

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

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**Mayer Hoffman McCann P.C.**  
An Independent CPA Firm

5060 California Avenue, Suite 800  
Bakersfield, CA 93309  
PH 661.325.7500  
FAX 661.325.7004

## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors of the  
Arvin Community Redevelopment Agency

We have audited the accompanying financial statements of the governmental activities and each major fund of the Arvin Community Redevelopment Agency (the Agency), a component unit of the City of Arvin, California, as of and for the year ended June 30, 2009, which collectively comprise the Agency's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Agency's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2009, on our consideration of the Arvin Community Redevelopment Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

### **Southern California Locations**

10474 Santa Monica Blvd. Suite 200 • Los Angeles, CA 90025 • PH 310.268.2000 • FX 310.268.2001  
5060 California Ave. Suite 800 • Bakersfield, CA 93309 • PH 661.325.7500 • FX 661.325.7004  
300 Esplanade Dr. Suite 250 • Oxnard, CA 93036 • PH 805.988.3222 • FX 805.988.3220

The budgetary comparison information on pages 19 and 20 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which 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.

The Agency has not presented a Management's Discussion and Analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

*Mayer Hoffman McComm P.C.*

Bakersfield, California  
October 23, 2009

## **BASIC FINANCIAL STATEMENTS**

**ARVIN COMMUNITY REDEVELOPMENT AGENCY**

**STATEMENT OF NET ASSETS  
JUNE 30, 2009**

	Governmental Activities
<b>ASSETS</b>	
Cash and investments	\$ 6,193,541
Receivables (net of allowance for uncollectibles)	12,956
Bond issuance cost, net	158,546
Restricted cash and cash equivalents	943,481
Land held for development	1,805,893
Capital assets:	
Non-depreciable	252,569
Depreciable, net of accumulated depreciation	621,283
Total Assets	<u>\$ 9,988,269</u>
<b>LIABILITIES</b>	
Accounts payable	143,456
Accrued interest payable	171,733
Accrued payroll and benefits	6,744
Advances from the City	755,471
Noncurrent liabilities:	
Due within one year	127,789
Due in more than one year	9,009,761
Total liabilities	<u>10,214,954</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	873,852
Restricted for:	
Low and moderate income housing	2,221,464
Unrestricted:	
Special revenue fund	<u>(3,322,001)</u>
Total net assets	<u><u>\$ (226,685)</u></u>

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

**ARVIN COMMUNITY REDEVELOPMENT AGENCY**

**STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Net (Expense) Revenue and Change in Net Assets</u>
<b>Primary Government</b>		<u>Governmental Activities</u>
Governmental activities:		
General government	\$ 634,209	\$ (634,209)
Public works	14,119	(14,119)
Planning/community development	82,158	(82,158)
Interest on long-term debt	559,296	(559,296)
Total governmental activities	<u>\$ 1,289,782</u>	<u>(1,289,782)</u>
<b>General revenues:</b>		
Property taxes		922,750
Investment income		139,918
Fees and other revenues		2,490
Total general revenues and transfers		<u>1,065,158</u>
Change in net assets		(224,624)
Net assets - July 1, 2008		<u>(2,061)</u>
Net assets - June 30, 2009		<u>\$ (226,685)</u>

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

**FUND FINANCIAL STATEMENTS**

**ARVIN COMMUNITY REDEVELOPMENT AGENCY**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2009**

	Low and Moderate Income Housing	Redevelopment Agency	Total Current Year
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>ASSETS</b>			
Cash and investments	\$ 2,221,464	\$ 4,915,558	\$ 7,137,022
Unrestricted	2,152,110	4,041,431	6,193,541
Restricted	69,354	874,127	943,481
Cash with fiscal agent	-	-	-
Investment with fiscal agent	-	-	-
Receivables:			
Taxes	-	12,956	12,956
Land held for development	-	1,805,893	1,805,893
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total assets	<u>\$ 2,221,464</u>	<u>\$ 6,734,407</u>	<u>\$ 8,955,871</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	-	143,456	143,456
Accrued payroll and benefits	-	6,744	6,744
Advances from the City	-	755,471	755,471
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total liabilities	<u>-</u>	<u>905,671</u>	<u>905,671</u>
<b>FUND BALANCES</b>			
Reserved for:			
Low and moderate income housing	2,152,110	-	2,152,110
Land held for development	-	1,805,893	1,805,893
Debt service	69,354	874,127	943,481
Unreserved, reported in:			
Special revenue fund	-	3,148,716	3,148,716
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total fund balances	<u>2,221,464</u>	<u>5,828,736</u>	<u>8,050,200</u>
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total liabilities and fund balances	<u>\$ 2,221,464</u>	<u>\$ 6,734,407</u>	<u>\$ 8,955,871</u>

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

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

Total fund balances - governmental funds	\$ 8,050,200
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not current financial resources, and, therefore, are not reported in the governmental funds.	873,852
Long-term liabilities were not due and payable in the current period. Therefore, they were not reported in the governmental fund balance sheet.	(9,137,550)
Unmatured interest on long-term debt is not accrued in the governmental funds but, rather is recognized as an expenditure when due.	(171,733)
Unamortized issuance costs on revenue bonds payable has not been reported in the governmental funds.	158,546
	\$ (226,685)
Net assets of governmental activities	

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

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

	Low and Moderate Income Housing	Redevelopment Agency	Total Current Year
<b>REVENUES</b>			
Taxes	\$ 225,329	\$ 697,421	\$ 922,750
Revenue from use of money and property	28,789	111,129	139,918
Fees and other revenues	-	2,490	2,490
<b>Total revenues</b>	<b>254,118</b>	<b>811,040</b>	<b>1,065,158</b>
<b>EXPENDITURES</b>			
Current:			
General government	1,620	631,721	633,341
Planning/community development	-	82,158	82,158
Capital outlay:			
Public works	-	482,089	482,089
Debt service:			
Bond issuance costs	18,466	73,864	92,330
Principal	22,000	88,000	110,000
Interest	158,329	286,089	444,418
<b>Total expenditures</b>	<b>200,415</b>	<b>1,643,921</b>	<b>1,844,336</b>
Excess (deficiency) of revenues over expenditures	53,703	(832,881)	(779,178)
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from Bond	706,000	2,824,000	3,530,000
Discount on issuance	(23,050)	(92,200)	(115,250)
<b>Total other financing sources and uses</b>	<b>682,950</b>	<b>2,731,800</b>	<b>3,414,750</b>
Net change in fund balances	736,653	1,898,919	2,635,572
Fund balances- beginning	1,484,811	3,929,817	5,414,628
Fund balances- ending	<u>\$ 2,221,464</u>	<u>\$ 5,828,736</u>	<u>\$ 8,050,200</u>

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

**ARVIN 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 - governmental funds	\$ 2,635,572
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlay as expenditures. However, in the statement of activities, these assets are capitalized. This is the amount of capital assets recorded in the current period.	482,089
Depreciation expense on capital assets is reported in the government-wide statement and changes in net assets, but it does not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure on the fund statements.	(14,987)
Issuance of bonds is reported as revenue in the governmental funds. However, in the net assets, the bonds are recorded as a liability.	(3,530,000)
Repayment of long-term principal is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the government-wide statement of net assets.	110,000
Costs of issuance expensed in the governmental funds have been capitalized and amortized in the statement of activities.	92,330
Discounts on issuance expensed in the governmental funds have been capitalized and amortized in the statement of activities.	115,250
Accrued interest payable is not reported in the governmental funds	(98,130)
Amortization expense on bond issuance costs is reported in the government-wide statement and changes in net assets, but it does not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure on the fund statements.	(16,748)
Changes in net assets of governmental activities	<u>\$ (224,624)</u>

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

**NOTES TO FINANCIAL STATEMENTS**

# ARVIN COMMUNITY REDEVELOPMENT AGENCY

## NOTES OF THE FINANCIAL STATEMENTS For the Fiscal Year Ended June 30, 2009

### (1) Summary of significant accounting policies

#### A. Description of the Reporting Entity

The Arvin Community Redevelopment Agency (Agency) was established by the City Council of the City of Arvin (City) by resolution number R95-01, adopted on December 5, 1995.

The Agency was established pursuant to Section 33200 of the State of California Health and Safety Code. As such, the Agency acts as a legal entity, separate and distinct from the City, even though the City Council of the City serves as the Agency's governing board and, accordingly, is a component unit of the City for financial reporting purposes. The Agency is broadly empowered to engage in the general economic revitalization and redevelopment of the City through acquisition and development in those areas of the City determined to be in a declining condition.

The Agency is comprised of all funds under the jurisdiction and control of the Agency's Governing Board. The Governing Board is comprised of the City of Arvin City Council. Because the City's governing council controls the Agency, the Agency is considered a component unit of the City; the Agency's financial information is blended into the City's Annual Financial Report. The Agency has no financial or operational relationships with other related agencies, organizations, or functions of government which meet the reporting entity definition criteria of GASB Statement No. 14, as amended by GASB Statement No. 39, *The Financial Reporting Entity*, for inclusion as a component unit of the Agency.

The Agency does not have employees. The City provides support staff and performs administrative functions for the Agency under terms of an agreement with the Agency.

The financial statements of the Agency have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The governmental Accounting Standards Board is the accepted standard setting body for governmental accounting and financial reporting principles. The more significant of the Agency's accounting policies are described below.

#### B. Basis of Accounting/Measurement Focus

The accounts of the Agency are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

**ARVIN COMMUNITY REDEVELOPMENT AGENCY**

**NOTES OF THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2009**

**(1) Summary of significant accounting policies (Continued)**

**B. Basis of Accounting/Measurement Focus (Continued)**

**Government-Wide Financial Statements**

The Agency's government-wide financial statements include a statement of net assets and a statement of activities and changes in net assets. These statements present summaries of governmental activities for the Agency.

These statements are presented on an *economic resources* measurement focus and the accrual basis of accounting. Accordingly, all of the Agency's assets and liabilities, including capital assets, as well as infrastructure assets, and long-term liabilities, if applicable, are included in the accompanying statement of net assets. The statement of activities presents changes in net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. There are no program revenues for the Agency. Revenues, including all taxes and other items, are presented as general revenues.

The statement of net assets and statement of activities display information about the Agency as a whole. Accordingly, eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities.

**Governmental Fund Financial Statements**

Governmental fund financial statements include a balance sheet and a statement of revenues, expenditures and changes in fund balances for all major governmental funds. An accompanying schedule is presented to reconcile and explain the differences in net assets as presented in these statements to the net assets presented in the government-wide financial statements.

The Agency reports the following major governmental funds:

**Redevelopment Agency - Special Revenue Fund** is used to account for revenue and expenditures related to the development of facilities financed by the Agency.

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

All governmental funds are accounted for on a spending or *current financial resources* measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the balance sheets. The statement of revenues, expenditures and changes in fund balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net

**ARVIN COMMUNITY REDEVELOPMENT AGENCY**

**NOTES OF THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2009**

**(1) Summary of significant accounting policies (Continued)**

**B. Basis of Accounting/Measurement Focus (continued)**

current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash during the year or within 60 days after year-end. The primary revenue sources, which have been treated as susceptible to accrual by the Agency, are property taxes and investment income. Expenditures are recorded in the accounting period in which the related fund liability is incurred. However, debt service expenditures as well as expenditures related to compensated absences are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds.

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

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

**C. 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.

**D. Budgeting**

The Agency's budget is adopted on a basis consistent with accounting principles generally accepted in the United States of America for the Special Revenue Funds. The City Manager is required to prepare and submit to the Agency Board the annual budget of the Agency and administers it after adoption. Agency board approval is required for budget revisions that affect the total appropriations of the Agency.

**E. Property Taxes**

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

Incremental property taxes are considered as revenues by the Agency when they become both measurable and available for financing the Agency's redevelopment activities during the year.

**ARVIN COMMUNITY REDEVELOPMENT AGENCY**

**NOTES OF THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2009**

**(1) Summary of significant accounting policies (Continued)**

**E. Property Taxes (continued)**

Incremental property tax revenues represent property taxes collected from the excess of taxes levied and collected each year on a redevelopment project over that amount which would have been levied and collected on the base year property tax assessment. A property tax base year is determined to be the year prior to the establishment of a redevelopment project area.

Property taxes are levied on July 1<sup>st</sup> are due on November 1<sup>st</sup> and March 1<sup>st</sup>, and become delinquent after December 10<sup>th</sup> and April 10<sup>th</sup>, for the first and second installments, respectively. The lien date is March 1<sup>st</sup>.

**F. Capital Assets**

The Agency's assets are capitalized at historical cost or estimated historical cost. The Agency has set a capitalization threshold policy for reporting capital assets at \$5,000. The Agency has chosen not to capitalize infrastructure in place prior to the adoption of GASB 34. Gifts or contributions of capital assets are recorded at fair market value when received. Depreciation is recorded on a straight-line basis over the useful lives of the assets as follows:

Building and improvements .....	20-40 years
Machinery and equipments .....	5-20 years

**G. Long-term Debt**

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

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

**H. Low Income Housing**

Under requirements of the State of California and Safety Code, the Agency is required to set aside 20% of tax increment revenues for use in housing projects benefiting low and moderate income households. These resources are accounted for in the Low and Moderate Income Housing Special Revenue Fund.

**ARVIN COMMUNITY REDEVELOPMENT AGENCY**

**NOTES OF THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2009**

**(1) Summary of significant accounting policies (Continued)**

**I. Use of Restricted/Unrestricted Net Assets**

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

**J. Classification of Net Assets and Fund Equity**

In the government-wide financial statements, net assets are classified in the following categories:

**Invested in capital assets, net of related debt** – This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce this category.

**Restricted net assets** – This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. Additionally, this category presents restrictions placed on the category of capital projects, and specific projects and programs as established by the Board.

**Unrestricted net assets** – This category represents the remaining net assets of the Agency, which are not restricted for any project or other purpose.

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

**K. Reclassifications**

Certain reclassifications have been made to the June 30, 2008 financial statement amounts presented in order to conform with the June 30, 2009 financial statements presentation. Such reclassifications had no effect on the change in net assets as previously reported.

**(2) Cash and Investments**

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

Deposits	\$ 1,663,323
California Local Agency Investment Fund	4,525,954
Investments with fiscal agents	<u>947,745</u>
Total cash and investments	<u><u>\$ 7,137,022</u></u>

**ARVIN COMMUNITY REDEVELOPMENT AGENCY**

**NOTES OF THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2009**

**(2) Cash and Investments (Continued)**

**Deposits**

The Agency's cash and investments are pooled with the City. The Agency holds a proportionate interest in the amount of \$1,663,323. The City's general bank balance at June 30, 2009 was \$2,564,710 which was either insured or collateralized with securities held by the pledging financial institutions in the City's name as discussed below.

The California Government Code requires California banks and savings and loan associations to secure the City's cash deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus collateral for cash deposits is considered to be held in the City's name. The market value of the pledged securities must equal at least 110% of a City's deposits. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of a City's total deposits.

**Local Agency Investment Fund (LAIF)**

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 City's investments in this pool is reported in the accompanying financial statements at the 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 cost of that portfolio). As of June 30, 2009, the balance is \$4,525,954. The balance available for withdrawals is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

**Investments with Fiscal Agent**

The balance of \$947,745 includes the bond issuance proceeds trust accounts, which consist of proceeds from bonds which are unspent or reserved. These funds are required to be held by outside fiscal agents under the provisions of the bond agreement. The California Government Code provides these monies, in the accordance with ordinance, resolutions, or indentures specifying the types of investments the fiscal agent may make. These investments are generally more restrictive than the Agency's investment policy, and at no time have additional investments not permitted by the Agency's investment policy been authorized.

The Agency's investment policy is consistent with guidelines set forth under State of California Government Code Section 53601 and serves to maximize investment income consistent with safe and prudent investment practices. All surplus funds are managed by the Finance Director in compliance with the Statement of Investment Policy adopted by the City Council which delegates to the Finance Director the authority to invest Agency funds and to deposit securities.

The Agency follows the practice of pooling cash and investments of all funds. Interest income earned on pooled cash and investments is allocated monthly to various funds based on the month-end cash and investment balances.

**ARVIN COMMUNITY REDEVELOPMENT AGENCY**

**NOTES OF THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2009**

**(2) Cash and Investments (Continued)**

**Authorized Investments**

Under provision of the Agency's investment policy, and in accordance with Section 53601 of the California Government Code, the City may invest in the following types of investments:

Securities of the U.S. Government, or its Agencies	Local agency investment fund deposits (state pool)
Certificates of deposit (or time deposits) placed with commercial banks and/or savings & loan companies	Passbook savings account demand deposits
Negotiable certificates of deposit	Small business administration loans
Bankers' acceptances	Repurchase agreements
	Reverse repurchase agreements

**Interest Rate Risk**

The Agency does not have a formal investment policy that limits investment maturities as a means of managing exposure to fair value losses arising from changing interest rates. The Agency investments are subject to immediate liquidation, therefore, the Agency is exposed to interest rate risk if interest rates fall.

**Credit Risk**

State law limits investments in commercial paper and corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations (NRSRO's). It is in the City's policy to limit its investments in these investment types to the top rating issued by NRSRO's, including raters Standard & Poor's and Moody's Investors Services. Presented below is the actual rating as of June 30, 2009:

<u>Investment Types</u>	<u>Maturities in years</u>		<u>Credit Rating</u>
	<u>Less than 1</u>	<u>Total</u>	
Money Market Fund	947,745	947,745	AAA
California Local Agency Investment Fund	4,525,954	4,525,954	Not rated
Totals	<u>\$ 5,473,699</u>	<u>\$ 5,473,699</u>	

**ARVIN COMMUNITY REDEVELOPMENT AGENCY**

**NOTES OF THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2009**

**(3) Capital Assets**

In accordance with GASB Statement No. 34, the Agency has reported all capital assets since the beginning of the 2004 fiscal year in the government-wide statement of net assets. The City elected to use the basic approach whereby accumulated depreciation and depreciation expense have been recorded. The following table presents summary information on the Agency's capital assets.

	<u>Balance June 30, 2008</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2009</u>
<b>Governmental Activities:</b>				
Capital assets not being depreciated:				
Infrastructure in process	\$ 24,274	\$ 252,569	\$ 24,274	\$ 252,569
Total capital assets not being depreciated	<u>24,274</u>	<u>252,569</u>	<u>24,274</u>	<u>252,569</u>
Capital assets being depreciated:				
Infrastructure	165,501	253,794	-	419,295
Buildings and improvements	230,659	-	-	230,659
Machinery and equipment under capital lease	102,852	-	-	102,852
Total capital assets being depreciated	<u>499,012</u>	<u>253,794</u>	<u>-</u>	<u>752,806</u>
Less accumulated depreciation for:				
Infrastructure	2,364	8,354	-	10,718
Buildings and improvements	11,320	6,633	-	17,953
Machinery and equipment under capital lease	102,852	-	-	102,852
Total accumulated depreciation	<u>116,536</u>	<u>14,987</u>	<u>-</u>	<u>131,523</u>
Total capital assets being depreciated, net	<u>382,476</u>	<u>238,807</u>	<u>-</u>	<u>621,283</u>
Governmental activities capital assets, net	<u>\$ 406,750</u>	<u>\$ 491,376</u>	<u>\$ 24,274</u>	<u>\$ 873,852</u>

For the year ended June 30, 2009, depreciation expense on capital assets charged to outside administration was \$14,987.

**(4) Advances from the City of Arvin**

Advances have been made from the City for operating expenses. The Advances are non-interest bearing and payable as tax increment revenue becomes available to the Agency. \$ 99,698

The Agency has issued several notes payable to the City. The notes bear interest at a rate of 8%, compounding annually. Both principal and interest are payable as tax increment revenue becomes available to the Agency. 655,773

Total \$ 755,471

**ARVIN COMMUNITY REDEVELOPMENT AGENCY**

**NOTES OF THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2009**

**(5) Long-term Debt**

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

	<u>Balance June 30, 2008</u>	<u>Incurred or Issued</u>	<u>Satisfied or Matured</u>	<u>Balance June 30, 2009</u>	<u>Due Within One Year</u>	<u>Due in More than One Year</u>
<b>Governmental Activities:</b>						
Tax allocation bonds						
2005 tax allocation bonds	\$ 6,050,000	\$ -	\$ 110,000	\$ 5,940,000	\$ 115,000	\$ 5,825,000
2008 tax allocation bonds	-	3,530,000	-	\$ 3,530,000	25,000	3,505,000
Less deferred amounts:						
For issuance discounts	<u>(228,771)</u>	<u>(115,250)</u>	<u>(11,571)</u>	<u>\$ (332,450)</u>	<u>(12,211)</u>	<u>(320,239)</u>
Total tax allocation bonds payable	<u>5,821,229</u>	<u>3,414,750</u>	<u>98,429</u>	<u>9,137,550</u>	<u>127,789</u>	<u>9,009,761</u>
Governmental activity						
Long-term liabilities	<u>\$ 5,821,229</u>	<u>\$ 3,414,750</u>	<u>\$ 98,429</u>	<u>\$ 9,137,550</u>	<u>\$ 127,789</u>	<u>\$ 9,009,761</u>

On October 6, 2005, the Agency issued Tax Allocation Bonds with a face value of \$6,250,000, at a combined original issue discount and underwriter's discount of \$251,088. Issuance costs of \$78,360 were incurred. The bond discount and issuance costs will be amortized ratably over the average 30 year life of the bond issue on a straight-line basis. The Bonds bear interest at the net average rate of 5.18% and are payable semi-annually commencing through September, 2035.

Scheduled interest and principal payments on the Bonds are as follows:

<u>Year ending June 30,</u>	<b>2005 Tax Allocation Bond Payable</b>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 115,000	\$ 290,673	\$ 405,673
2011	120,000	286,188	406,188
2012	125,000	281,387	406,387
2013	130,000	276,388	406,388
2014	135,000	270,537	405,537
2015-2019	770,000	1,259,653	2,029,653
2020-2024	975,000	1,061,737	2,036,737
2025-2029	1,235,000	793,250	2,028,250
2030-2034	1,585,000	444,337	2,029,337
2035-2036	750,000	58,169	808,169
	<u>\$ 5,940,000</u>	<u>\$ 5,022,319</u>	<u>\$ 10,962,319</u>

**ARVIN COMMUNITY REDEVELOPMENT AGENCY**

**NOTES OF THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2009**

**(5) Long-term Debt (Continued)**

On August 7, 2008, the Agency issued Tax Allocation Bonds with a face value of \$3,530,000, at a combined original issue discount and underwriter's discount of \$115,250. Issuance costs of \$92,330 were incurred. The bond discount and issuance costs will be amortized ratably over the average 30 year life of the bond issue on a straight-line basis. The bonds bear interest ranging 5.00% to 6.5% and are payable semi-annually commencing through September, 2038.

Scheduled interest and principal payments on the Bonds are as follows:

Year ending June 30,	2008 Tax Allocation Bond Payable		
	Principal	Interest	Total
2010	\$ 25,000	\$ 223,900	\$ 248,900
2011	30,000	222,525	252,525
2012	30,000	221,025	251,025
2013	35,000	219,400	254,400
2014	35,000	217,650	252,650
2015-2019	210,000	1,055,825	1,265,825
2020-2024	275,000	985,638	1,260,638
2025-2029	375,000	881,563	1,256,563
2030-2034	515,000	737,912	1,252,912
2035-2039	2,000,000	417,625	2,417,625
	<u>\$ 3,530,000</u>	<u>\$ 5,183,063</u>	<u>\$ 8,713,063</u>

**REQUIRED SUPPLEMENTARY INFORMATION**

**ARVIN COMMUNITY REDEVELOPMENT AGENCY  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES – BUDGET (GAAP BASIS) AND ACTUAL  
REDEVELOPMENT AGENCY – SPECIAL REVENUE FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Taxes	\$ 761,250	\$ 572,250	\$ 697,421	\$ 125,171
Revenue from use of money and property	200,000	200,000	111,129	(88,871)
Fees and other revenues	37,000	37,000	2,490	(34,510)
Total revenues	<u>998,250</u>	<u>809,250</u>	<u>811,040</u>	<u>1,790</u>
<b>EXPENDITURES</b>				
Current:				
General government	615,254	426,254	631,721	(205,467)
Planning/community development	50,000	-	82,158	(82,158)
Capital outlay:				
Public works	6,878,060	7,028,060	482,089	6,545,971
Debt Service:				
Bond issuance costs	-	-	73,864	(73,864)
Principal	200,000	200,000	88,000	112,000
Interest	400,000	400,000	286,089	113,911
Total expenditures	<u>8,143,314</u>	<u>8,054,314</u>	<u>1,643,921</u>	<u>6,410,393</u>
Excess (deficiency) of revenues under expenditures	<u>(7,145,064)</u>	<u>(7,245,064)</u>	<u>(832,881)</u>	<u>6,412,183</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from Bond	-	-	2,824,000	2,824,000
Discount on issuance	-	-	(92,200)	(92,200)
Total other financing sources	<u>-</u>	<u>-</u>	<u>2,731,800</u>	<u>2,731,800</u>
Change in fund balances	(7,145,064)	(7,245,064)	1,898,919	9,143,983
Fund balance - beginning	<u>3,929,817</u>	<u>3,929,817</u>	<u>3,929,817</u>	<u>-</u>
Fund balance - ending	<u><u>\$ (3,215,247)</u></u>	<u><u>\$ (3,315,247)</u></u>	<u><u>\$ 5,828,736</u></u>	<u><u>\$ 9,143,983</u></u>

**ARVIN COMMUNITY REDEVELOPMENT AGENCY  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES – BUDGET (GAAP BASIS) AND ACTUAL  
LOW AND MODERATE INCOME HOUSING–  
SPECIAL REVENUE FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Taxes	\$ 189,000	\$ 189,000	\$ 225,329	\$ 36,329
Revenue from use of money and property	30,000	30,000	28,789	(1,211)
Total revenues	<u>219,000</u>	<u>219,000</u>	<u>254,118</u>	<u>35,118</u>
<b>EXPENDITURES</b>				
Current:				
General government	50,000	50,000	1,620	48,380
Debt service:				
Bond issuance costs	-	-	18,466	(18,466)
Principal	-	-	22,000	(22,000)
Interest	-	-	158,329	(158,329)
Total expenditures	<u>50,000</u>	<u>50,000</u>	<u>200,415</u>	<u>(150,415)</u>
Excess (deficiency) of revenues under expenditures	<u>169,000</u>	<u>169,000</u>	<u>53,703</u>	<u>(115,297)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from Bond	-	-	706,000	706,000
Discount on issuance	-	-	(23,050)	(23,050)
Total other financing sources	<u>-</u>	<u>-</u>	<u>682,950</u>	<u>682,950</u>
Change in fund balances	169,000	169,000	736,653	567,653
Fund balance - beginning	<u>1,484,811</u>	<u>1,484,811</u>	<u>1,484,811</u>	<u>-</u>
Fund balance - ending	<u><u>\$ 1,653,811</u></u>	<u><u>\$ 1,653,811</u></u>	<u><u>\$ 2,221,464</u></u>	<u><u>\$ 567,653</u></u>

## **OTHER REPORT**



**Mayer Hoffman McCann P.C.**  
An Independent CPA Firm

5060 California Avenue, Suite 800  
Bakersfield, CA 93309  
PH 661.325.7500  
FAX 661.325.7004

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

To the Board of Directors of the  
Arvin Community Redevelopment Agency

We have audited the financial statements of the governmental activities and each major fund of the Arvin Community Redevelopment Agency, as of and for the year ended June 30, 2009, and have issued our report thereon dated October 23, 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 Arvin Community Redevelopment Agency's (Agency's) internal control over financial reporting as a basis for designing our 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 the Agency's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Agency's financial statements that is more than inconsequential will not be prevented or detected by the Agency's internal control.

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

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

**Southern California Locations**

10474 Santa Monica Blvd. Suite 200 • Los Angeles, CA 90025 • PH 310.268.2000 • FX 310.268.2001  
5060 California Ave. Suite 800 • Bakersfield, CA 93309 • PH 661.325.7500 • FX 661.325.7004  
300 Esplanade Dr. Suite 250 • Oxnard, CA 93036 • PH 805.988.3222 • FX 805.988.3220

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Arvin Community Redevelopment Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. Such provisions include those provisions of laws and regulations identified in the "Guidelines for Compliance Audits of California Redevelopment Agencies," issued by the 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 management, City Council and others within the entity, and is not intended to be and should not be used by anyone other than these specified parties.

*Mayer Hoffman McCann P.C.*

Bakersfield, CA  
October 23, 2009