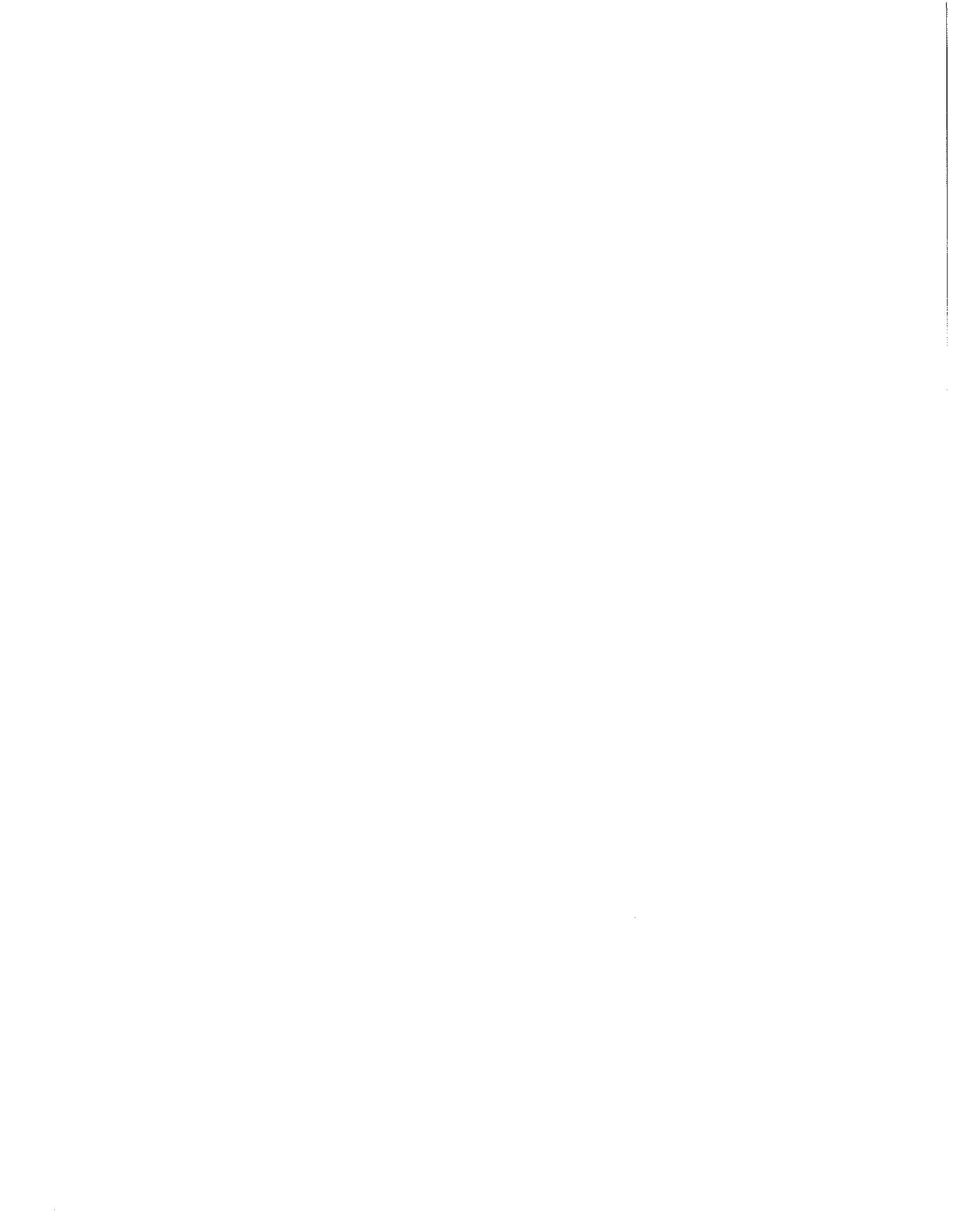


**CITY OF TAFT
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2012**



**CITY OF TAFT
ANNUAL FINANCIAL REPORT
JUNE 30, 2012**

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**CITY OF TAFT
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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, 2012, 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, 2012, and the respective changes in financial position and cash flows, where applicable thereof, 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, 2011, the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2013 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.

Management has not presented 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 a basic part of the 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 historic context. Our opinion on the basic financial statements is not affected by this missing information.

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, the Budgetary Comparison Schedules for the Major Capital Projects and the Non-major Governmental Funds, the Combining Financial Statements for the Non-major Governmental Funds, and Agency Funds, and the Statistical Section listed in the table of contents are presented for purposes of additional analysis and are not required parts of the basic financial statements. The Budgetary Comparison Schedules for the Major Capital Projects and the Non-major Governmental Funds, the Combining Financial Statements for the Non-major Governmental Funds and Agency Funds are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our 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 financial statements or to the 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 financial statements as a whole. The Introductory Section and Statistical Section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Moss, Levy & Hartzheim

Moss, Levy & Hartzheim, LLP
Culver City, California
December 12, 2013

CITY OF TAFT
STATEMENT OF NET ASSETS
JUNE 30, 2012

ASSETS	Governmental Activities	Business-type Activities	Total
Cash and investments	\$ 4,061,663	\$ 6,557,442	\$ 10,619,105
Accounts receivable	1,829,710	744,590	2,574,300
Interest receivable	13,351	14,959	28,310
Internal balances	1,591,546	(1,591,546)	
Notes receivable	3,896,919		3,896,919
Prepaid expenses	62,761		62,761
Loan receivable - successor agency	3,215,542		3,215,542
Deferred charges, net of accumulated amortization		15,074	15,074
Capital assets not being depreciated	1,835,913	138,913	1,974,826
Capital assets, net of accumulated depreciation	6,672,506	4,915,025	11,587,531
Total assets	23,179,911	10,794,457	33,974,368
LIABILITIES			
Accounts payable	305,263	230,684	535,947
Accrued interest payable		12,186	12,186
Deposits payable		37,183	37,183
Unearned revenue		24,088	24,088
Noncurrent liabilities:			
Due within one year	37,537	153,220	190,757
Due in more than one year	652,059	338,661	990,720
Total liabilities	994,859	796,022	1,790,881
NET ASSETS			
Invested in capital assets, net of related debt	8,508,419	4,622,012	13,130,431
Restricted for:			
Streets and roads	116,648		116,648
Public safety	420,227		420,227
Public works	292,306		292,306
Community development	728,995		728,995
Unrestricted	12,118,457	5,376,423	17,494,880
Total net assets	\$ 22,185,052	\$ 9,998,435	\$ 32,183,487

See accompanying notes to financial statements

**CITY OF TAFT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ (2,224,860)	\$ 102,451	\$ 1,149,130	\$ -
Public safety	(2,890,041)	34,851	357,137	
Public works	(1,879,982)	136,905	345,642	374,244
Health and welfare	(147,951)			
Community development	(410,414)		338,303	
Interest on long-term debt	(177,284)			
Total governmental activities	(7,730,532)	274,207	2,190,212	374,244
Business-type activities:				
County correctional facility (CCF)	(5,087,885)	3,806,179		
Federal WWTP	(874,751)	802,656		
Sewer	(703,721)	780,171		
Refuse	(737,510)	673,154	10,000	
Transit	(976,560)	50,013	1,046,594	
Total business-type activities	(8,380,427)	6,112,173	1,056,594	
Total government	\$ (16,110,959)	\$ 6,386,380	\$ 3,246,806	\$ 374,244

General revenues and transfers:

Taxes:

 Property taxes

 Sales tax

 Other taxes

Motor vehicle in lieu fees, unrestricted

Investment earnings

Miscellaneous

Transfers

Total general revenues and transfers

Change in net assets before extraordinary item

Extraordinary Item

Gain on transfer of assets and liabilities
to RDA successor trust funds

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

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ (973,279)	\$ -	\$ (973,279)
(2,498,053)		(2,498,053)
(1,023,191)		(1,023,191)
(147,951)		(147,951)
(72,111)		(72,111)
(177,284)		(177,284)
<u>(4,891,869)</u>		<u>(4,891,869)</u>
	(1,281,706)	(1,281,706)
	(72,095)	(72,095)
	76,450	76,450
	(54,356)	(54,356)
	120,047	120,047
	<u>(1,211,660)</u>	<u>(1,211,660)</u>
<u>(4,891,869)</u>	<u>(1,211,660)</u>	<u>(6,103,529)</u>
996,100		996,100
1,913,282		1,913,282
405,037		405,037
720,499		720,499
236,715	88,151	324,866
525,365		525,365
(592,413)	592,413	
<u>4,204,585</u>	<u>680,564</u>	<u>4,885,149</u>
<u>(687,284)</u>	<u>(531,096)</u>	<u>(1,218,380)</u>
<u>4,197,026</u>		<u>4,197,026</u>
<u>3,509,742</u>	<u>(531,096)</u>	<u>2,978,646</u>
19,339,933	10,422,203	29,762,137
(664,623)	107,328	(557,295)
<u>18,675,310</u>	<u>10,529,531</u>	<u>29,204,842</u>
<u>\$ 22,185,052</u>	<u>\$ 9,998,435</u>	<u>\$ 32,183,487</u>

**CITY OF TAFT
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2012**

ASSETS	<u>General</u>	<u>WWTP Capital Projects</u>	<u>Revolving Loan Fund - CDBG</u>	<u>Total Non- Major Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash and investments	34,173	\$ 2,861,132	\$ 29,377	\$ 1,115,302	\$ 4,039,984
Receivables:					
Accounts	828,065			1,001,645	1,829,710
Interest	2,794	7,358	59	3,140	13,351
Notes	5,944		2,094,320	1,796,655	3,896,919
Due from other funds	1,695,278	394,902			2,090,180
Loan Receivable from successor agency	3,215,542				3,215,542
Prepaid items	62,762				62,762
Total assets	<u>\$ 5,844,558</u>	<u>\$ 3,263,392</u>	<u>\$ 2,123,755</u>	<u>\$ 3,916,742</u>	<u>\$ 15,148,448</u>
LIABILITIES AND FUND BALANCES					
Accounts payable	\$ 204,722	\$ -	\$ 305	\$ 96,891	\$ 301,918
Due to other funds				498,634	498,634
Deferred revenue	435,010		2,094,319	1,796,655	4,325,984
Total liabilities	<u>639,732</u>		<u>2,094,624</u>	<u>2,392,180</u>	<u>5,126,536</u>
FUND BALANCES					
Nonspendable	3,284,248				3,284,248
Restricted			29,131	1,529,045	1,558,176
Assigned		3,263,392		31	3,263,423
Unassigned	1,920,578			(4,514)	1,916,065
Total fund balances	<u>5,204,826</u>	<u>3,263,392</u>	<u>29,131</u>	<u>1,524,562</u>	<u>10,021,911</u>
Total liabilities and fund balances	<u>\$ 5,844,558</u>	<u>\$ 3,263,392</u>	<u>\$ 2,123,755</u>	<u>\$ 3,916,742</u>	<u>\$ 15,148,448</u>

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, 2012

Fund balances of governmental funds \$ 10,021,911

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.

	\$ 17,903,452	
Total capital assets		
Accumulated depreciation	(9,395,033)	8,508,419

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 compensated absences and CalPERS side fund payable. (671,262)

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. 4,325,983

Net assets of governmental activities \$ 22,185,052

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, 2012

	General	WWTP Capital Projects	Revolving Loan Fund - CDBG	Total Non-major Governmental Funds	Total
REVENUES					
Property taxes	\$ 657,282	\$ -	-	\$ 189,470	\$ 846,752
Sales taxes	1,913,282				1,913,282
Other taxes	1,125,536				1,125,536
Licenses and permits, and fees	202,184				202,184
Fines and forfeitures	2,518			10,481	12,999
Use of money and property	139,747	39,551	311	56,258	235,867
Intergovernmental	827,161			1,317,337	2,144,498
Current services charges	451,775			88,613	540,388
Other	529,348		24,993	59,817	614,158
Total revenues	5,848,833	39,551	25,304	1,721,976	7,635,664
EXPENDITURES					
Current:					
General government	1,301,589			796,070	2,097,659
Public safety	2,712,367			150,906	2,863,273
Public works	1,505,315			13,282	1,518,597
Health and welfare				65,621	65,621
Community development	31,489		21,812	279,054	332,355
Capital outlay	698,470			2,555	701,025
Debt service:					
Principal	209,702			140,000	349,702
Interest and fiscal charges	48,250			222,300	270,550
Total expenditures	6,507,182		21,812	1,669,788	8,198,782
Excess of revenues over (under) expenditures	(658,350)	39,551	3,492	52,188	(563,119)
OTHER FINANCING SOURCES (USES)					
Transfers in	275,427	131,200			406,627
Transfers out	(592,413)			(406,627)	(999,040)
Total other financing sources (uses)	(316,986)	131,200		(406,627)	(592,413)
Net change in fund balances before extraordinary item	(975,336)	170,751	3,492	(354,439)	(1,155,532)
EXTRAORDINARY ITEM					
Gain/loss on transfer of assets and liabilities to successor agency				2,536,246	2,536,246
Net change in fund balances	(975,336)	170,751	3,492	2,181,807	1,380,714
Fund balances (deficits), beginning of fiscal year	6,089,164	3,092,641	25,639	(650,775)	8,556,669
Prior period adjustments	90,998			(6,470)	84,528
Fund balances (deficits), beginning of fiscal year, restated	6,180,162	3,092,641	25,639	(657,245)	8,641,197
Fund balances (deficits), end of fiscal year	<u>\$ 5,204,826</u>	<u>\$ 3,263,392</u>	<u>\$ 29,131</u>	<u>\$ 1,524,562</u>	<u>\$ 10,021,911</u>

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, 2012

Net change in fund balances of governmental funds		\$ 1,380,714
<p>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:</p>		
<p>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:</p>		
Cost of assets capitalized	\$ 626,872	
Depreciation expense	<u>(640,119)</u>	(13,247)
<p>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.</p>		
		93,266
<p>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.</p>		
		(4,503)
<p>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.</p>		
		(23,724)
<p>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.</p>		
Debt principal repayments and reduction of the CalPERS side fund	\$ 349,702	
Compensated absences	<u>66,754</u>	416,456
<p>Difference on the gain/loss on the transfer of assets and liabilities to the RDA successor agency private purpose trust funds of \$4,197,026 less \$2,536,246.</p>		
		<u>1,660,780</u>
Change in net assets of governmental activities.		<u>\$ 3,509,742</u>

See accompanying notes to financial statements

**CITY OF TAFT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2012**

	Business-type Activities			
	Enterprise Funds			
ASSETS	CCF	Federal WWTP	Sewer	Refuse
Current assets:				
Cash and investments	\$ -	\$ 2,874,164	\$ 2,311,716	\$ 1,371,562
Due from other funds				392
Receivables:				
Accounts	32,568		199,873	160,127
Interest		6,531	5,242	3,186
Total current assets	<u>32,568</u>	<u>2,880,695</u>	<u>2,516,831</u>	<u>1,535,267</u>
Noncurrent assets:				
Deferred issuance costs, net of accumulated amortization			15,074	
Capital assets, not being depreciated		138,913		
Capital assets, net of accumulated depreciation		<u>2,745,118</u>	<u>1,358,039</u>	<u>55,700</u>
Total noncurrent assets		<u>2,884,031</u>	<u>1,373,113</u>	<u>55,700</u>
Total assets	<u>32,568</u>	<u>5,764,726</u>	<u>3,889,944</u>	<u>1,590,967</u>
LIABILITIES				
Current Liabilities:				
Accounts payable	145,185	43,378	1,300	12,123
Interest payable	853		8,940	
Due to other funds	563,627		392	
Deferred revenue				
Deposits payable			17,521	19,662
Current portion of compensated absences	2,373	158	1,063	1,353
Current portion of long-term debt			<u>142,000</u>	
Total current liabilities	<u>712,038</u>	<u>43,536</u>	<u>171,216</u>	<u>33,138</u>
Noncurrent liabilities:				
Compensated absences	7,119	475	3,188	4,060
Long-term debt			<u>305,000</u>	
Total noncurrent liabilities	<u>7,119</u>	<u>475</u>	<u>308,188</u>	<u>4,060</u>
Total liabilities	<u>719,157</u>	<u>44,011</u>	<u>479,404</u>	<u>37,198</u>
NET ASSETS				
Invested in capital assets, net of related debt		2,884,031	926,113	55,700
Unrestricted	(686,589)	<u>2,836,684</u>	<u>2,484,427</u>	<u>1,498,069</u>
Total net assets (deficit)	<u>\$ (686,589)</u>	<u>\$ 5,720,715</u>	<u>\$ 3,410,540</u>	<u>\$ 1,553,769</u>

See accompanying notes to financial statements

Business-type Activities Enterprise Funds		Governmental Activities
Transit	Total Enterprise Funds	Internal Service Fund
\$ -	\$ 6,557,442 392	\$ 21,679
352,022	744,590 14,959	
<u>352,022</u>	<u>7,317,383</u>	<u>21,679</u>
	15,074 138,913	
756,168	4,915,025	
<u>756,168</u>	<u>5,069,012</u>	
1,108,190	12,386,395	21,679
28,698	230,684	3,345
2,393	12,186	
1,027,919	1,591,938	
24,088	24,088	
	37,183	
6,273	11,220	18,334
	142,000	
<u>1,089,371</u>	<u>2,049,299</u>	<u>21,679</u>
18,819	33,661 305,000	
<u>18,819</u>	<u>338,661</u>	
1,108,190	2,387,960	21,679
756,168	4,622,012	
(756,168)	5,376,423	
<u>\$ -</u>	<u>\$ 9,998,435</u>	<u>\$ -</u>

CITY OF TAFT
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Business-type Activities			
	Enterprise Funds			
	CCF	Federal WWTP	Sewer	Refuse
OPERATING REVENUES				
Charges for services	\$ 3,788,885	\$ 802,656	\$ 780,171	\$ 673,154
Connection and installation fees				
Other	17,294			10,000
Total operating revenues	<u>3,806,179</u>	<u>802,656</u>	<u>780,171</u>	<u>683,154</u>
OPERATING EXPENSES				
Salaries and wages	2,035,535	13,872	42,570	107,677
Training and development	790			
Contract and professional services	506,345	462,843	97,491	419,112
Maintenance and operations	34,875	35,011	457,687	150,567
Materials and supplies	19,850	39,616	297	1,437
Insurance	155,976	6,326	6,326	6,325
Utilities	145,739	31,961	144	
Administrative service charges	10,422	57,010	372	376
Depreciation	358,297	178,928	66,682	22,363
Leases and rents	1,726,673			
Other operating expenses	79,538	49,184	5,237	29,653
Total operating expenses	<u>5,074,040</u>	<u>874,751</u>	<u>676,806</u>	<u>737,510</u>
Operating income (loss)	<u>(1,267,861)</u>	<u>(72,095)</u>	<u>103,365</u>	<u>(54,356)</u>
NONOPERATING REVENUES (EXPENSES)				
Interest earnings on investments		34,951	35,733	17,467
Interest expense	(13,655)		(22,000)	
Gain (loss) on disposal of capital assets	(190)			
Amortization expense			(4,915)	
Total nonoperating revenues (expenses)	<u>(13,845)</u>	<u>34,951</u>	<u>8,818</u>	<u>17,467</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	592,413			
Total other financing sources (uses)	<u>592,413</u>			
Changes in net assets	<u>(689,293)</u>	<u>(37,144)</u>	<u>112,183</u>	<u>(36,889)</u>
Total net assets (deficit), beginning of fiscal year	(104,624)	5,757,859	3,298,357	1,590,658
Prior period adjustments	107,328			
Total net assets (deficit), beginning of fiscal year, restated	<u>2,704</u>	<u>5,757,859</u>	<u>3,298,357</u>	<u>1,590,658</u>
Prior period adjustments				
Total net assets (deficit), beginning of fiscal year, restated	<u>2,704</u>	<u>5,757,859</u>	<u>3,298,357</u>	<u>1,590,658</u>
Total net assets (deficit), end of fiscal year	<u>\$ (686,589)</u>	<u>\$ 5,720,715</u>	<u>\$ 3,410,540</u>	<u>\$ 1,553,769</u>

See accompanying notes to financial statements

Business-type Activities Enterprise Funds		Governmental Activities Internal Service Fund
Transit	Totals	
\$ 50,013	\$ 6,094,879	\$ 167,794
1,046,594	1,073,888	
1,096,607	7,168,767	167,794
536,557	2,736,211	119,175
6,517	7,307	
10,351	1,496,142	5,040
152,413	830,553	15,693
6,267	67,467	9,221
14,212	189,165	
7,020	184,864	4,931
50,213	118,393	13,734
152,143	778,413	
23,700	1,750,373	
4,289	167,901	
963,682	8,326,789	167,794
132,925	(1,158,022)	
	88,151	
(12,878)	(48,533)	
	(190)	
	(4,915)	
(12,878)	34,513	
	592,413	
	592,413	
120,047	(531,096)	
(120,047)	10,422,203	
	107,328	
(120,047)	10,529,531	
	-	
(120,047)	10,529,531	-
\$ -	\$ 9,998,435	\$ -

**CITY OF TAFT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	Business-type Activities		
	Enterprise Funds		
	CCF	Federal WWTP	Sewer
Cash Flows from Operating Activities:			
Cash received from customers and users	\$ 5,478,944	\$ 802,656	\$ 743,525
Cash paid to suppliers for goods and services	(2,806,375)	(647,755)	(568,530)
Cash paid to employees for services	(2,149,439)	(13,411)	(45,689)
Net cash provided (used) by operating activities	<u>523,130</u>	<u>141,490</u>	<u>129,306</u>
Cash Flows from Capital and Related Financing Activities:			
Acquisition, proceeds, and construction of capital assets	(53,625)	79	
Interest paid	(12,804)		(24,720)
Repayment of long-term debt			(136,000)
Net cash provided (used) by capital and related financing activities	<u>(66,429)</u>	<u>79</u>	<u>(160,720)</u>
Cash Flows from Non-Capital Financing Activities:			
(Increase) decrease in due from other funds			
Increase (decrease) in due to other funds	(1,049,214)		393
Transfers in	592,413		
Net Cash provided (used) by Non-Capital Financing Activities:	<u>(456,801)</u>		<u>393</u>
Cash Flows from Investing Activities:			
Interest received		29,984	31,815
Net Cash provided by investing activities		<u>29,984</u>	<u>31,815</u>
Net increase (decrease) in cash and cash equivalents	(100)	171,553	794
Cash and Cash Equivalents at Beginning of Fiscal Year	100	2,702,611	2,310,922
Cash and Cash Equivalents at End of Fiscal Year	<u>\$ -</u>	<u>\$ 2,874,164</u>	<u>\$ 2,311,716</u>
Noncash transactions			
Amortization of deferred charges	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (4,915)</u>
Reconciliation to Statement of Net Assets:			
Cash and investments	<u>\$ -</u>	<u>\$ 2,874,164</u>	<u>\$ 2,311,716</u>
Reconciliation of Operating Income (loss) to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	\$ (1,267,861)	\$ (72,095)	\$ 103,365
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	358,297	178,928	66,682
(Increase) decrease in prepaid expenses	71,733	75	127
(Increase) decrease in accounts receivable	1,672,765		(37,691)
Increase (decrease) in accounts payable	(198,690)	34,121	(1,103)
Increase (decrease) in deposits payable			1,045
Increase (decrease) in compensated absences	(113,114)	461	(3,119)
Increase (decrease) in deferred revenue			
Total adjustments	<u>1,790,991</u>	<u>213,585</u>	<u>25,941</u>
Net cash provided (used) by operating activities	<u>\$ 523,130</u>	<u>\$ 141,490</u>	<u>\$ 129,306</u>

See accompanying notes to financial statements

Business-type Activities			Governmental
Enterprise Funds			Activities
Refuse	Transit	Totals	Internal Service Fund
\$ 652,525	\$ 1,275,670	\$ 8,953,320	\$ 167,794
(609,143)	(296,641)	(4,928,444)	(51,418)
(109,735)	(542,175)	(2,860,449)	(116,599)
(66,353)	436,854	1,164,427	(223)
(25,922)	(34,414)	(113,882)	
	(10,485)	(48,009)	
		(136,000)	
(25,922)	(44,899)	(297,891)	
(392)		(392)	
	(401,646)	(1,450,467)	
		592,413	
(392)	(401,646)	(858,446)	
15,116		76,915	
15,116		76,915	
(77,551)	(9,691)	85,005	(223)
1,449,113	9,691	6,472,437	21,902
\$ 1,371,562	\$ -	\$ 6,557,442	\$ 21,679
\$ -	\$ -	\$ (4,915)	\$ -
\$ 1,371,562	\$ -	\$ 6,557,442	\$ 21,679
\$ (54,356)	\$ 132,925	\$ (1,158,022)	\$ -
22,363	152,143	778,413	
304	2,184	74,423	742
(32,076)	179,964	1,782,962	
(1,977)	(30,360)	(198,009)	(3,541)
1,447		2,492	
(2,058)	899	(116,931)	2,576
	(901)	(901)	
(11,997)	303,929	2,322,449	(223)
\$ (66,353)	\$ 436,854	\$ 1,164,427	\$ (223)

CITY OF TAFT
STATEMENT OF NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2012

	Private-Purpose Trust Funds	Agency Funds
ASSETS		
Cash and investments	\$ 148,638	\$ 559
Cash and investments with fiscal agents	475,791	3,262,612
Accrued interest receivable	4,283	
Deferred charges, net	119,611	
Capital Assets:		
Land	111,932	
Land Union Pacific 1	168,128	
Land Union Pacific 2	1,418,104	
Industrial Park	88,466	
Project #3 Industrial Park	147,651	
Less: Accumulated depreciation	(4,240)	
	<u>2,678,364</u>	<u>\$ 3,263,171</u>
Total assets		
LIABILITIES		
Accounts payable	\$ 600	\$ -
Accrued payroll	2,693	
Accrued interest payable	107,300	
Deposits payable		159,000
Long-term debt - 1998 revenue bonds	3,700,000	
Due to bondholders - 1997-A lease revenue bonds		3,104,171
Loan payable to City of Taft	3,215,542	
	<u>7,026,135</u>	<u>\$ 3,263,171</u>
Total liabilities		
NET ASSETS		
Restricted for debt service	368,491	
Unrestricted	(4,716,262)	
Total net assets (deficit)	<u>\$ (4,347,771)</u>	

See accompanying notes to financial statements

CITY OF TAFT
 FIDUCIARY FUNDS
 STATEMENT OF CHANGES IN NET ASSETS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Private Purpose Trust Funds
Additions:	
Investment revenue	\$ 5,205
Taxes and assessments	29,067
ERAF receipts from Kern County	26,335
Net assets received upon dissolution of redevelopment agency	(4,197,026)
Total additions	(4,136,419)
Deductions:	
Community development	114,483
Interest expense	89,416
Depreciation	4,240
Amortization of deferred charges	3,213
Total deductions	211,352
Change in net assets	(4,347,771)
Net Assets - July 1, 2011	
Net Assets (Deficit) - June 30, 2012	\$ (4,347,771)

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**CITY OF TAFT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

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) and Successor Agency to the 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 as of January 31, 2013. Subsequent to this date and at the end of the year TCDA no longer exists due to the State of California dissolving all Redevelopment Agencies within the State of California at this time. All assets and liabilities of the dissolved TCDA were transferred to the Successor Agency Private-Purpose Trust Fund as of February 1, 2012. Disbursements from this fund only be made for those activities to wind down the business of the former TCDA. These activities include, but are not limited to the payment of debt service related to the bonds issued by the TCDA as well as other contractual commitments.

CITY OF TAFT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

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 Fund.* 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, 2012

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.
- *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.

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.
- *Private Purpose Funds.* These funds are for disbursements made only for those activities to wind down the business of the former TCDA. These activities include, but are not limited to the payment of debt service related to the bonds issued by the TCDA as well as other contractual commitments.

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, 2012**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Basis of Accounting/Masurement 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 TCDA Capital Projects Fund – is used to account for the accumulation of property taxes and community development projects of the Taft Community Development Agency all project expenditures, including acquisition of properties, cost of site improvements, and other costs within project areas. See the above discussion about the dissolution of the TCDA and its successor agency.

CITY OF TAFT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

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 City was notified by the State of California the CCF contract was cancelled on November 2011. However, the State of California is continuing lease payments to the City through January 2017.

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. The street sweepers including personnel costs were transferred on July 1, 2011 to this fund from the General Fund.

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.

Internal Service Fund Statements

The City reports Internal service funds consisting of the central garage fund. These funds are established to account for any activity that provides goods or services to other funds or departments of the primary government and its component units, or to other governments, on a cost-reimbursement basis. See proprietary funds above for accounting for internal service funds.

CITY OF TAFT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Basis of Accounting/Measurement Focus (Continued)

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 fiduciary funds are agency funds and private purpose trust funds. These funds use the accrual basis of accounting. Agency funds are used to account for amounts held for debt service related to conduit debt, and 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. The private purpose funds are used to account for the redevelopment agency successor agency by the City as trustee. Trust funds are accounted for on the economic resources measurement focus and also use full accrual basis of accounting.

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.

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).

CITY OF TAFT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. 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.

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

H. 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. The Successor Agency has the bond and the bond issuance costs as of fiscal year-end June 20, 2013.

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

I. 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.

CITY OF TAFT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Capitalized Interest

No interest cost relating to construction was capitalized.

K. 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.

• **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, 2013, amounted to \$150,147 for Governmental Activities and \$44,881 for Business-type Activities.

L. 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.

M. 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.

N. 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).

**CITY OF TAFT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. 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.

P. New Accounting Pronouncements

Governmental Accounting Standards Board Statement No. 64

For the fiscal year ended June 30, 2012, the City implemented Governmental Accounting Standards Board Statement No. 64 (GASB 64), "*Derivative Instruments: Application of Hedge Accounting Termination Provisions.*" The requirements of this statement are effective for financial statement periods beginning after June 15, 2011.

The objective of this statement is to clarify whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. Implementation of GASB Statement No. 64, did not have an impact on the City's financial statements for the fiscal year ended June 30, 2012.

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

**CITY OF TAFT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

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

A. General Budget Policies (Continued)

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.

There were no budgets adopted for the following funds: High Technology, CDBG 09-EDEF-6534, 08-EDEF-5878, CDBG Home, Cal Homes Revolving Loan, BJA Grant, D.A.R.E, Tarp Revolving, Callhomes-4917, Housing Rehab Grant-STBG-5084, Revolving Loan Fund - Home, and RLF-CDBG (major fund) or Taft Successor Housing Agency Special Revenue Fund.

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, 2013, 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, 2012:

Governmental Funds:

Non-Major Funds

CDBG	\$	44
CDBG Home		4
Cal Home Revolving Loan Fund		1,108
Business Assistance Grant EDEF 6534		65
Landscape Assessment District		182
Cal Homes Revolving Loan		3,111

Major Fund:

CCF		686,589
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The City anticipates that future revenue will be sufficient to cover these deficits.

**CITY OF TAFT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

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

C. Excess of Expenditures over Appropriations

There were no funds with total excess of expenditures over appropriations in departments/cost centers of individual funds.

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, 2012, consisted of the following:

Statement of Net Assets:	
Cash and investments	\$ 10,619,104
Statement of Fiduciary Net Assets:	
Cash and investments	158,000
Cash and investments with fiscal agents	<u>3,738,403</u>
Total cash and investments	<u>\$ 14,515,507</u>

Cash and investments as of June 30, 2012 consisted of the following:

Cash on hand	\$ 19,007
Deposits held by financial institutions	987,960
Investments	<u>13,508,540</u>
Total cash and investments	<u>\$ 14,515,507</u>

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.

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

**CITY OF TAFT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 3 – CASH AND INVESTMENTS (CONTINUED)

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.

<u>Authorized Investment Type</u>	<u>Maximum Investment in One Issuer</u>	<u>Maximum Percent/Amount of Portfolio</u>	<u>Maximum Maturity</u>
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	5 years
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:

<u>Investment Type</u>	<u>Remaining Maturity (in Months)</u>			<u>Total</u>
	<u>12 Months or Less</u>	<u>13 to 24 Months</u>	<u>25 to 60 Months</u>	
State Investment Pool (LAIF)	\$ 5,668,752	\$ -	\$ -	\$ 5,668,752
Certificates of Deposit	106,509	116,254	1,376,969	1,599,732
U.S. Agency Securities			2,867,951	2,867,951
Held by Trustees:				
Money Market Funds	3,372,105			3,372,105
Total	\$ 9,147,366	\$ 116,254	\$ 4,244,920	\$ 13,508,540

**CITY OF TAFT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

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)	\$ 5,668,752	N/A	\$ -	\$ -	\$ -	\$ -	\$ 4,847,753
Certificates of Deposit	1,599,732	N/A					1,599,732
U.S. Agency Securities	2,867,951	N/A		867,951	2,000,000		
Held by Trustees:							
Money Market Funds	<u>3,372,105</u>			<u>3,372,105</u>			
Total	<u>\$ 13,508,540</u>		<u>\$ -</u>	<u>\$ 4,240,056</u>	<u>\$ 2,000,000</u>	<u>\$ -</u>	<u>\$ 6,447,485</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	\$ 2,000,000

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

The \$2,000,000 in the above Federal Agency security is included within the City's cash and investment pool and therefore is not contained in any specific opinion unit.

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, 2012

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: \$954,229 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, 2012, the balance of notes receivable was \$ 3,896,919. Of this amount, \$1,826,039 are 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%. All the loans are deferred revenue offsets.

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, 2012

NOTE 5 – INTERFUND ACTIVITIES (Continued)

Interfund transfers during the fiscal year ended June 30, 2012 are as follows.

	<u>Transfers In</u>	<u>Transfers Out</u>
Major Governmental Funds:		
General	\$ 275,427	\$ 592,413
Non-Major Governmental Funds:		
Traffic Safety		10,482
Gas Tax		255,252
Asset Forfeiture		9,693
WWTP Special Revenue		131,200
WWTP Capital Projects	131,200	
Business-type Activities:		
CCF	592,413	
Total interfund transfers	<u>\$ 999,040</u>	<u>\$ 999,040</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, 2012.

	<u>Due to</u>	<u>Due from</u>
	<u>(Payable)</u>	<u>(Receivable)</u>
Governmental Funds:		
Major Funds:		
General	\$ -	\$ 1,695,278
WWTP Capital Projects		394,902
Non-Major Funds:		
TDA Acts	332,101	
Business Assistance -6534	12,965	
Business Assistance - 5878	10,740	
CDBG	34,988	
CDBG Home 6859	3,000	
Cal Home Revolving Loan	1,108	
Cal Home 4917	100,632	
Revolving Loan Home	3,100	
Proprietary Funds:		
Major Funds:		
CCF	563,627	
Sewer	392	
Refuse		392
Transit	1,027,919	
Total	<u>\$ 2,090,572</u>	<u>\$ 2,090,572</u>

In addition, the general fund advanced \$3,215,542 to the Successor Agency Capital Projects Fund (formerly the TCDA Capital Projects Funds) within the Private Purpose Trust Funds.

CITY OF TAFT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

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, 2012.

Governmental Activities	Balance July 1, 2011	Additions	Deletions	Transfers to Successor Agency	Balance June 30, 2012
Capital assets not being depreciated:					
Land	\$ 3,040,113	\$ -	\$ -	\$ (1,698,164)	\$ 1,341,949
Construction in progress	207,094	286,870			493,964
Total capital assets not being depreciated	<u>3,247,207</u>	<u>286,870</u>		<u>(1,698,164)</u>	<u>1,835,913</u>
Capital assets being depreciated:					
Structures and improvements	8,729,720	55,985	(171,000)	(236,116)	\$ 8,378,589
Machinery and equipment	3,167,445	283,367	(28,073)		3,422,739
Infrastructure:					
Roadway system	3,829,378	650			3,830,028
Bridges	265,183				265,183
Total capital assets being depreciated	<u>15,991,726</u>	<u>340,002</u>	<u>(199,073)</u>	<u>(236,116)</u>	<u>15,896,539</u>
Less accumulated depreciation for:					
Structures and improvements	(4,527,339)	(295,218)	171,000		(4,651,557)
Machinery and equipment	(2,738,701)	(205,264)	28,073		(2,915,892)
Infrastructure:					
Roadway system	(1,357,836)	(104,280)			(1,462,116)
Bridges	(159,110)	(35,358)			(194,468)
Total accumulated depreciation	<u>(8,782,986)</u>	<u>(640,120)</u>	<u>199,073</u>		<u>(9,224,033)</u>
Total capital assets, being depreciated net of accumulated depreciation	<u>7,208,740</u>	<u>(300,118)</u>		<u>(236,116)</u>	<u>6,672,506</u>
Total Governmental activities capital assets, net of accumulated depreciation	<u>\$ 10,455,947</u>	<u>\$ (13,248)</u>	<u>\$ -</u>	<u>\$ (1,934,280)</u>	<u>\$ 8,508,419</u>

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

General government	\$ 122,698
Public safety	93,522
Public works	287,232
Health and welfare	82,330
Community development	54,337
Total depreciation expense - governmental activities	<u>\$ 640,120</u>

CITY OF TAFT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 6 – CAPITAL ASSETS AND DEPRECIATION (Continued)

Changes in business-type activities capital assets:

<u>Business-type activities</u>	<u>Balance</u> <u>July 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2012</u>
Capital assets not being depreciated:				
Construction in progress	\$ 138,913	\$ -	\$ -	\$ 138,913
Total capital assets not being depreciated	<u>138,913</u>			<u>138,913</u>
Capital assets being depreciated:				
Structures and improvements	6,406,097	12,430	(475,914)	5,942,613
Machinery and equipment	1,995,465	684,206	(9,214)	2,670,457
Sewer infrastructure	2,667,286			2,667,286
Total capital assets being depreciated	<u>11,068,848</u>	<u>696,636</u>	<u>(485,128)</u>	<u>11,280,356</u>
Less accumulated depreciation for:				
Structures and improvements	(2,938,318)	(259,449)	271	(3,197,496)
Machinery and equipment	(1,415,184)	(452,553)	9,148	(1,858,589)
Sewer infrastructure	(1,242,766)	(66,480)		(1,309,246)
Total accumulated depreciation	<u>(5,596,268)</u>	<u>(778,482)</u>	<u>9,419</u>	<u>(6,365,331)</u>
Total capital assets, being depreciated, net of accumulated depreciation	<u>5,472,580</u>	<u>(81,846)</u>		<u>4,915,025</u>
Total Business-type activities capital assets, net of accumulated depreciation	<u>\$ 5,611,493</u>	<u>\$ (81,846)</u>	<u>\$ -</u>	<u>\$ 5,053,938</u>

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

Federal WWTP	\$ 178,928
CCF	358,297
Sewer	66,682
Transit	152,143
Refuse	22,363
Total depreciation expense - business-type activities	<u>\$ 778,413</u>

NOTE 7 – GOVERNMENTAL ACTIVITIES LONG-TERM DEBT

During the fiscal year ended June 30, 2012, the following changes occurred to the governmental activities long-term liabilities:

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, 2012**

NOTE 7 – GOVERNMENTAL ACTIVITIES LONG-TERM DEBT (Continued)

During the fiscal year ended June 30, 2012, the following changes occurred to the governmental activities long-term liabilities: (Continued)

CalPERS Side Fund

During the 2005-2006 fiscal year, the City was required to participate in the Public Employees Retirement System (CalPERS) risk pool. As a result, a side fund was created to account for the difference between the funded status of the City's plan, in addition to the existing unfunded liability. The outstanding balance at June 30, 2012 was \$539,449.

<u>Governmental Activities:</u>	<u>Balance July 1, 2011</u>	<u>Prior Period Adjustments</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers to Private Purpose Trust Fund</u>	<u>Balance June 30, 2012</u>	<u>Due in One Year</u>
Compensated Absences	\$ 198,567			(48,420)		\$ 150,147	\$ 37,537
CalPERS side fund obligation		749,151		(209,702)		539,449	
Total	<u>\$ 198,567</u>	<u>\$ 749,151</u>	<u>\$ -</u>	<u>\$ (258,122)</u>		<u>\$ 689,596</u>	<u>\$ 37,537</u>

NOTE 8 – BUSINESS-TYPE ACTIVITIES LONG-TERM DEBT

During the fiscal year ended June 30, 2012, the following changes occurred to the business-type activities long-term liabilities:

<u>Business type activities</u>	<u>Balance July 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2012</u>	<u>Due in One Year</u>
2006 Sewer Loan	\$ 583,000	\$ -	\$ (136,000)	\$ 447,000	\$ 142,000
Compensated Absences	161,812		(116,931)	44,881	11,220
Total business-type activities long-term debt	<u>\$ 744,812</u>	<u>\$ -</u>	<u>\$ (252,931)</u>	<u>\$ 491,881</u>	<u>\$ 153,220</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.

<u>Fiscal Year End June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 142,000	\$ 18,048	\$ 160,048
2014	149,000	11,064	160,064
2015	156,000	3,744	159,744
Total	<u>\$ 447,000</u>	<u>\$ 32,856</u>	<u>\$ 479,856</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 is classified with current liabilities, with the remainder classified with noncurrent liabilities.

**CITY OF TAFT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

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.

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 fiscal year ended June 30, 2012 was 10.875% for non-safety employees, 100.69% for Tier 1 Public Safety employees, and 15.93% for Tier 2 Public Safety 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 2011-2012, the City of Taft's annual pension cost was \$744,158 and was equal to the City's required and actual contributions. The required contribution for fiscal year 2011-2012 was determined as part of the June 30, 2009 actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percent of pay. The actuarial assumptions included: (a) 7.75% investment rate of return (net of administrative expenses); (b) projected salary increases that vary by duration of service ranging from 3.55% to 14.45% for miscellaneous members and 3.55% and 14.45% for the Safety Police and Fire Plan and; (c) 0% cost-of-living adjustment. Both (a) and (b) include an inflation component of 3.00%. 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, 2012, was 18 years for the Miscellaneous Plan, 16 and 17 years (Tier 1 and Tier 2) for the Safety Police Plans, and 27 years for the Safety Fire Plan.

D. Three year trend information

Fiscal Year Ended June 30,	Miscellaneous	Fire	Police	Percentage of APC Contributed	Net Pension Obligation
2010	\$ 432,664	\$ 133,528	\$ 101,441	100%	\$ -
2011	454,521	21,985	309,400	100%	-
2012	530,362	24,138	189,658	100%	-

CITY OF TAFT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

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.

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, CSJVRMA 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.

**CITY OF TAFT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 11 – RISK MANAGEMENT (Continued)

The financial position and results of operations for the CSJVRMA as of June 30, 2012, the most recent information available, is presented below:

Total Assets	<u>\$ 70,671,479</u>
Total Liabilities	\$ 58,388,460
Total Retained Earnings	<u>12,283,019</u>
Total Liabilities and Retained Earnings	<u>\$ 70,671,479</u>
Revenues for Fiscal Year	\$ 28,071,430
Expenses for Fiscal Year	<u>31,914,578</u>
Change in Net Assets	<u>\$ (3,843,148)</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.

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.

CITY OF TAFT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 12 – COMMITMENTS AND CONTINGENCIES (Continued)

The City received a contract termination notice from The State of California in May 2011. The facility was then closed on November 30, 2011 with inmates transferred to other County of Kern facilities.

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

Fund Balance – Governmental Funds

As of June 30, 2012, fund balances of the governmental funds are classified as follows:

Nonspendable – amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – amounts that can be used only for specific purposes determined by a formal action of the governing board is the highest level of decision-making authority for the City. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the governing board.

Assigned – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the City's adopted policy, only the governing board or director may assign amounts for specific purposes.

Unassigned – all other spendable amounts.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally, unassigned funds, as needed, unless the City Council has provided otherwise in its commitment or assignment actions.

**CITY OF TAFT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 13 – FUND EQUITY (CONTINUED)

Fund Balance – Governmental Funds (Continued)

	General	WWTP Capital Projects	Revolving Loan Fund - CDBG	TCDA Capital Projects	Non-Major Governmental	Total
Nonspendable:						
Prepays and other	\$ 3,284,248	\$ -	\$ -	\$ -	\$ -	\$ 3,284,248
Total Nonspendable	<u>3,284,248</u>					<u>3,284,248</u>
Restricted for:						
Streets and roads					116,648	116,648
Public safety					420,263	420,263
Public works					292,306	292,306
Community development			29,131		699,833	728,964
Total Restricted			<u>29,131</u>		<u>1,529,050</u>	<u>1,558,181</u>
Assigned for:						
Capital projects		3,263,392				3,263,392
Total Assigned		<u>3,263,392</u>				<u>3,263,392</u>
Unassigned	1,920,578				(4,488)	1,916,090
Total Fund Balances	<u>\$ 5,204,826</u>	<u>\$ 3,263,392</u>	<u>\$ 29,131</u>	<u>\$ -</u>	<u>\$ 1,524,562</u>	<u>\$ 10,021,911</u>

NOTE 14 – DEFERRED CHARGES

Deferred charges consist of issuance costs and discounts for debt issues related to the 2006 Sewer Bonds. The total costs deferred as a result of the issuance of the Sewer Bonds is currently \$15,074. The amortization period is 113 months.

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, 2012 is \$7,910,000.

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.

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.

CITY OF TAFT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 17 – PRIOR PERIOD ADJUSTMENTS

A prior period adjustment of \$90,998 was made to the general fund related to accounts payable adjustments.

A prior period adjustment in the amount of \$(107,328) was made to the CCF fund for a vehicle recorded as expense.

A prior period adjustment in the amount of \$149 was made to the Cal Home Revolving Loan fund related to an accrual adjustment.

A prior period adjustment in the amount of \$(20) was made to the Cal Home 4917 fund related to an accounts payable adjustment.

A prior period adjustment in the amount of \$(6,599) was made to the Welfare Inmate Trust fund related to compensated absences.

A prior period adjustment of \$(749,151) was which affects the government-wide financial statement under governmental activities. In prior years, the City did not record the CalPERS side fund liability.

All of the above adjustments also are reported as prior period adjustments in the Statement of Activities.

NOTE 18 – RELATED PARTY TRANSACTIONS

The purchase of a City-owned residence was approved by the City Council in a closed session during August 2006 and during the fiscal year was leased to the City Manager. Subsequent to the fiscal year end the City Manager resigned. Presently, the residence is rented out to the former City Manager at \$1,350 per month on a month-to-month tenancy until such time the lease is terminated by either the City or the former City Manager.

A City employee's family member obtained a loan under a City grant program which was approved by the City and the State of California Agency administering the grant program.

NOTE 19 – SUCCESSORY AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY

On December 29, 2011, the California Supreme Court upheld Assembly Bill 1X 26 ("the Bill") that provides for the dissolution of all redevelopment agencies in the State of California. This action impacted the reporting entity of the City of Taft that previously had reported a redevelopment agency within the reporting entity of the City as a blended component unit.

The Bill provides that upon dissolution of a redevelopment agency, either the city or other unit of local government will agree to serve as the "successor agency" to hold the assets until they are distributed to other units of state and local government. On January 17, 2012, the City Council elected to become the Successor Agency for the former redevelopment agency in accordance with the Bill as part of the City resolution number 12.

CITY OF TAFT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 19 – SUCCESSORY AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY (Continued)

After enactment of the law, which occurred on June 28, 2011, redevelopment agencies in the State of California cannot enter into new projects, obligations or commitments. Subject to the control of a newly established oversight board, remaining assets can only be used to pay enforceable obligations in existence as the date of the dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments).

In future fiscal years, successor agencies will only be allocated revenue in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of former redevelopment agency until all enforceable obligations of the prior redevelopment agency have been paid in full and all assets have been liquidated.

The Bill directs the State Controller of the State of California review the propriety of any transfers of assets between redevelopment agencies and other public bodies that occurred after January 1, 2011. If the public body that received such transfers is not contractually committed to a third party for the expenditure or encumbrance of those assets, the state Controller is required to order the available assets to be transferred to the public body designated as the successor agency by the Bill.

Management believes, in consultation with legal counsel, that the obligations of the former redevelopment agency due to the City are valid enforceable obligations payable by the successor agency trust under the requirements of the Bill. The City's position on this issue is not a position of settled law and there is considerable legal uncertainty regarding this issue. It is reasonably possible that a legal determination may be made at a later date by an appropriate judicial authority that would resolve this issue unfavorably to the City.

In accordance with the timeline set forth in the Bill (as modified by the California Supreme Court on December 29, 2011) all redevelopment agencies in the State of California were dissolved and ceased to operate as a legal entity as of February 1, 2012.

Prior to that date, the final seven months of activity of the redevelopment agency continued to be reported in the governmental funds of the City. After the date of dissolution, the assets and activities of the dissolved redevelopment agency are reported in a fiduciary fund (private-purpose trust fund) in the financial statements of the City.

The transfer of the assets and liabilities of the former redevelopment agency as of February 1, 2012 (effectively the same date as January 31, 2012) from governmental funds of the City to fiduciary funds was reported in the governmental funds as an extraordinary loss (or gain) in the governmental fund financial statements. The receipt of these assets and liabilities as of January 31, 2012 was reported in the private-purpose trust fund as an extraordinary gain (or loss).

Because of the different measurement focus of the governmental funds (*current financial resources measurement focus*) and the measurement focus of the trust funds (*economic resources measurement focus*), the extraordinary loss (gain) recognized in the governmental funds was not the same amount as the extraordinary gain (loss) that was recognized in the fiduciary fund financial statements.

CITY OF TAFT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

**NOTE 19 – SUCCESSORY AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT
AGENCY (Continued)**

The difference between the extraordinary gain recognized in the fund financial statements and the extraordinary loss recognized in the fiduciary fund financial statements is reconciled as follows:

Total extraordinary loss reported in governmental fund - decrease to net assets of the Successor Agency Trust Funds	\$ (2,536,246)
Capital assets recorded in the government-wide financial statements - increase of net assets of the Successor Agency Trust Funds	1,934,280
Deferred charges reported in the government-wide financial statements - increase to net assets of the Successor Agency Trust Funds	122,826
Interest payable reported in the government-wide financial statements - decrease to net assets of the Successor Agency Trust Funds	(17,886)
Long-term debt reported in the government wide financial statements - decrease of net assets of the Successor Agency Trust Funds	(3,700,000)
Net decrease to net assets of the Successor Agency Trust Funds as a result of initial transfers (equal to the amount of the extraordinary gain reported in the government-wide financial statements of the City)	<u>\$ (4,197,026)</u>

**CITY OF TAFT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

**NOTE 19 – SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT
AGENCY (Continued)**

Capital Asset activity for the fiscal year ended June 30, 2012 was as follows:

	Balance at July 1, 2011	Transfers from RDA	Additions	Deletions	Balance at June 30, 2012
Capital assets, not being depreciated:					
Land	\$ -	\$ 1,698,163	\$ -	\$ -	\$ 1,698,163
Total capital assets, not being depreciated		1,698,163			1,698,163
Capital assets, being depreciated:					
Industrial park		165,230			165,230
Project Area # 3		241,886			241,886
Total capital assets being depreciated		407,116			407,116
Less accumulated depreciation for:					
Industrial park		(78,484)			(78,484)
Project Area #3		(92,515)			(92,515)
Total accumulated depreciation		(170,999)	-		(170,999)
Total capital assets, being depreciated, net		236,117	-		236,117
Successor Agency, capital assets, net	\$ -	\$ 1,934,280	\$ -	\$ -	\$ 1,934,280

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 and the balance at fiscal year ended June 30, 2012 is \$19,989.

The following is a schedule of long-term liabilities for the fiscal year ended June 30, 2012:

	Balance at July 1, 2011	Transfers from RDA	Additions	Reductions	Balance at June 30, 2012	Due Within One Year
1998 Revenue Refunding Bonds	\$ -	\$ 3,700,000	\$ -	\$ -	\$ 3,700,000	\$ 145,000

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 Successor Agency (formerly the TCDA Debt Service Fund.) The Debt Service Fund also receives a transfer from the Successor Agency (Formerly 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.

**CITY OF TAFT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

**NOTE 19 – SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT
AGENCY (Continued)**

1998 Revenue Refunding Bonds (Continued)

The maturity schedule of the bonds is as follows:

Fiscal Year End June 30,	Principal	Interest	Total
2013	\$ 145,000	\$ 222,300	\$ 367,300
2014	160,000	214,600	374,600
2015	165,000	206,190	371,190
2016	175,000	196,910	371,910
2017	180,000	187,340	367,340
2018-2022	1,095,000	773,720	1,868,720
2023-2027	1,440,000	437,900	1,877,900
2028	340,000	58,290	398,290
Total	<u>\$ 3,700,000</u>	<u>\$ 2,297,250</u>	<u>\$ 5,997,250</u>

NOTE 20- SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date of this report which is December 12, 2013.

NOTE 21-OTHER MATTERS

Pursuant to City Resolution No. 3392-12 dated January 11, 2012, which was in part the result of the California Supreme Court's ruling in California Redevelopment Association v. Matosantos Case No. S194861 which upheld AB26x1 that dissolved all of the redevelopment agencies in California, the City determined that it is in the best interests to serve as Successor Agency.

Further, pursuant to the above Resolution, the City had the Taft Housing Authority assume all rights, powers, assets, liabilities, duties and obligations associated with housing activities of the Taft Community Development Agency. City Resolution 3284, dated March 15, 2011 created a Housing Authority and designated City Council members as the Housing Authority Commissioners. Presently, any Taft Housing Authority expenditure actions need approval of the Successor Agency.

CITY OF TAFT
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 646,517	\$ 658,127	\$ 657,282	\$ (845)
Sales taxes	1,890,324	2,007,668	1,913,282	(94,386)
Other taxes	1,038,551	1,071,821	1,125,536	53,715
Licenses and permits, and fees	120,611	192,363	202,184	9,821
Fines and forfeitures	4,656	1,795	2,518	723
Use of money and property	262,750	137,529	139,747	2,218
Intergovernmental	1,298,589	1,469,462	827,161	(642,301)
Current services charges	1,259,503	605,468	451,775	(153,693)
Other	462,942	241,501	529,348	287,847
Total revenues	6,984,443	6,385,734	5,848,833	(536,901)
EXPENDITURES				
Current:				
General government	1,361,544	1,579,736	1,301,589	278,147
Public safety	3,438,330	3,431,287	2,712,367	718,920
Public works	1,802,277	1,379,563	1,505,315	(125,752)
Community development	674,041	488,771	31,489	457,282
Capital outlay	1,074,504	1,051,785	698,470	353,315
Debt service :				
Principal			209,702	
Interest			48,250	
Total expenditures	8,350,696	7,931,142	6,507,182	1,681,912
Excess (deficiency) of revenues over expenditures	(1,366,253)	(1,545,408)	(658,350)	1,145,011
OTHER FINANCING SOURCES (USES)				
Transfers in	1,032,579	1,657,911	275,427	(1,382,484)
Transfers out			(592,413)	(592,413)
Total other financing sources (uses)	1,032,579	1,657,911	(316,986)	(1,974,897)
Net change in fund balance	(333,674)	112,503	(975,336)	(1,087,839)
Fund balance, beginning of fiscal year	6,089,162	6,089,162	6,089,164	
Prior Period Adjustments			90,998	90,998
Fund balance, beginning of the fiscal year, restated	6,089,162	6,089,162	6,180,162	90,998
Fund balance, end of fiscal year	\$ 5,755,488	\$ 6,201,665	\$ 5,204,826	\$ (996,841)

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**CITY OF TAFT
MAJOR FUND BUDGETARY COMPARISON SCHEDULES
JUNE 30, 2012**

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.

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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, 2012

	Adopted Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES				
Use of money and property	\$ 46,000	\$ 46,000	\$ 39,551	\$ (6,449)
Total revenues	<u>46,000</u>	<u>46,000</u>	<u>39,551</u>	<u>(6,449)</u>
EXPENDITURES				
Capital outlay		160,200		160,200
Total Expenditures		<u>160,200</u>		<u>160,200</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>46,000</u>	<u>(114,200)</u>	<u>39,551</u>	<u>153,751</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	131,200	131,200	131,200	
Transfers out	<u>(63,808)</u>	<u>(17,000)</u>		<u>17,000</u>
Total other financing sources (uses)	<u>67,392</u>	<u>114,200</u>	<u>131,200</u>	<u>17,000</u>
Net change in fund balance	113,392		170,751	170,751
Fund balance, beginning of fiscal year	<u>3,092,641</u>	<u>3,092,641</u>	<u>3,092,641</u>	
Fund balance, end of the fiscal year	<u>\$ 3,206,033</u>	<u>\$ 3,092,641</u>	<u>\$ 3,263,392</u>	<u>\$ 170,751</u>

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**CITY OF TAFT
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2012**

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 ¼ percent. The funds generated by this ¼ 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.

Business Assistance Grant EDEF-6534

This fund was established to account for business assistance loans under one of the City's grant programs.

Business Assistance Grant EDEF-5878

This fund was established to account for business assistance loans under one of the City's grant programs.

Community Development Block Grant

This fund was established to account for all CDBG grant received by the City and includes funds for GIS modeling and mapping studies for downtown development and neighborhood stability funds.

Community Development Block Grant-Home 6859

This fund was established to account for business assistance loans under one of the City's grant programs.

CalHome Revolving Loan

This fund was established to account for all CalHome 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.

Tarp Revolving Loan

This fund was established to account for funds received from the State of California CDBG program whose intent is to provide financing to new and existing businesses for a healthy economic environment.

**CITY OF TAFT
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2012**

SPECIAL REVENUE FUNDS (Continued)

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.

First Time Homebuyer and Rehabilitation Grant Cal Home-4917

This fund was established to account for all Cal Home grant funds received by the City.

Housing Rehab Grant STBG-5084

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.

Revolving Loan Fund-Home

This fund was established to account for Community Development grants by using Community Development program revenue.

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.

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CITY OF TAFT
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2012

Special Revenue Funds

	High Technology	Traffic Safety	Gas Tax	TDA Acts	Business Assistance Grant EDEF- 6534	Business Assistance Grant EDEF- 5878
ASSETS						
Cash and investments	\$ -	\$ 396	\$ -	\$ -	\$ -	\$ -
Receivables:						
Accounts		429	25,763	422,483	12,929	10,745
Interest	31		503			
Notes						
Total assets	<u>\$ 31</u>	<u>\$ 825</u>	<u>\$ 26,266</u>	<u>\$ 422,483</u>	<u>\$ 12,929</u>	<u>\$ 10,745</u>
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 29	\$ 5
Due to other funds				332,101	12,965	10,740
Deferred revenue						
Total liabilities				<u>332,101</u>	<u>12,994</u>	<u>10,745</u>
FUND BALANCES						
Restricted		825	26,266	90,382		
Assigned	31					
Unassigned					(65)	
Total fund balances (deficits)	<u>31</u>	<u>825</u>	<u>26,266</u>	<u>90,382</u>	<u>(65)</u>	
Total liabilities and fund balances	<u>\$ 31</u>	<u>\$ 825</u>	<u>\$ 26,266</u>	<u>\$ 422,483</u>	<u>\$ 12,929</u>	<u>\$ 10,745</u>

Special Revenue Funds

CDBG	CDBG Home - 6859	Cal Home Revolving Loan Fund	D.A.R.E.	Tarp Revolving Loan	Asset Forfeiture	Landscape Assessment District
\$ -	\$ -	\$ -	\$ -	\$ 95,511	\$ 80,990	\$ 206
35,000	3,000			198	2,000	142
		267,415		321,050	209	
<u>\$ 35,000</u>	<u>\$ 3,000</u>	<u>\$ 267,415</u>	<u>\$ -</u>	<u>\$ 416,759</u>	<u>\$ 83,199</u>	<u>\$ 348</u>
\$ 56	\$ 4	\$ -	\$ -	\$ -	\$ 280	\$ 530
34,988	3,000	1,108				
		267,415		321,050		
<u>35,044</u>	<u>3,004</u>	<u>268,523</u>		<u>321,050</u>	<u>280</u>	<u>530</u>
				95,709	82,919	
(44)	(4)	(1,108)				(182)
(44)	(4)	(1,108)		95,709	82,919	(182)
<u>\$ 35,000</u>	<u>\$ 3,000</u>	<u>\$ 267,415</u>	<u>\$ -</u>	<u>\$ 416,759</u>	<u>\$ 83,199</u>	<u>\$ 348</u>

(Continued)

CITY OF TAFT
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET (Continued)
JUNE 30, 2012

Special Revenue Funds

	Cal Home - 4917	Housing Rehab Grant STBG-5084	Crime Prevention	Inmate Welfare Trust	Taft Successor Housing	WWTP Special Revenue
ASSETS						
Cash and investments	\$ -	\$ -	\$ 335,707	\$ -	\$ 583,703	\$ 18,788
Receivables:						
Accounts	120,000					369,154
Interest Notes			776		1,346	78
Total assets	<u>\$ 120,000</u>	<u>\$ -</u>	<u>\$ 336,483</u>	<u>\$ -</u>	<u>\$ 585,049</u>	<u>\$ 388,020</u>
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts payable	\$ 262	\$ -	\$ -	\$ -	\$ -	\$ 95,714
Due to other funds	100,632					
Deferred revenue						
Total liabilities	<u>100,894</u>					<u>95,714</u>
FUND BALANCES						
Restricted	19,106		336,483		585,049	292,306
Assigned						
Unassigned						
Total fund balances (deficits)	<u>19,106</u>		<u>336,483</u>		<u>585,049</u>	<u>292,306</u>
Total liabilities and fund balances	<u>\$ 120,000</u>	<u>\$ -</u>	<u>\$ 336,483</u>	<u>\$ -</u>	<u>\$ 585,049</u>	<u>\$ 388,020</u>

Special Revenue Funds

Revolving Loan Fund Home	Total Special Revenue Funds	TCDA Capital Projects	TCDA Debt Service	Total Non- Major Governmental Funds
\$ -	\$ 1,115,302	\$ -	\$ -	\$ 1,115,302
	1,001,645			1,001,645
	3,140			3,140
1,208,191	1,796,655			1,796,655
<u>\$ 1,208,191</u>	<u>\$ 3,916,742</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,916,742</u>
\$ 11	\$ 96,891	\$ -	\$ -	\$ 96,891
3,100	498,634			498,634
1,208,190	1,796,655			1,796,655
1,211,301	2,392,180			2,392,180
	1,529,045			1,529,045
	31			31
(3,111)	(4,514)			(4,514)
(3,111)	1,524,562			1,524,562
<u>\$ 1,208,191</u>	<u>\$ 3,916,742</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,916,742</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, 2012**

	Special Revenue Funds					
	High Technology	Traffic Safety	Gas Tax	TDA Act	Business Assistance Grant EDEF- 6534	Business Assistance Grant EDEF- 5878
REVENUES						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fines and forfeitures		10,482				
Use of money and property	264		1,726			
Intergovernmental			251,886		4,663	12,933
Current services charges						
Other						
Total revenues	<u>264</u>	<u>10,482</u>	<u>253,612</u>		<u>4,663</u>	<u>12,933</u>
EXPENDITURES						
Current:						
General government						
Public safety	24,684					
Public works						
Health and welfare						
Community development					4,728	10,744
Capital outlay						
Debt service:						
Principal						
Interest						
Total expenditures	<u>24,684</u>				<u>4,728</u>	<u>10,744</u>
Excess of revenues over (under) expenditures	<u>(24,420)</u>	<u>10,482</u>	<u>253,612</u>		<u>(65)</u>	<u>2,189</u>
OTHER FINANCING SOURCES (USES)						
Transfers out		(10,482)	(255,252)			
Total other financing sources (uses)		<u>(10,482)</u>	<u>(255,252)</u>			
Net changes in fund balances Before Extraordinary Item	(24,420)		(1,640)		(65)	2,189
EXTRAORDINARY ITEM						
Gain/(Loss) on transfer of assets and liabilities to Successor Agency						
Net changes in fund balances	<u>(24,420)</u>		<u>(1,640)</u>		<u>(65)</u>	<u>2,189</u>
Fund balances (deficits), beginning of fiscal year	24,451	825	27,906	90,382		(2,189)
Prior period adjustments						
Fund balances (deficits), beginning of fiscal year, restated	<u>24,451</u>	<u>825</u>	<u>27,906</u>	<u>90,382</u>		<u>(2,189)</u>
Fund balances (deficits), end of fiscal year	<u>\$ 31</u>	<u>\$ 825</u>	<u>\$ 26,266</u>	<u>\$ 90,382</u>	<u>\$ (65)</u>	<u>\$ -</u>

Special Revenue Funds

CDBG	CDBG Home - 6859	Cal Home Revolving Loan	D.A.R.E.	Tarp Revolving Loan	Asset Forfeiture	Landscape Assessment District
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
39,550	3,000			958	1,247	8,147
				59,742		
<u>39,550</u>	<u>3,000</u>			<u>60,700</u>	<u>1,247</u>	<u>8,147</u>
			5		12,338	13,282
39,332	3,004	1,108		36,061		
<u>39,332</u>	<u>3,004</u>	<u>1,108</u>	<u>5</u>	<u>36,061</u>	<u>12,338</u>	<u>13,282</u>
218	(4)	(1,108)	(5)	24,639	(11,091)	(5,135)
					(9,693)	
					(9,693)	
218	(4)	(1,108)	(5)	24,639	(20,784)	(5,135)
<u>218</u>	<u>(4)</u>	<u>(1,108)</u>	<u>(5)</u>	<u>24,639</u>	<u>(20,784)</u>	<u>(5,135)</u>
(262)		(149)	5	71,070	103,703	4,953
		149				
<u>(262)</u>			<u>5</u>	<u>71,070</u>	<u>103,703</u>	<u>4,953</u>
<u>\$ (44)</u>	<u>\$ (4)</u>	<u>\$ (1,108)</u>	<u>\$ -</u>	<u>\$ 95,709</u>	<u>\$ 82,919</u>	<u>\$ (182)</u>

(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, 2012**

	Special Revenue Funds					Taft Successor Housing Agency Special Revenue
	Cal Home - 4917	Housing Rehab Grant STBG-5084	Crime Prevention	Inmate Welfare Trust	TCDA Housing Special Revenue	
REVENUES						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ 40,122	\$ -
Fines and forfeitures						
Use of money and property			4,179	5	3,359	4,187
Intergovernmental	120,000		100,000			
Current services charges				39,907		
Other				75		
Total revenues	<u>120,000</u>		<u>104,179</u>	<u>39,987</u>	<u>43,481</u>	<u>4,187</u>
EXPENDITURES						
Current:						
General government					46,290	32,397
Public safety			113,884			
Public works						
Health and welfare				65,621		
Community development	49,797					
Capital outlay						
Debt service:						
Principal						
Interest						
Capital outlay						
Total expenditures	<u>49,797</u>		<u>113,884</u>	<u>65,621</u>	<u>46,290</u>	<u>32,397</u>
Excess of revenues over (under) expenditures	<u>70,203</u>		<u>(9,705)</u>	<u>(25,634)</u>	<u>(2,809)</u>	<u>(28,210)</u>
OTHER FINANCING SOURCES (USES)						
Transfers out						
Total other financing sources (uses)						
Net changes in fund balances Before Extraordinary Item	<u>70,203</u>		<u>(9,705)</u>	<u>(25,634)</u>	<u>(2,809)</u>	<u>(28,210)</u>
EXTRAORDINARY ITEM						
Gain/(Loss) on transfer of assets and liabilities to Successor Agency					(613,259)	613,259
Net changes in fund balances	<u>70,203</u>		<u>(9,705)</u>	<u>(25,634)</u>	<u>(616,068)</u>	<u>585,049</u>
Fund balances (deficits), beginning of fiscal year	(51,077)		346,188	32,233	616,068	
Prior period adjustments	(20)			(6,599)		
Fund balances (deficits), beginning of fiscal year, restated	<u>(51,097)</u>		<u>346,188</u>	<u>25,634</u>	<u>616,068</u>	
Fund balances (deficits), end of fiscal year	<u>\$ 19,106</u>	<u>\$ -</u>	<u>\$ 336,483</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 585,049</u>

Special Revenue Funds

WWTP Special Revenue	Revolving Loan Fund Home	Total Special Revenue Funds	TCDA Capital Projects	TCDA Debt Service	Total Non-Major Governmental Funds
\$ -	\$ -	\$ 40,122	\$ -	\$ 149,348	\$ 189,470
		10,482			10,482
1,468		17,393	38,017	848	56,258
714,450	20,173	1,274,802		42,535	1,317,337
48,706		88,613			88,613
		59,817			59,817
<u>764,624</u>	<u>20,173</u>	<u>1,491,229</u>	<u>38,017</u>	<u>192,731</u>	<u>1,721,977</u>
670,129		748,821		47,250	796,071
		150,906			150,906
		13,282			13,282
		65,621			65,621
	13,834	158,608	120,446		279,054
2,555		2,555			2,555
				140,000	140,000
				222,300	222,300
<u>672,684</u>	<u>13,834</u>	<u>1,139,793</u>	<u>120,446</u>	<u>409,550</u>	<u>1,669,789</u>
91,940	6,339	351,436	(82,429)	(216,819)	52,188
(131,200)		(406,627)			(406,627)
(131,200)		(406,627)			(406,627)
(39,260)	6,339	(55,191)	(82,429)	(216,819)	(354,439)
			3,268,010	(731,764)	2,536,246
(39,260)	6,339	(55,191)	3,185,581	(948,583)	2,181,807
331,566	(9,450)	1,586,223	(3,185,581)	948,583	(650,775)
		(6,470)			(6,470)
331,566	(9,450)	1,579,753	(3,185,581)	948,583	(657,245)
<u>\$ 292,306</u>	<u>\$ (3,111)</u>	<u>\$ 1,524,562</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,524,562</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, 2012

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Fines and forfeitures	\$ 10,482	\$ 10,482	\$ -
Total revenues	<u>10,482</u>	<u>10,482</u>	
OTHER FINANCING SOURCES (USES)			
Transfers out	<u>(10,482)</u>	<u>(10,482)</u>	
Total other financing sources (uses)	<u>(10,482)</u>	<u>(10,482)</u>	
Net change in fund balance			
Fund balance, beginning of fiscal year	<u>825</u>	<u>825</u>	
Fund balance, end of fiscal year	<u>\$ 825</u>	<u>\$ 825</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, 2012**

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Use of money and property	\$ 1,726	\$ 1,726	\$ -
Intergovernmental	251,886	251,886	
Total revenues	<u>253,612</u>	<u>253,612</u>	
OTHER FINANCING SOURCES (USES)			
Transfers out	<u>(253,612)</u>	<u>(255,252)</u>	<u>(1,640)</u>
Total other financing sources (uses)	<u>(253,612)</u>	<u>(255,252)</u>	<u>(1,640)</u>
Net change in fund balance		(1,640)	(1,640)
Fund balance, beginning of fiscal year	<u>27,906</u>	<u>27,906</u>	
Fund balance, end of fiscal year	<u>\$ 27,906</u>	<u>\$ 26,266</u>	<u>\$ (1,640)</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, 2012

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Intergovernmental	\$ 315,774	\$ -	\$ (315,774)
Total revenues	<u>315,774</u>		<u>(315,774)</u>
OTHER FINANCING SOURCES (USES)			
Transfers out	<u>(315,774)</u>		<u>315,774</u>
Total other financing sources (uses)	<u>(315,774)</u>		
Net change in fund balance			
Fund balance, beginning of fiscal year	<u>90,382</u>	<u>90,382</u>	
Fund balance, end of fiscal year	<u>\$ 90,382</u>	<u>\$ 90,382</u>	<u>\$ -</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, 2012**

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Use of money and property	\$ 1,500	\$ 1,247	\$ (253)
Total revenues	<u>1,500</u>	<u>1,247</u>	<u>(253)</u>
EXPENDITURES			
Current:			
Public safety	<u>12,338</u>	<u>12,338</u>	
Total expenditures	<u>12,338</u>	<u>12,338</u>	
Excess of revenues over (under) expenditures	<u>(10,838)</u>	<u>(11,091)</u>	<u>(253)</u>
OTHER FINANCING SOURCES (USES)			
Transfers out	<u>(9,693)</u>	<u>(9,693)</u>	
Total other financing sources (uses)	<u>(9,693)</u>	<u>(9,693)</u>	
Net change in fund balance	(20,531)	(20,784)	(253)
Fund balance, beginning of fiscal year	<u>103,703</u>	<u>103,703</u>	
Fund balance, end of fiscal year	<u>\$ 83,172</u>	<u>\$ 82,919</u>	<u>\$ (253)</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, 2012**

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Intergovernmental	\$ 8,147	\$ 8,147	\$ -
Total revenues	<u>8,147</u>	<u>8,147</u>	
EXPENDITURES			
Current:			
Public works	<u>8,147</u>	<u>13,282</u>	<u>(5,135)</u>
Total expenditures	<u>8,147</u>	<u>13,282</u>	<u>(5,135)</u>
Net change in fund balance		(5,135)	(5,135)
Fund balance, beginning of fiscal year	<u>4,953</u>	<u>4,953</u>	
Fund balance (deficit), end of fiscal year	<u>\$ 4,953</u>	<u>\$ (182)</u>	<u>\$ (5,135)</u>

**CITY OF TAFT
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
CRIME PREVENTION SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Use of money and property	\$ 3,562	\$ 4,179	\$ 617
Intergovernmental	100,000	100,000	
Total revenues	<u>103,562</u>	<u>104,179</u>	<u>617</u>
EXPENDITURES			
Current:			
Public safety	113,223	113,884	(661)
Total expenditures	<u>113,223</u>	<u>113,884</u>	<u>(661)</u>
Excess of revenues over (under) expenditures	<u>(9,661)</u>	<u>(9,705)</u>	<u>(44)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	9,661		9,661
Total other financing sources (uses)	<u>9,661</u>		<u>9,661</u>
Net change in fund balance		(9,705)	(9,705)
Fund balance, beginning of fiscal year	346,188	346,188	
Fund balance, end of fiscal year	<u>\$ 346,188</u>	<u>\$ 336,483</u>	<u>\$ (9,705)</u>

**CITY OF TAFT
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
INMATE WELFARE SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Use of money and property	\$ 5	\$ 5	\$ -
Current service charges	39,863	39,907	44
Other	75	75	
Total revenues	<u>39,943</u>	<u>39,987</u>	<u>44</u>
EXPENDITURES			
Current:			
Health and welfare	<u>65,622</u>	<u>65,621</u>	<u>1</u>
Total expenditures	<u>65,622</u>	<u>65,621</u>	<u>1</u>
Excess of revenues over (under) expenditures	<u>(25,679)</u>	<u>(25,634)</u>	<u>45</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	<u>25,679</u>		<u>25,679</u>
Total other financing sources (uses)	<u>25,679</u>		<u>25,679</u>
Net change in fund balance		<u>(25,634)</u>	<u>(25,634)</u>
Fund balance, beginning of fiscal year	32,233	32,233	
Prior Period Adjustments		<u>(6,599)</u>	<u>(6,599)</u>
Fund balance, beginning of of fiscal year, as restated	<u>32,233</u>	<u>25,634</u>	<u>6,599</u>
Fund balance, end of fiscal year	<u>\$ 32,233</u>	<u>\$ -</u>	<u>\$ (32,233)</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 SEVEN MONTHS ENDED JANUARY 31, 2012**

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Property taxes	\$ 40,122	\$ 40,122	\$ -
Use of money and property	6,475	3,359	(3,116)
Total revenues	46,597	43,481	(3,116)
EXPENDITURES			
Current:			
General government	7,224	46,290	(39,066)
Debt service:			
Interest	27,000		27,000
Principal	44,460		44,460
Total expenditures	78,684	46,290	32,394
Excess of revenues over (under) expenditures	(32,087)	(2,809)	29,278
OTHER FINANCING SOURCES (USES)			
Transfers in	32,087		32,087
Total other financing sources (uses)	32,087		32,087
Net change in fund balance, before extraordinary item		(2,809)	(2,809)
EXTRAORDINARY ITEM			
Gain/loss on transfer of assets and liabilities to Successor Agency		(613,259)	(613,259)
Fund balance, beginning of fiscal year	616,068	616,068	
Fund balance, end of fiscal year	\$ 616,068	\$ -	\$ (616,068)

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, 2012

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Use of money and property	\$ 29,762	\$ 1,468	\$ (28,294)
Intergovernmental	802,656	714,450	(88,206)
Other	178,928	48,706	(130,222)
Total revenues	1,011,346	764,624	(246,722)
EXPENDITURES			
Current:			
General government	869,646	670,129	199,517
Capital outlay		2,555	(2,555)
Total expenditures	869,646	672,684	196,962
Excess of revenues over (under) expenditures	141,700	91,940	(49,760)
OTHER FINANCING SOURCES (USES)			
Transfers out	(141,700)	(131,200)	10,500
Total other financing sources (uses)	(141,700)	(131,200)	10,500
Net change in fund balance		(39,260)	(39,260)
Fund balance, beginning of fiscal year	331,566	331,566	
Fund balance, end of the fiscal year	\$ 331,566	\$ 292,306	\$ (39,260)

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, 2012

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Property taxes	\$ 150,960	\$ 149,348	\$ (1,612)
Use of money and property	4,994	848	(4,146)
Other		42,535	42,535
	<u>155,954</u>	<u>192,731</u>	<u>36,777</u>
EXPENDITURES			
Current:			
General government	70,282	47,250	23,032
Debt service:			
Principal	140,000	140,000	
Interest	222,300	222,300	
	<u>432,582</u>	<u>409,550</u>	<u>23,032</u>
Excess of revenues over (under) expenditures	<u>(276,628)</u>	<u>(216,819)</u>	<u>59,809</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	476,628		(476,628)
Transfers out	(200,000)		200,000
	<u>276,628</u>		<u>(276,628)</u>
Net changes in fund balance		(216,819)	(216,819)
EXTRAORDINARY ITEM			
Gain (Loss) on transfer of assets and liabilities to Successor Agency before extraordinary items		(731,764)	(731,764)
Fund balance, beginning of fiscal year	<u>948,583</u>	<u>948,583</u>	
Fund balance, end of fiscal year	<u>\$ 948,583</u>	<u>\$ -</u>	<u>\$ (948,583)</u>

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**CITY OF TAFT
PRIVATE-PURPOSE TRUST FUNDS AND AGENCY FUNDS
JUNE 30, 2012**

Private-Purpose Trust Funds are used to account for assets and liabilities held by the City of Taft in a trustee capacity.

Capital Projects Fund

This fund is used to account for capital assets and other activities of the former redevelopment agency.

Post RDA Debt Retirement

This fund is used to account for debt retirement related to low and moderate housing activities of the former redevelopment agency

AGENCY FUNDS DESCRIPTION

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.

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CITY OF TAFT
COMBINING STATEMENT OF NET ASSETS
PRIVATE PURPOSE TRUST FUNDS
JUNE 30, 2012

ASSETS	<u>Capital Projects Fund</u>	<u>Post RDA Debt Retirement</u>	<u>Total</u>
Cash and investments	\$ 61,612	\$ 87,026	\$ 148,638
Cash and investment with fiscal agents		475,791	475,791
Interest receivable	113	4,170	4,283
Deferred charges		119,611	119,611
Capital Assets:			
Land	111,932		111,932
Land Union Pacific	168,128		168,128
Land Union Pacific	1,418,104		1,418,104
Industrial Park	88,466		88,466
Project #3 Industrial Park Phase II	147,651		147,651
Less: Accumulated depreciation	<u>(4,240)</u>		<u>(4,240)</u>
Total assets	<u>1,991,766</u>	<u>686,598</u>	<u>2,678,364</u>
 LIABILITIES			
Accounts payable	600		600
Accrued liabilities	2,565	128	2,693
Accrued interest payable		107,300	107,300
Advance due to City of Taft	3,215,542		3,215,542
Long-term debt 1998 Revenue Bonds		<u>3,700,000</u>	<u>3,700,000</u>
Total liabilities	<u>3,218,707</u>	<u>3,807,428</u>	<u>7,026,135</u>
 NET ASSETS (DEFICIT)			
Restricted for debt service		368,491	368,491
Unrestricted	<u>(1,226,941)</u>	<u>(3,489,321)</u>	<u>(4,716,262)</u>
Total Net Assets (Deficit)	<u>\$ (1,226,941)</u>	<u>\$ (3,120,830)</u>	<u>\$ (4,347,771)</u>

**CITY OF TAFT
PRIVATE PURPOSE TRUST FUNDS
COMBINING STATEMENT OF CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	Capital Projects Fund	Post RDA Debt Retirement Fund	Total
Additions:			
Investment revenue	\$ -	\$ 5,205	\$ 5,205
Taxes and assessments	143	28,924	29,067
Eraf receipts from Kern		26,335	26,335
Net assets received upon dissolution of redevelopment agency	(1,333,731)	(2,863,295)	(4,197,026)
Transfers in	200,000		200,000
Total additions	(1,133,588)	(2,802,831)	(3,936,419)
Deductions:			
Community development	89,115	25,368	114,483
Interest expense		89,416	89,416
Depreciation	4,240		4,240
Amortization of deferred charges		3,213	3,213
Transfers out		200,000	200,000
Total deductions	93,355	317,997	411,352
Change in net assets	(1,226,943)	(3,120,828)	(4,347,771)
Net Assets - July 1, 2011			
Net Assets Deficit - June 30, 2012	\$ (1,226,943)	\$ (3,120,828)	\$ (4,347,771)

CITY OF TAFT
 COMBINING STATEMENT OF ASSETS AND LIABILITIES
 AGENCY FUNDS
 JUNE 30, 2012

ASSETS	Inmate Trust Fund	1997-A Lease Revenue Bond	Total
Cash and investments	\$ -	\$ 559	\$ 559
Cash and investment with fiscal agents		<u>3,262,612</u>	<u>3,262,612</u>
Total assets	<u>\$ -</u>	<u>\$ 3,263,171</u>	<u>\$ 3,263,171</u>
LIABILITIES			
Due to bondholders	\$ -	\$ 3,104,171	\$ 3,104,171
Deposits payable		<u>159,000</u>	<u>159,000</u>
Total liabilities	<u>\$ -</u>	<u>\$ 3,263,171</u>	<u>\$ 3,263,171</u>

CITY OF TAFT
FIDUCIARY FUNDS - AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>Inmate Trust Fund</u>				
	Balance June 30, 2011	Additions	Reductions	Balance June 30, 2012	
ASSETS					
Cash and investments	\$ 22,287	\$ -	\$ (22,287)	\$ -	
Accounts receivable	1,651		(1,651)		
Total assets	<u>\$ 23,938</u>	<u>\$ -</u>	<u>\$ (23,938)</u>	<u>\$ -</u>	

LIABILITIES					
Accounts payable	\$ 42	\$ -	\$ (42)	\$ -	
Due to inmates	23,896		(23,896)		
Total liabilities	<u>\$ 23,938</u>	<u>\$ -</u>	<u>\$ (23,938)</u>	<u>\$ -</u>	

	<u>1997-A Lease Revenue Bond</u>				
	Balance June 30, 2011	Additions	Reductions	Balance June 30, 2012	
ASSETS					
Cash and investments	\$ -	\$ 559	\$ -	\$ 559	
Cash and investments with fiscal agents	3,424,507		(161,895)	3,262,612	
Accounts receivable	557		(557)		
Total assets	<u>\$ 3,425,064</u>	<u>\$ 559</u>	<u>\$ (162,452)</u>	<u>\$ 3,263,171</u>	

LIABILITIES					
Due to bondholders	\$ 3,266,064	\$ -	\$ (161,893)	\$ 3,104,171	
Deposits payable	159,000			159,000	
Total liabilities	<u>\$ 3,425,064</u>	<u>\$ -</u>	<u>\$ (161,893)</u>	<u>\$ 3,263,171</u>	

	<u>Total</u>				
	Balance June 30, 2011	Additions	Reductions	Balance June 30, 2012	
ASSETS					
Cash and investments	\$ 22,287	\$ 559	\$ (22,287)	\$ 559	
Cash and investments with fiscal agents	3,424,507		(161,895)	3,262,612	
Accounts receivable	1,651		(2,208)		
Total assets	<u>\$ 3,449,002</u>	<u>\$ 559</u>	<u>\$ (186,947)</u>	<u>\$ 3,263,171</u>	

LIABILITIES					
Accounts payable	\$ 42	\$ -	\$ (42)	\$ -	
Due to bondholders	3,266,064		(161,893)	3,104,171	
Due to inmates	23,896		(23,896)		
Deposits payable	159,000			159,000	
Total liabilities	<u>\$ 3,449,002</u>	<u>\$ -</u>	<u>\$ (185,831)</u>	<u>\$ 3,263,171</u>	