

SANTA PAULA REDEVELOPMENT AGENCY

FINANCIAL STATEMENTS

Year Ended June 30, 2006

DRAFT

**Santa Paula Redevelopment Agency
Financial Statements
Year Ended June 30, 2006**

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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, each major fund, and the aggregate remaining fund information 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, 2006, 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, each major fund, and the aggregate remaining fund information of the Santa Paula Redevelopment Agency as of June 30, 2006, 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 October 20, 2006 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.

October 20, 2006

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BASIC FINANCIAL STATEMENTS

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Santa Paula Redevelopment Agency
Statement of Net Assets
June 30, 2006

	<u>Governmental Activities</u>
ASSETS	
Cash and Investments	\$ 3,757,021
Receivables	150,118
Capital Assets, Not Being Depreciated:	
Land	523,642
Construction In Progress	45,110
Capital Assets, Net of Accumulated Depreciation:	
Buildings and System	426,116
Improvements Other Than Buildings	1,337,255
Deferred Charges	127,182
Restricted Assets:	
Cash with Fiscal Agent	333,646
Total Assets	<u>6,700,090</u>
LIABILITIES	
Current Liabilities:	
Accounts Payable and Accrued Liabilities	1,163,863
Accrued Interest Payable	18,637
Noncurrent Liabilities:	
Due Within One Year	166,084
Due in More Than One Year	3,426,172
Total Liabilities	<u>4,774,756</u>
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	2,332,123
Restricted for Low/Moderate Income Housing	990,174
Restricted for Debt Service	333,646
Unrestricted	<u>(1,730,609)</u>
Total Net Assets	<u>\$ 1,925,334</u>

Santa Paula Redevelopment Agency
Statement of Activities
Year Ended June 30, 2006

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
General Government	\$ 847,300	\$ 120	\$ -	\$ -	\$ (847,180)
Public Works	2,650	-	-	-	(2,650)
Pass Thru Payments	1,269,392	-	-	-	(1,269,392)
Interest on Long-Term Debt	134,871	-	-	-	(134,871)
Total Governmental Activities	\$ 2,254,213	\$ 120	\$ -	\$ -	(2,254,093)
General Revenues:					
					2,527,794
					134,922
					2,662,716
					408,623
					1,516,711
					\$ 1,925,334

The accompanying notes are an integral part of this statement.

**Santa Paula Redevelopment Agency
Balance Sheet
Governmental Funds
June 30, 2006**

	Special Revenue	Capital Projects Funds	
	Fund	Redevelopment	Redevelopment
	RDA Housing Set-Aside	Agency Housing Bond	Agency Exempt
ASSETS			
Cash and Investments	\$ 970,677	\$ 1,096,156	\$ 544,470
Cash with Fiscal Agent	-	-	-
Receivables	23,159	12,247	46,814
Total Assets	<u>\$ 993,836</u>	<u>\$ 1,108,403</u>	<u>\$ 591,284</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable	\$ 3,662	\$ -	\$ 16,148
Total Liabilities	<u>3,662</u>	<u>-</u>	<u>16,148</u>
Fund Balances:			
Reserved for:			
Encumbrances	-	25,000	184,441
Debt Service	-	-	-
Unreserved, Reported in:			
Special Revenue Funds	990,174	-	-
Capital Projects Funds	-	1,083,403	390,695
Debt Service Funds	-	-	-
Total Fund Balances	<u>990,174</u>	<u>1,108,403</u>	<u>575,136</u>
Total Liabilities and Fund Balances	<u>\$ 993,836</u>	<u>\$ 1,108,403</u>	<u>\$ 591,284</u>

The accompanying notes are an integral part of this statement.

<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 1,142,304	\$ 3,414	\$ 3,757,021
236,455	97,191	333,646
<u>67,738</u>	<u>160</u>	<u>150,118</u>
<u>\$ 1,446,497</u>	<u>\$ 100,765</u>	<u>\$ 4,240,785</u>
<u>\$ 1,143,958</u>	<u>\$ 95</u>	<u>\$ 1,163,863</u>
<u>1,143,958</u>	<u>95</u>	<u>1,163,863</u>
-	-	209,441
315,303	68,029	383,332
-	-	990,174
-	-	1,474,098
<u>(12,764)</u>	<u>32,641</u>	<u>19,877</u>
<u>302,539</u>	<u>100,670</u>	<u>3,076,922</u>
<u>\$ 1,446,497</u>	<u>\$ 100,765</u>	<u>\$ 4,240,785</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, 2006**

Fund balances of governmental funds	\$	3,076,922
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets net of depreciation have not been included as financial resources in governmental fund activity.		2,332,123
Long-term liabilities are not due and payable in the current period and are not reported in the funds.		
Compensated Absences		(6,172)
Tax Allocations Refunding Bonds		(3,520,000)
Advance From City		(66,084)
Issuance costs and discounts net of accumulated amortization were recorded as expenditures in the governmental funds.		127,182
Accrued interest payable for the current portion of interest due on long-term debt has not been reported in the governmental funds.		(18,637)
		(18,637)
Net assets of governmental activities	\$	1,925,334

Santa Paula Redevelopment Agency
Statement of Revenues, Expenditures and Changes in Fund Balances -
Governmental Funds
For the Year Ended June 30, 2006

	Special Revenue		
	Fund	Capital Projects Funds	
	RDA Housing Set-Aside	Redevelopment Agency Housing Bond	Redevelopment Agency Exempt
REVENUES			
Taxes	\$ 505,559	\$ -	\$ -
Charges for Services	-	-	120
Investment Earnings	28,447	40,792	23,781
Other Revenues	-	-	-
Total Revenues	<u>534,006</u>	<u>40,792</u>	<u>23,901</u>
EXPENDITURES			
Current:			
General Government	105,923	15,000	613,850
Public Safety	-	-	-
Planning	-	-	-
Public Works	-	-	2,650
Non-departmental	-	-	-
Pass-thru Payments	-	-	-
Debt Service:			
Principal	-	-	-
Interest	-	-	-
Total Expenditures	<u>105,923</u>	<u>15,000</u>	<u>616,500</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>428,083</u>	<u>25,792</u>	<u>(592,599)</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	-	-	279,286
Transfers Out	<u>(97,000)</u>	<u>-</u>	<u>-</u>
Total Financing Sources (Uses)	<u>(97,000)</u>	<u>-</u>	<u>279,286</u>
Net Change in Fund Balances	331,083	25,792	(313,313)
Fund Balances - Beginning	<u>659,091</u>	<u>1,082,611</u>	<u>888,449</u>
Fund Balances - Ending	<u>\$ 990,174</u>	<u>\$ 1,108,403</u>	<u>\$ 575,136</u>

The accompanying notes are an integral part of this statement.

<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 2,022,235	\$ -	\$ 2,527,794
-	-	120
36,810	5,092	134,922
-	-	-
<u>2,059,045</u>	<u>5,092</u>	<u>2,662,836</u>
39,435	536	774,744
-	-	-
-	-	-
-	-	2,650
-	-	-
1,269,392	-	1,269,392
230,728	30,000	260,728
168,287	72,339	240,626
<u>1,707,842</u>	<u>102,875</u>	<u>2,548,140</u>
<u>351,203</u>	<u>(97,783)</u>	<u>114,696</u>
-	97,000	376,286
(279,286)	-	(376,286)
<u>(279,286)</u>	<u>97,000</u>	<u>-</u>
71,917	(783)	114,696
<u>230,622</u>	<u>101,453</u>	<u>2,962,226</u>
<u>\$ 302,539</u>	<u>\$ 100,670</u>	<u>\$ 3,076,922</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, 2006

Net change in fund balances-total governmental funds \$ 114,696

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

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of these assets is allocated over their estimated useful lives as depreciation expense.

Capital Outlay	-
Depreciation	(70,701)

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.

Principal Paid on Tax Allocation Refunding Bonds	95,000
Principal Paid on Advance from City	165,728

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.

Amortization of Issuance Costs and Discounts	(6,069)
Net Change in Compensated Absences	(1,855)
Net Change in Accrued Interest Payable	111,824

Change in Net Assets of Governmental Activities	\$ 408,623
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Santa Paula Redevelopment Agency
Notes to Financial Statements
Year Ended June 30, 2006

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.

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, 2006**

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 Project 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 Project Fund - Exempt Fund - This fund is used to account for the 80% of the tax increments that are 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.

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, 2006

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, 2006

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.

Property, plant, and equipment of the Agency is 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 compensations for accrued vacations are generally not payable until the 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, 2006

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, 2006. Budgetary information is included in these financial statements.

2) DETAILED NOTES ON ALL FUNDS

A) Deposits and Investments

At June 30, 2006, the Agency's deposits and investment balances were as follows:

Pooled Deposits and Investments	\$ 3,757,021
Deposits and Investments with Fiscal Agents	<u>333,646</u>
Total Deposits and Investments	<u>\$ 4,090,667</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, 2006**

2) DETAILED NOTES ON ALL FUNDS - Continued

B) Capital Assets

Capital asset activity for the year ended June 30, 2006 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	\$ 523,642	\$ -	\$ -	\$ 523,642
Construction in Progress	<u>45,110</u>	<u>-</u>	<u>-</u>	<u>45,110</u>
Total Capital Assets, Not Being Depreciated	<u>568,752</u>	<u>-</u>	<u>-</u>	<u>568,752</u>
Capital Assets, Being Depreciated:				
Buildings and System Improvements Other Than Buildings	490,585	-	-	490,585
	<u>1,732,790</u>	<u>-</u>	<u>-</u>	<u>1,732,790</u>
Total Capital Assets Being Depreciated	<u>2,223,375</u>	<u>-</u>	<u>-</u>	<u>2,223,375</u>
Less Accumulated Depreciation for:				
Buildings and System Improvements Other Than Buildings	(50,273)	(14,196)	-	(64,469)
	<u>(339,030)</u>	<u>(56,505)</u>	<u>-</u>	<u>(395,535)</u>
Total Accumulated Depreciation	<u>(389,303)</u>	<u>(70,701)</u>	<u>-</u>	<u>(460,004)</u>
Total Capital Assets, Being Depreciated, Net	<u>1,834,072</u>	<u>(70,701)</u>	<u>-</u>	<u>1,763,371</u>
Governmental Activities Capital Assets, Net	<u>\$ 2,402,824</u>	<u>\$ (70,701)</u>	<u>\$ -</u>	<u>\$ 2,332,123</u>

Depreciation of \$70,701 was charged to the General Government function.

C) Interfund Transfers

The composition of interfund transfers as of June 30, 2006 is as follows:

	<u>Redevelopment Agency Exempt Fund</u>	<u>Transfer In Other Governmental Funds</u>	<u>Total</u>
Transfer Out			
RDA Housing Set-Aside	\$ -	\$ 97,000	\$ 97,000
Redevelopment Agency Debt Service	<u>279,286</u>	<u>-</u>	<u>279,286</u>
	<u>\$ 279,286</u>	<u>\$ 97,000</u>	<u>\$ 376,286</u>

Transfers were for debt service payments.

**Santa Paula Redevelopment Agency
Notes to Financial Statements
Year Ended June 30, 2006**

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, 2006:

	<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	\$ 3,615,000	\$ -	\$ 95,000	\$ 3,520,000	\$ 100,000
Advance from the City	231,812	-	165,728	66,084	66,084
Compensated Absences	<u>4,317</u>	<u>1,855</u>	<u>-</u>	<u>6,172</u>	<u>-</u>
Governmental Activity					
Long-term Liabilities	<u>\$ 3,851,129</u>	<u>\$ 1,855</u>	<u>\$ 260,728</u>	<u>\$ 3,592,256</u>	<u>\$ 166,084</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 an interest rate of 6.48% 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>
2007	\$ 100,000	\$ 223,645
2008	110,000	217,795
2009	115,000	211,285
2010	120,000	204,225
2011	130,000	196,770
2012-2016	775,000	849,370
2017-2021	1,060,000	568,825
2022-2025	<u>1,110,000</u>	<u>183,450</u>
	<u>\$ 3,520,000</u>	<u>\$ 2,655,365</u>

**Santa Paula Redevelopment Agency
Notes to Financial Statements
Year Ended June 30, 2006**

2) DETAILED NOTES ON ALL FUNDS - Continued

D) Long-term Debt - Continued

Advances from the City of Santa Paula

The City Council authorized a loan of \$898,090 to the Redevelopment Agency during the fiscal year ended June 30, 2000. Interest on the loan will be based on the quarterly Local Agency Investment Fund (LAIF) interest rate and will therefore, fluctuate. The remaining balance at June 30, 2006 is \$66,084. Debt service requirements for Advances from the City are summarized as follows:

Year Ended <u>June 30,</u> 2007	<u>Principal</u>
	\$ <u>66,084</u>
	<u>\$ 66,084</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.

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.

Santa Paula Redevelopment Agency
Notes to Financial Statements
Year Ended June 30, 2006

3) OTHER INFORMATION - Continued

A) Risk Management - Continued

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, 2006 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, 2006, 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.

REQUIRED SUPPLEMENTARY INFORMATION

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**Santa Paula Redevelopment Agency
Notes to Required Supplementary Information
Year Ended June 30, 2006**

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 fund had an excess of expenditures over appropriations:

Capital Bond	\$2,070
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**Santa Paula Redevelopment Agency
 Revelopment Agency Housing Set-Aside
 Special Revenue Fund
 Statement of Revenues, Expenditures, and Changes in Fund Balances
 Budget and Actual
 Year Ended June 30, 2006**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 407,400	\$ 482,400	\$ 505,559	\$ 23,159
Investment Earnings	6,900	6,900	28,447	21,547
Total Revenues	<u>414,300</u>	<u>489,300</u>	<u>534,006</u>	<u>44,706</u>
EXPENDITURES				
General Administration	<u>329,113</u>	<u>329,113</u>	<u>105,923</u>	<u>223,190</u>
Total Expenditures	<u>329,113</u>	<u>329,113</u>	<u>105,923</u>	<u>223,190</u>
Excess (Deficiency) of Revenues over Expenditures	<u>85,187</u>	<u>160,187</u>	<u>428,083</u>	<u>267,896</u>
OTHER FINANCING SOURCES (USES)				
Transfers Out	<u>(103,715)</u>	<u>(103,715)</u>	<u>(97,000)</u>	<u>6,715</u>
Total Other Financing Sources (Uses)	<u>(103,715)</u>	<u>(103,715)</u>	<u>(97,000)</u>	<u>6,715</u>
Net Change in Fund Balances	(18,528)	56,472	331,083	274,611
Fund Balances, Beginning	<u>659,091</u>	<u>659,091</u>	<u>659,091</u>	
Fund Balances, Ending	<u><u>\$ 640,563</u></u>	<u><u>\$ 715,563</u></u>	<u><u>\$ 990,174</u></u>	<u><u>\$ 274,611</u></u>

SUPPLEMENTARY INFORMATION

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**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, 2006**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Charges for Services	\$ -	\$ -	\$ -	\$ -
Investment Earnings	16,000	16,000	40,792	24,792
Total Revenues	<u>16,000</u>	<u>16,000</u>	<u>40,792</u>	<u>24,792</u>
EXPENDITURES				
General Administration	52,978	952,978	15,000	937,978
Total Expenditures	<u>52,978</u>	<u>952,978</u>	<u>15,000</u>	<u>937,978</u>
Excess (Deficiency) of Revenues over Expenditures	(36,978)	(936,978)	25,792	962,770
Fund Balances, Beginning	<u>1,082,611</u>	<u>1,082,611</u>	<u>1,082,611</u>	
Fund Balances, Ending	<u><u>\$ 1,045,633</u></u>	<u><u>\$ 145,633</u></u>	<u><u>\$ 1,108,403</u></u>	<u><u>\$ 962,770</u></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, 2006**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Charges for Services	\$ -	\$ -	\$ 120	\$ 120
Investment Earnings	3,500	3,500	23,781	20,281
Total Revenues	<u>3,500</u>	<u>3,500</u>	<u>23,901</u>	<u>20,401</u>
EXPENDITURES				
General Administration	784,611	1,191,946	613,850	578,096
Public Works	-	53,500	2,650	50,850
Total Expenditures	<u>784,611</u>	<u>1,245,446</u>	<u>616,500</u>	<u>628,946</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(781,111)</u>	<u>(1,241,946)</u>	<u>(592,599)</u>	<u>649,347</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	500,000	500,000	279,286	(220,714)
Total Other Financing Sources (Uses)	<u>500,000</u>	<u>500,000</u>	<u>279,286</u>	<u>(220,714)</u>
Net Change in Fund Balances	(281,111)	(741,946)	(313,313)	428,633
Fund Balances, Beginning	<u>888,449</u>	<u>888,449</u>	<u>888,449</u>	
Fund Balances, Ending	<u><u>\$ 607,338</u></u>	<u><u>\$ 146,503</u></u>	<u><u>\$ 575,136</u></u>	<u><u>\$ 428,633</u></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, 2006**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 1,629,600	\$ 1,929,600	\$ 2,022,235	\$ 92,635
Investment Earnings	17,500	17,500	36,810	19,310
Total Revenues	<u>1,647,100</u>	<u>1,947,100</u>	<u>2,059,045</u>	<u>111,945</u>
EXPENDITURES				
General Administration	27,000	27,000	39,435	(12,435)
Pass-thru Payments	887,000	1,287,000	1,269,392	17,608
Debt Service:				
Principal	230,728	230,728	230,728	-
Interest	164,621	164,621	168,287	(3,666)
Total Expenditures	<u>1,309,349</u>	<u>1,709,349</u>	<u>1,707,842</u>	<u>1,507</u>
Excess (Deficiency) of Revenues over Expenditures	<u>337,751</u>	<u>237,751</u>	<u>351,203</u>	<u>113,452</u>
OTHER FINANCING SOURCES (USES)				
Transfers Out	<u>(500,000)</u>	<u>(500,000)</u>	<u>(279,286)</u>	<u>220,714</u>
Total Other Financing Sources (Uses)	<u>(500,000)</u>	<u>(500,000)</u>	<u>(279,286)</u>	<u>220,714</u>
Net Change in Fund Balances	(162,249)	(262,249)	71,917	334,166
Fund Balances, Beginning	<u>230,622</u>	<u>230,622</u>	<u>230,622</u>	
Fund Balances, Ending	<u>\$ 68,373</u>	<u>\$ (31,627)</u>	<u>\$ 302,539</u>	<u>\$ 334,166</u>

**Santa Paula Redevelopment Agency
Nonmajor Governmental Funds**

Capital Projects Fund

Capital Bond Fund - This fund is used to account for 80% of the 1994 Bond Proceeds. These funds are required by law to be used on Capital Projects that will benefit the Redevelopment Project Area.

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.

**Santa Paula Redevelopment Agency
Combing Balance Sheet
Nonmajor Governmental Funds
Year Ended June 30, 2006**

	Capital Projects	Debt Service Redevelopment Agency	
	Capital Bond	Housing Set-Aside	Total Nonmajor
ASSETS			
Cash and Investments	\$ -	\$ 3,414	\$ 3,414
Cash with Fiscal Agent	-	97,191	97,191
Receivables	-	160	160
Total Assets	\$ -	\$ 100,765	\$ 100,765
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable	\$ -	\$ 95	\$ 95
Total Liabilities	-	95	95
Fund Balances:			
Reserved for:			
Encumbrances	-	-	-
Debt Service	-	68,029	68,029
Unreserved, Reported in:			
Capital Projects Fund	-	32,641	32,641
Total Fund Balances	-	100,670	100,670
Total Liabilities and Fund Balances	\$ -	\$ 100,765	\$ 100,765

Santa Paula Redevelopment Agency
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Governmental Funds
Year Ended June 30, 2006

	<u>Capital Projects</u>	<u>Debt Service</u>	
	Capital Bond	Redevelopment Agency Housing Set-Aside	Total Nonmajor
REVENUES			
Investment Earnings	\$ 12	\$ 5,080	\$ 5,092
Total Revenues	<u>12</u>	<u>5,080</u>	<u>5,092</u>
EXPENDITURES			
General Administration	-	536	536
Public Works	-	-	-
Debt Service:			
Principal	-	30,000	30,000
Interest	2,070	70,269	72,339
Total Expenditures	<u>2,070</u>	<u>100,805</u>	<u>102,875</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(2,058)</u>	<u>(95,725)</u>	<u>(97,783)</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	-	97,000	97,000
Total Other Financing Sources (Uses)	<u>-</u>	<u>97,000</u>	<u>97,000</u>
Net Change in Fund Balances	(2,058)	1,275	(783)
Fund Balances - Beginning	<u>2,058</u>	<u>99,395</u>	<u>101,453</u>
Fund Balances - Ending	<u>\$ -</u>	<u>\$ 100,670</u>	<u>\$ 100,670</u>

Santa Paula Redevelopment Agency
Capital Bond Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended June 30, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Charges for Services	\$ -	\$ -	\$ -	\$ -
Investment Earnings	-	-	12	12
Total Revenues	-	-	12	12
EXPENDITURES				
General Administration	-	-	-	-
Debt Service:				
Interest	-	-	2,070	(2,070)
Total Expenditures	-	-	2,070	(2,070)
Excess (Deficiency) of Revenues over Expenditures	-	-	(2,058)	(2,058)
Fund Balances, Beginning	2,058	2,058	2,058	
Fund Balances, Ending	\$ 2,058	\$ 2,058	\$ -	\$ (2,058)

**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, 2006**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Investment Earnings	6,000	6,000	5,080	(920)
Total Revenues	<u>6,000</u>	<u>6,000</u>	<u>5,080</u>	<u>(920)</u>
EXPENDITURES				
General Administration	800	800	536	264
Debt Service:				
Principal	30,000	30,000	30,000	-
Interest	72,915	72,915	70,269	2,646
Total Expenditures	<u>103,715</u>	<u>103,715</u>	<u>100,805</u>	<u>2,910</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(97,715)</u>	<u>(97,715)</u>	<u>(95,725)</u>	<u>1,990</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	103,715	103,715	97,000	(6,715)
Total Other Financing Sources (Uses)	<u>103,715</u>	<u>103,715</u>	<u>97,000</u>	<u>(6,715)</u>
Net Change in Fund Balances	6,000	6,000	1,275	(4,725)
Fund Balances, Beginning	<u>99,395</u>	<u>99,395</u>	<u>99,395</u>	
Fund Balances, Ending	<u><u>\$ 105,395</u></u>	<u><u>\$ 105,395</u></u>	<u><u>\$ 100,670</u></u>	<u><u>\$ (4,725)</u></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 Santa Paula Redevelopment Agency as of and for the year ended June 30, 2006, and have issued our report thereon dated October 20, 2006. 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 and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of the Santa Paula Redevelopment Agency 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. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, the results of our procedures disclosed immaterial instances of noncompliance with the provisions described in the *Guidelines for Compliance Audits of California Redevelopment Agencies* which are described in the accompanying schedule of findings as items 2006-1 and 2006-2.

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.

October 20, 2006

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Santa Paula Redevelopment Agency
Schedule of Findings
For the Year Ended June 30, 2006

2006-1.

The following annual reports for the preceding year were not presented to the Agency's Board or the State Controller by December 31, 2005, as required by Health & Safety Code Section 33080.1:

- Independent Auditor's Report on Financial Statements
- Independent Auditors Report on Legal Compliance
- Annual Report of Financial Transactions of Community Redevelopment Agencies
- Housing Activities Report
- Blight Progress Report
- Property Report

2006-2

The following annual reports for the preceding year were not prepared as required by Health and Safety Code Section 33080.4:

- Blight Progress Report
- Property Report

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