

**CITY OF TAFT
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2015**

**CITY OF TAFT
ANNUAL FINANCIAL REPORT
JUNE 30, 2015**

TABLE OF CONTENTS

FINANCIAL SECTION

Independent Auditor’s Report	1
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position	5
Statement of Activities.....	6
Governmental Fund Financial Statements	
Balance Sheet.....	8
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	11
Statement of Revenues, Expenditures, and Changes in Fund Balances	12
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	15
Proprietary Funds Financial Statements	
Statement of Net Position	16
Statement of Revenues, Expenses, and Changes in Fund Net Position	18
Statement of Cash Flows	20
Fiduciary Funds Financial Statements	
Statement of Net Position	22
Statement of Changes in Net Position	23
Notes to Basic Financial Statements	25
Required Supplementary Information	
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund	59
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – TDA Special Revenue Fund	60
Schedule of Plan’s Proportionate Share of Net Pension Liability and Related Ratios as as of Measurement Date – Safety and Miscellaneous Plan	61
Schedule of Contributions – Safety Plan	62
Schedule of Contributions – Miscellaneous Plan	63
Other Supplemental Information	
Major Fund Budgetary Comparison Schedule Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – WWTP Capital Projects Fund	66

**CITY OF TAFT
ANNUAL FINANCIAL REPORT
JUNE 30, 2015**

TABLE OF CONTENTS (Continued)

Non-Major Governmental Funds

Combining Balance Sheet.....	68
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	70
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual –	
Traffic Safety Special Revenue Fund	72
Gas Tax Special Revenue Fund	73
Inmate Welfare Trust Special Revenue Fund	74
WWTP Special Revenue Fund	75
Asset Forfeiture Special Revenue Fund.....	76
Landscape Assessment District Special Revenue Fund.....	77
Crime Prevention Special Revenue Fund	78

Private-Purpose Trust Funds and Agency Funds

Combining Statement of Net Position - Private-Purpose Trust Funds	80
Combining Statement of Changes in Net Position - Private- Purpose Trust Funds	81
Combining Statement of Assets and Liabilities - Agency Funds	82
Combining Statement of Changes in Assets and Liabilities - Agency Funds.....	83



PARTNERS

RONALD A LEVY, CPA
CRAIG A HARTZHEIM, CPA
HADLEY Y HUI, CPA
ALEXANDER C HOM, CPA
ADAM V GUISE, CPA
TRAVIS J HOLE, CPA

COMMERCIAL ACCOUNTING & TAX SERVICES
433 N. CAMDEN DRIVE, SUITE 730
BEVERLY HILLS, CA 90210
TEL: 310.273.2745
FAX: 310.670.1689
www.mlhcpas.com

GOVERNMENTAL AUDIT SERVICES
5800 HANNUM AVENUE, SUITE E
CULVER CITY, CA 90230
TEL: 310.670.2745
FAX: 310.670.1689
www.mlhcpas.com

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, 2015, 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, 2015, 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 of the notes to the basic financial statements, effective July 1, 2014, the City adopted the Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on page 59 and 60, the schedule of plan's proportionate share of net pension liability on page 61 and the schedule of pension contributions on pages 62 and 63, 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.

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 and schedules 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 and schedules 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 and schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2016, 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, LLP
Culver City, California
March 31, 2016

This page intentionally left blank

CITY OF TAFT
STATEMENT OF NET POSITION
JUNE 30, 2015

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	\$ 3,562,073	\$ 5,941,351	\$ 9,503,424
Restricted cash and investments		1,181,943	1,181,943
Accounts receivable	1,792,012	3,163,731	4,955,743
Interest receivable	628	592	1,220
Internal balances	3,042,825	(3,042,825)	
Notes receivable	3,279,740		3,279,740
Prepaid expenses	33,357	2,564	35,921
Inventory	1,412		1,412
Deposits		17,362	17,362
Loan receivable - Successor Agency	2,535,490		2,535,490
Capital assets not being depreciated	1,992,238	617,857	2,610,095
Capital assets being depreciated	18,103,330	10,433,838	28,537,168
Capital assets, accumulated depreciation	(10,742,193)	(5,985,244)	(16,727,437)
	<u>23,600,912</u>	<u>12,331,169</u>	<u>35,932,081</u>
DEFERRED OUTFLOWS OF RESOURCES			
City's pension contributions subsequent to the measurement date	<u>766,525</u>	<u>596,078</u>	<u>1,362,603</u>
Total deferred outflows of resources	<u>766,525</u>	<u>596,078</u>	<u>1,362,603</u>
LIABILITIES			
Accounts payable	123,703	352,265	475,968
Accrued payroll	97,152	127,602	224,754
Unearned revenue	353,495	1,609,564	1,963,059
Deposits payable	9,989	40,907	50,896
Noncurrent liabilities:			
Due within one year	35,859	29,854	65,713
Due in more than one year	<u>3,281,972</u>	<u>2,226,076</u>	<u>5,508,048</u>
Total liabilities	<u>3,902,170</u>	<u>4,386,268</u>	<u>8,288,438</u>
DEFERRED INFLOWS OF RESOURCES			
Differences between projected and actual earnings on pension plan investments	<u>952,822</u>	<u>717,968</u>	<u>1,670,790</u>
Total deferred inflows of resources	<u>952,822</u>	<u>717,968</u>	<u>1,670,790</u>
NET POSITION			
Net investment in capital assets	9,353,375	6,248,394	15,601,769
Restricted for:			
Streets and roads	90,732		90,732
Public safety	191,628		191,628
Community development	4,047,236		4,047,236
Capital projects - WWTP	3,831,558		3,831,558
Unrestricted	<u>1,997,916</u>	<u>1,574,617</u>	<u>3,572,533</u>
Total net position	<u>\$ 19,512,445</u>	<u>\$ 7,823,011</u>	<u>\$ 27,335,456</u>

See accompanying notes to financial statements

**CITY OF TAFT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ (2,351,146)	\$ 2,148,937	\$ 768,668	\$ 29,237
Public safety	(3,442,217)	377,754	303,999	
Public works	(1,535,285)	194,430	602,303	599,461
Health and welfare	(55,511)	49,839	7,131	
Community development	(580,858)		147,124	
Total governmental activities	<u>(7,965,017)</u>	<u>2,770,960</u>	<u>1,829,225</u>	<u>628,698</u>
Business-type activities:				
Community correctional facility (CCF)	(11,899,191)	15,162,535		
Federal WWTP	(935,742)	989,332		
Sewer	(944,048)	1,106,559		
Refuse	(831,251)	865,450		
Transit	(900,474)	428,424	335,450	157,518
Total business-type activities	<u>(15,510,706)</u>	<u>18,552,300</u>	<u>335,450</u>	<u>157,518</u>
Total government	<u>\$ (23,475,723)</u>	<u>\$ 21,323,260</u>	<u>\$ 2,164,675</u>	<u>\$ 786,216</u>

General revenues and transfers:

Taxes:

 Property taxes
 Sales tax
 Other taxes

Investment earnings

Miscellaneous

Transfers

Total general revenues and transfers

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>
\$ 595,696	\$ -	\$ 595,696
(2,760,464)		(2,760,464)
(139,091)		(139,091)
1,459		1,459
<u>(433,734)</u>		<u>(433,734)</u>
<u>(2,736,134)</u>		<u>(2,736,134)</u>
	3,263,344	3,263,344
	53,590	53,590
	162,511	162,511
	34,199	34,199
	<u>20,918</u>	<u>20,918</u>
	<u>3,534,562</u>	<u>3,534,562</u>
<u>(2,736,134)</u>	<u>3,534,562</u>	<u>798,428</u>
1,372,304		1,372,304
1,475,787		1,475,787
526,768		526,768
198,178	46,563	244,741
613,749		613,749
<u>(180,547)</u>	<u>180,547</u>	
<u>4,006,239</u>	<u>227,110</u>	<u>4,233,349</u>
<u>1,270,105</u>	<u>3,761,672</u>	<u>5,031,777</u>
21,673,915	6,726,525	28,400,440
<u>(3,431,575)</u>	<u>(2,665,186)</u>	<u>(6,096,761)</u>
<u>18,242,340</u>	<u>4,061,339</u>	<u>22,303,679</u>
<u>\$ 19,512,445</u>	<u>\$ 7,823,011</u>	<u>\$ 27,335,456</u>

**CITY OF TAFT
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2015**

ASSETS	General	Revolving Loan Fund CDBG	Revolving Loan Fund Home	TDA
Cash and investments	\$ 500	\$ 477,488	\$ 125,934	\$ -
Receivables:				
Accounts	984,798	596		791,006
Interest	172	39	11	
Notes		1,727,305	1,096,684	
Due from other funds	2,546,141			
Prepaid items	33,357			
Inventory				
Loan receivable from Successor Agency	2,535,490			
	<u>\$ 6,100,458</u>	<u>\$ 2,205,428</u>	<u>\$ 1,222,629</u>	<u>\$ 791,006</u>
Total assets				
LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 110,598	\$ -	\$ -	\$ -
Accrued payroll	90,110			
Due to other funds				700,624
Deposit payable	9,989			
Unearned revenue	353,495			
	<u>564,192</u>	<u></u>	<u></u>	<u>700,624</u>
Total liabilities				
DEFERRED INFLOW OF RESOURCES				
Deferred revenue	77,692	1,727,305	1,096,684	
	<u>77,692</u>	<u>1,727,305</u>	<u>1,096,684</u>	<u></u>
Total deferred inflow of resources				
FUND BALANCES				
Nonspendable	2,491,155			
Restricted		478,123	125,945	90,382
Unassigned	2,967,419			
	<u>5,458,574</u>	<u>478,123</u>	<u>125,945</u>	<u>90,382</u>
Total fund balances				
Total liabilities, deferred inflow of resources, and fund balances	<u>\$ 6,100,458</u>	<u>\$ 2,205,428</u>	<u>\$ 1,222,629</u>	<u>\$ 791,006</u>

See accompanying notes to financial statements

WWTP Capital Projects	Total Non- major Governmental Funds	Total
\$ 2,493,945	\$ 453,396	\$ 3,551,263
	15,612	1,792,012
350	56	628
	455,751	3,279,740
1,254,561		3,800,702
		33,357
	1,412	1,412
		2,535,490
<u>\$ 3,748,856</u>	<u>\$ 926,227</u>	<u>\$ 14,994,604</u>
\$ -	\$ 10,155	\$ 120,753
	4,582	94,692
	57,253	757,877
		9,989
		353,495
	<u>71,990</u>	<u>1,336,806</u>
	<u>455,751</u>	<u>3,357,432</u>
	<u>455,751</u>	<u>3,357,432</u>
	1,412	2,492,567
3,748,856	436,696	4,880,002
	(39,622)	2,927,797
<u>3,748,856</u>	<u>398,486</u>	<u>10,300,366</u>
<u>\$ 3,748,856</u>	<u>\$ 926,227</u>	<u>\$ 14,994,604</u>

This page intentionally left blank

**CITY OF TAFT
GOVERNMENTAL FUNDS
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2015**

Fund balances of governmental funds \$ 10,300,366

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	\$ 20,095,568	
Accumulated depreciation	<u>(10,742,193)</u>	9,353,375

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 net pension liability. (3,317,831)

Deferred outflows and inflows of resources relating to pensions: In governmental funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported.

Deferred inflows of resources relating to pensions	\$ (952,822)	
Deferred outflows of resources relating to pensions	<u>766,525</u>	(186,297)

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 (\$5,400)) 5,400

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. 3,357,432

Net position of governmental activities \$ 19,512,445

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, 2015**

	General	Revolving Loan Fund CDBG	Revolving Loan Fund Home	TDA
REVENUES				
Property taxes	\$ 1,372,304	\$ -	\$ -	\$ -
Sales taxes	1,475,787			
Other taxes	526,768			
Licenses and permits, and fees	312,364			
Fines and forfeitures	8,182			
Use of money and property	198,178	2,351	978	
Intergovernmental	997,989	216,481	31,843	368,521
Current services charges	2,318,050			
Other	613,749			
	<u>7,823,371</u>	<u>218,832</u>	<u>32,821</u>	<u>368,521</u>
Total revenues				
EXPENDITURES				
Current:				
General government	1,419,774			
Public safety	3,498,974			
Public works	1,160,631			
Health and welfare				
Community development	556,320	14,344	39,267	
Capital outlay	1,145,500			
	<u>7,781,199</u>	<u>14,344</u>	<u>39,267</u>	
Total expenditures				
Excess of revenues over (under) expenditures	<u>42,172</u>	<u>204,488</u>	<u>(6,446)</u>	<u>368,521</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	466,120			
Transfers out				(368,521)
	<u>466,120</u>			<u>(368,521)</u>
Total other financing sources (uses)				
Net change in fund balances	<u>508,292</u>	<u>204,488</u>	<u>(6,446)</u>	
Fund balances, beginning of fiscal year	5,056,970	273,635	132,391	90,382
Prior period adjustments	(106,688)			
Fund balances, beginning of fiscal year, restated	<u>4,950,282</u>	<u>273,635</u>	<u>132,391</u>	<u>90,382</u>
Fund balances, end of fiscal year	<u>\$ 5,458,574</u>	<u>\$ 478,123</u>	<u>\$ 125,945</u>	<u>\$ 90,382</u>

See accompanying notes to financial statements

WWTP Capital Projects	Total Non- major Governmental Funds	Total
\$ -	\$ -	\$ 1,372,304
		1,475,787
		526,768
		312,364
	5,720	13,902
29,237	3,824	234,568
	1,143,411	2,758,245
	134,806	2,452,856
	22,268	636,017
<u>29,237</u>	<u>1,310,029</u>	<u>9,782,811</u>
	879,591	2,299,365
	115,835	3,614,809
	19,011	1,179,642
	6,309	6,309
		609,931
	<u>234,694</u>	<u>1,380,194</u>
	<u>1,255,440</u>	<u>9,090,250</u>
<u>29,237</u>	<u>54,589</u>	<u>692,561</u>
131,200		597,320
	<u>(409,346)</u>	<u>(777,867)</u>
<u>131,200</u>	<u>(409,346)</u>	<u>(180,547)</u>
<u>160,437</u>	<u>(354,757)</u>	<u>512,014</u>
3,588,419	653,155	9,794,952
	100,088	(6,600)
<u>3,588,419</u>	<u>753,243</u>	<u>9,788,352</u>
<u>\$ 3,748,856</u>	<u>\$ 398,486</u>	<u>\$ 10,300,366</u>

This page intentionally left blank

**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, 2015**

Net change in fund balances of governmental funds	\$	512,014
<p>Amounts reported for governmental activities in the statement of activities differs from the amounts reported in the statement of revenues, expenditures, and changes in fund balance because:</p> <p>Governmental funds report capital outlay as expenditures. However, in the statement of activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense. This activity is reconciled as follows:</p>		
Cost of assets capitalized	\$ 1,435,323	
Depreciation expense	<u>(697,352)</u>	737,971
<p>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.</p>		
		(165,374)
<p>In governmental funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. This fiscal year, the difference between accrual-basis pension costs and actual employer contributions was:</p>		
Pension costs		376,441
<p>Revenues that are measurable but not available. Amounts are not recorded as revenue under the modified accrual basis of accounting.</p>		
		(201,768)
<p>Debt repayments are reported as an expenditures in the governmental funds. The repayment is not an expense in the statement of activities as it is a reduction of a long-term liability. The balance for compensated absences reflects the difference between absences accrued and absences paid.</p>		
Compensated absences		<u>10,821</u>
Change in net position of governmental activities	\$	<u>1,270,105</u>

See accompanying notes to financial statements

CITY OF TAFT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2015

	Business-type Activities			
	Enterprise Funds			
	CCF	Federal WWTP	Sewer	Refuse
ASSETS				
Current assets:				
Cash and investments	\$ 4,020	\$ 2,950,833	\$ 2,058,943	\$ 927,555
Restricted cash and investments				
Receivables:				
Accounts	2,605,020	82,444	69,229	90,313
Interest		282	211	99
Prepaid items	2,066			
Deposits			17,362	
Total current assets	<u>2,611,106</u>	<u>3,033,559</u>	<u>2,145,745</u>	<u>1,017,967</u>
Noncurrent assets:				
Capital assets, not being depreciated	11,850	541,511		
Capital assets, being depreciated	186,987	5,370,252	2,908,734	601,714
Capital assets - accumulated depreciation	(42,636)	(3,162,160)	(1,534,992)	(418,764)
Total noncurrent assets	<u>156,201</u>	<u>2,749,603</u>	<u>1,373,742</u>	<u>182,950</u>
Total assets	<u>2,767,307</u>	<u>5,783,162</u>	<u>3,519,487</u>	<u>1,200,917</u>
DEFERRED OUTFLOWS OF RESOURCES				
City's pension contributions subsequent to the measurement date	514,440	6,717	6,737	14,272
Total deferred outflows of resources	<u>514,440</u>	<u>6,717</u>	<u>6,737</u>	<u>14,272</u>
LIABILITIES				
Current Liabilities:				
Accounts payable	313,529	8,477	3,332	14,190
Accrued payroll	108,533	1,504	1,442	2,430
Due to other funds	2,038,379			
Unearned revenue				
Deposits payable			18,382	22,525
Current portion of compensated absences	22,361	1,143	1,166	1,900
Total current liabilities	<u>2,482,802</u>	<u>11,124</u>	<u>24,322</u>	<u>41,045</u>
Noncurrent liabilities:				
Compensated absences	67,084	3,428	3,499	5,701
Net pension liability	1,843,899	24,075	24,149	51,154
Total noncurrent liabilities	<u>1,910,983</u>	<u>27,503</u>	<u>27,648</u>	<u>56,855</u>
Total liabilities	<u>4,393,785</u>	<u>38,627</u>	<u>51,970</u>	<u>97,900</u>
DEFERRED INFLOWS OF RESOURCES				
Differences between projected and actual earnings on pension plan investments	619,637	8,090	8,115	17,190
Total deferred inflows of resources	<u>619,637</u>	<u>8,090</u>	<u>8,115</u>	<u>17,190</u>
NET POSITION				
Net investment in capital assets	156,201	2,749,603	1,373,742	182,950
Unrestricted	(1,887,876)	2,993,559	2,092,397	917,149
Total net position (deficit)	<u>\$ (1,731,675)</u>	<u>\$ 5,743,162</u>	<u>\$ 3,466,139</u>	<u>\$ 1,100,099</u>

See accompanying notes to financial statements

<u>Business-type Activities</u>		<u>Governmental</u>
<u>Enterprise Funds</u>		<u>Activities</u>
	Total	Internal Service
<u>Transit</u>	<u>Enterprise Funds</u>	<u>Fund</u>
\$ -	\$ 5,941,351	\$ 10,810
1,181,943	1,181,943	
316,725	3,163,731	
498	592	
	2,564	
	17,362	
<u>1,499,166</u>	<u>10,307,543</u>	<u>10,810</u>
64,496	617,857	
1,366,151	10,433,838	
(826,692)	(5,985,244)	
<u>603,955</u>	<u>5,066,451</u>	
<u>2,103,121</u>	<u>15,373,994</u>	<u>10,810</u>
53,912	596,078	
<u>53,912</u>	<u>596,078</u>	
12,737	352,265	2,950
13,693	127,602	2,460
1,004,446	3,042,825	
1,609,564	1,609,564	
	40,907	
<u>3,284</u>	<u>29,854</u>	<u>5,400</u>
<u>2,643,724</u>	<u>5,203,017</u>	<u>10,810</u>
9,851	89,563	
193,236	2,136,513	
<u>203,087</u>	<u>2,226,076</u>	
<u>2,846,811</u>	<u>7,429,093</u>	<u>10,810</u>
64,936	717,968	
<u>64,936</u>	<u>717,968</u>	
1,785,898	6,248,394	
(2,540,612)	1,574,617	
<u>\$ (754,714)</u>	<u>\$ 7,823,011</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, 2015

	Business-type Activities			
	Enterprise Funds			
	CCF	Federal WWTP	Sewer	Refuse
OPERATING REVENUES				
Charges for services	\$ 15,137,563	\$ 989,332	\$ 971,961	\$ 865,450
Connection and installation fees			4,356	
Other	24,972		130,242	
Total operating revenues	<u>15,162,535</u>	<u>989,332</u>	<u>1,106,559</u>	<u>865,450</u>
OPERATING EXPENSES				
Salaries and wages	4,383,307	59,008	55,713	119,403
Training and development	13,003			
Contract and professional services	2,767,162	409,671	66,586	335,856
Maintenance and operations	221,774	25,524	523,685	126,285
Materials and supplies	225,772	48,721	3,107	15,861
Insurance	104,130	15,592	15,592	15,592
Utilities	364,017	38,439	211	
Administrative service charges		93,584	82,330	89,065
Depreciation	42,636	179,008	80,292	40,605
Leases and rents	1,878,590			
Bad debt expense			599	2,716
Other operating expenses	1,874,178	66,195	115,933	85,868
Total operating expenses	<u>11,874,569</u>	<u>935,742</u>	<u>944,048</u>	<u>831,251</u>
Operating income (loss)	<u>3,287,966</u>	<u>53,590</u>	<u>162,511</u>	<u>34,199</u>
NONOPERATING REVENUES (EXPENSES)				
Interest earnings on investments		23,497	15,841	7,225
Interest expense	(24,622)			
Intergovernmental				
Total nonoperating revenues (expenses)	<u>(24,622)</u>	<u>23,497</u>	<u>15,841</u>	<u>7,225</u>
CAPITAL CONTRIBUTION AND TRANSFERS				
Capital contribution				
Transfers in				
Transfers out		(27,271)	(27,271)	(27,271)
Total capital contribution and transfers		<u>(27,271)</u>	<u>(27,271)</u>	<u>(27,271)</u>
Changes in net position	<u>3,263,344</u>	<u>49,816</u>	<u>151,081</u>	<u>14,153</u>
Total net position (deficit), beginning of fiscal year	(2,719,530)	5,723,055	3,344,859	1,149,073
Prior period adjustments	(2,275,489)	(29,709)	(29,801)	(63,127)
Total net position (deficit), beginning of fiscal year, restated	<u>(4,995,019)</u>	<u>5,693,346</u>	<u>3,315,058</u>	<u>1,085,946</u>
Total net position (deficit), end of fiscal year	<u>\$ (1,731,675)</u>	<u>\$ 5,743,162</u>	<u>\$ 3,466,139</u>	<u>\$ 1,100,099</u>

See accompanying notes to financial statements

Business-type Activities		Governmental Activities
Enterprise Funds		Internal Service Fund
Transit	Total Enterprise Funds	
\$ 348,531	\$ 18,312,837	\$ 164,187
	4,356	
79,893	235,107	
428,424	18,552,300	164,187
502,293	5,119,724	116,502
2,055	15,058	
2,933	3,582,208	
197,673	1,094,941	8,331
12,211	305,672	4,893
15,592	166,498	
7,415	410,082	4,793
	264,979	15,912
134,499	477,040	
	1,878,590	
	3,315	
11,979	2,154,153	13,756
886,650	15,472,260	164,187
(458,226)	3,080,040	
	46,563	
(13,824)	(38,446)	
335,450	335,450	
321,626	343,567	
157,518	157,518	
262,360	262,360	
	(81,813)	
419,878	338,065	
283,278	3,761,672	
(770,932)	6,726,525	
(267,060)	(2,665,186)	
(1,037,992)	4,061,339	
\$ (754,714)	\$ 7,823,011	\$ -

**CITY OF TAFT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	Business-type Activities		
	Enterprise Funds		
	CCF	Federal WWTP	Sewer
Cash Flows from Operating Activities:			
Cash received from customers and users	\$ 15,587,728	\$ 906,888	\$ 1,104,246
Cash paid to suppliers for goods and services	(7,369,059)	(716,055)	(804,736)
Cash paid to employees for services	(4,646,726)	(62,257)	(58,937)
Net cash provided (used) by operating activities	<u>3,571,943</u>	<u>128,576</u>	<u>240,573</u>
Cash Flows from Capital and Related Financing Activities:			
Acquisition, proceeds, and construction of capital assets		(73,947)	
Interest paid			
Capital contribution			
Net cash provided (used) by capital and related financing activities		<u>(73,947)</u>	
Cash Flows from Non-Capital Financing Activities:			
Intergovernmental grant received			
Cash received (paid) to/from other funds, including interest	(3,570,836)		
Transfers in		(27,271)	(27,271)
Net Cash provided (used) by Non-Capital Financing Activities:	<u>(3,570,836)</u>	<u>(27,271)</u>	<u>(27,271)</u>
Cash Flows from Investing Activities:			
Interest received	(307)	23,474	15,781
Net Cash provided (used) by investing activities	<u>(307)</u>	<u>23,474</u>	<u>15,781</u>
Net increase (decrease) in cash and cash equivalents	800	50,832	229,083
Cash and Cash Equivalents at Beginning of Fiscal Year	<u>3,220</u>	<u>2,900,001</u>	<u>1,829,860</u>
Cash and Cash Equivalents at End of Fiscal Year	<u>\$ 4,020</u>	<u>\$ 2,950,833</u>	<u>\$ 2,058,943</u>
Reconciliation to Statement of Net Position:			
Cash and investments	\$ 4,020	\$ 2,950,833	\$ 2,058,943
Restricted cash and investments			
Total cash and cash equivalents	<u>\$ 4,020</u>	<u>\$ 2,950,833</u>	<u>\$ 2,058,943</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	\$ 3,287,966	\$ 53,590	\$ 162,511
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	42,636	179,008	80,292
(Increase) decrease in accounts receivable	425,193	(82,444)	(1,403)
(Increase) decrease in prepaid expenses	19,640	89	89
(Increase) decrease in deposits			(17)
(Increase) decrease in deferred outflows of resources - pension	(270,500)	(3,532)	(3,542)
Increase (decrease) in deferred inflows of resources - pension	619,637	8,090	8,115
Increase (decrease) in net pension liability	(675,530)	(8,819)	(8,847)
Increase (decrease) in accounts payable	59,927	(18,418)	3,218
Increase (decrease) in accrued payroll	32,089	232	225
Increase (decrease) in unearned revenue			
Increase (decrease) in deposits payable			(893)
Increase (decrease) in compensated absences	30,885	780	825
Total adjustments	<u>283,977</u>	<u>74,986</u>	<u>78,062</u>
Net cash provided (used) by operating activities	<u>\$ 3,571,943</u>	<u>\$ 128,576</u>	<u>\$ 240,573</u>

See accompanying notes to financial statements

Business-type Activities			Governmental Activities
Enterprise Funds			Internal Service Fund
Refuse	Transit	Totals	
\$ 852,022	\$ 1,052,550	\$ 19,503,434	\$ 164,187
(665,153)	(244,560)	(9,799,563)	(45,240)
(126,712)	(535,287)	(5,429,919)	(120,137)
60,157	272,703	4,273,952	(1,190)
	(223,298)	(297,245)	
	(13,824)	(13,824)	
	157,518	157,518	
	(79,604)	(153,551)	
	335,450	335,450	
580,118	297,200	(2,693,518)	
(27,271)	262,360	180,547	
552,847	895,010	(2,177,521)	
7,207	(56)	46,099	
7,207	(56)	46,099	
620,211	1,088,053	1,988,979	(1,190)
307,344	93,890	5,134,315	12,000
\$ 927,555	\$ 1,181,943	\$ 7,123,294	\$ 10,810
\$ 927,555	\$ -	\$ 5,941,351	\$ 10,810
	1,181,943	1,181,943	
\$ 927,555	\$ 1,181,943	\$ 7,123,294	\$ 10,810
\$ 34,199	\$ (458,226)	\$ 3,080,040	\$ -
40,605	134,499	477,040	
(12,351)	122,893	451,888	
203	3,286	23,307	891
		(17)	
(7,504)	(28,348)	(313,426)	
17,190	64,936	717,968	
(18,741)	(70,794)	(782,731)	
5,887	2,012	52,626	1,554
360	1,909	34,815	544
	501,233	501,233	
(1,077)		(1,970)	
1,386	(697)	33,179	(4,179)
25,958	730,929	1,193,912	(1,190)
\$ 60,157	\$ 272,703	\$ 4,273,952	\$ (1,190)

CITY OF TAFT
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
June 30, 2015

	Private-Purpose Trust Funds	Agency Funds
ASSETS		
Cash and investments	\$ 95,656	\$ 65,708
Cash and investments with fiscal agents	465,448	3,245,924
Interest receivable	120	
Capital assets - nondepreciable	1,698,163	
Capital assets - being depreciated	407,116	
Capital assets - accumulated depreciation	(215,950)	
Total assets	2,450,553	\$ 3,311,632
LIABILITIES		
Accounts payable	597	\$ 13,656
Accrued payroll	625	
Accrued interest payable	93,152	
Deposits payable		159,000
Due to inmates		51,493
Compensated absences	15,393	
Due to bondholders		3,087,483
Loan payable to City of Taft	2,535,490	
Bonds payable	3,230,000	
Total liabilities	5,875,257	\$ 3,311,632
NET POSITION		
Restricted for debt service	372,296	
Unrestricted	(3,797,000)	
Total net position (deficit)	\$ (3,424,704)	

See accompanying notes to financial statements

**CITY OF TAFT
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	Private Purpose Trust Funds
Additions:	
Investment revenue	\$ 129,582
Taxes and assessments	272,269
Total additions	401,851
Deductions:	
Community development	103,162
Interest expense	197,335
Depreciation	10,178
Total deductions	310,675
Change in net position	91,176
Net Position (Deficit) - July 1, 2014	(3,521,064)
Prior Period Adjustment	5,184
Net Position (Deficit) - July 1, 2014, Restated	(3,515,880)
Net Position (Deficit) - June 30, 2015	\$ (3,424,704)

See accompanying notes to financial statements

This page intentionally left blank

CITY OF TAFT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

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, 2015

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, 2015

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 position 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, 2015

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 TDA 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.

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

**CITY OF TAFT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Basis of Accounting/Measurement Focus (Continued)

Proprietary Fund Financial Statements

Proprietary Fund Financial Statements include a Statement of Net 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.

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.

CITY OF TAFT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Basis of Accounting/Measurement Focus (Continued)

Fiduciary Fund Financial Statements

Fiduciary Fund Financial Statements include a Statement of 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.

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, 2015

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

In addition to assets, the statement of net position and balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has deferred outflows of resources on pensions in the statement of net position.

In addition to liabilities, the statement of net position and balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The City has deferred inflows of resources-deferred revenue – loans/notes on the fund financial statements and pensions in the statement of net position.

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, 2015

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, 2015.

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, for less than four years of service; from four years through nine years of service, fifteen days are earned; from ten years through nineteen years of 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, 2015, amounted to \$143,437 for Governmental Activities and \$119,417 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, 2015

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 affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

P. Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City's California Public Employees' Retirement System (CalPERS) plans (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported as fair value.

Q. New Accounting Pronouncements

Governmental Accounting Standards Board Statement No. 68

For the fiscal year ended June 30, 2015, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 68, "*Accounting and Financial Reporting for Pensions.*" This Statement is effective for periods beginning after June 15, 2014. The objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. This Statement replaces the requirements of Statement No. 27, "*Accounting for Pensions by State and Local Governmental Employers*" as well as the requirements of Statement No. 50, "*Pension Disclosures*". This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense related to pensions. Implementation of the GASB Statement No. 68 did have an impact on the City's financial statements for the fiscal year ended June 30, 2015, see Note 1 (P) – Pensions, Note 9 – Pensions Plan, and Note 16 – Prior Period Adjustments.

Governmental Accounting Standards Board Statement No. 71

For the fiscal year ended June 30, 2015, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 71, "*Pension Transition for Contributions Made Subsequent to the Measurement Date.*" This Statement is effective for periods beginning after June 15, 2014. The objective of this Statement is to address an issue regarding application of the transition of GASB Statement No. 68 "*Accounting and Financial Reporting for Pensions.*" The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. This statement will eliminate the source of potential significant understatement of restated beginning net position and expense in the first year of implementation of GASB Statement No. 68 in the accrual-basis financial statements of employers and nonemployer contributing entities. Implementation of the GASB Statement No. 71 did have an impact on the City's financial statements for the fiscal year ended June 30, 2015, see Note 1 (P) – Pensions, Note 9 – Pension Plan, and Note 16 – Prior Period Adjustments.

CITY OF TAFT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

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.

There were no budgets adopted for the following funds: RLF-CDBG (major fund), Revolving Loan Fund – Home (major fund), Cal Homes Revolving Loan, and TARP Revolving Loan.

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, 2015, 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.

**CITY OF TAFT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

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

B. Deficit Fund Balances/Net Position

The following funds contained deficit fund balances/net position as of June 30, 2015:

Major Proprietary Funds:	
CCF	\$ 1,731,675
Transit	754,714
Nonmajor Governmental Fund:	
Landscape Assessment District	39,622

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	\$ 1,419,774	\$ 1,313,380	\$ 106,394
Public works	1,160,631	1,122,686	37,945
Community development	556,320	502,961	53,359
Capital outlay	1,145,500	253,700	891,800
Nonmajor Governmental Funds			
Asset Forfeiture			
Public safety	35,131	2,300	32,831
Landscape Assessment			
Public works	19,011	18,321	690
WWTP			
General government	879,591	747,527	132,064
Capital outlay	234,694	52,500	182,194

**CITY OF TAFT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

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, 2015, consisted of the following:

Statement of Net Position:	
Cash and investments	\$ 9,503,424
Restricted cash and investments	1,181,943
Statement of Fiduciary Net Position:	
Cash and investments	161,364
Cash and investments with fiscal agents	<u>3,711,372</u>
 Total cash and investments	 <u><u>\$ 14,558,103</u></u>

Cash and investments as of June 30, 2015 consisted of the following:

Cash on hand	\$ 5,285
Deposits held by financial institutions	1,966,685
Investments	<u>12,586,133</u>
 Total cash and investments	 <u><u>\$ 14,558,103</u></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.

<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

**CITY OF TAFT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 3 – CASH AND INVESTMENTS (CONTINUED)

Investment Authorized by Debt Agreements

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

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

Disclosures Relating to Interest Rate Risk

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

<u>Investment Type</u>	<u>Remaining Maturity (in Months)</u>			<u>Total</u>
	<u>12 Months or Less</u>	<u>13 to 24 Months</u>	<u>25 to 60 Months</u>	
State Investment Pool (LAIF)	\$ 2,892,758	\$ -	\$ -	\$ 2,892,758
Certificates of Deposit	631,857	100,446	2,249,700	2,982,003
U.S. Agency Securities			3,000,000	3,000,000
Held by Trustees:				
U.S. Agency Securities			363,540	363,540
Money Market Funds	3,347,832			3,347,832
Total	\$ 6,872,447	\$ 100,446	\$ 5,613,240	\$ 12,586,133

**CITY OF TAFT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 3 – CASH AND INVESTMENTS (CONTINUED)

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the City’s investment policy, or debt agreements, and the actual rating as of 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)	\$ 2,892,758	N/A	\$ -	\$ -	\$ -	\$ -	\$ 2,892,758
Certificates of Deposit	2,982,003	N/A					2,982,003
U.S. Agency Securities	3,000,000	N/A			3,000,000		
Held by Trustees:							
U.S. Agency Securities	363,540	N/A			363,540		
Money Market Funds	<u>3,347,832</u>	N/A		<u>3,347,832</u>			
Total	<u>\$ 12,586,133</u>		<u>\$ -</u>	<u>\$ 3,347,832</u>	<u>\$ 3,363,540</u>	<u>\$ -</u>	<u>\$ 5,874,761</u>

Concentration of Credit Risk

The City is in compliance with restrictions imposed by the investment policy, which limits certain types of investments. As of June 30, 2015, the City has not invested more than 5% of its total investments in any one issuer. Investments guaranteed by the United States Government and investments in mutual funds and external investment pools are excluded from this requirement.

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.

**CITY OF TAFT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 3 – CASH AND INVESTMENTS (CONTINUED)

Custodial Credit Risk (Continued)

As of June 30, 2015, all of the City's deposits with financial institutions in excess of federal depository insurance limits were held in collateralized accounts. As of June 30, 2015, the City's investment in the following type was held by the same broker-dealer (Counterparty) that was used by the City to buy the security:

<u>Investment Type</u>	<u>Reported Amount</u>
Certificates of Deposit	\$2,982,003

Investment in State Investment Pool

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

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

NOTE 4 – NOTES RECEIVABLE

The City operates a loan program whereby funds are made available to eligible businesses and individuals for various purposes. Grant funds were originally used to start the program and repayments are required to be used for the same purpose. As of June 30, 2015, the balance of notes receivable was \$ 3,279,740. Of this amount, \$2,823,989 is deferred housing loans, which are due when the properties are transferred. These loans are collateralized by the titles of the properties. The remaining balances are made up of CDBG loans made to local businesses. These loans carry interest rates between 1% to 5%. All the loans are deferred revenue offsets.

NOTE 5 – INTERFUND ACTIVITIES

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

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

**CITY OF TAFT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 5 – INTERFUND ACTIVITIES (Continued)

Interfund transfers during the fiscal year ended June 30, 2015 are as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
Major Governmental Funds:		
General	\$ 466,120	\$ -
TDA		368,521
WWTP Capital Projects	131,200	
Nonmajor Governmental Funds:		
Traffic Safety		6,068
Gas Tax		244,807
WWTP Special Revenue		158,471
Major Proprietary Funds:		
Federal WWTP		27,271
Sewer		27,271
Refuse		27,271
Transit	262,360	
Total interfund transfers	<u>\$ 859,680</u>	<u>\$ 859,680</u>

Current interfund balances arise in the normal course of business (i.e. one fund loaning funds to pay for current expenditures) and are expected to be repaid shortly after the end of the fiscal year. The following is a summary of interfund balances as of June 30, 2015.

	<u>Due from (Receivable)</u>	<u>Due to (Payable)</u>
Major Governmental Funds:		
General	\$ 2,546,141	\$ -
WWTP Capital Projects	1,254,561	
Major Proprietary Funds:		
CCF		2,038,379
Transit		1,004,446
Nonmajor Governmental Funds:		
TDA		700,624
Landscape Assessment District		35,387
Inmate Welfare Trust		21,866
Total	<u>\$ 3,800,702</u>	<u>\$ 3,800,702</u>

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, 2015

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, 2015.

<u>Governmental Activities</u>	Balance July 1, 2014	Additions	Deletions	Transfers	Prior Period Adjustment	Balance June 30, 2015
Capital assets not being depreciated:						
Land	\$ 1,328,603	\$ -	\$ -	\$ -	\$ -	\$ 1,328,603
Construction in progress	359,848	1,124,673		(823,782)	2,896	663,635
Total capital assets not being depreciated	<u>1,688,451</u>	<u>1,124,673</u>		<u>(823,782)</u>	<u>2,896</u>	<u>1,992,238</u>
Capital assets being depreciated:						
Structures and improvements	8,735,928			823,782		9,559,710
Machinery and equipment	3,413,150	270,374	(158,120)		95,590	3,620,994
Infrastructure:						
Roadway system	4,613,734	40,276			3,433	4,657,443
Bridges	265,183					265,183
Total capital assets being depreciated	<u>17,027,995</u>	<u>310,650</u>	<u>(158,120)</u>	<u>823,782</u>	<u>99,023</u>	<u>18,103,330</u>
Less accumulated depreciation for:						
Structures and improvements	(5,174,068)	(261,880)				(5,435,948)
Machinery and equipment	(3,130,900)	(224,050)	158,120		11,370	(3,185,460)
Infrastructure:						
Roadway system	(1,670,698)	(202,583)				(1,873,281)
Bridges	(238,665)	(8,839)				(247,504)
Total accumulated depreciation	<u>(10,214,331)</u>	<u>(697,352)</u>	<u>158,120</u>		<u>11,370</u>	<u>(10,742,193)</u>
Total capital assets, being depreciated net of accumulated depreciation	<u>6,813,664</u>	<u>(386,702)</u>		<u>823,782</u>	<u>110,393</u>	<u>7,361,137</u>
Total Governmental activities capital assets, net of accumulated depreciation	<u>\$ 8,502,115</u>	<u>\$ 737,971</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 113,289</u>	<u>\$ 9,353,375</u>

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

General government	\$ 120,337
Public safety	79,195
Public works	444,888
Health and welfare	50,514
Community development	<u>2,418</u>
 Total depreciation expense - governmental activities	 <u>\$ 697,352</u>

**CITY OF TAFT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 6 – CAPITAL ASSETS AND DEPRECIATION (Continued)

Changes in business-type activities capital assets:

<u>Business-type activities</u>	<u>Balance July 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Reclassification</u>	<u>Balance June 30, 2015</u>
Capital assets not being depreciated:					
Land	\$ 11,850	\$ -	\$ -	\$ -	\$ 11,850
Construction in progress	467,564	138,443			606,007
Total capital assets not being depreciated	<u>479,414</u>	<u>138,443</u>			<u>617,857</u>
Capital assets being depreciated:					
Structures and improvements	5,887,340	158,802			6,046,142
Machinery and equipment	1,478,961				1,478,961
Sewer infrastructure	2,908,735				2,908,735
Total capital assets being depreciated	<u>10,275,036</u>	<u>158,802</u>			<u>10,433,838</u>
Less accumulated depreciation for:					
Structures and improvements	(3,144,774)	(253,240)		41,848	(3,356,166)
Machinery and equipment	(908,730)	(143,508)		(41,848)	(1,094,086)
Sewer infrastructure	(1,454,700)	(80,292)			(1,534,992)
Total accumulated depreciation	<u>(5,508,204)</u>	<u>(477,040)</u>			<u>(5,985,244)</u>
Total capital assets, being depreciated, net of accumulated depreciation	<u>4,766,832</u>	<u>(318,238)</u>			<u>4,448,594</u>
Total Business-type activities capital assets, net of accumulated depreciation	<u>\$ 5,246,246</u>	<u>\$ (179,795)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,066,451</u>

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

CCF	\$ 42,636
Federal WWTP	179,008
Sewer	80,292
Refuse	40,605
Transit	<u>134,499</u>
Total depreciation expense - business-type activities	<u>\$ 477,040</u>

NOTE 7 – GOVERNMENTAL ACTIVITIES LONG-TERM DEBT

During the fiscal year ended June 30, 2015, 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, 2015**

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

During the fiscal year ended June 30, 2015, 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. The outstanding balance was restated during fiscal year per implementation of GASB Statement No. 68 and No. 71. See Note 16 for further details.

	Balance July 1, 2014	Prior Period Adjustment	Additions	Deletions	Balance June 30, 2015	Due in One Year
<u>Governmental Activities:</u>						
Compensated Absences	\$ 158,437	\$ -	\$ 36,158	\$ (51,158)	\$ 143,437	\$ 35,859
Net pension liability		4,087,858	1,434,259	(2,347,723)	3,174,394	
CalPERS side fund obligation	198,868	(198,868)				
Total governmental activities	<u>\$ 357,305</u>	<u>\$ 3,888,990</u>	<u>\$ 1,470,417</u>	<u>\$ (2,398,881)</u>	<u>\$ 3,317,831</u>	<u>\$ 35,859</u>

NOTE 8 – BUSINESS-TYPE ACTIVITIES LONG-TERM DEBT

During the fiscal year ended June 30, 2015, the following changes occurred to the business-type activities long-term liabilities:

	Balance July 1, 2014	Prior Period Adjustment	Additions	Deletions	Balance June 30, 2015	Due in One Year
<u>Business type activities</u>						
Compensated Absences	\$ 86,238	\$ -	\$ 100,870	\$ (67,691)	\$ 119,417	\$ 29,854
Net pension liability		2,919,244	1,100,507	(1,883,238)	2,136,513	
Total business-type activities	<u>\$ 86,238</u>	<u>\$ 2,919,244</u>	<u>\$ 1,201,377</u>	<u>\$ (1,950,929)</u>	<u>\$ 2,255,930</u>	<u>\$ 29,854</u>

Compensated Absences

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

NOTE 9 – PENSION PLAN

A. General Information about the Pension Plan

Plan Descriptions - All qualified employees are eligible to participate in the City's separate Safety (fire) and Miscellaneous (all other) Plans, cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS), which acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plans are established by State statute and Local Government resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

**CITY OF TAFT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 9 – PENSION PLAN (Continued)

A. General Information about the Pension Plan (Continued)

Benefits Provided - CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Plans' provisions and benefits in effect at June 30, 2015, are summarized as follows:

	City Safety Plan	
	Tier I	Tier II
	Prior to October 3, 1996	On or after October 3, 1996
Hire date		
Benefit formula	2.0% @ 50	2.0% @ 55
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 55	50 - 55
Monthly benefits, as a % of eligible compensation	2.0% to 2.7%	1.4% to 2.0%
Required employee contribution rates	7.00%	9.50%
Required employer contribution rates	11.53%	9.069%
	City Miscellaneous Plan	
	Tier I	PEPRA
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	2.0% @ 55	2.0% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 -63	52 - 67
Monthly benefits, as a % of eligible compensation	1.4% to 2.4%	1.0% to 2.5%
Required employee contribution rates	7.00%	6.25%
Required employer contribution rates	11.032%	6.237%

Contributions - Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the fiscal year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

**CITY OF TAFT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 9 – PENSION PLAN (Continued)

A. General Information about the Pension Plan (Continued)

For the fiscal year ended June 30, 2015, the contributions recognized as part of pension expense were as follows:

Contributions – employer (Safety Plan)	\$252,658
Contributions – employer (Miscellaneous Plan)	\$380,720

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2015, the City reported net pension liability for its proportionate share of the net pension liability in the amount of \$5,310,907.

The City’s net pension liability is measured as the proportionate share of the net pension liability. The net pension liability is measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014 using standard update procedures. The City's proportion of the net pension liability was based on a projection of the City’s long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined.

	Safety	Miscellaneous
Proportion - June 30, 2013	0.03910%	0.04625%
Proportion - June 30, 2014	0.03910%	0.04625%
Change - Increase (Decrease)	-	-

For the fiscal year ended June 30, 2015, the City recognized pension expense of \$754,630. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	(1,582,020)
Changes in proportion and differences between City contributions and proportionate share of contributions	140,849	(88,770)
City contributions subsequent to the measurement date	1,221,754	-
	\$ 1,362,603	\$ (1,670,790)

**CITY OF TAFT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 9 – PENSION PLAN (Continued)

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

\$1,221,754 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Fiscal Year Ended June 30	
2016	\$ (382,485)
2017	(382,485)
2018	(382,485)
2019	(382,486)

Actuarial Assumptions - The total pension liabilities in the June 30, 2013 actuarial valuations were determined using the following actuarial assumptions:

	<u>Safety</u>	<u>Miscellaneous</u>
Valuation Date	June 30, 2013	June 30, 2013
Measurement Date	June 30, 2014	June 30, 2014
Actuarial Cost Method	Entry-Age Normal Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:		
Discount Rate	7.50%	7.50%
Inflation	2.75%	2.75%
Payroll Growth	3.00%	3.00%
Projected Salary Increase	3.30%-14.20% (1)	3.30%-14.20% (1)
Investment Rate of Return	7.50% (2)	7.50% (2)
Mortality	Derived using CalPERS' Membership Data for all Funds	Derived using CalPERS' Membership Data for all Funds

(1) Depending on age, service and type of employment

(2) Net of pension plan investment expenses, including inflation

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2013 valuation were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can be found on the CalPERS website.

CITY OF TAFT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 9 – PENSION PLAN (Continued)

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

Discount Rate - The discount rate used to measure the total pension liability was 7.50% for each Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.50 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.50 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50 percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65 percent. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as we have changed our methodology.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

**CITY OF TAFT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 9 – PENSION PLAN (Continued)

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

<u>Asset Class</u>	<u>New Strategic Allocation</u>	<u>Real Return Year 1 - 10(a)</u>	<u>Real Return Years 11+(b)</u>
Global Equity	47.00%	5.25%	5.71%
Global Fixed Income	19.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	12.00%	6.83%	6.95%
Real Estate	11.00%	4.50%	5.13%
Infrastructure and Forestland	3.00%	4.50%	5.09%
Liquidity	<u>2.00%</u>	-0.55%	-1.05%
 Total	 100.00%		

(a) An expected inflation of 2.5% used for this period.

(b) An expected inflation of 3.0% used for this period.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate -The following presents the net pension liability of the Local Government for each Plan, calculated using the discount rate for each Plan, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	<u>Safety</u>	<u>Miscellaneous</u>
1% Decrease	6.50%	6.50%
Net Pension Liability	\$ 3,954,426	\$ 5,127,324
 Current Discount Rate	 7.50%	 7.50%
Net Pension Liability	\$ 2,433,122	\$ 2,877,785
 1% Increase	 8.50%	 8.50%
Net Pension Liability	\$ 1,179,632	\$ 1,010,882

Pension Plan Fiduciary Net Position - Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

**CITY OF TAFT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 10 – NET POSITION AND FUND BALANCES

Governmental and Business -Type Activities

Net Position

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.

Fund Balances

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the government funds.

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.

**CITY OF TAFT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 11 – RISK MANAGEMENT (Continued)

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 reinsurance above \$5,000,000 to the statutory limit.

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, 2015, 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, 2015**

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. 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 during the 2015/2016 fiscal year.

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 June 30,	Amount
2016	\$ 36,000
2017	36,000
2018	36,000
2019	36,000
2020	36,000
Thereafter	<u>306,000</u>
Total	<u>\$ 486,000</u>

**CITY OF TAFT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 13 – FUND EQUITY

Fund Balance – Governmental Funds

As of June 30, 2015, fund balances of the governmental funds are classified as follows:

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

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

	General	Revolving Loan Fund CDBG	Revolving Loan Fund Home	TDA	WWTP Capital Projects	Total Non-major Governmental Funds	Total
Nonspendable:							
Prepaid items	\$ 33,357	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 33,357
Inventory						1,412	1,412
Principal on advances	<u>2,457,798</u>						<u>2,457,798</u>
Total Nonspendable	<u>2,491,155</u>					<u>1,412</u>	<u>2,492,567</u>
Restricted for:							
Streets and roads				90,382		350	90,732
Public safety						190,216	190,216
Community development		478,123	125,945			163,428	767,496
Capital Projects - WWTP					<u>3,748,856</u>	<u>82,702</u>	<u>3,831,558</u>
Total Restricted		<u>478,123</u>	<u>125,945</u>	<u>90,382</u>	<u>3,748,856</u>	<u>436,696</u>	<u>4,880,002</u>
Unassigned	<u>2,967,419</u>					<u>(39,622)</u>	<u>2,927,797</u>
Total Fund Balances	<u>\$ 5,458,574</u>	<u>\$ 478,123</u>	<u>\$ 125,945</u>	<u>\$ 90,382</u>	<u>\$ 3,748,856</u>	<u>\$ 398,486</u>	<u>\$ 10,300,366</u>

**CITY OF TAFT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

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, 2015 is \$3,445,000.

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

The accompanying financial statements include adjustments that resulted in the restatements of beginning net position and fund balances due to the implementation of GASB Nos. 68 and 71. The following summarizes the effect of the prior period adjustments to beginning net position and fund balances as of July 1, 2014:

Reason for adjustments	Governmental Activities	Business-type Activities
	<u> </u>	<u> </u>
PERS side fund	\$ 198,868	\$ -
Net pension liabilities	(4,087,858)	(2,919,244)
Deferred outflow of resources - City's contribution subsequent of the measurement	350,726	282,652
Understatement of capital assets, net	113,289	
(Overstatement) of accounts receivable		(35,194)
Understatement of cash and investments		6,600
(Overstatement) of cash and investments	(6,600)	
	<u> </u>	<u> </u>
	<u>\$ (3,431,575)</u>	<u>\$ (2,665,186)</u>

**CITY OF TAFT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 16 – PRIOR PERIOD ADJUSTMENTS (Continued)

Reason for adjustments	Proprietary Funds				
	CCF	Federal WWTP	Sewer	Refuse	Transit
Net pension liabilities	\$ (2,519,429)	\$ (32,894)	\$ (32,996)	\$ (69,895)	\$ (264,030)
Deferred outflow of resources - City's contribution subsequent of the measurement	243,940	3,185	3,195	6,768	25,564
Understatement of cash and investments (Overstatement) of accounts receivable					6,600 (35,194)
	<u>\$ (2,275,489)</u>	<u>\$ (29,709)</u>	<u>\$ (29,801)</u>	<u>\$ (63,127)</u>	<u>\$ (267,060)</u>

Reason for adjustments	Governmental Funds	Governmental Funds	Private-Purpose
	Major Fund	Nonmajor Funds	Trust Fund
		Asset	
		Forfeiture	Post RDA
	General	Special Revenue	Debt
	Fund	Fund	Retirement
(Overstatement) of cash and investments	\$ (106,688)	\$ -	\$ -
Understatement of cash and investments		100,088	
Overstatement of accounts payable			5,184
	<u>\$ (106,688)</u>	<u>\$ 100,088</u>	<u>\$ 5,184</u>

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 same 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 months 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. The lease was ended in January, 2016. Currently, it is listed for sale.

A City employee's family member obtained a loan under a City grant program, which was approved by the City Council and the State of California Agency administering the grant program. The loan was paid off in the amount of \$156,513 on June 15, 2015.

NOTE 18 – SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY

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

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

**CITY OF TAFT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 18 – SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY (Continued)

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

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

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

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, 2015 was as follows:

	<u>Balance</u> <u>July 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2015</u>
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	(205,772)	(10,178)		(215,950)
Total accumulated depreciation	<u>(205,772)</u>	<u>(10,178)</u>		<u>(215,950)</u>
Total capital assets, being depreciated net of accumulated depreciation	<u>201,344</u>	<u>(10,178)</u>		<u>191,166</u>
Total Governmental activities capital assets, net of accumulated depreciation	<u>\$ 1,899,507</u>	<u>\$ (10,178)</u>	<u>\$ -</u>	<u>\$ 1,889,329</u>

**CITY OF TAFT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 18 – SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY (Continued)

The following is a schedule of long-term liabilities for the fiscal year ended June 30, 2015:

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015	Due in One Year
1998 Revenue Refunding Bonds	\$ 3,395,000	\$ -	\$ (165,000)	\$ 3,230,000	\$ 175,000
Total governmental activities	<u>\$ 3,395,000</u>	<u>\$ -</u>	<u>\$ (165,000)</u>	<u>\$ 3,230,000</u>	<u>\$ 175,000</u>

The maturity schedule of the bonds is as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
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	220,000	143,550	363,550
2021-2025	1,285,000	512,430	1,797,430
2026-2028	<u>970,000</u>	<u>114,550</u>	<u>1,084,550</u>
Total	<u>\$ 3,230,000</u>	<u>\$ 1,457,250</u>	<u>\$ 4,687,250</u>

NOTE 19 - OTHER MATTERS

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

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

CITY OF TAFT
MAJOR FUND BUDGETARY COMPARISON SCHEDULES
JUNE 30, 2015

Budgetary comparison schedules are presented as Required Supplementary Information for the General Fund and TDA Special Revenue 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.

This page intentionally left blank

CITY OF TAFT
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Property taxes	\$ 1,415,177	\$ 1,415,177	\$ 1,372,304	\$ (42,873)
Sales taxes	1,650,336	1,650,336	1,475,787	(174,549)
Other taxes	414,260	414,260	526,768	112,508
Licenses and permits, and fees	265,204	265,204	312,364	47,160
Fines and forfeitures	1,540	1,540	8,182	6,642
Use of money and property	106,150	106,150	198,178	92,028
Intergovernmental	188,718	188,718	997,989	809,271
Current services charges	2,553,049	2,553,049	2,318,050	(234,999)
Other	28,975	28,975	613,749	584,774
	<u>6,623,409</u>	<u>6,623,409</u>	<u>7,823,371</u>	<u>1,199,962</u>
EXPENDITURES				
Current:				
General government	1,313,380	1,313,380	1,419,774	(106,394)
Public safety	3,680,020	3,680,020	3,498,974	181,046
Public works	1,122,686	1,122,686	1,160,631	(37,945)
Community development	502,961	502,961	556,320	(53,359)
Capital outlay	253,700	253,700	1,145,500	(891,800)
	<u>6,872,747</u>	<u>6,872,747</u>	<u>7,781,199</u>	<u>(908,452)</u>
Excess (deficiency) of revenues over expenditures	<u>(249,338)</u>	<u>(249,338)</u>	<u>42,172</u>	<u>291,510</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>249,338</u>	<u>249,338</u>	<u>466,120</u>	<u>216,782</u>
Total other financing sources (uses)	<u>249,338</u>	<u>249,338</u>	<u>466,120</u>	<u>216,782</u>
Net change in fund balance	<u> </u>	<u> </u>	<u>508,292</u>	<u>508,292</u>
Fund balance, beginning of fiscal year	5,056,970	5,056,970	5,056,970	
Prior period adjustment			(106,688)	(106,688)
Fund balance, beginning of fiscal year, restated	<u>5,056,970</u>	<u>5,056,970</u>	<u>4,950,282</u>	<u>(106,688)</u>
Fund balance, end of fiscal year	<u>\$ 5,056,970</u>	<u>\$ 5,056,970</u>	<u>\$ 5,458,574</u>	<u>\$ 401,604</u>

CITY OF TAFT
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
TDA SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Original/Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Intergovernmental	\$ 1,000	\$ 368,521	\$ 367,521
Total revenues	<u>1,000</u>	<u>368,521</u>	<u>367,521</u>
OTHER FINANCING SOURCES (USES)			
Transfers out	<u>(1,000)</u>	<u>(368,521)</u>	<u>(367,521)</u>
Total other financing sources (uses)	<u>(1,000)</u>	<u>(368,521)</u>	<u>(367,521)</u>
Net change in fund balance			
Fund balance, beginning of fiscal year	<u>90,382</u>	<u>90,382</u>	
Fund balance, end of the fiscal year	<u><u>\$ 90,382</u></u>	<u><u>\$ 90,382</u></u>	<u><u>\$ -</u></u>

CITY OF TAFT
REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2015

Cost Sharing Defined Benefit Pension Plan
Last 10 Fiscal Years*
Safety and Miscellaneous Plan

Schedule of Plan's Proportionate Share of the Net Pension Liability and Related Ratios

	Safety Plan	Miscellaneous Plan
	2015 ¹	2015 ¹
Plan's proportion of the Net Pension Liability (Asset)	0.03910%	0.04625%
Plan's proportionate share of the Net Pension Liability (Asset)	\$2,433,122	\$2,877,785
Covered employee payroll ²	\$1,138,018	\$1,898,242
Plan's proportionate share of the Net Pension Liability (Asset) as a percentage of its covered employee payroll	213.80%	151.60%
Plan's fiduciary net position	\$8,924,342	\$14,079,035
Plan's proportionate share of the Fiduciary Net Pension Liability (Asset) as a percentage of the Plan's Total Pension Liability	78.58%	83.03%

¹ Historical information is required only for measurement periods for which GASB 68 is applicable.

² Covered-Employee Payroll represented above is based on pensionable earnings provided by the employer. However, GASB 68 defines covered-employee payroll as the total of employees that are provided pensions through the pension plan. Accordingly, if pensionable earnings are different than total earnings for covered-employees, the employer should display in the disclosure footnotes the payroll based on total earnings for the covered group and recalculate the required payroll-related ratios.

* Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown.

CITY OF TAFT
REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2015

Cost Sharing Defined Benefit Pension Plan
Last 10 Fiscal Years*
Safety Plan

Schedule of Contributions ¹

	Safety Plan
	Fiscal Year 2014-15
Actuarially Determined Contribution ²	\$ 488,278
Contributions in Relation to the Actuarially Determined Contribution ²	(488,278)
Contribution Deficiency (Excess)	\$ -
Covered Employee Payroll ^{3,4}	\$ 1,172,159
Contributions as a Percentage of Covered Employee Payroll ³	41.66%

¹ Historical information is required only for measurement periods for which GASB 68 is applicable.

² Employers are assumed to make contributions equal to the actuarially determined contributions. However, some employers may choose to make additional contributions towards their unfunded liability. Employer contributions for such plans exceed the actuarially determined contributions. CalPERS has determined that employer obligations referred to as "side funds" do not conform to the circumstances described in paragraph 120 of GASB 68, therefore are not considered separately financed specific liabilities.

³ Covered-Employee Payroll represented above is based on pensionable earnings provided by the employer. However, GASB 68 defines covered-employee payroll as the total payroll of employees that are provided pensions through the pension plan. Accordingly, if pensionable earnings are different than total earnings for covered-employees, the employer should display in the disclosure footnotes the payroll based on total earnings for the covered group and recalculate the required payroll-related ratios.

⁴ Payroll from prior year (\$1,138,018) was assumed to increase by the 3.00 percent payroll growth assumption.

Notes to Schedule:

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2013-14 were from the June 30, 2011 public agency valuations.

Actuarial Cost Method	Entry Age Normal
Amortization Method/Period	For detail, see June 30, 2011 Funding Valuation Report
Asset Valuation Method	Actuarial Value of Assets. For details, see June 30, 2011 Funding Valuation Report.
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Payroll Growth	3.00%
Investment Rate of Return	7.50% Net of Pension Plan Investment and Administrative Expenses; includes Inflation.
Retirement Age	The probabilities of Retirement are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007.
Mortality	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and Post-retirement mortality rates included 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.

* Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown.

CITY OF TAFT
REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2015

Cost Sharing Defined Benefit Pension Plan
Last 10 Fiscal Years*
Miscellaneous Plan

Schedule of Contributions ¹

	Miscellaneous Plan
	Fiscal Year 2014-15
Actuarially Determined Contribution ²	\$ 733,476
Contributions in Relation to the Actuarially Determined Contribution ²	(733,476)
Contribution Deficiency (Excess)	\$ -
Covered Employee Payroll ^{3,4}	\$ 1,955,189
Contributions as a Percentage of Covered Employee Payroll ³	37.51%

¹ Historical information is required only for measurement periods for which GASB 68 is applicable.

³ Covered-Employee Payroll represented above is based on pensionable earnings provided by the employer. However, GASB 68 defines covered-employee payroll as the total payroll of employees that are provided pensions through the pension plan. Accordingly, if pensionable earnings are different than total earnings for covered-employees, the employer should display in the disclosure footnotes the payroll based on total earnings for the covered group and recalculate the required payroll-related ratios.

³ Covered-Employee Payroll represented above is based on pensionable earnings provided by the employer. However, GASB 68 defines covered-employee payroll as the total payroll of employees that are provided pensions through the pension plan. Accordingly, if pensionable earnings are different than total earnings for covered-employees, the employer should display in the disclosure footnotes the payroll based on total earnings for the covered group and recalculate the required payroll-related ratios.

⁴ Payroll from prior year (\$1,898,242) was assumed to increase by the 3.00 percent payroll growth assumption.

Notes to Schedule:

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2013-14 were from the June 30, 2011 public agency valuations.

Actuarial Cost Method	Entry Age Normal
Amortization Method/Period	For detail, see June 30, 2011 Funding Valuation Report
Asset Valuation Method	Actuarial Value of Assets. For details, see June 30, 2011 Funding Valuation Report.
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Payroll Growth	3.00%
Investment Rate of Return	7.50% Net of Pension Plan Investment and Administrative Expenses; includes Inflation.
Retirement Age	The probabilities of Retirement are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007.
Mortality	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and Post-retirement mortality rates included 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.

* Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown.

This page intentionally left blank

**CITY OF TAFT
MAJOR CAPITAL PROJECT FUND
JUNE 30, 2015**

WWTP Capital Projects Fund

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

**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, 2015**

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES			
Use of money and property	\$ 30,164	\$ 29,237	\$ (927)
Total revenues	<u>30,164</u>	<u>29,237</u>	<u>(927)</u>
EXPENDITURES			
Capital outlay	<u>123,864</u>	<u> </u>	<u>123,864</u>
Total Expenditures	<u>123,864</u>	<u> </u>	<u>123,864</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(93,700)</u>	<u>29,237</u>	<u>122,937</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	131,200	131,200	
Transfers out	<u>(37,500)</u>	<u> </u>	<u>37,500</u>
Total other financing sources (uses)	<u>93,700</u>	<u>131,200</u>	<u>37,500</u>
Net change in fund balance		160,437	160,437
Fund balance, beginning of fiscal year	<u>3,588,419</u>	<u>3,588,419</u>	
Fund balance, end of the fiscal year	<u>\$ 3,588,419</u>	<u>\$ 3,748,856</u>	<u>\$ 160,437</u>

**CITY OF TAFT
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2015**

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.

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.

Wastewater Treatment Plant (WWTP)

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

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.

Crime Prevention

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

CITY OF TAFT
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
June 30, 2015

	Special Revenue Funds			
	Traffic Safety	Gas Tax	Inmate Welfare Trust	WWTP Special Revenue
ASSETS				
Cash and investments	\$ -	\$ 330	\$ 58,746	\$ 75,514
Receivables:				
Accounts	477			15,135
Interest		20		
Notes				
Inventory			1,412	
Total assets	\$ 477	\$ 350	\$ 60,158	\$ 90,649
LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	\$ 6,037
Accrued payroll			1,100	1,910
Due to other funds			21,866	
Total liabilities			22,966	7,947
DEFERRED INFLOW OF RESOURCES				
Deferred revenue				
FUND BALANCES				
Nonspendable			1,412	
Restricted	477	350	35,780	82,702
Unassigned				
Total fund balances (deficits)	477	350	37,192	82,702
Total liabilities, deferred inflow of resources, and fund balances	\$ 477	\$ 350	\$ 60,158	\$ 90,649

Special Revenue Funds

Cal Homes Revolving Loan Fund	TARP Revolving Loan	Asset Forfeiture	Landscape Assessment District	Crime Prevention	Total Non- Major Governmental Funds
\$ -	\$ 163,409	\$ 122,820	\$ -	\$ 32,577	\$ 453,396
					15,612
	19	14		3	56
292,303	163,448				455,751
<u>292,303</u>	<u>163,448</u>	<u>122,834</u>	<u>-</u>	<u>32,580</u>	<u>926,227</u>
					1,412
\$ -	\$ -	\$ 33	\$ 4,085	\$ -	10,155
			150	1,422	4,582
			35,387		57,253
			33	39,622	71,990
292,303	163,448				455,751
					1,412
	163,428	122,801		31,158	436,696
			(39,622)		(39,622)
	163,428	122,801	(39,622)	31,158	398,486
<u>292,303</u>	<u>326,876</u>	<u>122,834</u>	<u>-</u>	<u>32,580</u>	<u>926,227</u>

**CITY OF TAFT
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	Special Revenue Funds			
	Traffic Safety	Gas Tax	Inmate Welfare Trust	WWTP Special Revenue
REVENUES				
Fines and forfeitures	\$ 5,720	\$ -	\$ -	\$ -
Use of money and property		1,128	31	722
Intergovernmental		224,492		752,779
Current services charges			49,839	76,805
Other			7,100	15,168
Total revenues	<u>5,720</u>	<u>225,620</u>	<u>56,970</u>	<u>845,474</u>
EXPENDITURES				
Current:				
General government				879,591
Public safety				
Public works				
Health and welfare			6,309	
Capital outlay				234,694
Total expenditures			<u>6,309</u>	<u>1,114,285</u>
Excess of revenues over (under) expenditures	<u>5,720</u>	<u>225,620</u>	<u>50,661</u>	<u>(268,811)</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(6,068)</u>	<u>(244,807)</u>		<u>(158,471)</u>
Total other financing sources (uses)	<u>(6,068)</u>	<u>(244,807)</u>		<u>(158,471)</u>
Net changes in fund balances	(348)	(19,187)	50,661	(427,282)
Fund balances (deficits), beginning of fiscal year	825	19,537	(13,469)	509,984
Prior period adjustments				
Fund balances (deficits), beginning of fiscal year, restated	<u>825</u>	<u>19,537</u>	<u>(13,469)</u>	<u>509,984</u>
Fund balances (deficits), end of fiscal year	<u>\$ 477</u>	<u>\$ 350</u>	<u>\$ 37,192</u>	<u>\$ 82,702</u>

Special Revenue Funds

Cal Homes Revolving Loan Fund	TARP Revolving Loan	Asset Forfeiture	Landscape Assessment District	Crime Prevention	Total Non- Major Governmental Funds
\$ -	\$ - 934 59,910	\$ - 902	\$ - 8,162	\$ - 107 106,230	\$ 5,720 3,824 1,143,411 134,806 22,268
	<u>60,844</u>	<u>902</u>	<u>8,162</u>	<u>106,337</u>	<u>1,310,029</u>
		35,131	19,011	80,704	879,591 115,835 19,011 6,309 234,694
		<u>35,131</u>	<u>19,011</u>	<u>80,704</u>	<u>1,255,440</u>
	<u>60,844</u>	<u>(34,229)</u>	<u>(10,849)</u>	<u>25,633</u>	<u>54,589</u>
					(409,346)
					(409,346)
	60,844	(34,229)	(10,849)	25,633	(354,757)
	102,584	56,942	(28,773)	5,525	653,155
		100,088			100,088
	<u>102,584</u>	<u>157,030</u>	<u>(28,773)</u>	<u>5,525</u>	<u>753,243</u>
<u>\$ -</u>	<u>\$ 163,428</u>	<u>\$ 122,801</u>	<u>\$ (39,622)</u>	<u>\$ 31,158</u>	<u>\$ 398,486</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, 2015**

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES			
Fines and forfeitures	\$ 8,500	\$ 5,720	\$ (2,780)
Total revenues	<u>8,500</u>	<u>5,720</u>	<u>(2,780)</u>
OTHER FINANCING SOURCES (USES)			
Transfers out	<u>(8,500)</u>	<u>(6,068)</u>	<u>2,432</u>
Total other financing sources (uses)	<u>(8,500)</u>	<u>(6,068)</u>	<u>2,432</u>
Net change in fund balance		(348)	(348)
Fund balance, beginning of fiscal year	<u>825</u>	<u>825</u>	
Fund balance, end of fiscal year	<u>\$ 825</u>	<u>\$ 477</u>	<u>\$ (348)</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, 2015

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES			
Use of money and property	\$ 800	\$ 1,128	\$ 328
Intergovernmental	<u>239,038</u>	<u>224,492</u>	<u>(14,546)</u>
Total revenues	<u>239,838</u>	<u>225,620</u>	<u>(14,218)</u>
OTHER FINANCING SOURCES (USES)			
Transfers out	<u>(239,838)</u>	<u>(244,807)</u>	<u>(4,969)</u>
Total other financing sources (uses)	<u>(239,838)</u>	<u>(244,807)</u>	<u>(4,969)</u>
Net change in fund balance		(19,187)	(19,187)
Fund balance, beginning of fiscal year	<u>19,537</u>	<u>19,537</u>	
Fund balance, end of fiscal year	<u><u>\$ 19,537</u></u>	<u><u>\$ 350</u></u>	<u><u>\$ (19,187)</u></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, 2015**

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES			
Use of money and property	\$ -	\$ 31	\$ 31
Current services charges	46,446	49,839	3,393
Other	1,076	7,100	6,024
	<u>47,522</u>	<u>56,970</u>	<u>9,448</u>
EXPENDITURES			
Current:			
Health and welfare	46,446	6,309	40,137
	<u>46,446</u>	<u>6,309</u>	<u>40,137</u>
Net change in fund balance	1,076	50,661	49,585
Fund balance (deficit), beginning of fiscal year	<u>(13,469)</u>	<u>(13,469)</u>	
Fund balance (deficit), end of fiscal year	<u><u>\$ (12,393)</u></u>	<u><u>\$ 37,192</u></u>	<u><u>\$ 49,585</u></u>

CITY OF TAFT
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
WWTP SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES			
Use of money and property	\$ -	\$ 722	\$ 722
Intergovernmental	823,727	752,779	(70,948)
Current services charges	70,000	76,805	6,805
Other		15,168	15,168
	<u>893,727</u>	<u>845,474</u>	<u>(48,253)</u>
EXPENDITURES			
Current:			
General government	747,527	879,591	(132,064)
Capital outlay	52,500	234,694	(182,194)
	<u>800,027</u>	<u>1,114,285</u>	<u>(314,258)</u>
Excess (deficiency) of revenues over expenditures	<u>93,700</u>	<u>(268,811)</u>	<u>(362,511)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	37,500		(37,500)
Transfers out	(131,200)	(158,471)	(27,271)
	<u>(93,700)</u>	<u>(158,471)</u>	<u>(64,771)</u>
Net change in fund balance		(427,282)	(427,282)
Fund balance, beginning of fiscal year	<u>509,984</u>	<u>509,984</u>	
Fund balance, end of fiscal year	<u>\$ 509,984</u>	<u>\$ 82,702</u>	<u>\$ (427,282)</u>

**CITY OF TAFT
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
ASSET FORFEITURE SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES			
Fines and forfeitures	\$ 2,000	\$ -	\$ (2,000)
Use of money and property	300	902	602
	<u>2,300</u>	<u>902</u>	<u>(1,398)</u>
EXPENDITURES			
Current:			
Public safety	2,300	35,131	(32,831)
	<u>2,300</u>	<u>35,131</u>	<u>(32,831)</u>
Net change in fund balance		<u>(34,229)</u>	<u>(34,229)</u>
Fund balance, beginning of fiscal year	56,942	56,942	
Prior period adjustment		<u>100,088</u>	<u>100,088</u>
Fund balance, beginning of fiscal year, restated	<u>56,942</u>	<u>157,030</u>	<u>100,088</u>
Fund balance, end of fiscal year	<u>\$ 56,942</u>	<u>\$ 122,801</u>	<u>\$ 65,859</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, 2015

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Current services charges	\$ 8,171	\$ 8,162	\$ (9)
Total revenues	8,171	8,162	(9)
EXPENDITURES			
Current:			
Public works	18,321	19,011	(690)
Total expenditures	18,321	19,011	(690)
Excess (deficiency) of revenues over expenditures	(10,150)	(10,849)	(699)
OTHER FINANCING SOURCES (USES)			
Transfers in	10,150		(10,150)
Total other financing sources (uses)	10,150		(10,150)
Net change in fund balance		(10,849)	(10,849)
Fund balance (deficit), beginning of fiscal year	(28,773)	(28,773)	
Fund balance (deficit), end of fiscal year	\$ (28,773)	\$ (39,622)	\$ (10,849)

**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, 2015**

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES			
Use of money and property	\$ 50	\$ 107	\$ 57
Intergovernmental	100,000	106,230	6,230
Total revenues	<u>100,050</u>	<u>106,337</u>	<u>6,287</u>
EXPENDITURES			
Current:			
Public safety	<u>135,859</u>	<u>80,704</u>	<u>55,155</u>
Total expenditures	<u>135,859</u>	<u>80,704</u>	<u>55,155</u>
Excess (deficiency) of revenues over expenditures	<u>(35,809)</u>	<u>25,633</u>	<u>61,442</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	<u>35,809</u>		<u>(35,809)</u>
Total other financing sources (uses)	<u>35,809</u>		<u>(35,809)</u>
Net change in fund balance		25,633	25,633
Fund balance, beginning of fiscal year	<u>5,525</u>	<u>5,525</u>	
Fund balance, end of fiscal year	<u>\$ 5,525</u>	<u>\$ 31,158</u>	<u>\$ 25,633</u>

**CITY OF TAFT
PRIVATE-PURPOSE TRUST FUNDS AND AGENCY FUNDS
JUNE 30, 2015**

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.

**CITY OF TAFT
COMBINING STATEMENT OF NET POSITION
PRIVATE PURPOSE TRUST FUNDS
JUNE 30, 2015**

	Capital Projects Fund	Post RDA Debt Retirement	Total
ASSETS			
Cash and investments	\$ -	\$ 95,656	\$ 95,656
Cash and investment with fiscal agents		465,448	465,448
Interest receivable		120	120
Capital assets - nondepreciable	1,698,163		1,698,163
Capital assets - being depreciated	407,116		407,116
Capital assets - accumulated depreciation	(215,950)		(215,950)
	<u>1,889,329</u>	<u>561,224</u>	<u>2,450,553</u>
LIABILITIES			
Accounts payable		597	597
Accrued payroll		625	625
Accrued interest payable		93,152	93,152
Compensated absences		15,393	15,393
Advance due to City of Taft		2,535,490	2,535,490
Bonds payable		3,230,000	3,230,000
		<u>5,875,257</u>	<u>5,875,257</u>
NET POSITION (DEFICIT)			
Restricted for debt service		372,296	372,296
Unrestricted	1,889,329	(5,686,329)	(3,797,000)
	<u>1,889,329</u>	<u>(5,686,329)</u>	<u>(3,797,000)</u>
Total Net Position (Deficit)	<u>\$ 1,889,329</u>	<u>\$ (5,314,033)</u>	<u>\$ (3,424,704)</u>

**CITY OF TAFT
PRIVATE PURPOSE TRUST FUNDS
COMBINING STATEMENT OF CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	Capital Projects Fund	Post RDA Debt Retirement	Total
Additions:			
Investment revenue	\$ -	\$ 129,582	\$ 129,582
Taxes and assessments		272,269	272,269
Total additions		401,851	401,851
Deductions:			
Community development		103,162	103,162
Interest expense		197,335	197,335
Depreciation	10,178		10,178
Total deductions	10,178	300,497	310,675
Change in net position	(10,178)	101,354	91,176
Net Position (Deficit) - July 1, 2014	1,899,507	(5,420,571)	(3,521,064)
Prior Period Adjustment		5,184	5,184
Net Position (Deficit) - July 1, 2014, Restated	1,899,507	(5,415,387)	(3,515,880)
Net Position (Deficit) - June 30, 2015	\$ 1,889,329	\$ (5,314,033)	\$ (3,424,704)

**CITY OF TAFT
COMBINING STATEMENT OF ASSETS AND LIABILITIES
AGENCY FUNDS
JUNE 30, 2015**

	Inmate Trust Fund	1997-A Lease Revenue Bond	Total
ASSETS			
Cash and investments	\$ 65,149	\$ 559	\$ 65,708
Cash and investment with fiscal agents		3,245,924	3,245,924
	<u>\$ 65,149</u>	<u>\$ 3,246,483</u>	<u>\$ 3,311,632</u>
LIABILITIES			
Accounts payable	\$ 13,656	\$ -	\$ 13,656
Deposits payable		159,000	159,000
Due to inmates	51,493		51,493
Due to bondholders		3,087,483	3,087,483
	<u>\$ 65,149</u>	<u>\$ 3,246,483</u>	<u>\$ 3,311,632</u>

CITY OF TAFT
FIDUCIARY FUNDS - AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

<u>Inmate Trust Fund</u>	July 1, 2014 Balance	Additions	Reductions	June 30, 2015 Balance
ASSETS				
Cash and investments	\$ 61,811	\$ 121,626	\$ (118,288)	\$ 65,149
Total assets	<u>\$ 61,811</u>	<u>\$ 121,626</u>	<u>\$ (118,288)</u>	<u>\$ 65,149</u>

LIABILITIES				
Accounts payable	\$ 1,873	\$ 65,898	\$ (54,115)	\$ 13,656
Due to inmates	59,938	55,728	(64,173)	51,493
Total liabilities	<u>\$ 61,811</u>	<u>\$ 121,626</u>	<u>\$ (118,288)</u>	<u>\$ 65,149</u>

<u>1997-A Lease Revenue Bond</u>	July 1, 2014 Balance	Additions	Reductions	June 30, 2015 Balance
ASSETS				
Cash and investments	\$ 559	\$ -	\$ -	\$ 559
Cash and investments with fiscal agents	3,250,894	3,716,755	(3,721,725)	3,245,924
Total assets	<u>\$ 3,251,453</u>	<u>\$ 3,716,755</u>	<u>\$ (3,721,725)</u>	<u>\$ 3,246,483</u>

LIABILITIES				
Deposits payable	\$ 159,000	\$ -	\$ -	\$ 159,000
Due to bondholders	3,092,453	3,716,755	(3,721,725)	3,087,483
Total liabilities	<u>\$ 3,251,453</u>	<u>\$ 3,716,755</u>	<u>\$ (3,721,725)</u>	<u>\$ 3,246,483</u>

<u>Total</u>	July 1, 2014 Balance	Additions	Reductions	June 30, 2015 Balance
ASSETS				
Cash and investments	\$ 62,370	\$ 121,626	\$ (118,288)	\$ 65,708
Cash and investments with fiscal agents	3,250,894	3,716,755	(3,721,725)	3,245,924
Total assets	<u>\$ 3,313,264</u>	<u>\$ 3,838,381</u>	<u>\$ (3,840,013)</u>	<u>\$ 3,311,632</u>

LIABILITIES				
Accounts payable	\$ 1,873	\$ 65,898	\$ (54,115)	\$ 13,656
Due to bondholders	3,092,453	3,716,755	(3,721,725)	3,087,483
Due to inmates	59,938	55,728	(64,173)	51,493
Deposits payable	159,000			159,000
Total liabilities	<u>\$ 3,313,264</u>	<u>\$ 3,838,381</u>	<u>\$ (3,840,013)</u>	<u>\$ 3,311,632</u>