

REEDLEY REDEVELOPMENT AGENCY  
CITY OF REEDLEY, CALIFORNIA  
COMPONENT UNIT FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2012

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## INDEPENDENT AUDITORS' REPORT

January 8, 2013

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, 2012, 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 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 of America. 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 opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund and the aggregate remaining fund information of Reedley Redevelopment Agency as of June 30, 2012, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 8, 2013 on our consideration of Reedley Redevelopment Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The budget comparison information on pages 17 through 21 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 consist principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Board of Directors  
Reedley Redevelopment Agency  
January 8, 2013  
Page Two

As explained in note six to the financial statements, the Reedley Redevelopment Agency ceased operations on or about February 1, 2012. This cessation was in accordance with California law. All of the assets, liabilities and operations of the Agency were transferred to the Successor Agency to the City of Reedley Redevelopment Agency.

*Sanborn and Sanborn  
Accountancy Corporation*

CERTIFIED PUBLIC ACCOUNTANTS

**COMPONENT UNIT FINANCIAL STATEMENTS**

REEDLEY REDEVELOPMENT AGENCY  
STATEMENT OF NET ASSETS  
JUNE 30, 2012

	<u>Governmental Activities</u>	<u>Total</u>
Assets		
Current assets		
Cash and cash equivalents	\$	\$
Interest receivable		
Accounts receivable	_____	_____
Total current assets	_____	_____
Other assets		
Notes receivable		
Due from the City of Reedley		
Deferred charges		
Capital assets (net of allowance for depreciation)	_____	_____
Total other assets	_____	_____
Total assets	_____	_____
Liabilities		
Current liabilities		
Accounts payable and accrued expense		
Accrued wages and related costs	_____	_____
Total current liabilities	_____	_____
Deferred liabilities		
Due within one year		
Due in more than one year	_____	_____
Total deferred liabilities	_____	_____
Total liabilities	_____	_____
Net Assets		
Invested in capital assets, net of related debt		
Unrestricted/(deficit)	_____	_____
Total net assets/(deficit)	<u>\$</u>	<u>\$</u>

See accompanying notes to financial statements.

REEDLEY REDEVELOPMENT AGENCY  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2012

	<u>Expenses</u>	<u>Program Revenue Operating Grants and Contributions</u>	<u>Net Revenue/(Expense) and Changes in Net Assets Primary Government</u>	
			<u>Governmental Activities</u>	<u>Total</u>
Functions/Programs				
Primary government:				
Governmental activities:				
Property tax pass-through	\$ 487,174	\$	\$ (487,174)	\$ (487,174)
Economic development	188,451		(188,451)	(188,451)
Interest on long-term debt	230,754	4,346	(226,408)	(226,408)
Low – moderate housing	562,733	2,340	(560,393)	(560,393)
General government	<u>45,153</u>	<u>249,219</u>	<u>204,066</u>	<u>204,066</u>
Total governmental activities	<u>\$ 1,514,265</u>	<u>\$ 255,905</u>	<u>(1,258,360)</u>	<u>(1,258,360)</u>
General revenue:				
Property taxes			1,218,374	1,218,374
Interest and investment earnings			<u>13,863</u>	<u>13,863</u>
Total general revenue			<u>1,232,237</u>	<u>1,232,237</u>
Net revenue/(expense)			(26,123)	(26,123)
Transfer to Successor Agency to the Reedley Redevelopment Agency			<u>(1,424,062)</u>	<u>(1,424,062)</u>
Change in net assets			(1,450,185)	(1,450,185)
Net assets/(deficit), beginning of year			<u>1,450,185</u>	<u>1,450,185</u>
Net assets/(deficit), end of year			<u>\$</u>	<u>\$</u>

See accompanying notes to financial statements.

REEDLEY REDEVELOPMENT AGENCY  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2012

	Admin- istration	Low - Moderate Housing	LMI A	Economic Development	Capital Projects	Debt Service	Total Governmental Funds
<b>Assets</b>							
Cash and cash equivalents	\$	\$	\$	\$	\$	\$	\$
Interest receivable							
Accounts receivable							
Notes receivable							
<b>Liabilities and Fund Balance</b>							
<b>Liabilities</b>							
Accounts payable and accrued expense	\$	\$	\$	\$	\$	\$	\$
Accrued wages and related costs							
Total liabilities							
<b>Fund balance</b>							
Nonspendable (noncurrent receivables)							
Restricted for debt service							
Committed for encumbrances							
Assigned for capital projects							
Unassigned							
Total fund balance							

See accompanying notes to financial statements.

REEDLEY REDEVELOPMENT AGENCY  
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE  
SHEET TO NET ASSETS OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2012

Total governmental fund balances	\$
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	
Governmental funds report the effect of long-term debt issuance costs when the debt is first issued, whereas these amounts are deferred and amortized in the statement of activities	
Accrued interest on long-term liabilities is not due and payable in the current period and therefore is not reported in the funds	
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds	_____
Net assets of governmental activities	\$ _____

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, 2012

	Admin- istration	Low-Moderate Housing	LMI A	Economic Development	Capital Projects	Debt Service	Total Governmental Funds
Revenue							
Property taxes	\$	\$	\$	\$	\$	\$ 1,218,374	\$ 1,218,374
Sale of real estate		2,340				248,570	250,910
Interest		3,326	127		10,410	4,346	18,209
Other						649	649
Total revenue		<u>5,666</u>	<u>127</u>		<u>10,410</u>	<u>1,471,939</u>	<u>1,488,142</u>
Expenditures							
Current							
Tax pass-through						487,174	487,174
General government	40,063	562,733		188,451			791,247
Debt service		127,198				349,199	476,397
Total expenditures	<u>40,063</u>	<u>689,931</u>		<u>188,451</u>		<u>836,373</u>	<u>1,754,818</u>
Revenue over/(under) expenditures	(40,063)	(684,265)	127	(188,451)	10,410	635,566	(266,676)
Other financing sources/(uses)							
Operating transfers in/(out)	40,063	243,675		188,451		(472,189)	
Residual equity transfers in/(out)		(1,966,235)	(65,177)		(6,098,911)	(1,166,961)	(9,297,284)
Net change in fund balance		(2,406,825)	(65,050)		(6,088,501)	(1,003,584)	(9,563,960)
Fund balance, beginning of year		<u>2,406,825</u>	<u>65,050</u>		<u>6,088,501</u>	<u>1,003,584</u>	<u>9,563,960</u>
Fund balance, end of year	\$	\$	\$	\$	\$	\$	\$

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, 2012

Net change in fund balance - total governmental funds	\$ (9,563,960)
<p>Amounts reported for governmental activities in  the statement of activities are different because:</p>	
<p>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 depreciation exceeded  capital outlay in the current period.</p>	
	(5,090)
<p>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</p>	
	155,000
<p>Net noncash (assets)/liabilities transferred from the Agency to the  Successor Agency are not reflected as transactions in the funds  statements:</p>	
Bonds payable	8,670,000
Amortizable costs of issuance	(425,766)
Undepreciated balance of capital assets	(371,012)
<p>Governmental funds report the effect of long-term debt issuance costs  when debt is first issued, whereas these amounts are deferred and  amortized in the statement of activities. This is the amount of  debt issuance costs paid in prior periods, but amortized and  expensed in the current period.</p>	
	(7,612)
<p>In the statement of activities, interest is accrued on long-term debt,  whereas in governmental funds interest expenditures are reported  when paid. This is the amount of change in interest payable in  the current period.</p>	
	98,255
Change in net assets of governmental activities	\$ (1,450,185)

See accompanying notes to financial statements.

REEDLEY REDEVELOPMENT AGENCY  
NOTES TO COMPONENT UNIT FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2012

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting and reporting policies of the Reedley Redevelopment Agency conform to generally accepted accounting principles applicable to state and 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 Interfund 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 financial statements of the Agency are prepared in accordance with generally accepted accounting principles. The Agency's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with the GASB pronouncements. The Agency's reporting entity does not apply FASB pronouncements of APB opinions issued after November 30, 1989.

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

REEDLEY REDEVELOPMENT AGENCY  
NOTES TO COMPONENT UNIT FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2012

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

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.

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. Debt service expenditures, as well as expenditures related to compensated absences and claims and judgements, 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, 2012

**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	5 years
Improvements other than buildings	40 years

REEDLEY REDEVELOPMENT AGENCY  
NOTES TO COMPONENT UNIT FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2012

**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.

**Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**Cessation of Activities**

The Agency ceased operations on or about February 1, 2012. See note six, below.

**2. 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, 2012:

Cash with fiscal agents	\$
Local Agency Investment Fund	
Cash in bank	_____
	\$ _____

The Agency's investments with LAIF as of June 30, 2012 include a portion of the pooled funds invested in derivatives and similar items. These investments include the following:

REEDLEY REDEVELOPMENT AGENCY  
NOTES TO COMPONENT UNIT FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2012

**2. CASH (continued)**

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, 2012, the Agency had nothing invested in LAIF.

**3. 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.

**4. CAPITAL ASSETS**

Capital assets activity for the year ended June 30, 2012 was as follows:

	<u>Balance</u> <u>July 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2012</u>
Land	\$ 72,250	\$	\$ 72,250	\$
Improvements and buildings	352,431		352,431	
Equipment	<u>3,520</u>		<u>3,520</u>	
Total capital assets	428,201		428,201	
Allowance for depreciation	<u>(52,099)</u>	<u>(5,090)</u>	<u>(57,189)</u>	
Net capital assets	<u>\$ 376,102</u>	<u>\$ (5,090)</u>	<u>\$ 371,012</u>	<u>\$</u>

**5. LONG-TERM LIABILITIES**

Changes in long-term liabilities for the year ended June 30, 2012 were as follows:

	<u>Balance</u> <u>July 1, 2011</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2012</u>
2011 tax allocation bonds	<u>\$ 8,825,000</u>	<u>\$</u>	<u>\$ 8,825,000</u>	<u>\$</u>
	<u>\$ 8,825,000</u>	<u>\$</u>	<u>\$ 8,825,000</u>	<u>\$</u>

REEDLEY REDEVELOPMENT AGENCY  
NOTES TO COMPONENT UNIT FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2012

**5. LONG-TERM LIABILITIES (continued)**

**Tax Allocation Bonds**

On December 15, 2010, the Agency issued \$8,825,000 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, 2012, with interest rates of 4.000 percent to 7.250 percent per annum. Principal retirement of the bonds commenced November 1, 2012. This debt has been transferred to the Successor Agency for the Reedley Redevelopment Agency. Annual debt requirements due are as follows:

Year(s) Ending June 30	Principal	Interest	Total
2013	\$ 165,000	\$ 580,027	\$ 745,027
2014	170,000	573,328	743,328
2015	155,000	566,768	721,768
2016	150,000	560,234	710,234
2017	160,000	552,959	712,959
2018 - 2022	945,000	2,619,951	3,564,951
2023 - 2027	1,145,000	2,271,797	3,416,797
2028 - 2032	1,290,000	1,865,625	3,155,625
2033 - 2037	1,845,000	1,312,431	3,157,431
2038 - 2042	<u>2,645,000</u>	<u>507,319</u>	<u>3,152,319</u>
Total	<u>\$ 8,670,000</u>	<u>\$ 11,410,439</u>	<u>\$ 20,080,439</u>

**6. CESSATION OF ACTIVITIES**

In accordance with California law, the Reedley Redevelopment Agency ceased operations on or about February 1, 2012. At that time, all of the assets, liabilities and operations of the Agency were transferred to the Successor Agency to the City of Reedley Redevelopment Agency. Net assets transferred to the Successor Agency not needed to satisfy existing obligations and commitments will eventually be transferred to the State of California.



## **SUPPLEMENTARY INFORMATION**

REEDLEY REDEVELOPMENT AGENCY  
 BUDGETARY COMPARISON SCHEDULE  
 ADMINISTRATION FUND  
 FOR THE YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive – (Negative)
Revenue	\$	\$	\$	\$
Expenditures				
Current				
General government	120,650	120,650	40,063	80,587
Total expenditure	120,650	120,650	40,063	80,587
Revenue over/(under) expenditures	(120,650)	(120,650)	(40,063)	80,587
Other financing sources/(uses)				
Operating transfers in	120,649	120,649	40,063	(80,586)
Net change in fund balance	(1)	(1)		1
Fund balance, beginning of year	_____	_____	_____	_____
Fund balance, end of year	\$ (1)	\$ (1)	\$ _____	\$ 1

See accompanying notes to financial statements.

REEDLEY REDEVELOPMENT AGENCY  
 BUDGETARY COMPARISON SCHEDULE  
 LOW – MODERATE HOUSING FUND  
 FOR THE YEAR ENDED JUNE 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive – (Negative)
	<u>Original</u>	<u>Final</u>		
Revenue				
Interest	\$ 29,204	\$ 29,204	\$ 3,326	\$ (25,878)
Sale of real estate	<u>3,516</u>	<u>3,516</u>	<u>2,340</u>	<u>(1,176)</u>
Total revenue	<u>32,720</u>	<u>32,720</u>	<u>5,666</u>	<u>(27,054)</u>
Expenditures				
Current				
General government	257,960	777,845	562,733	215,112
Debt service	110,917	110,918	127,198	(16,280)
Capital outlay	<u>1,312,916</u>	<u>1,312,916</u>	<u>                    </u>	<u>1,312,916</u>
Total expenditures	<u>1,681,793</u>	<u>2,201,679</u>	<u>689,931</u>	<u>1,511,748</u>
Revenue over/(under) expenditures	(1,649,073)	(2,168,959)	(684,265)	1,484,694
Other financing sources/(uses)				
Operating transfers in	527,865	527,865	243,675	(284,190)
Residual equity transfers (out)	<u>                    </u>	<u>                    </u>	<u>(1,966,235)</u>	<u>(1,966,235)</u>
Net change in fund balance	(1,121,208)	(1,641,094)	(2,406,825)	(765,731)
Fund balance, beginning of year	<u>2,406,825</u>	<u>2,406,825</u>	<u>2,406,825</u>	<u>                    </u>
Fund balance, end of year	<u>\$ 1,285,617</u>	<u>\$ 765,731</u>	<u>\$                      </u>	<u>\$ (765,731)</u>

See accompanying notes to financial statements.

REEDLEY REDEVELOPMENT AGENCY  
 BUDGETARY COMPARISON SCHEDULE  
 LOW – MODERATE INCOME A FUND  
 FOR THE YEAR ENDED JUNE 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive – (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenue				
Interest	\$ _____	\$ _____	\$       127	\$       127
Total revenue	_____	_____	127	127
Expenditures				
Current				
General government				
Capital outlay	_____ 64,949	_____	_____	_____
Total expenditure	_____ 64,949	_____	_____	_____
Revenue over/(under) expenditures	(64,949)		127	127
Other financing sources/(uses)				
Operating transfers in/(out)		(64,949)		64,949
Residual equity transfers (out)	_____	_____	(65,177)	(65,177)
Net change in fund balance	(64,949)	(64,949)	(65,050)	(101)
Fund balance, beginning of year	_____ 65,050	_____ 65,050	_____ 65,050	_____
Fund balance, end of year	\$       101	\$       101	\$ _____	\$       (101)

See accompanying notes to financial statements.

REEDLEY REDEVELOPMENT AGENCY  
 BUDGETARY COMPARISON SCHEDULE  
 CAPITAL PROJECTS FUND  
 FOR THE YEAR ENDED JUNE 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive – (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenue				
Proceeds from sale of bonds	\$	\$	\$	\$
Interest	<u>                    </u>	<u>                    </u>	<u>10,410</u>	<u>10,410</u>
Total revenue	<u>                    </u>	<u>                    </u>	<u>10,410</u>	<u>10,410</u>
Expenditures				
Current				
General government				
Capital outlay	<u>1,975,000</u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total expenditures	<u>1,975,000</u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Revenue over/(under) expenditures	(1,975,000)		10,410	10,410
Other financing sources/(uses)				
Residual equity transfers (out)	<u>                    </u>	<u>                    </u>	<u>(6,098,911)</u>	<u>(6,098,911)</u>
Net change in fund balance	(1,975,000)		(6,088,501)	(6,088,501)
Fund balance, beginning of year	<u>6,088,501</u>	<u>6,088,501</u>	<u>6,088,501</u>	<u>                    </u>
Fund balance, end of year	<u>\$ 4,113,501</u>	<u>\$ 6,088,501</u>	<u>\$</u>	<u>\$ (6,088,501)</u>

See accompanying notes to financial statements.

REEDLEY REDEVELOPMENT AGENCY  
 BUDGETARY COMPARISON SCHEDULE  
 DEBT SERVICE FUND  
 FOR THE YEAR ENDED JUNE 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive – (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenue				
Tax increment	\$ 2,670,498	\$ 2,639,324	\$ 1,218,374	\$ (1,420,950)
Sale of real estate	248,570	248,570	248,570	
Interest	65,087	65,087	4,346	(60,741)
Other			<u>649</u>	<u>649</u>
Total revenue	<u>2,984,155</u>	<u>2,952,981</u>	<u>1,471,939</u>	<u>(1,481,042)</u>
Expenditures				
Current				
Tax pass-through	1,095,000	1,095,000	487,174	607,826
Debt service	<u>660,000</u>	<u>660,000</u>	<u>349,199</u>	<u>310,801</u>
Total expenditures	<u>1,755,000</u>	<u>1,755,000</u>	<u>836,373</u>	<u>918,627</u>
Revenue over/(under) expenditures	1,229,155	1,197,981	635,566	(562,415)
Other financing uses/(uses)				
Operating transfers (out)	(1,281,983)	(1,281,983)	(472,189)	809,794
Residual equity transfers (out)	<u>(1,281,983)</u>	<u>(1,281,983)</u>	<u>(1,166,961)</u>	<u>(1,166,961)</u>
Net change in fund balance	(52,828)	(84,002)	(1,003,584)	(919,582)
Fund balance, beginning of year	<u>1,003,584</u>	<u>1,003,584</u>	<u>1,003,584</u>	
Fund balance, end of year	<u>\$ 950,756</u>	<u>\$ 919,582</u>	<u>\$</u>	<u>\$ (919,582)</u>

See accompanying notes to financial statements.

# SANBORN & SANBORN ACCOUNTANCY CORPORATION

CERTIFIED PUBLIC ACCOUNTANTS

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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**

January 8, 2013

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, 2012, and have issued our report thereon dated January 8, 2013. 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 deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency or combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis.

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

### 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*.

Board of Directors  
Reedley Redevelopment Agency  
January 8, 2013  
Page Two

This report is intended solely for the information and use of management, Board of Directors, others within the Agency 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, 2012

**(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, 2011

NONE