

**CITY OF MOORPARK, CALIFORNIA  
HOUSING SUCCESSOR FUND**

**AUDITED FINANCIAL STATEMENTS**

**JUNE 30, 2015**



**ROGERS, ANDERSON, MALODY & SCOTT, LLP**  
CERTIFIED PUBLIC ACCOUNTANTS, SINCE 1948

**City of Moorpark**  
**Housing Successor Fund**

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**Year Ended June 30, 2015**

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To the City Council  
City of Moorpark, California

## INDEPENDENT AUDITOR'S REPORT

### Report on the Financial Statements

We have audited the accompanying financial statements of the Low-Mod Income Housing Asset Fund of the City of Moorpark (Housing Successor Fund), California, as of and for the year ended June 30, 2015, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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*PCPS The AICPA Alliance  
for CPA Firms*

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California Society of  
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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Housing Successor Fund of the City of Moorpark, California, as of June 30, 2015, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis of Matters**

#### *Change in Accounting Principle*

As discussed in Note 1 of the financial statements, the Housing Successor Fund of the City of Moorpark, California, adopted the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68*. Our opinions are not modified with respect to this matter.

#### *Housing Successor Fund Financial Statements*

As discussed in Note 1, the financial statements present only the Housing Successor Fund and do not purport to, and do not present fairly, the financial position of the City of Moorpark, California, as of June 30, 2015, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

### **Other reporting required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2015, on our consideration of the City'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* in considering City's internal control over financial reporting and compliance.

*Rogers Anderson Maloney & Scott, LLP*

San Bernardino, California  
December 30, 2015

**City of Moorpark**  
**Housing Successor Fund**

**Balance Sheet – Governmental Fund**  
**June 30, 2015**

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	Low-Mod Income Housing Asset Fund
<b>ASSETS</b>	
Cash and investments	\$ 226,694
Notes and loans receivable	1,997,472
Property held for resale	<u>7,429,564</u>
Total assets	<u>\$ 9,653,730</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>	
Liabilities:	
Accounts payable and accrued liabilities	\$ 2,578
Unearned revenue	<u>10,000</u>
Total liabilities	<u>12,578</u>
Deferred inflows of resources:	
Deferred loans	<u>1,997,472</u>
Fund balance:	
Nonspendable	7,429,564
Restricted	<u>214,116</u>
Total fund balance	<u>7,643,680</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 9,653,730</u>

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

**City of Moorpark**  
**Housing Successor Fund**

**Statement of Revenues, Expenditures and Changes in Fund Balance –**  
**Governmental Fund**  
**Year Ended June 30, 2015**

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	Low-Mod Income Housing Asset Fund
<b>REVENUES</b>	
Use of money and property	\$ 2,677
Charges for services	19,800
	<hr/>
Total revenues	22,477
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<b>EXPENDITURES</b>	
Current:	
General government	100
Public services	26,065
Interest	4,476
	<hr/>
Total expenditures	30,641
	<hr/>
Net change in fund balance	(8,164)
Fund balance, beginning of year	7,651,844
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Fund balance, end of year	\$ 7,643,680
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The accompanying notes are an integral part of these financial statements.

**City of Moorpark**  
**Housing Successor Fund**

**Notes to the Financial Statements**  
**Year Ended June 30, 2015**

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1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Moorpark (City) 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 accounting policies of the City of Moorpark as they pertain to the Low-Mod Income Housing Asset Fund (Housing Successor Fund). Only the Housing Successor Fund information is included herein and these financial statements, therefore, do not purport to represent the financial position or results of operations of the City of Moorpark, California.

A) Accounting and Reporting Policies

The City has conformed to the pronouncements of the GASB, which are the primary authoritative statements of the accounting principles generally accepted in the United States of America applicable to state and local governments. In accordance with GASB Statement No. 20, the City applies all applicable Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989, unless any such pronouncements contradict GASB pronouncements.

B) Basis of Accounting

These fund financial statements are reported using the modified-accrual basis of accounting. Under the modified-accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e. when they are both measurable and available). "Measurable" means the amount of the transaction can be determined, and "available" means collectible within the current period or soon enough thereafter (within 60 days) to be used to pay liabilities of the current period. Expenditures are generally recognized in the accounting period in which the liability is incurred, if measurable.

As required by the Governmental Accounting Standards Board, the City implemented GASBS No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This statement is designed to improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on the government's net position. Deferred outflows of resources are transactions that result in the consumption of assets in one period that are applicable to future periods and are not considered assets as described by the statement. Deferred outflows of resources are required to be presented separately after assets on the statement of net position.

Deferred inflows of resources are transactions that result in the acquisition of assets in one period that are applicable to future periods and are not considered to be liabilities as described by the statement. Deferred inflows of resources are required to be presented separately after liabilities on the statement of net position.

**City of Moorpark  
Housing Successor Fund**

**Notes to the Financial Statements  
Year Ended June 30, 2015**

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1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C) Use of estimates in the preparation of financial statements

The financial statements have been prepared in accordance with generally accepted accounting principles and include amounts based on estimates and assumptions by management. Actual results could differ from those amounts.

D) Property Held for Resale/Development

Property held for resale and development in the Housing Successor Fund represents land and buildings purchased by the former Moorpark Redevelopment Agency and transferred to the City as housing assets with Dissolution on February 1, 2012. Such property is valued at the lower of cost or estimated net realizable value and has been offset by nonspendable or restricted fund balances to indicate that these assets constitute future projects and are restricted or not available spendable resources. The balance at June 30, 2015 was \$7,429,564.

E) Unearned Revenue

Unearned revenue is recorded for monies collected in advance that have not been earned. As of June 30, 2015, unearned revenue in the Governmental Fund amounted to \$10,000.

F) In accordance with provisions of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, the Housing Successor Fund's financial statements contain elements that meet the definition of deferred inflow of resources. The amount of deferred inflows of resources is reported in the Balance Sheet as follows:

Deferred loans	<u>\$ 1,997,472</u>
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G) Implementation of New GASB pronouncements

GASB has issued Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pension plans, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

GASB has issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or non-employer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

**City of Moorpark  
Housing Successor Fund**

**Notes to the Financial Statements  
Year Ended June 30, 2015**

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1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G) Implementation of New GASB pronouncements (continued)

These pronouncements have been implemented for purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense/expenditures. Information about the fiduciary net position of the City's California Public Employees' Retirement System (CalPERS) plans (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

2) CASH AND INVESTMENTS

Cash and investments at June 30, 2015, consisted of the following:

Pooled cash and investments	<u>\$ 226,694</u>
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The Housing Successor Fund follows the practice of pooling cash and investments with the City of Moorpark for all funds except for funds required to be held by outside fiscal agents under the provisions of bond indentures.

For more information on the City's cash and investments as of June 30, 2015, please see the City's audited financial statements.

3) NOTES AND LOANS RECEIVABLE

Notes and loans receivable activity for the year ended June 30, 2015, is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Notes receivable				
Moorpark 20, LP	\$ 1,939,927	\$ 44,413	\$ (582)	\$ 1,983,758
Loans receivable				
Rehabilitation	<u>13,714</u>	<u>-</u>	<u>-</u>	<u>13,714</u>
Total notes and loans receivable	<u>\$ 1,953,641</u>	<u>\$ 44,413</u>	<u>\$ (582)</u>	<u>\$ 1,997,472</u>

**City of Moorpark**  
**Housing Successor Fund**

**Notes to the Financial Statements**  
**Year Ended June 30, 2015**

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3) NOTES AND LOANS RECEIVABLE (continued)

A) Moorpark 20, LP Promissory Notes

On October 29, 2010, the Agency signed the Disposition and Development Agreement (DDA) with the Area Housing Authority of the County of Ventura (AHA) and Moorpark 20, Limited Partnership (M20LP), consisting of AHA and Santa Barbara Housing Assistance Corporation. The DDA provides for the construction of a 20-unit affordable housing project (Project) on Agency-owned property located at 396, 406 and 496 Charles Street (Site). During the tax credit application, the sale price of Site was determined to be \$1,176,500 to show more local funds into the Project. On the same date, the Agency executed a \$1,176,500 loan agreement with M20LP to purchase the Site from the Agency. The loan will accrue interest at the rate of 2.5% per annum and have a term of 55 years. One annual payment will be made to the Agency by M20LP from residual receipts after the \$600,000 has been paid off. This loan is subordinate in right of payment to First Mortgage Note held by Bank of America, N.A. and is secured by Deed of Trust and Security Agreement. The principal and accrued interest outstanding on this note at June 30, 2015 are \$1,176,500 and \$137,258 respectively for a total of \$1,313,758.

On November 2, 2010 the Agency entered into a \$600,000 loan agreement with M20LP to complete the construction of the Project. As of June 30, 2012, M20LP has drawn down the entire amount. The term of the loan is 30 years with a fixed interest rate of 2.5%. One annual payment will be made to the Agency by M20LP equal to 75% of available residual receipts. This note is subordinate in right of payment to the First Mortgage Loan payable to Bank of America, N.A. and is secured by Deed of Trust and Security Agreement. The principal and accrued interest outstanding on this note at June 30, 2015 are \$600,000 and \$70,000 respectively for a total of \$670,000.

The combined amounts of principal and accrued interest outstanding at June 30, 2015 are \$1,776,500 and \$207,258 respectively, for a total of \$1,983,758.

B) Rehabilitation Loans

The Housing Successor Fund operates a rehabilitation loan program for the renovation of low and moderate income housing. The total balance outstanding at June 30, 2015, was \$13,714.

**City of Moorpark  
Housing Successor Fund**

**Notes to the Financial Statements  
Year Ended June 30, 2015**

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4) PROPERTY HELD FOR RESALE AND DEVELOPMENT

The Housing Successor Fund owns several interests in real property held for resale and development through the City of Moorpark that were acquired by the former Redevelopment Agency prior to February 1, 2012 and transferred to the Housing Successor Fund as part of the Dissolution of the former Redevelopment Agency on February 1, 2012. The value of these properties is shown in the Balance Sheet as follows:

Land held for resale and development	<u>\$ 7,429,564</u>
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5) CLASSIFICATION OF FUND BALANCE

The Housing Successor Fund follows the City's implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definition*. Fund balances in governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the Housing Successor Fund is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The Housing Successor Fund considers restricted fund balance to have been spent first when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is 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 Housing Successor Fund considers committed amounts to be reduced first, followed by assigned amounts and then unassigned amounts. A City of Moorpark's Council Ordinance or Resolution is the formal action that would effectively commit fund balances for a particular purpose.

The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

*Nonspendable Fund Balance* - Amounts that cannot be spent either because they are in nonspendable form or are required to be maintained intact.

*Restricted Fund Balance* - Amounts that are constrained to specific purposes by state or federal laws, or externally imposed conditions by grantors or creditors.

*Committed Fund Balance* - Amounts that may be specified by the City Council by resolution to formally commit part of the Housing Successor Fund's fund balances or future revenues for a specific purpose(s) or program. To change or repeal any such commitment will require an additional formal City Council's action utilizing the same type of action that was originally used.

**City of Moorpark**  
**Housing Successor Fund**

**Notes to the Financial Statements**  
**Year Ended June 30, 2015**

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5) CLASSIFICATION OF FUND BALANCE (continued)

*Assigned Fund Balance* - Amounts that are constrained by the Council's intent to use specified financial resources for specific purposes, but are neither restricted nor committed. It is the policy of the City Council that assignment of fund balances must be approved by the Council prior to the fiscal year end.

*Unassigned Fund Balance* - These are either residual positive net resources of fund balance in excess of what can properly be classified in one of the other four categories, or negative balances.

The Housing Successor Fund's balance at June 30, 2015, is presented below:

	<u>Low-Mod Income Housing Asset Fund</u>
Nonspendable:	
Property held for resale & development	\$ 7,429,564
Restricted for:	
Low and moderate income housing	<u>214,116</u>
	<u>\$ 7,643,680</u>