

**CITY OF TAFT
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2014**

**CITY OF TAFT
ANNUAL FINANCIAL REPORT
JUNE 30, 2014**

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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 (City) as of and for the fiscal year ended June 30, 2014, 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, 2014, 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

Change in Accounting Principles

As discussed in note 1 to the basic financial statements effective July 1, 2013, the City adopted Governmental Accounting Standards Board (GASB) Statement No. 65, Items Previously Reported as Assets and Liabilities, Statement No. 66, Technical Correction-2012, Statement No. 67, Financial Reporting for Pension Plans, and Statement No. 70, Accounting and Financial Reporting for Non-exchange Financial Guarantees. Our opinions are 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 General fund budgetary comparison information on page 57 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 WWTP Capital Projects budgetary comparison schedule, 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 WWTP Capital Projects budgetary comparison schedule, 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 May 18, 2015, 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 the City of Taft, California's internal control over financial reporting and compliance.

Moss, Levy & Hartzheim
Moss, Levy & Hartzheim, LLP
Culver City, California
May 18, 2015

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**CITY OF TAFT
STATEMENT OF NET POSITION
JUNE 30, 2014**

ASSETS	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Cash and investments	\$ 631,902	\$ 5,127,715	\$ 5,759,617
Accounts receivable	1,599,844	3,721,247	5,321,091
Interest receivable	413	128	541
Internal balances	5,711,721	(5,711,721)	
Notes receivable	3,445,114		3,445,114
Prepaid expenses	65,433	25,871	91,304
Deposits		17,345	17,345
Loan receivable - Successor Agency	2,535,490		2,535,490
Capital assets not being depreciated	1,688,451	479,414	2,167,865
Capital assets being depreciated	17,027,995	10,275,036	27,303,031
Capital assets, accumulated depreciation	<u>(10,214,331)</u>	<u>(5,508,204)</u>	<u>(15,722,535)</u>
Total assets	<u>22,492,032</u>	<u>8,426,831</u>	<u>30,918,863</u>
 LIABILITIES			
Accounts payable	63,161	299,639	362,800
Accrued payroll	28,987	92,787	121,774
Unearned revenue	355,747	1,108,331	1,464,078
Deposits payable	12,917	42,877	55,794
Noncurrent liabilities:			
Due within one year	238,477	21,560	260,037
Due in more than one year	<u>118,828</u>	<u>64,678</u>	<u>183,506</u>
Total liabilities	<u>818,117</u>	<u>1,629,872</u>	<u>2,447,989</u>
 NET POSITION			
Net investment in capital assets	8,502,115	5,246,246	13,748,361
Restricted for:			
Streets and roads	109,919		109,919
Public safety	63,292		63,292
Community development	3,953,724		3,953,724
Capital projects - WWTP	4,098,403		4,098,403
Unrestricted	<u>4,946,462</u>	<u>1,550,713</u>	<u>6,497,175</u>
Total net position	<u>\$ 21,673,915</u>	<u>\$ 6,796,959</u>	<u>\$ 28,470,874</u>

See accompanying notes to financial statements

**CITY OF TAFT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ (2,007,396)	\$ 1,979,360	\$ 909,788	\$ 32,463
Public safety	(3,161,818)	344,310	357,703	
Public works	(1,369,075)	223,528	290,984	263,458
Health and welfare	(19,324)	4,779	1,076	
Community development	(2,023,329)		59,464	
Total governmental activities	(8,580,942)	2,551,977	1,619,015	295,921
Business-type activities:				
County correctional facility (CCF)	(7,209,050)	5,631,950		
Federal WWTP	(916,457)	953,556		
Sewer	(791,073)	693,897		
Refuse	(933,344)	792,037	5,000	
Transit	(1,053,728)	348,359	329,039	54,050
Total business-type activities	(10,903,652)	8,419,799	334,039	54,050
Total government	\$ (19,484,594)	\$ 10,971,776	\$ 1,953,054	\$ 349,971

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>
\$ 914,215	\$ -	\$ 914,215
(2,459,805)		(2,459,805)
(591,105)		(591,105)
(13,469)		(13,469)
<u>(1,963,865)</u>		<u>(1,963,865)</u>
<u>(4,114,029)</u>		<u>(4,114,029)</u>
	(1,577,100)	(1,577,100)
	37,099	37,099
	(97,176)	(97,176)
	(136,307)	(136,307)
	<u>(322,280)</u>	<u>(322,280)</u>
	<u>(2,095,764)</u>	<u>(2,095,764)</u>
<u>(4,114,029)</u>	<u>(2,095,764)</u>	<u>(6,209,793)</u>
1,276,017		1,276,017
1,773,391		1,773,391
467,880		467,880
178,430	52,604	231,034
<u>523,965</u>		<u>523,965</u>
<u>4,219,683</u>	<u>52,604</u>	<u>4,272,287</u>
<u>105,654</u>	<u>(2,043,160)</u>	<u>(1,937,506)</u>
21,567,401	8,834,019	30,401,420
860	6,100	6,960
<u>21,568,261</u>	<u>8,840,119</u>	<u>30,408,380</u>
<u>\$ 21,673,915</u>	<u>\$ 6,796,959</u>	<u>\$ 28,470,874</u>

**CITY OF TAFT
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2014**

ASSETS	<u>General</u>	<u>Revolving Loan Fund CDBG</u>	<u>Revolving Loan Fund Home</u>	<u>WWTP Capital Projects</u>
Cash and investments	\$ 500	\$ 271,960	\$ 132,110	\$ -
Receivables:				
Accounts	679,708			
Interest	45	14	11	302
Notes		1,865,958	1,082,948	
Due from other funds	2,510,737			3,588,117
Prepaid items	61,167	270	270	
Loan receivable from Successor Agency	2,535,490			
	<u>2,535,490</u>	<u>270</u>	<u>270</u>	
Total assets	<u>\$ 5,787,647</u>	<u>\$ 2,138,202</u>	<u>\$ 1,215,339</u>	<u>\$ 3,588,419</u>
 LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 58,346	\$ (1,391)	\$ -	\$ -
Accrued payroll	24,207			
Due to other funds				
Deposit payable	12,917			
Unearned revenue	355,747			
	<u>355,747</u>			
Total liabilities	<u>451,217</u>	<u>(1,391)</u>		
 DEFERRED INFLOW OF RESOURCES				
Unearned revenue - loans/notes	77,692	1,865,958	1,082,948	
Unearned revenues - unavailable grant revenues	201,768			
	<u>201,768</u>			
Total deferred inflow of resources	<u>279,460</u>	<u>1,865,958</u>	<u>1,082,948</u>	
 FUND BALANCES				
Nonspendable	2,518,965	270	270	
Restricted		273,365	132,121	3,588,419
Unassigned	2,538,005			
	<u>2,538,005</u>			
Total fund balances	<u>5,056,970</u>	<u>273,635</u>	<u>132,391</u>	<u>3,588,419</u>
Total liabilities, deferred inflow of resources, and fund balances	<u>\$ 5,787,647</u>	<u>\$ 2,138,202</u>	<u>\$ 1,215,339</u>	<u>\$ 3,588,419</u>

See accompanying notes to financial statements

Total Non- major Governmental Funds	Total
\$ 215,332	\$ 619,902
920,136	1,599,844
41	413
496,208	3,445,114
2,835	6,098,854
64,542	2,535,490
<u>\$ 1,634,552</u>	<u>\$ 14,364,159</u>

\$ 4,810	\$ 61,765
2,864	27,071
387,133	387,133
12,917	355,747
<u>394,807</u>	<u>844,633</u>

496,208	3,522,806
<u>496,208</u>	<u>201,768</u>
<u>496,208</u>	<u>3,724,574</u>

2,835	2,522,340
782,990	4,776,895
(42,288)	2,495,717
<u>743,537</u>	<u>9,794,952</u>

<u>\$ 1,634,552</u>	<u>\$ 14,364,159</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, 2014**

Fund balances of governmental funds		\$ 9,794,952
Amounts reported for governmental activities in the statements of net position are different because:		
Capital assets, net of accumulated depreciation, used in governmental activities, are not current financial resources. Therefore, they are not reported in the governmental funds.		
Total capital assets	\$ 18,716,446	
Accumulated depreciation	<u>(10,214,331)</u>	8,502,115
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.		
		(357,305)
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 (\$9,579) report above)		
		9,579
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>3,724,574</u>
Net position of governmental activities		<u>\$ 21,673,915</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, 2014

	General	Revolving Loan Fund CDBG	Revolving Loan Fund Home	WWTP Capital Projects
REVENUES				
Property taxes	\$ 1,276,017	\$ -	\$ -	\$ -
Sales taxes	1,773,391			
Other taxes	467,880			
Licenses and permits, and fees	363,033			
Fines and forfeitures	2,090			
Use of money and property	178,430	1,028	1,090	32,463
Intergovernmental	301,945	29,192	984	
Current services charges	2,080,339			
Other	519,444			
Total revenues	6,962,569	30,220	2,074	32,463
EXPENDITURES				
Current:				
General government	1,230,856			
Public safety	3,084,562			
Public works	957,572			
Health and welfare				
Community development	688,936	(1,057)		
Capital outlay	419,074			
Total expenditures	6,381,000	(1,057)		
Excess of revenues over (under) expenditures	581,569	31,277	2,074	32,463
OTHER FINANCING SOURCES (USES)				
Transfers in	301,072	176,184		131,200
Transfers out	(89,630)			
Total other financing sources (uses)	211,442	176,184		131,200
Net change in fund balances	793,011	207,461	2,074	163,663
Fund balances, beginning of fiscal year	4,401,270	66,174	130,317	3,424,756
Prior period adjustments	(137,311)			
Fund balances, beginning of fiscal year, restated	4,263,959	66,174	130,317	3,424,756
Fund balances, end of fiscal year	\$ 5,056,970	\$ 273,635	\$ 132,391	\$ 3,588,419

See accompanying notes to financial statements

Total Non- major Governmental Funds	Total
\$ -	\$ 1,276,017
	1,773,391
	467,880
	363,033
9,331	11,421
4,591	217,602
1,379,355	1,711,476
107,670	2,188,009
5,594	525,038
<u>1,506,541</u>	<u>8,533,867</u>
667,722	1,898,578
155,212	3,239,774
14,400	971,972
19,324	19,324
586,520	1,274,399
11,044	430,118
<u>1,454,222</u>	<u>7,834,165</u>
<u>52,319</u>	<u>699,702</u>
28,446	636,902
(547,272)	(636,902)
<u>(518,826)</u>	<u> </u>
<u>(466,507)</u>	<u>699,702</u>
1,210,044	9,232,561
	(137,311)
<u>1,210,044</u>	<u>9,095,250</u>
<u>\$ 743,537</u>	<u>\$ 9,794,952</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, 2014**

Net change in fund balances of governmental funds \$ 699,702

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

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

Cost of assets capitalized	\$ 377,873	
Cost of assets disposed (net of accumulated depreciation)	(54,428)	
Depreciation expense	<u>(525,291)</u>	(201,846)

Certain notes receivable are reported in the governmental funds as expenditures and then offset by deferred revenue as they are not available to pay current expenditures. Likewise, when the note is collected, it is reflected in revenue. This is the net change between notes receivable collected and issued. (244,361)

Revenues that are measurable but not available. Amounts are not recorded as revenue under the modified accrual basis of accounting. (345,886)

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

Debt principal repayments and reduction of the CalPERS side fund	179,200	
Compensated absences	<u>18,845</u>	<u>198,045</u>

Change in net position of governmental activities. \$ 105,654

See accompanying notes to financial statements

**CITY OF TAFT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2014**

	Business-type Activities			
	Enterprise Funds			
	CCF	Federal WWTP	Sewer	Refuse
ASSETS				
Current assets:				
Cash and investments	\$ 3,220	\$ 2,900,001	\$ 1,829,860	\$ 307,344
Due from other funds				580,118
Receivables:				
Accounts	3,030,213		67,826	77,962
Interest	(307)	259	151	81
Prepaid items	21,706	89	89	203
Deposits			17,345	
Total current assets	<u>3,054,832</u>	<u>2,900,349</u>	<u>1,915,271</u>	<u>965,708</u>
Noncurrent assets:				
Capital assets, not being depreciated	11,850	467,564		
Capital assets, being depreciated	186,987	5,370,252	2,908,734	601,714
Capital assets - accumulated depreciation		(2,983,152)	(1,454,700)	(378,159)
Total noncurrent assets	<u>198,837</u>	<u>2,854,664</u>	<u>1,454,034</u>	<u>223,555</u>
Total assets	<u>3,253,669</u>	<u>5,755,013</u>	<u>3,369,305</u>	<u>1,189,263</u>
LIABILITIES				
Current Liabilities:				
Accounts payable	253,602	26,895	114	8,303
Accrued payroll	76,444	1,272	1,217	2,070
Due to other funds	5,584,593			
Unearned revenue				
Deposits payable			19,275	23,602
Current portion of compensated absences	14,640	948	960	1,554
Total current liabilities	<u>5,929,279</u>	<u>29,115</u>	<u>21,566</u>	<u>35,529</u>
Noncurrent liabilities:				
Compensated absences	43,920	2,843	2,880	4,661
Total noncurrent liabilities	<u>43,920</u>	<u>2,843</u>	<u>2,880</u>	<u>4,661</u>
Total liabilities	<u>5,973,199</u>	<u>31,958</u>	<u>24,446</u>	<u>40,190</u>
NET POSITION				
Net investment in capital assets	198,837	2,854,664	1,454,034	223,555
Unrestricted	(2,918,367)	2,868,391	1,890,825	925,518
Total net position (deficit)	<u>\$ (2,719,530)</u>	<u>\$ 5,723,055</u>	<u>\$ 3,344,859</u>	<u>\$ 1,149,073</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>
\$ 87,290	\$ 5,127,715	\$ 12,000
	580,118	
474,812	3,650,813	
(56)	128	
3,784	25,871	891
	17,345	
<u>565,830</u>	<u>9,401,990</u>	<u>12,891</u>
	479,414	
1,207,349	10,275,036	
(692,193)	(5,508,204)	
<u>515,156</u>	<u>5,246,246</u>	
<u>1,080,986</u>	<u>14,648,236</u>	<u>12,891</u>
10,725	299,639	1,396
11,784	92,787	1,916
707,246	6,291,839	
1,108,331	1,108,331	
	42,877	
3,458	21,560	9,579
<u>1,841,544</u>	<u>7,857,033</u>	<u>12,891</u>
<u>10,374</u>	<u>64,678</u>	
<u>10,374</u>	<u>64,678</u>	
<u>1,851,918</u>	<u>7,921,711</u>	<u>12,891</u>
515,156	5,246,246	
(1,286,088)	1,480,279	
<u>\$ (770,932)</u>	<u>\$ 6,726,525</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, 2014**

	Business-type Activities			
	Enterprise Funds			
	CCF	Federal WWTP	Sewer	Refuse
OPERATING REVENUES				
Charges for services	\$ 5,631,943	\$ 953,556	\$ 896,608	\$ 792,037
Connection and installation fees			127	
Other	7		(204)	
Total operating revenues	<u>5,631,950</u>	<u>953,556</u>	<u>896,531</u>	<u>792,037</u>
OPERATING EXPENSES				
Salaries and wages	1,795,465	53,370	55,948	119,901
Training and development	19,552		60	
Contract and professional services	777,167	387,491	2,077	336,846
Maintenance and operations	924,216	31,581	456,237	220,539
Materials and supplies	197,120	62,528	840	30,658
Insurance	59,536	7,841	7,841	7,841
Utilities	133,585	36,465	158	
Administrative service charges		95,751	78,145	81,623
Depreciation		179,009	78,772	43,603
Leases and rents	1,878,618			
Bad debt expense			3,350	2,848
Other operating expenses	1,400,978	62,421	107,645	89,485
Total operating expenses	<u>7,186,237</u>	<u>916,457</u>	<u>791,073</u>	<u>933,344</u>
Operating income (loss)	<u>(1,554,287)</u>	<u>37,099</u>	<u>105,458</u>	<u>(141,307)</u>
NONOPERATING REVENUES (EXPENSES)				
Interest earnings on investments		27,953	15,967	8,684
Interest expense	(22,813)			
Intergovernmental				5,000
Total nonoperating revenues (expenses)	<u>(22,813)</u>	<u>27,953</u>	<u>15,967</u>	<u>13,684</u>
CAPITAL CONTRIBUTION				
Capital contribution				
Total capital contribution				
Changes in net position	<u>(1,577,100)</u>	<u>65,052</u>	<u>121,425</u>	<u>(127,623)</u>
Total net position (deficit), beginning of fiscal year	(1,142,430)	5,658,003	3,398,816	1,368,282
Prior period adjustments			(175,382)	(91,586)
Total net position (deficit), beginning of fiscal year, restated	<u>(1,142,430)</u>	<u>5,658,003</u>	<u>3,223,434</u>	<u>1,276,696</u>
Total net position (deficit), end of fiscal year	<u>\$ (2,719,530)</u>	<u>\$ 5,723,055</u>	<u>\$ 3,344,859</u>	<u>\$ 1,149,073</u>

See accompanying notes to financial statements

Business-type Activities		Governmental
Enterprise Funds		Activities
Transit	Total Enterprise Funds	Internal Service Fund
\$ 347,970	\$ 8,622,114	\$ 167,459
389	127	
	192	
<u>348,359</u>	<u>8,622,433</u>	<u>167,459</u>
541,894	2,566,578	121,694
2,047	21,659	
52,563	1,556,144	
187,852	1,820,425	5,914
11,125	302,271	3,830
7,841	90,900	
6,472	176,680	5,334
79,893	335,412	17,271
139,658	441,042	
	1,878,618	
	6,198	
<u>18,448</u>	<u>1,678,977</u>	<u>13,416</u>
<u>1,047,793</u>	<u>10,874,904</u>	<u>167,459</u>
<u>(699,434)</u>	<u>(2,252,471)</u>	
	52,604	
(5,935)	(28,748)	
<u>329,039</u>	<u>334,039</u>	
<u>323,104</u>	<u>357,895</u>	
<u>54,050</u>	<u>54,050</u>	
<u>54,050</u>	<u>54,050</u>	
<u>(322,280)</u>	<u>(1,840,526)</u>	
(448,652)	8,834,019	
	(266,968)	
<u>(448,652)</u>	<u>8,567,051</u>	
<u>\$ (770,932)</u>	<u>\$ 6,726,525</u>	<u>\$ -</u>

**CITY OF TAFT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	Business-type Activities		
	Enterprise Funds		
	CCF	Federal WWTP	Sewer
Cash Flows from Operating Activities:			
Cash received from customers and users	\$ 2,678,618	\$ 953,556	\$ 849,238
Cash paid to suppliers for goods and services	(5,164,129)	(701,584)	(657,720)
Cash paid to employees for services	(1,671,674)	(51,907)	(54,552)
Net cash provided (used) by operating activities	<u>(4,157,185)</u>	<u>200,065</u>	<u>136,966</u>
Cash Flows from Capital and Related Financing Activities:			
Acquisition, proceeds, and construction of capital assets	(198,837)	(311,300)	(85,388)
Interest paid	(30,279)		
Capital contribution			
Net cash provided (used) by capital and related financing activities	<u>(229,116)</u>	<u>(311,300)</u>	<u>(85,388)</u>
Cash Flows from Non-Capital Financing Activities:			
Operating grant received			
Increase (decrease) in due to other funds	4,389,214		
Net Cash provided (used) by Non-Capital Financing Activities:	<u>4,389,214</u>		
Cash Flows from Investing Activities:			
Interest received	307	50,216	30,243
Net Cash provided by investing activities	<u>307</u>	<u>50,216</u>	<u>30,243</u>
Net increase (decrease) in cash and cash equivalents	3,220	(61,019)	81,821
Cash and Cash Equivalents at Beginning of Fiscal Year		2,961,020	1,748,039
Cash and Cash Equivalents at End of Fiscal Year	<u>\$ 3,220</u>	<u>\$ 2,900,001</u>	<u>\$ 1,829,860</u>
Reconciliation to Statement of Net Position:			
Cash and investments	<u>\$ 3,220</u>	<u>\$ 2,900,001</u>	<u>\$ 1,829,860</u>
Reconciliation of Operating Income (loss) to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	\$ (1,554,287)	\$ 37,099	\$ 105,458
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation		179,009	78,772
(Increase) decrease in accounts receivable	(2,953,332)		(49,143)
(Increase) decrease in prepaid expenses	(21,706)	(89)	(89)
(Increase) decrease in deposits			(18)
Increase (decrease) in accounts payable	248,349	(17,417)	(1,278)
Increase (decrease) in accrued payroll	75,336	565	472
Increase (decrease) in unearned revenue			1,868
Increase (decrease) in deposits payable			924
Increase (decrease) in compensated absences	48,455	898	
Total adjustments	<u>(2,602,898)</u>	<u>162,966</u>	<u>31,508</u>
Net cash provided (used) by operating activities	<u>\$ (4,157,185)</u>	<u>\$ 200,065</u>	<u>\$ 136,966</u>

See accompanying notes to financial statements

Business-type Activities			Governmental Activities
Enterprise Funds			Internal Service Fund
Refuse	Transit	Totals	
\$ 775,074	\$ 202,907	\$ 5,459,393	\$ 167,459
(771,797)	(370,088)	(7,665,318)	(47,176)
(118,367)	(537,942)	(2,434,442)	(119,931)
(115,090)	(705,123)	(4,640,367)	352
	(41,742)	(637,267)	
	(15,441)	(45,720)	
	54,050	54,050	
	(3,133)	(628,937)	
5,000	329,039	334,039	
(580,118)	466,451	4,275,547	
(575,118)	795,490	4,609,586	
16,599	56	97,421	
16,599	56	97,421	
(673,609)	87,290	(562,297)	352
980,953		5,690,012	11,648
\$ 307,344	\$ 87,290	\$ 5,127,715	\$ 12,000
\$ 307,344	\$ 87,290	\$ 5,127,715	\$ 12,000
\$ (141,307)	\$ (699,434)	\$ (2,252,471)	\$ -
43,603	139,658	441,042	
(19,234)	(146,405)	(3,168,114)	
(203)	(3,257)	(25,344)	(891)
		(18)	
(1,754)	(590)	227,310	(520)
487	4,643	81,503	383
	953	953	
2,271		4,139	
1,047	(691)	50,633	1,380
26,217	(5,689)	(2,387,896)	352
\$ (115,090)	\$ (705,123)	\$ (4,640,367)	\$ 352

**CITY OF TAFT
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
June 30, 2014**

	Private-Purpose Trust Funds	Agency Funds
ASSETS		
Cash and investments	\$ 159,115	\$ 62,370
Cash and investments with fiscal agents	462,553	3,250,894
Interest receivable	10	
Prepaid items	356	
Capital assets - nondepreciable	1,698,163	
Capital assets - being depreciated	407,116	
Capital assets - accumulated depreciation	(205,772)	
Total assets	2,521,541	\$ 3,313,264
LIABILITIES		
Accounts payable	\$ 5	\$ 1,873
Accrued payroll	531	
Accrued interest payable	97,911	
Deposits payable		159,000
Due to inmates		59,938
Compensated absences	13,668	
Due to bondholders		3,092,453
Loan payable to City of Taft	2,535,490	
Bonds payable	3,395,000	
Total liabilities	6,042,605	\$ 3,313,264
NET POSITION		
Restricted for debt service	364,642	
Unrestricted	(3,885,706)	
Total net position (deficit)	\$ (3,521,064)	

See accompanying notes to financial statements

**CITY OF TAFT
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	Private Purpose Trust Funds
Additions:	
Investment revenue	\$ 130,490
Taxes and assessments	377,607
Total additions	508,097
Deductions:	
Community development	168,644
Interest expense	201,006
Depreciation	10,178
Total deductions	379,828
Change in net position	128,269
Net Position (Deficit) - July 1, 2013	(4,348,021)
Prior Period Adjustment	698,688
Net Position (Deficit) - July 1, 2013, Restated	(3,649,333)
Net Position (Deficit) - June 30, 2014	\$ (3,521,064)

See accompanying notes to financial statements

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**CITY OF TAFT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

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 criteria 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, 2014

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, deferred inflow/outflow of resources, 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, 2014**

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, 2014**

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, 2014**

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 City reopened the CCF facility on March 1, 2014 and 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 and a Statement of Changes in Net 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, 2014**

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 fiscal 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, 2014

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. Deferred Outflow/Inflow of Resources

The City reports deferred outflows and inflows of resources. A deferred outflow of resources is a consumption of net position that is applicable to a future reporting period. A deferred inflow of resources represents an acquisition of net position that is applicable to a future period.

Under the modified accrual basis of accounting, it is not enough that revenue has been earned if it is to be recognized as revenue of the current period. Revenue must also be susceptible to accrual; it must be both measurable and available to finance expenditures of the current fiscal period. If assets are recognized in connection with a transaction, but those assets are not yet available to finance expenditures of the current fiscal period, then the assets must be offset by a corresponding deferred inflow of resources. This type of deferred inflow is unique to governmental funds, since it is tied to the modified accrual basis of accounting, which is used only in connection with governmental funds.

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, 2014**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Capitalized Interest

No interest cost relating to construction was capitalized during the fiscal year ending June 30, 2014.

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, 2014, amounted to \$158,437 for Governmental Activities and \$86,238 for Business-type Activities.

L. Property Taxes

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

M. Cash Flows

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

N. Use of Restricted Resources

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

CITY OF TAFT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

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, 2014.

Governmental Accounting Standards Board Statement No. 65

For the fiscal year ended June 30, 2014, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 65, "Items Previously Reported as Assets and Liabilities." This Statement is effective for periods beginning after December 15, 2012. The objective of this Statement is to establish accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. Implementation of the statement and the impact on the City's financial statements are explained in Note 1(H) and Note 16. Items previously reported as assets and liabilities are now reported as deferred inflows or outflows of resources.

Governmental Accounting Standards Board Statement No. 66

For the fiscal year ended June 30, 2014, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 66, "Technical Correction - 2012." This Statement is effective for periods beginning after December 15, 2012. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from GASB Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions," and GASB Statement No. 62 "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements." Since the release of these Statements, questions have arisen concerning differences between the provisions in Statement No. 54 and Statement No. 10, Accounting and Financial Reporting for Risk Financing and Related Insurance Issues, regarding the reporting of risk financing activities. Questions also have arisen about differences between Statement No. 62 and Statements No. 13, Accounting for Operating Leases with Scheduled Rent Increases, regarding the reporting of certain operating lease transactions, and No. 48, Sales and Pledges of Receivables and Future Revenues and Intra-Equity Transfers of Assets and Future Revenues, concerning the reporting of the acquisition of a loan or a group of loans and the recognition of servicing fees related to mortgage loans that are sold. Implementation of the GASB Statement No. 66 did not have an impact on the City's financial statements for the fiscal year ended June 30, 2014.

Governmental Accounting Standards Board Statement No. 67

For the fiscal year ended June 30, 2014, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 67, "Financial Reporting for Pension Plans." This Statement is effective for periods beginning after June 15, 2013. The objective of this Statement is to improve financial reporting by state and local governmental pension plans. This Statement replaces the requirements of Statements No. 25, "Financial Reporting for Defined Benefit Pension Plans and Note

**CITY OF TAFT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. New Accounting Pronouncements (Continued)

Governmental Accounting Standards Board Statement No. 67 (Continued)

Disclosures for Defined Contribution Plans” and No. 50 “Pension Disclosures” as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria.

The requirements of Statements No. 25 and No. 50 remain applicable to pension plans that are not administered through trusts covered by the scope of this Statement and to defined contribution plans that provide postemployment benefits other than pensions. Implementation of the GASB Statement No. 67 did not have an impact on the City’s financial statements for the fiscal year ended June 30, 2014.

Governmental Accounting Standards Board Statement No. 70

For the fiscal year ended June 30, 2014, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 70, “Accounting and Financial Reporting for Non-exchange Financial Guarantees.” This Statement is effective for periods beginning after June 15, 2013. The objective of this Statement is to improve the recognition, measurement, and disclosure guidance for state and local governments that have extended or received financial guarantees that are non-exchange transactions. Implementation of the GASB Statement No. 70 did not have an impact on the City’s financial statements for the fiscal year ended June 30, 2014.

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, Capital Projects, 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.

**CITY OF TAFT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

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

A. General Budget Policies (Continued)

4. There were no budgets adopted for the following funds: RLF-CDBG (major fund), Revolving Loan Fund – Home (major fund) , TDA, Business Assistance Grant – EDEF 6534, Business Assistance Grant – EDEF 5878, CDBG Home, Cal Homes Revolving Loan, TARP Revolving Loan, Cal Home 4917, 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.
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, 2014, 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 Position

The following funds contained deficit fund balances/net position as of June 30, 2014:

Major Entpersie Funds:	
CCF	\$ 2,719,530
Transit	778,439
Non Major Governmental Funds:	
Landscape Assessment District	28,773
Inmate Welfare Trust	13,469

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>
Major Governmental Funds			
General Fund			
General government	\$ 1,230,856	\$ 1,123,430	\$ 107,426
Community development	688,936	686,065	2,871
Capital outlay	419,074	415,359	3,715

**CITY OF TAFT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

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

C. Excess of Expenditures over Appropriations (Continued)

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

	<u>Expenditures</u>	<u>Final Appropriations</u>	<u>Excess</u>
Nonmajor Governmental Funds			
Assets Forfeiture			
Public safety	\$ 28,551	\$ 25,255	\$ 3,296
Crime Prevention			
Public safety	126,661	125,145	1,516
WWTP			
Capital outlay	11,044		11,044

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, 2014, consisted of the following:

Statement of Net Position:	
Cash and investments	\$ 5,759,617
Statement of Fiduciary Net Position:	
Cash and investments	221,485
Cash and investments with fiscal agents	<u>3,713,447</u>
 Total cash and investments	 <u>\$ 9,694,549</u>

Cash and investments as of June 30, 2014 consisted of the following:

Cash on hand	\$ 5,720
Deposits held by financial institutions	303,507
Investments	<u>9,385,322</u>
 Total cash and investments	 <u>\$ 9,694,549</u>

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

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

**CITY OF TAFT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 3 – CASH AND INVESTMENTS (CONTINUED)

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

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

Investment Authorized by Debt Agreements

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

<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 table on next page that shows the distribution of the City's investments by maturity:

**CITY OF TAFT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 3 – CASH AND INVESTMENTS (CONTINUED)

Disclosures Relating to Interest Rate Risk (Continued)

Investment Type	Remaining Maturity (in Months)			Total
	12 Months or Less	13 to 24 Months	25 to 60 Months	
State Investment Pool (LAIF)	\$ 540,328	\$ -	\$ -	\$ 540,328
Certificates of Deposit	631,857	100,446	1,379,045	2,111,348
U.S. Agency Securities			3,007,284	3,007,284
Money Market Funds	12,915			12,915
Held by Trustees:				
U.S. Agency Securities			365,000	365,000
Money Market Funds	3,348,447			3,348,447
Total	\$ 4,533,547	\$ 100,446	\$ 4,751,329	\$ 9,385,322

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 fiscal 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)	\$ 540,328	N/A	\$ -	\$ -	\$ -	\$ -	\$ 540,328
Certificates of Deposit	2,111,348	N/A					2,111,348
U.S. Agency Securities	3,007,284	N/A			3,007,284		
Money Market Funds	12,915	N/A		12,915			
Held by Trustees:							
U.S. Agency Securities	365,000	N/A			365,000		
Money Market Funds	3,348,447	N/A		3,348,447			
Total	\$ 9,385,322		\$ -	\$ 3,361,362	\$ 3,372,284	\$ -	\$ 2,651,676

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	\$ 1,001,069
Federal Farm Credit Bank	U.S. Agency Security	1,003,090
Federal National Mortgage Association	U.S. Agency Security	1,368,125

**CITY OF TAFT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 3 – CASH AND INVESTMENTS (Continued)

Concentration of Credit Risk (Continued)

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

The \$3,372,284 in the above Federal Agency securities are included within the City's cash and investment pool and therefore are 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.

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.

**CITY OF TAFT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

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, 2014, the balance of notes receivable was \$ 3,445,114. Of this amount, \$2,871,115 are deferred housing loans, which are due when the properties are transferred. These loans are collateralized by the titles of the properties. The remaining balances are made up of CDBG loans made to local businesses. These loans carry interest rates between 1% to 5%. All the loans are deferred revenue offsets.

NOTE 5 – INTERFUND ACTIVITIES

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

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

Interfund transfers during the fiscal year ended June 30, 2014 are as follows.

	<u>Transfers In</u>	<u>Transfers Out</u>
Major Governmental Funds:		
General	\$ 301,072	\$ 89,630
Revolving Loan Fund CDBG	176,184	
WWTP Capital Projects	131,200	
Nonmajor Governmental Funds:		
Traffic Safety		6,957
Gas Tax		290,000
Business Assistance Grant - EDEF 6534	65	
TARP Revolving Loan	28,381	115,000
Asset Forfeiture		4,115
WWTP Special Revenue		131,200
	<u> </u>	<u> </u>
Total interfund transfers	<u>\$ 636,902</u>	<u>\$ 636,902</u>

**CITY OF TAFT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 5 – INTERFUND ACTIVITIES (Continued)

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, 2014.

	<u>Due from (Receivable)</u>	<u>Due to (Payable)</u>
Major Governmental Funds:		
General	\$ 2,510,737	\$ -
WWTP Capital Projects	3,588,117	
Major Proprietary Funds:		
Refuse	580,118	
CCF		5,584,593
Transit		707,246
Nonmajor Governmental Funds:		
Traffic Safety		212
Gas Tax		8,024
TDA		332,103
Landscape Assessment District		28,619
Inmate Welfare Trust		18,175
	<u>\$ 6,678,972</u>	<u>\$ 6,678,972</u>
Total		

In addition, the general fund advanced \$2,535,490 (including \$77,692 accrued interest) to the Successor Agency Capital Projects Fund (formerly the TCDA Capital Projects Funds) within the Private Purpose Trust Funds. During the fiscal year, City recalculated the accrued interest using a lower interest rate as required by California Department of Finance. As a result the accrued interest balance was adjusted down from \$757,744 to \$77,692.

**CITY OF TAFT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

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, 2014.

<u>Governmental Activities</u>	<u>Balance July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Prior Period Adjustment</u>	<u>Balance June 30, 2014</u>
Capital assets not being depreciated:						
Land	\$ 1,328,603	\$ -	\$ -	\$ -	\$ -	\$ 1,328,603
Construction in progress	1,120,119	300,566	(41,742)	(1,141,045)	121,950	359,848
Total capital assets not being depreciated	<u>2,448,722</u>	<u>300,566</u>	<u>(41,742)</u>	<u>(1,141,045)</u>	<u>121,950</u>	<u>1,688,451</u>
Capital assets being depreciated:						
Structures and improvements	8,378,589			357,339		8,735,928
Machinery and equipment	3,219,350	77,307	(50,586)		167,079	3,413,150
Infrastructure:						
Roadway system	3,830,028			783,706		4,613,734
Bridges	265,183					265,183
Total capital assets being depreciated	<u>15,693,150</u>	<u>77,307</u>	<u>(50,586)</u>	<u>1,141,045</u>	<u>167,079</u>	<u>17,027,995</u>
Less accumulated depreciation for:						
Structures and improvements	(4,906,566)	(267,502)				(5,174,068)
Machinery and equipment	(2,873,294)	(144,648)	37,900		(150,858)	(3,130,900)
Infrastructure:						
Roadway system	(1,566,396)	(104,302)				(1,670,698)
Bridges	(229,826)	(8,839)				(238,665)
Total accumulated depreciation	<u>(9,576,082)</u>	<u>(525,291)</u>	<u>37,900</u>		<u>(150,858)</u>	<u>(10,214,331)</u>
Total capital assets, being depreciated net of accumulated depreciation	<u>6,117,068</u>	<u>(447,984)</u>	<u>(12,686)</u>	<u>1,141,045</u>	<u>16,221</u>	<u>6,813,664</u>
Total Governmental activities capital assets, net of accumulated depreciation	<u>\$ 8,565,790</u>	<u>\$ (147,418)</u>	<u>\$ (54,428)</u>	<u>\$ -</u>	<u>\$ 138,171</u>	<u>\$ 8,502,115</u>

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

General government	\$ 127,663
Public safety	88,558
Public works	303,116
Community development	<u>5,954</u>
Total depreciation expense - governmental activities	<u>\$ 525,291</u>

**CITY OF TAFT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 6 – CAPITAL ASSETS AND DEPRECIATION (Continued)

Changes in business-type activities capital assets:

<u>Business-type activities</u>	Balance July 1, 2013	Additions	Deletions	Reclassification	Balance June 30, 2014
Capital assets not being depreciated:					
Land	\$ -	\$ 11,850	\$ -	\$ -	\$ 11,850
Construction in progress	156,264	311,300			467,564
Total capital assets not being depreciated	<u>156,264</u>	<u>323,150</u>			<u>479,414</u>
Capital assets being depreciated:					
Structures and improvements	5,942,613	41,742	(572,362)	475,347	5,887,340
Machinery and equipment	2,842,531	186,987	(1,075,210)	(475,347)	1,478,961
Sewer infrastructure	2,823,347	85,388			2,908,735
Total capital assets being depreciated	<u>11,608,491</u>	<u>314,117</u>	<u>(1,647,572)</u>		<u>10,275,036</u>
Less accumulated depreciation for:					
Structures and improvements	(3,376,505)	(194,066)	572,362	(146,565)	(3,144,774)
Machinery and equipment	(1,962,301)	(168,204)	1,075,210	146,565	(908,730)
Sewer infrastructure	(1,375,928)	(78,772)			(1,454,700)
Total accumulated depreciation	<u>(6,714,734)</u>	<u>(441,042)</u>	<u>1,647,572</u>		<u>(5,508,204)</u>
Total capital assets, being depreciated, net of accumulated depreciation	<u>4,893,757</u>	<u>(126,925)</u>			<u>4,766,832</u>
Total Business-type activities capital assets, net of accumulated depreciation	<u>\$ 5,050,021</u>	<u>\$ 196,225</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,246,246</u>

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

Federal WWTP	\$ 179,009
Sewer	78,772
Refuse	43,603
Transit	139,658
Total depreciation expense - business-type activities	<u>\$ 441,042</u>

NOTE 7 – GOVERNMENTAL ACTIVITIES LONG-TERM DEBT

During the fiscal year ended June 30, 2014, 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, 2014**

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

During the fiscal year ended June 30, 2014, 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, 2014 was \$198,868.

<u>Governmental Activities:</u>	<u>Balance July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2014</u>	<u>Due in One Year</u>
Compensated Absences	\$ 175,902	\$ 70,450	\$ (87,915)	\$ 158,437	\$ 39,609
CalPERS side fund obligation	378,068	20,984	(200,184)	198,868	198,868
Total governmental activities	\$ 553,970	\$ 91,434	\$ (288,099)	\$ 357,305	\$ 238,477

NOTE 8 – BUSINESS-TYPE ACTIVITIES LONG-TERM DEBT

During the fiscal year ended June 30, 2014, the following changes occurred to the business-type activities long-term liabilities:

<u>Business type activities</u>	<u>Balance July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2014</u>	<u>Due in One Year</u>
Compensated Absences	\$ 35,605	\$ 57,005	\$ (6,372)	\$ 86,238	\$ 21,560
Total business-type activities	\$ 35,605	\$ 57,005	\$ (6,372)	\$ 86,238	\$ 21,560

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, 2014**

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, 2014 was 10.282% for non-safety employees, 6.25% for non-safety employees Tier 2, 105.223% for Tier 1 public safety employees, and 16.06% 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 2013-2014, the City of Taft's annual pension cost was \$566,635 and was equal to the City's required and actual contributions. The required contribution for fiscal year 2013-2014 was determined as part of the June 30, 2011 actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percent of pay. The actuarial assumptions included: (a) 7.50% investment rate of return (net of administrative expenses); (b) projected salary increases that vary by duration of service ranging from 3.30% to 14.20% for miscellaneous members, 3.30% and 14.20% for the Safety Plan Tier 1 and 3.30% and 14.20% for Tier 2 Safety Plan and; (c) 2% cost-of-living adjustment. Both (a) and (b) include an inflation component of 2.75%. 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 fifteen-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, 2014, was 20 years for the Miscellaneous Plan, 16 and 17 years (Tier 1 and Tier 2) for the Safety Police Plans.

D. Three year trend information

Fiscal Year Ended	Description			Percentage of APC Contributed	Pension Obligation
	Miscellaneous	Police	Fire		
June 30, 2012	\$ 530,362	\$ 338,506	\$ 21,985	100%	\$ -
2013	239,329	189,658	24,138	100%	-
2014	275,330	262,810	28,495	100%	-

**CITY OF TAFT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

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, 2014**

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 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, 2014, the most recent information available, is presented below:

Total Assets	<u>\$ 80,694,798</u>
Total Liabilities	\$ 65,440,947
Total Retained Earnings	<u>15,253,851</u>
 Total Liabilities and Retained Earnings	 <u>\$ 80,694,798</u>
 Revenues for Fiscal Year	 \$ 32,108,146
Expenses for Fiscal Year	<u>32,739,704</u>
 Change in Net Position	 <u>\$ (631,558)</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 was for 20 years, from January 7, 1997, unless otherwise terminated as provided in the contract.

**CITY OF TAFT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

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 was to end on the earlier of January 1, 2017, or such time as all the bonds had been retired or provision of their payment had been provided for pursuant to the terms of the indenture. The amount of the Base Rental rental was to be equal to the monthly debt service on the Bonds.

The State of California agreed to continue to pay the rentals to the Authority or the Trustee, in the event the CCF Program Contract with the City was terminated. The City agreed to pay the rentals solely with the monies received from the State of California, and under any circumstances, the City was 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 notice purporting to terminate the contract from the State of California in May 2011. The facility closed on November 30, 2011, with inmates transferred to other Kern County facilities. The City reopened the CCF facility on March 1, 2014. The City and the State engaged in litigation regarding costs and expenses associated with the closure of the CCF facility. Trial was set and postponed a number of times. Currently, a dismissal hearing is set for said litigation for August 2015. The City and the State have agreed to a settlement of the litigation, with the State to pay the City approximately \$168,000 for reimbursement of costs arising from the original closure of the CCF facility. It is expected that the settlement will be finalized, the litigation dismissed, and payment of said monies made in August to September 2015.

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 non-cancelable operating leases. Minimum rents due under these leases are as follows:

Fiscal Year Ending <u>June 30,</u>	<u>Amount</u>
2015	\$ 36,000
2016	36,000
2017	36,000
2018	36,000
2019	36,000
Thereafter	<u>342,000</u>
Total	<u>\$ 522,000</u>

**CITY OF TAFT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 13 – FUND EQUITY

Fund Balance – Governmental Funds

... As of June 30, 2014, 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.

	<u>General</u>	<u>Revolving Loan Fund CDBG</u>	<u>Revolving Loan Fund Home</u>	<u>WWTP Capital Projects</u>	<u>Total Non- major Governmental Funds</u>	<u>Total</u>
Nonspendable:						
Prepaid items	\$ 61,167	\$ 270	\$ 270	\$ -	\$ 2,835	\$ 64,542
Principal on advances	<u>2,457,798</u>					<u>2,457,798</u>
Total Nonspendable	<u>2,518,965</u>	<u>270</u>	<u>270</u>		<u>2,835</u>	<u>2,522,340</u>
Restricted for:						
Streets and roads					109,919	109,919
Public safety					60,592	60,592
Community development		273,365	132,121		102,584	508,070
Capital Projects - WWTP				<u>3,588,419</u>	<u>509,895</u>	<u>4,098,314</u>
Total Restricted		<u>273,365</u>	<u>132,121</u>	<u>3,588,419</u>	<u>782,990</u>	<u>4,776,895</u>
Unassigned	<u>2,538,005</u>				<u>(42,288)</u>	<u>2,495,717</u>
Total Fund Balances	<u>\$ 5,056,970</u>	<u>\$ 273,635</u>	<u>\$ 132,391</u>	<u>\$ 3,588,419</u>	<u>\$ 743,537</u>	<u>\$ 9,794,952</u>

**CITY OF TAFT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 14 – 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, 2014 is \$5,020,000.

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 15 – 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 16 – PRIOR PERIOD ADJUSTMENTS

Prior period adjustments of \$860 were made to the statement of net position - governmental activities related to an understatement of capital assets in an amount of \$138,171, an overstatement of accrual interest on advances in an amount of (\$132,398), and understatement of deposit payable in an amount of (\$4,913).

A prior period adjustment in the amount of (\$175,382) were made to the statement of net position – business-type activities and the major Sewer fund related to an overstatement of interest payable in an amount of (\$6,100), an overstatement of accounts receivable in an amount of (\$202,625), and an overstatement of allowance of bad debt in an amount of \$21,143.

A prior period adjustment in the amount of (\$91,586) were made to the statement of net position – business-type activities and the major Refuse fund related to an overstatement of accounts receivable in an amount of (\$111,021), and an overstatement of allowance of bad debt in an amount of \$19,435.

A prior period adjustment in the amount of \$(137,311) was made to the General fund related to an overstatement of accrual interest on advances in an amount of (\$132,398) and understatement of deposit payable in an amount of (\$4,913).

**CITY OF TAFT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 16 – PRIOR PERIOD ADJUSTMENTS (Continued)

Prior period adjustments of \$698,688 were made to the private purpose trust funds related to an overstatement of accrual interest payable on advances from the City in an amount of \$680,052, an overstatement of unearned revenues in an amount of \$130,531 and an overstatement of deferred charges in an amount of (\$111,895) due to implementation of GASB statement No. 65.

NOTE 17 – 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 leased to the non-related resident in an amount of \$1,200 per month. The lease term is for six month with a six month auto renewal, if not canceled by either party, with the option to purchase the property at the appraised value at the time of purchase.

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 18 – 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.

**CITY OF TAFT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 18 – 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, 2014 was as follows:

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
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	(195,594)	(10,178)		(205,772)
Total accumulated depreciation	<u>(195,594)</u>	<u>(10,178)</u>		<u>(205,772)</u>
Total capital assets, being depreciated net of accumulated depreciation	<u>211,522</u>	<u>(10,178)</u>		<u>201,344</u>
Total Governmental activities capital assets, net of accumulated depreciation	<u>\$ 1,909,685</u>	<u>\$ (10,178)</u>	<u>\$ -</u>	<u>\$ 1,899,507</u>

The following is a schedule of long-term liabilities for the fiscal year ended June 30, 2014:

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014	Due in One Year
1998 Revenue Refunding Bonds	\$ 3,555,000	\$ -	\$ (160,000)	\$ 3,395,000	\$ 165,000
Total governmental activities	<u>\$ 3,555,000</u>	<u>\$ -</u>	<u>\$ (160,000)</u>	<u>\$ 3,395,000</u>	<u>\$ 165,000</u>

**CITY OF TAFT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 18 – 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
2015	\$ 165,000	\$ 196,910	\$ 361,910
2016	175,000	187,340	362,340
2017	180,000	177,190	357,190
2018	195,000	166,750	361,750
2019	205,000	155,440	360,440
2020-2024	1,220,000	583,190	1,803,190
2025-2028	1,255,000	187,340	1,442,340
Total	<u>\$ 3,395,000</u>	<u>\$ 1,654,160</u>	<u>\$ 5,049,160</u>

NOTE 19- SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date of this report which is May 18, 2015.

NOTE 20-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.

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**CITY OF TAFT
MAJOR FUND BUDGETARY COMPARISON SCHEDULES
JUNE 30, 2014**

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.

Budgets were not adopted for the Revolving Loan Fund CDBG and Revolving Loan Fund Home.

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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, 2014**

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 1,415,120	\$ 1,487,160	\$ 1,276,017	\$ (211,143)
Sales taxes	1,709,791	1,734,676	1,773,391	38,715
Other taxes	411,736	419,320	467,880	48,560
Licenses and permits, and fees	279,963	354,747	363,033	8,286
Fines and forfeitures	2,336	2,104	2,090	(14)
Use of money and property	121,743	223,041	178,430	(44,611)
Intergovernmental	52,542	262,969	301,945	38,976
Current services charges	2,137,436	1,583,273	2,080,339	497,066
Other	14,750	82,453	519,444	436,991
Total revenues	6,145,417	6,149,743	6,962,569	812,826
EXPENDITURES				
Current:				
General government	1,097,374	1,123,430	1,230,856	(107,426)
Public safety	3,152,809	3,169,043	3,084,562	84,481
Public works	1,062,990	1,035,341	957,572	77,769
Community development	565,599	686,065	688,936	(2,871)
Capital outlay	72,500	415,359	419,074	(3,715)
Total expenditures	5,951,272	6,429,238	6,381,000	48,238
Excess (deficiency) of revenues over expenditures	194,145	(279,495)	581,569	861,064
OTHER FINANCING SOURCES (USES)				
Transfers in	391,301	279,495	301,072	21,577
Transfers out			(89,630)	(89,630)
Total other financing sources (uses)	391,301	279,495	211,442	(68,053)
Net change in fund balance	585,446		793,011	793,011
Fund balance, beginning of fiscal year	4,401,270	4,401,270	4,401,270	
Prior period adjustment			(137,311)	(137,311)
Fund balance, beginning of fiscal year, restated	4,401,270	4,401,270	4,263,959	(137,311)
Fund balance, end of fiscal year	\$ 4,986,716	\$ 4,401,270	\$ 5,056,970	\$ 655,700

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**CITY OF TAFT
MAJOR CAPITAL PROJECT FUND
JUNE 30, 2014**

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, 2014**

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Use of money and property	\$ 30,164	\$ 32,463	\$ 2,299
Total revenues	<u>30,164</u>	<u>32,463</u>	<u>2,299</u>
EXPENDITURES			
Capital outlay	<u>142,364</u>	<u> </u>	<u>142,364</u>
Total Expenditures	<u>142,364</u>	<u> </u>	<u>142,364</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(112,200)</u>	<u>32,463</u>	<u>144,663</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	131,200	131,200	
Transfers out	<u>(19,000)</u>	<u> </u>	<u>19,000</u>
Total other financing sources (uses)	<u>112,200</u>	<u>131,200</u>	<u>19,000</u>
Net change in fund balance		163,663	163,663
Fund balance, beginning of fiscal year	<u>3,424,756</u>	<u>3,424,756</u>	
Fund balance, end of the fiscal year	<u>\$ 3,424,756</u>	<u>\$ 3,588,419</u>	<u>\$ 163,663</u>

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**CITY OF TAFT
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2014**

SPECIAL REVENUE FUNDS

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.

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.

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.

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**CITY OF TAFT
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2014**

SPECIAL REVENUE FUNDS (Continued)

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.

Inmate Welfare Trust

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

**CITY OF TAFT
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
June 30, 2014**

	Special Revenue Funds			
	Traffic Safety	Gas Tax	TDA	Business Assistance Grant - BDEF 6534
ASSETS				
Cash and investments	\$ -	\$ -	\$ -	\$ -
Receivables:				
Accounts	1,037	27,541	422,485	
Interest		20		
Notes				
Prepaid items				
Total assets	<u>\$ 1,037</u>	<u>\$ 27,561</u>	<u>\$ 422,485</u>	<u>\$ -</u>
LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued payroll				
Due to other funds	212	8,024	332,103	
Total liabilities	<u>212</u>	<u>8,024</u>	<u>332,103</u>	
DEFERRED INFLOW OF RESOURCES				
Unearned revenue - loans/notes				
FUND BALANCES				
Nonspendable				
Restricted	825	19,537	90,382	
Unassigned				
Total fund balances (deficits)	<u>825</u>	<u>19,537</u>	<u>90,382</u>	
Total liabilities, deferred inflow of resources, and fund balances	<u>\$ 1,037</u>	<u>\$ 27,561</u>	<u>\$ 422,485</u>	<u>\$ -</u>

Special Revenue Funds

<u>CDBG Home - 6859</u>	<u>Cal Homes Revolving Loan Fund</u>	<u>TARP Revolving Loan</u>	<u>Asset Forfeiture</u>	<u>Landscape Assessment District</u>	<u>Cal Home 4917</u>	<u>Crime Prevention</u>
\$ -	\$ -	\$ 102,576	\$ 57,021	\$ -	\$ -	\$ 3,441
		8	6			1
	283,790	212,418		46		2,700
<u>\$ -</u>	<u>\$ 283,790</u>	<u>\$ 315,002</u>	<u>\$ 57,027</u>	<u>\$ 46</u>	<u>\$ -</u>	<u>\$ 6,142</u>
\$ -	\$ -	\$ -	\$ 85	\$ 75	\$ -	\$ 6
				125		611
				28,619		
			85	28,819		617
	283,790	212,418				
				46		2,700
		102,584	56,942	(28,819)		2,825
		102,584	56,942	(28,773)		5,525
<u>\$ -</u>	<u>\$ 283,790</u>	<u>\$ 315,002</u>	<u>\$ 57,027</u>	<u>\$ 46</u>	<u>\$ -</u>	<u>\$ 6,142</u>

(Continued)

**CITY OF TAFT
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
June 30, 2014
(Continued)**

	<u>Special Revenue Funds</u>			Total Non- Major Governmental Funds
	Taft Successor Housing	WWTP Special Revenue	Inmate Welfare Trust	
ASSETS				
Cash and investments	\$ -	\$ 48,762	\$ 3,532	\$ 215,332
Receivables:				
Accounts		466,749	2,324	920,136
Interest		6		41
Notes				496,208
Prepaid items		89		2,835
Total assets	<u>\$ -</u>	<u>\$ 515,606</u>	<u>\$ 5,856</u>	<u>\$ 1,634,552</u>
LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ -	\$ 4,350	\$ 294	\$ 4,810
Accrued payroll		1,272	856	2,864
Due to other funds			18,175	387,133
Total liabilities		<u>5,622</u>	<u>19,325</u>	<u>394,807</u>
DEFERRED INFLOW OF RESOURCES				
Unearned revenue - loans/notes				496,208
FUND BALANCES				
Nonspendable		89		2,835
Restricted		509,895		782,990
Unassigned			(13,469)	(42,288)
Total fund balances (deficits)		<u>509,984</u>	<u>(13,469)</u>	<u>743,537</u>
Total liabilities, deferred inflow of resources, and fund balances	<u>\$ -</u>	<u>\$ 515,606</u>	<u>\$ 5,856</u>	<u>\$ 1,634,552</u>

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**CITY OF TAFT
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	Special Revenue Funds			
	Traffic Safety	Gas Tax	TDA	Business Assistance Grant - EDEF 6534
REVENUES				
Fines and forfeitures	\$ 6,957	\$ -	\$ -	\$ -
Use of money and property		1,475		
Intergovernmental		281,397		
Current services charges				
Other				
Total revenues	<u>6,957</u>	<u>282,872</u>		
EXPENDITURES				
Current:				
General government				
Public safety				
Public works				
Health and welfare				
Community development				(8)
Capital outlay				
Total expenditures				<u>(8)</u>
Excess of revenues over (under) expenditures	<u>6,957</u>	<u>282,872</u>		<u>8</u>
OTHER FINANCING SOURCES (USES)				
Transfers in				65
Transfers out	(6,957)	(290,000)		
Total other financing sources (uses)	<u>(6,957)</u>	<u>(290,000)</u>		<u>65</u>
Net changes in fund balances		(7,128)		73
Fund balances (deficits), beginning of fiscal year	825	26,665	90,382	(73)
Fund balances (deficits), end of fiscal year	<u>\$ 825</u>	<u>\$ 19,537</u>	<u>\$ 90,382</u>	<u>\$ -</u>

Special Revenue Funds

<u>CDBG Home - 6859</u>	<u>Cal Homes Revolving Loan Fund</u>	<u>TARP Revolving Loan</u>	<u>Asset Forfeiture</u>	<u>Landscape Assessment District</u>	<u>Cal Home 4917</u>	<u>Crime Prevention</u>
\$ -	\$ -	\$ -	\$ 2,374	\$ -	\$ -	\$ -
3,320		1,026	578	1		110
		71,735	14,386	8,111		100,000
<u>3,320</u>		<u>72,761</u>	<u>17,338</u>	<u>8,112</u>		<u>100,110</u>
			28,551			126,661
		(517)		14,400		
					1,996	
		<u>(517)</u>	<u>28,551</u>	<u>14,400</u>	<u>1,996</u>	<u>126,661</u>
<u>3,320</u>		<u>73,278</u>	<u>(11,213)</u>	<u>(6,288)</u>	<u>(1,996)</u>	<u>(26,551)</u>
		28,381				
		<u>(115,000)</u>	<u>(4,115)</u>			
		<u>(86,619)</u>	<u>(4,115)</u>			
3,320		(13,341)	(15,328)	(6,288)	(1,996)	(26,551)
<u>(3,320)</u>		<u>115,925</u>	<u>72,270</u>	<u>(22,485)</u>	<u>1,996</u>	<u>32,076</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 102,584</u>	<u>\$ 56,942</u>	<u>\$ (28,773)</u>	<u>\$ -</u>	<u>\$ 5,525</u>

(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, 2014
(Continued)**

	Special Revenue Funds			Total Non-Major Governmental Funds
	Taft Successor Housing	WWTP Special Revenue	Inmate Welfare Trust	
REVENUES				
Fines and forfeitures	\$ -	\$ -	\$ -	\$ 9,331
Use of money and property	130	1,271		4,591
Intergovernmental		908,517		1,379,355
Current services charges		94,780	4,779	107,670
Other	4,518		1,076	5,594
Total revenues	<u>4,648</u>	<u>1,004,568</u>	<u>5,855</u>	<u>1,506,541</u>
EXPENDITURES				
Current:				
General government		667,722		667,722
Public safety				155,212
Public works				14,400
Health and welfare			19,324	19,324
Community development	585,049			586,520
Capital outlay		11,044		11,044
Total expenditures	<u>585,049</u>	<u>678,766</u>	<u>19,324</u>	<u>1,454,222</u>
Excess of revenues over (under) expenditures	<u>(580,401)</u>	<u>325,802</u>	<u>(13,469)</u>	<u>52,319</u>
OTHER FINANCING SOURCES (USES)				
Transfers in				28,446
Transfers out		(131,200)		(547,272)
Total other financing sources (uses)		<u>(131,200)</u>		<u>(518,826)</u>
Net changes in fund balances	<u>(580,401)</u>	<u>194,602</u>	<u>(13,469)</u>	<u>(466,507)</u>
Fund balances (deficits), beginning of fiscal year	<u>580,401</u>	<u>315,382</u>		<u>1,210,044</u>
Fund balances (deficits), end of fiscal year	<u>\$ -</u>	<u>\$ 509,984</u>	<u>\$ (13,469)</u>	<u>\$ 743,537</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, 2014**

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES			
Fines and forfeitures	\$ 5,919	\$ 6,957	\$ 1,038
Total revenues	<u>5,919</u>	<u>6,957</u>	<u>1,038</u>
OTHER FINANCING SOURCES (USES)			
Transfers out	<u>(5,919)</u>	<u>(6,957)</u>	<u>(1,038)</u>
Total other financing sources (uses)	<u>(5,919)</u>	<u>(6,957)</u>	<u>(1,038)</u>
Net change in fund balance			
Fund balance, beginning of fiscal year	<u>825</u>	<u>825</u>	<u></u>
Fund balance, end of fiscal year	<u>\$ 825</u>	<u>\$ 825</u>	<u>\$ -</u>

**CITY OF TAFT
 SCHEDULE OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 GAS TAX SPECIAL REVENUE FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Use of money and property	\$ 1,726	\$ 1,475	\$ (251)
Intergovernmental	267,735	281,397	13,662
Total revenues	269,461	282,872	13,411
OTHER FINANCING SOURCES (USES)			
Transfers out	(269,461)	(290,000)	(20,539)
Total other financing sources (uses)	(269,461)	(290,000)	(20,539)
Net change in fund balance		(7,128)	(7,128)
Fund balance, beginning of fiscal year	26,665	26,665	
Fund balance, end of fiscal year	\$ 26,665	\$ 19,537	\$ (7,128)

**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, 2014**

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Fines and forfeitures	\$ 2,374	\$ 2,374	\$ -
Use of money and property	346	578	232
Intergovernmental	14,386	14,386	
Total revenues	<u>17,106</u>	<u>17,338</u>	<u>232</u>
EXPENDITURES			
Current:			
Public safety	25,255	28,551	(3,296)
Capital outlay	3,296		3,296
Total expenditures	<u>28,551</u>	<u>28,551</u>	
Excess (deficiency) of revenues over expenditures	<u>(11,445)</u>	<u>(11,213)</u>	<u>232</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	15,560		(15,560)
Transfers out	(4,115)	(4,115)	
Total other financing sources (uses)	<u>11,445</u>	<u>(4,115)</u>	<u>(15,560)</u>
Net change in fund balance		(15,328)	(15,328)
Fund balance, beginning of fiscal year	<u>72,270</u>	<u>72,270</u>	
Fund balance, end of fiscal year	<u>\$ 72,270</u>	<u>\$ 56,942</u>	<u>\$ (15,328)</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, 2014**

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES			
Use of money and property	\$ -	\$ 1	\$ 1
Current services charges	8,222	8,111	(111)
Total revenues	<u>8,222</u>	<u>8,112</u>	<u>(110)</u>
EXPENDITURES			
Current:			
Public works	<u>14,692</u>	<u>14,400</u>	<u>292</u>
Total expenditures	<u>14,692</u>	<u>14,400</u>	<u>292</u>
Excess (deficiency) of revenues over expenditures	<u>(6,470)</u>	<u>(6,288)</u>	<u>182</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	<u>6,470</u>		<u>(6,470)</u>
Total other financing sources (uses)	<u>6,470</u>		<u>(6,470)</u>
Net change in fund balance		(6,288)	(6,288)
Fund balance (deficit), beginning of fiscal year	<u>(22,485)</u>	<u>(22,485)</u>	
Fund balance (deficit), end of fiscal year	<u>\$ (22,485)</u>	<u>\$ (28,773)</u>	<u>\$ (6,288)</u>

**CITY OF TAFT
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
CRIME PREVENTION SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES			
Use of money and property	\$ 60	\$ 110	\$ 50
Intergovernmental	<u>100,000</u>	<u>100,000</u>	
Total revenues	<u>100,060</u>	<u>100,110</u>	<u>50</u>
EXPENDITURES			
Current:			
Public safety	<u>125,145</u>	<u>126,661</u>	<u>(1,516)</u>
Total expenditures	<u>125,145</u>	<u>126,661</u>	<u>(1,516)</u>
Excess (deficiency) of revenues over expenditures	<u>(25,085)</u>	<u>(26,551)</u>	<u>(1,466)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	<u>25,085</u>		<u>(25,085)</u>
Total other financing sources (uses)	<u>25,085</u>		<u>(25,085)</u>
Net change in fund balance		(26,551)	(26,551)
Fund balance, beginning of fiscal year	<u>32,076</u>	<u>32,076</u>	
Fund balance, end of fiscal year	<u>\$ 32,076</u>	<u>\$ 5,525</u>	<u>\$ (26,551)</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, 2014**

	<u>Final Budget</u>	<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
REVENUES			
Use of money and property	\$ -	\$ 1,271	\$ 1,271
Intergovernmental	893,519	908,517	14,998
Current services charges	70,000	94,780	24,780
Total revenues	<u>963,519</u>	<u>1,004,568</u>	<u>41,049</u>
EXPENDITURES			
Current:			
General government	851,319	667,722	183,597
Capital outlay		11,044	(11,044)
Total expenditures	<u>851,319</u>	<u>678,766</u>	<u>172,553</u>
Excess (deficiency) of revenues over expenditures	<u>112,200</u>	<u>325,802</u>	<u>213,602</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	19,000		(19,000)
Transfers out	(131,200)	(131,200)	
Total other financing sources (uses)	<u>(112,200)</u>	<u>(131,200)</u>	<u>(19,000)</u>
Net change in fund balance		194,602	194,602
Fund balance, beginning of fiscal year	<u>315,382</u>	<u>315,382</u>	
Fund balance, end of fiscal year	<u>\$ 315,382</u>	<u>\$ 509,984</u>	<u>\$ 194,602</u>

CITY OF TAFT
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
INMATE WELFARE TRUST SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES			
Current services charges	\$ 18,248	\$ 4,779	\$ (13,469)
Other	1,076	1,076	
Total revenues	<u>19,324</u>	<u>5,855</u>	<u>(13,469)</u>
EXPENDITURES			
Current:			
Health and welfare	<u>19,324</u>	<u>19,324</u>	
Total expenditures	<u>19,324</u>	<u>19,324</u>	
Net change in fund balance		(13,469)	(13,469)
Fund balance, beginning of fiscal year			
Fund balance (deficit), end of fiscal year	<u>\$ -</u>	<u>\$ (13,469)</u>	<u>\$ (13,469)</u>

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**CITY OF TAFT
PRIVATE-PURPOSE TRUST FUNDS AND AGENCY FUNDS
JUNE 30, 2014**

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 administration and debt retirement activities related to 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, 2014**

	<u>Capital Projects Fund</u>	<u>Post RDA Debt Retirement</u>	<u>Total</u>
ASSETS			
Cash and investments	\$ -	\$ 159,115	\$ 159,115
Cash and investment with fiscal agents		462,553	462,553
Interest receivable		10	10
Prepaid items		356	356
Capital assets - nondepreciable	1,698,163		1,698,163
Capital assets - being depreciated	407,116		407,116
Capital assets - accumulated depreciation	<u>(205,772)</u>		<u>(205,772)</u>
Total assets	<u>1,899,507</u>	<u>622,034</u>	<u>2,521,541</u>
LIABILITIES			
Accounts payable		5	5
Accrued payroll		531	531
Accrued interest payable		97,911	97,911
Compensated absences		13,668	13,668
Advance due to City of Taft		2,535,490	2,535,490
Bonds payable		<u>3,395,000</u>	<u>3,395,000</u>
Total liabilities		<u>6,042,605</u>	<u>6,042,605</u>
NET POSITION (DEFICIT)			
Restricted for debt service		364,642	364,642
Unrestricted	<u>1,899,507</u>	<u>(5,785,213)</u>	<u>(3,885,706)</u>
Total Net Position (Deficit)	<u>\$ 1,899,507</u>	<u>\$ (5,420,571)</u>	<u>\$ (3,521,064)</u>

**CITY OF TAFT
PRIVATE PURPOSE TRUST FUNDS
COMBINING STATEMENT OF CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	Capital Projects Fund	Post RDA Debt Retirement	Total
Additions:			
Investment revenue	\$ 1	\$ 130,489	\$ 130,490
Taxes and assessments		377,607	377,607
Total additions	<u>1</u>	<u>508,096</u>	<u>508,097</u>
Deductions:			
Community development		168,644	168,644
Interest expense		201,006	201,006
Depreciation	10,178		10,178
Total deductions	<u>10,178</u>	<u>369,650</u>	<u>379,828</u>
Change in net position	<u>(10,177)</u>	<u>138,446</u>	<u>128,269</u>
Net Position (Deficit) - July 1, 2013	1,909,684	(6,257,705)	(4,348,021)
Prior Period Adjustment		698,688	698,688
Net Position (Deficit) - July 1, 2013, Restated	<u>1,909,684</u>	<u>(5,559,017)</u>	<u>(3,649,333)</u>
Net Position (Deficit) - June 30, 2014	<u>\$ 1,899,507</u>	<u>\$ (5,420,571)</u>	<u>\$ (3,521,064)</u>

**CITY OF TAFT
 COMBINING STATEMENT OF ASSETS AND LIABILITIES
 AGENCY FUNDS
 JUNE 30, 2014**

	Inmate Trust Fund	1997-A Lease Revenue Bond	Total
ASSETS			
Cash and investments	\$ 61,811	\$ 559	\$ 62,370
Cash and investment with fiscal agents		3,250,894	3,250,894
	\$ 61,811	\$ 3,251,453	\$ 3,313,264
LIABILITIES			
Accounts payable	\$ 1,873	\$ -	\$ 1,873
Deposits payable		159,000	159,000
Due to inmates	59,938		59,938
Due to bondholders		3,092,453	3,092,453
	\$ 61,811	\$ 3,251,453	\$ 3,313,264

CITY OF TAFT
FIDUCIARY FUNDS - AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

<u>Inmate Trust Fund</u>	July 1, 2013 Balance	Additions	Reductions	June 30, 2014 Balance
ASSETS				
Cash and investments	\$ 8,812	\$ 121,626	\$ (68,627)	\$ 61,811
Total assets	<u>\$ 8,812</u>	<u>\$ 121,626</u>	<u>\$ (68,627)</u>	<u>\$ 61,811</u>
LIABILITIES				
Accounts payable	\$ -	\$ 65,898	\$ (64,025)	\$ 1,873
Due to inmates	8,812	55,728	(4,602)	59,938
Total liabilities	<u>\$ 8,812</u>	<u>\$ 121,626</u>	<u>\$ (68,627)</u>	<u>\$ 61,811</u>
<u>1997-A Lease Revenue Bond</u>	July 1, 2013 Balance	Additions	Reductions	June 30, 2014 Balance
ASSETS				
Cash and investments	\$ 559	\$ -	\$ -	\$ 559
Cash and investments with fiscal agents	3,262,612	3,710,007	(3,721,725)	3,250,894
Total assets	<u>\$ 3,263,171</u>	<u>\$ 3,710,007</u>	<u>\$ (3,721,725)</u>	<u>\$ 3,251,453</u>
LIABILITIES				
Deposits payable	\$ 159,000	\$ -	\$ -	\$ 159,000
Due to bondholders	3,104,171	3,710,007	(3,721,725)	3,092,453
Total liabilities	<u>\$ 3,263,171</u>	<u>\$ 3,710,007</u>	<u>\$ (3,721,725)</u>	<u>\$ 3,251,453</u>
<u>Total</u>	July 1, 2013 Balance	Additions	Reductions	June 30, 2014 Balance
ASSETS				
Cash and investments	\$ 9,371	\$ 121,626	\$ (68,627)	\$ 62,370
Cash and investments with fiscal agents	3,262,612	3,710,007	(3,721,725)	3,250,894
Total assets	<u>\$ 3,271,983</u>	<u>\$ 3,831,633</u>	<u>\$ (3,790,352)</u>	<u>\$ 3,313,264</u>
LIABILITIES				
Accounts payable	\$ -	\$ 65,898	\$ (64,025)	\$ 1,873
Due to bondholders	3,104,171	3,710,007	(3,721,725)	3,092,453
Due to inmates	8,812	55,728	(4,602)	59,938
Deposits payable	159,000			159,000
Total liabilities	<u>\$ 3,271,983</u>	<u>\$ 3,831,633</u>	<u>\$ (3,790,352)</u>	<u>\$ 3,313,264</u>