

FILLMORE REDEVELOPMENT AGENCY

FINANCIAL STATEMENTS

JUNE 30, 2010

FILLMORE REDEVELOPMENT AGENCY
June 30, 2010

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The Board of Directors of the
Fillmore Redevelopment Agency

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities and each major fund of the Fillmore Redevelopment Agency (Agency), a component unit of the City of Fillmore, California, as of and for the year ended June 30, 2010, which collectively comprise the Agency's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Agency's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Agency as of June 30, 2010, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated November, 29 2010 on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and 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.

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

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

Rogues Anderson Maloney & Sauter, CPA

November 29, 2010

Fillmore Redevelopment Agency Management's Discussion and Analysis

As management of the Fillmore Redevelopment Agency, we offer readers of the Agency's financial statements this narrative overview of the financial activities of the Agency for the fiscal year ended June 30, 2010. We encourage readers to consider the information presented here in conjunction with additional information, which can be found in the financial statements, which follow this discussion.

Financial Highlights

- \$5,248,000 in bond proceeds contributed to the construction of the Business Park Infrastructure Capital Projects, Two Rivers Park, Water Well #9, Corporation Yard/Fire Station improvements, Street/Storm Drain improvements, Sidewalk improvements and Railroad Crossing Capital Projects.
- \$8,565,000 has been spent on the early redemption of 2006 Tax Allocation Bond Anticipation Notes.
- \$2,384,857 payment of Supplemental ERAF required by the State to eliminate some of its deficit.
- \$1,429,114 reduction in tax increment revenue because of a decline in assessed values and an adjustment by Ventura County correcting prior year pass-through payments. This reduction in assessed values is not unique to Fillmore, but is happening in redevelopment agencies throughout California and elsewhere.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Redevelopment Agency's basic financial statements. The Agency's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements

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

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

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., interest that was earned but not received).

The government-wide financial statements present information about the functions of the Redevelopment Agency that are primarily supported by taxes and intergovernmental revenues (*governmental activities*). The governmental activities of the Agency include the administration of the Agency and its housing and community development projects.

The Fillmore Redevelopment Agency is considered a *blended component unit*, which means it is a separate legal entity, but its financial activity is additionally reported in with the government-wide financial statements of its *primary government*, the City of Fillmore.

The Agency's government-wide financial statements can be found immediately following this discussion and analysis.

Fund financial statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Agency, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Agency are governmental funds.

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Agency maintains various individual governmental funds. Information is presented separately in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances for the Redevelopment Agency's Housing Special Revenue Fund, Debt Service Fund, and Capital Projects Funds, all of which are considered to be major funds.

The Agency adopts an annual appropriated budget for each of its funds. The basic financial statements include budgetary comparison statements for each fund to demonstrate compliance with the annual budget. These budgetary comparison statements are provided elsewhere in this report.

The basic governmental fund financial statements can be found immediately following the government-wide financial statements.

Notes to the basic financial statements

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found immediately following the basic fund financial statements.

Government-wide Financial Analysis

The government-wide financial statements provide long-term and short-term information about the Agency's overall financial condition. This analysis addresses the financial statements of the Agency as a whole.

The largest portion of the Agency's net assets reflects its investment in capital assets (e.g., land, buildings, and improvements other than buildings, equipment, infrastructure, and construction in progress); less any related debt used to acquire those assets that are still outstanding. The Agency uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Agency's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**Fillmore Redevelopment Agency
Summary of Net Assets
June 30, 2010 and 2009**

	Governmental activities	
	2010	2009
Current and other assets	\$ 20,822,827	\$ 36,874,367
Capital assets	5,432,335	10,244,980
Total assets	<u>26,255,162</u>	<u>47,119,347</u>
Current and other liabilities	1,871,461	889,910
Long-term liabilities outstanding	49,447,380	58,583,071
Total liabilities	<u>51,318,841</u>	<u>59,472,981</u>
Net assets:		
Restricted	22,196,293	28,728,240
Unrestricted (deficit)	(47,259,972)	(41,081,874)
Total net assets (deficit)	<u>\$ (25,063,679)</u>	<u>\$ (12,353,634)</u>

**Fillmore Redevelopment Agency
Summary of Changes in Net Assets
For the fiscal year ended June 30, 2010 and 2009**

	Governmental activities	
	2010	2009
Revenues:		
General:		
Incremental property taxes	\$ 6,160,386	\$ 7,589,500
Investment earnings	437,017	1,163,004
Other	107,797	427,625
Transfers from the City of Fillmore	6,150	-
Transfers to the City of Fillmore	(6,470,613)	(930,192)
Total general revenues and transfers	<u>240,737</u>	<u>8,249,937</u>
Expenses:		
Community development	6,098,577	4,536,782
Supplemental ERAF payment	2,384,857	-
Pass-through payments	1,410,562	1,729,529
Interest on long-term debt	3,056,786	3,446,334
Total expenses	<u>12,950,782</u>	<u>9,712,645</u>
Change in net assets	<u>\$ (12,710,045)</u>	<u>\$ (1,462,708)</u>

The following items impacted Agency-wide revenues for the fiscal year ended June 30, 2010:

- Incremental tax revenues decreased 19% or \$1.4 million from the previous fiscal year, due to the decrease in project area assessed valuations, and a prior year correction to payment of pass-through payments to other public agencies.
- Increase in transfers to City of Fillmore of \$5.5 million to fund Capital Project construction.
- The \$725,000 reduction in investment earnings due to lower investment earning rates and the transfer of funds resulting in a reduction of cash available for investment. This lower investment earnings rate is not unique to Fillmore, but is happening in redevelopment agencies and other government units throughout California and elsewhere.

Financial Analysis of the Government's Fund

As noted earlier, the Agency uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The focus of the Agency's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information may be useful in assessing the Agency's financial requirements.

The *Redevelopment Agency Housing Special Revenue Fund* is also known as the "Low to Moderate Income Housing Set-Aside Fund" (LMISA). By statute, 20% of the gross tax increment revenues that come to the Redevelopment Agency are restricted for housing-related use in blighted areas. This fund accounts for the receipt and use of these restricted revenues. During the fiscal year, revenues were derived from the tax increment and interest/equity share earned on the 1st Time Homebuyer program loan repayment. Expenditures were primarily used for rehabilitation or demolition of low-income housing, to fund a new farm worker housing project, and to pay for administrative costs.

The *Redevelopment Agency Debt Service Fund* is used to accumulate resources for the payment of principal and interest on debt of the Agency. During this fiscal year, \$580,000 of principal was retired and interest was expended in the amount of \$3,090,177 on the Agency's bond issues. Tax increment is received into this fund and after all debt service obligations are satisfied, remaining revenue is distributed to the Capital Projects Fund to fund capital projects within the project area.

The *Redevelopment Agency Capital Projects Fund* is used to account for all other revenues and expenditures of the Redevelopment Agency not otherwise restricted. \$707,079 was transferred from several Capital Projects Funds to another Capital Projects Funds to close those funds. An additional \$47,427 was received for rental of Agency owned buildings. Expenditures in the amount of \$9,293,314 included principal payments on bonds of \$8,565,000, other expenditures consisted of such items as downtown marketing and enhancement of the downtown for tourism and filming, a grant to the local Veteran's Memorial District for capital improvements to their community building, a grant to the Senior Center Inc. for its administration.

Capital Asset and Debt Administration

Capital Assets

The Agency's investment in capital assets for its governmental activities, as of June 30, 2010, amounts to \$5.4 million, net of accumulated depreciation. This investment in capital assets includes land, buildings, improvements other than buildings, and infrastructure.

Fillmore Redevelopment Agency
Summary of Capital Assets (Net of Accumulated Depreciation)
For the fiscal year ended June 30, 2010 and 2009

	Governmental Activities	
	2010	2009
Assets not being depreciated:		
Land and construction in progress	\$ 3,102,062	\$ 7,842,003
Assets being depreciated:		
Buildings and improvements	2,248,363	2,313,474
Machinery and equipment	30,930	37,711
Infrastructure	50,980	51,792
	<u>5,432,335</u>	<u>10,244,980</u>
Total capital assets, net	<u>\$ 5,432,335</u>	<u>\$ 10,244,980</u>

- The decrease in Construction in Progress was primarily due to the completion of capital projects in FY 2009-10 and transfer of the related assets to the City of Fillmore.

Additional information on the Agency's capital assets can be found in the notes to the basic financial statements section of this report.

Long-term debt

At the end of the current fiscal year, the Agency had total debt outstanding of \$49.4 million.

Fillmore Redevelopment Agency
Summary of Changes in Long-Term Liabilities
For the Fiscal Year Ended June 30, 2010 and 2009

	Governmental Activities	
	2010	2009
Loan from the Fillmore Public Financing Authority	\$ 10,635,000	\$ 10,955,000
Tax Allocation Bonds payable	38,730,000	47,555,000
Compensated absences	82,380	73,071
	<u>49,447,380</u>	<u>58,583,071</u>

Long-term debt-related events during the fiscal year ended June 30, 2010, included:

- Interest payments of \$3.1 million were made towards outstanding debt service.
- Payment of \$8.6 million for the early redemption of 2006 Tax Allocation Bond Anticipation Notes.

Additional information on the Agency's long-term debt can be found in the notes to the basic financial statements section of this report.

Economic Factors and Next Year's Budget

The Fillmore Redevelopment Agency has had a consistent growth throughout its existence except for the past fiscal year. Since the main source of revenue for the Agency is the incremental property tax created by growth and improvement in the redevelopment project area, the continued growth of the population in Fillmore positively impacts the revenue stream. Tax increment revenue has experienced a major decrease because of the reduction of Assessed Valuation in the redevelopment project area. The continued downturn in the market has caused development activity to significantly decline.

Additionally, the Governor continues to take redevelopment funds from agencies for the next fiscal year to balance the State budget. Because redevelopment dollars leverage private sector dollars, put people to work and generate more activity in the overall economy, cutting redevelopment funds is a questionable fiscal strategy.

Fiscal prudence dictates that conservative estimates of anticipated growth should be utilized in preparing the subsequent year's budget. Detailed information about the economic analysis, revenue assumptions, and other budgetary process parameters utilized in annual budget preparation can be obtained from the City of Fillmore's 2010-11 citywide budget (which includes the budget for the Fillmore Redevelopment Agency). A copy of this budget may be obtained from the City's Finance Department or online at www.ci.fillmore.ca.us.

Requests for Information

This financial report is designed to provide a general overview of the Agency's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, 250 Central Avenue, Fillmore, California 93015.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Fillmore Redevelopment Agency
Statement of Net Assets
June 30, 2010

ASSETS

Cash and investments	\$ 4,473,690
Cash with fiscal agent	3,045,828
Receivables:	
Accounts	12,464
Interest	88,717
Notes and loans	8,440,469
Due from other governments	13,132
Due from City of Fillmore	1,731,108
Land held for resale	525,000
Deferred charges, net	2,492,419
Capital assets not being depreciated:	
Land	3,102,062
Capital assets being depreciated, net	<u>2,330,273</u>
 Total assets	 <u>26,255,162</u>

LIABILITIES

Accounts payable and other current liabilities	1,380,865
Accrued interest payable	416,452
Due to City of Fillmore	74,144
Non-current liabilities:	
Due within one year	705,595
Due in more than one year	<u>48,741,785</u>
 Total liabilities	 <u>51,318,841</u>

NET ASSETS

Invested in capital assets	5,432,335
Restricted:	
Debt service	5,209,211
Community development	11,554,747
Unrestricted (deficit)	<u>(47,259,972)</u>
 Total net assets (deficit)	 <u><u>\$ (25,063,679)</u></u>

The accompanying notes are an integral part of these financial statements.

**Fillmore Redevelopment Agency
Statement of Activities
For the year ended June 30, 2010**

PROGRAM EXPENSES

Governmental activities:

Community development	\$ 6,098,577
Supplemental ERAF payment	2,384,857
Pass-through payments	1,410,562
Interest on long-term debt	<u>3,056,786</u>
Total program expenses	<u>12,950,782</u>

GENERAL REVENUES

Taxes:	
Incremental property taxes	6,160,386
Investment earnings	437,017
Other	107,797
Transfers from City of Fillmore	6,150
Transfers to City of Fillmore	<u>(6,470,613)</u>
Total general revenues and transfers	<u>240,737</u>

Change in net assets	(12,710,045)
Net assets (deficit), beginning of year	<u>(12,353,634)</u>
Net assets (deficit), end of year	<u><u>\$ (25,063,679)</u></u>

The accompanying notes are an integral part of these financial statements.

FUND FINANCIAL STATEMENTS

**Fillmore Redevelopment Agency
Balance Sheet
Governmental Funds
June 30, 2010**

	Special Revenue	Debt Service	Capital Projects	Total Governmental Funds
ASSETS				
Cash and investments	\$ 1,817,813	\$ 2,655,877	\$ -	\$ 4,473,690
Cash with fiscal agent	-	3,045,828	-	3,045,828
Receivables:				
Accounts	-	-	12,464	12,464
Interest	20,731	16,722	51,264	88,717
Notes and loans	2,900,719	-	5,539,750	8,440,469
Due from other governments	1,964	11,168	-	13,132
Due from City of Fillmore	-	-	1,731,108	1,731,108
Due from other funds	745,030	1,215,574	-	1,960,604
Land held for resale	525,000	-	-	525,000
	<u>525,000</u>	<u>-</u>	<u>-</u>	<u>525,000</u>
 Total assets	 <u>\$ 6,011,257</u>	 <u>\$ 6,945,169</u>	 <u>\$ 7,334,586</u>	 <u>\$ 20,291,012</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 4,180	\$ 1,319,506	\$ 23,012	\$ 1,346,698
Accrued liabilities	7,797	-	26,370	34,167
Due to City of Fillmore	21,385	-	52,759	74,144
Due to other funds	-	-	1,960,604	1,960,604
Deferred revenue	2,900,719	-	5,576,852	8,477,571
	<u>2,900,719</u>	<u>-</u>	<u>5,576,852</u>	<u>8,477,571</u>
 Total liabilities	 <u>2,934,081</u>	 <u>1,319,506</u>	 <u>7,639,597</u>	 <u>11,893,184</u>
 Fund balances:				
Reserved for:				
Debt service	-	5,625,663	-	5,625,663
Low and moderate housing	2,552,176	-	-	2,552,176
Land held for resale	525,000	-	-	525,000
Unreserved:				
Capital projects fund	-	-	(305,011)	(305,011)
	<u>-</u>	<u>-</u>	<u>(305,011)</u>	<u>(305,011)</u>
 Total fund balances (deficit)	 <u>3,077,176</u>	 <u>5,625,663</u>	 <u>(305,011)</u>	 <u>8,397,828</u>
 Total liabilities and fund balances	 <u>\$ 6,011,257</u>	 <u>\$ 6,945,169</u>	 <u>\$ 7,334,586</u>	 <u>\$ 20,291,012</u>

The accompanying notes are an integral part of these financial statements.

**Fillmore Redevelopment Agency
 Reconciliation of the Balance Sheet of Governmental Funds
 to the Statement of Net Assets
 June 30, 2010**

Total fund balances of governmental funds	\$	8,397,828
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds.		5,432,335
Long-term notes and loans receivable are not available to pay for current period expenditures and, therefore are offset by deferred revenue in the governmental funds, net of uncollectible amounts.		8,477,571
Long-term liabilities applicable to the Agency's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities - both current and long-term - are reported in the statement of net assets.		
Bonds payable		(48,480,000)
Less: deferred charge on refunding		2,492,419
Compensated absences		(82,380)
Loans payable		(885,000)
Accrued interest payable		<u>(416,452)</u>
Net assets of governmental activities	\$	<u><u>(25,063,679)</u></u>

The accompanying notes are an integral part of these financial statements.

Fillmore Redevelopment Agency
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2010

	Special Revenue	Debt Service	Capital Projects	Total Governmental Funds
REVENUES				
Tax increment	\$ 1,232,077	\$ 4,928,309	\$ -	\$ 6,160,386
Investment earnings	48,480	31,092	101,371	180,943
Other	-	-	107,797	107,797
Total revenues	1,280,557	4,959,401	209,168	6,449,126
EXPENDITURES				
Current:				
Community development	548,309	-	728,314	1,276,623
Supplemental ERAF payment	2,384,857	-	-	2,384,857
Pass-through payments	-	1,410,562	-	1,410,562
Debt Service:				
Principal	-	580,000	8,565,000	9,145,000
Interest and other charges	-	3,090,177	-	3,090,177
Total expenditures	2,933,166	5,080,739	9,293,314	17,307,219
Deficiency of revenues under expenditures	(1,652,609)	(121,338)	(9,084,146)	(10,858,093)
OTHER FINANCING SOURCES (USES)				
Transfers from the City of Fillmore	-	6,150	-	6,150
Transfers to the City of Fillmore	(294,718)	(54,961)	(6,120,934)	(6,470,613)
Total other financing sources (uses)	(294,718)	(48,811)	(6,120,934)	(6,464,463)
Net changes in fund balances	(1,947,327)	(170,149)	(15,205,080)	(17,322,556)
Fund balances, beginning of year	5,024,503	5,795,812	14,900,069	25,720,384
Fund balances (deficit), end of year	<u>\$ 3,077,176</u>	<u>\$ 5,625,663</u>	<u>\$ (305,011)</u>	<u>\$ 8,397,828</u>

The accompanying notes are an integral part of these financial statements.

**Fillmore Redevelopment Agency
 Reconciliation of the Statement of Revenues, Expenditures and
 Changes in Fund Balances of Governmental Funds
 to the Statement of Activities
 For the year ended June 30, 2010**

Net changes in fund balances of governmental funds \$ (17,322,556)

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 those assets is capitalized and allocated over
 their estimated useful lives and reported as depreciation expense.

Cost of assets capitalized, less disposals at net book value	(4,739,941)
Depreciation expense	(72,704)

The repayment of the debt principal of long-term debt consumes current
 resources of governmental funds and is therefore shown as an expenditure. This
 transaction, however, has no effect on net assets.

Principal payments	9,145,000
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the fund financial statements.	256,074
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Some expenses reported in the statement of activities do not require the use of
 current financial resources and, therefore, are not reported as expenditures in
 governmental funds.

Amortization of costs of issuance	(174,561)
Change in accrued interest expense	207,952
Change in compensated absences	<u>(9,309)</u>

Change in net assets of governmental activities	<u><u>\$ (12,710,045)</u></u>
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The accompanying notes are an integral part of these financial statements.

Fillmore Redevelopment Agency
Notes to the Basic Financial Statements
June 30, 2010

NOTE 1: DESCRIPTION AND SIGNIFICANT ACCOUNTING POLICIES

A. Organization and purpose

The Fillmore Redevelopment Agency (Agency) was established pursuant to the Community Redevelopment laws of the State of California and Health and Safety Code Section 33000. The Agency and its only project area, the Central City Redevelopment Project Area, were established on November 24, 1981.

The general objectives of the Agency are to eliminate and mitigate existing and anticipated blight within the project area. These objectives are to be attained by the development, or encouragement thereof, of residential and commercial facilities in the project area.

The Agency is an integral part of the City of Fillmore and, accordingly, the accompanying component unit financial statements are included as a component of the basic financial statements prepared by the City. A component unit is a separate governmental unit, agency, or nonprofit corporation which, when combined with all other component units, constitutes the reporting entity as defined in the City's basic financial statements.

B. Basis of presentation

Government-wide statements: The Statement of Net Assets and the Statement of Activities include the financial activities of the overall Agency government. Eliminations have been made to minimize the double counting of internal activities.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the Agency's activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include charges paid by the recipients of goods or services offered by the programs. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund financial statements: The fund financial statements provide information about the Agency's funds. Separate statements for each governmental fund are presented. The emphasis of fund financial statements is on major individual funds, each of which is displayed in a separate column. The Agency considers all its funds to be major funds.

C. Major funds

GASB Statement No. 34 defines major funds and requires that the Agency's major governmental type funds be identified and presented separately in the fund financial statements. Major funds are defined as funds that have either assets, liabilities, revenues or expenditures equal to or greater than ten percent of their fund-type total and five percent of the grand total. The Agency has determined that all its funds are major funds.

Fillmore Redevelopment Agency
Notes to the Basic Financial Statements
June 30, 2010

NOTE 1: DESCRIPTION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Major funds (continued)

The Agency reported the following major governmental funds in the accompanying financial statements:

Housing Special Revenue Fund - This fund accounts for the portion of City and County tax increment fluids received for redevelopment related purposes and set aside for low-and-moderate-income housing.

Capital Projects Fund - This fund accounts for redevelopment project capital outlays.

Debt Service Fund - This fund accounts for debt service payments on the Agency's long-term debt issues.

D. Basis of accounting

The government-wide financial statements are reported using the economic resources measurement focus and the full accrual basis of accounting. Revenues are recorded when *earned* and expenses are recorded at the time liabilities are *incurred*, regardless of when the related cash flows take place.

Governmental funds are reported using the *current financial resources* measurement focus and the *modified accrual* basis of accounting. Under this method, revenues are recognized when *measurable and available*. The Agency considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after fiscal year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent that they have matured. Capital asset acquisitions are reported as *expenditures* in governmental funds. Proceeds of long-term debt and acquisitions under capital leases are reported as *other financing sources*.

Non-exchange transactions, in which the Agency gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Under the terms of grant agreements, the Agency funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. The Agency's policy is to first apply cost-reimbursement grant resources to such programs, followed by general revenues.

Fillmore Redevelopment Agency
Notes to the Basic Financial Statements
June 30, 2010

NOTE 1: DESCRIPTION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Accounting policies

Revenue

The Agency's primary source of revenue is property taxes, referred to in the accompanying component unit financial statements as "incremental property taxes". Property taxes allocated to the Agency are computed in the following manner:

- a. The assessed valuation of all property in the Project Area is determined on the date of adoption of the Redevelopment Plan by a designation of a fiscal year assessment role.
- b. Property taxes related to any incremental increase in assessed values after the adoption of a Redevelopment Plan are allocated to the Agency; all taxes on the "frozen" assessed valuation of the property are allocated to the City and other districts receiving taxes from the project area.

The Agency has no power to levy and collect taxes and any legislative property tax reduction would lower the amount of tax revenues that would otherwise be available to pay the principal and interest on bonds or loans from the City. Conversely, any increase in the tax rate or assessed valuation or any elimination of present exemptions would increase the amount of tax revenues that would be available to pay principal and interest on bonds or loans from the City.

The Agency is also authorized to finance the Redevelopment Plan from other sources, including assistance from the City, the State and Federal government, investment earnings, and the issuance of Agency debt.

Property taxes

Revenue is recognized in the fiscal year for which the tax and assessment is levied. The County of Ventura levies, bills, and collects property taxes for the Agency; the County remits the entire amount levied and handles all delinquencies, retaining interest and penalties. Secured and unsecured property taxes are levied on January 1 of the preceding fiscal year.

Secured property tax is due in two installments, on November 1 and February 1, and becomes a lien on those dates. It becomes delinquent on December 10 and April 10, respectively. Unsecured property tax is due on July 1 and becomes delinquent on August 31.

F. Budgets and budgetary accounting

Budgets are adopted annually on a basis consistent with accounting principles generally accepted in the United States of America (USGAAP), except that the Capital Projects Fund expenditures are budgeted on a project length basis rather than annually.

**Fillmore Redevelopment Agency
Notes to the Basic Financial Statements
June 30, 2010**

NOTE 1: DESCRIPTION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Budgets and budgetary accounting (continued)

Formal budgetary integration is employed as a management control device. Encumbrance accounting is employed as an extension of formal budgetary integration in all funds. Under encumbrance accounting, purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation. Encumbrances outstanding at fiscal year-end are reported as reservations of fund balances since they do not constitute expenditures or liabilities and are re-appropriated in the following fiscal year.

G. Investments

Investments are stated at fair value.

H. Long-term obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Bond premiums and discounts, and issuance costs, are deferred and amortized over the life of the bonds. These items are reported as deferred charges and amortized on straight-line basis over the term of the related debt.

I. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2: CASH AND INVESTMENTS

Cash and investments as of June 30, 2010 are classified in the accompanying financial statements as follows:

Statement of net assets:	
Cash and investments	\$ 4,473,690
Cash with fiscal agent	<u>3,045,828</u>
Total cash and investments	<u><u>\$ 7,519,518</u></u>

Cash and investments as of June 30, 2010 consist of the following:

Deposits with financial institutions	\$ 182,970
Investments	4,290,720
Investments held by bond trustees	<u>3,045,828</u>
Total cash and investments	<u><u>\$ 7,519,518</u></u>

Fillmore Redevelopment Agency
Notes to the Basic Financial Statements
June 30, 2010

NOTE 2: CASH AND INVESTMENTS (continued)

Investments authorized by the California Government Code and the Agency's investment policy

The table below identifies the investment types that are authorized for the Agency by the California Government Code (or the Agency's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the Agency's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the Agency, rather than the general provisions of the California Government Code or the Agency's investment policy.

Authorized investment type	Maximum maturity	Maximum percentage of portfolio	Maximum investment in one issuer
U.S. Treasury obligations	2 years	75%	None
U.S. Agency securities	2 years	75%	None
Certificates of deposit	2 years	30%	None
Savings accounts	N/A	85%	None
Money market fund (U.S. Treasury)	2 years	None	10%
Ventura County Pooled Investment funds	N/A	30%	None
Local Agency Investment Fund (LAIF)	N/A	100%	None

Investments authorized by debt agreements

Investment of debt proceeds are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the Agency's investment policy. The table below identifies the investment types that are authorized for investments by bond indentures. The table also identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk.

Authorized investment type	Maximum maturity	Maximum percentage of portfolio	Maximum investment in one issuer
U.S. Treasury obligations	None	None	None
U.S. Agency securities	None	None	None
Time deposits	None	None	None
Money market funds	N/A	None	10%
Investment contracts	31 years	None	None
Local Agency Investment Fund	None	None	None

Disclosures relating to interest rate risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the Agency manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Fillmore Redevelopment Agency
Notes to the Basic Financial Statements
June 30, 2010

NOTE 2: CASH AND INVESTMENTS (continued)

Information about the sensitivity of the fair values of the Agency's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the Agency's investments by maturity.

Investment type	Remaining maturity (in months)			
	12 or Less	13 to 24	25 to 60	More than 60
Local Agency Investment Fund	\$ 4,290,720	\$ -	\$ -	\$ -
Held by bond trustees:				
Money market funds	3,045,828	-	-	-
Totals	\$ 7,336,548	\$ -	\$ -	\$ -

Investments with fair values highly sensitive to interest rate fluctuations

The Agency has no investments (including investments held by bond trustees) that are highly sensitive to interest rate fluctuations (to a greater degree than already indicated in the information provided above).

Disclosures relating to a credit risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of in investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the Agency's investment policy, or debt agreements, and the actual rating as of fiscal year end for each investment type.

Investment type	Minimum legal rating	Exempt from disclosure	Rating as of fiscal year end		
			AAA	Aa	Not rated
Local Agency Investment Fund	N/A	\$ -	\$ -	\$ -	\$ 4,290,720
Held by bond trustees:					
Money market funds	N/A	-	3,045,828	-	-
Totals		\$ -	\$ 3,045,828	\$ -	\$ 4,290,720

Concentration of credit risk

The investment policy of the Agency contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. The Agency has no investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total Agency investments.

Fillmore Redevelopment Agency
Notes to the Basic Financial Statements
June 30, 2010

NOTE 2: CASH AND INVESTMENTS (continued)

Custodial credit risk

Custodial credit risk *for deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk *for investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the Agency's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the government unit). The fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure the Agency's deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

As of June 30, 2010, the Agency had no deposits with financial institutions in excess of federal depository insurance limits \$250,000.

Investment in State Investment Pool

The Agency is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the Agency's investment in this pool is reported in the accompanying financial statements at amounts based upon the Agency's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

**Fillmore Redevelopment Agency
Notes to the Basic Financial Statements
June 30, 2010**

NOTE 3: NOTES AND LOANS RECEIVABLE

Notes and loans receivable, including accrued interest consists of the following:

	Balance at June 30, 2010
a) The Agency has entered into loan agreements with various residents within the redevelopment project area. The loans are either fully amortized or deferred until the corresponding property is sold. Interest rates are 5.0%. These loans are home rehabilitation loans.	\$ 107,062
b) The Agency has a First Time Homebuyers program whereby qualified residents can receive assistance in purchasing a home within the City. The assistance is in the form of deferred loans of up to \$40,000. These loans are secured by a second trust deed and are due upon sale of the property.	1,028,506
c) The Agency has entered into 2 loan agreements with Ronald and Doris Stewart. The first loan is \$225,000 at 4% and is fully amortized over 20 years beginning January 1, 2011. The second loan is \$85,000 at 4% and is fully amortized over 20 years beginning January 1, 2004.	235,865
d) The Agency entered into a Disposition and Development Agreement with the Cabrillo Economic Development Corp. The total loan committed by the Agency is \$1,318,348 with interest at 3%. The loan is to assist in the development of low and moderate income housing units and is to be repaid over time as the units are sold. The repayment will be in the form of new financing with the homebuyers.	1,537,540
e) The Agency has entered into a participation Agreement, as of June 19, 2007, with Carrera Boats West, Inc. The proceeds of the loan are to be used to assist in relocation and rehabilitation. The loan is for \$85,000 plus annual interest at 7.25%. The company agrees to operate within the City of Fillmore for at least 10 years. After 3 years in operation, the City will credit the company with a 10% offset and for each year thereafter. Final maturity is March 27, 2017.	91,163
f) The Agency and the Fillmore and Western Railway Co. (Company) have entered into an owner participation agreement in the amount of \$103,800 at 6% per annum. The Agency and the Company have also entered into a separate lease agreement. Repayment of the note is predicated on the lease agreement. Each year of the lease, the principal and interest will be credited in an equal amount to 1/10 th of the principal and interest outstanding.	9,325

**Fillmore Redevelopment Agency
Notes to the Basic Financial Statements
June 30, 2010**

NOTE 3: NOTES AND LOANS RECEIVABLE (continued)

Notes and loans receivable, including accrued interest consists of the following:

	Balance at June 30, 2010
g) The Agency has loaned \$5,000 to C. Charles and N. Moberly to assist in the operation of the Central Cigar Co. Interest accrues at a rate of 6%. The balance is past due as of June 30, 2010.	\$ 4,278
h) The Agency has loaned John and Janet Foy \$105,000 at a rate of 4% per annum. Monthly principal and interest payments are \$636 with a maturity date of March 31, 2016.	43,602
i) The Agency has loaned \$5,000 to the Towne Theatre for the purchase of a ticketing system. This is a non-interest bearing note with no specific repayment terms.	5,000
j) The Agency has entered into a participation agreement with Keller Classics, Inc. (Classics). The agreement is evidenced by a promissory note in the amount of \$84,563. This deferred note carries interest at a rate of 6% per annum. As long as Classics operates its clothing business and continues to maintain full time employees, the loan will be forgiven at a specified rate not to exceed 1/10 th of the outstanding balance.	70,500
k) The Agency has entered into a residual receipts agreement with Fillmore Parkview Seniors LP. The original amount of the note was \$4,666,593 and was used by the maker to build senior housing within the Agency. The note is to be repaid from 50% of the residual receipts of the housing project. The interest rate is 3% (simple) and the entire note is due and payable by September 1, 2055. The note is secured by the project and is subject to the term of the DDA between the Agency and the maker. Accrued interest included as of June 30, 2010 is \$641,035.	5,307,628
Total notes and loans receivable	\$ 8,440,469

NOTE 4: CAPITAL ASSETS

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their estimated fair value on the date contributed. The capitalization policy of the Agency is to capitalize all fixed assets with a cost of \$5,000 or more (\$50,000 for infrastructure).

Fillmore Redevelopment Agency
Notes to the Basic Financial Statements
June 30, 2010

NOTE 4: CAPITAL ASSETS (continued)

The purpose of depreciation is to spread the cost of capital assets equitably among all uses over the life of these capital assets. The amount charged to depreciation expense each fiscal year represents the fiscal year's pro rata share of the cost of capital assets.

Capital assets with limited useful lives are to be depreciated over their estimated useful lives. Depreciation of all capital assets is charged as an expense against operations each fiscal year and the total amount of depreciation taken over the years, called accumulated depreciation, is reported on the balance sheet as a reduction in the book value of capital assets.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase is reflected in the capitalized value of the capital asset constructed, net of interest earned on the invested proceeds over the same period.

Buildings and improvements and infrastructure are depreciated using the straight line method over estimated useful lives of 20 to 50 years.

Capital asset activity for the fiscal year ended June 30, 2010 was as follows:

	Beginning balance	Additions	Deletions	Ending balance
Governmental activities				
Capital assets, not being depreciated:				
Land	\$ 3,102,062	\$ -	\$ -	\$ 3,102,062
Construction in progress	4,739,941	71,697	(4,811,638) *	-
Total capital assets, not being depreciated	<u>7,842,003</u>	<u>71,697</u>	<u>(4,811,638)</u>	<u>3,102,062</u>
Capital assets, being depreciated:				
Buildings and improvements	3,227,564	-	-	3,227,564
Machinery and equipment	90,716	-	-	90,716
Infrastructure	52,773	-	-	52,773
Total capital assets, being depreciated	<u>3,371,053</u>	<u>-</u>	<u>-</u>	<u>3,371,053</u>
Less accumulated depreciation for:				
Buildings and improvements	(914,090)	(65,111)	-	(979,201)
Machinery and equipment	(53,005)	(6,781)	-	(59,786)
Infrastructure	(981)	(812)	-	(1,793)
Total accumulated depreciation	<u>(968,076)</u>	<u>(72,704)</u>	<u>-</u>	<u>(1,040,780)</u>
Total capital assets, being depreciated, net	<u>2,402,977</u>	<u>(72,704)</u>	<u>-</u>	<u>2,330,273</u>
Governmental activities capital assets, net	<u>\$ 10,244,980</u>	<u>\$ (1,007)</u>	<u>\$ (4,811,638)</u>	<u>\$ 5,432,335</u>

Depreciation is charged to community development expense in the statement of activities.

* = Amount transferred to the City of Fillmore.

Fillmore Redevelopment Agency
Notes to the Basic Financial Statements
June 30, 2010

NOTE 5: INVESTMENT – LAND HELD FOR RESALE

The Fillmore Redevelopment Agency has acquired a parcel of land as part of its primary purpose to develop or redevelop blighted properties. The Agency records the parcel as "land held for resale" in its financial records. The property is being carried at a net realizable value which is equal to cost. At June 30, 2010, the net realizable value for land held for resale totaled \$525,000, with this amount offset by a reservation of fund balance.

NOTE 6: LONG-TERM DEBT

A description of bonds, notes, and loans payable outstanding as of June 30, 2010 is as follows:

A. 2006 Tax Allocation Bonds

On August 10, 2006, the Fillmore Redevelopment Agency issued \$38,970,000 of 2006 Series A Tax Allocation Bonds. The proceeds from the bonds are to be used to 1) finance projects within the Agency's Project Area, 2) pay costs of issuance, 3) fund a reserve amount, and 4) advance refund the 2003 loan from the Fillmore Public Financing Authority (PFA) in the amount of \$30,895,982. The bonds are junior and subordinate to the 2005 loan with the PFA. The bonds are secured by a pledge of future tax increment revenues of the Agency. The bonds mature annually beginning May 1, 2008 and ending May 1, 2031. Interest is payable semi-annually each May 1 and November 1 at rates ranging from 4% to 5.375%. The issue consists of \$7,190,000 of serial bonds due from 2008 through 2018 and \$31,780,000 of term bonds due from 2021 through 2031.

The issuance of the bonds and simultaneous refunding of the 2003 PFA did not create an economic gain or loss due to the variable interest rate on the loan.

The outstanding balance of the 2006 Tax Allocation Bonds on June 30, 2010 was \$37,845,000.

Fiscal year ended June 30,	Principal	Interest	Total
2011	\$ 355,000	\$ 1,994,216	\$ 2,349,216
2012	455,000	1,977,798	2,432,798
2013	560,000	1,956,185	2,516,185
2014	680,000	1,929,025	2,609,025
2015	800,000	1,895,025	2,695,025
2016-2020	6,025,000	8,737,706	14,762,706
2021-2025	9,870,000	6,810,524	16,680,524
2026-2031	19,100,000	3,835,331	22,935,331
Total	<u>\$ 37,845,000</u>	<u>\$ 29,135,810</u>	<u>\$ 66,980,810</u>

**Fillmore Redevelopment Agency
Notes to the Basic Financial Statements
June 30, 2010**

NOTE 6: LONG-TERM DEBT (continued)

B. 2006 Tax Allocation Bond Anticipation Notes

On December 28, 2006, the Agency issued \$9,450,000 of 2006 Tax Allocation Bond Anticipation Notes. The proceeds from the notes are to be used to 1) pay for costs of issuance 2) fund a reserve fund 3) fund capitalized interest for 26 months, and 4) finance projects within the Agency's project area. The notes are junior and subordinate to the 2005 Public Financing Authority loan and the 2006 Tax Allocation Bonds. The notes are secured by a pledge of future tax increment revenue of the Agency. Principal on the notes is due and payable on May 1, 2013. Interest is payable semi-annually each May 1 and November 1 at a rate of 4.7%.

The outstanding balance of the notes as of June 30, 2010 was \$885,000. Future minimum debt service requirements are as follows:

Fiscal year ended June 30,	Principal	Interest	Total
2011	\$ -	\$ 41,595	\$ 41,595
2012	-	41,595	41,595
2013	<u>885,000</u>	<u>41,595</u>	<u>926,595</u>
Total	<u>\$ 885,000</u>	<u>\$ 124,785</u>	<u>\$ 1,009,785</u>

C. Loans from Fillmore Public Financing Authority

On February 16, 2006, the Fillmore Public Financing Authority sold \$13,225,000 total aggregate principal amount of 2006 Revenue Bonds Series A. From the issue, the Authority paid issue costs of \$160,000, financed a reserve fund in the amount of \$950,000, and loaned the balance to the Agency to fund various projects in the amount of \$12,115,000. The loan is secured by incremental property tax revenues of the Agency and the interest rate varies between 3.25% and 5.50%. Interest payments are due semiannually each May 15 and November 15 with annual principal payments due each May through 2031. The outstanding loan balance at June 30, 2010 was \$10,635,000.

Fillmore Redevelopment Agency
Notes to the Basic Financial Statements
June 30, 2010

NOTE 6: LONG-TERM DEBT (continued)

C. Loans from Fillmore Public Financing Authority (continued)

The following schedule illustrates the debt service requirements to maturity for the loan agreements outstanding as of June 30, 2010:

Fiscal year ended June 30,	Principal	Interest	Total
2011	\$ 330,000	\$ 617,197	\$ 947,197
2012	345,000	603,767	948,767
2013	360,000	588,487	948,487
2014	375,000	572,287	947,287
2015	395,000	554,663	949,663
2016-2020	2,270,000	2,462,544	4,732,544
2021-2025	2,940,000	1,793,900	4,733,900
2026-2031	3,620,000	945,500	4,565,500
Total	<u>\$ 10,635,000</u>	<u>\$ 8,138,345</u>	<u>\$ 18,773,345</u>

D. Schedule of changes in long-term debt

The following is a schedule of changes in long-term debt of the Agency for the fiscal year ended June 30, 2010:

	Beginning balance	Additions	Deletions	Ending balance	Due within one year
Fillmore Public Financing Authority (2005 bonds)	\$ 10,955,000	\$ -	\$ 320,000	\$ 10,635,000	\$ 330,000
2006 Tax allocation bonds	38,105,000	-	260,000	37,845,000	355,000
2006 Tax allocation bond anticipation notes	9,450,000	-	8,565,000	885,000	-
Compensated absences	73,071	9,309	-	82,380	20,595
Totals	<u>\$ 58,583,071</u>	<u>\$ 9,309</u>	<u>\$ 9,145,000</u>	<u>\$ 49,447,380</u>	<u>\$ 705,595</u>

NOTE 7: DEFERRED REVENUE

The deferred revenue in the governmental funds includes long-term notes receivable in the amount of \$8,477,571.

Fillmore Redevelopment Agency
Notes to the Basic Financial Statements
June 30, 2010

NOTE 8: TRANSFERS TO THE CITY OF FILLMORE

The Agency transferred funds to the City of Fillmore in the amount of \$6,470,613, which represents reimbursement of administrative costs and the Agency's share of certain capital projects.

NOTE 9: FUND EQUITY

Of the total amount of restricted net assets, none was restricted due to enabling legislation. All restrictions were due to the California Health and Safety Code, various bond indentures, and investment in capital assets.

NOTE 10: NET ASSETS AND FUND BALANCES

Net Assets are measured on the full accrual basis, versus Fund Balance, which is measured on the modified accrual basis.

A. Net assets

Net Assets are divided into three captions under GASB Statement No. 34. These captions apply only to Net Assets as determined at the Government-wide level, and are described below:

Invested in capital assets, net of related debt describes the portion of net assets which is represented by the current net book value of the Agency's capital assets, less the outstanding balance of any debt issued to finance these assets, if any.

Restricted describes the portion of net assets which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which the Agency cannot unilaterally alter. These principally include developer fees received for use on capital projects, debt service requirements, and redevelopment funds restricted to low and moderate income housing purposes.

Unrestricted describes the portion of net assets which is not restricted as to use.

B. Fund balances

Fund balances consist of reserved and unreserved amounts. Reserved fund balances represent that portion of fund balance, which is legally segregated for low and moderate income housing projects as required by the California Health and Safety Code, debt service expenditures as required under bond indenture, land held for resale, and future capital projects.

NOTE 11: COMMITMENTS AND CONTINGENCIES

There are certain claims against the Agency which have been denied and referred to the Agency insurance carrier. The Agency believes that none of these claims will exceed insurance coverage.

Under the terms of federal, county, and state grants, periodic audits are required and certain costs may be questioned as not appropriate expenditures under the terms of the grants. Such audits could lead to reimbursements to the grantor agencies. If some expenditures were disallowed, the Agency believes such disallowances, if any, would be immaterial.

**Fillmore Redevelopment Agency
Notes to the Basic Financial Statements
June 30, 2010**

NOTE 12: DUE TO/FROM OTHER FUNDS

Current interfund balances arise in the normal course of business and to assist funds with negative cash balances at the fiscal year end. These balances are expected to be repaid shortly after the end of the fiscal year.

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
Special Revenue	Capital Projects	\$ 745,030
Debt Service	Capital Projects	<u>1,215,574</u>
Total		<u><u>\$ 1,960,604</u></u>

NOTE 13: FINANCIAL CONDITION

The Agency has a deficit in net assets of \$25,063,679 at June 30, 2010. The Agency projects future resources will be sufficient to pay long-term obligations as they become due.

NOTE 14: SUPPLEMENTAL EDUCATION REVENUE AUGMENTATION FUND

On July 24, 2009, the State Legislature passed Assembly Bill (AB)X4-26, which requires redevelopment agencies statewide to deposit a total of \$2.05 billion of property tax increment in county "Supplemental" Educational Revenue Augmentation Funds (SERAF) to be distributed to meet the State's Proposition 98 obligations to schools. The SERAF revenue shift of \$2.05 billion will be made over two years, \$1.7 billion in fiscal year 2009-2010 and \$350 million in fiscal year 2010-2011. The SERAF would then be paid to school districts and the county offices of education which have students residing in redevelopment project areas, or residing in affordable housing projects financially assisted by a redevelopment agency, thereby relieving the State of payments to those schools. The Agency's share of this revenue shift was \$2,384,857 for fiscal year 2009-2010 and \$490,531 for fiscal year 2010-2011. Payments are to be made by May 10 of each respective fiscal year. In response to ABX4-26, the Agency funded the SERAF payment due in May 2010 with the Low/Mod Housing Fund.

The California Redevelopment Association (CRA) is the lead petitioner on a lawsuit to invalidate ABX4-26, similar to last year's successful lawsuit challenging the constitutionality of AB 1389. CRA filed the lawsuit on October 20, 2009. The lawsuit asserted that the transfer of property tax increment to the SERAF is not permitted under Article XVI, Section 16 of the California Constitution. The complaint also asserted impairment of contract and gift of public funds arguments. While the State made adjustments in AB 26 4x to address the constitutional issues raised by the Superior Court over last year's lawsuit challenging AB 1389, the Agency, along with the CRA and other California redevelopment agencies, believe that the SERAF remains unconstitutional.

NOTE 15: SUBSEQUENT EVENT

On November 9, 2010, the Agency Board adopted Resolution 10-247 amending the Central Station Townhomes Development and Disposition Agreement between the Agency and Cabrillo Economic Development Corporation (Developer). The resolution converts the original loan to the Developer into a grant as well as a portion of Homebuyer Loans associated with the project to grants. See note 3.d. for information regarding the loan.

REQUIRED SUPPLEMENTARY INFORMATION

Fillmore Redevelopment Agency
Budgetary Comparison Schedule - Housing Special Revenue Fund
For the year ended June 30, 2010

	Budgeted amounts		Actual amounts	Variance with final budget
	Original	Final		
REVENUES				
Tax increment	\$ 1,430,000	\$ 1,236,000	\$ 1,232,077	\$ (3,923)
Investment earnings	130,000	60,600	48,480	(12,120)
Total revenues	1,560,000	1,296,600	1,280,557	(16,043)
EXPENDITURES				
Current:				
Community development	-	1,050,672	548,309	502,363
Supplemental ERAF payment	-	2,384,857	2,384,857	-
Total expenditures	-	3,435,529	2,933,166	502,363
Excess (deficiency) of revenues over (under) expenditures	1,560,000	(2,138,929)	(1,652,609)	486,320
OTHER FINANCING (USES)				
Transfers to the City of Fillmore	(1,550,873)	(294,718)	(294,718)	-
Total other financing (uses)	(1,550,873)	(294,718)	(294,718)	-
Net change in fund balance	9,127	(2,433,647)	(1,947,327)	486,320
Fund balance, beginning of year	5,024,503	5,024,503	5,024,503	-
Fund balance, end of year	<u>\$ 5,033,630</u>	<u>\$ 2,590,856</u>	<u>\$ 3,077,176</u>	<u>\$ 486,320</u>

**Fillmore Redevelopment Agency
Note to Required Supplementary Information
June 30, 2010**

A. Budgetary accounting

In conjunction with the City of Fillmore's budgeting process, the Agency is required to adopt an annual budget at the legal level of budgetary control, which is in accordance with generally accepted accounting principles, for all of its funds on or before June 30 for the ensuing fiscal year.

OTHER SUPPLEMENTARY INFORMATION

**Fillmore Redevelopment Agency
Schedule of Revenues, Expenditures and
Changes in Fund Balance – Budget and Actual – Debt Service Fund
For the year ended June 30, 2010**

	Budgeted amounts		Actual amounts	Variance with final budget
	Original	Final		
REVENUES				
Tax increment	\$ 5,900,000	\$ 4,950,000	\$ 4,928,309	\$ (21,691)
Investment earnings	50,000	32,000	31,092	(908)
Total revenues	<u>5,950,000</u>	<u>4,982,000</u>	<u>4,959,401</u>	<u>(22,599)</u>
EXPENDITURES				
Current:				
Pass-through payments	2,230,000	1,400,000	1,410,562	(10,562)
Debt service:				
Principal	3,342,000	335,000	580,000	(245,000)
Interest and other charges	75,000	2,966,046	3,090,177	(124,131)
Total expenditures	<u>5,647,000</u>	<u>4,701,046</u>	<u>5,080,739</u>	<u>(379,693)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>303,000</u>	<u>280,954</u>	<u>(121,338)</u>	<u>(402,292)</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(950,000)	-	-	-
Transfers from the City of Fillmore	-	6,150	6,150	-
Transfers to the City of Fillmore	(20,000)	(44,961)	(54,961)	(10,000)
Total other financing sources (uses)	<u>(970,000)</u>	<u>(38,811)</u>	<u>(48,811)</u>	<u>(10,000)</u>
Net change in fund balance	(667,000)	242,143	(170,149)	(412,292)
Fund balance, beginning of year	<u>5,795,812</u>	<u>5,795,812</u>	<u>5,795,812</u>	<u>-</u>
Fund balance, end of year	<u>\$ 5,128,812</u>	<u>\$ 6,037,955</u>	<u>\$ 5,625,663</u>	<u>\$ (412,292)</u>

**Fillmore Redevelopment Agency
Schedule of Revenues, Expenditures and
Changes in Fund Balance – Budget and Actual – Capital Projects Fund
For the year ended June 30, 2010**

	Budgeted amounts		Actual amounts	Variance with final budget
	Original	Final		
REVENUES				
Investment earnings	\$ 323,000	\$ 191,400	\$ 101,371	\$ (90,029)
Other	64,492	63,048	107,797	44,749
Total revenues	387,492	254,448	209,168	(45,280)
EXPENDITURES				
Current:				
Community development	1,009,948	726,110	728,314	(2,204)
Debt service:				
Principal	-	8,565,000	8,565,000	-
Capital outlay	-	475,000	-	475,000
Total expenditures	1,009,948	9,766,110	9,293,314	472,796
Excess (deficiency) of revenues under expenditures	(622,456)	(9,511,662)	(9,084,146)	427,516
OTHER FINANCING SOURCES (USES)				
Transfers in	950,000	-	-	-
Transfers to the City of Fillmore	(5,360,661)	(6,120,934)	(6,120,934)	-
Total other financing sources (uses)	(4,410,661)	(6,120,934)	(6,120,934)	-
Net change in fund balance	(5,033,117)	(15,632,596)	(15,205,080)	427,516
Fund balance, beginning of year	14,900,069	14,900,069	14,900,069	-
Fund balance (deficit), end of year	\$ 9,866,952	\$ (732,527)	\$ (305,011)	\$ 427,516



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The Board of Directors of the
Fillmore Redevelopment Agency

**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**

We have audited the financial statements of the governmental activities and each major fund of the Fillmore Redevelopment Agency (Agency), a component unit of the City of Fillmore, California, as of and for the year ended June 30, 2010, which collectively comprise the Agency's basic financial statements and have issued our report thereon dated November 29, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal control over financial reporting

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

A *deficiency in internal control* 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 *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a misstatement of the Agency's financial statements will not be prevented or detected and corrected on a timely basis.

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

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Compliance and other matters

As part of obtaining reasonable assurance about whether the financial statements of the 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. Such provisions included those provisions of laws and regulations identified in the *Guidelines for Compliance Audits of California Redevelopment Agencies*, issued by the State Controller and as interpreted in the *Suggested Auditing Procedures for Accomplishing Compliance Audits of California Redevelopment Agencies*, issued by the Governmental Accounting and Auditing Committee of the California Society of Certified Public Accountants. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed two instances of noncompliance that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and recommendations section of the report as finding number 2010-01 and 2010-02.

The Agency's response to the findings identified in our audit is described in the accompanying schedule of findings and recommendations. We did not audit the Agency's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the board of directors, management, and the State Controller and is not intended to be and should not be used by anyone other than these specified parties.

Rogeo Anderson Malaby, Sr., CPA

November 29, 2010

**Fillmore Redevelopment Agency
Redevelopment Agency Compliance Audit Findings
June 30, 2010**

Compliance Findings

A. Financial Disclosure and Reporting

Finding 2010-01

Criteria

Pursuant to California Health and Safety Code, Section 33080, the Agency must produce and present the following annual reports to its legislative body and the State Controller's office within six months of the end of the previous fiscal year:

- a- Independent auditor's report on financial statements
- b- Independent auditor's report on legal compliance
- c- Annual Report of Financial Transactions of Community Redevelopment Agencies
- d- Housing activities report
- e- Blight progress report
- f- Loan report (if applicable)
- g- Property report (if applicable)

Condition

For the fiscal year ended June 30, 2009, the Agency did not submit to the legislative body the following reports by the due date of December 31, 2009:

- Independent auditors' report on financial statements
- Independent auditors' report on legal compliance
- Annual Report of Financial Transactions of Community Redevelopment Agencies
- Housing activities report
- Property Report

For the fiscal year ended June 30, 2009, the Agency did not submit to the legislative body the following annual reports for the previous fiscal year:

- Blight Progress Report

Recommendation

Therefore, we recommend that in the future periods the Agency prepare and present all required annual reports to the legislative body and State Controller's office before December 31, in order to comply with California Health and Safety Code, Section 33000.

**Fillmore Redevelopment Agency
Redevelopment Agency Compliance Audit Findings
June 30, 2010**

A. Financial Disclosure and Reporting (continued)

Finding 2010-02

Criteria

Pursuant to California Health and Safety Code, Section 33334.3(d), the Agency must prepare a written determination annually showing that planning and administrative expenditures were necessary for the production, improvement, or preservation of low- and moderate-income housing. Eligible planning and general administrative costs that may be paid from the Housing Fund are limited to the following:

- a- Costs incurred for salaries, wages, and related costs by agency staff or for similar services provided through interagency agreements and agreements with contractors. Ordinary and reasonable related indirect costs may be included.
- b- Costs incurred by nonprofit corporations that are not directly attributable to specific projects.
- c- Eligible program and project costs listed and authorized under Health and Safety Code, Section 33334.2(e).

Condition

For the fiscal year ended June 30, 2010, the Agency did not prepare a written determination of necessary planning and administrative expenditures.

Recommendation

Therefore, we recommend that in the future periods the Agency prepare a written determination showing the necessary planning and administrative expenditures, in order to comply with California Health and Safety Code, Section 33334.3(d).