tentative plans for financial resources utilization in a future period.

NOTE #9 – EXPENDITURES IN EXCESS OF APPROPRIATIONS

The following fund had expenditures in excess of the budget in the following amounts for the year ended June 30, 2005:

Debt Service Fund	<u>\$ 123,746</u>
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NOTE #10 – AGREEMENTS WITH VARIOUS TAXING AGENCIES

The Redevelopment Agency of the City of Moorpark has entered into five (5) agreements for allocation and distribution of tax increment revenues:

The first agreement is with the County of Ventura, Ventura County Library District, Ventura County Fire Protection District, and Ventura County Flood Control District (collectively, the "County Taxing Entities"), which provides for the Agency to retain 100 percent of the County Taxing Entities share (55.82 percent) of annual tax increment revenues up to \$1,750,000. For annual tax increment revenue in excess of \$1,750,000, the Agency shall distribute 55.82 percent of such revenues to the County on behalf of the County Taxing Entities. The County Taxing Entities have agreed to defer payments in the initial years of the Redevelopment Plan, and consequently, the parties agree that the County Taxing Entities may receive payments in any single fiscal year in excess of the amount of tax revenues the County Taxing Entities would otherwise be entitled to, but for the adoption of the Redevelopment Plan. Additionally, the agreement calls for the Agency to receive a \$1,000,000 payment from the tax increment disbursed to the County pursuant to the agreement, by December 31, 2008, if and only if the Agency's annual debt statements which are filed with the County Auditor-Controller from fiscal year 1993-94 to fiscal year 2008-09 list debts in an amount equal to or in excess of the maximum tax increment available to the Agency in each of such fiscal years.

REDEVELOPMENT AGENCY OF THE CITY OF MOORPARK

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

NOTE #10 – AGREEMENTS WITH VARIOUS TAXING AGENCIES (Continued)

The second agreement is with the City of Moorpark Vector Control, formerly known as the Moorpark Mosquito Abatement District and states that the City of Moorpark Vector Control shall receive 87.5 percent of its share (1.53 percent) of annual tax increment revenue. The City of Moorpark Vector Control has agreed to contribute its pro rata share of the Agency's required annual payment to the Agency.

The third agreement is with the Moorpark Unified School District (the School District), and states that the School District shall receive, after the Agency has satisfied debt service payments to bond or note holders or to the holder of any other instruments of Agency indebtedness (provided such indebtedness is not reasonably foreseeable to impair the Agency's obligation under the agreement), the School District's share (33.41 percent) of tax increment revenues generated by an annual 2 percent increase in assessed valuation, and beginning in fiscal year 1995-96, 14 percent of the School District's share of annual tax increment revenue. Additionally, the agreement calls for the Agency to make a one-time \$750,000 payment to the School District as a contribution to a new school district maintenance facility. This payment was made by the Agency in August of 1999.

Per the agreement between the School District and the RDA of the City of Moorpark, the distributions to the School District shall be expended for the following purposes at school sites in the incorporated boundaries of the City:

1. Telephone systems for new buildings;
2. Computer hardware and educational systems;
3. Land acquisition;
4. Books; and
5. School buildings and facilities and related capital improvements and modernization projects (collectively "public works"); such public works may include design, inspection and administration costs, but not School District overhead or salary/benefits for regular School District employees.

The Agency may pre-approve other proposed expenditures that are submitted in writing by the School District.

The fourth agreement is with the Ventura County Community College District (the Community College District), and states that the Community College District will receive, after the Agency has satisfied debt service payments to bond or note holders or to the holders of any other instruments of Agency indebtedness (provided such indebtedness is not reasonably foreseeable to impair the Agency's obligation under the agreement), the Community College District's share (5.81 percent) of tax increment revenues generated by an annual 2 percent increase in assessed valuation, and, beginning in fiscal year 1993-94, 14 percent of the Community College District's share of annual tax increment revenue.

The fifth agreement is with the Ventura County Superintendent of Schools Office (the Superintendent), and states that the Superintendent shall receive its share (2.49 percent) of tax increment revenues generated by an annual 2 percent increase in assessed valuation.

REDEVELOPMENT AGENCY OF THE CITY OF MOORPARK

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

NOTE #11 – LOW- AND MODERATE-INCOME HOUSING SET ASIDE

The California Health and Safety Code Section 33334.2 requires a redevelopment agency to use at least 20 percent of tax increment revenues generated by a redevelopment project area to increase and improve the supply of low- and moderate-income housing in the community. Accordingly, the Agency’s unspent commitment for its low- and moderate-income housing program amounted to \$2,701,263 and has been reflected as a reservation of fund balance in the Agency’s Special Revenue Fund.

NOTE #12 – CONTINGENCIES

There are certain legal actions currently pending against the Agency arising in the normal course of the Agency’s operations. In the opinion of management and the Agency Attorney, the ultimate resolution of such actions is not expected to have a significant effect upon the component unit financial statements of the Agency.

NOTE #13 – RESTATEMENT OF NET ASSETS AND FUND BALANCE

During fiscal year 2004-2005, it was found that the City had included property held for resale with the amount reported as land in capital assets (see Note 4). The City recorded a restatement of beginning net assets in order to correct this overstatement of capital assets.

Net Assets Beginning of Year, as Previously Reported	\$ 2,890,261
Correction of Capital Assets	(210,431)
Correction of Property Held for Resale/Development	<u>476,715</u>
Net Assets Beginning of Year, as Restated	<u>\$ 3,156,545</u>

The Agency restated beginning fund balance in both Low and Moderate Income Housing Special Revenue Fund and Capital Projects Fund to correct the amounts for property held for resale to the actual value of those assets. The Agency restated beginning fund balance in the Debt Service Fund to eliminate the long-term advance recorded in the fund.

	Low and Moderate Income Housing Special Revenue Fund	Capital Projects Fund
Fund Balance Beginning of Year, as Previously Reported	\$ 2,369,072	\$ 10,674,891
Correction of Property Held for Resale/Development	(62,398)	539,113
Fund Balance Beginning of Year, as Restated	<u>\$ 2,306,674</u>	<u>\$ 11,214,004</u>

REQUIRED SUPPLEMENTARY INFORMATION

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REDEVELOPMENT AGENCY OF THE CITY OF MOORPARK

**SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
LOW/MOD INCOME HOUSING SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2005**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Use of money and property	\$ 40,000	\$ 51,220	\$ 67,492	\$ 16,272
Other revenue		39,732	857,500	817,768
Total Revenues	40,000	90,952	924,992	834,040
EXPENDITURES				
Current:				
Public services	403,639	665,406	424,139	241,267
Excess (Deficiency) of Revenues Over (Under) Expenditures	(363,639)	(574,454)	500,853	1,075,307
OTHER FINANCING SOURCES (USES)				
Transfers in	762,551	762,551	780,356	17,805
Gain from sale of property			48,339	48,339
Transfers out	(152,674)	(152,674)	(152,674)	
Total Other Financing Sources (Uses)	609,877	609,877	676,021	66,144
NET CHANGE IN FUND BALANCE	246,238	35,423	1,176,874	1,141,451
Fund Balance, Beginning of Year, as Restated	2,306,674	2,306,674	2,306,674	
Fund Balance, End of Year	\$ 2,552,912	\$ 2,342,097	\$ 3,483,548	\$ 1,141,451

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REDEVELOPMENT AGENCY OF THE CITY OF MOORPARK

**MAJOR FUND BUDGETARY COMPARISON SCHEDULES
JUNE 30, 2005**

A budgetary comparison schedule is presented as part of the required supplementary information for the major special revenue fund as provided for by GASB Statement No. 34. The budgetary comparison schedules for the remaining major funds are presented to aid in additional analysis and are not a required part of the basic financial statements.

REDEVELOPMENT AGENCY OF THE CITY OF MOORPARK

**SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2005**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Use of money and property	\$ 248,510	\$ 338,094	\$ 414,131	\$ 76,037
Other revenue	38,000	38,000	795,247	757,247
Total Revenues	286,510	376,094	1,209,378	833,284
EXPENDITURES				
Current:				
Public services	698,263	851,166	740,696	110,470
Capital outlay	936,091	958,779	57,407	901,372
Total Expenditures	1,634,354	1,809,945	798,103	1,011,842
NET CHANGE IN FUND BALANCE	(1,347,844)	(1,433,851)	411,275	1,845,126
Fund Balance, Beginning of Year, as Restated	11,214,004	11,214,004	11,214,004	
Fund Balance, End of Year	\$ 9,866,160	\$ 9,780,153	\$11,625,279	\$ 1,845,126

REDEVELOPMENT AGENCY OF THE CITY OF MOORPARK

**SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
DEBT SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2005**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 3,812,753	\$ 3,844,650	\$ 3,901,779	\$ 57,129
Use of money and property	115,000	115,000	163,949	48,949
Total Revenues	3,927,753	3,959,650	4,065,728	106,078
EXPENDITURES				
Current:				
Public services	1,325,000	1,325,000	1,329,747	(4,747)
Debt service:				
Principal	405,000	405,000	405,000	
Interest	1,039,586	1,039,586	1,158,585	(118,999)
Total Expenditures	2,769,586	2,769,586	2,893,332	(123,746)
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,158,167	1,190,064	1,172,396	(17,668)
OTHER FINANCING SOURCES (USES)				
Transfers in	152,674	152,674	152,674	
Transfers out	(762,551)	(762,551)	(780,356)	(17,805)
Total Other Financing Sources (Uses)	(609,877)	(609,877)	(627,682)	(17,805)
NET CHANGE IN FUND BALANCE	548,290	580,187	544,714	(35,473)
Fund Balance, Beginning of Year	501,993	501,993	501,993	
Fund Balance, End of Year	<u>\$ 1,050,283</u>	<u>\$ 1,082,180</u>	<u>\$ 1,046,707</u>	<u>\$ (35,473)</u>

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
*AUDIT GUIDELINES FOR CALIFORNIA REDEVELOPMENT AGENCIES AND
GOVERNMENT AUDITING STANDARDS*

The Honorable Chairman and Members of the Agency
Redevelopment Agency of the City of Moorpark
Moorpark, California

We have audited the financial statements of the governmental activities and each major fund of the Redevelopment Agency of the City of Moorpark, (a component unit of the City of Moorpark, California) as of and for the year ended June 30, 2005, and have issued our opinion report thereon dated October 20, 2005. 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 of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Redevelopment Agency of the City of Moorpark's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we considered to be material weaknesses.

Compliance and Other Matters

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

This report is intended for the information of Redevelopment Agency of the City of Moorpark and the State Controller, and is not intended to be and should not be used by anyone other than those specified parties.

Vannucci, Trinis, Day & Co., LLP

Rancho Cucamonga, California
October 20, 2005