

**REDEVELOPMENT AGENCY OF
THE CITY OF CORCORAN**

FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
JUNE 30, 2011**

REDEVELOPMENT AGENCY OF THE CITY OF CORCORAN
JUNE 30, 2011

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INDEPENDENT AUDITOR'S REPORT

To the Honorable City Council of the
City of Corcoran and Board of Directors
of the Corcoran Redevelopment Agency
Corcoran, California

We have audited the accompanying financial statements of the governmental activities and each major fund of the Redevelopment Agency of the City of Corcoran, California (Agency), a component unit of the City of Corcoran, California, as of and for the year ended June 30, 2011, which collectively comprise the Agency's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Agency's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Agency as of June 30, 2011, 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.

As explained further in Note 10, there is uncertainty as to the future operation and continuation of redevelopment agencies in the State of California as a result of certain legislative actions enacted by the California State Legislature.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2011, on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 24 through 25 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Price Page & Company

Clovis, California
December 14, 2011

REDEVELOPMENT AGENCY OF THE CITY OF CORCORAN
STATEMENT OF NET ASSETS
JUNE 30, 2011

	<u>Governmental Activities</u>
<u>Assets</u>	
Cash and cash equivalents	\$ 754,043
Cash with fiscal agent - restricted	317,342
Receivables:	
Taxes	67,874
Interest	65,759
Notes	228,361
Bond issuance costs, net	284,777
Capital assets:	
Non-depreciable	301,331
Depreciable, net of accumulated depreciation	<u>3,615,880</u>
 Total assets	 <u>5,635,367</u>
<u>Liabilities</u>	
Accounts payable	140,389
Deposits	700
Deferred revenue	191,497
Advances from City of Corcoran	3,237,091
Noncurrent liabilities:	
Due in one year:	
Tax allocation bonds (net of unamortized discounts)	190,000
Due in more than one year:	
Tax allocation bonds (net of unamortized discounts)	<u>3,780,000</u>
 Total liabilities	 <u>7,539,677</u>
<u>Net Assets</u>	
Invested in capital assets, net of related debt	(52,789)
Restricted for:	
Housing	165,210
Debt service	2,042,965
Unrestricted	<u>(4,059,695)</u>
 Total net assets	 <u>\$ (1,904,310)</u>

The notes to the financial statements are an integral part of this statement.

REDEVELOPMENT AGENCY OF THE CITY OF CORCORAN
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

	Expenses	Program Revenues			Net Governmental Activities
		Charges for Services	Operating Grants	Capital Grants	
FUNCTIONS/PROGRAMS:					
Governmental activities:					
General government	\$ 401,621	\$ -	\$ -	\$ -	\$ (401,621)
Community development	966,405	-	13,391	-	(953,014)
Interest on long-term debt	<u>269,093</u>	-	-	-	<u>(269,093)</u>
Total governmental activities	<u>\$ 1,637,119</u>	<u>\$ -</u>	<u>\$ 13,391</u>	<u>\$ -</u>	<u>\$ (1,623,728)</u>

General revenues

Property taxes	\$ 1,255,073
Investment earnings	15,625
Rental income	178,475
Transfers to City of Corcoran	(2,192,429)
Other income	<u>61,678</u>
Total general revenues and transfers	<u>(681,578)</u>
Changes in net assets	(2,305,306)
Net assets, July 1, 2010	541,302
Prior period adjustment	<u>(140,306)</u>
Net assets, June 30, 2010, as restated	<u>400,996</u>
Net assets, June 30, 2011	<u>\$ (1,904,310)</u>

The notes to the financial statements are an integral part of this statement.

REDEVELOPMENT AGENCY OF THE CITY OF CORCORAN
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2011

	<u>Special Revenue Funds</u>				Total Governmental Funds
	Operations Fund	Low and Moderate Income Housing Fund	Debt Service Fund	Capital Projects Fund	
<u>Assets</u>					
Cash and cash equivalents	\$ -	\$ 160,104	\$ 593,939	\$ -	\$ 754,043
Cash with fiscal agent - restricted	-	-	317,342	-	317,342
Receivables:					
Taxes	-	13,575	54,299	-	67,874
Interest	-	64,680	1,079	-	65,759
Notes	-	105,874	-	-	105,874
Due from other fund	-	-	1,216,604	-	1,216,604
Total assets	\$ -	\$ 344,233	\$ 2,183,263	\$ -	\$ 2,527,496
<u>Liabilities and Fund Balances</u>					
Liabilities:					
Accounts payable	\$ -	\$ 7,763	\$ 121,666	\$ 10,961	\$ 140,389
Deferred revenue	-	170,560	-	-	170,560
Deposits	-	700	-	-	700
Due to other fund	-	-	-	1,216,604	1,216,604
Advances from City of Corcoran	-	-	18,632	286,259	304,891
Total liabilities	-	179,023	140,298	1,513,824	1,833,145
Fund balances:					
Restricted:					
Housing	-	165,210	-	-	165,210
Debt service	-	-	2,042,965	-	2,042,965
Unassigned	-	-	-	(1,513,824)	(1,513,824)
Total fund balances	-	165,210	2,042,965	(1,513,824)	694,351
Total liabilities and fund balances	\$ -	\$ 344,233	\$ 2,183,263	\$ -	\$ 2,527,496

The notes to the financial statements are an integral part of this statement.

**REDEVELOPMENT AGENCY OF THE CITY OF CORCORAN
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS
JUNE 30, 2011**

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

Total fund balances - governmental funds	\$	694,351
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.		3,917,211
Bond issuance costs to be amortized over the life of the debt.		284,777
Long-term liabilities are not due and payable in the current period and, therefore, they are not reported in the governmental funds balance sheet.		(6,902,199)
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.		<u>101,550</u>
Net assets of governmental activities	\$	<u>(1,904,310)</u>

The notes to the financial statements are an integral part of this statement.

REDEVELOPMENT AGENCY OF THE CITY OF CORCORAN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	<u>Special Revenue Funds</u>				Total Governmental Funds
	Operations Fund	Low and Moderate Income Housing Fund	Debt Service Fund	Capital Projects Fund	
Revenues:					
Property taxes	\$ -	\$ 251,015	\$ 1,004,058	\$ -	\$ 1,255,073
Use of money and property	170,406	13,962	7,221	2,511	194,100
Repayment of loans	-	13,391	-	-	13,391
Sale of property	-	-	-	58,908	58,908
Miscellaneous	-	2,770	-	-	2,770
	<u>170,406</u>	<u>281,138</u>	<u>1,011,279</u>	<u>61,419</u>	<u>1,524,242</u>
Total revenues					
Expenditures:					
Current:					
General government	327,819	-	222,572	-	550,391
Community development	-	226,704	-	589,629	816,333
Capital outlay:					
General government	19,522	-	-	-	19,522
Debt service:					
Principal retirement	-	-	185,000	-	185,000
Interest and fiscal charges	-	-	180,780	88,313	269,093
	<u>347,341</u>	<u>226,704</u>	<u>588,352</u>	<u>677,942</u>	<u>1,840,339</u>
Total expenditures					
Excess (deficiency) of revenues over (under) expenditures	<u>(176,935)</u>	<u>54,434</u>	<u>422,927</u>	<u>(616,523)</u>	<u>(316,097)</u>
Other financing sources (uses):					
Transfer in (out) primary government	<u>(347,161)</u>	<u>(1,025,000)</u>	<u>-</u>	<u>-</u>	<u>(1,372,161)</u>
Total other financing sources (uses)	<u>(347,161)</u>	<u>(1,025,000)</u>	<u>-</u>	<u>-</u>	<u>(1,372,161)</u>
Net changes in fund balances	(524,096)	(970,566)	422,927	(616,523)	(1,688,258)
Fund balances, July 1, 2010	<u>524,096</u>	<u>1,135,776</u>	<u>1,771,560</u>	<u>(908,517)</u>	<u>2,522,915</u>
Prior period adjustment	-	-	(151,522)	11,216	(140,306)
Fund balances, July 1, 2010, as restated	<u>524,096</u>	<u>1,135,776</u>	<u>1,620,038</u>	<u>(897,301)</u>	<u>2,382,609</u>
Fund balances, June 30, 2011	<u>\$ -</u>	<u>\$ 165,210</u>	<u>\$ 2,042,965</u>	<u>\$ (1,513,824)</u>	<u>\$ 694,351</u>

The notes to the financial statements are an integral part of this statement.

**REDEVELOPMENT AGENCY OF THE CITY OF CORCORAN
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011**

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

Net changes in fund balances - total governmental funds	\$ (1,688,258)
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is capitalized. This is the amount of capital assets recorded.	193,829
The net effect of various miscellaneous transactions involving capital assets that are transfers to the primary government.	(820,268)
Depreciation expense on capital assets is reported in the government-wide statement and changes in net assets, but it does not require the use of current financial resources; therefore, depreciation expense is not reported as an expenditure in the governmental funds.	(167,640)
Compensated absences expense reported in the statement of activities does not require the use of current financial resources and, therefore, is not reported as an expenditure in the governmental funds.	4,192
Repayment of long-term principal is an expenditure in governmental funds, but the repayment reduced long-term liabilities in the government-wide statement of net assets.	185,000
Governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	<u>(12,161)</u>
Changes in net assets of governmental activities	<u>\$ (2,305,306)</u>

The notes to the financial statements are an integral part of this statement.

REDEVELOPMENT AGENCY OF THE CITY OF CORCORAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Redevelopment Agency of the City of Corcoran (the Agency) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

Reporting Entity

The Redevelopment Agency of the City of Corcoran (Agency) was established by Ordinance No. 286 adopted on February 5, 1973, pursuant to the State of California Health and Safety Code, Section 33000, entitled "Community Redevelopment Law." The Agency did not engage in any activity until fiscal year 1981. The Agency acquired 25 acres of industrially zoned land in September 1980, which it is promoting for sale and/or development. The Agency's Redevelopment Plan was amended on July 15, 1985, by Ordinance No. 414-NS to provide for the addition of certain areas to the original project area. The Board adopted a second amendment to the Agency's Redevelopment Plan on July 8, 1996, by Ordinance No. 516-NS to provide for the addition of 924 acres of urbanized area within and surrounding the City of Corcoran.

Under the Redevelopment Plan, the Agency intends to redevelop, rehabilitate and revitalize the area within the boundaries of the Corcoran Industrial Sector Redevelopment Project to provide additional employment opportunities, and to provide safe, decent, sanitary and affordable housing, including housing for persons with low or moderate income.

The Agency is comprised of all funds under the jurisdiction and control of the Agency Governing Board. The Governing Board is comprised of the City of Corcoran City Council. Because the City of Corcoran's governing council controls the Agency, the Agency is considered a component unit of the City of Corcoran; therefore, the Agency's financial information is blended into the City of Corcoran's Annual Financial Report.

The Agency has no financial or operational relationships with other related agencies, organizations, or functions of government which meet the reporting entity definition criteria of GASB Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39 *Determining Whether Certain Organizations are Component Units*, for inclusion as a component unit of the Agency.

Description of Funds

The accounts of the Agency are organized on the basis of funds, each of which is considered to 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 balance, revenues and expenditures. Government resources are allocated to and accounted for in individual fund based upon the purposes 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.

Basis of Presentation, Measurement Focus and Basis of Accounting

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.

REDEVELOPMENT AGENCY OF THE CITY OF CORCORAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation, Measurement Focus and Basis of Accounting (continued)

Government–Wide Financial Statements (continued)

These basic 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 they are earned while expenses are recognized in the period in which the liability is incurred regardless of the timing of related cash flows. Nonexchange transactions, in which the Agency gives (or receives) value without directly receiving (or giving) equal value in exchange, including property tax increments, grants, and donations. On the accrual basis, revenue from property tax increment is recognized in the fiscal year for which the taxes are levied.

Other revenues, such as grants and similar items, are recognized in the fiscal year in which all eligibility requirements have been satisfied. When both restricted and unrestricted net assets are available, unrestricted resources are used only after the restricted resources related to grants are depleted.

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables and receivables. All internal balances in the Statement of Net Assets have been eliminated except those representing balances between the Agency activities and the City, which are presented as internal balances and eliminated in the total primary government column.

The statement of activities presents a comparison of direct expenses and program revenues for activities of the Agency. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular program or function. Program revenues include 1) charges paid by the recipients of goods or services offered by the programs, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including property tax increment, are presented instead as general revenues.

Governmental Fund Financial Statements

The accounts of the Agency are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

Governmental fund financial statements are reported using the *current financial resources measurement focus and the modified accrual basis of accounting*. Under this method, revenues are recognized as soon as they are measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose the Agency considers revenues to be available if they are collected within 60 days after the end of the current fiscal period. The primary revenue sources susceptible to accrual are property tax increment, intergovernmental and grant revenues, investment income, developer contributions, and rent. Expenditures are generally 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. General capital assets acquisitions are reported as other financing sources.

REDEVELOPMENT AGENCY OF THE CITY OF CORCORAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation, Measurement Focus and Basis of Accounting (continued)

Government Fund Financial Statements (continued)

Reconciliation of the fund financial statements to the government-wide financial statements is provided to explain the differences created by the integrated approach of GASB Statement No. 34.

The fund financial statements provide information about the Agency's funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

The Agency reports the following major governmental funds:

The **Operations Special Revenue Fund** is used to account for the Agency's rental activities.

The **Low and Moderate Income Housing Special Revenue Fund** is used to account for the 20% of tax increment funds required by state law to be set aside for low and moderate housing needs.

The **Debt Service Fund** is used to account for the accumulation of resources for, and the payment of, debt principal and interest.

The **Capital Projects Fund** is used to account for redevelopment activities including acquisition and construction of major capital facilities.

Assets, Liabilities and Equity

Cash and Investments

Under the Agency's cash management program, cash in excess of operating requirements is pooled with the purpose of maximizing interest through investment activities, and is deposited in savings accounts or invested in bank certificates of deposit, bank money market accounts and the State of California Local Agency Investment Fund (LAIF). Interest income on pooled investments is allocated on the end of month balance in each fund included in the pools.

Interfund

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e. the current portion of interfund loans) or "interfund advances receivable/payable" (i.e. the non-current portion of interfund loans).

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

Restricted Assets

Assets that are restricted for specified uses by bonded debt requirements, grant provision or other requirements are classified as restricted because they are maintained in separate bank accounts or by fiscal agents, and their use is limited by applicable bond covenants or agreements. Liabilities payable from such restricted assets are separately classified on the statement of net assets.

REDEVELOPMENT AGENCY OF THE CITY OF CORCORAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities and Equity (continued)

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 \$500. The Agency has chosen not to capitalize infrastructure in place prior to the adoption of GASB 34. Gifts or contributions of capital assets are recorded at fair market value when received. Depreciation is recorded on a straight-line basis over the useful lives of the following assets:

Buildings	25-40 years
Improvements	5-20 years
Equipment	3-10 years
Vehicles	5-10 years

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34 which requires the inclusion of infrastructure capital assets in local governments' basic financial statements. In accordance with Statement No. 34, the Agency has included the value of all infrastructures since the beginning of the 2002/03.

Personnel Services

The Agency has no employees. Administrative and accounting services are provided by the City personnel. Consequently, the Agency has an obligation to the City for compensated absences and retirement plan contributions.

Net Assets and Fund Equity

In the government-wide financial statements, net assets are reported in three categories as follows:

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 assets.

Restricted net assets – this amount is restricted by external creditors, grantors, contributors, or law or regulations of other governments.

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

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the Agency's policy is to apply restricted net assets first.

In the fund financial statements, reserves and designations segregate portions of fund balance that are either not available or have been earmarked for specific purposes. The various reserves and designations are established by actions of the Board and management and can be increased, reduced or eliminated by similar actions.

Encumbrances

The Agency does not use encumbrance accounting.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

REDEVELOPMENT AGENCY OF THE CITY OF CORCORAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities and Equity (continued)

Budgeting

Prior to July 1, the Board of Directors adopts budgets for the governmental fund types of the Agency. Following publication and public hearings, the budgets are legally enacted by resolution. The budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America.

These budgets are revised by the Agency's governing board during the year to give consideration to unanticipated income and expenditures. Both the original and final revised budget are presented in the financial statements.

Property Taxes

Revenue is recognized when measurable and available. The assessment, levy and collection of property taxes are the responsibility of the County of Kings (County). The Agency records property taxes as revenue when received from the County, except at fiscal year-end, when property taxes received within 60 days after the end of the fiscal year are "available" and, therefore, recognized as revenue.

Secured and unsecured property taxes are levied based on the assessed value as of January 1, lien date, of the preceding fiscal year. Secured property tax is levied on July 1 and due in two installments, on November 1 and February 1. Collection dates are December 10 and April 10, which are also the delinquent dates. Unsecured property tax is levied on July 1 and due on July 31, and has a collection date of August 31, which is also the delinquent date.

Deferred Bond Issue Costs

Deferred bond issue costs represent initial direct costs incurred in connection with the issuance of revenue bonds. Such costs are being amortized using the straight-line method, which is not materially different from the effective interest method, over the life of the related bonds.

Long-Term Debt

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities section of the statement of net assets.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as costs of issuance, during the current period. The face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Compensated Absences

City employees accumulate vacation pay in varying amounts as services are provided. The City limits accumulated vacation to 30 working days for employees and 45 working days for management. All outstanding vacation pay is payable upon termination of employment. This amount is included as a liability in the government-wide financial statements.

Deferred Revenue

Deferred revenue is that for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. The Agency typically records deferred revenue related to uncollected outstanding, performing loans and intergovernmental revenues (primarily grants and subventions) received but not yet earned (qualifying expenditures not yet incurred).

REDEVELOPMENT AGENCY OF THE CITY OF CORCORAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities and Equity (continued)

Low Income Housing

Under requirements of the State of California Health and Safety Code, the Agency is required to set aside 20% of tax increment revenues for use in housing projects benefiting low and moderate income households. At June 30, 2011, the net cumulative unspent low and moderate income housing set-aside funds have been obligated by the Agency and are included in the respective project area Low Income Housing Special Revenue Fund for 20% set-aside. The Agency accounts for these revenues in a Special Revenue Fund.

Fund Balance Classification

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the Agency is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- **Nonspendable**: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The Agency has classified Redevelopment Properties Held for Resale and Prepaid Items as being Nonspendable as these items are not expected to be converted to cash or are not expected to be converted to cash within the next year.
- **Restricted**: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. Debt service resources are to be used for future servicing of the revenue note and are restricted through debt covenants.
- **Committed**: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the City Council. These amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The Agency did not have any committed resources as of June 30, 2011.
- **Assigned**: This classification includes amounts that are constrained by the Agency's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the City Council or through the City Council delegating this responsibility to the City manager through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund. The Agency has assigned funds for Other Capital Projects that are to be used for the repair and replacement of equipment.
- **Unassigned**: This classification includes amounts that have not been assigned to other funds or restricted, committed or assigned to a specific purpose within the Agency.

The Agency would typically use restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend assigned resources first to defer the use of these other categories of fund balance.

REDEVELOPMENT AGENCY OF THE CITY OF CORCORAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Implementation of New Accounting Principles

The Agency adopted new accounting standards in order to conform to the following Accounting Standards Board Statements:

Governmental Accounting Standards Board Statement No. 54

In March 2009, Governmental Accounting Standards Board (GASB) issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2010. The Agency has implemented GASB Statement No. 54, beginning with the fiscal year ending June 30, 2011.

Governmental Accounting Standards Board Statement No. 59

In June 2010, GASB issued Statement No. 59, *Financial Instruments Omnibus*. This statement updates and improves existing standards regarding financial reporting of certain financial instruments and external investment pools. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2010. The Agency has implemented GASB Statement No. 59, beginning with the fiscal year ending June 30, 2011.

NOTE 2 – CASH AND CASH EQUIVALENTS AND INVESTMENTS WITH FISCAL AGENT

Cash and investments as of June 30, 2011, are classified in the accompanying financial statements as follows:

Statement of Net Assets:

Cash and cash equivalents	\$ 754,043
Cash with fiscal agent - restricted	<u>317,342</u>
Total	<u>\$ 1,071,385</u>

Cash and investments as of June 30, 2011, consist of the following:

	<u>Credit Quality Ratings</u>	<u>Carrying Amount</u>	<u>Maturity</u>
Primary government deposits	Not applicable	\$ 754,043	N/A
Investments	Aaa	<u>317,342</u>	Less than 12 months
Total cash and cash equivalents		<u>\$ 1,071,385</u>	

The Agency pools its cash and investments with the City. As of June 30, 2011, the carrying amount of the Agency's deposits with the City was \$754,043.

Refer to the City of Corcoran's Notes to the Basic Financial Statements for disclosures related to cash and investments and related risks disclosure.

REDEVELOPMENT AGENCY OF THE CITY OF CORCORAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 2 – CASH AND CASH EQUIVALENTS AND INVESTMENTS WITH FISCAL AGENT (continued)

Restricted Assets

The restricted cash and cash equivalents represents amounts that are held by a trustee bank and restricted for debt service.

As of June 30, 2011, the restricted cash and cash equivalents amounted to \$317,342.

NOTE 3 – NOTES RECEIVABLE / DEFERRED REVENUE

Notes receivable consisted of the following as of June 30, 2011:

Deferred payment loans receivable under the Community Redevelopment Housing Set-Aside Fund are not required to be paid back until the participating homeowner sells, transfers title to the rehabilitated property, or discontinues residence in the dwelling, at which time, the full amount of the deferred loan is due. Deferred payment loans are “non-performing” loans and are not recorded as receivable or deferred revenue. Such loans totaled \$105,874 as of June 30, 2011.

NOTE 4 – INTERFUND TRANSFERS

Interfund Receivables/Payables (Due To/Due From)

The interfund receivable and payable balances at June 30, 2011, are as follows:

	Receivable Fund	Payable Fund	
Major funds:			
Capital projects fund	\$ -	\$ 1,216,604	
Debt service fund	1,216,604	-	
 Total	 \$ 1,216,604	 \$ 1,216,604	

Due to the City of Corcoran

Due to the City of Corcoran consisted of the following as of June 30, 2011:

Due to	Due from	Amount	Reason
Primary government	Capital projects fund	\$ 286,259	Economic development
Primary government	Debt service fund	18,632	Tax increment pass through payment
	Fund Financial Statement total	304,891	
Primary government	Capital projects fund	2,932,200	Develop property for industrial use
	Government-Wide Statement total	\$ 3,237,091	

REDEVELOPMENT AGENCY OF THE CITY OF CORCORAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 4 – INTERFUND TRANSFERS (continued)

Transfers

Transfers in and out to the City of Corcoran for the year ended June 30, 2011, consisted of the following:

The Low and Moderate Income Housing Fund transferred to the City of Corcoran Housing Authority Fund for start-up costs.	\$ 1,000,000
The Low and Moderate Income Housing Fund transferred to the City of Corcoran HOME Program Special Revenue Fund for the grant match to cover administrative costs.	25,000
The Operations Fund transferred to the City of Corcoran General Fund to close out the fund	<u>347,161</u>
Total of Fund Financial Statement	<u>1,372,161</u>
Transfer of the Agency's property to the City of Corcoran	<u>820,268</u>
Total of Government-Wide Statement	<u>\$ 2,192,429</u>

REDEVELOPMENT AGENCY OF THE CITY OF CORCORAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 5 – CAPITAL ASSETS

During the fiscal year ended June 30, 2011, the following changes with capital assets occurred:

	<u>July 1, 2010</u>	<u>Increases</u>	<u>Transfers to Primary Government</u>	<u>June 30, 2011</u>
<u>Governmental Activities</u>				
Capital assets not being depreciated:				
Land	\$ 107,501	\$ -	\$ -	\$ 107,501
Construction in progress	<u>-</u>	<u>193,830</u>	<u>-</u>	<u>193,830</u>
Total capital assets not being depreciated	<u>107,501</u>	<u>193,830</u>	<u>-</u>	<u>301,331</u>
Capital assets being depreciated:				
Buildings and improvements	4,592,502	-	(1,240,318)	3,352,184
Infrastructure	1,666,725	-	-	1,666,725
Furniture and equipment	<u>44,301</u>	<u>-</u>	<u>(44,301)</u>	<u>-</u>
Total capital assets being depreciated	<u>6,303,528</u>	<u>-</u>	<u>(1,284,619)</u>	<u>5,018,909</u>
Less accumulated depreciation for:				
Buildings and improvements	(1,445,299)	(117,561)	433,262	(1,129,598)
Infrastructure	(231,763)	(41,668)	-	(273,431)
Furniture and equipment	<u>(22,678)</u>	<u>(8,411)</u>	<u>31,089</u>	<u>-</u>
Total accumulated depreciation	<u>(1,699,740)</u>	<u>(167,640)</u>	<u>464,351</u>	<u>(1,403,029)</u>
Total capital assets being depreciated, net	<u>4,603,788</u>	<u>(167,640)</u>	<u>(820,268)</u>	<u>3,615,880</u>
Governmental activities capital assets, net	<u>\$ 4,711,289</u>	<u>\$ 26,190</u>	<u>\$ (820,268)</u>	<u>\$ 3,917,211</u>

NOTE 6 – LONG-TERM LIABILITIES

A schedule of changes in long-term debt for the year ended June 30, 2011, is shown below:

	Balance July 1, 2010	Incurred or Issued	Satisfied or Matured	Balance June 30, 2011	Amounts Due Within One Year	Amounts Due in More Than One Year
2004 Tax Allocation Bonds	\$ 4,155,000	\$ -	\$ (185,000)	\$ 3,970,000	\$ 190,000	\$ 3,780,000
Compensated absences	<u>4,192</u>	<u>-</u>	<u>(4,192)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 4,159,192</u>	<u>\$ -</u>	<u>\$ (189,192)</u>	<u>\$ 3,970,000</u>	<u>\$ 190,000</u>	<u>\$ 3,780,000</u>

REDEVELOPMENT AGENCY OF THE CITY OF CORCORAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 6 – LONG-TERM LIABILITIES (continued)

Bond Payable

2004 Tax Allocation Bonds

The 2004 Tax Allocation Refunding Bonds were issued on November 1, 2004, by the Community Redevelopment Agency to refund the Tax Allocation Refunding Bonds, Series 1994 issued by the Agency. Bonds authorized and issued have interest ranging from 1.9% to 5.0% and mature December 1, 2034. The future payments are as follows:

<u>Fiscal Year Ending</u>	<u>2004 Tax Allocation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 190,000	\$ 177,543	\$ 367,543
2013	200,000	170,418	370,418
2014	205,000	162,918	367,918
2015	215,000	154,718	369,718
2016	220,000	146,118	366,118
2017-2021	1,255,000	582,738	1,837,738
2022-2026	805,000	303,542	1,108,542
2027-2031	445,000	176,980	621,980
2032-2035	435,000	56,000	491,000
Total	<u>\$ 3,970,000</u>	<u>\$ 1,930,975</u>	<u>\$ 5,900,975</u>

NOTE 7 – DEFICIT FUND BALANCE

The Capital Projects Fund has a deficit fund balance of \$1,513,824 at June 30, 2011.

NOTE 8 – PRIOR PERIOD ADJUSTMENT

During the current year the following prior period adjustments were identified:

The beginning fund balance in the Capital Project Fund was increased by \$11,216 due to an expense understatement. This amount also increased the beginning net assets of governmental activities.

The beginning fund balance in the Debt Service Fund was decreased by \$151,522 due to an expense understatement in the 2010 fiscal year related to the tax increment pass through. This amount also increased the beginning net assets of governmental activities.

In summary, the following increases/decreases were made to beginning fund balance/ net assets:

Governmental Funds:

Capital Projects fund	\$ 11,216
Debt Service Fund	<u>(151,522)</u>
Total Governmental Funds	<u>\$ (140,306)</u>

Governmental Activities	<u>\$ (140,306)</u>
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REDEVELOPMENT AGENCY OF THE CITY OF CORCORAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 9 – SUPPLEMENTAL EDUCATIONAL REVENUE AUGMENTATION FUND (SERAF)

The Supplemental Educational Revenue Augmentation Fund (SERAF) was enacted by California State Assembly Bill AB26 4X to meet the State's mandatory funding requirements of California public schools under Proposition 98. The Bill requires that \$2.05 billion in property tax increment, previously collected and remitted to redevelopment agencies across the State, be redirected to public schools which function within an Agency's redevelopment project area. The \$2.05 billion is payable in proportion by all California redevelopment agencies over a two-year period, with \$1.70 billion payable by May 10, 2010, and \$350 million payable by May 10, 2011. The California State Department of Finance has determined the amounts due from each of California's redevelopment agencies comprising the \$2.05 billion payment. As determined by the Department of Finance, the Corcoran Redevelopment Agency SERAF payment of \$79,070 was transferred to the County of Kings on May 2, 2011, for redistribution to the school districts. The expenditure was paid by the Agency's debt service fund.

NOTE 10 – RECENT CHANGES IN LEGISLATION AFFECTING CALIFORNIA REDEVELOPMENT AGENCIES

On June 29, 2011, the Governor of the State of California signed Assembly Bills X1 26 and 27 as part of the State's budget package. Assembly Bill X1 26 requires each California redevelopment agency to suspend (effective July 1, 2011) nearly all activities except to implement existing contracts, meet already-incurred obligations, preserve its assets and prepare for the impending dissolution of the agency. Assembly Bill X1 27 provides a means for redevelopment agencies to continue to exist and operate by means of a Voluntary Alternative Redevelopment Program. Under this program, each city would adopt an ordinance agreeing to make certain payments to the County Auditor Controller in fiscal year 2011-12 and annual payments each fiscal year thereafter. Assembly Bill X1 26 indicates that the City "may use any available funds not otherwise obligated for other uses" to make this payment. The City intends to use tax increment allocable to available monies of its redevelopment agency for this purpose and the City and Agency have approved a reimbursement agreement to accomplish that. The amounts to be paid after fiscal year 2011-12 and 2012-13 have yet to be determined by the state legislature. Assembly Bill X1 26 directs the State Controller of the State of California to review the propriety of any transfers of assets between redevelopment agencies and other public bodies that occurred after January 1, 2011. If the public body that received such transfers is not contractually committed to a third party for the expenditure or encumbrance of those assets, the State Controller is required to order the available assets to be transferred to the public body designated as the successor agency by Assembly Bill X1 26.

In the event that Assembly Bill X1 26 is upheld, the receivable recognized by funds of the City that had previously loaned or advanced funds to the redevelopment agency would become uncollectible with a loss recognized by the advancing funds to the City. Additionally, the City would be impacted by the elimination of reimbursements previously paid to the City by the redevelopment agency for shared administrative services.

The League of California Cities and the California Redevelopment Association (CRA) filed a lawsuit on July 18, 2011, on behalf of cities, counties and redevelopment agencies petitioning the California Supreme Court to overturn Assembly Bills X1 26 and 27 on the grounds that they violate the California Constitution. On August 11, 2011, the California Supreme Court issued a stay of all of Assembly Bill X1 27 and most of Assembly Bill X1 26. The California Supreme Court stated in its order that "the briefing schedule is designed to facilitate oral argument as early as possible in 2011, and a decision before January 15, 2012." A second order issued by the California Supreme Court on August 17, 2011, indicated that certain provisions of Assembly Bills X1 26 and 27 were still in effect and not affected by its previous stay, including requirements to file an appeal of the determination of the community remittance payment by August 15, the requirement to adopt an Enforceable Obligations Payment Schedule ("EOPS") by August 29, 2011, and the requirement to prepare a preliminary draft of the initial Recognized Obligation Payment Schedule ("ROPS") by September 30, 2011.

REDEVELOPMENT AGENCY OF THE CITY OF CORCORAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 10 – RECENT CHANGES IN LEGISLATION AFFECTING CALIFORNIA REDEVELOPMENT AGENCIES (continued)

Because the stay provided by Assembly Bill X1 26 only affects enforcement, each agency must adopt an Enforceable Obligation Payment Schedule and draft Recognized Obligation Payment Schedule prior to September 30, as required by the statute. Enforceable obligations include bonds, loans and payments required by the federal or State government; legally enforceable payments required in connection with agency employees such as pension payments and unemployment payments, judgments or settlements; legally binding and enforceable agreements or contracts; and contracts or agreements necessary for the continued administration or operation of the agency that are permitted for purposes set forth in AB1X 26.

On August 15, 2011, The Agency Ordinance No. 618 was adopted, indicating that the Agency will comply with the Voluntary Alternative Redevelopment Program in order to permit the continued existence and operation of the Agency, in the event Assembly Bills X1 26 and/or 27 are upheld as constitutional. The initial payment by the Agency is estimated to be \$341,254 with one half due on January 15, 2012, and the other half due May 15, 2012. Thereafter, an estimated \$80,929 will be due annually. The amounts to be paid after fiscal year 2011-12 and 2012-13 have yet to be determined by the State Legislature. The semi-annual payments will be due on January 15 and May 15 of each year and would increase or decrease with changes in tax increment. Additionally, an increased amount would be due to schools if any "new debt" is incurred. Assembly Bill X1 27 allows a one-year reprieve on the Agency's obligation to contribute 20% of tax increment to the low-and-moderate-income housing fund so as to permit the Agency to assemble sufficient funds to make its initial payments. Failure to make these payments would require agencies to be terminated under the provisions of ABX1 26.

Management believes that the Agency will have sufficient funds to pay its obligations as they become due during the fiscal year ending June 30, 2012. The nature and extent of the operation of redevelopment agencies in the State of California beyond that fiscal year are dependent upon the outcome of litigation surrounding the actions of the State. In the event that Assembly Bills X1 26 and/or 27 are specifically found by the courts to be unconstitutional, there is a possibility that future legislative acts of the California State legislature may create new challenges to the existence and funding of redevelopment agencies ability to continue in view of the California State Legislature's declared intent to eliminate redevelopment agencies and to reduce their funding.

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REQUIRED SUPPLEMENTARY INFORMATION

REDEVELOPMENT AGENCY OF THE CITY OF CORCORAN
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES – BUDGET AND ACTUAL
OPERATIONS SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget - Positive (Negative)
REVENUES:				
Use of money and property	\$ 172,000	\$ 172,000	\$ 170,406	\$ (1,594)
Total revenues	<u>172,000</u>	<u>172,000</u>	<u>170,406</u>	<u>(1,594)</u>
EXPENDITURES:				
Current:				
General government	162,218	162,218	327,819	(165,601)
Capital outlay:				
General government	<u>-</u>	<u>-</u>	<u>19,522</u>	<u>(19,522)</u>
Total expenditures	<u>162,218</u>	<u>162,218</u>	<u>347,341</u>	<u>(185,123)</u>
Excess (deficiency) of revenues over (under) expenditures	9,782	9,782	(176,935)	(186,717)
Other financing sources (uses):				
Operating transfers out to City of Corcoran	<u>-</u>	<u>-</u>	<u>(347,161)</u>	<u>(347,161)</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(347,161)</u>	<u>(347,161)</u>
Net changes in fund balances	9,782	9,782	(524,096)	(533,878)
Fund balances, July 1, 2010	<u>524,096</u>	<u>524,096</u>	<u>524,096</u>	<u>-</u>
Fund balances, June 30, 2011	<u>\$ 533,878</u>	<u>\$ 533,878</u>	<u>\$ -</u>	<u>\$ (533,878)</u>

REDEVELOPMENT AGENCY OF THE CITY OF CORCORAN
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES – BUDGET AND ACTUAL
LOW AND MODERATE INCOME HOUSING SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Property taxes	\$ 219,545	\$ 219,545	\$ 251,015	\$ 31,470
Use of money and property	18,400	18,400	13,962	(4,438)
Repayment of loans	6,000	6,000	13,391	7,391
Miscellaneous	<u>-</u>	<u>-</u>	<u>2,770</u>	<u>2,770</u>
Total revenues	<u>243,945</u>	<u>243,945</u>	<u>281,138</u>	<u>37,193</u>
EXPENDITURES:				
Current:				
Community development	<u>268,140</u>	<u>268,140</u>	<u>226,704</u>	<u>41,436</u>
Total expenditures	<u>268,140</u>	<u>268,140</u>	<u>226,704</u>	<u>41,436</u>
Excess (deficiency) of revenues over (under) expenditures	(24,195)	(24,195)	54,434	78,629
Other financing sources (uses):				
Operating transfers out to City of Corcoran	<u>-</u>	<u>-</u>	<u>(1,025,000)</u>	<u>(1,025,000)</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(1,025,000)</u>	<u>(1,025,000)</u>
Net changes in fund balances	(24,195)	(24,195)	(970,566)	(946,371)
Fund balances, July 1, 2010	<u>1,135,776</u>	<u>1,135,776</u>	<u>1,135,776</u>	<u>-</u>
Fund balances, June 30, 2011	<u>\$ 1,111,581</u>	<u>\$ 1,111,581</u>	<u>\$ 165,210</u>	<u>\$ (946,371)</u>

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OTHER INDEPENDENT AUDITOR'S REPORTS

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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

To the Honorable City Council of the
City of Corcoran and Board of Directors
of the Corcoran Community Redevelopment Agency
Corcoran, California

We have audited the financial statements of the governmental activities and each major fund of the Redevelopment Agency of the City of Chowchilla, California (Agency), a component unit of the City of Chowchilla, as of and for the year ended June 30, 2011, which collectively comprise the Agency's basic financial statements and have issued our report thereon dated December 14, 2011. 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, Section 33080.1(a) of the Health and Safety Code of the State of California; and the procedures contained in the Controllers of the State of California "Guidelines for Compliance Audits of California Redevelopment Agencies."

Internal Control Over Financial Reporting

Management of the Agency is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Agency's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our 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 a 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 the Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those

provisions was not an objective of our audit, and accordingly, we do not express such an opinion. 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 Audit Committee, Board of Directors of the Agency, management of the Agency, and the State Controller, and is not intended to be and should not be used by anyone other than these specified parties.

Price Pange & Company

Clovis, California
December 14, 2011



INDEPENDENT AUDITOR'S REPORT COMPLIANCE AND ON
INTERNAL CONTROL BASED ON AN AUDIT OF COMPLIANCE
PERFORMED IN ACCORDANCE WITH *GUIDELINES FOR
COMPLIANCE AUDITS OF CALIFORNIA REDEVELOPMENT
AGENCIES, AUGUST 2011*, ISSUED BY THE STATE CONTROLLER

To the Honorable City Council of the
City of Corcoran and Board of Directors
of the Corcoran Community Redevelopment Agency
Corcoran, California

Compliance

We have audited the Redevelopment Agency of the City of Chowchilla's (the Agency) compliance with the California Health and Safety Code as required by Section 33080.1 for the year ended June 30, 2011. Compliance with the requirements referred to above is the responsibility of the Agency's management. Our responsibility is to express an opinion on the Agency's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; 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, June 2011*, issued by the State Controller and as interpreted in the *Auditing Procedures for Accomplishing Compliance Audits of California Redevelopment Agencies, August 2011*, issued by the Governmental Accounting and Auditing Committee of the California Society of Certified Public Accountants.

Those standards require that we plan and perform the audit to obtain reasonable assurance about whether compliance requirements referred to above that could have a material effect on the Agency has occurred. An audit includes examining, on a test basis, evidence about the Agency's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Agency's compliance with those requirements. In our opinion, the Agency complied, in all material respects, with the compliance requirements referred to above that are applicable for the year ended June 30, 2011.

Internal Control Over Compliance

Management of the Agency is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit, we considered the Agency's internal control over compliance to determine the auditing procedures for the purpose of expressing our opinion over compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over compliance.

A deficiency in internal control over compliance 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, noncompliance on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement 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 that might be deficiencies, significant deficiencies, or material weaknesses in internal control over compliance. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of Audit Committee, Board of Directors of the Agency, management of the Agency, the California Department of Housing and Community Development and State Controller's Office Division of Accounting and Reporting, and is not intended to be and should not be used by anyone other than these specified parties.

Price Pange & Company

Clovis, California
December 14, 2011

REDEVELOPMENT AGENCY OF THE CITY OF CORCORAN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor's report issued:

Unqualified

Internal control over financial reporting:

Material weakness(es) identified?

_____ yes X no

Significant deficiencies identified that are not
considered to be material weaknesses?

_____ yes X none reported

Noncompliance material to financial
statements noted?

_____ yes X no

SECTION II – FINANCIAL STATEMENT FINDINGS

No items are reportable.

REDEVELOPMENT AGENCY OF THE CITY OF CORCORAN
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2011

No items were reportable in the prior year.