

R E D E V E L O P M E N T   A G E N C Y

# Annual Financial Report

Year Ended  
June 30

2011

quality of life  
liveable communities

sustainability  
economic prosperity



A.J. GEBHART

CITY OF  
**VENTURA**  
CALIFORNIA

REDEVELOPMENT AGENCY



Annual Financial Report

Year Ended  
June 30

2011

**Redevelopment Agency of the City of San Buenaventura**  
**Basic Financial Statements**  
**For the year ended June 30, 2011**

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December 12, 2011

**Redevelopment Agency Members and the Citizens of the City of San Buenaventura:**

We are pleased to submit the Annual Financial Statements of the Redevelopment Agency of the City of San Buenaventura (Agency) for the fiscal year ended June 30, 2011.

**Agency Accomplishments in Fiscal Year 2010-2011**

In order to continue its work to further the Downtown Redevelopment Project Area's renaissance into a healthy, vibrant 24-7 community, the Agency uses the City's Downtown Specific Plan adopted in March 2007, the goals and strategies set by the Downtown Ventura Partners (DVP), and the Economic Development Strategy as guides. These guides are used to set strategies for continued progress in emphasizing Ventura's history, culture, arts, entertainment, and unique character to make Downtown the city's authentic heart of community and commerce.

Although construction projects are moving slowly due to economic times, the Agency continues to further its goals to infill and redevelop underutilized downtown properties. Toward that end, the Agency continued with its exclusive negotiating agreement with adjoining property owners in Block 35 (boundaries of California Street/Santa Clara Street/Oak Street/Main Street). The Agency also entered into an exclusive negotiating agreement for a development on California and Main consisting of 34 town homes and additional uses confined to Agency/City property with public parking configured underground.

Following the acquisition of the Harbor Boulevard parking garage and a study to cap the 101 Freeway, the City/Agency received an Owner Participation Proposal for a future master planned development opportunity known as "Edgewater"; and, an exclusive negotiating agreement is in process focusing on reinvigorating the Beachfront Promenade. This project, currently in the planning stages, would support the envisioned 101 Freeway Capping project, as well. Although an incredibly complex undertaking, a 101 Freeway Capping project -- with CalTrans and potential Federal cooperation -- might achieve a number of the City's economic development goals: including linking a thriving Downtown with a picturesque Beachfront Promenade; tying transit connections to a multi-modal center; activating the pier and promenade with new recreational and retail uses; and, relocating the California Street off ramp to better serve the Downtown Redevelopment Project Area.

In partnership with the DVP, the Agency will continue to implement a Downtown retail/office strategy to strengthen and diversify the area's economic base. The Agency's principal goal continues to be the creation of a "Ventura Main Street" that will position Downtown as the City's community, entertainment and commerce center, a premier place to live, work, and play.

## **Housing Activities**

Using its Low and Moderate Income set-aside funds, the Agency has continued the funding of three affordable housing developments in collaboration with the City's HOME funds.

Within the Project Area, the El Patio Hotel held its grand opening in April 2011. Owned by El Patio LP and sponsored by People's Self-Help Housing (PSHH), this 1927 classic Spanish Colonial-style hotel was carefully restored. The 11,741 sq. ft. renovation retains the original architectural features. It provides much-needed affordable housing with accompanying supportive services for low-income individuals, seniors, and special needs residents in 41 single rooms. Sixteen of the rooms are set-aside for formerly homeless individuals referred by Ventura County Behavioral Health Department, and two rooms are handicapped accessible. All rooms feature private bathrooms and kitchenettes, common lobby area with a vintage fireplace, wheelchair lift, community kitchen, and restored courtyard with seating and fountain. The building is powered with roof solar panels. This renovation allowed tenants to continue to live in the units during the rehab construction (moving a current tenant into a vacant unit when restoration was needed on their unit).

With the funding effort of the Agency, the owner was able to leverage funds with the City of Ventura's HOME Program, California Tax Credit Allocation Committee Section, the 1602/American Recovery and Reinvestment Act (Stimulus Money), Santa Barbara Bank & Trust, Federal Home Bank of San Francisco Affordable Housing Program/Affinity Bank (now Pacific Western Bank), the Housing Authority of the City of San Buenaventura and the County of Ventura to allow this truly empowering endeavor to become a reality.

The Soho Apartments, a 12-unit affordable complex completed in September 2011, leverages Agency funds with funds from the California Housing Finance Agency, City of Ventura HOME Program, state Housing and the Community Development Multi-Family Bond Program. Part of the affordable housing stock developed by the Housing Authority of the City of San Buenaventura, and located right outside of the Project Area in a western section of the city requiring an influx of substantial infrastructure and affordable housing, this three-story complex will feature eight two-bedroom and four three-bedroom affordable units atop a level of parking with a gated entrance and a community courtyard.

Another Agency funded project located outside of the Project Area boundaries is Azahar Place. Developed by Cabrillo Economic Development Corporation, Azahar Place broke ground on March 22, 2011 and is scheduled for completion in May 2012. Consisting of 60 affordable rental homes for low-income residents, this project is the first in-fill development since the City's adoption of the Saticoy Wells Community Plan and Code in 2009. The new complex will be part of the Citrus Place Master Plan that will total 23.4 acres. Ultimately, the

Master Plan will include single-family homes, condominiums and a two-acre public park. The Azahar Place component will provide 30 rental homes for general low-income occupancy and 30 units for farmworker housing.

### **Blight Alleviation**

In addition to the rehabilitation of the El Patio Hotel on Oak Street, the Encanto Del Mar project is under construction on the corner of Oak Street and Thompson Boulevard by the Housing Authority of the City of San Buenaventura. This rental-housing complex, within the Project Area, will turn a foreclosed property into a permanently affordable community of one, two and three bedroom apartments for low-income persons. This project will target downtown retail and service employees as tenants.

The Agency, as a temporary Downtown property owner, continues to contribute to the Downtown Property Based Improvement District (PBID) administered by the Downtown Ventura Partners. The PBID creates a cash flow for the maintenance and enhancement of downtown and, with the Agency's contribution toward capital projects such as the Downtown Lighting Improvements and the Downtown Parking Structure, blight is relieved in one of the most diversified economic base sections of the Project Area.

### **Eminent Domain**

The Amended and Restated Redevelopment Plan for the Merged San Buenaventura Redevelopment Project was adopted November 17, 1997. Per Section 308, time limitations were placed on eminent domain. As of July 27, 2007, no eminent domain proceedings to acquire property are allowed to happen within the Downtown Redevelopment Project Area. The time limit within the Mission Plaza Project Area was December 18, 1997 and within the Beachfront Redevelopment Project Area was December 1, 1998. These time limitations may be extended only by amendment to this Plan. No extension amendment was approved during this fiscal year.

### **BASIS OF ACCOUNTING AND FUND GROUPINGS**

The accounting records of the Agency are accounted for on a spending or "current financial resources" measurement focus and the modified accrual basis of accounting. Under modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. The Agency maintains funds in accordance with generally accepted accounting principles (GAAP) as applied to governmental agencies. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The following fund types are maintained by the Agency:

- Debt Service Fund for the repayment of principal and interest on Agency long-term debt.
- Merged Low and Moderate Income Housing Capital Projects Fund to account for the 20 percent set-aside of Redevelopment Project Area Property Tax Increment for purposes of increasing, improving, and preserving the City of San Buenaventura's supply of low- and moderate-income housing.
- Capital Projects Fund to account for the economic revitalization and redevelopment of the City through acquisition and development of property in those areas of the City determined to be in a declining condition and designated as Redevelopment Project Areas.

The financial section of this report has been prepared to show the results of the financial administration, financial condition, and operation of the Agency. This report includes the financial statements for all funds.

## **FINANCIAL HIGHLIGHTS**

### **Tax Increment Revenue**

Downtown Redevelopment Project Area tax increment revenue (gross tax increment less affordable housing set-aside, property tax administration and pass through payments) decreased 5.63% in fiscal year 2010-11. The decrease reflects the continuing decline of property value during the last three years and due to the continuation of an increase in payments to taxing entities (pass-through calculations) associated with AB1389.

The following is a five-year comparison of the Gross Tax Increment ending with fiscal year 2010-2011:

Valuation Year	2006	2007	2008	2009	2010
Fiscal Year Receipt	06-07	07-08	08-09	09-10	10-11
Total for the Year	\$2,988,728	\$3,527,287	\$3,584,809	\$3,558,045	\$ 3,408,602

### **Loan Default Report**

No loans in excess of \$50,000 were in default during this fiscal year.

### **The Future of the Agency**

The future of the Agency is unclear at this time due to two pieces of recent State legislation. In June 2011, the State Legislature and Governor enacted two budget trailer bills (AB 1X 26 and AB 1X 27) that dramatically, and the Agency believes, illegally alter local redevelopment practice in California. The California Redevelopment Association and the

National League of Cities joined forces to challenge the constitutionality of AB 1X 26 and AB 1X 27 and a Writ of Mandate was filed on July 18, 2011 in the Supreme Court of the State of California (*California Redevelopment Association, et al v. Ana Matosantos, et al., Case No. 5194861*). The Supreme Court agreed to take the case and issued an order for the immediate stay (Court's stay) of enforcements of AB 1X 26 in part and AB 1X 27 in its entirety, including a stay of the provisions of AB 1X 27 that allows the community that created the agency to adopt an ordinance electing to participate in the "Alternative Voluntary Redevelopment Program" ("Program") and, as part of the Program, makes annual "community remittance" payments to the County Auditor-Controller for as long as the Agency remains in existence, and the authorization for cities and agencies to enter into a Remittance Agreement. The Supreme Court has announced its intent to decide the case by January 15, 2012. The City adopted Ordinance No. 2011-011 on August 1, 2011 electing to participate in the Program allowed under AB 1X 27, however, due to the Court's stay, and pending further clarification by the court, Ordinance No. 2011-011 may not be valid.

Based on the need to be in a position to act as soon as the Court rules on the constitutionality of the bills, the City and Agency issued resolutions approving and authorizing a conditional agreement for the remittance payments, and the Agency approved a resolution conditionally reducing its Low and Moderate Income Housing Fund for FY 2011-12 to provide funding for the remittance payment. If the bills are overturned, then the Agency will not have to make the payment and will be allowed to continue under existing law. Until that decision is made, the Agency is moving forward very cautiously.

## **REQUEST FOR INFORMATION**

This financial report is designed to provide our citizens, taxpayers, creditors, and investors, with a general overview of the Agency's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Jay Panzica, Chief Financial Officer, P.O. Box 99, Ventura, California 93002-0099, (805) 654-7812, or via e-mail at [jpanzica@cityofventura.net](mailto:jpanzica@cityofventura.net).

If you have questions regarding Agency programs, contact Jeffrey Lambert, Community Development Director, P.O. Box 99, Ventura, California, 93002-0099, (805) 658-4723, or via e-mail at [jlambert@cityofventura.net](mailto:jlambert@cityofventura.net).

Respectfully submitted:



Jeffrey Lambert, AICP  
Community Development Director

REDEVELOPMENT AGENCY



Annual Financial Report

Year Ended  
June 30

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REDEVELOPMENT AGENCY



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**INDEPENDENT  
AUDITOR'S REPORT**

## INDEPENDENT AUDITORS' REPORT

The Board of Directors  
Redevelopment Agency  
of the City of San Buenaventura  
San Buenaventura, California

We have audited the accompanying financial statements of the governmental activities and each major fund of the Redevelopment Agency of the City of San Buenaventura (the Agency), (a component unit of the City of San Buenaventura, California), as of and for the year ended June 30, 2011, 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 basic financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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 June 30, 2011, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As explained further in Note 11, the future operation of redevelopment agencies in the state of California may be impacted by the results of litigation initiated in response to certain legislative actions enacted by the California State Legislature.

In accordance with Government Auditing Standards, we have also issued our report dated December 9, 2011 on our consideration of the Redevelopment Agency of the City of San Buenaventura's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management has omitted the management's discussion and analysis information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is considered to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Redevelopment Agency of the City of San Buenaventura's basic financial statements. The introductory section, supplementary information and the statistical information as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Agency. The supplementary information is the responsibility of management and was derived from and relates 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 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic 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 supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical information have not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we express no opinion or provide any assurance on them.

*White Nelson Diehl Evans, LLP*

December 9, 2011  
Irvine, California

REDEVELOPMENT AGENCY



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Year Ended  
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Annual Financial Report

Year Ended  
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2011

**BASIC FINANCIAL  
STATEMENTS**

# GOVERNMENT-WIDE FINANCIAL STATEMENTS

**Redevelopment Agency of the City of San Buenaventura**  
**Statement of Net Assets**  
**June 30, 2011**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
<b>Current Assets:</b>	
Cash and investments	\$ 320,682
Due from other governments	13,209
Due from others	126,625
Due from City	283,758
Assets held for resale	540,880
<b>Total current assets</b>	<b>1,285,154</b>
<b>Noncurrent assets:</b>	
Restricted cash and investments	1,382,905
Deferred charges	331,642
Notes receivable	5,737,974
<b>Total noncurrent assets</b>	<b>7,452,521</b>
<b>Total assets</b>	<b>8,737,675</b>
<b>LIABILITIES</b>	
<b>Current Liabilities:</b>	
Accounts payable	29,371
Interest payable	358,480
Due to City	816,168
Long term debt - due within one year	335,000
<b>Total current liabilities</b>	<b>1,539,019</b>
<b>Noncurrent Liabilities:</b>	
Advances from the City	6,719,818
Interest payable	157,500
Long term debt - due in more than one year	15,905,000
<b>Total noncurrent liabilities</b>	<b>22,782,318</b>
<b>Total liabilities</b>	<b>24,321,337</b>
<b>NET ASSETS (DEFICIT)</b>	
<b>Restricted</b>	
Low and Moderate Income Housing	4,721,207
Debt Service	1,382,961
Unrestricted (deficit)	(21,687,830)
<b>Total net assets (deficit)</b>	<b>\$ (15,583,662)</b>

See Independent Auditor's Report and the accompanying notes to the basic financial statements.

**Redevelopment Agency of the City of San Buenaventura**  
**Statement of Activities**  
**For the year ended June 30, 2011**

<b>Functions / Programs</b>	<b>Governmental Activities</b>	
	<b>Expenses</b>	<b>Net (Expense) Revenue and Changes in Net Assets</b>
<b>Governmental activities:</b>		
Community development	\$ 1,986,880	\$ (1,986,880)
Interest and fiscal charges	1,414,901	(1,414,901)
<b>Total primary government</b>	<b>\$ 3,401,781</b>	<b>(3,401,781)</b>
<b>General revenues:</b>		
Taxes and fees		3,408,602
Investment earnings		141,731
Miscellaneous		12,290
Total general revenues		3,562,623
<b>Change in net assets</b>		160,842
<b>Net assets (deficit) - beginning of year as restated (Note 8)</b>		(15,744,504)
<b>Net assets (deficit) - end of year</b>		<b>\$ (15,583,662)</b>

See Independent Auditor's Report and the accompanying notes to the basic financial statements.

REDEVELOPMENT AGENCY



Annual Financial Report

Year Ended  
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## FUND FINANCIAL STATEMENTS

**Redevelopment Agency of the City of San Buenaventura**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2011**

	<b>Major Funds</b>			
	<b>Debt Service</b>	<b>Merged Low and Moderate Income Housing Capital Projects</b>	<b>Merged Capital Projects</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>				
Cash and investments	\$ -	\$ -	\$ 320,682	\$ 320,682
Restricted cash and investments	1,382,905	-	-	1,382,905
Due from other governments	-	-	13,209	13,209
Due from others	56	126,569	-	126,625
Due from City	-	283,758	-	283,758
Advances to other funds	-	1,389,211	-	1,389,211
Notes receivable	-	3,737,974	2,000,000	5,737,974
Assets held for resale	-	-	540,880	540,880
<b>Total assets</b>	<b>\$ 1,382,961</b>	<b>\$ 5,537,512</b>	<b>\$ 2,874,771</b>	<b>\$ 9,795,244</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	\$ -	\$ 137	\$ 29,234	\$ 29,371
Due to City	-	816,168	-	816,168
Advances from other funds	-	-	1,389,211	1,389,211
<b>Total liabilities</b>	<b>-</b>	<b>816,305</b>	<b>1,418,445</b>	<b>2,234,750</b>
<b>Fund balances:</b>				
Nonspendable:				
Land held for resale	-	-	540,880	540,880
Advances and Loans & Notes receivable	-	5,127,185	2,000,000	7,127,185
Restricted for:				
Debt service	1,382,961	-	-	1,382,961
Housing & Community Development	-	44,313	-	44,313
Unassigned	-	(450,291)	(1,084,554)	(1,534,845)
<b>Total fund balances</b>	<b>1,382,961</b>	<b>4,721,207</b>	<b>1,456,326</b>	<b>7,560,494</b>
<b>Total liabilities and fund balances</b>	<b>\$ 1,382,961</b>	<b>\$ 5,537,512</b>	<b>\$ 2,874,771</b>	<b>\$ 9,795,244</b>

See Independent Auditor's Report and the accompanying notes to the basic financial statements.

**Redevelopment Agency of the City of San Buenaventura**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**to the Government-Wide Statement of Net Assets**  
**June 30, 2011**

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Total Fund Balances - Total Governmental Funds \$ 7,560,494

Amounts reported for governmental activities in the Statement of Net Assets  
were different because:

Interest payable on long-term debt did not require current financial resources.  
Therefore, interest payable was not reported as a liability in the Governmental  
Funds Balance Sheet. (515,980)

Other assets used in governmental activities do not consume current financial  
resources and therefore are not reported in the governmental fund.  
Unamortized bond issuance 331,642

Long-term liabilities were not due and payable in the current period.  
Therefore, they were not reported in the Governmental Funds Balance Sheet. (22,959,818)

Net Assets (Deficit) of Governmental Activities \$ (15,583,662)

See Independent Auditor's Report and the accompanying notes to the basic financial statements.

**Redevelopment Agency of the City of San Buenaventura**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the year ended June 30, 2011**

	Major Funds			Total Governmental Funds
	Debt Service	Merged Low and Moderate Income Housing Capital Projects	Merged Capital Projects	
<b>REVENUES</b>				
Taxes	\$ -	\$ 678,969	\$ 2,729,633	\$ 3,408,602
Intergovernmental	-	1,466	5,865	7,331
Use of money and property	13,559	117,927	10,245	141,731
Other	-	4,959	-	4,959
<b>Total revenues</b>	<b>13,559</b>	<b>803,321</b>	<b>2,745,743</b>	<b>3,562,623</b>
<b>EXPENDITURES</b>				
Personal services	-	7,428	91,652	99,080
Contractual service	-	111,031	499,481	610,512
Debt service:				
Principal retirement	538,674	-	-	538,674
Interest	873,976	19,119	460,696	1,353,791
Pass-through payments	-	-	534,623	534,623
SERAF payments	-	-	237,182	237,182
Other	-	99	505,384	505,483
<b>Total expenditures</b>	<b>1,412,650</b>	<b>137,677</b>	<b>2,329,018</b>	<b>3,879,345</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(1,399,091)</b>	<b>665,644</b>	<b>416,725</b>	<b>(316,722)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Advance from City	-	-	56,273	56,273
Transfers in	1,411,300	-	-	1,411,300
Transfers out	-	-	(1,411,300)	(1,411,300)
<b>Total other financing sources (uses)</b>	<b>1,411,300</b>	<b>-</b>	<b>(1,355,027)</b>	<b>56,273</b>
<b>Net change in fund balances</b>	<b>12,209</b>	<b>665,644</b>	<b>(938,302)</b>	<b>(260,449)</b>
<b>FUND BALANCES</b>				
Beginning of year as restated (Note 8)	1,370,752	4,055,563	2,394,628	7,820,943
<b>End of year</b>	<b>\$ 1,382,961</b>	<b>\$ 4,721,207</b>	<b>\$ 1,456,326</b>	<b>\$ 7,560,494</b>

See Independent Auditor's Report and the accompanying notes to the basic financial statements.

**Redevelopment Agency of the City of San Buenaventura**  
**Reconciliation of the Governmental Funds Statement of Revenues, Expenditures**  
**and Changes in Fund Balances to the Government-Wide Statement of Activities**  
**For the year ended June 30, 2011**

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Net Change in Fund Balances - Total Governmental Funds \$ (260,449)

Amounts reported for governmental activities in the Statement of Activities are different because:

Some expenses reported in the Statement of Activities did not require the use of current financial resources and therefore were not reported as expenditures in governmental funds. The following amount represented the change in accrued interest from the prior year. (49,266)

Proceeds of advances was an other financing source in governmental funds, but the advances increased long-term liabilities in the Government-Wide Statement of Net Assets. (56,273)

Other assets used in governmental activities do not consume current financial resources and therefore are not reported in the governmental fund.  
Change in unamortized bond issuance costs (11,844)

Repayment of bond principal and advances from the City were expenditures in governmental funds, but the repayment reduced long-term liabilities in the Government-Wide Statement of Net Assets. 538,674

Change in Net Assets of Governmental Activities \$ 160,842

See Independent Auditor's Report and the accompanying notes to the basic financial statements.

# Redevelopment Agency of the City of San Buenaventura

## Notes to the Basic Financial Statements

### For the year ended June 30, 2011

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#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Redevelopment Agency of the City of San Buenaventura, California, (Agency) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental agencies. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the Agency's accounting policies are described below.

##### *A. Description of Reporting Entity*

The Agency is a blended component unit of the City of San Buenaventura (City). The City Manager acts as the Agency's Executive Director and the City Council acts as the governing board, which exerts significant influence over its operations. Accordingly, the financial operations of the Agency have also been included in the Comprehensive Annual Financial Report issued by the City of San Buenaventura.

The Agency was created by City Council Resolution No. 5260, adopted on August 28, 1961. The Agency Board members were appointed by the City Council. On February 23, 1972, by Ordinance No. 1709, the City Council disbanded the separate Agency Board and declared that Council Members would serve as the Agency Board. The Agency was established pursuant to the Community Development Law of the State of California as codified 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, even though the City Council serves as the Agency's Board.

The actions of the Agency are binding and its appointed representatives routinely transact business, including the incurrence of long-term debt, in the Agency's name. 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 a declining condition and designated as Redevelopment Project Areas.

##### *B. Basis of Accounting/Measurement Focus*

The accounts of the Agency are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

##### *Government - wide Financial Statements*

The Agency's government-wide financial statements include a Statement of Net Assets and a Statement of Activities. These statements present summaries of governmental activities for the Agency. For the most part, the effect of interfund activity has been removed from these statements.

These basic financial statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the Agency's assets and liabilities, including long-term liabilities, are included in the accompanying Statement of Net Assets. The Statement of Activities presents changes in net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

**Redevelopment Agency of the City of San Buenaventura**  
**Notes to the Basic Financial Statements, Continued**  
**For the year ended June 30, 2011**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

***B. Basis of Accounting/Measurement Focus, Continued***

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

Certain types of transactions are reported as program revenues for the Agency in three categories:

- ◆ Charges for services
- ◆ Operating grants and contributions
- ◆ Capital grants and contributions

The Agency does not have any program revenues at June 30, 2011.

**Governmental Fund Financial Statements**

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds. An accompanying schedule is presented to reconcile and explain the differences in fund balances as presented in these statements to the net assets presented in the government-wide financial statements. The following is a list of major funds:

**Debt Service Fund** - To account for the accumulation of resources and payment of long-term debt principal and interest by the Redevelopment Agency.

**Merged Low and Moderate Income Housing Capital Projects Fund** - To account for the 20 percent set-aside of Redevelopment Project Area Property Tax increment for purposes of increasing, improving, and preserving the City of San Buenaventura's supply of low and moderate income housing.

**Merged Capital Projects Fund** - To account for the economic revitalization and redevelopment of the City through acquisition and development of City property determined to be in a declining condition and designated as Redevelopment Project Areas.

All governmental funds are accounted for on a spending or "*current financial resources*" measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period.

Revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the Agency, are property tax, intergovernmental revenues and other taxes. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

**Redevelopment Agency of the City of San Buenaventura**  
**Notes to the Basic Financial Statements**  
**For the year ended June 30, 2011**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

*C. Cash and Investments*

The Agency pools its available cash with the City for investment purposes. The City considers pooled cash and investment amounts with original maturities of three months or less to be cash equivalents.

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available.

The Agency does not own specifically identifiable securities in the City Pool. See the City's basic financial statements for the year ended June 30, 2011, for additional disclosure on cash and investments.

*D. Assets Held for Resale*

Assets held for resale are carried at the lower of cost or the net realizable value, only determined upon the execution of a disposition and development agreement.

*E. Property Taxes*

Property taxes are levied based on a fiscal year (July 1 - June 30). The property tax assessments are formally due on November 1 and February 1, and become delinquent after December 10 and April 10, respectively. Taxes become a lien on the property effective January 1 of the preceding year.

*F. Fund Balances*

As prescribed by GASB Statement No. 54, governmental funds report fund balance in classification based primarily on the extent to which the Agency is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. Fund balance for governmental funds can consist of the following:

**Nonspendable Fund Balance** - includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example: inventories, prepaid amounts, and long-term notes receivable.

**Restricted Fund Balance** - includes amounts that are restricted for specific purposes stipulated by external resources providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers.

**Committed Fund Balance** - includes amounts that can only be used for the specific purposes determined by a formal action of the Agency's highest level of decision-making authority, the Agency Board. Commitments may be changed or lifted only by the Agency taking the same formal action that imposed the constraint originally (for example: resolution and ordinance).

**Redevelopment Agency of the City of San Buenaventura**  
**Notes to the Basic Financial Statements, Continued**  
**For the year ended June 30, 2011**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

*F. Fund Balances, Continued*

**Assigned Fund Balance** - includes amounts intended to be used by the Agency for specific purposes that are neither restricted nor committed. Intent is expressed by (a) Agency Board or (b) a body (a budget, finance committee, or Executive Director and Chief Financial Officer) to which the assigned amounts are to be used for specific purposes. Assigned amounts also include all residual amounts in governmental funds (except negative amounts) other than the General Fund that are not classified as nonspendable, restricted, or committed.

**Unassigned Fund Balance** - the residual classification includes all amounts not contained in the other classifications.

In circumstances where an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is depleted in the order of restricted, committed, assigned, and unassigned.

In all cases, encumbrance amounts have been assigned for specific purposes for which resources already have been allocated.

*G. Net Assets*

In the government-wide financial statements, net assets are classified in the following categories:

**Invested in Capital Assets, Net of Related Debt** - This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt attributed to the acquisition, construction, or improvement of the assets. The Agency has no capital assets at June 30, 2011.

**Restricted Net Assets** - This amount is restricted by external creditors, grantors, contributors, laws or regulations of other governments, enabling legislation, constitutional provisions. At fiscal year-end June 30, 2011, the restricted net assets balance was \$6,104,168 for governmental activities.

**Unrestricted Net Assets** - This amount is all net assets that do not meet the definition of "invested in capital assets, net of related debt" or "restricted net assets."

*H. Use of Estimates*

The preparation of the basic financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities. In addition, estimates affect the reported amount of expenses. Actual results could differ from these estimates and assumptions.

*I. Budgetary Information*

Through the budget, the Agency Board sets the direction of the Agency, allocates its resources and establishes its priorities. The Annual Budget assures the efficient and effective use of the Agency's economic resources, as well as establishing that the highest priority objectives are accomplished.

**Redevelopment Agency of the City of San Buenaventura**  
**Notes to the Basic Financial Statements**  
**For the year ended June 30, 2011**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

*I. Budgetary Information, Continued*

The annual budget serves from July 1 to June 30 and is a vehicle to accurately and openly communicate these priorities to the community, businesses, vendors, employees and other public agencies. Additionally, it establishes the foundation of effective financial planning. The budget provides resource planning and controls that permit the evaluation and adjustment of the Agency's performance.

The Agency follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. In May, the Executive Director submits to the Agency Board a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
- b. In June, public hearings are conducted to obtain citizen comments.
- c. The budget is legally enacted through passage of a resolution.
- d. The Executive Director may authorize transfers of budget amounts within a fund; however, any transfers in excess of \$50,000 and any revisions that increase the total budgeted expenditures of any fund must be approved by the Agency Board. Expenditures may not legally exceed budgeted appropriations at the fund level without Agency Board approval.

Budgets are adopted on a basis consistent with generally accepted accounting principles. Budgeted expenditures reported are as amended by supplemental appropriations of the Agency Board. Project-length financial plans, as well as annual budgets, are adopted for all capital project funds.

**2. CASH AND INVESTMENTS**

The Agency's portion of available cash is not specifically identifiable, as it pools its available cash with the City for investment purposes. The City's investment policy, therefore, applies to the pooled investment portfolio of the City and the Agency, and encompasses all monies under the direct oversight of the Chief Financial Officer/Treasurer. Provisions on how bond/certificates of participation assets are invested, while directed by the City, are provided for within the trust indenture of each debt issue. The Trustee issues monthly reports on the investment activity and cash assets related to each debt issue and the assets from this reporting are included in the monthly Treasury Cash Management/Investment Report. The City's portfolio will not be invested in securities that mature more than five years from the date of purchase, with the sole exception that bond and financing "Reserve Funds" held with a Trustee may be invested in securities with maturities exceeding five years. To the extent practicable, maturity of such investments shall coincide with expected use of the reserve monies. The weighted average maturity of the City's portfolio at June 30, 2011 was 2.2 years. The City's pool is unrated. See the City's basic financial statements for the year ended June 30, 2011, for additional disclosure on cash and investments. As of June 30, 2011, investments held by the bond trustee included \$1,367,873 in Federal Home Loan Bank debentures and \$15,032 in money market mutual funds. The FHLB debentures are exposed to some interest rate risk since they mature on August 8, 2013. The money market mutual funds are available on demand and therefore, are not subject to interest rate risk. All investments were rated Aaa by Moody's and AAA by S&P. Subsequent to June 30, 2011, S&P reduced the rating of all United States Government Sponsored Agency Securities, including FHLB debentures from AAA to AA+.

**Redevelopment Agency of the City of San Buenaventura**  
**Notes to the Basic Financial Statements, Continued**  
**For the year ended June 30, 2011**

**3. NOTES RECEIVABLE**

At June 30, 2011, notes receivable consisted of the following:

	Balance 7/1/2010	Additions	Deletions	Balance 6/30/2011
Disposition and development agreement - 1997	\$ 500,000	\$ -	\$ (500,000)	\$ -
Homebuyer Assistance Program	22,600	-	-	22,600
CHFA HELP Program Loan	16,171	-	(2,304)	13,867
Working Artists Community	3,500,000	-	(11,443)	3,488,557
Affordable Housing Development:				
Soho Associates LP	406,000	72,000	-	478,000
El Patio LP	306,400	28,550	-	334,950
Azahar Place Associates LP (CEDC)	1,100,000	300,000	-	1,400,000
	<u>\$ 5,851,171</u>	<u>\$ 400,550</u>	<u>\$ (513,747)</u>	<u>\$ 5,737,974</u>

**Disposition and Development Agreement - 1997** - The Agency entered into a disposition and development agreement in October 1997 to loan \$500,000 to a limited liability company to construct certain improvements on property within the Agency's Downtown Redevelopment Project Area. The loan is secured by a deed of trust and bears no interest. The loan can be forgiven upon the occurrence of certain events. Required events have been met and loan has been forgiven. The reconveyance was issued on September 7, 2011. The outstanding amount due to the Agency as of June 30, 2011 was zero.

**Homebuyer Assistance Program (RDA)** - The Agency entered into an agreement annually for the Homebuyer Assistance Program. The maximum term of the loan is 45 years with interest being charged in the form of equity sharing equal to 50 percent of the value of the original loan. Provided that the participating owners occupy the property continuously for 45 years, all interest shall be forgiven. The outstanding amount due to the Agency as of June 30, 2011, was \$22,600.

**CHFA HELP Loan** - The primary goal of this program is for rental rehabilitation or seismic improvements of multifamily housing units in designated target areas. The City provided a 3 percent interest rate, fully amortizing loans for property rehabilitation to landlords for 15 to 30 years. Participating landlords agreed to fix maximum rents at fair market rates established for the HUD Section 8 Program during the term of the HELP Loan. Eligible developments must be occupied by a minimum of 51 percent low-income households as defined by HUD, at the initiation of negotiations between the Landlord and the City. The outstanding balance as of June 30, 2011, was \$13,867. The program is no longer active and there is only one remaining loan.

**Working Artists Community** - In January 2008, the Agency loaned \$1.5 million in proceeds from a CalHFA HELP loan to the Working Artists of Ventura (WAV) Apartments Partners at 3 percent simple interest for a term of 30 years (annual payments of \$77,598 commencing May 1, 2010). On February 1, 2008, the Agency entered into a construction agreement with WAV Apartments Partners to acquire property and build affordable housing designed for artists. As part of this agreement, the Agency loaned additional \$2,000,000

**Redevelopment Agency of the City of San Buenaventura**  
**Notes to the Basic Financial Statements, Continued**  
**For the year ended June 30, 2011**

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**3. NOTES RECEIVABLE, Continued**

at 5 percent simple interest to the WAV Apartments Partners for construction. This loan is to be repaid the earlier of December 1, 2016 or thirty days after the sale or transfer of the last unit per the most recent amendment. The total outstanding amount due to the Agency as of June 30, 2011, was \$3,488,557. Due to the decline in the local real estate market, the construction and sale of the units has been significantly impacted. Because of the reduced estimated sales price on completed units, and the requirements of the primary financing on the project, the timing of the repayment to the Agency will be extended but the actual delay is unclear. Because of the uncertainty of the repayment, all accrued interest has been offset by an allowance for doubtful accounts; accordingly, no interest receivable is recorded in the statement of net assets.

**Affordable Housing Development**

**Soho Associates LP** - The Agency entered into an agreement on May 1, 2010 to loan \$550,000 to a limited partnership to assist with the acquisition and development on an affordable housing project located outside the Downtown's Redevelopment Project Area. The loan is to be disbursed over the course of three fiscal years (fiscal year 2009-10 \$406,000; fiscal year 2010-11 \$72,000; and fiscal year 2011-12 \$72,000) from the Low and Moderate Housing Set-Aside Funds. The loan is secured by a deed of trust bearing simple interest at 3 percent commencing on the date of the initial disbursement. The term expires 55 years after the date of recordation of the affordability covenant against the property. Payments are due on May 1st of each year and with payment of the outstanding principal and accrued interest equal to the Agency's pro-rata share of residual receipts.

The project is funded in conjunction with a \$450,000 City HOME funds loan that is being disbursed over three fiscal years (fiscal year 2009-10 \$350,000; fiscal year 2010-11 \$50,000 and fiscal year 2011-12 \$50,000).

**El Patio LP** - The Agency entered into an agreement on December 17, 2009 to loan \$392,000 to a limited partnership to assist with the rehabilitation of property within the Agency's Downtown Redevelopment Project Area. The loan is to be disbursed over the course of four fiscal years (fiscal year 2009-10 \$306,400; fiscal year 2010-11 \$28,550; fiscal year 2011-12 \$28,550; and fiscal year 2012-13 \$28,500) from the Low and Moderate Housing Set-Aside Funds. The loan is secured by a deed of trust bearing simple interest at 3 percent commencing on the date of the initial disbursement. The term expires 55 years after the date of recordation of the affordability covenant against the Property. Payments are due on September 30th of each year with payment of the outstanding principal and accrued interest equal to the Agency's pro-rata share of residual receipts.

**Azahar Place Associates LP (CEDC)** - The Agency entered into an Owner Participation Agreement on February 16, 2010 to loan \$1,700,000 to a limited partnership to assist with the acquisition and development on an affordable housing project located outside the Downtown's Redevelopment Project Area. The loan is to be disbursed over the course of three fiscal years (fiscal year 2009-10 \$1,100,000; fiscal year 2010-11 \$300,000; and fiscal year 2011-12 \$300,000) from the Low and Moderate Housing Set-Aside Funds. Financial assistance is in the form of two loans: 1) Acquisition \$1,100,000, and 2) Development \$600,000 both secured by separate deeds of trust bearing simple interest at 3 percent commencing on the date of the initial disbursement. The term expires 55 years after the completion of construction. Payments are due on September 30th of each year with payment of the outstanding principal and accrued interest equal to the Agency's pro-rata share of residual receipts.

**Redevelopment Agency of the City of San Buenaventura**  
**Notes to the Basic Financial Statements, Continued**  
**For the year ended June 30, 2011**

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**4. ASSETS (LAND) HELD FOR RESALE**

The amount recorded as assets held for resale and the corresponding nonspendable fund balance as of June 30, 2011, was \$540,880.

**5. ADVANCES**

*A. Advances from the City*

The long-term advances from the City consisted of the following:

	Balance 7/1/2010	Addition	Deletion	Balance 6/30/2011
Line of Credit	<u>\$ 6,897,219</u>	<u>\$ 56,273</u>	<u>\$ (233,674)</u>	<u>\$ 6,719,818</u>

The line of credit advances between the Agency and the City have been established through a cooperation agreement, first approved in 1980, describing the operation support provided to the Agency, and the terms and conditions for repayment of City loans or advances. In June 1992 and May 1997, a restated and amended cooperation agreement was adopted for the purpose of restructuring the financial aspects of the relationship. In 2004, an amended cooperation agreement was adopted to establish a predictable revenue stream into the General Fund and provide for accumulation of project funds for the Agency. In 2011, a second amended and restated cooperation agreement was adopted to update the status of the amounts paid to the City and the amount of existing indebtedness of the Agency owed to the City.

The 2011 amended agreement calls for: 1) the Agency to reimburse the City with interest payments accruing at five percent on the total amount of principal owed by the Agency to the City beginning July 1, 2010; 2) the Agency to reimburse the City with principal installments of \$562,364 from May 15, 2011 through May 15, 2015; and 3) in the event there is insufficient tax increment revenue to make a debt payment, the Agency may request to defer that portion that cannot be paid in the current year to an upcoming year. Any request shall be presented to City Council at a regular meeting, on or before June 30 of that year.

The City may elect to reloan funds to the Agency, on an as-needed basis, through a line of credit as described in the agreement. Currently, the City supports the Agency by making advances for project costs and administrative expenses and classifies the payments as nonspendable advance to RDA in the City's General Fund. The outstanding line of credit balance at June 30, 2011, was \$6,719,818. The Agency's liability with respect to the line of credit is also included in the Redevelopment Agency Capital Projects Fund in the basic fund financial statements.

The City's Public Art fund on January 26, 2008 loaned the Agency \$1,000,000 at 5 percent compound interest for a term of 2 years for the WAV project. In 2011, a second amendment to the promissory note was adopted to modify and extend the terms for repayment of the loan. The loan was extended for a term that expires on the earlier of (a) December 1, 2016, or (b) thirty (30) days after the last unit in the project is sold. Further, the loan shall accrue simple interest at the rate of 3 percent per annum commencing on the date of disbursement with the exception of payment in default according to Section 7 of the original agreement.

**Redevelopment Agency of the City of San Buenaventura**  
**Notes to the Basic Financial Statements, Continued**  
**For the year ended June 30, 2011**

**5. ADVANCES, Continued**

**B. Advances from/to Other Funds**

Pursuant to Health and Safety Code 33690(c), a redevelopment agency could borrow money from its Low and Moderate Income Housing Fund to pay the Supplemental Educational Revenue Augmentation Funds (SERAF) payments required in fiscal years 2009-10 and 2010-11. All borrowed funds are to be fully repaid by other funds no later than June 30, 2015.

The advances from/to other funds consisted of the following:

	Balance 7/1/2010	Addition	Deletion	Balance 6/30/2011
Advance from Low/Mod Housing Fund	\$ 1,152,029	\$ 237,182	\$ -	\$ 1,389,211
Advance to Merged Capital Projects Fund	(1,152,029)	(237,182)	-	(1,389,211)
Net SERAF payment advances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**6. TRANSFERS**

During the fiscal year, \$1,411,300 was transferred from the Agency Merged Capital Projects Funds to the Agency Debt Service Fund to meet debt service obligations.

**7. LONG-TERM DEBT**

The summary of changes in long-term debt for governmental activities for the year ended June 30, 2011, is as follows:

	Balance			Classification		
				Amounts Due Within One Year	Amounts Due in More than One Year	
	July 1, 2010	Additions	Deletions	Balance June 30, 2011		
<b>Governmental Activities:</b>						
CalHFA HELP Loan - 2008	\$ 1,500,000	\$ -	\$ -	\$ 1,500,000	\$ -	\$ 1,500,000
Tax Allocation Bonds - 2003	6,545,000	-	(270,000)	6,275,000	275,000	6,000,000
Tax Allocation Bonds - 2008	8,500,000	-	(35,000)	8,465,000	60,000	8,405,000
	<u>\$ 16,545,000</u>	<u>\$ -</u>	<u>\$ (305,000)</u>	<u>\$ 16,240,000</u>	<u>\$ 335,000</u>	<u>\$ 15,905,000</u>

The Agency entered into a loan agreement on December 21, 2007 with the California Housing Finance Agency (CALHFA) to borrow \$1.5 million at a 3.5 percent interest rate for a term of 10 years for the WAV project. Payment of principal and all simple interest is due on the tenth anniversary of the agreement.

Tax Allocation Bonds (TABs) in the amount of \$8,000,000 were issued by the Agency on June 1, 2003. The bonds were issued to provide funds to: 1) repay certain advances made by the City to the Agency; 2) fund a reserve account for the bonds; and 3) pay costs of issuance of the bonds. The bonds are due in annual principal installments of \$205,000 to \$495,000 through 2028. Interest rates range from 2.00 percent to 4.25 percent and interest is payable semi-annually on February 1 and August 1. The funding source for the repayment is tax increment revenue. The total amount outstanding as of June 30, 2011, was \$6,275,000.

**Redevelopment Agency of the City of San Buenaventura**  
**Notes to the Basic Financial Statements**  
**For the year ended June 30, 2011**

**7. LONG-TERM DEBT, Continued**

The 2003 TABs are special obligations of the Agency, which are secured by an irrevocable pledge of tax increment revenues payable to the Agency. The principal and interest remaining on the bonds is \$8,674,473, payable through August 2028. For the current year, principal and interest payments totaled \$516,464.

The annual debt service requirements for the 2003 TABs outstanding at June 30, 2010, were as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 275,000	\$ 238,457	\$ 513,457
2013	285,000	230,058	515,058
2014	290,000	221,070	511,070
2015	300,000	211,295	511,295
2016	310,000	200,807	510,807
2017-2021	1,735,000	821,126	2,556,126
2022-2026	2,110,000	435,009	2,545,009
2027-2028	970,000	41,650	1,011,650
<b>Total</b>	<b><u>\$ 6,275,000</u></b>	<b><u>\$ 2,399,473</u></b>	<b><u>\$ 8,674,473</u></b>

Tax Allocation Bonds in the amount of \$8,785,000 were issued on December 18, 2008. The bonds were issued to provide funds to: 1) repay certain advances made by the City of San Buenaventura to the Agency; 2) fund a Reserve Account for the Bonds; and 3) pay costs of issuance of the bonds. The bonds are due in annual principal installments of \$35,000 to \$695,000 through 2039. Interest rates range from 3.00 percent to 8.00 percent and is payable semi-annually on February 1 and August 1. Funding sources for the repayment are tax increment revenues. The total amount outstanding as of June 30, 2011, was \$8,465,000.

The 2008 TABs are special obligations of the Agency, which are secured by an irrevocable pledge of tax revenues payable to the Agency. The principal and interest remaining on the bonds is \$18,512,991, payable through August 2039. For the current year, principal and interest were \$653,531.

The annual debt service requirements for the 2008 TABs outstanding at June 30, 2011, were as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 60,000	\$ 616,419	\$ 676,419
2013	90,000	612,931	702,931
2014	165,000	606,669	771,669
2015	225,000	596,637	821,637
2016	265,000	583,278	848,278
2017-2021	1,730,000	2,597,797	4,327,797
2022-2026	1,450,000	2,042,478	3,492,478
2027-2031	1,735,000	1,426,381	3,161,381
2032-2036	1,515,000	813,000	2,328,000
2037-2041	1,230,000	152,400	1,382,400
<b>Total</b>	<b><u>\$ 8,465,000</u></b>	<b><u>\$ 10,047,991</u></b>	<b><u>\$ 18,512,991</u></b>

Total tax increment revenue for all tax allocation bonds for the year ended June 30, 2011 was \$3,408,602.

**Redevelopment Agency of the City of San Buenaventura**  
**Notes to the Basic Financial Statements**  
**For the year ended June 30, 2011**

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**8. RESTATEMENT OF THE FINANCIAL STATEMENTS**

The accompanying financial statements contain a restatement of net assets and fund balance.

The beginning net assets at July 1, 2010 were restated to report a change in interest payable for the CALHFA HELP loan 2008. The beginning net assets reported in the financial statements at July 1, 2010 were restated as follows:

Net Assets	Governmental Activities
Ending net assets, June 30, 2010, as previously reported	\$ (15,639,504)
Accrued interest payable adjustment	(105,000)
Beginning net assets, July 1, 2010, as restated	<u>\$ (15,744,504)</u>

The beginning fund balance at July 1, 2010 was restated to report a change in the SERAF payments. The beginning fund balance reported in the financial statements at July 1, 2010 was restated as follows:

Fund Balance	Merged Low and Moderate Income Housing Capital Projects	Merged Capital Projects
Ending fund balance, June 30, 2010, as previously reported	\$ 2,903,534	\$ 3,546,657
SERAF payment adjustment	1,152,029	(1,152,029)
Beginning fund balance, July 1, 2010, as restated	<u>\$ 4,055,563</u>	<u>\$ 2,394,628</u>

**9. RELATED PARTY TRANSACTIONS**

The City provides technical, administrative, and other support services to the Agency. Payments for such services by the Agency are based on direct cost of the particular services rendered to the Agency and on apportionment of indirect costs based on the City cost allocation plan. The total cost of the services during the fiscal year was \$244,940.

**10. POSTEMPLOYMENT BENEFITS**

The Agency has no post employment benefit obligations. At June 30, 2011, all pension liabilities, if any, are the responsibility of the City.

**Redevelopment Agency of the City of San Buenaventura**  
**Notes to the Basic Financial Statements, Continued**  
**For the year ended June 30, 2011**

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**11. RECENT CHANGES IN LEGISLATION AFFECTING CALIFORNIA REDEVELOPMENT AGENCIES**

On June 29, 2011, the Governor of the State of California signed Assembly Bills 1X 26 and 27 as part of the State's budget package. Assembly Bill 1X 26 requires each California redevelopment agency to suspend (effective July 1, 2011) nearly all activities except to implement existing contracts, meet already-incurred obligations, preserve its assets and prepare for the impending dissolution of the agency. Assembly Bill 1X 27 provides a means for redevelopment agencies to continue to exist and operate by means of a Voluntary Alternative Redevelopment Program. Under this program, each city would adopt an ordinance agreeing to make certain "community remittance" payments to the County Auditor Controller in fiscal year 2011-12 and annual payments each fiscal year thereafter. Assembly Bill 1X 26 indicates that the city "may use any available funds not otherwise obligated for other uses" to make this community remittance payment. The City of Ventura ("City") intends to use tax increment allocable to its redevelopment agency for this purpose per Resolution #2011-050 and #RA2011-008. The amounts to be paid after fiscal year 2011-12 have yet to be confirmed by the State Legislature.

The League of California Cities and the California Redevelopment Association (CRA) filed a lawsuit on July 18, 2011 on behalf of cities, counties and redevelopment agencies petitioning the California Supreme Court to overturn Assembly Bills 1X 26 and 27 on the grounds that they violate the California Constitution.

On August 11, 2011, the California Supreme Court issued a stay of all of Assembly Bill 1X 27 and most of Assembly Bill 1X 26. The California Supreme Court stated in its order that "the briefing schedule is designed to facilitate oral argument as early as possible in 2011, and a decision before January 15, 2012." A second order issued by the California Supreme Court on August 17, 2011 indicated that certain provisions of Assembly Bills 1X 26 and 27 were still in effect and not affected by its previous stay, including requirements to file an appeal of the determination of the community remittance payment by August 15, the requirement to adopt an Enforceable Obligations Payment Schedule ("EOPS") by August 29, 2011, and the requirement to prepare a preliminary draft of the initial Recognized Obligation Payment Schedule ("ROPS") by September 30, 2011.

Because the stay provided by Assembly Bill 1X 26 only affects enforcement, each agency must adopt an EOPS prior to September 30, as required by the statute. Enforceable obligations include bonds, loans and payments required by the federal or State government; legally enforceable payments required in connection with agency employees such as pension payments and unemployment payments, judgments or settlements; legally binding and enforceable agreements or contracts; and contracts or agreements necessary for the continued administration or operation of the agency that are permitted for purposes set forth in AB1X 26. The Agency adopted the EOPS on August 22, 2011.

Assembly Bill 1X 26 directs the State Controller of the State of California to review the propriety of any transfers of assets between redevelopment agencies and other public bodies that occurred after January 1, 2011. If the public body that received such transfers is not contractually committed to a third party for the expenditure or encumbrance of those assets, the State Controller is required to order the available assets to be transferred to the public body designated as the successor agency by Assembly Bill 1X 26.

In the event that Assembly Bill 1X 26 is upheld, the receivable recognized by funds of the City that had previously loaned or advanced funds to the redevelopment agency may become uncollectible with a loss recognized by the advancing funds. Funds of the City may also be impacted by the elimination of reimbursements previously paid to the City by the redevelopment agency for shared administrative services.

**Redevelopment Agency of the City of San Buenaventura**  
**Notes to the Basic Financial Statements**  
**For the year ended June 30, 2011**

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**11. RECENT CHANGES IN LEGISLATION AFFECTING CALIFORNIA REDEVELOPMENT AGENCIES, Continued**

On August 1, 2011, City Ordinance No. 2011-011 was adopted, indicating that the City will comply with the Voluntary Alternative Redevelopment Program in order to permit the continued existence and operation of the agency, in the event Assembly Bills 1X 26 and/or 27 are upheld as constitutional. The initial payment by the City is estimated to be \$1,191,458 with one half due on January 15, 2012 and the other half due May 15, 2012. Thereafter, an estimated \$300,920 will be due annually. The amounts to be paid after fiscal year 2011-12 have yet to be confirmed by the state legislature. The semi-annual payments will be due on January 15 and May 15 of each year and would increase or decrease with changes in tax increment. Additionally, an increased amount would be due to schools if any new debt were incurred. Assembly Bill 1X 27 allows a one-year reprieve on the agency's obligation to contribute 20 percent of tax increment to the low-and-moderate-income housing fund so as to permit the Agency to assemble sufficient funds to make its initial payments. On September 26, 2011, the City and Agency issued resolutions approving and authorizing a conditional agreement for the community remittance payments, and the Agency approved a resolution (#RA2011-009) conditionally reducing its Low and Moderate Income Housing Fund for FY 2011-2012 to accommodate the community remittance payment.

Management believes that the Agency will have sufficient funds to pay its obligations as they become due during the fiscal year ending June 30, 2012. The nature and extent of the operation of redevelopment agencies in the State of California beyond that fiscal year are dependent upon the outcome of litigation surrounding the actions of the state. In the event that Assembly Bills 1X 26 and/or 27 are specifically found by the courts to be unconstitutional, there is a possibility that future acts of the California State legislature may create new challenges to the existence and funding of redevelopment agencies. This is based on the California State legislature's declared intent to eliminate redevelopment agencies and to reduce their funding.

## SUPPLEMENTARY INFORMATION

**Redevelopment Agency of the City of San Buenaventura**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual**  
**Debt Service Fund**  
**For the year ended June 30, 2011**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Fund balance, July 1</b>	\$ 1,370,752	\$ 1,370,752	\$ 1,370,752	\$ -
<b>Resources (inflows):</b>				
Use of money and property	-	-	13,559	13,559
Transfers from other funds	1,178,976	1,178,976	1,411,300	232,324
<b>Amount available for appropriations</b>	<b>1,178,976</b>	<b>1,178,976</b>	<b>1,424,859</b>	<b>245,883</b>
<b>Charges to appropriations (outflows):</b>				
<b>Debt service:</b>				
Principal retirement	305,000	305,000	538,674	(233,674)
Interest and other charges	873,976	873,976	873,976	-
<b>Total charges to appropriations</b>	<b>1,178,976</b>	<b>1,178,976</b>	<b>1,412,650</b>	<b>(233,674)</b>
Excess of resources over (under) charges to appropriations	-	-	12,209	12,209
<b>Fund balance, June 30</b>	<b>\$ 1,370,752</b>	<b>\$ 1,370,752</b>	<b>\$ 1,382,961</b>	<b>\$ 12,209</b>

**Redevelopment Agency of the City of San Buenaventura**  
**Computation of Low and Moderate Income**  
**Housing Special Revenue Fund - Excess Surplus**  
**For the year ended June 30, 2011**

	<u>All Project Areas</u>
OPENING FUND BALANCE - JULY 1, 2010	\$ 2,903,534
LESS UNAVAILABLE AMOUNTS:	
Long-Term Receivable	3,351,171
	<u>                    </u>
AVAILABLE LOW/MODERATE INCOME HOUSING FUNDS	-
LIMITATION (GREATER OF \$1,000,000 OR FOUR YEARS SET-ASIDE):	
Set-aside for last four years:	
2009-2010	\$ 711,609
2008-2009	716,962
2007-2008	705,457
2006-2007	597,746
TOTAL SET-ASIDE FOR LAST FOUR YEARS	<u>\$ 2,731,774</u>
Base Limitation	<u>\$ 1,000,000</u>
GREATER AMOUNT	<u>\$ 2,731,774</u>
COMPUTED EXCESS SURPLUS - JULY 1, 2010	<u>\$ -</u>

REDEVELOPMENT AGENCY



Annual Financial Report

Year Ended  
June 30

2011

REDEVELOPMENT AGENCY



Annual Financial Report

Year Ended  
June 30

2011

**STATISTICAL INFORMATION**

**San Buenaventura Redevelopment Agency**  
**Annual Continuing Disclosure Requirements**  
**\$8,000,000 2003 Tax Allocation Bonds & \$8,785,000 2008 Tax Allocation Bonds**  
**For the year ended June 30, 2011**

<b>Merged San Buenaventura Redevelopment Project Historical Assessed Valuation and Tax Increment Revenue</b>									
Fiscal Year	Assessed Valuation	Incremental Assessed Valuation	Gross Tax Increment	County Admin. Charge 0.25%	Payments to Taxing Entities	Housing Set-Aside	Tax Revenues	Percentage of Increase in Tax Revenues	
2001-02	\$ 218,510,923	\$ 134,989,659	\$ 1,536,024	\$ 3,840	\$ 76,624	\$ 306,186	\$ 1,149,374	22.25%	
2002-03	236,160,038	152,579,909	1,636,510	4,091	98,335	329,644	1,204,440	4.79%	
2003-04	259,373,166	182,124,453	1,935,314	4,838	152,509	387,063	1,390,904	15.48%	
2004-05	291,161,189	213,912,476	2,463,949	6,160	203,214	492,790	1,761,785	26.66%	
2005-06	327,214,684	249,965,971	2,686,766	6,717	175,971	537,353	1,966,725	11.63%	
2006-07	359,820,521	282,571,808	2,988,729	7,472	264,938	597,745	2,118,574	7.72%	
2007-08	406,483,409	329,234,696	3,527,287	8,818	370,395	705,457	2,442,617	15.30%	
2008-09 (*)	423,435,780	339,554,008	3,584,809	8,962	452,859	716,962	2,406,027	-1.50%	
2009-10(*)	424,805,457	340,704,809	3,558,045	8,895	520,667	711,609	2,316,874	-3.71%	
2010-11	415,494,111	331,412,238	3,408,602	8,522	534,623	678,969	2,186,488	-5.63%	

**Debt Service Coverage Statement**

using Tax Increment Revenues for FY 2010-11

· Maximum annual debt service (FY 2011-12) is:	\$1,189,876
· 2010-11 Tax Increment Revenue is:	\$3,408,602
· Debt service coverage is:	2.86

(\*) FY2008-2009 & FY2009-2010 Due to on-going AB 1389 calculations and concurrence with County of Ventura Auditor-Controller's Office, the following items are estimates until computations are finalized: Incremental Assessed Valuation, Gross Tax Increment,

# San Buenaventura Redevelopment Agency

## Annual Continuing Disclosure Requirements, Continued

\$8,000,000 2003 Tax Allocation Bonds & \$8,785,000 2008 Tax Allocation Bonds

For the year ended June 30, 2011

**Merged San Buenaventura Redevelopment Project  
Top Ten Taxable Secured Taxpayers  
Based Upon 2010-11 Assessed Valuation**

<u>Property Owner</u>	<u>Land Use</u>	<u>Fiscal Year 2010-11 Secured Assessed Value</u>	<u>Parcels</u>	<u>Percentage of Total <sup>(1)</sup></u>
Ventura Beach Ventures LLC	Hotel	\$ 28,419,915	1	6.84%
WAV Apartments Partners	Mixed Use	14,074,030	1	3.39%
Lost Arrow Corp.	Office	13,021,543	7	3.13%
Olson 737-Ventura 4 LLC	Mixed Use	10,898,309	1	2.62%
Pacific Prime Properties	Apartments	10,142,046	1	2.44%
Ventura Inn LLC	Motel	7,920,292	1	1.91%
Ventura Properties Lessor	Apartments	7,820,312	3	1.88%
Mission Plaza LLC	Shopping Center	6,539,800	5	1.57%
Matilija Investment Prop LLC	Office/Retail	6,315,937	7	1.52%
Ventura Terrace	Apartments/ Office	5,895,915	6	1.42%
<b>Total</b>		<b>\$ 111,048,099</b>	<b>33</b>	<b>26.73%</b>

<sup>1</sup> Fiscal Year 2010-2011 total assessed valuation: \$415,494,111

Source: County of Ventura Tax Rolls

REDEVELOPMENT AGENCY



Annual Financial Report

Year Ended  
June 30

2011

**INDEPENDENT AUDITOR'S  
REPORT ON COMPLIANCE**

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER COMPLIANCE

The Board of Directors  
Redevelopment Agency  
of the City of San Buenaventura  
San Buenaventura, California

Compliance

We have audited the Redevelopment Agency of the City of San Buenaventura's (the Agency) compliance with the California Health and Safety Code as required by Section 33080.1 for the year ended June 30, 2011. Compliance with the requirements referred to above is the responsibility of the Agency's management. Our responsibility is to express an opinion on the Agency's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Guidelines for Compliance Audits of California Redevelopment Agencies, June 2011*, issued by the State Controller and as interpreted in the *Auditing Procedures for Accomplishing Compliance Audits of California Redevelopment Agencies, August 2011*, issued by the Governmental Accounting and Auditing Committee of the California Society of Certified Public Accountants.

Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the Agency has occurred. An audit includes examining, on a test basis, evidence about the Agency's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Agency's compliance with those requirements.

As described below, the Agency did not comply with certain requirements of the California Health and Safety Code. Compliance with such requirements is necessary, in our opinion, for the Agency to comply with the requirements referred to above.

- a. California Health and Safety Code Section 33080.1(b) requires redevelopment agencies to submit a fiscal statement for the previous fiscal year that contains the information required pursuant to Section 33080.5.

Compliance (Continued)

- b. For fiscal year ended June 30, 2011, the Agency did not prepare a written determination that shows that the planning and administrative costs charged to the Low and Moderate Income Housing Fund are necessary for the production, improvement, or preservation of low- and moderate-income housing, as required by subdivision (d) of California Health and Safety Code Section 33334.3.
- c. California Health and Safety Code Section 33080.1 requires redevelopment agencies to present an annual report to its legislative body within six months of the Agency's fiscal year. The Agency presented the annual report to the Board of Directors on January 5, 2011.
- d. The Agency's annual report for the year ended June 30, 2010 did not include a blight progress report, loan report or property report as required by California Health and Safety Code Section 33080.1.

In our opinion, except for the noncompliance described above, the Agency complied, in all material respects, with the compliance requirements referred to above that are applicable for the year ended June 30, 2011.

Internal Control Over Compliance

Management of the Agency is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit, we considered the Agency's internal control over compliance to determine the auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over compliance.

A deficiency in internal control over compliance 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 and correct, noncompliance on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis.

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

This report is intended solely for the information and use of management, the Board of Directors, others within the Agency and the State Controller's Office, Division of Accounting and Reporting and is not intended to be and should not be used by anyone other than these specific parties.

*White Nelson Diehl Evans, LLP*

December 9, 2011  
Irvine, California



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