

SANTA PAULA REDEVELOPMENT AGENCY

FINANCIAL STATEMENTS

Year Ended June 30, 2011

**Santa Paula Redevelopment Agency
Financial Statements
Year Ended June 30, 2011**

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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, 2011, which collectively comprise the Agency's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Agency's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 respective financial position of the governmental activities and each major fund of the Santa Paula Redevelopment Agency as of June 30, 2011, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Agency will continue as a going concern. As discussed in Note 3 to the financial statements, the City of Santa Paula has not adopted the required Ordinance indicating the City will comply with the State's Voluntary Alternative Redevelopment Program in order to permit the continued existence and operation of the Agency, in the event Assembly Bills X1 26 and/or 27 are upheld as constitutional. These conditions raise substantial doubt about the ability of the Agency to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

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.

Also as described in Note 1 to the financial statements, the Agency adopted the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, as of June 30, 2011.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2011 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 compliance and the results of that testing, and to provide an opinion on compliance but not on internal control over financial reporting. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management has omitted the *Management's Discussion and Analysis* that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the Budget and Actual Comparison on page 21 be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's financial statements as a whole. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statement themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation the financial statements as a whole.

Teaman Ramirez & Smith, Llc.

December 28, 2011

BASIC FINANCIAL STATEMENTS

Santa Paula Redevelopment Agency
Statement of Net Assets
June 30, 2011

	Governmental Activities
ASSETS	
Cash and Investments	\$ 3,216,701
Receivables:	
Accounts	11,007
Interest	3,674
Loans, Net	24,463
Property Held for Resale	205,221
Deferred Charges	95,217
Restricted Assets:	
Cash with Fiscal Agent	331,042
Total Assets	3,887,325
LIABILITIES	
Current Liabilities:	
Accounts Payable and Accrued Liabilities	1,922,205
Accrued Interest Payable	15,713
Noncurrent Liabilities:	
Due Within One Year	140,000
Due in More Than One Year	2,805,000
Total Liabilities	4,882,918
NET ASSETS	
Restricted for Low/Moderate Income Housing	1,534,105
Restricted for Debt Service	429,903
Unrestricted	(2,959,601)
Total Net Assets	\$ (995,593)

The accompanying notes are an integral part of this statement.

Santa Paula Redevelopment Agency
Statement of Activities
Year Ended June 30, 2011

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
General Government	\$ 649,001	\$ -	\$ -	\$ -	\$ (649,001)
Pass-thru Payments	2,071,490	-	-	-	(2,071,490)
Interest on Long-Term Debt	199,649	-	-	-	(199,649)
Total Governmental Activities	\$ 2,920,140	\$ -	\$ -	\$ -	(2,920,140)
General Revenues:					
					3,299,385
Taxes					12,349
Investment Income					-
Miscellaneous Revenue					-
Total General Revenues					3,311,734
					391,594
Change in Net Assets					391,594
Total Net Assets - Beginning					(1,387,187)
Total Net Assets - Ending					\$ (995,593)

The accompanying notes are an integral part of this statement.

**Santa Paula Redevelopment Agency
Balance Sheet
Governmental Funds
June 30, 2011**

	Special Revenue Fund	Capital Projects Funds	
	RDA Housing Set-Aside	Redevelopment Agency Housing Bond	Redevelopment Agency Exempt
ASSETS			
Cash and Investments	\$ 1,533,897	\$ 126,685	\$ 36,938
Cash with Fiscal Agent			
Accounts Receivable	2,201		
Interest Receivable	1,820	138	124
Loans Receivable		448,277	24,463
Property Held for Resale			205,221
Total Assets	\$ 1,537,918	\$ 575,100	\$ 266,746
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable	\$ 1,443	\$ 1,468	\$ 916
Accrued Liabilities	2,370		139
Deferred Revenue		448,277	
Total Liabilities	3,813	449,745	1,055
Fund Balances:			
Restricted for:			
Low and Moderate Income Housing	1,534,105		
Debt Service			
Community Redevelopment		125,355	265,691
Unassigned			
Total Fund Balances	1,534,105	125,355	265,691
Total Liabilities and Fund Balances	\$ 1,537,918	\$ 575,100	\$ 266,746

The accompanying notes are an integral part of this statement.

Debt Service Funds		
Redevelopment Agency	Housing Set-Aside Fund	Total Governmental Funds
\$ 1,419,681	\$ 99,500	\$ 3,216,701
241,445	89,597	331,042
8,806		11,007
1,592		3,674
		472,740
		205,221
<u>\$ 1,671,524</u>	<u>\$ 189,097</u>	<u>\$ 4,240,385</u>
\$ 1,915,230	\$ 639	\$ 1,919,696
		2,509
		448,277
<u>1,915,230</u>	<u>639</u>	<u>2,370,482</u>
241,445	188,458	1,534,105
		429,903
		391,046
<u>(485,151)</u>		<u>(485,151)</u>
<u>(243,706)</u>	<u>188,458</u>	<u>1,869,903</u>
<u>\$ 1,671,524</u>	<u>\$ 189,097</u>	<u>\$ 4,240,385</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, 2011

Fund balances of governmental funds	\$	1,869,903
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
<p style="margin-left: 40px;">Long-term liabilities are not due and payable in the current period and are not reported in the funds.</p>		
Compensated Absences		-
Tax Allocations Refunding Bonds		(2,945,000)
Issuance costs and discounts net of accumulated amortization were recorded as expenditures in the governmental funds.		95,217
Accrued interest payable for the current portion of interest due on long-term debt has not been reported in the governmental funds.		(15,713)
		(15,713)
Net assets of governmental activities	\$	(995,593)

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, 2011

	Special Revenue	Capital Projects Funds	
	Fund	Redevelopment	Redevelopment
	RDA Housing Set-Aside	Agency Housing Bond	Agency Exempt
REVENUES			
Taxes	\$ 659,906	\$	\$
Investment Earnings	5,947	859	1,960
Total Revenues	<u>665,853</u>	<u>859</u>	<u>1,960</u>
EXPENDITURES			
Current:			
General Government	140,493	109,585	390,776
Pass-thru Payments			
Debt Service:			
Principal			
Interest			
SERAF Payment			
Total Expenditures	<u>140,493</u>	<u>109,585</u>	<u>390,776</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>525,360</u>	<u>(108,726)</u>	<u>(388,816)</u>
OTHER FINANCING SOURCES (USES)			
Transfers In			
Transfers Out	<u>(98,455)</u>		
Total Financing Sources (Uses)	<u>(98,455)</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	426,905	(108,726)	(388,816)
Fund Balances - Beginning	<u>1,107,200</u>	<u>234,081</u>	<u>654,507</u>
Fund Balances - Ending	<u>\$ 1,534,105</u>	<u>\$ 125,355</u>	<u>\$ 265,691</u>

The accompanying notes are an integral part of this statement.

Debt Service Funds		
Redevelopment Agency	Housing Set-Aside Fund	Total Governmental Funds
\$ 2,639,479	\$	\$ 3,299,385
3,366	217	12,349
<u>2,642,845</u>	<u>217</u>	<u>3,311,734</u>
13,114	987	654,955
1,911,518		1,911,518
91,000	39,000	130,000
135,608	58,117	193,725
159,972		159,972
<u>2,311,212</u>	<u>98,104</u>	<u>3,050,170</u>
<u>331,633</u>	<u>(97,887)</u>	<u>261,564</u>
	98,455	98,455
		<u>(98,455)</u>
<u>-</u>	<u>98,455</u>	<u>-</u>
331,633	568	261,564
<u>(575,339)</u>	<u>187,890</u>	<u>1,608,339</u>
<u>\$ (243,706)</u>	<u>\$ 188,458</u>	<u>\$ 1,869,903</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, 2011

Net change in fund balances-total governmental funds	\$	261,564
<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		130,000
<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		5,954
Net Change in Accrued Interest Payable		685
Change in Net Assets of Governmental Activities	\$	391,594

The accompanying notes are an integral part of this statement.

Santa Paula Redevelopment Agency
Notes to Financial Statements
Year Ended June 30, 2011

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, 2011

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, 2011

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."

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.

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 governmental activities column 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.

Santa Paula Redevelopment Agency
Notes to Financial Statements
Year Ended June 30, 2011

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

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

4) Capital Assets - Continued

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. As of June 30, 2011, the Agency did not report any capital assets.

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. There is no maximum accrual for sick leave. Sick leave can be converted into CalPERS service credits within 120 days of retirement using a conversion formula.

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.

6) Property Held for Resale/Development

Property held for resale/development represents land and buildings (properties) purchased by the Agency. Such properties are valued at the lower of cost or estimated net realizable value (as determined by a disposition and development agreement between the Agency and a developer) and has been offset by nonspendable or restricted fund balance to indicate that assets constitute future capital projects and are restricted or not available spendable resources.

7) Fund Equity

The Agency implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* as of June 30, 2011. Fund balances in governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the Agency is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The Agency considers restricted fund balance to have been spent first when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. Similarly, when an expenditure is incurred for purposes for which amounts in any of the unrestricted classifications of fund balance could be used, the Agency considers committed amounts to be reduced first, followed by assigned amounts and then unassigned amounts.

Santa Paula Redevelopment Agency
Notes to Financial Statements
Year Ended June 30, 2011

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

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

7) Fund Equity - Continued

The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

Nonspendable Fund Balance - Amounts that cannot be spent either because they are in nonspendable form or are required to be maintained intact.

Restricted Fund Balance - Amounts that are constrained to specific purposes by state or federal laws, or externally imposed conditions by grantors or creditors.

Committed Fund Balance - Amounts that may be specified by the Board of Directors by ordinance or resolution to formally commit part of the Agency's fund balances or future revenues for a specific purpose(s) or program. To change or repeal any such commitment will require an additional formal Board of Directors' action utilizing the same type of action that was originally used.

Assigned Fund Balance - Amounts that are constrained by the Board's intent to use specified financial resources for specific purposes, but are neither restricted nor committed.

Unassigned Fund Balance - These are either residual positive net resources of fund balance in excess of what can properly be classified in one of the other four categories, or negative balances.

8) Net Assets

Net assets are the differences between assets and liabilities. Net assets invested in capital assets, net of related debt are capital assets, less accumulated depreciation and any outstanding debt related to the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are legal limitations imposed on their use by Agency legislation or external restrictions by other governments, creditors or grantors.

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.

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.

**Santa Paula Redevelopment Agency
Notes to Financial Statements
Year Ended June 30, 2011**

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

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, 2011. Budgetary information is included in these financial statements.

2) DETAILED NOTES ON ALL FUNDS

A) Deposits and Investments

At June 30, 2011, the Agency's deposits and investment balances were as follows:

Pooled Deposits and Investments	\$	3,216,701
Deposits and Investments with Fiscal Agents		<u>331,042</u>
 Total Deposits and Investments	 \$	 <u><u>3,547,743</u></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.

B) Interfund Transfers

The composition of interfund transfers as of June 30, 2011 is as follows:

	Transfers In	
Transfers Out	Housing Set-Aside Debt Service Fund	Total
RDA Housing Set-Aside Special Revenue Fund	\$ 98,455	\$ 98,455

Transfers were for debt service payments.

**Santa Paula Redevelopment Agency
Notes to Financial Statements
Year Ended June 30, 2011**

2) DETAILED NOTES ON ALL FUNDS - Continued

C) Long-Term Debt

The following is a summary of long-term debt transactions for the fiscal year ended June 30, 2011:

	<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	\$ 3,075,000	\$ -	\$ 130,000	\$ 2,945,000	\$ 140,000
Compensated Absences	5,954	-	5,954	-	-
Governmental Activities Long-term Liabilities	<u>\$ 3,080,954</u>	<u>\$ -</u>	<u>\$ 135,954</u>	<u>\$ 2,945,000</u>	<u>\$ 140,000</u>

1994 Tax Allocation Refunding Bonds

In 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>
2012	\$ 140,000	\$ 188,550
2013	150,000	179,650
2014	150,000	170,150
2015	160,000	160,590
2016	175,000	150,430
2017-2021	1,060,000	568,825
2022-2025	<u>1,110,000</u>	<u>183,450</u>
	<u>\$ 2,945,000</u>	<u>\$ 1,601,645</u>

Advance Refunding

In 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 in 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, 2011

3) OTHER INFORMATION

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. While a member of the Central Coast Cities Self-Insurance Fund, the City maintained a self-insured retention up to \$300,000 and pooled the excess risk up to \$2,000,000. 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, 2011, 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.

Contingencies

On June 29, 2011, the Governor of the State of California signed Assembly Bills X1 26 and 27 as part of the State's budget package. Assembly Bill X1 26 requires each California redevelopment agency to suspend (effective July 1, 2011) nearly all activities except to implement existing contracts, meet already-incurred obligations, preserve its assets and prepare for the impending dissolution of the agency. Assembly Bill X1 27 provides a means for redevelopment agencies to continue to exist and operate by means of a Voluntary Alternative Redevelopment Program. Under this program, each local government would adopt an ordinance agreeing to make certain payments to the County Auditor Controller in fiscal year 2011-12 and

Santa Paula Redevelopment Agency
Notes to Financial Statements
Year Ended June 30, 2011

3) OTHER INFORMATION - Continued

Contingencies - Continued

annual payments each fiscal year thereafter. Assembly Bill X1 26 indicates that the city, special district or county “may use any available funds not otherwise obligated for other uses” to make this payment. The amounts to be paid after fiscal year 2012-13 have yet to be determined by the state legislature.

Assembly Bill X1 26 directs the State Controller of the State of California to review the propriety of any transfers of assets between redevelopment agencies and other public bodies that occurred after January 1, 2011. If the public body that received such transfers is not contractually committed to a third party for the expenditure or encumbrance of those assets, the State Controller is required to order the available assets to be transferred to the public body designated as the successor agency by Assembly Bill X1 26.

In the event that Assembly Bill X1 26 is upheld, the receivable recognized by funds of the City that had previously loaned or advanced funds to the redevelopment agency would become uncollectible with a loss recognized to the City. Additionally, the City would be impacted by the elimination of reimbursements previously paid to the City by the redevelopment agency for shared administrative services.

The League of California Cities and the California Redevelopment Association (CRA) filed a lawsuit on July 18, 2011 on behalf of cities, counties and redevelopment agencies petitioning the California Supreme Court to overturn Assembly Bills X1 26 and 27 on the grounds that they violate the California Constitution. On August 11, 2011, the California Supreme Court issued a stay of all of Assembly Bill X1 27 and most of Assembly Bill X1 26. The California Supreme Court stated in its order that “the briefing schedule is designed to facilitate oral argument as early as possible in 2011, and a decision before January 15, 2012.” A second order issued by the California Supreme Court on August 17, 2011 indicated that certain provisions of Assembly Bills X1 26 and 27 were still in effect and not affected by its previous stay, including requirements to file an appeal of the determination of the community remittance payment by August 15, the requirement to adopt an Enforceable Obligations Payment Schedule (“EOPS”) by August 29, 2011, and the requirement to prepare a preliminary draft of the initial Recognized Obligation Payment Schedule (“ROPS”) by September 30, 2011.

Because the stay provided by Assembly Bill X1 26 only affects enforcement, each agency must adopt an Enforceable Obligation Payment Schedule and draft Recognized Obligation Payment Schedule prior to September 30, as required by the statute. Enforceable obligations include bonds, loans and payments required by the federal or State government; legally enforceable payments required in connection with agency employees such as pension payments and unemployment payments judgments or settlements; legally binding and enforceable agreements or contracts; and contracts or agreements necessary for the continued administration or operation of the agency that are permitted for purposes set forth in AB X1 26.

The City has not adopted the required ordinance indicating that the City will comply with the Voluntary Alternative Redevelopment Program in order to permit the continued existence and operation of the Agency, in the event Assembly Bills X1 26 and/or 27 are upheld as constitutional. It is not clear whether the Agency will continue to receive sufficient tax increment and have sufficient funds to pay its obligations as they become due during the fiscal year ending June 30, 2012 and thereafter. These factors raise substantial doubt about the Agency's ability to continue as a going concern. These financial statements do not include any adjustments that might be necessary if the Agency is unable to continue as a going concern.

Santa Paula Redevelopment Agency
Notes to Financial Statements
Year Ended June 30, 2011

3) OTHER INFORMATION - Continued

Contingencies - Continued

The nature and extent of the operation of redevelopment agencies in the State of California in general are dependent upon the outcome of litigation surrounding the actions of the State. In the event that Assembly Bills X1 26 and/or 27 are specifically found by the courts to be unconstitutional, there is a possibility that future legislative acts may create new challenges to the ability of redevelopment agencies in the State of California to continue in view of the California State Legislature's declared intent to eliminate redevelopment agencies and to reduce their funding.

REQUIRED SUPPLEMENTARY INFORMATION

**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, 2011**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 670,187	\$ 670,187	\$ 659,906	\$ (10,281)
Investment Earnings	3,500	3,500	5,947	2,447
Total Revenues	<u>673,687</u>	<u>673,687</u>	<u>665,853</u>	<u>(7,834)</u>
EXPENDITURES				
General Government	<u>63,470</u>	<u>63,470</u>	<u>140,493</u>	<u>(77,023)</u>
Total Expenditures	<u>63,470</u>	<u>63,470</u>	<u>140,493</u>	<u>(77,023)</u>
Excess (Deficiency) of Revenues over Expenditures	<u>610,217</u>	<u>610,217</u>	<u>525,360</u>	<u>(84,857)</u>
OTHER FINANCING SOURCES (USES)				
Transfers Out	<u>(66,000)</u>	<u>(66,000)</u>	<u>(98,455)</u>	<u>(32,455)</u>
Total Other Financing Sources (Uses)	<u>(66,000)</u>	<u>(66,000)</u>	<u>(98,455)</u>	<u>(32,455)</u>
Net Change in Fund Balances	544,217	544,217	426,905	(117,312)
Fund Balances, Beginning	<u>1,107,200</u>	<u>1,107,200</u>	<u>1,107,200</u>	<u>-</u>
Fund Balances, Ending	<u><u>\$ 1,651,417</u></u>	<u><u>\$ 1,651,417</u></u>	<u><u>\$ 1,534,105</u></u>	<u><u>\$ (117,312)</u></u>

Santa Paula Redevelopment Agency
Notes to Required Supplementary Information
Year Ended June 30, 2011

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).

Excess of expenditures over appropriations in individual major funds are as follows:

<u>Fund</u>	<u>Excess Expenditures</u>
Housing Set-Aside Special Revenue Fund	\$ 77,023

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, 2011

	Budgeted Final Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Investment Earnings	\$ 14,000	\$ 859	\$ (13,141)
Total Revenues	14,000	859	(13,141)
EXPENDITURES			
General Government	20,000	109,585	(89,585)
Total Expenditures	20,000	109,585	(89,585)
Excess (Deficiency) of Revenues over Expenditures	(6,000)	(108,726)	(102,726)
Fund Balances, Beginning	234,081	234,081	-
Fund Balances, Ending	<u>\$ 228,081</u>	<u>\$ 125,355</u>	<u>\$ (102,726)</u>

Santa Paula Redevelopment Agency
Redevelopment Agency Exempt - Capital Project Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended June 30, 2011

	Budgeted Final Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Charges for Services	\$ -	\$ -	\$ -
Investment Earnings	2,000	1,960	(40)
Other Revenues	6,000	-	(6,000)
Total Revenues	<u>8,000</u>	<u>1,960</u>	<u>(6,040)</u>
EXPENDITURES			
General Government	<u>437,729</u>	<u>390,776</u>	<u>46,953</u>
Total Expenditures	<u>437,729</u>	<u>390,776</u>	<u>46,953</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(429,729)</u>	<u>(388,816)</u>	<u>40,913</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	-	-	-
Transfers Out	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(429,729)	(388,816)	40,913
Fund Balances, Beginning	<u>654,507</u>	<u>654,507</u>	<u>-</u>
Fund Balances, Ending	<u>\$ 224,778</u>	<u>\$ 265,691</u>	<u>\$ 40,913</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, 2011

	Budgeted Final Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Taxes	\$ 2,855,747	\$ 2,639,479	\$ (216,268)
Investment Earnings	650	3,366	2,716
Total Revenues	<u>2,856,397</u>	<u>2,642,845</u>	<u>(213,552)</u>
EXPENDITURES			
Current:			
General Government	8,538	13,114	(4,576)
Pass-thru Payments	2,299,600	1,911,518	388,082
Debt Service:			
Principal	104,000	91,000	13,000
Interest	157,416	135,608	21,808
SERAF Payment	-	159,972	(159,972)
Total Expenditures	<u>2,569,554</u>	<u>2,311,212</u>	<u>258,342</u>
Excess (Deficiency) of Revenues over Expenditures	<u>286,843</u>	<u>331,633</u>	<u>44,790</u>
OTHER FINANCING SOURCES (USES)			
Transfers Out	<u>(330,000)</u>	-	<u>330,000</u>
Total Other Financing Sources (Uses)	<u>(330,000)</u>	-	<u>330,000</u>
Net Change in Fund Balances	(43,157)	331,633	374,790
Fund Balances, Beginning	<u>(575,339)</u>	<u>(575,339)</u>	-
Fund Balances, Ending	<u>\$ (618,496)</u>	<u>\$ (243,706)</u>	<u>\$ 374,790</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, 2011

	Budgeted Final Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Investment Earnings	\$ -	\$ 217	\$ 217
Total Revenues	-	217	217
EXPENDITURES			
General Government	200	987	(787)
Debt Service:			
Principal	26,000	39,000	(13,000)
Interest	39,354	58,117	(18,763)
Total Expenditures	65,554	98,104	(32,550)
Excess (Deficiency) of Revenues over Expenditures	(65,554)	(97,887)	(32,333)
OTHER FINANCING SOURCES (USES)			
Transfers In	66,000	98,455	32,455
Total Other Financing Sources (Uses)	66,000	98,455	32,455
Net Change in Fund Balances	446	568	122
Fund Balances, Beginning	187,890	187,890	-
Fund Balances, Ending	\$ 188,336	\$ 188,458	\$ 122

Santa Paula Redevelopment Agency
Computation of Low and Moderate Housing Excess Surplus Funds
Year Ended June 30, 2011

	<u>Low and Moderate Income Housing Funds July 1, 2010</u>	<u>Low and Moderate Income Housing Funds July 1, 2011</u>
Opening Fund Balance	<u>\$ 1,529,171</u>	<u>\$ 1,847,918</u>
Less Unavailable Amounts:		
Unspent Bond Proceeds	(89,643)	\$ (89,597)
Encumbrances [Section 33334.12 (g)(2)]	(210,000)	-
Loans Receivable	-	-
Land Held for Resale	-	-
	<u>(299,643)</u>	<u>(89,597)</u>
Available Low and Moderate Income Housing Funds	\$ 1,229,528	\$ 1,758,321
Limitation (greater of \$1,000,000 or four years set-aside)		
Set-Aside for last four years:		
2010-11	\$ -	\$ 659,906
2009-10	714,716	714,716
2008-09	741,891	741,891
2007-08	732,250	732,250
2006-07	<u>565,866</u>	<u>-</u>
Total	<u>\$ 2,754,723</u>	<u>\$ 2,848,763</u>
Base Limitation	\$ 1,000,000	\$ 1,000,000
Greater amount	<u>\$ 2,754,723</u>	<u>\$ 2,848,763</u>
Computed Excess Surplus	<u>NONE</u>	<u>NONE</u>

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**Independent Auditor's Report on Compliance and Internal Control Over
Compliance Based on an Audit of the Financial Statements Performed
in Accordance With *Government Auditing Standards***

Board of Directors
Santa Paula Redevelopment Agency
Santa Paula, California

Compliance

We have audited the Santa Paula Redevelopment Agency's (the "Agency") compliance with the types of compliance requirements described in the *Guidelines for Compliance Audits of California Redevelopment Agencies, June 2011*, issued by the State Controller, applicable to the Agency's activities for the year ended June 30, 2011. Compliance with the requirements referred to above is the responsibility of the Agency's management. Our responsibility is to express an opinion on the Agency's compliance based on our audit.

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

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

In our opinion, the Agency complied, in all material respects, with the compliance requirements referred to above that are applicable for the year ended June 30, 2011. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with the *Guidelines for Compliance Audits of California Redevelopment Agencies, June 2011*, and which are described in the accompanying Schedule of Findings and Responses.

Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance, described in the accompanying Schedule of Findings and Responses as items 2011-1 through 2011-4 that we consider to be significant deficiencies. A *significant deficiency* in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

The Agency's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. We did not audit the Agency's responses, and accordingly, we express no opinion on the responses.

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

Teaman Ramirez & Smith, Llc.

December 28, 2011

**Santa Paula Redevelopment Agency
Schedule of Findings and Responses
For the Year Ended June 30, 2011**

2011-1 Filing of the Fiscal Year 2010 Annual Report

Health and Safety Code Section 33080.1 requires each redevelopment agency to file an annual report with its legislative body within six months of the end of the Agency's fiscal year. The annual report should include the following:

- a) Financial Statement Audit;
- b) Fiscal Statement for the previous fiscal year, which includes the following:
 - i. The amount of outstanding indebtedness of the agency and each project area.
 - ii. The amount of tax increment property tax revenue generated in the agency and in each project area.
 - iii. The amount of tax increment revenues paid to, or spent on behalf of, a taxing agency, other than a school or community college district, pursuant to subdivision (b) of Section 33401 or Section 33676. Moneys expended on behalf of a taxing agency shall be itemized per each individual capital improvement.
 - iv. The financial transactions report required pursuant to Section 53891 of the Government Code.
 - v. The amount allocated to school or community college districts pursuant to each of the following provisions: (1) Section 33401; (2) Section 33445; (3) Section 33445.5; (4) paragraph (2) of subdivision (a) of Section 33676; and (5) Section 33681.
 - vi. The amount of existing indebtedness, as defined in Section 33682, and the total amount of payments required to be paid on existing indebtedness for that fiscal year.
 - vii. Any other financial information which the agency believes useful to describe its programs.
- c) A description of the Agency's activities in the previous fiscal year affecting housing and displacement;
- d) A description of the Agency's progress, including specific actions and expenditures, in alleviating blight in the previous fiscal year;
- e) A list of, and status report on all loans of \$50,000 or more, that in the previous fiscal year were in default or not in compliance with the terms of the loan;
- f) A description of the total number and nature of the properties that the Agency owns and those properties the Agency has acquired in the previous fiscal year;
- g) A list of the fiscal years that the Agency expects specified time limits of the plans to expire;
- h) Any other information that the Agency believes useful to explain its programs, including, but not limited to, the number of jobs created and lost in the previous fiscal year as a result of its activities.

During our audit, although most of the reports were prepared prior to December 31, 2010, we found no indication that the Agency submitted the above reports to the Board of Directors, within the required time period, for the year ended June 30, 2010.

**Santa Paula Redevelopment Agency
Schedule of Findings and Responses
For the Year Ended June 30, 2011**

Recommendation:

We recommend that the Agency prepare and submit the required annual report, as described above, to the Board of Directors in the required time frame for the 2010-11 fiscal year. In addition, we recommend the Agency establish documented procedures to ensure compliance with Section 33080.1 of the Health and Safety Code.

Response:

Due to a change in staff, the Agency was not aware of the requirement of submitting this information to the Board of Directors prior to December 31, 2010. The City will make every effort to comply with this requirement in the future.

2011-2 Information in the Adopted Budget

The Agency is required to adopt a budget for the fiscal year that contains all of the following specific information listed below, including all activities to be financed by the Low and Moderate Income Housing Fund:

- a) The proposed expenditures of the agency.
- b) The proposed indebtedness to be incurred by the agency.
- c) The anticipated revenues of the agency.
- d) The work program for the coming year, including goals.
- e) An examination of the previous year's achievements and a comparison of the achievements with the goals of the previous year's work program. (Health and Safety Code section 33606)

Based on our review of the Agency's budget, it appeared to contain the above information, except for item e).

Recommendation:

We recommend that the Agency take steps to ensure subsequent budgets contain all required information, in compliance with the Health and Safety Code as described above. The Agency should establish documented procedures to ensure compliance with the above requirements each fiscal year.

Response:

The City will make every effort to comply with this requirement in the future.

**Santa Paula Redevelopment Agency
Schedule of Findings and Responses
For the Year Ended June 30, 2011**

2011-3 Written Determination Regarding Planning and Administrative Expenditures

If planning and administrative expenditures were made from the Low and Moderate Income Housing Fund, the Agency is required to prepare a written determination showing that planning and administrative expenditures were necessary for the production, improvement, or preservation of low- and moderate-income housing. (Health and Safety Code section 33334.3)

For the 2010-11 fiscal year, it appears the Agency incurred planning and administrative expenditures in the Low and Moderate Income Housing Fund. However, there was no indication that the required written determination described above was prepared.

Recommendation:

We recommend that the Agency take steps to ensure the written determination, as described above, is prepared in compliance with the Health and Safety Code. The Agency should establish documented procedures to ensure compliance with the above requirements each fiscal year.

Response:

The planning and administrative expenditures are part of the budget process and therefore goes through review by the Agency Council as well as the Agency Board of Directors.

2011-4 Five Year-Implementation Plans

Sections 33490 and 33413(b) of the Health and Safety Code require the Agency to produce Implementation Plans for each project area every five years and have the first plan adopted by December 31, 1994. The Agency was required to adopt a new 5-year implementation plan by December 31, 2009.

Based upon our review, it appears that the Agency did not produce a new 5-year implementation plan by the required date.

Recommendation:

The Agency should complete a new implementation plan as soon as possible to ensure that the specific goals and objectives of the Agency are being accomplished.

Response:

The Agency has not had the resources to pay for a new five year implementation plan.