

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

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS REPORT**

JUNE 30, 2016



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

City of Moorpark
Housing Successor Fund

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To the City Council
City of Moorpark, California

INDEPENDENT AUDITOR'S REPORT

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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, 2016, 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
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Quality Center

California Society of
Certified Public Accountants

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, 2016, 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

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, 2016, 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 February 20, 2017, 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 the City's internal control over financial reporting and compliance.

Rogers, Anderson, Malody & Scott, LLP

San Bernardino, California
February 20, 2017

City of Moorpark
Housing Successor Fund

Balance Sheet – Governmental Fund
June 30, 2016

	Low-Mod Income Housing Asset Fund
ASSETS	
Cash and investments	\$ 208,627
Receivables:	
Accounts	477
Interest	251,671
Notes and loans	1,789,968
Property held for resale	<u>7,518,873</u>
 Total assets	 <u><u>\$ 9,769,616</u></u>
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	
Liabilities:	
Accounts payable and accrued liabilities	\$ 411
Unearned revenue	<u>10,000</u>
 Total liabilities	 <u>10,411</u>
 Deferred inflows of resources:	
Deferred loans	<u>2,041,639</u>
 Fund balance:	
Restricted	<u>7,717,566</u>
 Total fund balance	 <u>7,717,566</u>
 Total liabilities, deferred inflows of resources and fund balance	 <u><u>\$ 9,769,616</u></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, 2016**

	Low-Mod Income Housing Asset Fund
REVENUES	
Use of money and property	\$ 4,590
Charges for services	19,800
Other revenue	246
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Total revenues	24,636
	<hr/>
EXPENDITURES	
General government	85
Public services	17,892
Interest	22,082
	<hr/>
Total expenditures	40,059
	<hr/>
Excess (deficiency) of revenues over (under) expenditures	(15,423)
	<hr/>
OTHER FINANCING SOURCES	
Transfers in	89,309
	<hr/>
Total other financing sources	89,309
	<hr/>
Net change in fund balance	73,886
Fund balance, beginning of year	7,643,680
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Fund balance, end of year	\$ 7,717,566
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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, 2016

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.

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.

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.

City of Moorpark
Housing Successor Fund

Notes to the Financial Statements
Year Ended June 30, 2016

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. The balance at June 30, 2016 was \$7,518,873.

E) Unearned Revenue

Unearned revenue is recorded for monies collected in advance that have not been earned. As of June 30, 2016, unearned revenue in the Governmental Fund amounted to \$10,000.

F) Deferred Outflows and Inflows of Resources

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.

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>\$ 2,041,639</u>
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2) CASH AND INVESTMENTS

Cash and investments at June 30, 2016, consisted of the following:

Pooled cash and investments	<u>\$ 208,627</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, 2016, please see the City's audited financial statements.

**City of Moorpark
Housing Successor Fund**

**Notes to the Financial Statements
Year Ended June 30, 2016**

3) NOTES AND LOANS RECEIVABLE

Notes and loans receivable activity for the year ended June 30, 2016, is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Notes receivable				
Moorpark 20, LP	\$ 1,983,758	\$ 44,412	\$ -	* \$ 2,028,170
Loans receivable				
Rehabilitation	13,714	-	(245)	13,469
Total notes and loans and interest receivable	<u>\$ 1,997,472</u>	<u>\$ 44,412</u>	<u>\$ (245)</u>	<u>\$ 2,041,639</u>

* Balance includes accrued interest of \$251,671 separately reported in the financial statements.

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, 2016 are \$1,176,500 and \$166,670 respectively for a total of \$1,343,170.

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, 2016 are \$600,000 and \$85,000 respectively for a total of \$685,000.

The combined amounts of principal and accrued interest outstanding at June 30, 2016 are \$1,776,500 and \$251,670 respectively, for a total of \$2,028,170.

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, 2016, was \$13,469.

**City of Moorpark
Housing Successor Fund**

**Notes to the Financial Statements
Year Ended June 30, 2016**

4) PROPERTY HELD FOR RESALE AND DEVELOPMENT

The Housing Successor Fund owns several interests in real property held for resale and development throughout 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>\$ 7,518,873</u>
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5) CLASSIFICATION OF FUND BALANCE

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.

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.

City of Moorpark
Housing Successor Fund

Notes to the Financial Statements
Year Ended June 30, 2016

The Housing Successor Fund's balance at June 30, 2016, is presented below:

	<u>Low-Mod Income Housing Asset Fund</u>
Restricted for:	
Low and moderate income housing	<u>7,717,566</u>
	<u><u>\$ 7,717,566</u></u>