

**CAMARILLO COMMUNITY
DEVELOPMENT COMMISSION
(A Component Unit of the
City of Camarillo, California)**

**BASIC FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORTS**

**FOR FISCAL YEAR ENDED
JUNE 30, 2008**

CAMARILLO COMMUNITY DEVELOPMENT COMMISSION

BASIC FINANCIAL STATEMENTS

JUNE 30, 2008

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INDEPENDENT AUDITORS' REPORT

The Board of Directors of the
Camarillo Community Development Commission
Camarillo, California

We have audited the accompanying financial statements of the governmental activities and each major fund of the Camarillo Community Development Commission (the CDC), a component unit of the City of Camarillo, California (the City), as of and for the fiscal year ended June 30, 2008, which collectively comprise the CDC's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the CDC'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 examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic 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 CDC as of June 30, 2008, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2008, on our consideration of the CDC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 3 through 6 and 31, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the CDC's basic financial statements. The accompanying supplementary information is presented for purpose of additional analysis and is not a required part of the basic financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Vannich, Terrie, Day & Co., LLP

Rancho Cucamonga, California
December 1, 2008

CAMARILLO COMMUNITY DEVELOPMENT COMMISSION

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE FISCAL YEAR ENDED JUNE 30, 2008

The discussion and analysis of the Camarillo Community Development Commission's (CDC) financial performance provides an overall review of the CDC's financial activities for the fiscal year ended June 30, 2008. The intent of this discussion and analysis is to look at the CDC's financial performance as a whole. Readers should also review the basic financial statements, as well as the prior years' report ended June 30, 2007, to enhance their understanding of the CDC's financial performance. This is the sixth year of implementing a new reporting format in accordance with Governmental Accounting Standards Board (GASB) Statement No. 34.

The financial section of this report has been prepared to show the results of the financial administration, financial condition, and operations of the CDC. The combined financial statements in this report have been audited by the firm of Vavrinek, Trine, Day & Company, LLP, whose opinion is included in this report.

BASIS OF ACCOUNTING AND FUND GROUPINGS

The Government-Wide financial statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the CDC's assets and liabilities, including capital assets and 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.

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 Balance present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the 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 CDC maintains funds in accordance with generally accepted accounting principles set forth by the GASB and other rule-making entities.

FINANCIAL DISCUSSION

The following is the condensed Statement of Activities and Changes in Net Assets for the fiscal years ended June 30, 2008 and 2007.

CAMARILLO COMMUNITY DEVELOPMENT COMMISSION

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**Camarillo Community Development Commission's Net Assets
As of June 30, 2008 and 2007**

	<u>2008</u>	<u>2007</u>
Current and other assets	\$ 53,699,448	\$ 56,302,219
Capital assets	9,047,515	6,915,369
Total Assets	<u>62,746,963</u>	<u>63,217,588</u>
Current liabilities	2,555,015	3,222,744
Long-term liabilities outstanding	58,283,731	59,038,117
Total Liabilities	<u>60,838,746</u>	<u>62,260,861</u>
Net Assets:		
Invested in capital assets, net of related debt	9,047,515	6,915,369
Restricted	13,843,347	8,855,220
Unrestricted (deficit)	(20,982,647)	(14,813,862)
Total Net Assets	<u>\$ 1,908,215</u>	<u>\$ 956,727</u>

Net Assets of the Camarillo Community Development Commission increased by \$951,488 primarily due to increased property tax increment, interest earnings including the year end fair value adjustment of investments, offset by an increase in community service program costs. Capital assets increased \$2,132,146 or 30% primarily from the capitalization of Ventura Boulevard Streetscape construction expenditures incurred. Refer to Note 5 for additional information on Capital Assets.

**Camarillo Community Development Commission's Changes in Net Assets
As of June 30, 2008 and 2007**

	<u>2008</u>	<u>2007</u>
Revenue:		
Taxes	\$ 5,227,547	\$ 3,877,505
Interest, net of fair value	2,012,502	1,403,890
Total Revenues	<u>7,240,049</u>	<u>5,281,395</u>
Expenses:		
Community services	453,150	30,857
Community development	475,016	509,062
Transfer to the City of Camarillo	2,500,000	
Interest on long-term debt	2,860,395	2,364,525
Total Expenses	<u>6,288,561</u>	<u>2,904,444</u>
Increase in Net Assets	<u>\$ 951,488</u>	<u>\$ 2,376,951</u>

CAMARILLO COMMUNITY DEVELOPMENT COMMISSION

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Under the fund financial statements, the CDC reports a decrease in fund balances of \$2,064,903 and the total fund balance at June 30, 2008 was \$50,598,285, of which \$12.5 million is reserved or committed. Reservations represent amounts that are either not available for appropriation or have been formally committed to a specific use.

The net tax increment revenue increased by \$1,350,042, or 34.8%, in fiscal year 2007-08 to \$5.228 million from the previous fiscal year. The secured property tax portion of the total tax increment revenue increased \$1,476,950 or 38.4% over the previous year's secured tax. The supplemental property tax portion increased \$402,951 or 86.9% over the previous year's supplemental taxes. However, a corresponding increase of \$667,214 in "Pass-through" payments to Other Public Agencies reduced the total net tax increment revenue for the fiscal period. The net overall increase in tax increment revenues is primarily attributable to a change in assessed value which is affected when property is sold and reassessed at the new sales price. With the significant growth in property values over the last few years, the assessed values have grown at an unusually high rate.

Net investment income increased \$608,612, or 43.4%, from the prior fiscal year due to an increase in funds available for investment as the result of the November, 2006 bond sale. This positive increase was further enhanced by a year-end positive "net adjustment to fair value" of \$80,116.

Total governmental funds expenditures for the fiscal year were \$6,804,952, which included \$249,084 for city administrative charges; \$671,994 in community services and development costs, \$2,139,232 in capital outlay, and \$3,744,642 in debt service payments and bond issuance costs. Other financing sources include \$2.5 million transfer to the City of Camarillo for the agency's share of costs related to the extension of Ventura Blvd. and Springville capital projects.

Major events and significant long-term debt activities included the following:

- ◆ The CDC purchased additional land for the proposed hotel complex in June, 2008 at a cost of \$4.4 million. This purchase was combined with the original land acquisition and also recorded as "Land held for resale."
- ◆ The CDC expended \$2.1 million in continuing construction costs for the Ventura Boulevard Phase III improvements to the easterly portion of the Old Town Streetscape Project. Construction of the Phase III improvements is expected to be completed by summer 2008.

Overall, amendments between the original and the final budget resulted in increased estimated revenues of \$2.2 million or 47.8% and a net decrease in Other Financing Uses, Transfers Out, of \$200,000. These budgeted increases were offset by budgeted capital outlay expenditures increases of \$5.5 million. The Capital Projects Fund also reflected a positive budget variance of \$6,318,604 primarily due to the delay in construction of the capital projects and reduced community development costs.

CAMARILLO COMMUNITY DEVELOPMENT COMMISSION

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE FISCAL YEAR ENDED JUNE 30, 2008

REQUEST FOR INFORMATION

This financial report is designed to provide citizens, taxpayers, creditors and investors with a general overview of the CDC's finances and to show the CDC's accountability for the money it receives. Questions concerning any of the information provided in this report, or requests for additional information, should be addressed to the Camarillo Community Development Commission, Finance Department, 601 Carmen Drive, California 93010.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CAMARILLO COMMUNITY DEVELOPMENT COMMISSION

STATEMENT OF NET ASSETS

JUNE 30, 2008

	<u>Governmental Activities</u>
ASSETS	
Current Assets:	
Cash and investments	\$ 8,933,541
Restricted cash and investments	30,220,412
Receivables:	
Accounts, net	132,467
Interest	73,410
Notes	275,000
Land held for resale	10,896,696
Total Current Assets	<u>50,531,526</u>
Noncurrent Assets:	
Restricted cash and investments	1,127,494
Deferred charges	2,040,428
Capital assets:	
Non-depreciable	8,772,165
Depreciable, net	275,350
Total Capital Assets	<u>9,047,515</u>
Total Noncurrent Assets	<u>12,215,437</u>
Total Assets	<u>62,746,963</u>
LIABILITIES	
Current Liabilities:	
Accounts payable	513,623
Wages payable	586
Retentions payable	545,787
Compensated absences	739
Interest payable	739,894
Long-term debt - due within one year	754,386
Total Current Liabilities	<u>2,555,015</u>
Noncurrent Liabilities:	
Long-term debt - due in more than one year	58,283,731
Total Liabilities	<u>60,838,746</u>
NET ASSETS	
Invested in capital assets, net of related debt	9,047,515
Restricted for:	
Debt service	634,009
Special projects and programs	13,209,338
Total Restricted	<u>13,843,347</u>
Unrestricted (Deficit)	<u>(20,982,647)</u>
Total Net Assets	<u>\$ 1,908,215</u>

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

CAMARILLO COMMUNITY DEVELOPMENT COMMISSION
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2008

Functions/Programs	Expenses	Program Revenues		Net Governmental Activities
		Charges for Services	Operating Contributions and Grants	
Community services	\$ 453,150			\$ (453,150)
Community development	475,016			(475,016)
Interest on long-term debt	2,860,395			(2,860,395)
Total Governmental Activities	\$ 3,788,561	\$ -	\$ -	\$ (3,788,561)
General Revenues:				
Taxes:				
Property tax increment				5,227,547
Interest				1,932,386
Transfer to the City of Camarillo				(2,500,000)
Net increase (decrease) in the fair value of investments				80,116
Total General Revenues				4,740,049
Change in Net Assets				951,488
Net Assets at Beginning of Year				956,727
Net Assets at End of Year				\$ 1,908,215

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

FUND FINANCIAL STATEMENTS

CAMARILLO COMMUNITY DEVELOPMENT COMMISSION

**BALANCE SHEET
GOVERNMENTAL FUNDS**

JUNE 30, 2008

	Low and Moderate Income Housing Special Revenue Fund	Debt Service Fund	Capital Project Fund	Total Governmental Funds
ASSETS				
Cash and investments	\$ 2,025,533	\$ 2,277,295	\$ 4,630,713	\$ 8,933,541
Restricted cash and investments	10,823,299	1,373,903	19,150,704	31,347,906
Receivables:				
Accounts, net		132,467		132,467
Interest	13,434	18,621	41,355	73,410
Notes	275,000			275,000
Land held for resale			10,896,696	10,896,696
Total Assets	\$ 13,137,266	\$ 3,802,286	\$ 34,719,468	\$ 51,659,020
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable		\$ 75,828	\$ 437,795	\$ 513,623
Wages payable	\$ 586			586
Retentions payable			545,787	545,787
Compensated absences	739			739
Total Liabilities	1,325	75,828	983,582	1,060,735
FUND BALANCE				
Reserved for:				
Notes receivable	275,000			275,000
Debt service		1,373,903		1,373,903
Land held for resale			10,896,696	10,896,696
Unreserved reported in:				
Special Revenue Funds	12,860,941			12,860,941
Debt Service Funds		2,352,555		2,352,555
Capital Projects Funds			22,839,190	22,839,190
Total Fund Balance	13,135,941	3,726,458	33,735,886	50,598,285
Total Liabilities and Fund Balance	\$ 13,137,266	\$ 3,802,286	\$ 34,719,468	\$ 51,659,020

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

CAMARILLO COMMUNITY DEVELOPMENT COMMISSION

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS**

JUNE 30, 2008

Fund Balances of Governmental Funds		\$ 50,598,285
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets of governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		9,047,515
Bond issuance costs are expensed in the government funds and amortized over the life of the debt issuance in the Government-wide Statements.		2,040,428
Interest expenditures are recognized when due, and therefore, interest payable is not recorded in the governmental funds.		(739,894)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
Loans from the City of Camarillo	(11,110,000)	
Bonds Payable	(48,470,000)	
Bond Premiums	(55,658)	
Bond Discounts	123,031	
Deferred Loss on Refunding	474,508	
		<u>(59,038,119)</u>
Net Assets of Governmental Activities		<u>\$ 1,908,215</u>

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

CAMARILLO COMMUNITY DEVELOPMENT COMMISSION

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE
GOVERNMENTAL FUNDS**

FOR THE YEAR ENDED JUNE 30, 2008

	Low and Moderate Income Housing Special Revenue Fund	Debt Service Fund	Capital Project Fund	Total Governmental Funds
REVENUES				
Property tax increment		\$ 5,227,547		\$ 5,227,547
Interest	\$ 452,491	419,578	\$ 1,060,317	1,932,386
Net increase in the fair value of investments	8,281	16,384	55,451	80,116
Total Revenues	<u>460,772</u>	<u>5,663,509</u>	<u>1,115,768</u>	<u>7,240,049</u>
EXPENDITURES				
Current:				
Community services	329,771	123,379		453,150
Community development			467,928	467,928
Capital outlay			2,139,232	2,139,232
Debt service:				
Principal		945,000		945,000
Interest		2,799,642		2,799,642
Total Expenditures	<u>329,771</u>	<u>3,868,021</u>	<u>2,607,160</u>	<u>6,804,952</u>
EXCESS (DEFICIENCY) REVENUES OVER (UNDER) EXPENDITURES	<u>131,001</u>	<u>1,795,488</u>	<u>(1,491,392)</u>	<u>435,097</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	1,372,827	755,500	850,000	2,978,327
Transfers out	(755,500)	(2,222,827)		(2,978,327)
Transferred to City of Camarillo			(2,500,000)	(2,500,000)
Total Other Financing Sources	<u>617,327</u>	<u>(1,467,327)</u>	<u>(1,650,000)</u>	<u>(2,500,000)</u>
Net Change in Fund Balance	748,328	328,161	(3,141,392)	(2,064,903)
Fund Balance, Beginning of Year	12,387,613	3,398,297	36,877,278	52,663,188
Fund Balance, End of Year	<u>\$ 13,135,941</u>	<u>\$ 3,726,458</u>	<u>\$ 33,735,886</u>	<u>\$ 50,598,285</u>

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

CAMARILLO COMMUNITY DEVELOPMENT COMMISSION

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE GOVERNMENT-WIDE
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**

FOR THE YEAR ENDED JUNE 30, 2008

Net Change in Fund Balances - Total Governmental Funds \$ (2,064,903)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense or are allocated to the appropriate functional expense when the cost is below the capitalization threshold. This activity is reconciled as follows:

Cost of assets capitalized less disposals	2,139,232
Depreciation expense	(7,088)

Governmental funds do not report the amortization of bond issuance costs.

However, the statement of activities does recognize amortization. (67,923)

Increases in long-term liabilities provide current financial resources to governmental funds as other financing sources. This revenue is not recognized in the government-wide financial statements. In addition, governmental funds do not report the amortization of discounts, premiums or losses on refunding of debt related to the issuance of debt whereas these amounts are deferred and amortized in the statement of activities.

Amortization of Premium on 2004 Tax Allocation Refunding Bonds	23,432
Amortization of Discount on 2006 Tax Allocation Parity Bonds	(1,885)
Amortization of Discount on 2006A Housing Set-Aside Tax Allocation Bonds	(1,806)
Amortization of Loss on refunding	(31,286)

Repayments of long-term liabilities requires the use of current financial resources of governmental funds. This expense is not recognized in the government-wide financial statements.

Principal expense	945,000
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Interest expenditures are recognized when paid in the governmental funds. Interest expense is recognized when incurred in the government-wide Statement of Activities.

This amount represents the difference between interest paid and interest incurred. 18,715

Change in Net Assets of Governmental Activities	<u>\$ 951,488</u>
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The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

CAMARILLO COMMUNITY DEVELOPMENT COMMISSION

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Camarillo Community Development Commission (the CDC), a component unit of the City of Camarillo (the City), have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) as applicable to government units. 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 CDC's accounting policies are described below.

A. Description of the Reporting Entity

The CDC was activated on June 12, 1997, by the City pursuant to the State of California Health and Safety Code, Section 33000, entitled "Community Redevelopment Law." The CDC is an integral part of the reporting entity of the City. The funds of the CDC have been included within the scope of the basic financial statements of the City because the City Council acts as the Board of Directors of the CDC and is able to impose its will on the CDC. Therefore, the City is considered to be the primary government and the CDC is a component unit.

The CDC adopted the Redevelopment Plan for the Camarillo Corridor Project (Redevelopment Plan) on June 12, 1997. Generally, the CDC's goals for the Camarillo Corridor Project are to alleviate blighted conditions which constitute physical and economic liability requiring redevelopment in the interests of health, safety and general welfare of the people of the community; to promote economic development within the project area; and to provide affordable housing opportunities in the community.

The Redevelopment Plan will guide all future redevelopment project programs and activities within the boundaries of the Camarillo Corridor Project. The Camarillo City Council, assisting in the coordination and consideration of the various programs, created a Citizens' Advisory Committee consisting of 25 members of the business community within the redevelopment area to review and make recommendations to the CDC prior to projects actually being considered for implementation. The project area includes the old Ventura Boulevard area and general commercial areas and industrial section of Dawson Drive to ensure that these commercial areas will remain competitive and productive for many years to come.

B. Basis of Accounting and Measurement Focus

The accounts of the CDC 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 CDC's government-wide financial statements include a Statement of Net Assets and a Statement of Activities and Changes in Net Assets. These statements present summaries of governmental activities for the CDC.

CAMARILLO COMMUNITY DEVELOPMENT COMMISSION

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *Continued*

These basic financial statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the CDC's assets and liabilities, including capital assets, as well as infrastructure assets, and 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.

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

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

The CDC had no program revenues for the fiscal year ended June 30, 2008.

Interfund transfers have been eliminated as prescribed by GASB Statement No. 34 in regards to interfund activities.

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 net assets as presented in these statements to the net assets presented in the government-wide financial statements. The CDC has presented all major funds that met the applicable criteria.

The CDC reports the following major governmental funds:

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

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

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

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 presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the 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.

CAMARILLO COMMUNITY DEVELOPMENT COMMISSION

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *Continued*

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

Deferred revenues arise when potential revenues do not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when the government receives resources before it has a legal claim to them, as when grant monies are received prior to incurring qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met or when the government has a legal claim to the resources, the deferred revenue is removed and revenue is recognized.

The Reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements is provided to explain the differences created by the integrated approach of GASB Statement No. 34.

C. Cash, Cash Equivalents, and Investments

The CDC 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 City participates in an investment pool managed by the State of California titled Local Agency Investment Fund (LAIF), which has invested a portion of the pooled funds in Structured Notes and Asset-backed Securities. In addition, these Structured Notes and Asset-backed Securities are subject to market risk as to change in interest rates.

D. Use of Restricted/Unrestricted Net Assets

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the CDC's policy is to apply restricted net assets first.

E. Interfund Transactions

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of inter fund loans).

CAMARILLO COMMUNITY DEVELOPMENT COMMISSION

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

F. Capital Assets

Capital assets, which include land, buildings, improvements, furniture and fixtures, are reported in the Government-Wide Financial Statements. All purchased capital assets are recorded at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated (contributed) fixed assets are valued at their estimated fair market value on the date received.

CDC's policy has set the capitalization threshold for reporting capital assets at the following:

General Capital Assets	\$	5,000
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For all capital assets, depreciation is recorded on a straight-line basis over the useful lives of the assets as follows:

Buildings and improvements	30 to 40 years
Furniture and fixtures	8 to 15 years

The accumulated depreciation is defined as the total depreciation from the date of construction/acquisition to the current date on a straight-line method using industry accepted life expectancies for each asset type. The book value is computed by deducting the accumulated depreciation from the original cost.

The Governmental Accounting Standards Board (GASB) Statement No. 34 requires the inclusion of infrastructure capital assets in local governments' basic financial statements. The CDC did not have any infrastructure capital assets at June 30, 2008.

G. Interest Payable

In the government-wide financial statements, interest payable on long-term debt is recognized as the liability is incurred for governmental fund types.

In the fund financial statements, governmental fund types do not recognize the interest payable when the liability is incurred. Rather, interest expense is simply recorded when it is due or paid.

H. Long-Term Obligations

Government-Wide Financial Statements - Long-term debt and other long-term obligations are reported as liabilities in the primary government governmental activity.

Fund Financial Statements - The fund financial statements do not present long-term debt but are shown in the Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Assets.

CAMARILLO COMMUNITY DEVELOPMENT COMMISSION

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

I. 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.

Restricted Net Assets - This amount is restricted by external creditors, grantors, contributors, laws or regulations of other governments.

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."

J. Fund Balances – Reservations and Designations

In the fund financial statements, governmental funds report reservations of fund balances for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

K. Revenues

The CDC's primary source of revenue is property taxes. Property taxes allocated to the CDC are computed in the following manner:

- The assessed valuation of all property in the Camarillo Corridor Project area is determined on the date of adoption of the Redevelopment Plan by a designation of a fiscal year assessment role.
- Property taxes related to any incremental increase in assessed values after the adoption of a Redevelopment Plan are allocated to the CDC; all taxes on the "frozen" assessed valuation of the property are allocated to the County and other districts receiving taxes from the project area.

The CDC has no power to levy and collect taxes. Any legislative property tax reduction would lower the amount of tax revenues that would otherwise be available to pay the principal and interest on bonds or loans from the City. Conversely, any increase in the tax rate or assessed valuation or any elimination of present exemptions would increase the amount of tax revenues that would be available to pay principal and interest on bonds or loans from the City.

The CDC is also authorized to finance the Redevelopment Plan from other sources, including assistance from the City, the State and federal governments, interest income and issuance of debt.

CAMARILLO COMMUNITY DEVELOPMENT COMMISSION

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

L. 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.

M. New GASB Pronouncements

Effective in the Current Year:

GASB Statement No. 48 – In September 2006, the GASB issued Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*. This statement addresses accounting and financial reporting standards for transactions where governments exchange an interest in their expected cash flows from collecting specific receivables or specific future revenues for immediate cash payments. This statement establishes criteria and reporting standards regarding the exchange as either a sale or collateralized borrowing, resulting in a liability. The Commission implemented this statement effective July 1, 2007.

Effective in the Future Periods:

GASB Statement No. 45 – In June 2004, the GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This Statement establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers. This statement is not effective until June 30, 2009. The Commission has not determined its effect on the financial statements.

GASB Statement No. 49 – In November 2006, the GASB issued Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. This statement addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. This statement is not effective until June 30, 2009. The Commission has not determined its effect on the financial statements.

GASB Statement No. 51 – In June 2007, the GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. This statement establishes accounting and financial reporting standards for many different types of assets that may be considered intangible assets, including easements, water rights, timber rights, patents, trademarks, and computer software. This statement is not effective until June 30, 2010. The Commission has not determined its effect on the financial statements.

CAMARILLO COMMUNITY DEVELOPMENT COMMISSION

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

N. Deferred Charges

Gross bond issuance cost, including underwriters' discounts, totaled \$2,108,351 and are reported as deferred changes in the Statement of Net Assets, net of accumulated amortization. Amortization is taken over the life of the debt issued and included in interest expense unless otherwise noted.

O. Budgetary Information

The CDC adopts an annual budget prepared on the modified accrual basis of accounting for all governmental fund types. The Executive Director is required to prepare and submit to the CDC Board of Directors the annual budget of the CDC and administer it after adoption. Any revisions that alter the total appropriations must be approved by the Board of Directors. All annual appropriations lapse at fiscal year-end except for unexpended purchase orders or contracts and unexpended appropriations for capital projects. Total expenditures may not legally exceed total appropriations.

P. Land Held for Resale

Land held for resale represents property acquired in the redevelopment process and is recorded at the lower of cost or net realizable value. The property consists of land with improvements, acquired to further the Redevelopment Plan. When this property is resold, the gain or loss on the sale will be recognized when the transactions are consummated.

NOTE 2 – CASH AND INVESTMENTS

The CDC had the following cash and investments at June 30, 2008:

Cash and investments (pooled with the City of Camarillo)	\$ 8,933,541
Restricted cash and investments	<u>31,347,906</u>
Total Cash and Investments	<u><u>\$ 40,281,447</u></u>

The CDC follows the practice of pooling cash and investments with the City of Camarillo for all funds, except for funds required to be held by fiscal agents under the provisions of bond indentures. Interest income earned on pooled cash and investments is allocated on a quarterly basis to the various funds based on average daily cash and investment balances. Interest income from cash and investments with fiscal agents is credited directly to the related fund.

At June 30, 2008, all cash and investments of the CDC were pooled with the City of Camarillo and since they are not represented by specific identifiable investments securities, investment policies and associated risk factors applicable to the CDC's cash and investments are those of the City of Camarillo and are included in the City's basic financial statements. Restricted cash and investments were held by fiscal agent in accordance with the provisions of bond indentures.

CAMARILLO COMMUNITY DEVELOPMENT COMMISSION

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

NOTE 2 – CASH AND INVESTMENTS, Continued

Investments Authorized by the California Government Code

The table below identifies the investment types that the City is authorized by State statutes and in accordance with the City’s Investment Policy to invest in the following. *(This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the Commission).*

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. Treasury Obligations	5 years	75%	None
U.S. Agency Securities	5 years	75%	20%
Negotiable Certificates of Deposit	2 years	15%	None
Money Market Mutual Funds	5 years	5%	10%
Local Agency Investment Fund (LAIF)	N/A	None	None

Investments Authorized by Debt Agreements

Investments of debt proceeds held by fiscal agent are governed by provisions of the debt covenants rather than the general provisions of the California Government Code. These provisions allow for the acquisition of investments allowed by the government code but also include defeasance obligations, investment agreements and pre-refunded municipal obligations. These provisions do not specify maximum maturities on concentration of risk limitations.

Authorized Investment Type	Maximum Investment in One Issuer
U.S. Treasury Obligations	None
U.S. Agency Securities	None
Nonnegotiable Certificates of Deposit	None
Negotiable Certificates of Deposit	None
Investment Agreements	None
Repurchase Agreements	None
Forward Purchase Agreements	None
Money Market Mutual Funds	None
Local Agency Investment Fund (LAIF)	None

CAMARILLO COMMUNITY DEVELOPMENT COMMISSION

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

NOTE 2 – CASH AND INVESTMENTS, Continued

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Commission does not maintain an investment policy to manage its exposure to interest rate risk. However, the Commission acquires a combination of short and long term investments consistent with the provision of debt covenants for cash flow as necessary to meet capital and debt service obligations. As of June 30, 2008, the Commission’s investments consist of the following:

Investment Type	Fair Value	Investment Maturities (in Years)				
		Less than 1	1 to 2	2 to 3	3 to 4	4 or more
Federal Home Loan Banks	\$ 1,910,236	\$ 1,910,236				
Federal Home Loan Mortgage Corporation	2,910,959	2,910,959				
Fannie Mae	2,108,455	2,108,455				
Guaranteed Investment Contract	1,127,494					\$ 1,127,494
US Treasury Securities	1,995,300	1,995,300				
Equity in City Pool	8,933,541	8,933,541				
Money Market Fund	21,295,462	21,295,462				
Total Cash and Investments	\$ 40,281,447	\$ 39,153,953	\$ -	\$ -	\$ -	\$ 1,127,494

Disclosures Relating to Credit Risk

State law limits investments in commercial paper and corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations (NRSRO’s). It is in the City’s policy to limit its investments in these investment types to the top rating issued by NRSRO’s, including raters Standard & Poor’s, and Moody’s Investors Services. At June 30, 2008, the City’s credit risks, expressed on a percentage basis, are as follows:

Investment Type	S&P Rating	Moody's Rating	Investments
Federal Home Loan Banks	AAA	AAA	5%
Federal Home Loan Mortgage Corporation	AAA	AAA	7%
Fannie Mae	AAA	AAA	5%
Guaranteed Investment Contract	Not Rated	Not Rated	3%
US Treasury Securities	AAA	AAA	5%
Equity in City Pool	Not Rated	Not Rated	22%
Money Market Fund	AAA	AAA	53%
Total			100%

CAMARILLO COMMUNITY DEVELOPMENT COMMISSION

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

NOTE 2 – CASH AND INVESTMENTS, Continued

Concentration of Credit Risk

The CDC maintains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total Agency investments are as follows:

<u>Issuer</u>	<u>Investment Type</u>	<u>Reported Amount</u>
Federal Home Loan Mortgage Corporation	U.S. Agency Securities	\$ 2,910,959
Fannie Mae	U.S. Agency Securities	\$ 2,108,455

Custodial Credit Risk

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

Fair Value of Investments

Accounting pronouncement GASB Statement No. 31 generally applies to investments in external investments pools, investments purchased with maturities greater than one year, mutual funds, and certain investment agreements. Generally, governmental entities need to report the fair value changes for these investments at year-end and record these gains or losses on their income statement.

Methods and assumptions used to estimate fair value: The CDC maintains investment accounting records on amortized cost and adjusts those records to fair value on an annual basis. The CDC investment custodian provides market values on each investment instrument on a monthly basis. The investments held by the CDC are widely traded in the financial markets, and trading values are readily available from numerous published sources. Unrealized gains and losses are recorded on an annual basis, and the carrying value of its investments is considered fair value.

CAMARILLO COMMUNITY DEVELOPMENT COMMISSION

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

NOTE 3 – INTERFUND TRANSACTIONS

The CDC had the following transfers in the Fund Financial Statements as of June 30, 2008:

Transfer In	Transfer Out		
	Debt Service Fund	Low and Moderate Income Housing	Total
Debt Service Fund		\$ 755,500	\$ 755,500
Low and Moderate Income Housing	\$ 1,372,827		1,372,827
Capital Project Fund	850,000		850,000
	<u>\$ 2,222,827</u>	<u>\$ 755,500</u>	<u>\$ 2,978,327</u>

The \$1,372,827 transfer was recorded to deposit the required 20% property tax increment set-aside into the Low and Moderate Income Housing Special Revenue Fund.

The \$850,000 transfer was recorded to provide funds for capital projects.

The \$755,500 transfer was recorded to provide funds for repayment of debt.

NOTE 4 – RELATED PARTY TRANSACTIONS

The Redevelopment Community Development Commission transferred \$2,500,000 to the City of Camarillo to provide funds for capital projects.

CAMARILLO COMMUNITY DEVELOPMENT COMMISSION

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

NOTE 5 – CAPITAL ASSETS

The following is a summary of capital assets for governmental activities for the fiscal year ended June 30, 2008:

	Balance <u>July 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2008</u>
Non-depreciable assets:				
Land	\$ 348,765			\$ 348,765
Construction in progress	<u>6,296,822</u>	<u>\$ 2,139,234</u>	<u>\$ (12,656)</u>	<u>8,423,400</u>
	<u>6,645,587</u>	<u>2,139,234</u>	<u>(12,656)</u>	<u>8,772,165</u>
Depreciable assets:				
Buildings and improvements	50,000			50,000
Furniture and fixtures	<u>271,827</u>	<u>12,656</u>		<u>284,483</u>
	321,827	12,656		334,483
Less accumulated depreciation	<u>(52,045)</u>	<u>(7,088)</u>		<u>(59,133)</u>
Depreciable assets, net	<u>269,782</u>	<u>5,568</u>		<u>275,350</u>
Total capital assets, net	<u>\$ 6,915,369</u>	<u>\$ 2,144,802</u>	<u>\$ (12,656)</u>	<u>\$ 9,047,515</u>

Depreciation expense of \$7,088 is recorded in the Community Development function for the year ended June 30, 2008.

Construction in progress consists of various capital projects. Once these projects are completed the asset is transferred and maintained by the City of Camarillo.

CAMARILLO COMMUNITY DEVELOPMENT COMMISSION

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

NOTE 6 – LONG-TERM DEBT

The following is a summary of long-term debt transactions for the fiscal year ended June 30, 2008.

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008	Amount Due Within One Year
Governmental Activities:					
2004 CDC Tax Allocation Refunding Bonds	\$ 21,715,000		\$ 385,000	\$ 21,330,000	\$ 405,000
Premium on 2004 CDC Bonds	79,090		23,432	55,658	14,363
Deferred Loss on Refunding	(505,794)		(31,286)	(474,508)	(31,286)
Advances from the City of Camarillo	11,180,000		70,000	11,110,000	150,000
2006 Tax Allocation Parity Bonds	16,805,000		285,000	16,520,000	125,000
Discount on 2006	(64,702)		1,885	(62,817)	(1,885)
2006A Housing Set-Aside Tax Allocation Bonds	5,110,000			5,110,000	
Discount on 2006A	(62,022)		1,806	(60,216)	(1,806)
2006A-T Taxable Housing Set-Aside Tax Allocation Bonds	5,715,000		205,000	5,510,000	95,000
	<u>\$ 59,971,572</u>	<u>\$ -</u>	<u>\$ 940,837</u>	<u>\$ 59,038,117</u>	<u>\$ 754,386</u>

Tax Allocation Refunding Bonds Series 2004 - Original Issue \$22,500,000

On September 13, 2004, the Camarillo Development Commission issued \$22,500,000 in Tax Allocation Refunding Bonds to advance refund the Commission’s previously issued \$7,175,000 Tax Allocation Bonds, to fund certain redevelopment projects within the Camarillo Corridor Project Area, to fund a reserve account for the Bonds, and to pay costs of issuance of the Bonds. Interest is payable beginning March 1, 2005, and semiannually on each March 1 and September 1. The interest rate of this debt at the date of issue ranges from 2.75% to 5.125%. The certificates mature serially beginning September 1, 2005 through September 1, 2036.

The annual debt service requirements to maturity for these Tax Allocation Refunding Bonds at June 30, 2008, are as follows:

Year Ending June 30,	Principal	Interest	Total
2009	\$ 405,000	\$ 933,319	\$ 1,338,319
2010	425,000	913,631	1,338,631
2011	445,000	897,950	1,342,950
2012	455,000	885,006	1,340,006
2013	470,000	870,661	1,340,661
2014-2018	2,590,000	4,099,624	6,689,624
2019-2023	3,115,000	3,558,596	6,673,596
2024-2028	3,835,000	2,815,194	6,650,194
2029-2033	4,810,000	1,811,963	6,621,963
2034-2037	4,780,000	492,500	5,272,500
Total	<u>\$ 21,330,000</u>	<u>\$ 17,278,444</u>	<u>\$ 38,608,444</u>

CAMARILLO COMMUNITY DEVELOPMENT COMMISSION

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

NOTE 6 – LONG-TERM DEBT, Continued

Tax Allocation Parity Bonds Series 2006 - Original Issue \$16,805,000

On November 7, 2006, the Camarillo Development Commission issued \$16,805,000 in Tax Allocation Parity Bonds, to fund certain redevelopment projects within the Camarillo Corridor Project Area, to purchase a surety as an additional deposit to the debt service reserve account, and to pay costs incurred in connection with the issuance, sale, and delivery of the Bonds. Interest is payable beginning March 1, 2008, and semiannually on each March 1 and September 1. The interest rate of this debt at the date of issue ranges from 4.00% to 5.00%. The certificates mature serially beginning September 1, 2008 through September 1, 2041.

The annual debt service requirements to maturity for these Tax Allocation Parity Bonds at June 30, 2008, are as follows:

Year Ending June 30,	Principal	Interest	Total
2009	\$ 125,000	\$ 726,238	\$ 851,238
2010	130,000	721,138	851,138
2011	135,000	715,838	850,838
2012	140,000	710,338	850,338
2013	145,000	704,637	849,637
2014-2018	830,000	3,424,637	4,254,637
2019-2023	1,025,000	3,224,706	4,249,706
2024-2028	1,260,000	2,985,903	4,245,903
2029-2033	1,555,000	2,680,703	4,235,703
2034-2038	3,275,000	2,270,538	5,545,538
2039-2042	7,900,000	730,800	8,630,800
Total	<u>\$ 16,520,000</u>	<u>\$ 18,895,476</u>	<u>\$ 35,415,476</u>

Housing Set-Aside Tax Allocation Bonds Series 2006A - Original Issue \$5,110,000

On November 10, 2006, the Camarillo Development Commission issued \$5,110,000 in Housing Set-Aside Tax Allocation Bonds, to fund certain low and moderate income housing projects and programs, to fund a reserve account for the Bonds, including the purchase of a surety and to pay costs of issuance of the Bonds. Interest is payable beginning March 1, 2008, and semiannually on each March 1 and September 1. The interest rate of this debt at the date of issue ranges from 4.50% to 4.60%. The certificates mature serially beginning September 1, 2009 through September 1, 2041.

CAMARILLO COMMUNITY DEVELOPMENT COMMISSION

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

NOTE 6 – LONG-TERM DEBT, Continued

The annual debt service requirements to maturity for these Housing Set-Aside Tax Allocation Bonds at June 30, 2008, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009		\$ 231,450	\$ 231,450
2010	\$ 20,000	230,990	250,990
2011	20,000	230,070	250,070
2012	20,000	229,150	249,150
2013	25,000	228,115	253,115
2014-2018	135,000	1,122,865	1,257,865
2019-2023	165,000	1,088,365	1,253,365
2024-2028	210,000	1,045,240	1,255,240
2029-2033	260,000	991,190	1,251,190
2034-2038	1,870,000	802,092	2,672,092
2039-2042	2,385,000	220,818	2,605,818
Total	<u>\$ 5,110,000</u>	<u>\$ 6,420,345</u>	<u>\$ 11,530,345</u>

Taxable Housing Set-Aside Tax Allocation Bonds Series 2006A-T - Original Issue \$5,715,000

On November 10, 2006, the Camarillo Development Commission issued \$5,715,000 in Taxable Housing Set-Aside Tax Allocation Bonds, to fund certain low and moderate income housing projects and programs, to fund a reserve account for the Bonds, including the purchase of a surety and to pay costs of issuance of the Bonds. Interest is payable beginning March 1, 2008, and semiannually on each March 1 and September 1. The interest rate of this debt at the date of issue ranges from 4.50% to 4.60%. The certificates mature serially beginning September 1, 2008 through September 1, 2034.

CAMARILLO COMMUNITY DEVELOPMENT COMMISSION

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

NOTE 6 – LONG-TERM DEBT, Continued

The annual debt service requirements to maturity for these Taxable Housing Set-Aside Tax Allocation Bonds at June 30, 2008, are as follows:

Year Ending June 30,	Principal	Interest	Total
2009	\$ 95,000	\$ 313,555	\$ 408,555
2010	100,000	308,426	408,426
2011	105,000	303,035	408,035
2012	115,000	297,249	412,249
2013	120,000	291,068	411,068
2014-2018	695,000	1,351,712	2,046,712
2019-2023	910,000	1,127,033	2,037,033
2024-2028	1,205,000	823,552	2,028,552
2029-2033	1,605,000	413,848	2,018,848
2034	560,000	27,186	587,186
Total	<u>\$ 5,510,000</u>	<u>\$ 5,256,664</u>	<u>\$ 10,766,664</u>

Advances from the City of Camarillo

On August 25, 1999, the Commission received an advance from the City in the amount of \$1,431,000. The note is payable in annual increments commencing on June 30, 2001 and interest on the note is payable annually at a rate of 7% per annum from the date of the note until the date of the final payment or until all sums due have been repaid. On July 27, 2005, the outstanding balance of this advance was consolidated into one promissory note totaling \$11,320,200.

On June 25, 2003, the Commission received an advance from the City in the amount of \$4,150,000. The note is payable on or before June 30, 2010, and interest on the note is payable annually at a rate of 5% per annum from the date of the note until the date of the final payment or until all sums due have been repaid. On July 27, 2005, the outstanding balance of this advance was consolidated into one promissory note totaling \$11,320,000.

On June 23, 2004, the Commission received an advance from the City in the amount of \$5,000,000. The note is payable on or before June 30, 2014, and interest on the note is payable annually at a rate of 4% per annum from the date of the note until the date of the final payment or until all sums due have been repaid. On July 27, 2005, the outstanding balance of this advance was consolidated into one promissory note totaling \$11,320,000.

On July 27, 2005, the Commission received an advance from the City in the amount of \$1,500,000 and consolidated all other existing advances into one promissory note totaling \$11,320,200. The note is payable on or before June 30, 2025, and interest on the note is payable annually at a rate of 5% per annum from the date of the note until the date of the final payment or until all sums due have been paid. The balance outstanding at June 30, 2008 was \$11,110,000.

CAMARILLO COMMUNITY DEVELOPMENT COMMISSION

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

NOTE 6 – LONG-TERM DEBT, Continued

The annual debt service requirements to maturity for the advance at June 30, 2008, are as follows:

Year Ending June 30,	Principal	Interest	Total
2009	\$ 150,000	\$ 555,500	\$ 705,500
2010	225,000	548,000	773,000
2011	300,000	536,750	836,750
2012	375,000	521,750	896,750
2013	450,000	503,000	953,000
2014-2018	3,800,000	2,076,250	5,876,250
2019-2023	5,810,000	831,250	6,641,250
Total	<u>\$ 11,110,000</u>	<u>\$ 5,572,500</u>	<u>\$ 16,682,500</u>

NOTE 7 – TAX INCREMENT REVENUE PLEDGED

The Commission has pledged tax increment revenues to repay the 2004 CDC Tax Allocation Refunding Bonds, 2006 Tax Allocation Parity Bonds, 2006A Housing Set-Aside Tax Allocation Bonds and the 2006A Taxable Housing Set-Aside Tax Allocation Bonds. The aggregate amount of the bonds outstanding at June 30, 2008 was \$48,470,000.

The bonds are payable solely from the tax increment generated by increased property taxes in the Redevelopment project area. Tax increment is projected to produce 125 percent of the debt service requirements over the life of the bonds. Total principal and interest remaining on the bonds totals \$96,320,929 payable through 2042. For the current year, principal and interest paid and total tax increment revenues were \$3,115,643 and \$5,227,547, respectively.

NOTE 8 – DEFICIT NET ASSETS

The unrestricted net assets had a deficit balance of \$20,982,647, and total net assets of \$1,908,215 at June 30, 2008 because long-term debt is in excess of capital assets owned by the CDC. The CDC issues debt for construction and/or acquisition of assets, which it then turns over to the City or to private parties within the redevelopment project area. The debt will be repaid with future property tax increment revenue.

CAMARILLO COMMUNITY DEVELOPMENT COMMISSION

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

NOTE 9 – EXPENDITURES IN EXCESS OF APPROPRIATIONS

The following fund had expenditures in excess of the budgets in the following amounts for the year ended June 30, 2008:

Debt Service Fund	<u>\$ (101,071)</u>
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NOTE 10 – COMMITMENTS AND CONTINGENCIES

The CDC is presently involved in certain matters of litigation that have arisen in the normal course of conducting CDC business. CDC management believes, based upon consultation with the City Attorney, that these cases, in the aggregate, are not expected to result in a material adverse financial impact on the CDC. Additionally, CDC management believes that the City's insurance programs are sufficient to cover any potential losses should an unfavorable outcome materialize.

The CDC has contracts in place for several capital projects. The remaining commitment for these projects total approximately \$74,000.

As of June 30, 2008, in the opinion of CDC management, there were no additional outstanding matters that would have a significant effect on the financial position of the funds of the CDC.

NOTE 11 – SUBSEQUENT EVENTS

Termination of GIC Contract

The information on the rating downgrade (Aaa to A2) of MBIA Insurance Company was received on June 30, 2008, and consequently the City decided to terminate its GIC contract with MBIA. On July 9, 2008, the City withdrew its investment from MBIA and invested the funds in treasuries with AAA rating.

Land Purchase

The Commission authorized the acquisition of approximately 12 acres of land (“property”) south of relocated Ventura Boulevard on the east and west side of proposed Springville Drive. The CDC has not specifically identified project(s) for which the land is to be used at this time. However, the Property would be a good site to potentially relocate businesses that are currently in or near the Camarillo Commons area once that project is underway.

REQUIRED SUPPLEMENTARY INFORMATION

CAMARILLO COMMUNITY DEVELOPMENT COMMISSION

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE – BUDGET AND ACTUAL
LOW AND MODERATE INCOME HOUSING SPECIAL REVENUE FUND**

FOR THE YEAR ENDED JUNE 30, 2008

	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
REVENUES				
Interest	\$ 137,350	\$ 352,300	\$ 452,491	\$ 100,191
Net increase in the fair value of investments			8,281	8,281
Total Revenues	137,350	352,300	460,772	108,472
EXPENDITURES				
Current				
Community services	322,534	331,134	329,771	1,363
Total Expenditures	322,534	331,134	329,771	1,363
REVENUES OVER EXPENDITURES	(185,184)	21,166	131,001	109,835
OTHER FINANCING USES				
Transfers in	948,200	1,346,700	1,372,827	26,127
Transfers out	(758,000)	(758,000)	(755,500)	2,500
Total Other Financing Uses	190,200	588,700	617,327	28,627
Net Change in Fund Balance	5,016	609,866	748,328	138,462
Fund Balance, Beginning of Year	12,387,613	12,387,613	12,387,613	
Fund Balance, End of Year	\$ 12,392,629	\$ 12,997,479	\$ 13,135,941	\$ 138,462

SUPPLEMENTARY INFORMATION

CAMARILLO COMMUNITY DEVELOPMENT COMMISSION

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES – BUDGET AND ACTUAL
REDEVELOPMENT DEBT SERVICE FUND**

FOR THE YEAR ENDED JUNE 30, 2008

	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
REVENUES				
Property tax increment	\$ 3,716,234	\$ 5,170,135	\$ 5,227,547	\$ 57,412
Interest	276,800	412,400	419,578	7,178
Net increase in the fair value of investments			16,384	16,384
Total Revenues	3,993,034	5,582,535	5,663,509	80,974
EXPENDITURES				
Current				
Community services	12,800	22,300	123,379	(101,079)
Debt service:				
Principal	945,000	945,000	945,000	
Interest	2,799,650	2,799,650	2,799,642	8
Total Expenditures	3,757,450	3,766,950	3,868,021	(101,071)
REVENUES OVER (UNDER) EXPENDITURES	235,584	1,815,585	1,795,488	(20,097)
OTHER FINANCING SOURCES (USES)				
Transfers in	758,000	758,000	755,500	(2,500)
Transfers out	(948,200)	(2,196,700)	(2,222,827)	(26,127)
Total Other Financing Sources (Uses)	(190,200)	(1,438,700)	(1,467,327)	(28,627)
Net Change in Fund Balance	45,384	376,885	328,161	(48,724)
Fund Balance, Beginning of Year	3,398,297	3,398,297	3,398,297	
Fund Balance, End of Year	<u>\$ 3,443,681</u>	<u>\$ 3,775,182</u>	<u>\$ 3,726,458</u>	<u>\$ (48,724)</u>

CAMARILLO COMMUNITY DEVELOPMENT COMMISSION

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES – BUDGET AND ACTUAL
COMMUNITY REDEVELOPMENT CAPITAL PROJECTS FUND**

FOR THE YEAR ENDED JUNE 30, 2008

	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
REVENUES				
Interest	\$ 500,000	\$ 907,550	\$ 1,060,317	\$ 152,767
Net increase in the fair value of investments			55,451	55,451
Total Revenues	500,000	907,550	1,115,768	208,218
EXPENDITURES				
Current				
Community development	1,111,325	624,419	467,928	156,491
Capital outlay	2,575,000	8,093,127	2,139,232	5,953,895
Total Expenditures	3,686,325	8,717,546	2,607,160	6,110,386
REVENUES UNDER EXPENDITURES	(3,186,325)	(7,809,996)	(1,491,392)	6,318,604
OTHER FINANCING SOURCES (USES)				
Transfers in		850,000	850,000	
Transfers out	(2,700,000)	(2,500,000)		2,500,000
Transferred to City of Camarillo			(2,500,000)	(2,500,000)
Total Other Financing Sources (Uses)	(2,700,000)	(1,650,000)	(1,650,000)	
Net Change in Fund Balance	(5,886,325)	(9,459,996)	(3,141,392)	6,318,604
Fund Balance, Beginning of Year	36,877,278	36,877,278	36,877,278	
Fund Balance, End of Year	\$ 30,990,953	\$ 27,417,282	\$ 33,735,886	\$ 6,318,604



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

To the Board of Directors
Of the Camarillo Community Development Commission
Camarillo, California

We have audited the basic financial statements of the governmental activities and each major fund of the Camarillo Community Development Commission (the CDC), a component unit of the City of Camarillo, California (the City) as of and for the fiscal year ended June 30, 2008, and have issued our report thereon dated December 1, 2008. We conducted our audit in accordance with generally accepted auditing standards in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the CDC's financial statements that is more than inconsequential will not be prevented or detected by the CDC's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

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

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the CDC's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. Such provisions included those provisions of laws and regulations identified in the *Guidelines for Compliance Audits of California Redevelopment Agencies*, issued by the State Controller and as interpreted in the *Suggested Auditing Procedures for Accomplishing Compliance Audits of California Redevelopment Agencies*, issued by the Governmental Accounting and Auditing Committee of the California Society of Certified Public Accountants. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2008-1.

The Agency's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the Agency's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Directors, management of the Camarillo Community Development Commission, and the State Controller and is not intended to be and should not be used by anyone other than these specified parties.

Vanmick, Terrie, Day & Co., LLP

Rancho Cucamonga, California
December 1, 2008

CAMARILLO COMMUNITY DEVELOPMENT COMMISSION

SCHEDULE OF FINDINGS AND RESPONSES

JUNE 30, 2008

Finding 2008-1

Criteria or Specific Requirement:

Planning and administrative expenditures incurred by the Low/Mod Housing Fund must be supported by a written determination showing that the planning and administrative costs were necessary for the production, improvement, or preservation, of low and moderate income housing, in accordance with Health and Safety Code Section 33334.3(d). Further, the written determination must be made annually in writing.

Condition Found:

The Commission did not prepare a written determination as required by Health and Safety Code Section 33334.3(d).

Context:

The condition was noted during compliance testing in accordance with *Guidelines for Compliance Audits of California Redevelopment Agencies*.

Cause:

The Commission did not maintain policies and procedures to ensure that the written determination required by the aforementioned Health and Safety code section, was performed on an annual basis.

Effect:

Planning and administrative expenditures incurred in the Low/Mod fund were not supported by a written determination showing that the planning and administrative costs were necessary for the production, improvement, or preservation, of low and moderate income housing, in accordance with Health and Safety Code Section 33334.3(d).

Recommendation:

We recommend that the Commission prepare and submit a written determination showing that the planning and administrative costs appropriated in the Low/Mod Housing fund are necessary for the production, improvement, or preservation, of low and moderate income housing, in accordance with Health and Safety Code Section 33334.3(d).

Commission's Response:

A resolution was prepared and presented to the Commission on December 17, 2008 for the Fiscal Year Ended June 30, 2008.

Staff will prepare the appropriate resolutions for presentation to the Commission at the time of Budget Adoption on a going forward basis.