

**BRAWLEY COMMUNITY REDEVELOPMENT AGENCY**

**ANNUAL FINANCIAL REPORT**

**JUNE 30, 2009**

**BRAWLEY COMMUNITY REDEVELOPMENT AGENCY**

**ANNUAL FINANCIAL REPORT**

**For the Fiscal Year Ended June 30, 2009**

**City of Brawley, California**

Steve Vasquez  
Chairperson

John Benson  
Member

Don Campbell  
Member

George Nava  
Member

Ryan Kelley  
Member

Alma Benavides  
Clerk

Jim Hamilton  
Treasurer

Gary Burroughs  
Executive Director

Fred P. Selk  
Finance Director

**BRAWLEY COMMUNITY REDEVELOPMENT AGENCY  
ANNUAL FINANCIAL REPORT  
For the Fiscal Year Ended June 30, 2009**

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MOSS, LEVY & HARTZHEIM LLP

CERTIFIED PUBLIC ACCOUNTANTS

**PARTNERS**

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**INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
Brawley Community Redevelopment Agency  
Brawley, California

We have audited the accompanying financial statements of the governmental activities and each major fund of the Brawley Community Redevelopment Agency (Agency), a component unit of the City of Brawley, California, as of and for the fiscal 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 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.

As discussed in Note 1 of the notes to the basic financial statements effective July 1, 2008, the Agency adopted Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employees for Postemployment Benefits Other than Pensions*, Governmental Accounting Standards Board (GASB) Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, GASB Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*, GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, and GASB Statement No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards*.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Brawley Community Redevelopment Agency as of June 30, 2009, and the respective changes in the financial position thereof, 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, 2009, on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 budgetary comparison Schedule of the Low and Moderate Income Housing Special Revenue Fund on page 19 is not a required part of the Agency's 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.

Management has elected not to present the Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's basic financial statements. The budgetary comparison schedules for the CRA Capital Projects Fund and the Debt Service Fund are presented for purposes of additional analysis and are not required parts of the basic financial statements. The budgetary comparison schedules for the CRA Capital Projects Fund and the Debt Service Fund 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.

*Moss, Levy & Hartzheim*

Moss, Levy & Hartzheim, LLP  
Beverly Hills, California  
December 21, 2009

## BASIC FINANCIAL STATEMENTS

**BRAWLEY COMMUNITY REDEVELOPMENT AGENCY**  
**STATEMENT OF NET ASSETS**  
**June 30, 2009**

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and investments	\$ 4,215,346
Cash and investments with fiscal agents	375,588
Interest receivable	17,765
Due from other governments	118,537
Deferred charges, net of accumulated amortization	288,731
Notes receivable	<u>284,293</u>
Total Assets	<u>5,300,260</u>
<b>Liabilities</b>	
Accounts payable	115,002
Interest payable	64,755
Salaries payable	10,891
Noncurrent liabilities:	
Due within one year	115,000
Due in more than one year	<u>5,650,000</u>
Total Liabilities	<u>5,955,648</u>
<b>Net Assets</b>	
Restricted for:	
Capital projects	2,407,029
Debt service	899,980
Housing	1,513,872
Unrestricted	<u>(5,476,269)</u>
Total net assets	<u><u>\$ (655,388)</u></u>

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

**BRAWLEY COMMUNITY REDEVELOPMENT AGENCY**  
**STATEMENT OF ACTIVITIES**  
**For the Fiscal Year Ended June 30, 2009**

Functions/Programs	Program Revenues			Net (Expense)	
Governmental Activities:	Expenses	Charges for	Operating	Capital	Revenue and Change
		Services	Grants and	Grants and	in Net Assets
			Contributions	Contributions	Total
					Governmental
					Activities
Community development	\$ 1,567,479	\$ -	\$ 68,000	\$ -	\$ (1,499,479)
Intergovernmental	2,803,649				(2,803,649)
Interest on long-term debt	332,027				(332,027)
<b>Total Governmental Activities</b>	<b>\$ 4,703,155</b>	<b>\$ -</b>	<b>\$ 68,000</b>	<b>\$ -</b>	<b>(4,635,155)</b>
General revenues:					
					2,188,579
					17,709
					131,698
					2,337,986
					(2,297,169)
					1,641,781
					\$ (655,388)

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



**BRAWLEY COMMUNITY REDEVELOPMENT AGENCY**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**June 30, 2009**

	CRA Capital Projects Fund	Low and Moderate Income Housing Special Revenue Fund	Debt Service Fund	Totals
<b>Assets</b>				
Cash and investments	\$ 2,105,165	\$ 1,523,285	\$ 586,896	\$ 4,215,346
Cash and investments with fiscal agent			375,588	375,588
Interest receivable	10,315	5,199	2,251	17,765
Due from other governments	107,382	11,155		118,537
Notes receivable	284,293			284,293
	<u>2,507,155</u>	<u>1,539,639</u>	<u>964,735</u>	<u>5,011,529</u>
Total Assets	<u>\$ 2,507,155</u>	<u>\$ 1,539,639</u>	<u>\$ 964,735</u>	<u>\$ 5,011,529</u>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 100,126	\$ 14,876	\$ -	\$ 115,002
Salaries payable		10,891		10,891
Deferred revenues	284,293			284,293
	<u>384,419</u>	<u>25,767</u>		<u>410,186</u>
Total Liabilities	<u>384,419</u>	<u>25,767</u>		<u>410,186</u>
Fund Balances:				
Reserved for:				
Debt service			964,735	964,735
Housing		1,513,872		1,513,872
Unreserved, reported in:				
Capital projects fund	2,122,736			2,122,736
	<u>2,122,736</u>	<u>1,513,872</u>	<u>964,735</u>	<u>4,601,343</u>
Total Fund Balances	<u>2,122,736</u>	<u>1,513,872</u>	<u>964,735</u>	<u>4,601,343</u>
Total Liabilities and Fund Balances	<u>\$ 2,507,155</u>	<u>\$ 1,539,639</u>	<u>\$ 964,735</u>	<u>\$ 5,011,529</u>

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

**BRAWLEY COMMUNITY REDEVELOPMENT AGENCY**  
**RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF NET ASSETS**  
**June 30, 2009**

Fund balances - total governmental funds	\$	4,601,343
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Amounts reported for governmental activities in the statement of net assets are different because of the following:

Notes receivable are not available to pay for current period expenditures and, therefore, are offset by deferred revenues in the governmental funds.		284,293
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Deferred charges - cost of issuance, net of accumulated amortization of \$29,139.		288,731
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Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.

Long-term debt		(5,765,000)
Interest payable		(64,755)
		(64,755)

Net assets of governmental activities	\$	(655,388)
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The notes to the basic financial statements are an integral part of this statement.

**BRAWLEY COMMUNITY REDEVELOPMENT AGENCY**  
**STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**For the Fiscal Year Ended June 30, 2009**

	CRA Capital Projects Fund	Low and Moderate Income Housing Special Revenue Fund	Debt Service Fund	Totals
<b>Revenues</b>				
Investment earnings	\$ 88,615	\$ 22,661	\$ 20,422	\$ 131,698
Intergovernmental:				
Shared property taxes	1,375,539	443,020	370,020	2,188,579
Other intergovernmental	68,000			68,000
Other	66,855			66,855
<b>Total revenues</b>	<u>1,599,009</u>	<u>465,681</u>	<u>390,442</u>	<u>2,455,132</u>
<b>Expenditures</b>				
Current:				
Community development	1,413,916	153,563		1,567,479
Debt service:				
Principal			110,000	110,000
Interest and fiscal charges			256,676	256,676
Intergovernmental	2,770,471	33,178		2,803,649
<b>Total expenditures</b>	<u>4,184,387</u>	<u>186,741</u>	<u>366,676</u>	<u>4,737,804</u>
Excess of revenues over (under) expenditures	<u>(2,585,378)</u>	<u>278,940</u>	<u>23,766</u>	<u>(2,282,672)</u>
Net change in fund balances	(2,585,378)	278,940	23,766	(2,282,672)
Fund balances, beginning of fiscal year	4,708,114	1,234,932	940,969	6,884,015
Fund balances, end of fiscal year	<u>\$ 2,122,736</u>	<u>\$ 1,513,872</u>	<u>\$ 964,735</u>	<u>\$ 4,601,343</u>

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

**BRAWLEY COMMUNITY REDEVELOPMENT AGENCY  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES  
OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
For the Fiscal Year Ended June 30, 2009**

Net change in fund balances - total governmental funds	\$ (2,282,672)
Amounts reported for governmental activities in the statement of activities are different because of the following:	
Certain loan activities and repayments received which generate revenues and expenditures in the funds have no impact on net assets. This is the amount by which loan repayments exceed loans given.	(49,146)
Principal payments on long-term liabilities are reported as expenditures in the funds but reduce liabilities in the government-wide statements.	110,000
Interest payable is not due and payable in the current period and therefore are not reported in the funds	(64,755)
Amortization of issuance costs is not reported in governmental funds	<u>(10,596)</u>
Change in net assets of governmental activities	<u><u>\$ (2,297,169)</u></u>

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

**NOTES TO BASIC FINANCIAL STATEMENTS**

**BRAWLEY COMMUNITY REDEVELOPMENT AGENCY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

**NOTE 1 – DESCRIPTION AND SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Brawley Community Redevelopment Agency (Agency) have been prepared in conformity with accounting principles generally accepted in the United States of America (USGAAP). 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 Agency's accounting policies are described below.

**A. The Financial Reporting Entity**

The Agency was established on April 5, 1976, pursuant to the State of California Health and Safety Code, Section 33000. The primary purpose of the Agency is to encourage private redevelopment of property and to rehabilitate areas suffering from economic disuse. The members of the City Council act as the governing body of the Agency and therefore, the financial activities of the Agency are also reported as part of the financial activities of the City of Brawley.

**B. Government-wide and fund financial statements**

The government-wide financial statements (the statement of net assets and the statement of activities) report information on all activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. All financial activities of the Agency are reported as governmental activities, which normally are supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment.

**C. Measurement focus, basis of accounting, and financial statement presentation**

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both 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 30 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Revenues susceptible to accrual are shared property taxes (tax increments) and interest revenue. Other revenues are not susceptible to accrual because generally they are not measurable until received in cash.

**BRAWLEY COMMUNITY REDEVELOPMENT AGENCY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

**NOTE 1 – DESCRIPTION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Measurement focus, basis of accounting, and financial statement presentation (Continued)**

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 at least equal to ten percent of their fund-type total and five percent of the grand total. The Agency has determined that all its funds are major funds.

**The CRA Capital Projects Fund** is the Agency's primary operating fund. It is classified as a capital projects fund.

**The Low and Moderate Income Housing Special Revenue Fund** accounts for twenty percent of the tax increment revenue of the Agency that is restricted for improving the community's supply of housing for qualified individuals. This fund is classified as a special revenue fund.

**The Debt Service Fund** is used to account for the accumulation of resources for and payment of principal and interest on long-term debt issued by the Agency.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions.

**D. Assets, liabilities, and net assets or equity**

**i. Deposits and investments**

Cash includes currency on hand and amounts in demand deposits; cash equivalents are short-term, highly liquid investments including Treasury bills, commercial paper, certificates of deposit, money market funds, and cash management pools. Investments other than those highly liquid previously listed are defined as cash equivalents only if they have an original maturity date within three months of the date acquired by the Agency.

The Agency participates in an investment pool managed by the State of California titled Local Agency Investment Fund (LAIF) which has invested a portion of the pools fund in structured notes and asset-backed securities. LAIF's investments are subject to credit risk with the full faith and credit of the State of California collateralizing these investments. In addition, these structured notes and asset-backed securities are subject to market risk as to change in interest rates.

All investments are stated at fair value. For pooled securities, such as LAIF, fair value has been estimated by the fund managers.

**ii. Receivables and payables**

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds."

**BRAWLEY COMMUNITY REDEVELOPMENT AGENCY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

**NOTE 1 – DESCRIPTION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Assets, liabilities, and net assets or equity (Continued)**

ii. Receivables and payables (Continued)

Property taxes (tax increments), which are shared with other jurisdictions, are billed and collected by Imperial County (County). The County remits the total amount levied to the Agency and the County retains delinquent payments and any penalty and interest. The County remits payments to the Agency as follows:

December	55%
May	40%
June or July	5%

iii. Deferred charges

The cost of issuance of bonds is being amortized on the straight-line method over the life of bonds on the government-wide statements.

iv. Long-term obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities.

v. Fund equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

vi. Net assets

The government-wide statement of net assets includes three equity categories entitled net assets invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The invested in capital assets, net of related debt category presents the Agency's equity interest in capital assets less outstanding principal of related debt. The restricted net assets category is designed to reflect net assets that are subject to restrictions beyond the Agency's control (externally imposed or imposed by law). The unrestricted net assets category equals any remaining balance.

**E. 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.

**F. New Accounting Pronouncements**

The Agency implemented the requirements of GASB Statements No. 45, No. 49, No. 52, No. 55, and No. 56 during the fiscal year ended June 30, 2009.



**BRAWLEY COMMUNITY REDEVELOPMENT AGENCY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

**NOTE 1 – DESCRIPTION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**F. New Accounting Pronouncements (Continued)**

Governmental Accounting Standards Board Statement No. 45

For the fiscal year ended June 30, 2009, the Agency implemented GASB Statement No. 45, "Accounting and Financial Reporting by Employees for Postemployment Benefits Other than Pensions". This Statement is effective for periods beginning after December 15, 2007 for a Phase 2 government (1999 total revenues less the \$100 million and more than \$10 million). This Statement establishes standards for accounting and financial reporting for state and local government employees that offer "Other Postemployment Benefits" (OPEB) and requires accrual basis measurement and recognition of OPEB expenses and liabilities that will result in recognition of expenses over periods that approximate employees' years of service. The retirees' active participation in the healthcare plan of the Agency establishes an "implicit rate subsidy".

Governmental Accounting Standards Board Statement No. 49

For the fiscal year ended June 30, 2009, the Agency implemented GASB Statement No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations." The Statement is effective for periods beginning after December 15, 2007. The Statement addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The scope of the document excludes pollution prevention or control obligations with respect to current operations, and future pollution remediation activities that are required upon retirement of net assets, such as landfill closure and postclosure care and nuclear power plant decommissioning.

Governmental Accounting Standards Board Statement No. 52

For the fiscal year ended June 30, 2009, the Agency implemented GASB Statement No. 52, "Land and Other Real Estate Held as Investments by Endowments". The Statement is effective for periods beginning after June 15, 2008. This Statement establishes consistent standards for the reporting of land and other real estate held as investments by essentially similar entities. It requires endowments to report their land and other real estate investments at fair value. Governments also are required to report the changes in fair value as investment income and to disclose the methods and significant assumptions employed to determine fair value, and other information that they currently present for other investments reported at fair value.

**BRAWLEY COMMUNITY REDEVELOPMENT AGENCY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

**NOTE 1 – DESCRIPTION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**F. New Accounting Pronouncements (Continued)**

Governmental Accounting Standards Board Statement No. 55

For the fiscal year ended June 30, 2009, the Agency implemented GASB Statement No. 55, “The hierarchy of Generally Accepted Accounting Principles for State and Local Governments”. The Statement is effective as of April 2, 2009. The objective of this Statement is to incorporate the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the Governmental Accounting Standards Board’s authoritative literature. The “GAAP hierarchy” consists of the sources of accounting principles used in the preparation of financial statements of state and local governmental entities that are presented in conformity with GAAP, and the framework for selecting those principles.

Governmental Accounting Standards Board Statement No. 56

For the fiscal year ended June 30, 2009, the Agency implemented GASB Statement No. 56, “Codification of Accounting and Financing Reporting Guidance Contained in the AICPA Statements of Auditing Standards”. The Statement is effective as of April 16, 2009. The objective of this Statement is to incorporate into the Governmental Accounting Standards Board’s (GASB) authoritative literature certain accounting and financial reporting guidance presented in the American Institute of Certified Public Accountants’ Statements on Auditing Standards. This Statement addresses three issues not included in the authoritative literature that establishes accounting principles – related party transactions, going concern considerations, and subsequent events. The presentation of principles used in the preparation of financial statements is more appropriately included in accounting and financial reporting standards rather than in the auditing literature.

**NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. Budgetary information**

Budgets are adopted on a basis consistent with USGAAP. Annual appropriated budgets are adopted for the major governmental funds. All annual appropriations lapse at fiscal year end.

The Executive Director submits to the City Council, for adoption by motion, a proposed operating budget for each fiscal year. The operating budget includes proposed expenditures for major governmental funds and the means of financing them. The Executive Director may approve transfers of appropriations within a fund. Changes that increase the budget for a fund require approval by City Council. The legal level of budgetary control is the fund level.

The budget serves only as a policy document for the delivery of public services, and has no legal status. Exceeding the amounts budgeted is not a violation of any finance-related legal provision.

**BRAWLEY COMMUNITY REDEVELOPMENT AGENCY  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2009**

**NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)**

**B. Excess Expenditures over Appropriations**

The following are funds in which certain expenditures exceeded appropriations for the fiscal year ended June 30, 2009.

<u>Fund/Function</u>	<u>Final Appropriation</u>	<u>Expenditures</u>	<u>Excess</u>
Major Fund:			
CRA Capital Projects Fund:	\$ 1,550,848	\$ 4,184,387	\$ 2,633,539

**NOTE 3 – DETAILED NOTES ON ALL FUNDS**

**A. Cash and investments**

The Agency follows the practice of pooling cash and investments with the City of Brawley to maximize yield.

Cash and investments as of June 30, 2009 consisted of the following:

Cash and investments	\$ 4,215,346
Cash and investments with fiscal agents	<u>375,588</u>
Total cash and investments	<u><u>\$ 4,590,934</u></u>

Detail of cash and investments as of June 30, 2009 is as of the follows:

Cash and investments pooled with the City of Brawley	\$ 4,215,346
Cash and investments with fiscal agent:	
Investments	<u>375,588</u>
Total cash and investments	<u><u>\$ 4,590,934</u></u>

**BRAWLEY COMMUNITY REDEVELOPMENT AGENCY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

**NOTE 3 – DETAILED NOTES ON ALL FUNDS (Continued)**

**A. Cash and investments (Continued)**

**Authorized Investments.** The Agency's investment policy, as determined by the treasurer, is to invest operating funds only with LAIF. The Agency's investment policy does not contain any specific provisions intended to limit the Agency's exposure to interest rate risk, credit risk, or to concentration of credit risk. Investment of debt proceeds and reserves held by bond trustees are governed by the debt agreements, rather than the provisions of the California Government Code, but are subject to approval by the Agency. It is the policy of the Agency to limit such investments to money market and/or mutual fund accounts, which have no specific maturity date.

**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.

**Credit risk.** Generally, credit risk that an insurer 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. LAIF does not have a rating provided by a nationally recognized statistical rating organization. The investments with fiscal agents are with a Treasury Money Market Fund which has a AAA rating.

**Concentration of credit risk.** The investment policy of the Agency contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. There are no investments (other than Treasury obligations, mutual funds, money market funds, and external investment pools) in any one issuer that represent 5% or more of total Agency investments.

**Custodial credit risk.** Custodial credit risk for deposits is the risk that, in the event of the failure 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 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, 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. 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.

**BRAWLEY COMMUNITY REDEVELOPMENT AGENCY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

**NOTE 3 – DETAILED NOTES ON ALL FUNDS (Continued)**

**A. Cash and investments (Continued)**

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 investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF).

See the City of Brawley's Annual Financial Report for more information relating to cash and investments pooled with the City.

**B. Notes Receivable**

- i. On January 30, 1990, the Agency loaned \$60,000 to Antonio C. Mata for certain business improvements on property located at 1133 Main Street in Brawley. The note is secured by a deed of trust. The term of the note is 25 years, with monthly payments of \$387 commencing on July 1, 1990, at an interest rate of six percent per annum. This loan was paid in full as of June 30, 2009.
  
- ii. On October 29, 1992, the Agency loaned \$313,600 to James Larry Allen and Debbie Y. Allen for the sole purpose of purchasing 49% of the capital stock of Del Norte Chevrolet-Olds Company (Del Norte). The Agency further loaned Del Norte \$270,307 on May 6, 1994, to purchase and cancel enough shares of Del Norte so that Allen would own 80% of the remaining stock. The Agency further loaned Del Norte \$107,093 on May 30, 1996, to purchase and cancel the remaining 20% of capital stock. All three loans are secured by an assignment to the Agency of a Settlement Agreement between James Larry Allen and Gulf Oil Corporation in the amount of \$625,000. They are further secured by a life insurance policy naming the Agency as beneficiary. All three loans bear interest at 6.0%. No principal or interest payments were required for the first 12 months on the first loan; thereafter monthly payments in the amount of \$2,246.73, based on a 20 year amortization schedule, are required. The remaining balance on the first loan is due in a lump sum 10 years from the date of the original loan. The second loan for \$270,307, defers principal and interest payments for the first 12 months; thereafter, accrued interest is added to principal and amortized over a 20 year period. Monthly payments in the amount of \$1,936.56 will be made with the remaining balance on the second installment being due 10 years from the date of the second note or May 16, 2004. The third loan for \$107,093 requires 77 monthly payments of \$767.25, with the balance payable on November 1, 2005. On March 1, 2002, the Agency agreed to defer regular monthly payments on the loans for a period of three years, and agreed that the final maturity date for all three loans would be July 31, 2004. The loans were not repaid as of the maturity date and are in default. The Agency continues to receive payments from the assignment of the settlement agreement discussed above and is considering other options to collect the remaining balance. The Agency anticipates that it will ultimately collect the entire balance on the loans. The June 30, 2009 combined balance of the three loans is \$284,293.

**BRAWLEY COMMUNITY REDEVELOPMENT AGENCY  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2009**

**NOTE 3 – DETAILED NOTES ON ALL FUNDS (Continued)**

**C. Long-term debt**

*Community Redevelopment Agency: 2006 Tax Allocation Bonds Payable*

On October 3, 2006, the Agency issued \$5,875,000 of 2006 Tax Allocation Bonds. Interest is payable semiannually each April 1 and October 1 with principal due each October 1 beginning in 2008 with final maturity in 2036. The bonds were issued with interest rates varying between 3.65% and 5.00% Proceeds from the issue are to be used to finance improvements, fund a reserve account, fund a capitalized interest account, and pay costs of issuance. Tax increment revenue is pledged against bonds. The balance payable at June 30, 2009 is \$5,765,000.

The scheduled annual minimum debt service requirements at June 30, 2009 are as follows:

Fiscal Year Ended June 30,	Principal	Interest	Total
2010	\$ 115,000	257,008	\$ 372,008
2011	115,000	252,954	367,954
2012	120,000	248,753	368,753
2013	125,000	244,280	369,280
2014	130,000	239,530	369,530
2015-2019	730,000	1,115,483	1,845,483
2020-2024	895,000	944,809	1,839,809
2025-2029	1,125,000	719,488	1,844,488
2030-2034	1,395,000	429,475	1,824,475
2035-2037	1,015,000	77,875	1,092,875
Totals	<u>\$ 5,765,000</u>	<u>\$ 4,529,655</u>	<u>\$ 10,294,655</u>

**BRAWLEY COMMUNITY REDEVELOPMENT AGENCY  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2009**

**NOTE 3 – DETAILED NOTES ON ALL FUNDS (Continued)**

**C. Long-term debt (Continued)**

*Changes in long-term liabilities:*

Long-term liability activity for the fiscal year ended June 30, 2009, was as follows:

	<u>Balance July 1, 2008</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2009</u>	<u>Due in one year</u>
<b>Governmental activities:</b>					
Tax allocation bonds	\$ 5,875,000	\$ -	\$ (110,000)	\$ 5,765,000	\$ 115,000
Totals	<u>\$ 5,875,000</u>	<u>\$ -</u>	<u>\$ (110,000)</u>	<u>\$ 5,765,000</u>	<u>\$ 115,000</u>

**NOTE 4 – CONTINGENT LIABILITIES**

Amounts received or receivable from grantor agencies are subject to audit and adjustments by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Agency expects such amounts, if any, to be immaterial. The Agency is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the Agency Attorney the resolution of these matters will not have a material adverse effect on the financial position of the Agency.

REQUIRED SUPPLEMENTAL INFORMATION



**BRAWLEY COMMUNITY REDEVELOPMENT AGENCY**  
**SCHEDULE OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**LOW AND MODERATE INCOME HOUSING SPECIAL REVENUE FUND**  
**For the Fiscal Year Ended June 30, 2009**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
<b>Revenues</b>				
Investment earnings	\$ 4,000	\$ 4,000	\$ 22,661	\$ 18,661
Intergovernmental:				
Shared property taxes	360,000	360,000	443,020	83,020
Total Revenues	<u>364,000</u>	<u>364,000</u>	<u>465,681</u>	<u>101,681</u>
<b>Expenditures</b>				
Current:				
Community development	896,737	896,737	153,563	743,174
Intergovernmental			33,178	(33,178)
Total Expenditures	<u>896,737</u>	<u>896,737</u>	<u>186,741</u>	<u>709,996</u>
Net change in fund balance	(532,737)	(532,737)	278,940	811,677
Fund balance, beginning of fiscal year	<u>1,234,932</u>	<u>1,234,932</u>	<u>1,234,932</u>	
Fund balance, end of fiscal year	<u>\$ 702,195</u>	<u>\$ 702,195</u>	<u>\$ 1,513,872</u>	<u>\$ 811,677</u>

OTHER SUPPLEMENTAL INFORMATION

**BRAWLEY COMMUNITY REDEVELOPMENT AGENCY  
SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
CRA CAPITAL PROJECTS FUND  
For the Fiscal Year Ended June 30, 2009**

	Final Budget Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>Revenues</b>			
Investment earnings	\$ 77,000	\$ 88,615	\$ 11,615
Intergovernmental:			
Shared property taxes	934,180	1,375,539	441,359
Other intergovernmental	40,000	68,000	28,000
Other revenue		66,855	66,855
<b>Total Revenues</b>	<b>1,051,180</b>	<b>1,599,009</b>	<b>547,829</b>
<b>Expenditures</b>			
Current:			
Community development	623,325	1,413,916	(790,591)
Intergovernmental	844,114	2,770,471	(1,926,357)
Capital outlay	83,409		83,409
<b>Total Expenditures</b>	<b>1,550,848</b>	<b>4,184,387</b>	<b>(2,633,539)</b>
Excess revenues over (under) expenditures	(499,668)	(2,585,378)	(2,085,710)
Net change in fund balance	(499,668)	(2,585,378)	(2,085,710)
Fund balance, beginning of fiscal year	4,708,114	4,708,114	
Fund balance, end of fiscal year	<u>\$ 4,208,446</u>	<u>\$ 2,122,736</u>	<u>\$ (2,085,710)</u>

**BRAWLEY COMMUNITY REDEVELOPMENT AGENCY  
SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
DEBT SERVICE FUND  
For the Fiscal Year Ended June 30, 2009**

	Final Budget Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>Revenues</b>			
Investment earnings	\$ 9,000	\$ 20,422	\$ 11,422
Intergovernmental:			
Shared property taxes	370,000	370,020	20
Total Revenues	<u>379,000</u>	<u>390,442</u>	<u>11,442</u>
<b>Expenditures</b>			
Debt service:			
Principal	115,000	110,000	5,000
Interest and fiscal charges	264,020	256,676	7,344
Total Expenditures	<u>379,020</u>	<u>366,676</u>	<u>12,344</u>
Net change in fund balance	(20)	23,766	23,786
Fund balance, beginning of fiscal year	<u>940,969</u>	<u>940,969</u>	
Fund balance, end of fiscal year	<u>\$ 940,949</u>	<u>\$ 964,735</u>	<u>\$ 23,786</u>



MOSS, LEVY & HARTZHEIM LLP

CERTIFIED PUBLIC ACCOUNTANTS

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**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***

Board of Directors  
Brawley Community Redevelopment Agency  
Brawley, California

We have audited the financial statements of the governmental activities and each major fund of the Brawley Community Redevelopment Agency (Agency), a component unit of the City of Brawley, as of and for the fiscal year ended June 30, 2009, and have issued our report thereon, dated December 21, 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 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 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 Agency's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that, there is more than a remote likelihood that a misstatement of Agency's financial statements that is more than inconsequential will not be prevented or detected by 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 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 the 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 instance 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 Directors, 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.

*Moss, Levy & Hartzheim*

Moss, Levy & Hartzheim, LLP  
Beverly Hills, California  
December 21, 2009