

SANTA PAULA REDEVELOPMENT AGENCY

FINANCIAL STATEMENTS

Year Ended June 30, 2007



**Santa Paula Redevelopment Agency
Financial Statements
Year Ended June 30, 2007**

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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, 2007, which collectively comprise the Agency's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Agency's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of the Santa Paula Redevelopment Agency as of June 30, 2007, 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 February 13, 2008 on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and on compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

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

Teaman Ramirez & Smith

February 13, 2008



BASIC FINANCIAL STATEMENTS

Santa Paula Redevelopment Agency
Statement of Net Assets
June 30, 2007

| | Governmental Activities |
|--|------------------------------------|
| ASSETS | |
| Cash and Investments | \$ 2,751,164 |
| Receivables: | |
| Accounts | 11,947 |
| Interest | 37,456 |
| Loans | 652,033 |
| Capital Assets, Not Being Depreciated: | |
| Land | 89,205 |
| Construction In Progress | 112,984 |
| Capital Assets, Net of Accumulated Depreciation: | |
| Buildings and System | 303,655 |
| Deferred Charges | 121,113 |
| Restricted Assets: | |
| Cash with Fiscal Agent | 332,591 |
| Total Assets | 4,412,148 |
| LIABILITIES | |
| Current Liabilities: | |
| Accounts Payable and Accrued Liabilities | 1,543,405 |
| Accrued Interest Payable | 18,150 |
| Deferred Revenue | 612,450 |
| Noncurrent Liabilities: | |
| Due Within One Year | 110,000 |
| Due in More Than One Year | 3,319,544 |
| Total Liabilities | 5,603,549 |
| NET ASSETS | |
| Invested in Capital Assets | 505,844 |
| Restricted for Low/Moderate Income Housing | 449,552 |
| Restricted for Debt Service | 332,591 |
| Unrestricted | (2,479,388) |
| Total Net Assets | \$ (1,191,401) |

The accompanying notes are an integral part of this statement.

Santa Paula Redevelopment Agency
Statement of Activities
Year Ended June 30, 2007

| Functions/Programs | Expenses | Program Revenues | | | Net (Expense) Revenue |
|--------------------------------------|---------------------|----------------------------|--|--|-----------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | |
| Governmental Activities: | | | | | |
| General Government | \$ 2,263,583 | \$ 3,300 | \$ - | \$ - | \$ (2,260,283) |
| Pass-thru Payments | 1,637,379 | - | - | - | (1,637,379) |
| Interest on Long-Term Debt | 229,871 | - | - | - | (229,871) |
| Total Governmental Activities | \$ 4,130,833 | \$ 3,300 | \$ - | \$ - | (4,127,533) |
| General Revenues: | | | | | |
| | | | | | 2,829,200 |
| | | | | | 151,765 |
| | | | | | 8,006 |
| | | | | | <u>2,988,971</u> |
| | | | | | (1,138,562) |
| | | | | | 1,925,334 |
| | | | | | (1,978,173) |
| | | | | | <u>\$ (1,191,401)</u> |

The accompanying notes are an integral part of this statement.

**Santa Paula Redevelopment Agency
Balance Sheet
Governmental Funds
June 30, 2007**

| | Special Revenue | | |
|--|-----------------------------|---|-----------------------------------|
| | Fund | Capital Projects Funds | |
| | RDA Housing Set-Aside | Redevelopment Agency Housing Bond | Redevelopment Agency Exempt |
| ASSETS | | | |
| Cash and Investments | \$ 443,594 | \$ 516,973 | \$ 892,750 |
| Cash with Fiscal Agent | - | - | - |
| Accounts Receivable | 2,389 | - | - |
| Interest Receivable | 5,936 | 6,810 | - |
| Loans Receivable | - | 612,450 | 39,583 |
| | <hr/> | <hr/> | <hr/> |
| Total Assets | <u>\$ 451,919</u> | <u>\$ 1,136,233</u> | <u>\$ 932,333</u> |
| LIABILITIES AND FUND BALANCES | | | |
| Liabilities: | | | |
| Accounts Payable | \$ 224 | \$ - | \$ 24,393 |
| Accrued Liabilities | 2,143 | - | 4,607 |
| Deferred Revenue | - | 612,450 | - |
| | <hr/> | <hr/> | <hr/> |
| Total Liabilities | <u>2,367</u> | <u>612,450</u> | <u>29,000</u> |
| Fund Balances: | | | |
| Reserved for: | | | |
| Encumbrances | - | - | 30,892 |
| Debt Service | - | - | - |
| Unreserved, Reported in: | | | |
| Special Revenue Funds | 449,552 | - | - |
| Capital Projects Funds | - | 523,783 | 872,441 |
| Debt Service Funds | - | - | - |
| | <hr/> | <hr/> | <hr/> |
| Total Fund Balances | <u>449,552</u> | <u>523,783</u> | <u>903,333</u> |
| | | | |
| Total Liabilities and Fund Balances | <u>\$ 451,919</u> | <u>\$ 1,136,233</u> | <u>\$ 932,333</u> |

The accompanying notes are an integral part of this statement.

| Debt Service Funds | | |
|-------------------------|------------------------------|--------------------------------|
| Redevelopment Agency | Housing Set-Aside Fund | Total Governmental Funds |
| \$ 897,061 | \$ 786 | \$ 2,751,164 |
| 242,553 | 90,038 | 332,591 |
| 9,558 | - | 11,947 |
| 24,710 | - | 37,456 |
| - | - | 652,033 |
| <u>\$ 1,173,882</u> | <u>\$ 90,824</u> | <u>\$ 3,785,191</u> |
| \$ 1,511,943 | \$ 95 | \$ 1,536,655 |
| - | - | 6,750 |
| - | - | 612,450 |
| <u>1,511,943</u> | <u>95</u> | <u>2,155,855</u> |
| - | - | 30,892 |
| 242,553 | 90,038 | 332,591 |
| - | - | 449,552 |
| - | - | 1,396,224 |
| (580,614) | 691 | (579,923) |
| <u>(338,061)</u> | <u>90,729</u> | <u>1,629,336</u> |
| <u>\$ 1,173,882</u> | <u>\$ 90,824</u> | <u>\$ 3,785,191</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, 2007

| | | |
|---|----|-------------|
| Fund balances of governmental funds | \$ | 1,629,336 |
| 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. | | 505,844 |
| Long-term liabilities are not due and payable in the current period and are not reported in the funds. | | |
| Compensated Absences | | (9,544) |
| Tax Allocations Refunding Bonds | | (3,420,000) |
| Issuance costs and discounts net of accumulated amortization were recorded as expenditures in the governmental funds. | | 121,113 |
| Accrued interest payable for the current portion of interest due on long-term debt has not been reported in the governmental funds. | | (18,150) |
| | | (18,150) |
| Net assets of governmental activities | \$ | (1,191,401) |

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, 2007

| | Special Revenue | | |
|--|-----------------------------|---|-----------------------------------|
| | Fund | Capital Projects Funds | |
| | RDA Housing Set-Aside | Redevelopment Agency Housing Bond | Redevelopment Agency Exempt |
| REVENUES | | | |
| Taxes | \$ 565,866 | \$ - | \$ - |
| Charges for Services | - | - | 3,300 |
| Investment Earnings | 33,264 | 41,251 | 14,632 |
| Other Revenues | 7,058 | - | 948 |
| Total Revenues | <u>606,188</u> | <u>41,251</u> | <u>18,880</u> |
| EXPENDITURES | | | |
| Current: | | | |
| General Government | 1,057,810 | 625,871 | 690,683 |
| Pass-thru Payments | - | - | - |
| Debt Service: | | | |
| Principal | - | - | - |
| Interest | - | - | - |
| Total Expenditures | <u>1,057,810</u> | <u>625,871</u> | <u>690,683</u> |
| Excess (Deficiency) of Revenues Over Expenditures | <u>(451,622)</u> | <u>(584,620)</u> | <u>(671,803)</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers In | - | - | 1,000,000 |
| Transfers Out | (89,000) | - | - |
| Total Financing Sources (Uses) | <u>(89,000)</u> | <u>-</u> | <u>1,000,000</u> |
| Net Change in Fund Balances | (540,622) | (584,620) | 328,197 |
| Fund Balances - Beginning | <u>990,174</u> | <u>1,108,403</u> | <u>575,136</u> |
| Fund Balances - Ending | <u>\$ 449,552</u> | <u>\$ 523,783</u> | <u>\$ 903,333</u> |

The accompanying notes are an integral part of this statement.

| <u>Debt Service Funds</u> | | |
|---------------------------------|---------------------------------------|---|
| <u>Redevelopment Agency</u> | <u>Housing Set-Aside Fund</u> | <u>Total Governmental Funds</u> |
| \$ 2,263,334 | \$ - | \$ 2,829,200 |
| - | - | 3,300 |
| 57,913 | 4,705 | 151,765 |
| - | - | 8,006 |
| <u>2,321,247</u> | <u>4,705</u> | <u>2,992,271</u> |
| 37,205 | 536 | 2,412,105 |
| 1,637,379 | - | 1,637,379 |
| 131,084 | 35,000 | 166,084 |
| 156,179 | 68,110 | 224,289 |
| <u>1,961,847</u> | <u>103,646</u> | <u>4,439,857</u> |
| 359,400 | (98,941) | (1,447,586) |
| - | 89,000 | 1,089,000 |
| <u>(1,000,000)</u> | <u>-</u> | <u>(1,089,000)</u> |
| <u>(1,000,000)</u> | <u>89,000</u> | <u>-</u> |
| (640,600) | (9,941) | (1,447,586) |
| <u>302,539</u> | <u>100,670</u> | <u>3,076,922</u> |
| <u>\$ (338,061)</u> | <u>\$ 90,729</u> | <u>\$ 1,629,336</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, 2007

Net change in fund balances-total governmental funds \$ (1,447,586)

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 | 162,737 |
| Depreciation | (10,843) |

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 | 100,000 |
| Principal Paid on Advance from City | 66,084 |

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 | (3,372) |
| Net Change in Accrued Interest Payable | 487 |

| | |
|---|----------------|
| Change in Net Assets of Governmental Activities | \$ (1,138,562) |
|---|----------------|

Santa Paula Redevelopment Agency
Notes to Financial Statements
Year Ended June 30, 2007

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, 2007

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, 2007

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, 2007

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

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

4) Capital Assets

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

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

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

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

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

5) Compensated Absences

Cash 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, 2007**

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, 2007. Budgetary information is included in these financial statements.

2) DETAILED NOTES ON ALL FUNDS

A) Deposits and Investments

At June 30, 2007, the Agency's deposits and investment balances were as follows:

| | |
|---|---------------------|
| Pooled Deposits and Investments | \$ 2,751,164 |
| Deposits and Investments with Fiscal Agents | <u>332,591</u> |
| Total Deposits and Investments | <u>\$ 3,083,755</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, 2007

2) DETAILED NOTES ON ALL FUNDS - Continued

B) Capital Assets

Capital asset activity for the year ended June 30, 2007 was as follows:

| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Adjustments*</u> | <u>Ending Balance</u> |
|--|------------------------------|-------------------|------------------|-----------------------|---------------------------|
| Governmental Activities: | | | | | |
| Capital Assets, Not Being Depreciated: | | | | | |
| Land | \$ 523,642 | \$ 49,753 | \$ - | \$ (484,190) | \$ 89,205 |
| Construction in Progress | <u>45,110</u> | <u>112,984</u> | <u>-</u> | <u>(45,110)</u> | <u>112,984</u> |
| Total Capital Assets, Not Being Depreciated | <u>568,752</u> | <u>162,737</u> | <u>-</u> | <u>(529,300)</u> | <u>202,189</u> |
| Capital Assets, Being Depreciated: | | | | | |
| Buildings and System | 490,585 | - | - | (125,819) | 364,766 |
| Improvements Other Than Buildings | <u>1,732,790</u> | <u>-</u> | <u>-</u> | <u>(1,732,790)</u> | <u>-</u> |
| Total Capital Assets Being Depreciated | <u>2,223,375</u> | <u>-</u> | <u>-</u> | <u>(1,858,609)</u> | <u>364,766</u> |
| Less Accumulated Depreciation for: | | | | | |
| Buildings and System | (64,469) | (10,843) | - | 14,201 | (61,111) |
| Improvements Other Than Buildings | <u>(395,535)</u> | <u>-</u> | <u>-</u> | <u>395,535</u> | <u>-</u> |
| Total Accumulated Depreciation | <u>(460,004)</u> | <u>(10,843)</u> | <u>-</u> | <u>409,736</u> | <u>(61,111)</u> |
| Total Capital Assets, Being Depreciated, Net | <u>1,763,371</u> | <u>(10,843)</u> | <u>-</u> | <u>(1,448,873)</u> | <u>303,655</u> |
| Governmental Activities Capital Assets, Net | <u>\$ 2,332,123</u> | <u>\$ 151,894</u> | <u>\$ -</u> | <u>\$ (1,978,173)</u> | <u>\$ 505,844</u> |

*Adjustments represent reclassification of capital assets from the Agency to the City.

Depreciation of \$10,843 was charged to the General Government function.

C) Interfund Transfers

The composition of interfund transfers as of June 30, 2007 is as follows:

| <u>Transfers Out</u> | <u>Redevelopment Agency Exempt Fund</u> | <u>Transfers In Housing Set-Aside Debt Service Fund</u> | <u>Total</u> |
|-----------------------------------|---|---|---------------------|
| RDA Housing Set-Aside | \$ - | \$ 89,000 | \$ 89,000 |
| Redevelopment Agency Debt Service | <u>1,000,000</u> | <u>-</u> | <u>1,000,000</u> |
| | <u>\$ 1,000,000</u> | <u>\$ 89,000</u> | <u>\$ 1,089,000</u> |

Transfers were for debt service payments.

Santa Paula Redevelopment Agency
Notes to Financial Statements
Year Ended June 30, 2007

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, 2007:

| | <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 | \$ 3,520,000 | \$ - | \$ 100,000 | \$ 3,420,000 | \$ 110,000 |
| Advance from the City | 66,084 | - | 66,084 | - | - |
| Compensated Absences | <u>6,172</u> | <u>3,372</u> | <u>-</u> | <u>9,544</u> | <u>-</u> |
| Governmental Activity | | | | | |
| Long-term Liabilities | <u>\$ 3,592,256</u> | <u>\$ 3,372</u> | <u>\$ 166,084</u> | <u>\$ 3,429,544</u> | <u>\$ 110,000</u> |

1994 Tax Allocation Refunding Bonds

On June 29, 1994, the Santa Paula Redevelopment Agency adopted a resolution authorizing the sale of \$6,900,000 aggregate principal amount of Santa Paula Redevelopment Project 1994 Tax Allocation Refunding Bonds at 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> |
|--------------------------------|---------------------|---------------------|
| 2008 | 110,000 | 217,795 |
| 2009 | 115,000 | 211,285 |
| 2010 | 120,000 | 204,225 |
| 2011 | 130,000 | 196,770 |
| 2012 | 140,000 | 188,550 |
| 2013-2017 | 820,000 | 800,120 |
| 2018-2022 | 1,130,000 | 500,775 |
| 2023-2025 | <u>855,000</u> | <u>112,200</u> |
| | <u>\$ 3,420,000</u> | <u>\$ 2,431,720</u> |

Advance Refunding

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

Santa Paula Redevelopment Agency
Notes to Financial Statements
Year Ended June 30, 2007

3) OTHER INFORMATION

A) Risk Management

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

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

The City is protected from general and automobile liability losses through a combination of pooling and excess insurance in the maximum amount of \$50 million per occurrence and annual aggregate. The City is protected from workers compensation claims for the maximum amount under scheduled statutory benefits and \$10 million per occurrence effective July 1, 2004. As of June 30, 2007 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, 2007, there are no claim liabilities reported in these financial statements.

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

B) Prior Period Adjustments

The prior period adjustment of \$1,978,173 in the statement of activities consists of \$2,387,909 of capital assets and \$409,736 of accumulated depreciation recorded in prior years that should have been reported as the City's capital assets, but not the Agency's.

REQUIRED SUPPLEMENTARY INFORMATION

Santa Paula Redevelopment Agency
Notes to Required Supplementary Information
Year Ended June 30, 2007

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).

**Santa Paula Redevelopment Agency
 Revelopment Agency Housing Set-Aside
 Special Revenue Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balances
 Budget and Actual
 Year Ended June 30, 2007**

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|--|-------------------|-------------------|-------------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| Taxes | \$ 504,792 | \$ 504,792 | \$ 565,866 | \$ 61,074 |
| Investment Earnings | 15,000 | 15,000 | 33,264 | 18,264 |
| Other Revenues | | | 7,058 | 7,058 |
| Total Revenues | <u>519,792</u> | <u>519,792</u> | <u>606,188</u> | <u>86,396</u> |
| EXPENDITURES | | | | |
| General Government | <u>1,101,323</u> | <u>1,101,323</u> | <u>1,057,810</u> | <u>43,513</u> |
| Total Expenditures | <u>1,101,323</u> | <u>1,101,323</u> | <u>1,057,810</u> | <u>43,513</u> |
| Excess (Deficiency) of Revenues over Expenditures | <u>(581,531)</u> | <u>(581,531)</u> | <u>(451,622)</u> | <u>129,909</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers Out | <u>(107,026)</u> | <u>(107,026)</u> | <u>(89,000)</u> | <u>18,026</u> |
| Total Other Financing Sources (Uses) | <u>(107,026)</u> | <u>(107,026)</u> | <u>(89,000)</u> | <u>18,026</u> |
| Net Change in Fund Balances | (688,557) | (688,557) | (540,622) | 147,935 |
| Fund Balances, Beginning | <u>990,174</u> | <u>990,174</u> | <u>990,174</u> | |
| Fund Balances, Ending | <u>\$ 301,617</u> | <u>\$ 301,617</u> | <u>\$ 449,552</u> | <u>\$ 147,935</u> |

SUPPLEMENTARY INFORMATION

**Santa Paula Redevelopment Agency
 Redevelopment Agency Housing Bond
 Capital Projects Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balances
 Budget and Actual
 Year Ended June 30, 2007**

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | Variance with Final Budget Positive (Negative) |
|--|-------------------------|------------------|---------------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| REVENUES | | | | |
| Investment Earnings | \$ 22,000 | \$ 22,000 | \$ 41,251 | \$ 19,251 |
| Total Revenues | <u>22,000</u> | <u>22,000</u> | <u>41,251</u> | <u>19,251</u> |
| EXPENDITURES | | | | |
| General Government | 1,066,476 | 1,066,476 | 625,871 | 440,605 |
| Total Expenditures | <u>1,066,476</u> | <u>1,066,476</u> | <u>625,871</u> | <u>440,605</u> |
| Excess (Deficiency) of Revenues over Expenditures | (1,044,476) | (1,044,476) | (584,620) | 459,856 |
| Fund Balances, Beginning | <u>1,108,403</u> | <u>1,108,403</u> | <u>1,108,403</u> | |
| Fund Balances, Ending | <u>\$ 63,927</u> | <u>\$ 63,927</u> | <u>\$ 523,783</u> | <u>\$ 459,856</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, 2007**

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|--|--------------------|--------------------|-------------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| Charges for Services | \$ - | \$ - | \$ 3,300 | \$ 3,300 |
| Investment Earnings | 20,000 | 20,000 | 14,632 | (5,368) |
| Other Revenues | | | 948 | 948 |
| Total Revenues | <u>20,000</u> | <u>20,000</u> | <u>18,880</u> | <u>(1,120)</u> |
| EXPENDITURES | | | | |
| General Government | <u>936,201</u> | <u>936,201</u> | <u>690,683</u> | <u>245,518</u> |
| Total Expenditures | <u>936,201</u> | <u>936,201</u> | <u>690,683</u> | <u>245,518</u> |
| Excess (Deficiency) of Revenues over Expenditures | <u>(916,201)</u> | <u>(916,201)</u> | <u>(671,803)</u> | <u>244,398</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers In | <u>292,000</u> | <u>292,000</u> | <u>1,000,000</u> | <u>708,000</u> |
| Total Other Financing Sources (Uses) | <u>292,000</u> | <u>292,000</u> | <u>1,000,000</u> | <u>708,000</u> |
| Net Change in Fund Balances | (624,201) | (624,201) | 328,197 | 952,398 |
| Fund Balances, Beginning | <u>575,136</u> | <u>575,136</u> | <u>575,136</u> | |
| Fund Balances, Ending | <u>\$ (49,065)</u> | <u>\$ (49,065)</u> | <u>\$ 903,333</u> | <u>\$ 952,398</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, 2007**

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|--|--------------------------|--------------------------|----------------------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| Taxes | \$ 2,019,168 | \$ 2,019,168 | \$ 2,263,334 | \$ 244,166 |
| Investment Earnings | 12,500 | 12,500 | 57,913 | 45,413 |
| Total Revenues | <u>2,031,668</u> | <u>2,031,668</u> | <u>2,321,247</u> | <u>289,579</u> |
| EXPENDITURES | | | | |
| General Government | 27,000 | 27,000 | 37,205 | (10,205) |
| Pass-thru Payments | 1,425,817 | 1,425,817 | 1,637,379 | (211,562) |
| Debt Service: | | | | |
| Principal | 131,085 | 131,085 | 131,084 | 1 |
| Interest | 155,272 | 155,272 | 156,179 | (907) |
| Total Expenditures | <u>1,739,174</u> | <u>1,739,174</u> | <u>1,961,847</u> | <u>(222,673)</u> |
| Excess (Deficiency) of Revenues over Expenditures | <u>292,494</u> | <u>292,494</u> | <u>359,400</u> | <u>66,906</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers Out | <u>(292,000)</u> | <u>(292,000)</u> | <u>(1,000,000)</u> | <u>(708,000)</u> |
| Total Other Financing Sources (Uses) | <u>(292,000)</u> | <u>(292,000)</u> | <u>(1,000,000)</u> | <u>(708,000)</u> |
| Net Change in Fund Balances | 494 | 494 | (640,600) | (641,094) |
| Fund Balances, Beginning | <u>302,539</u> | <u>302,539</u> | <u>302,539</u> | |
| Fund Balances, Ending | <u><u>\$ 303,033</u></u> | <u><u>\$ 303,033</u></u> | <u><u>\$ (338,061)</u></u> | <u><u>\$ (641,094)</u></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, 2007

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|--|------------------|------------|-------------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| Investment Earnings | \$ 5,000 | \$ 5,000 | \$ 4,705 | \$ (295) |
| Total Revenues | 5,000 | 5,000 | 4,705 | (295) |
| EXPENDITURES | | | | |
| General Government | 800 | 800 | 536 | 264 |
| Debt Service: | | | | |
| Principal | 35,000 | 35,000 | 35,000 | - |
| Interest | 71,226 | 71,226 | 68,110 | 3,116 |
| Total Expenditures | 107,026 | 107,026 | 103,646 | 3,380 |
| Excess (Deficiency) of Revenues over Expenditures | (102,026) | (102,026) | (98,941) | 3,085 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers In | 107,026 | 107,026 | 89,000 | (18,026) |
| Total Other Financing Sources (Uses) | 107,026 | 107,026 | 89,000 | (18,026) |
| Net Change in Fund Balances | 5,000 | 5,000 | (9,941) | (14,941) |
| Fund Balances, Beginning | 100,670 | 100,670 | 100,670 | |
| Fund Balances, Ending | \$ 105,670 | \$ 105,670 | \$ 90,729 | \$ (14,941) |

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

Board Members
Santa Paula Redevelopment Agency
Santa Paula, California

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Santa Paula Redevelopment Agency, (the "Agency") as of and for the year ended June 30, 2007, and have issued our report thereon dated February 13, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Agency's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over financial reporting.

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. Such provisions include those provisions of laws and regulations identified in the *Guidelines for Compliance Audits of California Redevelopment Agencies*, issued by the State Controller. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

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

Teaman Ramirez & Smith

February 13, 2008

