

**THOUSAND OAKS REDEVELOPMENT AGENCY
FINANCIAL REPORT
JANUARY 31, 2012**



**Prepared by
Finance Department**

**John F. Adams
Finance Director/City Treasurer**

THOUSAND OAKS REDEVELOPMENT AGENCY

Financial Report

For the Seven Month Period Ended January 31, 2012

THOUSAND OAKS REDEVELOPMENT AGENCY
(A Financial Reporting Component Unit of the City of Thousand Oaks)

FINANCIAL REPORT
Seven Month Period Ended January 31, 2012

TABLE OF CONTENTS

| | <u>Page</u> |
|--|-------------------|
| Independent Auditors' Report | 1-2 |
| Basic Financial Statements: | |
| Government-wide Financial Statements: | |
| Statement of Net Assets | 3 |
| Statement of Activities | 4 |
| Governmental Fund Financial Statements: | |
| Balance Sheet – Governmental Funds | 5-6 |
| Reconciliation of Balance Sheet Fund Balances of Governmental Funds to the Statement of Net Assets | 7 |
| Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds | 8-9 |
| Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities | 10 |
| Notes to Basic Financial Statements | 11-26 |
| Supplementary Information | |
| Budget and Actual – Thousand Oaks Boulevard Project No. 2 Capital Project Fund | 27 |
| Budget and Actual – Newbury Road Project No. 5 Capital Project Fund | 28 |
| Budget and Actual – Low and Moderate Income Housing Capital Project Fund | 29 |
| Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards | 30-31 |



CERTIFIED PUBLIC ACCOUNTANTS

- Brandon W. Burrows, CPA
- David E. Hale, CPA, CFP
A Professional Corporation
- Donald G. Slater, CPA
- Richard K. Kikuchi, CPA
- Susan F. Matz, CPA
- Shelly K. Jackley, CPA
- Bryan S. Gruber, CPA
- Deborah A. Harper, CPA

INDEPENDENT AUDITORS' REPORT

To the Honorable Chair and Members of the Governing Board
Thousand Oaks Redevelopment Agency
City of Thousand Oaks, California

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Thousand Oaks Redevelopment Agency (Agency), a component unit of the City of Thousand Oaks, California, as of and for the seven months ended January 31, 2012, which collectively comprise the Agency's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Agency's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

We would like to draw the reader's attention to Note 11 – "California Redevelopment Agency Dissolution". The note provides information on two bills passed, AB X1 26 and AB X1 27 which dissolve redevelopment agencies as of January 31, 2012 based on the California Supreme Court ruling dated December 29, 2011.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 9, 2012, on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



To the Honorable Chair and Members of the Governing Board
Thousand Oaks Redevelopment Agency

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

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

Lance, Soll & Lingham, LLP

Brea, California
July 9, 2012

This page intentionally left blank

THOUSAND OAKS REDEVELOPMENT AGENCY
Statement of Net Assets
January 31, 2012

| | |
|--|----------------------------|
| | Governmental Activities |
|--|----------------------------|

| | |
|---|----------------------|
| Assets: | |
| Cash and investments (note 2) | \$ 41,647,031 |
| Receivables: | |
| Accounts | 35,828 |
| Accrued interest | 2,489,742 |
| Notes/loans | 28,675,607 |
| Assets held for resale | 671,083 |
| Noncurrent assets: | |
| Deferred charges | 1,156,647 |
| Restricted cash and investments (note 2) | 293,475 |
| Capital assets (note 5): | |
| Land | 23,340,834 |
| Buildings and improvements | 44,965,568 |
| Infrastructure | 2,936,842 |
| Construction in progress | 2,010,963 |
| Accumulated depreciation | <u>(14,721,298)</u> |
| Total assets | <u>133,502,322</u> |
| Liabilities: | |
| Accounts payable | 424 |
| Accrued liabilities | 480,234 |
| Due to other agencies | 6,233,910 |
| Unearned revenue | 28,455,325 |
| Noncurrent liabilities (note 7): | |
| Due within one year | 4,695,000 |
| Due in more than one year | <u>57,165,468</u> |
| Total liabilities | <u>97,030,361</u> |
| Net assets: | |
| Invested in capital assets, net of related debt | 43,119,965 |
| Restricted for: | |
| Community development | 1,156,647 |
| Low and moderate housing | 4,565,047 |
| Debt service | <u>17,091,705</u> |
| Total restricted | <u>22,813,399</u> |
| Unrestricted (deficit) | <u>(29,461,403)</u> |
| Total net assets | <u>\$ 36,471,961</u> |

See accompanying notes to basic financial statements.

THOUSAND OAKS REDEVELOPMENT AGENCY
Statement of Activities
Seven Month Period Ended January 31, 2012

| | <u>Program Revenues</u> | |
|----------|-------------------------|---|
| Expenses | Charges for Services | Net (Expenses) Revenues and Changes in Net Assets |

Functions/Programs

Governmental activities:

| | | | |
|-------------------------------|----------------------|----------------|---------------------|
| Community development | \$ 9,388,324 | 163,023 | (9,225,301) |
| Interest on long-term debt | <u>1,674,337</u> | - | <u>(1,674,337)</u> |
| Total governmental activities | <u>\$ 11,062,661</u> | <u>163,023</u> | <u>(10,899,638)</u> |

General revenues:

| | | | |
|---|--|----------------------|--|
| Tax increment | | \$ 11,348,249 | |
| Other revenue | | 9,913 | |
| Unrestricted investment/interest earnings | | <u>1,942</u> | |
| Total general revenues | | 11,360,104 | |
| Change in net assets | | 460,466 | |
| Net assets - beginning | | <u>36,011,495</u> | |
| Net assets - ending | | <u>\$ 36,471,961</u> | |

See accompanying notes to basic financial statements.

THOUSAND OAKS REDEVELOPMENT AGENCY
Balance Sheet
Governmental Funds
January 31, 2012

Page 1 of 2

| Debt Service Funds | | | |
|---|--------------------------------------|-------------------------------|------------------------------------|
| | Thousand Oaks Blvd. Project No. 2 | Newbury Road Project No. 5 | Low and Moderate Income Housing |
| <u>Assets</u> | | | |
| Cash and investments | \$ 16,875,439 | 4,220,701 | - |
| Receivables: | | | |
| Accounts | - | - | - |
| Accrued interest | - | - | - |
| Notes/loans | - | - | - |
| Assets held for resale | - | - | - |
| Restricted cash and investments | - | 293,475 | - |
| Total assets | \$ 16,875,439 | 4,514,176 | - |
| <u>Liabilities and Fund Balance</u> | | | |
| Liabilities: | | | |
| Accounts payable | \$ - | - | - |
| Due to other agencies | 5,564,874 | 669,036 | - |
| Unearned revenue | - | - | - |
| Total liabilities | 5,564,874 | 669,036 | - |
| Fund balances: | | | |
| Nonspendable: | | | |
| Assets held for resale | - | - | - |
| Restricted for: | | | |
| Debt service reserve | 4,710,565 | 3,845,140 | - |
| Low and moderate income housing program and activities | - | - | - |
| Committed to: | | | |
| Capital projects | 6,600,000 | - | - |
| Total fund balances | 11,310,565 | 3,845,140 | - |
| Total liabilities and fund balances | \$ 16,875,439 | 4,514,176 | - |

See accompanying notes to basic financial statements.

| Capital Projects Funds | | | |
|--------------------------------------|-------------------------------|------------------------------------|-------------------|
| Thousand Oaks Blvd. Project No. 2 | Newbury Road Project No. 5 | Low and Moderate Income Housing | Total |
| 10,406,321 | 4,318,611 | 5,825,959 | 41,647,031 |
| 7,909 | - | 27,919 | 35,828 |
| 3,562 | 1,452 | 2,484,728 | 2,489,742 |
| - | - | 28,675,607 | 28,675,607 |
| - | - | 671,083 | 671,083 |
| - | - | - | 293,475 |
| <u>10,417,792</u> | <u>4,320,063</u> | <u>37,685,296</u> | <u>73,812,766</u> |
| 424 | - | - | 424 |
| - | - | - | 6,233,910 |
| 69,201 | - | 31,186,124 | 31,255,325 |
| <u>69,625</u> | <u>-</u> | <u>31,186,124</u> | <u>37,489,659</u> |
| - | - | 671,083 | 671,083 |
| - | - | - | 8,555,705 |
| - | - | 5,828,089 | 5,828,089 |
| <u>10,348,167</u> | <u>4,320,063</u> | <u>-</u> | <u>21,268,230</u> |
| <u>10,348,167</u> | <u>4,320,063</u> | <u>6,499,172</u> | <u>36,323,107</u> |
| <u>10,417,792</u> | <u>4,320,063</u> | <u>37,685,296</u> | <u>73,812,766</u> |

THOUSAND OAKS REDEVELOPMENT AGENCY
Reconciliation of Balance Sheet Fund Balances of Governmental Funds
To the Statement of Net Assets
January 31, 2012

Amounts reported for governmental activities in the statement of net assets (page 3) are different because:

| | | |
|--|-----------|-------------------|
| Total fund balances - total governmental funds (page 6) | \$ | 36,323,107 |
| Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the funds. | | 58,532,909 |
| Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds. | | 3,956,647 |
| Long-term liabilities, including bonds payable, interest payable and notes/loans payable, are not due and payable in the current period and, therefore, are not reported in the funds. | | (62,340,702) |
| Net assets - governmental activities (page 3) | <u>\$</u> | <u>36,471,961</u> |

See accompanying notes to basic financial statements.

This page intentionally left blank

THOUSAND OAKS REDEVELOPMENT AGENCY
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Seven Month Period Ended January 31, 2012

Page 1 of 2

| | Debt Service Funds | | |
|---|--------------------------------------|-------------------------------|------------------------------------|
| | Thousand Oaks Blvd. Project No. 2 | Newbury Road Project No. 5 | Low and Moderate Income Housing |
| Revenues: | | | |
| Taxes | \$ 8,034,114 | 1,044,485 | - |
| Use of money and property | 4 | 12 | - |
| Total Revenues | 8,034,118 | 1,044,497 | - |
| Expenditures: | | | |
| Current: | | | |
| Community development | 5,231,495 | 646,316 | 904,682 |
| Debt service: | | | |
| Principal | 3,180,000 | - | 1,225,000 |
| Interest | 942,699 | 96,360 | 398,808 |
| Capital outlay | - | - | - |
| Total expenditures | 9,354,194 | 742,676 | 2,528,490 |
| Excess (deficiency) of revenues over (under) expenditures | (1,320,076) | 301,821 | (2,528,490) |
| Other financing sources (uses): | | | |
| Transfers in | - | - | 2,528,490 |
| Transfers out | - | - | - |
| Total other financing sources (uses) | - | - | 2,528,490 |
| Net change in fund balance | (1,320,076) | 301,821 | - |
| Fund balance-beginning | 12,630,641 | 3,543,319 | - |
| Fund balance-ending | \$ 11,310,565 | 3,845,140 | - |

See accompanying notes to basic financial statements.

| Capital Projects Funds | | | |
|--------------------------------------|-------------------------------|------------------------------------|---------------------|
| Thousand Oaks Blvd. Project No. 2 | Newbury Road Project No. 5 | Low and Moderate Income Housing | Total |
| - | - | 2,269,650 | 11,348,249 |
| 67,734 | 5,973 | 101,155 | 174,878 |
| <u>67,734</u> | <u>5,973</u> | <u>2,370,805</u> | <u>11,523,127</u> |
| 377,343 | 16,985 | 1,528,324 | 8,705,145 |
| - | - | - | 4,405,000 |
| - | - | - | 1,437,867 |
| 4,015,801 | - | 4,880,119 | 8,895,920 |
| <u>4,393,144</u> | <u>16,985</u> | <u>6,408,443</u> | <u>23,443,932</u> |
| <u>(4,325,410)</u> | <u>(11,012)</u> | <u>(4,037,638)</u> | <u>(11,920,805)</u> |
| - | - | - | 2,528,490 |
| - | - | (2,528,490) | (2,528,490) |
| - | - | (2,528,490) | - |
| (4,325,410) | (11,012) | (6,566,128) | (11,920,805) |
| <u>14,673,577</u> | <u>4,331,075</u> | <u>13,065,300</u> | <u>48,243,912</u> |
| <u>10,348,167</u> | <u>4,320,063</u> | <u>6,499,172</u> | <u>36,323,107</u> |

THOUSAND OAKS REDEVELOPMENT AGENCY
Reconciliation of Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
Seven Month Period Ended January 31, 2012

Amounts reported for governmental activities in the statement of activities (page 4) are different because:

| | |
|---|-----------------|
| Net change in fund balances - total governmental funds (page 9) | \$ (11,920,805) |
|---|-----------------|

| | |
|--|-----------|
| Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period. | 8,343,007 |
|--|-----------|

| | |
|--|-----------|
| Some expenses (e.g., accrued interest payable) reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. | (273,634) |
|--|-----------|

| | |
|--|-----------|
| The issuance of long-term debt (bonds and loans payable) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The amount is the net effect of these differences in the treatment of long-term debt and related items. | 4,311,898 |
|--|-----------|

| | | |
|---|---|------------|
| Change in net assets - governmental activities (page 4) | <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="border-top: 1px solid black; border-bottom: 3px double black;">\$ 460,466</td> </tr> </table> | \$ 460,466 |
| \$ 460,466 | | |

See accompanying notes to basic financial statements.

This page intentionally left blank

THOUSAND OAKS REDEVELOPMENT AGENCY

Notes to Basic Financial Statements

January 31, 2012

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Description of Reporting Entity

The Thousand Oaks Redevelopment Agency (Agency) was established pursuant to the Community Redevelopment Law of California as modified in Part I of Division 24 of the State of California Health and Safety Code. As such, the Agency acts as a legal entity, separate and distinct from the City of Thousand Oaks (City), even though the City Council of the City has the authority to appoint, and currently acts as, the Agency's governing board.

The actions of the Agency are binding, and business, including the incurrence of long-term debt, is transacted in the Agency's name by its appointed representatives. The Agency is broadly empowered to engage in the general economic revitalization and redevelopment of the City through acquisition and development of property in those areas of the City determined to be in declining condition.

The Agency consists of two separate project areas known as the Thousand Oaks Boulevard Project Area No. 2 and the Newbury Road Project Area No. 5. In addition, the Low and Moderate Income Housing Debt Service and Capital Projects funds have been established for the Low and Moderate Income Housing Program. The accounting policies of the Agency conform to generally accepted accounting principles as applicable to governments.

The Agency is a blended component unit of the City. Accordingly, the financial operations of the Agency will be included in the Comprehensive Annual Financial Report (CAFR) issued by the City.

(b) Government-wide and Fund Financial Statements

The government-wide financial statements consist of the statement of net assets and statement of activities, and report information on all activities of the Agency. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. All internal balances in the statement of net assets have been eliminated, with the exception of those representing balances between the Agency and the City.

The statement of activities demonstrates the degree to which the direct and indirect expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Indirect expenses are allocated based on the annual citywide cost allocation plan. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions, including special assessments, that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not included in program revenues are reported as general revenues.

In accordance with GASB Statement No. 34, reconciliations of the differences between the fund and government-wide financial statements are provided on pages 7 and 10.

THOUSAND OAKS REDEVELOPMENT AGENCY

Notes to Basic Financial Statements (Continued)

January 31, 2012

(c) Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under the economic resources measurement focus, all assets and liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets. Operating statements present increases (revenues) and decreases (expenses) in total net assets. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the current financial resources measurement focus, only current assets and current liabilities are generally included on their balance sheets. The reported fund balance (net current assets) is considered a measure of “available spendable resources.” Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they represent a summary of sources and uses of “available spendable resources” during a period. Noncurrent portions of long-term receivables due to governmental funds are reported on their balance sheets regardless of their spending measurement focus. However, special reporting treatments are used to indicate that they should not be considered “available spendable resources” since they do not represent net current assets. Recognition of governmental fund type revenues represented by noncurrent receivables is deferred until these revenues become current receivables.

Under the modified accrual basis of accounting, revenues are considered to be available when they are collectible within the current period, or soon enough thereafter, to pay liabilities of the current period. For this purpose, the Agency considers property taxes as available if they are collected within 60 days of the end of the fiscal period. Expenditures generally are recorded when a liability is incurred, except for principal and interest on general long-term liabilities and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term liabilities are reported as other financing sources.

The Agency reports the following major governmental funds:

The **Thousand Oaks Boulevard Project Area No. 2 Debt Service Fund** is used to account for the accumulation of resources and payment of principal and interest for Thousand Oaks Boulevard Project Area No. 2.

The **Newbury Road Project Area No. 5 Debt Service Fund** is used to account for the accumulation of resources and payment of principal and interest for Newbury Road Project Area No. 5.

THOUSAND OAKS REDEVELOPMENT AGENCY

Notes to Basic Financial Statements (Continued)

January 31, 2012

The **Low and Moderate Income Housing Debt Service Fund** is used to account for the accumulation of resources and payment of principal and interest for Low and Moderate Housing Program.

The **Thousand Oaks Boulevard Project Area No. 2 Capital Projects Fund** is used to account for the financial activities of Thousand Oaks Boulevard Project Area No. 2.

The **Newbury Road Project Area No. 5 Capital Projects Fund** is used to account for the financial activities of Newbury Road Project Area No. 5.

The **Low and Moderate Income Housing Capital Projects Fund** is used to account for the financial activities of the Low and Moderate Income Housing Program.

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 needed.

(d) Fund Balance Reporting and Governmental Fund Type Definitions

As of January 31, 2012, governmental funds consist of the following fund balance categories:

Nonspendable Fund Balance cannot be converted to cash (i.e., prepaid items and inventories of supplies) and will not be converted to cash soon enough to affect the current period.

Restricted Fund Balance has externally enforceable limitations on the use (i.e., limitations imposed by creditors, grantors, contributors, or laws and regulations of other governments, and limitations imposed by law through constitutional provisions or enabling legislation).

Committed Fund Balance has self-imposed limitations on use set in place prior to the end of the fiscal year and imposed at the highest level of decision making (City Council) that requires formal action at the same level to remove.

The accounting policies of the Agency consider restricted fund balance spent first when expenditure is incurred for purposes for which both restricted and unrestricted fund balance are available. Similarly, when an expenditure is incurred for purposes for which amounts in any of the unrestricted classifications of fund balance could be used, the Agency considers committed amounts to be reduced first, followed by assigned amounts and then unassigned amounts.

(e) Cash and Investments

In accordance with GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and External Investment Pools", Agency's investments are stated at fair value.

THOUSAND OAKS REDEVELOPMENT AGENCY

Notes to Basic Financial Statements (Continued)

January 31, 2012

(f) Restricted Cash and Investments

Some debt covenants require resources to be set aside as restricted assets to cover one annual principal and interest payment. As required, amounts are set aside in the Agency's Newbury Road Project No. 5 Debt Service Fund.

(g) Capital Assets

Capital assets are reported in the government-wide financial statements. Included in capital assets are land, buildings and improvements, infrastructure, and construction in progress. The Agency follows the City's capitalization policy, which sets the capitalization threshold for reporting capital assets at \$5,000. Donated assets are recorded at estimated fair market value at the date of donation. Capital outlay is recorded as expenditures of the Capital Projects funds and as assets in the government-wide financial statements to the extent the Agency's capitalization threshold is met. Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

Buildings and Improvements – 20 to 50 years
Infrastructure – 10 to 50 years

(h) Long-term Liabilities

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net assets. Bond premiums, discounts, issuance costs, and gain or loss on defeasance are deferred and amortized over the life of the bonds. Bond payables are reported net of the applicable bond premiums, discounts, and gain or loss on defeasance, while bond issuance costs are reported as deferred charges.

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

(i) Use of Estimates

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

THOUSAND OAKS REDEVELOPMENT AGENCY

*Notes to Basic Financial Statements
(Continued)*

January 31, 2012

(j) Tax Increment Financing and Related Receivable

The Agency's primary source of revenue comes from property taxes, referred to as tax increment revenues. When a redevelopment plan for a project area is adopted, the assessed valuation of property in that project area is "frozen." Property taxes related to an incremental increase in assessed values after the adoption of the redevelopment plan are allocated to the Agency; 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 may reduce the amount of tax revenues that would otherwise be available to pay principal and interest on bonds or loans. 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 may increase the amount of tax revenues that would be available to pay principal and interest on bonds or loans.

Property taxes attach as an enforceable lien on property as of January 1. Secured property taxes are levied on July 1 and are payable in two installments, on December 10 and April 10. The County of Ventura bills and collects property taxes on behalf of the Agency.

(k) Reconciliation of Government-wide and Fund Financial Statements

Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets

The governmental fund balance sheet includes a reconciliation between fund balance – *total governmental funds* and *net assets of governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that "long-term liabilities, including bonds payable, interest payable, and notes/loans payable, are not due and payable in the current period and, therefore, are not reported in the funds." The details of this (\$62,340,702) difference are as follows:

| | |
|---|------------------------------|
| Tax allocation bonds payable | (\$59,935,000) |
| HELP Loan payable | (1,600,000) |
| Interest payable | <u>(805,702)</u> |
| Net adjustment to reduce fund balance - <i>total governmental funds</i> to arrive at <i>net assets - governmental activities</i> | <u>(\$62,340,702)</u> |

Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental funds* and

THOUSAND OAKS REDEVELOPMENT AGENCY

**Notes to Basic Financial Statements
(Continued)**

January 31, 2012

changes in net assets – governmental activities, as reported in the government-wide statement of activities. One element of the reconciliation explains that “governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.” The details of this \$8,343,007 difference are presented below:

| | |
|---|---------------------------|
| Capital outlay | \$8,895,920 |
| Depreciation expense | <u>(552,913)</u> |
| Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>change in net assets of governmental activities</i> | <u>\$8,343,007</u> |

Another element of that reconciliation explains that “the issuance of long-term debt (bonds and loans payable) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.” The details of this \$4,311,898 difference are as follows:

| | |
|---|---------------------------|
| Tax allocation bonds principal payments | \$4,405,000 |
| HELP Loan interest accrual | (28,000) |
| Amortization of debt issuance costs, premiums, and discounts | <u>(65,102)</u> |
| Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>change in net assets of governmental activities</i> | <u>\$4,311,898</u> |

(2) CASH AND INVESTMENTS

Cash and investments as of January 31, 2012, are classified in the accompanying financial statements as follows:

| | |
|---------------------------------|-----------------------------|
| Cash and investments | \$ 41,647,031 |
| Restricted cash and investments | 293,475 |
| Total cash and investments | <u><u>\$ 41,940,506</u></u> |

Cash and investments as of January 31, 2012, consist of the following:

| | |
|--------------------------------------|-----------------------------|
| Deposits with financial institutions | \$ 22,636,749 |
| Investments | 19,303,757 |
| Total cash and investments | <u><u>\$ 41,940,506</u></u> |

THOUSAND OAKS REDEVELOPMENT AGENCY

**Notes to Basic Financial Statements
(Continued)**

January 31, 2012

(a) Investments Authorized by the California Government Code and the Agency's Investment Policy

The table below identifies the **investment types** that are authorized for the Agency by the California Government Code (or the Agency's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the Agency's investment policy, where more restrictive) that address **interest rate risk**, **credit risk**, and **concentration of credit risk**.

| <u>Authorized Investment Type</u> | <u>Maximum Maturity</u> | <u>Maximum Percentage of *Portfolio</u> | <u>Maximum Investment in One Issuer</u> |
|---|-------------------------|---|---|
| U.S. Treasury Obligations | 5 years | None | N/A |
| U.S. Agencies | 5 years | None | None |
| City of Thousand Oaks Debt Obligations | 5 years | None | N/A |
| State of California Debt Obligations | 5 years | None | N/A |
| State of California Local Agency Debt Obligations | 5 years | None | None |
| Banker's Acceptances | 180 days | 40% | 30% |
| Commercial Paper | 270 days | 25% | 10% |
| Negotiable Certificates of Deposit | 5 years | 10% | 5% |
| Collateralized Certificates of Deposit | 5 years | None | None |
| Repurchase Agreements | 30 days | None | None |
| Medium-Term Notes | 5 years | 30% | 10% |
| Mutual Funds | N/A | 15% | 10% |
| Money Market Funds | N/A | 15% | None |
| Local Agency Investment Fund | N/A | None | N/A |

*Excluding amounts held by bond trustee that are not subject to California Government Code restrictions.

(b) Investments Authorized by Debt Agreements

Investments 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 on the next page identifies the **investment types** that are authorized for investments held by bond trustee. 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>Maximum Percentage Allowed</u> | <u>Maximum Investment in One Issuer</u> |
|---|-------------------------|-----------------------------------|---|
| U.S. Treasury Obligations | None | None | N/A |
| U.S. Agencies | None | None | None |
| U.S. Dollar Denominated Deposit Accounts, Federal Funds, and Banker's Acceptances | 1 year | None | None |
| Commercial Paper | 270 days | None | None |
| Pre-refunded Municipal Obligations | None | None | None |
| Money Market Funds | N/A | None | None |
| Investment Contracts | None | None | None |
| Local Agency Investment Fund | N/A | None | N/A |

THOUSAND OAKS REDEVELOPMENT AGENCY

**Notes to Basic Financial Statements
(Continued)**

January 31, 2012

(c) 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 is to changes in market interest rates. The Agency typically manages its exposure to interest rate risk by purchasing a combination of shorter term and longer term investments, as well as by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations. The Agency monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. The Agency has no specific limitations with respect to this metric.

| <u>Investment Type</u> | | <u>Weighted Average Maturity (in years)</u> |
|-------------------------------|-------------------|---|
| Held by Fiscal Agent: | | |
| Money Market Funds | \$ 8,444,455 | 0.14 |
| Local Agency Investment Funds | <u>10,859,302</u> | 0.67 |
| Total | \$19,303,757 | |

(d) 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 (Standard & Poor's). Presented below is the minimum rating required by (where applicable) the California Government Code, the Agency's investment policy or debt agreements, and the actual rating as of January 31, 2012.

| <u>Investment Type</u> | | <u>Minimum Legal Rating</u> | <u>AAA</u> | <u>Unrated</u> |
|------------------------------|-------------------|-------------------------------------|-------------|----------------|
| Held by Fiscal Agent: | | | | |
| Money Market Funds | \$ 8,444,455 | AAA/Aaa | \$8,444,455 | |
| Local Agency Investment Fund | <u>10,859,302</u> | None | | \$10,859,302 |
| Total | \$19,303,757 | | | |

(e) Custodial Credit Risk

The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, an entity will not be able to recover deposits or collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of a failure of the counterparty to a transaction, an entity will not be able to recover the value of an investment or collateral securities that are in the possession of an outside party. As of January 31, 2012, \$22,629,795 of the Agency's deposits or investments was exposed to custodial credit risk.

THOUSAND OAKS REDEVELOPMENT AGENCY

Notes to Basic Financial Statements (Continued)

January 31, 2012

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 or investments, 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. 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 Agency deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits. The Treasurer may waive the security for that portion of the total amount on deposit which is insured pursuant to Federal law. Although the standard insurance amount is \$250,000 per depositor, from December 31, 2010, through December 31, 2012, deposits held in noninterest-bearing transaction accounts will be fully insured regardless of the amount. As of January 31, 2012, the Agency had \$22,629,795 on deposit in a noninterest-bearing insured transaction account.

As of January 31, 2012, Agency had \$22,629,795 in deposits collateralized by securities held by a third party trust department.

(f) Concentration of Credit Risk

The investment policy of the Agency contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. As of January 31, 2012, the Agency has \$22,629,795 in deposit with Wells Fargo Bank.

(3) LOANS AND NOTES RECEIVABLE

The Agency engages in projects designed to improve, construct, and preserve low and moderate income housing units. Under these projects, loans are provided under favorable terms to non-profit organizations or developers who agree to comply with the Agency's terms. As of January 31, 2012, loans and notes receivable totaling \$28,675,607 are as follows:

| | | |
|------------------------------|----|-------------------|
| Shadows Apartments | \$ | 6,900,000 |
| Los Feliz Drive | | 6,600,000 |
| Hillcrest Drive | | 7,056,500 |
| Bella Vista Apartments | | 4,139,200 |
| Oak Creek Senior Villas | | 2,450,000 |
| Hacienda de Feliz | | 600,000 |
| Warwick Apartments | | 420,000 |
| Housing Rehabilitation | | 379,867 |
| Others | | 130,040 |
| Total notes/loans receivable | \$ | <u>28,675,607</u> |

THOUSAND OAKS REDEVELOPMENT AGENCY

Notes to Basic Financial Statements (Continued)

January 31, 2012

Major loan projects that the Agency is involved in are described below:

Shadows Apartments

During fiscal year 2006-07, the Agency entered into a \$6.9 million loan agreement with Shadows TC Investors for the acquisition, rehabilitation, and operation of Shadows Apartments, a 148 unit low and very-low income housing project. The outstanding balance of the loan bears interest at a rate of 3 percent per annum. Loan repayment shall be made from residual receipts and the loan is expected to be repaid in full by April 1, 2062.

Los Feliz Drive

During fiscal year 2006-07, the Agency entered into a \$5.9 million loan agreement with the Area Housing Authority of the County of Ventura for the acquisition and pre-development of a 60 unit low and very-low income housing project on five parcels located on Los Feliz Drive. During February 2010, an Owner Participation Agreement was executed and an additional \$0.7 million loan was issued to fund pre-development costs. Pending revised loan terms, the loan will be due on September 30, 2013, unless financing is approved and construction is ready to commence by the same date, or later, upon mutual agreement.

Hillcrest Drive

During fiscal years 2006-07 and 2007-08, the Agency entered into a \$5.6 million loan agreement with Many Mansions for the acquisition and pre-development of five parcels located on Hillcrest Drive and Los Feliz Drive. The project will be developed with 60 units with an affordability level targeted to a mix of low, very low, and extremely low income families. During fiscal years 2009-10 and 2011-12, the Agency issued additional \$1.5 million loan to fund the project, for a total of \$7.1 million. Loan repayment shall be made from residual receipts and the loan is expected to be repaid in full within 55 years from project completion.

Bella Vista Apartments

During fiscal year 2004-05, the Agency entered into a \$4.1 million loan agreement with Many Mansions for the acquisition, rehabilitation, and operation of Bella Vista Apartments, a 72 unit low and very-low income housing project. The outstanding balance of the loan bears interest at a rate of 3 percent per annum. The repayment on the loan shall be made from residual receipts and the loan is expected to be repaid in full by June 29, 2060.

Oak Creek Senior Villas

During fiscal year 2004-05, the Agency entered into a \$2.4 million loan agreement with Oak Creek Housing Investors, L.P. for the development and construction of the Oak Creek Senior Villas, a 57 unit low and very-low income senior housing project. The outstanding balance of the loan bears

THOUSAND OAKS REDEVELOPMENT AGENCY

**Notes to Basic Financial Statements
(Continued)**

January 31, 2012

interest at a rate of 3 percent per annum. The repayment on the loan shall be made from residual receipts and the loan is expected to be repaid in full by December 18, 2057.

(4) ASSETS HELD FOR RESALE

As part of Low and Moderate Income Housing Fund activities, the Agency exercises its option to acquire restricted properties for resale to preserve affordable housing units. The Agency subsequently resells the properties to income eligible homebuyers, in accordance with the affordable housing program, at below market value. Assets held for resale are accounted for at the lower of cost or market value in the governmental funds and an equivalent portion of fund balance is identified as nonspendable.

As of January 31, 2012, assets held for resale totaling \$0.7 million consist of two Park Lane Condominiums acquired during fiscal years 2005-06 through 2006-07.

(5) CAPITAL ASSETS

Capital assets for the seven month period ended January 31, 2012 were as follows:

| | <u>Balance at June 30, 2011</u> | <u>Additions</u> | <u>Disposals</u> | <u>Balance at January 31, 2012</u> |
|---|-------------------------------------|---------------------|------------------|--|
| Capital assets, not being depreciated: | | | | |
| Land | \$ 19,437,251 | \$ 3,903,583 | \$ - | \$ 23,340,834 |
| Construction in progress | <u>1,898,745</u> | <u>112,218</u> | <u>-</u> | <u>2,010,963</u> |
| Total | <u>21,335,996</u> | <u>4,015,801</u> | <u>-</u> | <u>25,351,797</u> |
| Capital Assets, being depreciated: | | | | |
| Buildings and improvements | 40,085,449 | 4,880,119 | - | 44,965,568 |
| Infrastructure | <u>2,936,842</u> | <u>-</u> | <u>-</u> | <u>2,936,842</u> |
| Total | <u>43,022,291</u> | <u>4,880,119</u> | <u>-</u> | <u>47,902,410</u> |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | 13,787,039 | 498,642 | - | 14,285,681 |
| Infrastructure | <u>381,346</u> | <u>54,271</u> | <u>-</u> | <u>435,617</u> |
| Total | <u>14,168,385</u> | <u>552,913</u> | <u>-</u> | <u>14,721,298</u> |
| Total assets, net of depreciation | <u>28,853,906</u> | <u>4,327,206</u> | <u>-</u> | <u>33,181,112</u> |
| Total capital assets, net | <u>\$ 50,189,902</u> | <u>\$ 8,343,007</u> | <u>\$ -</u> | <u>\$ 58,532,909</u> |

Land additions of \$3.9 million were the result of the Agency reclassifying the purchase of the Westside Properties as land acquisition during the current reporting period. The properties consist of five parcels located within the downtown portion of the Thousand Oaks Redevelopment Agency

THOUSAND OAKS REDEVELOPMENT AGENCY

**Notes to Basic Financial Statements
(Continued)**

January 31, 2012

Project Area on East Thousand Oaks Boulevard and Oakwood Drive. Buildings and improvements additions of \$4.9 million were the result of the Agency reclassifying the purchase of the Schillo Gardens Apartments during the current reporting period. Schillo Garden Apartments is an affordable housing project located in the city and managed by Many Mansions. Depreciation expense totaling \$552,913 was charged to community development in the statement of activities.

Significant Commitments

The Agency approved an agreement during fiscal year 2010-11 with the Thousand Oaks Auto Mall Association in the amount of \$8.6 million to construct and finance public improvements pursuant to the Auto Mall specific plan approved by City Council on December 14, 2010. As of January 31, 2012, \$8.1 million remain in an escrow account to pay for public infrastructure improvements.

(6) INTERFUND TRANSFERS

Interfund transfers of \$2,528,490 are reflected in the fund financial statements between July 1, 2011 and January 31, 2012:

| <u>From Fund</u> | <u>To Fund</u> | <u>Purpose</u> | <u>Amount</u> |
|---|---|-----------------------|---------------|
| Low and Moderate Income Housing Capital Projects | Low and Moderate Income Housing Debt Service | Debt service transfer | \$ 2,528,490 |

(7) LONG-TERM LIABILITIES

The following is a summary of changes in the Agency's long-term liabilities for the seven-month period ended January 31, 2012:

| | <u>Balance at June 30, 2011</u> | <u>Additions</u> | <u>Reductions</u> | <u>Balance at January 31, 2012</u> | <u>Due Within One Year</u> |
|------------------------------|-------------------------------------|------------------|---------------------|--|--------------------------------|
| Governmental Activities: | | | | | |
| Accrued Interest Payable | \$ 297,468 | \$ 28,000 | \$ - | \$ 325,468 | \$ - |
| HELP Loan payable | 1,600,000 | - | - | 1,600,000 | - |
| Tax allocation bonds payable | 64,340,000 | - | 4,405,000 | 59,935,000 | 4,695,000 |
| Total | <u>\$ 66,237,468</u> | <u>\$ 28,000</u> | <u>\$ 4,405,000</u> | <u>\$ 61,860,468</u> | <u>\$ 4,695,000</u> |

(a) Governmental Activities – Loans Payable

California Housing Finance Agency HELP Loan

On April 20, 2005, the Agency received \$1,600,000 HELP (Housing Enabled by Local Partnerships) program loan from the State of California. The proceeds were used to fund a loan to Many Mansions for the Bella Vista Apartments project. Principal and 3 percent per annum simple

THOUSAND OAKS REDEVELOPMENT AGENCY

Notes to Basic Financial Statements (Continued)

January 31, 2012

interest are due on April 20, 2015. As of January 31, 2012, outstanding principal and accrued interest totaled \$1,600,000 and \$325,468 respectively.

(b) Governmental Activities – Tax Allocation Bonds Payable

2005 Tax Allocation Refunding Bonds

On December 22, 2005, the Agency issued \$56,215,000 Thousand Oaks Boulevard Redevelopment Project 2005 Tax Allocation Refunding Bonds, Series A and Series B. The Series A bond proceeds were used to redeem the Agency's 1995 Tax Allocation Refunding Bonds totaling \$42,415,000. The purpose of the Series B bonds is to finance projects such as undergrounding of overhead utilities to implement the Thousand Oaks Boulevard Redevelopment Plan. These bonds are special obligations of the Agency and are secured by pledged tax revenues. For the seven-month period ended January 31, 2012, principal and interest paid and total tax increment revenues were \$4,122,699 and \$8,034,114, respectively. Commencing on December 1, 2006, the bonds mature annually in amounts ranging from \$1,105,000 to \$4,885,000 in 2021. Interest on the bonds is payable on June 1 and December 1 of each year, with interest rates ranging from 4 percent to 5.25 percent. As of January 31, 2012, \$40,475,000 was outstanding.

2005 Housing Tax Refunding Allocation Bonds

On December 22, 2005, the Agency issued \$21,500,000 Low and Moderate Redevelopment Project 2005 Housing Tax Allocation Refunding Bonds, Series A and Series B. The Series A bond proceeds were used to redeem the Agency's 1998 Housing Tax Allocation Bonds totaling \$10,205,000. The purpose of the Series B bonds is to finance additional low and moderate income housing projects. These bonds are special obligations of the Agency and are secured by pledged tax revenues. For the seven-month period ending January 31, 2012, principal and interest paid and total tax increment revenues were \$1,623,808 and \$2,269,650, respectively. Commencing on December 1, 2007, the bonds mature annually in amounts ranging from \$1,035,000 to \$1,950,000 in 2021. Interest on the bonds is payable on June 1 and December 1 of each year, with interest rates ranging from 3.5 percent to 5.375 percent. As of January 31, 2012, \$15,860,000 was outstanding.

2002 Tax Allocation Refunding Bonds

On February 6, 2002, the Agency issued \$4,295,000 Newbury Road Redevelopment Project 2002 Tax Allocation Refunding Bonds. The bond proceeds were used to redeem the Agency's 1992 Tax Allocation Bonds totaling \$2,065,000. The purpose of the remaining proceeds is to finance projects such as the Kelley Road storm drain and land acquisition to implement the Newbury Road Redevelopment Plan. These bonds are special obligations of the Agency and are secured by pledged tax revenues. For the seven-month period ended January 31, 2012, principal and interest paid and total tax increment revenues were \$96,360 and \$1,044,485, respectively. Commencing on April 1, 2003, the bonds mature annually in amounts ranging from \$40,000 to \$275,000 in

THOUSAND OAKS REDEVELOPMENT AGENCY

**Notes to Basic Financial Statements
(Continued)**

January 31, 2012

2032. Interest on the bonds is payable on April 1 and October 1 of each year, with interest rates ranging from 2.5 percent to 5.5 percent. As of January 31, 2012, \$3,600,000 was outstanding.

Future Debt Payments-Tax Allocation Bonds

As of January 31, 2012, total future debt payments for the tax allocation bonds, including interest thereon, are as follows:

| Year Ending June 30, | Tax Allocation Bonds | | |
|-------------------------|----------------------|----------------------|----------------------|
| | Principal | Interest | Total |
| 2012 (Feb-June) | \$ 100,000 | \$ 1,344,342 | \$ 1,444,342 |
| 2013 | 4,700,000 | 2,586,375 | 7,286,375 |
| 2014 | 4,905,000 | 2,381,643 | 7,286,643 |
| 2015 | 5,120,000 | 2,167,219 | 7,287,219 |
| 2016 | 5,345,000 | 1,941,904 | 7,286,904 |
| 2017 | 5,580,000 | 1,704,244 | 7,284,244 |
| 2018-2022 | 31,990,000 | 4,435,006 | 36,425,006 |
| 2023-2027 | 950,000 | 504,455 | 1,454,455 |
| 2028-2032 | 1,245,000 | 212,300 | 1,457,300 |
| Total | <u>\$ 59,935,000</u> | <u>\$ 17,277,488</u> | <u>\$ 77,212,488</u> |

(8) NON-OBLIGATORY DEBT

Multifamily Housing Mortgage Revenue Bonds

Multifamily Housing Mortgage Revenue Bonds provide financing for multifamily rental projects. The bonds are secured by payments made by the project owner and by the underlying property. The bonds are also secured by third-party guarantees for the unequivocal and timely payment of the principal and interest on the bonds.

Multifamily Housing Mortgage Revenue Bonds in the outstanding amount of \$11,579,091 on January 31, 2012, are not considered obligations of the Agency and are not reflected in the accompanying basic financial statements.

(9) RETIREMENT AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS

California Public Employees' Retirement System (CalPERS)

The City contributes to CalPERS, an agent multiple-employer defined benefit pension plan for full-time employees, a single-employer defined benefit pension plan for hourly and part-time employees, and an agent multiple-employer defined benefit healthcare plan for eligible retirees. Employees whose salaries are charged to the Agency (as contract expenditures) participate with all other City employees in the retirement and postemployment benefits plans. Salaries charged to the Agency include an employee benefits mark-up, of which the retirement and postemployment

THOUSAND OAKS REDEVELOPMENT AGENCY

Notes to Basic Financial Statements (Continued)

January 31, 2012

retirement contributions are components. Pension and OPEB contributions of \$769,917 and \$309,189, respectively, reflect retirement and postemployment retirement liabilities paid in full as of January 31, 2012.

Further information regarding the City's participation in the retirement and postemployment retirement plans may be found in the City's CAFR.

(10) SELF-INSURANCE

The City on behalf of the Agency provides vision insurance under a self-insurance plan and is self-insured for workers' compensation and general liability claims below the insured limits. The City contracts with outside agencies to supervise and administer the self-insurance programs. Estimated liabilities related to outstanding workers' compensation and general liability claims (including estimates for incurred but not reported claims) are based upon actuarial valuations and are recorded in the City's internal service funds. Further information regarding the City's self-insurance programs may be found in the City's CAFR.

(11) CALIFORNIA REDEVELOPMENT AGENCY DISSOLUTION

On June 28, 2011, the State adopted AB X1 26 ("Dissolution Act") and AB X1 27 ("Alternative Redevelopment Program Act"). The Dissolution Act dissolves redevelopment agencies effective October 1, 2011. The Alternative Redevelopment Program Act gave redevelopment agencies an option to avoid dissolution by committing to make defined payments for the benefit of the State, school districts, and certain special districts.

On July 18, 2011, the California Redevelopment Association ("CRA") and the League of California Cities ("League") filed a petition for writ of mandate with the California Supreme Court, requesting the Court to declare AB X1 26 and 27 unconstitutional. In fiscal year 2011-12, these payments amounted to a state-wide total of \$1.7 billion. In fiscal year 2012-13 and subsequent fiscal years, the payments totaled \$400 million, annually. Each city or county's share of these payments was determined based on its proportionate share of state-wide tax increment.

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

The Supreme Court heard oral arguments on November 10, 2011 and on December 29, 2011 announced its decision in California Redevelopment Association v. Matosantos. The court upheld AB X1 26 which dissolves redevelopment agencies, but invalidated in its entirety AB X1 27, which allowed redevelopment agencies to continue as long as they made the required payments. AB X1 26 established deadlines for the process of Redevelopment Agency dissolution and the handling of existing obligations. The full text of AB X1 26 may be obtained from the California legislative

THOUSAND OAKS REDEVELOPMENT AGENCY

Notes to Basic Financial Statements (Continued)

January 31, 2012

information website maintained by the Legislative Counsel of the State of California at <http://www.leginfo.ca.gov/bilinfo.html>.

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

(12) SUBSEQUENT EVENT

On April 20, 2012, pursuant to Health and Safety Code Section 34167.5, the California State Controller issued an order to Cities, Counties, and Agencies, directly or indirectly receiving assets from a redevelopment agency after January 1, 2011, to reverse the transfer and return assets to the successor agency. The California State Controller will specifically review and audit cities, counties and public agencies to ensure that all applicable asset transfers have been reversed. Any such reversals of transfers are not reflected in the Agency's financial statements as of January 31, 2012 and, if applicable, would be transferred to the Successor Agency in accordance with the order. The Agency did not engage in such transfers.

On June 28, 2012, as part of the approved state budget, AB 1484 was passed to modify various provisions of the Dissolution Act, including timelines that are immediate and carry penalties for non-compliance. One of the directives requires the counties to issue demand letters to the various Successor Agencies providing an amount to fulfill pass-through payments to affected taxing entities covering the second-half of fiscal year 2011-12. Thousand Oaks Successor Agency received the demand for payment in the amount of \$2,627,986 and plans to make payment in order to meet the July 12, 2012 deadline and avoid penalties.

This page intentionally left blank

SUPPLEMENTARY INFORMATION

THOUSAND OAKS REDEVELOPMENT AGENCY
Schedule of Revenues, Expenditures, and Changes in Fund Balance (Budget and Actual)
Thousand Oaks Blvd. Project No. 2 - Capital Project Fund
Seven Month Period Ended January 31, 2012

| | Budgeted Amounts | | | Variance with Final Budget - Positive (Negative) |
|--|---------------------------------|------------------------------|-----------------------|--|
| | Twelve-Month Original Budget | Twelve-Month Final Budget | Seven-Month Actual | |
| Revenues: | | | | |
| Use of money and property | \$ 561,000 | 561,000 | 67,734 | (493,266) |
| Total Revenues | <u>561,000</u> | <u>561,000</u> | <u>67,734</u> | <u>(493,266)</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Community development | 764,097 | 14,005,197 | 377,343 | 13,627,854 |
| Capital Outlay | <u>1,343,336</u> | <u>4,827,732</u> | <u>4,015,801</u> | <u>811,931</u> |
| Total expenditures | <u>2,107,433</u> | <u>18,832,929</u> | <u>4,393,144</u> | <u>14,439,785</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(1,546,433)</u> | <u>(18,271,929)</u> | <u>(4,325,410)</u> | <u>13,946,519</u> |
| Net change in fund balance | (1,546,433) | (18,271,929) | (4,325,410) | 13,946,519 |
| Fund balance-beginning | <u>14,673,577</u> | <u>14,673,577</u> | <u>14,673,577</u> | <u>-</u> |
| Fund balance-ending | <u>\$ 13,127,144</u> | <u>(3,598,352)</u> | <u>10,348,167</u> | <u>13,946,519</u> |

See accompanying independent auditors' report.

THOUSAND OAKS REDEVELOPMENT AGENCY
Schedule of Revenues, Expenditures, and Changes in Fund Balance (Budget and Actual)
Newbury Road Project No. 5 - Capital Project Fund
Seven Month Period Ended January 31, 2012

| | Budgeted Amounts | | | Variance with Final Budget - Positive (Negative) |
|--|---------------------------------|------------------------------|-----------------------|--|
| | Twelve-Month Original Budget | Twelve-Month Final Budget | Seven-Month Actual | |
| Revenues: | | | | |
| Use of money and property | \$ 100,000 | 100,000 | 5,973 | (94,027) |
| Total Revenues | <u>100,000</u> | <u>100,000</u> | <u>5,973</u> | <u>(94,027)</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Community development | 65,900 | 65,900 | 16,985 | 48,915 |
| Capital Outlay | <u>4,203,763</u> | <u>4,203,763</u> | - | <u>4,203,763</u> |
| Total expenditures | <u>4,269,663</u> | <u>4,269,663</u> | <u>16,985</u> | <u>4,252,678</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(4,169,663)</u> | <u>(4,169,663)</u> | <u>(11,012)</u> | <u>4,158,651</u> |
| Net change in fund balance | (4,169,663) | (4,169,663) | (11,012) | 4,158,651 |
| Fund balance-beginning | <u>4,331,075</u> | <u>4,331,075</u> | <u>4,331,075</u> | <u>-</u> |
| Fund balance-ending | <u>\$ 161,412</u> | <u>161,412</u> | <u>4,320,063</u> | <u>4,158,651</u> |

See accompanying independent auditors' report.

THOUSAND OAKS REDEVELOPMENT AGENCY
Schedule of Revenues, Expenditures, and Changes in Fund Balance (Budget and Actual)
Low and Moderate Income Housing - Capital Project Fund
Seven Month Period Ended January 31, 2012

| | Budgeted Amounts | | | Variance with Final Budget - Positive (Negative) |
|--|---------------------------------|------------------------------|-----------------------|--|
| | Twelve-Month Original Budget | Twelve-Month Final Budget | Seven-Month Actual | |
| Revenues: | | | | |
| Taxes | \$ 4,715,000 | 4,715,000 | 2,269,650 | (2,445,350) |
| Use of money and property | 560,000 | 560,000 | 101,155 | (458,845) |
| Total Revenues | <u>5,275,000</u> | <u>5,275,000</u> | <u>2,370,805</u> | <u>(2,904,195)</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Community development | 1,934,761 | 1,934,761 | 1,528,324 | 406,437 |
| Capital Outlay | - | - | 4,880,119 | (4,880,119) |
| Total expenditures | <u>1,934,761</u> | <u>1,934,761</u> | <u>6,408,443</u> | <u>(4,473,682)</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>3,340,239</u> | <u>3,340,239</u> | <u>(4,037,638)</u> | <u>(7,377,877)</u> |
| Other financing sources (uses): | | | | |
| Transfers out | - | - | (2,528,490) | (2,528,490) |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>(2,528,490)</u> | <u>(2,528,490)</u> |
| Net change in fund balance | 3,340,239 | 3,340,239 | (6,566,128) | (9,906,367) |
| Fund balance-beginning | <u>13,065,300</u> | <u>13,065,300</u> | <u>13,065,300</u> | <u>-</u> |
| Fund balance-ending | <u>\$ 16,405,539</u> | <u>16,405,539</u> | <u>6,499,172</u> | <u>(9,906,367)</u> |

See accompanying independent auditors' report.



CERTIFIED PUBLIC ACCOUNTANTS

- Brandon W. Burrows, CPA
- David E. Hale, CPA, CFP
A Professional Corporation
- Donald G. Slater, CPA
- Richard K. Kikuchi, CPA
- Susan F. Matz, CPA
- Shelly K. Jackley, CPA
- Bryan S. Gruber, CPA
- Deborah A. Harper, CPA

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

To the Honorable Chair and Members of the Governing Board
Thousand Oaks Redevelopment Agency
Thousand Oaks, California

We have audited the financial statements of the governmental activities and each major fund of the Thousand Oaks Redevelopment Agency, (the Agency) as of and for the seven months ended January 31, 2012, which collectively comprise the Agency's basic financial statements and have issued our report thereon dated July 9, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Agency's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Agency's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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 or other matters that are required to be reported under *Government Auditing Standards*.



CERTIFIED PUBLIC ACCOUNTANTS

To the Honorable Chair and Members of the Governing Board
Thousand Oaks Redevelopment Agency
Thousand Oaks, California

This report is intended solely for the information and use of management, the audit committee, the Governing Board, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Lance, Solt & Lingham, LLP

Brea, California
July 9, 2012