TAFT COMMUNITY DEVELOPMENT AGENCY

FINANCIAL STATEMENTS

JUNE 30, 2010

TAFT COMMUNITY DEVELOPMENT AGENCY
Financial Statements
June 30, 2010

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Taft Community Development Agency
Taft, California

We have audited the accompanying financial statements of the governmental activities and each major fund, of the Taft Community Development Agency (Agency), a component unit of the City of Taft, California, as of and for the fiscal year ended June 30, 2010, which collectively comprise the Agency's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Agency's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Taft Community Development Agency, 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 Agency 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 December 1, 2010, on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 7, and the Housing Special Revenue Fund budgetary comparison schedule on page 28 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 Agency's basic financial statements. The budgetary comparison schedules for the Capital Projects Fund and the Debt Service Fund are presented for purposes of additional analysis and are not required parts of the basic financial statements. The budgetary comparison schedules for the Capital Projects Fund and the Debt Service Fund have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Moss, Levy & Hartzheim, LLP
Beverly Hills, California
December 1, 2010

City of Taft
Management's Discussion and Analysis

As management of the Taft Community Development Agency (the Agency), we offer this narrative overview and analysis of financial activities for the Agency 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 Agency's basic financial statements, comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains certain required and other supplementary information in addition to the basic financial statements.

Government-Wide Financial Statements

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

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

The *statement of activities* presents information showing how the Agency'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 such as revenues pertaining to uncollected taxes and earned but unused vacation leave.

The *government-wide financial statements* distinguish functions of the Agency 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 Agency include general government, community development, and interest on long-term debt.

The government-wide financial statements can be found on pages 9-10 of this report.

Fund Financial Statements

Fund Financial Statements are designed to report information about groupings (*fund*) of related accounts, which are used to maintain control over resources that have been segregated for specific activities or objectives. The Agency, like other state and local governments, uses *fund accounting* to ensure and demonstrate compliance with finance-related legal requirements. All of the *funds* of the Agency are classified as *governmental funds*.

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 funds balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances.

The Agency maintains three (3) individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for each fund. All funds of the Agency are considered to be major funds.

The Agency adopts an annual appropriated budget for each of its governmental funds. A budgetary comparison statement has been provided for each governmental fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 11-14 of this report.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data in the government-wide and fund financial statements. The notes to the financial statements begin on page 15 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following table presents a summary of the Agency's assets, liabilities and net assets for its governmental activities. As noted earlier, a government's net asset position may serve over time as a useful indicator of its financial position.

Agency Net Assets	Governmental Activities 2010	Governmental Activities 2009	Changes Inc (Dec)
Current and other assets	$1,553,866	$1,476,090	$77,776
Noncurrent assets and capital assets	2,790,177	2,838,283	(48,106)
Total assets	4,344,043	4,314,373	29,670
Current liabilities	289,650	284,307	5,343
Long-term liabilities	6,469,679	6,055,196	414,483
Total liabilities	6,759,329	6,339,503	419,826
Net assets:			
Restricted	962,945	1,180,796	(217,851)
Unrestricted	(3,378,231)	(3,205,926)	(172,305)
Total net assets	($2,415,286)	($2,025,130)	($390,156)

The Agency's liabilities exceed assets by $2,415,286 and $2,025,130 at June 30, 2010 and 2009 respectively. Total net assets have decreased by $390,156.

A portion of the Agency's net assets representing resources of $962,945 are subject to external restrictions on how they may be used. The remaining balance of $(3,378,231) is unrestricted but designated for specific purposes.

The following statement of activities is for the Agency's governmental operations for the period ended June 30, 2010 and 2009.

Agency Changes in Net Assets	Governmental Activities 2010	Governmental Activities 2009	Changes Inc (Dec)
Revenues:			
Property taxes, RDA tax increment	485,582	557,502	(71,920)
Investment earnings	187,064	176,653	10,411
Other	8,655	27,236	(18,581)
Total revenues	681,301	761,391	(80,090)
Expenses:			
General government	97,586	143,586	(46,000)
Community development	460,012	385,965	74,047
Interest on long-term debt	513,859	371,998	141,861
Total expenses	1,071,457	901,549	169,908
Inc (dec) in net assets before transfers	(390,156)	(140,158)	(249,998)
Net assets - beginning	(2,025,130)	(1,884,972)	(127,426)
Net assets - ending	($2,415,286)	($2,025,130)	($390,156)

Governmental activities. Governmental activities decreased the Agency's net assets by $390,156 during the current fiscal year.

FINANCIAL ANALYSIS OF THE AGENCY'S FUNDS

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

Governmental funds. The focus of the Agency's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Agency's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Individual fund information of governmental funds reported by the Agency includes general fund, housing special revenue fund, and debt service fund, which are all considered major funds.

As of the end of the current fiscal year, the Agency's governmental funds reported combined ending fund balances of $1,516,897. Approximately 2% of this amount $25,727 constitutes unreserved fund balances, which are available for spending at the government's discretion except for the balances $591,212 in the Special Revenue fund (Low-Moderate Income Housing), which are legally reserved for low and moderate income housing as well as related expenditures. The Capital Project Fund is the chief operating fund of the Agency. This fund had unreserved fund balance of $25,727 at the end of the current fiscal year. The remainder of the fund balance is reserved to indicate that is not available for new spending because is has been committed to pay debt service.

Budgetary Highlights

The total original appropriations were increased due to the increases in property tax increments. The City made a loan to the Agency to purchase the Union Pacific Railroad Property for future redevelopment project and there was an inter-fund transfer between the Debt Service Fund and the Capital Projects Fund.

Capital Assets and Depreciation Schedules.

Agency General Fixed Assets

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Land	$ 1,698,163	$ -	$ -	$ 1,698,163
Structures and improvements	1,614,385	1,217		$ 1,615,602
	3,312,548	1,217		3,313,765
Less accumulated depreciation	(617,026)	(41,607)		(658,633)
Governmental activities capital assets, net	$ 2,695,522	$ (40,390)	$ -	$ 2,655,132

The Agency uses its capital assets of $2,655,132 to eliminate blight in the City of Taft redevelopment project area. Additional information on the Agency's capital assets can be found in note 3 on page 24 of this report. These assets are not available for future spending and cannot be used to liquidate the Agency's debt since the resources needed to repay the debt will be provided primarily from collections of future tax increments and other revenues.

Long –Term Debt

Governmental activities debt at the end of the current fiscal year included revenue refunding bonds outstanding of $ 3,975,000, advances from City of Taft of $2,207,798, and compensated absences of $11,545. Long term debt increased a total of $145,545 during the current fiscal year.

Long-Term Liability Schedules

Agency Outstanding Debt Governmental Activities	Balance Beginning of Year	Additions	Deletions	Balance End of Year
1999 Revenue Refunding Bonds	$ 4,105,000	$ -	$ (130,000)	$ 3,975,000
Compensated Absences		11,545		11,545
Advances from the City of Taft	1,947,798	260,000		2,207,798
Governmental Activities, Long-Term Liabilities	$ 6,052,798	$ 271,545	$ (130,000)	$ 6,194,343

Additional information on the Agency's long-term debt can be found in note 4 on pages 24 and 25 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Agency Board (City Council) considers many factors when setting redevelopment budget for the ensuing year.

- The County of Kern, Auditor Controller's Office estimated District Assessed Values for the Agency decreased 2.2% between fiscal year 2010 and fiscal year 2009, but estimated District Assessed Values will increase in fiscal year 2011 by 1.6%. The Agency's assessed values retained some of their value due to change in ownership and property improvements.
- Investment interest rates decreased from an average of 0.34% to an average of 0.0% during fiscal year 2009-2010.
- The Agency purchased property that was originally owned by the Union Pacific Railroad and has plans to develop the property as mixed used including an amphitheater and an oil workers monument. This project will be completed by using a master developer, grant funds, and a non-profit agency.
- The Agency is also in the process of expanding the project area to include the downtown and other areas that have become blighted.
- A one-time shift of approximately (second installment) $26,336 in property tax increment to the State's Educational Revenue Augmentation Fund (SERAF) as a way to reduce the State's deficit for fiscal year 2009-2010.

All of these factors were considered in preparing the Agency's budget for the fiscal year 2009-2010.

REQUEST FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customer, investors, and creditors with a general overview of the Agency's finances. 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.

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

TAFT COMMUNITY DEVELOPMENT AGENCY
STATEMENT OF NET ASSETS
JUNE 30, 2010

	Governmental Activities
ASSETS	
Current Assets	
Cash and investments	$ 1,050,479
Restricted cash and investments with fiscal agents	483,286
Interest receivable	524
Due from other governments	19,369
Prepaid expenses	208
Total Current Assets	1,553,866
Noncurrent Assets	
Deferred charges (net of accumulated amortization)	135,045
Capital assets:	
Non-depreciable:	
Land	1,698,163
Depreciable (net of accumulated depreciation):	
Structures and improvements	956,969
Total Noncurrent Assets	2,790,177
Total Assets	4,344,043
LIABILITIES	
Current Liabilities	
Accounts payable	36,969
Interest payable	114,795
Compensated absences	2,886
Long-term liabilities:	
Due within one year	135,000
Total Current Liabilities	289,650
Noncurrent Liabilities	
Advances from the City of Taft	2,207,798
Interest payable on advances	413,222
Compensated absences	8,659
Long-term liabilities:	
Due in more than one year	3,840,000
Total Noncurrent Liabilities	6,469,679
Total Liabilities	6,759,329
NET ASSETS	
Restricted:	
Debt service	371,733
Low and moderate income housing	591,212
Unrestricted	(3,378,231)
Total Net Assets (Deficit)	$ (2,415,286)

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

TAFT COMMUNITY DEVELOPMENT AGENCY
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
General government	$ 97,586	$ -	$ -	$ -	$ (97,586)
Community development	460,012				(460,012)
Interest on long-term debt	513,859				(513,859)
Total Governmental Activities	$ 1,071,457	$ -	$ -	$ -	(1,071,457)
General Revenues					
Taxes:					
Tax increment					485,582
Investment earnings					187,064
Other					8,655
Total General Revenues					681,301
Change in Net Assets					(390,156)
Net Assets (Deficit), Beginning of Fiscal Year					(2,025,130)
Net Assets (Deficit), End of Fiscal Year					$ (2,415,286)

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

FUND FINANCIAL STATEMENTS

TAFT COMMUNITY DEVELOPMENT AGENCY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2010

	Redevelopment Capital Projects	Housing Special Revenue	Redevelopment Debt Service	Total Governmental Funds
ASSETS				
Cash and investments	$ 35,068	$ 587,053	$ 428,358	$ 1,050,479
Restricted cash and investments with fiscal agents			483,286	483,286
Receivables:				
Interest		285	239	524
Miscellaneous		3,874	15,495	19,369
Prepaid expenditures	208			208
Total Assets	$ 35,276	$ 591,212	$ 927,378	$ 1,553,866
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	$ 9,341	$ -	$ 27,628	$ 36,969
Total Liabilities	9,341		27,628	36,969
FUND BALANCES				
Reserved for:				
Prepaid expenditures	208			208
Debt service			899,750	899,750
Low and moderate income housing		591,212		591,212
Unreserved, designated and reported in:				
Capital projects fund	25,727			25,727
Total Fund Balances	25,935	591,212	899,750	1,516,897
Total Liabilities and Fund Balances	$ 35,276	$ 591,212	$ 927,378	$ 1,553,866

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

TAFT COMMUNITY DEVELOPMENT AGENCY
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2010

Fund Balances of Governmental Funds		$ 1,516,897
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets, net of accumulated depreciation, used in governmental activities are not current financial resources, and therefore, are not reported in the governmental funds.		2,655,132
Deferred charges, net of accumulated amortization, are not due in the current year, and therefore, are not reported in the governmental funds.		135,045
Long-term liabilities are not due and payable in the current period, and therefore, are not reported in the governmental funds.		
1998 Revenue Refunding Bonds	$ (3,975,000)	
Advances from City of Taft	(2,207,798)	
Compensated absences	(11,545)	
Interest payable on advances	(413,222)	(6,607,565)
Accrued interest payable is not recorded in the governmental funds since interest expenditures are recognized when paid.		(114,795)
Net Assets of Governmental Activities		$ (2,415,286)

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

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

	Redevelopment Capital Projects	Housing Special Revenue	Redevelopment Debt Service	Total Governmental Funds
REVENUES				
Property taxes	$ -	$ 100,735	$ 384,847	$ 485,582
Use of money and property	46,560	8,250	132,254	187,064
Other		1,731	6,924	8,655
Total Revenues	46,560	110,716	524,025	681,301
EXPENDITURES				
Current:				
General government		5,663	31,055	36,718
Community development	299,214		162,015	461,229
Debt service:				
Principal			130,000	130,000
Interest			236,480	236,480
Total Expenditures	299,214	5,663	559,550	864,427
Excess (Deficiency) of Revenues Over Expenditures	(252,654)	105,053	(35,525)	(183,126)
OTHER FINANCING SOURCES (USES)				
Proceeds from advances	260,000			260,000
Transfers in	10,000		73,296	83,296
Transfers out		(73,296)	(10,000)	(83,296)
Total Other Financing Sources (Uses)	270,000	(73,296)	63,296	260,000
Net Change in Fund Balances	17,346	31,757	27,771	76,874
Fund balances, beginning of fiscal year	8,589	559,455	871,979	1,440,023
Fund balances, end of fiscal year	$ 25,935	$ 591,212	$ 899,750	$ 1,516,897

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

TAFT COMMUNITY DEVELOPMENT AGENCY
RECONCILIATION OF THE 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			$	76,874
Amounts reported for governmental activities in the Statement of Activities differ from the amounts reported in the Statement of Revenues, Expenditures, and Changes in Fund Balances because:				
Capital outlay is reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense:				
Capital asset additions	$	1,217		
Depreciation expense		(41,607)		(40,390)
Accrued interest is interest due on long-term debt payable. This is the net change in accrued interest for the current period:				
Change in interest payable	$	3,445		
Change in interest payable on advances		(280,824)		(277,379)
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)
Debt repayments are reported as an expenditure in the government funds. The repayment is not an expense in the Statement of Activities as it is a reduction of a long-term liability. Debt issuances are reported under other financing sources in the governmental funds. In the Government-wide financial statements, debt issuance increases long term debt.				
Long-term debt repayments	$	130,000		
Compensated absences additions		(11,545)		
Advances from City of Taft		(260,000)		(141,545)
Change in Net Assets of Governmental Activities			$	(390,156)

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Taft Community Development Agency (Agency) was established in October, 1985, pursuant to the California Community Redevelopment Law of the State of California, Health and Safety Code Section 33000 et. Seq. by the City Council of the City of Taft (City) with the declaration of Ordinance No. 513. According to the Ordinance, the Agency is a blended component unit of the City and the City Council members are members of the Agency.

The Agency has access to the services and facilities of the City and the City's staff. The City assists the Agency in the planning, financing, acquisition, construction, and maintenance or operation of the redevelopment activities undertaken by the Agency within the City in accordance with applicable state and federal law.

The costs incurred and paid by the City on behalf of the Agency may include a part of the salaries and benefits of the City's officers and employees who perform services for the Agency. All sums paid by the City will be deemed as loans to the Agency until the time when the Agency starts receiving revenues and has the ability to repay the loans.

The purposes of the Agency are to assist the City in eliminating blighted areas, in expanding the supply of low and moderate-income housing and employment opportunities, and in providing an environment for the enhancement and improvement of the social and economic well-being of all citizens of the City.

The accounting policies of the Taft Community Development Agency of the City of Taft (the Agency) conform to accounting principles generally accepted in the United States of America as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for governmental accounting and financial reporting principles. The following is a summary of the significant policies.

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 US 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 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 Taft Community Development Agency is a component unit of the City of Taft, California, and considered to fall within the City's oversight and control.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Accounting and Reporting Policies

The Agency 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.

C. Fund Accounting

The accounts of the Agency are organized on the basis of funds or account groups, 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.

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.

D. Basis of Accounting and Measurement Focus

Government – wide Financial Statements

The Agency's Government-wide Financial Statements include a Statement of Net Assets and a Statement of Activities. These statements present summaries of government activities for the Agency.

These statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all the Agency's assets and liabilities are included in the accompanying Statement of Net Assets. The Statement of Activities presents changes in net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues for the Agency and is reported in three 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. Operating grants and contributions include revenues restricted to meeting the requirements of a particular operating function and may include state shared revenues and grants. Capital grants and contributions include revenues restricted to meeting the requirements of a particular capital function. Taxes and other items not properly included among program revenues are reported as general revenues.

All internal balances in the government-wide statements, if any, have been eliminated.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting and 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. 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 Agency has presented all funds as major funds because of their significance to the Agency as a whole.

All governmental funds are accounted for on a spending or *"current financial resources"* measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheets. The Statement of Revenues, Expenditures, and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in fund balances. Revenues are recognized in the accounting period in which they become susceptible to accrual, that is, when they become both measurable and available to finance expenditures of the current period. "Measurable" means that the amount of the transaction can be determined, and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Accrued revenues include property taxes (tax increment) received within one year after fiscal year-end, and earnings on investments. Expenditures are recorded when the fund liability is incurred, if measurable, except for unmatured interest on long-term debt, which is recognized when due.

The Agency reports the following major governmental funds:

The **Housing Special Revenue Fund** is used to account for the receipt of 20% of the gross tax increment allocation, which is restricted to use on projects that increase or preserve the supply of low and moderate income housing in accordance with Health and Safety Code Section 33334.

The **Redevelopment Debt Service Fund** is used to account for the accumulation of resources for and, the payment of principal and interest on the Agency's debt and other long-term obligations.

The **Redevelopment Capital Projects Fund** is used to account for all project expenditures, including acquisition of properties, cost of site improvements, and other costs within the project area.

E. Budgetary Policy and Control

1. General Budget Policies

The Agency approves each fiscal year's budget submitted by the Executive Director prior to the beginning of the new fiscal year. Public meetings are conducted prior to its adoption by the Agency. All appropriations lapse at fiscal year-end. The Agency has the legal authority to amend the budget at any time during the fiscal year. The Executive Director has the authority to make adjustments to the operating budget within program areas. Transfers of operating budget appropriations between program areas 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 Agency.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Policy and Control (Continued)

1. General Budget Policies (Continued)

The Agency maintains budgetary controls to ensure compliance with legal provisions embodied in the appropriated budget approved by the Agency. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) for the operating budget is the program area – total for all funds. Formal budgetary integration is employed as a management control device during the fiscal year for the governmental type funds.

2. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is employed in the governmental funds. Encumbrances lapse at fiscal year-end; encumbrances do not constitute expenditures or liabilities.

F. Cash/Investment Policy

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

G. Capital Assets and Depreciation

Capital assets, which include land and structures and improvements, are reported in the government-wide financial statements. Capital assets are defined by the Agency 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. Donated capital assets are valued at their estimated fair value on the date donated.

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 fiscal 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 fiscal year represents that fiscal year's pro rata share of the cost of capital assets.

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

The Agency has assigned the useful lives listed below to capital assets.

Structures and improvements	20-40 Years

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Compensated Absences

It is the Agency's policy to permit employees to accumulate earned but unused vacation. All vacation benefits are accrued as earned by employees. Agency does not have any employees, and all compensated leave are shown in the City's financial statements.

I. Long-term Obligations

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

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 initially made are recorded as expenditures/expenses in the reimbursing fund and as reductions of the expenditures/expenses in the reimbursed fund. All interfund transactions except advances, quasi-external transactions, and reimbursements are accounted for as transfers.

K. Property Tax Increment

Property Valuations and Tax Levies

The California Community Redevelopment Law provides that assessed valuations of a redevelopment project are, in effect, frozen at the level existing when the redevelopment plan is adopted, and all property taxes produced from this valuation continue to flow to all public agencies levying taxes on property in the project. Taxes produced from any increase in the assessed valuation of a project over the "frozen base" may be allocated to a redevelopment agency to pay or repay costs incurred on behalf of the project. The assessed valuation of a project may be temporarily or permanently reduced below the frozen base as a result of ownership of property by a redevelopment agency pending resale to a developer (temporary), or because a permanent reduction of the assessed valuation will cause a concurrent reduction of the frozen base so that the production of tax increment income from new development will not be impaired.

Tax Levy Dates

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 no later than December 10 and April 10. The County bills and collects the property taxes and remits a portion of those taxes (known as tax increments) to the Agency in installments during the fiscal year. Agency property tax revenues are recognized on the modified accrual basis of accounting method.

Tax Collections

The county tax collector is responsible for all property tax collections. Kern County bills and collects the property taxes and remits them to the Agency in installments during the year. Unsecured personal property taxes do not constitute a lien against real property unless the taxes become delinquent. Payment must be made in one installment, which is delinquent if not paid by August 31 of the fiscal year. Significant penalties are imposed by the county for late payments.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Use of Restricted Resources

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

M. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

N. New Accounting Pronouncements

The Agency 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.

GASB Statement No. 51 – Accounting and Financial Reporting for Intangible Assets
For the fiscal year ended June 30, 2010, the Agency 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 Agency 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 Agency 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. New Accounting Pronouncements (Continued)

GASB Statement No. 58 – Accounting and Financial Reporting for Chapter 9 Bankruptcies
For the fiscal year ended June 30, 2010, the Agency 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.

NOTE 2 – CASH AND INVESTMENTS

Cash and investments are reported in the basic financial statements as follows:

Cash and investments	$ 1,050,479
Restricted cash and investments with fiscal agents	483,286
Total Cash and Investments	$ 1,533,765

Cash and investments at June 30, 2010 consisted of the following:

Cash and investments pooled with the City of Taft	$ 1,050,479
Investments held with fiscal agents:	
Money Market Funds	483,286
Total cash and investments	$ 1,533,765

Cash and investments of the Agency, other than investments held with fiscal agents, are pooled with funds of the City of Taft for deposit and investment purposes. Interest on pooled cash and investments is credited to the funds based on each respective fund's average cash balance at each quarter end. Detailed information concerning the City's pooled cash and investments can be found in the City's Annual Financial Report for the fiscal year ended June 30, 2010.

NOTE 2 – CASH AND INVESTMENTS (Continued)

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

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

Authorized Investment Type	Maximum Maturity	Maximum Percentage/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	$15,000,000
U.S. Agency Securities	N/A	None	None

Investments Authorized by Debt Agreements

Investments of debt proceeds held by bond trustees are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code. The table below identifies the investment types that are authorized for investment held by bond trustees. The table also identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity
U.S. Treasury Obligations	None
U.S. Agency Securities	None
Banker's Acceptances	180 days
Commercial Paper	270 days
Money Market Funds	N/A
Investment Contracts	30 years

NOTE 2 – CASH AND INVESTMENTS (Continued)

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 is to changes in market interest rates.

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

Investment Type	Amount	Maturity Date
Held by Fiscal Agent:		
Money Market Funds	$ 483,286	N/A
Total	$ 483,286	

Disclosures Relating to Credit Risk

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

Investment Type	Amount	AAA
Held by Fiscal Agent:		
Money Market Funds	$ 483,286	$ 483,286
Total	$ 483,286	$ 483,286

Concentration of Credit Risk

The investment policy of the Agency contains no limitations on the amount that can be invested in any one issuer beyond that is stipulated by the California Government Code. No investments in any one issuer (other than money market funds) represented 5% or more of total Agency's investments.

NOTE 3 – CAPITAL ASSETS

	Balance at July 1, 2009	Additions	Deletions	Balance at June 30, 2010
Capital assets not being depreciated:				
Land	$ 1,698,163	$ -	$ -	$ 1,698,163
Capital assets, being depreciated:				
Structures and improvements	1,614,385	1,217		1,615,602
Total capital assets being depreciated	1,614,385	1,217		1,615,602
Less accumulated depreciation for:				
Structures and improvements	(617,026)	(41,607)		(658,633)
Total accumulated depreciation	(617,026)	(41,607)		(658,633)
Total capital assets, being depreciated, net	997,359	(40,390)		956,969
Total capital assets, net	$ 2,695,522	$ (40,390)	$ -	$ 2,655,132

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

General Government	$ 41,607

NOTE 4 – LONG-TERM DEBT

During the fiscal year ended June 30, 2010, the following changes in long-term debt occurred:

	Balance at July 1, 2009	Additons	Deletions	Balance at June 30, 2010	Due within one year
1998 Revenue Refunding Bonds	$ 4,105,000	$ -	$ 130,000	$ 3,975,000	$ 135,000
Compensated absences		11,545		11,545	2,886
Advances from the City of Taft	1,947,798	260,000		2,207,798	
	$ 6,052,798	$ 271,545	$ 130,000	$ 6,194,343	$ 137,886

1998 Revenue Refunding Bonds

On December 1, 1998, the Taft Financing Authority issued $5,060,000 of 1998 Revenue Refunding 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 Redevelopment Debt Service Fund. The Debt Service Fund also receives a transfer from the Housing Special Revenue Fund for 20% of the annual debt service since this fund received 20% of the bond proceeds. The Bonds bear interest at rates ranging from 4.25 to 5.80%. Interest is payable semiannually each January 1 and July 1 and principal is paid annually each January 1 through 2028. Tax increment revenue is pledged as collateral for the repayment of the bonds.

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.

NOTE 4 – LONG-TERM DEBT (Continued)

Advances from the City of Taft

On June 30, 2009, the City Council approved promissory note #16 between the City of Taft and the Taft Community Development Agency. The Taft Community Development Agency promises to pay to the City of Taft, or order, at City Hall, Taft, California, on or before June 30, 2011, the sum of $1,947,798 with interest thereon from June 30, 2010, on any unpaid principal at the rate of 12% per annum, for community development expenses paid by the City on behalf of the Agency. An additional $260,000 was loaned to the Agency during the fiscal year ended June 30, 2010. The current outstanding principal balance as of June 30, 2010 is $2,207,798.

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

Fiscal Year Ended 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
Totals	$ 3,975,000	$ 2,526,840	$ 6,501,840

NOTE 5 – NET ASSETS/FUND BALANCES

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

Restricted Net Assets

This category presents restrictions imposed by creditors, grantors, contributions, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. This category presents restrictions placed on the categories of Debt Service ($371,812) and Housing Programs ($591,212). None of these are restricted by enabling legislation.

Unrestricted Net Assets

This category represents the net assets of the Agency, not restricted for any project or other purpose.

In the fund financial statements, fund balances are classified in the following categories:

Reserved

Reservations of equity show amounts that are not appropriated for expenditure or are legally restricted for specific uses. The low and moderate income housing special revenue fund provides funding for the matching requirements of various Federal and California Housing Grants that assist low and moderate income households.

NOTE 5 – NET ASSETS/FUND BALANCES (Continued)

Designated

Designations of equity are used to show the amounts within unreserved equity, which are intended to be used for specific purposes, but are not legally restricted. The capital projects fund provides funding for Community Development area capital projects and the related expenditures.

NOTE 6 – EXPENDITURES IN EXCESS OF APPROPRIATIONS

At June 30, 2010, the Agency's Debt Service Fund expenditures exceeded appropriations by $8,061.

NOTE 7 – INTERFUND TRANSFERS

Interfund transfers for the fiscal year ended June 30, 2010 are as follows:

Fund	Transfer in	Transfer out
Capital Projects Fund	$ 10,000	$ -
Housing Special Revenue Fund		73,296
Debt Service Fund	73,296	10,000
Total	$ 83,296	$ 83,296

NOTE 8 – COMMITMENTS, CONTINGENCIES, AND SUBSEQUENT EVENTS

There are certain claims against the Agency which have been denied and referred to the Agency insurance carrier. The Agency believes that none of these claims will exceed insurance coverage.

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

NOTE 9 – FINANCIAL CONDITION

The Agency had a deficit in net assets of $2,403,741 at June 30, 2010. It is expected but uncertain whether the tax increment revenue received over the life of the Agency will be adequate to eliminate the deficit. Any remaining deficit at the end of the Agency's life will be absorbed by the City's General Fund.

REQUIRED SUPPLEMENTARY INFORMATION

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

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	$ 76,858	$ 99,749	$ 100,735	$ 986
Use of money and property	12,696	9,014	8,250	(764)
Other		650	1,731	1,081
Total Revenues	89,554	109,413	110,716	1,303
EXPENDITURES				
Current:				
General government	16,258	5,663	5,663	
Community development		30,454		30,454
Total Expenditures	16,258	36,117	5,663	30,454
Excess (Deficiency) of Revenues Over Expenditures	73,296	73,296	105,053	31,757
OTHER FINANCING SOURCES (USES)				
Transfers out	(73,296)	(73,296)	(73,296)	
Total Other Financing Sources (Uses)	(73,296)	(73,296)	(73,296)	
Net Change in Fund Balance			31,757	31,757
Fund balance, beginning of fiscal year	559,455	559,455	559,455	
Fund balance, end of fiscal year	$ 559,455	$ 559,455	$ 591,212	$ 31,757

OTHER SUPPLEMENTARY INFORMATION

TAFT COMMUNITY DEVELOPMENT AGENCY
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
REDEVELOPMENT 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	68,949	46,560	(22,389)
EXPENDITURES			
Current:			
Community development	437,552	299,214	138,338
Total Expenditures	437,552	299,214	138,338
Excess (Deficiency) of Revenues Over Expenditures	(368,603)	(252,654)	115,949
OTHER FINANCING SOURCES			
Proceeds from advances	260,000	260,000	
Transfers in	108,603	10,000	(98,603)
Total Other Financing Sources	368,603	270,000	(98,603)
Net Change in Fund Balance		17,346	17,346
Fund balance, beginning of fiscal year	8,589	8,589	
Fund balance, end of fiscal year	$ 8,589	$ 25,935	$ 17,346

TAFT COMMUNITY DEVELOPMENT AGENCY
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
REDEVELOPMENT 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	532,495	524,025	(8,470)
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	551,489	559,550	(8,061)
Excess (Deficiency) of Revenues Over Expenditures	(18,994)	(35,525)	(16,531)
OTHER FINANCING SOURCES (USES)			
Transfers in	73,296	73,296	
Transfers out	(54,302)	(10,000)	44,302
Total Other Financing Sources (Uses)	18,994	63,296	44,302
Net Change in Fund Balance		27,771	27,771
Fund balance, beginning of fiscal year	871,979	871,979	
Fund balance, end of fiscal year	$ 871,979	$ 899,750	$ 27,771

MOSS, LEVY & HARTZHEIM LLP

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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*

The Board of Directors
Taft Community Development Agency
Taft, California

We have audited the financial statements of the governmental activities and each major fund of the Taft Community Development Agency (Agency), a component unit of the City of Taft, as of and for the fiscal year ended June 30, 2010. 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 Taft Community Redevelopment Agency's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control over financial report. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control 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.

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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. Such provisions include those provisions of laws and regulations identified in the *Guidelines for Compliance Audits of California Redevelopment Agencies* issued by the California State Controller. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, 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, LLP
Beverly Hills, CA
December 1, 2010