

CITY OF ARVIN
ANNUAL FINANCIAL REPORT
For The Fiscal Year Ended June 30, 2012

CITY OF ARVIN
ANNUAL FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012

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INDEPENDENT AUDITORS' REPORT

To the City Council
City of Arvin, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Arvin, California, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Arvin's management. Our responsibility is to express opinions on these financial statements based on our audit

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

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Arvin, California, as of June 30, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As further discussed in Note 13, the Arvin Community Redevelopment Agency (a blended component unit) was dissolved on February 1, 2012 in accordance with Assembly Bill 1X 26.

As discussed further in Note 15, the General Fund, Federal Police Grant Fund, State Gas Tax Fund, and Transportation Development Funds' fund balances and net assets at July 1, 2011 have been adjusted to correct errors in the insurance liability and highway user tax revenues.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2012, on our consideration of the City of Arvin'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 internal control over financial reporting or on

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compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the schedule of funding progress and budgetary comparison information on pages 41-44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Arvin's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates 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 the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 combining and individual nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

A handwritten signature in cursive script that reads "Mage Hoffman McClain P.C.".

Bakersfield, California
November 19, 2012

BASIC FINANCIAL STATEMENTS

**CITY OF ARVIN
STATEMENT OF NET ASSETS
JUNE 30, 2012**

	Primary Government		
	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Cash and cash equivalents	\$ 172,976	\$ 542,287	\$ 715,263
Investments	2,001,393	501,794	2,503,187
Receivables (net of allowance for uncollectibles)	899,660	29,154	928,814
Internal balances	41,377	(41,377)	-
Note Receivable	880,734	-	880,734
Land held for development	3,752,867	-	3,752,867
Restricted assets:			
Restricted cash and cash equivalents	-	670,725	670,725
Capital assets			
Non-depreciable	3,141,201	906,245	4,047,446
Depreciable, net of accumulated depreciation	6,731,785	7,241,880	13,973,665
 Total assets	 17,621,993	 9,850,708	 27,472,701
LIABILITIES			
Accounts payable	483,204	118,121	601,325
Accrued payroll and benefits	230,535	21,230	251,765
Unearned revenues	244,685	-	244,685
Due in one year or less	-	115,465	115,465
Due in more than one year	-	4,823,617	4,823,617
 Total liabilities	 958,424	 5,078,433	 6,036,857
NET ASSETS			
Invested in capital assets, net related debt	9,872,986	3,209,043	13,082,029
Restricted for:			
Other purposes	1,008,279	-	1,008,279
Unassigned:	5,782,304	1,563,232	7,345,536
 Total net assets	 \$16,663,569	 \$ 4,772,275	 \$21,435,844

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

**CITY OF ARVIN
STATEMENT OF ACTIVITIES
JUNE 30, 2012**

	Program Revenues			Net (Expense) Revenue and Change in Net Assets		
	Expenses	Charges for	Operating	Governmental	Primary Government	Total
		Services	Contributions and Grants			
Functions/Programs						
Primary government						
Governmental activities:						
General administration	\$ 965,634	\$ 753,407	\$ 12,071	\$ (200,156)	\$ -	\$ (200,156)
Public safety	3,084,619	43,998	193,233	(2,846,286)	-	(2,846,286)
Public works	1,302,182	-	561,764	(740,418)	-	(740,418)
Community development	447,297	-	2,400	(444,897)	-	(444,897)
Capital outlay	94,969	-	-	(94,969)	-	(94,969)
Transit	-	-	5,460	139,232	-	139,232
Interest on long-term debt	326,603	-	-	(326,603)	-	(326,603)
Total governmental activities	6,221,304	797,405	213,164	(4,514,097)	-	(4,514,097)
Business-type activities:						
Sanitation	1,973,856	2,009,976	-	-	36,120	36,120
Transportation development	649,464	72,124	379,923	-	(197,417)	(197,417)
Enterprise zone	2,550	-	-	-	(2,550)	(2,550)
Total business-type activities	2,625,870	2,082,100	379,923	-	(163,847)	(163,847)
Total primary government	\$ 8,847,174	\$ 2,879,505	\$ 593,087	\$ (4,514,097)	\$ (163,847)	\$ (4,677,944)
General revenues						
Taxes				2,656,401	-	2,656,401
Licenses and permits				1,489,810	-	1,489,810
Fines and penalties				14,844	-	14,844
Revenue from use of money and property				98,998	339	99,337
Fees and other revenues				891,879	31,695	923,574
Transfers in (out)				(1,100)	1,100	-
Special item						
Extraordinary gain on AB1X26				6,408,164	-	6,408,164
Unspent grant funds				(201,070)	-	(201,070)
Total general revenues, special items, and transfers				11,357,926	33,134	11,391,060
Change in net assets				6,843,829	(130,713)	6,713,116
Net assets - July 1, 2011				9,820,043	4,893,236	14,713,279
Prior period adjustment				(303)	9,752	9,449
Net assets - June 30, 2012				\$ 16,663,569	\$ 4,772,275	\$ 21,435,844

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

FUND FINANCIAL STATEMENTS

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

	General	CMAQ Grant	Other Governmental Funds	Total
ASSETS				
Cash and investments	\$2,003,248	\$ -	\$ 171,121	\$ 2,174,369
Accounts receivable	459,979	322,844	116,837	899,660
Due from other funds	1,074,303	-	902,867	1,977,170
Note Receivable	880,734	-	-	880,734
Land held for development	3,752,867	-	-	3,752,867
Total assets	<u>\$8,171,131</u>	<u>\$ 322,844</u>	<u>\$ 1,190,825</u>	<u>\$ 9,684,800</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 317,526	58,040	\$ 107,638	\$ 483,204
Accrued payroll and benefits	186,518	-	44,017	230,535
Due to other funds	874,367	591,979	469,447	1,935,793
Unearned revenue	166,929	-	77,756	244,685
Total liabilities	<u>1,545,340</u>	<u>650,019</u>	<u>698,858</u>	<u>2,894,217</u>
Fund balances:				
Nonspendable:				
Land held for development	3,752,867	-	-	3,752,867
Note receivable	880,734	-	-	880,734
Restricted for:				
Street projects	-	-	166,572	166,572
Maintenance expenditures	-	-	48,439	48,439
Traffic signals and cameras	-	-	441,555	441,555
Traffic flow improvements	-	-	163,454	163,454
Safety and modernization improvements	-	-	173,262	173,262
Other purposes	-	-	14,997	14,997
Unassigned:	1,992,190	(327,175)	(516,312)	1,148,703
Total fund balances	<u>6,625,791</u>	<u>(327,175)</u>	<u>491,967</u>	<u>6,790,583</u>
Total liabilities and fund balances	<u>\$8,171,131</u>	<u>\$ 322,844</u>	<u>\$ 1,190,825</u>	<u>\$ 9,684,800</u>

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

**CITY OF ARVIN
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2012**

Fund balances of governmental funds	\$ 6,790,583
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets, net of depreciation, have not been included as financial resources in governmental fund activity.	<u>9,872,986</u>
Net assets of governmental activities	<u><u>\$ 16,663,569</u></u>

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

**CITY OF ARVIN
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	General	CMAQ Grant	Other Governmental Funds	Total Governmental
REVENUES				
Taxes	\$ 1,831,620	\$ -	\$ 824,781	\$ 2,656,401
Licenses and permits	1,489,810	-	-	1,489,810
Fines and penalties	14,844	-	-	14,844
Revenue from use of money and property	95,732	-	3,266	98,998
Charges for services	797,405	-	-	797,405
Intergovernmental revenues	50,840	322,844	536,118	909,802
Fees and other revenues	646,333	-	245,546	891,879
Total revenues	<u>4,926,584</u>	<u>322,844</u>	<u>1,609,711</u>	<u>6,859,139</u>
EXPENDITURES				
Current:				
General government	989,143	-	92,766	1,081,909
Public safety	2,738,315	-	222,057	2,960,372
Public works	594,899	-	536,898	1,131,797
Planning/community development	434,593	-	-	434,593
Capital outlay:				
Public works	10,708	412,644	382,945	806,297
Public safety	42,631	-	-	42,631
Debt service:				
Principal	-	-	155,000	155,000
Interest	-	-	316,161	316,161
Total expenditures	<u>4,810,289</u>	<u>412,644</u>	<u>1,705,827</u>	<u>6,928,760</u>
Excess (deficiency) of revenues over expenditures	<u>116,295</u>	<u>(89,800)</u>	<u>(96,116)</u>	<u>(69,621)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	34,698	-	773,131	807,829
Transfers out	-	-	(808,929)	(808,929)
Total other financing sources and uses	<u>34,698</u>	<u>-</u>	<u>(35,798)</u>	<u>(1,100)</u>
SPECIAL ITEM				
Unspent grant funds	-	-	(201,070)	(201,070)
Extraordinary loss on AB1X26	-	-	(643,559)	(643,559)
Net change in fund balances	150,993	(89,800)	(976,543)	(915,350)
Fund balances - beginning	6,443,012	(237,375)	1,500,599	7,706,236
Prior Period Adjustments	31,786	-	(32,089)	(303)
Fund balances - ending	<u>\$ 6,625,791</u>	<u>\$ (327,175)</u>	<u>\$ 491,967</u>	<u>\$ 6,790,583</u>

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

**CITY OF ARVIN
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012**

Amounts Reported for governmental activities in the statement of activities are different because of the items described below:

Net changes in fund balances - total governmental funds	\$ (915,350)
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.	753,959
Depreciation expense on capital assets is reported in the government-wide statement and changes in net assets, but it does not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure on the fund statements.	(429,208)
Compensated absences reported in the statement of activities that do not require the use of current financial resources are not reported on the fund statements, but are reported as an expense in the government-wide statements.	238,147
Repayment of long-term principal is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the government-wide statement of net assets.	155,000
Amortization expense on bond issuance costs is reported in the government-wide statement of changes in net assets, but it does not require the use of current financial resources. Therefore, amortization expense is not reported as an expenditure on the fund statements.	(10,442)
The extraordinary gain/(loss) from the transfer of capital assets and long-term debt from the Redevelopment Agency to the Successor Agency is not reported in the government-wide statement and is reported in the statement of activities. Therefore, the extraordinary gain is not reported as revenue on the fund statements	<u>7,051,723</u>
Change in net assets of governmental activities	<u><u>\$ 6,843,829</u></u>

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

PROPRIETARY FUNDS

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

	Major Funds		Non-major Fund	Total
	Transportation Development	Sanitation	Enterprise Zone	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ -	\$ 526,142	\$ 16,145	\$ 542,287
Investments	-	501,794	-	501,794
Receivables (net of allowances)	5,751	23,403	-	29,154
Due from other funds	9,811	-	-	9,811
Total current assets	15,562	1,051,339	16,145	1,083,046
Restricted Assets:				
Restricted cash, cash equivalents and investme	-	670,725	-	670,725
Capital assets:				
Land	-	906,245	-	906,245
General property and equipment	212,036	10,022,755	-	10,234,791
Vehicles	1,121,217	-	-	1,121,217
Less accumulated depreciation	(884,328)	(3,229,800)	-	(4,114,128)
Total capital assets (net of accumulated depreciation)	448,925	7,699,200	-	8,148,125
Total noncurrent assets	448,925	8,369,925	-	8,818,850
Total assets	464,487	9,421,264	16,145	9,901,896
LIABILITIES				
Current liabilities:				
Accounts payable	11,649	106,472	-	118,121
Accrued payroll and benefits	20,749	481	-	21,230
Due to other funds	51,188	-	-	51,188
Due in one year or less	-	115,465	-	115,465
Total current liabilities	83,586	222,418	-	306,004
Non-current liabilities:				
Due in more than one year	-	4,823,617	-	4,823,617
Total non-current liabilities	-	4,823,617	-	4,823,617
Total liabilities	83,586	5,046,035	-	5,129,621
NET ASSETS				
Invested in capital assets, net related debt	448,925	2,760,118	-	3,209,043
Unrestricted	(68,024)	1,615,111	16,145	1,563,232
Total net assets	\$ 380,901	\$ 4,375,229	\$ 16,145	\$4,772,275

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

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

	Major Funds		Non-major Fund	Total
	Transportation Development	Sanitation	Enterprise Zone	
Operating revenues:				
Charges for service	\$ 72,124	\$ 2,009,976	\$ -	\$ 2,082,100
Fees and other revenues	-	13,000	18,695	31,695
Total operating revenues	<u>72,124</u>	<u>2,022,976</u>	<u>18,695</u>	<u>2,113,795</u>
Operating Expenses:				
Salaries and benefits	284,435	34,779	-	319,214
Vehicle operations	44,295	-	-	44,295
Sanitation operations	-	1,338,852	-	1,338,852
Depreciation expense	132,584	240,272	-	372,856
General and administrative expense	187,908	83,210	-	271,118
Capital outlay	242	-	-	242
Miscellaneous expense	-	-	2,550	2,550
Total operating expenses	<u>649,464</u>	<u>1,697,113</u>	<u>2,550</u>	<u>2,349,127</u>
Operating income (loss)	<u>(577,340)</u>	<u>325,863</u>	<u>16,145</u>	<u>(235,332)</u>
Nonoperating revenues (expenses):				
Intergovernmental	379,923	-	-	379,923
Interest income	25	314	-	339
Interest expense	-	(276,743)	-	(276,743)
Total nonoperating revenue (expenses)	<u>379,948</u>	<u>(276,429)</u>	<u>-</u>	<u>103,519</u>
Income (loss) before transfers	<u>(197,392)</u>	<u>49,434</u>	<u>16,145</u>	<u>(131,813)</u>
Transfers in	<u>1,100</u>	<u>-</u>	<u>-</u>	<u>1,100</u>
Change in net assets	<u>(196,292)</u>	<u>49,434</u>	<u>16,145</u>	<u>(130,713)</u>
Total net assets, beginning	567,441	4,325,795	-	4,893,236
Prior Period Adjustment	9,752	-	-	9,752
Total net assets, ending	<u>\$ 380,901</u>	<u>\$ 4,375,229</u>	<u>\$ 16,145</u>	<u>\$ 4,772,275</u>

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

CITY OF ARVIN
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR YEAR ENDED JUNE 30, 2012

	Major Funds		Non-major Fund Enterprise Zone	Total
	Transportation Development	Sanitation		
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 600,248	\$ 1,999,573	\$ 18,695	\$ 2,618,516
Payments to employees	(279,670)	(35,044)	-	(314,714)
Maintenance and operations	(623,051)	(1,423,796)	(2,550)	(2,049,397)
Net cash provided by (used in) operating activities	<u>(302,473)</u>	<u>540,733</u>	<u>16,145</u>	<u>254,405</u>
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES				
Transfer in	1,100	-	-	1,100
Intergovernmental revenue	379,923	-	-	379,923
Net cash provided by noncapital and related financing activities	<u>381,023</u>	<u>-</u>	<u>-</u>	<u>381,023</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Interest expense (net of discount amortization)	-	(276,743)	-	(276,743)
Payments on long-term debt	-	(109,261)	-	(109,261)
Net cash used in capital and related financing activities	<u>-</u>	<u>(386,004)</u>	<u>-</u>	<u>(386,004)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of fixed assets	(106,965)	-	-	(106,965)
Interest and dividends received	25	314	-	339
Net cash provided by (used in) investing activities	<u>(106,940)</u>	<u>314</u>	<u>-</u>	<u>(106,626)</u>
Net increase (decrease) in cash	(28,390)	155,043	16,145	142,798
Cash and cash equivalents, beginning of year	28,390	1,543,618	-	1,572,008
Cash and cash equivalents, end of year	<u>-</u>	<u>\$ 1,698,661</u>	<u>16,145</u>	<u>\$ 1,714,806</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES				
Operating income (loss)	\$ (577,340)	\$ 325,863	\$ 16,145	\$ (235,332)
Adjustment to reconcile operating income to net cash provided by operating activities:				
Depreciation	132,584	240,272	-	372,856
Increase in:				
Receivables	537,935	(23,403)	-	514,532
Due from other funds	(9,811)	-	-	(9,811)
Increase (decrease) in:				
Accounts payable	786	(1,734)	-	(948)
Due to other funds	(391,392)	-	-	(391,392)
Accrued payroll and benefits	4,765	(265)	-	4,500
Net cash provided by (used in) operating activities	<u>(302,473)</u>	<u>\$ 540,733</u>	<u>16,145</u>	<u>\$ 254,405</u>

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

FIDUCIARY FUND

**CITY OF ARVIN
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
JUNE 30, 2012**

	<u>Successor Agency</u>
ASSETS	
Cash and investments	
Held in city treasury	\$ 117,213
Held with trustees	1,375,376
Accounts Receivable	8,421
Bond issuance cost, net	141,476
Capital assets	
Non-depreciable	378,863
Depreciable, net of accumulated depreciation	<u>1,285,132</u>
Total assets	<u>3,306,481</u>
LIABILITIES	
Accounts payable	67,937
Interest payable	166,096
Long-term debt	
Due in one year or less	152,788
Due in more than one year	<u>9,457,131</u>
Total Liabilities	<u>9,843,952</u>
NET ASSETS (DEFICIT)	
Held in trust for other purposes	<u><u>\$ (6,537,471)</u></u>

**CITY OF ARVIN
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
FOR THE PERIOD FEBUARY 1, 2012 THROUGH JUNE 30, 2012**

	<u>Successor Agency</u>
ADDITIONS	
Property taxes	\$ 161,000
Revenue from use of money and property	971
Total additions	<u>161,971</u>
DEDUCTIONS	
Program expenses for redevelopment	1,855
Administrative expenses	23,548
Interest and fiscal agency expenses of former redevelopment agency	265,875
Total deductions	<u>291,278</u>
Extraordinary loss on AB1X26	<u>(6,408,164)</u>
Changes in net assets	(6,537,471)
Net assets, beginning of year	<u>-</u>
Net assets, end of year	<u><u>\$ (6,537,471)</u></u>

NOTES TO BASIC FINANCIAL STATEMENTS

CITY OF ARVIN
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

(1) Summary of significant accounting policies

A. Reporting Entity

The City of Arvin (City) was incorporated December 21, 1960, as a general law city and as such draws its authority from the Constitution and laws of the State of California. The City has a council/manager form of government and is governed by a five-member elected council. The City Manager is appointed by the City Council. The City provides the following services: police, community services, street construction and maintenance, planning and zoning, street cleaning, transit, sanitation, and general administrative services.

The accompanying basic financial statements include the financial activities of the City and its sole component unit, the Arvin Community Redevelopment Agency (Agency). Financial information for the City and its component unit is accounted for in the accompanying financial statements in accordance with principles defining the governmental reporting entity adopted by the Governmental Accounting Standards Board.

Blended component unit – The Arvin Community Redevelopment Agency (Agency) was established by the City Council on December 5, 1995, pursuant to California Health and Safety Code Section 33000; the “Community Redevelopment Law.” The Agency exists as a separate legal entity whose purpose is to eliminate blight, to help meet low and moderate income housing needs, and to revitalize property, within the Arvin redevelopment project area. The Agency board is comprised solely of the same individuals who comprise the City Council. The Agency’s administrative staff is comprised of City employees. The Agency is reported as a governmental fund. The Agency was dissolved on February 1, 2012 in accordance with Assembly Bill 1X 26 (see note 13).

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

B. Basis of Accounting/Measurement Focus

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

CITY OF ARVIN
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

B. Basis of Accounting/Measurement Focus (Continued)

Government-wide and fund financial statements - The City government-wide financial statements include a statement of net assets and a statement of activities and changes in net assets. These statements present summaries of governmental and business-type activities for the City accompanied by a total column.

These statements are presented on an *economic resources* measurement focus and the accrual basis of accounting. Accordingly, all of the City's assets and liabilities, including capital assets, as well as infrastructure assets acquired since July 1, 2003, and long-term liabilities, are included in the accompanying statement of net assets. The statement of activities presents changes in net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. The types of transactions reported as program revenues for the City are reported in three categories: 1) charges for services, 2) operating contributions and grants, and 3) capital grants and contributions.

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. In the statement of activities, interfund transactions have been eliminated; however, those transactions between governmental and business-type activities have not been eliminated.

The City applies all applicable GASB pronouncements (including all NCGA Statements and Interpretations currently in effect) as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB) of the committee on Accounting Procedure. In addition, the City applies all applicable FASB Statements and Interpretations issued after November 30, 1989, except those that conflict with or contradict GASB pronouncements to its business-type activities.

Governmental Fund Financial Statements - Governmental fund financial statements include a balance sheet and a statement of revenues, expenditures and changes in fund balances for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in net assets as presented in these statements to the net assets presented in the government-wide financial statements is provided to explain the differences created by the integrated approach of GASB Statement No 34.

CITY OF ARVIN
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

B. Basis of Accounting/Measurement Focus (Continued)

Governmental Fund Financial Statements (Continued)

All governmental funds are accounted for under a spending or *current financial resources* measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on these balance sheets. The statement of revenues, expenditures and changes in fund balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash during the year or within 60 days after year-end. The primary revenue sources, which have been treated as susceptible to accrual by the City, are property tax, sales tax, intergovernmental revenue and other forms of tax. Grants and similar items are recognized as revenue as soon as eligibility requirements have been met. The availability period for revenue recognition for Grants receivable is 1 year after the year-end. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

The City reports the following major governmental funds:

General Fund - The General Fund is the City's general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund. The primary revenue source is an ad valorem specially assessed tax override. These governmental functions are not financed with bonded indebtedness.

CMAQ Grant - Accounts for Congestion Mitigation and Air Quality grant funds which are restricted for use to relieve traffic congestion and improve air quality within the City as well as help the City to meet the SJVAQC guidelines.

Proprietary Fund Financial Statements

Proprietary Fund Financial Statements - includes a statement of fund net assets, a statement of revenues, expenses, and changes in fund net assets, and a statement of cash flows for each major proprietary fund and for non-major funds.

The City of Arvin reports the following Proprietary funds:

Transportation Development Fund - accounts for financial activity related to the public transit services provided by the City. This fund is a major fund.

Sanitation Fund - accounts for the financial activity of the waste water services of the City. These services are provided through contracts with independent contractors. This fund is a major fund.

Enterprise Zone Fund - accounts for the financial activity related to the Enterprise Zone tax credit. This fund is a non-major fund.

CITY OF ARVIN
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

B. Basis of Accounting/Measurement Focus (Continued)

Proprietary Fund Financial Statements (Continued)

Enterprise funds are accounted for using the *economic resources* measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or non-current) are included on the statement of fund net assets. The statement of revenues, expenses, and changes in fund net assets presents increases (revenues) and decreases (expenses) in total net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they occur while expenses are recognized in the period in which the liability is incurred.

Operating revenues in the enterprise funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

Use of Estimates

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

C. Assets, Liabilities, and Net Assets or Equity

Cash and Investments

Under the City's cash management program, cash in excess of operating requirements from all funds is pooled with the purpose of maximizing interest through investment activities, and is deposited in savings accounts or invested in bank certificates of deposit, bank money market accounts, and the State of California Local Agency Investment Fund (LAIF). Interest income on pooled investments is allocated on the end of month balance in each fund included in the pools.

For purposes of the statement of cash flows, the City considered all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. All cash and investments of the enterprise funds are pooled with the City's pooled cash and investments.

CITY OF ARVIN
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

C. Assets, Liabilities, and Net Assets or Equity (Continued)

Receivables and Payables

Activity between funds that represents lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as either "due to/from other funds" (i.e. the current portion of interfund loans) or "interfund advances receivable/payable" (i.e. the non-current portion of interfund loans).

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

Enterprise fund receivables are shown net of an allowance for uncollectible accounts. All customers are billed monthly. The estimated value of services provided, but unbilled at year-end has been included in the accompanying financial statements.

Property taxes are assessed, collected and allocated by Kern County throughout the fiscal year according to the following property tax calendar. The property taxes attach as an enforceable lien on property as of January 1st each year, with other dates of significance being:

Levy Date	July 1 st to June 30 th
Due Dates	November 1 st , 1 st installment; February 1 st , 2 nd installment
Delinquent Dates	December 10 th , 1 st installment, April 10 th , 2 nd installment

City property tax revenues are recognized when received in cash except at year-end when available taxes, or those collected within 60 days of fiscal year end, are accrued pursuant to the modified accrual basis of accounting. Revenue from taxpayer-assessed taxes (sales and use, business license, transient occupancy, utility users, gas, and franchise fees) are accrued in the governmental funds when they are both measurable and available. The City considers these revenues available if they are received during the period when settlement of prior fiscal year accounts payable occurs. Historically, the majority of these taxes are received within 60 days of the fiscal year end.

Grant and entitlement revenues are recorded as receivables in the funds when all eligibility requirements have been met. The corresponding governmental fund revenues are recorded in governmental funds when they become available, with the differences recorded as unearned revenue. Enterprise fund revenues are recorded as operating revenues when the receivables are recorded. Some grant and entitlement revenues are not susceptible to accrual, in which case the corresponding revenues are recorded when received.

CITY OF ARVIN
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

C. Assets, Liabilities, and Net Assets or Equity (Continued)

Capital Assets

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

Buildings and improvements	15-40 years
Vehicles	5 years
Machinery and equipment	5-20 years
Infrastructure	35-50 years

The City defines infrastructure as capital assets that are stationary and have expected useful lives significantly in excess of most capital assets. The assets include the street system, sewer collection and treatment system, park and recreation improvements, storm water conveyance system, and permanent monuments and signage.

Compensated Absences Payable

Vested or accumulated vacation leave that is expected to be liquidated with expendable available resources is reported as an expenditure and related fund liability of the governmental fund responsible for payment. Amounts of vested or accumulated vacation leave and benefits that are not expected to be liquidated with expendable available resources are reported in the non-current portion of the obligations reported in the government-wide statement of net assets with corresponding changes in account balances reported as expenses in the statement of activities. Vested or accumulated enterprise fund vacation leave and benefits are expensed with a corresponding fund liability for these unpaid accrued employee benefits. Vacation pay accruals generally do not exceed the amount earned for one year; however, an employee may accumulate up to a maximum of 320 hours of earned vacation time after which no further vacation accrues to the employee.

Long-Term Obligations

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

CITY OF ARVIN
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

C. Assets, Liabilities, and Net Assets or Equity (Continued)

Fund Equity

Fund balances are reported in the fund statements in the following classifications:

Nonspendable fund balance – this includes amounts that cannot be spent because they are either not spendable in form (such as inventory) or legally or contractually required to be maintained intact (such as endowments).

Restricted fund balance – this includes amounts that can be spent only for specific purposes stipulated by constitution, external resource providers, or through enabling legislation. If the Council action limiting the use of funds is included in the same action (legislation) that created (enables) the funding source, then it is restricted.

Committed fund balance – this includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority.

Assigned fund balance – this includes amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed.

Unassigned fund balance – this includes all amounts not included in other spendable classifications.

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

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

Restricted net assets – This category presents external restrictions imposed by creditors, grantors, contributors, laws or regulations of other governments, and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets – This resulting category presents the remaining City net assets and this measure of equity is unrestricted, legally or otherwise.

**CITY OF ARVIN
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

C. Assets, Liabilities, and Net Assets or Equity (Continued)

Stewardship (Budget)

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds. All annual appropriations lapse at year-end. The budget process is briefly summarized as follows:

- a. In June, the City Manager submits a proposed operating budget for the fiscal year commencing the following July 1 to the City Council. The operating budget includes proposed expenditures and means of financing them.
- b. The City Council holds public hearings on the proposed operating budget.
- c. As near as possible to July 1, the budget is legally enacted through passage of an appropriation resolution.
- d. Supplemental appropriations during the year may be approved by the City Council.
- e. The City Manager is authorized to transfer budgeted amounts between departments within any fund; however any change to total expenditures of any fund must be approved by the City Council.

Excess of Expenditures over Appropriations

For the year ended June 30, 2012, expenditures in the general fund's public safety department, public works department, and public works capital outlays exceeded appropriations by \$48,928, \$165,619, and \$5,708 respectively. Available fund balance was sufficient to provide for the excess expenditures.

(2) Cash and Investments

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

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

The City's cash, cash equivalents, and investments consist of the following at June 30, 2012:

Deposits	\$	2,316,658
LAIF		461,265
External Investment Pool		1,062,327
Cash and Cash Equivalents		3,840,250
Investments with Fiscal Agents		1,541,514
	\$	5,381,764

CITY OF ARVIN
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

(2) Cash and Investments (Continued)

The City's deposits and investments are reflected in the accompanying basic financial statements as follows:

	Governmental Activities	Business Type Activities	Fiduciary Funds	Total
Cash and Cash Equivalents	\$ 172,976	\$ 542,287	\$ 117,213	\$ 832,476
Investments	2,001,393	501,794	-	2,503,187
Restricted Cash and Cash Equivalents	-	670,725	1,375,376	2,046,101
	<u>\$ 2,174,369</u>	<u>\$ 1,714,806</u>	<u>\$ 1,492,589</u>	<u>\$5,381,764</u>

Deposits

The City maintains a cash investment pool that is available for all funds. Each fund type balance in the pool is reflected on the statement of net assets as cash and cash equivalents at June 30, 2012. The carrying amount of the City's deposits was \$2,316,658 and the bank balance was \$2,371,075, of which \$1,195,447 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Investment Pools

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the City's investments in this pool is reported in the accompanying financial statements at 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). As of June 30, 2012, the balance is \$461,265. The balance available for withdrawals is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Additionally the City of Arvin invested \$1,007,932 into an investment pool account with the Central San Joaquin Valley Risk Management Authority (CSJVRMA). At June 30, 2012 this account was valued at \$1,062,327. The City of Arvin received an average yield of 2.39% for the fiscal year ended June 30, 2012 on this investment.

Investments

As of June 30, 2012, the City had the following investments:

Investment Types	Book Value	Maturities in years	
		Less than 1	1 to 5
Money Market Fund	\$ 954,111	\$ 954,111	\$ -
Negotiable CD's	587,403	587,403	-
Local Agency Investment Fund	461,265	461,265	-
External Investment Pool	1,062,327	1,062,327	-
Total Investments	<u>\$ 3,065,106</u>	<u>\$ 3,065,106</u>	<u>\$ -</u>

CITY OF ARVIN
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

(2) Cash and Investments (Continued)

Authorized Investments

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

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

The City's investments by the investments manager are as follows:

City Treasurer	\$ 1,523,592
Fiscal Agents (Bond trustees for the City and its component units)	1,541,514
	\$ 3,065,106

Interest Rate Risk

The City does not have a formal investment policy that limits investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates.

The City investments are subject to immediate liquidation, therefore, the City is exposed to interest rate risk if interest rates fall.

Credit Risk

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

Cash and investments as of June 30, 2012 are classified in the accompanying financial statements as follows:

Investment Type	AAA	Total
Money Market Fund	\$ 954,111	\$ 954,111
Totals	\$ 954,111	954,111
Not rated:		
California Local Agency Investment Fund		461,265
External Investment Pool		1,062,327
Negotiable CD's		587,403
Total Investments		\$ 3,065,106

CITY OF ARVIN
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

(2) Cash and Investments (Continued)

Concentration Credit Risk

Investments in any individual issuer, other than U.S. Treasury securities, that represent 5% or more of the Agency's investments are as follows at June 30, 2012:

Issuer	Type of Investments	Amounts
Blackrock	Mutual Fund	670,725
Wells Fargo Advantage	Mutual Fund	283,386
Total concentration credit risk		<u>954,111</u>

Restricted Cash and Investments

On their respective statement of net assets, the City shows restricted assets as detailed below:

	Funds held By
Business-Type Activities	
Sanitation Fund	
Deposits Veolia water operating account	<u>670,725</u>
Total Business-Type Activities	<u>670,725</u>
	Union Bank of California

(3) Interfund Activities

Current interfund balances

Current interfund balances arise in the normal course of business and are expected to be repaid shortly after the end of the fiscal year.

	Due from other funds	Due to other funds
Governmental Funds		
General fund	\$ 1,074,303	\$ 874,367
CMAQ Grant	-	591,979
Non-major Funds	902,867	469,447
Proprietary Funds		
Transportation Development	<u>9,811</u>	<u>51,188</u>
Total	<u>\$ 1,986,981</u>	<u>\$ 1,986,981</u>

**CITY OF ARVIN
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

(3) Interfund Activities (Continued)

Transfers between funds

With Council approval, resources may be transferred from one City fund to another. The purpose of the majority of transfers is to reimburse a fund that has made expenditures on behalf of another fund or to supplement special or enterprise revenues with general fund revenues.

Transfers in and out consisted of the following as of June 30, 2012:

	Transfers	
	In	Out
Governmental funds:		
General fund	\$ 34,698	\$ -
Other governmental funds	773,131	808,929
Proprietary funds:		
Transportation Fund	1,100	-
Total transfers out	<u>\$ 808,929</u>	<u>\$ 808,929</u>

(4) Notes Receivable

Notes receivable consisted of the following as of June 30, 2012:

	General Fund			
	Beginning Balance	Additions	Deletions	Ending Balance
Successor Agency, interest at 6%	\$ 736,227	44,809	-	\$ 781,036
Successor Agency, non-interest bearing	99,698	-	-	99,698
	<u>\$ 835,925</u>	<u>44,809</u>	<u>-</u>	<u>\$ 880,734</u>

The former Arvin Community Redevelopment Agency entered into certain borrowing arrangements with the City of Arvin to fund operating expenses. The portion of fund balance associated with amounts that have been disbursed to other funds in the form of long-term interfund notes receivable have been classified as nonspendable unless the funds associated with repayment of the notes is otherwise restricted for specific purposes. As of February 1, 2012 the Arvin Community Redevelopment Agency was dissolved as a result of Assembly Bill 1X 26 and the notes payable to the City were transferred to the Successor Agency, the notes are to be repaid to the City as part of the Agency's Required Operating Payments Schedule. See note 13 for further information in regard to the Successor Agency.

CITY OF ARVIN
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

(5) Capital Assets

In accordance with GASB Statement No. 34, the City has reported all capital assets including infrastructure additions as of the beginning of the 2003-2004 fiscal year in the government-wide statement of net assets. The City elected to use the basic approach whereby accumulated depreciation and depreciation expense have been recorded.

The following table presents summary information on capital assets:

Governmental activities:	<u>Beginning Balance</u>	<u>Transfer In/(Out)</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:					
Land	\$ 234,035	\$ -	\$ -	\$ -	\$ 234,035
Infrastructure in progress	<u>2,574,701</u>	<u>(378,863)</u>	<u>711,328</u>	<u>-</u>	<u>2,907,166</u>
Total capital assets, not being depreciated	<u>2,808,736</u>	<u>(378,863)</u>	<u>711,328</u>	<u>-</u>	<u>3,141,201</u>
Capital assets, being depreciated:					
Buildings and improvements	5,607,698	(460,540)	-	-	5,147,158
Machinery and equipment	1,465,407	-	-	-	1,465,407
Infrastructure	3,806,119	(805,509)	-	-	3,000,610
Vehicles	<u>1,694,166</u>	<u>(226,698)</u>	<u>42,631</u>	<u>-</u>	<u>1,510,099</u>
Total capital assets being depreciated	<u>12,573,390</u>	<u>(1,492,747)</u>	<u>42,631</u>	<u>-</u>	<u>11,123,274</u>
Less accumulated depreciation for:					
Buildings and improvements	(1,570,921)	46,869	(137,606)	-	(1,661,658)
Machinery and equipment	(1,091,423)	-	(40,549)	-	(1,131,972)
Infrastructure	(296,073)	56,698	(80,468)	-	(319,843)
Vehicles	<u>(1,179,219)</u>	<u>71,788</u>	<u>(170,585)</u>	<u>-</u>	<u>(1,278,016)</u>
Total accumulated depreciation	<u>(4,137,636)</u>	<u>175,355</u>	<u>(429,208)</u>	<u>-</u>	<u>(4,391,489)</u>
Total capital assets, being depreciated, net	<u>8,435,754</u>	<u>(1,317,392)</u>	<u>(386,577)</u>	<u>-</u>	<u>6,731,785</u>
Governmental activities capital assets, net	<u>\$11,244,490</u>	<u>\$(1,696,255)</u>	<u>\$ 324,751</u>	<u>\$ -</u>	<u>\$ 9,872,986</u>

CITY OF ARVIN
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

(5) Capital Assets (Continued)

Business-type activities:	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 906,245	\$ -	\$ -	\$ 906,245
Capital assets, being depreciated:				
Buildings and improvements	4,216,103	-	-	4,216,103
Machinery and equipment	115,226	-	-	115,226
Infrastructure	5,903,462	-	-	5,903,462
Vehicles	1,014,252	106,965	-	1,121,217
Total capital assets being depreciated	<u>11,249,043</u>	<u>106,965</u>	<u>-</u>	<u>11,356,008</u>
Less accumulated depreciation for:				
Buildings and improvements	(1,571,908)	(103,700)	-	(1,675,608)
Machinery and equipment	(39,964)	(11,911)	-	(51,875)
Infrastructure	(1,511,939)	(137,290)	-	(1,649,229)
Vehicles	(617,461)	(119,955)	-	(737,416)
Total accumulated depreciation	<u>(3,741,272)</u>	<u>(372,856)</u>	<u>-</u>	<u>(4,114,128)</u>
Total capital assets, being depreciated, net	<u>7,507,771</u>	<u>(265,891)</u>	<u>-</u>	<u>7,241,880</u>
Business-type activities capital assets, net	<u>\$ 8,414,016</u>	<u>\$ (265,891)</u>	<u>\$ -</u>	<u>\$ 8,148,125</u>

CITY OF ARVIN
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

(5) Capital Assets (Continued)

Fiduciary activities:	<u>Beginning Balance</u>	<u>Transfer In/(Out)</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:					
Infrastructure in progress	-	378,863	-	-	378,863
Total capital assets, not being depreciated	-	378,863	-	-	378,863
Capital assets, being depreciated:					
Buildings and improvements	-	460,540	-	-	460,540
Infrastructure	-	805,509	-	-	805,509
Vehicles	-	226,698	-	-	226,698
Total capital assets being depreciated	-	1,492,747	-	-	1,492,747
Less accumulated depreciation for:					
Buildings and improvements	-	(46,869)	(5,158)	-	(52,027)
Infrastructure	-	(56,698)	(8,210)	-	(64,908)
Vehicles	-	(71,788)	(18,892)	-	(90,680)
Total accumulated depreciation	-	(175,355)	(32,260)	-	(207,615)
Total capital assets, being depreciated, net	-	1,317,392	(32,260)	-	1,285,132
Governmental activities capital assets, net	<u>\$ -</u>	<u>\$ 1,696,255</u>	<u>\$ (32,260)</u>	<u>\$ -</u>	<u>\$ 1,663,995</u>

CITY OF ARVIN
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

(5) Capital Assets (Continued)

For the year ended June 30, 2012, depreciation expense on capital assets was charged to the governmental functions as follows:

Governmental activities:	
General government	\$121,872
Community Development	12,704
Public Safety	124,247
Public Works	170,385
Total depreciation expense - governmental activities	<u>\$429,208</u>
Business-type activities:	
Transportation	\$132,584
Sanitation	240,272
Total depreciation expense - business-type activities	<u>\$372,856</u>
Fiduciary activities:	
Successor Agency	<u>\$ 32,260</u>
Total depreciation expense - fiduciary activities	<u>\$ 32,260</u>

(6) Compensated Absences

The City's policy relating to compensated absences is described in Note 1. Compensated absences are reported in the fund financials in the amount of \$153,794, all of which relates to governmental activities. This obligation is expected to be paid within one year from then available resources derived from the respective funds to which the employee services are rendered.

CITY OF ARVIN
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

(7) Long-Term Obligations

The following is a summary of long-term obligation transactions of the City for the year ended June 30, 2012:

	Beginning Balance	Incurred or Issued	Satisfied or Matured	Transfers In/(Out)	Ending Balance	Due Within One Year	Due in More than One Year
Governmental Activities:							
Tax allocation bonds							
2005 tax allocation bonds	\$ 5,705,000	\$ -	\$ 125,000	\$(5,580,000)	\$ -	\$ -	\$ -
2008 tax allocation bonds	3,475,000	-	30,000	(3,445,000)	-	-	-
Less deferred amounts:							
For issuance discounts	(308,027)	-	(7,123)	300,904	-	-	-
Total tax allocation bonds payable	8,871,973	-	147,877	(8,724,096)	-	-	-
Governmental compensated absence							
Governmental activity	238,147	-	238,147	-	-	-	-
Long-term liabilities	<u>\$ 9,110,120</u>	<u>\$ -</u>	<u>\$ 386,024</u>	<u>\$(8,724,096)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Business-type activities:							
Contract obligations							
Veolia Water North American Operating Services, LLC							
	<u>\$ 5,048,343</u>	<u>\$ -</u>	<u>\$ 109,261</u>	<u>\$ -</u>	<u>\$ 4,939,082</u>	<u>\$ 115,465</u>	<u>\$ 4,823,617</u>
Business-type activity							
Long-term liabilities	<u>\$ 5,048,343</u>	<u>\$ -</u>	<u>\$ 109,261</u>	<u>\$ -</u>	<u>\$ 4,939,082</u>	<u>\$ 115,465</u>	<u>\$ 4,823,617</u>
Fiduciary Activities:							
Tax allocation bonds							
2005 tax allocation bonds	\$ -	\$ -	\$ -	\$ 5,580,000	\$ 5,580,000	\$ 130,000	\$ 5,450,000
2008 tax allocation bonds	-	-	-	3,445,000	3,445,000	35,000	3,410,000
Less deferred amounts:							
For issuance discounts	-	-	(5,089)	(300,904)	(295,815)	(12,212)	(283,603)
Total tax allocation bonds payable	-	-	(5,089)	8,724,096	8,729,185	152,788	8,576,397
Notes payable							
City of Arvin, interest at 6%	-	44,809	-	736,227	781,036	-	781,036
City of Arvin, non-interest bearing	-	-	-	99,698	99,698	-	99,698
Long-term liabilities	<u>\$ -</u>	<u>\$ 44,809</u>	<u>\$ (5,089)</u>	<u>\$ 9,560,021</u>	<u>\$ 9,609,919</u>	<u>\$ 152,788</u>	<u>\$ 9,457,131</u>

- **2005 Tax Allocation Bonds:** On October 6, 2005, the Redevelopment Agency issued Tax Allocation Bonds with a face value of \$6,250,000, at a combined original issue discount and underwriter's discount of \$251,088. Issuance costs of \$78,360 were incurred. The bond discount and issuance costs will be amortized ratably over the average 30 year life of the bond issue on a straight-line basis. The Bonds bear interest at the net average rate of 5.18% and are payable semi-annually maturing through September, 2035.
- **2008 Tax Allocation Bonds:** On August 7, 2008, the Redevelopment Agency issued Tax Allocation Bonds with a face value of \$3,530,000, at a combined original issue discount and underwriter's discount of \$115,250. Issuance costs of \$92,330 were incurred. The bond discount and issuance costs will be amortized ratably over the average 30 year life of the bond issue on a straight-line basis. The Bonds bear interest ranging 5.00% to 6.5% and are payable semi-annually maturing through September, 2038.

CITY OF ARVIN
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

(7) Long-Term Obligations (Continued)

- Veolia Water North American Operating Services, LLC: As described in Note 8, in 1998 the City entered into an agreement effectively privatizing the operation of its sewage treatment plant, paying off virtually all of the 1992 Sewer Revenue Bonds, and financing improvements to the existing sewage plant facility. Veolia is entitled to recover its equity (initially \$5,963,560) in the contract over 35 years. Payments amortizing this equity in the sum of \$32,167 per month are made by the City resulting in an implicit interest rate of approximately 5.9% per annum. If the agreement is terminated prematurely, the agreement requires the City to pay decreasing fixed sum (see below), which is higher than the computed balance of the financing when computed using a standard amortization methodology. If the agreement were to terminate prematurely, the City would receive the improvements to the wastewater treatment plant and Veolia's access easement would terminate.

Agreement Year	Buy-out Price	Agreement Year	Buy-out Price	Agreement Year	Buy-out Price
0	\$5,963,560	12	\$5,306,360	24	\$ 3,652,760
1	5,928,580	13	5,219,440	25	3,433,340
2	5,891,480	14	5,125,100	26	3,196,960
3	5,851,200	15	5,024,400	27	2,940,440
4	5,807,740	16	4,914,160	28	2,663,780
5	5,760,040	17	4,795,440	29	2,365,920
6	5,709,160	18	4,667,180	30	2,042,620
7	5,655,100	19	4,529,380	31	1,694,940
8	5,595,740	20	4,379,920	32	1,318,640
9	5,531,080	21	4,218,800	33	912,660
10	5,462,180	22	4,043,900	34	473,820
11	5,387,980	23	3,856,280	35	-

Each "Agreement Year" ends at 11:59 p.m. on the day before the contract anniversary date.

CITY OF ARVIN
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

(7) Long-Term Obligations (Continued)

The amortization tables below show the scheduled payments of interest and principal on all City long-term indebtedness.

<u>Year ending June 30,</u>	<u>Contract Obligation Payable - Veolia, Inc.</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	115,465	270,539	386,004
2014	122,023	263,981	386,004
2015	128,952	257,052	386,004
2016	136,275	249,729	386,004
2017	144,014	241,990	386,004
2018-2022	852,440	1,077,580	1,930,020
2023-2027	1,123,584	806,436	1,930,020
2028-2032	1,480,972	449,048	1,930,020
2033-2035	835,357	56,502	891,859
	<u>4,939,082</u>	<u>3,672,857</u>	<u>8,611,939</u>

<u>Year ending June 30,</u>	<u>2005 Tax Allocation Bond Payable</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 130,000	276,388	\$ 406,388
2014	135,000	270,538	405,538
2015	140,000	264,868	404,868
2016	145,000	258,848	403,848
2017	155,000	252,468	407,468
2018-2022	885,000	1,148,683	2,033,683
2023-2027	1,075,000	963,188	2,038,188
2028-2032	1,430,000	594,756	2,024,756
2033-2035	7,685,000	277,775	7,962,775
	<u>11,780,000</u>	<u>4,307,512</u>	<u>16,087,512</u>

CITY OF ARVIN
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

(7) Long-Term Obligations (Continued)

<u>Year ending June 30,</u>	<u>2008 Tax Allocation Bond Payable</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	35,000	219,400	\$ 254,400
2014	35,000	217,650	252,650
2015	40,000	215,675	255,675
2016	40,000	213,475	253,475
2017	40,000	211,275	251,275
2018-2022	245,000	1,017,538	1,262,538
2023-2027	330,000	927,225	1,257,225
2028-2032	455,000	800,963	1,255,963
2033-2037	1,030,000	613,600	1,643,600
2038-2039	1,195,000	78,813	1,273,813
	<u>3,445,000</u>	<u>4,515,614</u>	<u>7,960,614</u>

(8) Wastewater Treatment Plant Commitments

In 1998 the City entered into an agreement with U.S. Filter Operating Services, Inc., predecessor in interest to Veolia Water North American Operating Services, LLC (collectively, "Veolia"), under which the City granted Veolia an easement to its existing treatment facilities and retained Veolia to operate all treatment plant sanitation services on behalf of the City for 35 years. As part of the agreement Veolia also made improvements to the existing sewage plant of approximately \$5.1 million dollars and provided cash of \$876,400 for the City to advance refund its then outstanding 1992 Sewer Revenue Bonds.

In order to secure its payment obligations, the City pledged all ad valorem assessments it collects against properties located in the City for the provision of sewage services, and all direct in lieu billings to governmental agencies, and all connection fees. These monies are deposited into a trust account held by Union Bank of California, N.A.. From the amounts deposited, disbursements are made in the following priority: (1) Veolia's monthly sewage treatment plant operating costs; (2) payment to Veolia of any unpaid prior monthly operating costs; and (3) extraordinary operating, maintenance or repair costs associated with the plant.

Twice annually, the City is entitled to receive a sum (initially \$75,000, indexed for inflation) to the extent funds are available in the Union Bank account as its easement fee for the access easement granted to Veolia. Unpaid easement fees (due to fund unavailability) are carried forward until funds are available to pay them.

The balance in the Union bank account at June 30, 2012 was \$670,725. Under the terms of the agreement the City is permitted to remove all funds in excess of \$500,000 from the Union bank account beginning in the fiscal year 2009-2010. All funds in the trust account are City property held in pledge toward City obligations under the Veolia agreement, and subject to the terms of the trust account agreement.

**CITY OF ARVIN
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

(8) Wastewater Treatment Plant Commitments (Continued)

The City makes monthly payments of \$32,167 to amortize, with interest, the improvements and debt service advance financed by Veolia. If the agreement is terminated early, the City must pay a declining lump sum, as described above, to repay Veolia's investment plus an imputed premium for early termination. The amount financed and these payments are reported by the City as long term indebtedness in the business-type activities, and is more fully discussed above in connection with the City's long term indebtedness (see note 7). The transactional activity related to the Veolia contract is reported in the Sanitation fund within the enterprise fund financial statements, and in the business-type activities portions of the government-wide financial statements.

(9) Defined Benefit Pension Plan

A. Plan Description

The City contributes to the Public Agency portion of the California Public Employee Retirement System (CalPERS), a cost sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employee's Retirement Law. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95814.

As of June 30, 2010 the City's membership consisted of the following:

	Misc.	Safety
Active	34	17
Transferred	15	25
Separated	12	10
Retired	17	9
	78	61

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of each valuation. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

**CITY OF ARVIN
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

(9) Defined Benefit Pension Plan (Continued)

A. Plan Description (Continued)

The City's current contribution was determined through an actuarial valuation performed by CalPERS Pension Actuary as of June 30, 2010. The Miscellaneous and Safety Plans use the aggregate actuarial cost method to determine required contributions. Significant actuarial assumptions used to compute the annual contribution requirements are as follows:

Actuarial Valuation Date	June 30, 2010
Actuarial Cost Method	Entry Age Actuarial Cost Method
Amortization Method	Level Percent of Payroll
Average Remaining Period	17 Years as of the Valuation Date
Asset Valuation Method	15 Year Smoothed Market
Actuarial Assumptions	
Investment Rate of Return	7.75% (net of administrative expenses)
Projected Salary Increases	3.55% to 14.45% depending on Age, Service, and type of employment
Inflation	3.00%
Payroll Growth	3.25%

B. Funding Policy

Active plan members in Miscellaneous and Safety Plans are required to contribute 7% of their annual covered salary. The City is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2011/2012 was 6.717% for miscellaneous employees, and 13.973% for police officers, of annual payroll. The contribution requirements of the plan members are established by State statute and the employer contribution rate is established and may be amended by CalPERS. The City's contribution to CalPERS for Miscellaneous and Safety Plans for the fiscal years ending June 30, 2012, 2011, and 2010 was \$308,487, \$246,995, and \$240,372, respectively. For both plans the City contributed 100% of the required contributions for each year.

**CITY OF ARVIN
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

(9) Defined Benefit Pension Plan (Continued)

B. Funding Policy (Continued)

Funded Status and Funding Progress

The funded status of each plan as of June 30, 2010, the most recent actuarial valuation is as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded (Excess Assets) AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
Safety						
6/30/10	\$ 69,069,025	\$ 80,550,533	\$ 11,481,508	85.7%	\$ 21,754,150	52.778%
Miscellaneous						
6/30/10	\$ 2,946,408,106	\$ 3,309,064,934	\$ 362,656,828	89.0%	\$ 748,401,352	48.458%

The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

(10) Risk Management

The City is exposed to various risks and losses related to torts; theft or, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disaster. Risk of loss is primarily handled through the Central San Joaquin Valley Risk Management Authority (CSJVRMA). CSJVRMA is a consortium of fifty-four (54) cities in the San Joaquin Valley, California. It was established under the provisions of California Government Code Section 6500 et seq. Central San Joaquin Valley Risk Management Authority is governed by a Board of Directors, which meets 3-4 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 CSJVRMA. It is not a component unit of the City.

The City is covered for the first \$1,000,000 of each general liability claim and \$500,000 of each workers' compensation claim through CSJVRMA. The City has the right to receive dividends or the obligation to pay assessments based on a formula which, among other expenses, charges the City's account for liability losses under \$25,000 and workers' compensation losses under \$25,000. The CSJVRMA participates in an excess pool which provides general liability coverage from \$1,000,000 to \$28,000,000. The CSJVRMA participates in an excess pool which provides workers' compensation coverage from \$500,000 to \$4,500,000 and purchases excess reinsurance above the \$5,000,000 to the statutory limit.

**CITY OF ARVIN
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

(10) Risk Management (Continued)

The following is a summary of CSJVRMA's financial information as of, and for the fiscal year ended, June 30, 2011, the most recent information available.

Total assets	\$	69,444,059
Total liabilities		<u>55,945,081</u>
Net assets - restricted for future claims	\$	<u><u>13,498,978</u></u>
Total Revenue	\$	28,377,519
Total expenses		<u>26,762,465</u>
Change in net assets	\$	<u><u>1,615,054</u></u>

Upon 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 governing documents.

(11) Commitments and Contingencies

General Liability

There are various claims and legal actions pending against the City for which no provision has been made in the financial statements. In the opinion of the City Attorney and City Management, liabilities arising from these claims and legal actions, if any, will not be material to these financial statements.

Federal Awards and Grants

The City has received federal grants for specific purposes that are subject to review and audit by the federal government. Although such audits could result in expenditure disallowances under grant terms, any required reimbursements are not expected to be material.

Land held for development

On March 8, 2011 the Arvin Community Redevelopment Agency entered into a real property transfer and cooperative agreement with the City of Arvin, Agreement number 2011-05, transferring land held for development in the amount of \$3,752,867 from the Redevelopment Agency to the City's General Fund. As a result of Assembly Bill 1X 26, as of June 30, 2012 there exists the potential that the City may be required to transfer this land held for development to the Successor Agency to the Arvin Community Redevelopment Agency or the California Department of Finance.

**CITY OF ARVIN
 NOTES TO BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2012**

(12) Deficit Fund Equity

The following special revenue funds had a deficit fund balance as of June 30, 2012:

CMAQ Grant	\$	(327,175)
ARRA Grant	\$	(132,738)
RSTP Funds	\$	(98,208)
TEA Funds	\$	(94,586)
PROP 84 Park	\$	(54,138)
State Gas Tax	\$	(43,939)
Federal Police Grant	\$	(40,067)
JARC Operations Grant	\$	(31,252)
Community Development Block Grant	\$	(9,548)
USDA Cameras	\$	(5,883)
Asset Forfeiture	\$	(5,882)
COPS Program	\$	(71)

The City expects future revenues, assessments, and general fund transfers to cover the above deficits.

(13) Successor 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 Arvin 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 another 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 City resolution number 2012-02.

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 at the date of 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 the former redevelopment agency until all enforceable obligations of the prior redevelopment agency have been paid in full and all assets have been liquidated.

CITY OF ARVIN
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

**(13) Successor Agency Trust For Assets of Former Redevelopment Agency
(Continued)**

The Bill directs the State Controller of the State of California to 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 the 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 ARVIN
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

**(13) Successor Agency Trust For Assets of Former Redevelopment Agency
(Continued)**

The difference between the extraordinary loss recognized in the various governmental fund financial statements and the extraordinary gain recognized in the statement of activities is reconciled as follows:

Total extraordinary loss reported in governmental funds – increase to net assets of the Successor Agency Trust Fund	\$ 643,559
Capital assets recorded in the government-wide financial statements – increase to net assets of the Successor Agency Trust Fund	1,696,255
Accrued bond interest reported in the government-wide financial statements – decrease to net assets of the Successor Agency Trust Fund	(167,729)
Long-term debt reported in the government-wide financial Statements – decrease to net assets of the Successor Agency Trust Fund	(9,025,000)
Unamortized bond discount reported in the government-wide financial Statements – increase to net assets of the Successor Agency Trust Fund	300,904
Unamortized bond issue costs reported in the government-wide financial Statements – increase to net assets of the Successor Agency Trust Fund	143,847
Net assets (liabilities) transferred to the Successor Agency Trust Fund (equal to amount of extraordinary gain reported in the government-wide financial statements of the City)	<u>\$ (6,408,164)</u>

(14) Special Item

During the year, the following 2011 Federal grant reimbursement was disallowed:

Prop 84 Parks	201,070
---------------	---------

The advanced funds were required to be remitted as a result of the expiration of the period of availability on these funds. The city plans to reapply for this grant in the future.

(15) Prior Period Adjustment

The General Fund, State Gas Tax Fund, COPS Program Fund, Federal Police Grant Funds' fund balance and the Transportation Development's net assets at the beginning of 2012 have been adjusted to correct the overstated insurance premium liability at June 30, 2011. The City did not reduce the liability during 2011 when the insurance premiums were paid. Had the error not been made, net change in fund balance (net assets) for 2011 in these funds would have been \$31,786, \$9,383, \$2,347, \$481, and \$9,752 higher, respectively.

The State Gas Tax Fund's fund balance at the beginning of 2012 has been adjusted to correct the over accrual of Highway User Tax Revenues at June 30, 2011. The City accrued an entire month of revenues during 2011 when only 7 days should have been accrued. Had the error not been made, net change in fund balance for 2011 in the State Gas Tax Fund would have been \$44,300 lower.

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF ARVIN
SCHEDULE OF FUNDING PROGRESS
FOR THE YEAR ENDED JUNE 30, 2012**

California Public Employees' Retirement System Plan

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded (Excess Assets) AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
Safety						
6/30/08	\$ 62,163,959	\$ 69,011,153	\$ 6,847,194	90.1%	\$ 21,538,000	31.8%
6/30/09	\$ 63,095,026	\$ 73,625,106	\$ 10,530,080	85.7%	\$ 21,879,598	48.1%
6/30/10	\$ 69,069,025	\$ 80,550,533	\$ 11,481,508	85.7%	\$ 21,754,150	52.8%
Miscellaneous						
6/30/08	\$ 2,547,323,278	\$ 2,780,280,768	\$ 232,957,490	91.6%	\$ 688,606,681	33.8%
6/30/09	\$ 2,758,511,101	\$ 3,104,798,222	\$ 346,287,121	88.9%	\$ 742,981,488	46.6%
6/30/10	\$ 2,946,408,106	\$ 3,309,064,934	\$ 362,656,828	89.0%	\$ 748,401,352	48.5%

CITY OF ARVIN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget - Positive (Negative)
REVENUES				
Taxes	\$ 1,546,296	\$ 1,546,296	\$ 1,831,620	\$ 285,324
Licenses and permits	1,486,150	1,486,150	1,489,810	3,660
Fines and penalties	25,000	25,000	14,844	(10,156)
Revenue from use of money and property	44,000	44,000	95,732	51,732
Charges for services	832,788	832,788	797,405	(35,383)
Intergovernmental revenues	261,502	261,502	50,840	(210,662)
Fees and other revenues	343,725	343,725	646,333	302,608
Total revenues	<u>4,539,461</u>	<u>4,539,461</u>	<u>4,926,584</u>	<u>387,123</u>
EXPENDITURES				
Current				
General government	1,087,694	1,087,694	989,143	98,551
Public safety	2,719,802	2,719,802	2,738,315	(18,513)
Public works	426,991	426,991	594,899	(167,908)
Planning/community development	483,653	483,653	434,593	49,060
Capital outlay				
Public works	5,000	5,000	10,708	(5,708)
Public safety	45,000	45,000	42,631	2,369
Total expenditures	<u>4,768,140</u>	<u>4,768,140</u>	<u>4,810,289</u>	<u>(42,149)</u>
Excess (deficiency) of revenues over expenditures	<u>(228,679)</u>	<u>(228,679)</u>	<u>116,295</u>	<u>344,974</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	34,698	34,698
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>34,698</u>	<u>34,698</u>
Net change in fund balances	<u>(228,679)</u>	<u>(228,679)</u>	<u>150,993</u>	<u>379,672</u>
Fund balances - beginning	6,443,012	6,443,012	6,443,012	-
Prior period adjustment	31,786	31,786	31,786	-
Fund balances - ending	<u>\$ 6,246,119</u>	<u>\$ 6,246,119</u>	<u>\$ 6,625,791</u>	<u>\$ 379,672</u>

CITY OF ARVIN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL
CMAQ GRANT
FOR THE YEAR ENDED JUNE 30, 2012

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Intergovernmental revenues	<u>\$ 650,000</u>	<u>\$ 650,000</u>	<u>\$ 322,844</u>	<u>\$ (327,156)</u>
Total revenues	<u>650,000</u>	<u>650,000</u>	<u>322,844</u>	<u>(327,156)</u>
EXPENDITURES				
Current				
General government	17,067	17,067	-	17,067
Capital outlay				
Public works	<u>575,000</u>	<u>575,000</u>	<u>412,644</u>	<u>162,356</u>
Total expenditures	<u>592,067</u>	<u>592,067</u>	<u>412,644</u>	<u>179,423</u>
Excess (deficiency) of revenues over expenditures	<u>57,933</u>	<u>57,933</u>	<u>(89,800)</u>	<u>(147,733)</u>
Net change in fund balances	57,933	57,933	(89,800)	(147,733)
Fund balances - beginning	<u>(237,375)</u>	<u>(237,375)</u>	<u>(237,375)</u>	<u>-</u>
Fund balances - ending	<u>\$ (179,442)</u>	<u>\$ (179,442)</u>	<u>\$ (327,175)</u>	<u>\$ (147,733)</u>

CITY OF ARVIN
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2012

Budgetary Information

The City uses the following procedures annually to establish the budget data reflected in the budgetary comparison schedules:

1. The City Manager submits to the City Council a proposed budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them.
2. The City Council reviews the proposed budget at specially scheduled sessions, which are open to the public. The Council also conducts a public hearing on the proposed budget to obtain comments from interested persons.
3. Prior to July 1, the budget is legally adopted through passage of an ordinance. This budget is reported as Original Budget in the budgetary comparison schedules.
4. During the fiscal year, changes to the adopted budget may be authorized, as follows:
 - a. Items requiring City Council action - appropriation of fund balance reserves; transfers of appropriations between funds; appropriation of any non-departmental revenue; new interfund loans or advances; and creation of new capital projects or increases to existing capital projects.
 - b. Items delegated to the City Manager – transfers between departments within funds; appropriation of unbudgeted departmental revenues; and approval of transfers which increase salary and benefit appropriations.
 - c. Items delegated to department heads – allocation of departmental appropriations to line item level.
5. Formal budgetary integration is employed as a management tool for all funds. Annual budgets are legally adopted and amended as required for the general, special revenue and enterprise funds. Project length budgets are adopted for the capital projects funds. All budgets are prepared on a basis consistent with generally accepted accounting principles (GAAP), and budgetary comparisons for the information. A debt service payment schedule for the debt service funds is also approved as part of the budget process.
6. Budget amounts are reflected after all authorized amendments and revisions. This budget is reported as the Final Budget in the budgetary comparison schedules.
7. For each legally adopted operating budget, expenditures may not exceed budgeted appropriations at the activity level. The legal appropriation basis is at the level called “department.” A “department” for legal appropriation purposes may be a single organization, or an entire department having multiple organizations within the same fund, or an entire fund.

OTHER SUPPLEMENTAL INFORMATION

**CITY OF ARVIN
NONMAJOR GOVERNMENTAL FUNDS**

The **Special Revenue Funds** are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditure for specified purposes.

State Gas Tax

Accounts for revenues and expenditures apportioned to the City under the Streets and Highway Code, Sections 2105, 2106, 2107, and 2107.5 of the State of California. Expenditures for administration, maintenance and construction must be street related.

Transportation Development Act (TDA) – Non-Transit

Accounts for sales tax monies received from Kern Council of Governments restricted for street and road improvements.

Citizens Option for Public Safety (COPS) Program

Accounts for expenditures made with state grant monies authorized by California Assembly Bill 3229 for “front-line” police related activities.

LLMD District

Accounts for assessment money received from district property owners restricted for use to maintenance expenditures.

Community Development Block Grants

Accounts for expenditures restricted for approved projects that have been funded by Federal Community Development Block Grant Funds received through county funding.

TEA Funds

Accounts for the grants received from the Transportation Enhancement Activities (TEA) program restricted for design and construction of improvements which beautify or enhance the interface between transportation systems and adjacent communities. This funding requires matching city funds.

Redevelopment Agency Fund

The Agency consists of two funds used to account for operational, debt service and low and moderate income projects. Both funds have been combined for presentation in these financial statements.

RSTP Funds

Accounts for Regional Service Transportation Program (RSTP) funding, which was created by Congress through the Intermodal Surface Transportation Efficiency Act of 1991 and renewed through the transportation Equity Act for the 21st Century in 1998. RSTP funding is restricted for the City to address specific transportation issues. This funding requires matching city funds.

Asset Forfeiture Fund

Accounts for proceeds of asset forfeitures seized by law enforcement officials from illicit narcotic activities and the restricted use of such proceeds by the city to help fund its law enforcement activities.

**CITY OF ARVIN
NONMAJOR GOVERNMENTAL FUNDS**

Traffic Offender Fund

Accounts for fees charged to release a vehicle that has been impounded by law enforcement officials and the restricted use of such proceeds by the city to help fund its law enforcement activities.

Prop 1B Funding Fund

Accounts for the grants received which have been restricted to help pay for a new traffic signal and security cameras for new buses.

Traffic Impact Fees Fund

Separates and accounts for the fees received from builders that have been specifically restricted for traffic flow improvements.

ARRA Grant Fund

Accounts for expenditures restricted for approved projects that have been funded by Federal Stimulus Grant Funds received.

Park Fees Fund

Separates and accounts for fees received from builders that have been specifically restricted for park improvements.

PTMISEA Fence Grant

Separates and accounts for funds restricted for use to secure vehicles behind a fenced enclosure with limited access facilitated by electronic means.

Federal Police Grant

Separates and accounts for funds restricted for the base salary and fringe benefit costs associated with one officer funded by the U.S. Department of Justice COPS Grant.

JARC Operations Grant

Accounts for the grants received which have been restricted to provide low income employees transit services to work.

Prop 84 Park Fund

Accounts for the grants received that are restricted for use to projects relating to safe drinking water, water quality and supply, flood control, water pollution and contamination control, and state and local park improvements.

USDA Cameras

Accounts for the grants received which have been restricted for use to purchase, install, and integrate remote individual wireless cameras monitored by the Arvin Police Department.

**CITY OF ARVIN
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2012**

	State Gas Tax	Transportation Development (Non-transit)	COPS Program
ASSETS			
Cash and investments	\$ -	\$ 35,000	\$ -
Accounts receivable	12,826	-	-
Due from other funds	-	132,362	4,758
	<u>12,826</u>	<u>132,362</u>	<u>4,758</u>
Total assets	<u>\$ 12,826</u>	<u>\$ 167,362</u>	<u>\$ 4,758</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 6,906	\$ -	\$ -
Accrued payroll and benefits	20,321	790	4,829
Due to other funds	29,538	-	-
Unearned revenue	-	-	-
	<u>56,765</u>	<u>790</u>	<u>4,829</u>
Total liabilities	<u>56,765</u>	<u>790</u>	<u>4,829</u>
Fund balances:			
Restricted:			
Street projects	-	166,572	-
Maintenance expenditures	-	-	-
Traffic signals and security cameras	-	-	-
Traffic flow improvements	-	-	-
Safety and modernization improvements	-	-	-
Other purposes	-	-	-
Unassigned:	<u>(43,939)</u>	<u>-</u>	<u>(71)</u>
Total fund balances	<u>(43,939)</u>	<u>166,572</u>	<u>(71)</u>
Total liabilities and fund balances	<u>\$ 12,826</u>	<u>\$ 167,362</u>	<u>\$ 4,758</u>

**CITY OF ARVIN
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2012**

	LLMD District	Community Development Block Grant	TEA Funds
ASSETS			
Cash and investments	\$ 57,155	\$ -	\$ -
Accounts receivable	252	-	26,001
Due from other funds	-	-	-
Total assets	\$ 57,407	\$ -	\$ 26,001
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 6,784	\$ -	\$ 78,783
Accrued payroll and benefits	2,184	-	163
Due to other funds	-	9,548	41,641
Unearned revenue	-	-	-
Total liabilities	8,968	9,548	120,587
Fund balances:			
Restricted:			
Street projects	-	-	-
Maintenance expenditures	48,439	-	-
Traffic signals and security cameras	-	-	-
Traffic flow improvements	-	-	-
Safety and modernization improvements	-	-	-
Other purposes	-	-	-
Unassigned:	-	(9,548)	(94,586)
Total fund balances	48,439	(9,548)	(94,586)
Total liabilities and fund balances	\$ 57,407	\$ -	\$ 26,001

**CITY OF ARVIN
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2012**

	Redevelopment Agency	RSTP Funds	Asset Forfeiture Fund
ASSETS			
Cash and investments	\$ -	\$ -	\$ -
Accounts receivable	-	-	-
Due from other funds	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ -
Accrued payroll and benefits	-	-	-
Due to other funds	-	98,208	5,882
Unearned revenue	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>98,208</u>	<u>5,882</u>
Fund balances:			
Restricted:			
Street projects	-	-	-
Maintenance expenditures	-	-	-
Traffic signals and security cameras	-	-	-
Traffic flow improvements	-	-	-
Safety and modernization improvements	-	-	-
Other purposes	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Unassigned:	<u>-</u>	<u>(98,208)</u>	<u>(5,882)</u>
Total fund balances	<u>-</u>	<u>(98,208)</u>	<u>(5,882)</u>
Total liabilities and fund balances	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

**CITY OF ARVIN
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2012**

	Traffic Offender Funds	Prop 1B Funds	Traffic Impact Fees Funds
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and investments	\$ 14,997	\$ 28,969	\$ -
Accounts receivable	-	-	-
Due from other funds	-	433,611	163,454
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u><u>\$ 14,997</u></u>	<u><u>\$ 462,580</u></u>	<u><u>\$ 163,454</u></u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ -	\$ 12,333	\$ -
Accrued payroll and benefits	-	-	-
Due to other funds	-	8,692	-
Unearned revenue	-	-	-
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u> </u>	<u>21,025</u>	<u> </u>
Fund balances:			
Restricted:			
Street projects	-	-	-
Maintenance expenditures	-	-	-
Traffic signals and security cameras	-	441,555	-
Traffic flow improvements	-	-	163,454
Safety and modernization improvements	-	-	-
Other purposes	14,997	-	-
	<u> </u>	<u> </u>	<u> </u>
Unassigned:	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>14,997</u>	<u>441,555</u>	<u>163,454</u>
	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balances	<u><u>\$ 14,997</u></u>	<u><u>\$ 462,580</u></u>	<u><u>\$ 163,454</u></u>

**CITY OF ARVIN
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2012**

	<u>ARRA Grant Fund</u>	<u>Park Fees Funds</u>	<u>PTMISEA Fence Grant</u>
ASSETS			
Cash and investments	\$ -	\$ -	\$ 35,000
Accounts receivable	77,758	-	-
Due from other funds	-	-	141,076
	<u>-</u>	<u>-</u>	<u>141,076</u>
Total assets	<u>\$ 77,758</u>	<u>\$ -</u>	<u>\$ 176,076</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ 2,568
Accrued payroll and benefits	-	-	246
Due to other funds	132,740	-	-
Unearned revenue	77,756	-	-
	<u>210,496</u>	<u>-</u>	<u>2,814</u>
Total liabilities	<u>210,496</u>	<u>-</u>	<u>2,814</u>
Fund balances:			
Restricted:			
Street projects	-	-	-
Maintenance expenditures	-	-	-
Traffic signals and security cameras	-	-	-
Traffic flow improvements	-	-	-
Safety and modernization improvements	-	-	173,262
Other purposes	-	-	-
Unassigned:	<u>(132,738)</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>(132,738)</u>	<u>-</u>	<u>173,262</u>
Total liabilities and fund balances	<u>\$ 77,758</u>	<u>\$ -</u>	<u>\$ 176,076</u>

**CITY OF ARVIN
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2012**

	Federal Police Grant	JARC Operations Grant	Prop 84 Park
ASSETS			
Cash and investments	\$ -	\$ -	\$ -
Accounts receivable	-	-	-
Due from other funds	-	26,905	701
	-	26,905	701
Total assets	\$ -	\$ 26,905	\$ 701
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ 264
Accrued payroll and benefits	14,241	1,243	-
Due to other funds	25,826	56,914	54,575
Unearned revenue	-	-	-
	40,067	58,157	54,839
Total liabilities	40,067	58,157	54,839
Fund balances:			
Restricted:			
Street projects	-	-	-
Maintenance expenditures	-	-	-
Traffic signals and security cameras	-	-	-
Traffic flow improvements	-	-	-
Safety and modernization improvements	-	-	-
Other purposes	-	-	-
Unassigned:	(40,067)	(31,252)	(54,138)
Total fund balances	(40,067)	(31,252)	(54,138)
Total liabilities and fund balances	\$ -	\$ 26,905	\$ 701

**CITY OF ARVIN
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2012**

	USDA Cameras	Total Current Year
ASSETS		
Unrestricted	\$ -	\$ 171,121
Accounts receivable	-	116,837
Due from other funds	-	902,867
Total assets	\$ -	\$ 1,190,825
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable	\$ -	\$ 107,638
Accrued payroll and benefits	-	44,017
Due to other funds	5,883	469,447
Unearned revenue	-	77,756
Total liabilities	5,883	698,858
Fund balances:		
Restricted:		
Street projects	-	166,572
Maintenance expenditures	-	48,439
Traffic signals and security cameras	-	441,555
Traffic flow improvements	-	163,454
Safety and modernization improvements	-	173,262
Other purposes	-	14,997
Unassigned:	(5,883)	(516,312)
Total fund balances	(5,883)	491,967
Total liabilities and fund balances	\$ -	\$ 1,190,825

CITY OF ARVIN
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR YEAR ENDED JUNE 30, 2012

	State Gas Tax	Transportation Development (Non-transit)	COPS Program
REVENUES			
Taxes	\$ 526,526	\$ -	\$ -
Revenue from use of money and property	-	-	-
Intergovernmental revenues	-	-	100,750
Fees and other revenues	-	135,917	-
Total revenues	<u>526,526</u>	<u>135,917</u>	<u>100,750</u>
EXPENDITURES			
Current			
General government	-	-	-
Public safety	-	-	94,409
Public works	397,303	36,349	-
Capital outlay			
Public works	-	-	-
Debt service:			
Principal	-	-	-
Interest	-	-	-
Total expenditures	<u>397,303</u>	<u>36,349</u>	<u>94,409</u>
Excess (deficiency) of revenues over expenditures	<u>129,223</u>	<u>99,568</u>	<u>6,341</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	<u>(275,000)</u>	<u>(316,000)</u>	<u>-</u>
Total other financing sources and uses	<u>(275,000)</u>	<u>(316,000)</u>	<u>-</u>
SPECIAL ITEM			
Unspent grant funds	-	-	-
Extraordinary loss on AB1X26	-	-	-
Net change in fund balances	(145,777)	(216,432)	6,341
Fund balances- beginning	136,755	383,004	(8,759)
Prior Period Adjustments	<u>(34,917)</u>	<u>-</u>	<u>2,347</u>
Fund balances- ending	<u>\$ (43,939)</u>	<u>\$ 166,572</u>	<u>\$ (71)</u>

CITY OF ARVIN
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR YEAR ENDED JUNE 30, 2012

	LLMD Districts	Community Development Block Grant	TEA Funds
REVENUES			
Taxes	\$ -	\$ -	\$ -
Revenue from use of money and property	-	-	-
Intergovernmental revenues	-	-	26,000
Fees and other revenues	103,994	-	-
Total revenues	<u>103,994</u>	<u>-</u>	<u>26,000</u>
EXPENDITURES			
Current			
General government	-	-	-
Public safety	-	-	-
Public works	103,246	-	-
Capital outlay			
Public works	-	443	167,024
Debt service:			
Principal	-	-	-
Interest	-	-	-
Total expenditures	<u>103,246</u>	<u>443</u>	<u>167,024</u>
Excess (deficiency) of revenues over expenditures	<u>748</u>	<u>(443)</u>	<u>(141,024)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	275,000
Transfers out	-	-	-
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>275,000</u>
SPECIAL ITEM			
Unspent grant funds	-	-	-
Extraordinary loss on AB1X26	-	-	-
Net change in fund balances	748	(443)	133,976
Fund balances- beginning	47,691	(9,105)	(228,562)
Prior Period Adjustments	-	-	-
Fund balances- ending	<u>\$ 48,439</u>	<u>\$ (9,548)</u>	<u>\$ (94,586)</u>

CITY OF ARVIN
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR YEAR ENDED JUNE 30, 2012

	Redevelopment Agency	RSTP Funds	Asset Forfeiture Fund
REVENUES			
Taxes	\$ 298,255	\$ -	\$ -
Revenue from use of money and property	3,266	-	-
Intergovernmental revenues	-	-	-
Fees and other revenues	-	-	-
Total revenues	<u>301,521</u>	<u>-</u>	<u>-</u>
EXPENDITURES			
Current			
General government	56,052	-	-
Public safety	-	-	-
Public works	-	-	-
Capital outlay			
Public works	-	-	-
Debt service:			
Principal	155,000	-	-
Interest	316,161	-	-
Total expenditures	<u>527,213</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>(225,692)</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	931	476,000	-
Transfers out	-	-	-
Total other financing sources and uses	<u>931</u>	<u>476,000</u>	<u>-</u>
SPECIAL ITEM			
Unspent grant funds	-	-	-
Extraordinary loss on AB1X26	<u>(643,559)</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(868,320)	476,000	-
Fund balances- beginning	868,320	(574,208)	(5,882)
Prior Period Adjustments	-	-	-
Fund balances- ending	<u>\$ -</u>	<u>\$ (98,208)</u>	<u>\$ (5,882)</u>

CITY OF ARVIN
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR YEAR ENDED JUNE 30, 2012

	Traffic Offender Funds	Prop 1B Funds	Traffic Impact Fees Funds
REVENUES			
Taxes	\$ -	\$ -	\$ -
Revenue from use of money and property	-	-	-
Intergovernmental revenues	-	-	-
Fees and other revenues	2,835	-	2,800
Total revenues	<u>2,835</u>	<u>-</u>	<u>2,800</u>
EXPENDITURES			
Current			
General government	-	-	-
Public safety	-	10,200	-
Public works	-	-	-
Capital outlay			
Public works	-	29,955	-
Debt service:			
Principal	-	-	-
Interest	-	-	-
Total expenditures	<u>-</u>	<u>40,155</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>2,835</u>	<u>(40,155)</u>	<u>2,800</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	21,200	-
Transfers out	-	-	(160,000)
Total other financing sources and uses	<u>-</u>	<u>21,200</u>	<u>(160,000)</u>
SPECIAL ITEM			
Unspent grant funds	-	-	-
Extraordinary loss on AB1X26	-	-	-
Net change in fund balances	2,835	(18,955)	(157,200)
Fund balances- beginning	12,162	460,510	320,654
Prior Period Adjustments	-	-	-
Fund balances- ending	<u>\$ 14,997</u>	<u>\$ 441,555</u>	<u>\$ 163,454</u>

CITY OF ARVIN
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR YEAR ENDED JUNE 30, 2012

	ARRA Grant Fund	Park Fees Fund	PTMISEA Fence Grant
REVENUES			
Taxes	\$ -	\$ -	\$ -
Revenue from use of money and property	-	-	-
Intergovernmental revenues	107,772	2,400	235,320
Fees and other revenues	-	-	-
Total revenues	<u>107,772</u>	<u>2,400</u>	<u>235,320</u>
EXPENDITURES			
Current			
General government	-	-	-
Public safety	-	-	11,737
Public works	-	-	-
Capital outlay			
Public works	-	60,908	31,215
Debt service:			
Principal	-	-	-
Interest	-	-	-
Total expenditures	<u>-</u>	<u>60,908</u>	<u>42,952</u>
Excess (deficiency) of revenues over expenditures	<u>107,772</u>	<u>(58,508)</u>	<u>192,368</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	<u>(22,300)</u>	<u>(35,629)</u>	<u>-</u>
Total other financing sources and uses	<u>(22,300)</u>	<u>(35,629)</u>	<u>-</u>
SPECIAL ITEM			
Unspent grant funds	-	-	-
Extraordinary loss on AB1X26	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	85,472	(94,137)	192,368
Fund balances- beginning	(218,210)	94,137	(19,106)
Prior Period Adjustments	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances- ending	<u>\$ (132,738)</u>	<u>\$ -</u>	<u>\$ 173,262</u>

CITY OF ARVIN
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR YEAR ENDED JUNE 30, 2012

	Federal Police Grant	JARC Operations Grant	Prop 84 Park
REVENUES			
Taxes	\$ -	\$ -	\$ -
Revenue from use of money and property	-	-	-
Intergovernmental revenues	58,416	5,460	-
Fees and other revenues	-	-	-
Total revenues	<u>58,416</u>	<u>5,460</u>	<u>-</u>
EXPENDITURES			
Current			
General government	-	36,714	-
Public safety	83,128	-	22,583
Public works	-	-	-
Capital outlay			
Public works	-	-	93,400
Debt service:			
Principal	-	-	-
Interest	-	-	-
Total expenditures	<u>83,128</u>	<u>36,714</u>	<u>115,983</u>
Excess (deficiency) of revenues over expenditures	<u>(24,712)</u>	<u>(31,254)</u>	<u>(115,983)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	-	-	-
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>
SPECIAL ITEM			
Unspent grant funds	-	-	(201,070)
Extraordinary loss on AB1X26	-	-	-
Net change in fund balances	<u>(24,712)</u>	<u>(31,254)</u>	<u>(317,053)</u>
Fund balances- beginning	(15,836)	2	262,915
Prior Period Adjustments	481	-	-
Fund balances- ending	<u>\$ (40,067)</u>	<u>\$ (31,252)</u>	<u>\$ (54,138)</u>

**CITY OF ARVIN
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR YEAR ENDED JUNE 30, 2012**

	<u>USDA Cameras</u>	<u>Total Current Year</u>
REVENUES		
Taxes	\$ -	\$ 824,781
Revenue from use of money and property	-	3,266
Intergovernmental revenues	-	536,118
Fees and other revenues	-	245,546
Total revenues	<u>-</u>	<u>1,609,711</u>
EXPENDITURES		
Current		
General government	-	92,766
Public safety	-	222,057
Public works	-	536,898
Capital outlay		
Public works	-	382,945
Debt service:		
Principal	-	155,000
Interest	-	316,161
Total expenditures	<u>-</u>	<u>1,705,827</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>(96,116)</u>
OTHER FINANCING SOURCES (USES)		
Transfers in	-	773,131
Transfers out	-	(808,929)
Total other financing sources and uses	<u>-</u>	<u>(35,798)</u>
SPECIAL ITEM		
Unspent grant funds	-	(201,070)
Extraordinary loss on AB1X26	-	(643,559)
Net change in fund balances	-	(976,543)
Fund balances- beginning	(5,883)	1,500,599
Prior Period Adjustments	-	(32,089)
Fund balances- ending	<u>\$ (5,883)</u>	<u>\$ 491,967</u>