

**REDEVELOPMENT AGENCY OF  
THE CITY OF CORCORAN**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED  
JUNE 30, 2009**

**REDEVELOPMENT AGENCY OF THE CITY OF CORCORAN**  
**JUNE 30, 2009**

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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, each major fund, and the aggregate remaining fund information 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, 2009, which collectively comprise the Agency's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Agency's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Agency as of June 30, 2009, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2009, on our consideration of the Redevelopment Agency of the City of Corcoran's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Redevelopment Agency of the City of Corcoran has not presented a management's discussion and analysis. Accounting principles generally accepted in the United States of America require that a management's discussion and analysis be presented as supplementary information.

The *budgetary comparison information* on pages 20-21 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*Price Pange & Company*

Clovis, California  
December 9, 2009

**REDEVELOPMENT AGENCY OF THE CITY OF CORCORAN**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2009**

	<u>Governmental Activities</u>
<u>Assets</u>	
Cash and cash equivalents	\$ 2,709,373
Cash with fiscal agent - restricted	313,526
Receivables:	
Taxes	80,302
Interest	71,151
Other	16,380
Notes	221,409
Bond issuance costs, net	309,099
Capital assets:	
Non-depreciable	107,501
Depreciable, net of accumulated depreciation	<u>4,771,428</u>
 Total assets	 <u>8,600,169</u>
<u>Liabilities</u>	
Accounts payable	195,255
Deferred revenue	181,752
Advances from City of Corcoran	2,932,199
Noncurrent liabilities:	
Due in one year:	
Compensated absences	8,814
Tax allocation bonds (net of unamortized discounts)	180,000
Due in more than one year:	
Compensated absences	2,710
Tax allocation bonds (net of unamortized discounts)	<u>4,155,000</u>
 Total liabilities	 7,655,730
<u>Net Assets</u>	
Invested in capital assets, net of related debt	4,878,929
Restricted for:	
Special revenue funds	1,710,220
Debt service funds	2,007,610
Unrestricted	<u>(7,652,320)</u>
 Total net assets	 <u>\$ 944,439</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, 2009**

	Expenses	Program Revenues			Net Governmental Activities
		Charges for Services	Operating Grants	Capital Grants	
FUNCTIONS/PROGRAMS:					
Governmental activities:					
General government	\$ 288,793	\$ -	\$ -	\$ -	\$ (288,793)
Community development	1,108,733	-	6,354	-	(1,102,379)
Interest on long-term debt	280,032	-	-	-	(280,032)
Total governmental activities	<u>\$ 1,677,558</u>	<u>\$ -</u>	<u>\$ 6,354</u>	<u>\$ -</u>	<u>\$ (1,671,204)</u>

General revenues

Taxes:

Property taxes	\$ 1,177,936
Investment earnings	55,953
Rental income	174,475
Transfers from City of Corcoran	22,822
Other income	<u>25,271</u>

Total general revenues and transfers 1,456,457

Change in net assets (214,747)

Net assets, July 1, 2008 1,059,160

Prior period adjustment 100,026

Net assets, June 30, 2008, as restated 1,159,186

Net assets, June 30, 2009 \$ 944,439

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, 2009**

	<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	\$ 468,096	\$ 1,228,907	\$ 988,800	\$ 23,570	\$ 2,709,373
Cash with fiscal agent - restricted	-	-	313,526	-	313,526
Receivables:					
Taxes	-	16,060	64,242	-	80,302
Interest	1,592	66,214	3,345	-	71,151
Other	14,000	2,380	-	-	16,380
Notes	-	27,247	-	-	27,247
Advances to other funds	-	-	784,795	-	784,795
<b>Total assets</b>	<b><u>\$ 483,688</u></b>	<b><u>\$ 1,340,808</u></b>	<b><u>\$ 2,154,708</u></b>	<b><u>\$ 23,570</u></b>	<b><u>\$ 4,002,774</u></b>
<u>Liabilities and Fund Balances</u>					
Liabilities:					
Accounts payable	\$ 15,424	\$ 9,711	\$ 147,098	\$ 23,022	\$ 195,255
Deferred revenue	-	89,141	-	-	89,141
Due to other funds	-	-	-	-	-
Advances from other funds	-	-	-	784,795	784,795
Advances from City of Corcoran	-	-	-	-	-
<b>Total liabilities</b>	<b><u>15,424</u></b>	<b><u>98,852</u></b>	<b><u>147,098</u></b>	<b><u>807,817</u></b>	<b><u>1,069,191</u></b>
Fund balances:					
Reserved for:					
Debt service funds	-	-	313,526	-	313,526
Advance to other funds	-	-	-	784,795	784,795
Undesignated:					
Special revenue funds	468,264	1,241,956	-	-	1,710,220
Debt service funds	-	-	1,694,084	-	1,694,084
Capital project funds	-	-	-	(1,569,042)	(1,569,042)
<b>Total fund balances</b>	<b><u>468,264</u></b>	<b><u>1,241,956</u></b>	<b><u>2,007,610</u></b>	<b><u>(784,247)</u></b>	<b><u>2,933,583</u></b>
<b>Total liabilities and fund balances</b>	<b><u>\$ 483,688</u></b>	<b><u>\$ 1,340,808</u></b>	<b><u>\$ 2,154,708</u></b>	<b><u>\$ 23,570</u></b>	<b><u>\$ 4,002,774</u></b>

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, 2009**

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

Total fund balances - governmental funds	\$	2,933,583
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.		4,878,929
Bond issue costs to be amortized over the life of the debt.		309,099
Long-term liabilities were not due and payable in the current period and, therefore, they were not reported in the governmental funds balance sheet.		(7,278,723)
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.		<u>101,551</u>
Net assets of governmental activities	\$	<u>944,439</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, 2009**

	<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	\$ -	\$ 235,588	\$ 942,351	\$ -	\$ 1,177,939
Use of money and property	176,938	32,812	19,825	23,681	253,256
Repayment of loans	-	6,020	-	334	6,354
Miscellaneous	-	2,443	-	-	2,443
Total revenues	<u>176,938</u>	<u>276,863</u>	<u>962,176</u>	<u>24,015</u>	<u>1,439,992</u>
Expenditures:					
Current:					
General government	116,098	-	138,905	-	255,003
Community development	-	339,090	-	619,225	958,315
Debt service:					
Principal retirement	-	-	175,000	2,549	177,549
Interest and fiscal charges	-	-	191,693	88,339	280,032
Total expenditures	<u>116,098</u>	<u>339,090</u>	<u>505,598</u>	<u>710,113</u>	<u>1,670,899</u>
Excess (deficiency) of revenues over (under) expenditures	<u>60,840</u>	<u>(62,227)</u>	<u>456,578</u>	<u>(686,098)</u>	<u>(230,907)</u>
Other financing sources (uses):					
Operating transfers in from City of Corcoran	-	-	-	22,822	22,822
Transfer in to other funds	-	-	-	355,000	355,000
Transfer out to other funds	-	-	(355,000)	-	(355,000)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(355,000)</u>	<u>377,822</u>	<u>22,822</u>
Net change in fund balances	60,840	(62,227)	101,578	(308,276)	(208,085)
Fund balances, July 1, 2008	<u>407,424</u>	<u>1,304,183</u>	<u>1,806,006</u>	<u>(3,408,170)</u>	<u>109,443</u>
Prior period adjustment	-	-	100,026	2,932,199	3,032,225
Fund balances, July 1, 2008, as restated	<u>407,424</u>	<u>1,304,183</u>	<u>1,906,032</u>	<u>(475,971)</u>	<u>3,141,668</u>
Fund balances, June 30, 2009	<u>\$ 468,264</u>	<u>\$ 1,241,956</u>	<u>\$ 2,007,610</u>	<u>\$ (784,247)</u>	<u>\$ 2,933,583</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, 2009**

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

Net change in fund balances - total governmental funds	\$ (208,085)
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, are not reported as an expenditure in the governmental funds.	(4,412)
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.	177,549
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>(12,159)</u>
Change in net assets of governmental activities	<u>\$ (214,747)</u>

**REDEVELOPMENT AGENCY OF THE CITY OF CORCORAN**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Redevelopment Agency of the City of Corcoran (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 City of Corcoran Redevelopment Agency (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, 2009**

**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, 2009**

**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, 2009**

**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."

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, 2009**

**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.

**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, 2009**

**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, 2009, 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.

**Use of Restricted/Unrestricted 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.

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

Cash and investments as of June 30, 2009, are classified in the accompanying financial statements as follows:

	Credit Quality Ratings	Carrying Amount	Maturity
Primary government deposits	Not applicable	\$ 2,709,373	N/A
Investments	Aaa	<u>313,526</u>	Less than 12 months
Total cash and cash equivalents		<u>\$ 3,022,899</u>	

The Agency pools its cash and investments with the City. As of June 30, 2009, the carrying amount of the Agency's deposits with the City was \$2,709,373.

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

**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, 2009, the restricted cash and cash equivalents amounted to \$313,526.

**NOTE 3 – NOTES RECEIVABLE / DEFERRED REVENUE**

Notes receivable consisted of the following as of June 30, 2009:

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 \$27,247 as of June 30, 2009.



**REDEVELOPMENT AGENCY OF THE CITY OF CORCORAN**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

**NOTE 4 – INTERFUND TRANSFERS**

At June 30, 2009, the funds below have made advances that were not expected to be repaid in one year or less.

	<u>Transfers</u>	
	<u>In</u>	<u>Out</u>
Nonmajor funds:		
Debt service fund	\$ -	\$ 355,000
Capital projects fund	<u>355,000</u>	<u>-</u>
Total	<u>\$ 355,000</u>	<u>\$ 355,000</u>

**NOTE 5 – CAPITAL ASSETS**

During the fiscal year ended June 30, 2009, the following changes with capital assets occurred.

	<u>Balance</u> <u>July 1, 2008</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2009</u>
<b><u>Governmental Activities</u></b>				
Capital assets not being depreciated:				
Land	\$ 107,501	\$ -	\$ -	\$ 107,501
Total capital assets not being depreciated	<u>107,501</u>	<u>-</u>	<u>-</u>	<u>107,501</u>
Capital assets being depreciated:				
Buildings and improvements	4,592,502	-	-	4,592,502
Infrastructure	1,666,725	-	-	1,666,725
Furniture and equipment	<u>44,301</u>	<u>-</u>	<u>-</u>	<u>44,301</u>
Total capital assets being depreciated	<u>6,303,528</u>	<u>-</u>	<u>-</u>	<u>6,303,528</u>
Less accumulated depreciation for:				
Buildings and improvements	(1,210,177)	(117,561)	-	(1,327,738)
Infrastructure	(148,427)	(41,668)	-	(190,095)
Furniture and equipment	<u>(5,856)</u>	<u>(8,411)</u>	<u>-</u>	<u>(14,267)</u>
Total accumulated depreciation	<u>(1,364,460)</u>	<u>(167,640)</u>	<u>-</u>	<u>(1,532,100)</u>
Total capital assets being depreciated, net	<u>4,939,068</u>	<u>(167,640)</u>	<u>-</u>	<u>4,771,428</u>
<b>Governmental activities capital assets, net</b>	<u>\$ 5,046,569</u>	<u>\$ (167,640)</u>	<u>\$ -</u>	<u>\$ 4,878,929</u>

**REDEVELOPMENT AGENCY OF THE CITY OF CORCORAN**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

**NOTE 6 – LONG-TERM LIABILITIES**

A schedule of changes in long-term debt for the year ended June 30, 2009, is shown below:

	Balance July 1, 2008	Incurred or Issued	Satisfied or Matured	Balance June 30, 2009	Amounts Due Within One Year	Amounts Due in More Than One Year
2004 Tax Allocation Bonds	\$ 4,510,000	\$ -	\$ (175,000)	\$ 4,335,000	\$ 180,000	\$ 4,155,000
Note Payable - Kings County EDC	2,549	-	(2,549)	-	-	-
Compensated absences	7,112	7,748	(3,336)	11,524	8,814	2,710
<b>Total</b>	<b>\$ 4,519,661</b>	<b>\$ 7,748</b>	<b>\$ (180,885)</b>	<b>\$ 4,346,524</b>	<b>\$ 188,814</b>	<b>\$ 4,157,710</b>

***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:

2004 Tax Allocation Bonds			
Fiscal Year Ending	Principal	Interest	Total
2010	\$ 180,000	\$ 189,418	\$ 369,418
2011	185,000	184,018	369,018
2012	190,000	177,543	367,543
2013	200,000	170,418	370,418
1014	205,000	162,918	367,918
2015-2019	1,155,000	682,818	1,837,818
2020-2024	1,190,000	405,783	1,595,783
2025-2029	405,000	217,745	622,745
2030-2034	505,000	107,750	612,750
2035	120,000	6,000	126,000
<b>Total</b>	<b>\$ 4,335,000</b>	<b>\$ 2,304,411</b>	<b>\$ 6,639,411</b>

***Note Payable***

**Kings County EDC**

The Agency received a \$20,000 economic development loan from Kings County on February 1, 2004, for business development. The Agency, in turn, loaned the money to a local business owner for business assistance. The loan was repaid in monthly installments of \$359, including interest at 3.0%, through April 2009. There are no future principal payments on this note payable.

**REDEVELOPMENT AGENCY OF THE CITY OF CORCORAN**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

**NOTE 7 – DEFICIT FUND BALANCE**

The Capital Projects Fund has a deficit fund balance of \$784,247.

**NOTE 8 – PRIOR PERIOD ADJUSTMENTS**

In the governmental funds, a prior period adjustment, totaling \$100,026, was made to remove expenses that should have been recorded in the prior year. In total, the effect of this adjustment increased net assets by \$100,026.

In prior years, the City of Corcoran advanced the sum of \$2,932,199 to the Corcoran Redevelopment Agency. In its prior year financial statements, the Agency reported this liability in its governmental fund financial statements. However, the GASB 34 Comprehensive Implementation Guide states that an advance from the primary government (the City) to its component unit (RDA) should not be reported as a governmental fund liability in the separately issued component unit (RDA) financial statements. The Implementation Guide requires that that the liability only be reported in the Government-Wide Statement of Net Assets. The correction of this reporting matter has resulted in a prior period adjustment the effect of which is a \$2,932,199 reduction of fund liabilities and a corresponding increase in fund balance.

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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, 2009**

	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>REVENUES:</b>				
Use of money and property	\$ 168,000	\$ 168,000	\$ 176,938	\$ 8,938
Total revenues	<u>168,000</u>	<u>168,000</u>	<u>176,938</u>	<u>8,938</u>
<b>EXPENDITURES:</b>				
Current:				
General government	<u>162,286</u>	<u>162,286</u>	<u>116,098</u>	<u>46,188</u>
Total expenditures	<u>162,286</u>	<u>162,286</u>	<u>116,098</u>	<u>46,188</u>
Excess (deficiency) of revenues over (under) expenditures	5,714	5,714	60,840	55,126
Fund balances, July 1, 2008	<u>407,424</u>	<u>407,424</u>	<u>407,424</u>	<u>-</u>
Fund balances, June 30, 2009	<u>\$ 413,138</u>	<u>\$ 413,138</u>	<u>\$ 468,264</u>	<u>\$ 55,126</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, 2009**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>REVENUES:</b>				
Property taxes	\$ 187,599	\$ 187,599	\$ 235,588	\$ 47,989
Use of money and property	25,000	25,000	32,812	7,812
Repayment of loans	17,500	17,500	6,020	(11,480)
Miscellaneous	<u>-</u>	<u>-</u>	<u>2,443</u>	<u>2,443</u>
Total revenues	<u>230,099</u>	<u>230,099</u>	<u>276,863</u>	<u>46,764</u>
<b>EXPENDITURES:</b>				
Current:				
Community development	<u>370,439</u>	<u>370,439</u>	<u>339,090</u>	<u>31,349</u>
Total expenditures	<u>370,439</u>	<u>370,439</u>	<u>339,090</u>	<u>31,349</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(140,340)</u>	<u>(140,340)</u>	<u>(62,227)</u>	<u>78,113</u>
Other financing sources (uses):				
Operating transfers out to City of Corcoran	<u>(30,000)</u>	<u>(30,000)</u>	<u>-</u>	<u>30,000</u>
Total other financing sources (uses)	<u>(30,000)</u>	<u>(30,000)</u>	<u>-</u>	<u>30,000</u>
Net change in fund balances	(170,340)	(170,340)	(62,227)	108,113
Fund balances, July 1, 2008	<u>1,304,183</u>	<u>1,304,183</u>	<u>1,304,183</u>	<u>-</u>
Fund balances, June 30, 2009	<u>\$ 1,133,843</u>	<u>\$ 1,133,843</u>	<u>\$ 1,241,956</u>	<u>\$ 108,113</u>

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OTHER INDEPENDENT AUDITOR'S REPORT

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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 Corcoran Community Redevelopment Agency  
Corcoran, California

We have audited the financial statements of the governmental activities and each major fund of Corcoran Redevelopment Agency (Agency), a component unit of the City of Corcoran, as of and for the year ended June 30, 2009, which collectively comprise the Agency's basic financial statements and have issued our report thereon dated December 9, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

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

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Redevelopment Agency of the City of Corcoran'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 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 9, 2009

**REDEVELOPMENT AGENCY OF THE CITY OF CORCORAN**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

**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 <u>  X  </u> no
Significant deficiencies identified that are not considered to be material weaknesses?	_____ yes <u>  X  </u> none reported
Noncompliance material to financial statements noted?	_____ yes <u>  X  </u> 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, 2009**

**Finding 08-01**

During our audit, we noted that the Redevelopment Agency's fiscal year 2006-07 financial statements were not submitted within six months following the end of the Redevelopment Agency's fiscal year-end date.

Recommendations

We recommend that the City implement the necessary policies and procedures to ensure that all required reports are submitted to the proper authority in a timely manner.

Status

Implemented

Client Response

An additional person was hired in the department to fill the vacant accountant position. This and the fact that we have completed the transition from ACS financial software to Springbrook should make it possible for us to make the year-end adjustments and close the books so that the audit can be completed in a timelier manner.