

REEDLEY REDEVELOPMENT AGENCY  
CITY OF REEDLEY, CALIFORNIA

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REPORT ON AUDIT OF  
COMPONENT UNIT  
FINANCIAL STATEMENTS

FOR THE YEAR ENDED  
JUNE 30, 2009

**SANBORN AND SANBORN ACCOUNTANCY CORPORATION**  
CERTIFIED PUBLIC ACCOUNTANTS

REEDLEY REDEVELOPMENT AGENCY  
 CITY OF REEDLEY, CALIFORNIA  
 COMPONENT UNIT FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED JUNE 30, 2009

**TABLE OF CONTENTS**

Page	1	Management's Discussion and Analysis
5	Independent Auditors' Report	
7	Component Unit Financial Statements	
7	Statement of Net Assets	
8	Statement of Activities	
9	Fund Financial Statements	
9	Balance Sheet – Governmental Funds	
10	Reconciliation of Governmental Funds Balance to Net Assets of Governmental Activities	
11	Statement of Revenue, Expenditures and Changes in Fund Balance – Governmental Funds	
11	Reconciliation of Governmental Funds Statement of Revenue, Expenditures and Changes in Fund Net Assets to Change in Net Assets of Governmental Funds	
12	Notes to Component Unit Financial Statements	
13	Supplementary Information	
20	Budgetary Comparison Schedules	
26 - 27	Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	
28	Schedule of Auditors' Results, Findings and Questioned Costs	
29	Schedule of Prior Audit Findings	

**REEDLEY REDEVELOPMENT AGENCY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2009**

As management of Reedley Redevelopment Agency, we offer readers of the Agency's financial statements this narrative overview and analysis of the financial activities of the Agency for the fiscal year ended June 30, 2009. We encourage readers to consider the information presented here in conjunction with information that is included within the financial statements.

**Financial Highlights**

- Assets of the Agency exceeded its liabilities as of June 30, 2009 by \$1,240,862. As of June 30, 2008, assets exceeded liabilities by \$924,546.

- Total net assets increased by \$316,316. For the year ended June 30, 2008, total net assets increased by \$478,298.

- As of the close of the current fiscal year, the Agency's governmental funds reported a combined ending fund balance of \$2,905,718, a decrease of \$693,342 in comparison with the prior year. Of this amount, \$2,009,054 is unreserved and available for spending, with \$219,722 designated for specific future use by the Board of Directors of the Agency. For the year ended June 30, 2008, the Agency's governmental funds had a combined ending fund balance of \$3,599,060 with \$2,895,039 unreserved and available for spending. There was an increase of \$363,610 in the combined ending fund balance in the prior year.

- During the current fiscal year, the Agency's capital assets increased by a net of \$883,713. The increase was mostly attributable to the purchase of certain real property located in Reedley, California. Depreciation expense, the ratable amortization of the cost of fixed assets, amounted to \$6,226 for the current year. The prior year's depreciation was \$6,226.

**Overview of the Financial Statements**

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

**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 two reported as net assets. Over time, increases or decreases in 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 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 related cash flows. Thus, revenue and expense are reported in this statement for some items that will only result in cash flow in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the Agency that are principally non business in nature (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Agency include community development activities for the residents of Reedley, California. The Agency has no business-type activities.

The government-wide financial statements include only the Agency itself. The Agency has no component units. The Agency is a component unit of the City of Reedley.

**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 can be divided into two categories: governmental funds and proprietary funds. The Agency has no proprietary funds and seven governmental funds.

**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 revenue, expenditures and changes in fund balance provide a reconciliation to facilitate this comparison between the two.

**Notes to the 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.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain other supplementary information.

### Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. As of June 30, 2009, the Agency's assets exceeded its liabilities by \$1,240,862. A significant portion of the Agency's net assets (95 percent) reflects its investment in capital assets. Capital assets are used to provide services to customers and they are not available for future spending.

The following represent summaries of the Agency's net assets and changes in net assets for the current and prior years:

**Reedley Redevelopment Agency's Net Assets**

	Governmental Activities	Current Year Total	Prior Year Total
Current assets	\$ 2,830,615	\$ 2,830,615	\$ 2,897,473
Other assets	1,861,800	1,861,800	1,015,166
Total assets	<u>4,692,415</u>	<u>4,692,415</u>	<u>3,902,639</u>
Current liabilities	626,553	626,553	28,093
Deferred liabilities	2,825,000	2,825,000	2,950,000
Total liabilities	<u>3,451,553</u>	<u>3,451,553</u>	<u>2,978,093</u>
Net assets:			
Invested in capital assets, net of related debt	1,184,858	1,184,858	301,145
Unreserved and unrestricted	56,004	56,004	623,401
Total net assets/(deficit)	<u>\$ 1,240,862</u>	<u>\$ 1,240,862</u>	<u>\$ 924,546</u>

**Reedley Redevelopment Agency's Changes in Net Assets**

	Governmental Activities	Current Year Total	Prior Year Total
Program revenue	\$	\$	\$
Operating grants and contributions	\$	\$	\$
Total program revenue	<u></u>	<u></u>	<u></u>
Expense			
Property tax pass-through	1,101,551	1,101,551	1,065,838
General government	682,831	682,831	596,763
Low - moderate housing	376,161	376,161	299,800
Interest on long-term debt	181,903	181,903	187,730
Capital outlay	88,787	88,787	91,889
Total expense	<u>2,431,233</u>	<u>2,431,233</u>	<u>2,242,020</u>
Increase/(decrease) in net assets	(2,431,233)	(2,431,233)	(2,242,020)
before general revenue			
General revenue	2,747,549	2,747,549	2,720,315
Increase/(decrease) in net assets	316,316	316,316	478,595
Net assets/(deficit), beginning of year	924,546	924,546	446,251
Net assets/(deficit), end of year	<u>\$ 1,240,862</u>	<u>\$ 1,240,862</u>	<u>\$ 924,546</u>

**Governmental activities.** Governmental activities increased the Agency's net assets by \$316,316, accounting for 100 percent of the total growth in net assets.

### Financial Analysis of the Agency's Funds

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

**Governmental Funds.** The purpose of the Agency's governmental fund financial statements is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the Agency's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of June 30, 2009, the Agency's governmental funds reported combined ending fund balances of \$2,905,718, a decrease of \$693,342 in comparison to the prior year. Of the combined ending fund balance, \$2,009,054 is unreserved and is available for spending at the Agency's discretion.

### Capital Asset and Debt Administration

- **Capital assets.** The Agency's investment in capital assets for its governmental activities as of June 30, 2009 amounted to \$1,184,858 (net of accumulated depreciation). This investment in capital assets includes land, building, improvements and equipment. Capital assets increased by a net of \$883,713 during the current year. The increase was mostly attributable to the purchase of certain commercial real property located in Reedley, California. Depreciation expense, the ratable amortization of the cost of fixed assets, amounted to \$6,226 for the current year. The prior year's depreciation was \$6,226.

- **Debt administration.** The Agency's total liabilities for its governmental activities as of June 30, 2009 amounted to \$3,451,553. Liabilities increased by a net of \$473,460 during the current year. This increase was mostly attributable to an increase in accounts payable and accrued expense of \$598,460.

Additional information on the Agency's capital assets and long-term debt can be found in notes five and six, respectively.

### Economic Factors and Next Year's Budgets and Rates

The budget for the year ending June 30, 2010 projects a deficit of \$1,578,369. Revenue is anticipated to increase by \$27,293, compared to the current year, while expenditures are expected to increase by \$2,024,273. Tax pass-through agreement expenditures are expected to increase by \$13,640. Capital outlay is expected to increase by \$1,542,961 and general government expenditures are expected to increase by \$294,018.

### Requests for Information

This financial report is designed to provide a general overview of Reedley Redevelopment Agency's finances for all those with an interest in the Agency's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Finance Director, Reedley Redevelopment Agency, 845 G Street, Reedley, California 93654.

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**INDEPENDENT AUDITORS' REPORT**

October 30, 2009

To the Board of Directors  
Reedley Redevelopment Agency  
City of Reedley, California

We have audited the accompanying component unit financial statements of the Reedley Redevelopment Agency, a component unit of the City of Reedley, California, as of and for the year ended June 30, 2009, as listed in the foregoing table of contents. The component unit financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on the component unit financial statements based on our audit.

We conducted our audit in accordance with United States of America generally accepted auditing standards and *Governmental 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 component unit financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the component unit financial statements. An audit also includes assessing the accounting principles used, estimates made by management and evaluating the overall component unit financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the component unit financial statements referred to above present fairly, in all material respects, the financial position of the Agency as of June 30, 2009, and the results of its operations for the year then ended, in conformity with United States of America generally accepted accounting principles.

In accordance with *Governmental Auditing Standards*, we have also issued our report dated October 30, 2009, on our consideration of the Agency's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis is not a required part of the component unit financial statements, but is supplementary information the Governmental Accounting Standards Board requires. We applied limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the information. We did not audit the information and express no opinion thereon.

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

*Sanborn and Sanborn*  
*Accountancy Corporation*  
Certified Public Accountants

**COMPONENT UNIT FINANCIAL STATEMENTS**

REEDLEY REDEVELOPMENT AGENCY  
 STATEMENT OF NET ASSETS  
 JUNE 30, 2009

	Governmental	Total
Assets		
Current assets		
Cash and cash equivalents	\$ 2,825,113	\$ 2,825,113
Interest receivable	5,502	5,502
Total current assets	<u>2,830,615</u>	<u>2,830,615</u>
Other assets		
Notes receivable	676,942	676,942
Capital assets (less accumulated depreciation of \$34,648)	1,184,858	1,184,858
Total other assets	<u>1,861,800</u>	<u>1,861,800</u>
Total assets	<u>4,692,415</u>	<u>4,692,415</u>
Liabilities		
Current liabilities		
Accounts payable and accrued expense	624,158	624,158
Accrued wages and related costs	2,395	2,395
Total current liabilities	<u>626,553</u>	<u>626,553</u>
Deferred liabilities		
Due within one year	125,000	125,000
Due in more than one year	2,700,000	2,700,000
Total deferred liabilities	<u>2,825,000</u>	<u>2,825,000</u>
Total liabilities	<u>3,451,553</u>	<u>3,451,553</u>
Net Assets		
Invested in capital assets, net of related debt	1,184,858	1,184,858
Unrestricted/(deficit)	56,004	56,004
Total net assets/(deficit)	<u>\$ 1,240,862</u>	<u>\$ 1,240,862</u>

See accompanying notes to financial statements.



**REEDLEY REDEVELOPMENT AGENCY**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2009**

	Low -	Moderate	LMI A	Economic	Capital	Debt	Total
Assets	Admin- istration	Housing	A	Development	Projects	Service	Governmental Funds
Cash and cash equivalents	\$ 1,820	\$ 1,388,394	\$ 194,447	\$ 55,685	\$ 219,718	\$ 965,049	\$ 2,825,113
Interest receivable		3,072	285		4	2,141	5,502
Notes receivable		541,798				135,144	676,942
	<u>\$ 1,820</u>	<u>\$ 1,933,264</u>	<u>\$ 194,732</u>	<u>\$ 55,685</u>	<u>\$ 219,722</u>	<u>\$ 1,102,334</u>	<u>\$ 3,507,557</u>
<b>Liabilities and Fund Balance</b>							
<b>Liabilities</b>							
Accounts payable and accrued expense	\$ 1,820	\$ 66	\$ 50,000	\$ 685		\$ 546,873	\$ 599,444
Accrued wages and related costs		2,395					2,395
Total liabilities	<u>1,820</u>	<u>2,461</u>	<u>50,000</u>	<u>685</u>		<u>546,873</u>	<u>601,839</u>
<b>Fund balance</b>							
Reserved for encumbrances							
Reserved for noncurrent receivables		541,798				135,144	676,942
Designated for capital projects					219,722		219,722
Unreserved and undesignated		1,389,005	144,732	55,000		420,317	2,009,054
Total fund balance		<u>1,930,803</u>	<u>144,732</u>	<u>55,000</u>	<u>219,722</u>	<u>555,461</u>	<u>2,905,718</u>
	<u>\$ 1,820</u>	<u>\$ 1,933,264</u>	<u>\$ 194,732</u>	<u>\$ 55,685</u>	<u>\$ 219,722</u>	<u>\$ 1,102,334</u>	<u>\$ 3,507,557</u>

See accompanying notes to financial statements.

REEDLEY REDEVELOPMENT AGENCY  
 RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE  
 SHEET TO NET ASSETS OF GOVERNMENTAL ACTIVITIES  
 JUNE 30, 2009

	Total governmental fund balances
	\$ 2,905,718
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	1,184,858
Accrued interest on long-term liabilities is not due and payable in the current period and therefore is not reported in the funds	(24,714)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds	(2,825,000)
Net assets of governmental activities	<u>\$ 1,240,862</u>

See accompanying notes to financial statements.

REEDLEY REDEVELOPMENT AGENCY  
 STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE  
 GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2009

	Low -					Total	
	Admin- istration	Moderate Housing	LMI A	Economic Development	Capital Projects		Debt Service
Revenue							
Property taxes	\$	\$	\$	\$	\$	\$	\$
Interest		26,622	2,865			2,685,611	2,685,611
						32,451	61,938
Total revenue		26,622	2,865			2,718,062	2,747,549
Expenditures							
Current							
Tax pass-through						1,101,551	1,101,551
General government	624,232	326,533	52,000	88,787	373		1,091,925
Debt service		59,192				248,656	307,848
Capital outlay		49,913		889,654			939,567
Total expenditures	624,232	435,638	52,000	978,441	373	1,350,207	3,440,891
Revenue over/(under) expenditures	(624,232)	(409,016)	(49,135)	(978,441)	(373)	1,367,855	(693,342)
Other financing sources/(uses)							
Transfers in	624,232	546,146		1,033,441			2,203,819
Transfers out						(2,203,819)	(2,203,819)
Total other financing sources/(uses)	624,232	546,146		1,033,441		(2,203,819)	
Net change in fund balance		137,130	(49,135)	55,000	(373)	(835,964)	(693,342)
Fund balance, beginning of year		1,793,673	193,867		220,095	1,391,425	3,599,060
Fund balance, end of year	\$	\$ 1,930,803	\$ 144,732	\$ 55,000	\$ 219,722	\$ 555,461	\$ 2,905,718

See accompanying notes to financial statements.

REEDLEY REDEVELOPMENT AGENCY  
 RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF  
 REVENUE, EXPENDITURES AND CHANGES IN FUND NET ASSETS  
 TO CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES  
 FOR THE YEAR ENDED JUNE 30, 2009

	Net change in fund balance - total governmental funds
	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 allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.	883,713
Repayment of long-term debt is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount of principal paid on long-term debt in the current period	125,000
In the statement of activities, interest is accrued on long-term debt, whereas in governmental funds interest expenditures are reported when incurred. This is the amount of change in interest payable in the current period.	945
Change in net assets of governmental activities	<u>\$ 316,316</u>

\$ (693,342)

See accompanying notes to financial statements.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting and reporting policies of the Reedley Redevelopment Agency conform to generally accepted accounting principles for local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled "Audits of State and Local Governmental Units" and by the Financial Accounting Standards Board (when applicable).

**Reporting Entity**

The Reedley Redevelopment Agency was established pursuant to the State of California Health and Safety Code Section 33000. The primary purpose of the Agency is to encourage redevelopment of property and to rehabilitate areas suffering from economic disuse. The members of the City Council of the City of Reedley act as the governing body of the Agency and the City provides loans and management assistance to the Agency. The Agency is considered a component unit of the City and, as such, the financial activities of the Agency are also reported as part of the financial activities of the City. The Agency has no component units.

**Government-Wide and Fund Financial Statements**

The government-wide financial statements, which are the statement of net assets and the statement of activities, report information on all of the nonfiduciary activities of the Agency. For the most part, the effect of Intergovernmental activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or activity are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Program revenue includes charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or activity and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity. Taxes and other items not properly included among program revenue are reported instead as general revenue. Major individual governmental funds are reported in separate columns in the fund financial statements.

**Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

REEDLEY REDEVELOPMENT AGENCY  
NOTES TO COMPONENT UNIT FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as they are both measurable and available. Revenue is considered to be collectible when it is collectible within the current period or soon enough thereafter to pay liabilities for the current period. For this purpose, the Agency considers property taxes and other revenue to be available in the period for which levied if it is collected within 60 days after the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes and interest associated with the current fiscal period are considered to be susceptible to accrual and have been recognized as revenue in the current period.

The Agency reports the following major governmental funds:

The Administration Fund accounts for administrative matters of the Agency that are not accounted for elsewhere.

The Low – Moderate Housing Fund and LMI A Fund account for financial assistance allowed to low income residents within the Agency's operating area.

The Economic Development Fund accounts for overall economic development within the Agency's operating area.

The Capital Projects Funds account for financial resources used for the acquisition or construction of major capital facilities.

The Debt Service Fund accounts for repayment of long-term debt.

As a general rule, the effect of Interfund activity has been eliminated from the government-wide financial statements. Indirect charges have been eliminated in the government-wide statements.

Amounts reported as program revenue include charges to customers for goods and services, operating grants and contributions and capital grants and contributions. All taxes are reported as general revenue as they are internally dedicated resources.

**Cash and Investments**

The Agency pools idle cash from all funds for the purpose of increasing income through investment activities. Investments are carried at cost. No loss is recorded when market values decline below cost, as such declines normally are considered temporary. The Agency intends to either hold the investments until maturity or until market values equal or exceed cost. Interest income on investments is allocated to all funds on the basis of average daily cash and investment balances.

REEDLEY REDEVELOPMENT AGENCY  
NOTES TO COMPONENT UNIT FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Agency participates in an investment pool managed by the State of California titled Local Agency Investment Fund (LAIF), which has invested a portion of the pool funds in derivatives and similar transactions. LAIF's investments are subject to credit risk with full faith and credit of the State of California collateralizing these investments. Derivatives and similar transactions are subject to market risk.

**Receivables and Payables**

Outstanding balances between funds at the end of the fiscal year are referred to as either "due to/from other funds" for the current portion of interfund loans or "advances to/from other funds" for the noncurrent portion.

California code provides taxing entities the ability to levy property taxes for the ensuing year. This results in the tax collections being received in the fiscal year they are budgeted for and used to pay expenditures of that period.

The property tax calendar is as follows:

Property taxes attach as an enforceable lien on property as of January 1st. Taxes are levied on July 1.

Fresno County bills and collects property taxes for the Agency.

The first half of the taxes is payable to Fresno County by December 10<sup>th</sup> and the second by April 10<sup>th</sup> of the following year.

Taxes are remitted to the Agency in the month following collection.

**Property, Plant and Equipment**

Capital assets, which include property, plant, equipment and infrastructure assets are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the Agency as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of three years. All material fixed assets are valued at historical cost. Donated fixed assets are valued at their estimated fair value on the date donated. When an asset is disposed of, cost and related accumulated depreciation is removed and any gain or loss arising from its disposal is credited or charged to operations.

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

Depreciation is recorded by use of the straight-line method. The book value of each asset is reduced by equal amounts over their estimated useful life as follows:

Office furniture and equipment  
Improvements other than buildings

5 years  
40 years

REEDLEY REDEVELOPMENT AGENCY  
 NOTES TO COMPONENT UNIT FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED JUNE 30, 2009

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Long-Term Liabilities**

Long-term liabilities consist of bonds payable and a note due to the City of Reedley. Long-term debt is recognized as a liability of a governmental fund when due or when resources have been accumulated in the debt service fund for payment early in the following year. In the government-wide financial statements, long-term liabilities are included within the statement of net assets.

**Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**Budgetary Principles**

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for the special, debt service and capital projects funds. All annual appropriations lapse at fiscal year end. Project-length plans are adopted for all capital project funds.

**2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

The governmental fund balance sheet includes a reconciliation between fund balance-total governmental funds and net assets-governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that "long-term liabilities are not due and payable in the current period and therefore are not reported in the funds". The details of this \$2,825,000 are as follows:

	Bonds payable	\$ 2,825,000
--	---------------	--------------

Net adjustment to reduce fund balance-total governmental funds  
 to arrive at net assets-governmental activities

	\$ 2,825,000
--	--------------

The governmental fund statement of revenues, expenditures and changes in fund balance includes a reconciliation between net changes in fund balances-total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense". The details of this \$883,713 difference are as follows:

	Capital expenditures	\$ 889,939
	Depreciation expense	(6,226)

Net adjustment to increase net changes in fund balance

	\$ 883,713
--	------------

REEDLEY REDEVELOPMENT AGENCY  
 NOTES TO COMPONENT UNIT FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED JUNE 30, 2009

**3. CASH**

California law authorizes the Agency to invest in obligations of the United States Treasury, agencies and instrumentalities, certificates of deposit of time deposits in banks and savings and loan associations which are insured by the Federal Deposit Insurance Corporation. The following is a summary of cash as of June 30, 2009:

	Cash with fiscal agents	\$ 283,650
	Local Agency Investment Fund	<u>2,541,463</u>
		<u>\$ 2,825,113</u>

The Agency's investments with LAIF as of June 30, 2009 include a portion of the pooled funds invested in derivatives and similar items. These investments include the following:

Derivative products are financial instruments whose market value is derived from a reference rate, index or value of an underlying asset.

Structured notes are debt securities (other than asset-backed securities) whose cash-flow characteristics (coupon rate, redemption amount or stated maturity) depend upon one or more indices and/or that have embedded forwards or options.

Asset-backed securities, the bulk of which are mortgage-backed securities, entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages or credit card receivables.

As of June 30, 2009, the Agency had \$2,541,463 invested in LAIF.

**4. NOTES RECEIVABLE**

Notes receivable represent amounts due from various individuals. The purposes of the loans were to provide rehabilitation and purchase funds to the obligees. The notes do not currently bear interest.

**5. CAPITAL ASSETS**

Capital assets consisted of the following as of June 30, 2009:

	Land	\$ 172,250
	Improvements other than buildings	1,043,736
	Equipment	<u>3,520</u>
	Total capital assets	1,219,506
	Less allowance for depreciation	<u>(34,648)</u>
	Net capital assets	<u>\$ 1,184,858</u>

REEDLEY REDEVELOPMENT AGENCY  
 NOTES TO COMPONENT UNIT FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED JUNE 30, 2009

**6. LONG-TERM LIABILITIES**

Changes in long-term liabilities for the year ended June 30, 2009 were as follows:

	Balance July 1, 2008	Additions	Retirements	Balance June 30, 2009
Tax allocation bonds	\$ 2,950,000	\$	\$ 125,000	\$ 2,825,000
	<u>\$ 2,950,000</u>	<u>\$</u>	<u>\$ 125,000</u>	<u>\$ 2,825,000</u>
	\$ 2,950,000	\$	\$ 125,000	\$ 2,825,000

**Tax Allocation Bonds**

On January 27, 1998, the Agency issued \$3,860,000 of tax allocation bonds secured by tax revenue allocated to the Agency. Interest on the notes is payable semi-annually on May 1 and November 1 of each year, which commenced May 1, 1998, with interest rates of 4.00 percent and 6.70 percent per annum. Principal retirement of the bonds commenced November 1, 1999. Annual debt requirements due are as follows:

	Year Ending June 30	Principal	Interest	Total
2010	\$ 130,000	\$ 145,190	\$ 275,190	\$ 275,190
2011	135,000	138,838	273,838	273,838
2012	140,000	132,155	272,155	272,155
2013	150,000	124,965	274,965	274,965
2014	155,000	117,257	272,257	272,257
Thereafter	2,115,000	614,988	2,729,988	2,729,988
Total	\$ 2,825,000	\$ 1,273,393	\$ 4,098,393	\$ 4,098,393

**SUPPLEMENTARY INFORMATION**

REEDLEY REDEVELOPMENT AGENCY  
 BUDGETARY COMPARISON SCHEDULE  
 ADMINISTRATION FUND  
 FOR THE YEAR ENDED JUNE 30, 2009

Revenue	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Expenditures				
Current				
General government	638,479	638,810	624,232	14,578
Total expenditure	638,479	638,810	624,232	14,578
Revenue over/(under) expenditures	(638,479)	(638,810)	(624,232)	14,578
Other financing sources				
Transfers in	638,479	638,479	624,232	(14,247)
Net change in fund balance		(331)		331
Fund balance, beginning of year				
Fund balance, end of year	\$	\$ (331)	\$	\$ 331

See accompanying notes to financial statements.

REEDLEY REDEVELOPMENT AGENCY  
 BUDGETARY COMPARISON SCHEDULE  
 LOW - MODERATE HOUSING FUND  
 FOR THE YEAR ENDED JUNE 30, 2009

Variance with Final Budget Positive - (Negative)	Actual Amounts	Budgeted Amounts		Revenue	Interest	Miscellaneous	Total revenue	Expenditures	Current	General government	Debt service	Capital outlay	Total expenditures	Revenue over/(under) expenditures	Other financing sources Transfers in	Net change in fund balance	Fund balance, beginning of year	Fund balance, end of year
		Original	Final															
				\$ 28,500	\$ (1,878)	(25,000)	53,500	53,500	393,061	393,061	65,000	945,000	1,403,061	(1,349,561)	527,822	(821,739)	1,793,673	\$ 971,934
				\$ 28,500	\$ (1,878)	(25,000)	53,500	53,500	326,533	326,533	59,192	49,913	1,403,061	(1,349,561)	546,146	137,130	1,793,673	\$ 1,930,803
									66,528	66,528	5,808	895,087	967,423	940,545	18,324	958,869		\$ 958,869

See accompanying notes to financial statements.

REDDLEY REDEVELOPMENT AGENCY  
 BUDGETARY COMPARISON SCHEDULE  
 LOW - MODERATE INCOME A FUND  
 FOR THE YEAR ENDED JUNE 30, 2009

Variance with Final Budget Positive - (Negative)	Actual Amounts	Budgeted Amounts		Revenue
		Final	Original	
				Interest
	\$ 2,865	\$	\$	Total revenue
	2,865			Expenditures
				Current
				General government
				Total expenditure
(49,135)	(49,135)			Net change in fund balance
	193,867	193,867	193,867	Fund balance, beginning of year
	144,732	193,867	193,867	Fund balance, end of year

See accompanying notes to financial statements.



REEDLEY REDEVELOPMENT AGENCY  
 BUDGETARY COMPARISON SCHEDULE  
 CAPITAL PROJECTS FUND  
 FOR THE YEAR ENDED JUNE 30, 2009

Variance with Final Budget Positive - (Negative)	Actual Amounts	Budgeted Amounts		Revenue Interest	Total revenue	Expenditures Current General government Capital outlay	Total expenditures	Revenue over/(under) expenditures	Other financing sources Transfers in	Net change in fund balance	Fund balance, beginning of year	Fund balance, end of year
		Original	Final									
	\$	\$	\$	\$			350,000	(350,000)	350,000	(373)	220,095	220,095
	\$	\$	\$	\$			373	(373)		(373)	220,095	219,722
	\$	\$	\$	\$								(373)

See accompanying notes to financial statements.

REEDLEY REDEVELOPMENT AGENCY  
 BUDGETARY COMPARISON SCHEDULE  
 DEBT SERVICE FUND  
 FOR THE YEAR ENDED JUNE 30, 2009

Variance with Final Budget Positive - (Negative)	Actual Amounts	Budgeted Amounts		
		Final	Original	
				Revenue
	\$ 2,685,611	\$ 2,639,108	\$ 2,639,108	Tax increment
	32,451	25,000	25,000	Interest
		30,000	30,000	Other
	2,718,062	2,694,108	2,694,108	Total revenue
				Expenditures
	1,101,551	1,266,772	1,266,772	Current
				Tax pass-through
				General government
				Debt service
	1,350,207	1,561,772	1,561,772	Total expenditures
				Revenue over/(under)
	1,367,855	1,132,336	1,132,336	expenditures
				Other financing uses
	(2,203,819)	(1,888,968)	(1,888,968)	Transfers out
	(835,964)	(756,632)	(756,632)	Net change in fund balance
	1,391,425	1,391,425	1,391,425	Fund balance, beginning of year
	\$ 555,461	\$ 634,793	\$ 634,793	Fund balance, end of year

See accompanying notes to financial statements.

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**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**

October 30, 2009

To the Board of Directors  
Reedley Redevelopment Agency  
City of Reedley, California

We have audited the financial statements of Reedley Redevelopment Agency as of and for the year ended June 30, 2009, and have issued our report thereon dated October 30, 2009. 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 Reedley Redevelopment Agency's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over financial reporting.

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

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

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

**Compliance and Other Matters**

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

This report is intended solely for the information and use of the Board of Directors, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Sanborn and Sanborn  
Accountancy Corporation*

Certified Public Accountants

REEDLEY REDEVELOPMENT AGENCY  
SCHEDULE OF AUDITORS' RESULTS, FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2009

(1) Summary of Auditors' Results:

- (a) Type of report issued on the general purpose financial statements: Unqualified opinion.
- (b) Significant deficiencies in internal control were disclosed by the audit of the general purpose financial statements: No. Material weaknesses: No.
- (c) Noncompliance which is material to general purpose financial statements: No.
- (d) Significant deficiencies in internal control over major programs: No. Material weaknesses: No.
- (e) The type of report issued on compliance for major programs: Not applicable.
- (f) Any audit findings which are required to be reported under Section 510(a) of OMB Circular A-133: No.
- (g) Major programs: None.
- (h) Dollar threshold used to distinguish between Type A and Type B programs: \$500,000.
- (i) Auditee qualified as a low-risk auditee under Section 530 of OMB Circular A-133: Yes.

(2) Findings Relating to the Financial Statements Reported in Accordance with *Governmental Auditing Standards*: No findings reported.

(3) Findings and Questioned Costs Relating to Federal Awards: No findings or questioned costs.

REEDLEY REDEVELOPMENT AGENCY  
SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2008

NONE