DINUBA REDEVELOPMENT AGENCY

FINANCIAL STATEMENTS

JUNE 30, 2011

CONTENTS

	Page
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-8
Basic Financial Statements:	
Government-wide Financial Statements	
Statement of Net Assets	9
Statement of Activities	10
Fund Financial Statements	
Balance Sheet – Governmental Funds	11
Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Assets	12
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	13
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	14
Statement of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual – Redevelopment Agency Housing Special Revenue Fund	15
Notes to Basic Financial Statements	16-32
Other Supplemental Information	
Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual – Redevelopment Agency Debt Service Fund	33
Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual – Redevelopment Agency Capital Projects Fund	34
Independent Auditor's 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*	35-36

Sampson, Sampson and Partners, LLP
Certified Public Accountants

3148 Willow Ave., Suite 102
Clovis, California 93612-4739
(559) 291-0277 • FAX (559) 291-6411

December 21, 2011

INDEPENDENT AUDITOR'S REPORT

Members of the Governing Board
Dinuba Redevelopment Agency
Dinuba, California

We have audited the accompanying financial statements of the governmental activities and each major fund of the Dinuba Redevelopment Agency (Agency), a component unit of the City of Dinuba, California, as of and for the fiscal 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 Governmental Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance as to 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 Dinuba Redevelopment Agency California as of June 30, 2011, and the respective changes in financial position, thereof, and the respective budgetary comparison for the Redevelopment Agency Housing Special Revenue Fund for the fiscal 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 21, 2011, on our consideration of the Agency's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The *Management's Discussion and Analysis* on pages 3 through 8 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's basic financial statements. The Debt Service and Capital Projects Funds budgetary comparison schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Debt Services and Capital Projects Funds budgetary comparison schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects in relation to the basic financial statements taken as a whole.

Sampson, Sampson and Partners LLP

DINUBA REDEVELOPMENT AGENCY
Management's Discussion and Analysis

As management of the Dinuba Redevelopment Agency, we offer readers of the Agency's financial statements this narrative overview of the financial activities of the Agency for the fiscal year ended June 30, 2011. We encourage readers to consider the information presented here in conjunction with additional information that can be found in the financial statements, which follow this discussion.

Financial Highlights

- Continued taking of redevelopment funds by the state to balance the state budget
- Decline in property tax increment revenues collected due to the reassessment of properties county-wide by the Assessor.
- Refunding of $14.5 million of notes to 30-year bonds
- Passage of legislation eliminating all redevelopment agencies in the 2012 fiscal year

Overview of the Financial Statements

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

Government-wide financial statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the Agency's finances in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Agency's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases in the net assets may serve as a useful indicator of whether the financial position of the Agency is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., interest that was earned but not received).

The government-wide financial statements present information about the functions of the Redevelopment Agency that are principally supported by taxes and intergovernmental revenues (*governmental activities).* The governmental activities of the Agency include the administration of the Agency and its housing and community development projects.

The Dinuba Redevelopment Agency is considered a *blended component unit,* which means it is a separate legal entity, but its financial activity is additionally reported in with the government-wide financial statements of its *primary government*, the City of Dinuba.

The government-wide financial statements can be found immediately following this discussion and analysis.

Fund financial statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Agency, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Agency are governmental funds.

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources,* as well as on *balance of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financial requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between *governmental funds and governmental activities*.

The Agency maintains various individual governmental funds. Information is presented separately in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances for the Redevelopment Agency's Housing Special Revenue Fund, Debt Service Fund, and Capital Projects Funds, all of which are considered to be major funds.

The Agency adopts an annual appropriated budget for its major funds. The basic financial statements include budgetary comparison statements for each fund to demonstrate compliance with the annual budget. These budgetary comparison statements are provided elsewhere in this report.

The basic governmental fund financial statements can be found immediately following the government-wide financial statements.

Notes to the basic financial statements

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

Government-wide Financial Analysis

The government-wide financial statements provide long-term and short-term information about the Agency's overall financial condition. This analysis addresses the financial statements of the Agency as a whole.

The largest portion of the Agency's net assets reflects its investment in capital assets (e.g., land, buildings, improvements other than buildings, equipment, infrastructure, and construction in progress); less any related debt used to acquire those assets that is still outstanding. The Agency uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Agency's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Dinuba Redevelopment Agency
Summary of Net Assets
As of June 30, 2011

	Governmental Activities
Current and other assets	$ 11,272,606
Capital assets	15,261,648
Total assets	26,534,254
Current and other liabilities	9,891,702
Long-term liabilities outstanding	55,612,724
Total liabilities	65,504,426
Net assets:	
Restricted	6,464,273
Unrestricted	(45,434,445)
Total net assets	$ (38,970,172)

Dinuba Redevelopment Agency
Summary of Changes in Net Assets
For the fiscal year ended June 30, 2011

	Governmental Activities
Revenues:	
Program revenue	
Capital Grants and Contributions	
General:	
Property taxes	4,502,846
Use of money and property	52,627
Other	45,268
Sale of capital assets	149,367
Transfers to the City of Dinuba	(312,941)
Total Revenues	4,437,167
Expenses:	
Community development	1,082,742
Interest on long-term debt	3,298,878
Total Expenses	4,381,620
Increase in net assets	$ 55,547

The following item impacted Agency-wide revenues for the fiscal year ended June 30, 2011:

- Decline in property tax increment due to a third year of downward reassessment of over properties Countywide
- Increase in residential permits issued city-wide. The value of residential permits issued city-wide increased from $14.6 million in 2010 to $21.7 million in 2011.

Financial Analysis of the Government's Fund

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

The focus of the Agency's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information may be useful in assessing the Agency's financial requirements.

The *Redevelopment Agency Housing Special Revenue Fund* is also known as the "Low to Moderate Income Housing Set-Aside Fund" (LMISA). By statute, 20% of the gross tax increment revenues that come to the Redevelopment Agency are restricted for use in blighted areas. This fund accounts for the receipt of, and use of, these restricted revenues. In fiscal year 2011 the State of California allowed redevelopment agencies to borrow from their housing funds due to the State's taking of Redevelopment funds. Expenditures were primarily for a cooperative effort with the Dinuba Unified School District wherein the building trades classes at the high school participated in construction of a house in a blighted area of the City.

The *Redevelopment Agency Debt Service Fund* is used to accumulate resources for the payment of principal and interest on debt of the Agency. During this fiscal year, principal was retired in the amount of $16.1 million and interest was expended in the amount of $3.1 million. The dramatic increase in principal payments was due to the refunding of the 2006 and 2007 notes into the 2011 A & B tax allocation bonds.

The *Redevelopment Agency Capital Projects Fund* is used to account for all other revenues and expenditures of the Redevelopment Agency not otherwise restricted. Tax increment is received into this fund and further distributed to the other funds in the Agency. Property taxes accounted for $4,682,173, which was 98% of total operating revenues. Of the total expenditures, 100% were for community development costs. Due to the state taking of redevelopment funds, the Agency used its resources to pay debt and other existing obligations and was unable to begin new capital projects.

Capital Asset and Debt Administration

Capital assets

The Agency's investment in capital assets for its governmental activities as of June 30, 2011, amounts to $15.3 million, net of accumulated depreciation. This investment in capital assets includes land, buildings, improvements other than buildings, and machinery and equipment.

Dinuba Redevelopment Agency
Summary of Capital Assets (Net of Accumulated Depreciation)
For the Fiscal Year Ended June 30, 2011

	Governmental Activities
Assets not being depreciated:	
Land	$ 9,673,842
Artwork	15,602
Construction in progress	49,901
	9,739,345
Assets being depreciated:	
Buildings and improvements	173,082
Infrastructure	6,140,084
Total Capital Assets being depreciated	6,313,166
Less Accumulated Depreciation	(790,863)
Net Capital Assets being depreciated	5,522,303
Total Capital Assets, net	$ 15,261,648

Major capital asset transactions during the current fiscal year included the reclassification of $3.1 million of land as a capital asset to land held for redevelopment.

Additional information on the Agency's capital assets can be found in the notes to the basic financial statements section of this report.

Long-term debt

At the end of the current fiscal year, the Agency had total debt outstanding of $57.2 million.

Dinuba Redevelopment Agency
Summary of Long-Term Liabilities
For the Fiscal Year Ended June 30, 2011

	Governmental Activities
Tax allocation bonds payable	$ 54,975,000
Notes payable - land purchases	2,245,744
Total Outstanding Long-Term Debt	$ 57,220,744

Long-term debt-related events during the fiscal year ended June 30, 2011, included:

Aside from the refunding of the 2006 and 2007 notes the agency made payments of $1.6 million toward outstanding principal.

Additional information on the Agency's long-term debt can be found in the notes to the basic financial statements section of this report.

Economic Factors

Legislators and the Governor approved budget bill ABX4-26 as part of the 2009 State budget which authorized a $2.05 billion raid of local redevelopment funds, including $1.7 billion in FY 2009-10 and another $350 million in FY 2010-11. For Dinuba that translated into $1,580,576 for FY 2010 and $325,100 for FY 2011. The California Redevelopment Association filed a lawsuit on October 20, 2009, to challenge the constitutionality of State raids of redevelopment funds.

As part of the Governor's plan to balance the California budget, the Governor eliminated redevelopment agencies in fiscal year 2011-12. The redevelopment agencies challenged this plan in the courts. In the end, the California Supreme Court ruled in favor of the states. After January 31, 2012 all redevelopment agencies are dissolved. The eliminations dissolve the state's 425 redevelopment agencies and transfer their revenues to local successor agencies. The successor agencies use these funds to retire redevelopment debts and contractual obligations and make other payments described below.

Detailed information about the economic analysis, revenue assumptions, and other budgetary process parameters utilized in annual budget preparation can be obtained from the City of Dinuba's 2011-2012 citywide budget (which includes the budget for the Dinuba Redevelopment Agency). A copy of this budget may be obtained from the City's Finance and Budget Manager.

Requests for Information

This financial report is designed to provide a general overview of the Agency's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Financial Services Manager, 405 East El Monte, Dinuba, California 93618.

DINUBA REDEVELOPMENT AGENCY
STATEMENT OF NET ASSETS
JUNE 30, 2011

ASSETS

Cash and investments	$ 251,959
Restricted cash and investments with fiscal agents	3,944,941
Accounts and intergovernmental receivables	247,252
Interest receivable	854
Notes receivable	649,512
Assets held for resale	3,265,495
Deferred charges – net of accumulated amortization	2,181,887
Deferred losses on refunding – net of accumulated amortization	730,706
Capital assets – net of accumulated depreciation	15,261,648
Total Assets	26,534,254

LIABILITIES

Accounts payable and accrued liabilities	401,562
Interest payable	776,662
Advance payable to the City of Dinuba	7,105,458
Long-term debt:	
Due within one year	1,608,020
Due in more than one year	55,612,724
Total Liabilities	65,504,426

NET ASSETS

Restricted for:	
Housing	4,700,175
Debt service	1,764,098
Total restricted net assets	6,464,273
Unrestricted	(45,434,445)
Total Net Assets (Deficit)	$(38,970,172)

See accompanying notes to basic financial statements

DINUBA REDEVELOPMENT AGENCY
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Expenses	Program Revenue: Charges for Services	Program Revenue: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets
Expenses:				
Community development	$1,082,742	$	$	$ (1,082,742)
Interest on long-term debt	3,298,878			(3,298,878)
Total	$4,381,620	$	$	$ (4,381,620)
General revenues:				
Taxes:				
Incremental property taxes				$ 4,502,846
Use of money and property				52,627
Other				45,268
Sale of capital assets				149,367
Transfers to the City of Dinuba				(312,941)
Total general revenues and transfers				4,437,167
Change in Net Assets				55,547
Net Assets (Deficit) – Beginning				(39,025,719)
Net Assets (Deficit) - Ending				$(38,970,172)

See accompanying notes to basic financial statements

DINUBA REDEVELOPMENT AGENCY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011

	Redevelopment Agency Housing Special Revenue Fund	Redevelopment Agency Debt Service Fund	Redevelopment Agency Capital Projects Fund	Total Governmental Funds
ASSETS				
Cash and investments	$	$	$ 251,959	$ 251,959
Restricted:				
Cash and investments with fiscal agent		3,944,941		3,944,941
Accounts receivable	129,753		375	130,128
Intergovernmental			117,124	117,124
Interest receivable			854	854
Notes receivable	85,050		564,462	649,512
Assets held for resale	127,200		3,138,295	3,265,495
Due from the City of Dinuba	287,542		1,165,634	1,453,176
Interfund advances receivable	4,298,386		600,000	4,898,386
Total Assets	$4,927,931	$3,944,941	$ 5,838,703	$ 14,711,575
LIABILITIES AND FUND BALANCES				
Accounts payable	$ 5,594	$	$ 15,834	$ 21,428
Accrued liabilities		187	4,947	5,134
Deferred revenue	85,050		167,639	252,689
Other liabilities			375,000	375,000
Due to the City of Dinuba	222,162	1,052,037	7,284,435	8,558,634
Interfund advances payable		1,128,619	3,769,767	4,898,386
Total Liabilities	312,806	2,180,843	11,617,622	14,111,271
FUND BALANCES				
Reserved for:				
Assets held for resale			3,138,295	3,138,295
Long-term receivables			2,330,096	2,330,096
Debt service		1,764,098		1,764,098
Low and moderate income housing	4,615,125			4,615,125
Unreserved			(11,247,310)	(11,247,310)
Total Fund Balances	4,615,125	1,764,098	(5,778,919)	600,304
Total Liabilities and Fund Balances	$4,927,931	$3,944,941	$ 5,838,703	$ 14,711,575

See accompanying notes to basic financial statements

DINUBA REDEVELOPMENT AGENCY
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS
JUNE 30, 2011

Fund Balances – Governmental Funds	$ 600,304
Amounts reported for Governmental Activities in the Statement of Net Assets are different from those reported in the Governmental Funds because of the following:	
CAPITAL ASSETS	
Capital assets net of accumulated depreciation used in Governmental Activities are not current assets or financial resources and therefore are not reported in the Governmental Funds	15,261,648
LONG-TERM ASSETS AND LIABILITIES	
Intergovernmental	
The assets and liabilities below are not due and payable in the current period and therefore are not reported in the Funds:	
Deferred charges net of accumulated amortization	2,912,593
Long-term debt	(57,220,744)
Interest payable	(776,662)
Deferred revenue	252,689
NET ASSETS (DEFICIT) OF GOVERNMENTAL ACTIVITIES	$(38,970,172)

See accompanying notes to basic financial statements

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

	Redevelopment Agency Housing Special Revenue Fund	Redevelopment Agency Debt Service Fund	Redevelopment Agency Capital Projects Fund	Total Governmental Funds
REVENUES				
Property tax increment	$	$	$ 4,502,846	$ 4,502,846
Use of money and property	5,984	26,343	20,300	52,627
Other revenues	1,600		43,668	45,268
Total Revenues	7,584	26,343	4,566,814	4,600,741
EXPENDITURES				
Current:				
Community development	97,345		735,139	832,484
Capital outlay	27,539			27,539
Debt service:				
Principal	2,687	16,050,372		16,053,059
Interest and fiscal charges	2,253	3,097,923		3,100,176
Cost of issuance		734,435		734,435
Total Expenditures	129,824	19,882,730	735,139	20,747,693
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(122,240)	(19,856,387)	3,831,675	(16,146,952)
OTHER FINANCING SOURCES (USES):				
Sales of property	130,000		19,367	149,367
Transfers to the City of Dinuba		(140,946)	(204,000)	(344,946)
Transfer from City of Dinuba	32,005			32,005
Transfers in	251,423	4,586,959		4,838,382
Transfers out			(4,838,382)	(4,838,382)
Proceeds from issuance of long-term debt		15,140,000		15,140,000
Total Other Financing Sources (Uses)	413,428	19,586,013	(5,023,015)	14,976,426
NET CHANGE IN FUND BALANCES	291,188	(270,374)	(1,191,340)	(1,170,526)
FUND BALANCES, BEGINNING OF FISCAL YEAR	4,323,937	2,034,472	(7,325,274)	(966,865)
PRIOR PERIOD ADJUSTMENT			2,737,695	2,737,695
FUND BALANCES, BEGINNING OF FISCAL YEAR - restated	4,323,937	2,034,472	(4,587,579)	1,770,830
FUND BALANCE (DEFICIT) END OF FISCAL YEAR	$4,615,125	$ 1,764,098	$(5,778,919)	$ 600,304

See accompanying notes to basic financial statements

DINUBA REDEVELOPMENT AGENCY
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Net change in fund balances		$(1,170,526)
Amounts reported for governmental activities in the Statement of Activities are different because of the following:		
CAPITAL ASSETS TRANSACTIONS		
Governmental Funds report capital outlays as expenditures. However, in the Statement of activities the cost of those assets is capitalized and allocated over their estimated useful lives and reported as depreciation expense:		
Depreciation expense are not reported in governmental funds		(210,440)
LONG-TERM DEBT PROCEEDS AND PAYMENTS		
Bond proceeds provide current financial resources to governmental funds but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of bond principal is an expenditure in the governmental funds, but in the Statement of Net Assets the repayment reduces long-term liabilities:		
Repayment of debt principal is added back to fund balance	$ 16,053,059	
Issuance of long-term debt	(15,140,000)	913,059
ACCRUAL OF NON-CURRENT ITEMS		
The amounts below included in the Statement of Activities do not provide or require the use of current financial resources and therefore are not reported as revenue or expenditures in the governmental funds (net change):		
Deferred charges – net of amortization		304,509
Interest payable		218,945
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES		$ 55,547

See accompanying notes to basic financial statements

DINUBA REDEVELOPMENT AGENCY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
REDEVELOPMENT AGENCY HOUSING SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	Positive (Negative)
REVENUES				
Use of money and property	$ 6,884	$ 6,884	$ 5,984	$ (900)
Other revenues			1,600	1,600
Total Revenues	6,884	6,884	7,584	700
EXPENDITURES				
Current:				
Community development	92,181	87,240	97,345	(10,105)
Capital outlay	158,100	158,100	27,539	130,561
Debt service:				
Principal		2,194	2,687	(493)
Interest and fiscal charges		2,747	2,253	494
Total Expenditures	250,281	250,281	129,824	120,457
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(243,397)	(243,397)	(122,240)	121,157
OTHER FINANCING SOURCES (USES)				
Sale of property	158,100	158,100	130,000	(28,100)
Transfers from the City of Dinuba		32,010	32,005	(5)
Transfers in			251,423	251,423
Transfers out	(142,894)	(142,894)		142,894
Total Other Financing Sources (Uses)	15,206	47,216	413,428	366,212
NET CHANGE IN FUND BALANCE	(228,191)	(196,181)	291,188	487,369
FUND BALANCE, BEGINNING OF FISCAL YEAR	4,323,937	4,323,937	4,323,937	
FUND BALANCE, END OF FISCAL YEAR	$4,095,746	$4,127,756	$4,615,125	$487,369

See accompanying notes to basic financial statements

DINUBA REDEVELOPMENT AGENCY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

1. DESCRIPTION AND SIGNIFICANT ACCOUNTING POLICIES

Organization and Purpose

The Dinuba Redevelopment Agency (Agency) was established pursuant to the Community Redevelopment laws of the State of California. The Agency established two redevelopment project areas, known as Project Area #1 and Project Area #2, which were initiated on June 12, 1984 and June 27, 1989, respectively. The two project areas, as amended, were merged in 1991. The project area was amended in 1993, 1995, 2001, and 2005.

The general objectives of the Agency are to eliminate and mitigate existing and anticipated blight within the project areas. These objectives are to be attained by the development, or encouragement thereof, of residential and commercial facilities in the project areas.

The Agency is an integral part of the City of Dinuba and, accordingly, the accompanying financial statements are included as a component of the basic financial statements prepared by the City. A component unit is a separate governmental unit, agency, or nonprofit corporation which, when combined with all other component units, constitutes the reporting entity as defined in the City's basic financial statements.

Basis of Presentation

Government-wide Statements: The Statement of Net Assets and the Statement of Activities include the financial activities of the overall Agency government. Eliminations have been made to minimize the double counting of internal activities.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the Agency's activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) 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, include all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the Agency's funds. Separate statements for each governmental fund are presented. The emphasis of fund financial statements is on major individual funds, each of which is displayed in a separate column. The Agency considers all its funds to be major funds.

Major Funds

GASB Statement No. 34 defines major funds and requires that the Agency's major governmental type funds be identified and presented separately in the fund financial statements. Major funds are defined as funds that have either assets, liabilities, revenues or expenditures equal to ten percent or more of their fund-type total and five percent of the grand total. The Agency has determined that all its funds are major funds.

The Agency reported the following major governmental funds in the accompanying financial statements:

Redevelopment Agency Housing Special Revenue Fund – This fund accounts for the portion of City and County tax increments funds received for redevelopment related purposes and set aside for low-and-moderate-income housing.

Redevelopment Agency Capital Projects Fund – This fund accounts for redevelopment project capital outlays.

Redevelopment Agency Debt Service Fund – This fund accounts for debt service payments on the Agency's long-term debt issues.

Basis of Accounting

The government-wide financial statements are reported using the *economic resources* measurement focus and the full accrual basis of accounting. Revenues are recorded when *earned* and expenses are recorded at the time liabilities are *incurred*, regardless of when the related cash flows take place.

Government funds are reported using the *current financial resources* measurement focus and the *modified accrual* basis of accounting. Under this method, revenues are recognized when *measurable and available*. The Agency considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after fiscal year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. Capital assets acquisitions are reported as *expenditures* in governmental funds. Proceeds of long-term debt and acquisitions under capital leases are reported as *other financing sources*.

Non-exchange transactions, in which the Agency gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Under the terms of grant agreements, the Agency funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. The Agency's policy is to first apply cost-reimbursement grant resources to such programs, followed by general revenues.

Accounting Policies

Revenue

The Agency's primary source of revenue is property taxes, referred to in the accompanying financial statements as "incremental property taxes." Property taxes allocated to the Agency are computed in the following manner:

a. The assessed valuation of all property in the Project Area is determined on the date of adoption of the Redevelopment Plan by a designation of a fiscal year assessment roll.

b. Property taxes related to any incremental increase in assessed values after the adoption of a Redevelopment Plan are allocated to the Agency; all taxes on the "frozen" assessed valuation of the property are allocated to the City and other districts receiving taxes from the project area.

The Agency has no power to levy and collect taxes and any legislative property tax reduction would lower the amount of tax revenues that would otherwise be available to pay the principal and interest on bonds or loans from the City. Conversely, any increase in the tax rate or assessed valuation or any elimination of present exemptions would increase the amount of tax revenues that would be available to pay principal and interest on bonds or loans from the City.

The Agency is also authorized to finance the Redevelopment Plan from other sources, including assistance from the City, the State and Federal government, interest income and the issuance of Agency debt.

Property Taxes

Revenue is recognized in the fiscal year for which the tax and assessment is levied. The County of Tulare levies, bills, and collects property taxes for the Agency; the County remits the entire amount levied and handles all delinquencies, retaining interest and penalties. Secured and unsecured property taxes are levied on January 1 of the preceding fiscal year.

Secured property tax is due in two installments, on November 1 and February 1, and becomes a lien on those dates. It becomes delinquent on December 10 and April 10, respectively. Unsecured property tax is due on July 1 and becomes delinquent on August 31.

Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America (USGAAP), except that the Capital Projects Fund's expenditures are budgeted on a project length basis rather than annually.

Formal budgetary integration is employed as a management control device. Encumbrance accounting is employed as an extension of formal budgetary integration in all funds. Under encumbrance accounting, purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation. Encumbrances outstanding at fiscal year end are reported as reservations of fund balances since they do not constitute expenditures or liabilities and are reappropriated in the following fiscal year.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Bond premiums and discounts, deferred loss on refundings, and issuance costs, are deferred and amortized over the life of the bonds. These items are reported as deferred charges and amortized over the term of the related debt.

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.

2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets

The governmental fund balance sheet includes a reconciliation between fund balance-total governmental funds and net assets-governmental activities as reported in the government-wide statement of net assets.

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The capital assets reported in the *Statement of Net Assets* are as follows:

Land	$ 9,673,842
Construction in progress	49,901
Artwork	15,602
Depreciable buildings, net of accumulated depreciation	101,444
Depreciable infrastructure, net of accumulated depreciation	5,420,859
	$15,261,648

Certain liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. These liabilities are as follows:

Tax allocation bonds and notes	$54,975,000
Notes payable – land	2,245,744
Accrued interest payable	776,662
	$57,997,406

Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities.

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

Current fiscal year depreciation	$(210,440)
	$(210,440)

Another element of that reconciliation states that "The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets." The details of this adjustment are as follows:

Issuance of long-term debt	$(15,140,000)
Debt principal repayment:	
Tax allocation bonds	15,320,000
Notes payable	733,059
	16,053,059
Deferred charges – net change	304,509
Change in accrued interest payable	218,945
Total long-term debt adjustment	$ 1,436,513

3. CASH AND INVESTMENTS

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

Statement of net assets:	
Cash and investments	$ 251,959
Restricted cash and investments with fiscal agents	3,944,941
Total cash and investments	$ 4,196,900

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

Deposits with financial institutions	$ (105,539)
Investments	4,302,439
Total cash and investments	$ 4,196,900

Investments Authorized by the California Government Code and the Agency's Investment Policy

The table below identifies the **investment types** that are authorized for the Dinuba Redevelopment Agency (Agency) by the California Government Code (or the Agency's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the Agency's investment policy, where more restrictive) that address **interest rate risk, credit risk,** and **concentration of credit risk**. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the Agency, rather than the general provisions of the California government Code or the Agency's investment Policy.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
Local Agency Investment Fund (State Pool)	N/A	None	$40 million
U.S. Treasury Obligations	N/A	None	None
U.S. Government Agency Issues	N/A	None	None
Insured Passbook on Demand Deposits with Banks and Savings and Loans	N/A	None	$100,000
Certificates of Deposit	1 year	None	$100,000
Bankers Acceptances			
Commercial Paper	N/A	None	None
Mutual Funds (must be comprised of eligible Securities permitted under this policy)	N/A	None	None
Money Market Funds (must be comprised of eligible securities permitted under this policy)	N/A	None	None

The investment policy allows for the above investments which have equal safety and liquidity as all other allowed investments. Maturity depends on the cash needs of the Agency.

Investments Authorized by Debt Agreements

Investment of debt proceeds held by bond trustees are governed by provisions of the debt agreements, rather than the general provisions of the California Government code or the Agency's investment policy. The table below identifies the **Investment types** that are authorized for investments held by bond trustee. The table also identifies certain provisions of these debt agreements that address **interest rate risk, credit risk**, and **concentration of credit risk**.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Investment Fund (State Pool)	N/A	None	$40 million
U.S. Treasury Obligations	N/A	None	None
U.S. Government Agency Issues	N/A	None	None
Insured Passbook on Demand Deposits with Banks and Savings and Loans	N/A	None	$100,000
Certificates of Deposit	1 year	None	$100,000
Bankers Acceptances			
Commercial Paper	N/A	None	None
Mutual Funds (must be comprised of eligible Securities permitted under this policy)	N/A	None	None
Money Market Funds (must be comprised of Eligible securities permitted under this policy)	N/A	None	None

The investment policy allows for the above investments which have equal safety and liquidity as all other allowed investments.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the Agency manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the Agency's investments (including investments held by bond trustee) to market interest rate fluctuations is provided by the following table that shows the distribution of the Agency's investments by maturity:

		Remaining Maturity (in Months)			
Investment Type	Totals	12 Months or Less	13 - 24 Months	25 - 60 Months	More Than 60 Months
State Investment Pool	$ 357,498	$ 357,498	$	$	$
Held by Bond Trustees:					
Money Market Funds	1,103,343	1,103,343			
Negotiable Certificates of Deposits	1,511,330	1,041,570	469,760		
U.S. Agency Securities	1,330,268			1,320,259	10,009
	$4,302,439	$2,502,411	$469,760	$1,320,259	$10,009

Investment with Fair Values Highly Sensitive to Interest Rate Fluctuations

The Agency has no investments (including investments held by bond trustees) that are highly sensitive to interest rate fluctuations (to a greater degree than already indicated in the information provided above).

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the Agency's investment policy, or debt agreements, and the actual rating as of fiscal year ended for each investment type.

		Minimum Legal	Exempt From	Rating as of Fiscal Year End	
Investment Type	Amount	Rating	Disclosure	AAA	Not Rated
State Investment Pool	$ 357,498	N/A	$	$	$ 357,498
Held by Bond Trustee:					
Money Market Funds	1,103,343	N/A			1,103,343
Negotiable Certificates of Deposits	1,511,330				1,511,330
U.S. Agency Certificates	1,330,268	N/A		1,330,268	
	$4,302,439		$	$1,330,268	$2,972,171

Concentration of Credit Risk

Investments with issuers that represent five percent or more of the total investment portfolio are as follows. Investments issued or explicitly guaranteed by the U.S. Government and investments with the State of California, Local Agency Investment Fund have been excluded.

Issuer	Investment Type	Fair Value
FHLMC	Federal Agency Securities	$1,081,700

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the Agency's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits for investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the government unit). The fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure Agency deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

As of June 30, 2011, Agency investments in the following investment types were held by the same broker-dealer (counterparty) that was used by the Agency to buy the securities.

Investment Type	Amount
Negotiable Certificates of Deposits	$1,511,330
Money Market Funds	1,103,343
U.S. Agency Securities	1,330,268

See the City of Dinuba's Comprehensive Financial Report for more information relating to custodial credit risk for amounts reported as cash pooled with the City.

Investment in State Investment Pool

The Agency is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the Agency's investment in this pool is reported in the accompanying financial statements at amounts based upon the Agency's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized costs of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

4. CAPITAL ASSETS

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their estimated fair value on the date contributed.

The purpose of depreciation is to spread the cost of capital assets equitably among all users over the life of these capital assets. The amount charged to depreciation expense each fiscal year represents that fiscal years pro rata share of the cost of capital assets.

GASB Statement 34 requires that all capital assets with limited useful lives be depreciated over their estimated useful lives. Depreciation of all capital assets is charged as an expense against operations each fiscal year and the total amount of depreciation taken over the years, called accumulated depreciation, is reported on the balance sheet as a reduction in the book value of capital assets.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase is reflected in the capitalized value of the capital assets constructed, net of interest earned on the invested proceeds over the same period.

Buildings and improvements are depreciated using the straight line method over estimated useful lives of 30 years. Machinery and equipment is depreciated over 7 years using the straight line method.

Capital asset activity for the fiscal year ended June 30, 2011 was as follows:

	July 1, 2010 Balance	Additions	Deletions	July 30, 2011 Balance
Capital assets, not being depreciated:				
Land	$12,411,537	$ 400,600	$3,138,295	$ 9,673,842
Artwork	15,602			15,602
Construction in progress	49,901			49,901
Total capital assets, net being depreciated	12,477,040	400,600	3,138,295	9,739,345
Capital assets, being depreciated:				
Buildings and improvements	173,082			173,082
Infrastructure	6,140,084			6,140,084
Total capital assets, being depreciated	6,313,166			6,313,166
Less accumulated depreciation for				
Buildings and improvements	(65,868)	(5,770)		(71,638)
Infrastructure	(514,555)	(204,670)		(719,225)
Total accumulated depreciation	(580,423)	(210,440)		(790,863)
Total capital assets, being depreciated, net	5,732,743	(210,440)		5,522,303
Capital assets, net	$18,209,783	$ 190,160	$3,138,295	$15,261,648

Depreciation is charged to community development expense in the Statement of Activities.

5. LONG-TERM DEBT

The following is a summary of long-term debt activity of the Agency for the fiscal year ended June 30, 2011.

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011	Amount due within one year
2003 Tax Allocation Bonds	$ 6,885,000	$	$ 100,000	$ 6,785,000	$ 105,000
2001 Tax allocation Refunding Bonds	10,845,000		285,000	10,560,000	290,000
2005 Tax allocation Refunding Bonds	5,140,000		125,000	5,015,000	140,000
2006 Tax allocation Refunding Bonds	16,415,000		310,000	16,105,000	315,000
2006 Tax Allocation Notes	7,000,000		7,000,000		
2007 Tax Allocation Notes	7,500,000		7,500,000		
2009 Tax Allocation Notes	1,370,000			1,370,000	
2011A Tax Allocation Refunding Bonds		10,740,000		10,740,000	
2011B Tax Allocation Refunding Bonds		4,400,000		4,400,000	
Note Payable-Land Purchase (Vetter)	28,742		28,742		
Note Payable-Land Purchase (Andrews)	32,190		2,687	29,503	2,876
Note Payable-Land Purchase (Moya)	194,763		60,591	134,172	64,833
Note Payable-Land Purchase (Ramirez)	400,566		124,596	275,970	133,318
Note Payable-Land Purchase (Ohanesian)	680,722		146,659	534,063	161,324
Note Payable-Land Purchase (Hada)	1,641,820		369,784	1,272,036	395,669
Totals	$58,133,803	$15,140,000	$16,053,059	$57,220,744	$1,608,020

2001 Tax Allocation Refunding Bonds:

On December 1, 2001, the Dinuba Redevelopment Agency issued $13,000,000 Tax Allocation Refunding Bonds bearing interest of 4.875% and 5.0%, payable semi-annually on March 1 and September 1 commencing March 1, 2002. The bonds mature annually at various amounts through September 1, 2031 and are subject to optional redemption prior to maturity, in whole or in part, on September 1, 2011. The bonds are payable from and secured by incremental tax revenues (Pledged Tax Revenues). The bond proceeds were used to refund the 1989 Tax Allocation Bonds which were due September 1, 2019; the 1999A and 1999B Tax Allocation Refunding Notes and the 2000 Tax Allocation Notes which were due on December 1, 2005, and to finance a portion of the costs of the Agency. Bonds outstanding at June 30, 2011 were $10,560,000.

The Agency advance refunded the 1989 Tax Allocation Bonds, the 1999A and 1999B Tax Allocation Refunding Notes, and the 2000 Tax Allocation Notes to reduce its total debt service over the next thirty years by $4,868,680 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of $238,985.

2003 Tax Allocation Bonds:

On October 23, 2003, the Agency issued $7,500,000 of Tax Allocation Bonds bearing interest between 2% and 5% and payable semi-annually on March 1 and September 1. The Bonds mature annually at various amounts through September 1, 2033. The Bonds are payable from and secured by incremented tax revenues (Pledged Tax Revenues). The Bond proceeds are to be used to finance certain projects with the Agency's project area including 20% benefiting low and moderate income housing. Bonds outstanding at June 30, 2011 were $6,785,000.

2005 Tax Allocation Refunding Bonds:

On December 1, 2005, the Dinuba Redevelopment Agency issued $5,670,000 Tax Allocation Refunding Bonds bearing interest of 3.0% and 5.0%, payable semi-annually on March 1 and September 1 commencing March 1, 2006. The Bonds mature annually at various amounts through September 1, 2034 and are subject to optional redemption prior to maturity, in whole or in part, on September 1, 2015. The Bonds are payable from and secured by incremental tax revenues (Pledged Tax Revenues). The Bond proceeds were used to refund the 1997B Tax Allocation Refunding Bonds which were due on September 1, 2027 and the 1997C Tax Allocation Bonds which were due on September 1, 2027, and to finance a portion of the costs of the Agency. Bonds outstanding at June 30, 2011 were $5,015,000.

The Agency advance refunded the 1997B and 1999C Tax Allocation Refunding Bonds to reduce its total debt service over the next thirty years by $465,034 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of $399,434.

2006 Tax Allocation Refunding Bonds:

On October 5, 2006, The Dinuba Redevelopment Agency issued $17,270,000 Tax Allocation Refunding Bonds bearing interest of 3.4% to 5.0%, payable semi-annually on March 1 and September 1 commencing March 1, 2007. The Bonds mature annually at various amounts through September 1, 2036 and are subject to optional redemption prior to maturity, in whole or in part, on September 1, 2016. The Bonds are payable from and secured by incremental tax revenues (Pledged Tax Revenues). The Bond proceeds were used to refund the 1997A Tax Allocation Refunding Bonds which were due on September 1, 2027 and to finance a portion of the costs of the Redevelopment Project. Bonds outstanding at June 30, 2011 were $16,105,000.

The Agency advance refunded the 1997A Tax Allocation Refunding Bonds to reduce its total debt service over the next twenty-one years by $231,787 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of $127,358.

2009 Tax Allocation Notes:

On May 22, 2009, the Dinuba Redevelopment Agency issued $1,370,000 of 2009 School District Subordinate Tax allocation Notes. The proceeds from the issue were used to finance a portion of the costs of certain improvements to the Dinuba Unified School District, fund a reserve account and pay costs of issuance of the Notes. The Notes bear interest at an annual rate of 5.60%. The Notes are payable from and secured by the Pledged Revenues. The outstanding principal balance of the Notes as of June 30, 2011 is $1,370,000.

2011A Tax Allocation Refunding Bonds:

On June 21, 2011 the Dinuba Redevelopment Agency issued $10,740,000 Tax Allocation Refunding Bonds bearing interest of 5.75% to 6.125% payable semi-annually on March 1 and September 1 commencing March 1, 2012. The bonds mature annually at various amounts through September 1, 2039. The bonds are payable from and secured by incremental tax revenues (Pledged Tax Revenues).

The Bonds are being issued to refinance the Agency's previously issued $7,000,000, 2006 Tax Allocation Notes and a portion of the Agency's $7,500,000, 2007 Subordinate Tax Allocation Notes.

2011B Tax Allocation Refunding Bonds:

On June 21, 1011 the Dinuba Redevelopment Agency issued $4,400,000 Subordinate Tax Allocation Refunding Bonds bearing interest of 5.00% to 7.75% payable semi-annually on March 1 and September 1 commencing September 1, 2012. The bond matures annually at various amounts through September 1, 2041. The bonds are payable from and secured by incremental tax revenues (Pledged Tax Revenues).

The bonds are being issued to refinance a portion of the Agency's previously $7,500,000 Merged City of Dinuba Redevelopment Project and Dinuba Redevelopment Project No. 2. Subordinate Tax Allocation Notes issue of 2007.

Notes Payable – Land Purchase:

On August 27, 2003, the Agency purchased a parcel of real estate. The Agency issued a note to the seller in the amount of $45,000. The note is secured by a deed of trust, carries an interest rate of 7%, and is due in annual installments of $4,941 through 2018. The outstanding principal balance of the note at June 30, 2011 was $29,503.

In April 2006, the Agency purchased land with a down payment of $631,117 and the issuance of a note secured by the real property for $400,000. The note is secured by a deed of trust and the terms of the note call for annual payments of $74,225 including interest at 7.00% until April 2013. The balance at June 30, 2011 is $134,172.

In March 2006, the Agency purchased land with a down payment of $123,364 and the issuance of a note secured by real property for $822,600. The note is secured by a deed of trust and the terms of the note call for annual payments of $152,636 including interest at 7.00% until March 2013. The balance at June 30, 2011 is $275,970.

In July 2006, the Agency purchased land with a down payment of $267,842 and the issuance of a note secured by the real property for $1,045,440. The note is secured by a deed of trust and the terms of the note call for annual payments of $214,731 including interest at 10.00% until July 2013. The balance at June 30, 2011 is $534,063.

In October 2006, the Agency purchased land with a down payment of $381,200 and the issuance of a note secured by the real property for $2,612,250. The note is secured by a deed of trust and the terms of the note call for annual payments of $484,711 including interest at 7.00% until October 2013. The balance at June 30, 2011 is $1,272,036.

DINUBA REDEVELOPMENT AGENCY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011
(continued)

The scheduled annual minimum debt service requirements at June 30, 2011 are as follows:

Fiscal Year Ended June 30,	2001 Tax Allocation Bonds		
	Principal	Interest	Total
2012	$ 290,000	$ 514,978	$ 804,978
2013	315,000	501,428	816,428
2014	325,000	485,828	810,828
2015	340,000	469,619	809,619
2016	355,000	452,678	807,678
2017-2021	1,890,000	1,982,225	3,872,225
2022-2026	1,595,000	1,569,194	3,164,194
2027-2031	4,190,000	959,750	5,149,750
2032-2033	1,260,000	31,500	1,291,500
	$10,560,000	$6,967,200	$17,527,200

Fiscal Year Ended June 30,	2003 Tax Allocation Bonds		
	Principal	Interest	Total
2012	$ 105,000	$ 327,811	$ 432,811
2013	105,000	324,268	429,268
2014	110,000	320,423	430,423
2015	115,000	316,200	431,200
2016	125,000	311,550	436,550
2017-2021	695,000	1,465,881	2,160,881
2022-2026	875,000	1,276,425	2,151,425
2027-2031	1,125,000	1,028,125	2,153,125
2032-2034	3,530,000	335,500	3,865,500
	$ 6,785,000	$5,706,183	$12,491,183

Fiscal Year Ended June 30,	2005 Tax Allocation Refunding Bonds		
	Principal	Interest	Total
2012	$ 140,000	$ 236,143	$ 376,143
2013	135,000	230,299	365,299
2014	145,000	224,349	369,349
2015	155,000	217,974	372,974
2016	155,000	211,386	366,386
2017-2021	885,000	949,624	1,834,624
2022-2026	1,115,000	716,375	1,831,375
2027-2031	525,000	466,625	991,625
2032-2035	1,760,000	308,000	2,068,000
	$ 5,015,000	$3,560,775	$ 8,575,775

DINUBA REDEVELOPMENT AGENCY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011
(continued)

Fiscal Year Ended June 30,	2006 Tax Allocation Bonds		
	Principal	Interest	Total
2012	$ 315,000	$ 712,470	$ 1,027,470
2013	330,000	698,764	1,028,764
2014	350,000	684,314	1,034,314
2015	360,000	669,226	1,029,226
2016	375,000	653,608	1,028,608
2017-2021	2,285,000	3,020,713	5,305,713
2022-2026	3,600,000	2,406,419	6,006,419
2027-2031	3,195,000	1,626,288	4,821,288
2032-2036	5,295,000	1,181,672	6,476,672
	$16,105,000	$11,653,474	$27,758,474

Fiscal Year Ended June 30,	2009 Tax Allocation Notes		
	Principal	Interest	Total
2012	$	$ 76,720	$ 76,720
2013	1,370,000	38,360	1,408,360
	$ 1,370,000	$ 115,080	$ 1,485,080

Fiscal Year Ended June 30,	2011A Tax Allocation Bonds		
	Principal	Interest	Total
2012	$	$	$
2013		771,865	771,865
2014	115,000	646,212	761,212
2015	125,000	639,600	764,600
2016	135,000	632,412	767,412
2017-2021	835,000	3,035,275	3,870,275
2022-2026	690,000	2,808,150	3,498,150
2027-2031	740,000	2,595,638	3,335,638
2032-2036	2,340,000	2,187,163	4,527,163
2037-2040	5,760,000	935,594	6,695,594
	$10,740,000	$14,251,909	$24,991,909

DINUBA REDEVELOPMENT AGENCY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011
(continued)

Fiscal Year Ended June 30,	2011A Tax Allocation Bonds		
	Principal	Interest	Total
2012	$	$	$
2013		400,661	400,661
2014	25,000	335,438	360,438
2015	25,000	334,188	359,188
2016	25,000	332,938	357,938
2017-2021	155,000	1,641,413	1,796,413
2022-2026	160,000	1,589,300	1,749,300
2027-2031	235,000	1,519,963	1,754,963
2032-2036	260,000	1,414,763	1,674,763
2037-2041	2,570,000	1,292,313	3,862,313
2042-2046	945,000	73,234	1,018,234
	$4,400,000	$8,934,211	$13,334,211

The scheduled annual minimum debt service requirements at June 30, 2010 are as follows:

Fiscal Year Ended June 30,	Land Purchases – Notes Payable		
	Principal	Interest	Total
2012	$ 758,020	$ 199,474	$ 957,494
2013	815,891	141,572	957,463
2014	651,574	52,887	704,461
2015	3,523	1,418	4,941
2016	3,769	1,171	4,940
2017-2019	12,967	1,856	14,823
	$2,245,744	$ 398,378	$ 2,644,122

6. NET ASSETS AND FUND BALANCES

GASB Statement 34 adds the concept of Net Assets, which is measured on the full accrual basis, to the concept of Fund Balance, which is measured on the modified accrual basis.

Net Assets

Net Assets are divided into three captions under GASB Statement 34. These captions apply only to Net Assets as determined at the Government-wide level, and are described below:

Restricted describes the portion of Net Assets which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which the Agency cannot unilaterally alter. These principally include developer fees received for use on capital projects, debt service requirements, and redevelopment funds restricted to low and moderate income housing purposes.

Unrestricted describes the portion of Net Assets which is not restricted as to use.

Fund Balances

Fund balances consist of reserved and unreserved amounts. Reserved fund balances represent that portion of fund balance which is legally segregated for low and moderate income housing projects as required by the California Health and Safety Code or debt service expenditures as required under bond indenture.

7. INTERFUND TRANSACTIONS

Transfers Between Funds

With Council approval, resources may be transferred from one fund to another. The purpose of the majority of transfers is to reimburse a fund that has made an expenditure on behalf of another fund. Less often, an equity transfer may be made to open or close a fund. Transfers totaled $4,838,382 in the fund financial statements.

Transfers Out	Transfers In: Redevelopment Agency — Special Revenue	Debt Service	Capital Projects	Total
Redevelopment Agency Capital Projects	$251,423	$4,586,959	$	$4,838,382
Totals	$251,423	$4,586,959	$	$4,838,382

8. COMMITMENTS AND CONTINGENCIES

Under the terms of federal, county and state grants, periodic audits are required and certain costs may be questioned as not appropriate expenditures under the terms of the grants. Such audit could lead to reimbursements to the grantor agencies. If some expenditures were disallowed, the Agency believes such disallowances, if any, would be immaterial.

9. FINANCIAL CONDITION

The Agency has a deficit in net assets of $(38,970,172) at June 30, 2011. The Agency projects that future resources will be sufficient to pay long-term obligations as they become due.

10. SUBSEQUENT EVENTS

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 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.

On August 9, 2011, the City Council adopted an ordinance electing to participate in 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 City is estimated to be $1.2 million. Thereafter, an estimated $290,000 will be due annually.

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 these bills violate the California Constitution. The California Supreme Court is expected to make a decision on the lawsuit before January 15, 2012.

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 time frame 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 may create new challenges to the ability of redevelopment agencies in the State of California to continue in view of the California State Legislature's stated intent to eliminate California redevelopment agencies and to reduce their funding.

OTHER SUPPLEMENAL INFORMATION

DINUBA REDEVELOPMENT AGENCY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
REDEVELOPMENT AGENCY DEBT SERVICE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES			
Use of money and property	$ 150,000	$ 26,343	$ (123,657)
Total Revenues	150,000	26,343	(123,657)
EXPENDITURES			
Debt Service:			
Principal	2,040,467	16,050,372	(14,009,905)
Interest and fiscal charges	2,883,264	3,097,923	(214,659)
Cost of issuance		734,435	(734,435)
Total Expenditures	4,923,731	19,882,730	(14,958,999)
EXCESS OF REVENUES OVER (UNDER OVER (UNDER) EXPENDITURES	(4,773,731)	(19,856,387)	(15,082,656)
OTHER FINANCING SOURCES (USES)			
Transfer to the City of Dinuba		(140,946)	(140,946)
Transfers in	4,679,853	4,586,959	(92,894)
Proceeds from issuance of long-term debt	93,878	15,140,000	15,046,122
Total Other Financing Sources (Uses)	4,773,731	19,586,013	14,812,282
NET CHANGE IN FUND BALANCE		(270,374)	(270,374)
FUND BALANCE, BEGINNING OF FISCAL YEAR	2,034,472	2,034,472	
FUND BALANCE, END OF FISCAL YEAR	$ 2,034,472	$ 1,764,098	$ (270,374)

DINUBA REDEVELOPMENT AGENCY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
REDEVELOPMENT AGENCY CAPITAL PROJECTS FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES			
Property tax increment	$ 4,886,102	$ 4,502,846	$ (383,256)
Use of money and property	5,600	20,300	14,700
Other revenues	41,717	43,668	1,951
Total Revenues	4,933,419	4,566,814	(366,605)
EXPENDITURES			
Current:			
Community development	743,810	735,139	8,671
Total Expenditures	743,810	735,139	8,671
EXCESS OF REVENUES OVER EXPENDITURES	4,189,609	3,831,675	(357,934)
OTHER FINANCING SOURCES (USES)			
Sales of property	668,364	19,367	(648,997)
Transfers from the City of Dinuba	135,000		(135,000)
Transfer to the City of Dinuba	(200,000)	(204,000)	(4,000)
Transfers out	(4,586,959)	(4,838,382)	(251,423)
Total Other Financing Sources (Uses)	(3,983,595)	(5,023,015)	(1,039,420)
NET CHANGE IN FUND BALANCE	206,014	(1,191,340)	(1,397,354)
FUND BALANCE, BEGINNING OF FISCAL YEAR	(7,325,274)	(7,325,274)	
PRIOR PERIOD ADJUSTMENTS	2,737,695	2,737,695	
FUND BALANCE BEGINNING OF FISCAL YEAR (restated)	(4,587,579)	(4,587,579)	
FUND BALANCE (DEFICIT), END OF FISCAL YEAR	$(4,381,565)	$(5,778,919)	$(1,397,354)

Sampson, Sampson and Partners, LLP
Certified Public Accountants

3148 Willow Ave., Suite 102
Clovis, California 93612-4739
(559) 291-0277 • FAX (559) 291-6411

December 21, 2011

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMETNS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Members of the Governing Board
Dinuba Redevelopment Agency
Dinuba, California

We have audited the financial statements of the governmental activities and each major fund of the Dinuba Redevelopment Agency (Agency), a component unit of the City of Dinuba, California, as of and for the fiscal year ended June 30, 2011, and have issued our report thereon dated December 21, 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.

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 auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 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.

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 Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. Such provisions include those provisions of laws and regulations identified in the *Guidelines for Compliance Audits of California Redevelopment Agencies* issued by the California State Controller. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Agency's Board of Commissioners, management, the California 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.

Sampson, Sampson and Partners, LLP