

SANTA PAULA REDEVELOPMENT AGENCY

FINANCIAL STATEMENTS

Year Ended June 30, 2009

**Santa Paula Redevelopment Agency
Financial Statements
Year Ended June 30, 2009**

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Independent Auditors' Report

Board Members
Santa Paula Redevelopment Agency
Santa Paula, California

We have audited the accompanying financial statements of the governmental activities and each major fund of the Santa Paula Redevelopment Agency (the "Agency"), a component unit of the City of Santa Paula, California, as of and for the year ended June 30, 2009, which collectively comprise the Agency's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Agency's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of the Santa Paula Redevelopment Agency as of June 30, 2009, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described more fully in Note 1, the financial statements present only the Agency and are not intended to present fairly the financial position and results of operations of the City of Santa Paula, California 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 10, 2009 on our consideration of the Agency'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 on 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 required supplementary information as listed in the table of contents is not a required part of the basic financial statements but is supplementary information required by 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 the required supplementary information. However, we did not audit the information and express no opinion on it.

The Agency has not presented the Management Discussion and Analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's basic financial statements. The supplementary information is presented for purposes 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, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Teaman Ramirez & Smith

December 10, 2009

BASIC FINANCIAL STATEMENTS

Santa Paula Redevelopment Agency
Statement of Net Assets
June 30, 2009

	<u>Governmental Activities</u>
ASSETS	
Cash and Investments	\$ 3,744,633
Receivables:	
Accounts	-
Interest	10,896
Loans	571,346
Prepaid Insurance	166
Property Held for Resale	205,221
Deferred Charges	108,435
Restricted Assets:	
Cash with Fiscal Agent	<u>331,330</u>
Total Assets	<u>4,972,027</u>
LIABILITIES	
Current Liabilities:	
Accounts Payable and Accrued Liabilities	2,164,526
Accrued Interest Payable	17,019
Deferred Revenue	539,168
Noncurrent Liabilities:	
Due Within One Year	120,000
Due in More Than One Year	<u>3,078,945</u>
Total Liabilities	<u>5,919,658</u>
NET ASSETS	
Restricted for Low/Moderate Income Housing	855,928
Restricted for Debt Service	331,330
Unrestricted	<u>(2,134,889)</u>
Total Net Assets	<u>\$ (947,631)</u>

The accompanying notes are an integral part of this statement.

Santa Paula Redevelopment Agency
Statement of Activities
Year Ended June 30, 2009

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Governmental Activities:					
General Government	\$ 1,009,668	\$ 3,144	\$ -	\$ -	\$ (1,006,524)
Pass-thru Payments	2,143,319	-	-	-	(2,143,319)
Interest on Long-Term Debt	215,520	-	-	-	(215,520)
Total Governmental Activities	<u>\$ 3,368,507</u>	<u>\$ 3,144</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(3,365,363)</u>
General Revenues:					
Taxes					3,709,390
Investment Income					80,556
Miscellaneous Revenue					<u>461</u>
Total General Revenues					<u>3,790,407</u>
Change in Net Assets					425,044
Total Net Assets - Beginning					(1,209,168)
Prior Period Adjustment					<u>(163,507)</u>
Total Net Assets - Ending					<u>\$ (947,631)</u>

The accompanying notes are an integral part of this statement.

Santa Paula Redevelopment Agency
Balance Sheet
Governmental Funds
June 30, 2009

	Special Revenue Fund	Capital Projects Funds	
	RDA Housing Set-Aside	Redevelopment Agency Housing Bond	Redevelopment Agency Exempt
ASSETS			
Cash and Investments	\$ 862,843	\$ 452,525	\$ 807,609
Cash with Fiscal Agent			
Accounts Receivable			
Interest Receivable	3,103	1,631	3,532
Loans Receivable		539,168	32,178
Prepaid Insurance			166
Property Held for Resale			205,221
Total Assets	\$ 865,946	\$ 993,324	\$ 1,048,706
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable	\$ 7,106	\$	\$ 7,320
Accrued Liabilities	2,912		
Deferred Revenue		539,168	
Total Liabilities	10,018	539,168	7,320
Fund Balances:			
Reserved for:			
Encumbrances		13,742	44,806
Loans			32,178
Prepays			166
Debt Service			
Property Held for Resale			205,221
Unreserved, Reported in:			
Special Revenue Funds	855,928		
Capital Projects Funds		440,414	759,015
Debt Service Funds			
Total Fund Balances	855,928	454,156	1,041,386
Total Liabilities and Fund Balances	\$ 865,946	\$ 993,324	\$ 1,048,706

The accompanying notes are an integral part of this statement.

<u>Debt Service Funds</u>		
<u>Redevelopment Agency</u>	<u>Housing Set-Aside Fund</u>	<u>Total Governmental Funds</u>
\$ 1,621,656	\$	\$ 3,744,633
241,670	89,660	331,330
2,630		-
		10,896
		571,346
		166
		205,221
<u>\$ 1,865,956</u>	<u>\$ 89,660</u>	<u>\$ 4,863,592</u>
\$ 2,146,404	\$ 784	\$ 2,161,614
		2,912
		539,168
<u>2,146,404</u>	<u>784</u>	<u>2,703,694</u>
		58,548
		32,178
		166
241,670	89,660	331,330
		205,221
		855,928
		1,199,429
<u>(522,118)</u>	<u>(784)</u>	<u>(522,902)</u>
<u>(280,448)</u>	<u>88,876</u>	<u>2,159,898</u>
<u>\$ 1,865,956</u>	<u>\$ 89,660</u>	<u>\$ 4,863,592</u>

The accompanying notes are an integral part of this statement.

Santa Paula Redevelopment Agency
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets
June 30, 2009

Fund balances of governmental funds	\$ 2,159,898
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Long-term liabilities are not due and payable in the current period and are not reported in the funds.	
Compensated Absences	(3,945)
Tax Allocations Refunding Bonds	(3,195,000)
Issuance costs and discounts net of accumulated amortization were recorded as expenditures in the governmental funds.	
	108,435
Accrued interest payable for the current portion of interest due on long-term debt has not been reported in the governmental funds.	
	<u>(17,019)</u>
Net assets of governmental activities	<u><u>\$ (947,631)</u></u>

The accompanying notes are an integral part of this statement.

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Santa Paula Redevelopment Agency
Statement of Revenues, Expenditures and Changes in Fund Balances -
Governmental Funds
For the Year Ended June 30, 2009

	Special Revenue Fund	Capital Projects Funds	
	RDA Housing Set-Aside	Redevelopment Agency Housing Bond	Redevelopment Agency Exempt
REVENUES			
Taxes	\$ 741,891	\$	\$
Charges for Services			3,144
Investment Earnings	15,528	9,708	25,999
Other Revenues			461
Total Revenues	<u>757,419</u>	<u>9,708</u>	<u>29,604</u>
EXPENDITURES			
Current:			
General Government	419,325	3,000	540,892
Pass-thru Payments			
Debt Service:			
Principal			
Interest			
Total Expenditures	<u>419,325</u>	<u>3,000</u>	<u>540,892</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>338,094</u>	<u>6,708</u>	<u>(511,288)</u>
OTHER FINANCING SOURCES (USES)			
Transfers In			
Transfers Out	<u>(85,402)</u>		
Total Financing Sources (Uses)	<u>(85,402)</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	252,692	6,708	(511,288)
Fund Balances - Beginning	<u>603,236</u>	<u>447,448</u>	<u>1,552,674</u>
Fund Balances - Ending	<u>\$ 855,928</u>	<u>\$ 454,156</u>	<u>\$ 1,041,386</u>

The accompanying notes are an integral part of this statement.

Debt Service Funds		
Redevelopment Agency	Housing Set-Aside Fund	Total Governmental Funds
\$ 2,967,499	\$	\$ 3,709,390
		3,144
28,759	562	80,556
		461
<u>2,996,258</u>	<u>562</u>	<u>3,793,551</u>
43,729	1,498	1,008,444
2,143,319		2,143,319
80,500	34,500	115,000
146,180	62,649	208,829
<u>2,413,728</u>	<u>98,647</u>	<u>3,475,592</u>
582,530	(98,085)	317,959
	85,402	85,402
		(85,402)
-	85,402	-
582,530	(12,683)	317,959
(862,978)	101,559	1,841,939
<u>\$ (280,448)</u>	<u>\$ 88,876</u>	<u>\$ 2,159,898</u>

The accompanying notes are an integral part of this statement.

Santa Paula Redevelopment Agency
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
Year Ended June 30, 2009

Net change in fund balances-total governmental funds	\$	317,959
<p>The repayment of the principal on long-term debt, as well as payments to escrow agents, consumes the current financial resources of governmental funds. However, neither of these transactions have any effect on net assets.</p>		
Principal Paid on Tax Allocation Refunding Bonds		115,000
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and are not reported as governmental fund expenditures.</p>		
Amortization of Issuance Costs and Discounts		(6,609)
Net Change in Compensated Absences		(1,224)
Net Change in Accrued Interest Payable		(82)
		(8,915)
Change in Net Assets of Governmental Activities	\$	425,044

The accompanying notes are an integral part of this statement.

Santa Paula Redevelopment Agency
Notes to Financial Statements
Year Ended June 30, 2009

1) REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A) Reporting Entity

The Santa Paula Redevelopment Agency (the Agency) was organized on April 19, 1989 according to California Community Redevelopment Law, for the purpose of redevelopment, rehabilitation and revitalization of the redevelopment project area.

B) Government-wide and Fund Financial Statements

The Government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the nonfiduciary activities of the Santa Paula Redevelopment Agency.

The Statement of Activities demonstrates the degree to which the direct expenses of given functions or segments are offset by program revenues. Direct expenses are expenses that are clearly identifiable with a specific program, project, function or segment. Program revenues of the Agency include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenue are reported instead as general revenues. The effect of inter-fund activity have been eliminated from these statements.

A separate financial statement is provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

C) Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the providers have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Agency considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Taxes, intergovernmental revenues, and interest associated with the current fiscal period are all considered to be susceptible to accrual, and are therefore recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Agency.

Santa Paula Redevelopment Agency
Notes to Financial Statements
Year Ended June 30, 2009

1) REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

C) Measurement Focus, Basis of Accounting, and Financial Statement Presentation - Continued

The California Community Redevelopment law provides that assessed valuations of a redevelopment project are, in effect, frozen at the level existing when the redevelopment plan is adopted, and all property taxes produced from this valuation continue to flow to all public agencies levying taxes on property in the project. Taxes produced from any increases in the assessed valuation of a project over the "frozen base" may be allocated to a redevelopment agency to pay or repay costs incurred on behalf of the project. The assessed valuation of the project may be temporarily or permanently reduced below the frozen base as a result of ownership of property by a redevelopment agency pending resale to a developer (temporary), or because of permanent reduction of the assessed valuation will cause a concurrent reduction of the frozen base so that the production of tax increment income from new development will not be impaired.

The Agency reports the following major governmental funds:

Special Revenue Fund - Housing Set-Aside Fund - This fund is used to account for the 20% set-a-side required by law to be used to benefit low or moderate income residents.

Capital Projects Fund - Housing Bond Fund - This fund is used to account for the 20% set-a-side of the 1994 Bond Proceeds. These funds are required by law to be used on Capital Projects that benefit low or moderate income residents.

Capital Projects Fund - Exempt Fund - This fund is used to account for the 80% of the tax increment that is required by law to be used on projects that will benefit the Redevelopment Project Area.

Debt Service Fund - Redevelopment Agency - This fund is used to account for the Redevelopment Agency's Exempt Fund's share of the debt service for the 1994 Tax Allocation Refunding Bonds.

Debt Service Fund - Housing Set-Aside Fund - This fund is used to account for the Housing Set-Aside Fund's share of the debt service for the 1994 Tax Allocation Refunding Bonds.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements. Direct expenses have not been eliminated from the functional categories; indirect expenses and internal payments have been eliminated, if any.

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

D) Assets, Liabilities and Net Assets or Equity

1) Deposits and Investments

The Agency has monies held by trustees or fiscal agents pledged to the payment or security of certain bonds. The California Government Code provides that these monies, in the absence of specific statutory provisions governing the issuance of bonds, may be invested in accordance with the ordinance, resolutions or indentures specifying the types of investments its fiscal agents may make. These ordinances, resolutions and indentures are generally more restrictive than the Agency's general investment policy. In no instance have additional types of investments, not permitted by the Agency's general investment policy, been authorized.

Santa Paula Redevelopment Agency
Notes to Financial Statements
Year Ended June 30, 2009

1) REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

D) Assets, Liabilities and Net Assets or Equity - Continued

1) Deposits and Investments - Continued

Changes in fair value that occur during a fiscal year are recognized as investment income reported for that fiscal year. Investment income includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation, maturity or sale of investments.

2) Receivables and Payables

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 the interfund loans) or "advances to/from other funds" (i.e., the non-current portion of the interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

Property taxes are levied as of January 1 preceding the fiscal year for which the taxes are levied. The fiscal year begins July 1 and ends June 30 of the following year. Taxes are levied on both real and unsecured personal property, as it exists at the time. Liens against real estate, as well as the tax on personal property, are not relieved by subsequent renewal or change in ownership.

Taxes and assessments on secured and utility rolls which constitute a lien against the property, may be in two installments; the first is due on November 1 of the fiscal year and is delinquent if not paid by December 10; and the second is due on February 1 of the fiscal year and is delinquent if not paid by April 10. Unsecured personal property taxes do not constitute a lien against real property unless the taxes become delinquent. Payment must be made in one installment, which is delinquent if not paid by August 31 of the fiscal year. Significant penalties are imposed by the County for late payments.

Due to the nature of the City-wide maximum levy, it is not possible to identify general purpose tax rates for specific entities. Under state legislation adopted subsequent to the passage of Proposition 13, apportionments to local agencies are made by the County Auditor-Controller based primarily on the ratio that each agency represented of the total City-wide levy for the three years prior to fiscal year 1979.

3) Restricted Assets

Certain proceeds of the Agency's tax allocation refunding bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their uses limited by applicable bond covenants.

Santa Paula Redevelopment Agency
Notes to Financial Statements
Year Ended June 30, 2009

1) REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

D) Assets, Liabilities and Net Assets or Equity - Continued

4) Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The Agency defines capital assets as assets with an initial, individual cost of more than \$5,000 or \$25,000 for capital projects. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materiality extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets of the Agency are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	30 - 50
Building Improvements	10 - 30

5) Compensated Absences

Cash compensation for accrued vacation is generally not payable until an employee terminates employment with the City. Sick leave may be accumulated to a maximum of 960 hours. Cash compensation for unused sick leave for employees hired prior to September 27, 1988 is payable to an employee only upon termination of employment with the City and the employee is compensated at the rate of 50% of their daily rate.

Cash compensation for vacation, sick leave and compensatory time paid to employees within any one year is not expected to be material. The amount recorded does not exceed a normal year's accumulation.

E) Use of Estimates

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

Santa Paula Redevelopment Agency
Notes to Financial Statements
Year Ended June 30, 2009

1) REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

F) Relationship to the City of Santa Paula

The Agency is an integral part of the reporting entity of the City of Santa Paula. The funds of the Agency have been blended within the financial statements of the City because the City Council of the City of Santa Paula is the governing board of the Agency and exercises control over the operations of the Agency. Only the funds of the Agency are included herein; therefore, these financial statements do not purport to represent the financial position or results of operations of the City of Santa Paula.

G) Budgetary Information

The Santa Paula Redevelopment Agency adopted an annual budget for the Special Revenue Fund, Debt Service Fund, and Capital Projects Fund for the fiscal year ended June 30, 2009. Budgetary information is included in these financial statements.

2) DETAILED NOTES ON ALL FUNDS

A) Deposits and Investments

At June 30, 2009, the Agency's deposits and investment balances were as follows:

Pooled Deposits and Investments	\$ 3,744,633
Deposits and Investments with Fiscal Agents	<u>331,330</u>
Total Deposits and Investments	<u>\$ 4,075,963</u>

Cash balances from all funds of the Redevelopment Agency are combined and invested by the Treasurer of the City of Santa Paula in legally allowable securities. Earnings from such investments are allocated to the respective funds on the basis of applicable cash balances of each fund. Additional information required by GASB 40 is available in the City's annual financial report.

Deposits and investments with fiscal agents consist of mutual funds, which are not subject to categorization as required by GASB Statements No. 3 and 40.

Santa Paula Redevelopment Agency
Notes to Financial Statements
Year Ended June 30, 2009

2) DETAILED NOTES ON ALL FUNDS - Continued

B) Capital Assets

Capital asset activity for the year ended June 30, 2009 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 19,929	\$ -	\$ 19,929	\$ -
Construction in Progress	-	-	-	-
Total Capital Assets, Not Being Depreciated	<u>19,929</u>	<u>-</u>	<u>19,929</u>	<u>-</u>
Capital Assets, Being Depreciated:				
Buildings and System	179,068	-	179,068	-
Total Capital Assets Being Depreciated	<u>179,068</u>	<u>-</u>	<u>179,068</u>	<u>-</u>
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	(35,490)	-	(35,490)	-
Total Accumulated Depreciation	<u>(35,490)</u>	<u>-</u>	<u>(35,490)</u>	<u>-</u>
Total Capital Assets, Being Depreciated, Net	<u>143,578</u>	<u>-</u>	<u>143,578</u>	<u>-</u>
Governmental Activities Capital Assets, Net	<u>\$ 163,507</u>	<u>\$ -</u>	<u>\$ 163,507*</u>	<u>\$ -</u>

*The decrease of \$163,507 is a result of a prior period adjustment to transfer capital assets to the City's capital assets schedule.

C) Interfund Transfers

The composition of interfund transfers as of June 30, 2009 is as follows:

<u>Transfers Out</u>	<u>Transfers In</u>	
	<u>Housing Set-Aside Debt Service Fund</u>	<u>Total</u>
RDA Housing Set-Aside	\$ 85,042	\$ 85,042

Transfers were for debt service payments.

Santa Paula Redevelopment Agency
Notes to Financial Statements
Year Ended June 30, 2009

2) DETAILED NOTES ON ALL FUNDS - Continued

D) Long-term Debt

The following is a summary of long-term debt transactions for the fiscal year ended June 30, 2009:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
Tax Allocation Refunding Bonds	\$ 3,310,000	\$ -	\$ 115,000	\$ 3,195,000	\$ 120,000
Compensated Absences	2,721	1,224	-	3,945	-
Governmental Activities Long-term Liabilities	<u>\$ 3,312,721</u>	<u>\$ 1,224</u>	<u>\$ 115,000</u>	<u>\$ 3,198,945</u>	<u>\$ 120,000</u>

1994 Tax Allocation Refunding Bonds

On June 29, 1994, the Santa Paula Redevelopment Agency adopted a resolution authorizing the sale of \$6,900,000 aggregate principal amount of Santa Paula Redevelopment Project 1994 Tax Allocation Refunding Bonds at interest rates ranging from 6.345% to 6.548% for the purpose of retiring \$6,000,000 of Tax Allocation Notes issued on November 1, 1992. The bonds mature on December 1 of each year to 2024 with interest payable semi-annually. On June 7, 2000, the Agency defeased \$2,285,000 of the \$6,900,000 Tax Allocation Refunding Bonds as discussed in the advance refunding paragraph below.

Debt service requirements on the remaining 1994 Tax Allocation Refunding Bonds are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 120,000	\$ 204,225
2011	130,000	196,770
2012	140,000	188,550
2013	150,000	179,650
2014	150,000	170,650
2015-2019	935,000	692,420
2020-2024	1,265,000	351,300
2025	305,000	19,575
	<u>\$ 3,195,000</u>	<u>\$ 2,002,640</u>

Advance Refunding

On June 29, 1994, the Redevelopment Agency of the City of Santa Paula issued Tax Allocation Refunding Bonds in the amount of \$6,900,000 for the purpose of retiring \$6,000,000 of Tax Allocation Notes issued on November 1, 1992. On June 7, 2000, the Agency defeased \$2,285,000 of the \$6,900,000 Tax Allocation Refunding Bonds by purchasing United States Government Securities in an irrevocable trust with an escrow agent utilizing the existing funds. The bonds are considered to be partially defeased and the related liability has been removed from the Agency's long-term debt.

Santa Paula Redevelopment Agency
Notes to Financial Statements
Year Ended June 30, 2009

3) OTHER INFORMATION

A) Risk Management

The City and the Agency are partially self-insured for workers' compensation and liability claims and fully self-insured for unemployment claims.

On July 1, 2003 and July 1, 2004, the City joined the California Joint Powers Insurance Authority (CJPIA) for the purpose of pooling liability risk and workers compensation risk, respectively. The CJPIA was formed under the Joint Powers Agreement (JPA) provisions of state law (Government Codes 990, 990.4, 990.8 and 6500-6515). Prior to joining CJPIA, the City was a member of Central Coast Cities Self-Insurance Fund. In addition, CJPIA is governed by laws adopted by CJPIA members. CJPIA is directed by a board of directors comprised of a representative appointed by the City Council of each member agency. CJPIA derives its revenues from contributions established for each city at the beginning of each policy year. The contributions are established by the board of directors based on the recommendations of the JPA's program administrators and actuaries using recognized insurance experience rating techniques.

The City is protected from general and automobile liability losses through a combination of pooling and excess insurance in the maximum amount of \$50 million per occurrence and annual aggregate. The City is protected from workers compensation claims for the maximum amount under scheduled statutory benefits and \$10 million per occurrence effective July 1, 2004. As of June 30, 2009, the City maintained a self-insured retention up to \$300,000 and pooled the excess risk up to \$2,000,000 with Central Coast Cities Self-Insurance Fund. The City finances its self-insurance activities through the General Fund and operating transfers from its Enterprise funds.

The liability for estimated claims is based upon the accumulation of individual case estimates of related expense for settlement of the reported claims, including the effects of inflation and other societal and economic factors, as well as an estimate of claims expense incurred but not reported and adverse development of existing case estimates. Such estimates may be less than amounts ultimately paid when the claims are settled.

Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses included an estimate of claims that have been incurred but not reported. At June 30, 2009, there are no claim liabilities reported in these financial statements.

The separate financial statements of the California Joint Powers Insurance Authority may be obtained by writing: City of La Palma, 8081 Moody Street, La Palma, CA 90623.

B) Subsequent Events/Contingencies

Subsequent to June 30, 2009, the State of California passed legislation to divert approximately \$2.05 billion of local redevelopment funds to use for State purposes, as part of the 2009/10 State budget. This includes \$1.7 billion in fiscal year 2009-10 and another \$350 million in fiscal year 2010-11. The California Redevelopment Association (CRA) has filed a lawsuit in Sacramento Superior Court to challenge the constitutionality of this legislation. Currently, the effect that this legislation and resulting lawsuit will have on the Agency's future revenues is unknown.

REQUIRED SUPPLEMENTARY INFORMATION

Santa Paula Redevelopment Agency
Notes to Required Supplementary Information
Year Ended June 30, 2009

BUDGETARY INFORMATION

From the effective date of the budget, the amounts stated as proposed expenditures become appropriations to the various Agency departments. The Board of Directors may amend the budget by motion during each fiscal year. The Executive Director may transfer funds from one major expenditure category to another within the same department and fund. Any revisions that alter the total expenditures of any fund must be approved by the Board of Directors.

All appropriations lapse at the end of the fiscal year to the extent that they have not been expended. Lease contracts entered into by the Agency are subject to annual review by the Board of Directors; hence they legally are one year contracts with an option for renewal for another fiscal year.

Budgetary comparison is provided in the accompanying financial statements for the governmental funds. Budgeted revenue and expenditure amounts shown represent the Agency's originally-adopted budget adjusted for supplemental revenues and appropriations during the course of the fiscal year. Budget amounts, as adjusted, reported for the governmental funds of the Agency are adopted on a basis consistent with generally accepted accounting principles (GAAP).

The following funds had an excess of expenditures over appropriations:

RDA Housing Set-Aside Special Revenue Fund	\$ 262,886
RDA Housing Set-Aside Debt Service Fund	32,590

**Santa Paula Redevelopment Agency
Redevelopment Agency Housing Set-Aside
Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended June 30, 2009**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 691,500	\$ 667,361	\$ 741,891	\$ 74,530
Investment Earnings	28,000	20,751	15,528	(5,223)
Total Revenues	<u>719,500</u>	<u>688,112</u>	<u>757,419</u>	<u>69,307</u>
EXPENDITURES				
General Government	129,939	156,439	419,325	(262,886)
Total Expenditures	<u>129,939</u>	<u>156,439</u>	<u>419,325</u>	<u>(262,886)</u>
Excess (Deficiency) of Revenues over Expenditures	<u>589,561</u>	<u>531,673</u>	<u>338,094</u>	<u>(193,579)</u>
OTHER FINANCING SOURCES (USES)				
Transfers Out	(65,257)	(65,257)	(85,402)	(20,145)
Total Other Financing Sources (Uses)	<u>(65,257)</u>	<u>(65,257)</u>	<u>(85,402)</u>	<u>(20,145)</u>
Net Change in Fund Balances	524,304	466,416	252,692	(213,724)
Fund Balances, Beginning	<u>603,236</u>	<u>603,236</u>	<u>603,236</u>	<u>-</u>
Fund Balances, Ending	<u>\$ 1,127,540</u>	<u>\$ 1,069,652</u>	<u>\$ 855,928</u>	<u>\$ (213,724)</u>

SUPPLEMENTARY INFORMATION

**Santa Paula Redevelopment Agency
 Redevelopment Agency Housing Bond
 Capital Projects Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balances
 Budget and Actual
 Year Ended June 30, 2009**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Investment Earnings	\$ 30,500	\$ 30,334	\$ 9,708	\$ (20,626)
Other Revenues				-
Total Revenues	<u>30,500</u>	<u>30,334</u>	<u>9,708</u>	<u>(20,626)</u>
EXPENDITURES				
General Government	<u>61,689</u>	<u>67,181</u>	<u>3,000</u>	<u>64,181</u>
Total Expenditures	<u>61,689</u>	<u>67,181</u>	<u>3,000</u>	<u>64,181</u>
Excess (Deficiency) of Revenues over Expenditures	(31,189)	(36,847)	6,708	43,555
Fund Balances, Beginning	<u>447,448</u>	<u>447,448</u>	<u>447,448</u>	<u>-</u>
Fund Balances, Ending	<u>\$ 416,259</u>	<u>\$ 410,601</u>	<u>\$ 454,156</u>	<u>\$ 43,555</u>

**Santa Paula Redevelopment Agency
Redevelopment Agency Exempt
Capital Projects Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended June 30, 2009**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Charges for Services	\$ 2,604	\$ 2,604	\$ 3,144	\$ 540
Investment Earnings	12,000	24,445	25,999	1,554
Other Revenues	8,600	8,600	461	(8,139)
Total Revenues	<u>23,204</u>	<u>35,649</u>	<u>29,604</u>	<u>(6,045)</u>
EXPENDITURES				
General Government	<u>638,839</u>	<u>556,702</u>	<u>540,892</u>	<u>15,810</u>
Total Expenditures	<u>638,839</u>	<u>556,702</u>	<u>540,892</u>	<u>15,810</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(615,635)</u>	<u>(521,053)</u>	<u>(511,288)</u>	<u>9,765</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	<u>261,028</u>	<u>261,028</u>	<u>-</u>	<u>(261,028)</u>
Total Other Financing Sources (Uses)	<u>261,028</u>	<u>261,028</u>	<u>-</u>	<u>(261,028)</u>
Net Change in Fund Balances	(354,607)	(260,025)	(511,288)	(251,263)
Fund Balances, Beginning	<u>1,552,674</u>	<u>1,552,674</u>	<u>1,552,674</u>	<u>-</u>
Fund Balances, Ending	<u>\$ 1,198,067</u>	<u>\$ 1,292,649</u>	<u>\$ 1,041,386</u>	<u>\$ (251,263)</u>

**Santa Paula Redevelopment Agency
Redevelopment Agency
Debt Service Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended June 30, 2009**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 2,760,200	\$ 2,669,444	\$ 2,967,499	\$ 298,055
Investment Earnings	16,000	56,885	28,759	(28,126)
Total Revenues	<u>2,776,200</u>	<u>2,726,329</u>	<u>2,996,258</u>	<u>269,929</u>
EXPENDITURES				
General Government	11,487	11,487	43,729	(32,242)
Pass-thru Payments	2,142,000	2,142,000	2,143,319	(1,319)
Debt Service:				
Principal	92,000	92,000	80,500	11,500
Interest	169,028	169,028	146,180	22,848
Total Expenditures	<u>2,414,515</u>	<u>2,414,515</u>	<u>2,413,728</u>	<u>787</u>
Excess (Deficiency) of Revenues over Expenditures	<u>361,685</u>	<u>311,814</u>	<u>582,530</u>	<u>270,716</u>
OTHER FINANCING SOURCES (USES)				
Transfers Out	<u>(261,028)</u>	<u>(261,028)</u>	<u>-</u>	<u>261,028</u>
Total Other Financing Sources (Uses)	<u>(261,028)</u>	<u>(261,028)</u>	<u>-</u>	<u>261,028</u>
Net Change in Fund Balances	100,657	50,786	582,530	531,744
Fund Balances, Beginning	<u>(862,978)</u>	<u>(862,978)</u>	<u>(862,978)</u>	<u>-</u>
Fund Balances, Ending	<u>\$ (762,321)</u>	<u>\$ (812,192)</u>	<u>\$ (280,448)</u>	<u>\$ 531,744</u>

**Santa Paula Redevelopment Agency
 Redevelopment Agency Housing Set-Aside
 Debt Service Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balances
 Budget and Actual
 Year Ended June 30, 2009**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Investment Earnings	\$ 3,000	\$ 2,558	\$ 562	\$ (1,996)
Total Revenues	<u>3,000</u>	<u>2,558</u>	<u>562</u>	<u>(1,996)</u>
EXPENDITURES				
General Government	800	800	1,498	(698)
Debt Service:				
Principal	23,000	23,000	34,500	(11,500)
Interest	42,257	42,257	62,649	(20,392)
Total Expenditures	<u>66,057</u>	<u>66,057</u>	<u>98,647</u>	<u>(32,590)</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(63,057)</u>	<u>(63,499)</u>	<u>(98,085)</u>	<u>(34,586)</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	<u>65,257</u>	<u>65,257</u>	<u>85,402</u>	<u>20,145</u>
Total Other Financing Sources (Uses)	<u>65,257</u>	<u>65,257</u>	<u>85,402</u>	<u>20,145</u>
Net Change in Fund Balances	2,200	1,758	(12,683)	(14,441)
Fund Balances, Beginning	<u>101,559</u>	<u>101,559</u>	<u>101,559</u>	<u>-</u>
Fund Balances, Ending	<u>\$ 103,759</u>	<u>\$ 103,317</u>	<u>\$ 88,876</u>	<u>\$ (14,441)</u>

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

Board Members
Santa Paula Redevelopment Agency
Santa Paula, California

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Santa Paula Redevelopment Agency, (the "Agency") as of and for the year ended June 30, 2009, and have issued our report thereon dated December 10, 2009. 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 in order to determine our auditing procedures for the purpose of expressing our opinion 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 a 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.

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. Such provisions include those provisions of laws and regulations identified in the *Guidelines for Compliance Audits of California Redevelopment Agencies*, issued by the State Controller. However, the results of our procedures disclosed an immaterial instance of noncompliance with the provisions described in the *Guidelines for Compliance Audits of California Redevelopment Agencies* which is described in the accompanying schedule of findings as item 2009-01.

This report is intended solely for the information and use of the management and Board Members of the Santa Paula Redevelopment Agency, and the State Controller's Office, Division of Accounting and Reporting and is not intended to be and should not be used by anyone other than these specified parties.

Teaman Ramirez & Smith

December 10, 2009

**Santa Paula Redevelopment Agency
Schedule of Findings and Recommendations
For the Year Ended June 30, 2009**

2009-01 Submission of Reports

Section 33080.1 of the Health and Safety Code requires the Agency to produce and submit certain reports (within six months following the end of the Agency's fiscal year) to its legislative body and the State Controller for the previous year.

Based upon our review and testing, it appears that the Agency did not submit an independent auditor's report on financial statements and on legal compliance in a timely manner.

Recommendation

The Agency should take the appropriate steps to ensure that the required reports are submitted to the appropriate bodies within the appropriate allotted time.

Managements Response

We are pleased to respond to your Schedule of Findings and Recommendations for the year ended June 30, 2009. During the course of the prior year's financial audit (FY 2007-08) for the Redevelopment Agency, schedules were not complete and required additional work on the Agency's part as well as the auditors. We were both aware that the submissions to the State Controller's Office would possibly be late. Accordingly, our staff contacted the State Controller's Office (SCO) and advised them of the circumstances.

The SCO Staff advised us that they cannot waive penalties and that we should do everything possible to get the required information to them on time. As a result of the conversation, we did submit the SCO reports (financial transactions, HCD report, Census report, and a Statement of Indebtedness) before the due date. The only missing item was the requirement for two copies of the audited financial statements for the Redevelopment Agency. Subsequently, during the month of January 2009 when the audited reports were sent to us we transmitted the two copies to the SCO staff and our requirements were then complete. They did not impose a penalty and all conditions were met.

This was the first time in three years any time sensitive reports to external sources were late. We believe that, due to the personnel changes and many staff and budget changes, this was a one time occurrence. Our staff is diligent about schedules and we now have systems in place to handle overloads. This should not happen again through any fault of the Agency or the City.