

**CITY OF TAFT, TEXAS  
Annual Financial Report  
For the fiscal year ended  
September 30, 2014**

**Raul Hernandez & Company, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS**

5422 Holly Rd. Holly-Staples Square Corpus Christi, TX 78411 Office: (361) 980-0428 Fax: (361) 980-1002



**CITY OF TAFT, TEXAS**  
**ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2014**

**PREPARED BY**  
**City of Taft**  
**Interim City Manager**



**CITY OF TAFT, TEXAS  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

TABLE OF CONTENTS

Page

INTRODUCTORY SECTION

Letter of Transmittal	5
List of Principal Officials	11

FINANCIAL SECTION

Independent Auditors' Report	15
Management's Discussion and Analysis	17
<b><u>Basic Financial Statements</u></b>	
Statement of Net Position	27
Statement of Activities	28
Balance Sheet – Governmental Funds	30
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	32
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds	34
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	36
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual - General Fund	37
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Fireman's Pension Fund	38
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Debt Service – Interest and Sinking Fund	39
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Fireman's Operating Fund	40
Statement of Net Position – Proprietary Funds	42
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds	44
Statement of Cash Flows – Propriety Funds	45
Notes to the Financial Statements	47
Required Supplementary Information	
Notes to Required Supplemental Information	70
City Retirement System Schedule of Funding Progress	71
Combining and Individual Fund Statements and Schedules as Supplementary Information	
Balance Sheet – General Fund	79
Schedule of Revenues and Other Sources (Uses) – Budget (GAAP Basis) and Actual – General Fund	80
Schedule of Expenditures – Budget (GAAP Basis) and Actual – General Fund	83

**CITY OF TAFT, TEXAS  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	<u>Page</u>
Combining Balance Sheet – Non-major Funds	86
Combining Statement of Revenue, Expenditures and Changes in Fund Balance – Non-major Funds	90
Proprietary Funds	
Enterprise Funds	
Statement of Net Position Proprietary Funds – Utility Funds	96
Schedule of Operating Revenues and Expenses by Fund – Utility Fund	99
Comparative Statement of Cash Flows – Utility Funds	100
Internal Control and Compliance	
Independent Auditor’s Report on Internal Control over Financial Reporting and On Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance With Government Auditing Standards	103
Schedule of Prior Findings	105
Schedule of Findings and Questioned Costs	107
Schedule of Corrective Action	

## **INTRODUCTORY SECTION**

## **City of Taft, Texas**





January 10, 2017

The Honorable Mayor, City Council and City Manager  
City of Taft  
Taft, Texas

This report represents the Annual Financial Report for the City of Taft, Texas for the fiscal year ended September 30, 2014.

This report is published to provide the City Council, City Staff, our citizens, our bondholders and other interested parties with detailed information concerning the financial condition and activities of the City government. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City.

To the best of our knowledge and belief, the enclosed data is accurate in all material respects, and is organized in a manner designed to fairly present the financial position and results of operations of the City as measured by the financial activity of its various funds. We also believe that all disclosures necessary to enable the reader to gain the maximum understanding of the City's financial affairs have been included.

The Staff is pleased to submit the Annual Financial Report for the City of Taft, Texas, for the fiscal year ended September 30, 2014.

## THE REPORT

This report is presented in three sections: Introductory, Financial and Statistical. The Introductory Section includes this transmittal letter, a listing of the City Officials, and an organizational chart. The Financial Section includes a Management Discussion and Analysis (MD&A), basic financial statements and combining and individual fund statements and schedules, as well as the Independent auditors' report on the basic financial statements. This letter of transmittal is designed to complement and should be read in conjunction with the MD&A. The City of Taft's MD&A can be found immediately following the report of the independent auditors. The Statistical Section includes financial and demographic information, usually presented on a multi-year basis that is relevant to a financial statement reader.

The City of Taft's financial statements have been audited by Raul Hernandez & Company, P.C.; a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Taft for the fiscal year ended September 30, 2014 are free of material misstatement. The independent audit involves examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation.

**"SERVICE IS OUR BUSINESS"**

P. O. BOX 416 • TAFT, TEXAS 78390-0416 • [361] 528-3512

The independent auditor concluded, based upon the audit, that there was a reasonable basis for the fiscal year ended September 30, 2014 financial statements to be considered to be fairly presented in conformity with generally accepted accounting principles for governments as prescribed by the Governmental Accounting Standards Board and other professional promulgations, as applicable.

## **CITY PROFILE**

### Location

The City of Taft is a city located in San Patricio County. Located in San Patricio County, Taft is 22 miles from Corpus Christi and about 88 miles south of San Antonio. The City encompasses approximately 4.0 square miles of land within the City's corporate boundary. Taft's population is estimated at about 3,048.

Taft was incorporated as a town in 1929. The City operates under a City Manager form of government.

### Services Provided

Services provided by the City under the general governmental functions include public safety (police and fire), streets, sanitation, health and social services, culture recreation, public improvements, planning and zoning, and general administrative services. Other services include utilities operations. A private firm provides solid waste collection and disposal services under a contract with the City. In addition, water and sewer services are provided under an Enterprise Fund concept, with user charges set by the City Council to ensure adequate coverage of operating expenses, payments on outstanding debt and reserves.

### Blended Component Unit

The City of Taft, Texas had no blended component units.

### Discretely Presented Component Unit

The City of Taft, Texas, Economic Improvement Corporation (a nonprofit corporation) services the citizens of the City of Taft, Texas, by providing financing of economic development objectives, recreational and infrastructure improvements. Revenues are provided primarily with funds derived from a one-half of one percent sales and use tax approved by the voters in the fiscal year 1999. The Corporation is reported as a discretely component unit. The Taft Economic Development Corporation was created to be a vehicle for economic stimulus for the Taft area. In addition, the City has the Pride of Taft which is utilized for enhancing quality of life thru beautification of city wide cleanups activities. Complete financial statements of the Taft Economic Development Corporation may be obtained at the City's administrative office.

Taft Economic Development Corporation  
City Hall, 501 Green Avenue, P.O. Box 416  
Taft, Texas 78390

Pride of Taft  
City Hall, 501 Green Avenue, P.O. Box 416  
Taft, Texas 78390

Services provided by the City under the general governmental functions include public safety (police and fire).

#### Accounting System and Budgetary Control

The City's accounting records for governmental operations are maintained on a modified accrual basis, with the revenues being recorded when available and measurable, expenditures being recorded when the services or goods are received, and the liabilities are incurred. Accounting records for the City's utilities and other proprietary activities are maintained on the accrual basis.

In developing and maintaining the City's accounting system, consideration is given to the adequacy of the internal control structure. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition; and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the evaluation of costs and benefits requires estimates and judgments by management.

All internal control evaluations occur within the above framework. We believe that the City's current internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

The City requires that on or before the end of August, the City Manager submits to the City Council a proposed budget and budget message to the City Council for the fiscal year commencing the following October 1. The budget message is the responsibility of the City Manager. The City Council shall review the proposed budget and make any appropriate changes prior to adopting and publishing the final budget. The budget is legally enacted through passage of an ordinance on or before September 30<sup>th</sup>. The City Manager is authorized to transfer budgeted amount within departments; however, any revisions that alter the total expenditures of a fund must be approved by the City Council. The City Manager may be authorized, by ordinance and by adoption of the City Council, to expend limited amounts which are included within the budget. Expenditures over this amount require authorization by the City Council.

Budgetary control has been established at the individual fund level. Financial reports are produced showing budget and actual expenditures by line item for the current month and year-to-date and are distributed monthly to City department supervisors as well as to others upon request.

Individual line items are reviewed and analyzed for budgetary compliance. Personnel expenditures are monitored and controlled at a position level and capital expenditures are monitored and controlled item by item.

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City operates.

## **ECONOMIC OUTLOOK AND FINANCIAL CONDITION**

### Taft's Position in the Region

As the location of some of the last remaining undeveloped coastline adjacent to a deep water channel, the City is actively pursuing opportunities to promote this untapped resource through cooperative efforts with various government agencies and developers.

In addition, the City of Taft is located 12 miles to the northwest of City of Corpus Christi, Texas. As such, our economic development is largely related to providing a high quality of life for the families that reside here. Because of the quality of life the City continues to see a steady population growth. The current population from the 2010 census of 3,048 reflects a drop in population of 348 from the 2000 census of 3,396.

The City also benefits from a well-educated and affluent workforce. Taft's median household effective buying income of \$35,441 compares unfavorably to \$52,576 for Texas.

The following facts reflect Taft's economic condition and outlook:

- Building activity continues to be very strong.
- Total taxable value for all residential and commercial property in the City of Taft was 76.4 million for fiscal year 2013/2014 for a 3.07 million increase and a 4.18% increase.
- Sales tax collections have increased by more than 13% for the most recent year.

### Future Economic Outlook

The City of Taft has taken several steps in recent years and continues to move forward on several projects to improve the quality of life by capitalizing on the natural beauty of the area and preserving public access to natural areas.

### Cash Management

Idle cash is invested by City officials in certificate of deposits when the interest rates available provide local government investment opportunities while protecting principal and liquidity.

It is the City's Policy that all demand deposits and time deposits are secured by pledged collateral with a market value equal to no less than 100% of the deposits less an amount insured by the FDIC. Evidence of the pledged collateral is periodically obtained at a third party financial institution. Collateral is reviewed to assure the market value of the securities pledged equals or exceeds the related bank balances. All collateral is subject to inspection and audit by the City's independent auditors.

#### Pension Plan

The City of Taft provides pension benefits for all of its employees except for firefighters through a nontraditional, joint contributory, hybrid defined benefit plan in the statewide Texas Municipal Retirement System (TMRS), an agent multiple-employer public employee retirement system. The plan provisions that have been adopted by the city are within the options available in the governing statutes of TMRS.

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) from TMRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the System. This report may be obtained by writing to TMRS, P.O. Box 149153, Austin, TX 78714-9153 or by calling 800-924-8677; in addition, the report is available on TMRS' website at [www.TMRS.com](http://www.TMRS.com).

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City were as follows:

	Plan Year 2013	Plan Year 2014
Employee Deposit Rate	7.00%	7.00%
Matching Ratio (City to Employee)	2 to 1	2 to 1
Years Required for Vesting	5	5
Service Retirement Eligibility (Expressed as Age / Years of Service)	60/5,0/25	60/5,0/25
Updated Service Credit	100% Repeating, Transfers	100% Repeating, Transfers
Annuity Increase (to Retirees)	30% of CPI Repeating	30% of CPI Repeating

**Contributions:** Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Projected Unit Credit actuarial cost method. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually; the prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for that city. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

The City contributes to the TMRS Plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect. The annual pension cost and net pension obligation/ (asset) are as follows:

1. Annual Required Contribution (ARC)	109,940
2. Interest on Net Pension Obligation	-
3. Adjustment to the ARC	-
4. Annual Pension Cost (APC)	109,940
5. Contributions Made	109,940
6. Increase (Decrease) in net pension obligation	-
7. Net Pension Obligation/(Asset), beginning of year	-
8. Net Pension Obligation/(Asset), end of year	-

The City has an unfunded Actuarial Accrued Liability overall but did not have a current year variance. See notes to financial statements for additional information.

#### Health Insurance and Post Employment Health Care Benefits

In addition to providing pension benefit, the City provides certain health care benefits for retired employees for a maximum time period of 24 months as allowed for employees who have met the following requirements: Employees who have reached the age of 58, are eligible for the Texas Municipal Retirement System benefits, who have at least 20 years of credited service, 10 years of which must be continuous service with the City of Taft. Also, retirees will be eligible to continue major medical health and dental insurance for up to 24 months or until the age of 65 or until eligible for Medicare Insurance benefits.

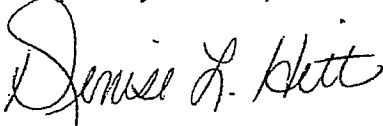
### **OTHER INFORMATION**

#### **Acknowledgments**

Appreciation is expressed to each and every City employee who, throughout the past year, has faithfully and diligently served the City and its community. They are to be thanked.

The members of the City Council, and Citizens, are to be thanked for their active participation and support in the operations of the City. I would also like to thank the employees of the City of Taft, Texas, for their assistance in compiling the necessary financial data regarding this report.

Respectfully submitted,



Interim City Manager

## **CITY OF TAFT**

### **List of Principal Officials**

#### **ELECTED OFFICIALS**

Pedro Lopez	Mayor
Denise Hitt	Mayor Pro-Tem
Leonard Vasquez	City Council
Donnie S. Riojas	City Council
Rolando Rodriguez	City Council

#### **APPOINTED OFFICIALS**

Santos McBain Management & Planning	City Manager
Mary Alice Sandoval	Finance/HR Director
John Landreth	Chief of Police
Dan Gibson	Fire Chief
Fred Farias	Supervisor of Public Works
Jennifer Pineda	City Secretary Municipal Court Clerk
Tazh Fonville	Building Inspector
Carmel Herrera	Municipal Court Judge
Roxann P. Controneo	City Attorney

## **City of Taft, Texas**



## **FINANCIAL SECTION**

## **City of Taft, Texas**

**RAUL HERNANDEZ & COMPANY, P.C.**  
Certified Public Accountants  
5422 Holly Rd  
Corpus Christi, Texas 78411  
Office (361) 980-0428 Fax (361) 980-1002

**Independent Auditors' Report**

To the City Council  
City of Taft  
P.O. Box 416  
Taft, Texas 78390

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Taft ("the City") as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the Taft'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 of 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 Taft'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 Taft'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 discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Taft as of September 30, 2014, and the respective changes in financial position and the respective budgetary comparison for the general fund, firemen's pension fund, debt service fund, and firemen's operating fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information, schedule of the Taft's proportionate share of the net pension liability and schedule of Taft pension contributions identified as Required Supplementary Information in the table of contents 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's basic financial statements. The introductory section and combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not required parts of the basic financial statements.

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

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 10, 2017 on our consideration of City of Taft's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Taft's internal control over financial reporting and compliance.

Respectfully submitted,

  
Raul Hernandez & Company, P.C.

Corpus Christi, Texas  
January 10, 2017

**CITY OF TAFT, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2014**

This discussion and analysis of the City of Taft's financial performance is intended to provide an overview and analysis of the City's financial activities for the fiscal year ended September 30, 2014. The reader is encouraged to consider the information presented here in conjunction with the accompanying transmittal letter and the accompanying basic financial statements.

**FINANCIAL HIGHLIGHTS**

- As of September 30, 2014, the City of Taft's General Fund reported an ending deficit fund balance of \$(164,769) in the governmental fund types. (Exhibit C-3)
- As of September 30, 2014, the City of Taft's Utility Fund reported ending total net position of \$296,999, an increase of \$13,415 with \$119,861 from operations and a prior period adjustment of \$(106,446) or 4.73 %. (Exhibit D-2)
- The net position of the City of Taft exceeded its liabilities at the close of the fiscal year ending September 30, 2014 by \$6,266,623. A decrease of the net assets was a result of the Certificate of Obligation Bonds 2010 balance of \$853,175 being reclassified to the Utility fund. Of \$6,563,622 total net position, \$71,686 or 1.09% represents the unrestricted net position. (Exhibit A-1, B-1)
- The City of Taft's total net position increased by \$347,421 for the year ended September 30, 2014; the major reason for the increase in net position is resulting from an overall decrease in expenditures for the governmental and utility funds. (Exhibit B-1)
- As of September 30, 2014, the City of Taft's governmental funds reported combined ending fund balance of \$243,686. Prior period adjustments of \$105,003 were made to increase fund balances to actual. (Exhibit C-1, C-3)
- The City's total debt decreased by \$289,283 during the year from \$6,845,163 to \$6,555,881.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The discussion and analysis serves as an introduction to the City of Taft's basic financial statements. The City of Taft's basic financial statements are comprised of three components: government-wide financial statements, fund financial statements and notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements**

The government-wide financial statements are designed to provide readers with a broad overview of the City of Taft's finances, in a manner similar to a private-sector business.

**CITY OF TAFT, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2014**

The Statement of Net Assets presents information on all of the City of Taft's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of Taft is improving or deteriorating. This statement combines and consolidates governmental funds' current financial resources (short-term spend-able resources) with capital assets and long-term obligations. Other non-financial factors should be taken into consideration, such as changes in the City's property tax base and the condition on the City's infrastructure (i.e. roads, drainage improvements, storm and sewer lines, etc.), to assess the overall health or financial condition of the City.

The Statement of Activities presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxed and earned but not used vacation leave). Both the Statement of Net Assets and the Statement of Activities are prepared utilizing the accrual basis of accounting as opposed to the modified accrual basis used in prior reporting models.

In the Statement of Net Assets and the Statement of Activities, the City is divided into three kinds of activities:

- Governmental Activities- Most of the City's basic services are reported here, including the police, fire, library, building and inspections, sanitation, code enforcement, parks and recreation and general administration. Property taxes, sales taxes and franchise fee finance most of these activities.
- Business type Activities- the City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's water and sewer system are reported here.
- Discretely Presented Component Unit – The Taft Economic Development Corporation and the Pride of Texas were created to assist in economic development and chamber enhancements.
- Reporting the City's Most Significant Funds

#### Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds- not the City as a whole. Some funds are required to be established by state law and by bond covenants. However, the City has established many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants and other money. The City's two kinds of funds- governmental and propriety- utilize different accounting guidelines.

**CITY OF TAFT, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2014**

- **Governmental Funds-** the majority of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method identified as the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted into cash. The governmental fund statements provided a detailed short term view of the City's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

By comparing information presented for governmental activities in the government-wide statements, readers may better understand the long term effect of the government's near term operating decisions. The relationships or differences between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds are detailed in a reconciliation following the fund financial statement.

The City of Taft maintains nine individual governmental funds. Information is presented separately in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, Capital Projects Fund and Debt Service Fund, all of which are considered to be major funds. Data from the other four governmental funds are combined into a single, aggregated non major fund presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

- **Proprietary Funds-** the City charges customers for the services it provides. These services are generally reported in the proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the City's enterprise funds (a component of proprietary funds) are identical to the business type activities that are reported in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds. Because these services benefit both governmental as well as business type functions, their cost has been included in both the governmental and business type activities in the government-wide financial statements.

#### **Notes to the Financial Statements**

These notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the basic financial statements.

**CITY OF TAFT, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2014**

**Other Information**

In addition to basic financial statement and accompanying notes, this report presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to the employees and budgetary comparative information for the general fund.

**The City as a Whole- Government-wide Financial Analysis**

The City's combined net assets were \$6.56 million as of September 30, 2014. Analyzing the net assets and net expenses of governmental type activities were \$6.26 million and business-type activities, separately the business type activities net assets are \$.29 million. The analysis focuses on the net assets (Table 1) and changes in general revenues (Table 2) and significant expenses of the City's governmental and business type-activities.

By far the largest portion of the City's net assets reflects its investment in capital assets (e.g. land, buildings, plant assets, machinery, equipment, and furniture); less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**Table I  
CITY OF TAFT, TEXAS  
CHANGES IN NET POSITION**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
Current and Other Assets	872,960	3,122,164	1,214,269	3,074,565
Capital Assets	5,984,164	7,070,693	6,121,827	3,355,420
Total Assets:	6,857,124	10,192,857	7,336,096	6,429,985
Current and Other Liabilities	422,991	995,334	1,079,746	5,394,000
Long-Term Liabilities	167,510	3,264,905	5,959,352	752,401
Total Liabilities	590,502	4,260,239	7,039,098	6,146,401
Net Assets:				
Invested in Capital Assets				
net of Related Debt	5,664,300	5,903,269	(91,812)	(2,231,580)
Restricted	530,637	477,763	-	2,348,796
Unrestricted	71,686	(448,414)	388,810	166,368
Total Net Assets	6,266,623	5,932,618	296,999	283,584



**Table II**  
**CITY OF TAFT, TEXAS**  
**CHANGES IN NET POSITION**

	<b>Governmental Activities</b>		<b>Business Type Activities</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
<b>Revenues:</b>				
Property Taxes	\$ 1,174,744	\$ 1,118,383	\$ -	\$ -
Sales Tax	235,497	210,246	-	-
Franchise Taxes	115,583	126,734	-	-
Other Taxes	-	900	-	-
License and Permits	21,782	57,362	-	-
Intergovernmental	142,226	1,255,916	-	-
Charges for Services	153,175	251,220	2,304,681	2,289,263
Fines and Forfeitures	100,851	116,147	-	-
Investment Earnings/Other	530	1,877	2,713	-
Other Revenue	369,276	150,925	-	-
Total Revenues	2,313,665	3,289,710	2,307,394	2,289,263
<b>Expenses:</b>				
General Government	1,051,654	1,097,193	-	-
Public Safety	1,136,116	1,618,727	-	-
Public Works	438,645	1,312,635	-	-
Parks, Recreation and Culture	169,552	241,387	-	-
Water	-	-	618,231	677,548
Wastewater	-	-	207,138	215,551
Sanitation	-	-	348,122	552,825
Economic Development and Assistance	-	-	-	-
Bond Payments, Principal, and Interest	38,302	69,618	-	-
Depreciation	-	-	264,435	108,412
Total Expenses	2,834,269	4,339,560	1,437,926	1,554,336
<b>Increase (Decrease) in Net Assets before transfers and special items</b>	(520,604)	(1,049,850)	869,468	734,927
Transfers	749,607	(834,002)	(749,607)	834,002
Non-operating Revenues/(Expenses)	-	-	-	-
Net Increase (Decrease)	229,002	(1,883,852)	119,861	1,568,929
Prior Period Adjustment	105,003	2,248,997	(106,446)	(2,054,064)
Net Position at Beginning	5,932,618	5,567,473	283,583	768,719
Net Position at Ending	\$ 6,266,623	\$ 5,932,618	\$ 296,999	\$ 283,584

## Government Fund Activities

The City's general fund revenues increased when compared to the prior year by 23.43 percent or \$308,472. The assessed value of the property in the City was \$76.4 million, an increase compared to the prior year of 73.3 million. In addition to ad valorem property taxes, the City collects sales taxes, franchise taxes, beverage taxes and other taxes in lieu of ad valorem taxes.

**Table III**  
**General Fund Revenues**  
**At September 30**

	2014	2013	Increase (Decrease)
Taxes	1,103,597	747,759	355,838
Licenses and Permits	21,782	57,362	(35,581)
Intergovernmental	13,500	963	12,537
Charges for Services	20,301	22,811	(2,511)
Fines and Penalties	80,550	93,336	(12,786)
Other	384,979	394,005	(9,026)
Total General Revenues	<u>1,624,708</u>	<u>1,316,236</u>	<u>308,472</u>

The most significant governmental expense for the City was in the public safety. The public safety incurred expenditures of \$930,243. Police accounted for \$507,624 in public safety expenditure and the emergency services was \$360,326.

## Enterprise Fund Activities

Revenues of the City's Utility Funds were \$2.3 million for the fiscal year ending September 30, 2014. Operating expenses were \$1.38 million for the year, resulting in net revenues of \$921,419 before transfers out is taken into account. The most significant expense of the Utility Fund was \$412,263 for water purchased.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At the end of the fiscal year 2014, the City of Taft had nearly \$28.3 million invested in a broad range of capital assets, including police and fire equipment building, land, park facilities, roads, bridges, vehicles, and water and sewer lines. An increase of \$118,012 made to Vehicles was made to the governmental fixed assets to recognize assets acquired in fiscal year 2013. (Exhibit A-1, B-1)

**Table IV**  
**Capital Assets before Depreciation**  
**At September 30**

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	\$ 10,524	\$ 10,524	\$ -	\$ -	\$ 10,524	\$ 10,524
Buildings	2,658,616	2,658,616	32,668	32,668	2,691,284	2,691,284
Improvements	3,130,596	3,130,596	-	-	3,130,596	3,130,596
Equipment	1,608,397	1,608,397	384,601	384,601	1,992,998	1,992,998
Vehicles	652,348	534,336	-	-	652,348	534,336
Infrastructure	10,000,000	10,000,000	-	-	10,000,000	10,000,000
Construction in Progress	-	-	-	-	-	-
Water System	-	-	1,624,910	1,624,910	1,624,910	1,624,910
Sewer System	-	-	8,248,521	5,347,561	8,248,521	5,347,561
Total Capital Assets	<u>\$18,060,481</u>	<u>\$17,942,469</u>	<u>\$10,290,699</u>	<u>\$7,389,740</u>	<u>\$28,351,180</u>	<u>\$25,332,209</u>

## Debt

At year-end, the City of Taft had \$6,500,258 in General Certifications of Obligation and Revenue Bonds, notes and capital leases as compared to \$6,758,108 at the end of the prior fiscal year. Table 5 below reflects outstanding long-term debt overall decrease of 3.82 percent with the correction of the reclassification of the General Certificates of Obligation- 2010 outstanding principal balance of \$800,803 to the Utility Fund.

**Table V**  
**Outstanding Long-Term Debt**  
**at September 30**

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
TWDB Certificate of Obligations - 2010	\$ -	\$ -	\$ 5,394,000	\$ 5,587,000	\$ 5,394,000	\$ 5,587,000
General Certificates of Obligations - 2010	-	857,572	800,803	-	800,803	857,572
Note	132,827	188,536	-	-	132,827	188,536
Capital Leases	88,793	-	18,835	-	107,628	-
Combination Tax/Revenue Bonds - 2004	65,000	125,000	-	-	65,000	125,000
Total Outstanding Debt	<u>\$ 286,620</u>	<u>\$ 1,171,108</u>	<u>\$ 6,213,638</u>	<u>\$ 5,587,000</u>	<u>\$ 6,500,258</u>	<u>\$ 6,758,108</u>

During the current fiscal year, the City of Taft paid principal of \$396,453 on the outstanding debt. The City Charter authorizes the City of Taft to issue bonds, when authorized by the voters or the City Council, for any purpose for which a city may issue bonds under the Constitution and laws of the State of Texas. The Charter precludes the use of bond proceeds for any other purpose other than that for which the bonds were sold.

## **THE CITY'S FUNDS**

At the close of the City's fiscal year on September 30, 2014, the governmental funds of the City reported a combined fund balance of \$243,686. This ending total fund balance(s) include a increase in the fund balance of \$452,404 including results of overall operational gain of \$347,401 and a prior period adjustment of \$105,003 in the City's Governmental funds. The ending General Fund balance resulted in a deficit of (\$167,769) with operations resulting in a gain of \$354,642 and a prior period adjustment of \$ 167,070.

Other fund balance charges are:

- The Series 2004 Debt Service fund balance increased from \$3,150 to \$3,152 while the Series 2000 Debt Service fund balance decreased from \$215,360 to \$163,230, the Series 2010 resulted in a fund balance of \$155.

### **General Fund Budgetary Highlights**

During the fiscal year, the City is continuing to enhance its purchase order system to establish stronger controls on it budget process.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The City's elected and appointed officials considered many factors when setting the fiscal year 2014-2015 budget, tax rates and fees that will be charged for the business-type activities. The total growth of the City's commercial development and revenues remain on target. Property tax valuations continue to increase; thus the property tax revenues are still increasing while the tax rate decreases. Water and sewer utility rates provide adequate revenue to cover the cash expenses of the Utility fund. However, rate increases are expected to be needed in order to accumulate operating reserves, depreciation, and transfers to the General Fund.

## **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives from all sources. If you have questions about this report or need additional financial information, contact the City Manager at the City of Taft, 501 Green Avenue, Taft, Texas 78390.

## **BASIC FINANCIAL STATEMENTS**

## **City of Taft, Texas**

**CITY OF TAFT, TEXAS**  
**STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2014**

**EXHIBIT A-1**

	Primary Government			Component
	Governmental	Business Type	Total	Unit Non-Major
	Activities	Activities		Component
<u>ASSETS:</u>				Unit
Cash and Cash Equivalents	\$ 524,425	832,023	1,356,449	98,665
Investments - Current	-	-	-	78,836
Receivables (net of allowance)	341,673	350,502	692,175	25,912
Due From Other Funds	(23,526)	(1,405)	(24,931)	24,931
Due From Others	101,478	-	101,478	-
Inventory	-	33,149	33,149	-
Capital Assets:				
Land	10,524	-	10,524	-
Infrastructure and Buildings, net	5,879,230	5,737,226	11,616,455	-
Machinery and Equipment, net	94,410	384,601	479,011	-
Construction in Progress	-	-	-	-
<b>TOTAL ASSETS:</b>	<b>\$ 6,928,213</b>	<b>\$ 7,336,096</b>	<b>\$ 14,264,310</b>	<b>228,345</b>
<u>LIABILITIES:</u>				
Accounts Payable & Other Current Liab.	\$ 341,727	562,284	904,012	-
Accrued Liabilities	-	140,601	140,601	-
Customer Deposits	-	122,575	122,575	-
Bonds/Loans/Lease Payable - Current	152,353	254,286	406,639	-
Noncurrent Liabilities:				
Bonds/Loans/Lease Payable/Other-Long Term	167,510	5,959,352	6,126,862	-
<b>TOTAL LIABILITIES</b>	<b>\$ 661,591</b>	<b>7,039,098</b>	<b>7,700,688</b>	<b>-</b>
<u>NET POSITION:</u>				
Invested in Capital Assets	\$ 5,664,300	4,550	5,668,851	-
Restricted for Special Revenue Funds	392,886	-	392,886	-
Restricted for Debt Service Funds	137,751	-	137,751	-
Unrestricted Net Position	71,686	292,449	364,134	228,345
<b>TOTAL NET POSITION</b>	<b>\$ 6,266,623</b>	<b>296,999</b>	<b>6,563,622</b>	<b>228,345</b>

The notes to the Financial Statements are an integral part of this statement.

**CITY OF TAFT, TEXAS**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2014**

		<u>Program Revenues</u>	
		<u>Charges For</u>	<u>Operating</u>
<u>Primary Government:</u>	<u>Expenses</u>	<u>Services</u>	<u>Grants and</u>
			<u>Contributions</u>
<b>GOVERNMENTAL ACTIVITIES:</b>			
General Government	\$ 1,051,654	153,175	-
Public Safety	1,136,116	80,550	-
Public Works	438,646	20,301	-
Culture and Recreation	169,552	-	-
Economic Development and Assistance	-	-	-
Bond Interest	38,302	-	-
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 2,834,269</b>	<b>254,026</b>	<b>-</b>
 <b>BUSINESS-TYPE ACTIVITIES:</b>			
Utility Fund	\$ 1,437,926	2,304,681	-
Total Business Type Activities:	\$ 1,437,926	2,304,681	-

**General Revenues:**

Taxes:

Prop. Taxes, Levied for M&O, Debt Serv., Pen., Int.

Sales Taxes

Franchise Taxes

Other Taxes

Licenses and Permits

Grants and Contributions not Restricted

Other Revenue

Investment Earnings

Transfers In (Out)

Total General Revenues and Transfers

Change in Net Position

Net Position - Beginning

Prior Period Adjustment

Net Position - Ending

The notes to the Financial Statements are an integral part of this statement.



EXHIBIT B-1

Net (Expense) Revenues and Changes in Net Position			
Primary Government			Component Units
Governmental Activities	Business-type Activities	Total	Non-major Component Unit
\$ (898,479)	-	(898,479)	-
(1,055,565)	-	(1,055,565)	-
(418,346)	-	(418,346)	-
(169,552)	-	(169,552)	-
-	-	-	33,357
(38,302)	-	(38,302)	-
<u>\$ (2,580,243)</u>	<u>-</u>	<u>(2,580,243)</u>	<u>33,357</u>
-	866,755	866,755	-
<u>-</u>	<u>866,755</u>	<u>866,755</u>	<u>-</u>
\$ 1,174,744	-	1,174,744	-
235,497	-	235,497	94,192
115,583	-	115,583	-
-	-	-	-
21,782	-	21,782	-
142,226	-	142,226	-
369,276	-	369,276	-
530	2,713	3,243	989
749,607	(749,607)	-	-
<u>\$ 2,809,246</u>	<u>(746,894)</u>	<u>2,062,352</u>	<u>95,182</u>
229,002	119,861	348,864	61,824
5,932,618	283,583	6,216,201	109,522
105,003	(106,446)	(1,443)	56,999
<u>\$ 6,266,623</u>	<u>296,999</u>	<u>6,563,622</u>	<u>228,345</u>

**CITY OF TAFT, TEXAS  
BALANCE SHEET  
GOVERNMENT FUNDS  
SEPTEMBER 30, 2014**

	<u>General</u>	<u>Firemen's Pension Fund</u>	<u>Interest &amp; Sinking Fund</u>
<b>ASSETS</b>			
Cash and Texpool Accounts	\$ -	155,782	137,596
Receivables and Allowances:			
Accounts Receivable	101,478	-	-
Due From Other Governmental Agencies	-	-	-
Other	-	-	-
Ad Valorem Taxes	162,557	-	197,098
Allowance for Uncollectible Taxes	(8,128)	-	(9,855)
Due From Other Funds	78,601	-	-
Prepaid Items	-	-	-
<b>TOTAL ASSETS</b>	<u>\$ 334,508</u>	<u>155,782</u>	<u>324,839</u>
<b>LIABILITIES AND FUND BALANCE</b>			
Accounts Payable	\$ 177,827	-	-
Deferred Revenue	43,143	-	-
Other Payables	15,540	-	-
Due to Other Funds	108,339	-	-
<b>TOTAL LIABILITIES</b>	<u>\$ 344,849</u>	<u>-</u>	<u>-</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable Revenue -Property Taxes	\$ 154,429	-	187,244
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>\$ 154,429</u>	<u>-</u>	<u>187,244</u>
<b>FUND BALANCE</b>			
Restricted for Special Revenue	\$ -	155,782	-
Restricted for Debt Service	-	-	137,596
Unassigned	(164,769)	-	-
<b>TOTAL FUND BALANCE</b>	<u>\$ (164,769)</u>	<u>155,782</u>	<u>137,596</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</b>	<u>\$ 334,508</u>	<u>155,782</u>	<u>324,839</u>

The notes to the Financial Statements are an integral part of this statement.

EXHIBIT C-1

Firemen's Operating Fund	Other Governmental Funds	Total Governmental Funds
85,843	145,204	524,425
-	-	101,478
-	-	-
-	-	-
-	-	359,656
-	-	(17,983)
80,907	2,500	162,008
-	-	-
<u>166,750</u>	<u>147,704</u>	<u>1,129,585</u>
-	122,182	300,009
-	-	43,143
-	-	15,540
77,196	-	185,535
<u>77,196</u>	<u>122,182</u>	<u>544,226</u>
-	-	341,673
-	-	341,673
89,554	147,549	392,886
-	155	137,751
-	(122,182)	(286,951)
<u>89,554</u>	<u>25,523</u>	<u>243,686</u>
<u>166,750</u>	<u>147,704</u>	<u>1,129,585</u>

**CITY OF TAFT, TEXAS**  
**RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET TO THE STATEMENT OF NET ASSETS**  
**SEPTEMBER 30, 2014**

**Total Fund Balances - Governmental Funds** \$ 243,686

The City uses internal service funds to charge the costs of certain activities, such as self-insurance and printing, to appropriate functions in other governmental funds. The assets and liabilities of the internal service funds are included in governmental funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. The net effect of this consolidation is to increase (decrease) net position.

Capital assets are used in governmental activities are not financial resources and therefore are not reported in governmental funds. The net effect of including these balances for capital assets (net of depreciation) in the governmental activities is to increase net assets. At the beginning of the year, the costs of these assets were: \$ 18,060,481 and the accumulated depreciation was: \$ (11,583,843) 5,240,042  
 In addition, long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase (decrease) net position -- (1,232,199) .

Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the governmental-wide financial statements. The net effect of including the 2014 capital outlays and debt principal payments is to increase (decrease) net position. 916,733

The 2014 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position. (492,475)

Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, eliminating interfund transactions, reclassifying the proceeds of bond sales as an increase in bonds payable, and the recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net position. 358,637

**Net position of Governmental Activities** \$ 6,266,623

The notes to the Financial Statements are an integral part of this statement.

## **City of Taft, Texas**

**CITY OF TAFT, TEXAS**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	General	Firemen's Pension Fund	Interest & Sinking Fund	Firemen's Operating Fund
<b>REVENUES</b>				
Taxes	\$ 1,103,597	-	80,555	-
Licenses and Permits	21,782	-	-	-
Intergovernmental	13,500	-	-	34,701
Charges for Services	20,301	-	-	-
Fines and Penalties	80,550	-	-	-
Interest	-	212	195	73
Other	384,979	-	-	-
<b>TOTAL REVENUES</b>	<b>\$ 1,624,708</b>	<b>212</b>	<b>80,751</b>	<b>34,774</b>
<b>EXPENDITURES</b>				
Current				
General Administration	\$ 774,816	-	-	-
Cultural and Recreational, Tourism	104,599	-	-	-
Public Safety	930,243	3,465	-	13,152
Public Works	286,929	-	-	-
Debt Service				
Principal Retirement	-	-	115,709	-
Interest and Fiscal Charges	-	-	15,277	-
<b>TOTAL EXPENDITURES</b>	<b>\$ 2,096,587</b>	<b>3,465</b>	<b>130,986</b>	<b>13,152</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>\$ (471,879)</b>	<b>(3,253)</b>	<b>(50,236)</b>	<b>21,623</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers from Other Funds	1,421,141	-	13,609	-
Transfer to Other Funds	(594,620)	-	(74,523)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>\$ 826,521</b>	<b>-</b>	<b>(60,914)</b>	<b>-</b>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</b>	<b>\$ 354,642</b>	<b>(3,253)</b>	<b>(111,150)</b>	<b>21,623</b>
<b>FUND BALANCE, October 1 (Beginning)</b>	<b>\$ (686,481)</b>	<b>159,061</b>	<b>215,360</b>	<b>141,416</b>
Prior Period Adjustment	167,070	(26)	33,385	(73,485)
<b>FUND BALANCE, September 30 (Ending)</b>	<b>\$ (164,769)</b>	<b>155,782</b>	<b>137,596</b>	<b>89,554</b>

The notes to the Financial Statements are an integral part of this statement.

EXHIBIT C-3

Other Governmental Funds	Total Governmental Funds
-	1,184,152
-	21,782
94,025	142,226
-	20,301
-	80,550
49	530
94,330	479,309
<u>188,404</u>	<u>1,928,850</u>
-	774,816
-	104,599
86,865	1,033,725
-	286,929
-	115,709
-	15,277
<u>86,865</u>	<u>2,331,055</u>
<u>101,539</u>	<u>(402,205)</u>
1,549	1,436,299
(17,549)	(686,692)
<u>(16,000)</u>	<u>749,607</u>
85,539	347,401
(38,075)	(208,718)
(21,942)	105,003
<u>25,523</u>	<u>243,686</u>

**CITY OF TAFT, TEXAS**  
**RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2014**

<b>Total Net Change in Fund Balances - Governmental Funds</b>	\$ 347,401
---	------------

The City uses some internal service funds to charge the costs of certain activities primarily to the governmental funds. The net income (loss) of these internal service funds are reported with governmental activities. The net effect of this consolidation is to increase (decrease) net position.	-
--	---

Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2014 capital outlays and debt principal payments is to increase (decrease) net position.	15,439
---	--------

Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.	(492,475)
---	-----------

Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to the accrual basis of accounting. These include recognizing deferred revenue as revenue adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, reclassifying the proceeds from bond sales, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions as to increase (decrease) net position.	358,637
--	---------

<b>Change in Net Position of Governmental Activities</b>	\$ <u>229,002</u>
--	-------------------

The notes to the Financial Statements are an integral part of this statement.



**CITY OF TAFT, TEXAS**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET (GAAP BASIS) AND ACTUAL**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2014**  
**(WITH MEMO TOTALS FOR SEPTEMBER 30, 2013)**

**EXHIBIT C-5**

	2014			(MEMO) (TOTALS) (2013)
	BUDGETED AMOUNTS		Variance with Final Budget Variance	Actual
	Original	Final	Actual	
<b>REVENUES</b>				
Taxes				
Property Taxes	438,850	438,850	752,227	409,439
General Sales and Use Taxes	218,842	218,824	235,786	210,686
Franchise Tax	122,853	122,853	115,583	126,734
Other Taxes	900	900	-	900
License and Permits	57,700	57,700	21,782	57,362
Intergovernmental Revenues	1,300	1,300	13,500	963
Charges for Services	26,000	26,000	20,301	22,811
Investment Earnings	250	250	285	172
Fines and Forfeitures	125,000	125,000	80,550	93,336
Other Revenues	627,025	627,025	384,694	393,833
<b>Total Revenues</b>	<b>1,618,720</b>	<b>1,618,702</b>	<b>1,624,708</b>	<b>1,316,236</b>
<b>EXPENDITURES</b>				
General Administration	519,786	519,786	441,941	690,713
Finance	79,005	79,005	96,772	-
Municipal Court	58,767	58,767	53,465	56,582
Administration	173,531	173,531	151,043	212,506
Legislative	77,166	77,166	7,501	17,162
Tax Collection	24,240	24,240	24,094	34,626
Public Safety				
Police	592,874	592,874	507,624	568,436
Fire	26,200	26,200	5,775	14,427
Emerg. Med. Service	478,576	478,576	360,326	482,289
Animal Control	12,700	15,410	2,325	2,589
Code Enforcement	102,985	102,985	54,194	75,259
Public Works				
Streets/Maintenance Department	340,767	340,767	286,929	181,743
Culture and Recreation				
Library	62,569	62,569	56,901	55,239
Parks/Community Center	41,398	41,398	37,554	98,657
Museum	-	-	-	-
Community Centers	12,558	12,558	10,144	17,493
<b>Total Expenditures</b>	<b>2,603,122</b>	<b>2,605,832</b>	<b>2,096,587</b>	<b>2,507,721</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(984,402)	(987,130)	(471,879)	(1,191,485)
<b>OTHER FINANCING SOURCES (USES):</b>				
Capital related Debt Issued	-	-	-	-
Transfers In	1,039,636	1,039,636	1,421,141	543,601
Transfers (Out)	-	-	(594,620)	-
<b>Total Other Financing Sources (Uses)</b>	<b>1,039,636</b>	<b>1,039,636</b>	<b>826,521</b>	<b>543,601</b>
<b>Net Change in Fund Balance</b>	<b>55,234</b>	<b>52,506</b>	<b>354,642</b>	<b>(647,884)</b>
Fund Balance - October 1 (Beginning)	(686,481)	(686,481)	(686,481)	(38,598)
Prior period adjustment	-	-	167,070	-
<b>Fund Balance - September 30 (Ending)</b>	<b>(631,247)</b>	<b>(633,975)</b>	<b>(164,769)</b>	<b>(686,482)</b>

The notes to the Financial Statements are an integral part of this statement.

## FIREMAN'S PENSION FUND

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

## BUDGET (GAAP BASIS) AND ACTUAL

FOR THE YEAR ENDED SEPTEMBER 30, 2014

WITH MEMO TOTALS FOR SEPTEMBER 30, 2013)

(MEMO)  
(TOTALS)  
(2013)

	2014				
	BUDGETED AMOUNTS			Final Budget	
	Original	Final	Actual	Variance	Actual
<b>REVENUES</b>					
Other Revenues/Subsidy	233	233	-	(233)	340
Interest	17,000	17,000	212	(16,788)	217
<b>Total Revenues</b>	<u>17,233</u>	<u>17,233</u>	<u>212</u>	<u>(17,021)</u>	<u>557</u>
<b>EXPENDITURES</b>					
Personnel Costs	550	550	3,465	2,915	3,960
Supplies	-	-	-	-	90
Other Services and Charges	12,783	12,783	-	(12,783)	-
Capital Outlay	-	-	-	-	-
<b>Total Expenditures</b>	<u>13,333</u>	<u>13,333</u>	<u>3,465</u>	<u>(9,868)</u>	<u>4,050</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>3,900</u>	<u>3,900</u>	<u>(3,253)</u>	<u>(7,153)</u>	<u>(3,493)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Other Sources - Transfers (Out)	-	-	-	-	-
Other Sources - Transfers In	-	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USES)</b>	<u>3,900</u>	<u>3,900</u>	<u>(3,253)</u>	<u>(7,153)</u>	<u>(3,493)</u>
<b>FUND BALANCE, October 1 (Beginning)</b>	159,061	159,061	159,061	-	162,554
Prior Period Adjustment	-	-	-	-	-
<b>FUND BALANCE, September 30 (Ending)</b>	<u>162,961</u>	<u>162,961</u>	<u>155,808</u>	<u>(7,153)</u>	<u>159,061</u>

The notes to the Financial Statements are an integral part of this statement.

DEBT SERVICE FUND - INTEREST AND SINKING FUND  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
 BUDGET (GAAP BASIS) AND ACTUAL  
 FOR THE YEAR ENDED SEPTEMBER 30, 2014  
 (WITH MEMO TOTALS FOR SEPTEMBER 30, 2013)

	2014			(MEMO) (TOTALS) (2013)	
	<u>BUDGETED AMOUNTS</u>		<u>Actual</u>	<u>Final Budget Variance</u>	<u>Actual</u>
	<u>Original</u>	<u>Final</u>			
<b>REVENUES</b>					
Ad valorem Taxes	243,549	243,549	80,555	(162,994)	433,761
Ad valorem- Penalty & Interest	15,000	15,000	-	(15,000)	32,276
Total Ad valorem Taxes	258,549	258,549	80,555	(177,994)	466,037
Other Revenue	-	-	-	-	-
Interest	414	414	195	(219)	300
<b>Total Revenues</b>	<u>258,963</u>	<u>258,963</u>	<u>80,751</u>	<u>(178,212)</u>	<u>466,337</u>
<b>EXPENDITURES</b>					
Debt Service					
Principal Retirement	109,619	109,619	115,709	(6,090)	167,177
Interest and Fiscal Charges	52,864	52,864	15,277	37,587	69,815
<b>Total Expenditures</b>	<u>162,483</u>	<u>162,483</u>	<u>130,986</u>	<u>31,497</u>	<u>236,992</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>96,480</u>	<u>96,480</u>	<u>(50,236)</u>	<u>(146,716)</u>	<u>229,345</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Other Sources- Transfers (Out)	(95,898)	(95,898)	(74,523)	21,375	(196,146)
Other Sources- Transfers In	37,032	37,032	13,609	(23,423)	-
<b>Total Other Financing Sources (Uses)</b>	<u>(58,866)</u>	<u>(58,866)</u>	<u>(60,914)</u>	<u>(2,048)</u>	<u>(196,146)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</b>	<u>37,614</u>	<u>37,614</u>	<u>(111,150)</u>	<u>(148,764)</u>	<u>33,199</u>
<b>FUND BALANCE, October 1 (Beginning)</b>	<u>215,360</u>	<u>215,360</u>	<u>215,360</u>	<u>-</u>	<u>137,665</u>
Prior Period Adjustment	-	-	33,385	-	-
<b>FUND BALANCE, September 30 (Ending)</b>	<u>252,974</u>	<u>252,974</u>	<u>137,596</u>	<u>(115,379)</u>	<u>170,864</u>

The notes to the Financial Statements are an integral part of this statement.

## FIREMAN'S OPERATING FUND

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

## BUDGET (GAAP BASIS) AND ACTUAL

## FOR THE YEAR ENDED SEPTEMBER 30, 2014

## WITH MEMO TOTALS FOR SEPTEMBER 30, 2013)

(MEMO)

(TOTALS)

(2013)

	2014				
	BUDGETED AMOUNTS			Final Budget	
	Original	Final	Actual	Variance	Actual
<b>REVENUES</b>					
Other Revenues/Subsidy	29,783	29,783	34,701	4,918	34,876
Interest	700	700	73	(627)	64
<b>Total Revenues</b>	<u>30,483</u>	<u>30,483</u>	<u>34,774</u>	<u>4,291</u>	<u>34,940</u>
<b>EXPENDITURES</b>					
Personnel Costs	-	-	-	-	-
Supplies	-	-	-	-	-
Other Services and Charges	30,483	30,483	13,152	(17,331)	3,116
Capital Outlay	-	-	-	-	-
<b>Total Expenditures</b>	<u>30,483</u>	<u>30,483</u>	<u>13,152</u>	<u>(17,331)</u>	<u>3,116</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>-</u>	<u>-</u>	<u>21,623</u>	<u>21,623</u>	<u>31,824</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Other Sources - Transfers (Out)	-	-	-	-	-
Other Sources - Transfers In	-	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USES)</b>	<u>-</u>	<u>-</u>	<u>21,623</u>	<u>21,623</u>	<u>31,824</u>
<b>FUND BALANCE, October 1 (Beginning)</b>	141,416	141,416	141,416	-	109,593
Prior Period Adjustment	-	-	(73,485)	(73,485)	-
<b>FUND BALANCE, September 30 (Ending)</b>	<u>141,416</u>	<u>141,416</u>	<u>89,554</u>	<u>(51,862)</u>	<u>141,417</u>

The notes to the Financial Statements are an integral part of this statement.

**City of Taft, Texas**

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

**EXHIBIT D-1**

	Business-Type Activities Enterprise Fund <hr/> Utility Fund
<b>ASSETS</b>	
<b>Current Assets:</b>	
Cash and Cash Equivalents	832,023
Receivables and Allowances Accounts	
Water and Wastewater Billings	379,923
Allowance for Uncollectible Accounts	(29,421)
Inventory	33,149
<b>Total Current Assets</b>	<u>1,215,675</u>
<b>Capital Assets</b>	
Buildings	32,668
Water System	1,624,910
Sewer System	8,248,521
Furniture and Equipment	<u>384,601</u>
<b>Total Capital Assets</b>	10,290,699
<b>Less Accumulated Depreciation</b>	<u>(4,168,873)</u>
<b>Net Capital Assets</b>	<u>6,121,827</u>
<b>TOTAL ASSETS</b>	<u>7,337,501</u>

The notes to the Financial Statements are an integral part of this statement.

**EXHIBIT D-1**  
continued

Business-Type  
Activities  
Enterprise  
Fund  

---

Utility  
Fund

**LIABILITIES**

**Current Liabilities**

Accounts Payable	562,284
Accrued Liabilities	118,222
Compensated Absences	22,379
Due to Other Funds	1,405
Capital Leases Payable	6,086
Current Portion of Revenue Bonds Payable	248,200
Customer Meter Deposits	122,575

<b>Total Current Liabilities</b>	<b>1,081,150</b>
----------------------------------	------------------

**Long-Term Liabilities**

Capital Leases Payable	12,749
Revenue Bonds Payable	5,946,603
<b>Total Long-Term Liabilities</b>	<b>5,959,352</b>

<b>Total Liabilities</b>	<b>7,040,503</b>
--------------------------	------------------

**NET POSITION**

Invested in Capital Assets	4,550
Restricted for:	
Revenue Bond Retirement	-
Unrestricted	292,449
<b>NET POSITION</b>	<b>296,999</b>

The notes to the Financial Statements are an integral part of this statement.

**CITY OF TAFT, TEXAS  
STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

**EXHIBIT D-2**

	Business-Type Activities Enterprise Fund Utility Fund
<b>OPERATING REVENUES</b>	
Water Sales	1,052,420
Sewer Sales	633,049
Sanitation Fees	553,140
Other Fees and Charges	66,071
<b>Total Operating Revenues</b>	<u>2,304,681</u>
<b>OPERATING EXPENSES</b>	
Personnel Costs	340,202
Contracted Services	280,694
Supplies	16,707
Maintenance	2,000
Other Operating Expenses	66,962
Subtotal	<u>706,565</u>
Water Purchased	412,263
Depreciation	264,435
Amortization	-
<b>Total Operating Expenses</b>	<u>1,383,262</u>
<b>Net Operating Income</b>	<u>921,419</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>	
Interest Income	2,713
Interest and Fiscal Charges	(54,664)
<b>Net Non-Operating Revenues (Expenses)</b>	<u>(51,951)</u>
<b>Income Before Transfers</b>	<u>869,468</u>
Transfers in	290,029
Transfers (out)	(1,039,636)
<b>Total Transfers</b>	<u>(749,607)</u>
<b>Change in Net Position</b>	<u>119,861</u>
<b>NET POSITION, October 1 (Beginning)</b>	<u>283,583</u>
<b>Prior Period Adjustment</b>	<u>(106,446)</u>
<b>NET POSITION, September 30 (Ending)</b>	<u>296,999</u>

The notes to the Financial Statements are an integral part of this statement.



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

**EXHIBIT D-3**

	Business-Type Activities Enterprise Fund Utility Fund
<b>Cash flow from operating activities:</b>	
Cash received from customers	4,548,022
Cash received from other funds for services	-
Cash payments to suppliers for goods and services	(505,888)
Cash payments to employees for services	(339,390)
Other adjustments	-
Net cash provided by operating activities	<u>3,702,744</u>
<b>Cash flows from noncapital financing activities:</b>	
Transfers to other funds	<u>(749,607)</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>	
Principal Payment on bonds	607,803
Interest and Fiscal Charges Paid	(54,664)
Purchase of Capital Assets	(2,900,960)
Prior period adjustment	(223,579)
Net Cash Used for Capital and Related Financing Activities	<u>(2,571,400)</u>
Cash Flows from Investing Activities- Interest Income	<u>2,713</u>
Net Increase (Decrease) in Cash and Cash Equivalents	384,450
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>447,573</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u><u>832,023</u></u>
<b>Reconciliation of Operating Income to Net Cash</b>	
Operating Activities	
Operating Income	921,419
<b>Adjustments to Reconcile Operating Income to Net Cash</b>	
Provided by Operating Activities:	
Depreciation	264,435
Amortization	-
<b>Change in Assets and Liabilities:</b>	
(Increase) Decrease in Accounts Receivable (Net)	(97,940)
(Increase) Decrease in Due from Other Funds	2,348,796
(Increase) Decrease in Due from Other Governments	-
(Increase) Decrease in Prepaid Items	-
(Increase) Decrease in Inventory	(7,514)
Increase (Decrease) in Accounts Payable	257,730
Increase (Decrease) in Accrued Liabilities	6,010
Increase (Decrease) in Due to Other Funds	1,405
Increase (Decrease) in Capital Leases Payable	6,086
Increase (Decrease) in Compensated Absences	812
Increase (Decrease) in Customer Deposits	1,507
Net Cash Provided by Operating Activities	<u><u>3,702,744</u></u>

The notes to the Financial Statements are an integral part of this statement.

**City of Taft, Texas**

## **NOTES TO FINANCIAL STATEMENTS**

**CITY OF TAFT, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

**I SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The City of Taft, Texas, (the "City") was incorporated in 1890 under the provisions of the laws for the State of Texas. The City operates under a charter under a Home-Rule Charter, which was adopted on October 5, 1951, and provides the following services as authorized by its charter: public safety (police and fire), streets, sanitation, health and social services, culture-recreation, public improvements, planning and zoning, and general administration services. Other services include utilities and airport operations. The City operates with a Council-Manager type of government where the Mayor and four Council members are elected on a rotating schedule on a ward basis with 2 members for Ward 1 and 2 members for Ward 2. In evaluating how to define the City for financial reporting purposes, management has considered all potential component units. As required by generally accepted accounting principles, these financial statements present the City and its component units, entities for which the City is considered financially accountable. Blended component units, although legally separate entities are, in substance, part of the City operations and so data from these units are combined with data from the City. If applicable, discretely presented units are reported in a separate column in the combined financial statements to emphasize they are legally separate from the City.

**Blended Component Unit**

The City did not have any blended component units.

**Discretely Presented Component Unit**

The City of Taft, Texas, Economic Improvement Corporation (a nonprofit corporation) services the citizens of the City of Taft, Texas, by providing financing of economic development objectives and infrastructure improvements. Revenues are provided primarily with funds derived from a one-half of one percent sales and use tax approved by the voters.

The Pride of Taft is another nonprofit group which provides marketing efforts for various commerce efforts for the city.

**CITY OF TAFT, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2014**

The accounting policies of the City conform to generally accepted accounting principles applicable to governments as promulgated by the Governmental Accounting Standards Board (GASB).

**B. Government-wide and fund financial statements**

The government-wide financial statements (the statement of net assets and the statement of activities) report information on all of the activities of the City. The effect of inter-fund activity, within the governmental and business-type activities columns, has been removed from these statements. However, any inter-fund services provided and used are not eliminated in the process of consolidation. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

**Fund Financial Statements:**

The City segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental and proprietary activities. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balances of current financial resources. The City has presented the following major governmental funds:

**CITY OF TAFT, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2014**

**General Fund-**

The General Fund is the main operating fund of the City. This fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

Proprietary Funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of net income, financial position and cash flow. All assets and liabilities are included on the Statement of Net Assets. The City has presented the following major proprietary funds:

**Utility Fund-**

The Utility Fund is used to account for the provision of water and sewer services to the residents of the City. Activities of the fund include administration, operations and maintenance of the water and sewer system and billing and collection activities. The fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for water and sewer debt. All costs are finance through charges to utility customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the funds.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for the proprietary funds include the cost of personal and contractual services, supplies and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**C. Measurement Focus/Basis of Accounting**

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

**CITY OF TAFT, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2014**

The government-wide statements and fund financial statements for proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net assets and the operating statements present increases (revenues) and decreases (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned, including unbilled water and sewer services which are accrued. Expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers revenue as available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred. However, debt services expenditures, except for interest payable accrued at the debt issuance date for which cash is received with the debt proceeds, as well as expenditures related to compensated absences are recorded only when payment has matured and will be payable shortly after year-end.

The revenues susceptible to accrual are property taxes, franchise fees, licenses, charges for service, interest income and intergovernmental revenues. Sales taxes collected and held by the state at year-end on behalf of the government are also recognized as revenue. All other governmental fund revenues are recognized when received, as they are deemed immaterial.

**D. Encumbrances**

Encumbrances represent commitments related to unperformed contracts for goods and services. Encumbrance accounting under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation is not utilized by the City's accounting system. Encumbrances outstanding at year end are reported as reservations of fund balances and do not constitute expenditure or liabilities until the commitments are honored by inclusion in the subsequent year's budget. There are no significant encumbrances outstanding at September 30, 2014.

**E. Cash and Investments**

The City can legally invest in certificates of deposit, obligations of the U.S. Government and its Agencies or instrumentalities, State obligations, local government investment pools and certain money market funds.

**CITY OF TAFT, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2014**

The City has implemented GASB Statement 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools." As a governmental entity other than an external investment pool, in accordance with GASB 31 the City's investments are stated at market value, except for money market investments with remaining maturity of one year or less when purchased and nonparticipating interest earning investment contracts.

For purposes of the statement of cash flows, the enterprise and internal service funds consider cash on hand, demand deposits, and short-term investments with original maturities of three months or less when purchased to be cash and cash equivalents.

**F. Prepaid Items**

Prepaid balances are for payments made by the City in the current year to provide services occurring in the subsequent fiscal year, and the reserve for prepaid items has been recorded to signify that a portion of fund balance is not available for other subsequent expenditures.

**G. Inventories**

Inventories in the Proprietary Funds are valued at cost, which approximates market, using the first in/first out (FIFO) method. The costs of governmental fund type inventories are recorded as expenditures when consumed rather than when purchased.

**H. Inter-fund Receivables and Payables**

Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

**I. Transactions Between Funds**

Legally authorized transfers are treated as inter-fund transfers and are included in the results of operations of both Governmental and Proprietary Funds.



**CITY OF TAFT, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

**J. Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Interest has not been capitalized during the construction period on capital assets. Assets capitalized have an original cost of \$5,000 or more and over three years of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Buildings	10-50 Years
Water and Sewer System	5-50 Years
Infrastructure	10-50 Years
Machinery and Equipment	3-10 Years
Improvements	10-50 Years
Vehicles	3-10 Years

**K. Compensated Absences**

In proprietary fund types, accumulated unpaid compensated absences are accrued when incurred. The accruals are reported as liabilities and expenses for the year incurred. The liability in the governmental fund types is recorded only in the Government-wide Financial Statements. The amount expected to be paid from current resources is not considered to be significant. The City allows employees to accumulate an unlimited amount of vacation and sick leave. Applicable liabilities in the governmental wide net assets and in the proprietary fund have been established to reflect these liabilities.

**L. Net Assets and Fund Equity**

In the government-wide financial statements and proprietary funds financial statements, net assets are reported in three categories: net assets invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. Net assets invested in capital assets, net of related debt represents capital assets less accumulated depreciation less outstanding principal of related debt. Net assets invested in capital assets, net of related debt does not include the unspent proceeds of capital debt. Restricted net assets represent net assets restricted by parties outside of the City (such as creditors, grantors, contributors, laws, and regulations of other governments). All other net assets are considered unrestricted.

**CITY OF TAFT, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2014**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**M. Use of Estimates**

The preparation of basic financial statements in conformance with GAAP requires management to make estimates and assumptions that affect the amount reported in the basic financial statements and accompanying notes. Actual results may differ from those estimates.

**II Reconciliation of Government-wide and fund financial statements**

**A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets.**

Exhibit C-2 provides the reconciliation between the fund balance for total governmental funds on the governmental fund balance sheet and the net assets for governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that capital assets are not financial resources and are therefore not reported in governmental funds. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period and are not reported as liabilities in the funds. The details of capital assets and long-term debt at the beginning of the year were as follows:

Capital Assets at the Beginning of the year	Historic Cost	Accumulated Depreciation	Net Value at the Beginning of the Year	Change in Net Position
Land	\$ 10,524	\$ -	\$ 10,524	
Buildings	2,658,616	(1,497,638)	1,160,978	
Improvements	3,130,596	(1,767,614)	1,362,982	
Furniture & Equipment	1,608,397	(1,522,454)	85,943	
Vehicles	652,348	(534,336)	118,012	
Infrastructure	10,000,000	(6,250,000)	3,750,000	
Change in Net Assets	\$ 18,060,481	\$ (11,572,042)		\$ 6,488,439
Long-term Liabilities at the Beginning of the year				
Bonds and Loans Payable	\$ 1,166,711			
Compensated Absences & Other	65,488			
Capital Leases	-			
Deferred Amounts	4,397			
Total Long-term Liabilities	1,236,596			\$ (1,236,596)
Net Adjustment to Net Assets				\$ 5,251,843

**CITY OF TAFT, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2014**

**B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities.**

Exhibit C-4 provides reconciliation between the net changes in fund balance as shown on the governmental fund statement of revenues, expenditures, and changes in fund balances and the changes in net assets of governmental activities as reported on the government-wide statement of activities. One element of that reconciliation explains that current year capital outlays and debt principal payments are expenditures in the fund financial statements, but should be shown as increases in capital assets and decreases in long-term debt in the government-wide statements. This adjustment affects both the net asset balance and the change in net assets. The details of this adjustment are as follows:

	Amount	Adjustments to Changes in Net Position	Adjustments to Net Position
<u>Current Year Capital Outlay</u>			
Land	\$ -	\$ -	\$ -
Buildings & Improvements	-	-	-
Furniture & Equipment	118,012	118,012	118,012
Infrastructure	-	-	-
Construction in Process	-	-	-
Total Capital Outlay	<u>\$ 118,012</u>	<u>\$ 118,012</u>	<u>\$ 118,012</u>
<u>Debt Principal Payments</u>			
Bond Principal - Net	913,175	913,175	913,175
Loan Principal	68,095	68,095	68,095
Capital Lease Payments	29,182	29,182	29,182
Other	24,256	24,256	24,256
Total Principal Payments	<u>1,034,708</u>	<u>1,034,708</u>	<u>1,034,708</u>
Total Adjustment to Net Assets	<u><u>\$ 1,152,720</u></u>	<u><u>\$ 1,152,720</u></u>	<u><u>\$ 1,152,720</u></u>

Another element of the reconciliation on Exhibit C-4 is described as various other reclassifications and eliminations necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. This adjustment is the result of several items. The details for this element are as follows:

	Amount	Adjustments to Change in Net Assets	Adjustments to Net Assets
<u>Adjustments to Revenue and Deferred Revenue</u>			
Taxes Collected from Prior Year Levies	\$ 384,815	\$ 384,815	\$ 384,815
Uncollected Taxes (assumed collectible) from Current Year Levy	-	-	-
Uncollected Taxes (assumed collectible) from Prior Year Levy	-	-	-
Other	-	-	-
Total	<u><u>\$ 384,815</u></u>	<u><u>\$ 384,815</u></u>	<u><u>\$ 384,815</u></u>

**CITY OF TAFT, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2014**

**III Stewardship, Compliance and Accountability**

**1 CASH AND INVESTMENTS**

**Legal and Contractual Provisions Governing Deposits and Investments**

The Public Funds Investment Act (Texas Government Code Charter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the City to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the City to invest in (1) obligations of the U.S. Treasury, certain U.S. Agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) common trust funds. The Act also requires the City to have independent auditors perform test procedures related to investment practices as provided by the Act. The City is in substantial Compliance with the requirements of the Act and with local policies.

**A. Cash Deposits**

At September 30, 2014, the carrying amount of the City's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$1,494,096 and the bank balance was \$2,066,672. The City's cash deposits at September 30, 2014 and during the period ended September 30, 2014, were entirely covered by FDIC insurance or by pledged collateral held by the City's agent bank in the City's name.

**B. Investments**

As of September 30, 2014, the City had no investments:

**Investment Maturities (In Years)**

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less than 1</u>	<u>1 to 2</u>	<u>2 to 3</u>
Investment Pools:				
N/A	-	-	-	-
Total Fair Value	\$ -	\$ -	\$ -	\$ -

**CITY OF TAFT, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

Interest Rate Risk- In accordance with state law and City policy, the City does not purchase any investments with maturities greater than 10 years.

Credit Risk- In accordance with state law and the City's investment policy, investments in mutual funds and investment pools must be rated at least AAA, commercial paper must be rated at least A-1 or P-1, and investments in obligations from other states, municipalities, countries, etc. must be rated at least A. The City's investments in investment pools were rated AAA.

Concentration of Credit Risk- the City does not place a limit on the amount the City may invest in any one issuer. The City does not have a concentration of credit risk.

Custodial Credit Risk - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does not have a custodial credit risk.

**CITY OF TAFT, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2014**

**1. CAPITAL ASSETS**

Capital assets activity for the year ended September 30, 2014, was as follows:

	Balance October 1st	Additions/ Completions	Retirements/ Adjustments	Balance September 30th
Governmental Activities:				
Capital Assets, not being depreciated:				
Land	\$ 10,524	\$ -	\$ -	\$ 10,524
Construction in Progress	-	-	-	-
Total Capital assets, not being depreciated	10,524	-	-	10,524
Capital Asset being depreciated:				
Buildings	2,658,616	-	-	2,658,616
Improvements	3,130,596	-	-	3,130,596
Equipment	1,608,397	-	-	1,608,397
Vehicles	534,336	-	118,012	652,348
Infrastructure	10,000,000	-	-	10,000,000
Total capital assets, being depreciated	17,931,945	-	118,012	18,049,957
Less accumulated depreciation for:				
Buildings	(1,497,638)	(66,465)	-	(1,564,103)
Improvements	(1,767,614)	(78,265)	-	(1,845,879)
Equipment	(1,522,454)	(85,943)	-	(1,608,397)
Vehicles	(546,137)	(11,801)	-	(557,938)
Infrastructure	(6,250,000)	(250,000)	-	(6,500,000)
Total accumulated depreciation	(11,583,843)	(492,475)	-	(12,076,318)
Total capital assets being depreciated, net	6,348,102	(492,475)	118,012	5,973,639
Governmental activities capital assets, net	6,358,626	(492,475)	118,012	5,984,163
Business-type Activities				
Capital Assets, not being depreciated				
Land	-	-	-	-
Construction in Progress	1,017,423	3,949,837	4,967,260	-
Total capital assets, not being depreciated	1,017,423	3,949,837	4,967,260	-
Capital Assets, being depreciated				
Buildings	32,668	-	-	32,668
Improvements	-	-	-	-
Equipment	384,601	-	-	384,601
Water System	1,624,910	-	-	1,624,910
Sewer System	5,347,561	4,967,260	2,066,301	8,248,521
Total capital assets, being depreciated	7,389,740	4,967,260	2,066,301	10,290,700
Less accumulated depreciation for:				
Buildings	(33,063)	-	-	(33,063)
Improvements	-	-	-	-
Equipment	(353,429)	(25,640)	-	(379,069)
Water System	(1,424,078)	(32,498)	-	(1,456,576)
Sewer System	(2,176,520)	(164,970)	41,326	(2,300,164)
Total accumulated depreciation	(3,987,090)	(223,109)	41,326	(4,168,873)
Total capital assets, being depreciated, net	3,402,650	4,744,152	2,107,627	6,121,827
Business-type activities capital assets, net	\$ 4,420,073	\$ 8,693,989	\$ 7,074,887	\$ 6,121,827

An increase of \$118,012 made to Vehicles was made to the governmental fixed assets to recognize assets acquired in fiscal year 2013.

**CITY OF TAFT, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2014**

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

Governmental Activities:	
General Government and Administration	85,460
Public Works - Street Department	219,813
Parks and Recreation	64,952
Public Safety - Police Department	45,667
Public Safety - Fire Department	76,583
Total Depreciation Expense - Governmental Activities	<u>492,475</u>
Business-type Activities:	
Water System	32,498
Sewer System	164,970
Machinery and Equipment/Buildings	25,640
Total Depreciation Expense - Business-type Activities	<u>223,109</u>

**2. LONG-TERM DEBT**

At September 30, 2014, bonds payable consisted of the following individual issues:

	<u>Governmental</u>
(1) Combination Tax and Revenue Bonds, Series 2004. In the original sum of \$500,000. With the interest rate of 2.80 to 4.75%.	\$ 65,000
(2) Notes for equipment/ambulance	120,441
(3) Capital Lease Payable	88,793
	<hr/>
Total Certificate of Obligations/Revenue Bonds	<u>\$ 274,234</u>

**CITY OF TAFT, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2014**

**LONG-TERM LIABILITIES**

The following is a summary of changes in long-term liabilities reported in the government-wide financial statements for the year ended September 30, 2014:

	Balance October 1st	Additions	Reductions	Transfers	Balance September 30th	Due Within One Year
<b>Governmental Activities:</b>						
Certificate of Obligation Bonds 2010*	\$ 853,175	\$ -	\$ -	\$ 853,175	\$ -	\$ -
Combination Tax and Revenue Bonds Series 2004	125,000	-	60,000	-	65,000	65,000
Deferred Costs	4,397	-	4,397	-	-	-
Compensated Absences	65,488	-	19,859	-	45,629	11,407
Notes Payable	188,536	-	68,095	-	120,441	58,664
Capital Leases Payable	-	117,975	29,182	-	88,793	28,689
Total Governmental Activities	<u>1,236,596</u>	<u>117,975</u>	<u>181,533</u>	<u>853,175</u>	<u>319,863</u>	<u>163,761</u>
<b>Business-type Activities:</b>						
TWDB Certificate of Obligation Bonds 2010	5,587,000	-	193,000	-	5,394,000	193,000
*Certificate of Obligation Bonds 2010	-	-	52,372	853,175	800,803	55,200
Capital Leases	-	25,025	6,190	-	18,835	6,086
Compensated Absences	21,568	812	-	-	22,380	-
Total Business-type Activities	<u>5,608,568</u>	<u>25,837</u>	<u>251,562</u>	<u>853,175</u>	<u>6,236,018</u>	<u>254,286</u>
Total Government	<u>\$ 6,845,164</u>	<u>\$ 143,812</u>	<u>\$ 433,095</u>	<u>\$ 1,706,350</u>	<u>\$ 6,555,881</u>	<u>\$ 418,047</u>

\*The above Certificates of Obligation, Series 2010 debt has been reclassified to the Enterprise Fund in fiscal year 2014.

The annual requirements for bonds for years subsequent to September 30, 2014, are as follows:

Year Ending September 30	Governmental Activities General/Certificate Obligations/Notes Payable			Business-type Activities Revenue Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2015	152,354	21,226	173,579	248,200	41,753	289,953
2016	91,365	5,161	96,526	251,181	38,692	289,873
2017	30,515	956	31,472	254,323	35,465	289,788
2018	-	-	-	257,634	32,064	289,698
2019	-	-	-	261,124	28,480	289,604
Thereafter	-	-	-	4,922,340	84,001	5,006,341
Total	<u>274,234</u>	<u>27,342</u>	<u>301,577</u>	<u>6,194,802</u>	<u>260,454</u>	<u>6,455,257</u>



**CITY OF TAFT, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2014**

The annual requirements for capital leases for years subsequent to September 30, 2014, are as follows:

Year Ending September 30	Governmental Activities Capital Leases Payable			Business-type Activities Capital Leases Payable		
	Principal	Interest	Total	Principal	Interest	Total
2015	28,689	2,782	31,472	6,086	590	6,676
2016	29,588	1,883	31,472	6,276	399	6,676
2017	30,515	956	31,472	6,473	203	6,676
2018	-	-	-	-	-	-
2019	-	-	-	-	-	-
Thereafter	-	-	-	-	-	-
Total	<u>88,793</u>	<u>5,622</u>	<u>94,415</u>	<u>18,835</u>	<u>1,193</u>	<u>20,027</u>

**RESTRICTED CASH AND INVESTMENTS- UTILITY FUND**

**Revenue Bonds-**

Water and Sewer Revenue Bonds constitute special obligations of the City solely secured by a lien on the pledge of the net revenues of the water and sewer system.

The Revenue Bonds are collateralized by the revenue of the water and sewer system and the various special funds established by the bond ordinances. The ordinances provide that the revenue of the system is to be used first to pay operating and maintenance expenses of the system and second to establish and maintain the Revenue Bond funds. Remaining revenues may then be used for any lawful purpose. The ordinances also contain provisions which, among other items, restrict the issuance of additional Revenue Bonds unless the special funds noted above contain the required amounts. Management of the City believes that it is in compliance with all significant financial requirements as of September 30, 2014.

**Authorized but Not Issued Debt-**

None

**COMMITMENTS UNDER NON-CAPITALIZED LEASES**

**Operating Leases:**

The City leases equipment. Most of the leases are cancelable.

Minimum lease commitments for the next five years are immaterial.

**CITY OF TAFT, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2014**

**3. INTERFUND TRANSACTIONS AND BALANCES**

Inter-fund balances at September 30, 2014 consisted of the following individual fund balances:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund:		
Special Revenue Fund	-	24,932
Enterprise Funds	1,405	-
Total General Fund	<u>1,405</u>	<u>24,932</u>
Special Revenue Fund:		
General Fund	<u>24,932</u>	<u>-</u>
Enterprise Funds:		
General Fund	<u>-</u>	<u>1,405</u>
Total	<u><u>26,337</u></u>	<u><u>26,337</u></u>

The inter-fund balances at September 30, 2014 are generally short-term loans to cover temporary cash flows and reimbursements for various funds.

Inter-fund transfers during the year ended September 30, 2014 were as follows:

<u>Transfer In</u>	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Special Revenue Funds</u>	<u>Utility Fund</u>	<u>Total</u>
Utility Fund	1,039,636	-	-	-	1,039,636
General Fund	-	-	1,549	-	1,549
Debt Service Fund	1,895	13,609	-	290,029	305,533
Special Revenue Fund	16,000	-	-	-	16,000
Total	<u>1,057,531</u>	<u>13,609</u>	<u>1,549</u>	<u>290,029</u>	<u>1,362,718</u>
Less Transfers	<u>(231,010)</u>	<u>(74,523)</u>	<u>(17,549)</u>	<u>(1,039,636)</u>	<u>(1,362,719)</u>
Net Transfers	<u>826,521</u>	<u>(60,914)</u>	<u>(16,000)</u>	<u>(749,607)</u>	<u>(0)</u>

**CITY OF TAFT, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2014**

**5. DISAGGREGATION OF RECEIVABLES AND PAYABLES**

Receivables at September 30, 2014, were as follows:

	Property Taxes	Other Governments	Due From Other Funds	Other	Total Receivables
<b>Governmental Activities:</b>					
General Fund	\$ 154,429	\$ -	\$ -	\$ -	\$ 154,429
Major Governmental Funds	187,244	-	162,008	-	349,252
Non-major Governmental Funds	-	-	-	-	-
Total - Governmental Activities	<u>\$ 341,673</u>	<u>\$ -</u>	<u>\$ 162,008</u>	<u>\$ -</u>	<u>\$ 503,681</u>

Payables at September 30, 2014, were as follows:

	Accounts	Loans, Leases and Bonds Payable Current Year	Salaries and Benefits	Due to Other Funds	Due to Other Governments	Other	Total Payables
<b>Governmental Activities:</b>							
General Fund	\$ 228,920	\$ -	\$ 11,407	\$ 185,535	\$ -	\$ 15,540	\$ 441,402
Major Governmental Fund	-	152,354	-	-	-	-	152,354
Non-major Governmental Fund	-	-	-	-	-	-	-
Total - Governmental Activities	<u>\$ 228,920</u>	<u>\$ 152,354</u>	<u>\$ 11,407</u>	<u>\$ 185,535</u>	<u>\$ -</u>	<u>\$ 15,540</u>	<u>\$ 593,756</u>

**6. PROPERTY TAXES.**

Property taxes attach as an enforceable lien on property as of January 1. Property taxes are levied on October 1 based on 100% of appraise value of property as listed on the previous January 1. Appraised values are determined by the San Patricio County Appraisal District; approved by the San Patricio County Appraisal Review Board; and certified by the Chief Appraiser. Property taxes are due upon receipt of the tax bill and are delinquent if not paid before February of the year following the year in which imposed. The city does not offer a discount or early payment of taxes. The City's taxes are billed and collected by the San Patricio County Tax Assessor Collector. Ad valorem taxes of \$803,246 were assessed on property values totaling \$76,402,927 using a tax rate of \$1.05133 (\$0.52344 for general operations and \$0.52789 for debt service) per \$100 assessed value. Additional Ad valorem taxes of \$98,277 were assessed on disannexed property with values totaling \$18,617,099 using a tax rate of \$0.52789 for debt service per \$100 assessed value.

**CITY OF TAFT, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2014**

**7. PENSION PLAN**

Plan Description: The City of Taft provides pension benefits for all of its eligible employees (except firefighters and part – time personnel) through a non – traditional, joint contributory, hybrid defined benefit plan in the statewide Texas Municipal Retirement System (TMRS), an agent multiple – employer public employee retirement system. The plan provisions that have been adopted by the city are within the options available in the governing state statutes of TMRS.

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the System. This report may be obtained by writing to TMRS, P.O. Box 149153, Austin, TX 78714-9153 or by calling 800-924-8677; in addition, the report is available on TMRS' website at [www.TMRS.com](http://www.TMRS.com).

The provisions are adopted by the governing body of the City of Taft, within the options available in the state statutes governing TMRS. Plan provisions for the City were as follows:

	Plan Year 2013	Plan Year 2014
Employee Deposit Rate	7.00%	7.00%
Matching Ratio (City to Employee)	2 to 1	2 to 1
Years Required for Vesting	5	5
Service Retirement Eligibility (Expressed as Age / Years of Service)	60/5,0/25	60/5,0/25
Updated Service Credit	100% Repeating, Transfers	100% Repeating, Transfers
Annuity Increase (to Retirees)	30% of CPI Repeating	30% of CPI Repeating

Contributions: Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Projected Unit Credit actuarial cost method. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually; the prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for that city. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

The City contributes to the TMRS Plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect. The annual pension cost and net pension obligation (asset) are as follows:

1. Annual Required Contribution (ARC)	109,940
2. Interest on Net Pension Obligation	-
3. Adjustment to the ARC	-
4. Annual Pension Cost (APC)	109,940
5. Contributions Made	109,940
6. Increase (Decrease) in net pension obligation	-
7. Net Pension Obligation/(Asset), beginning of year	-
8. Net Pension Obligation/(Asset), end of year	-

**CITY OF TAFT, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2014**

Three year Trend Information

Fiscal Year Ending	Annual Pension Cost	Actual Contributions Made	Percentage of APC Contributed	Net Position Obligation/ (Asset)
2012	40,609	40,609	100%	-
2013	100,141	100,141	100%	-
2014	109,940	109,940	100%	-

The required contribution rates for fiscal year 2014 were determined as part of the December 31, 2011 and 2012 actuarial valuations. Additional information as of the latest actuarial valuation, December 2013, also follows:

Valuation Date	12/31/2011	12/31/2012	12/31/2013
Actuarial Cost Method	Projected Union Credit	Projected Union Credit	Projected Union Credit
Amortization method	Level Percentage of Payroll	Level Percentage of Payroll	Level Percentage of Payroll
GASB 25 Equivalent Single Amortization Period	25.0 years - closed period	24.4 years- closed period	30.0 years - closed period
Amortization Period for new Gains/Losses	25 Years	25 Years	25 Years
Asset Valuation Method	10-year Smoothed Market	10-year Smoothed Market	10-year Smoothed Market
Actuarial Assumptions			
Investment Rate of Return	7.00%	7.00%	7.00%
Projected Salary Increases	Varies by age and service	Varies by age and service	Varies by age and service
Inflation	3.00%	3.00%	3.00%
Cost-of-living adjustments	0.9%	0.9%	0.9%

The funded status as of December 31, 2013, the most recent actuarial valuation date, is as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll	UAAL as of Percentage of Covered Payroll
	(1)	(2)	(3)	(4)	(5)	(6)
			(1)/(2)	(2)-(1)		(4)/(5)
12/31/2011	1,643,802	1,959,237	83.9%	315,435	1,191,380	26.5%
12/31/2012	1,693,388	2,169,809	78.0%	476,421	1,349,393	35.3%
12/31/2013	1,879,766	2,607,671	72.1%	727,905	1,383,429	52.6%

**CITY OF TAFT, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2014**

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation, and reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

The city also participates in the cost sharing multi-employer defined benefit group-term life insurance coverage plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). The city elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The city may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an "other postemployment benefit," or OPEB.

Regarding supplemental Death Benefits in compliance with GASB Statement 45, the City does offer supplemental death benefits to active or retirees for the 2013 or 2014 plan years.

City Supplemental Death to:	Plan Year 2013	Plan Year 2014
Active Employees (Yes or No)	Yes	Yes
Retirees (Yes or No)	Yes	Yes

**Contributions**

The city contributes to the Supplemental Death Benefits Fund at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the Supplemental Death Benefits Fund program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees' entire careers.

The City's contributions to the TMRS SDBF for the years ended 2010, 2013, and 2012 were \$3,869, \$4,150 and \$3,630, respectively, which equaled the required contributions each year.

**Health Insurance and Post Employment Health Care Benefits**

In addition to providing pension benefit, the City provides certain health care benefits for retired employees for a maximum time period of 24 months as allowed for employees who have met the following requirements: Employees who have reached the age of 58, are eligible for the Texas Municipal Retirement System benefits, who have at least 20 years of credited service, 10 years of which must be continuous service with the City of Taft. Also, retirees will be eligible to continue major medical health and dental insurance for up to 24 months or until the age of 65 or until eligible for Medicare Insurance benefits.

**CITY OF TAFT, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

**8. COMMITMENTS AND CONTINGENT LIABILITIES/SUBSEQUENT EVENTS**

There are claims and/or lawsuits pending against the City that were required to be disclosed. The City has not accrued any potential liability pending its lawsuits. No liability has been established for any pending and outstanding suits. The City participates in certain federal and state assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives.

**9. PRIOR PERIOD ADJUSTMENTS**

During the year ended September 30, 2014, prior period adjustments were made to correctly reflect fund balances to actual. The effect of these prior period adjustments was as follows: An adjustment of \$167,070 was made to the general fund which increased the ending net position and fund balance. An adjustment of \$33,385 was made to the interest and sinking fund which increased the ending net position and fund balance. An adjustment of (\$26), (\$73,485), and (\$24,647) was made to the firemen's pension fund, the firemen's operating fund, and the criminal justice planning fund respectively. The effect of these adjustments was a decrease to the ending net position and fund balance for the funds. The Taft Building & Security fund had an adjustment of \$205 and the forfeitures fund had an adjustment of \$2,500, in which ending net position and fund balance were increased. An adjustment of (\$106,446) was made to the utility fund, however due to an operating surplus there was an increase to the ending net position and fund balance.

**10. FUND BALANCE DEFICIT**

At September 30, 2014, the General Fund had a deficit fund balance of (\$164,769), and the Criminal Justice Planning Fund had a deficit fund balance of (\$122,182).

**11. ISSUE/SUBSEQUENT EVENTS**

The City is currently in a small deficit in the General Fund and corrections must be done in order for the City to return its fund balance to at least three months of annual operations. The City is working toward that goal and working on improvements. The Council has evaluated subsequent events through January 10, 2017, the date which the financial statements were available to be issued.

**12. FUND BALANCES – GASB 54**

Fund balance is divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the governmental funds. Fund balance is classified as non-spendable, 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. The classifications are as follows:

Non-spendable - The non-spendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of inter-fund loans.

Restricted - Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling

**CITY OF TAFT, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2014**

of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the City can be compelled by an external party-such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (ordinance or resolution) of the City of Council. Those committed amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by City Council separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the City Council or state statute. Board of Trustees or a District official delegated that authority by the City Council.

Unassigned - Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

**City Fund Balance Policy**

The City applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used. The City has in the past and plans to continue in the future its conservative approach to monitoring expenditures to ensure that fund balances stay strong at the 25% general fund policy level. The General Fund will need to re-build with future revenues.

By a majority vote in a scheduled meeting of the City Council, the Council may commit fund balances and it may modify or rescind these commitments. The Council may also delegate authority to persons or parties to assign fund balances in specific circumstances or funds.

Restricted	
Retirement of Long Term Debt	\$ 137,751
Special Revenue	392,886
Capital Projects	-
Assigned Fund Balances	-
Undesignated/Unassigned	(286,951)
Total Fund Balance	<u>\$ 243,686</u>



## REQUIRED SUPPLEMENTARY INFORMATION

CITY OF TAFT, TEXAS  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED SEPTEMBER 30, 2014

BUDGETARY DATA

Annual budgets are legally adopted on a basis consistent with generally accepted accounting principles for all governmental funds except the capital projects fund, and the Asset Seizures and Forfeitures Fund, which are Special Revenue Funds. City Manager is authorized to transfer budgeted amounts within departments; however, any revisions that alter the total expenditures of a department must be approved by the City Council. Budgeted amounts reported in the 2014-2015 financial statements present the original and final amended budget approved by the Council. All unencumbered budget appropriations except project budgets, lapse at the end of each fiscal year. The following procedures are used by the City in establishing the budgetary date reflected in the financial statements:

1. Prior to August 6<sup>th</sup> each year, the City Manager is required to submit a proposed budget to the City Council. The operating budget includes proposed expenditures and the means of financing them.
2. Advertised public hearings are conducted.
3. The budget is required to be approved by September 20<sup>th</sup>.
4. The tax rates are approved after the budget has been approved.
5. The budget may be amended as considered necessary. The budget and tax rates are enacted through the passage of ordinances.

CITY OF TAFT, TEXAS  
REQUIRED SUPPLEMENTARY INFORMATION  
TEXAS MUNICIPAL RETIREMENT SYSTEM  
ANALYSIS OF FUNDING PROGRESS

LAST FOUR VALUATION DATES

The funded status as of December 31, 2013, the most recent actuarial valuation date, is as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll	UAAL as of Percentage of Covered Payroll
	(1)	(2)	(3)	(4)	(5)	(6)
			(1)/(2)	(2)-(1)		(4)/(5)
12/31/2010	1,517,198	1,516,016	100.1%	(1,182)	1,046,640	-0.1%
12/31/2011	1,643,802	1,959,237	83.9%	315,435	1,191,380	26.5%
12/31/2012	1,693,388	2,169,809	78.0%	476,421	1,349,393	35.3%
12/31/2013	1,879,766	2,607,671	72.1%	727,905	1,383,429	52.6%

**City of Taft, Texas**

COMBINING AND INDIVIDUAL FUND  
FINANCIAL STATEMENTS AND SCHEDULES AS SUPPLEMENTARY INFORMATION

## **City of Taft, Texas**

## GOVERNMENTAL FUNDS

## ***City of Taft, Texas***



## 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 another fund. The general operating expenditures, fixed charges, and capital improvement costs that are not paid through other funds are paid from the General Fund. The Fund uses the modified accrual basis of accounting.

## **City of Taft, Texas**

**CITY OF TAFT, TEXAS  
GENERAL FUND  
BALANCE SHEET  
SEPTEMBER 30, 2014  
(WITH MEMO TOTALS FOR SEPTEMBER 30, 2013)**

**EXHIBIT H-1**

**(MEMO)  
(TOTALS)  
(2013)**

	<u><b>2014</b></u>	
<b>ASSETS</b>		
Cash and Texpool Accounts	-	10,096
Receivables and Allowances:		
Accounts		
Miscellaneous	101,478	-
Ad Valorem Taxes	162,557	164,013
Allowance for Uncollectible Taxes	(8,128)	(24,602)
Due from Other Funds	78,601	-
<b>TOTAL ASSETS</b>	<u><u><b>334,508</b></u></u>	<u><u><b>149,507</b></u></u>
 <b>LIABILITIES AND FUND BALANCE</b>		
Accounts Payable	177,827	615,669
Deferred Revenue	43,143	-
Other Payables	15,540	-
Due to Other Funds	108,339	80,907
<b>TOTAL LIABILITIES</b>	<u><u><b>344,849</b></u></u>	<u><u><b>696,576</b></u></u>
 <b>DEFERRED INFLOWS OF RESOURCES</b>		
Unavailable Revenue -Property Taxes	154,429	139,411
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u><u><b>154,429</b></u></u>	<u><u><b>139,411</b></u></u>
 <b>FUND BALANCE</b>		
Unreserved		
Undesignated	(164,769)	(686,481)
<b>TOTAL FUND BALANCE</b>	<u><u><b>(164,769)</b></u></u>	<u><u><b>(686,481)</b></u></u>
 <b>TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE</b>	<u><u><b>334,508</b></u></u>	<u><u><b>149,506</b></u></u>

CITY OF TAFT, TEXAS  
GENERAL FUND  
SCHEDULE OF REVENUES AND OTHER SOURCES  
BUDGET (GAAP BASIS) AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2014  
(WITH MEMO TOTALS FOR SEPTEMBER 30, 2013)

EXHIBIT H-2  
Page 1 of 2

	2014			(MEMO) (TOTALS) (2013)	
	BUDGETED AMOUNTS		Variance with		
	Original	Final	Actual	Final Budget Variance	Actual
<b>REVENUES</b>					
Taxes					
Ad valorem- Current	318,850	318,850	752,227	433,377	343,821
Ad valorem- Delinquent	85,000	85,000	-	(85,000)	41,218
Ad valorem- Penalty & Interest	35,000	35,000	-	(35,000)	24,400
Arrest Fees	300	300	290	(10)	440
City Sales Taxes	175,000	175,000	188,384	13,384	166,714
Street Maintenance Sales Tax	43,542	43,524	47,113	3,589	43,533
EDC Monthly Expense Fee	900	900	-	(900)	900
Franchise	122,853	122,853	115,583	(7,270)	126,734
<b>Total Taxes</b>	<b>781,445</b>	<b>781,427</b>	<b>1,103,597</b>	<b>322,170</b>	<b>747,760</b>
Licenses and Permits					
Animal Licenses	6,300	6,300	2,492	(3,808)	2,909
Business Licenses	24,000	24,000	765	(23,235)	8,204
Building Permits	18,000	18,000	11,930	(6,070)	27,675
Electrical Permits	5,000	5,000	2,679	(2,321)	9,997
Plumbing Permits	4,000	4,000	3,315	(686)	8,129
Other Permits	-	-	35	35	-
Mechanical Permits	400	400	566	166	449
<b>Total Licenses and Permits</b>	<b>57,700</b>	<b>57,700</b>	<b>21,782</b>	<b>(35,918)</b>	<b>57,363</b>
Intergovernmental					
Grants- Other	1,300	1,300	13,500	12,200	963
<b>Total Intergovernmental</b>	<b>1,300</b>	<b>1,300</b>	<b>13,500</b>	<b>12,200</b>	<b>963</b>

CITY OF TAFT, TEXAS  
GENERAL FUND  
SCHEDULE OF REVENUES AND OTHER SOURCES  
BUDGET (GAAP BASIS) AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2014  
(WITH MEMO TOTALS FOR SEPTEMBER 30, 2013)

EXHIBIT H-2  
Page 2 of 2

	2014			(MEMO) (TOTALS) (2013)
	BUDGETED AMOUNTS		Variance with Final Budget Variance	Actual
	Original	Final	Actual	Actual
<b>REVENUES</b>				
Charges for Services				
Rural Fire Calls	-	-	-	-
Jury Reimbursement Fees	5,000	5,000	2,859	3,874
Weed Control Charges	4,000	4,000	-	2,025
T Mobile Rent Fee	12,000	12,000	12,000	12,000
Rezoning Applications	-	-	-	-
Child Safety Fee	4,500	4,500	4,749	4,280
Library	-	-	-	-
Tax Certificates	-	-	-	-
Notary Revenue	500	500	693	631
Subtotal	26,000	26,000	20,301	22,810
Fines and Penalties	125,000	125,000	80,550	93,336
Other Revenues				
Other/Municipal Court Fines	1,300	1,300	936	912
Interest	250	250	285	172
EMS Billings/Contributions	253,500	253,500	153,175	251,220
Attorney Fees	-	-	-	-
Community Center Fees	4,000	4,000	3,780	3,875
Right of Way Fee	400	400	597	524
Verizon Fees/Court Fees	-	-	-	-
Sale of Assets	10,825	10,825	9,175	1,685
Miscellaneous	210,700	210,700	168,600	92,525
Fingerprint Fees	-	-	-	-
Copy & Map Sales	1,500	1,500	1,856	1,931
Insurance Refund	2,000	2,000	7,298	6,173
Other	105,000	105,000	-	-
Juvenile Case Manager	-	-	-	-
County EMS Subsidy	24,000	24,000	24,096	20,256
LEOSE	-	-	-	-
State Revenues	-	-	-	(218)
Sprint Binder Fee/Rent	13,800	13,800	15,180	14,950
Subtotal	627,275	627,275	384,979	394,005
<b>Total Revenues</b>	<b>1,618,720</b>	<b>1,618,702</b>	<b>1,624,708</b>	<b>1,316,236</b>
<b>OTHER SOURCES- Operating Transfers</b>				
Capital - related Debt Issued	-	-	-	-
Transfers	1,039,636	1,039,636	1,421,141	543,601
<b>Total Operating Transfers</b>	<b>1,039,636</b>	<b>1,039,636</b>	<b>1,421,141</b>	<b>543,601</b>
<b>TOTAL REVENUES AND OTHER SOURCES</b>	<b>2,658,356</b>	<b>2,658,338</b>	<b>3,045,849</b>	<b>1,859,837</b>

**CITY OF TAFT, TEXAS  
GENERAL FUND  
SCHEDULE OF EXPENDITURES  
BUDGET (GAAP BASIS) AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2014  
(WITH MEMO TOTALS FOR SEPTEMBER 30, 2013)**

	2014.			
	<b>BUDGETED AMOUNTS</b>		<b>Personnel</b>	<b>Supplies &amp;</b>
	<b>Original</b>	<b>Final</b>	<b>Costs</b>	<b>Services</b>
Current Expenditures				
General Administration	519,786	519,786	9,445	432,496
Finance	79,005	79,005	96,772	-
Municipal Court	58,767	58,767	49,459	4,006
Administration	173,531	173,531	144,127	6,915
Legislative	77,166	77,166	4,281	3,220
Tax Collection	24,240	24,240	-	24,094
<b>Total General Administration</b>	<b>932,495</b>	<b>932,495</b>	<b>304,084</b>	<b>470,732</b>
Public Safety				
Police	592,874	592,874	440,808	48,200
Fire	26,200	26,200	-	5,775
Emergency Medical Services	478,576	478,576	328,566	31,760
Animal Control	12,700	15,410	-	2,325
Code Enforcement	102,985	102,985	43,631	2,780
<b>Total Public Safety</b>	<b>1,213,335</b>	<b>1,216,045</b>	<b>813,006</b>	<b>90,839</b>
Public Works				
Streets/Maintenance Department	340,767	340,767	105,231	181,698
<b>Total Public Works</b>	<b>340,767</b>	<b>340,767</b>	<b>105,231</b>	<b>181,698</b>
Culture and Recreation				
Library	62,569	62,569	56,470	432
Parks/Community Center	41,398	41,398	30,982	6,572
Museum	-	-	-	-
Community Centers	12,558	12,558	9,415	729
<b>Total Parks and Recreation</b>	<b>116,525</b>	<b>116,525</b>	<b>96,867</b>	<b>7,733</b>
<b>Total Current Expenditures</b>	<b>2,603,122</b>	<b>2,605,832</b>	<b>1,319,188</b>	<b>751,001</b>

## EXHIBIT H-3

				(MEMO) (TOTALS) (2013)
2014				
Debt Service	Capital Outlay	Total Actual	Variance with Final Budget Variance	Actual
-	-	441,941	77,845	690,713
-	-	96,772	(17,767)	-
-	-	53,465	5,302	56,582
-	-	151,043	22,488	212,506
-	-	7,501	69,665	17,162
-	-	24,094	146	34,626
-	-	<u>774,816</u>	<u>157,679</u>	<u>1,011,589</u>
-	18,616	507,624	85,250	568,436
-	-	5,775	20,425	14,427
-	-	360,326	118,250	482,289
-	-	2,325	13,085	2,589
-	7,782	54,194	48,791	75,259
-	<u>26,398</u>	<u>930,243</u>	<u>285,802</u>	<u>1,142,999</u>
-	-	286,929	53,838	181,743
-	-	<u>286,929</u>	<u>53,838</u>	<u>181,743</u>
-	-	56,901	5,668	55,239
-	-	37,554	3,844	98,657
-	-	-	-	-
-	-	10,144	2,414	17,493
-	-	<u>104,599</u>	<u>11,926</u>	<u>171,389</u>
-	<u>26,398</u>	<u>2,096,587</u>	<u>509,245</u>	<u>2,507,720</u>

## **City of Taft, Texas**



NON-MAJOR GOVERNMENTAL FUNDS

**CITY OF TAFT, TEXAS**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**COMBINING BALANCE SHEET**  
**SEPTEMBER 30, 2014**  
**(WITH MEMO TOTALS FOR SEPTEMBER 30, 2013)**

	Series 2010 Debt Serv. Fund	Juvenile Case Manager Fund	Taft Court Technology Fund	Taft Park Fund	Pride of Taft Fund
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 155	19,445	22,025	-	3,686
Receivables	-	-	-	-	-
Due from Other Governments	-	-	-	-	-
Due from Other Funds	-	-	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 155</b>	<b>19,445</b>	<b>22,025</b>	<b>-</b>	<b>3,686</b>
<b>LIABILITIES AND FUND BALANCE</b>					
Accounts Payable	\$ -	-	-	-	-
Deferred Revenue	-	-	-	-	-
Due to Others	-	-	-	-	-
Due to Other Funds	-	-	-	-	-
<b>TOTAL LIABILITIES</b>	<b>\$ -</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCE</b>					
Restricted for Special Revenue	\$ -	19,445	22,025	-	3,686
Restricted for Debt Service	155	-	-	-	-
Unassigned	-	-	-	-	-
<b>TOTAL FUND BALANCE</b>	<b>\$ 155</b>	<b>19,445</b>	<b>22,025</b>	<b>-</b>	<b>3,686</b>
<b>TOTAL LIABILITIES &amp; FUND BALANCE</b>	<b>\$ 155</b>	<b>19,445</b>	<b>22,025</b>	<b>-</b>	<b>3,686</b>

## EXHIBIT H-4

Taft Building & Security Fund	Criminal Justice Planning	Grantworks Home Grant	Forfeitures Fund	Taft Emergency Services Fund	Series 2004 Debt Service Fund	Police Department
\$ 12,620	-	-	0	24,650	3,152	500
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	2,500	-	-	-
\$ 12,620	-	-	2,500	24,650	3,152	500
\$ -	122,182	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
\$ -	122,182	-	-	-	-	-
\$ 12,620	-	-	2,500	24,650	3,152	500
-	-	-	-	-	-	-
-	(122,182)	-	-	-	-	-
\$ 12,620	(122,182)	-	2,500	24,650	3,152	500
\$ 12,620	-	-	2,500	24,650	3,152	500

**CITY OF TAFT, TEXAS  
NONMAJOR SPECIAL REVENUE FUNDS  
COMBINING BALANCE SHEET  
SEPTEMBER 30, 2014  
(WITH MEMO TOTALS FOR SEPTEMBER 30, 2013)**

**EXHIBIT H-4**

	Police Dept A/C Donation Fund	Municipal Court Fund	Drug Seizure Fund	Grantworks HLAVINKA Fund	Total Nonmajor Governmental Funds 2014	(MEMO) (TOTALS) (2013)
<b>ASSETS</b>						
Cash and Cash Equivalents	17,071	40,461	1,440	-	145,204	282,125
Receivables	-	-	-	-	-	-
Due from Other Governments	-	-	-	-	-	24,647
Due from Other Funds	-	-	-	-	2,500	79,785
<b>TOTAL ASSETS</b>	<b>17,071</b>	<b>40,461</b>	<b>1,440</b>	<b>-</b>	<b>147,704</b>	<b>386,557</b>
<b>LIABILITIES AND FUND BALANCE</b>						
Accounts Payable	-	-	-	-	122,182	123,949
Deferred Revenue	-	-	-	-	-	-
Due to Others	-	-	-	-	-	-
Due to Other Funds	-	-	-	-	-	205
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>122,182</b>	<b>124,154</b>
<b>FUND BALANCE</b>						
Restricted for Special Revenue	17,071	40,461	1,440	-	147,549	262,248
Restricted for Debt Service	-	-	-	-	155	155
Unassigned	-	-	-	-	(122,182)	-
<b>TOTAL FUND BALANCE</b>	<b>17,071</b>	<b>40,461</b>	<b>1,440</b>	<b>-</b>	<b>25,523</b>	<b>262,403</b>
<b>TOTAL LIABILITIES &amp; FUND BALANCE</b>	<b>17,071</b>	<b>40,461</b>	<b>1,440</b>	<b>-</b>	<b>147,704</b>	<b>386,557</b>

**City of Taft, Texas**

**CITY OF TAFT, TEXAS**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2014**  
**(WITH MEMO TOTALS FOR SEPTEMBER 30, 2013)**

	Series 2010 Debt Serv. Fund	Juvenile Case Manager Fund	Taft Court Technology Fund	Taft Park Fund	Pride of Taft Fund
<b>REVENUE</b>					
Taxes	\$ -	-	-	-	-
Intergovernmental	-	-	-	-	-
Interest	0	-	-	-	8
Other	-	-	2,859	-	5,000
<b>TOTAL REVENUES</b>	<b>\$ 0</b>	<b>-</b>	<b>2,859</b>	<b>-</b>	<b>5,008</b>
<b>EXPENDITURES</b>					
Current					
Personnel Costs	\$ -	-	-	-	-
Supplies	-	-	-	-	-
Other Services and Charges	-	-	-	0	4,498
Capital Outlay	-	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>\$ -</b>	<b>-</b>	<b>-</b>	<b>0</b>	<b>4,498</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>\$ 0</b>	<b>-</b>	<b>2,859</b>	<b>(0)</b>	<b>509</b>
<b>OTHER FINANCE SOURCES (USES)</b>					
OTHER FINANCING - Bonds	\$ -	-	-	-	-
Transfer In from Other Funds	-	-	-	-	-
Transfer (Out) to Other Funds	-	-	-	-	-
<b>TOTAL OTHER FINANCE SOURCES(USES)</b>	<b>\$ -</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>EXCESS (DEFICIENCY) OF REV. AND OTHER SOURCES OVER EXPENDITURES &amp; OTHER USES</b>	<b>\$ 0</b>	<b>-</b>	<b>2,859</b>	<b>(0)</b>	<b>509</b>
<b>FUND BALANCE, October 1 (Beginning)</b>	<b>155</b>	<b>19,445</b>	<b>19,166</b>	<b>0</b>	<b>3,176</b>
Prior Period Adjustment	-	-	-	-	-
<b>FUND BALANCE, September 30 (Ending)</b>	<b>\$ 155</b>	<b>19,445</b>	<b>22,025</b>	<b>-</b>	<b>3,686</b>

EXHIBIT H-5

Taft Building & Security Fund	Criminal Justice Planning	Grantworks Home Grant	Forfeitures Fund	Taft Emergency Services Fund	Series 2004 Debt Serv. Fund	Police Department
\$ -	-	-	-	-	-	-
-	1,767	8,550	-	83,708	-	-
-	-	-	2	20	2	0
2,144	-	-	-	-	-	500
<u>\$ 2,144</u>	<u>1,767</u>	<u>8,550</u>	<u>2</u>	<u>83,728</u>	<u>2</u>	<u>500</u>
\$ -	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	8,550	-	47,355	-	38
-	-	-	-	-	-	-
<u>\$ -</u>	<u>-</u>	<u>8,550</u>	<u>-</u>	<u>47,355</u>	<u>-</u>	<u>38</u>
\$ 2,144	1,767	-	2	36,372	2	462
-	-	-	-	-	-	-
\$ -	-	-	-	-	-	-
-	-	-	(1,549)	(16,000)	-	-
<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>(1,549)</u>	<u>(16,000)</u>	<u>-</u>	<u>-</u>
\$ 2,144	1,767	-	(1,548)	20,372	2	462
10,271	(99,302)	-	1,548	4,278	3,150	38
205	(24,647)	-	2,500	-	-	-
<u>\$ 12,620</u>	<u>(122,182)</u>	<u>-</u>	<u>2,500</u>	<u>24,650</u>	<u>3,152</u>	<u>500</u>

**CITY OF TAFT, TEXAS**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2014**  
**(WITH MEMO TOTALS FOR SEPTEMBER 30, 2013)**

**EXHIBIT H-5**

	Police Dept A/C Donation Fund	Municipal Court Fund	Drug Seizure Fund	Grantworks HLAVINKA Fund	Total Nonmajor Governmental Funds 2014	(MEMO) (TOTALS) (2013)
<b>REVENUES</b>						
Taxes	-	-	-	-	-	-
Intergovernmental	-	-	-	-	94,025	436,899
Interest	7	10	1	-	49	314
Other	28,527	40,661	2,390	12,250	94,330	8,140
<b>TOTAL REVENUES</b>	<u>28,533</u>	<u>40,671</u>	<u>2,390</u>	<u>12,250</u>	<u>188,404</u>	<u>445,353</u>
<b>EXPENDITURES</b>						
Current						
Personnel Costs	-	-	-	-	-	3,960
Supplies	-	-	-	-	-	90
Other Services and Charges	11,463	210	2,500	12,250	86,865	345,233
Capital Outlay	-	-	-	-	-	4,065
<b>TOTAL EXPENDITURES</b>	<u>11,463</u>	<u>210</u>	<u>2,500</u>	<u>12,250</u>	<u>86,865</u>	<u>353,348</u>
<b>EXCESS (DEFICIENCY) OF REVENUES</b>						
<b>OVER EXPENDITURES</b>	17,071	40,461	(110)	-	101,539	92,005
<b>OTHER FINANCE SOURCES (USES)</b>						
OTHER FINANCING - Bonds	-	-	-	-	-	-
Transfer In from Other Funds	-	-	1,549	-	1,549	45,134
Transfer (Out) to Other Funds	-	-	-	-	(17,549)	(88,000)
<b>TOTAL OTHER FINANCE</b>						
<b>SOURCES(USES)</b>	<u>-</u>	<u>-</u>	<u>1,549</u>	<u>-</u>	<u>(16,000)</u>	<u>(42,866)</u>
<b>EXCESS (DEFICIENCY) OF REV.</b>						
<b>AND OTHER SOURCES OVER</b>						
<b>EXPENDITURES &amp; OTHER USES</b>	17,071	40,461	1,440	-	85,539	49,139
<b>FUND BALANCE, October 1 (Beginning)</b>	-	-	-	-	(38,075)	213,264
Prior Period Adjustment	-	-	-	-	(21,942)	-
<b>FUND BALANCE, September 30 (Ending)</b>	<u>17,071</u>	<u>40,461</u>	<u>1,440</u>	<u>-</u>	<u>25,523</u>	<u>262,403</u>



## PROPRIETARY FUNDS

**City of Taft, Texas**

## ENTERPRISE FUND

Enterprise Funds are used to account for operations financed and operated in a manner similar to private business enterprises. The intent of the governing body is that costs (including depreciation) or providing goods or services to the General public on a continuing basis be financed or recovered primarily through the user charges. The Enterprise Funds use the accrual basis of accounting. The City maintains the following Enterprise Fund:

Utility Fund- established to account for the operations of the City's water and sewer system.

**CITY OF TAFT, TEXAS**  
**STATEMENTS OF NET POSITION**  
**UTILITY FUND**  
**SEPTEMBER 30, 2014**  
**(WITH MEMO TOTALS FOR SEPTEMBER 30, 2013)**

**EXHIBIT I-1**  
Page 1 of 2

	<u>2014</u>	<u>(MEMO) (TOTALS) (2013)</u>
<b>ASSETS</b>		
Current Assets:		
Cash and Cash Equivalents	832,023	447,573
Receivables and Allowances		
Accounts		
Water and Wastewater Billings	379,923	268,669
Allowance for Uncollectible Accounts	(29,421)	(16,107)
Due from Other Funds	-	2,348,796
Inventory	<u>33,149</u>	<u>25,635</u>
<b>Total Current Assets</b>	<u>1,215,675</u>	<u>3,074,566</u>
Capital Assets:		
Land	-	-
Construction in Progress	-	-
Buildings	32,668	32,668
Water System	1,624,910	4,177,266
Sewer System	8,248,521	2,685,810
Furniture and Equipment	<u>384,601</u>	<u>493,995</u>
<b>Total Capital Assets</b>	10,290,699	7,389,739
Less Accumulated Depreciation	<u>(4,168,873)</u>	<u>(4,034,320)</u>
<b>Net Capital Assets</b>	<u>6,121,827</u>	<u>3,355,420</u>
<b>TOTAL ASSETS</b>	<u><u>7,337,501</u></u>	<u><u>6,429,985</u></u>

	2014	(MEMO) (TOTALS) (2013)
<b>LIABILITIES</b>		
Current Liabilities		
Accounts Payable	562,284	304,554
Accrued Liabilities	118,222	112,212
Compensated Absences	22,379	21,567
Due to Other Funds	1,405	-
Capital Leases Payable	6,086	-
Current Portion of Revenue Bonds Payable	248,200	193,000
Customer Meter Deposits	122,575	121,068
<b>Total Current Liabilities</b>	<b>1,081,150</b>	<b>752,400</b>
Long-Term Liabilities		
Capital Leases Payable	12,749	-
Bonds Payable	5,946,603	5,394,000
<b>Total Long-Term Liabilities</b>	<b>5,959,352</b>	<b>5,394,000</b>
<b>Total Liabilities</b>	<b>7,040,503</b>	<b>6,146,400</b>
<b>NET POSITION</b>		
Invested in Capital Assets	4,550	(2,231,580)
Restricted for:		
Revenue Bond Retirement	-	2,348,796
Unrestricted	292,449	166,368
<b>Net Position</b>	<b>296,999</b>	<b>283,584</b>

**CITY OF TAFT, TEXAS**  
**STATEMENTS OF REVENUES, EXPENSES AND**  
**CHANGES IN NET POSITION**  
**UTILITY FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2014**  
**(WITH MEMO TOTALS FOR SEPTEMBER 30, 2013)**

**EXHIBIT I-2**

	2014	(MEMO) (TOTALS) (2013)
<b>OPERATING REVENUES</b>		
Charges for Services		
Water Sales	1,052,420	1,034,168
Sewer Sales	633,049	614,739
Sanitation Fees	553,140	492,103
Other Fees and Charges	66,071	148,253
<b>Total Operating Revenues</b>	<b>2,304,681</b>	<b>2,289,264</b>
<b>OPERATING EXPENSES</b>		
Personnel Costs	340,202	437,505
Contracted Services	280,694	469,587
Supplies	16,707	35,454
Maintenance	2,000	12,759
Other Operating Expenses	66,962	65,677
Water Purchased	412,263	424,942
Depreciation	264,435	108,412
Amortization	-	-
<b>Total Operating Expenses</b>	<b>1,383,262</b>	<b>1,554,336</b>
<b>Net Operating Income</b>	<b>921,419</b>	<b>734,928</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Interest Income	2,713	-
Interest and Fiscal Charges	(54,664)	-
<b>Net Non-Operating Revenues (Expenses)</b>	<b>(51,951)</b>	<b>-</b>
<b>Income Before Transfers</b>	<b>869,468</b>	<b>734,928</b>
Transfers in	290,029	1,331,591
Transfers out	(1,039,636)	(497,589)
<b>Change in Net Position</b>	<b>119,861</b>	<b>1,568,930</b>
<b>NET POSITION, October 1 (Beginning)</b>	<b>283,583</b>	<b>768,719</b>
Prior Period Adjustment	(106,446)	(2,054,064)
<b>NET POSITION, September 30 (Ending)</b>	<b>296,999</b>	<b>283,585</b>

## CITY OF TAFT, TEXAS

## EXHIBIT I-3

## UTILITY FUND

## SCHEDULE OF OPERATING REVENUES AND EXPENSES- BY FUND

## FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Utility-Water Fund 20	Utility-Wastewater Fund 30	Utility Sanitation Fund 40	Total
<b>OPERATING REVENUES</b>				
Charges for Services				
Water Sales	1,047,170	-	-	1,047,170
Sewer Sales	-	633,049	-	633,049
Sanitation Fees	-	-	553,140	553,140
Water Taps	5,250	-	-	5,250
Sewer Taps	-	-	-	-
<b>Total Charges for Services</b>	<b>1,052,420</b>	<b>633,049</b>	<b>553,140</b>	<b>2,238,609</b>
<b>Other Fees and Charges</b>				
Delinquent Account Penalties	61,098	-	-	61,098
Reimbursement	-	-	-	-
Other	4,974	-	-	4,974
<b>Total Other Fees and Charges</b>	<b>66,071</b>	<b>-</b>	<b>-</b>	<b>66,071</b>
<b>Total Operating Revenues</b>	<b>1,118,492</b>	<b>633,049</b>	<b>553,140</b>	<b>2,304,681</b>
<b>OPERATING EXPENSES</b>				
Personnel Costs	158,563	108,136	73,503	340,202
Contracted Services	5,520	13,036	262,138	280,694
Supplies	12,590	3,521	595	16,707
Maintenance	2,000	-	-	2,000
Other Operating Expenses	27,295	27,781	11,886	66,962
<b>SUBTOTAL</b>	<b>205,968</b>	<b>152,474</b>	<b>348,122</b>	<b>706,565</b>
Water Purchased	412,263	-	-	412,263
Depreciation	54,187	206,296	3,952	264,435
Amortization	-	-	-	-
<b>Total Operating Expenses</b>	<b>672,418</b>	<b>358,770</b>	<b>352,074</b>	<b>1,383,262</b>
<b>NET OPERATING INCOME</b>	<b>446,074</b>	<b>274,279</b>	<b>201,066</b>	<b>921,419</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Other Financing - Bonds	-	-	-	-
Interest Income	-	2,713	-	2,713
Interest and Fiscal Charges	-	(54,664)	-	(54,664)
<b>Net Non-Operating Revenues (Expenses)</b>	<b>-</b>	<b>(51,951)</b>	<b>-</b>	<b>(51,951)</b>
<b>Income Before Transfers</b>	<b>446,074</b>	<b>222,328</b>	<b>201,066</b>	<b>869,468</b>
Transfers in	-	290,029	-	290,029
Transfers (out)	(502,893)	(473,405)	(63,338)	(1,039,636)
<b>Change in Net Position</b>	<b>(56,819)</b>	<b>38,952</b>	<b>137,728</b>	<b>119,861</b>
<b>NET POSITION, October 1 (Beginning)</b>	<b>(350,238)</b>	<b>819,059</b>	<b>(185,238)</b>	<b>283,583</b>
Prior Period Adjustment	506,771	(651,680)	38,464	(106,446)
<b>NET POSITION, September 30 (Ending)</b>	<b>99,714</b>	<b>206,331</b>	<b>(9,046)</b>	<b>296,999</b>

**CITY OF TAFT, TEXAS  
STATEMENTS OF CASH FLOWS  
UTILITY FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2014  
(WITH MEMO TOTALS FOR SEPTEMBER 30, 2013)**

**EXHIBIT I-4**

	2014	(MEMO) (TOTALS) (2013)
<b>Cash flow from operating activities:</b>		
Cash received from customers	4,548,022	(85,289)
Cash payments to suppliers for goods and services	(505,888)	(773,628)
Cash payments to employees for services	(339,390)	(430,144)
Net cash provided by operating activities	3,702,744	(1,289,060)
<b>Cash flows from noncapital financing activities:</b>		
Net transfers to funds	(749,607)	834,002
<b>Net Cash flows from non-capital financing activities</b>	<b>(749,607)</b>	<b>834,002</b>
<b>Cash Flows from Capital and Related Financing Activities:</b>		
Principal Payment on bonds	607,803	5,587,000
Interest and Fiscal Charges Paid	(54,664)	-
Purchase of Fixed Assets/Bond Costs	(2,900,960)	(2,565,975)
Other adjustments	(223,579)	(2,054,064)
<b>Net Cash Used for Capital and Related Financing Activities</b>	<b>(2,571,400)</b>	<b>966,962</b>
<b>Cash Flows from Investing Activities- Interest Income</b>	<b>2,713</b>	<b>-</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>384,450</b>	<b>511,903</b>
<b>Cash and Cash Equivalents at Beginning of Year</b>	<b>447,573</b>	<b>(64,330)</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>832,023</b>	<b>447,573</b>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>		
<b>Operating Income</b>	<b>921,419</b>	<b>734,926</b>
<b>Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:</b>		
Depreciation	264,435	108,412
Amortization	-	-
<b>Change in Assets and Liabilities:</b>		
(Increase) Decrease in Accounts Receivable (Net)	(97,940)	(15,191)
(Increase) Decrease in Due from Other Funds	2,348,796	(2,348,796)
(Increase) Decrease in Due from Other Governments	-	-
(Increase) Decrease in Prepaid Items	-	-
(Increase) Decrease in Inventory	(7,514)	(10,564)
Increase (Decrease) in Accounts Payable	257,730	219,145
Increase (Decrease) in Accrued Liabilities	6,010	12,762
Increase (Decrease) in Due to Other Funds	1,405	-
Increase (Decrease) in Capital Leases Payable	6,086	-
Increase (Decrease) in Compensated Absences	812	7,361
Increase (Decrease) in Customer Deposits	1,507	2,884
<b>Net Cash Provided by Operating Activities</b>	<b>3,702,744</b>	<b>(1,289,060)</b>



INTERNAL CONTROL AND COMPLIANCE SECTION

**City of Taft, Texas**

**RAUL HERNANDEZ & COMPANY, P.C.**

Certified Public Accountants

5422 Holly Rd

Corpus Christi, Texas 78411

Office (361) 980-0428 Fax (361) 980-1002

Independent Auditor's Report on Internal Control over Financial Reporting and  
On Compliance and Other Matters Based on an Audit of Financial Statements  
Performed In Accordance With Government Auditing Standards

City Council  
City of Taft  
P.O. Box 416  
Taft, Texas 78390

Members of the City Council:

We have audited, in accordance with the 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, the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Taft, as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise City of Taft's basic financial statements, and have issued our report thereon dated January 10, 2017.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Taft's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Taft's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Taft's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Taft's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **City of Taft's Response to Findings**

City of Taft's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. City of Taft's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

A handwritten signature in black ink that reads "Raul Hernandez & Company, P.C." in a cursive script.

Raul Hernandez & Company, P.C.

Corpus Christi, Texas  
January 10, 2017

CITY OF TAFT, TEXAS  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014

Finding No. 2013-001.

Criteria: The City of Taft is required to record all transactions to its general ledgers.

Condition: The City of Taft did not record the Series 2010 bond funds to its ledgers nor did the City reflect the construction in progress to its fixed assets ledgers.

Cause: The City of Taft, Series 2010 bond funds were not reflected in the general ledgers and did not also reconcile the construction in progress to its fixed asset ledgers.

Effect: The City of Taft, had material misstatements due to the Series 2010 Bond Series not being reflected to its general ledgers.

Recommendation: For accountability and internal control purposes, the City of Taft should ensure all transactions are reflected on its ledgers including the fixed asset additions from bond funds.

Status: The City has reported the Long Term Debt correctly, however, it did not accurately record the related Fixed Asset activity.

Finding No. 2013-002.

Criteria: The City of Taft is required to maintain accurate and timely financial statements during its fiscal year.

Condition: The City of Taft did not maintain timely financial statements during the fiscal year including timely financial statements in the post audit period. Various sub-ledgers were also not reconciled during the fiscal year.

Cause: The City of Taft, lacks sufficient staff members to assist with daily accounting needs.

Effect: The City of Taft, had various ledgers that were not reconciled at year end.

Recommendation: For accountability compliance and internal control purposes, the City of Taft should ensure there are sufficient staff members that can assist with daily accounting needs of the City.

Status: The City has hired an fee accountant to assist with preparation of general ledgers, bank reconciliation, and assisting the external auditor.

CITY OF TAFT, TEXAS  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014

Finding No. 2013-003.

Criteria: The City of Taft is required to maintain accurate and timely sub-ledgers to the financial statements during the fiscal year, including the cash reconciliation, accounts receivable, tax receivable, accounts payable, fixed assets, bond schedules etc.

Condition: The City of Taft did not maintain accurate sub-ledgers to the financial statements during the fiscal year. Various sub-ledgers were not reconciled during the fiscal year and required the assistance of the fee accountant.

Cause: The City of Taft, lacks sufficient clerical staff members to assist with daily accounting needs.

Effect: The City of Taft, had various ledgers that were not reconciled at year end.

Recommendation: For accountability compliance and internal control purposes, the City of Taft should ensure there are sufficient staff members that can assist with daily accounting needs of the City.

Status: Finding has been reported during the current fiscal year ending September 30, 2014.

CITY OF TAFT, TEXAS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014

1. Summary of the Auditor's Results:

The report issued on the financial statements of City of Taft, Texas, was an unqualified opinion.

The audit did disclose compliance issues which are material to the basic financial statements; a qualified opinion was issued on the compliance and internal controls.

II. Findings relating to the Financial Statements which are required to be reported in accordance with Generally Accepted Government Auditing Standards.

Finding No. 2014-1.

Criteria: The City of Taft is required to maintain accurate and timely sub-ledgers to the financial statements during the fiscal year, including the cash reconciliation, accounts receivable, tax receivable, accounts payable, fixed assets, bond schedules etc.

Condition: The City of Taft did not maintain accurate sub-ledgers to the financial statements during the fiscal year.

Cause: The City of Taft, lacks sufficient clerical staff members to assist with daily accounting needs.

Effect: The City of Taft, had various ledgers that were not reconciled at year end.

Recommendation: For accountability compliance and internal control purposes, the City of Taft should ensure there are sufficient staff members that can assist with the daily accounting needs of the City.

Management Response: The City of Taft was short staffed and was training new staff, as well as administrative transition of city managers. Cross training has been implemented to ensure that financials are kept current.

CITY OF TAFT, TEXAS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014

Finding No. 2014-2.

Criteria: The City's accounting system must make it possible both: (a) to present fairly and fully disclose the funds and activities of the City in conformity with generally accepted accounting principles, and (b) to determine and demonstrate compliance with finance-related legal and contractual provisions.

Condition: The City did not prepare accurate schedules of Due to & Due from, a schedule of transfers, accurate schedules of debt, and accurate capital lease schedule.

Cause: The City of Taft, lacks sufficient clerical staff members to assist with the year end closing of the City's books, including supporting schedules and the general ledger.

Effect: The City of Taft, had various ledgers that were not reconciled at year end.

Recommendation: The Finance department should be properly informed and supervised regarding the understanding of year end closing of the City's books. The City must develop a year end closing plan and ensure that proper internal controls over financial reporting and compliance are in place.

Management Response: The city of Taft was short staffed and was training new staff, as well as administrative transition of city managers. Cross training has been implemented to ensure that financials are kept current.





