

**CITY OF TAFT
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2017**

**CITY OF TAFT
ANNUAL FINANCIAL REPORT
JUNE 30, 2017**

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INDEPENDENT AUDITOR’S REPORT

To the City Council
City of Taft, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Taft, California (City) as of and for the fiscal year ended June 30, 2017, 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, 2017, 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.

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 pages 61 and 62, the schedule of plan's proportionate share of net pension liability on page 63 and the schedule of pension contributions on page 65, 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 funds 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 funds 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 funds 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 July 18, 2018, on our consideration of the City of Taft, California's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Taft, California's internal control over financial reporting and compliance.

Moss, Levy & Hartzheim

Moss, Levy & Hartzheim, LLP
Culver City, California
July 18, 2018

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CITY OF TAFT
STATEMENT OF NET POSITION
JUNE 30, 2017

ASSETS	Governmental Activities	Business-type Activities	Total
Cash and investments	\$ 3,366,101	\$ 8,732,731	\$ 12,098,832
Restricted cash and investments		939,946	939,946
Accounts receivable	947,775	2,636,767	3,584,542
Interest receivable	5,175	7,237	12,412
Internal balances	790,742	(790,742)	
Notes receivable	3,489,583		3,489,583
Prepaid expenses	108,058	35,947	144,005
Deposits		17,397	17,397
Loan receivable - Successor Agency	1,588,959		1,588,959
Capital assets, not being depreciated	6,573,703	325,974	6,899,677
Capital assets, being depreciated	19,272,469	11,088,903	30,361,372
Capital assets, accumulated depreciation	(11,704,122)	(6,885,070)	(18,589,192)
Total assets	<u>24,438,443</u>	<u>16,109,090</u>	<u>40,547,533</u>
 DEFERRED OUTFLOWS OF RESOURCES			
Pension	<u>1,270,408</u>	<u>1,301,658</u>	<u>2,572,066</u>
Total deferred outflows of resources	<u>1,270,408</u>	<u>1,301,658</u>	<u>2,572,066</u>
 LIABILITIES			
Accounts payable	210,075	268,303	478,378
Accrued payroll	155,860	229,126	384,986
Unearned revenue	265,372	1,072,223	1,337,595
Deposits payable	8,453	46,532	54,985
Noncurrent liabilities:			
Due within one year	113,356	49,201	162,557
Due in more than one year	7,621,656	3,156,963	10,778,619
Total liabilities	<u>8,374,772</u>	<u>4,822,348</u>	<u>13,197,120</u>
 DEFERRED INFLOWS OF RESOURCES			
Pension	<u>377,910</u>	<u>305,779</u>	<u>683,689</u>
Total deferred inflows of resources	<u>377,910</u>	<u>305,779</u>	<u>683,689</u>
 NET POSITION			
Net investment in capital assets	11,942,482	4,529,807	16,472,289
Restricted for:			
Streets and roads	194,098		194,098
Public safety	214,791		214,791
Community development	4,044,214		4,044,214
Capital projects - WWTP	3,756,919		3,756,919
Unrestricted	<u>(3,196,335)</u>	<u>7,752,814</u>	<u>4,556,479</u>
Total net position	<u>\$ 16,956,169</u>	<u>\$ 12,282,621</u>	<u>\$ 29,238,790</u>

See accompanying notes to financial statements

**CITY OF TAFT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ (2,634,175)	\$ 2,866,426	\$ 713,996	\$ -
Public safety	(4,183,217)	403,795	223,288	
Public works	(1,836,931)	178,303	113,239	750,686
Health and welfare	(109,271)		4,499	
Community development	(921,299)	58,702	441,434	
Interest on long-term debt	(30,648)			
Total governmental activities	<u>(9,715,541)</u>	<u>3,507,226</u>	<u>1,496,456</u>	<u>750,686</u>
Business-type activities:				
Community correctional facility (CCF)	(11,505,246)	13,147,253		
Federal WWTP	(889,027)	989,327		
Sewer	(1,061,111)	1,157,222		
Refuse	(865,635)	968,676	5,000	
Transit	(738,219)	354,384		584,458
Total business-type activities	<u>(15,059,238)</u>	<u>16,616,862</u>	<u>5,000</u>	<u>584,458</u>
Total government	<u>\$ (24,774,779)</u>	<u>\$ 20,124,088</u>	<u>\$ 1,501,456</u>	<u>\$ 1,335,144</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

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>
\$ 946,247	\$ -	\$ 946,247
(3,556,134)		(3,556,134)
(794,703)		(794,703)
(104,772)		(104,772)
(421,163)		(421,163)
(30,648)		(30,648)
<u>(3,961,173)</u>		<u>(3,961,173)</u>
	1,642,007	1,642,007
	100,300	100,300
	96,111	96,111
	108,041	108,041
	200,623	200,623
	<u>2,147,082</u>	<u>2,147,082</u>
<u>(3,961,173)</u>	<u>2,147,082</u>	<u>(1,814,091)</u>
1,403,625		1,403,625
1,195,038		1,195,038
541,446		541,446
56,064	72,094	128,158
303,945		303,945
59,487	(59,487)	
<u>3,559,605</u>	<u>12,607</u>	<u>3,572,212</u>
(401,568)	2,159,689	1,758,121
<u>17,357,737</u>	<u>10,122,932</u>	<u>27,480,669</u>
<u>\$ 16,956,169</u>	<u>\$ 12,282,621</u>	<u>\$ 29,238,790</u>

**CITY OF TAFT
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2017**

ASSETS	<u>General</u>	<u>Revolving Loan Fund CDBG</u>	<u>Revolving Loan Fund Home</u>	<u>WWTP Special Revenue</u>
Cash and investments	\$ 64,266	\$ 298,740	\$ 998	\$ -
Receivables:				
Accounts	639,036			308,739
Interest	1,916			
Notes		1,607,982	1,506,154	
Due from other funds	1,054,104			
Prepaid items	71,804			512
Loan receivable from Successor Agency	<u>1,588,959</u>			
 Total assets	 <u>\$ 3,420,085</u>	 <u>\$ 1,906,722</u>	 <u>\$ 1,507,152</u>	 <u>\$ 309,251</u>
 LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 145,384	\$ 20,861	\$ -	\$ 38,077
Accrued payroll	147,199			2,185
Due to other funds				1,414,013
Deposit payable	8,453			
Unearned revenue	<u>265,372</u>			
 Total liabilities	 <u>566,408</u>	 <u>20,861</u>		 <u>1,454,275</u>
 DEFERRED INFLOW OF RESOURCES				
Deferred revenue		<u>1,607,982</u>	<u>1,506,154</u>	
 Total deferred inflow of resources		 <u>1,607,982</u>	 <u>1,506,154</u>	
 FUND BALANCES				
Nonspendable	1,660,763			512
Restricted		277,879	998	
Unassigned	<u>1,192,914</u>			<u>(1,145,536)</u>
 Total fund balances	 <u>2,853,677</u>	 <u>277,879</u>	 <u>998</u>	 <u>(1,145,024)</u>
 Total liabilities, deferred inflow of resources, and fund balances	 <u>\$ 3,420,085</u>	 <u>\$ 1,906,722</u>	 <u>\$ 1,507,152</u>	 <u>\$ 309,251</u>

See accompanying notes to financial statements

WWTP Capital Projects	Total Non- major Governmental Funds	Total
\$ 2,339,875	\$ 654,727	\$ 3,358,606
		947,775
3,031	228	5,175
	375,447	3,489,583
1,414,013		2,468,117
	34,439	106,755
		1,588,959
<u>\$ 3,756,919</u>	<u>\$ 1,064,841</u>	<u>\$ 11,964,970</u>
\$ -	\$ 5,185	\$ 209,507
	2,191	151,575
	263,362	1,677,375
		8,453
		265,372
	<u>270,738</u>	<u>2,312,282</u>
	<u>375,447</u>	<u>3,489,583</u>
	<u>375,447</u>	<u>3,489,583</u>
	34,439	1,695,714
3,756,919	650,249	4,686,045
	(266,032)	(218,654)
<u>3,756,919</u>	<u>418,656</u>	<u>6,163,105</u>
<u>\$ 3,756,919</u>	<u>\$ 1,064,841</u>	<u>\$ 11,964,970</u>

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**CITY OF TAFT
GOVERNMENTAL FUNDS
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2017**

Fund balances of governmental funds \$ 6,163,105

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	\$ 25,846,172	
Accumulated depreciation	<u>(11,704,122)</u>	14,142,050

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 certificates of participation , compensated absences and net pension liability. (7,735,012)

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	\$ (377,910)	
Deferred outflows of resources relating to pensions	<u>1,270,408</u>	892,498

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 including compensated absences (\$5,844)) 3,945

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. 3,489,583

Net position of governmental activities \$ 16,956,169

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, 2017

	General	Revolving Loan Fund CDBG	Revolving Loan Fund Home	WWTP Special Revenue
REVENUES				
Property taxes	\$ 1,403,625	\$ -	\$ -	\$ -
Sales taxes	1,195,038			
Other taxes	541,446			
Licenses and permits, and fees	305,048			
Fines and forfeitures	17,161			
Use of money and property	146,870			
Intergovernmental	816,078	18,621	1,756	713,997
Current services charges	3,078,822			31,587
Other	177,065			
	<u>7,681,153</u>	<u>18,621</u>	<u>1,756</u>	<u>745,584</u>
Total revenues				
EXPENDITURES				
Current:				
General government	1,537,600			1,019,743
Public safety	3,705,596			
Public works	1,189,594			
Health and welfare				
Community development	608,657	110,160	960	
Capital outlay	2,090,910			2,273,246
Debt service:				
Principal retirement				63,000
Interest and fiscal charges				30,648
	<u>9,132,357</u>	<u>110,160</u>	<u>960</u>	<u>3,386,637</u>
Total expenditures				
Excess of revenues over (under) expenditures	<u>(1,451,204)</u>	<u>(91,539)</u>	<u>796</u>	<u>(2,641,053)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from issuance of debt				1,895,222
Transfers in	93,945			113,077
Transfers out				(151,029)
	<u>93,945</u>			<u>1,857,270</u>
Total other financing sources (uses)				
Net change in fund balances	(1,357,259)	(91,539)	796	(783,783)
Fund balances, beginning of fiscal year	4,210,936	369,418	202	(361,241)
Fund balances, end of fiscal year	<u>\$ 2,853,677</u>	<u>\$ 277,879</u>	<u>\$ 998</u>	<u>\$ (1,145,024)</u>

See accompanying notes to financial statements

WWTP Capital Projects	Total Non- major Governmental Funds	Total
\$ -	\$ -	\$ 1,403,625
		1,195,038
		541,446
		305,048
	15,907	33,068
33,350	2,726	182,946
	334,920	1,885,372
	69,705	3,180,114
	4,499	181,564
<u>33,350</u>	<u>427,757</u>	<u>8,908,221</u>
		2,557,343
	117,224	3,822,820
	18,685	1,208,279
	61,004	61,004
	215,582	935,359
		4,364,156
		63,000
		30,648
	<u>412,495</u>	<u>13,042,609</u>
<u>33,350</u>	<u>15,262</u>	<u>(4,134,388)</u>
		1,895,222
131,200		338,222
<u>(113,077)</u>	<u>(14,629)</u>	<u>(278,735)</u>
<u>18,123</u>	<u>(14,629)</u>	<u>1,954,709</u>
51,473	633	(2,179,679)
<u>3,705,446</u>	<u>418,023</u>	<u>8,342,784</u>
<u>\$ 3,756,919</u>	<u>\$ 418,656</u>	<u>\$ 6,163,105</u>

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**CITY OF TAFT
GOVERNMENTAL FUNDS
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Net change in fund balances of governmental funds \$ (2,179,679)

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

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

Cost of assets capitalized	\$ 4,101,135	
Depreciation expense	<u>(625,109)</u>	3,476,026

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. 346,265

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: (204,437)
Pension costs

Internal service funds are used by management to charge the costs of certain activities, such as vehicle maintenance to individual funds. The net revenues (expenses) of the internal service fund is reported under governmental activities. (5,844)

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.

Proceeds certificates of participation		(1,895,222)
Principal payment bond certificates of participation		63,000
Compensated absences		<u>(1,677)</u>

Change in net position of governmental activities \$ (401,568)

See accompanying notes to financial statements

CITY OF TAFT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2017

	Business-type Activities		
	Enterprise Funds		
	CCF	Federal WWTP	Sewer
ASSETS			
Current assets:			
Cash and investments	\$ 1,450,105	\$ 3,735,118	\$ 2,449,127
Restricted cash and investments			
Receivables:			
Accounts	2,301,227	82,444	87,991
Interest	996	3,211	2,121
Prepaid items	28,005	645	580
Deposits			17,397
Total current assets	3,780,333	3,821,418	2,557,216
Noncurrent assets:			
Capital assets, not being depreciated	11,850		
Capital assets, being depreciated	209,433	5,851,420	2,908,733
Capital assets, accumulated depreciation	(134,267)	(3,568,294)	(1,687,388)
Total noncurrent assets	87,016	2,283,126	1,221,345
Total assets	3,867,349	6,104,544	3,778,561
DEFERRED OUTFLOWS OF RESOURCES			
Pension	1,123,061	19,519	18,660
Total deferred outflows of resources	1,123,061	19,519	18,660
LIABILITIES			
Current Liabilities:			
Accounts payable	185,983	22,393	17,521
Accrued payroll	209,022	2,185	2,094
Due to other funds			
Unearned revenue			
Deposits payable			21,783
Current portion of compensated absences	39,804	2,307	1,820
Total current liabilities	434,809	26,885	43,218
Noncurrent liabilities:			
Compensated absences	119,411	6,921	5,460
Net pension liability	2,597,524	39,448	38,517
Total noncurrent liabilities	2,716,935	46,369	43,977
Total liabilities	3,151,744	73,254	87,195
DEFERRED INFLOWS OF RESOURCES			
Pension	263,020	1,298	1,714
Total deferred inflows of resources	263,020	1,298	1,714
NET POSITION			
Net investment in capital assets	87,016	2,283,126	1,221,345
Unrestricted	1,488,630	3,766,385	2,486,967
Total net position (deficit)	\$ 1,575,646	\$ 6,049,511	\$ 3,708,312

See accompanying notes to financial statements

Business-type Activities Enterprise Funds			Governmental Activities
Refuse	Transit	Total Enterprise Funds	Internal Service Fund
\$ 1,098,381	\$ - 939,946	\$ 8,732,731 939,946	\$ 7,495
122,154	42,951	2,636,767	
909		7,237	
1,579	5,138	35,947	1,303
		17,397	
<u>1,223,023</u>	<u>988,035</u>	<u>12,370,025</u>	<u>8,798</u>
	314,124	325,974	
591,931	1,527,386	11,088,903	
(475,562)	(1,019,559)	(6,885,070)	
<u>116,369</u>	<u>821,951</u>	<u>4,529,807</u>	
<u>1,339,392</u>	<u>1,809,986</u>	<u>16,899,832</u>	<u>8,798</u>
<u>36,323</u>	<u>104,095</u>	<u>1,301,658</u>	
<u>36,323</u>	<u>104,095</u>	<u>1,301,658</u>	
40,122	2,284	268,303	568
3,525	12,300	229,126	4,285
	790,742	790,742	
5,000	1,067,223	1,072,223	
24,749		46,532	
2,639	2,631	49,201	3,945
<u>76,035</u>	<u>1,875,180</u>	<u>2,456,127</u>	<u>8,798</u>
7,917	7,894	147,603	
77,489	256,382	3,009,360	
<u>85,406</u>	<u>264,276</u>	<u>3,156,963</u>	
<u>161,441</u>	<u>2,139,456</u>	<u>5,613,090</u>	<u>8,798</u>
<u>5,708</u>	<u>34,039</u>	<u>305,779</u>	
<u>5,708</u>	<u>34,039</u>	<u>305,779</u>	
116,369	821,951	4,529,807	
1,092,197	(1,081,365)	7,752,814	
<u>\$ 1,208,566</u>	<u>\$ (259,414)</u>	<u>\$ 12,282,621</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, 2017

	Business-type Activities		
	Enterprise Funds		
	CCF	Federal WWTP	Sewer
OPERATING REVENUES			
Charges for services	\$ 13,122,109	\$ 989,327	\$ 1,145,149
Connection and installation fees			4,520
Other	25,144		7,553
Total operating revenues	<u>13,147,253</u>	<u>989,327</u>	<u>1,157,222</u>
OPERATING EXPENSES			
Salaries and wages	5,572,706	73,539	68,888
Training and development	17,059		
Contract and professional services	1,787,938	270,443	107,450
Maintenance and operations	155,448	9,121	417,082
Materials and supplies	271,895	101,642	1,584
Insurance	554,826	23,670	18,952
Utilities	378,181	48,674	292
Administrative service charges		68,407	246,080
Depreciation	47,125	227,128	72,104
Bad debt expense			1,287
Other operating expenses	2,720,068	6,060	127,392
Total operating expenses	<u>11,505,246</u>	<u>828,684</u>	<u>1,061,111</u>
Operating income (loss)	<u>1,642,007</u>	<u>160,643</u>	<u>96,111</u>
NONOPERATING REVENUES (EXPENSES)			
Interest earnings on investments	6,688	33,702	22,403
Interest expense			
Loss on abandonment		(60,343)	
Intergovernmental			
Total nonoperating revenues (expenses)	<u>6,688</u>	<u>(26,641)</u>	<u>22,403</u>
CAPITAL CONTRIBUTION AND TRANSFERS			
Capital contribution			
Transfers out		(19,829)	(19,829)
Total capital contribution and transfers		<u>(19,829)</u>	<u>(19,829)</u>
Changes in net position	1,648,695	114,173	98,685
Total net position (deficit), beginning of fiscal year	<u>(73,049)</u>	<u>5,935,338</u>	<u>3,609,627</u>
Total net position (deficit), end of fiscal year	<u>\$ 1,575,646</u>	<u>\$ 6,049,511</u>	<u>\$ 3,708,312</u>

See accompanying notes to financial statements

Business-type Activities			Governmental
Enterprise Funds			Activities
Refuse	Transit	Total Enterprise Funds	Internal Service Fund
\$ 966,971	\$ 354,384	\$ 16,577,940	\$ 167,644
1,705		4,520	
		34,402	
<u>968,676</u>	<u>354,384</u>	<u>16,616,862</u>	<u>167,644</u>
132,132	429,019	6,276,284	120,783
	88	17,147	
335,704	7,852	2,509,387	
164,477	124,704	870,832	12,635
35,000	7,051	417,172	3,066
18,997	20,219	636,664	
	7,079	434,226	3,781
61,493		375,980	11,586
31,059	93,772	471,188	
(109)		1,178	
<u>86,882</u>	<u>39,612</u>	<u>2,980,014</u>	<u>15,793</u>
<u>865,635</u>	<u>729,396</u>	<u>14,990,072</u>	<u>167,644</u>
<u>103,041</u>	<u>(375,012)</u>	<u>1,626,790</u>	
9,301		72,094	
	(8,823)	(8,823)	
		(60,343)	
<u>5,000</u>		<u>5,000</u>	
<u>14,301</u>	<u>(8,823)</u>	<u>7,928</u>	
	584,458	584,458	
<u>(19,829)</u>		<u>(59,487)</u>	
<u>(19,829)</u>	<u>584,458</u>	<u>524,971</u>	
97,513	200,623	2,159,689	
<u>1,111,053</u>	<u>(460,037)</u>	<u>10,122,932</u>	
<u>\$ 1,208,566</u>	<u>\$ (259,414)</u>	<u>\$ 12,282,621</u>	<u>\$ -</u>

CITY OF TAFT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Business-type Activities		
	Enterprise Funds		
	CCF	Federal WWTP	Sewer
Cash Flows from Operating Activities:			
Cash received from customers and users	\$ 13,097,988	\$ 989,327	\$ 1,134,824
Cash paid to suppliers for goods and services	(6,221,485)	(540,677)	(952,966)
Cash paid to employees for services	(5,615,088)	(75,143)	(70,635)
Net cash provided (used) by operating activities	<u>1,261,415</u>	<u>373,507</u>	<u>111,223</u>
Cash Flows from Capital and Related Financing Activities:			
Acquisition, proceeds, and construction of capital assets			
Interest paid			
Capital contribution			
Net cash provided (used) by capital and related financing activities			
Cash Flows from Non-Capital Financing Activities:			
Intergovernmental grant received			
Cash received (paid) to/from other funds, including interest			
Transfers out		(19,829)	(19,829)
Net Cash provided (used) by Non-Capital Financing Activities:		<u>(19,829)</u>	<u>(19,829)</u>
Cash Flows from Investing Activities:			
Interest received	5,692	31,610	21,056
Net Cash provided (used) by investing activities	<u>5,692</u>	<u>31,610</u>	<u>21,056</u>
Net increase (decrease) in cash and cash equivalents	1,267,107	385,288	112,450
Cash and Cash Equivalents at Beginning of Fiscal Year	<u>182,998</u>	<u>3,349,830</u>	<u>2,336,677</u>
Cash and Cash Equivalents at End of Fiscal Year	<u>\$ 1,450,105</u>	<u>\$ 3,735,118</u>	<u>\$ 2,449,127</u>
Reconciliation to Statement of Net Position:			
Cash and investments	\$ 1,450,105	\$ 3,735,118	\$ 2,449,127
Restricted cash and investments			
Total cash and cash equivalents	<u>\$ 1,450,105</u>	<u>\$ 3,735,118</u>	<u>\$ 2,449,127</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	\$ 1,642,007	\$ 160,643	\$ 96,111
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	47,125	227,128	72,104
(Increase) decrease in accounts receivable	(49,265)		(22,398)
(Increase) decrease in prepaid expenses	(25,829)	(645)	(580)
(Increase) decrease in deposits			(18)
(Increase) decrease in deferred outflows of resources - pension	(636,126)	(13,279)	(12,378)
Increase (decrease) in deferred inflows of resources - pension	(171,021)	(3,570)	(3,328)
Increase (decrease) in net pension liability	651,608	13,602	12,679
Increase (decrease) in accounts payable	(310,241)	(12,015)	(34,931)
Increase (decrease) in accrued payroll	63,458	150	140
Increase (decrease) in unearned revenue			
Increase (decrease) in deposits payable			2,682
Increase (decrease) in compensated absences	49,699	1,493	1,140
Total adjustments	<u>(380,592)</u>	<u>212,864</u>	<u>15,112</u>
Net cash provided (used) by operating activities	<u>\$ 1,261,415</u>	<u>\$ 373,507</u>	<u>\$ 111,223</u>
Noncash Capital Activities'			
Loss on abandonment of capital assets		\$ 60,343	

See accompanying notes to financial statements

Business-type Activities			Governmental Activities
Enterprise Funds			Internal Service Fund
Refuse	Transit	Totals	
\$ 952,493	\$ 368,810	\$ 16,543,442	\$ 167,644
(700,105)	(216,945)	(8,632,178)	(50,280)
(136,277)	(443,302)	(6,340,445)	(121,742)
<u>116,111</u>	<u>(291,437)</u>	<u>1,570,819</u>	<u>(4,378)</u>
	(251,428)	(251,428)	
	(8,822)	(8,822)	
	49,215	49,215	
	<u>(211,035)</u>	<u>(211,035)</u>	
5,000		5,000	
	(120,299)	(120,299)	
(19,829)		(59,487)	
<u>(14,829)</u>	<u>(120,299)</u>	<u>(174,786)</u>	
8,710		67,068	
<u>8,710</u>		<u>67,068</u>	
109,992	(622,771)	1,252,066	(4,378)
988,389	1,562,717	8,420,611	11,873
<u>\$ 1,098,381</u>	<u>\$ 939,946</u>	<u>\$ 9,672,677</u>	<u>\$ 7,495</u>
\$ 1,098,381	\$ -	\$ 8,732,731	\$ 7,495
	939,946	939,946	
<u>\$ 1,098,381</u>	<u>\$ 939,946</u>	<u>\$ 9,672,677</u>	<u>\$ 7,495</u>
\$ 103,041	\$ (375,012)	\$ 1,626,790	\$ -
31,059	93,772	471,188	
(16,183)	(1,832)	(89,678)	
(1,579)	(5,138)	(33,771)	(1,303)
		(18)	
(22,843)	(52,664)	(737,290)	
(6,141)	(14,158)	(198,218)	
23,399	53,945	755,233	
1,542	(5,202)	(360,847)	(2,116)
283	(1,983)	62,048	940
	16,258	16,258	
2,376		5,058	
1,157	577	54,066	(1,899)
<u>13,070</u>	<u>83,575</u>	<u>(55,971)</u>	<u>(4,378)</u>
<u>\$ 116,111</u>	<u>\$ (291,437)</u>	<u>\$ 1,570,819</u>	<u>\$ (4,378)</u>

CITY OF TAFT
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
June 30, 2017

	Private-Purpose Trust Funds	Agency Funds
ASSETS		
Cash and investments	\$ 54,332	\$ 68,496
Cash and investments with fiscal agents	453,806	
Interest receivable	1,152	
Prepaid items	133	
Capital assets - nondepreciable	1,698,163	
Capital assets - being depreciated	407,116	
Capital assets - accumulated depreciation	(236,306)	
	2,378,396	\$ 68,496
Total assets	2,378,396	\$ 68,496
LIABILITIES		
Accounts payable	84	\$ 11,497
Accrued payroll	891	
Accrued interest payable	83,375	
Deposits payable		559
Due to inmates		56,440
Loan payable to City of Taft	1,588,959	
Bonds payable	2,875,000	
	4,548,309	\$ 68,496
Total liabilities	4,548,309	\$ 68,496
NET POSITION		
Restricted for debt service	370,431	
Unrestricted	(2,540,344)	
	\$ (2,169,913)	
Total net position (deficit)	\$ (2,169,913)	

See accompanying notes to financial statements

**CITY OF TAFT
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	<u>Private Purpose Trust Funds</u>
Additions:	
Investment revenue	\$ 124,067
Taxes and assessments	265,530
	<u>389,597</u>
Total additions	
Deductions:	
Community development	63,528
Interest expense	167,417
Depreciation	10,178
	<u>241,123</u>
Total deductions	
Change in net position	148,474
Net Position (Deficit) - July 1, 2016	<u>(2,318,387)</u>
Net Position (Deficit) - June 30, 2017	<u>\$ (2,169,913)</u>

See accompanying notes to financial statements

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CITY OF TAFT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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, 2017

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.
- **Capital Projects Fund.** The Capital Project Fund is 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, 2017

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. Grants 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, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Basis of Accounting/Measurement Focus (Continued)

Governmental Fund Financial Statements (Continued)

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

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

The City reports the following major governmental funds:

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

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

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

The WWTP Special Revenue Fund is used to account for special projects related to the City's share of the wastewater treatment plant.

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, 2017

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 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 an Internal service fund of the Central Garage Fund. This fund is 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, 2017

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, 2017

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 governmental funds 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, 2017

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, 2017.

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, 2017, amounted to \$185,588 for Governmental Activities and \$196,804 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, 2017

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

Future Accounting Standards:

GASB has issued the following statements which may impact the City's financial reporting requirements in the future:

Statement No. 75	"Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions"	The provisions of this statement are effective for fiscal years beginning after June 15, 2017.
Statement No. 81	"Irrevocable Split-Interest Agreements"	The provisions of this statement are effective for fiscal years beginning after December 15, 2016.
Statement No. 82	"Pension Issues—an amendment of GASB Statement No. 67, No. 68, and No. 73."	The provisions of this statement are effective for fiscal years beginning after June 15, 2017.
Statement No. 83	"Certain Asset Retirement Obligations"	The provisions of this statement are effective for fiscal years beginning after June 15, 2018.
Statement No. 84	"Fiduciary Activities"	The provisions of this statement are effective for fiscal years beginning after December 15, 2018.
Statement No. 85	"Omnibus 2017"	The provisions of this statement are effective for fiscal years beginning after June 15, 2017.
Statement No. 86	"Certain Debt Extinguishment Issues"	The provisions of this statement are effective for fiscal years beginning after June 15, 2017.

CITY OF TAFT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q. New Accounting Pronouncements (Continued)

Statement No. 87	"Leases"	The provisions of this statement are effective for fiscal years beginning after December 15, 2019.
Statement No. 88	"Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements"	The provisions of this statement are effective for fiscal years beginning after June 15, 2018.
Statement No. 89	"Accounting for Interest Cost Incurred before the End of a Construction Period"	The provisions of this statement are effective for fiscal years beginning after December 15, 2019.

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, CDBG Home – 6859 and TARP Revolving Loan.

CITY OF TAFT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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

A. General Budget Policies (Continued)

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 proceeds 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, 2017, based on calculations by City staff, proceeds of taxes did not exceed appropriations. Further, section 5 of Article XIII-B allows the City to designate a portion of fund balance for general contingencies, to be used for any purpose.

B. Deficit Fund Balances/Net Position

The following funds contained deficit fund balances/net position as of June 30, 2017:

Major Governmental Fund:	
WWTP Special Revenue	\$ 1,145,024
Major Proprietary Fund:	
Transit	259,414
Nonmajor Governmental Fund:	
CDBG Home - 6859	208,790
Landscape Assessment District	57,197

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

**CITY OF TAFT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

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

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			
Public works	\$ 1,189,594	\$ 1,169,067	\$ 20,527
Community development	608,657	590,452	18,205
Capital outlay	2,090,910	1,006,078	1,084,832
WWTP			
General government	1,113,391	1,006,011	107,380
Nonmajor Governmental Funds			
Inmate Welfare Trust			
Health and welfare	61,004	47,484	13,520
Asset Forfeiture			
Public safety	19,889	16,933	2,956
Landscape Assessment			
Public works	18,685	18,482	203
Crime Prevention			
Public safety	97,335	81,046	16,289

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, 2017, consisted of the following:

Statement of Net Position:	
Cash and investments	\$ 12,098,832
Restricted cash and investments	939,946
Statement of Fiduciary Net Position:	
Cash and investments	122,828
Cash and investments with fiscal agents	453,806
Total cash and investments	<u>\$ 13,615,412</u>
Cash on hand	\$ 6,285
Deposits held by financial institutions	1,658,055
Investments	11,951,072
Total cash and investments	<u>\$ 13,615,412</u>

**CITY OF TAFT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 3 – CASH AND INVESTMENTS (CONTINUED)

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	\$65,000,000	\$65,000,000
U.S. Agency Securities	N/A	None	None

Investment Authorized by Debt Agreements

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

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

CITY OF TAFT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 3 – CASH AND INVESTMENTS (CONTINUED)

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 are provided by the table below that shows the distribution of the City's investments by maturity:

Investment Type	Remaining Maturity (in Months)			Total
	12 Months or Less	13 to 24 Months	25 to 60 Months	
State Investment Pool (LAIF)	\$ 4,679,005	\$ -	\$ -	\$ 4,679,005
Certificates of Deposit	1,703,281	622,000	1,992,980	4,318,261
U.S. Agency Securities			2,500,000	2,500,000
Held by Trustees:				
U.S. Agency Securities	365,000			365,000
Money Market Funds	88,806			88,806
Total	\$ 6,836,092	\$ 622,000	\$ 4,492,980	\$ 11,951,072

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)	\$ 4,679,005	N/A	\$ -	\$ -	\$ -	\$ -	\$ 4,679,005
Certificates of Deposit	4,318,261	N/A					4,318,261
U.S. Agency Securities	2,500,000	N/A			2,500,000		
Held by Trustees:							
U.S. Agency Securities	365,000	N/A			365,000		
Money Market Funds	88,806	N/A		88,806			
Total	\$ 11,951,072		\$ -	\$ 88,806	\$ 2,865,000	\$ -	\$ 8,997,266

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, 2017, 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.

CITY OF TAFT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 3 – CASH AND INVESTMENTS (CONTINUED)

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.

As of June 30, 2017, 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, 2017, 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	\$4,318,261

Investment in State Investment Pool

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

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

**CITY OF TAFT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 3 – CASH AND INVESTMENTS (CONTINUED)

Fair Value Measurements:

The City pool investment categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. These principles recognize a three-tiered fair value hierarchy, as follows:

- Level 1: Investments reflect prices quoted in active markets;
- Level 2: Investments reflect prices that are based on a similar observable asset either directly or indirectly, which may include inputs in markets that are not considered to be active; and,
- Level 3: Investments reflect prices based upon unobservable sources.

The City pool investment has the following recurring fair value measurements as of June 30, 2017:

Investment by Fair Value Level	Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Input (Level 2)	Significant Unobservable Inputs (Level 3)
Debt securities				
Certificates of deposits	\$ 4,318,261	\$ 4,318,261	\$ -	\$ -
US Government Agency Securities	2,865,000	2,865,000		
Total Investments Measured at Fair Value	7,183,261	\$ 7,183,261	\$ -	\$ -
Investments Measured at Amortized Cost				
LAIF	4,679,005			
Total Pooled Investments	\$ 11,862,266			

The City also had investments in money market mutual funds, however, these investments are not required to be measured under Level 1, 2 or 3.

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, 2017, the balance of notes receivable was \$ 3,489,583, of this amount, \$3,114,136 are deferred housing loans, which are due when the properties are transferred. These loans are collateralized by the titles of the properties. The remaining balances are made up of CDBG loans made to local businesses. These loans carry interest rates between 1% to 5%. All the loans are deferred revenue offsets.

NOTE 5 – INTERFUND ACTIVITIES

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

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

**CITY OF TAFT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 5 – INTERFUND ACTIVITIES (CONTINUED)

Interfund transfers during the fiscal year ended June 30, 2017 are as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
Major Governmental Funds:		
General	\$ 93,945	\$ -
WWTP Special Revenue	113,077	151,029
WWTP Capital Projects	131,200	113,077
Nonmajor Governmental Fund:		
Asset Forfeiture		14,629
Major Proprietary Funds:		
Federal WWTP		19,829
Sewer		19,829
Refuse		19,829
Total interfund transfers	<u>\$ 338,222</u>	<u>\$ 338,222</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, 2017.

	<u>Due from (Receivable)</u>	<u>Due to (Payable)</u>
Major Governmental Funds:		
General	\$ 1,054,104	\$ -
WWTP Capital Projects	1,414,013	
WWTP Special Revenue		1,414,013
Major Proprietary Fund:		
Transit		790,742
Nonmajor Governmental Funds:		
CDBG Home 6859		208,790
Landscape Assessment District		54,572
Total	<u>\$ 2,468,117</u>	<u>\$ 2,468,117</u>

In addition, the general fund advanced \$1,588,959 to the Successor Agency Capital Projects Fund (formerly the TCDA Capital Projects Funds) within the Private Purpose Trust Funds.

CITY OF TAFT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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, 2017.

<u>Governmental Activities</u>	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
Capital assets not being depreciated:				
Land	\$ 1,342,372	\$ -	\$ -	\$ 1,342,372
Construction in progress	2,673,304	2,839,065	(281,038)	5,231,331
Total capital assets not being depreciated	<u>4,015,676</u>	<u>2,839,065</u>	<u>(281,038)</u>	<u>6,573,703</u>
Capital assets being depreciated:				
Structures and improvements	9,258,451	900,298		10,158,749
Machinery and equipment	3,548,284	361,772		3,910,056
Infrastructure:				
Roadway system	4,657,443	281,038		4,938,481
Bridges	265,183			265,183
Total capital assets being depreciated	<u>17,729,361</u>	<u>1,543,108</u>	<u></u>	<u>19,272,469</u>
Less accumulated depreciation for:				
Structures and improvements	(5,643,592)	(265,804)		(5,909,396)
Machinery and equipment	(3,103,213)	(138,514)		(3,241,727)
Infrastructure:				
Roadway system	(2,075,865)	(211,951)		(2,287,816)
Bridges	(256,343)	(8,840)		(265,183)
Total accumulated depreciation	<u>(11,079,013)</u>	<u>(625,109)</u>	<u></u>	<u>(11,704,122)</u>
Total capital assets, being depreciated net of accumulated depreciation	<u>6,650,348</u>	<u>917,999</u>	<u></u>	<u>7,568,347</u>
Total Governmental activities capital assets, net of accumulated depreciation	<u>\$ 10,666,024</u>	<u>\$ 3,757,064</u>	<u>\$ (281,038)</u>	<u>\$ 14,142,050</u>

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

General government	\$ 99,136
Public safety	92,898
Public works	384,258
Health and welfare	<u>48,817</u>
Total depreciation expense - governmental activities	<u>\$ 625,109</u>

**CITY OF TAFT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 6 – CAPITAL ASSETS AND DEPRECIATION (CONTINUED)

Changes in business-type activities capital assets:

<u>Business-type activities</u>	<u>Balance July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2017</u>
Capital assets not being depreciated:				
Land	\$ 11,850	\$ -	\$ -	\$ 11,850
Construction in progress	604,207	251,428	(541,511)	314,124
Total capital assets not being depreciated	<u>616,057</u>	<u>251,428</u>	<u>(541,511)</u>	<u>325,974</u>
Capital assets being depreciated:				
Structures and improvements	6,046,142			6,046,142
Machinery and equipment	1,662,640	481,168	(9,782)	2,134,026
Sewer infrastructure	2,908,735			2,908,735
Total capital assets being depreciated	<u>10,617,517</u>	<u>481,168</u>	<u>(9,782)</u>	<u>11,088,903</u>
Less accumulated depreciation for:				
Structures and improvements	(3,566,770)	(234,964)		(3,801,734)
Machinery and equipment	(1,241,610)	(164,120)	9,782	(1,395,948)
Sewer infrastructure	(1,615,284)	(72,104)		(1,687,388)
Total accumulated depreciation	<u>(6,423,664)</u>	<u>(471,188)</u>	<u>9,782</u>	<u>(6,885,070)</u>
Total capital assets, being depreciated, net of accumulated depreciation	<u>4,193,853</u>	<u>9,980</u>		<u>4,203,833</u>
Total Business-type activities capital assets, net of accumulated depreciation	<u>\$ 4,809,910</u>	<u>\$ 261,408</u>	<u>\$ (541,511)</u>	<u>\$ 4,529,807</u>

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

CCF	\$ 47,125
Federal WWTP	227,128
Sewer	72,104
Refuse	31,059
Transit	<u>93,772</u>
Total depreciation expense - business-type activities	<u>\$ 471,188</u>

NOTE 7 – GOVERNMENTAL ACTIVITIES LONG-TERM DEBT

During the fiscal year ended June 30, 2017, 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, 2017**

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

During the fiscal year ended June 30, 2017, the following changes occurred to the governmental activities long-term liabilities: (Continued)

<u>Governmental Activities:</u>	<u>Balance July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2017</u>	<u>Due in One Year</u>
Compensated absences	\$ 179,966	\$ 5,622	\$ -	\$ 185,588	\$ 49,356
Net pension liability	4,104,463	1,948,257	(702,864)	5,349,856	
Certificates of participation	367,346	1,895,222	(63,000)	2,199,568	64,000
Total governmental activities	<u>\$ 4,651,775</u>	<u>\$ 3,849,101</u>	<u>\$ (765,864)</u>	<u>\$ 7,735,012</u>	<u>\$ 113,356</u>

Certificates of participation

Certificates of Participation (COP) are long-term instruments which are tax exempt and therefore, issued at interest rates below current market levels for taxable investments.

On June 15, 2015, the WWTP has entered into a loan financing program with the United States Department of Agriculture, acting through its agency the USDA Rural Development, to finance a portion of the cost and expense of the acquisition and construction of certain improvements to the wastewater treatment system of the City of Taft, and in connection with the loan financing program, the City intends to cause the execution and delivery to USDA Rural Development of certificates of participation.

In support of the proposed Certificates of Participation, the City proposes to enter into a financing program with the Taft Public Improvement Corporation, a California nonprofit public benefit corporation duly organized and existing under and by virtue of the laws of the State of California (the "Corporation"), for the purchase by the Corporation of the real property on which the wastewater system is situated (the "Site"), together with the existing wastewater treatment system improvements (the "Existing Facilities") situated thereon, and the purchase by the City from the Corporation of the completed Project.

The City is in receipt of a Letter of Conditions, originally dated November 8, 2012 and extended through April 10, 2017 (the "Letter of Conditions"), from USDA Rural Development, setting forth certain conditions to be satisfied by the City with respect to receipt from USDA Rural Development of funding for the Project, comprised of a loan in the amount of not-to-exceed \$3,619,000 to be represented by the Certificates of Participation. The Installment payments shall be payable during a period of not more than 40 years and the interest rate shall not exceed 1.75% per annum.

During the fiscal year 2016-17, the City spent \$3,251,654 for the project which was completed in May 2017. The City received loan funds of \$1,895,222 during the fiscal year 2016-17 with the remaining certificates of participation issued of \$1,356,432 disbursed to the City during FY 2017-18.

**CITY OF TAFT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

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

Certificates of Participation maturity schedule:

Fiscal year ending June 30,	Certificates of Participation	
	Principal	Interest
2018	\$ 64,000	\$ 38,492
2019	65,000	37,373
2020	67,000	36,235
2021	68,000	35,062
2022	69,000	33,872
2023-2027	363,000	150,847
2028-2032	397,000	117,895
2033-2037	431,000	82,002
2038-2042	472,000	42,890
2043-2045	203,568	5,455
Totals	<u>\$ 2,199,568</u>	<u>\$ 580,123</u>

NOTE 8 – BUSINESS-TYPE ACTIVITIES LONG-TERM DEBT

During the fiscal year ended June 30, 2017, the following changes occurred to the business-type activities long-term liabilities:

	Balance	Additions	Deletions	Balance	Due in
	July 1, 2016			June 30, 2017	One Year
Business type activities					
Compensated absences	\$ 142,738	\$ 54,066	\$ -	\$ 196,804	\$ 49,201
Net pension liability	2,254,127	1,097,675	(342,442)	3,009,360	
Total business-type activities	<u>\$ 2,396,865</u>	<u>\$ 1,151,741</u>	<u>\$ (342,442)</u>	<u>\$ 3,206,164</u>	<u>\$ 49,201</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 police) 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.

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.

**CITY OF TAFT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 9 – PENSION PLAN (CONTINUED)

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.

A. General Information about the Pension Plan (Continued)

The Plans' provisions and benefits in effect at June 30, 2017, are summarized as follows:

	City Safety Plan		
	Tier I	Tier II	Pepra
	Prior to October 3, 1996	On or after October 3, 1996	On or after January 1, 2013
Hire date			
Benefit formula	2.0%@50	2.0%@55	2.0%@50
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50 - 55	50 - 55	50 - 57
Monthly benefits, as a % of eligible compensation	2.0% to 2.7%	1.4% to 2.0%	1.426% to 2.7%
Required employee contribution rates	9.00%	7.00%	9.500%
Required employer contribution rates	14.785%	12.055%	9.418%
	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	8.377%	6.555%	

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.

For the fiscal year ended June 30, 2017, the contributions recognized as part of pension expense were as follows:

Contributions – employer (Safety Plan)	\$253,683
Contributions – employer (Miscellaneous Plan)	\$522,653

**CITY OF TAFT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 9 – PENSION PLAN (CONTINUED)

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

As of June 30, 2017, the City reported net pension liability for its proportionate share of the net pension liability in the amount of \$8,359,216.

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, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015 rolled forward to June 30, 2016 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. The City's proportionate share of the net pension liability for the Plan as of June 30, 2015 and 2016 was as follows:

	<u>Safety</u>	<u>Miscellaneous</u>	<u>Combined Total</u>
Proportion - June 30, 2015	0.07952%	0.10821%	0.18773%
Proportion - June 30, 2016	0.08041%	0.12074%	0.20115%
Change - Increase	0.15993%	0.22895%	0.38888%

For the fiscal year ended June 30, 2017, the City recognized pension expense of \$1,215,153. At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 17,498	\$ (25,815)
Changes of assumptions		(260,626)
Changes of employer's proportions	172,284	(250,425)
Net difference between projected and actual earnings on pension plan investments	1,328,737	
Changes in proportion and differences between City contributions and proportionate share of contributions	137,384	(146,823)
City contributions subsequent to the measurement date	916,163	
	<u>\$ 2,572,066</u>	<u>\$ (683,689)</u>

**CITY OF TAFT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 9 – PENSION PLAN (CONTINUED)

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

\$916,163 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, 2018. 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		
2018	\$	53,134
2019		34,063
2020		540,243
2021		344,774

Actuarial Assumptions - The total pension liabilities in the June 30, 2015 actuarial valuations were determined using the following actuarial assumptions:

	Safety	Miscellaneous
Valuation Date	June 30, 2015	June 30, 2015
Measurement Date	June 30, 2016	June 30, 2016
Actuarial Cost Method	Entry-Age Normal Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:		
Discount Rate	7.65%	7.65%
Inflation	2.75%	2.75%
Payroll Growth	3.00%	3.00%
Project Salary Increase	3.30%-14.20%	3.30%-14.20%
Investment Rate of Return	7.50%	7.50%
Mortality*	Derived using CalPERS' Membership Data for all Funds	Derived using CalPERS' Membership Data for all Funds

* The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience report.

All other actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the fiscal years 1997 to 2011, including updates to salary increase, mortality, and retirement rates. The experience study report can be obtained at CalPERS' website under Forms and Publications.

CITY OF TAFT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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 7.65%. 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. The tests revealed the assets would not run out. Therefore, the current 7.65% discount rate is appropriate, and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.65% is applied to all plans in the Public Employees Retirement Fund. The cash flows used in the testing were developed assuming that both members and employers make their contributions on time and as scheduled in all future years. The stress test results are presented in a detailed report called “GASB Crossover Testing Report” that can be obtained at CalPERS’ website under the GASB 68 section.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which 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, staff took into account both short-term and long-term market return expectations as well as the expected pension (PERF) fund cash flows. Taking into account historical returns of all Public Employees Retirement Funds’ asset classes (which includes the agent plan and two cost-sharing plans or PERF A, B, and C funds), expected compound (geometric) 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 PERF 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 equal to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table on the next page 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, 2017**

NOTE 9 – PENSION PLAN (CONTINUED)

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

Asset Class	New Strategic Allocation	Real Return Years 1 - 10 (a)	Real Return Years 11+ (b)
Global Equity	51.00%	5.25%	5.71%
Global Fixed Income	20.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	10.00%	6.83%	6.95%
Real Estate	10.00%	4.50%	5.13%
Infrastructure and Forestland	2.00%	4.50%	5.09%
Liquidity	1.00%	0.55%	-1.05%
Total	<u>100.00%</u>		

(a) An expected inflation of 2.50% used for this period.

(b) An expected inflation of 3.00% 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:

	Safety	Miscellaneous	Combined Total
1% Decrease	6.65%	6.65%	6.65%
Net Pension Liability	\$ 6,426,916	\$ 6,731,754	\$ 13,158,670
Current Discount Rate	7.65%	7.65%	7.65%
Net Pension Liability	\$ 4,164,739	\$ 4,194,477	\$ 8,359,216
1% Increase	8.65%	8.65%	8.65%
Net Pension Liability	\$ 2,307,724	\$ 2,097,544	\$ 4,405,268

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, 2017**

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** describes 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** describes 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 issues 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, 2017**

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 \$4,500,000 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 is a member of the California Affiliated Risk Management Authorities (CARMA) program for the purpose of obtaining excess coverage in a risk sharing pool. The CARMA program provides coverage from \$1,000,000 to \$29,000,000. The CARMA program has 54 members participating in the pooled liability program during the 2016/2017 fiscal year. CSJVRMA 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, 2017, is presented below:

Total Assets	<u>\$ 100,984,219</u>
Total Liabilities	\$ 83,009,648
Total Retained Earnings	<u>17,974,571</u>
Total Liabilities and Retained Earnings	<u>\$ 100,984,219</u>
Revenues for Fiscal Year	\$ 44,008,474
Expenses for Fiscal Year	<u>43,973,513</u>
Change in Net Position	<u>\$ 34,961</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 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 in the opinion of the City, the ultimate outcome will not a material effect on operations.

**CITY OF TAFT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 12 – COMMITMENTS AND CONTINGENCIES (CONTINUED)

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
2018	\$ 36,000
2019	36,000
2020	36,000
2021	36,000
2022	36,000
Thereafter	234,000
Total	\$ 414,000

NOTE 13 – FUND EQUITY

Fund Balance – Governmental Funds

As of June 30, 2017, 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 as 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.

**CITY OF TAFT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 13 – FUND EQUITY (CONTINUED)

Fund Balance – Governmental Funds

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

	General	Revolving Loan Fund CDBG	Revolving Loan Fund Home	WWTP Special Revenue	WWTP Capital Projects	Total Non-major Governmental Funds	Total
Nonspendable:							
Prepaid items	\$ 71,804	\$ -	\$ -	\$ 512	\$ -	\$ 34,439	\$ 106,755
Principal on advances	1,588,959						1,588,959
Total Nonspendable	1,660,763			512		34,439	1,695,714
Restricted for:							
Streets and roads						194,098	194,098
Public safety						180,397	180,397
Community development		277,879	998			275,754	554,631
Capital Projects - WWTP					3,756,919		3,756,919
Total Restricted		277,879	998		3,756,919	650,249	4,686,045
Unassigned	1,192,914			(1,145,536)		(266,032)	(218,654)
Total Fund Balances	\$ 2,853,677	\$ 277,879	\$ 998	\$ (1,145,024)	\$ 3,756,919	\$ 418,656	\$ 6,163,105

NOTE 14 – AGREEMENTS

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 (WWTP) 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 15 – 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.

CITY OF TAFT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 15 – SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY (CONTINUED)

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 City resolution number 12.

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

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

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

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.

**CITY OF TAFT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 15 – SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY (CONTINUED)

Capital Asset activity for the fiscal year ended June 30, 2017 was as follows:

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
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	(226,128)	(10,178)		(236,306)
Total accumulated depreciation	<u>(226,128)</u>	<u>(10,178)</u>		<u>(236,306)</u>
Total capital assets, being depreciated net of accumulated depreciation	<u>180,988</u>	<u>(10,178)</u>		<u>170,810</u>
Total Governmental activities capital assets, net of accumulated depreciation	<u>\$ 1,879,151</u>	<u>\$ (10,178)</u>	<u>\$ -</u>	<u>\$ 1,868,973</u>

The following is a schedule of long-term liabilities for the fiscal year ended June 30, 2017:

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017	Due in One Year
1998 Revenue Refunding Bonds	\$ 3,055,000	\$ -	\$ (180,000)	\$ 2,875,000	\$ 195,000
Total governmental activities	<u>\$ 3,055,000</u>	<u>\$ -</u>	<u>\$ (180,000)</u>	<u>\$ 2,875,000</u>	<u>\$ 195,000</u>

The maturity schedule of the bonds is as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2018	\$ 195,000	\$ 166,750	\$ 361,750
2019	205,000	155,440	360,440
2020	220,000	143,550	363,550
2021	235,000	130,790	365,790
2022	240,000	117,160	357,160
2023-2027	1,440,000	359,310	1,799,310
2028	340,000	19,720	359,720
Total	<u>\$ 2,875,000</u>	<u>\$ 1,092,720</u>	<u>\$ 3,967,720</u>

CITY OF TAFT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 16 - 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.

NOTE 17 – SUBSEQUENT EVENTS

During the fiscal year 2017-2018, the City borrowed an additional \$1,356,432 by issuing Certificates of Participation (COP). Please see Note #7 – Governmental Activities Long-Term Debt for additional details.

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CITY OF TAFT
MAJOR FUND BUDGETARY COMPARISON SCHEDULES
JUNE 30, 2017

Budgetary comparison schedules are presented as Required Supplementary Information for the General Fund and WTPP 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.

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CITY OF TAFT
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 1,377,921	\$ 1,398,716	\$ 1,403,625	\$ 4,909
Sales taxes	1,207,824	1,206,009	1,195,038	(10,971)
Other taxes	437,566	483,313	541,446	58,133
Licenses and permits, and fees	270,418	301,332	305,048	3,716
Fines and forfeitures	2,300	17,156	17,161	5
Use of money and property	125,427	133,902	146,870	12,968
Intergovernmental	49,100	519,761	816,078	296,317
Current services charges	3,155,861	3,126,513	3,078,822	(47,691)
Other	45,570	122,016	177,065	55,049
Total revenues	6,671,987	7,308,718	7,681,153	372,435
EXPENDITURES				
Current:				
General government	2,039,657	1,588,735	1,537,600	51,135
Public safety	3,604,465	3,712,484	3,705,596	6,888
Public works	1,314,894	1,169,067	1,189,594	(20,527)
Community development	666,570	590,452	608,657	(18,205)
Capital outlay	1,009,000	1,006,078	2,090,910	(1,084,832)
Total expenditures	8,634,586	8,066,816	9,132,357	(1,065,541)
Excess (deficiency) of revenues over expenditures	(1,962,599)	(758,098)	(1,451,204)	(693,106)
OTHER FINANCING SOURCES (USES)				
Transfers in	1,962,601	767,098	93,945	(673,153)
Total other financing sources (uses)	1,962,601	767,098	93,945	(673,153)
Net change in fund balance	2	9,000	(1,357,259)	(1,366,259)
Fund balance, beginning of fiscal year	4,210,936	4,210,936	4,210,936	
Fund balance, end of fiscal year	<u>\$ 4,210,938</u>	<u>\$ 4,219,936</u>	<u>\$ 2,853,677</u>	<u>\$ (1,366,259)</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, 2017

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES				
Intergovernmental	\$ 802,081	\$ 713,997	\$ 713,997	\$ -
Current service charges	70,000	31,587	31,587	
Total revenues	<u>872,081</u>	<u>745,584</u>	<u>745,584</u>	
EXPENDITURES				
Current:				
General government	887,826	1,006,011	1,019,743	(13,732)
Capital outlay	3,410,000	2,273,246	2,273,246	
Total Expenditures	<u>4,297,826</u>	<u>3,279,257</u>	<u>3,292,989</u>	<u>(13,732)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(3,425,745)</u>	<u>(2,533,673)</u>	<u>(2,547,405)</u>	<u>(13,732)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from issuance of debt	3,400,000	2,262,568	1,895,222	(367,346)
Transfers in	195,000	438,189	113,077	(325,112)
Transfers out	(169,255)	(167,084)	(151,029)	16,055
Total other financing sources (uses)	<u>3,425,745</u>	<u>2,533,673</u>	<u>1,857,270</u>	<u>(676,403)</u>
Net change in fund balance			(690,135)	(690,135)
Fund balance (deficit), beginning of fiscal year	<u>(361,241)</u>	<u>(361,241)</u>	<u>(361,241)</u>	
Fund balance (deficit), end of the fiscal year	<u><u>\$ (361,241)</u></u>	<u><u>\$ (361,241)</u></u>	<u><u>\$ (1,051,376)</u></u>	<u><u>\$ (690,135)</u></u>

CITY OF TAFT
REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2017

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

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

	Measurement Date June 30, 2016* FY 2016-17	Measurement Date June 30, 2015* FY 2015-16	Measurement Date June 30, 2014* FY 2014-15
Plan's proportion of the Net Pension Liability (Asset)	0.03384%	0.02343%	0.02005%
Plan's proportionate share of the Net Pension Pension Liability (Asset)	\$ 8,359,216	\$ 6,358,590	\$ 5,310,907
Covered employee payroll***	\$ 6,380,226	\$ 6,246,307	\$ 3,097,235
Plan's proportionate share of the Net Pension Liability (Asset) as a percentage of its covered employee payroll.	131.02%	101.80%	171.47%
Plan's fiduciary net position (in thousands)	\$ 24,705,532	\$ 27,141,897	\$ 26,493,201
Plan's fiduciary net position as a percentage of the Plan's Total Pension Liability	74.06%	81.02%	81.92%

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

**Fiscal year 2015 was the 1st year of implementation, therefore only three years are shown.

***Covered-Employee Payroll represented above is based on pensionable earnings provided by the employer. However, GASB 68 defined covered-employee payroll as the total of employees that are provided pensions through the pension plan. Accordingly, if pensionable earnings are different from 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.

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CITY OF TAFT
REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2017

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

Schedule of Contributions *

	FY 2016-17*	FY 2015-16*	FY 2014-15*
Actuarially Determined Contribution**	\$ 916,163	\$ 776,336	\$ 1,221,754
Contributions in Relation to the Actuarially Determined Contribution**			
Determined Contribution **	(916,163)	(776,336)	(1,221,754)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Employee Payroll****	\$ 6,380,226	\$ 6,246,307	\$ 3,097,235
Contributions as a Percentage of Covered Employee Payroll****	14.36%	12.43%	39.45%

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

**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 finance liabilities.

*** Fiscal year 2015 was the 1st year of implementation, therefore only three years are shown.

****Covered-Employee Payroll represented above is based on pensionable earnings provided by the employer. However, GASB 68 defined covered-employee payroll as the total of employees that are provided pensions through the pension plan. Accordingly, if pensionable earnings are different from 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.

Notes to Schedule:

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2016-17 were from the June 30, 2014 public agency valuations.

Actuarial Cost Method	Entry Age Normal
Amortization Method/Period	For detail, see June 30, 2014 Funding Valuation Report
Asset Valuation Method	Actuarial Value of Asseets. For details, see June 30, 2014 Funding Valuation Report.
Inflation	2.75%
Salary Increases	3.00%
Investment Rate of Return	7.65% Net of Pension Plan Investment and Administrative Expenses; includes Inflation.
Retirement Age	Based on the 2010 CalPERS Experience Study for the period from 1997 to 2007.
Mortality	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.

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**CITY OF TAFT
MAJOR CAPITAL PROJECT FUND
JUNE 30, 2017**

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, 2017**

	<u>Final Budget</u>	<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
REVENUES			
Use of money and property	\$ 19,953	\$ 33,350	\$ 13,397
Total revenues	<u>19,953</u>	<u>33,350</u>	<u>13,397</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	147,255	131,200	(16,055)
Transfers out	<u>(167,208)</u>	<u>(113,077)</u>	<u>54,131</u>
Total other financing sources (uses)	<u>(19,953)</u>	<u>18,123</u>	<u>38,076</u>
Net change in fund balance		51,473	51,473
Fund balance, beginning of fiscal year	<u>3,705,446</u>	<u>3,705,446</u>	
Fund balance, end of the fiscal year	<u>\$ 3,705,446</u>	<u>\$ 3,756,919</u>	<u>\$ 51,473</u>

**CITY OF TAFT
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2017**

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.

Transportation and Development Act (TDA)

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

Community Development Block Grant Home - 6859

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

Cal Home Revolving Loan

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

Tarp Revolving Loan

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

Asset Forfeiture

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

Landscape Assessment District

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

Crime Prevention

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

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CITY OF TAFT
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
June 30, 2017

	Special Revenue Funds			
	Traffic Safety	Gas Tax	Inmate Welfare Trust	TDA
ASSETS				
Cash and investments	\$ 16,384	\$ 103,629	\$ 39,300	\$ 90,382
Receivables:				
Interest		87		
Notes				
Prepaid items			193	
Total assets	\$ 16,384	\$ 103,716	\$ 39,493	\$ 90,382
LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ 557	\$ -
Accrued payroll			354	
Due to other funds				
Total liabilities			911	
DEFERRED INFLOW OF RESOURCES				
Deferred revenue				
FUND BALANCES				
Nonspendable			193	
Restricted	16,384	103,716	38,389	90,382
Unassigned				
Total fund balances (deficits)	16,384	103,716	38,582	90,382
Total liabilities, deferred inflow of resources, and fund balances	\$ 16,384	\$ 103,716	\$ 39,493	\$ 90,382

Special Revenue Funds

CDBG Home 6859	Cal Homes Revolving Loan Fund	TARP Revolving Loan	Asset Forfeiture	Landscape Assessment District	Crime Prevention	Total Non- Major Governmental Funds
\$ -	\$ -	\$ 275,754	\$ 74,283	\$ -	\$ 54,995	\$ 654,727
			64		77	228
	312,444	63,003		45	34,201	375,447
						34,439
<u>\$ -</u>	<u>\$ 312,444</u>	<u>\$ 338,757</u>	<u>\$ 74,347</u>	<u>\$ 45</u>	<u>\$ 89,273</u>	<u>\$ 1,064,841</u>
\$ -	\$ -	\$ -	\$ 2,158	\$ 2,470	\$ -	5,185
				200	1,637	2,191
208,790				54,572		263,362
208,790			2,158	57,242	1,637	270,738
	312,444	63,003				375,447
				45	34,201	34,439
		275,754	72,189		53,435	650,249
(208,790)				(57,242)		(266,032)
(208,790)		275,754	72,189	(57,197)	87,636	418,656
<u>\$ -</u>	<u>\$ 312,444</u>	<u>\$ 338,757</u>	<u>\$ 74,347</u>	<u>\$ 45</u>	<u>\$ 89,273</u>	<u>\$ 1,064,841</u>

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**CITY OF TAFT
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	Special Revenue Funds			
	Traffic Safety	Gas Tax	Inmate Welfare Trust	TDA
REVENUES				
Fines and forfeitures	\$ 15,907	\$ -	\$ -	\$ -
Use of money and property		1,125	35	
Intergovernmental		102,234		
Current services charges			58,700	
Other			4,499	
Total revenues	<u>15,907</u>	<u>103,359</u>	<u>63,234</u>	
EXPENDITURES				
Current:				
Public safety				
Public works				
Health and welfare			61,004	
Community development				
Total expenditures			<u>61,004</u>	
Excess of revenues over (under) expenditures	<u>15,907</u>	<u>103,359</u>	<u>2,230</u>	
OTHER FINANCING SOURCES (USES)				
Transfers out				
Total other financing sources (uses)				
Net changes in fund balances	15,907	103,359	2,230	
Fund balances (deficits), beginning of fiscal year	<u>477</u>	<u>357</u>	<u>36,352</u>	<u>90,382</u>
Fund balances (deficits), end of fiscal year	<u>\$ 16,384</u>	<u>\$ 103,716</u>	<u>\$ 38,582</u>	<u>\$ 90,382</u>

Special Revenue Funds

CDBG Home - 6859	Cal Homes Revolving Loan Fund	TARP Revolving Loan	Asset Forfeiture	Landscape Assessment District	Crime Prevention	Total Non- Major Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 15,907
			769	5	792	2,726
6,792		68,000	28,570	11,005	129,324	334,920
6,792		68,000	29,339	11,010	130,116	427,757
			19,889		97,335	117,224
				18,685		18,685
215,582						61,004
215,582			19,889	18,685	97,335	215,582
215,582			19,889	18,685	97,335	412,495
(208,790)		68,000	9,450	(7,675)	32,781	15,262
			(14,629)			(14,629)
			(14,629)			(14,629)
(208,790)		68,000	(5,179)	(7,675)	32,781	633
		207,754	77,368	(49,522)	54,855	418,023
\$ (208,790)	\$ -	\$ 275,754	\$ 72,189	\$ (57,197)	\$ 87,636	\$ 418,656

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, 2017

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Fines and forfeitures	\$ 15,780	\$ 15,907	\$ 127
Total revenues	<u>15,780</u>	<u>15,907</u>	<u>127</u>
OTHER FINANCING SOURCES (USES)			
Transfers out	<u>(15,780)</u>		<u>15,780</u>
Total other financing sources (uses)	<u>(15,780)</u>		<u>15,780</u>
Net change in fund balance		15,907	15,907
Fund balance, beginning of fiscal year	<u>477</u>	<u>477</u>	
Fund balance, end of fiscal year	<u><u>\$ 477</u></u>	<u><u>\$ 16,384</u></u>	<u><u>\$ 15,907</u></u>

CITY OF TAFT
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GAS TAX SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Final Budget</u>	<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
REVENUES			
Use of money and property	\$ 815	\$ 1,125	\$ 310
Intergovernmental	258,882	102,234	(156,648)
Total revenues	<u>259,697</u>	<u>103,359</u>	<u>(156,338)</u>
OTHER FINANCING SOURCES (USES)			
Transfers out	<u>(259,697)</u>		<u>259,697</u>
Total other financing sources (uses)	<u>(259,697)</u>		<u>259,697</u>
Net change in fund balance		103,359	103,359
Fund balance, beginning of fiscal year	<u>357</u>	<u>357</u>	
Fund balance, end of fiscal year	<u>\$ 357</u>	<u>\$ 103,716</u>	<u>\$ 103,359</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, 2017

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Use of money and property	\$ 25	\$ 35	\$ 10
Current service charges	43,804	58,700	14,896
Other	3,655	4,499	844
	<u>47,484</u>	<u>63,234</u>	<u>15,750</u>
EXPENDITURES			
Current:			
Health and welfare	47,484	61,004	(13,520)
	<u>47,484</u>	<u>61,004</u>	<u>(13,520)</u>
Net change in fund balance		2,230	2,230
Fund balance, beginning of fiscal year	<u>36,352</u>	<u>36,352</u>	
Fund balance, end of fiscal year	<u>\$ 36,352</u>	<u>\$ 38,582</u>	<u>\$ 2,230</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, 2017

	<u>Final Budget</u>	<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
REVENUES			
Intergovernmental	\$ 50,000	\$ -	\$ (50,000)
Total revenues	<u>50,000</u>	<u></u>	<u>(50,000)</u>
OTHER FINANCING SOURCES (USES)			
Transfers out	<u>(50,000)</u>	<u></u>	<u>50,000</u>
Total other financing sources (uses)	<u>(50,000)</u>	<u></u>	<u>50,000</u>
Net change in fund balance			
Fund balance, beginning of fiscal year	<u>90,382</u>	<u>90,382</u>	<u></u>
Fund balance, end of fiscal year	<u><u>\$ 90,382</u></u>	<u><u>\$ 90,382</u></u>	<u><u>\$ -</u></u>

CITY OF TAFT
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
ASSET FORFEITURE SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Use of money and property	\$ 500	\$ 769	\$ 269
Intergovernmental	28,571	28,570	(1)
Total revenues	<u>29,071</u>	<u>29,339</u>	<u>268</u>
EXPENDITURES			
Current:			
Public safety	16,933	19,889	(2,956)
Total expenditures	<u>16,933</u>	<u>19,889</u>	<u>(2,956)</u>
Excess (deficiency) of revenues over expenditures	<u>12,138</u>	<u>9,450</u>	<u>(2,688)</u>
OTHER FINANCING SOURCES (USES)			
Transfers out	<u>(12,138)</u>	<u>(14,629)</u>	<u>(2,491)</u>
Total other financing sources (uses)	<u>(12,138)</u>	<u>(14,629)</u>	<u>(2,491)</u>
Net change in fund balance		(5,179)	(5,179)
Fund balance, beginning of fiscal year	<u>77,368</u>	<u>77,368</u>	
Fund balance, end of fiscal year	<u>\$ 77,368</u>	<u>\$ 72,189</u>	<u>\$ (5,179)</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, 2017

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Use of money and property	\$ 5	\$ 5	\$ -
Current service charges	10,962	11,005	43
Total revenues	<u>10,967</u>	<u>11,010</u>	<u>43</u>
EXPENDITURES			
Current:			
Public works	18,482	18,685	(203)
Total expenditures	<u>18,482</u>	<u>18,685</u>	<u>(203)</u>
Excess (deficiency) of revenues over expenditures	<u>(7,515)</u>	<u>(7,675)</u>	<u>(160)</u>
OTHER FINANCING SOURCES (USES)			
Transfers out	<u>(7,515)</u>		<u>7,515</u>
Total other financing sources (uses)	<u>(7,515)</u>		<u>7,515</u>
Net change in fund balance	(15,030)	(7,675)	7,355
Fund balance (deficit), beginning of fiscal year	<u>(49,522)</u>	<u>(49,522)</u>	
Fund balance (deficit), end of fiscal year	<u><u>\$ (64,552)</u></u>	<u><u>\$ (57,197)</u></u>	<u><u>\$ 7,355</u></u>

CITY OF TAFT
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
CRIME PREVENTION SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Use of money and property	\$ 220	\$ 792	\$ 572
Intergovernmental	114,618	129,324	14,706
Total revenues	<u>114,838</u>	<u>130,116</u>	<u>15,278</u>
EXPENDITURES			
Current:			
Public safety	81,046	97,335	(16,289)
Total expenditures	<u>81,046</u>	<u>97,335</u>	<u>(16,289)</u>
Excess (deficiency) of revenues over expenditures	<u>33,792</u>	<u>32,781</u>	<u>(1,011)</u>
OTHER FINANCING SOURCES (USES)			
Transfers out	(33,792)		33,792
Total other financing sources (uses)	<u>(33,792)</u>		<u>33,792</u>
Net change in fund balance		32,781	32,781
Fund balance, beginning of fiscal year	<u>54,855</u>	<u>54,855</u>	
Fund balance, end of fiscal year	<u>\$ 54,855</u>	<u>\$ 87,636</u>	<u>\$ 32,781</u>

**CITY OF TAFT
PRIVATE-PURPOSE TRUST FUNDS AND AGENCY FUNDS
JUNE 30, 2017**

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 Fund

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

1997-A Lease Revenue Bond

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

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**CITY OF TAFT
COMBINING STATEMENT OF NET POSITION
PRIVATE PURPOSE TRUST FUNDS
JUNE 30, 2017**

	Capital Projects	Post RDA Debt Retirement	Total
ASSETS			
Cash and investments	\$ -	\$ 54,332	\$ 54,332
Cash and investment with fiscal agents		453,806	453,806
Interest receivable		1,152	1,152
Prepaid items		133	133
Capital assets - nondepreciable	1,698,163		1,698,163
Capital assets - being depreciated	407,116		407,116
Capital assets - accumulated depreciation	(236,306)		(236,306)
	<u>1,868,973</u>	<u>509,423</u>	<u>2,378,396</u>
Total assets			
LIABILITIES			
Accounts payable		84	84
Accrued payroll		891	891
Accrued interest payable		83,375	83,375
Advance due to City of Taft		1,588,959	1,588,959
Bonds payable		2,875,000	2,875,000
		<u>4,548,309</u>	<u>4,548,309</u>
Total liabilities			
NET POSITION (DEFICIT)			
Restricted for debt service		370,431	370,431
Unrestricted	1,868,973	(4,409,317)	(2,540,344)
	<u>1,868,973</u>	<u>(4,409,317)</u>	<u>(2,540,344)</u>
Total Net Position (Deficit)	<u>\$ 1,868,973</u>	<u>\$ (4,038,886)</u>	<u>\$ (2,169,913)</u>

**CITY OF TAFT
PRIVATE PURPOSE TRUST FUNDS
COMBINING STATEMENT OF CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	<u>Capital Projects</u>	<u>Post RDA Debt Retirement</u>	<u>Total</u>
Additions:			
Investment revenue	\$ -	\$ 124,067	\$ 124,067
Taxes and assessments		265,530	265,530
		<u>389,597</u>	<u>389,597</u>
Deductions:			
Community development		63,528	63,528
Interest expense		167,417	167,417
Depreciation	10,178		10,178
	<u>10,178</u>	<u>230,945</u>	<u>241,123</u>
Total deductions			
Change in net position	(10,178)	158,652	148,474
Net Position (Deficit) - July 1, 2016	<u>1,879,151</u>	<u>(4,197,538)</u>	<u>(2,318,387)</u>
Net Position (Deficit) - June 30, 2017	<u>\$ 1,868,973</u>	<u>\$ (4,038,886)</u>	<u>\$ (2,169,913)</u>

**CITY OF TAFT
 COMBINING STATEMENT OF ASSETS AND LIABILITIES
 AGENCY FUNDS
 JUNE 30, 2017**

	Inmate Trust Fund	1997-A Lease Revenue Bond	Total
ASSETS			
Cash and investments	\$ 67,937	\$ 559	\$ 68,496
Total assets	<u>\$ 67,937</u>	<u>\$ 559</u>	<u>\$ 68,496</u>
LIABILITIES			
Accounts payable	\$ 11,497	\$ -	\$ 11,497
Deposits payable		559	559
Due to inmates	<u>56,440</u>		<u>56,440</u>
Total liabilities	<u>\$ 67,937</u>	<u>\$ 559</u>	<u>\$ 68,496</u>

CITY OF TAFT
FIDUCIARY FUNDS - AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

<u>Inmate Trust Fund</u>	July 1, 2016 Balance	Additions	Reductions	June 30, 2017 Balance
ASSETS				
Cash and investments	\$ 85,634	\$ 403,637	\$ (421,334)	\$ 67,937
Total assets	<u>\$ 85,634</u>	<u>\$ 403,637</u>	<u>\$ (421,334)</u>	<u>\$ 67,937</u>
LIABILITIES				
Accounts payable	\$ 23,911	\$ 433,559	\$ (445,973)	\$ 11,497
Due to inmates	61,723	412,924	(418,241)	56,440
Total liabilities	<u>\$ 85,634</u>	<u>\$ 846,483</u>	<u>\$ (864,214)</u>	<u>\$ 67,937</u>
<u>1997-A Lease Revenue Bond</u>	July 1, 2016 Balance	Additions	Reductions	June 30, 2017 Balance
ASSETS				
Cash and investments	\$ 559	\$ -	\$ -	\$ 559
Total assets	<u>\$ 559</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 559</u>
LIABILITIES				
Deposits payable	\$ 559	\$ -	\$ -	\$ 559
Total liabilities	<u>\$ 559</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 559</u>
<u>Total</u>	July 1, 2016 Balance	Additions	Reductions	June 30, 2017 Balance
ASSETS				
Cash and investments	\$ 86,193	\$ 403,637	\$ (421,334)	\$ 68,496
Total assets	<u>\$ 86,193</u>	<u>\$ 403,637</u>	<u>\$ (421,334)</u>	<u>\$ 68,496</u>
LIABILITIES				
Accounts payable	\$ 23,911	\$ 433,559	\$ (445,973)	\$ 11,497
Due to inmates	61,723	412,924	(418,241)	56,440
Deposits payable	559			559
Total liabilities	<u>\$ 86,193</u>	<u>\$ 846,483</u>	<u>\$ (864,214)</u>	<u>\$ 68,496</u>