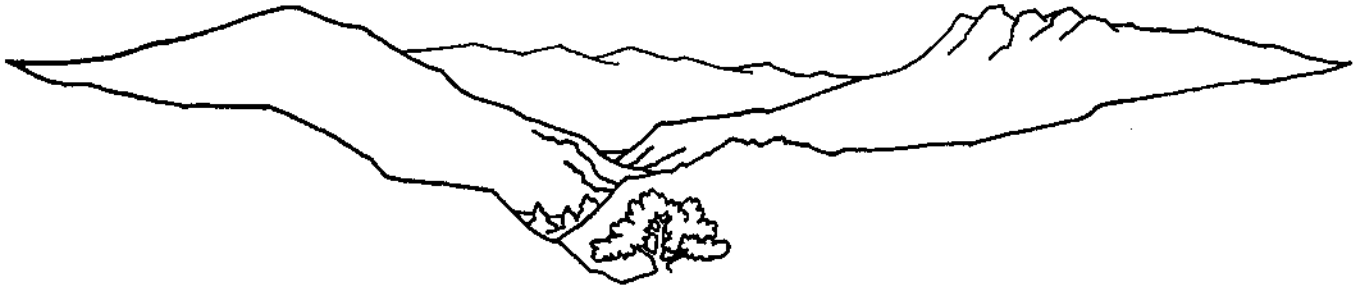


# CONEJO OPEN SPACE CONSERVATION AGENCY



TO: Board of Directors  
FROM: COSCA Staff  
DATE: January 9, 2008  
SUBJECT: **Conejo Open Space Conservation Agency Annual Financial Report for Fiscal Year 2006-2007**

Attached for the Board's information is COSCA's Annual Financial Report for Fiscal Year 2006-2007, which ended June 30, 2007. This report was prepared by Diehl, Evans and Company, LLP, an independent auditor, and summarizes COSCA's financial activities, capital assets, and fund balances. This report was completed in November, 2007, in conjunction with the City of Thousand Oaks' Annual Financial Report.

Submitted by:

  
\_\_\_\_\_  
Kristin Foord  
COSCA Manager

CDD:531-12/h/common/cosca/budget/Annual Financial Report 2007

A Joint Agency  
City of Thousand Oaks/Conejo Recreation and Park District  
2100 E. Thousand Oaks Blvd., Thousand Oaks, CA 91362

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**CONEJO OPEN SPACE  
CONSERVATION AGENCY**

**ANNUAL FINANCIAL REPORT  
For The Fiscal Year Ended  
June 30, 2007**

**CONEJO OPEN SPACE CONSERVATION AGENCY  
 (A JOINT POWERS AGREEMENT OF THE CITY OF THOUSAND OAKS)  
 ANNUAL FINANCIAL REPORT  
 For The Fiscal Year Ended June 30, 2007**

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\*A PROFESSIONAL CORPORATION

November 8, 2007

**INDEPENDENT AUDITORS' REPORT**

Members of the Governing Board  
 Conejo Open Space Conservation Agency  
 Thousand Oaks, California

We have audited the financial statements of the governmental activities and the major fund of the Conejo Open Space Conservation Agency (Agency), as of and for the year ended June 30, 2007, which collectively comprise the Agency's basic financial statements, as listed in the table of contents. These basic financial statements are the responsibility of the Agency's management. Our responsibility is to express opinions on these basic 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 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 the major fund of the Conejo Open Space Conservation Agency as of June 30, 2007, and the respective changes in financial position thereof and the respective Budgetary Comparison Statement 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 November 8, 2007 on our consideration of the Agency'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.

The information identified in the accompanying table of contents as management's discussion and analysis is not a required part of the basic financial statements, but is supplemental information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of this required supplementary information. However, we did not audit the information and express no opinion on it.

*Diehl, Evans and Company, LLP*

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**CONEJO OPEN SPACE CONSERVATION AGENCY**  
**A JOINT POWERS AGREEMENT OF THE CITY OF THOUSAND OAKS**  
*Management's Discussion and Analysis*

**Year ended June 30, 2007**

In 1977, the City of Thousand Oaks entered into a Joint Powers Agreement with the Conejo Recreation and Park District to form the Conejo Open Space Conservation Agency (COSCA). COSCA is governed by a five-member board consisting of two City Council members, two Park District members, and one private citizen of the City. Expenditures of COSCA are shared equally between the City and the Conejo Recreation and Park District. The City of Thousand Oaks is responsible for the fiscal management of COSCA activities. The City has an equity interest in COSCA of fifty percent, which is reported in the City's Comprehensive Annual Financial Report.

COSCA was formed to assist City of Thousand Oaks and the Conejo Recreation and Parks District in the conservation of open space in and around the City of Thousand Oaks by acquiring and maintaining open space acreage.

**FINANCIAL HIGHLIGHTS**

- COSCA assets exceeded its liabilities at the close of fiscal year 2006-07 by \$63.9 million. Of this amount, \$63.3 million is invested in capital assets, while the remaining unrestricted net assets may be used to meet COSCA's ongoing obligation to acquire and maintain open space acreage (Page 4).
- COSCA total net assets increased \$0.06 million during the fiscal year. This is primarily due to a net increase in open space acreage of \$0.03 million and capital outlay of \$0.05 million (Page 5).

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to COSCA's basic financial statements. COSCA's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements.

**Government-wide financial statements**

The government-wide financial statements are designed to provide readers with a broad overview of COSCA's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of COSCA's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of COSCA is improving or deteriorating.

**CONEJO OPEN SPACE CONSERVATION AGENCY**  
**A JOINT POWERS AGREEMENT OF THE CITY OF THOUSAND OAKS**

***Management's Discussion and Analysis***

***(Continued)***

**Year ended June 30, 2007**

The statement of activities presents information showing how COSCA's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The government-wide financial statements can be found on pages 7-8 of this report.

**Fund financial statements**

The fund financial statements consist of COSCA's governmental funds. These governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The basic governmental fund financial statements can be found on pages 9-11 of this report..

**Notes to the basic financial statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 12-15 of this report.

**CONEJO OPEN SPACE CONSERVATION AGENCY**  
**A JOINT POWERS AGREEMENT OF THE CITY OF THOUSAND OAKS**  
*Management's Discussion and Analysis*  
*(Continued)*  
**Year ended June 30, 2007**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Statement of Net Assets**

As noted earlier, net assets may serve over time as a useful indicator of an Agency's financial position. COSCA assets exceeded liabilities by \$63.9 million.

COSCA capital assets are comprised primarily of \$63.2 million in open space land. Current assets of \$0.7 million are cash and investments held for future open space acquisitions. Current liabilities are security deposits.

**SUMMARY OF NET ASSETS**  
**June 30, 2007 and 2006**

	<b>2007</b>	<b>2006</b>
Current assets	\$ 699,428	\$ 713,303
Capital assets	63,290,235	63,217,033
Total assets	63,989,663	63,930,336
Current liabilities	39,672	41,672
Total liabilities	39,672	41,672
Net assets:		
Invested in capital assets	63,290,235	63,217,033
Unrestricted	659,756	671,631
Total net assets	\$ 63,949,991	\$ 63,888,664

**CONEJO OPEN SPACE CONSERVATION AGENCY**  
**A JOINT POWERS AGREEMENT OF THE CITY OF THOUSAND OAKS**  
*Management's Discussion and Analysis*  
*(Continued)*  
**Year ended June 30, 2007**

**Statement of Activities**

The statement of activities shows how COSCA's net assets changed during fiscal year 2006-07. COSCA's net assets increased \$0.06 million primarily due to a net increase in open space acreage of \$0.03 million and capital outlay of \$0.05 million. Expenses of \$1.1 million were incurred for the acquisition and maintenance of existing open space, which were completely offset by donations of services by the City of Thousand Oaks and Conejo Recreation and Park District of equal value.

**SUMMARY OF ACTIVITIES**  
**Year ended June 30, 2007 and 2006**

	<u>2007</u>	<u>2006</u>
Program revenues	\$ 1,187,801	\$ 2,085,035
General revenues	27,610	22,618
Total revenues	<u>1,215,411</u>	<u>2,107,653</u>
Program expenses	<u>1,154,084</u>	985,613
Change in net assets	61,327	1,122,040
Net assets - beginning	<u>63,888,664</u>	62,766,624
Net assets - ending	<u>\$ 63,949,991</u>	<u>\$ 63,888,664</u>

**Liquidity**

Due to the nature of COSCA business operations, there have been minimal cash transactions. The City of Thousand Oaks and the Conejo Recreation and Park District incur and fund most of COSCA's annual operating expenses. Therefore, COSCA's liquidity position usually remains constant. The increase in net cash was primarily from interest and lease income.

**Budgetary Highlights**

The budget to actual report can be found on page 11. Historically, COSCA's Board of Directors has chosen not to budget revenues. Maintenance and administration expenses exceeded budgetary estimates by \$.05 million due to increased open space maintenance costs.

**CONEJO OPEN SPACE CONSERVATION AGENCY**  
**A JOINT POWERS AGREEMENT OF THE CITY OF THOUSAND OAKS**  
*Management's Discussion and Analysis*  
*(Continued)*  
**Year ended June 30, 2007**

**Capital Assets**

COSCA's capital assets at June 30, 2007 and 2006 were comprised of the following:

	<u>2007</u>	<u>2006</u>
Land	\$ 63,206,470	\$ 63,173,111
Improvements, net	55,144	19,434
Equipment, net	28,621	24,488
Total, net	<u>\$ 63,290,235</u>	<u>\$ 63,217,033</u>

In fiscal year 2006-2007, COSCA land had a net increase of \$0.03 million due to a donation of open space acreage of 6.79 acres, and a transfer of 8.12 acres to Ventura County Watershed Protection District.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of COSCA finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, City of Thousand Oaks, 2100 Thousand Oaks Boulevard, Thousand Oaks, California 91362, or call at (805) 449-2200.

**CONEJO OPEN SPACE CONSERVATION AGENCY**  
**Statement of Net Assets**  
**June 30, 2007**

	<b>Governmental Activities</b>
<b><u>Assets:</u></b>	
<b>Current assets:</b>	
Cash and investments (Note 3)	\$ 689,510
Interest receivable	8,312
Accounts Receivable	1,606
<b>Total current assets</b>	<b>699,428</b>
<b>Non-current assets:</b>	
<b>Capital assets (Note 2):</b>	
Land	63,206,470
Improvements, net of depreciation	55,144
Equipment, net of depreciation	28,621
<b>Total non-current assets</b>	<b>63,290,235</b>
 <b>Total assets</b>	 <b>63,989,663</b>
 <b><u>Current liabilities:</u></b>	
Deposits in trust	4,500
Unearned revenue	35,172
<b>Total current liabilities</b>	<b>39,672</b>
 <b><u>Net assets:</u></b>	
Invested in capital assets	63,290,235
Unrestricted	659,756
<b>Total net assets</b>	<b>\$ 63,949,991</b>

See accompanying notes to basic financial statements.

**CONEJO OPEN SPACE CONSERVATION AGENCY**  
**Statement of Activities**  
**Year ended June 30, 2007**

<u>Function/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue &amp; Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants &amp; Contributions</u>	
<b>Governmental Activities:</b>				
Open space acquisition, maintenance, and administration	<u>\$1,154,084</u>	<u>\$60,515</u>	<u>\$1,127,286</u>	<u>\$33,717</u>
 <b>General revenues:</b>				
				27,610
				<u>27,610</u>
				61,327
				63,888,664
				<u>\$63,949,991</u>

See accompanying notes to basic financial statements

**CONEJO OPEN SPACE CONSERVATION AGENCY**  
**Balance Sheet**  
**June 30, 2007**

<u>Assets</u>	<u>General Fund</u>
Cash and investments (Note 3)	\$ 689,510
Interest receivable	8,312
Accounts Receivable	1,606
Total assets	699,428
<u>Liabilities and Fund Balances</u>	
Liabilities:	
Deposits in trust	4,500
Deferred revenue	35,172
Total liabilities	39,672
Fund balances:	
Unreserved designated (Note 4)	659,756
Total fund balances	659,756
Total liabilities and fund balances	\$ 699,428

**Reconciliation of the Governmental Funds Balance Sheet  
To the Statement of Net Assets**

Amounts reported for governmental activities in the statement of net assets (page 7) are different because:

Total fund balances - total governmental funds, as above	\$ 659,756
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the funds.	63,290,235
Net assets of governmental activities (page 7)	\$ 63,949,991

See accompanying notes to basic financial statements.

**CONEJO OPEN SPACE CONSERVATION AGENCY**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**Year ended June 30, 2007**

	<u>General Fund</u>
<b><u>Revenues</u></b>	
Contributions and donations	\$ 1,127,286
Rental Income	60,515
Investment earnings	27,610
Total revenues	<u>1,215,411</u>
<b><u>Expenditures</u></b>	
Current:	
Culture and recreation	1,145,415
Capital outlay:	
Equipment	11,592
Improvements	36,919
Land	33,360
Total expenditures	<u>1,227,286</u>
Net change in fund balances	(11,875)
Fund balances - beginning	<u>671,631</u>
Fund balances - ending	<u>\$ 659,756</u>

**Reconciliation of the Statement of Revenues,  
Expenditures, and Changes in Fund Balances of Governmental Funds  
To the Statement of Activities**

Amounts reported for governmental activities in the statement of activities (page 8) are different because:

Net change in fund balances, as above	\$ (11,875)
The net effect of donations of capital assets is to increase net assets.	33,360
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay of \$48,510 exceeded depreciation of \$8,668 in the current period.	<u>39,842</u>
Change in net assets of governmental activities (page 8)	<u>\$ 61,327</u>

See accompanying notes to basic financial statements.

**CONEJO OPEN SPACE CONSERVATION AGENCY**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actua**  
**Year ended June 30, 2007**

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	
<b>Revenues:</b>				
Contributions and donations	\$		27,610	(27,610)
Rental Income		-	60,515	(60,515)
Investment earnings		-	1,127,286	(1,127,286)
<b>Total Revenues</b>			<u>1,215,411</u>	<u>(1,215,411)</u>
<b>Expenditures:</b>				
Current:				
Culture and recreation		1,097,949	1,097,949	1,145,415
Capital Outlay:				
Equipment		23,450	23,450	11,592
Improvements		57,000	57,000	36,919
Land		-	-	33,360
<b>Total expenditures</b>		<u>1,178,399</u>	<u>1,178,399</u>	<u>1,227,286</u>
Excess (deficiency) of revenues over (under) expenditures		<u>(1,178,399)</u>	<u>(1,178,399)</u>	<u>(11,875)</u>
Net change in fund balance		(1,178,399)	(1,178,399)	(11,875)
Fund balance-beginning		<u>671,631</u>	<u>671,631</u>	<u>671,631</u>
Fund balance-ending	\$	<u>(506,768)</u>	<u>(506,768)</u>	<u>659,756</u>
			<u>659,756</u>	<u>(1,166,524)</u>

# CONEJO OPEN SPACE CONSERVATION AGENCY

## *Notes to Basic Financial Statements*

June 30, 2007

### (1) Summary of Significant Accounting Policies

#### (a) Description of Reporting Entity

In 1977, the City of Thousand Oaks, California (City) entered into a Joint Powers Agreement with the Conejo Recreation and Park District (District) to form the Conejo Open Space Conservation Agency (COSCA). COSCA is governed by a five-member board consisting of two City Council members, two District members, and one private citizen of the City. Expenditures of COSCA are shared equally between the City and the District. The City is responsible for the fiscal management of COSCA activities, but does not have primary oversight responsibility for COSCA, which is included as an Agency fund in the City's Comprehensive Annual Financial Report for the fiscal year ended June 30, 2007.

#### (b) Government-wide Financial Statements

COSCA's government-wide financial statements include a statement of net assets and a statement of activities. These statements present a summary of COSCA's governmental activities.

The government-wide financial statements are reported using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of COSCA'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. The types of transactions reported as program revenues for COSCA include charges for services, operating grants, and contributions.

In accordance with Governmental Standards Accounting Board Statement No. 34 (GASB 34), a reconciliation of the difference between the fund financial statements and the government-wide financial statements is provided. The General Fund has been identified as COSCA's major fund.

#### (c) Governmental Fund Financial Statements

In accordance with GASB 34, governmental fund financial statements include a balance sheet and statement of revenues, expenditures and changes in fund balances for COSCA.

The accompanying governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. COSCA's only governmental fund is the General Fund. Revenues are recognized when received unless susceptible to accrual, i.e., measurable and available to finance COSCA's operations. Monies received to fund specific future expenditures, such as trail or capital improvements, are classified as deferred revenue and are recognized when the related expenditure is made. Expenditures generally are recorded when the related liability is incurred.

**CONEJO OPEN SPACE CONSERVATION AGENCY**

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

**June 30, 2007**

**(d) Use of Estimates**

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

**(e) Reconciliation of Government-wide and Fund Financial Statements**

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

The governmental fund balance sheet includes a reconciliation between fund balance – *total governmental funds and net assets - governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that, “capital assets net of accumulated depreciation used in governmental activities are not financial resources and therefore are not reported in the funds. The details of this \$63,290,235 difference are as follows:

Land	\$63,206,470
Improvements	61,132
Equipment	201,344
Depreciation	<u>(178,711)</u>
Net adjustment to increase fund balance – total governmental funds to arrive at net assets – governmental activities	<b><u>\$63,290,235</u></b>

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental funds and changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of the reconciliation explains that the governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the capital assets exceeded depreciation in the current period. The details of this \$39,842 difference are as follows:

Capital outlay	\$48,510
Depreciation expense	<u>(8,668)</u>
Net adjustment to decrease <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<b><u>(\$39,842)</u></b>

**CONEJO OPEN SPACE CONSERVATION AGENCY**

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

**June 30, 2007**

**(e) Reconciliation of Government-wide and Fund Financial Statements (Continued)**

Another element of that reconciliation states "the net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net asset." The details of this \$33,360 difference are as follows:

Donations of capital assets increase net assets in the statement of activities, but do not appear in the governmental funds because they are not financial resources	\$67,900
Disposals of capital assets decrease net assets in the statement of activities, but do not appear in the governmental funds because they are not financial resources	<u>(34,540)</u>
Net adjustment to increase <i>net changes in fund balances-total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<b><u>\$33,360</u></b>

**(2) Changes in Capital Assets**

The following is a summary of COSCA's changes in capital assets for the year ended June 30, 2007:

	Balance at July 1, 2006	Additions	Disposals	Balance at June 30, 2007
<b>Capital assets, not being depreciated:</b>				
Land	\$ 63,173,111	\$ 67,900	\$ 34,540	\$ 63,206,471
Total	<u>63,173,111</u>	<u>67,900</u>	<u>34,540</u>	<u>63,206,471</u>
<b>Capital assets, being depreciated:</b>				
Improvements	24,213	36,918	-	61,131
Equipment	190,064	11,592	312	201,344
Total	<u>214,277</u>	<u>48,510</u>	<u>312</u>	<u>262,475</u>
Less accumulated depreciation for:				
Improvements	4,779	1,209	-	5,988
Equipment	165,576	7,459	312	172,723
Total	<u>170,355</u>	<u>8,668</u>	<u>312</u>	<u>178,711</u>
Total, net of accumulated depreciation	<u>43,922</u>	<u>39,842</u>	<u>-</u>	<u>83,764</u>
<b>Capital Assets, net</b>	<b><u>\$ 63,217,033</u></b>	<b><u>\$ 107,742</u></b>	<b><u>\$ 34,540</u></b>	<b><u>\$ 63,290,235</u></b>

In fiscal year 2006-2007, COSCA land had a net increase of \$0.03 million due to a donation of open space acreage of 6.79 acres and a transfer of 8.12 acres to Ventura County Watershed Protection District.

**CONEJO OPEN SPACE CONSERVATION AGENCY**

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

**June 30, 2007**

**(3) Cash and Investments**

COSCA's cash and investments are pooled with those of the City. The City's pooled cash and investments are stated at fair value. COSCA's share of the City's pooled cash and investments at June 30, 2007 was \$689,510. COSCA's underlying cash and investment pool instruments consist of demand deposits, securities of U.S. government sponsored agencies, U.S. Treasury bills and notes, banker's acceptances, and the California Local Agency Investment Fund (LAIF).

For further information regarding the City's pooled cash and investments including, custodial risk, concentration of credit risk, and interest rate risk, please refer to the City of Thousand Oaks' Comprehensive Annual Financial Report for the year ended June 30, 2007.

**(4) Fund Balance**

The fund balance of the General Fund has been designated at June 30, 2007, as indicated below. The "designated" fund balance reflects tentative plans on the part of COSCA's management.

Unreserved - Designated:	
Trail/Capital Improvement	<u>\$ 659,756</u>



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November 8, 2007

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**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 GOVERNMENT AUDITING STANDARDS**

Members of the Governing Board  
Conejo Open Space Conservation Agency  
Thousand Oaks, California

We have audited the financial statements of the governmental activities and each major fund of the Conejo Open Space Conservation Agency (Agency) as of June 30, 2007, which collectively comprise the Agency's basic financial statements and have issued our report thereon, dated November 8, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

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

A 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 Agency'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 Agency's financial statements that is more than inconsequential will not be prevented or detected by the Agency'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 Agency'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.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the Agency's management, the Governing Board and others within the Agency and is not intended to be and should not be used by anyone other than these specified parties.

*Diehl, Evans and Company, LLP*