

Community Redevelopment Agency of Atascadero

Financial Statements

June 30, 2007

**COMMUNITY REDEVELOPMENT AGENCY OF ATASCADERO
BOARD OF DIRECTORS**

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George Luna, BOARD MEMBER

Jerry Clay, Sr., BOARD MEMBER

**FOUNDED
1913**

**INCORPORATED
1979**

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COMMUNITY REDEVELOPMENT AGENCY OF ATASCADERO

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CERTIFIED PUBLIC ACCOUNTANTS
TAX AND BUSINESS ADVISORS

Emeritus:
Fred L. Glenn
Stephen A. Burdette

Independent Auditors' Report

Board of Directors
Community Redevelopment Agency of Atascadero
Atascadero, California 93422

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Community Redevelopment Agency of Atascadero (the Agency) 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 and Guidelines for Compliance Audits of California Redevelopment Agencies, issued by the State Controller. 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, each major fund, and the aggregate remaining fund information of the Community Redevelopment Agency of Atascadero as of June 30, 2007, and the respective changes in financial position 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 15, 2007, 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. Such provisions include the provisions of laws and regulations identified in the Guidelines for Compliance Audits of California Redevelopment Agencies, issued by the State Controller. 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.

The management's discussion and analysis on page 3-10 and budgetary comparison information on pages 27-32 are not required parts of the basic financial statements but are 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Community Redevelopment Agency of Atascadero's basic financial statements. The combining non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining non-major fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Glenn, Burdette, Phillips & Bryson

Glenn, Burdette, Phillips & Bryson
Certified Public Accountants
A Professional Corporation
San Luis Obispo, California

November 15, 2007



MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ended June 30, 2007

INTRODUCTION

This discussion and analysis of the Community Redevelopment Agency of Atascadero's financial performance provides an overview of the Agency's financial activities for the fiscal year ended June 30, 2007. For the most complete picture of the Agency, please read this document in conjunction with the Agency's basic financial statements, and the accompanying notes to the basic financial statements.

FINANCIAL HIGHLIGHTS

- The assets of the Agency exceeded its liabilities at the close of the most recent fiscal year by over \$4.7 million. Of this amount, \$4,488,783 may be used to meet the Agency's ongoing obligations to citizens and creditors.
- The Agency's total net assets increased by \$904,475.
- As of the close of the current fiscal year, the Agency's governmental funds reported combined ending fund balances of \$13,977,143, an increase of \$86,289 over the prior fiscal year.
- Almost nine percent (9%), or \$1,237,222, of the governmental fund balance is reserved for debt service, fifteen percent (15%), or just over \$2 million, has been reserved for low/moderate income housing, and two percent (2%), or \$326,463, is reserved for encumbrances. Thirty percent (30%) has been committed for capital projects in progress, leaving the remaining forty-four percent (44%) unreserved and available for future spending.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements presented herein include the activities of the Community Redevelopment Agency of Atascadero using the integrated approach as prescribed by GASB Statement No. 34. The Agency has four funds, all of which are treated as major funds. The funds are the Redevelopment Agency Fund, the Low/Moderate Income Housing Redevelopment Fund, the 2005 Redevelopment Bond Project Fund, and the 2005 Redevelopment Bond Debt Service Fund.

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Government-wide Financial Statements

The Government-wide Financial Statements present a broad overview of the financial picture of the Agency from the economic resources measurement focus using the accrual basis of accounting. These statements include all assets of the Agency as well as all liabilities (including long-term debt).

The *Statement of Net Assets* presents information on all the Agency's assets and liabilities, with the difference reported as *net assets*. Over time, increases or decreases in net assets may serve as an indicator of whether the financial position of the Agency is improving or declining.

The *Statement of Activities* presents information showing how the Agency'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 the 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.

Fund Financial Statements

A fund is a group 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 Agency's funds are considered governmental.

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 balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing 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 funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Notes to the Basic Financial Statements

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

STATEMENT OF NET ASSETS

June 30, 2007

	June 30, 2007	June 30, 2006
Assets		
Current and other assets	\$ 12,756,065	\$ 12,233,547
Capital assets	6,081,637	5,752,132
Total assets	<u>18,837,702</u>	<u>17,985,679</u>
Liabilities		
Current liabilities	206,443	262,951
Noncurrent liabilities	13,872,554	13,872,554
Total liabilities	<u>14,078,997</u>	<u>14,135,505</u>
Net Assets		
Invested in capital assets, net of related debt	265,866	270,185
Unrestricted	4,488,783	3,579,989
Net assets	<u>\$ 4,754,649</u>	<u>\$ 3,850,174</u>

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the Community Redevelopment Agency of Atascadero, assets exceeded liabilities by \$4.7 million at the close of the most recent fiscal year. The largest portion of the Agency's net assets (94%) reflects assets that are unrestricted and may be used to meet future obligations. The remaining portion of the Agency's net assets (6%) reflects its investment in capital assets, less any related debt used to acquire those assets that is still outstanding. The Agency uses these capital assets to provide services to the community; 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.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

Consistent with the prior fiscal year, as of the end of the current fiscal year, the Agency is able to report a positive balance in net assets. The Agency's net assets increased by over \$904,000 during the current fiscal year. Information about changes in net assets is summarized below:

**SUMMARY OF CHANGES IN NET ASSETS
 For the fiscal year ended June 30, 2007**

	June 30, 2007	June 30, 2006
Revenues		
Program revenues		
Operating grants and contributions	\$ 3,500	\$ 5,000
General revenues		
Property taxes	2,917,710	2,344,603
Investment Income	739,321	426,458
Rent	373,596	373,596
Other	-	-
Total revenues	<u>4,034,127</u>	<u>3,149,657</u>
Program Expenses		
Redevelopment	2,422,421	870,554
Interest on long term debt	707,231	705,257
Total expenses	<u>3,129,652</u>	<u>1,575,811</u>
Change in net assets	904,475	1,573,846
Net assets- beginning	3,850,174	2,276,328
Net assets- ending	<u>\$ 4,754,649</u>	<u>\$ 3,850,174</u>

Overall, the Agency's financial picture has improved, due to revenues exceeding expenditures by more than \$904,000. This is primarily a function of substantially increased revenues coupled with the Agency's commitment to capital improvements. Property tax increment increased by about \$573,000, while investment income increased by almost \$313,000. The Agency continues to spend only twenty-eight percent (28%) of their income on operations, and has committed to investing fifty-eight percent (58%) into capital improvements.

FINANCIAL ANALYSIS OF THE AGENCY'S FUNDS

STATEMENT OF REVENUES, EXPENSES & CHANGES IN FUND BALANCE GOVERNMENTAL FUNDS For the year ended June 30, 2007

	June 30, 2007	June 30, 2006
Revenues	\$ 4,034,127	\$ 3,149,657
Expenses	(2,541,196)	(3,040,840)
Other financing sources	<u>(1,406,642)</u>	<u>(296,327)</u>
Net change in fund balances	<u>86,289</u>	<u>(187,510)</u>
Fund balance, beginning of fiscal year	<u>13,890,854</u>	<u>14,078,364</u>
Fund balance, end of fiscal year	<u><u>\$ 13,977,143</u></u>	<u><u>\$ 13,890,854</u></u>

FUND ANALYSIS

Redevelopment Agency Fund

Cash & Investments

At June 30, 2007, the cash and investment balance was about \$6 million, approximately \$2.4 million more than the prior fiscal year, due primarily to better than expected tax increment, and capital projects savings.

Tax Revenues

Property taxes increased over the prior year by 26% (\$451,451) and over budget projections by about 69% (\$887,326), due to the continued revitalization in the Redevelopment Project Area.

Investment Income

Investment income increased during the current fiscal year as compared to the prior fiscal year and to the budget, due to steadily increasing interest rates and a larger amount of cash held in investments.

Rental Income

Rental income was consistent with last fiscal year due to the rental contract between the Agency and the City for the rental of the Creekside Building.

FUND ANALYSIS (continued)

Redevelopment Agency Fund (continued)

Services, Supplies and Special Projects

Services, supplies and special projects expense was up about 9% compared to last fiscal year, mostly due to changes in special projects, labor, and contract services.

Capital Outlay

Capital outlay showed a decrease of \$60,000 compared to the prior year, due to a slow down in capital projects expenditures.

Low/Moderate Income Housing Redevelopment Fund

Cash & Investments

The cash and investments balance at June 30, 2007 was about \$2.1 million. This represents an increase of approximately \$432,000 over the prior fiscal year. This was mostly due to better than expected tax increment and capital projects savings.

Tax Revenues

Property tax increment exceeded final budget estimates by about \$319,000, due to increasing revitalization in the Redevelopment Project Area. The revenue also exceeds fiscal year 2006-2007 revenue by just less than \$119,000.

Investment Income

Investment income demonstrated a relatively significant increase of \$78,000 over the previous fiscal year, and an increase of \$66,000 over the budget amount of \$43,030, due to the steadily increasing interest rates and the larger amount of cash held in investments.

2005 Redevelopment Bond Project Fund

Cash & Investments

This fund ended the year with a cash and investment balance of \$4,376,248. Per bond covenants, this fund maintains the bond revenues to be used on Agency approved projects.

Interest Receivable

Interest receivable was \$70,185 at year end. This was the interest earned on the above cash and investment balance.

Accounts Payable

Accounts Payable decreased during the year to \$1,262, due to the timing of vendor payments for Redevelopment projects.

FUND ANALYSIS (continued)

2005 Redevelopment Bond Project Fund (continued)

Investment Income

Investment income was about \$297,000 for the year. This was approximately \$200,000 higher than anticipated due to better than expected returns.

Capital Outlay

The final budget to actual variance in capital projects of \$1.37 million was primarily due to project timing.

2005 Redevelopment Bond Debt Service Fund

Cash with Fiscal Agents

Cash with fiscal agents decreased by \$493,000 during the fiscal year to \$1.2 million due to interest payments.

Investment Income

Interest income came in at about \$68,000 in excess of budget for the year. This was higher than anticipated due to better than expected returns. It represents an eighty-eight percent (88%) increase over the prior fiscal year.

REDEVELOPMENT AGENCY ACTIVITIES

The downtown area has been designated by the Redevelopment Agency as the focal point of redevelopment activities and investment. In addition, the Project Area includes 457 acres of residential area.

In fiscal year 2004-2005, the Agency issued \$12,490,000 in Tax Revenue Allocation Bonds. Although the bonds were issued for very broad purposes, the Agency Board prioritized various projects such as the Colony Park Community Center, the Lewis Avenue Bridge, the Sunken Gardens Project, the Creek Bank Restoration Project, purchase and rehabilitation of the Creekside Building, and downtown parking, as proposed uses of these bonds funds. These bonds carry interest rates from 3% to 5% annually and mature each year from fiscal years 2010 through 2035.

The Agency nearly completed the Creek Bank Restoration Project during the fiscal year. The Creekside Building has been fully rehabilitated and is now generating rental income from the City. The Agency has also contributed toward the Colony Park Community Center and the Lewis Avenue Bridge. Both of these projects are scheduled to begin serving the community in fiscal year 2007-2008.

REDEVELOPMENT AGENCY ACTIVITIES (continued)

Following are ongoing goals established by the Redevelopment Agency:

- Financial and technical assistance to Main Street program, Business Improvement District, and other merchant/owner-based downtown improvement organizations
- Improvement of public parking facilities in the Downtown
- Expansion of entertainment facilities in the Downtown
- Addition of anchor tenants to increase activity in the Downtown
- Various employment-generating projects
- Expansion of the Atascadero Library
- Housing programs, to include rehabilitation, replacement housing needs, neighborhood residential conservation, and development of new, affordable units

CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT TEAM

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Agency's finances and to show the Agency's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Community Redevelopment Agency of Atascadero, 6907 El Camino Real, Atascadero CA 93422.

BASIC FINANCIAL STATEMENTS

COMMUNITY REDEVELOPMENT AGENCY OF ATASCADERO
STATEMENT OF NET ASSETS
 June 30, 2007

	<u>Total Governmental Activities</u>
ASSETS	
Current assets:	
Cash and investments	\$ 12,443,343
Due from other governments	148,259
Other receivables	5,000
Interest receivable	159,463
Noncurrent assets:	
Capital assets, net of depreciation	4,550,155
Restricted cash and investments	1,237,222
Deferred charges	<u>294,260</u>
Total assets	<u>18,837,702</u>
LIABILITIES	
Current liabilities:	
Accounts payable	13,715
Accrued payroll expenses	2,429
Interest payable	190,299
Noncurrent liabilities:	
Due within one year	1,375,175
Due in more than one year	<u>12,501,435</u>
Total liabilities	<u>14,083,053</u>
NET ASSETS	
Invested in capital assets, net of related debt	265,866
Unrestricted	<u>4,488,783</u>
Total net assets	<u><u>\$ 4,754,649</u></u>

See accompanying notes to basic financial statements

COMMUNITY REDEVELOPMENT AGENCY OF ATASCADERO

STATEMENT OF ACTIVITIES

For the Fiscal Year Ended June 30, 2007

	<u>Program Revenues</u>				
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Net Governmental Activities</u>
Governmental activities:					
Redevelopment	\$ 2,422,421	\$ -	\$ 3,500	\$ -	\$ (2,418,921)
Interest on long-term debt	707,231	-	-	-	(707,231)
Total governmental activities	<u>3,129,652</u>	<u>-</u>	<u>3,500</u>	<u>-</u>	<u>(3,126,152)</u>
General Revenues					
Taxes:					
Property taxes					2,917,710
Investment income					739,321
Rent					<u>373,596</u>
Total general revenues					<u>4,030,627</u>
Change in net assets					904,475
Net assets, beginning of fiscal year					<u>3,850,174</u>
Net assets, end of fiscal year					<u><u>\$ 4,754,649</u></u>

COMMUNITY REDEVELOPMENT AGENCY OF ATASCADERO
GOVERNMENTAL FUNDS
BALANCE SHEET
June 30, 2007

	Redevelopment Agency Fund	Low/Moderate Income Housing Redevelopment Fund	2005 Redevelopment Bond Project Fund	2005 Redevelopment Bond Debt Service Fund	Total Governmental Funds
ASSETS					
Cash and investments	\$ 5,971,648	\$ 2,095,447	\$ 4,376,248	\$ -	\$ 12,443,343
Restricted cash and investments:					
Cash with fiscal agents	-	-	-	1,237,222	1,237,222
Due from other governments	110,116	38,143	-	-	148,259
Other receivables	5,000	-	-	-	5,000
Interest receivable	63,917	25,361	70,185	-	159,463
Total assets	<u>\$ 6,150,681</u>	<u>\$ 2,158,951</u>	<u>\$ 4,446,433</u>	<u>\$ 1,237,222</u>	<u>\$ 13,993,287</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 12,421	\$ 32	\$ 1,262	\$ -	\$ 13,715
Accrued payroll expenses	2,331	98	-	-	2,429
Total liabilities	<u>14,752</u>	<u>130</u>	<u>1,262</u>	<u>-</u>	<u>16,144</u>
Fund Balances:					
Reserved for encumbrances	-	70,000	256,463	-	326,463
Reserved for debt service	-	-	-	1,237,222	1,237,222
Reserved for Low/Moderate Income Housing	-	2,088,821	-	-	2,088,821
Unreserved:					
Designated for Capital Commitments	31,835	-	4,188,708	-	4,220,543
Undesignated	6,104,094	-	-	-	6,104,094
Total fund balances	<u>6,135,929</u>	<u>2,158,821</u>	<u>4,445,171</u>	<u>1,237,222</u>	<u>13,977,143</u>
Total liabilities and fund balances	<u>\$ 6,150,681</u>	<u>\$ 2,158,951</u>	<u>\$ 4,446,433</u>	<u>\$ 1,237,222</u>	<u>\$ 13,993,287</u>

See accompanying notes to basic financial statements

COMMUNITY REDEVELOPMENT AGENCY OF ATASCADERO

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS

June 30, 2007

Total fund balances of total governmental funds \$ 13,977,143

Amounts reported for governmental activities in the statement of net assets are different because:

In governmental funds, only current assets are reported. In the statement of net assets, all assets are reported, including capital assets and accumulated depreciation.

Capital assets at historical cost	\$ 4,585,088	
Accumulated depreciation	<u>(34,933)</u>	
	Net	4,550,155

In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. (190,299)

Long-term liabilities: In governmental funds, only current liabilities are reported. In the statement of net assets, all liabilities, including long-term liabilities, are reported. Long term liabilities relating to governmental activities consist of:

Bonds payable	12,490,000	
Loan payable to the City of Atascadero	1,375,175	
Compensated absences payable	<u>11,435</u>	
		(13,876,610)

In governmental funds, bond issuance costs are expensed when the bonds are issued. In the government-wide statement of activities, the costs are recorded as an asset and amortize over the life of the bond. 294,260

Net assets of governmental activities \$ 4,754,649

COMMUNITY REDEVELOPMENT AGENCY OF ATASCADERO

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

For the Fiscal Year Ended June 30, 2007

	Redevelopment Agency Fund	Low/Moderate Income Housing Redevelopment Fund	2005 Redevelopment Bond Project Fund	2005 Redevelopment Bond Debt Service Fund	Total Governmental Funds
Revenues					
Taxes	\$ 2,164,496	\$ 753,214	\$ -	\$ -	\$ 2,917,710
Investment income	251,714	108,879	297,423	81,305	739,321
Rental income	373,596	-	-	-	373,596
Donations	3,500	-	-	-	3,500
Total revenues	<u>2,793,306</u>	<u>862,093</u>	<u>297,423</u>	<u>81,305</u>	<u>4,034,127</u>
Expenditures					
Employee services	124,903	5,384	-	-	130,287
Services and supplies	312,857	-	-	2,200	315,057
Special projects and community funding	89,287	447,918	-	-	537,205
Capital outlay	-	-	862,206	-	862,206
Debt service:					
Interest	122,399	-	-	574,042	696,441
Total expenditures	<u>649,446</u>	<u>453,302</u>	<u>862,206</u>	<u>576,242</u>	<u>2,541,196</u>
Excess of revenues over (under) expenditures	<u>2,143,860</u>	<u>408,791</u>	<u>(564,783)</u>	<u>(494,937)</u>	<u>1,492,931</u>
Other Financing Sources (Uses)					
Transfers between funds	(2,200)	-	-	2,200	-
Contributions (to) from City	<u>(46,950)</u>	<u>-</u>	<u>(1,359,692)</u>	<u>-</u>	<u>(1,406,642)</u>
Total other financing sources (uses)	<u>(49,150)</u>	<u>-</u>	<u>(1,359,692)</u>	<u>2,200</u>	<u>(1,406,642)</u>
Excess of revenues and other sources over (under) expenditures and other uses	2,094,710	408,791	(1,924,475)	(492,737)	86,289
Fund balances, June 30, 2006	<u>4,041,219</u>	<u>1,750,030</u>	<u>6,369,646</u>	<u>1,729,959</u>	<u>13,890,854</u>
Fund balances, June 30, 2007	<u>\$ 6,135,929</u>	<u>\$ 2,158,821</u>	<u>\$ 4,445,171</u>	<u>\$ 1,237,222</u>	<u>\$ 13,977,143</u>

See accompanying notes to basic financial statements

COMMUNITY REDEVELOPMENT AGENCY OF ATASCADERO

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES

For the Fiscal Year Ended June 30, 2007

Net changes in fund balances, total governmental funds \$ 86,289

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

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which additions to capital outlay of \$862,206 is greater than depreciation expense \$(29,174) in the period. 833,032

In governmental funds, the issuance costs associated with long-term debt are reported as expenses in the year debt is issued. In the government-wide statements, the issuance costs are recorded as assets and are amortized over the life of the related debt. Current year amortization of these costs amounted to \$10,790. (10,790)

In the statement of activities, compensated absences are measured by the amounts earned during the fiscal year. In governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially the amounts paid). This fiscal year, vacation earned exceeded the amounts used by \$4,056. (4,056)

Change in net assets of governmental activities \$ 904,475

NOTES TO THE BASIC FINANCIAL STATEMENTS

COMMUNITY REDEVELOPMENT AGENCY OF ATASCADERO

NOTES TO THE BASIC FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Community Redevelopment Agency of Atascadero (Agency) have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental agencies. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for governmental accounting and financial reporting purposes. The more significant of the Agency's accounting policies are described below.

A. Reporting Entity

The Agency is a blended component unit of the City of Atascadero (City). The Agency was created by the City Council in June 1999. The primary purpose of the Agency is to eliminate blighted areas by encouraging the development of residential, commercial, industrial, recreational, and public facilities.

Funds for redevelopment projects are provided from various sources, including incremental property tax revenues, advances from the City, and bond proceeds.

B. Description of Funds

The accounts of the Agency are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The minimum number of funds is maintained consistent with legal and managerial requirements.

C. Government-wide Financial Statements

The Agency's government-wide financial statements include a Statement of Net Assets and a Statement of Activities. These statements present summaries of governmental activities for the Agency. The Agency does not have any business-type activities; therefore, only governmental activities are reported.

These financial statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the Agency's assets and liabilities, including capital assets and long-term liabilities, are included in the accompanying Statement of Net Assets. The Statement of Activities presents changes in net assets. Under the accrual basis of accounting, revenues are recognized in the period in which the liability is incurred.

Certain types of transactions are reported as program revenues for the Agency in three categories: (1) charges for services, (2) operating grants and contributions, and (3) capital grants and contributions.

Interfund transfers have been eliminated in the government-wide financial statements.

COMMUNITY REDEVELOPMENT AGENCY OF ATASCADERO

NOTES TO THE BASIC FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Fund Financial Statements

Fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures, and Changes in Fund Balances for all governmental funds. An accompanying schedule is presented to reconcile and explain differences in fund balances as presented in these statements to the net assets presented in the government-wide financial statements. The Agency is reporting all funds major funds.

All governmental funds are accounted for on a spending or current financial resources measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in fund balances. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period.

Revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after fiscal year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the Agency, are increment property tax, intergovernmental revenues, other taxes, interest revenues, rental revenues, and certain charges for services. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

Deferred revenues arise when potential revenues do not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when the government receives resources before it has a legal claim to them, as when grant monies are received prior to incurring qualifying expenditures. In subsequent periods when both revenue recognition criteria are met or when the government has a legal claim to the resources, the deferred revenue from the balance sheet is recognized as revenue.

The Reconciliations for the Fund Financial Statements to the Government-wide Financial Statements are provided to explain the differences created by the integrated approach of GASB Statement No. 34.

E. Use of 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 the reported amounts of assets, liabilities, revenues, and expenditures or expenses as appropriate. Actual results could differ from those estimates.

COMMUNITY REDEVELOPMENT AGENCY OF ATASCADERO

NOTES TO THE BASIC FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Property Tax Revenues

Incremental property tax revenues represent property taxes in each project area arising from increased assessed valuations over base valuations established at the inception of the project area. Incremental property taxes from each project area accrue to the Agency until all liabilities and commitments of the project area have been repaid (including cumulative funds provided or committed by the Agency). After all such indebtedness has been repaid, all property taxes from the project area revert back to the various taxing authorities.

California Constitution Article XIII A limits the combined property tax rate to one percent of a property's assessed valuation. Additional taxes may be imposed with voter approval. Assessed value is calculated at one hundred percent of a property's fair value, as defined by Article XIII A, and may be increased no more than two percent per year unless improvements are made to the property or a change in ownership occurs. The state legislature has determined the method of distributing the one percent tax levy among the various taxing jurisdictions.

Property tax revenues are recognized in the fiscal year for which taxes have been levied, and collected within sixty days of fiscal year end. Property taxes are billed and collected as follows:

	Secured	Unsecured
Valuation / Lien Dates	January 1	January 1
Levy Dates	July 1	July 1
Due Dates	November 1 (50%) February 1 (50%)	August 1
Delinquency Dates	December 10 (November) April 10 (February)	August 31

G. Low and Moderate Income Housing

The California Health and Safety Code requires the Agency project area to deposit 20% of allocated incremental property tax revenues (or 20% of net bond proceeds plus 20% of incremental revenues in excess of debt service payments on the bond) into a Low and Moderate Income Housing Fund. This money is restricted for the purpose of increasing and improving the community's supply of low and moderate income housing. The Agency accounts for these revenues in a special revenue fund.

H. Employee Services

Employee services are provided by the City of Atascadero.

COMMUNITY REDEVELOPMENT AGENCY OF ATASCADERO

NOTES TO THE BASIC FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Capital Assets

The Agency's assets are capitalized at historical cost or estimated historical cost. Agency policy has set the capitalization threshold for reporting capital assets at \$2,500. Gifts or contributions of capital assets are recorded at fair value when received. Depreciation is recorded on a straight-line basis over the useful lives of these assets as follows:

Structures and improvements	50 years
Infrastructure	50 years

J. Risk Management

The Agency's risk of loss is covered through the City's risk management program including participation in the California Joint Powers Insurance Authority (CJPIA). Additional information and categorization on the City of Atascadero's risk management program is available in the financial statements of the City of Atascadero.

K. Net Assets

Government-wide Financial Statements

Invested in Capital Assets, Net of Related Debt

This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction, or improvement of the capital assets.

Restricted Net Assets

This amount is restricted by external creditors, grantors, contributors, or laws or regulations of other governments.

Unrestricted Net Assets

This amount is all net assets that do not meet the definition of "invested in capital assets, net of related debt" or "restricted net assets."

Fund Financial Statements

Fund Equity

Reservations of fund balances of governmental funds are created to either satisfy legal covenants, including State laws, that require a portion of the fund equity be segregated, or identify the portion of the fund equity not available for future expenditures.

COMMUNITY REDEVELOPMENT AGENCY OF ATASCADERO

NOTES TO THE BASIC FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2007

NOTE 2 - CASH AND INVESTMENTS

Agency cash and investments at June 30, 2007 consist of the following:

Pooled Investment Funds:

		<u>Percentage</u>
City of Atascadero's Pooled Cash	\$ 7,109,050	57.13%
Local Agency Investment Fund (LAIF)	4,097,071	32.93%
Funds with Fiscal Agent	1,237,222	9.94%
	<u>\$ 12,443,343</u>	<u>100.00%</u>

Cash and Cash Equivalents

The Agency's cash and cash equivalents are principally deposits in external investment pools, including the City of Atascadero's Pooled Cash, in which cash balances from all funds of the Agency are combined and invested by the City of Atascadero in legally allowable securities. As part of its incorporation, the Agency formally adopted all policies in use by the City, including its investment policy. Earnings from investments are allocated to the respective funds on the basis of applicable cash balances of each fund.

Investments

City of Atascadero's Pooled Cash

At June 30, 2007, the carrying amount of the Agency's deposits included in pooled cash and investments with the City of Atascadero was \$7,109,050. Additional information and categorization on the City of Atascadero's pooled cash and investments is available in the financial statements of the City of Atascadero. The credit quality of the City's pool is unrated.

Local Agency Investment Fund (LAIF)

At June 30, 2007, the fair value of the Agency's position in the State LAIF pool is \$4,097,071, which is the same as the value of the pool shares. LAIF is overseen by the Local Agency Investment Advisory Board, and is audited annually by the State Treasurer's Office. The credit quality of the State LAIF pool is unrated.

COMMUNITY REDEVELOPMENT AGENCY OF ATASCADERO

NOTES TO THE BASIC FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2007

NOTE 2 - CASH AND INVESTMENTS (continued)

Investments (continued)

Funds with Fiscal Agent

At June 30, 2007, the fair value of the Agency's Funds with Fiscal Agent was \$1,237,222. These monies are pledged to the security of the 2005 Redevelopment Agency Tax Allocation Bonds. Following is the distribution of the Agency's Funds with Fiscal Agent by investment type:

	Fair Value	Weighted Avg. Maturity (Years)
U.S. Treasury Notes	\$ 278,139	2.75
Government Bonds	836,733	4.51
Federated Treasury Obligation	122,350	on demand
	<u>\$ 1,237,222</u>	

Portfolio weighted average maturity

3.77

Interest Rate Risk

This is the risk that the market value of securities in the portfolio will fall due to changes in general interest rates. As stated above, the Agency has adopted the City's investment policy. In accordance with this policy, the Agency mitigates interest rate risk by:

- Structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity
- Investing operating funds primarily in shorter-term securities, money market mutual funds, or similar investment pool

Credit Risk

This is the risk of loss due to the failure of the security issuer or backer. The Agency mitigates credit risk by:

- Limiting investments to the safest types of securities
- Pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisers with which the City will do business
- Diversifying the investment portfolio so that potential losses on individual securities will be minimized

State law limits investment in commercial paper, corporate bonds, and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organizations (NRSROs). It is the Agency's policy to limit its investments in these investment types to the top rating issued by NRSROs. The Agency does not hold any commercial paper or corporate bonds. All of the Agency's investments in U.S. agencies carry the explicit guarantee of the U.S. government. Investments are held by the Bank of New York in the Agency's name.

COMMUNITY REDEVELOPMENT AGENCY OF ATASCADERO

NOTES TO THE BASIC FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2007

NOTE 2 - CASH AND INVESTMENTS (continued)

Investments (continued)

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Agency's pooled cash in the amount of \$7,109,050 held by the City of Atascadero is exposed to custodial credit risk because this investment is uninsured. See the City's separate financial statements for additional information. The amounts held under this custodial arrangement are not limited by the Agency's investment policy.

Concentration of Credit Risk

The Agency's investment policy provides guidelines for diversification of investments to minimize potential losses on individual securities.

- No more than forty percent (40%) of the Agency's portfolio shall be invested in U.S. government obligations, U.S. government agency obligations, and U.S. government instrumentality obligations, which have a liquid market with a readily determinable market value.
- Up to forty percent (40%) of the Agency's portfolio may be invested in bankers acceptances, which are defined as bills of exchange or time drafts, drawn on and accepted by a commercial bank, and eligible for purchase by the Federal Reserve System. No more than thirty percent (30%) of the portfolio may be invested in bankers acceptances with any one commercial bank. Additionally, the maturity periods cannot exceed 180 days.
- A maximum of twenty-five percent (25%) of the Agency's portfolio may be invested in highest tier (e.g., A-1, P-1, F-1 or D-1 or higher) commercial paper as rated by Moody's or Standard and Poor's rating service. Issuing corporations must be organized and operating in the United States, have \$500 million total assets, and have at least an "A" rating (by Moody's or Standard and Poor's) on debt other than commercial paper. The maturity period cannot exceed 270 days. Purchases of eligible commercial paper may not exceed 10% of the outstanding paper of an issuing corporation.
- There is no limit as to the amount of the investment portfolio that may be deposited in certificates of deposit or passbook savings accounts. The minimum requirements for certificate of deposit investments shall be:
 - Investments and accrued interest shall never exceed the FDIC insurance limit in any one institution.
 - Qualified institutions must have a minimum equity ratio of 6% and a minimum capitalization of \$10,000,000.

Shares of beneficial interest issued by diversified management companies that are money market funds registered with the Securities and Exchange Commission under the Investment Company Act of 1940 (15 U.S.C. Sec 80a-1 et seq.) shall not exceed twenty percent (20%) of the agency's surplus money that may be invested pursuant to the City's Investment Policy.

COMMUNITY REDEVELOPMENT AGENCY OF ATASCADERO

NOTES TO THE BASIC FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2007

NOTE 3 - CAPITAL ASSETS

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

	Balance July 1, 2006	Additions	Transfers	Balance June 30, 2007
Capital assets not being depreciated:				
Land	\$ 563,150	\$ -	\$ -	\$ 563,150
Construction in Progress	1,701,022	862,206	-	2,563,228
Total capital assets not being depreciated	<u>2,264,172</u>	<u>862,206</u>	<u>-</u>	<u>3,126,378</u>
Capital assets being depreciated:				
Structures and Improvements	1,458,710	-	-	1,458,710
Total capital assets being depreciated	<u>1,458,710</u>	<u>-</u>	<u>-</u>	<u>1,458,710</u>
Less accumulated depreciation	(5,759)	(29,174)	-	(34,933)
Net capital assets	<u>\$ 3,717,123</u>	<u>\$ 833,032</u>	<u>\$ -</u>	<u>\$ 4,550,155</u>

NOTE 4 - INTERFUND TRANSFERS

A \$2,200 transfer from the Redevelopment Agency Fund was made to the 2005 Redevelopment Bond Debt Service Fund to cover payment of trustee fees.

NOTE 5 - LONG-TERM DEBT**Advances from the City**

The Agency has received three advances from the City of Atascadero, the balance of which is \$1,375,175, to cover operating expenses. These advances, which are detailed below, are payable upon demand by the City.

1998 Advance - In November of 1998, the City began advancing funds to the Agency for start up costs, and continued to advance funds through June 2000 under this agreement. Funds advanced under this loan agreement total \$155,175 and carry an interest rate of the LAIF stated rate plus 3% each month.

COMMUNITY REDEVELOPMENT AGENCY OF ATASCADERO

NOTES TO THE BASIC FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2007

NOTE 5 - LONG-TERM DEBT (continued)

Advances from the City (continued)

2001 Advance - In fiscal year 2001, the Agency and the City entered into a revolving loan agreement to cover operating costs. This loan amount may not exceed \$500,000 at any one time and carries a 9% interest rate. During the course of each fiscal year, the Redevelopment Agency will pay off this revolving advance payable and immediately receive a new \$500,000 advance from the City. This allows the Agency to spend these loaned amounts from the City on operational expenditures. During the current fiscal year, the Agency did this process twice, paying and receiving \$1,000,000 in advances payable. At June 30, 2007, the outstanding balance on this advance was \$500,000.

2002 Advance - During fiscal year 2002, \$720,000 was advanced to the Agency for the purchase of property. Interest on this advance is 9%.

2005 Redevelopment Agency Tax Allocation Bonds

The Agency issued \$12,490,000 in tax allocation bonds for improvements to the downtown core. These bonds will mature between fiscal years 2010 and 2035, at interest rates ranging from 3.00% to 5.00%. The bonds will be repaid with the Agency's tax increment revenues.

The following is a summary of principal and interest payments to be made in future years:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2008	-	574,043
2009	-	574,043
2010	275,000	569,917
2011	285,000	561,161
2012-2016	1,580,000	2,644,061
2017-2021	1,915,000	2,289,935
2022-2026	2,390,000	1,799,995
2027-2031	3,030,000	1,143,687
2032-2035	3,015,000	310,625
	<u>\$ 12,490,000</u>	<u>\$ 10,467,467</u>

COMMUNITY REDEVELOPMENT AGENCY OF ATASCADERO

NOTES TO THE BASIC FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2007

NOTE 5 - LONG-TERM DEBT (continued)

Changes in Long-Term Debt Obligations

Following is a summary of general long-term debt obligations during the 2006/2007 fiscal year:

	Balance July 1, 2006	Additions	Reductions	Balance June 30, 2007	Due within One Year
Advances payable	\$ 1,375,175	\$ 1,000,000	\$ (1,000,000)	\$ 1,375,175	\$ 1,375,175
Bonds payable	12,490,000	-	-	12,490,000	-
Compensated absences	7,379	4,056	-	11,435	-
Totals	<u>\$ 13,872,554</u>	<u>\$ 1,004,056</u>	<u>\$ (1,000,000)</u>	<u>\$ 13,876,610</u>	<u>\$ 1,375,175</u>

Compensated absences are paid from the Redevelopment Agency Fund and the Low/Moderate Housing Fund.

NOTE 6 - CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

Construction and other significant commitments as of June 30, 2007, including encumbrances outstanding at year-end, are as follows:

Redevelopment Agency Fund	\$ 31,835
2005 Redevelopment Bond Project Fund	70,000
Low-Moderate Income Housing Fund	4,445,171
	<u>\$ 4,547,006</u>

REQUIRED SUPPLEMENTARY INFORMATION

COMMUNITY REDEVELOPMENT AGENCY OF ATASCADERO
REDEVELOPMENT AGENCY FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2007

	Budget		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 1,277,170	\$ 1,277,170	\$ 2,164,496	\$ 887,326
Interest income	63,940	63,940	251,714	187,774
Rental income	373,600	373,600	373,596	(4)
Donations	-	-	3,500	3,500
Total revenues	1,714,710	1,714,710	2,793,306	1,078,596
Expenditures				
Employee services	131,030	131,030	124,903	6,127
Office expense	3,020	3,020	2,861	159
Advertising	1,330	1,330	-	1,330
Computer maintenance & replacement	4,260	4,260	4,260	-
Insurance	5,590	9,590	9,583	7
Occupancy	4,520	4,520	4,520	-
Communications	570	570	177	393
Operating supplies	710	710	107	603
Vehicle & equipment operations	500	500	-	500
Contract services	127,930	121,730	111,939	9,791
Professional development	11,720	11,720	2,635	9,085
Administration	176,780	176,780	176,775	5
Special projects & community funding:				
Tourism	14,600	14,600	9,692	4,908
Façade Improvement Program	50,000	-	-	-
Main Street Program	59,160	59,160	59,160	-
Graffiti Removal Program	15,000	15,000	2,270	12,730
Property Management	2,040	2,040	-	2,040
Wayfinding program	-	50,000	18,165	31,835

COMMUNITY REDEVELOPMENT AGENCY OF ATASCADERO
REDEVELOPMENT AGENCY FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE (continued)
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2007

	Budget		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Capital outlay:				
Acquisition of property / easements	\$ 1,200,000	\$ 1,150,000	\$ -	\$ 1,150,000
Expand / Improve City Hall parking lot	190,000	190,000	-	190,000
Downtown entrance monument signs	20,000	20,000	-	20,000
Interest	119,870	119,870	122,399	(2,529)
Total expenditures	<u>2,138,630</u>	<u>2,086,430</u>	<u>649,446</u>	<u>1,436,984</u>
Excess of revenues over (under) expenditures	<u>(423,920)</u>	<u>(371,720)</u>	<u>2,143,860</u>	<u>2,515,580</u>
Other Financing Sources (Uses):				
Transfer out to RDA Debt Service Fund for trustee fees	-	(2,200)	(2,200)	-
Contributions to City for the City Hall rehabilitation project	-	(2,000,000)	(46,950)	1,953,050
Contributions to City for underground utility project	<u>(160,000)</u>	<u>(160,000)</u>	<u>-</u>	<u>160,000</u>
Total other financing sources (uses)	<u>(160,000)</u>	<u>(2,162,200)</u>	<u>(49,150)</u>	<u>2,113,050</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>\$ (583,920)</u>	<u>\$ (2,533,920)</u>	<u>2,094,710</u>	<u>\$ 4,628,630</u>
Fund balance, June 30, 2006			<u>4,041,219</u>	
Fund balance, June 30, 2007			<u>\$ 6,135,929</u>	

COMMUNITY REDEVELOPMENT AGENCY OF ATASCADERO
 LOW/MODERATE INCOME HOUSING REDEVELOPMENT FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 For the Fiscal Year Ended June 30, 2007

	Budget		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes and assessments	\$ 433,880	\$ 433,880	\$ 753,214	\$ 319,334
Interest income	43,030	43,030	108,879	65,849
Total revenues	<u>476,910</u>	<u>476,910</u>	<u>862,093</u>	<u>385,183</u>
Expenditures:				
Employee services	5,580	5,580	5,384	196
Special projects and purchases:				
SLO County Housing Trust Fund	5,000	5,000	5,000	-
SLO Non-Profit Housing senior project	142,920	142,920	142,918	2
Habitat for Humanity project	-	370,000	300,000	70,000
Total expenditures	<u>153,500</u>	<u>523,500</u>	<u>453,302</u>	<u>70,198</u>
Excess of revenues over expenditures	<u>\$ 323,410</u>	<u>\$ (46,590)</u>	408,791	<u>\$ 455,381</u>
Fund balance, June 30, 2006			<u>1,750,030</u>	
Fund balance, June 30, 2007			<u>\$ 2,158,821</u>	

COMMUNITY REDEVELOPMENT AGENCY OF ATASCADERO
2005 REDEVELOPMENT BOND PROJECT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2007

	Budget		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Interest income	\$ 97,560	\$ 97,560	\$ 297,423	\$ 199,863
Total revenues	97,560	97,560	297,423	199,863
Expenditures:				
Special projects & community funding:				
Downtown lighting project	73,230	123,230	-	123,230
Capital outlay:				
Maiden statue restoration	238,710	238,710	2,915	235,795
Creek master plan	100,000	100,000	-	100,000
Creek improvement	300,000	300,000	-	300,000
Parking improvement projects	500,000	500,000	-	500,000
Creek bank stabilization project	331,160	1,091,160	859,291	231,869
Total expenditures	1,543,100	2,353,100	862,206	1,490,894
Excess of revenues over (under) expenditures	(1,445,540)	(2,255,540)	(564,783)	1,690,757
Other Financing Sources:				
Contributions to City for the Lewis Avenue bridge project	(1,000,000)	(2,000,000)	(1,214,393)	785,607
Contributions to City for the new youth center	(209,690)	(209,690)	(80,722)	128,968
Contributions to City for pedestrian tunnel improvements	(19,500)	(19,500)	-	19,500
Contributions to City for the Colony Park sidewalk project	-	(183,500)	(1,365)	182,135
Contributions to City for downtown streetscape improvements, phase II	(993,980)	(993,980)	(63,212)	930,768
Total other financing sources	(2,223,170)	(3,406,670)	(1,359,692)	2,046,978

COMMUNITY REDEVELOPMENT AGENCY OF ATASCADERO
 2005 REDEVELOPMENT BOND PROJECT FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE (continued)
 BUDGET AND ACTUAL
 For the Fiscal Year Ended June 30, 2007

	Budget		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Excess of revenues and other sources over (under) expenditures and other uses	<u>\$ (3,668,710)</u>	<u>\$ (5,662,210)</u>	\$ (1,924,475)	<u>\$ 3,737,735</u>
Fund balance, June 30, 2006			<u>6,369,646</u>	
Fund balance, June 30, 2007			<u>\$ 4,445,171</u>	

COMMUNITY REDEVELOPMENT AGENCY OF ATASCADERO
2005 REDEVELOPMENT BOND DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2007

	Budget		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Interest income	\$ 12,810	\$ 12,810	\$ 81,305	\$ 68,495
Total revenues	12,810	12,810	81,305	68,495
Expenditures:				
Services	3,600	5,800	2,200	3,600
Interest	574,050	574,050	574,042	8
Total expenditures	577,650	579,850	576,242	3,608
Excess of revenues over (under) expenditures	(564,840)	(567,040)	(494,937)	72,103
Other Financing Sources:				
Transfer From Redevelopment Fund for Trustee Services	-	2,200	2,200	-
Total other financing sources	-	2,200	2,200	-
Excess of revenues and other sources over (under) expenditures	\$ (564,840)	\$ (564,840)	(492,737)	\$ 72,103
Fund balance, June 30, 2006			1,729,959	
Fund balance, June 30, 2007			\$ 1,237,222	

Principals:

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Gary A. Wintermeyer, CPA
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Jeanne A. Potter, CPA
Daniel J. O'Hare, CPA
Kathi Niffenegger, CPA
Fred W. Bogart, CPA
Allen E. Eschenbach, CPA
Michael T. Glauzel, CPA
R. Lance Cowart, CPA
David W. Phillips, CPA



Emeritus:
Fred L. Glenn
Stephen A. Burdette

**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 of Directors
Community Redevelopment Agency of Atascadero
Atascadero, California 93422

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Community Redevelopment Agency of Atascadero (the Agency) as of and for the year ended June 30, 2007, which collectively comprise the Agency's basic financial statements and have issued our report thereon dated November 15, 2007. 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 and Guidelines for Compliance Audits of California Redevelopment Agencies, issued by the State Controller.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered City of Atascadero'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 City of Atascadero's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of City of Atascadero'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 combination of control deficiencies, that adversely affects City of Atascadero's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of City of Atascadero's financial statements that is more than inconsequential will not be prevented or detected by City of Atascadero'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 City of Atascadero's internal control.

Our consideration of the 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 the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all 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. Such provisions include the provisions of laws and regulations identified in the Guidelines for Compliance Audits of California Redevelopment Agencies, issued by the State Controller. 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

Glenn, Burdette, Phillips & Bryson

Glenn, Burdette, Phillips & Bryson
Certified Public Accountants
A Professional Corporation
San Luis Obispo, California

November 15, 2007