

**CITY OF TAFT
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2010**

**CITY OF TAFT
ANNUAL FINANCIAL REPORT
JUNE 30, 2010**

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members of City Council
of the City of Taft
Taft, California

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Taft, California, as of and for the fiscal year ended June 30, 2010, which collectively comprise the City of Taft's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Taft'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, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Taft, as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable thereof, for the fiscal year then ended in conformity with accounting principals generally accepted in the United States of America.

As discussed in note 1 of the notes to basic financial statements, effective July 1, 2009, the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No.45 – *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*, Statement No. 51 – *Accounting and Financial Reporting for Intangible Assets*, GASB Statement No. 53 – *Accounting and Financial Reporting for Derivative Instruments*, GASB Statement No. 57 – *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, and GASB Statement No. 58 – *Accounting and Financial Reporting for Chapter 9 Bankruptcies*.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 21, 2011, on our consideration of the City'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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 12, and the Budgetary Comparison Schedule for the General Fund on page 52 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, statistical section, fiduciary fund financial statements, and other supplementary information listed in the table of contents, including the budgetary comparison schedules for the major capital projects funds, combining non-major fund financial statements and additional budgetary comparison schedules of the non-major funds, are presented for purposes of additional analysis and are not required parts of the basic financial statements. The fiduciary fund financial statements and other supplemental statements and 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.

Moss, Levy & Hartzheim

Moss Levy & Hartzheim, LLP
Beverly Hills, California
March 21, 2011

City of Taft
Management's Discussion and Analysis
For the Year Ended June 30, 2010
Unaudited

As management of the City of Taft (the City), we offer this narrative overview and analysis of financial activities for the fiscal year ended June 30, 2010.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements, comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. These reports also contain certain supplementary information.

Government-wide financial statements

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

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

The statement of activities presents information showing how the City'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. uncollected taxes and earned but unused vacation leave).

The government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business type activities). The governmental activities of the City include general government, public safety, streets and roads, health and welfare, community development, and culture and recreation. The business type activities of the City include the Federal Wastewater Treatment Plant, Community Correctional Facility, Sewer, Refuse, and Transportation services.

The government-wide financial statements include the City and its component units. The City's component units are the Taft Public Financing Authority, Taft Public Improvement Corporation, Taft Community Development Agency (TCDA), and Greater Taft Transportation Authority. Although legally separate, these entities function for all practical purposes as departments of the City and, therefore, have been blended as part of the primary government.

The government-wide financial statements can be found on pages 13 of this report.

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 City, 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 City can be divided into three categories: governmental, proprietary and fiduciary.

Governmental funds

Governmental funds are used to account for 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 balances of spendable resources available at the end of the fiscal year.

It is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. Reconciliations to facilitate this comparison are provided for both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances.

The City maintains twenty-one individual governmental funds. Information is presented separately in the governmental fund balance sheets and in the governmental fund statements of revenues, expenditures, and changes in fund balances for the major funds: the General Fund, the Wastewater Treatment Plant - Special Revenue Fund, and the Wastewater Treatment Plant – Capital Project Fund. Data from the other eighteen governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements and can be found on pages 56-63 in this report.

The City adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found beginning on page 16 of this report.

Proprietary funds

The City maintains two different types of proprietary funds, enterprise and internal service funds. Enterprise funds are used to report the same functions presented as business type activities in the government-wide financial statements. The City uses enterprise funds to account for its Federal Wastewater Treatment Plant, Community Correctional Facility, and Sewer, Refuse, and Transportation services. Internal service funds are an accounting device used to accumulate and

allocate costs internally among the City's various functions. The City uses internal service funds to account for the financing of goods or services provided by one department to other departments or agencies of the City on a cost-reimbursement basis. The City uses internal service funds to account for activities of the City central garage. Because this service predominantly benefits governmental rather than business type functions, it has been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements (business type activities), only in more detail. The proprietary fund financial statements provide separate information for the Federal Wastewater Treatment Plant, Community Correctional Facility, Sewer operations, Transit Operations, and Refuse Operations, all of which are considered to be major funds of the City. The internal service fund is also shown as a separate presentation in the proprietary fund financial statements.

Individual fund data for the proprietary funds is provided in the form of combining statements and can be found on pages 20-25 in this report.

Fiduciary funds

Agency funds are used to account for situations where the City's role is purely custodial. Agency funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. All assets reported in agency funds are offset by liabilities; the accrual basis of accounting is used to recognize receivables and payables.

The agency fund financial statements can be found on page 26 of this report.

Notes to the financial statements

The notes to the financial statements provide additional information that is essential for a full understanding of the data provided in both government-wide and fund financial statements.

The notes to the financial statements begin on page 27 of this report.

Government-wide Financial Analysis

The following table presents a summary of the City's assets, liabilities and net assets for its governmental and business type activities for the years ended June 30, 2010 and 2009. As noted earlier, a government's net asset position may serve over time as a useful indicator of its financial position.

	Governmental			Business-type			Total		
	Activities			Activities					
	2010	2009	Changes Inc (Dec)	2010	2009	Changes Inc (Dec)	2010	2009	Changes Inc (Dec)
Assets:									
Current assets	13,773,976	15,397,300	(1,623,324)	5,975,583	5,633,752	341,831	19,749,559	21,031,052	(1,281,493)
Capital assets, net	10,318,766	10,776,858	(458,092)	5,535,216	5,813,996	(278,780)	15,853,982	16,590,854	(736,872)
Total assets	24,092,742	26,174,158	(2,081,416)	11,510,799	11,447,748	63,051	35,603,541	37,621,906	(2,018,365)
Liabilities:									
Current liabilities	897,153	957,356	(60,203)	590,637	618,420	(27,783)	1,487,790	1,575,776	(87,986)
Long-term Liabilities	3,990,820	4,099,321	(108,501)	695,742	805,527	(109,785)	4,486,562	4,904,848	(218,286)
Total liabilities	4,887,973	5,056,677	(168,704)	1,286,379	1,423,947	(137,568)	6,174,352	6,480,624	(306,272)
Net assets:									
Invested in capital assets,									
net of related debt	6,478,811	6,814,619	(335,808)	4,849,364	5,007,761	(158,397)	11,328,175	11,822,380	(494,205)
Restricted	2,708,877	2,823,285	(114,408)				2,708,877	2,823,285	(114,408)
Unrestricted	10,017,081	11,479,577	(1,462,496)	5,375,056	5,016,040	359,016	15,392,137	16,495,617	(1,103,480)
Total net assets	19,204,769	21,117,481	(1,912,712)	10,224,420	10,023,801	200,619	29,429,189	31,141,282	(1,712,093)

The City's assets exceed liabilities by \$29,429,189 and \$31,141,282 at June 30, 2010 and 2009 respectively. Total net assets have decreased by \$1,712,093 from 2009 to 2010.

As of June 30, 2010, the largest portion of the City's net assets of \$11,328,175 reflects its investment in capital assets (i.e., land, buildings, machinery, equipment and infrastructure). The City uses these capital assets to provide services to citizens, and these assets are not available for future spending. An additional portion of the City's net assets of \$2,708,877 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets of \$15,392,137, which is \$1,103,480 less than last year's amount of \$16,495,617, may be used to meet the government's ongoing obligations to citizens and creditors. Of these amounts, \$5,375,056 is held by business type activities funds and the \$10,017,081 is held by governmental activities funds as of June 30, 2010.

On the table below, the Statement of Activities of the City's governmental and business-type operations for the years ended June 30, 2010 and 2009 shows the total net assets decreased by \$1,912,712 and increase by \$200,619 for governmental and business-type activities, respectively.

The continued efforts by all departments to keep operating costs down is reflected on this table.

	Governmental			Business			Total		
	Activities			Activities					
	2010	2009	Changes Inc (Dec)	2010	2009	Changes Inc (Dec)	2010	2009	Changes Inc (Dec)
Revenues:									
Charges for services	828,222	1,177,378	(349,156)	11,716,540	11,379,346	337,194	\$12,544,762	\$12,556,724	(\$11,962)
Property taxes	1,005,749	1,149,842	(144,093)				1,005,749	1,149,842	(144,093)
Sales taxes	1,570,736	1,751,981	(181,245)				1,570,736	1,751,981	(181,245)
Other taxes and Mtr vehicle in lieu fees	1,047,326	1,081,562	(34,236)				1,047,326	1,081,562	(34,236)
Grants and contributions restricted to specific programs	2,621,925	3,237,121	(615,196)				2,621,925	3,237,121	(615,196)
Investment earnings	651,063	694,564	(43,501)	98,331	177,816	(79,485)	749,394	872,380	(122,986)
Other		(238,590)	238,590		238,590	(238,590)			
Total revenues	7,725,021	8,853,858	(1,128,837)	11,814,871	11,795,752	19,119	19,539,892	20,649,610	(1,109,718)
Expenses:									
General government	2,478,363	2,104,624	373,739				2,478,363	2,104,624	373,739
Public safety	2,922,967	3,674,325	(751,919)				2,922,967	3,674,886	(751,919)
Public works	1,531,425	2,438,795	(907,370)				1,531,425	2,438,795	(907,370)
Health and welfare	286,875	364,695	(77,820)				286,875	364,695	(77,820)
Community development	2,175,162	1,060,604	1,114,558				2,175,162	1,060,604	1,114,558
Interest on long-term debt	233,035	239,600	(6,565)				233,035	239,600	(6,565)
Federal WWTP				756,323	678,347	77,976	756,323	678,347	77,976
CCF				8,842,089	9,022,542	(380,453)	8,642,089	9,022,542	(380,453)
Sewer				806,357	781,710	24,647	806,357	781,710	24,647
Refuse				608,683	608,307	376	608,683	608,307	376
Transit				800,800	597,476	203,324	800,800	597,476	203,324
Total expenses	9,627,827	9,882,643	(255,377)	11,614,252	11,688,382	(74,130)	21,242,079	21,571,586	(329,507)
Increase (decrease) in Net assets	(1,902,806)	(1,028,785)	(873,460)	200,619	107,370	93,249	(1,702,187)	(921,976)	(780,211)
Net assets - beginning	21,117,481	21,797,597	(680,116)	10,023,801	9,916,431	107,370	31,141,282	31,683,748	(542,466)
Prior period adjustment	(9,906)	174,615	(184,521)		(15,140)	(15,140)	(9,906)	189,755	(199,661)
Net assets - beginning, as restated	21,107,575	21,972,212	(854,731)	10,023,801	9,901,291	122,510	31,131,376	31,873,503	(732,221)
Net assets - ending	19,204,769	21,117,481	(1,912,712)	10,224,420	10,023,801	200,619	29,429,189	31,141,282	(1,712,093)

Governmental activities. Governmental activities decreased the City's net assets by (\$1,912,712) and (\$1,028,785) for the years ended June 30, 2010 and 2009, respectively.

Business type activities. Business type activities increased the City's net assets by \$200,619 and \$107,370 for the years ended June 30, 2010 and 2009, respectively.

Financial Analysis of the City's Funds

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

Governmental funds. The focus of the City's governmental funds is to provide information on near-term inflow, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balances may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$9,436,768. Approximately three-quarters (\$7,638,387) of this amount constitutes unreserved fund balances, which are available for spending at the government's discretion. The remainder of fund balances is reserved, to indicate that it is not available for new spending because it has already been committed for 1) debt service (\$899,750), 2) prepaid expenditures (\$148,800), 3) future capital projects (\$730,546) for major repairs and maintenance of the wastewater treatment plant), 4) low/moderate housing (\$591,212), and 5) other restricted purposes (\$18,785).

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved fund balances of the general fund were \$6,281,559 and all of the fund balances were designated for future operations, economic contingencies and future capital projects. The total general fund balance was \$6,430,023 as of June 30, 2010.

The City's general fund decreased by \$887,075 during the year ended June 30, 2010. All departments have been encouraged to continued efforts to keep operating costs down. The detailed fund balance designation for the General Fund can be found in Note 13, which is on page 48, and 49 of this report.

The Wastewater Treatment Plant Capital Projects. This Capital Project Fund has a total fund balance of \$2,912,617. Total investment revenue was \$44,617. There was a net increase in the fund balance of \$153,977.

Proprietary funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net assets of the Federal Wastewater Treatment Plant, Community Correctional Facility, and Sewer operations at the end of the year were \$2,523,240, (\$262,080), and \$2,369,761, respectively. The Federal Wastewater Treatment Plant, and Sewer funds experienced net asset increases of (\$26,093), and \$76,847 respectively, and the Community Correctional Facility also experienced net asset increase of \$75,883.

The Statement of Net Assets for the Proprietary Funds is on page 20-21 in this report. The Statement of Revenues, Expenses and Changes in Fund Net Assets is on page 22-23 in this report.

General Fund Budgetary Highlights

The total General Fund original budget of \$6,883,628 decreased by \$1,223,206, this was due to decreased appropriations for operational costs of \$425,456 and decrease in capital project cost appropriations of \$147,308. The following is a summary of the major appropriation decreases and increases by department:

- City Council department - Increased appropriation of \$6,804 was for, hiring a firm California Consultants to search for and apply for new Grants, and additional funding for the Chamber of Commerce.
- City Clerk's department - Decreased appropriation of \$11,151 was for the decrease in operation expense for computer maintenance and other general operational expenses.
- Planning department – Increased appropriation of \$130,154 was from the General Plan update expense.
- Enterprise Zone - Increased appropriation of \$20,607 from Working Capital Reserves.
- Finance department - Increased appropriation for operational cost of \$31,665, most of the cost coverage was from bad-debt write offs. The City was able to hire a new firm to handle the cities collects.
- Street department – Increase appropriation of \$61,553 operational and capital, this increase was due to the street repair maintenance.

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets, net of accumulated depreciation, for its governmental and business type activities as of June 30, 2010 was \$15,853,982. This investment includes land, buildings and building improvements, machinery and equipment, park facilities, roads and streets, and bridges. The governmental activities, including the internal service fund, had a total decrease in the net investment in capital assets for the current fiscal year of \$487,084, while the business type activities had a net decrease in the net investment in capital assets of \$280,642. The following projects were completed during the current year:

General Fund

- a. Code Enforcement purchased new code enforcement software from Hdl.
- b. Purchase new Plotter for Planning Department.
- c. Inpavement lighting.
- d. Various street maintenance projects.

Depreciation expenses during the fiscal year were \$720,351 for governmental activities and \$390,119 for business type activities, as shown on the table below.

Capital Assets and Depreciation Schedules.

<u>Governmental Activities</u>	<u>Beginning Balance as of June 30, 2009</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance as of June 30, 2010</u>
Land	\$3,040,113			3,040,113
Buildings and improvements	8,697,657	18,525		8,716,182
Machinery and equipment	2,991,529	214,742	(148,424)	3,057,847
Infrastructure - Roadway System	3,438,995			3,438,995
Infrastructure - Bridges	265,183			265,183
Construction in progress	92,958	28,992		121,950
Less Accumulated Depreciation	<u>(7,749,577)</u>	<u>(720,351)</u>	<u>148,424</u>	<u>(8,321,504)</u>
Governmental Activities Capital Assets, Net	<u>\$10,776,858</u>	<u>(458,092)</u>		<u>10,318,766</u>

<u>Business-type Activities</u>	<u>Beginning Balance as of June 30, 2009</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance as of June 30, 2010</u>
Buildings and improvements	\$6,374,877	33,475	(23,379)	6,384,973
Machinery and equipment	\$1,465,800	40,332	(5,175)	1,500,957
Infrastructure - Sewer System	\$2,631,616	35,670		2,667,286
Construction in progress	136,932	1,981		138,913
Less Accumulated Depreciation	<u>(4,795,229)</u>	<u>(390,119)</u>	<u>28,435</u>	<u>(5,156,913)</u>
Business-type Activities Capital Assets, Net	<u>\$5,813,996</u>	<u>(278,661)</u>	<u>(119)</u>	<u>5,535,216</u>

Additional information on the City's capital assets can be found in note 6 beginning on page 42 of this report.

Long-term debt

Governmental activities debt at the end of the current fiscal year included revenue refunding bonds outstanding of \$3,975,000 and other debt outstanding of \$201,094. The total debt decrease during the current fiscal year was \$130,000 as shown on the table below.

<u>Governmental Activities</u>	<u>Beginning Balance as of June 30, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance as of June 30, 2010</u>
1998 Revenue Refunding Bonds	\$ 4,105,000	\$ -	\$ (130,000)	\$ 3,975,000
Compensated Absences	165,761	35,333		201,094
Governmental Activities, Long-Term Liabilities	\$ 4,270,761	\$ 35,333	\$ (130,000)	\$ 4,176,094

<u>Business-type Activities</u>	<u>Beginning Balance as of June 30, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance as of June 30, 2010</u>
Compensated Absences	\$ 124,804	\$ 25,518	\$ -	\$ 150,322
2006 Sewer loan	836,000		(124,000)	712,000
Business-type Activities, Long-Term Liabilities	\$ 960,804	\$ 25,518	\$ (124,000)	\$ 862,322

Business type activities bonded debt at the end of the current fiscal year included Certificates of Participation bonds which were refinanced with a private placement loan transferring the outstanding debt of \$1,455,000 (minus reserve balance) to the 2006 Sewer loan in the amount \$1,066,000. Amount outstanding as of June 30, 2010 was \$712,000, and other debt outstanding including compensated absences, amounted to \$150,322. The total debt decrease during the current fiscal year was \$98,482.

Long-term Liability Schedules

Additional information on the City's long-term debt can be found in notes 7 and 8 beginning on pages 44 of this report.

Economic Factors and Next Year's Budget and Rates

- **Property Tax Summary** – The City of Taft experienced a net taxable value increase of 9.1% for the 2009-10 tax roll, which was slightly higher than the increase experienced countywide at 6.2%. In 2001 through much of 2006 favorable interest rates and strong demand for housing pushed property values to a record high. However recent sales of single family residential properties throughout the region have been declining at a steady pace. In Taft, the average sale price of a single family home at \$135,000. This represents a \$40,000 (23%) decrease in median sale price from 2007. There were 10 parcels dropped from the roll and 58 were added, resulting in a net assessed value gain of \$824,482. Many of these parcels will be reassessed as they are developed and transfer ownership, contributing to growth in 2008-09.

- Sales Tax Summary – Sales taxes decreased between fiscal year 2008 and 2009 by 19.7% (after adjusting for aberrations) for the year compared to the county at 22.7% decrease. The San Joaquin Valley, as a whole, was down 20.4%. Lower prices at the pump and reporting problems that reduced revenues from fuel and services stations were primarily responsible for the current decreases. The city experienced decline in sales from the autos, transportation, building, and construction sectors.
- State of California – The State budget remains a major concern in determining the City's budget for fiscal year 2009-2010 and beyond. The State resolved its budget problem largely by one-time fixes, transfers and loans that will simply move the problem to next year. The chances are high that threats of State takeaways will not go away as long as the State continues to fail in its efforts to achieve fiscal stability and sustainability.

Adequate resources are available to fund the proposed expenditures. The Budget reflects a careful course of action that responds to the community's priorities and balances the highest priorities with the resources available. Consistent with the City's balance budget policy, General Fund operating revenues fully cover operating costs.

The General Fund budget appropriation for the fiscal year 2010 was \$5,949,548 for operational costs.

Request for Information

This financial report is designed to provide a general overview of the City's finances for all those interested. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Finance Director, 209 E. Kern Street, Taft, CA 93268.

**CITY OF TAFT
STATEMENT OF NET ASSETS
JUNE 30, 2010**

ASSETS	Governmental Activities	Business-type Activities	Total
Cash and investments	\$ 6,730,582	\$ 4,232,215	\$ 10,962,797
Cash and investments with fiscal agents	483,286		483,286
Accounts receivable	2,234,023	1,628,313	3,862,336
Interest receivable	418,351	3,006	421,357
Notes receivable	3,605,079		3,605,079
Prepaid expenses	148,825	85,901	234,726
Inventory	18,785		18,785
Deferred charges, net of accumulated amortization	135,045	26,148	161,193
Capital assets not being depreciated	3,162,063	138,913	3,300,976
Capital assets, net of accumulated depreciation	7,156,703	5,396,303	12,553,006
Total assets	24,092,742	11,510,799	35,603,541
LIABILITIES			
Accounts payable	275,569	350,373	625,942
Accrued interest payable	114,795	14,856	129,651
Deposits payable		34,198	34,198
Unearned revenue	321,515	24,630	346,145
Noncurrent liabilities:			
Due within one year	185,274	166,580	351,854
Due in more than one year	3,990,820	695,742	4,686,562
Total liabilities	4,887,973	1,286,379	6,174,352
NET ASSETS			
Invested in capital assets, net of related debt	6,478,811	4,849,364	11,328,175
Restricted for:			
Debt service	(114,795)		(114,795)
Capital projects	730,546		730,546
Housing	-		-
Streets	45,082		45,082
Public safety	557,082		557,082
Unrestricted	11,508,043	5,375,056	16,883,099
Total net assets	\$ 19,204,769	\$ 10,224,420	\$ 29,429,189

See accompanying notes to financial statements

**CITY OF TAFT
STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED JUNE 30, 2010**

	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ (2,478,363)	\$ 363,205	\$ 1,251,526	\$ -
Public safety	(2,922,967)	58,393	100,000	
Public works	(1,531,425)	142,146	547,593	25,399
Health and welfare	(286,875)	158,631		
Community development	(2,175,162)	105,847	452,779	244,628
Interest on long-term debt	(233,035)			
Total governmental activities	(9,627,827)	828,222	2,351,898	270,027
Business-type activities:				
County correctional facility (CCF)	(8,642,089)	110,289	8,603,049	
Federal WWTP	(756,323)		691,536	
Sewer	(806,357)	848,831		
Refuse	(608,683)	687,279		
Transit	(800,800)	62,900	704,012	8,644
Total business-type activities	(11,614,252)	1,709,299	9,998,597	8,644
Total government	\$ (21,242,079)	\$ 2,537,521	\$ 12,350,495	\$ 278,671

General revenues:

Taxes:

 Property taxes

 Sales tax

 Other taxes

Motor vehicle in lieu fees, unrestricted

Investment earnings

Gain(loss) on disposal of property

Total general revenues

Change in net assets

Net assets, beginning of fiscal year

Prior period adjustments

Net assets, beginning of fiscal year, restated

Net assets, end of fiscal year

See accompanying notes to financial statements

Net (Expense) Revenue and Change in Net Assets

Governmental Activities	Business-type Activities	Total
\$ (863,632)	\$ -	\$ (863,632)
(2,764,574)		(2,764,574)
(816,287)		(816,287)
(128,244)		(128,244)
(1,371,908)		(1,371,908)
(233,035)		(233,035)
<u>(6,177,680)</u>		<u>(6,177,680)</u>
	71,249	71,249
	(64,787)	(64,787)
	42,474	42,474
	78,596	78,596
	(25,244)	(25,244)
	<u>102,288</u>	<u>102,288</u>
<u>(6,177,680)</u>	102,288	<u>(6,075,392)</u>
1,005,749		1,005,749
1,570,736		1,570,736
398,085		398,085
649,241		649,241
651,063	98,450	749,513
	(119)	(119)
<u>4,274,874</u>	98,331	<u>4,373,205</u>
<u>(1,902,806)</u>	200,619	<u>(1,702,187)</u>
21,117,481	10,023,801	31,141,282
<u>(9,906)</u>		<u>(9,906)</u>
<u>21,107,575</u>	10,023,801	<u>31,131,376</u>
<u>\$ 19,204,769</u>	<u>\$ 10,224,420</u>	<u>\$ 29,429,189</u>

**CITY OF TAFT
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2010**

	General	WWTP Capital Projects	Revolving Loan Fund - CDBG	Revolving Loan Fund - HOME	Total Non-Major Governmental Funds	Total Governmental Funds
ASSETS						
Cash and investments	\$ 2,143,798	\$ 2,911,210	\$ 42,521	\$ 14,196	\$ 1,597,963	\$ 6,709,688
Cash and investments with fiscal agents					483,286	483,286
Receivables:						
Accounts	791,488		395		1,442,140	2,234,023
Interest	414,419	1,407	5	6	2,514	418,351
Notes	5,944		1,932,840	1,265,341	400,954	3,605,079
Due from other funds	1,216,974					1,216,974
Advances to other funds	2,207,798					2,207,798
Inventory					18,785	18,785
Prepaid items	147,964		218		618	148,800
Total assets	\$ 6,928,385	\$ 2,912,617	\$ 1,975,979	\$ 1,279,543	\$ 3,946,260	\$ 17,042,784
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts payable	\$ 170,903	\$ -	\$ 202	\$ -	\$ 83,545	\$ 254,650
Due to other funds					1,216,974	1,216,974
Advances from other funds					2,207,798	2,207,798
Deferred revenue	327,459		1,932,840	1,265,341	400,954	3,926,594
Total liabilities	498,362		1,933,042	1,265,341	3,909,271	7,606,016
FUND BALANCES						
Reserved for prepaid items	147,964		218		618	148,800
Reserved for petty cash	500					500
Reserved for inventory					18,785	18,785
Reserved for low/mod housing					591,212	591,212
Reserved for debt service					899,750	899,750
Unreserved and reported in:						
General fund	6,281,559					6,281,559
Special revenue funds			42,719	14,202	708,695	765,616
Capital projects funds		2,912,617			(2,182,071)	730,546
Total fund balances	6,430,023	2,912,617	42,937	14,202	36,989	9,436,768
Total liabilities and fund balances	\$ 6,928,385	\$ 2,912,617	\$ 1,975,979	\$ 1,279,543	\$ 3,946,260	\$ 17,042,784

See accompanying notes to financial statements

**CITY OF TAFT
GOVERNMENTAL FUNDS
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2010**

Fund balances of governmental funds \$ 9,436,768

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

Capital assets, net of accumulated depreciation, used in governmental activities and are not current financial resources. Therefore, they are not reported in the governmental funds.

Total capital assets	\$ 18,640,270	
Accumulated depreciation	<u>(8,321,504)</u>	10,318,766

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds. Long-term liabilities include the revenue refunding bonds, and compensated absences. (4,176,094)

Accrued interest payable is not recorded in the governmental funds since interest expenditures are recognized when paid. (114,795)

Debt issuance costs are expenditures in the governmental funds, but these costs are capitalized in the statement of net assets. Likewise, deferred gain (loss) on the refunding of debt is amortized over the life of the debt.

Total debt issuance costs	\$ 224,422	
Accumulated amortization	<u>(89,377)</u>	135,045

Certain revenues are deferred in the governmental funds because the availability criteria is not met. These revenues are not deferred in the statement of net assets. 3,605,079

Net assets of governmental activities \$ 19,204,769

See accompanying notes to financial statements

CITY OF TAFT
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	General	WWTP Capital Projects	Revolving Loan Fund - CDBG	Revolving Loan Fund - HOME	Total Non-major Governmental Funds	Total
REVENUES						
Property taxes	\$ 520,167	\$ -	\$ -	\$ -	\$ 485,582	\$ 1,005,749
Sales taxes	1,570,736					1,570,736
Other taxes	1,047,326					1,047,326
Licenses and permits, and fees	116,062					116,062
Fines and forfeitures	4,744				20,327	25,071
Uses of money and property	406,458	44,617	77	165	199,746	651,063
Intergovernmental	1,269,772				1,280,171	2,549,943
Current services charges	592,860				174,997	767,857
Other	46,376		16,957	18,566	79,349	161,248
Total revenues	5,574,501	44,617	17,034	18,731	2,240,172	7,895,055
EXPENDITURES						
Current:						
General government	1,460,774				659,579	2,120,353
Public safety	2,624,190				178,714	2,802,904
Public works	1,164,684				7,053	1,171,737
Health and welfare					227,201	227,201
Community development	1,329,821		19,833	12,495	740,921	2,103,070
Capital outlay	275,090					275,090
Debt service:						
Principal					130,000	130,000
Interest and fiscal charges					236,480	236,480
Total expenditures	6,854,559		19,833	12,495	2,179,948	9,066,835
Excess of revenues over (under) expenditures	(1,280,058)	44,617	(2,799)	6,236	60,224	(1,171,780)
OTHER FINANCING SOURCES (USES)						
Transfers in	392,983	109,360	40,000		83,296	625,639
Transfers out					(625,639)	(625,639)
Total other financing sources (uses)	392,983	109,360	40,000		(542,343)	
Net change in fund balances	(887,075)	153,977	37,201	6,236	(482,119)	(1,171,780)
Fund balances, beginning of fiscal year	7,321,537	2,758,640	5,736	7,966	524,575	10,618,454
Prior period adjustments	(4,439)				(5,467)	(9,906)
Fund balances, beginning of fiscal year, restated	7,317,098	2,758,640	5,736	7,966	519,108	10,608,548
Fund balances, end of fiscal year	\$ 6,430,023	\$ 2,912,617	\$ 42,937	\$ 14,202	\$ 36,989	\$ 9,436,768

See accompanying notes to financial statements

CITY OF TAFT
 GOVERNMENTAL FUNDS
 RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 TO THE STATEMENT OF ACTIVITIES
 FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Net change in fund balances of governmental funds \$ (1,171,780)

Amounts reported for governmental activities in the statement of activities differs from the amounts reported in the statement of revenues, expenditures, and changes in fund balance because:

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense.

This activity is reconciled as follows:

Cost of assets capitalized	\$ 262,259	
Depreciation expense	<u>(720,351)</u>	(458,092)

Interest expenditures are reported in the governmental funds when paid.

Interest expense is reported on the statement of activities when incurred.

This amount represents the difference between interest paid and interest incurred. 3,445

Debt issuance costs are expenditures in the governmental funds, but these costs are capitalized on the statement of net assets. This is the amount of amortization of debt issuance costs in the current period. (7,716)

Internal service funds are used by management to charge the costs of certain activities, such as vehicle maintenance to individual funds. The net revenues (expenses) of the internal service fund is reported under governmental activities. (3,029)

Certain notes receivable are reported in the governmental funds as expenditures and then offset by a deferred revenue as they are not available to pay current expenditures. Likewise when the note is collected it is reflected in revenue. This is the net change between notes receivable collected and issued. (360,301)

Debt repayments are reported as an expenditures in the governmental funds.

The repayment is not an expense in the statement of activities as it is a reduction of a long-term liability. The balance for compensated absences reflects the difference between absences accrued and absences paid.

Debt principal repayments	\$ 130,000	
Compensated absences	<u>(35,333)</u>	<u>94,667</u>

Change in net assets of governmental activities. \$ (1,902,806)

See accompanying notes to financial statements

**CITY OF TAFT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2010**

	Business-type Activities			
	Enterprise Funds			
	CCF	Federal WWTP	Sewer	Refuse
ASSETS				
Current assets:				
Cash and investments	\$ 100	\$ 573,289	\$ 2,263,224	\$ 1,385,933
Due from other funds		1,986,265		
Receivables:				
Accounts	1,156,747		145,792	122,010
Interest		1,233	1,103	670
Prepaid expenses	85,401			
Total current assets	1,242,248	2,560,787	2,410,119	1,508,613
Noncurrent assets:				
Deferred issuance costs, net of accumulated amortization			26,148	
Capital assets, not being depreciated		138,913		
Capital assets, being depreciated				
Net of accumulated depreciation	245,940	3,103,134	1,491,404	47,637
Total noncurrent assets	245,940	3,242,047	1,517,552	47,637
Total assets	1,488,188	5,802,834	3,927,671	1,556,250
LIABILITIES				
Current Liabilities:				
Accounts payable	264,505	37,437	2,638	11,750
Interest payable	616		14,240	
Due to other funds	1,124,168			
Deferred revenue				
Deposits payable			16,203	17,995
Current portion of compensated absences	28,760	27	1,819	1,846
Current portion of long-term debt			129,000	
Total current liabilities	1,418,049	37,464	163,900	31,591
Noncurrent liabilities:				
Compensated absences	86,279	83	5,458	5,537
Long-term debt			583,000	
Total noncurrent liabilities	86,279	83	588,458	5,537
Total liabilities	1,504,328	37,547	752,358	37,128
NET ASSETS				
Invested in capital assets, net of related debt	245,940	3,242,047	805,552	47,637
Unrestricted	(262,080)	2,523,240	2,369,761	1,471,485
Total net assets (deficit)	\$ (16,140)	\$ 5,765,287	\$ 3,175,313	\$ 1,519,122

See accompanying notes to financial statements

Business-type Activities		Governmental
Enterprise Funds		Activities
Transit	Total Enterprise Funds	Internal Service Fund
\$ 9,669	\$ 4,232,215	\$ 20,894
	1,986,265	
203,764	1,628,313	
	3,006	
500	85,901	25
213,933	7,935,700	20,919
	26,148	
	138,913	
508,188	5,396,303	
508,188	5,561,364	
722,121	13,497,064	20,919
34,043	350,373	20,919
	14,856	
862,097	1,986,265	
24,630	24,630	
	34,198	
5,128	37,580	
	129,000	
925,898	2,576,902	20,919
15,385	112,742	
	583,000	
15,385	695,742	
941,283	3,272,644	20,919
508,188	4,849,364	
(727,350)	5,375,056	
\$ (219,162)	\$ 10,224,420	\$ -

CITY OF TAFT
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Business-type Activities			
	Enterprise Funds			
	CCF	Federal WWTP	Sewer	Refuse
OPERATING REVENUES				
Charges for services	\$ 8,707,867	\$ 691,536	\$ 847,431	\$ 687,279
Connection and installation fees			835	
Other	5,471		565	
Total operating revenues	<u>8,713,338</u>	<u>691,536</u>	<u>848,831</u>	<u>687,279</u>
OPERATING EXPENSES				
Salaries and wages	4,187,982	11,213	47,419	55,113
Training and development	2,461	254	623	444
Contract and professional services	1,680,721	427,623	77,080	318,117
Maintenance and operations	54,478	3,281	487,118	192,083
Materials and supplies	149,497			
Insurance	218,166	4,800	6,400	6,400
Utilities	261,902	28,885	1,332	
Administrative service charges	11,763	75,973	52,142	339
Depreciation	77,549	179,008	66,236	17,711
Leases and rents	1,883,934		4,115	4,115
Other operating expenses	90,904	25,286	25,603	14,361
Total operating expenses	<u>8,619,357</u>	<u>756,323</u>	<u>768,068</u>	<u>608,683</u>
Operating income (loss)	<u>93,981</u>	<u>(64,787)</u>	<u>80,763</u>	<u>78,596</u>
NONOPERATING REVENUES (EXPENSES)				
Interest earnings on investments	4,753	38,694	34,373	20,630
Interest expense	(22,732)		(34,672)	
Gain (loss) on disposal of capital assets	(119)			
Amortization expenses			(3,617)	
Total nonoperating revenues (expenses)	<u>(18,098)</u>	<u>38,694</u>	<u>(3,916)</u>	<u>20,630</u>
Changes in net assets	75,883	(26,093)	76,847	99,226
Total net assets (deficit), beginning of fiscal year	<u>(92,023)</u>	<u>5,791,380</u>	<u>3,098,466</u>	<u>1,419,896</u>
Total net assets (deficit), end of fiscal year	<u>\$ (16,140)</u>	<u>\$ 5,765,287</u>	<u>\$ 3,175,313</u>	<u>\$ 1,519,122</u>

See accompanying notes to financial statements

Business-type Activities		Governmental
Enterprise Funds		Activities
Transit	Totals	Internal Service Fund
\$ 62,900	\$ 10,997,013	\$ 190,267
	835	
712,656	718,692	
775,556	11,716,540	190,267
415,282	4,717,009	155,086
2,353	6,135	335
99,162	2,602,703	
85,381	822,341	4,084
66,687	216,184	16,042
6,400	242,166	
1,401	293,520	7,041
42,419	182,636	10,708
49,615	390,119	
5,500	1,897,664	
9,446	165,600	
783,646	11,536,077	193,296
(8,090)	180,463	(3,029)
	98,450	
(17,154)	(74,558)	
	(119)	
	(3,617)	
(17,154)	20,156	
(25,244)	200,619	(3,029)
(193,918)	10,023,801	3,029
\$ (219,162)	\$ 10,224,420	\$ -

**CITY OF TAFT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	Business-type Activities		
	Enterprise Funds		
	CCF	Federal WWTP	Sewer
Cash Flows from Operating Activities:			
Cash received from customers and users	\$ 8,713,338	\$ 691,536	\$ 848,831
Cash paid to suppliers for goods and services	(4,472,013)	(535,204)	(740,469)
Cash paid to employees for services	(4,178,075)	(1,997,919)	(46,516)
Net cash provided (used) by operating activities	<u>63,250</u>	<u>(1,841,587)</u>	<u>61,846</u>
Cash Flows from Capital and Related Financing Activities:			
Acquisition and construction of capital assets	(43,342)	(1,981)	(35,670)
Interest paid	(19,908)		(37,104)
Repayment of long-term debt			(124,000)
Net cash used by capital and related financing activities	<u>(63,250)</u>	<u>(1,981)</u>	<u>(196,774)</u>
Cash Flows from Investing Activities:			
Interest received		41,405	37,158
Net cash provided by investing activities		<u>41,405</u>	<u>37,158</u>
Net increase (decrease) in cash and cash equivalents		(1,802,163)	(97,770)
Cash and Cash Equivalents at Beginning of Fiscal Year	100	2,375,452	2,360,994
Cash and Cash Equivalents at End of Fiscal Year	<u>\$ 100</u>	<u>\$ 573,289</u>	<u>\$ 2,263,224</u>
Noncash transactions			
Amortization of deferred charges	\$ -	\$ -	\$ 3,617
Reconciliation to Statement of Net Assets:			
Cash and investments	<u>\$ 100</u>	<u>\$ 573,289</u>	<u>\$ 2,263,224</u>
Reconciliation of Operating Income (loss) to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	\$ 93,981	\$ (64,787)	\$ 80,763
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	77,549	179,008	66,236
(Increase) decrease in prepaid expenses	6,555		(12,548)
(Increase) decrease in accounts receivable	(50,412)		
(Increase) decrease in due from other funds		(1,986,265)	
Increase (decrease) in accounts payable	2,245	30,644	(57,784)
Increase (decrease) in deposits payable			(16,347)
Increase (decrease) in compensated absences	12,368	(187)	1,526
Increase (decrease) in due to other funds	(79,036)		
Increase (decrease) in deferred revenue			
Total adjustments	<u>(30,731)</u>	<u>(1,776,800)</u>	<u>(18,917)</u>
Net cash provided (used) by operating activities	<u>\$ 63,250</u>	<u>\$ (1,841,587)</u>	<u>\$ 61,846</u>

See accompanying notes to financial statements

Business-type Activities			Governmental
Enterprise Funds			Activities
Refuse	Transit	Totals	Internal Service Fund
\$ 687,279	\$ 775,556	\$ 11,716,540	\$ 190,267
(567,464)	(329,605)	(6,644,755)	(24,613)
(56,861)	(404,520)	(6,683,891)	(155,421)
62,954	41,431	(1,612,106)	10,233
(17,174)	(13,291)	(111,458)	
	(18,471)	(75,483)	
		(124,000)	
(17,174)	(31,762)	(310,941)	
25,155		103,718	
25,155		103,718	
70,935	9,669	(1,819,329)	10,233
1,314,998		6,051,544	10,661
\$ 1,385,933	\$ 9,669	\$ 4,232,215	\$ 20,894
\$ -	\$ -	\$ 3,617	\$ -
\$ 1,385,933	\$ 9,669	\$ 4,232,215	\$ 20,894
\$ 78,596	\$ (8,090)	\$ 180,463	\$ (3,029)
17,711	49,615	390,119	
48	(159)	(6,104)	
(16,226)	72,593	5,955	
		(1,986,265)	
674	11,467	(12,754)	13,262
(16,545)		(32,892)	
(1,304)	13,115	25,518	
	(106,396)	(185,432)	
	9,286	9,286	
(15,642)	49,521	(1,792,569)	13,262
\$ 62,954	\$ 41,431	\$ (1,612,106)	\$ 10,233

**CITY OF TAFT
STATEMENT OF ASSETS AND LIABILITIES
FIDUCIARY FUNDS
JUNE 30, 2010**

	<u>Agency Funds</u>
ASSETS	
Cash and investments	\$ 37,535
Cash and investments with fiscal agents	3,272,090
Accounts receivable	<u>2,697</u>
Total assets	<u>\$ 3,312,322</u>
LIABILITIES	
Accounts payable	\$ 2,330
Due to inmates	40,190
Due to bondholders	3,110,802
Deposits payable	<u>159,000</u>
Total liabilities	<u>\$ 3,312,322</u>

See accompanying notes to financial statements

Notes to Financial Statements

**CITY OF TAFT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Taft, California (the City), which was founded on November 7, 1910, has a population of 9,052 living within an area of 15.05 square miles. It is located in Western Kern County 119 miles northwest of Los Angeles, 280 miles south of San Francisco, and 37 miles southwest of Bakersfield in the foothills of the western edge of southern San Joaquin Valley.

The financial statements of the City have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

A. Reporting Entity

In evaluating how to define the City for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in the U.S. GAAP. The basic—but not the only—criterion for including a potential component unit within the reporting entity is the governing body’s ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of the governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the City is able to exercise oversight responsibilities. Based upon the application of these criteria, the following is a brief review of each potential component unit addressed in defining the City’s reporting entity.

Included within the reporting entity:

- ***Taft Public Financing Authority.*** A nonprofit public benefit corporation created in 1994 through a Joint Exercise of Powers agreement between the City of Taft and the Taft Community Development Agency established for the purpose of, among other things, issuing bonds to provide financing and refinancing for public capital improvements of the City and Agency. (Separate financial statements are not prepared for this entity.)
- ***Taft Public Improvement Corporation.*** A nonprofit public benefit corporation, created in 1989 to provide services for the betterment of the City. These services include constructing various capital improvements for the City, assisting with the creation or expansion of the City’s facilities, the purchase and sale of real or personal property and assisting the City to finance, acquire, construct and install such property. (Separate financial statements are not prepared for this entity.)
- ***Taft Community Development Agency (TCDA).*** The TCDA was established in 1985 and operates under the guidance of the City Council, which meets separately as the Agency Board to approve the issuance of debt, contracts, expenditures, and the budget. The City’s Financial Department maintains the accounting records for the TCDA. The TCDA is included in the City’s reporting entity. Separate financial statements for the Agency can be obtained at the Taft City Hall.

**CITY OF TAFT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Reporting Entity (Continued)

- **Greater Taft Transportation Authority.** The Greater Taft Transportation Authority (GTTA) was formed in April 2001 as a joint exercise of powers between the City of Taft and Taft Community Development Agency pursuant to the California Government Code Section 6500 et seq. (Separate financial statements are not prepared for the GTTA.)

B. Accounting and Reporting Policies

The City has conformed to the pronouncements of the GASB, which are the primary authoritative statements of accounting principles generally accepted in the United States of America applicable to state and local governments. In accordance with GASB Statement No. 20, the City applies all applicable Financial Accounting Standards Board (FASB) pronouncements, as well as those of its predecessors, issued on or before November 30, 1989, unless any such pronouncements contradict GASB pronouncements. The City also applies all FASB Statements and Interpretations issued after November 30, 1989, except those that conflict with or contradict GASB pronouncements to its business-type activities and enterprise funds.

C. Fund Accounting

The accounts of the City are organized on the basis of funds, each of which is considered to be 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/expenses. Government resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statements in this report, into generic fund types and broad categories as follows:

Governmental Funds:

- **General Fund.** The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in other funds.
- **Special Revenue Funds.** The Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.
- **Debt Service Fund.** The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, long-term debt principal and interest.
- **Capital Projects Funds.** The Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds).

CITY OF TAFT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Fund Accounting (Continued)

Proprietary Funds:

- **Enterprise Funds.** The Enterprise Funds are used to account for operations that are financed and operated in a manner similar to a private business enterprise – where the intent of the City Council is that the costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Fiduciary Funds:

- **Agency Funds.** The Agency Funds are used to account for assets held by the City as an agent. These funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Internal Service Fund:

- **Garage Fund.** The Garage Fund is used to account for the cost of providing vehicle maintenance to operating funds. Costs are recovered by user charges.

D. Basis of Accounting/Measurement Focus

Government-wide Financial Statements

The City's Government-wide Financial Statements include a Statement of Net Assets and a Statement of Activities (including changes in Net Assets). These statements present summaries of governmental and business-type activities of the City. Fiduciary activities of the City are not included in these statements.

These statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all the City's assets and liabilities, including capital assets and infrastructure as well as long-term debt, 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 the liability is incurred. The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly categories: 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions. Charges for services include revenues from customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function. Grant and contributions include revenues restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenue are reported as general revenue.

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables, and receivables. All internal balances in the Statement of Net Assets have been eliminated.

**CITY OF TAFT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Basis of Accounting/Measurement Focus (Continued)

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 and aggregated non-major funds. An accompanying schedule is presented to reconcile and explain the differences in fund balances as presented in these statements to the net assets presented in the government-wide financial statements. The City has presented all major funds that met the qualifications of GASB Statement No. 34.

All governmental funds are accounted for on a spending or financial flow measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance is their net current assets, which is considered only to be a measure of available spendable resources. Governmental fund operating statements present a summary of sources and uses of available spendable resources during a period by presenting increases and decreases in net current assets. Under modified accrual basis of accounting, revenues are recognized in the accounting period in which they both become measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after year-end) are recognized when due. Those revenues susceptible to accrual are property taxes, sales taxes, interest revenues, charges for services, and special assessments. Licenses, fines, and permit revenues are not susceptible to accrual because they generally are not measurable until received in cash.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for principal and interest on long term obligations which are recognized when due. Because of their current financial resources focus, expenditure recognition for governmental fund types excludes amounts represented by non-current liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund expenditures or fund liabilities.

The City reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the City, except those required to be accounted for in another fund.

The WWTP Capital Projects Fund is used to account for capital asset acquisition and construction of the wastewater treatment plant.

The Revolving Loan Fund – CDBG was established to account for Community Development grants by using Community Development program revenue.

The Revolving Loan Fund – HOME was established to account for housing loans and grants by using Community Development program revenue generated by other Housing and grant funds.

**CITY OF TAFT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Basis of Accounting/Measurement Focus (Continued)

Proprietary Fund Financial Statements

Proprietary Fund Financial Statements include a Statement of Net Assets, a Statement of Revenues, Expenses, and Changes in Net Assets, and a Statement of Cash Flows. All proprietary fund types are accounted for using the accrual basis of accounting and the economic resources measurement focus. Their revenues are recognized when earned, and expenses are recognized when incurred. All liabilities associated with their activity are also included in the Statement of Net Assets.

Proprietary Funds include enterprise funds. The City reports the following major enterprise funds:

The Federal WWTP Fund is used to account for the operations related to building and maintaining a wastewater treatment plant for the federal prison.

The CCF Fund is used to account for the operations of the Community Correctional Facility. The CCF provides housing and program services to the California Department of Corrections.

The Sewer Fund is used to account for the operations of the City's sewer system.

The Transit Fund is used to record the operations of the Taft Area Transit Dial-A-Ride service. The enterprise collects fares from users of the service.

The Refuse Fund is used to record the operation of the refuse removal enterprise of the City. The enterprise collects user fees for the collection of refuse from businesses and residents in the City of Taft.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's proprietary funds are charges to customers for services. Operating expenses include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The principal operating revenue of the internal service fund is charges to other funds. Operating expenses for the internal service fund include the costs of vehicle maintenance.

Fiduciary Fund Financial Statements

Fiduciary Fund Financial Statements include a Statement of Assets and Liabilities. The fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support City programs. Since these assets are being held for the benefit of a third party, these funds are not incorporated into the government-wide statements.

The City's only fiduciary funds are agency funds, which use the accrual basis of accounting to account for amounts held for debt service related to conduit debt and also for amounts held on behalf of inmates housed in the Community Correctional Facility. The Agency funds are custodial in nature (assets equal liabilities) and therefore do not involve measurement of results of operations.

CITY OF TAFT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Budgetary Policy and Control

General Budget Policies

The City Council approves each year's budget submitted by the City Manager prior to the beginning of the new fiscal year. Public meetings are conducted prior to its adoption by the Council. All appropriations lapse at year-end. The City Council has the legal authority to amend the budget at any time during the fiscal year. The City Manager has the authority to make adjustments to the operating budget within each fund. Transfers of operating budget appropriations between funds or to or from appropriated reserve accounts, use of unappropriated fund balances, cancellation of appropriations and all changes in capital improvement project budgets require the approval of the City Council.

The City maintains budgetary controls to ensure compliance with legal provisions embodied in the appropriated budget approved by the City Council. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) for the operating budget is at fund level. Formal budgetary integration is employed as a management control device during the year for the Governmental Fund Types.

There were no budgets adopted for the following funds: High Technology, Traffic Congestion Relief, CDBG, BJA Grant, D.A.R.E., STBG-5084, RLF-CDBG (major fund), RLF-HOME (major fund), RLF-TARP, Crime Prevention, and Inmate Welfare Trust.

F. Cash/Investment Policy

In order to maintain an effective investment program, all cash, except certain trust and agency cash and restricted cash, is pooled, and amounts not required for day-to-day financial transactions are invested as approved by the City Council on a pooled basis and earnings are allocated to each fund on the basis of its average cash balance at the end of each quarter.

GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and External Pools", requires governmental entities to report certain investments at fair value in the balance sheet and recognize the corresponding change in the fair value of investments in the year in which the change occurred. In accordance with GASB Statement No. 31, the City has adjusted certain investments to fair value (when material).

G. Inventories

The Inmate Welfare Trust Special Revenue Fund inventories are valued at cost, which approximates market value, using the first-in first-out (FIFO) method.

H. Capital Assets and Depreciation

Capital assets, which include buildings, machinery and equipment, and infrastructure assets (roads, bridges, etc.) are reported in the government-wide financial statements as well as proprietary fund financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$500. Sensitive items with costs below \$500 are also included. Such assets are recorded at historical cost or estimated historical cost if actual historical cost is not available.

**CITY OF TAFT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Capital Assets and Depreciation (Continued)

Capital assets are depreciated over their estimated useful lives using the straight-line method. This means the cost of the asset is divided by its expected useful life in years and the result is charged to expense each year until the asset is fully depreciated. The purpose of depreciation is to spread the cost of capital assets over the useful life of these assets. The amount charged to depreciation expense each year represents that year's pro rata share of the cost of capital assets.

Depreciation of capital assets is charged as an expense against operations each year and the total amount of depreciation taken over the years, called accumulated depreciation, is reported on the Statement of Net Assets of the government-wide financial statements as a reduction in the book value of capital assets.

The City has assigned the useful lives listed below to capital assets:

Structures and improvements	20-40 Years
Machinery and equipment	5-20 Years
Infrastructure	
Pavement	40 Years
Concrete	60 Years

I. Bond Issuance Costs

Bond issuance costs and loan issuance costs in government-wide and proprietary fund statements are deferred and amortized over the term of the bonds/loans using the straight-line method.

Bond/loan issuance costs in the governmental funds are accounted for as expenditures in the year of payment.

J. Interfund Transactions

Quasi-external transactions are accounted for as fund revenues or expenditures/expenses. Transactions, which constitute reimbursements to a fund for expenditures/expenses are recorded as expenditures/expenses in the reimbursing fund, and as reductions of the expenditures/expenses in the reimbursed fund.

K. Capitalized Interest

Net interest cost relating to construction is capitalized.

L. Compensated Absences

• **Sick leave liability**

Generally, employees earn one day of sick leave per month with a maximum accumulation of 720 hours. All employees are entitled to payment for accumulated sick leave up to the lower of 50 percent of earned days or forty-five days, upon retirement, death, or disability.

**CITY OF TAFT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Compensated Absences (Continued)

- **Vacation leave liability**

Employees earn ten days vacation leave per year, up to four years service; from four years through nine years service, fifteen days are earned; from ten years through nineteen years service, twenty days are earned; and after nineteen years, twenty-five days. All employees are able to accrue an amount equal to twice the employee's annual accrual after which further accrual will cease. Accumulated vacation is payable upon termination. The compensated absences accrual at June 30, 2010, amounted to \$201,094 for Governmental Activities and \$150,322 for Business-type Activities.

M. Property Taxes

Property Taxes attach as an enforceable lien on property as of January 1. Taxes are levied on July 1 and are payable in two installments which are delinquent after December 10 and April 10. Unsecured personal property taxes become due on July 1st of each year and are delinquent, if unpaid by August 31st. Kern County bills and collects the property taxes and remits them to the City in installments during the year. City property tax revenues are recognized on the modified accrual basis of accounting method. The County is permitted by State Law (Proposition 13) to levy taxes at 1 percent of full value (at time of purchase). The City receives a share of this basic levy proportionate to what it received in the 1976 to 1978 period.

N. Cash Flows

Proprietary fund type cash and investments are used in the preparation of the statement of cash flows as investments are pooled and are not allocated to specific funds. Each of these funds' share of pooled cash and investments is considered cash for purposes of the statement of cash flows since these amounts are immediately available for withdrawal. For the purposes of the Proprietary Funds' Statement of Cash Flows, the City considers all investments with a maturity of three months or less when purchased to be cash equivalents.

O. Use of Restricted Resources

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then unrestricted resources as they are needed. Restricted resources are defined as resources received from outside agencies dedicated for specific purposes (grants for example).

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

**CITY OF TAFT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q. New Accounting Pronouncements

The City has implemented the requirements of GASB Statement No. 45, No. 51, No. 53, No. 57, and No. 58 during the fiscal year ended June 30, 2010.

GASB Statement No. 45 – Accounting and Financial Reporting for Postemployment Benefits Other than Pensions

This Statement is effective for periods beginning after December 15, 2008 for governments with total annual revenues of less than \$10 million. The Statement establishes standards for measurement, recognition, and display of other postemployment benefit expense/expenditures, related liabilities and assets, note disclosures, and, if applicable, required supplementary information in the financial reports of state and local governmental employers. Implementation of GASB Statement No. 45 did not have an effect on these financial statements as the City does not provide OPEB.

GASB Statement No. 51 – Accounting and Financial Reporting for Intangible Assets

For the fiscal year ended June 30, 2010, the City implemented GASB Statement No. 51, “Accounting and Financial Reporting for Intangible Assets”. This Statement is effective for financial statements for periods beginning after June 15, 2009. The objective of this Statement is to establish accounting and financial reporting requirements for intangible assets to reduce these inconsistencies, thereby enhancing the comparability of the accounting and financial reporting of such assets among state and local governments. The implementation of this Statement did not have an effect on these financial statements.

GASB Statement No. 53 – Accounting and Financial Reporting for Derivative Instruments

For the fiscal year ended June 30, 2010, the City implemented GASB Statement No. 53, “Accounting and Financial Reporting for Derivative Instruments”. This Statement is effective for financial statements for periods beginning after June 15, 2009. This Statement addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. The implementation of this Statement did not have an effect on these financial statements.

GASB Statement No. 57 – OPEB Measurements by Agent Employers and Agent Multiple employer Plans

For the fiscal year ended June 30, 2010, the City implemented GASB Statement No. 57, “OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans”. This Statement establishes standards for the measurement and financial reporting of actuarially determined information by agent employers with individual-employer OPEB plans that have fewer than 100 total plan members and by the agent multiple-employer OPEB plans in which they participate. The implementation of this Statement did not have an effect on these financial statements.

GASB Statement No. 58 – Accounting and Financial Reporting for Chapter 9 Bankruptcies

For the fiscal year ended June 30, 2010, the City implemented GASB Statement No. 58, “Accounting and Financial Reporting for Chapter 9 Bankruptcies”. This Statement is effective for reporting periods beginning after June 15, 2009. The objective of this Statement is to provide accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under chapter 9 of the United States Bankruptcy Code. It requires governments to re-measure liabilities that are adjusted in bankruptcy when the bankruptcy court confirms (that is, approves) a new payment plan. The implementation of this Statement did not have an effect on these financial statements.

**CITY OF TAFT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. General Budget Policies

1. The budget adopted by the City Council provides for the general operation of the City. It includes proposed expenditures and the means of financing them.
2. The City Council approves total budgeted appropriations and any amendments to appropriations throughout the fiscal year. All amendments made during the fiscal year are included in the budgetary amounts reported herein. The “appropriated budget” covers all City expenditures. Actual expenditures may not exceed budgeted appropriations at the fund level, which is the legal level of budgetary control.
3. Formal budgetary integration is employed as a management control device during the fiscal year. Commitments for materials and services, such as purchase orders and contracts, are recorded as encumbrances to assist in controlling expenditures. Appropriations which are encumbered lapse at fiscal year-end, and then are added to the following fiscal year’s budgeted appropriations.
4. Budgets for the General, Special Revenue, and Debt Service Funds are adopted on a basis substantially consistent with accounting principles generally accepted in the United States of America (U.S. GAAP). Accordingly, actual revenues and expenditures can be compared with related budgeted amounts without any significant reconciling items.

Budget comparisons are not presented for the Proprietary funds, as the City is not legally required to adopt a budget for this type of funds. See Note 1 (E) for other funds without budgets.

5. Capital projects are budgeted through the Capital Projects Funds. Appropriations for capital projects authorized but not constructed or completed during the fiscal year are carried forward as continuing appropriations into the following fiscal year’s budget.
6. Under Article XIII-B of the California constitution (the GANN Spending Limitation Initiative), the City is restricted as to the amount of annual appropriations from the proceed of taxes, and if proceeds of taxes exceed allowed appropriations, the excess must either be refunded to the State Controller or returned to the taxpayers through revised tax rates or revised fee schedules, or an excess in one year may be offset by a deficit in the following year. For the fiscal year ended June 30, 2010, based on calculations by City staff, proceeds of taxes did not exceed appropriations. Further, section 5 of Article XIII-B allows the City to designate a portion of fund balance for general contingencies, to be used for any purpose.

B. Deficit Fund Balances/Net Assets

The following funds contained deficit fund balances/net assets as of June 30, 2010:

Governmental Funds:

Non-major Funds:

TCDA Capital Projects	\$ 2,181,863
Housing Rehab Grant STBG -5084	170,892
CDBG	27,816

Proprietary Funds:

Major Funds:

CCF	16,140
Transit	219,162

**CITY OF TAFT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

C. Excess of Expenditures over Appropriations

Excess of expenditures over appropriations in departments/cost centers of individual funds are as follows:

Fund	Final Appropriations	Expenditures	Excess
Non-major Fund:			
TCDA Debt Service	\$ 551,489	\$ 559,550	\$ 8,061

NOTE 3 – CASH AND INVESTMENTS

The City maintains a cash and investment pool that is available for use by all funds. Cash and investments at June 30, 2010, consisted of the following:

Statement of Net Assets:	
Cash and investments	\$ 10,962,797
Cash and investments with fiscal agents	483,286
Statement of Fiduciary Net Assets:	
Cash and investments	37,535
Cash and investments with fiscal agents	3,272,090
Total cash and investments	<u>\$ 14,755,708</u>
Cash and investments as of June 30, 2010 consisted of the following:	
Cash on hand	\$ 600
Deposits held by financial institutions	249,815
Investments	14,505,293
Total cash and investments	<u>\$ 14,755,708</u>

Restricted cash and investments

The City reports amounts held by fiscal agents in debt service reserve accounts as restricted.

Investments authorized by the California Government Code and the City's Investment policy

The table below identifies the investment types that are authorized for the City by the California Government Code (or the City's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the City'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 City, rather than the general provisions of the California Government Code or the City's investment policy.

**CITY OF TAFT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 3 – CASH AND INVESTMENTS (CONTINUED)

Authorized Investment Type	Maximum Maturity	Maximum Percentage/Amount of Portfolio	Maximum Investment in One Issuer
U.S. Treasury Obligations	5 Years	None	None
Certificates of Deposit	5 Years	None	None
Negotiable Certificates of Deposit	3 Years	30%	None
Passbook Savings Accounts	N/A	None	None
County Pooled Investment Funds	N/A	50%	None
Local Agency Investment Fund (LAIF)	N/A	\$50,000,000	\$50,000,000
U.S. Agency Securities	N/A	None	None

Investment Authorized by Debt Agreements

Investments of debt proceeds held by bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the City'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.

Authorized Investment Type	Maximum Investment in One Issuer	Maximum Percent/Amount of Portfolio	Maximum Maturity
U.S. Agency Securities	None	None	None
Money Market Mutual Funds	None	None	N/A
Commercial Paper	None	None	270 days
Certificates of Deposit	None	None	365 days
Repurchase Agreements	None	None	180 days
U.S. Treasury Obligations	None	None	365 days
Time Deposits	None	None	365 days

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. Information about the sensitivity of the fair values of the City'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 City's investments by maturity:

Investment Type	Remaining Maturity (in Months)			Total
	12 Months or Less	13 to 24 Months	25 to 60 Months	
State Investment Pool (LAIF)	\$ 4,033,419	\$ -	\$ -	\$ 4,033,419
Certificates of Deposit			1,719,061	1,719,061
U.S. Agency Securities			5,000,000	5,000,000
Held by Trustees:				
Money Market Funds	3,752,813			3,752,813
Total	\$ 7,786,232	\$ -	\$ 6,719,061	\$ 14,505,293

**CITY OF TAFT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 3 – CASH AND INVESTMENTS (CONTINUED)

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 City's investment policy, or debt agreements, and the actual rating as of year end for each investment type:

Investment Type	Amount	Minimum Legal Rating	Exempt From Disclosure	S&P Rating			
				AAA	AA	A	Not Rated
State Investment Pool (LAIF)	\$ 4,033,419	N/A	\$ -	\$ -	\$ -	\$ -	\$ 4,033,419
Certificates of Deposit	1,719,061	N/A					1,719,061
U.S. Agency Securities	5,000,000	N/A		5,000,000			
Held by Trustees:							
Money Market Funds	<u>3,752,813</u>			<u>3,752,813</u>			
Total	<u>\$ 14,505,293</u>		<u>\$ -</u>	<u>\$ 8,752,813</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,752,480</u>

Concentration of Credit Risk

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. Investments in any one issuer (other than external investment pools and money market funds) that represent 5% or more of the total City's investments are as follows:

Issuer	Investment Type	Reported Amount
Federal Home Loan Bank	U.S. Agency Security	\$ 5,000,000

Investments in any one issuer that represents 5% or more of total investments by reporting unit are as follows:

\$2,121,872 of the cash and investments reported in the General Fund, \$2,911,210 of the cash and investments in the WWTP Capital Projects Fund, \$2,263,224 of the cash and investments in the Sewer Fund, and \$1,385,933 of the cash and investments in the Refuse Fund, are held by the State of California in LAIF, and held by PiperJaffray in U.S. Agency Securities. \$3,272,090 of the cash and investments reported in the Fiduciary funds are held by First Trust Bank.

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 a 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.

**CITY OF TAFT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 3 – CASH AND INVESTMENTS (CONTINUED)

Custodial Credit Risk (Continued)

The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provisions 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 governmental unit). The fair value of the pledged securities in the collateral pool must equal at least 110% of the total fair value deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

GASB Statement No. 40 requires that the following disclosure be made with respect to custodial credit risks relating to deposits and investments: \$357,829 of the City deposits with financial institutions (including Certificates of Deposit) in excess of federal depository insurance limits were held in pledged collateral accounts as described above.

Investment in State Investment Pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City'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). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

LAIF is a governmental investment pool managed and directed by the California State Treasurer and is not registered with the Securities and Exchange Commission. An oversight committee, comprised of California State officials and various participants, provided oversight to the management of the fund. The daily operations and responsibilities of LAIF fall under the auspices of the State Treasurer's office. The City is a voluntary participant in the investment pool.

NOTE 4 – NOTES RECEIVABLE

The City operates a loan program whereby funds are made available to eligible businesses and individuals for various purposes. Grant funds were originally used to start the program and repayments are required to be used for the same purpose. As of June 30, 2010, the balance of notes receivable was \$ 3,605,079. Of this amount, \$3,599,135 is deferred housing loans, which are due when the properties are transferred. These loans are collateralized by the titles of the properties. The remaining balances are made up of CDBG loans made to local businesses. These loans carry interest rates between 1% to 5%.

NOTE 5 – INTERFUND ACTIVITIES

In general, the City uses interfund transfers to (1) move revenues from the funds that collect them to the funds that statute or budget requires to expend them, (2) use unrestricted revenues collected in the General Fund to help finance various programs and capital projects accounted for in other funds in accordance with budgetary authorization, and (3) move cash to debt service funds from the funds responsible for payment as debt service payments become due.

In general, the effect of the interfund activity has been eliminated from the government-wide financial statements.

**CITY OF TAFT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 5 – INTERFUND ACTIVITIES (Continued)

Interfund transfers during the fiscal year ended June 30, 2010 are as follows.

	<u>Transfers In</u>	<u>Transfers Out</u>
Major Governmental Funds:		
General	\$ 392,983	\$ -
Revolving Loan Fund - CDBG	40,000	
WWTP Capital Project	109,360	
Non-Major Governmental Funds:		
Traffic Safety		15,335
Gas Tax		144,340
TDA Act		147,489
Traffic Congestion Relief		82,814
Asset Forfeiture		3,005
Revolving Loan Fund - TARP		40,000
WWTP Special Revenue		109,360
TCDA Debt Service	73,296	10,000
TCDA Capital Projects	10,000	
TCDA Housing Special Revenue		73,296
Total interfund transfers	<u>\$ 625,639</u>	<u>\$ 625,639</u>

Current interfund balances arise in the normal course of business (i.e. one fund loaning funds to pay for current expenditures) and are expected to be repaid shortly after the end of the fiscal year. The following is a summary of interfund balances as of June 30, 2010.

	<u>Due To</u>	<u>Due From</u>
Governmental Funds:		
Major Fund:		
General	\$ -	\$ 1,216,974
Non-Major Funds:		
TDA Act	974,933	
Traffic Congestion Relief	23,200	
CDBG	27,816	
Housing Rehab Grant STBG-5084	173,187	
Inmate Trust Welfare Fund	11,881	
WWTP Special Revenue	5,957	
Proprietary Funds:		
Major Funds:		
CCF	1,124,168	
Federal WWTP		1,986,265
Transit	862,097	
Total	<u>\$ 3,203,239</u>	<u>\$ 3,203,239</u>

CITY OF TAFT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 6 – CAPITAL ASSETS AND DEPRECIATION

In accordance with GASB Statement No. 34, the City has reported all capital assets including infrastructure in the government-wide statement of net assets. The City elected to use the basic approach as defined by GASB Statement No. 34 for all infrastructures reporting, whereby depreciation expense and accumulated depreciation have been recorded. The following table presents the capital asset activity for the fiscal year ended June 30, 2010.

<u>Governmental Activities</u>	Balance July 1, 2009	Additions	Deletions	Balance June 30, 2010
Capital assets not being depreciated:				
Land	\$ 3,040,113	\$ -	\$ -	\$ 3,040,113
Construction in progress	92,958	28,992		121,950
Total capital assets not being depreciated	<u>3,133,071</u>	<u>28,992</u>		<u>3,162,063</u>
Capital assets being depreciated:				
Structures and improvements	8,697,657	18,525		8,716,182
Machinery and equipment	2,991,529	214,742	(148,424)	3,057,847
Infrastructure:				
Roadway system	3,438,995			3,438,995
Bridges	265,183			265,183
Total capital assets being depreciated	<u>15,393,364</u>	<u>233,267</u>	<u>(148,424)</u>	<u>15,478,207</u>
Less accumulated depreciation for:				
Structures and improvements	(4,031,083)	(268,726)		(4,299,809)
Machinery and equipment	(2,405,335)	(341,349)	148,424	(2,598,260)
Infrastructure:				
Roadway system	(1,198,246)	(74,918)		(1,273,164)
Bridges	(114,913)	(35,358)		(150,271)
Total accumulated depreciation	<u>(7,749,577)</u>	<u>(720,351)</u>	<u>148,424</u>	<u>(8,321,504)</u>
Total capital assets, being depreciated net of accumulated depreciation	<u>7,643,787</u>	<u>(487,084)</u>		<u>7,156,703</u>
Total Governmental activities capital assets, net of accumulated depreciation	<u>\$ 10,776,858</u>	<u>\$ (458,092)</u>	<u>\$ -</u>	<u>\$ 10,318,766</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

General government	\$ 121,665
Public safety	120,063
Public works	359,688
Health and welfare	59,674
Community development	59,261
Total depreciation expense - governmental activities	<u>\$ 720,351</u>

**CITY OF TAFT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 6 – CAPITAL ASSETS AND DEPRECIATION (Continued)

Changes in business-type activities capital assets:

<u>Business-type activities</u>	Balance July 1, 2009	Additions	Deletions	Balance June 30, 2010
Capital assets not being depreciated:				
Construction in progress	\$ 136,932	\$ 1,981	\$ -	\$ 138,913
Total capital assets not being depreciated	<u>136,932</u>	<u>1,981</u>		<u>138,913</u>
Capital assets being depreciated:				
Structures and improvements	6,374,877	33,475	(23,379)	6,384,973
Machinery and equipment	1,465,800	40,332	(5,175)	1,500,957
Sewer infrastructure	2,631,616	35,670		2,667,286
Total capital assets being depreciated	<u>10,472,293</u>	<u>109,477</u>	<u>(28,554)</u>	<u>10,553,216</u>
Less accumulated depreciation for:				
Structures and improvements	(2,466,045)	(245,242)	23,379	(2,687,908)
Machinery and equipment	(1,219,539)	(78,641)	5,056	(1,293,124)
Sewer infrastructure	(1,109,645)	(66,236)		(1,175,881)
Total accumulated depreciation	<u>(4,795,229)</u>	<u>(390,119)</u>	<u>28,435</u>	<u>(5,156,913)</u>
Total capital assets, being depreciated, net of accumulated depreciation	<u>5,677,064</u>	<u>(280,642)</u>	<u>(119)</u>	<u>5,396,303</u>
Total Business-type activities capital assets, net of accumulated depreciation	<u>\$ 5,813,996</u>	<u>\$ (278,661)</u>	<u>\$ (119)</u>	<u>\$ 5,535,216</u>

Depreciation for business-type activities was charged to functions/programs as follows:

Federal WWTP	\$ 179,008
CCF	77,549
Sewer	66,236
Transit	49,615
Refuse	17,711
Total depreciation expense - business-type activities	<u>\$ 390,119</u>

**CITY OF TAFT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 7 – GOVERNMENTAL ACTIVITIES LONG-TERM DEBT

During the fiscal year ended June 30, 2010, the following changes occurred to the governmental activities long-term liabilities:

Governmental Activities	Balance			Balance June 30, 2010	Due in One Year
	July 1, 2009	Additions	Deletions		
1998 Revenue Refunding Bonds	\$ 4,105,000	\$ -	\$ (130,000)	\$ 3,975,000	\$ 135,000
Compensated Absences	165,761	35,333		201,094	50,274
Total governmental activities long-term debt	<u>\$ 4,270,761</u>	<u>\$ 35,333</u>	<u>\$ (130,000)</u>	<u>\$ 4,176,094</u>	<u>\$ 185,274</u>

1998 Revenue Refunding Bonds

On December 1, 1998, the Taft Financing Authority issued \$5,060,000 of 1998 Revenue Bonds for the purpose of refinancing the 1993 Revenue Bonds and certain loans from the City of Taft. Payment of these bonds is made by the TCDA Debt Service Fund. The Debt Service Fund also receives a transfer from the TCDA Special Revenue Fund for 20 percent of the annual debt service since this fund received 20 percent of the bond proceeds. The bonds bear interest at rates ranging from 4.25 to 5.80 percent. The maturity schedule of the bonds is as follows:

Fiscal Year End June 30,	Principal	Interest	Total
2011	\$ 135,000	\$ 229,590	\$ 364,590
2012	140,000	222,300	362,300
2013	145,000	214,600	359,600
2014	160,000	206,190	366,190
2015	165,000	196,910	361,910
2016-2020	975,000	830,270	1,805,270
2021-2025	1,285,000	512,430	1,797,430
2026-2028	970,000	114,550	1,084,550
Total	<u>\$ 3,975,000</u>	<u>\$ 2,526,840</u>	<u>\$ 6,501,840</u>

Compensated Absences

The short-term portion of the liability is recorded in various funds and is determined to be the amount due to employees for future absences, which is attributable to services already rendered, and which is expected to be paid during the next fiscal year. The long-term portion is recorded only in the statement of net assets. The general fund is expected to liquidate approximately 75 percent of the liability, the WWTP special revenue fund approximately 10 percent, and other funds, the remaining 15 percent.

**CITY OF TAFT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 8 – BUSINESS-TYPE ACTIVITIES LONG-TERM DEBT

During the fiscal year ended June 30, 2010, the following changes occurred to the business-type activities long-term liabilities:

<u>Business type activities</u>	Balance			Balance June 30, 2010	Due in One Year
	July 1, 2009	Additions	Deletions		
2006 Sewer Loan	\$ 836,000	\$ -	\$ (124,000)	\$ 712,000	\$ 129,000
Compensated Absences	124,804	25,518		150,322	37,580
Total business-type activities long-term debt	<u>\$ 960,804</u>	<u>\$ 25,518</u>	<u>\$ (124,000)</u>	<u>\$ 862,322</u>	<u>\$ 166,580</u>

2006 Sewer Loan

On February 28, 2006 a loan in the amount of \$1,173,000 was issued with Citizens Business Bank at an interest rate of 4.80 percent. The loan was issued to refund the outstanding 1994 certificates of participation and to pay certain costs of issuance. Service charges in the Sewer fund are pledged for the loan. The maturity date of the loan is August 1, 2014. Debt service payments are detailed below.

Fiscal Year End June 30,	Principal	Interest	Total
2011	\$ 129,000	\$ 31,080	\$ 160,080
2012	136,000	24,720	160,720
2013	142,000	18,048	160,048
2014	149,000	11,064	160,064
2015	156,000	3,744	159,744
Total	<u>\$ 712,000</u>	<u>\$ 88,656</u>	<u>\$ 800,656</u>

Compensated Absences

The liability is recorded in the various funds and is determined to be the amount due to employees for future absences, which is attributable to services already rendered. The amount estimated to be paid during the next fiscal year classified with current liabilities, with the remainder classified with noncurrent liabilities.

NOTE 9 – PENSION PLAN OBLIGATION

A. Plan description

The City of Taft contributes to the California Public Employees Retirement System (PERS), an agent multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS act as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and city ordinance. Copies of PERS' annual financial report may be obtained from their Executive Office – 400 P Street – Sacramento, California 95814.

**CITY OF TAFT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 9 – PENSION PLAN OBLIGATION (Continued)

B. Funding policy

Participants are required to contribute 7 percent (9 percent for safety employees) of their annual covered salary. The City makes the contributions required of City employees on their behalf and for their account. The City is required to contribute at an actuarially determined rate; the rate for the year ended June 30, 2010 was 9.373% percent for non-safety employees, 12.260% percent for police employees, and 66.971% percent for fire employees, of annual covered payroll. The contribution of plan members and the City are established and may be amended by PERS.

C. Annual pension cost

For fiscal year 2009-2010, the City of Taft's annual pension cost was \$667,633 and was equal to the City's required and actual contributions. The required contribution for fiscal year 2009-2010 was determined as part of the June 30, 2007 actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percent of pay. The actuarial assumptions included: (a) 8.25% investment rate of return (net of administrative expenses); (b) projected salary increases that vary by duration of service ranging from 3.75% to 14.20% for miscellaneous members and 4.27% and 11.59% for the Safety Police and Fire Plan and; (c) 0% cost-of-living adjustment. Both (a) and (b) include an inflation component of 3.5%. The actuarial value of the plan's assets was determined using a technique that smoothes the effects of short-term volatility in the market value of investments over a three-year period. Miscellaneous Plans' unfunded actuarial accrued liability (or excess assets) is being amortized as a level percentage of projected payroll on a closed basis. The average remaining amortization period at June 30, 2010, was 16 years for the Miscellaneous Plan, 15 for the Safety Police Plan, and 19 for the Safety Fire Plan.

D. Three year trend information

Fiscal Year Ended June 30,	Annual Pension Cost (APC)			Percentage of APC Contributed	Net Pension Obligation
	Miscellaneous	Fire	Police		
2008	\$ 379,273	\$ 160,989	\$ 94,371	100%	\$ -
2009	432,497	124,082	103,980	100%	
2010	432,664	133,528	101,441	100%	

NOTE 10 – NET ASSETS

Governmental and Business Activities

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 investment in capital assets, net of related debt category presents the City's equity interest in capital assets less outstanding principal or related debt. The restricted net assets category reflects net assets that are subject to restrictions beyond the City's control (externally imposed or imposed by law). The unrestricted net assets category equals any remaining balance.

**CITY OF TAFT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 11 – RISK MANAGEMENT

The City is exposed to various risks of loss related to, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The City participates with other public entities in a joint venture under a joint powers agreement, which establishes the Central San Joaquin Valley Risk Management Authority (CSJVRMA) as a common risk management and insurance program. The relationship between the City and CSJVRMA is such that CSJVRMA is not a component of the City for financial reporting purposes.

CSJVRMA maintains separate records for each year of participation. The records track cash paid to the RMA through deposit premium assessments, the City's self-insurance retention portion of claims paid, and the City's allocation of shared risks. Three years after the close of the workers' compensation coverage year and five years after the close of the general liability coverage year, CSBRMA assesses the status of all members for that year, and either make a refund to a member if it has a positive balance (i.e. payout and reserve experience is less than premium paid) or collects any deficit.

Worker's Compensation

The City is self insured for the first \$50,000 of each claim. The City participates in a risk sharing pool through CSJVRMA for claims between \$50,000 and \$500,000. The CSJVRMA participates in another excess pool, which provides workers' compensation coverage from \$500,000 to \$1,500,000 and purchases excess insurance above \$2,000,000 to \$98,000,000.

General Liability

The City is self insured for the first \$25,000 of each claim. The City participates in a risk sharing pool through CSJVRMA for claims between \$25,000 and \$1,000,000. The CSJVRMA participates in an excess pool, which provides general liability coverage from \$1,000,000 to \$3,000,000 and purchases excess reinsurance above \$3,000,000 to \$14,000,000. The CSJVRMA is a consortium of fifty-four cities in San Joaquin Valley, California. It was established under the provisions of California Government Code Section 6500 et seq. The CSJVRMA is governed by a Board of Directors, which meets three to four times per year, consisting of one member appointed by each member city. The day-to-day business is handled by a management group employed by the CSJVRMA. The financial position and results of operations for the CSJVRMA as of June 30, 2010, the most recent information available, is presented below:

Total Assets	<u>\$ 63,349,322</u>
Total Liabilities	\$ 54,045,869
Total Retained Earnings	<u>9,303,453</u>
Total Liabilities and Retained Earnings	<u>\$ 63,349,322</u>
Revenues for Fiscal Year	\$ 28,036,256
Expenses for Fiscal Year	<u>28,432,658</u>
Net Profit (Loss)	<u>\$ (396,402)</u>

At the termination of the joint powers agreement and after all claims have been settled, any excess or deficit will be divided among the cities in accordance with its governing documents. Audited financial statements are available from the Central San Joaquin Risk Management Authority at 6371 Auburn Boulevard, Citrus Heights, CA 95621.

During the past three fiscal years, none of the above programs of protection have had settlements or judgments that exceeded pooled or insured coverage. There have been no significant reductions in pooled or insured liability coverage from coverage in the prior year.

CITY OF TAFT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 12 – COMMITMENTS AND CONTINGENCIES

The City entered into a contract with the State of California on January 7, 1997, to establish and operate a Community Correctional Facility (CCF) Program consistent with Chapter 7 of the California Penal Code and with Title 15 of the California Code of Regulations for the custody of, and the provision of program services to, parole violators and other State inmates who are the responsibility of the California Department of Corrections. The State agrees that the monetary considerations of the Contract are not designed to have an adverse fiscal impact on the City. The term of the contract is 20 years from January 7, 1997 unless otherwise terminated as provided in the contract.

To provide services under the CCF Program Contract, the City entered into a triple net lease agreement on January 1, 1997, by and between Taft Public Financing Authority (the Authority) and the City to lease the CCF located at 330 Commerce Way in Taft, California and named the facility "Taft Community Correctional Facility". The term of the lease shall end on the earlier of January 1, 2017, or such time as all the Bonds have been retired or provision for their payment has been provided for pursuant to the terms of the indenture. The amount of the Base Rental shall be equal to the monthly debt service on the Bonds.

The State of California shall continue to pay the rentals to the Authority or the Trustee, in the event the CCF Program Contract with the City is terminated prior to its terms.

The City agrees to pay the rentals solely with the monies received from the State of California, and under any circumstances, the City is not required to make the rental payments from any other sources of its funding including, but not limited to, the City's general fund.

The City has received State and Federal funds for specific purposes that are subject to review by the grantor agencies. Although such audits could generate expenditure disallowances under the terms of the grants, it is believed that any required reimbursements will not be material.

The City is in dispute regarding recovery of treble damages and penalties along with attorney fees totaling \$2.7 million. The claimants subsequently appealed the order to the Second District Court of Appeals. The City has since won the appeal but the defendant has passed away during the past fiscal year. The City does not expect to collect on the damages. The gain has not been accrued in these financial statements.

NOTE 13 – FUND EQUITY

A. Reserves

Reserves of the governmental funds are limited to the portions of the fund balance which are either not appropriate for expenditures or are legally segregated for a specific use.

B. Designations

Fund balance designations are established to reflect management's plans for financial resource allocation in a future period. Such plans or intent are subject to change and may never result in expenditures.

**CITY OF TAFT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 13 – FUND EQUITY (CONTINUED)

B. Designations (Continued)

Reserves/designations are detailed for the applicable funds:

	General	WWTP Capital Projects	Revolving Loan Fund - CDBG	Revolving Loan Fund - HOME	Non-Major Governmental
Reserved:					
Inventory	\$ -	\$ -	\$ -	\$ -	\$ 18,785
Petty cash	500				
Prepaid items	147,964		218		618
Total Reserved	\$ 148,464	\$ -	\$ 218	\$ -	\$ 19,403
Unreserved, designated:					
For contingent liabilities	\$ 100,000	\$ -	\$ -	\$ -	\$ -
General contingency	100,000				
Working capital	679,000				
Capital projects	706,196	2,912,617			
Special projects	378,869		42,719	14,202	1,277,981
Pension costs (PERS)	200,000				
Insurance contingencies	200,000				
Capital renewal	1,668,628				
Other	43,549				899,750
Fire department	1,500,000				
Contingency for CCF operation	175,000				
Contingency for CCF facility	138,778				
CCF working capital operations	391,539				
Unreserved, undesignated					(2,182,071)
Total Unreserved, designated	\$ 6,281,559	\$ 2,912,617	\$ 42,719	\$ 14,202	\$ (4,340)

NOTE 14 – DEFERRED CHARGES

Deferred charges consist of issuance costs and discounts for debt issues. The total costs deferred as a result of the issuance of the 1998 revenue bonds was \$224,422. The amortization period is 349 months. The balance at fiscal year ended June 30, 2010 is \$135,045. The total costs deferred as a result of the 2006 Sewer Loan is \$46,031. The amortization period is 113 months and the balance at fiscal year ended June 30, 2010 is \$26,148.

NOTE 15 – CONDUIT DEBT (NONOBLIGATORY DEBT)

In January 1997, Taft Public Financing Authority (the Authority) issued the Lease Revenue Bonds 1997 Series A (Community Correctional Facility Acquisition Project) totaling \$21,740,000 to (a) acquire the Taft Community Correctional Facility located at 333 Commerce Way in Taft, California, (b) fund a reserve account, and (c) pay the issuance costs. The principal balance of the Revenue Bonds at June 30, 2010 is \$10,485,000.

These bonds are special limited obligations of the Authority, payable solely from and secured by certain pledged revenue to be received from the State of California. The Bonds do not represent or constitute a debt of the Authority, the State, or the City of Taft within the meaning of any constitutional or statutory limitation or pledge of the faith and credit of the State or any political subdivision thereof, including the Authority, the City of Taft, or the State.

**CITY OF TAFT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 16 – AGREEMENTS

Wastewater Treatment Plant (WWTP): Under agreements between the City of Taft, the Taft Heights Sanitation District, and the Ford City Sanitation District dated May 29, 1950, amended March 7, 1966, restated April 24, 1972, and restated August 21, 1991, covering the “Joint Sewage Project – 1972,” the City operates and maintains the Wastewater Treatment Plant serving the City and the two Sanitation Districts. The City includes the activities of the WWTP within its fund structure since the Agreement specifies that the City shall act on its own behalf and on behalf of the other Districts in operating and maintaining the WWTP. The City maintains the accounting records for the WWTP and has physical custody of its assets. The Agreement specifies that the City shall contribute 52 percent of the revenue required to operate and maintain the WWTP, with the other Districts providing a combined 48 percent of the operating revenue. Since the WWTP is not a separate legal entity it is not considered a component unit.

NOTE 17 – PRIOR PERIOD ADJUSTMENTS

A prior period adjustment in the amount of \$(4,439) was made to the general fund and to the statement of activities due to an understatement of accounts payable.

A prior period adjustment in the amount of \$(5,467) was made to the inmate welfare special revenue fund and to the statement of activities due to an understatement of accounts payable.

NOTE 18 – RELATED PARTY

The purchase of a City-owned residence was approved by the City Council in a closed session during August 2006. The residence is rented out to the City Manager at \$1,425 per month on a month-to-month tenancy for as long as the employee is employed as City Manager. The monthly rental rate will be reviewed every three years to determine a commercially reasonable rental rate for the ensuing three year period. In the event that the City Manager wishes to purchase the City-owned residence, the rental sums paid will be credited towards the agreed purchase price of \$350,000.

Required Supplementary Information

CITY OF TAFT
MAJOR FUND BUDGETARY COMPARISON SCHEDULES
JUNE 30, 2010

Budgetary comparison schedules are presented as Required Supplementary Information for the General Fund as provided for by GASB Statement No. 34. The budgetary comparison schedules for the remaining major funds are presented to aid in additional analysis and is not a required part of the basic financial statements or Required Supplementary Information.

CITY OF TAFT
SCHEDULE OF REVENUE, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 742,387	\$ 596,500	\$ 520,167	\$ (76,333)
Sales taxes	1,942,638	1,665,526	1,570,736	(94,790)
Other taxes	1,102,287	1,071,351	1,047,326	(24,025)
Licenses and permits, and fees	223,336	89,602	116,062	26,460
Fines and forfeitures	3,008	4,433	4,744	311
Use of money and property	339,878	413,374	406,458	(6,916)
Intergovernmental	1,341,677	1,298,517	1,269,772	(28,745)
Current services charges	438,395	450,029	592,860	142,831
Other	33,097	1,527	46,376	44,849
Total revenues	6,166,703	5,590,859	5,574,501	(16,358)
EXPENDITURES				
Current:				
General government	1,367,716	1,431,404	1,460,774	(29,370)
Public safety	3,226,626	3,212,739	2,624,190	588,549
Public works	1,004,666	1,179,202	1,164,684	14,518
Community development	1,034,620	1,235,622	1,329,821	(94,199)
Capital outlay	250,000	102,692	275,090	(172,398)
Total expenditures	6,883,628	7,161,659	6,854,559	307,100
Excess (deficiency) of revenues over expenditures	(716,925)	(1,570,800)	(1,280,058)	290,742
OTHER FINANCING SOURCES (USES)				
Transfers in	817,593	1,570,800	392,983	(1,177,817)
Total other financing sources (uses)	817,593	1,570,800	392,983	(1,177,817)
Net change in fund balance	100,668		(887,075)	(887,075)
Fund balance, beginning of fiscal year	7,321,537	7,321,537	7,321,537	
Prior period adjustment			(4,439)	(4,439)
Fund balance, beginning of fiscal year, restated	7,321,537	7,321,537	7,317,098	(4,439)
Fund balance, end of fiscal year	<u>\$ 7,422,205</u>	<u>\$ 7,321,537</u>	<u>\$ 6,430,023</u>	<u>\$ (891,514)</u>

Other Supplemental Information

**CITY OF TAFT
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
WWTP CAPITAL PROJECTS FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Use of money and property	\$ 45,157	\$ 44,617	\$ (540)
Total revenues	<u>45,157</u>	<u>44,617</u>	<u>(540)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	131,200	109,360	(21,840)
Transfers out	<u>(63,389)</u>	<u></u>	<u>63,389</u>
Total other financing sources (uses)	<u>67,811</u>	<u>109,360</u>	<u>41,549</u>
Net change in fund balance	112,968	153,977	41,009
Fund balance, beginning of fiscal year	<u>2,758,640</u>	<u>2,758,640</u>	<u></u>
Fund balance, end of the fiscal year	<u>\$ 2,871,608</u>	<u>\$ 2,912,617</u>	<u>\$ 41,009</u>

**CITY OF TAFT
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2010**

SPECIAL REVENUE FUNDS

High Technology Grant

This fund was established to receive a grant from the State of California to purchase high technology equipment for law enforcement activities.

Traffic Safety

This Fund was established to receive the City's share of traffic fines and reimburse the General Fund for police activities related to traffic safety and traffic control devices.

Gas Tax

This fund was established to receive a share of the revenues derived from the State taxes on gasoline.

Transportation and Development Act (TDA)

This fund was established to receive and expend the City's allocation of sales tax under SB 325. This bill reduced the State's percentage of sales tax by 1.4 percent and allowed the counties within the State of California to increase their sales tax percentage by $\frac{1}{4}$ percent. The funds generated by this $\frac{1}{4}$ percent are allocated to the counties and a portion of this is then allocated to the cities within each county and restricted to street purposes.

Traffic Congestion Relief AB 2928

This fund was established to receive a grant from the State of California to be used for street and highway maintenance, rehabilitation, reconstruction, and storm damage repairs.

Community Development Block Grant

This fund was established to account for all CDBG grant received by the City.

BJA Grant

This fund was established to account for a grant received by the City.

D.A.R.E.

This fund was established to receive funds that are derived from contributions from local businesses, schools, and civic groups.

Asset Forfeiture

This fund was established to receive funds that are seized from narcotics dealers or following the sale of dealer assets.

Landscape Assessment District

This fund was established in connection with a single-family housing development project (Tract No. 5574) and will be used to record expenditures and revenues relative to formation and operation of a Landscape Maintenance District in that tract.

**CITY OF TAFT
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2010**

SPECIAL REVENUE FUNDS (Continued)

Housing Rehab Grant STBG-5084

This fund was established to account for housing loans and grants under one of the City's grant programs.

Housing Rehab Grant STBG-1934

This fund was established to account for housing loans and grants under one of the City's grant programs.

Crime Prevention

This fund was established to account for receipts from the State COPS grant program and related expenditures.

Inmate Welfare Trust

The inmate welfare trust fund account is established and maintained pursuant to Penal Code Sections 5005, 5006.1, 5007, and 5008 and the Business Administration Manual, Chapter 4200. All entries to the inmate welfare trust fund are supported by source documentation.

Taft Community Development Agency (TCDA)

This fund is used to account for the Government's 20 percent share of Community Development tax increment revenues that are legally restricted for the Community Development low and moderate income housing.

Wastewater Treatment Plant (WWTP)

This fund is used to account for special projects related to the City's share of the wastewater treatment plant.

DEBT SERVICE FUND

Taft Community Development Agency (TCDA)

Taft Community Development Agency Fund is used to account for the accumulation of resources for the repayment of long-term debt of the Taft Community Development Agency.

CAPITAL PROJECT FUND

Taft Community Development Agency (TCDA)

Taft Community Development Agency Capital Projects Fund is used to account for the accumulation of property taxes and community development projects of the Taft Community Development Agency.

**CITY OF TAFT
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2010**

	Special Revenue			
	High Technology	Traffic Safety	Gas Tax	TDA Act
ASSETS				
Cash and investments	\$ 20,812	\$ 1,436	\$ 6,840	\$ -
Restricted cash and investments				
Receivables:				
Accounts			14,397	1,028,474
Interest	17	1,700	39	
Inventory				
Prepaid expenses				
Total assets	<u>\$ 20,829</u>	<u>\$ 3,136</u>	<u>\$ 21,276</u>	<u>\$ 1,028,474</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to other funds				974,933
Advance from other funds				
Deferred revenue				
Total liabilities				<u>974,933</u>
FUND BALANCES				
Reserved for:				
Inventory				
Prepaid expenses				
Low/mod housing				
Debt service				
Unreserved and reported in:				
Special revenue funds	20,829	3,136	21,276	53,541
Capital projects fund				
Total fund balances (deficits)	<u>20,829</u>	<u>3,136</u>	<u>21,276</u>	<u>53,541</u>
Total liabilities and fund balances	<u>\$ 20,829</u>	<u>\$ 3,136</u>	<u>\$ 21,276</u>	<u>\$ 1,028,474</u>

Special Revenue

Traffic Congestion Relief	CDBG	BJA Grant	D.A.R.E.	Asset Forfeiture	Landscape Assessment District
\$ -	\$ -	\$ -	\$ 1,118	\$ 116,001	\$ 2,466
23,200			1	55	
<u>\$ 23,200</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,119</u>	<u>\$ 116,056</u>	<u>\$ 2,466</u>
\$ -	\$ -	\$ -	\$ 1,114	\$ 2,560	\$ 259
23,200	27,816				
<u>23,200</u>	<u>27,816</u>		<u>1,114</u>	<u>2,560</u>	<u>259</u>
	(27,816)		5	113,496	2,207
	<u>(27,816)</u>		<u>5</u>	<u>113,496</u>	<u>2,207</u>
<u>\$ 23,200</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,119</u>	<u>\$ 116,056</u>	<u>\$ 2,466</u>

(Continued)

**CITY OF TAFT
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET (Continued)
JUNE 30, 2010**

	Special Revenue			TCDA Housing Special Revenue
	Housing Rehab Grant STBG- 5084	Crime Prevention	Inmate Welfare Trust	
ASSETS				
Cash and investments	\$ -	\$ 354,095	\$ 75	\$ 587,053
Restricted cash and investments				
Receivables:				
Accounts	3,389	25,000	4,412	3,874
Interest		178		285
Notes				
Inventory			18,785	
Prepaid expenses			410	
Total assets	<u>\$ 3,389</u>	<u>\$ 379,273</u>	<u>\$ 23,682</u>	<u>\$ 591,212</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 1,094	\$ 6,988	\$ 5,876	\$ -
Due to other funds	173,187		11,881	
Advance from other funds				
Deferred revenue				
Total liabilities	<u>174,281</u>	<u>6,988</u>	<u>17,757</u>	
FUND BALANCES				
Reserved for:				
Inventory			18,785	
Prepaid expenses			410	
Low/mod housing				591,212
Debt service				
Unreserved and reported in:				
Special revenue funds	(170,892)	372,285	(13,270)	
Capital projects fund				
Total fund balances (deficits)	<u>(170,892)</u>	<u>372,285</u>	<u>5,925</u>	<u>591,212</u>
Total liabilities and fund balances	<u>\$ 3,389</u>	<u>\$ 379,273</u>	<u>\$ 23,682</u>	<u>\$ 591,212</u>

<u>Special Revenue</u>						
WWTP Special Revenue	TARP Revolving Loan Fund	Total Special Revenue Funds	TCDA Debt Service	TCDA Capital Projects	Total Non- Major Governmental Funds	
\$ -	\$ 44,641	\$ 1,134,537	\$ 428,358 483,286	\$ 35,068	\$ 1,597,963 483,286	
323,869	30	1,426,645	15,495		1,442,140	
		2,275	239		2,514	
	400,954	400,954			400,954	
		18,785			18,785	
		410		208	618	
<u>\$ 323,869</u>	<u>\$ 445,625</u>	<u>\$ 2,983,606</u>	<u>\$ 927,378</u>	<u>\$ 35,276</u>	<u>\$ 3,946,260</u>	
\$ 28,609 5,957	\$ 76	\$ 46,576 1,216,974	\$ 27,628	\$ 9,341	\$ 83,545 1,216,974	
				2,207,798	2,207,798	
	400,954	400,954			400,954	
<u>34,566</u>	<u>401,030</u>	<u>1,664,504</u>	<u>27,628</u>	<u>2,217,139</u>	<u>3,909,271</u>	
		18,785			18,785	
		410		208	618	
		591,212			591,212	
			899,750		899,750	
289,303	44,595	708,695			708,695	
				(2,182,071)	(2,182,071)	
<u>289,303</u>	<u>44,595</u>	<u>1,319,102</u>	<u>899,750</u>	<u>(2,181,863)</u>	<u>36,989</u>	
<u>\$ 323,869</u>	<u>\$ 445,625</u>	<u>\$ 2,983,606</u>	<u>\$ 927,378</u>	<u>\$ 35,276</u>	<u>\$ 3,946,260</u>	

**CITY OF TAFT
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	Special Revenue			
	High Technology	Traffic Safety	Gas Tax	TDA Act
REVENUES				
Property taxes	\$ -	\$ -	\$ -	\$ -
Fines and forfeitures		15,335		
Use of money and property	710		726	
Intergovernmental			144,290	159,798
Current services charges				
Other				
Total revenues	710	15,335	145,016	159,798
EXPENDITURES				
Current:				
General government				
Public safety	29,044			
Public works				
Health and welfare				
Community development				
Debt service:				
Principal				
Interest				
Total expenditures	29,044			
Excess of revenues over (under) expenditures	(28,334)	15,335	145,016	159,798
OTHER FINANCING SOURCES (USES)				
Transfers in				
Transfers out		(15,335)	(144,340)	(147,489)
Total other financing sources (uses)		(15,335)	(144,340)	(147,489)
Net changes in fund balances	(28,334)		676	12,309
Fund balances (deficits), beginning of fiscal year	49,163	3,136	20,600	41,232
Prior period adjustments				
Fund balances (deficits), beginning of fiscal year, restated	49,163	3,136	20,600	41,232
Fund balances (deficits), end of fiscal year	\$ 20,829	\$ 3,136	\$ 21,276	\$ 53,541

Special Revenue

Traffic Congestion Relief	CDBG	BJA Grant	D.A.R.E.	Asset Forfeiture	Landscape Assessment District
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	1,456	71	20	4,992	
82,814	7,000			1,741	602
					7,617
82,814	8,456	71	20	6,733	8,219
			1,114		7,053
	21,391				
	21,391		1,114		7,053
82,814	(12,935)	71	(1,094)	6,733	1,166
(82,814)				(3,005)	
(82,814)				(3,005)	
	(12,935)	71	(1,094)	3,728	1,166
	(14,881)	(71)	1,099	109,768	1,041
	(14,881)	(71)	1,099	109,768	1,041
\$ -	\$ (27,816)	\$ -	\$ 5	\$ 113,496	\$ 2,207

(Continued)

**CITY OF TAFT
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	Special Revenue			TCDA Housing Special Revenue
	Housing Rehab Grant STBG-5084	Crime Prevention	Inmate Welfare Trust	
REVENUES				
Property taxes	\$ -	\$ -	\$ -	\$ 100,735
Fines and forfeitures				
Use of money and property		5,993	83	8,250
Intergovernmental	58,877	100,000		
Current services charges			158,631	
Other			370	1,731
Total revenues	<u>58,877</u>	<u>105,993</u>	<u>159,084</u>	<u>110,716</u>
EXPENDITURES				
Current:				
General government				5,663
Public safety		148,556		
Public works				
Health and welfare			227,201	
Community development	221,671			
Debt service:				
Principal				
Interest				
Total expenditures	<u>221,671</u>	<u>148,556</u>	<u>227,201</u>	<u>5,663</u>
Excess of revenues over (under) expenditures	<u>(162,794)</u>	<u>(42,563)</u>	<u>(68,117)</u>	<u>105,053</u>
OTHER FINANCING SOURCES (USES)				
Transfers in				
Transfers out				(73,296)
Total other financing sources (uses)				<u>(73,296)</u>
Net changes in fund balances	<u>(162,794)</u>	<u>(42,563)</u>	<u>(68,117)</u>	<u>31,757</u>
Fund balances (deficits), beginning of fiscal year	(8,098)	414,848	79,509	559,455
Prior period adjustments			(5,467)	
Fund balances (deficits), beginning of fiscal year, restated	<u>(8,098)</u>	<u>414,848</u>	<u>74,042</u>	<u>559,455</u>
Fund balances (deficits), end of fiscal year	<u>\$ (170,892)</u>	<u>\$ 372,285</u>	<u>\$ 5,925</u>	<u>\$ 591,212</u>

Special Revenue					
WWTP Special Revenue	TARP Revolving Loan Fund	Total Special Revenue Funds	TCDA Debt Service	TCDA Capital Projects	Total Non- Major Governmental Funds
\$ -	\$ -	\$ 100,735	\$ 384,847	\$ -	\$ 485,582
		20,327			20,327
381	899	20,932	132,254	46,560	199,746
719,775		1,280,171			1,280,171
16,366		174,997			174,997
	70,324	72,425	6,924		79,349
<u>736,522</u>	<u>71,223</u>	<u>1,669,587</u>	<u>524,025</u>	<u>46,560</u>	<u>2,240,172</u>
622,861		628,524	31,055		659,579
		178,714			178,714
		7,053			7,053
		227,201			227,201
	36,630	279,692	162,015	299,214	740,921
			130,000		130,000
			236,480		236,480
<u>622,861</u>	<u>36,630</u>	<u>1,321,184</u>	<u>559,550</u>	<u>299,214</u>	<u>2,179,948</u>
113,661	34,593	348,403	(35,525)	(252,654)	60,224
			73,296	10,000	83,296
(109,360)	(40,000)	(615,639)	(10,000)		(625,639)
(109,360)	(40,000)	(615,639)	63,296	10,000	(542,343)
4,301	(5,407)	(267,236)	27,771	(242,654)	(482,119)
285,002	50,002	1,591,805	871,979	(1,939,209)	524,575
		(5,467)			(5,467)
<u>285,002</u>	<u>50,002</u>	<u>1,586,338</u>	<u>871,979</u>	<u>(1,939,209)</u>	<u>519,108</u>
<u>\$ 289,303</u>	<u>\$ 44,595</u>	<u>\$ 1,319,102</u>	<u>\$ 899,750</u>	<u>\$ (2,181,863)</u>	<u>\$ 36,989</u>

**CITY OF TAFT
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
TRAFFIC SAFETY SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Fines and forfeitures	\$ 13,935	\$ 15,335	\$ 1,400
Total revenues	<u>13,935</u>	<u>15,335</u>	<u>1,400</u>
OTHER FINANCING SOURCES (USES)			
Transfers out	<u>(13,935)</u>	<u>(15,335)</u>	<u>(1,400)</u>
Total other financing sources (uses)	<u>(13,935)</u>	<u>(15,335)</u>	<u>(1,400)</u>
Net change in fund balance			
Fund balance, beginning of fiscal year	<u>3,136</u>	<u>3,136</u>	
Fund balance, end of fiscal year	<u>\$ 3,136</u>	<u>\$ 3,136</u>	<u>\$ -</u>

**CITY OF TAFT
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GAS TAX SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Use of money and property	\$ 575	\$ 726	\$ 151
Intergovernmental	141,952	144,290	2,338
Total revenues	<u>142,527</u>	<u>145,016</u>	<u>2,489</u>
OTHER FINANCING SOURCES (USES)			
Transfers out	<u>(142,527)</u>	<u>(144,340)</u>	<u>(1,813)</u>
Total other financing sources (uses)	<u>(142,527)</u>	<u>(144,340)</u>	<u>(1,813)</u>
Net change in fund balance		676	676
Fund balance, beginning of fiscal year	<u>20,600</u>	<u>20,600</u>	
Fund balance, end of fiscal year	<u>\$ 20,600</u>	<u>\$ 21,276</u>	<u>\$ 676</u>

**CITY OF TAFT
 SCHEDULE OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 TDA ACT SPECIAL REVENUE FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Intergovernmental	\$ 315,774	\$ 159,798	\$ (155,976)
Total revenues	<u>315,774</u>	<u>159,798</u>	<u>(155,976)</u>
OTHER FINANCING SOURCES (USES)			
Transfers out	<u>(315,774)</u>	<u>(147,489)</u>	<u>168,285</u>
Total other financing sources (uses)	<u>(315,774)</u>	<u>(147,489)</u>	<u>168,285</u>
Net change in fund balance		12,309	12,309
Fund balance, beginning of fiscal year	<u>41,232</u>	<u>41,232</u>	
Fund balance, end of fiscal year	<u>\$ 41,232</u>	<u>\$ 53,541</u>	<u>\$ 12,309</u>

**CITY OF TAFT
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
ASSET FORFEITURE SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Fines and forfeitures	\$ 170	\$ 4,992	\$ 4,822
Use of money and property	1,758	1,741	(17)
Total revenues	<u>1,928</u>	<u>6,733</u>	<u>4,805</u>
EXPENDITURES			
Current:			
Public safety	<u>1,928</u>		<u>1,928</u>
Total expenditures	<u>1,928</u>		<u>1,928</u>
Excess of revenues over (under) expenditures		<u>6,733</u>	<u>6,733</u>
OTHER FINANCING SOURCES (USES)			
Transfers out		<u>(3,005)</u>	<u>(3,005)</u>
Total other financing sources (uses)		<u>(3,005)</u>	<u>(3,005)</u>
Net change in fund balance		3,728	3,728
Fund balance, beginning of fiscal year	<u>109,768</u>	<u>109,768</u>	
Fund balance, end of fiscal year	<u>\$ 109,768</u>	<u>\$ 113,496</u>	<u>\$ 3,728</u>

**CITY OF TAFT
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
LANDSCAPE ASSESSMENT DISTRICT SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Use of money and property	\$ -	\$ 602	\$ 602
Intergovernmental	8,171	7,617	(554)
Total revenues	<u>8,171</u>	<u>8,219</u>	<u>48</u>
EXPENDITURES			
Current:			
Public works	8,171	7,053	1,118
Total expenditures	<u>8,171</u>	<u>7,053</u>	<u>1,118</u>
Net change in fund balance		1,166	1,166
Fund balance, beginning of fiscal year	<u>1,041</u>	<u>1,041</u>	
Fund balance, end of fiscal year	<u>\$ 1,041</u>	<u>\$ 2,207</u>	<u>\$ 1,166</u>

**CITY OF TAFT
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
TAFT COMMUNITY DEVELOPMENT AGENCY HOUSING SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Property taxes	\$ 99,749	\$ 100,735	\$ 986
Use of money and property	9,014	8,250	(764)
Other	650	1,731	1,081
Total revenues	109,413	110,716	1,303
EXPENDITURES			
Current:			
General government	5,663	5,663	
Community development	30,454		30,454
Total expenditures	36,117	5,663	30,454
Excess of revenues over (under) expenditures	73,296	105,053	31,757
OTHER FINANCING SOURCES (USES)			
Transfers out	(73,296)	(73,296)	
Total other financing sources (uses)	(73,296)	(73,296)	
Net change in fund balance		31,757	31,757
Fund balance, beginning of fiscal year	559,455	559,455	
Fund balance, end of fiscal year	\$ 559,455	\$ 591,212	\$ 31,757

**CITY OF TAFT
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
WWTP SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Use of money and property	\$ 500	\$ 381	\$ (119)
Intergovernmental	697,954	719,775	21,821
Current service charges	16,661	16,366	(295)
Total revenues	<u>715,115</u>	<u>736,522</u>	<u>21,407</u>
EXPENDITURES			
Current:			
General government	566,965	622,861	(55,896)
Capital outlay	63,389		63,389
Debt service:			
Interest	289		289
Total expenditures	<u>630,643</u>	<u>622,861</u>	<u>7,782</u>
Excess of revenues over (under) expenditures	<u>84,472</u>	<u>113,661</u>	<u>29,189</u>
OTHER FINANCING SOURCES(USES)			
Transfers out	(131,200)	(109,360)	21,840
Total other financing sources (uses)	<u>(131,200)</u>	<u>(109,360)</u>	<u>21,840</u>
Net change in fund balance	(46,728)	4,301	51,029
Fund balance, beginning of fiscal year	<u>285,002</u>	<u>285,002</u>	
Fund balance, end of the fiscal year	<u>\$ 238,274</u>	<u>\$ 289,303</u>	<u>\$ 51,029</u>

**CITY OF TAFT
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
TAFT COMMUNITY DEVELOPMENT AGENCY DEBT SERVICE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Property taxes	\$ 383,067	\$ 384,847	\$ 1,780
Use of money and property	144,640	132,254	(12,386)
Other	4,788	6,924	2,136
Total revenues	<u>532,495</u>	<u>524,025</u>	<u>(8,470)</u>
EXPENDITURES			
Current:			
General government	96,787	31,055	65,732
Community development	88,027	162,015	(73,988)
Debt service:			
Principal	130,000	130,000	
Interest	236,675	236,480	195
Total expenditures	<u>551,489</u>	<u>559,550</u>	<u>(8,061)</u>
Excess of revenues over (under) expenditures	<u>(18,994)</u>	<u>(35,525)</u>	<u>(16,531)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	73,296	73,296	
Transfers out	(54,302)	(10,000)	44,302
Total other financing sources (uses)	<u>18,994</u>	<u>63,296</u>	<u>44,302</u>
Net change in fund balance		27,771	27,771
Fund balance, beginning of fiscal year	<u>871,979</u>	<u>871,979</u>	
Fund balance, end of fiscal year	<u>\$ 871,979</u>	<u>\$ 899,750</u>	<u>\$ 27,771</u>

**CITY OF TAFT
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
TAFT COMMUNITY DEVELOPMENT AGENCY CAPITAL PROJECTS FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Use of money and property	\$ 68,949	\$ 46,560	\$ (22,389)
Total revenues	<u>68,949</u>	<u>46,560</u>	<u>(22,389)</u>
EXPENDITURES			
Current:			
Community development	437,552	299,214	138,338
Total expenditures	<u>437,552</u>	<u>299,214</u>	<u>138,338</u>
Excess of revenues over (under) expenditures	<u>(368,603)</u>	<u>(252,654)</u>	<u>115,949</u>
OTHER FINANCING SOURCES			
Transfers in	<u>108,603</u>	<u>10,000</u>	<u>(98,603)</u>
Total other financing sources	<u>108,603</u>	<u>10,000</u>	<u>(98,603)</u>
Net change in fund balance	(260,000)	(242,654)	17,346
Fund balance (deficit), beginning of fiscal year	<u>(1,939,209)</u>	<u>(1,939,209)</u>	
Fund balance (deficit), end of fiscal year	<u>\$ (2,199,209)</u>	<u>\$ (2,181,863)</u>	<u>\$ 17,346</u>

**CITY OF TAFT
AGENCY FUNDS DESCRIPTION
JUNE 30, 2010**

Trust and agency funds were established to control money held by the City as agent or trustee. The collections reflected in these funds are not revenues to the City and disbursements do not represent expenditures of the City. Accordingly, these funds do not employ the budgetary accounting procedures used for the other funds.

Inmate Trust Account

The Inmate Trust Account maintains those accounting records necessary to provide for the recording of all transactions affecting the inmate trust accounts. It also provides accurate and current information relative to each individual inmate trust account.

1997-A Lease Revenue Bond

This fund is used to account for resources held related to nonobligatory conduit debt. The City acts as an agent by collecting payments and forwarding them to a trustee on behalf of the bondholders.

**CITY OF TAFT
 COMBINING STATEMENT OF ASSETS AND LIABILITIES
 AGENCY FUNDS
 JUNE 30, 2010**

ASSETS	Inmate Trust Fund	1997-A Lease Revenue Bond	Total
Cash and investments	\$ 37,535	\$ -	\$ 37,535
Cash and investment with fiscal agents		3,272,090	3,272,090
Accounts receivable	2,697		2,697
Total assets	<u>\$ 40,232</u>	<u>\$ 3,272,090</u>	<u>\$ 3,312,322</u>
LIABILITIES			
Accounts payable	\$ 42	\$ 2,288	\$ 2,330
Due to inmates	40,190		40,190
Due to bondholders		3,110,802	3,110,802
Deposits payable		159,000	159,000
Total liabilities	<u>\$ 40,232</u>	<u>\$ 3,272,090</u>	<u>\$ 3,312,322</u>

CITY OF TAFT
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Inmate Trust Fund</u>				<u>Balance</u>		
	Balance	Additions	Reductions		Balance	Additions	Reductions
ASSETS	June 30, 2009	June 30, 2009	June 30, 2009	June 30, 2010	June 30, 2009	June 30, 2009	June 30, 2010
Cash and investments	\$ 17,635	\$ 19,900	\$ -	\$ 37,535			
Accounts receivable	2,079	618		2,697			
Total assets	<u>\$ 19,714</u>	<u>\$ 20,518</u>	<u>\$ -</u>	<u>\$ 40,232</u>			

LIABILITIES							
Accounts payable	\$ 42	\$ -	\$ -	\$ 42			
Due to inmates	19,672	20,518		40,190			
Total liabilities	<u>\$ 19,714</u>	<u>\$ 20,518</u>	<u>\$ -</u>	<u>\$ 40,232</u>			

	<u>1997-A Lease Revenue Bond</u>				<u>Balance</u>		
	Balance	Additions	Reductions		Balance	Additions	Reductions
ASSETS	June 30, 2009	June 30, 2009	June 30, 2009	June 30, 2010	June 30, 2009	June 30, 2009	June 30, 2010
Cash and investments with fiscal agents	\$ 3,275,308	\$ -	\$ (3,218)	\$ 3,272,090			
Total assets	<u>\$ 3,275,308</u>	<u>\$ -</u>	<u>\$ (3,218)</u>	<u>\$ 3,272,090</u>			

LIABILITIES							
Due to bondholders	\$ 3,114,059	\$ (39)	\$ (3,218)	\$ 3,110,802			
Accounts payable	2,249	39		2,288			
Deposits payable	159,000			159,000			
Total liabilities	<u>\$ 3,275,308</u>	<u>\$ -</u>	<u>\$ (3,218)</u>	<u>\$ 3,272,090</u>			

	<u>Total</u>				<u>Balance</u>		
	Balance	Additions	Reductions		Balance	Additions	Reductions
ASSETS	June 30, 2009	June 30, 2009	June 30, 2009	June 30, 2010	June 30, 2009	June 30, 2009	June 30, 2010
Cash and investments	\$ 17,635	\$ 19,900	\$ -	\$ 37,535			
Cash and investments with fiscal agents	3,275,308		(3,218)	3,272,090			
Accounts receivable	2,079	618		2,697			
Total assets	<u>\$ 3,295,022</u>	<u>\$ 20,518</u>	<u>\$ (3,218)</u>	<u>\$ 3,312,322</u>			

LIABILITIES							
Accounts payable	\$ 2,291	\$ 39	\$ -	\$ 2,330			
Due to bondholders	3,114,059	(39)	(3,218)	3,110,802			
Due to inmates	19,672	20,518		40,190			
Deposits payable	159,000			159,000			
Total liabilities	<u>\$ 3,295,022</u>	<u>\$ 20,518</u>	<u>\$ (3,218)</u>	<u>\$ 3,312,322</u>			

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MOSS, LEVY & HARTZHEIM LLP

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS:

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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***

To the Honorable Mayor and Members of City Council
of the City of Taft
Taft, California

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Taft (City) as of and for the fiscal year ended June 30, 2010, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 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 City'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 City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

We noted certain other matters that we reported to management of the City in a separate letter dated March 23, 2011.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the component unit financial statements of the Agency are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the City Council, others within the entity, and federal awarding agencies and pass-through entities and is not intended and should not be used by anyone other than these specified parties.

Moss, Levy & Hartzheim

Moss, Levy & Hartzheim, LLP
Beverly Hills, California
March 21, 2011

Statistical Section

CITY OF TAFT
Net Assets by Component
Last Eight Fiscal Years
(accrual basis of accounting)

	Fiscal Year							
	2003	2004	2005	2006	2007	2008	2009	2010
Governmental activities:								
Invested in capital assets, net of related debt	\$ 5,359,108	\$ 5,428,767	\$ 5,364,815	\$ 5,182,976	\$ 5,919,053	\$ 5,425,448	\$ 6,814,619	\$ 6,478,811
Restricted	6,851,941	6,910,397	6,987,197	6,459,268	3,256,126	3,544,384	2,823,285	2,708,877
Unrestricted	<u>6,003,143</u>	<u>6,220,954</u>	<u>6,804,110</u>	<u>8,258,412</u>	<u>12,058,025</u>	<u>13,002,380</u>	<u>11,479,577</u>	<u>10,017,081</u>
Total governmental activities net assets	<u>\$18,214,192</u>	<u>\$18,560,118</u>	<u>\$19,156,122</u>	<u>\$19,900,656</u>	<u>\$21,233,204</u>	<u>\$21,972,212</u>	<u>\$21,117,481</u>	<u>\$19,204,769</u>
Business-type activities:								
Invested in capital assets, net of related debt	\$ 5,087,324	\$ 5,317,841	\$ 5,195,511	\$ 5,056,250	\$ 5,211,660	\$ 4,989,982	\$ 5,007,761	\$ 4,849,364
Restricted		195,359	193,926	197,192				
Unrestricted	<u>4,127,764</u>	<u>4,437,720</u>	<u>4,627,733</u>	<u>4,411,983</u>	<u>4,434,175</u>	<u>4,911,309</u>	<u>5,014,892</u>	<u>5,375,056</u>
Total business-type activities net assets	<u>9,215,088</u>	<u>9,950,920</u>	<u>10,017,170</u>	<u>9,665,425</u>	<u>9,645,835</u>	<u>9,901,291</u>	<u>10,022,653</u>	<u>10,224,420</u>
Primary government:								
Invested in capital assets, net of related debt	\$10,446,432	\$10,746,608	\$10,560,326	\$10,239,226	\$11,130,713	\$10,415,430	\$11,822,380	\$11,328,175
Restricted	6,851,941	7,105,756	7,181,123	6,656,460	3,256,126	3,544,384	2,823,285	2,708,877
Unrestricted	<u>10,130,907</u>	<u>10,658,674</u>	<u>11,431,843</u>	<u>12,670,395</u>	<u>16,492,200</u>	<u>17,913,689</u>	<u>16,494,469</u>	<u>15,392,137</u>
Total primary government net assets	<u>\$27,429,280</u>	<u>\$28,511,038</u>	<u>\$29,173,292</u>	<u>\$29,566,081</u>	<u>\$30,879,039</u>	<u>\$31,873,503</u>	<u>\$31,140,134</u>	<u>\$29,429,189</u>

CITY OF TAFT
Changes in Net Assets
Last Eight Fiscal Years
(accrual basis of accounting)

	Fiscal Year							
	2003	2004	2005	2006	2007	2008	2009	2010
Expenses:								
Governmental activities:								
General government	\$ 1,641,490	\$ 1,645,295	\$ 1,657,350	\$ 1,678,108	\$ 1,320,249	\$ 1,652,307	\$ 2,030,979	\$ 2,478,363
Public safety	2,409,327	2,484,740	2,550,069	2,628,057	2,935,427	3,281,325	3,674,886	2,922,967
Public works	789,117	756,422	1,220,889	1,032,530	1,152,000	1,198,528	2,438,795	1,531,425
Health and welfare	355,106	357,492	367,336	371,171	606,828	812,891	364,695	286,875
Community development	430,497	669,808	1,051,231	565,273	1,192,368	2,340,737	1,060,604	2,175,162
Culture and recreation	138,947	147,764	165,562					
Loss on disposal of property							73,645	
Interest on long-term debt	272,905	267,940	264,989	274,169	248,064	245,652	239,600	233,035
Total governmental activities expenses	6,037,389	6,329,461	7,277,426	6,549,308	7,454,936	9,531,440	9,883,204	9,627,827
Business-type activities:								
Federal WWTP	608,665	619,602	624,634	641,281	661,317	663,010	678,347	756,323
CCF	6,985,705	7,067,867	7,124,332	7,756,572	8,495,450	8,728,098	9,022,542	8,642,089
Sewer	691,407	689,502			712,538	698,472	781,710	806,357
Refuse	571,786	576,857	583,330	594,566	602,668	606,383	608,307	608,683
Transit	463,769	451,406	465,689	481,878	561,880	592,608	597,476	800,800
Total business-type activities expenses	9,321,332	9,405,234	8,797,985	9,474,297	11,033,853	11,288,571	11,688,382	11,614,252
Total primary government expenses	15,358,721	15,734,695	16,075,411	16,023,605	18,488,789	20,820,011	21,571,586	21,242,079
Program revenues:								
Governmental activities:								
Charges for services:								
General government	508,700	387,841	381,108	347,361	857,853	578,972	270,688	363,205
Public safety	852,505	832,804	841,170	814,209	1,540,398	582,880	500,206	58,393
Public works	4,611	14,267	6,514	209,835	397,099	95,471	13,645	142,146
Health and welfare	208,736	205,541	235,396	254,636	609,482	368,752	385,730	158,631
Community development	79,739	55,555	89,414	90,195	235,097	26,639		105,847
Interest on long-term debt							7,109	
Operating grants and contributions	1,133,289	1,404,103	1,899,690	1,837,803	611,391	2,893,515	3,096,087	2,351,898
Capital grants and contributions	216,129	236,039	298,841	27,019		1,312,074	141,034	270,027
Total governmental activities program revenues	3,003,709	3,136,150	3,752,133	3,581,058	4,251,320	5,858,303	4,414,499	3,450,147
Business-type activities:								
Charges for services:								
Federal WWTP	606,828	606,828	606,827	606,828	649,944	649,944	649,944	691,536
CCF	6,907,839	7,216,760	6,982,539	7,323,681	8,409,711	8,838,017	8,801,149	8,713,338
Sewer	805,995	844,405	833,872	832,481	781,513	791,715	796,898	848,831
Refuse	609,861	649,183	649,510	639,526	626,059	641,375	654,576	687,279
Transit	67,139	313,492	377,524	301,627	329,727	412,347	476,779	775,556
Operating grants and contributions	305,625	29,881						
Capital grants and contributions	93,574	399,098						
Total business-type activities program revenues	9,396,861	10,059,647	9,450,272	9,704,143	10,796,954	11,333,398	11,379,346	11,716,540
Total primary government program revenues	12,400,570	13,195,797	13,202,405	13,285,201	15,048,274	17,191,701	15,793,845	15,166,687
Net revenues (expenses):								
Governmental activities	(3,033,680)	(3,193,311)	(3,525,293)	(2,968,250)	(3,203,616)	(3,673,137)	(5,468,705)	(6,177,680)
Business-type activities	75,529	654,413	652,287	229,846	(236,899)	44,827	(309,036)	102,288
Total net revenues (expenses)	(2,958,151)	(2,538,898)	(2,873,006)	(2,738,404)	(3,440,515)	(3,628,310)	(5,777,741)	(6,075,392)
General revenues and other changes in net assets:								
Governmental activities:								
Taxes:								
Property taxes	399,710	414,573	475,430	521,422	575,354	605,071	593,601	564,597
Redevelopment agency tax increment	230,575	159,773	281,427	315,355	320,528	457,662	557,502	441,152
Sales tax	1,230,475	1,214,847	1,377,128	1,329,468	1,866,161	1,838,661	1,786,069	1,570,736
Other non-property tax	328,545	339,721	475,581	217,919	180,485	253,944	364,234	398,085
Motor vehicle in lieu, unrestricted	546,110	443,651	49,346	717,708	697,335	650,883	683,240	649,241
Investment earnings	352,239	252,639	327,890	342,992	603,609	903,213	693,303	651,063
Other	569,072	713,750	998,079				(238,590)	
Loss on asset disposal	(922)	283						
Total governmental activities	3,655,804	3,539,237	3,984,881	3,444,864	4,243,472	4,709,434	4,439,359	4,274,874
Business-type activities:								
Motor vehicle in lieu, unrestricted	86,467	80,981	119,432					
Investment earnings	6,023			176,116	217,309	242,601	416,406	98,450
Loss on asset disposal	(1,192)	438						(119)
Total business-type activities	91,298	81,419	119,432	176,116	217,309	242,601	416,406	98,331
Total primary government	3,747,102	3,620,656	4,104,313	3,620,980	4,460,781	4,952,035	4,855,765	4,373,205
Changes in net assets								
Governmental activities	622,124	345,926	459,588	476,614	1,039,856	1,036,297	(1,029,346)	(1,902,806)
Business-type activities	166,827	735,832	771,719	405,962	(19,590)	287,428	107,370	200,619
Total primary government	\$ 788,951	\$ 1,081,758	\$ 1,231,307	\$ 882,576	\$ 1,020,266	\$ 1,323,725	\$ (921,976)	\$ (1,702,187)

CITY OF TAFT
Fund Balances of Governmental Funds
Last Eight Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year							
	2003	2004	2005	2006	2007	2008	2009	2010
General fund:								
Reserved	\$ 77,354	\$ 76,693	\$ 12,285	\$ 60,859	\$ 345,586	\$ 289,331	\$ 241,667	\$ 148,464
Unreserved	<u>6,098,528</u>	<u>6,316,155</u>	<u>6,880,047</u>	<u>6,721,052</u>	<u>6,780,488</u>	<u>7,300,802</u>	<u>7,079,870</u>	<u>6,281,559</u>
Total general fund	<u>\$ 6,175,882</u>	<u>\$ 6,392,848</u>	<u>\$ 6,892,332</u>	<u>\$ 6,781,911</u>	<u>\$ 7,126,074</u>	<u>\$ 7,590,133</u>	<u>\$ 7,321,537</u>	<u>\$ 6,430,023</u>
All other governmental funds:								
Reserved	\$ 2,256,001	\$ 2,430,546	\$ 2,556,034	\$ 16,531	\$ 32,021	\$ 22,736	\$ 28,570	\$ 19,621
Unreserved, reported in:								
Special revenue funds	1,481,203	1,508,503	1,049,799	1,549,544	1,700,828	1,543,057	1,577,033	1,356,828
Capital projects funds	439,531	420,138	406,593	2,632,891	2,843,431	2,992,732	819,383	730,546
Debt service funds	<u>15,591</u>	<u>8,350</u>	<u>(5,059)</u>	<u>\$ 486,625</u>	<u>536,988</u>	<u>673,012</u>	<u>871,931</u>	<u>899,750</u>
Total all other governmental funds	<u>\$ 4,192,326</u>	<u>\$ 4,367,537</u>	<u>\$ 4,007,367</u>	<u>\$ 4,685,591</u>	<u>\$ 5,113,268</u>	<u>\$ 5,231,537</u>	<u>\$ 3,296,917</u>	<u>\$ 3,006,745</u>

Source: City Finance Department

CITY OF TAFT
 Changes in Fund Balances of Governmental Funds
 Last Eight Fiscal Years
 (modified accrual basis of accounting)

	Fiscal Year							
	2003	2004	2005	2006	2007	2008	2009	2010
Revenues:								
Taxes	\$ 1,860,760	\$ 1,853,051	\$ 2,050,932	\$ 2,335,079	\$ 2,762,043	\$ 2,901,394	\$ 2,901,823	\$ 2,576,485
Other non-property taxes	328,545	339,721	359,910	318,594	322,701	328,936	332,061	326,789
Licenses and permits	128,710	106,965	134,795	49,970	148,613	134,570	111,478	116,062
Fines and forfeitures	11,796	22,945	23,167	32,280	31,872	23,124	22,158	25,071
Use of money and property	370,716	380,777	348,854	342,992	603,609	903,213	694,564	651,063
Intergovernmental	1,804,894	1,866,885	2,328,761	1,770,972	2,144,214	4,312,428	3,046,556	2,549,943
Charges for services	1,515,595	1,359,758	1,859,407	2,078,023	2,107,106	1,338,550	916,346	767,857
Other	837,864	973,459	1,109,701	124,882	374,634	42,642	904,043	881,785
Total revenues	6,858,880	6,903,561	8,215,527	7,052,792	8,494,792	9,984,857	8,929,029	7,895,055
Expenditures								
Current:								
General government	1,590,794	1,573,086	1,593,160	1,608,243	1,156,937	1,548,878	1,709,895	2,120,353
Public safety	2,254,114	2,343,307	2,456,907	2,533,154	2,809,947	3,154,660	3,570,141	2,802,904
Public works	439,927	489,416	499,244	770,788	908,142	952,368	2,124,997	1,171,737
Health and welfare	301,353	310,101	319,954	322,904	559,748	765,367	312,634	227,201
Community development	394,920	785,934	1,658,335	513,186	1,097,735	1,941,978	973,349	2,103,070
Culture development	138,947	147,928	165,562					
Capital Outlay	1,114,874	497,390	813,104	362,900	1,120,777	705,171	2,225,771	275,090
Debt service:								
Principal retirement	93,623	94,167	104,794	110,517	106,691	115,000	120,000	130,000
Interest and fiscal charges	274,975	270,055	267,389	263,297	255,667	248,585	242,720	236,480
Total expenditures	6,603,527	6,511,384	7,878,449	6,484,989	8,015,644	9,432,007	11,279,507	9,066,835
Excess (deficiency) of revenues over (under) expenditures	255,353	392,177	337,078	567,803	479,148	552,850	(2,350,478)	(1,171,780)
Other financing sources (uses):								
Transfers in	1,292,371	1,000,513	1,067,309	590,219	868,054	1,268,459	1,170,513	625,639
Transfers out	(1,292,371)	(1,000,513)	(1,067,309)	(590,219)	(868,054)	(1,268,459)	(1,198,622)	(625,639)
Total other financing sources (uses)							(28,109)	
Net change in fund balances	\$ 255,353	\$ 392,177	\$ 337,078	\$ 567,803	\$ 479,148	\$ 552,850	\$ (2,378,587)	\$ (1,171,780)
Debt service as a percentage of noncapital expenditures	7.2%	6.5%	6.0%	7.0%	6.0%	4.0%	4.0%	4.0%

Source: City Finance Department

CITY OF TAFT
 Governmental Activities Tax Revenue by Source
 Last Ten Fiscal Years
 (Modified Accrual Basis of Accounting)

Fiscal Year	General Property Taxes	Sales and Use Taxes	Franchise Taxes	Other Taxes	Totals
2001	\$ 668,450	\$ 1,322,160	\$ 249,938	\$ 81,021	\$ 2,321,569
2002	643,046	1,327,077	271,515	66,426	2,308,064
2003	630,285	1,230,475	268,801	59,744	2,189,305
2004	638,204	1,214,847	297,575	42,146	2,192,772
2005	756,857	1,479,394	304,666	49,346	2,590,263
2006	836,777	1,498,302	318,594	60,073	2,713,746
2007	895,882	1,866,161	322,701	56,906	3,141,650
2008	1,062,733	1,838,661	328,936	128,726	3,359,056
2009	1,149,842	1,751,981	332,061	66,261	3,300,145
2010	1,005,749	1,570,736	326,789	720,537	3,623,811

Source: City Finance Department

CITY OF TAFT
 General Government Revenue by Source
 Last Ten Fiscal Years
 (Modified Accrual Basis of Accounting)

Fiscal Year	Taxes	Licenses & Permits	Intergov't Revenues	Charges For Services	Fines & Forfeitures	Use of Money and Property	Other	Total
2001	\$2,321,569	\$90,217	\$2,946,521	\$1,125,201	\$ 28,641	\$ 695,898	\$1,346,986	\$8,555,033
2002	2,308,064	91,616	1,865,768	1,229,428	8,127	487,954	981,781	6,972,738
2003	2,189,305	128,710	1,804,894	1,515,595	11,796	370,716	837,864	6,858,880
2004	2,192,772	106,965	1,866,885	1,359,758	22,945	380,777	973,459	6,903,561
2005	2,590,263	134,795	2,328,761	1,859,407	23,167	348,854	1,109,701	8,394,948
2006	2,703,746	49,970	1,770,972	2,078,023	32,280	342,992	443,476	7,421,459
2007	3,141,650	148,613	2,144,214	2,107,106	31,872	603,609	697,335	8,874,399
2008	2,901,394	134,570	4,312,428	1,338,550	23,124	903,213	371,578	9,984,857
2009	2,937,172	111,478	3,729,796	916,346	22,158	693,303	518,776	8,929,029
2010	2,576,485	116,062	2,549,943	767,857	25,071	651,063	1,208,574	7,895,055

Source: City of Taft Finance Department

CITY OF TAFT
Principal Property Tax Payers
Current Year and Nine Years Ago

Taxpayer	2001			2010		
	Taxable Assessed Value	Rank	Percent of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percent of Total City Taxable Assessed Value
A and M Products Manufacturing Company	8,754,449	1	3.26%	\$ -		0.00%
Chevron USA Inc.	8,531,117	2	3.17%	11,156,199	1	2.83%
Gene Watson Construction Inc.	6,432,978	3	2.39%			0.00%
Wilson Taft Investment LLC	5,845,000	4	2.17%			0.00%
Pavia Associates	4,302,439	5	1.60%	5,813,156	3	1.48%
Super King Air LLC	2,200,000	6	0.82%			0.00%
Time Warner Entertainment	2,004,142	7	0.75%			0.00%
Bartoli Corporation	1,810,198	8	0.67%			0.00%
Cosumnes Professional Buildings	1,800,000	9	0.67%			0.00%
Union Pacific Railroad Company	1,415,191	10	0.53%			0.00%
Bear Valley Plaza LLC			0.00%	10,283,091	2	2.61%
Exterran ABS Leasing 2007			0.00%	5,379,056	4	1.37%
Taft Plaza LLC			0.00%	4,277,733	5	1.09%
Colston Properties LLC			0.00%	4,137,671	6	1.05%
Taft Production Company			0.00%	4,086,058	7	1.04%
Taft Enterprise Limited Partnership			0.00%	2,982,481	8	0.76%
Bright House Networks LLC			0.00%	2,782,057	9	0.71%
Buena Vista LLC			0.00%	2,638,522	10	0.67%
Total taxable assessed value of ten (10) Largest taxpayers	\$ 43,095,514		16.03%	\$ 53,536,024		13.59%
Total taxable assessed value of other taxpayers	225,781,674		83.97%	340,281,862		86.41%
Total taxable assessed value of all taxpayers	\$ 268,877,188		100.00%	\$ 393,817,886		100.00%

Note:

The amounts shown above include assessed value data for both the City and the Redevelopment Agency.

Source: HdL Coren & Cone, Kern County Assessor's Office

CITY OF TAFT
 Assessed Value and Estimated Actual Value of Taxable Property
 Last Nine Fiscal Years
 (in thousands of dollars)

Fiscal Year Ended June 30	City			Taxable Assessed Value	Redevelopment Agency			Taxable Assessed Value	Total Direct Tax Rate
	Secured	Unsecured	Homeowners Exemptions		Secured	Unsecured	Homeowners Exemptions		
2002	188,607	15,318	7,809	211,734	179,778	1,603	(55)	181,326	0.165%
2003	195,131	15,764	7,970	218,865	18,452	7,988	(55)	26,385	0.165%
2004	194,148	14,239	7,917	216,304	18,803	1,791	(55)	20,539	0.165%
2005	207,939	14,151	7,969	230,059	19,219	2,770	(55)	21,934	0.165%
2006	224,977	13,620	7,817	246,414	21,043	3,604	(62)	24,585	0.165%
2007	246,887	13,506	7,657	268,050	23,421	3,958	(62)	27,317	0.165%
2008	273,102	13,964	7,588	294,654	30,192	4,098	(62)	34,228	0.165%
2009	287,088	14,579	7,603	309,270	34,055	15,620	(62)	49,613	0.165%
2010	264,908	20,579	7,565	293,052	34,198	4,535	(62)	38,671	0.165%

NOTE:

In 1978 the voters of the State of California passed Proposition 13 which limited property taxes to a total maximum rate of 1% based upon the assessed value of the property being taxed. Each year, the assessed value of property may be increased by an "inflation factor" (limited to a maximum increase of 2%). With few exceptions, property is only re-assessed at the time that it is sold to a new owner. At that point, the new assessed value is reassessed at the purchase price of the property sold. The assessed valuation data shown above represents the only data currently available with respect to the actual market value of taxable property and is subject to the limitations described above.

Source: Kern County Assessor's Office

CITY OF TAFT
 Direct and Overlapping Property Tax Rates
 (Rate per \$100 of assessed value)
 Last Ten Fiscal Years

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
City basic rate	0.165	0.165	0.165	0.165	0.165	0.165	0.165	0.165	0.165	0.165
Overlapping Rates:										
County Advertising	0.001	0.001	0.001	0.001	0.001	0.001	0.001	0.001	0.001	0.001
Education	0.021	0.021	0.021	0.021	0.021	0.021	0.021	0.021	0.021	0.021
Education Revenue Augmentation Fund	0.172	0.172	0.172	0.172	0.172	0.172	0.172	0.172	0.172	0.172
Kern County	0.190	0.190	0.190	0.190	0.190	0.190	0.190	0.190	0.190	0.190
Kern County Water Agency	0.007	0.007	0.007	0.007	0.007	0.007	0.007	0.007	0.007	0.007
Taft High School	0.074		0.074	0.074	0.074					0.074
Taft School	0.276	0.276	0.276	0.276	0.276	0.276	0.276	0.276	0.276	0.276
West Kern Community College	0.062	0.062	0.062	0.062	0.062	0.062	0.062	0.062	0.062	0.062
West Side Cemetery	0.004	0.004	0.004	0.004	0.004	0.004	0.004	0.004	0.004	0.004
West Side Hospital	0.007	0.007	0.007	0.007	0.007	0.007	0.007	0.007	0.007	0.007
West Side Mosquito Abatement	0.006	0.006	0.006	0.006	0.006	0.006	0.006	0.006	0.006	0.006
West Side Recreation & Parks	0.014	0.014	0.014	0.014	0.014	0.014	0.014	0.014	0.014	0.014
Total Direct Rate	<u>1.000</u>	<u>0.926</u>	<u>1.000</u>	<u>1.000</u>	<u>1.000</u>	<u>0.926</u>	<u>0.926</u>	<u>0.926</u>	<u>0.926</u>	<u>1.000</u>

NOTE:
 In 1978, California voters passed Proposition 13 which sets the property tax rate at a 1.00% fixed amount. This 1.00% is shared by all taxing agencies for which the subject property resides within. In addition to the 1.00% fixed amount, property owners are charged taxes as a percentage of assessed property values for the payment of the Example Unified School District bonds.

Source: HdL Coren & Cone, Kern County Assessor's Office

CITY OF TAFT
Property Tax Levies and Collections
Last Ten Fiscal Years (1)

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year	Collected within the		Collections in Subsequent Years	Total Collections to Date	
		Fiscal Year of Levy Amount	Percent of Levy		Amount	Percent of Levy (2)
2001	668,450	367,345	54.95%	70,956	438,301	65.57%
2002	643,046	381,578	59.34%	45,609	427,187	66.43%
2003	630,285	404,661	64.20%	(4,951)	399,710	64.96%
2004	638,204	390,793	61.23%	23,780	414,573	98.65%
2005	557,740	415,790	98.95%	54,957	470,747	100.00%
2006	524,102	447,148	85.32%	76,954	524,102	100.00%
2007	576,460	487,356	84.54%	89,104	576,460	100.00%
2008	605,701	542,641	89.59%	65,654	608,295	100.00%
2009	592,340	582,492	98.34%	11,109	593,601	100.00%
2010	520,167	485,582	93.35%	79,300	564,882	100.00%

Note:

(1) Excludes Redevelopment property tax increment.

(2) Total collections to date may exceed 100% of annual levy due to the combination of declining value of tax levied and unusually high delinquencies collected in later years.

Source: City Finance Department

CITY OF TAFT
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year Ended June 30	Governmental Activities			
	General Obligation Bonds	Tax Allocation Bonds	Loans and Leases	Total Governmental Activities
2001	\$ -	\$ 4,915,000	\$ 13,495	\$ 4,928,495
2002		4,830,000	19,792	4,849,792
2003		4,740,000	16,169	4,756,169
2004		4,650,000	12,002	4,662,002
2005		4,550,000	7,208	4,557,208
2006		4,445,000	1,691	4,446,691
2007		4,340,000		4,340,000
2008		4,225,000		4,225,000
2009		4,105,000		4,105,000
2010		3,975,000		3,975,000

Notes:

Details regarding the City's outstanding debt can be found in the notes to the financial statements.

Source:

Hdl Coren & Cone

Business-type Activities							
Water Revenue Bonds	Certificates of Participation	Sewer Loan	Total Business-type Activities	Total Primary Government	Percentage of Personal Income	Debt Per Capita	
\$ 1,830,000	\$ -	\$ -	\$ 1,830,000	\$ 6,758,495	22.46%	10	
1,740,000			1,740,000	6,589,792	21.20%	10	
1,650,000			1,650,000	6,406,169	19.84%	9	
1,555,000			1,555,000	6,217,002	18.19%	9	
1,455,000			1,455,000	6,012,208	16.72%	8	
		1,173,000	1,173,000	5,619,691	15.03%	7	
		1,066,000	1,066,000	5,406,000	13.85%	7	
		954,000	954,000	5,179,000	12.45%	6	
		836,000	836,000	4,941,000	10.83%	6	
		712,000	712,000	4,687,000	0.00%	6	

CITY OF TAFT
Direct and Overlapping Debt
As of June 30, 2010

City Assessed Valuation	\$ 331,721,654
Redevelopment Agency Incremental Valuation	<u>38,669,984</u>
Total Assessed Valuation	<u>\$ 370,391,638</u>

	<u>Percentage Applicable ¹</u>	<u>Outstanding Debt 6/30/10</u>	<u>Estimated Share of Overlapping Debt</u>
Overlapping Debt Repaid with Property Taxes:			
West Kern Community College District	3.003%	\$ 35,798,207	\$ 1,075,020
Taft School District	14.871%	18,209,031	<u>2,707,865</u>
Total overlapping debt repaid with property taxes			<u>\$ 3,782,885</u>
Overlapping Other Debt:			
Kern County Certificates of Participation	0.397%	136,830,000	543,215
Kern County Pension Obligations	0.397%	474,206,067	1,882,598
Kern County Board of Education Certificates of Participation	0.397%		-
West Kern Community College District Certificates of Participation	3.003%	28,930,000	868,768
City of Taft General Fund Obligations	100.000%	1,340,000	<u>1,340,000</u>
Total Direct and Overlapping General Fund			<u>4,634,581</u>
Combined Total Debt			\$ 8,417,466 (2)

(1) Percentage of overlapping agency's assessed valuation located within boundaries of the city.

(2) Exclude tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Ratios to 2009-2010 Assessed Valuation:

¹ Total Overlapping Tax and Assessment Debt 1.14%

Ratios to Adjusted Assessed Valuation:

Combined Direct Debt (\$1,340,000) 0.46%

Combined Total Debt 2.94%

State School Building Aid Repayable as of 6/30/10: \$0

Source: California Municipal Statistics, Inc.

CITY OF TAFT
Demographic and Economic Statistics
Last Ten Calendar Years

Calendar Year	Population	Personal Income (in Thousands)	Per Capita Personal Income	Unemployment Rate	Median Age	% of Pop 25+ with High School Degree	% of Pop 25+ with Bachelor's Degree
2001	8,884	\$ 147,261	\$ 16,576	8.3%			
2002	8,940	148,483	16,609	9.5%			
2003	9,023	151,843	16,828	10.0%			
2004	9,004	155,644	17,286	9.6%			
2005	9,059		17,727				
2006	9,137	167,966	18,383	7.4%			
2007	9,138	171,967	18,819	8.0%			
2008	9,188	173,834	18,920	9.6%			
2009	9,119	169,649	18,604	14.1%	34.2	76.2%	8.6%
2010*	9,264	N/A	N/A	14.5%			

Notes and Data Sources:

Population: California State Department of Finance

Unemployment Data: California Employment Development Department

Income, Age, and Education Data: ESRI - Demographic Estimates are based on the last available Census.

Projections are developed by incorporating all of the prior census data released to date. Post census trends in the population are extracted from a variety of data sources. Demographic Data is totaled from Census Block Group that overlap the City's boundaries

* Not Available

CITY OF TAFT
Principal Employers (1)
Current Year and Nine Years Ago

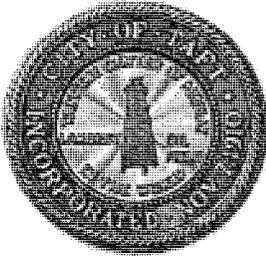
Employer	2010			2001		
	Number of Employees	Rank	Percent of Total Employment	Number of Employees	Rank	Percent of Total Employment
US Prison Bureau	400	1	0.00%	N/A		N/A
Gene Watson Construction	200	2	5.42%			
General Production Services	200	3	0.00%			
Taft Union High School District	175	4	4.74%			
Taft Production Company	153	5	0.00%			
Kmart	90	6	2.44%			
Albertsons	80	7	2.17%			
Final Phase Inc.	75	8	2.03%			
NTS Inc.	70	9	0.00%			
Taft Community Correctional	60	10	1.63%			
Cemex	50	11	0.00%			
Lincoln Junior High School	50	12	1.36%			
Taft College Child Care Center	50	13	1.36%			
McDonald's	45	14	1.22%			
Roosevelt Elementary School	45	15	1.22%			
Baker Hughes	42	16	1.14%			
Stewart & Stevensons LLC	40	17	1.08%			
West Kern Water District	40	18	1.08%			
Parkview Elementary School	37	19	1.00%			
Taft Primary School	35	20	0.95%			
Total of Top Employers	1,937		28.84%	N/A		N/A
Total Employees in City	3,689					

(1) Not all employees are employed within the Taft City Limits
Source: Provided by Hdl Coren & Cone
Note: Only current data is available

CITY OF TAFT
 Full-time and Part-time City Employees
 by Function
 Last Ten Fiscal Years

<u>Function</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
General government	8	8	8	7	7	7	9	9	10	9
Public safety	27	28	28	30	30	30	33	24	24	24
Public works	6	7	7	7	7	8	8	8	8	8
Community										
Development	3	3	3	4	4	6	8	8	8	8
Sewer Systems	1	1	1	1	1	1	1	1	1	1
Refuse Collection	1	1	1	1	1	1	1	1	1	1
Transit	9	9	9	9	9	9	9	9	9	9
CCF Facility	58	58	58	56	56	56	62	62	65	65
Wastewater	1		1	1	1					1
TCDA	<u>1</u>									
Total	<u>115</u>	<u>116</u>	<u>117</u>	<u>117</u>	<u>117</u>	<u>119</u>	<u>132</u>	<u>123</u>	<u>127</u>	<u>127</u>

Source: City of Taft Finance Department



City of Taft Agenda Report

DATE: APRIL 19, 2011

TO: MAYOR MILLER AND COUNCIL MEMBERS

AGENDA MATTER:

ANNUAL AUDITED WASTEWATER TREATMENT PLANT FINANCIAL REPORT FOR FY 2009-2010.

SUMMARY STATEMENT:

Attached is the Annual Audited Financial Statements for the Wastewater Treatment Plant for the year ended June 30, 2010.

On April 19, 2011, the Taft City Finance Committee reviewed the Annual Audited Financial Report with the City's Auditor. The committee recommended the financial statements be presented to the City Council at this meeting.

RECOMMENDED ACTION:

Motion to receive and file the Annual Audited Wastewater Treatment Plant Financial Report for the year ended June 30, 2010.

IMPACT ON BUDGET (Y/N): No

ATTACHMENT (Y/N): YES, ANNUAL AUDITED WASTEWATER TREATMENT PLANT FINANCIAL REPORT

PREPARED BY: Teresa Binkley, Finance Director

REVIEWED BY:

CITY CLERK	FINANCE DIRECTOR	CITY MANAGER

**WASTEWATER TREATMENT PLANT
CITY OF TAFT / FORD CITY-TAFT HEIGHTS
SANITATION DISTRICT**

FINANCIAL STATEMENTS

JUNE 30, 2010

**WASTEWATER TREATMENT PLANT
CITY OF TAFT / FORD CITY-TAFT HEIGHTS
SANITATION DISTRICT
FINANCIAL STATEMENTS
JUNE 30, 2010**

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MOSS, LEVY & HARTZHEIM LLP

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS:

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
City of Taft/Ford City-Taft Heights
Sanitation District
Taft, California

We have audited the accompanying financial statements of the governmental activities and each major fund of the Wastewater Treatment Plant of the City of Taft / Ford City-Taft Heights Sanitation District (the WWTP), as of and for the fiscal year ended June 30, 2010, which collectively comprise the WWTP's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the City's and the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

As discussed in Note 1, the financial statements present only the Wastewater Treatment Plant of the City of Taft and the Ford City-Taft Heights Sanitation District and do not purport to, and do not, present fairly the financial position of the City of Taft as a whole or the Ford City-Taft Heights Sanitation District as a whole as of June 30, 2010, and the changes in their financial position for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America. The financial statements of the WWTP are intended to present the financial position and results of operations of only that portion of the funds of the City of Taft that, are attributable to the transactions of the WWTP.

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 Wastewater Treatment Plant of the City of Taft / Ford City-Taft Heights Sanitation District as of June 30, 2010, and the respective changes in financial position, for the fiscal year then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed in note 1 of the notes to basic financial statements, effective July 1, 2009, the WWTP adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No.45 – *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*, Statement No. 51 – *Accounting and Financial Reporting for Intangible Assets*, GASB Statement No. 53 – *Accounting and Financial Reporting for Derivative Instruments*, GASB Statement No. 57 – *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, and GASB Statement No. 58 – *Accounting and Financial Reporting for Chapter 9 Bankruptcies*.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 21, 2011, on our consideration of the WWTP's internal control over financial reporting and on our tests 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.

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

The major special revenue fund budgetary comparison schedule, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures, 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 WWTP's basic financial statements. The Schedule of Revenues, Expenditures, and Changes in Fund Balance, Budget and Actual – Capital Projects Fund is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is 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
March 21, 2011

GOVERNMENT-WIDE FINANCIAL STATEMENTS

**WASTEWATER TREATMENT PLANT
CITY OF TAFT / FORD CITY - TAFT HEIGHTS SANITATION DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2010**

ASSETS	<u>Governmental Activities</u>
Current Assets:	
Cash and investments	\$ 2,911,210
Account receivable	323,869
Interest receivable	<u>1,407</u>
Total Current Assets	<u>3,236,486</u>
Noncurrent Assets:	
Capital assets:	
Non-depreciable:	
Land	18,750
Depreciable, net of accumulated depreciation:	
Machinery and equipment	80,900
Structures and improvements	<u>970,278</u>
Total Noncurrent Assets	<u>1,069,928</u>
Total Assets	<u>4,306,414</u>
 LIABILITIES	
Current Liabilities:	
Accounts payable	28,609
Compensated absences	1,999
Due to City of Taft	<u>5,957</u>
Total Current Liabilities	<u>36,565</u>
Noncurrent Liabilities:	
Compensated absences	<u>5,996</u>
Total Noncurrent Liabilities	<u>5,996</u>
Total Liabilities	<u>42,561</u>
 NET ASSETS	
Invested in capital assets, net of related debt	1,069,928
Restricted for:	
Capital projects	2,912,617
Unrestricted	<u>281,308</u>
Total Net Assets	<u>\$ 4,263,853</u>

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

**WASTEWATER TREATMENT PLANT
CITY OF TAFT / FORD CITY - TAFT HEIGHTS SANITATION DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

<u>Funcation/Program</u>	<u>Program Revenues</u>				Net (Expense)/Revenue and Changes in Net Assets Governmental Activities
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Governmental Activities:					
General government	\$ 565,730	\$ 16,366	\$ 381	\$ -	\$ (548,983)
Total Governmental Activities	\$ 628,497	\$ 16,366	\$ 381	\$ -	(611,750)
General Revenues:					
Investment earnings					764,392
Total General Revenues					764,392
Change in Net Assets					152,642
Net Assets, Beginning of Fiscal Year					4,111,211
Net Assets, End of Fiscal Year					\$ 4,263,853

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