

**CITY OF TAFT  
ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED  
JUNE 30, 2013**

**CITY OF TAFT  
ANNUAL FINANCIAL REPORT  
JUNE 30, 2013**

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**INDEPENDENT AUDITOR'S REPORT**

To the City Council  
City of Taft, California

**Report on the Financial Statements**

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 City of Taft, California as of and for the fiscal year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## ***Opinions***

In our opinion, the financial statements referred to above 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 Taft, California, as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof, for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Emphasis of Matter***

As discussed in Note 1 of the notes to the basic financial statements, effective July 1, 2012, the City adopted Governmental Accounting Standards Board (GASB) Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, Statement No. 61, *The Financial Reporting Entity: Omnibus*, Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, and Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. Our opinion is not modified with respect to this matter.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on page 55 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.

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not 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. Our opinion on the basic financial statements is not affected by this missing information.

### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Taft, California's basic financial statements. The combining and individual non-major governmental and fiduciary fund financial statements are presented for purposes of additional analysis and are not required parts of the basic financial statements.

The combining and individual non-major governmental and fiduciary fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual non-major governmental and fiduciary fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2014, on our consideration of the City of Taft, California'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 compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Taft, California's internal control over financial reporting and compliance.

*Moss, Levy & Hartzheim*

Moss, Levy & Hartzheim, LLP  
Culver City, California  
March 31, 2014

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**CITY OF TAFT  
STATEMENT OF NET POSITION  
JUNE 30, 2013**

<b>ASSETS</b>	Governmental Activities	Business-type Activities	Total
Cash and investments	\$ 3,919,851	\$ 5,690,012	\$ 9,609,863
Accounts receivable	1,878,796	755,767	2,634,563
Interest receivable	38,522	44,945	83,467
Internal balances	1,436,174	(1,436,174)	
Notes receivable	3,695,418		3,695,418
Prepaid expenses	38,881	527	39,408
Deposits		17,327	17,327
Loan receivable - successor agency	3,215,542		3,215,542
Capital assets not being depreciated	2,448,722	156,264	2,604,986
Capital assets being depreciated	15,693,150	11,608,491	27,301,641
Capital assets, net of accumulated depreciation	<u>(9,576,082)</u>	<u>(6,714,734)</u>	<u>(16,290,816)</u>
Total assets	<u>22,788,974</u>	<u>10,122,425</u>	<u>32,911,399</u>
 <b>LIABILITIES</b>			
Accounts payable	280,832	72,329	353,161
Accrued payroll	61,861	11,284	73,145
Accrued interest payable		23,072	23,072
Unearned revenue	324,910	1,107,378	1,432,288
Deposits payable		38,738	38,738
Noncurrent liabilities:			
Due within one year	255,001	8,901	263,902
Due in more than one year	<u>298,969</u>	<u>26,704</u>	<u>325,673</u>
Total liabilities	<u>1,221,573</u>	<u>1,288,406</u>	<u>2,509,979</u>
 <b>NET POSITION</b>			
Net investment in capital assets	8,565,790	5,050,021	13,615,811
Restricted for:			
Streets and roads	117,047		117,047
Public safety	105,171		105,171
Community development	4,003,887		4,003,887
Housing	580,401		580,401
Capital projects - WWTP	3,740,138		3,740,138
Unrestricted	<u>4,454,967</u>	<u>3,783,998</u>	<u>8,238,965</u>
Total net position	<u>\$ 21,567,401</u>	<u>\$ 8,834,019</u>	<u>\$ 30,401,420</u>

See accompanying notes to financial statements

**CITY OF TAFT  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ (1,894,037)	\$ 724,397	\$ 831,825	\$ 30,164
Public safety	(3,164,204)	122,115	153,844	
Public works	(1,801,791)	230,739	211,784	472,632
Community development	(768,050)		63,761	
Total governmental activities	<u>(7,628,082)</u>	<u>1,077,251</u>	<u>1,261,214</u>	<u>502,796</u>
Business-type activities:				
County correctional facility (CCF)	(2,381,624)	1,925,783		
Federal WWTP	(891,862)	802,656		
Sewer	(784,609)	755,014		
Refuse	(852,955)	653,028	5,000	
Transit	(1,026,227)	43,774	625,789	
Total business-type activities	<u>(5,937,277)</u>	<u>4,180,255</u>	<u>630,789</u>	
Total government	<u>\$ (13,565,359)</u>	<u>\$ 5,257,506</u>	<u>\$ 1,892,003</u>	<u>\$ 502,796</u>

General revenues:

Taxes:

  Property taxes

  Sales tax

  Other taxes

Investment earnings

Miscellaneous

Total general revenues

Change in net position

Net position, beginning of fiscal year

Prior period adjustments

Net position, beginning of fiscal year, restated

Net position, end of fiscal year

See accompanying notes to financial statements

Net (Expense) Revenue and Change in Net Position

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ (307,651)	\$ -	\$ (307,651)
(2,888,245)		(2,888,245)
(886,636)		(886,636)
<u>(704,289)</u>		<u>(704,289)</u>
<u>(4,786,821)</u>		<u>(4,786,821)</u>
	(455,841)	(455,841)
	(89,206)	(89,206)
	(29,595)	(29,595)
	(194,927)	(194,927)
	<u>(356,664)</u>	<u>(356,664)</u>
	<u>(1,126,233)</u>	<u>(1,126,233)</u>
<u>(4,786,821)</u>	<u>(1,126,233)</u>	<u>(5,913,054)</u>
1,482,296		1,482,296
1,790,202		1,790,202
399,229		399,229
223,330	53,805	277,135
<u>416,745</u>		<u>416,745</u>
<u>4,311,802</u>	<u>53,805</u>	<u>4,365,607</u>
<u>(475,019)</u>	<u>(1,072,428)</u>	<u>(1,547,447)</u>
22,185,052	9,998,435	32,183,487
<u>(142,632)</u>	<u>(91,988)</u>	<u>(234,620)</u>
<u>22,042,420</u>	<u>9,906,447</u>	<u>31,948,867</u>
<u>\$ 21,567,401</u>	<u>\$ 8,834,019</u>	<u>\$ 30,401,420</u>

**CITY OF TAFT  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2013**

<b>ASSETS</b>	<u>General</u>	<u>Revolving Loan Fund CDBG</u>	<u>Revolving Loan Fund Home</u>	<u>WWTP Capital Projects</u>
Cash and investments	\$ 34,280	\$ 64,287	\$ 129,020	\$ 2,868,473
Receivables:				
Accounts	834,060	1,117		
Interest	6,998	569	1,027	26,004
Notes	5,944	2,066,334	1,076,418	
Due from other funds	1,495,821			530,279
Loan receivable from successor agency	3,215,542			
Prepaid items	<u>38,341</u>	<u>270</u>	<u>270</u>	
Total assets	<u>\$ 5,630,986</u>	<u>\$ 2,132,577</u>	<u>\$ 1,206,735</u>	<u>\$ 3,424,756</u>
 <b>LIABILITIES AND FUND BALANCES</b>				
Accounts payable	\$ 226,473	\$ 69	\$ -	\$ -
Accrued payroll	52,986			
Due to other funds				
Unearned revenue	<u>950,257</u>	<u>2,066,334</u>	<u>1,076,418</u>	
Total liabilities	<u>1,229,716</u>	<u>2,066,403</u>	<u>1,076,418</u>	
 <b>FUND BALANCES</b>				
Nonspendable	2,634,481	270	270	
Restricted		65,904	130,047	3,424,756
Unassigned	<u>1,766,789</u>			
Total fund balances	<u>4,401,270</u>	<u>66,174</u>	<u>130,317</u>	<u>3,424,756</u>
Total liabilities and fund balances	<u>\$ 5,630,986</u>	<u>\$ 2,132,577</u>	<u>\$ 1,206,735</u>	<u>\$ 3,424,756</u>

See accompanying notes to financial statements

Total Non- major Governmental Funds	<u>Total</u>
\$ 812,143	\$ 3,908,203
1,043,619	1,878,796
3,924	38,522
546,722	3,695,418
	2,026,100
	3,215,542
	<u>38,881</u>
<u>\$ 2,406,408</u>	<u>\$ 14,801,462</u>

\$ 52,374	\$ 278,916
7,342	60,328
589,926	589,926
<u>546,722</u>	<u>4,639,731</u>
<u>1,196,364</u>	<u>5,568,901</u>

	2,635,021
1,235,922	4,856,629
<u>(25,878)</u>	<u>1,740,911</u>
<u>1,210,044</u>	<u>9,232,561</u>
<u>\$ 2,406,408</u>	<u>\$ 14,801,462</u>

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**CITY OF TAFT  
GOVERNMENTAL FUNDS  
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2013**

Fund balances of governmental funds		\$ 9,232,561
Amounts reported for governmental activities in the statements of net position are different because:		
Capital assets, net of accumulated depreciation, used in governmental activities and are not current financial resources. Therefore, they are not reported in the governmental funds.		
Total capital assets	\$ 18,141,872	
Accumulated depreciation	<u>(9,576,082)</u>	8,565,790
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds. Long-term liabilities include compensated absences and CalPERS side fund payable.		
		(553,970)
Internal service funds are used by management to charge the costs of certain activities such as vehicle maintenance to individual funds. The assets and the liabilities of the internal service fund must be added to the statement of net position (not included compensated absences (\$8,199) report above)		
		8,199
Certain revenues are deferred in the governmental funds because the availability criteria is not met. These revenues are not deferred in the statement of net position.		
		<u>4,314,821</u>
Net position of governmental activities		<u>\$ 21,567,401</u>

See accompanying notes to financial statements

**CITY OF TAFT  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	General	Revolving Loan Fund CDBG	Revolving Loan Fund Home	WWTP Capital Projects
<b>REVENUES</b>				
Property taxes	\$ 1,482,296	\$ -	\$ -	\$ -
Sales taxes	1,737,659			
Other taxes	399,229			
Licenses and permits, and fees	370,169			
Fines and forfeitures	4,491			
Use of money and property	223,298	544	830	30,164
Intergovernmental	520,649	60,131	141,406	
Current services charges	583,573			
Other	416,747			
	<u>5,738,111</u>	<u>60,675</u>	<u>142,236</u>	<u>30,164</u>
Total revenues				
<b>EXPENDITURES</b>				
Current:				
General government	1,137,886			
Public safety	2,786,965			
Public works	934,693			
Community development	656,914	23,632	8,808	
Capital outlay	955,600			
	<u>6,472,058</u>	<u>23,632</u>	<u>8,808</u>	
Total expenditures				
Excess of revenues over (under) expenditures	<u>(733,947)</u>	<u>37,043</u>	<u>133,428</u>	<u>30,164</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	211,215			131,200
Transfers out				
	<u>211,215</u>			<u>131,200</u>
Total other financing sources (uses)				
Net change in fund balances	<u>(522,732)</u>	<u>37,043</u>	<u>133,428</u>	<u>161,364</u>
Fund balances (deficits), beginning of fiscal year	5,204,826	29,131	(3,111)	3,263,392
Prior period adjustments	(280,824)			
Fund balances (deficits), beginning of fiscal year, restated	<u>4,924,002</u>	<u>29,131</u>	<u>(3,111)</u>	<u>3,263,392</u>
Fund balances (deficits), end of fiscal year	<u>\$ 4,401,270</u>	<u>\$ 66,174</u>	<u>\$ 130,317</u>	<u>\$ 3,424,756</u>

See accompanying notes to financial statements

Total Non- major Governmental Funds	Total
\$ -	\$ 1,482,296
	1,737,659
	399,229
	370,169
9,466	13,957
7,524	262,360
1,202,301	1,924,487
119,651	703,224
<u>1,338,942</u>	<u>416,747</u>
	<u>7,310,128</u>
630,899	1,768,785
420,882	3,207,847
30,393	965,086
74,171	763,525
<u>158,210</u>	<u>1,113,810</u>
<u>1,314,555</u>	<u>7,819,053</u>
<u>24,387</u>	<u>(508,925)</u>
	342,415
<u>(342,415)</u>	<u>(342,415)</u>
<u>(342,415)</u>	<u>(342,415)</u>
<u>(318,028)</u>	<u>(508,925)</u>
1,527,673	10,021,911
<u>399</u>	<u>(280,425)</u>
<u>1,528,072</u>	<u>9,741,486</u>
<u>\$ 1,210,044</u>	<u>\$ 9,232,561</u>

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**CITY OF TAFT  
GOVERNMENTAL FUNDS  
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Net change in fund balances of governmental funds	\$	(508,925)
<p>Amounts reported for governmental activities in the statement of activities differs from the amounts reported in the statement of revenues, expenditures, and changes in fund balance because:</p>		
<p>Governmental funds report capital outlay as expenditures. However, in the statement of activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense. This activity is reconciled as follows:</p>		
Cost of assets capitalized	\$ 653,424	
Cost of assets disposed (net of accumulated depreciation)	(14,465)	
Depreciation expense	<u>(581,588)</u>	57,371
<p>Certain notes receivable are reported in the governmental funds as expenditures and then offset by an unearned revenue as they are not available to pay current expenditures. Likewise, when the note is collected, it is reflected in revenue. This is the net change between notes receivable collected and issued.</p>		
		(201,499)
<p>Revenues that are measurable but not available. Amounts are not recorded as revenue under the modified accrual basis of accounting.</p>		
		52,543
<p>Debt repayments are reported as an expenditures in the governmental funds. The repayment is not an expense in the statement of activities as it is a reduction of a long-term liability. The balance for compensated absences reflects the difference between absences accrued and absences paid.</p>		
Debt principal repayments and reduction of the CalPERS side fund	161,381	
Compensated absences	<u>(35,890)</u>	<u>125,491</u>
Change in net position of governmental activities.	\$	<u>(475,019)</u>
<p>See accompanying notes to financial statements</p>		

**CITY OF TAFT**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2013**

	Business-type Activities			
	Enterprise Funds			
	CCF	Federal WWTP	Sewer	Refuse
<b>ASSETS</b>				
Current assets:				
Cash and investments	\$ -	\$ 2,961,020	\$ 1,748,039	\$ 980,953
Receivables:				
Accounts	76,881		200,165	150,314
Interest		22,522	14,427	7,996
Prepaid items				
Deposits			17,327	
	<u>76,881</u>	<u>2,983,542</u>	<u>1,979,958</u>	<u>1,139,263</u>
Total current assets				
Noncurrent assets:				
Capital assets, not being depreciated		156,264		
Capital assets, being depreciated	1,394,027	5,370,252	2,823,346	614,185
Capital assets - accumulated depreciation	(1,394,027)	(2,804,143)	(1,375,928)	(347,027)
	<u>76,881</u>	<u>2,722,373</u>	<u>1,447,418</u>	<u>267,158</u>
Total noncurrent assets				
Total assets				
	<u>76,881</u>	<u>5,705,915</u>	<u>3,427,376</u>	<u>1,406,421</u>
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts payable	5,253	44,312	1,392	10,057
Accrued payroll	1,108	707	745	1,583
Interest payable	7,466		6,100	
Due to other funds	1,195,379			
Unearned revenue				
Deposits payable			17,407	21,331
Current portion of compensated absences	2,526	723	729	1,292
	<u>1,211,732</u>	<u>45,742</u>	<u>26,373</u>	<u>34,263</u>
Total current liabilities				
Noncurrent liabilities:				
Compensated absences	7,579	2,170	2,187	3,876
	<u>7,579</u>	<u>2,170</u>	<u>2,187</u>	<u>3,876</u>
Total noncurrent liabilities				
Total liabilities				
	<u>1,219,311</u>	<u>47,912</u>	<u>28,560</u>	<u>38,139</u>
<b>NET POSITION</b>				
Net investment in capital assets		2,722,373	1,447,418	267,158
Unrestricted	(1,142,430)	2,935,630	1,951,398	1,101,124
	<u>(1,142,430)</u>	<u>2,935,630</u>	<u>1,951,398</u>	<u>1,101,124</u>
Total net position (deficit)				
	<u>\$ (1,142,430)</u>	<u>\$ 5,658,003</u>	<u>\$ 3,398,816</u>	<u>\$ 1,368,282</u>

See accompanying notes to financial statements

<u>Business-type Activities</u>		<u>Governmental</u>
<u>Enterprise Funds</u>		<u>Activities</u>
<u>Transit</u>	<u>Total Enterprise Funds</u>	<u>Internal Service Fund</u>
\$ -	\$ 5,690,012	\$ 11,648
328,407	755,767	
527	44,945	
	527	
	17,327	
<u>328,934</u>	<u>6,508,578</u>	<u>11,648</u>
	156,264	
1,406,681	11,608,491	
(793,609)	(6,714,734)	
<u>613,072</u>	<u>5,050,021</u>	
<u>942,006</u>	<u>11,558,599</u>	<u>11,648</u>
11,315	72,329	1,916
7,141	11,284	1,533
9,506	23,072	
240,795	1,436,174	
1,107,378	1,107,378	
	38,738	
<u>3,631</u>	<u>8,901</u>	<u>8,199</u>
<u>1,379,766</u>	<u>2,697,876</u>	<u>11,648</u>
<u>10,892</u>	<u>26,704</u>	
<u>10,892</u>	<u>26,704</u>	
<u>1,390,658</u>	<u>2,724,580</u>	<u>11,648</u>
613,072	5,050,021	
(1,061,724)	3,783,998	
<u>\$ (448,652)</u>	<u>\$ 8,834,019</u>	<u>\$ -</u>

**CITY OF TAFT**  
**STATEMENT OF REVENUES, EXPENSES, AND**  
**CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	Business-type Activities			
	Enterprise Funds			
	CCF	Federal WWTP	Sewer	Refuse
<b>OPERATING REVENUES</b>				
Charges for services	\$ 1,925,783	\$ 802,656	\$ 751,642	\$ 652,917
Connection and installation fees			1,662	
Other			1,710	111
Total operating revenues	<u>1,925,783</u>	<u>802,656</u>	<u>755,014</u>	<u>653,028</u>
<b>OPERATING EXPENSES</b>				
Salaries and wages	168,698	43,434	46,154	118,758
Training and development	63			
Contract and professional services	101,221	390,388	26,795	368,099
Maintenance and operations	12,151	34,258	398,717	141,113
Materials and supplies	1,517	74,829	2,269	1,147
Insurance	76,500	6,963	6,963	6,963
Utilities	51,496	42,449	175	
Administrative service charges		69,638	67,816	57,318
Depreciation		179,009	66,682	41,462
Leases and rents	1,881,471			
Bad debt expense			26,462	33,096
Other operating expenses	<u>80,432</u>	<u>50,894</u>	<u>112,294</u>	<u>84,999</u>
Total operating expenses	<u>2,373,549</u>	<u>891,862</u>	<u>754,327</u>	<u>852,955</u>
Operating income (loss)	<u>(447,766)</u>	<u>(89,206)</u>	<u>687</u>	<u>(199,927)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Interest earnings on investments		26,494	17,871	9,440
Interest expense	(8,075)		(15,208)	
Intergovernmental				5,000
Amortization expense			(15,074)	
Total nonoperating revenues (expenses)	<u>(8,075)</u>	<u>26,494</u>	<u>(12,411)</u>	<u>14,440</u>
Changes in net position	<u>(455,841)</u>	<u>(62,712)</u>	<u>(11,724)</u>	<u>(185,487)</u>
Total net position (deficit), beginning of fiscal year	(686,589)	5,720,715	3,410,540	1,553,769
Prior period adjustments				
Total net position (deficit), beginning of fiscal year, restated	<u>(686,589)</u>	<u>5,720,715</u>	<u>3,410,540</u>	<u>1,553,769</u>
Total net position (deficit), end of fiscal year	<u>\$ (1,142,430)</u>	<u>\$ 5,658,003</u>	<u>\$ 3,398,816</u>	<u>\$ 1,368,282</u>

See accompanying notes to financial statements

Business-type Activities		Governmental Activities
Enterprise Funds		
Transit	Total Enterprise Funds	Internal Service Fund
\$ 43,774	\$ 4,176,772	\$ 151,638
	1,662	
	1,821	
<u>43,774</u>	<u>4,180,255</u>	<u>151,638</u>
530,397	907,441	102,923
4,486	4,549	
15,944	902,447	
193,116	779,355	8,716
7,341	87,103	5,374
6,963	104,352	
5,937	100,057	4,115
86,108	280,880	15,487
152,837	439,990	
	1,881,471	
	59,558	
<u>11,731</u>	<u>340,350</u>	<u>15,023</u>
<u>1,014,860</u>	<u>5,887,553</u>	<u>151,638</u>
<u>(971,086)</u>	<u>(1,707,298)</u>	
	53,805	
(11,367)	(34,650)	
625,789	630,789	
	(15,074)	
<u>614,422</u>	<u>634,870</u>	
<u>(356,664)</u>	<u>(1,072,428)</u>	
	9,998,435	
(91,988)	(91,988)	
<u>(91,988)</u>	<u>9,906,447</u>	
<u>\$ (448,652)</u>	<u>\$ 8,834,019</u>	<u>\$ -</u>

**CITY OF TAFT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	Business-type Activities		
	Enterprise Fund		
	CCF	Federal WWTP	Sewer
<b>Cash Flows from Operating Activities:</b>			
Cash received from customers and users	\$ 1,881,470	\$ 802,656	\$ 754,608
Cash paid to suppliers for goods and services	(2,344,783)	(668,485)	(658,726)
Cash paid to employees for services	(166,977)	(40,467)	(46,744)
Net cash provided (used) by operating activities	<u>(630,290)</u>	<u>93,704</u>	<u>49,138</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>			
Acquisition, proceeds, and construction of capital assets		(17,351)	(156,061)
Interest paid	(1,462)		(18,048)
Repayment of long-term debt			(447,000)
Net cash provided (used) by capital and related financing activities	<u>(1,462)</u>	<u>(17,351)</u>	<u>(621,109)</u>
<b>Cash Flows from Non-Capital Financing Activities:</b>			
Operating grant received			
Increase (decrease) in due to other funds	631,752		(392)
Net Cash provided (used) by Non-Capital Financing Activities:	<u>631,752</u>		<u>(392)</u>
<b>Cash Flows from Investing Activities:</b>			
Interest received		10,503	8,686
Net Cash provided by investing activities		<u>10,503</u>	<u>8,686</u>
Net increase (decrease) in cash and cash equivalents		86,856	(563,677)
Cash and Cash Equivalents at Beginning of Fiscal Year		2,874,164	2,311,716
Cash and Cash Equivalents at End of Fiscal Year	<u>\$ -</u>	<u>\$ 2,961,020</u>	<u>\$ 1,748,039</u>
<b>Noncash transactions</b>			
Amortization of deferred charges	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (15,074)</u>
<b>Reconciliation to Statement of Net Position:</b>			
Cash and investments	<u>\$ -</u>	<u>\$ 2,961,020</u>	<u>\$ 1,748,039</u>
<b>Reconciliation of Operating Income (loss) to Net Cash Provided (Used) by Operating Activities:</b>			
Operating income (loss)	\$ (447,766)	\$ (89,206)	\$ 687
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation		179,009	66,682
(Increase) decrease in accounts receivable	(44,313)		(292)
(Increase) decrease in prepaid expenses			(17,327)
(Increase) decrease in deposits			(17,327)
Increase (decrease) in accounts payable	(139,932)	934	92
Increase (decrease) in accrued payroll	1,108	707	745
Increase (decrease) in unearned revenue			
Increase (decrease) in deposits payable			(114)
Increase (decrease) in compensated absences	613	2,260	(1,335)
Total adjustments	<u>(182,524)</u>	<u>182,910</u>	<u>48,451</u>
Net cash provided (used) by operating activities	<u>\$ (630,290)</u>	<u>\$ 93,704</u>	<u>\$ 49,138</u>

See accompanying notes to financial statements

Business-type Activities			Governmental Activities
Enterprise Funds			Internal Service Fund
Refuse	Transit	Totals	
\$ 664,510	\$ 1,150,679	\$ 5,253,923	\$ 151,638
(694,801)	(349,536)	(4,716,331)	(50,144)
(117,420)	(533,825)	(905,433)	(111,525)
<u>(147,711)</u>	<u>267,318</u>	<u>(367,841)</u>	<u>(10,031)</u>
(252,920)	(9,741)	(436,073)	
	(4,254)	(23,764)	
		(447,000)	
<u>(252,920)</u>	<u>(13,995)</u>	<u>(906,837)</u>	
5,000	533,801	538,801	
392	(787,124)	(155,372)	
<u>5,392</u>	<u>(253,323)</u>	<u>383,429</u>	
4,630		23,819	
<u>4,630</u>		<u>23,819</u>	
(390,609)		(867,430)	(10,031)
1,371,562		6,557,442	21,679
<u>\$ 980,953</u>	<u>\$ -</u>	<u>\$ 5,690,012</u>	<u>\$ 11,648</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ (15,074)</u>	<u>\$ -</u>
<u>\$ 980,953</u>	<u>\$ -</u>	<u>\$ 5,690,012</u>	<u>\$ 11,648</u>
\$ (199,927)	\$ (971,086)	\$ (1,707,298)	\$ -
41,462	152,837	439,990	
9,813	23,615	(11,177)	
	(527)	(527)	
		(17,327)	
(2,066)	(17,383)	(158,355)	(1,429)
1,583	7,141	11,284	1,533
	1,083,290	1,083,290	
1,669		1,555	
(245)	(10,569)	(9,276)	(10,135)
<u>52,216</u>	<u>1,238,404</u>	<u>1,339,457</u>	<u>(10,031)</u>
<u>\$ (147,711)</u>	<u>\$ 267,318</u>	<u>\$ (367,841)</u>	<u>\$ (10,031)</u>

**CITY OF TAFT  
STATEMENT OF NET POSITION  
FIDUCIARY FUNDS  
June 30, 2013**

	Private-Purpose Trust Funds	Agency Funds
<b>ASSETS</b>		
Cash and investments	\$ 184,916	\$ 9,371
Cash and investments with fiscal agents	466,153	3,255,678
Deferred charges, net	111,895	
Capital assets - nondepreciable	1,698,163	
Capital assets - being depreciated	407,116	
Capital assets - accumulated depreciation	(195,594)	
Total assets	2,672,649	\$ 3,265,049
<b>LIABILITIES</b>		
Accounts payable	\$ 2,703	\$ -
Accrued payroll	1,231	
Accrued interest payable	103,095	
Unearned revenue	130,531	
Deposits payable		159,000
Due to inmates		8,812
Compensated absences	12,568	
Due to bondholders		3,097,237
Advance due to City of Taft	3,215,542	
Bonds payable	3,555,000	
Total liabilities	7,020,670	\$ 3,265,049
<b>NET POSITION</b>		
Restricted for debt service	363,058	
Unrestricted	(4,711,079)	
Total net position (deficit)	\$ (4,348,021)	

See accompanying notes to financial statements

**CITY OF TAFT  
FIDUCIARY FUNDS  
STATEMENT OF CHANGES IN NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	Private Purpose Trust Funds
<b>Additions:</b>	
Investment revenue	\$ 118,705
Taxes and assessments	370,775
Total additions	489,480
<b>Deductions:</b>	
Community development	254,740
Interest expense	210,395
Depreciation	24,595
Total deductions	489,730
Change in net position	(250)
Net Position (Deficit) - July 1, 2012	(4,347,771)
Net Position (Deficit) - June 30, 2013	\$ (4,348,021)

See accompanying notes to financial statements

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**CITY OF TAFT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

A. Reporting Entity

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

Included within the reporting entity:

- ***Taft Public Financing Authority.*** A nonprofit public benefit corporation created in 1994 through a Joint Exercise of Powers agreement between the City of Taft and the Taft Community Development Agency established for the purpose of, among other things, issuing bonds to provide financing and refinancing for public capital improvements of the City and Agency. (Separate financial statements are not prepared for this entity.)
- ***Taft Public Improvement Corporation.*** A nonprofit public benefit corporation, created in 1989 to provide services for the betterment of the City. These services include constructing various capital improvements for the City, assisting with the creation or expansion of the City’s facilities, the purchase and sale of real or personal property and assisting the City to finance, acquire, construct and install such property. (Separate financial statements are not prepared for this entity.)
- ***Greater Taft Transportation Authority.*** The Greater Taft Transportation Authority (GTTA) was formed in April 2001 as a joint exercise of powers between the City of Taft and Taft Community Development Agency pursuant to the California Government Code Section 6500 et seq. (Separate financial statements are not prepared for the GTTA.)

**CITY OF TAFT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**B. Accounting and Reporting Policies**

The City has conformed to the pronouncements of the GASB, which are the primary authoritative statements of accounting principles generally accepted in the United States of America applicable to state and local governments.

**C. Fund Accounting**

The accounts of the City are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures/expenses. Government resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statements in this report, into generic fund types and broad categories as follows:

Governmental Funds:

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

Proprietary Funds:

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

Fiduciary Funds:

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

**CITY OF TAFT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

C. Fund Accounting (Continued)

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

D. Basis of Accounting/Measurement Focus

**Government-wide Financial Statements**

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

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

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

**Governmental Fund Financial Statements**

Governmental Fund Financial Statements include a Balance Sheet, and a Statement of Revenues, Expenditures, and Changes in Fund Balances for all major governmental funds and aggregated non-major funds. An accompanying schedule is presented to reconcile and explain the differences in fund balances as presented in these statements to the net assets presented in the government-wide financial statements. The City has presented all major funds that met the qualifications of GASB Statement No. 34.

**CITY OF TAFT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

D. Basis of Accounting/Measurement Focus (Continued)

**Governmental Fund Financial Statements (Continued)**

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

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

The City reports the following major governmental funds:

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

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

The Revolving Loan Fund – HOME was established to account for funds as direct loans for rehabilitation or reconstruction of dwellings owned and occupied by qualifying low and moderate income households.

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

**Proprietary Fund Financial Statements**

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

**CITY OF TAFT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

D. Basis of Accounting/Measurement Focus (Continued)

**Proprietary Fund Financial Statements (Continued)**

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

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

The CCF Fund is used to account for the operations of the Community Correctional Facility. The CCF provides housing and program services to the California Department of Corrections. The City was notified by the State of California the CCF contract was cancelled on November 2011. However, the State of California is continuing lease payments to the City through January 2017.

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

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

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

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

**Internal Service Fund Statements**

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

**Fiduciary Fund Financial Statements**

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

**CITY OF TAFT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

D. Basis of Accounting/Measurement Focus (Continued)

**Fiduciary Fund Financial Statements (Continued)**

The City's fiduciary funds are agency funds and private purpose trust funds. These funds use the accrual basis of accounting. Agency funds are used to account for amounts held for debt service related to conduit debt, and amounts held on behalf of inmates housed in the Community Correctional Facility. The Agency funds are custodial in nature (assets equal liabilities) and therefore do not involve measurement of results of operations. The private purpose funds are used to account for the redevelopment agency successor agency by the City as trustee. Trust funds are accounted for on the economic resources measurement focus.

E. Budgetary Policy and Control

**General Budget Policies**

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

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

F. Cash/Investment Policy

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

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

**CITY OF TAFT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

G. Capital Assets and Depreciation

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

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

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

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

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

H. Bond Issuance Costs

Bond issuance costs and loan issuance costs in government-wide and proprietary fund statements are deferred and amortized over the term of the bonds/loans using the straight-line method. The Successor Agency has the bond and the bond issuance costs as of fiscal year-end June 20, 2013.

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

I. Interfund Transactions

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

**CITY OF TAFT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

J. Capitalized Interest

No interest cost relating to construction was capitalized.

K. Compensated Absences

• **Sick leave liability**

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

• **Vacation leave liability**

Employees earn ten days vacation leave per year, up to four years service; from four years through nine years service, fifteen days are earned; from ten years through nineteen years service, twenty days are earned; and after nineteen years, twenty-five days. All employees are able to accrue an amount equal to twice the employee's annual accrual after which further accrual will cease. Accumulated vacation is payable upon termination. The compensated absences accrual at June 30, 2013, amounted to \$175,902 for Governmental Activities and \$35,605 for Business-type Activities.

L. Property Taxes

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

M. Cash Flows

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

N. Use of Restricted Resources

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

**CITY OF TAFT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

O. Estimates

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

P. New Accounting Pronouncements

The City has implemented the requirements of Governmental Accounting Standards Board (GASB) during the fiscal year ended June 30, 2013.

Governmental Accounting Standards Board Statement No. 60

For the fiscal year ended June 30, 2013, the City implemented GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*. This statement is effective for periods beginning after December 15, 2011. The objective of this Statement is to improve financial reporting by addressing issues related to Service Concession Arrangements. This Statement improves consistency in reporting and enhances the comparability of the accounting and financial reporting of Service Concession Arrangements among state and local governments. Implementation of GASB Statement No. 60 did not have an impact on the City's financial statements for the fiscal year ended June 30, 2013.

Governmental Accounting Standards Board Statement No. 61

For the fiscal year ended June 30, 2013, the City implemented GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*. This statement is effective for periods beginning after June 15, 2012. The objective of this Statement is to improve financial reporting for component units. The Statement modifies certain requirements for inclusion of component units in the financial reporting entity and clarifies the reporting of equity interests in legally separate organizations. Implementation of the GASB Statement No. 61 did not have an impact on the City's financial statements for the fiscal year ended June 30, 2013.

Governmental Accounting Standards Board Statement No. 62

For the fiscal year ended June 30, 2013, the City implemented GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement is effective for periods beginning after December 15, 2011. The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the FASB and AICPA pronouncements issued on or before November, 30 1989. This Statement specifically identifies and consolidates the accounting and financial reporting provisions that apply to state and local governments. Implementation of the GASB Statement No. 62 did not have an impact on the City's financial statements for the fiscal year ended June 30, 2013.

**CITY OF TAFT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

P. New Accounting Pronouncements (Continued)

Governmental Accounting Standards Board Statement No. 63

For the fiscal year ended June 30, 2013, the City implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This statement is effective for periods beginning after December 15, 2011. The objective of this Statement is to establish guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position. This Statement sets forth framework that specifies where deferred outflows of resources and deferred inflows of resources, as well as assets and liabilities, should be displayed. This Statement also specifies how net position, no longer referred to as net assets, should be displayed. Implementation of the Statement is explained in Note 10.

**NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. General Budget Policies**

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

Budget comparisons are not presented for the Proprietary funds, as the City is not legally required to adopt a budget for this type of funds.

There were no budgets adopted for the following funds: RLF-CDBG (major fund), Revolving Loan Fund – Home (major fund) , High Technology, TDA, Business Assistance Grant – EDEF 6534, Business Assistance Grant – EDEF 5878, CDBH, CDBG Home, Cal Homes Revolving Loan, TARP Revolving Loan, Cal Home 4917, Crime Prevention, and Taft Successor Housing Agency Special Revenue Fund.

5. Capital projects are budgeted through the Capital Projects Funds. Appropriations for capital projects authorized but not constructed or completed during the fiscal year are carried forward as continuing appropriations into the following fiscal year’s budget.

**CITY OF TAFT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

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

**A. General Budget Policies (Continued)**

6. Under Article XIII-B of the California constitution (the GANN Spending Limitation Initiative), the City is restricted as to the amount of annual appropriations from the proceed of taxes, and if proceeds of taxes exceed allowed appropriations, the excess must either be refunded to the State Controller or returned to the taxpayers through revised tax rates or revised fee schedules, or an excess in one year may be offset by a deficit in the following year. For the fiscal year ended June 30, 2013, based on calculations by City staff, proceeds of taxes did not exceed appropriations. Further, section 5 of Article XIII-B allows the City to designate a portion of fund balance for general contingencies, to be used for any purpose.

**B. Deficit Fund Balances/Net Assets**

The following funds contained deficit fund balances/net position as of June 30, 2013:

Major Entpersie Funds:

CCF	\$ 1,142,430
Transit	448,652

Non Major Governmental Funds:

Business Assistance Grant - EDEF 6534	73
CDBG Home - 6859	3,320
Landscape Assessment District	22,485

The City anticipates that future revenue will be sufficient to cover these deficits.

**C. Excess of Expenditures over Appropriations**

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

	<u>Expenditures</u>	<u>Final Appropriations</u>	<u>Excess</u>
<b>Major Governmental Funds</b>			
<b>General Fund</b>			
Public safety	\$ 2,786,965	\$ 2,713,557	\$ 73,408
Community development	656,914	604,359	52,555
Capital outlay	955,600	64,000	891,600
<b>Nonmajor Governmental Funds</b>			
<b>Assets Forfeiture</b>			
Public safety	13,963	3,000	10,963
<b>Landscape assessment</b>			
Public works	30,393	8,163	22,230
<b>WWTP</b>			
Capital outlay	158,210	19,000	139,210

**CITY OF TAFT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 3 – CASH AND INVESTMENTS**

The City maintains a cash and investment pool that is available for use by all funds. Cash and investments at June 30, 2013, consisted of the following:

Statement of Net Position:	
Cash and investments	\$ 9,609,863
Statement of Fiduciary Net Position:	
Cash and investments	194,287
Cash and investments with fiscal agents	<u>3,721,831</u>
Total cash and investments	<u>\$ 13,525,981</u>

Cash and investments as of June 30, 2013 consisted of the following:

Cash on hand	\$ 2,616
Deposits held by financial institutions	1,771,320
Investments	<u>11,752,045</u>
Total cash and investments	<u>\$ 13,525,981</u>

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

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

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

**CITY OF TAFT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 3 – CASH AND INVESTMENTS (CONTINUED)**

**Investment Authorized by Debt Agreements**

Investments of debt proceeds held by bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the City’s investment policy. The table below identifies the investment types that are authorized for investments held by bond trustee. The table also identifies certain provisions of these debt agreements that address interest rate risk.

<u>Authorized Investment Type</u>	<u>Maximum Investment in One Issuer</u>	<u>Maximum Percentage/ Amount of Portfolio</u>	<u>Maximum Maturity</u>
U.S. Agency Securities	None	None	None
Money Market Mutual Funds	None	None	N/A
Commercial Paper	None	None	270 days
Certificates of Deposit	None	None	5 years
Repurchase Agreements	None	None	180 days
U.S. Treasury Obligations	None	None	365 days
Time Deposits	None	None	365 days

**Disclosures Relating to Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. Information about the sensitivity of the fair values of the City’s investments (including investments held by bond trustee) to market interest rate fluctuations is provided by the following table that shows the distribution of the City’s investments by maturity:

<u>Investment Type</u>	<u>Remaining Maturity (in Months)</u>			<u>Total</u>
	<u>12 Months or Less</u>	<u>13 to 24 Months</u>	<u>25 to 60 Months</u>	
State Investment Pool (LAIF)	\$ 2,983,519	\$ -	\$ -	\$ 2,983,519
Certificates of Deposit	2,110,762			2,110,762
U.S. Agency Securities			2,935,933	2,935,933
Held by Trustees:				
U.S. Agency Securities	359,564			359,564
Money Market Funds	3,362,267			3,362,267
<b>Total</b>	<b>\$ 8,816,112</b>	<b>\$ -</b>	<b>\$ 2,935,933</b>	<b>\$ 11,752,045</b>

**CITY OF TAFT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 3 – CASH AND INVESTMENTS (CONTINUED)**

**Disclosures Relating to Credit Risk**

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

Investment Type	Amount	Minimum Legal Rating	Exempt From Disclosure	S&P Rating			
				AAA	AA	A	Not Rated
State Investment Pool (LAIF)	\$ 2,983,519	N/A	\$ -	\$ -	\$ -	\$ -	\$ 2,983,519
Certificates of Deposit	2,110,762	N/A					2,110,762
U.S. Agency Securities	2,935,933	N/A		2,935,933			
Held by Trustees:							
U.S. Agency Securities	359,564	N/A		359,564			
Money Market Funds	3,362,267	N/A					3,362,267
<b>Total</b>	<b>\$ 11,752,045</b>		<b>\$ -</b>	<b>\$ 3,295,497</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 8,456,548</b>

**Concentration of Credit Risk**

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

Issuer	Investment Type	Reported Amount
Federal Home Loan Bank	U.S. Agency Security	\$ 975,228
Federal Farm Credit Bank	U.S. Agency Security	977,643
Federal National Mortgage Association	U.S. Agency Security	1,342,626

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

The \$2,935,933 in the above Federal Agency security is included within the City’s cash and investment pool and therefore is not contained in any specific opinion unit.

**Custodial Credit Risk**

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of a failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

**CITY OF TAFT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**NOTE 3 – CASH AND INVESTMENTS (Continued)**

**Custodial Credit Risk (Continued)**

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

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

**Investment in State Investment Pool**

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

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

**NOTE 4 – NOTES RECEIVABLE**

The City operates a loan program whereby funds are made available to eligible businesses and individuals for various purposes. Grant funds were originally used to start the program and repayments are required to be used for the same purpose. As of June 30, 2013, the balance of notes receivable was \$ 3,695,418. Of this amount, \$3,389,474 are deferred housing loans, which are due when the properties are transferred. These loans are collateralized by the titles of the properties. The remaining balances are made up of CDBG loans made to local businesses. These loans carry interest rates between 1% to 5%. All the loans are deferred revenue offsets.

**CITY OF TAFT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**NOTE 5 – INTERFUND ACTIVITIES**

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

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

Interfund transfers during the fiscal year ended June 30, 2013 are as follows.

	<u>Transfers In</u>	<u>Transfers Out</u>
Major Governmental Funds:		
General	\$ 211,215	\$ -
WWTP Capital Projects	131,200	
Nonmajor Governmental Funds:		
High Technology		64
Traffic Safety		7,457
Gas Tax		203,694
WWTP Special Revenue		131,200
	<u>                    </u>	<u>                    </u>
Total interfund transfers	<u>\$ 342,415</u>	<u>\$ 342,415</u>

Current interfund balances arise in the normal course of business (i.e. one fund loaning funds to pay for current expenditures) and are expected to be repaid shortly after the end of the fiscal year. The following is a summary of interfund balances as of June 30, 2013.

	<u>Due from</u> <u>(Receivable)</u>	<u>Due to</u> <u>(Payable)</u>
Major Governmental Funds:		
General	\$ 1,495,821	\$ -
WWTP Capital Projects	530,279	
Major Proprietary Funds:		
CCF		1,195,379
Transit		240,795
Nonmajor Governmental Funds:		
TDA		332,103
Business Assistance Grant - EDEF 6534		73
CDBG		22,371
CDBG Home - 6859		15,406
Landscape Assessment District		21,797
Cal Home 4917		101,002
WWTP Special Revenue		97,174
	<u>                    </u>	<u>                    </u>
Total	<u>\$ 2,026,100</u>	<u>\$ 2,026,100</u>

**CITY OF TAFT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 5 – INTERFUND ACTIVITIES (Continued)**

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

**NOTE 6 – CAPITAL ASSETS AND DEPRECIATION**

In accordance with GASB Statement No. 34, the City has reported all capital assets including infrastructure in the government-wide statement of net position. The City elected to use the basic approach as defined by GASB Statement No. 34 for all infrastructures reporting, whereby depreciation expense and accumulated depreciation have been recorded. The following table presents the capital asset activity for the fiscal year ended June 30, 2013.

<u>Governmental Activities</u>	<u>Balance July 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2013</u>
Capital assets not being depreciated:				
Land	\$ 1,341,949	\$ -	\$ (13,346)	\$ 1,328,603
Construction in progress	493,964	626,155		1,120,119
Total capital assets not being depreciated	<u>1,835,913</u>	<u>626,155</u>	<u>(13,346)</u>	<u>2,448,722</u>
Capital assets being depreciated:				
Structures and improvements	8,378,589			8,378,589
Machinery and equipment	3,422,739	27,269	(230,658)	3,219,350
Infrastructure:				
Roadway system	3,830,028			3,830,028
Bridges	265,183			265,183
Total capital assets being depreciated	<u>15,896,539</u>	<u>27,269</u>	<u>(230,658)</u>	<u>15,693,150</u>
Less accumulated depreciation for:				
Structures and improvements	(4,651,557)	(255,009)		(4,906,566)
Machinery and equipment	(2,915,892)	(186,941)	229,539	(2,873,294)
Infrastructure:				
Roadway system	(1,462,116)	(104,280)		(1,566,396)
Bridges	(194,468)	(35,358)		(229,826)
Total accumulated depreciation	<u>(9,224,033)</u>	<u>(581,588)</u>	<u>229,539</u>	<u>(9,576,082)</u>
Total capital assets, being depreciated net of accumulated depreciation	<u>6,672,506</u>	<u>(554,319)</u>	<u>(1,119)</u>	<u>6,117,068</u>
Total Governmental activities capital assets, net of accumulated depreciation	<u>\$ 8,508,419</u>	<u>\$ 71,836</u>	<u>\$ (14,465)</u>	<u>\$ 8,565,790</u>

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

General government	\$ 76,016
Public safety	116,619
Public works	376,319
Community development	<u>12,634</u>
Total depreciation expense - governmental activities	<u>\$ 581,588</u>

**CITY OF TAFT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 6 – CAPITAL ASSETS AND DEPRECIATION (Continued)**

Changes in business-type activities capital assets:

<u>Business-type activities</u>	<u>Balance July 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2013</u>
Capital assets not being depreciated:				
Construction in progress	\$ 138,913	\$ 17,351	\$ -	\$ 156,264
Total capital assets not being depreciated	<u>138,913</u>	<u>17,351</u>		<u>156,264</u>
Capital assets being depreciated:				
Structures and improvements	5,942,613			5,942,613
Machinery and equipment	2,670,457	262,661	(90,587)	2,842,531
Sewer infrastructure	2,667,286	156,061		2,823,347
Total capital assets being depreciated	<u>11,280,356</u>	<u>418,722</u>	<u>(90,587)</u>	<u>11,608,491</u>
Less accumulated depreciation for:				
Structures and improvements	(3,197,496)	(179,009)		(3,376,505)
Machinery and equipment	(1,858,589)	(194,299)	90,587	(1,962,301)
Sewer infrastructure	(1,309,246)	(66,682)		(1,375,928)
Total accumulated depreciation	<u>(6,365,331)</u>	<u>(439,990)</u>	<u>90,587</u>	<u>(6,714,734)</u>
Total capital assets, being depreciated, net of accumulated depreciation	<u>4,915,025</u>	<u>(21,268)</u>		<u>4,893,757</u>
Total Business-type activities capital assets, net of accumulated depreciation	<u>\$ 5,053,938</u>	<u>\$ (3,917)</u>	<u>\$ -</u>	<u>\$ 5,050,021</u>

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

Federal WWTP	\$ 179,009
Sewer	66,682
Refuse	41,462
Transit	<u>152,837</u>
Total depreciation expense - business-type activities	<u>\$ 439,990</u>

**NOTE 7 – GOVERNMENTAL ACTIVITIES LONG-TERM DEBT**

During the fiscal year ended June 30, 2013, the following changes occurred to the governmental activities long-term liabilities:

Compensated Absences

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

**CITY OF TAFT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

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

During the fiscal year ended June 30, 2013, the following changes occurred to the governmental activities long-term liabilities: (Continued)

CalPERS Side Fund

During the 2005-2006 fiscal year, the City was required to participate in the Public Employees Retirement System (CalPERS) risk pool. As a result, a side fund was created to account for the difference between the funded status of the City's plan, in addition to the existing unfunded liability. The outstanding balance at June 30, 2013 was \$378,068.

<u>Governmental Activities:</u>	<u>Balance July 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2013</u>	<u>Due in One Year</u>
Compensated Absences	\$ 150,147	\$ 96,486	\$ (70,731)	\$ 175,902	\$ 54,817
CalPERS side fund obligation	539,449	33,290	(194,671)	378,068	200,184
Total governmental activities	<u>\$ 689,596</u>	<u>\$ 129,776</u>	<u>\$ (265,402)</u>	<u>\$ 553,970</u>	<u>\$ 255,001</u>

**NOTE 8 – BUSINESS-TYPE ACTIVITIES LONG-TERM DEBT**

During the fiscal year ended June 30, 2013, the following changes occurred to the business-type activities long-term liabilities:

<u>Business type activities</u>	<u>Balance July 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2013</u>	<u>Due in One Year</u>
2006 Sewer Loan	\$ 447,000	\$ -	\$ (447,000)	\$ -	\$ -
Compensated Absences	44,881	39,467	(48,743)	35,605	8,901
Total business-type activities	<u>\$ 491,881</u>	<u>\$ 39,467</u>	<u>\$ (495,743)</u>	<u>\$ 35,605</u>	<u>\$ 8,901</u>

2006 Sewer Loan

On February 28, 2006 a loan in the amount of \$1,173,000 was issued with Citizens Business Bank at an interest rate of 4.80 percent. The loan was issued to refund the outstanding 1994 certificates of participation and to pay certain costs of issuance. Service charges in the Sewer fund are pledged for the loan. This loan was paid off on December 1, 2012.

Compensated Absences

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

**CITY OF TAFT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 9 – PENSION PLAN OBLIGATION**

A. Plan description

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

B. Funding policy

Participants are required to contribute 7 percent (9 percent for Tier 1 safety employees) of their annual covered salary. Effective September 1, 2012, the miscellaneous employees group is responsible for paying 7 percent of the employees’ share of PERS. Also, effective September 30, 2012, the safety unit employees group will pay 7% of the employees’ share of PERS (Safety Tier 1, the City contributes 2 percent of the 9 percent of the employee share). The City is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2013 was 10.816% for non-safety employees, 101.5801% for Tier 1 public safety employees, and 16.049% for Tier 2 public safety employees of annual covered payroll. The previous fire pool, which has been inactive for years, has a yearly determined PERS employer dollar contribution amount.

C. Annual pension cost

For fiscal year 2012-2013, the City of Taft’s annual pension cost was \$453,125 and was equal to the City’s required and actual contributions. The required contribution for fiscal year 2012-2013 was determined as part of the June 30, 2010 actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percent of pay. The actuarial assumptions included: (a) 7.75% investment rate of return (net of administrative expenses); (b) projected salary increases that vary by duration of service ranging from 3.55% to 14.45% for miscellaneous members, 3.55% and 14.45% for the Safety Plan Tier 1 and 3.55% and 14.45% for Tier 2 Safety Plan and; (c) 2% cost-of-living adjustment. Both (a) and (b) include an inflation component of 3%. The actuarial value of the plan’s assets was determined using a technique that smoothes the effects of short-term volatility in the market value of investments over a three-year period. Miscellaneous Plans’ unfunded actuarial accrued liability (or excess assets) is being amortized as a level percentage of projected payroll on a closed basis. The average remaining amortization period at June 30, 2013, was 18 years for the Miscellaneous Plan, 15 and 17 years (Tier 1 and Tier 2) for the Safety Police Plans.

D. Three year trend information

Fiscal Year Ended June 30,	Miscellaneous	Police	Fire	Percentage of APC Contributed	Pension Obligation
2011	\$ 454,521	\$ 309,400	\$ 4,081	100%	\$ -
2012	530,362	338,506	21,985	100%	-
2013	239,329	189,658	24,138	100%	-

**CITY OF TAFT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**NOTE 10 – NET POSITION**

**Governmental and Business -Type Activities**

GASB Statement No. 63 requires that the difference between assets added to the deferred outflows of resources and liabilities added to the deferred inflows of resources be reported as net position. In the Government-wide financial statements, proprietary fund financial statements, and private-purpose trust fund financial statements, net position is classified as either net investment in capital assets, restricted, or unrestricted.

- **Net Investment in Capital Assets** describe the portion of net position which is represented by the current net book value of the City's capital assets, less the outstanding balance of any debt issued to finance these assets.
- **Restricted** describe the portion of net position, which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which the City cannot unilaterally alter. These principally include debt service requirements, capital projects, and deferred improvement funds restricted to low and moderate income housing purposes.
- **Unrestricted** describes the portion of net position which is not restricted as to use.

When both restricted and unrestricted net position are available, restricted resources are depleted first before the unrestricted resources are used.

**NOTE 11 – RISK MANAGEMENT**

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

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

**Worker's Compensation**

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

**CITY OF TAFT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**NOTE 11 – RISK MANAGEMENT (Continued)**

**General Liability**

The City is self-insured for the first \$25,000 of each claim. The City participates in a risk sharing pool through CSJVRMA for claims between \$25,000 and \$1,000,000. The CSJVRMA participates in an excess pool, which provides general liability coverage from \$1,000,000 to \$3,000,000 and purchases excess reinsurance above \$3,000,000 to \$29,000,000. The CSJVRMA is a consortium of fifty-four cities in San Joaquin Valley, California. It was established under the provisions of California Government Code Section 6500 et seq. The CSJVRMA is governed by a Board of Directors, which meets three to four times per year, consisting of one member appointed by each member city. The day-to-day business is handled by a management group employed by the CSJVRMA.

The financial position and results of operations for the CSJVRMA as of June 30, 2013, the most recent information available, is presented below:

Total Assets	<u>\$ 82,190,005</u>
Total Liabilities	\$ 66,304,596
Total Retained Earnings	<u>15,885,409</u>
Total Liabilities and Retained Earnings	<u>\$ 82,190,005</u>
Revenues for Fiscal Year	\$ 30,774,973
Expenses for Fiscal Year	<u>27,142,583</u>
Change in Net Position	<u>\$ 3,632,390</u>

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

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

**NOTE 12 – COMMITMENTS AND CONTINGENCIES**

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

**CITY OF TAFT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 12 – COMMITMENTS AND CONTINGENCIES (Continued)**

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

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

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

The City received a contract termination notice from The State of California in May 2011. The facility was then closed on November 30, 2011 with inmates transferred to other County of Kern facilities. The City reopened the CCF facility on March 1, 2014. The City is set for a trial against the State of California on or about late August 2014 mainly in regards to recovery of unemployment benefits the City has paid to selected CCF employees resulting to the closure of the CCF facility in November 2011.

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

From time to time, City is involved in various litigation matters incidental to operations, which the opinion of the City the ultimate outcome will not a material effect on operations.

The City is a lessor in certain month – to – month leases. In addition the City leases properties under noncancelable operating leases. Minimim rents due under these leases follows:

Fiscal Year Ending June 30,	Amount
2014	\$ 708,000
2015	708,000
2016	708,000
2017	698,000
2018	684,000
Thereafter	<u>7,812,000</u>
Total	<u>\$ 11,318,000</u>

**CITY OF TAFT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**NOTE 13 – FUND EQUITY**

**Fund Balance – Governmental Funds**

As of June 30, 2013, fund balances of the governmental funds are classified as follows:

- **Nonspendable** – amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.
- **Restricted** – amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.
- **Committed** – amounts that can be used only for specific purposes determined by a formal action of the governing board is the highest level of decision-making authority for the City. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the governing board.
- **Assigned** – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the City’s adopted policy, only the governing board or director may assign amounts for specific purposes.
- **Unassigned** – all other spendable amounts.

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

	General	Revolving Loan Fund CDBG	Revolving Loan Fund Home	WWTP Capital Projects	Total Non- major Governmental Funds	Total
Nonspendable:						
Prepaid items	\$ 38,341	\$ 270	\$ 270	\$ -	\$ -	\$ 38,881
Notes receivable	5,944					5,944
Principal on advances	2,590,196					2,590,196
<b>Total Nonspendable</b>	<b>2,634,481</b>	<b>270</b>	<b>270</b>			<b>2,635,021</b>
Restricted for:						
Streets and roads					117,047	117,047
Public safety					105,171	105,171
Public works						
Community development		65,904	130,047		117,921	313,872
Housing					580,401	580,401
Capital Projects - WWTP				3,424,756	315,382	3,740,138
<b>Total Restricted</b>		<b>65,904</b>	<b>130,047</b>	<b>3,424,756</b>	<b>1,235,922</b>	<b>4,856,629</b>
Unassigned	1,766,789				(25,878)	1,740,911
<b>Total Fund Balances</b>	<b>\$ 4,401,270</b>	<b>\$ 66,174</b>	<b>\$ 130,317</b>	<b>\$ 3,424,756</b>	<b>\$ 1,210,044</b>	<b>\$ 9,232,561</b>

**CITY OF TAFT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**NOTE 14 – DEFERRED CHARGES**

On December 18, 2012, the sewer bonds were paid and related deferred charges of \$10,186 were expensed.

**NOTE 15 – CONDUIT DEBT (NONOBLIGATORY DEBT)**

In January 1997, Taft Public Financing Authority (the Authority) issued the Lease Revenue Bonds 1997 Series A (Community Correctional Facility Acquisition Project) totaling \$21,740,000 to (a) acquire the Taft Community Correctional Facility located at 333 Commerce Way in Taft, California, (b) fund a reserve account, and (c) pay the issuance costs. The principal balance of the Revenue Bonds at June 30, 2013 is \$6,505,000.

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

**NOTE 16 – AGREEMENTS**

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

**NOTE 17 – PRIOR PERIOD ADJUSTMENTS**

Prior period adjustments of \$(142,632) were made to the statement of net position - governmental activities related to an understatement of unearned revenue in an amount of (\$143,031) and an understatement of interest receivable in an amount of \$399.

A prior period adjustment in the amount of \$(91,988) was made to the statement of net position – business-type activities and the major Transit fund related to an understatement of unearned revenue.

A prior period adjustment in the amount of \$(280,824) was made to the General fund related to an understatement of unearned revenue.

A prior period adjustment in the amount of \$399 was made to the Gas Tax fund related to an understatement of interest receivable.

**CITY OF TAFT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 18 – RELATED PARTY TRANSACTIONS**

The purchase of a City-owned residence was approved by the City Council in a closed session during August 2006 and during the fiscal year was leased to the City Manager. Subsequent to the fiscal year end June 30, 2012 the City Manager resigned. Presently, the residence is listed for sale.

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

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

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

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

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

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

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

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

The City remains in disagreement with the State of California Department of Finance regarding the denial of Low and Moderate Housing funds amounting to \$583,703 for the 1998 Revenue Debt Obligations as stated in a letter to the City on February 21, 2014. The City believes such funds are those of the City legally restricted for debt obligations of the City for the 1998 Revenue Bond

**CITY OF TAFT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

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

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

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

Capital Asset activity for the fiscal year ended June 30, 2013 was as follows:

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
Capital assets not being depreciated:				
Land	\$ 1,698,163	\$ -	\$ -	\$ 1,698,163
Total capital assets not being depreciated	<u>1,698,163</u>			<u>1,698,163</u>
Capital assets being depreciated:				
Structures and improvements	407,116			407,116
Total capital assets being depreciated	<u>407,116</u>			<u>407,116</u>
Less accumulated depreciation for:				
Structures and improvements	(170,999)	(24,595)		(195,594)
Total accumulated depreciation	<u>(170,999)</u>	<u>(24,595)</u>		<u>(195,594)</u>
Total capital assets, being depreciated net of accumulated depreciation	<u>236,117</u>	<u>(24,595)</u>		<u>211,522</u>
Total Governmental activities capital assets, net of accumulated depreciation	<u>\$ 1,934,280</u>	<u>\$ (24,595)</u>	<u>\$ -</u>	<u>\$ 1,909,685</u>

**Deferred Charges**

Deferred charges consist of issuance costs and discounts for debt issues. The total costs deferred as a result of the issuance of the 1998 revenue bonds was \$224,422. The amortization period is 349 months and the balance at fiscal year ended June 30, 2013 is \$111,895

The following is a schedule of long-term liabilities for the fiscal year ended June 30, 2013:

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013	Due in One Year
1998 Revenue Refunding Bonds	\$ 3,700,000	\$ -	\$ (145,000)	\$ 3,555,000	\$ 160,000
Total governmental activities	<u>\$ 3,700,000</u>	<u>\$ -</u>	<u>\$ (145,000)</u>	<u>\$ 3,555,000</u>	<u>\$ 160,000</u>

**CITY OF TAFT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

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

1998 Revenue Refunding Bonds (Continued)

The maturity schedule of the bonds is as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2014	\$ 160,000	\$ 206,190	\$ 366,190
2015	165,000	296,910	461,910
2016	175,000	187,340	362,340
2017	180,000	177,190	357,190
2018	195,000	166,750	361,750
2019-2023	1,155,000	650,180	1,805,180
2024-2028	1,525,000	275,790	1,800,790
Total	<u>\$ 3,555,000</u>	<u>\$ 1,960,350</u>	<u>\$ 5,515,350</u>

**NOTE 20- SUBSEQUENT EVENTS**

Management has evaluated subsequent events through the date of this report which is March 31, 2014.

**NOTE 21-OTHER MATTERS**

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

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

**CITY OF TAFT**  
**MAJOR FUND BUDGETARY COMPARISON SCHEDULES**  
**JUNE 30, 2013**

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

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**CITY OF TAFT**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES</b>				
Property taxes	\$ 1,367,820	\$ 1,367,820	\$ 1,482,296	\$ 114,476
Sales taxes	1,750,414	1,750,414	1,737,659	(12,755)
Other taxes	399,001	399,001	399,229	228
Licenses and permits, and fees	191,127	191,127	370,169	179,042
Fines and forfeitures	2,336	2,336	4,491	2,155
Use of money and property	140,312	140,312	223,298	82,986
Intergovernmental	25,750	25,750	520,649	494,899
Current services charges	513,568	565,101	583,573	18,472
Other	12,225	12,225	416,747	404,522
Total revenues	<u>4,402,553</u>	<u>4,454,086</u>	<u>5,738,111</u>	<u>1,284,025</u>
<b>EXPENDITURES</b>				
Current:				
General government	1,206,656	1,206,656	1,137,886	68,770
Public safety	2,713,557	2,713,557	2,786,965	(73,408)
Public works	1,031,927	1,031,927	934,693	97,234
Community development	604,359	604,359	656,914	(52,555)
Capital outlay	64,000	64,000	955,600	(891,600)
Total expenditures	<u>5,620,499</u>	<u>5,620,499</u>	<u>6,472,058</u>	<u>(851,559)</u>
Excess (deficiency) of revenues over expenditures	<u>(1,217,946)</u>	<u>(1,166,413)</u>	<u>(733,947)</u>	<u>432,466</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	<u>1,217,946</u>	<u>1,217,946</u>	<u>211,215</u>	<u>(1,006,731)</u>
Total other financing sources (uses)	<u>1,217,946</u>	<u>1,217,946</u>	<u>211,215</u>	<u>(1,006,731)</u>
Net change in fund balance		<u>51,533</u>	<u>(522,732)</u>	<u>(574,265)</u>
Fund balance, beginning of fiscal year	5,204,826	5,204,826	5,204,826	
Prior period adjustment			<u>(280,824)</u>	<u>(280,824)</u>
Fund balance, beginning of fiscal year, restated	<u>5,204,826</u>	<u>5,204,826</u>	<u>4,924,002</u>	<u>(280,824)</u>
Fund balance, end of fiscal year	<u>\$ 5,204,826</u>	<u>\$ 5,256,359</u>	<u>\$ 4,401,270</u>	<u>\$ (855,089)</u>

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**CITY OF TAFT  
MAJOR CAPITAL PROJECT FUND  
JUNE 30, 2013**

**WWTP Capital Projects Fund**

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

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**CITY OF TAFT  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
WWTP CAPITAL PROJECTS FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Use of money and property	\$ 46,000	\$ 30,164	\$ (15,836)
Total revenues	<u>46,000</u>	<u>30,164</u>	<u>(15,836)</u>
<b>EXPENDITURES</b>			
Capital outlay	<u>177,200</u>	<u>                    </u>	<u>177,200</u>
Total Expenditures	<u>177,200</u>	<u>                    </u>	<u>177,200</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(131,200)</u>	<u>30,164</u>	<u>161,364</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	<u>131,200</u>	<u>131,200</u>	<u>                    </u>
Total other financing sources (uses)	<u>131,200</u>	<u>131,200</u>	<u>                    </u>
Net change in fund balance		161,364	161,364
Fund balance, beginning of fiscal year	<u>3,263,392</u>	<u>3,263,392</u>	<u>                    </u>
Fund balance, end of the fiscal year	<u>\$ 3,263,392</u>	<u>\$ 3,424,756</u>	<u>\$ 161,364</u>

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**CITY OF TAFT  
NON-MAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2013**

**SPECIAL REVENUE FUNDS**

**High Technology Grant**

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

**Traffic Safety**

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

**Gas Tax**

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

**Transportation and Development Act (TDA)**

This fund was established to receive and expend the City's allocation of sales tax under SB 325. This bill reduced the State's percentage of sales tax by 1.4 percent and allowed the counties within the State of California to increase their sales tax percentage by ¼ percent. The funds generated by this ¼ percent are allocated to the counties and a portion of this is then allocated to the cities within each county and restricted to street purposes.

**Business Assistance Grant – EDEF 6534**

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

**Business Assistance Grant – EDEF 5878**

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

**Community Development Block Grant**

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

**Community Development Block Grant Home - 6859**

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

**Cal Home Revolving Loan**

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

**Tarp Revolving Loan**

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

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**CITY OF TAFT  
NON-MAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2013**

**SPECIAL REVENUE FUNDS (Continued)**

**Asset Forfeiture**

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

**Landscape Assessment District**

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

**Cal Home-4917**

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

**Crime Prevention**

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

**Taft Successor Housing**

This fund was established to account for the former TCDA Low/Moderate Income Housing fund transferred to the City.

**Wastewater Treatment Plant (WWTP)**

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

**CITY OF TAFT**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**COMBINING BALANCE SHEET**  
**June 30, 2013**

	Special Revenue Funds			
	High Technology	Traffic Safety	Gas Tax	TDA
<b>ASSETS</b>				
Cash and investments	\$ -	\$ 463	\$ 6,829	\$ -
Receivables:				
Accounts		362	18,431	422,485
Interest			1,405	
Notes				
Total assets	\$ -	\$ 825	\$ 26,665	\$ 422,485
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued payroll				
Due to other funds				332,103
Unearned revenue				
Total liabilities				332,103
<b>FUND BALANCES</b>				
Restricted		825	26,665	90,382
Unassigned				
Total fund balances (deficits)		825	26,665	90,382
Total liabilities and fund balances	\$ -	\$ 825	\$ 26,665	\$ 422,485

Special Revenue Funds

Business Assistance Grant - EDEF 6534	Business Assistance Grant - EDEF 5878	CDBG	CDBG Home - 6859	Cal Homes Revolving Loan Fund	TARP Revolving Loan	Asset Forfeiture
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 115,113	\$ 71,825
		22,371	12,205		890	530
				275,524	271,198	
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,371</u>	<u>\$ 12,205</u>	<u>\$ 275,524</u>	<u>\$ 387,201</u>	<u>\$ 72,355</u>
\$ -	\$ -	\$ -	\$ 119	\$ -	\$ 78	\$ 85
73		22,371	15,406	275,524	271,198	
<u>73</u>		<u>22,371</u>	<u>15,525</u>	<u>275,524</u>	<u>271,276</u>	<u>85</u>
(73)			(3,320)		115,925	72,270
<u>(73)</u>			<u>(3,320)</u>		<u>115,925</u>	<u>72,270</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,371</u>	<u>\$ 12,205</u>	<u>\$ 275,524</u>	<u>\$ 387,201</u>	<u>\$ 72,355</u>

(Continued)

**CITY OF TAFT**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**COMBINING BALANCE SHEET**  
**June 30, 2013**  
**(Continued)**

	Special Revenue Funds			
	Landscape Assessment District	Cal Home 4917	Crime Prevention	Taft Successor Housing
<b>ASSETS</b>				
Cash and investments	\$ -	\$ -	\$ 37,512	\$ 580,401
Receivables:				
Accounts		103,775		
Interest			1,099	
Notes				
<b>Total assets</b>	<b>\$ -</b>	<b>\$ 103,775</b>	<b>\$ 38,611</b>	<b>\$ 580,401</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 588	\$ 777	\$ -	\$ -
Accrued payroll	100		6,535	
Due to other funds	21,797	101,002		
Unearned revenue				
<b>Total liabilities</b>	<b>22,485</b>	<b>101,779</b>	<b>6,535</b>	
<b>FUND BALANCES</b>				
Restricted		1,996	32,076	580,401
Unassigned	(22,485)			
<b>Total fund balances (deficits)</b>	<b>(22,485)</b>	<b>1,996</b>	<b>32,076</b>	<b>580,401</b>
<b>Total liabilities and fund balances</b>	<b>\$ -</b>	<b>\$ 103,775</b>	<b>\$ 38,611</b>	<b>\$ 580,401</b>

WWTP Special Revenue	Total Non- Major Governmental Funds
\$ -	\$ 812,143
463,990	1,043,619
	3,924
	546,722
\$ 463,990	\$ 2,406,408

\$ 50,727	\$ 52,374
707	7,342
97,174	589,926
	546,722
148,608	1,196,364

315,382	1,235,922
	(25,878)
315,382	1,210,044
\$ 463,990	\$ 2,406,408

**CITY OF TAFT  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	Special Revenue Funds			
	High Technology	Traffic Safety	Gas Tax	TDA
<b>REVENUES</b>				
Fines and forfeitures	\$ -	\$ 7,457	\$ -	\$ -
Use of money and property	33		1,377	
Intergovernmental			202,317	
Current services charges				
Total revenues	<u>33</u>	<u>7,457</u>	<u>203,694</u>	
<b>EXPENDITURES</b>				
Current:				
General government				
Public safety				
Public works				
Community development				
Capital outlay				
Total expenditures				
Excess of revenues over (under) expenditures	<u>33</u>	<u>7,457</u>	<u>203,694</u>	
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	<u>(64)</u>	<u>(7,457)</u>	<u>(203,694)</u>	
Total other financing sources (uses)	<u>(64)</u>	<u>(7,457)</u>	<u>(203,694)</u>	
Net changes in fund balances	<u>(31)</u>			
Fund balances (deficits), beginning of fiscal year	31	825	26,266	90,382
Prior period adjustments			399	
Fund balances (deficits), beginning of fiscal year, restated	<u>31</u>	<u>825</u>	<u>26,665</u>	<u>90,382</u>
Fund balances (deficits), end of fiscal year	<u>\$ -</u>	<u>\$ 825</u>	<u>\$ 26,665</u>	<u>\$ 90,382</u>

Special Revenue Funds

Business Assistance Grant - EDEF 6534	Business Assistance Grant - EDEF 5878	CDBG	CDBG Home - 6859	Cal Homes Revolving Loan Fund	TARP Revolving Loan	Asset Forfeiture
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,009
	10,745		9,205		968	649
					47,726	656
	10,745		9,205		48,694	3,314
						13,963
8	10,745	(44)	12,521	(1,108)	28,478	
8	10,745	(44)	12,521	(1,108)	28,478	13,963
(8)		44	(3,316)	1,108	20,216	(10,649)
(8)		44	(3,316)	1,108	20,216	(10,649)
(65)		(44)	(4)	(1,108)	95,709	82,919
(65)		(44)	(4)	(1,108)	95,709	82,919
\$ (73)	\$ -	\$ -	\$ (3,320)	\$ -	\$ 115,925	\$ 72,270

(Continued)

**CITY OF TAFT**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**  
(Continued)

	Special Revenue Funds			
	Landscape Assessment District	Cal Home 4917	Crime Prevention	Taft Successor Housing
<b>REVENUES</b>				
Fines and forfeitures	\$ -	\$ -	\$ -	\$ -
Use of money and property			2,512	1,813
Intergovernmental			100,000	
Current services charges	<u>8,090</u>			
Total revenues	<u>8,090</u>		<u>102,512</u>	<u>1,813</u>
<b>EXPENDITURES</b>				
Current:				
General government				
Public safety			406,919	
Public works	30,393			
Community development		17,110		6,461
Capital outlay				
Total expenditures	<u>30,393</u>	<u>17,110</u>	<u>406,919</u>	<u>6,461</u>
Excess of revenues over (under) expenditures	<u>(22,303)</u>	<u>(17,110)</u>	<u>(304,407)</u>	<u>(4,648)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out				
Total other financing sources (uses)				
Net changes in fund balances	<u>(22,303)</u>	<u>(17,110)</u>	<u>(304,407)</u>	<u>(4,648)</u>
Fund balances (deficits), beginning of fiscal year	(182)	19,106	336,483	585,049
Prior period adjustments				
Fund balances (deficits), beginning of fiscal year, restated	<u>(182)</u>	<u>19,106</u>	<u>336,483</u>	<u>585,049</u>
Fund balances (deficits), end of fiscal year	<u>\$ (22,485)</u>	<u>\$ 1,996</u>	<u>\$ 32,076</u>	<u>\$ 580,401</u>

WWTP Special Revenue	Total Non- Major Governmental Funds
\$ -	\$ 9,466
172	7,524
831,652	1,202,301
<u>111,561</u>	<u>119,651</u>
<u>943,385</u>	<u>1,338,942</u>
630,899	630,899
	420,882
	30,393
	74,171
<u>158,210</u>	<u>158,210</u>
<u>789,109</u>	<u>1,314,555</u>
154,276	24,387
<u>(131,200)</u>	<u>(342,415)</u>
<u>(131,200)</u>	<u>(342,415)</u>
<u>23,076</u>	<u>(318,028)</u>
292,306	1,527,673
	399
<u>292,306</u>	<u>1,528,072</u>
<u>\$ 315,382</u>	<u>\$ 1,210,044</u>

**CITY OF TAFT  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
TRAFFIC SAFETY SPECIAL REVENUE FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES</b>			
Fines and forfeitures	\$ 20,000	\$ 7,457	\$ (12,543)
Total revenues	<u>20,000</u>	<u>7,457</u>	<u>(12,543)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers out	<u>(20,000)</u>	<u>(7,457)</u>	<u>12,543</u>
Total other financing sources (uses)	<u>(20,000)</u>	<u>(7,457)</u>	<u>12,543</u>
Net change in fund balance			
Fund balance, beginning of fiscal year	<u>825</u>	<u>825</u>	
Fund balance, end of fiscal year	<u><u>\$ 825</u></u>	<u><u>\$ 825</u></u>	<u><u>\$ -</u></u>

**CITY OF TAFT**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**GAS TAX SPECIAL REVENUE FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES</b>			
Use of money and property	\$ 800	\$ 1,377	\$ 577
Intergovernmental	251,886	202,317	(49,569)
Total revenues	<u>252,686</u>	<u>203,694</u>	<u>(48,992)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers out	<u>(252,686)</u>	<u>(203,694)</u>	<u>48,992</u>
Total other financing sources (uses)	<u>(252,686)</u>	<u>(203,694)</u>	<u>48,992</u>
Net change in fund balance	<u>                    </u>	<u>                    </u>	<u>                    </u>
Fund balance, beginning of fiscal year	26,266	26,266	
Prior period adjustment		399	399
Fund balance, beginning of fiscal year, restated	<u>26,266</u>	<u>26,665</u>	<u>399</u>
Fund balance, end of fiscal year	<u>\$ 26,266</u>	<u>\$ 26,665</u>	<u>\$ 399</u>

**CITY OF TAFT  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
ASSET FORFEITURE SPECIAL REVENUE FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES</b>			
Fines and forfeitures	\$ -	\$ 2,009	\$ 2,009
Use of money and property	1,500	649	(851)
Intergovernmental		656	656
	<u>1,500</u>	<u>3,314</u>	<u>1,814</u>
<b>EXPENDITURES</b>			
Current:			
Public safety	<u>3,000</u>	<u>13,963</u>	<u>(10,963)</u>
Total expenditures	<u>3,000</u>	<u>13,963</u>	<u>(10,963)</u>
Excess (deficiency) of revenues over expenditures	<u>(1,500)</u>	<u>(10,649)</u>	<u>(9,149)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	<u>1,500</u>		<u>(1,500)</u>
Total other financing sources (uses)	<u>1,500</u>		<u>(1,500)</u>
Net change in fund balance		(10,649)	(10,649)
Fund balance, beginning of fiscal year	<u>82,919</u>	<u>82,919</u>	
Fund balance, end of fiscal year	<u>\$ 82,919</u>	<u>\$ 72,270</u>	<u>\$ (10,649)</u>

**CITY OF TAFT**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**LANDSCAPE ASSESSMENT SPECIAL REVENUE FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES</b>			
Current services charges	\$ 8,171	\$ 8,090	\$ (81)
Total revenues	<u>8,171</u>	<u>8,090</u>	<u>(81)</u>
<b>EXPENDITURES</b>			
Current:			
Public works	<u>8,163</u>	<u>30,393</u>	<u>(22,230)</u>
Total expenditures	<u>8,163</u>	<u>30,393</u>	<u>(22,230)</u>
Net change in fund balance	8	(22,303)	(22,311)
Fund balance (deficit), beginning of fiscal year	<u>(182)</u>	<u>(182)</u>	
Fund balance (deficit), end of fiscal year	<u><u>\$ (174)</u></u>	<u><u>\$ (22,485)</u></u>	<u><u>\$ (22,311)</u></u>

**CITY OF TAFT**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**WWTP SPECIAL REVENUE FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES</b>			
Use of money and property	\$ -	\$ 172	\$ 172
Intergovernmental	871,609	831,652	(39,957)
Current services charges	<u>70,000</u>	<u>111,561</u>	<u>41,561</u>
Total revenues	<u>941,609</u>	<u>943,385</u>	<u>1,776</u>
<b>EXPENDITURES</b>			
Current:			
General government	807,602	630,899	176,703
Capital outlay	<u>19,000</u>	<u>158,210</u>	<u>(139,210)</u>
Total expenditures	<u>826,602</u>	<u>789,109</u>	<u>37,493</u>
Excess (deficiency) of revenues over expenditures	<u>115,007</u>	<u>154,276</u>	<u>39,269</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	19,000		(19,000)
Transfers out	<u>(131,200)</u>	<u>(131,200)</u>	
Total other financing sources (uses)	<u>(112,200)</u>	<u>(131,200)</u>	<u>(19,000)</u>
Net change in fund balance	2,807	23,076	20,269
Fund balance, beginning of fiscal year	<u>292,306</u>	<u>292,306</u>	
Fund balance, end of fiscal year	<u>\$ 295,113</u>	<u>\$ 315,382</u>	<u>\$ 20,269</u>

**CITY OF TAFT  
PRIVATE-PURPOSE TRUST FUNDS AND AGENCY FUNDS  
JUNE 30, 2013**

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

**Capital Projects Fund**

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

**Post RDA Debt Retirement**

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

**AGENCY FUNDS DESCRIPTION**

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

**Inmate Trust Account**

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

**1997-A Lease Revenue Bond**

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

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**CITY OF TAFT  
COMBINING STATEMENT OF NET POSITION  
PRIVATE PURPOSE TRUST FUNDS  
JUNE 30, 2013**

	Capital Projects Fund	Post RDA Debt Retirement	Total
<b>ASSETS</b>			
Cash and investments	\$ 10,848	\$ 174,068	\$ 184,916
Cash and investment with fiscal agents		466,153	466,153
Deferred charges, net		111,895	111,895
Capital assets - nondepreciable	1,698,163		1,698,163
Capital assets - being depreciated	407,116		407,116
Capital assets - accumulated depreciation	(195,594)		(195,594)
	<u>1,920,533</u>	<u>752,116</u>	<u>2,672,649</u>
<b>LIABILITIES</b>			
Accounts payable	2,703		2,703
Accrued payroll	818	413	1,231
Accrued interest payable		103,095	103,095
Unearned revenue		130,531	130,531
Compensated absences	7,328	5,240	12,568
Advance due to City of Taft		3,215,542	3,215,542
Bonds payable		3,555,000	3,555,000
	<u>10,849</u>	<u>7,009,821</u>	<u>7,020,670</u>
<b>NET POSITION (DEFICIT)</b>			
Restricted for debt service		363,058	363,058
Unrestricted	1,909,684	(6,620,763)	(4,711,079)
	<u>\$ 1,909,684</u>	<u>\$ (6,257,705)</u>	<u>\$ (4,348,021)</u>

**CITY OF TAFT  
PRIVATE PURPOSE TRUST FUNDS  
COMBINING STATEMENT OF CHANGES IN NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	Capital Projects Fund	Post RDA Debt Retirement	Total
<b>Additions:</b>			
Investment revenue	\$ 61	\$ 118,644	\$ 118,705
Taxes and assessments		370,775	370,775
Transfers in	96,858		96,858
Total additions	96,919	489,419	586,338
<b>Deductions:</b>			
Community development	151,239	103,501	254,740
Interest expense		210,395	210,395
Depreciation	24,595		24,595
Transfers out		96,858	96,858
Total deductions	175,834	410,754	586,588
Change in net position	(78,915)	78,665	(250)
Net Position (Deficit) - July 1, 2012	1,988,599	(6,336,370)	(4,347,771)
Net Position (Deficit) - June 30, 2013	<u>\$ 1,909,684</u>	<u>\$ (6,257,705)</u>	<u>\$ (4,348,021)</u>

**CITY OF TAFT  
 COMBINING STATEMENT OF ASSETS AND LIABILITIES  
 AGENCY FUNDS  
 JUNE 30, 2013**

	Inmate Trust Fund	1997-A Lease Revenue Bond	Total
<b>ASSETS</b>			
Cash and investments	\$ 8,812	\$ 559	\$ 9,371
Cash and investment with fiscal agents		3,255,678	3,255,678
	<u>\$ 8,812</u>	<u>\$ 3,256,237</u>	<u>\$ 3,265,049</u>
<b>LIABILITIES</b>			
Deposits payable	\$ -	\$ 159,000	\$ 159,000
Due to inmates	8,812		8,812
Due to bondholders		3,097,237	3,097,237
	<u>\$ 8,812</u>	<u>\$ 3,256,237</u>	<u>\$ 3,265,049</u>

**CITY OF TAFT**  
**FIDUCIARY FUNDS - AGENCY FUNDS**  
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

<u>Inmate Trust Fund</u>	June 30, 2012 Balance	Additions	Reductions	June 30, 2013 Balance
<b>ASSETS</b>				
Cash and investments	\$ -	\$ 8,812	\$ -	\$ 8,812
Total assets	<u>\$ -</u>	<u>\$ 8,812</u>	<u>\$ -</u>	<u>\$ 8,812</u>
<b>LIABILITIES</b>				
Due to inmates	\$ -	\$ 8,812	\$ -	\$ 8,812
Total liabilities	<u>\$ -</u>	<u>\$ 8,812</u>	<u>\$ -</u>	<u>\$ 8,812</u>
<u>1997-A Lease Revenue Bond</u>	June 30, 2012 Balance	Additions	Reductions	June 30, 2013 Balance
<b>ASSETS</b>				
Cash and investments	\$ 559	\$ -	\$ -	\$ 559
Cash and investments with fiscal agents	3,262,612	1,881,471	(1,888,405)	3,255,678
Total assets	<u>\$ 3,263,171</u>	<u>\$ 1,881,471</u>	<u>\$ (1,888,405)</u>	<u>\$ 3,256,237</u>
<b>LIABILITIES</b>				
Deposits payable	\$ 159,000	\$ -	\$ -	\$ 159,000
Due to bondholders	3,104,171	1,881,471	(1,888,405)	3,097,237
Total liabilities	<u>\$ 3,263,171</u>	<u>\$ 1,881,471</u>	<u>\$ (1,888,405)</u>	<u>\$ 3,256,237</u>
<u>Total</u>	June 30, 2012 Balance	Additions	Reductions	June 30, 2013 Balance
<b>ASSETS</b>				
Cash and investments	\$ 559	\$ 8,812	\$ -	\$ 9,371
Cash and investments with fiscal agents	3,262,612	1,881,471	(1,888,405)	3,255,678
Total assets	<u>\$ 3,263,171</u>	<u>\$ 1,890,283</u>	<u>\$ (1,888,405)</u>	<u>\$ 3,265,049</u>
<b>LIABILITIES</b>				
Due to bondholders	\$ 3,104,171	\$ 1,881,471	\$ (1,888,405)	\$ 3,097,237
Due to inmates		8,812		8,812
Deposits payable	159,000			159,000
Total liabilities	<u>\$ 3,263,171</u>	<u>\$ 1,890,283</u>	<u>\$ (1,888,405)</u>	<u>\$ 3,265,049</u>