

ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED SEPTEMBER 30, 2022

**CITY OF TAFT, TEXAS
ELECTED AND APPOINTED OFFICIALS
YEAR ENDED SEPTEMBER 30, 2022**

ELECTED OFFICIALS

MAYOR

RANDY POWELL

CITY COUNCIL

LOLO HERNANDEZ

LEONARD VASQUEZ

ROLANDO RODRIGUEZ

JOADRIAN VARA

APPOINTED OFFICIALS

INTERIM CITY MANAGER

SID ARISMELENDEZ

FINANCE DIRECTOR/ CITY SECRETARY

MOLLY TOPPER

CITY OF TAFT, TEXAS
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FINANCIAL SECTION



Armstrong, Vaughan & Associates, P. C.

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council
City of Taft, Texas

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund and the aggregate fund remaining information of the City of Taft, as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund and the aggregate remaining fund information of the City of Taft, as of September 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Taft and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

City of Taft's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Taft's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City of Taft's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about City of Taft's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules of changes and contributions for net pension liability and total other post-employment benefit liability as referred to 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.

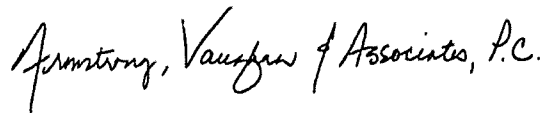
Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Taft's basic financial statements. The supplementary information (as identified in the table of contents) is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates 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 supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 23, 2023 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 the 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.



Armstrong, Vaughan & Associates, P.C.

March 23, 2023

MANAGEMENTS DISCUSSION AND ANALYSIS

As management of the City of Taft, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City of Taft for the fiscal year ended September 30, 2022. We encourage readers to consider the information presented here.

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at September 30, 2022 by \$6.6 million (net position). Of this amount \$179 thousand (unrestricted net position), may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position decreased \$204 thousand.
- As of September 30, 2022, the City's governmental funds reported combined ending fund balances of \$793 thousand, a decrease of \$568 thousand. The decrease was primarily caused by less support from the City's utility funds and the early payoff of a portion of the 2010 bond series.
- The City's utility funds increased their total net position \$315 thousand. All of that was reinvested in capital assets net of debt.

Overview of the Financial Statements

The discussion and analysis is intended to serve as the introduction of the City of Taft, Texas' basic financial statements which are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements.

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

The statement of net position presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. 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 taxes and earned but unused vacation leave.)

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through their user fees and charges (business-type activities). The governmental activities of the City include general government, debt service, special revenue funds, and capital projects. The business-type activities of the City include a water utility, wastewater utility, and sanitation (garbage) fund.

Fund Financial Statements – A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental and proprietary, and utilize different accounting approaches.

Governmental Funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources available for current spending, as well as on balances of resources available for spending at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains several governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the major (significant) funds individually. Data from the other (nonmajor) governmental funds are combined into a single, aggregated presentation. Details of the nonmajor governmental funds are presented in the other supplementary information section. The City adopts an annual appropriated budget for all governmental funds except capital projects. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Proprietary Funds – The City charges customers for the services it provides, whether to outside customers or to other units within the City. These services are generally reported in proprietary funds. The City maintains three different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for the operation and maintenance of its water utility, wastewater utility, and sanitation (garbage) operations.

Notes to the Basic Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information – In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's general fund budgetary comparisons and progress in funding its obligation to provide pension benefits and other postemployment benefits to its employees and retirees.

The combining statements referred to earlier as the City's nonmajor governmental funds are presented immediately following the required supplementary information on pensions.

Government-wide Financial Analysis

The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$6.6 million (net position). Of this amount \$179 thousand (unrestricted net position) is available for any lawful City purpose.

The largest portion of the City's net position (88%) is its net investment in capital assets (e.g., land, buildings, infrastructure, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. 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.

	Net Position					
	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Assets						
Current and Other Assets	\$ 2,036,500	\$ 2,611,243	\$ 449,576	\$ 630,725	\$ 2,486,076	\$ 3,241,968
Capital Assets	4,751,462	4,955,963	5,388,608	5,376,793	10,140,070	10,332,756
Total Assets	<u>6,787,962</u>	<u>7,567,206</u>	<u>5,838,184</u>	<u>6,007,518</u>	<u>12,626,146</u>	<u>13,574,724</u>
Deferred Outflows of Resources	<u>83,586</u>	<u>70,617</u>	<u>88,990</u>	<u>84,270</u>	<u>172,576</u>	<u>154,887</u>
Liabilities						
Current Liabilities	978,530	1,013,830	269,494	239,054	1,248,024	1,252,884
Long-term Liabilities	623,462	929,025	4,098,716	4,642,288	4,722,178	5,571,313
Total Liabilities	<u>1,601,992</u>	<u>1,942,855</u>	<u>4,368,210</u>	<u>4,881,342</u>	<u>5,970,202</u>	<u>6,824,197</u>
Deferred Inflows of Resources	<u>141,475</u>	<u>48,510</u>	<u>93,729</u>	<u>59,895</u>	<u>235,204</u>	<u>108,405</u>
Net Position						
Net Investment in						
Capital Assets	4,391,853	4,561,585	1,406,342	905,160	5,798,195	5,466,745
Restricted	616,025	977,167	-	-	616,025	977,167
Unrestricted	120,203	107,706	58,893	245,391	179,096	353,097
Total Net Position	<u>\$ 5,128,081</u>	<u>\$ 5,646,458</u>	<u>\$ 1,465,235</u>	<u>\$ 1,150,551</u>	<u>\$ 6,593,316</u>	<u>\$ 6,797,009</u>

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities.

During the year ending September 30, 2022, the City's net position decreased by \$204 thousand.

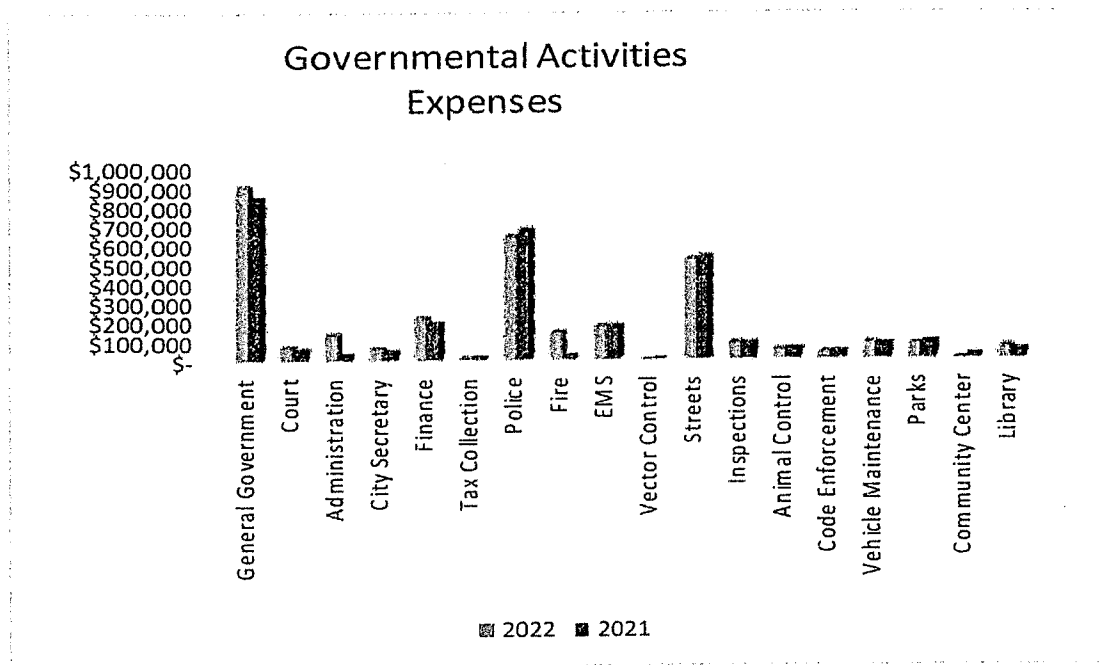
The following table indicates changes in net position for the governmental and business-type activities for the City as of September 30, 2022.

	Changes in Net Position					
	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Revenues:						
Program Revenues:						
Charges for Services	\$ 264,123	\$ 211,919	\$ 2,672,667	\$ 2,448,815	\$ 2,936,790	\$ 2,660,734
Operating Grants and Contributions	144,646	111,941	65,000	-	209,646	111,941
Capital Grants and Contributions	-	20,208	-	-	-	20,208
General Revenues						
Taxes						
Property Taxes	923,214	828,101	-	-	923,214	828,101
Sales Tax	370,011	366,652	-	-	370,011	366,652
Franchise Taxes	123,148	120,932	-	-	123,148	120,932
Occupancy Taxes	3,485	3,725	-	-	3,485	3,725
General Grants	232,515	165,261	-	-	232,515	165,261
Investment Earnings	9	28	-	-	9	28
Miscellaneous	68,354	141,564	-	-	68,354	141,564
Total Revenues	<u>2,129,505</u>	<u>1,970,331</u>	<u>2,737,667</u>	<u>2,448,815</u>	<u>4,867,172</u>	<u>4,419,146</u>
Expenses:						
General Government	904,014	839,192	-	-	904,014	839,192
Court	70,202	55,803	-	-	70,202	55,803
Administration	134,459	29,281	-	-	134,459	29,281
City Secretary	63,673	44,449	-	-	63,673	44,449
Finance	221,235	187,665	-	-	221,235	187,665
Tax Collection	14,412	13,899	-	-	14,412	13,899
Police	640,501	672,232	-	-	640,501	672,232
Fire	143,030	23,312	-	-	143,030	23,312
EMS	175,620	175,620	-	-	175,620	175,620
Vector Control	195	5,404	-	-	195	5,404
Streets	519,063	530,966	-	-	519,063	530,966
Inspections	87,604	84,337	-	-	87,604	84,337
Animal Control	48,010	56,169	-	-	48,010	56,169
Code Enforcement	37,524	39,699	-	-	37,524	39,699
Vehicle Maintenance	85,958	76,276	-	-	85,958	76,276
Parks	79,605	88,349	-	-	79,605	88,349
Community Center	9,745	22,873	-	-	9,745	22,873
Library	62,347	47,763	-	-	62,347	47,763
Water	-	-	769,406	683,625	769,406	683,625
Wastewater	-	-	406,201	344,964	406,201	344,964
Sanitation	-	-	584,216	511,795	584,216	511,795
Interest and Fiscal Agent Fees	13,845	17,009	-	-	13,845	17,009
Total Expenses	<u>3,311,042</u>	<u>3,010,298</u>	<u>1,759,823</u>	<u>1,540,384</u>	<u>5,070,865</u>	<u>4,550,682</u>
INCREASE IN NET POSITION BEFORE TRANSFERS	(1,181,537)	(1,039,967)	977,844	908,431	(203,693)	(131,536)
Transfers In (Out)	<u>663,160</u>	<u>562,557</u>	<u>(663,160)</u>	<u>(562,557)</u>	<u>-</u>	<u>-</u>
CHANGE IN NET POSITION	(518,377)	(477,410)	314,684	345,874	(203,693)	(131,536)
BEGINNING NET POSITION	5,646,458	6,123,868	1,150,551	804,677	6,797,009	6,928,545
ENDING NET POSITION	\$ 5,128,081	\$ 5,646,458	\$ 1,465,235	\$ 1,150,551	\$ 6,593,316	\$ 6,797,009

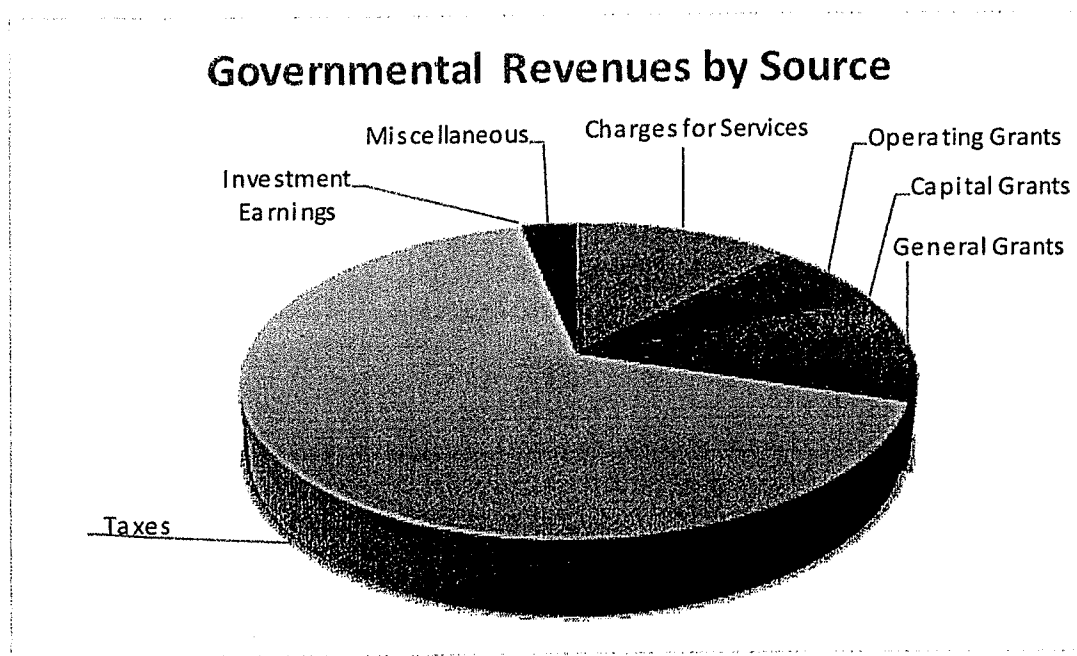
Governmental Activities – Governmental activities decreased the City’s net position by \$518 thousand. Key elements are as follows:

- Governmental activities expenses increased \$301 thousand mostly from increased administration and fire department expenses.
- Revenues increased, however utility funds were not able to contribute as much support as expected.

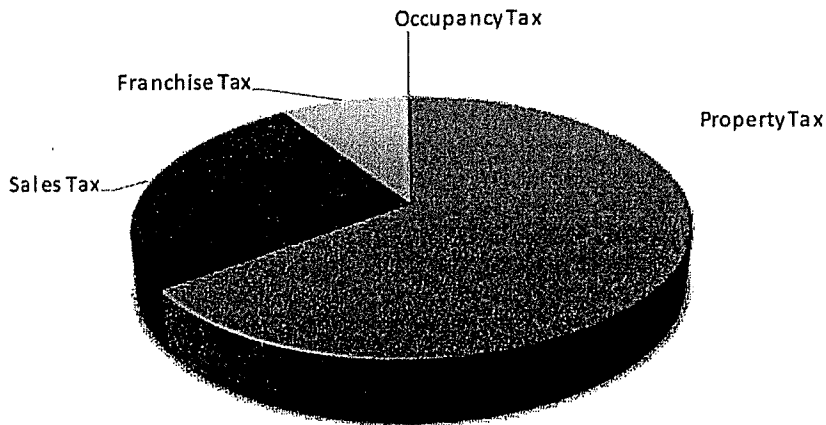
Below is a chart which depicts the expenses for all governmental activities.



The following charts show governmental activities revenues by source and a breakdown of taxes by type.



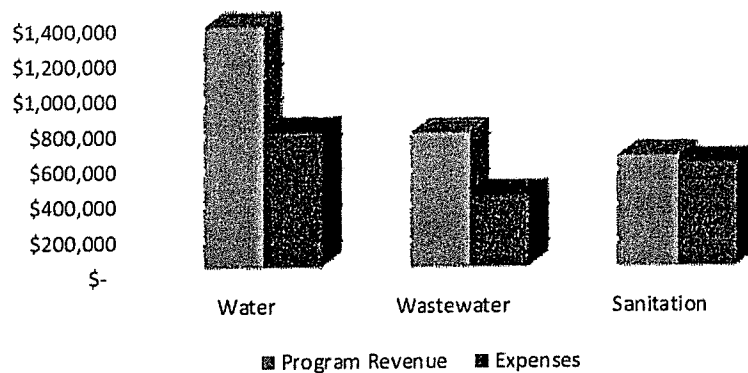
Tax Revenue by Type



Business-Type Activities - The City's business-type activities consist solely of water, wastewater, and sanitation (garbage) operations. These activities have rates and spending plans established by the City Council. All three activities had positive operating net income in 2022. Wastewater and sanitation were able to report positive balances in unrestricted net position of \$99 thousand and \$31 thousand, respectively. However, because of investments in capital assets, the water fund reported a deficit in unrestricted net position of \$70 thousand.

A comparison between expenses and program revenues (charges for services) follows. The major revenue source for business-type activities consists almost entirely of charges for services.

Business-Type Activities Program Revenues and Expenses



The revenues in the current fiscal year for the business-type activities increased 9% as a result of a grant and increased utility rates. The total expenses for the business-type activities increased by 14% for increased maintenance and contracted services.

Financial Analysis of the Government's Funds

As noted earlier, the City of Taft uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds - The focus of the City's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$793 thousand, consisting of \$287 thousand in the General Fund, \$88 thousand in Debt Service and \$417 thousand in total nonmajor funds. The General Fund balance decreased \$270 thousand as the utility funds were not able to provide as much support as budgeted. Of the \$793 thousand fund balance, \$253 thousand is unassigned in the General Fund.

The General Fund has an additional \$711 thousand in American Rescue Plan grant money. These amounts are not included in fund balance as they are not earned until the City spends the funds. The potential uses of these funds are fairly broad.

Budgetary Highlights

General Fund - The City's budget anticipated no change to fund balance. The City's actual expenditures were under budget, however, revenues fell short of the final budget and the support from the utility funds was less than expected. Consequently, the General Fund balance decreased \$270 thousand.

Capital Asset and Debt Administration

Capital Assets - The City's investment in capital assets for its governmental and business-type activities as of September 30, 2022 amounted to \$9.8 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, roads, park facilities, the water and wastewater system plants and service lines, machinery and equipment, and construction in progress. Current year additions included a sewer cleaner, radios and street improvements. More information is presented in the notes to the financial statements.

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Land	\$ 10,524	\$ 10,524	\$ -	\$ -	\$ 10,524	\$ 10,524
Construction in Progress	284,181	39,057	-	-	284,181	39,057
Total Not Depreciated	294,705	49,581	-	-	294,705	49,581
Buildings and Improvements	5,857,282	5,857,282	28,970	28,970	5,886,252	5,886,252
Streets and Infrastructure	11,489,065	11,489,065	-	-	11,489,065	11,489,065
Machinery and Equipment	884,527	773,337	288,470	214,592	1,172,997	987,929
Water and Sewer System	-	-	10,433,515	10,290,865	10,433,515	10,290,865
Accumulated Depreciation	(13,774,117)	(13,213,302)	(5,362,347)	(5,157,634)	(19,136,464)	(18,370,936)
Total Depreciated	4,456,757	4,906,382	5,388,608	5,376,793	9,845,365	10,283,175
Total	\$ 4,751,462	\$ 4,955,963	\$ 5,388,608	\$ 5,376,793	\$ 10,140,070	\$ 10,332,756

Long-Term Debt – As of September 30, 2022, the City had total debt outstanding of \$4.3 million. The wastewater fund executed a note for \$74 thousand for a sewer cleaner. No other new debt was issued. More information about the City’s debt is presented in the notes to the financial statements.

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Certificates of Obligation Series 2010	\$ -	\$ -	\$ 3,850,000	\$ 4,388,857	\$ 3,850,000	\$ 4,388,857
Notes Payable	359,609	516,233	132,266	82,776	491,875	599,009
TOTALS	\$ 359,609	\$ 516,233	\$ 3,982,266	\$ 4,471,633	\$ 4,341,875	\$ 4,987,866

Economic Factors and Next Year’s Budgets and Rates

The City’s budget for 2023 includes a reduction in tax rate from \$0.77 to \$0.66 cents per \$100 valuation. However, the tax collections are expected to increase from increased property valuations. A bond was issued for \$3.0 million to fund street and utility improvements. The City is also in the process of relocated offices to a new building located at 230 Green Avenue. No major changes to City services or departments are anticipated.

Requests for Information

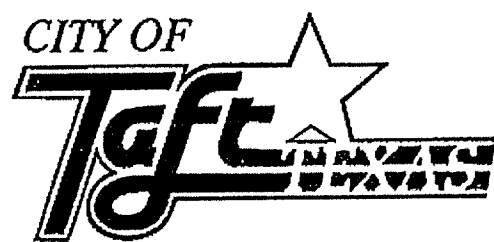
This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City’s finances and to show the City’s accountability for the money it receives. If you have any questions about this report or need additional financial information,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

BASIC FINANCIAL STATEMENTS

The basic financial statements include integrated sets of financial statements as required by the GASB. The sets of statements include:

- Government-wide financial statements
- Fund financial statements
 - Governmental funds
 - Proprietary funds

In addition, the notes to the financial statements are included to provide information that is essential to a user's understanding of the basic financial statements.



**CITY OF TAFT
STATEMENT OF NET POSITION
SEPTEMBER 30, 2022**

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Taft Economic Development	Taft Quality Improvement Corporation
ASSETS					
Cash and Cash Equivalents	\$ 1,586,925	\$ -	\$ 1,586,925	\$ 240,770	\$ 138,451
Investments	10,203	-	10,203	129,096	-
Receivables (net of allowances):					
Property Taxes	294,633	-	294,633	-	-
Sales Tax	62,042	-	62,042	24,817	12,408
Other	48,201	440,564	488,765	18,042	-
Prepaid Expenses	34,496	-	34,496	-	-
Inventory	-	9,012	9,012	-	-
Capital Assets:					
Land	10,524	-	10,524	415,920	-
Construction in Progress	284,181	-	284,181	-	-
Buildings and Improvements (net)	1,292,638	-	1,292,638	-	-
Streets and Infrastructure (net)	2,593,415	-	2,593,415	-	-
Machinery and Equipment (net)	570,704	211,813	782,517	-	55,927
Water and Sewer System (net)	-	5,176,795	5,176,795	-	-
TOTAL ASSETS	6,787,962	5,838,184	12,626,146	828,645	206,786
DEFERRED OUTFLOWS OF RESOURCES					
Deferred Pension Related Outflows	74,748	76,645	151,393	-	-
Deferred OPEB Related Outflows	8,838	12,345	21,183	-	-
TOTAL DEFERRED OUTFLOWS	83,586	88,990	172,576	-	-
LIABILITIES					
Accounts Payable	147,533	91,807	239,340	-	8,479
Accrued Interest Payable	2,722	2,883	5,605	-	-
Accrued Wages	17,647	3,635	21,282	-	-
Customer Deposits Payable	-	169,006	169,006	-	-
Accrued Compensated Absences	18,393	2,163	20,556	-	-
Unearned Grant Revenue	792,235	-	792,235	-	-
Long-term Liabilities					
Due in One Year	52,197	232,316	284,513	24,067	-
Due in More than One Year	307,412	3,749,950	4,057,362	198,109	-
Net Pension Liability	183,270	83,804	267,074	-	-
Total Other Postemployment Benefit Liability	80,583	32,646	113,229	-	-
TOTAL LIABILITIES	1,601,992	4,368,210	5,970,202	222,176	8,479
DEFERRED INFLOWS OF RESOURCES					
Deferred Pension Related Inflows	131,348	80,948	212,296	-	-
Deferred OPEB Related Inflows	10,127	12,781	22,908	-	-
TOTAL DEFERRED INFLOWS	141,475	93,729	235,204	-	-
NET POSITION					
Net Investment In Capital Assets	4,391,853	1,406,342	5,798,195	193,744	55,927
Restricted For:					
Debt Service	198,647	-	198,647	-	-
Municipal Court	116,680	-	116,680	-	-
Animal Control	29,190	-	29,190	-	-
Fire Department	68,785	-	68,785	-	-
Police Department	13,207	-	13,207	-	-
Street Maintenance	189,516	-	189,516	-	-
Unrestricted	120,203	58,893	179,096	412,725	142,380
TOTAL NET POSITION	\$ 5,128,081	\$ 1,465,235	\$ 6,593,316	\$ 606,469	\$ 198,307

See accompanying notes to basic financial statements.

**CITY OF TAFT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

Functions and Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
<i>Governmental Activities:</i>				
General Government	\$ 904,014	\$ 47,702	\$ -	\$ -
Court	70,202	87,082	-	-
Administration	134,459	-	-	-
City Secretary	63,673	-	-	-
Finance	221,235	-	-	-
Tax Collection	14,412	-	-	-
Police	640,501	17,320	8,055	-
Fire	143,030	-	82,384	-
EMS	175,620	63	54,167	-
Vector Control	195	-	-	-
Streets	519,063	-	-	-
Inspections	87,604	106,655	-	-
Animal Control	48,010	631	40	-
Code Enforcement	37,524	-	-	-
Vehicle Maintenance	85,958	-	-	-
Parks	79,605	-	-	-
Community Center	9,745	4,670	-	-
Library	62,347	-	-	-
Interest and Fiscal Agent Fees	13,845	-	-	-
<i>Total Governmental Activities</i>	<u>3,311,042</u>	<u>264,123</u>	<u>144,646</u>	<u>-</u>
<i>Business-Type Activities</i>				
Water Utility	769,406	1,294,310	65,000	-
Wastewater Utility	406,201	756,194	-	-
Sanitation	584,216	622,163	-	-
<i>Total Business-Type Activities</i>	<u>1,759,823</u>	<u>2,672,667</u>	<u>65,000</u>	<u>-</u>
Total Primary Government	<u>\$ 5,070,865</u>	<u>\$ 2,936,790</u>	<u>\$ 209,646</u>	<u>\$ -</u>
Component Units:				
Taft Economic Development	\$ 67,614	\$ -	\$ -	\$ -
Taft Quality Improvement	\$ 39,525	\$ -	\$ -	\$ -
General Revenues:				
Taxes:				
Property Taxes				
Sales Tax				
Franchise Taxes				
Occupancy Taxes				
General Grants and Donations				
Investment Earnings				
Miscellaneous				
Total General Revenues				
Transfers In (Out)				
Change in Net Position				
Net Position at Beginning of Year				
Net Position at End of Year				

See accompanying notes to basic financial statements.

Primary Government			Component Units	
Net (Expense) Revenue and Changes in Net Position				
Governmental Activities	Business-Type Activities	Total	Taft Economic Development	Taft Quality Improvement Corporation
\$ (856,312)	\$ -	\$ (856,312)		
16,880	-	16,880		
(134,459)	-	(134,459)		
(63,673)	-	(63,673)		
(221,235)	-	(221,235)		
(14,412)	-	(14,412)		
(615,126)	-	(615,126)		
(60,646)	-	(60,646)		
(121,390)	-	(121,390)		
(195)	-	(195)		
(519,063)	-	(519,063)		
19,051	-	19,051		
(47,339)	-	(47,339)		
(37,524)	-	(37,524)		
(85,958)	-	(85,958)		
(79,605)	-	(79,605)		
(5,075)	-	(5,075)		
(62,347)	-	(62,347)		
(13,845)	-	(13,845)		
<u>(2,902,273)</u>	<u>-</u>	<u>(2,902,273)</u>		
-	589,904	589,904		
-	349,993	349,993		
-	37,947	37,947		
-	977,844	977,844		
<u>(2,902,273)</u>	<u>977,844</u>	<u>(1,924,429)</u>		
			\$ (67,614)	\$ -
			<u>-</u>	<u>(39,525)</u>
923,214	-	923,214	-	-
370,011	-	370,011	148,004	74,002
123,148	-	123,148	-	-
3,485	-	3,485	-	-
232,515	-	232,515	-	-
9	-	9	822	-
68,354	-	68,354	2,708	431
<u>1,720,736</u>	<u>-</u>	<u>1,720,736</u>	<u>151,534</u>	<u>74,433</u>
663,160	(663,160)	-	-	-
(518,377)	314,684	(203,693)	83,920	34,908
5,646,458	1,150,551	6,797,009	522,549	163,399
<u>\$ 5,128,081</u>	<u>\$ 1,465,235</u>	<u>\$ 6,593,316</u>	<u>\$ 606,469</u>	<u>\$ 198,307</u>

CITY OF TAFT
BALANCE SHEET – GOVERNMENTAL FUNDS
SEPTEMBER 30, 2022

	Major Funds		Other Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	Debt Service		
ASSETS				
Cash and Cash Equivalents	\$ 938,136	\$ 84,554	\$ 564,235	\$ 1,586,925
Investments	10,203	-	-	10,203
Receivables (net of allowances):				
Property Taxes	177,818	116,815	-	294,633
Sales Tax	49,634	-	12,408	62,042
Other	48,201	-	-	48,201
Due From Other Funds	175,000	-	24,329	199,329
Prepaid Items	34,496	-	-	34,496
TOTAL ASSETS	\$ 1,433,488	\$ 201,369	\$ 600,972	\$ 2,235,829
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
<i>Liabilities:</i>				
Accounts Payable	\$ 138,939	\$ -	\$ 8,594	\$ 147,533
Accrued Wages	17,647	-	-	17,647
Due to Other Funds	24,329	-	175,000	199,329
Unearned Grant Revenue	792,235	-	-	792,235
<i>Total Liabilities</i>	<u>973,150</u>	<u>-</u>	<u>183,594</u>	<u>1,156,744</u>
<i>Deferred Inflows of Resources:</i>				
Unavailable Property Tax Revenue	173,320	113,158	-	286,478
<i>Total Deferred Inflows of Resources</i>	<u>173,320</u>	<u>113,158</u>	<u>-</u>	<u>286,478</u>
<i>Fund Balances:</i>				
Nonspendable:				
Prepaid Items	34,496	-	-	34,496
Restricted for:				
Debt Service	-	88,211	-	88,211
Municipal Court	-	-	116,680	116,680
Animal Control	-	-	29,190	29,190
Fire Department	-	-	68,785	68,785
Police Department	-	-	13,207	13,207
Street Maintenance	-	-	189,516	189,516
Unassigned	252,522	-	-	252,522
<i>Total Fund Balances</i>	<u>287,018</u>	<u>88,211</u>	<u>417,378</u>	<u>792,607</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 1,433,488	\$ 201,369	\$ 600,972	\$ 2,235,829

See accompanying notes to basic financial statements.

CITY OF TAFT
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2022

TOTAL FUND BALANCE - TOTAL GOVERNMENTAL FUNDS		\$ 792,607
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital Assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		4,751,462
Other long-term assets are not available to pay for current-period expenditures and, therefore, are not recognized as revenue in the funds.		286,478
Accrued vacation leave payable is not due and payable in the current period and, therefore, is not reported in the funds.		(18,393)
Long-term liabilities, including bonds payable and related premiums, are not due and payable in the current period and therefore, not reported in the funds:		
Notes Payable	(359,609)	
Accrued Interest Payable	<u>(2,722)</u>	(362,331)
Net Pension Liabilities (and related deferred inflows and outflows of resources) do not consume current financial resources are not reported in governmental funds:		
Net Pension Liability	(183,270)	
Pension Related Deferred Inflows	(131,348)	
Pension Related Deferred Outflows	<u>74,748</u>	(239,870)
OPEB Liabilities (and related deferred inflows and outflows of resources) do not consume current financial resources are not reported in governmental funds:		
OPEB Liability	(80,583)	
OPEB Related Deferred Inflows	(10,127)	
OPEB Related Deferred Outflows	<u>8,838</u>	<u>(81,872)</u>
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES		<u>\$ 5,128,081</u>

See accompanying notes to basic financial statements.

CITY OF TAFT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Major Funds		Other Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	Debt Service		
REVENUES				
Property Taxes	\$ 611,269	\$ 292,565	\$ -	\$ 903,834
Sales and Mixed Beverage Taxes	296,009	-	74,002	370,011
Franchise Taxes	123,148	-	-	123,148
Occupancy Tax	3,485	-	-	3,485
Licenses and Permits	105,797	-	-	105,797
Grants and Donations	288,022	-	84,099	372,121
Fines and Forfeitures	81,924	-	10,174	92,098
Rental Income	34,711	-	-	34,711
Investment Earnings	9	-	-	9
Miscellaneous	85,595	-	-	85,595
TOTAL REVENUES	<u>1,629,969</u>	<u>292,565</u>	<u>168,275</u>	<u>2,090,809</u>
EXPENDITURES				
<i>Current:</i>				
General Government	700,818	-	-	700,818
Court	64,366	-	10,250	74,616
Administration	140,835	-	-	140,835
City Secretary	65,819	-	-	65,819
Finance	235,898	-	-	235,898
Tax Collection	14,412	-	-	14,412
Police	640,104	-	-	640,104
Fire Department	35,837	-	66,658	102,495
EMS	175,000	-	-	175,000
Vector Control	195	-	-	195
Streets	156,490	-	40,000	196,490
Inspections	87,604	-	-	87,604
Animal Control	46,483	-	-	46,483
Code Enforcement	39,012	-	-	39,012
Vehicle Maintenance	87,852	-	-	87,852
Parks	58,832	-	-	58,832
Community Center	7,115	-	-	7,115
Library	65,062	-	-	65,062
<i>Capital Outlay</i>	403,083	-	24,983	428,066
<i>Debt Service:</i>				
Principal	126,342	-	30,282	156,624
Interest and Fiscal Charges	6,440	-	10,375	16,815
TOTAL EXPENDITURES	<u>3,157,599</u>	<u>-</u>	<u>182,548</u>	<u>3,340,147</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,527,630)</u>	<u>292,565</u>	<u>(14,273)</u>	<u>(1,249,338)</u>
OTHER FINANCING SOURCES (USES)				
Sale of Equipment	17,878	-	-	17,878
Transfers In	1,239,627	-	-	1,239,627
Transfers Out	-	(576,467)	-	(576,467)
TOTAL OTHER FINANCING SOURCES (USES)	<u>1,257,505</u>	<u>(576,467)</u>	<u>-</u>	<u>681,038</u>
Net Change in Fund Balance	<u>(270,125)</u>	<u>(283,902)</u>	<u>(14,273)</u>	<u>(568,300)</u>
Fund Balances at Beginning of Year	<u>557,143</u>	<u>372,113</u>	<u>431,651</u>	<u>1,360,907</u>
Fund Balances at End of Year	<u>\$ 287,018</u>	<u>\$ 88,211</u>	<u>\$ 417,378</u>	<u>\$ 792,607</u>

See accompanying notes to basic financial statements.

CITY OF TAFT
RECONCILIATION OF THE STATEMENT OF REVENUES,
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2022

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ (568,300)

Amounts reported for governmental activities in the Statement of Activities
are different because:

Governmental funds report capital outlays as expenditures. However, in the statement
of activities the cost of those assets is allocated over their estimated useful lives and
reported as depreciation expense.

Capital Outlay	356,314	
Depreciation Expense	<u>(560,815)</u>	(204,501)

Revenues in the Statement of Activities that do not provide current financial resources
are not reported as revenues in the funds. 19,379

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources
to governmental funds, which the repayment of the principal of long-term debt consumes
the current financial resources of governmental funds. Neither transaction, however, has
any affect on net position. This amount is the net effect of these differences in the
treatment of long-term debt and related items.

Principal Repayments	<u>156,624</u>	156,624
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Governmental funds report required contributions to employee pensions
as expenditures. However, in the Statement of Activities the cost of
the pension is recorded based on the actuarially determined cost of the
plan. This is the amount that actuarially determined pension
expense exceeded contributions. 72,048

Governmental funds report required contributions to OPEB as expenditures.
However, in the Statement of Activities the cost of the expense is recorded
based on the actuarially determined cost of the plan. This is the amount
that actuarially determined OPEB expense exceeded contributions. (3,106)

Some expenses reported in the Statement of Activities do not require the use of
current financial resources and, therefore, are not reported as expenditures in
governmental funds:

Compensated Absences	6,509	
Accrued Interest	<u>2,970</u>	<u>9,479</u>

CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES \$ (518,377)

CITY OF TAFT
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
SEPTEMBER 30, 2022

	Business-Type Activities			
	Major Funds			Total
	Water	Wastewater	Sanitation	
ASSETS				
<i>Current Assets:</i>				
Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ -
Accounts Receivable, Net of Allowance:				
Customer Accounts	195,892	141,054	103,618	440,564
Inventory	9,012	-	-	9,012
<i>Total Current Assets</i>	<u>204,904</u>	<u>141,054</u>	<u>103,618</u>	<u>449,576</u>
<i>Noncurrent Assets:</i>				
Capital Assets:				
Water and Wastewater System (net)	397,635	4,779,160	-	5,176,795
Equipment (net)	113,344	97,488	981	211,813
<i>Total Noncurrent Assets</i>	<u>510,979</u>	<u>4,876,648</u>	<u>981</u>	<u>5,388,608</u>
TOTAL ASSETS	<u>715,883</u>	<u>5,017,702</u>	<u>104,599</u>	<u>5,838,184</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Pension Related Outflows	36,496	19,886	20,263	76,645
Deferred OPEB Related Outflows	6,011	3,109	3,225	12,345
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>42,507</u>	<u>22,995</u>	<u>23,488</u>	<u>88,990</u>
TOTAL ASSETS & DEFERRED OUTFLOWS	<u>\$ 758,390</u>	<u>\$ 5,040,697</u>	<u>\$ 128,087</u>	<u>\$ 5,927,174</u>
LIABILITIES				
<i>Current Liabilities:</i>				
Accounts Payable	\$ 46,198	\$ 5,892	\$ 39,717	\$ 91,807
Accrued Wages	3,054	-	581	3,635
Accrued Interest	836	2,047	-	2,883
Customer Deposits Payable	169,006	-	-	169,006
Accrued Compensated Absences	1,381	-	782	2,163
Current Portion of Long-term Debt	19,535	212,781	-	232,316
<i>Total Current Liabilities</i>	<u>240,010</u>	<u>220,720</u>	<u>41,080</u>	<u>501,810</u>
<i>Noncurrent Liabilities:</i>				
Long-term Debt (Net of Current Portion)	20,354	3,729,596	-	3,749,950
Net Pension Liability	36,456	26,899	20,449	83,804
Total Other Postemployment Benefit Liability	15,528	8,380	8,738	32,646
<i>Total Noncurrent Liabilities</i>	<u>72,338</u>	<u>3,764,875</u>	<u>29,187</u>	<u>3,866,400</u>
TOTAL LIABILITIES	<u>312,348</u>	<u>3,985,595</u>	<u>70,267</u>	<u>4,368,210</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred Pension Related Inflows	38,925	18,977	23,046	80,948
Deferred OPEB Related Inflows	6,312	3,298	3,171	12,781
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>45,237</u>	<u>22,275</u>	<u>26,217</u>	<u>93,729</u>
NET POSITION				
Net Investment in Capital Assets	471,090	934,271	981	1,406,342
Unrestricted (Deficit)	(70,285)	98,556	30,622	58,893
TOTAL NET POSITION	<u>400,805</u>	<u>1,032,827</u>	<u>31,603</u>	<u>1,465,235</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 758,390</u>	<u>\$ 5,040,697</u>	<u>\$ 128,087</u>	<u>\$ 5,927,174</u>

See accompanying notes to basic financial statements.

CITY OF TAFT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Business-Type Activities			
	Major Funds			Total
	Water	Wastewater	Sanitation	
OPERATING REVENUES				
Charges for Services	\$ 1,135,097	\$ 748,194	\$ 622,163	\$ 2,505,454
Penalties and Fees	92,043	-	-	92,043
Other Charges	67,170	8,000	-	75,170
TOTAL OPERATING REVENUES	<u>1,294,310</u>	<u>756,194</u>	<u>622,163</u>	<u>2,672,667</u>
OPERATING EXPENSES				
Personnel	161,661	97,424	167,835	426,920
Administration and Other	4,860	3,223	4,092	12,175
Maintenance	197,748	87,726	13,663	299,137
Garbage Service	-	-	397,837	397,837
Water Purchases	378,043	-	-	378,043
Depreciation	25,030	178,894	789	204,713
TOTAL OPERATING EXPENSES	<u>767,342</u>	<u>367,267</u>	<u>584,216</u>	<u>1,718,825</u>
OPERATING INCOME (LOSS)	<u>526,968</u>	<u>388,927</u>	<u>37,947</u>	<u>953,842</u>
NONOPERATING REVENUES (EXPENSES)				
Grants and Donations	65,000	-	-	65,000
Bond Defeasance Costs	-	(18,750)	-	(18,750)
Interest Expense	(2,064)	(20,184)	-	(22,248)
TOTAL NONOPERATING REVENUES	<u>62,936</u>	<u>(38,934)</u>	<u>-</u>	<u>24,002</u>
INCOME BEFORE TRANSFERS	<u>589,904</u>	<u>349,993</u>	<u>37,947</u>	<u>977,844</u>
TRANSFERS				
Transfers In	-	576,467	-	576,467
Transfers Out	(660,806)	(541,929)	(36,892)	(1,239,627)
TOTAL TRANSFERS	<u>(660,806)</u>	<u>34,538</u>	<u>(36,892)</u>	<u>(663,160)</u>
CHANGE IN NET POSITION	<u>(70,902)</u>	<u>384,531</u>	<u>1,055</u>	<u>314,684</u>
NET POSITION AT BEGINNING OF YEAR	<u>471,707</u>	<u>648,296</u>	<u>30,548</u>	<u>1,150,551</u>
NET POSITION AT END OF YEAR	<u>\$ 400,805</u>	<u>\$ 1,032,827</u>	<u>\$ 31,603</u>	<u>\$ 1,465,235</u>

See accompanying notes to basic financial statements.

CITY OF TAFT
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Business-Type Activities			
	Major Funds			
	Water	Wastewater	Sanitation	Total
Cash Flows From Operating Activities:				
Cash Received From Customers	\$ 1,352,489	\$ 758,442	\$ 638,271	\$ 2,749,202
Cash Paid to Supplier for Goods & Services	(550,922)	(86,408)	(405,943)	(1,043,273)
Cash Paid for Employee Salaries and Benefits	(184,554)	(105,406)	(178,862)	(468,822)
Net Cash Provided (Used) by Operating Activities	617,013	566,628	53,466	1,237,107
Cash Flows From Capital and Related Financing Activities:				
Acquisition and Construction of Capital Assets	-	(216,528)	-	(216,528)
Issuance of Note Payable	-	73,877	-	73,877
Debt Defeasance Costs	-	(18,750)	-	(18,750)
Principal on Long-Term Debt	(18,749)	(544,495)	-	(563,244)
Interest on Long-Term Debt	(2,458)	(19,933)	-	(22,391)
Net Cash Provided (Used) by Capital and Related Financing Activities	(21,207)	(725,829)	-	(747,036)
Cash Flows From Noncapital Financing Activities:				
Grants Received	65,000	-	-	65,000
Transfers from (to) Other Funds	(660,806)	34,538	(53,466)	(679,734)
Net Cash Provided (Used) by Noncapital Financing Activities	(595,806)	34,538	(53,466)	(614,734)
Net Increase (Decrease) in Cash and Cash Equivalents	-	(124,663)	-	(124,663)
Beginning Cash and Cash Equivalents	-	124,663	-	124,663
Ending Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ -

See accompanying notes to basic financial statements.

CITY OF TAFT
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Business-Type Activities			
	Major Funds			Total
	Water	Wastewater	Sanitation	
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:				
Operating Income	\$ 526,968	\$ 388,927	\$ 37,947	\$ 953,842
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation	25,030	178,894	789	204,713
Decrease (Increase) in Assets:				
Accounts Receivable (net)	54,704	2,248	16,108	73,060
Deferred Pension Related Outflows	(1,840)	(669)	(1,080)	(3,589)
Deferred OPEB Related Outflows	(580)	(210)	(341)	(1,131)
Increase (Decrease) in Liabilities:				
Accounts Payable	29,729	4,541	9,649	43,919
Accrued Wages	(5,007)	(1,706)	(2,744)	(9,457)
Compensated Absences	(5,022)	(1,602)	(730)	(7,354)
Customer Deposits	3,475	-	-	3,475
Net Pension Liability	(29,357)	(10,667)	(17,240)	(57,264)
Total OPEB Liability	1,568	570	921	3,059
Deferred Pension Related Inflows	17,754	6,451	10,427	34,632
Deferred OPEB Related Inflows	(409)	(149)	(240)	(798)
Net Cash Provided (Used) by Operating Activities	<u>\$ 617,013</u>	<u>\$ 566,628</u>	<u>\$ 53,466</u>	<u>\$ 1,237,107</u>

See accompanying notes to basic financial statements.

CITY OF TAFT
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Taft, Texas (the "City"), was incorporated in 1890 under the provisions of the laws of the State of Texas. The City operates under a Home-Rule Charter, which was adopted October 5, 1951. The City operates with a Council-Manager type of government where the Mayor and four council members are elected on a rotating schedule. Council consists of two members from each ward. The financial statements of the City of Taft, Texas, are presented in accordance with generally accepted accounting principles (GAAP) applicable to state and local governmental units as set forth by the Government Accounting Standards Board (GASB). A summary of the City's significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

A. Reporting Entity

The City, for financial purposes, includes all of the activities and funds relevant to the operations of the City of Taft. These operations include the police department, fire department, municipal court, street department, animal control, parks and recreation, and administration.

The governmental reporting entity consists of the City and its component units. Blended component units, although legally separate entities, are, in substance, part of the government's operations, and data from these units are combined with the data of the primary government. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the government. The City has two discretely presented component units with a September 30 fiscal year end.

Discretely presented component units

The City of Taft Economic Development Corporation (EDC) and Taft Quality Improvement Corporation (TQIC) are separate nonprofits created from the election of Section 4B and 4A economic development sales tax, respectively. They are governed by boards appointed by City council. The corporations provides direct services and benefits to the City of Taft, its business community, and citizens. The Corporations have a financial and operational relationship which requires that their financial statements be discretely presented into the City's financial statements. Separate financial statements are not issued for the corporations.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements include the statement of net position and statement of activities. Government-wide statements report information on all of the activities of the City. The effect of interfund transfers has been removed from the government-wide statements but continues to be reflected on the fund statements. The values of interfund services provided and used are not eliminated in the government-wide financial statements, as elimination of those charges would distort the direct costs reported for the various functions. Governmental activities are supported mainly by taxes and intergovernmental revenues. Business-type activities are financed whole or in part by fees charged to external parties for goods and services. The City has no fiduciary funds.

CITY OF TAFT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2022

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-Wide and Fund Financial Statements (Continued)

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

Separate fund financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. This measurement focus is also used for the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash revenue types, which have been accrued, revenue from the investments, intergovernmental revenue and charges for services. Grants are recognized as revenue when all applicable eligibility requirements imposed by the provider are met.

Revenues are classified as program revenues and general revenues. Program revenues include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions. General revenues include all taxes, grants not restricted to specific programs and investment earnings.

Governmental fund level financial statements are reported using the current financial resources measurement focus and modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenue to be available if collected within 30 (thirty) days of the end of the current fiscal period. Receivables which are measurable but not collectible are reported as deferred inflows of resources. Property taxes which are levied prior to September 30, 2021, and became due October 1, 2021 have been assessed to finance the budget of the fiscal year beginning October 1, 2021 and, accordingly, have been reflected as deferred inflow of resources and taxes receivable in the fund financial statement at September 30, 2022.

Franchise taxes, hotel/motel taxes, interest and fees associated with the current fiscal year are considered to be susceptible to accrual and so have been recognized as revenue in the current fiscal period. All other revenue items received by the government are considered to be measurable and available only when the cash is received by the City.

CITY OF TAFT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2022

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Expenditures generally are recorded when a fund liability is incurred; however, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when the liability has matured and payment is due.

The proprietary funds are accounted for using the accrual basis of accounting as follows:

- Revenues are recognized when earned, and expenses are recognized when liabilities are incurred.
- Current-year contributions, administrative expenses and benefit payments, which are not received or paid until the subsequent year, are accrued.

Proprietary funds distinguish operating revenues and expenses from non-operating. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations.

The government reports the following major governmental funds:

General Fund is the general operating fund of the City and is always classified as a major fund. The general fund is used to account for all financial resources except those required to be accounted for in another fund. Major revenue sources include property taxes, sales taxes and franchise fees. Primary expenditures are for general government, public safety, public works and recreation.

Debt Service Fund accounts for financial resources to be used for the payment of long term debt.

The government reports the following major proprietary funds:

Water Utility Fund accounts for water services provided to citizens and businesses.

Wastewater Utility Fund accounts for fees charged to citizens and businesses for sewage collection and treatment.

Sanitation Fund accounts for fees charged to citizens and businesses for trash collection.

D. Cash and Cash Equivalents

The City considers all highly liquid investments including cash in banks, cash on hand, and local government investment pools to be cash equivalents.

CITY OF TAFT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2022

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Investments

State statutes authorize the City to invest in (a) obligations of the United States or its agencies and instrumentalities; (b) direct obligations of the State of Texas or its agencies; (c) other obligations, the principal and interest of which are unconditionally guaranteed or insured by the State of Texas or the United States; (d) obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than A or its equivalent; (e) certificates of deposit by state and national banks domiciled in this state that are (i) guaranteed or insured by the Federal Deposit Insurance Corporation, or its successor; or, (ii) secured by obligations that are described by (a) - (d). Statutes allow investing in local government investment pools organized and rated in accordance with the Interlocal Cooperation Act, whose assets consist exclusively of the obligations of the United States or its agencies and instrumentalities and repurchase assessments involving those same obligations.

Investments are stated at fair value except for certificates of deposit and local government investment pools. Those investments are stated at amortized cost and net asset value, respectively. The fair value framework uses a hierarchy that prioritizes the inputs to the valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the City has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets.
- Quoted prices for identical or similar assets or liabilities in inactive markets.
- Inputs other than quoted prices that are observable for the asset or liability.
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The valuation methodologies described above may produce a fair value calculation that may not be indicative of net realizable values or reflective of future fair values. Furthermore, while the City believes its valuation methods are appropriate and consistent with those of other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

CITY OF TAFT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2022

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Receivables

Property taxes are levied based on taxable value at January 1 prior to September 30 and become due October 1, 2021 and past due after January 31, 2022. Accordingly, receivables and revenues for property taxes are reflected on the government-wide statement based on the full accrual method of accounting.

Accounts receivable from other governments include amounts due from grantors for approved grants for specific programs and reimbursements for services performed by the City. Program grants are recorded as receivables and revenues at the time all eligibility requirements established by the provider have been met.

Reimbursements for services performed are recorded as receivables and revenues when they are earned in the government-wide statements. Included are fines and costs assessed by the court action and billable services for certain contracts. Revenues received in advance of the costs being incurred are recorded as deferred inflows of resources in the fund statements. Receivables are shown net of an allowance for uncollectibles.

G. Short-Term Inter-fund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on fund statements. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

H. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. Prepaid Items of governmental funds are recorded as expenditures when consumed rather than when purchased.

I. Capital Assets

Capital assets, which include land, buildings and improvements, equipment, and infrastructure assets are reported in the applicable governmental or business type activities column in the government-wide financial statements. Capital assets such as equipment are defined as assets with a cost of \$5,000 or more. Infrastructure assets include city-owned streets, sidewalks, curbs and bridges. Capital assets are recorded at historical costs if purchased or constructed. Donated capital assets, donated works of art and capital assets received in a service concession arrangement are recorded at acquisition value at the date of donation.

CITY OF TAFT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2022

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Capital Assets (Continued)

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Interest has not been capitalized during the construction period on property plant and equipment.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Asset	Useful Lives (Years)
Buildings	10-40
Streets and Infrastructure	10-40
Equipment	5-15
Water and Sewer System	10-50

J. Compensated Absences

The City's employees earn vacation and sick leave which may either be taken or accumulated, up to certain amounts. Only unused vacation will be paid upon resignation or retirement. Vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. Vested or accumulated vacation leave and compensatory time that is expected to be liquidated with expendable available resources is reported as an expenditure and fund liability of the governmental fund that will pay for it. The City is responsible for payment of vested or accumulated vacation leave and compensatory time. Amounts of vested or accumulated vacation leave and compensatory time that are not expected to be liquidated with expendable available financial resources are reported in the government wide statements. Vested or accumulated vacation leave and compensatory time of the proprietary funds is recorded as an expense and liability of that fund as the benefits accrue to employees. Compensated absences are reported in the governmental funds only if they have matured (i.e., unused reimbursable leave outstanding following an employee's resignation or retirement). The general fund is the governmental fund that has typically been used in prior years to liquidate the liability for compensated absences.

K. Deferred Inflows/Outflows of Resources

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

Deferred inflows of resources represent an acquisition of net assets that applies to a future period and so will not be recognized as an inflow of resource (revenue) until that time. Unavailable revenue is reported only in the governmental funds balance sheet under a modified basis of accounting. Unavailable revenues from property tax are deferred and recognized as an inflow of resources in the period the amounts become available. The City also has pension and OPEB related deferred inflows.

CITY OF TAFT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2022

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) and additions to/deduction from TMRS's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The general fund has typically been used in prior years to liquidate pension liabilities.

M. OPEB Liability

For purposes of measuring the OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions, and OPEB expense, information about the Total OPEB Liability of the Texas Municipal Retirement System (TMRS) and additions to/deduction from TMRS's Total OPEB Liability have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. The general fund has typically been used in the prior year to liquidate OPEB liabilities.

N. Long-Term Obligations

Debt is defined as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. For this purpose, debt does not include leases, except for contracts reported as a financed purchase of the underlying asset, or accounts payable.

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities under governmental activities or proprietary fund type statement of net position. On new bond issues, bond premium and discounts are deferred and amortized over the life of the term of the related debt. Loss on refundings and bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method, which approximates the effective interest method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

CITY OF TAFT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2022

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. Net Position

Net Position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

P. Fund Balance

Five categories of fund balances were created and defined by GASB 54. These five categories are as follows:

- Non-spendable – These funds are not available for expenditures based on legal or contractual requirements. An example might be inventories and prepaid expenditures.
- Restricted – These funds are governed by externally enforceable restrictions.
- Committed - Fund balances in this category are limited by the government's highest level of decision making (in this case the City Council). Any changes of this designation must be done in the same manner that it was implemented. For example, if funds are committed by resolution, the commitment could only be released with another resolution.
- Assigned – For funds to be assigned, there must be an intended use which can be established by the City Council or an official delegated by the Council, such as a City Manager or Finance Director. Assigned fund balance is delegated by the City Council to the Director of Finance.
- Unassigned - This classification is the default for all funds that do not fit into the other categories. The general fund is the only fund that reports a positive fund balance amount. However, in governmental funds other than the general fund, if expenditures incurred for a specific purposes, it may be necessary to report a negative unassigned fund balance in that particular fund.

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

CITY OF TAFT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2022

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Q. Inter-fund Transactions

Legally authorized transfers are treated as inter-fund transfers and are included in the results of operations of both governmental and proprietary funds.

R. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the enterprise. For the City, those revenues are charges for services. Operating expenses are necessary costs incurred to provide the service that is the primary activity. Revenues and expenses not meeting these definitions are reported as non-operating.

S. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 -- CASH AND INVESTMENTS

The City holds deposits at a financial institution that has pledged securities to collateralize deposits. All deposits as of September 30, 2022 were fully collateralize.

In addition, the City and Economic Development Corporation have purchased certificates of deposit that are reported as investments at amortized cost.

As of September 30, 2022 and for the year then ended, the City held no other investments.

NOTE 3 -- PROPERTY TAX

Taxes are levied on and payable as of October 1. The City has contracted with the San Patricio County Tax Assessor/Collector to collect taxes on its behalf. Current year taxes become delinquent February 1. Current year delinquent taxes not paid by July 1 are turned over to attorneys for collection action. For fiscal year 2022, the assessed tax rate for the City was \$0.77 per \$100 on an assessed valuation of \$114 million. This is broken out as \$0.560807 per \$100 for maintenance and operations and \$0.209193 per \$100 for debt retirement. Total City tax levy for fiscal year 2022 (tax year 2021) is \$846 thousand.

In addition, the City levies a similar tax on property deannexed in a prior year, but still responsible for debt service on outstanding obligations. For fiscal year 2022, the assessed tax rate for the deannexed property was \$0.246785 per \$100 on an assessed valuation of \$24 million. Total deannexed tax levy for fiscal year 2022 (tax year 2021) is \$58 thousand.

CITY OF TAFT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2022

NOTE 4 -- RECEIVABLES

Receivables consist of the following as of September 30, 2022:

	Governmental Funds		
	General	Debt Service	Other Nonmajor Funds
<i>Receivables:</i>			
Property Taxes	\$ 197,576	\$ 129,794	\$ -
Sales Tax	49,634	-	12,408
Purchase Refund	2,570	-	-
Franchise Taxes	13,766	-	-
Customers	1,661	-	-
Grants	30,204	-	-
Gross Receivables	295,411	129,794	12,408
Less: Allowance for Uncollectibles	(19,758)	(12,979)	-
Net Total Receivables	<u>\$ 275,653</u>	<u>\$ 116,815</u>	<u>\$ 12,408</u>

	Proprietary Funds			Discrete Component Units	
	Water Utility	Wastewater Utility	Sanitation	Economic Development Corporation	Quality Improvement Corporation
<i>Receivables:</i>					
Sales Tax	\$ -	\$ -	\$ -	\$ 24,817	\$ 12,408
Customers	358,929	220,661	158,943	-	-
Gross Receivables	358,929	220,661	158,943	24,817	12,408
Less: Allowance for Uncollectibles	(163,037)	(79,607)	(55,325)	-	-
Net Total Receivables	<u>\$ 195,892</u>	<u>\$ 141,054</u>	<u>\$ 103,618</u>	<u>\$ 24,817</u>	<u>\$ 12,408</u>

CITY OF TAFT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2022

NOTE 5 -- CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2022 was as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Governmental Activities:				
<i>Capital Assets, Not Being Depreciated:</i>				
Land	\$ 10,524	\$ -	\$ -	\$ 10,524
Construction in Progress	39,057	245,124	-	284,181
<i>Total Capital Assets Not Being Depreciated</i>	<u>49,581</u>	<u>245,124</u>	<u>-</u>	<u>294,705</u>
<i>Capital Assets, Being Depreciated:</i>				
Buildings and Improvements	5,857,282	-	-	5,857,282
Streets and Infrastructure	11,489,065	-	-	11,489,065
Machinery and Equipment	773,337	111,190	-	884,527
<i>Total Capital Assets Being Depreciated</i>	<u>18,119,684</u>	<u>111,190</u>	<u>-</u>	<u>18,230,874</u>
<i>Accumulated Depreciation:</i>				
Buildings and Improvements	(4,415,474)	(149,170)	-	(4,564,644)
Streets and Infrastructure	(8,569,980)	(325,670)	-	(8,895,650)
Machinery and Equipment	(227,848)	(85,975)	-	(313,823)
<i>Total Accumulated Depreciation</i>	<u>(13,213,302)</u>	<u>(560,815)</u>	<u>-</u>	<u>(13,774,117)</u>
Total Capital Assets Being Depreciated, Net	<u>4,906,382</u>	<u>(449,625)</u>	<u>-</u>	<u>4,456,757</u>
Governmental Activities Capital Assets, Net	<u>\$ 4,955,963</u>	<u>\$ (204,501)</u>	<u>\$ -</u>	<u>\$ 4,751,462</u>
Business-Type Activities:				
<i>Capital Assets, Being Depreciated:</i>				
Buildings	\$ 28,970	\$ -	\$ -	\$ 28,970
Water/Wastewater System	10,290,865	142,650	-	10,433,515
Machinery and Equipment	214,592	73,878	-	288,470
<i>Total Capital Assets Being Depreciated</i>	<u>10,534,427</u>	<u>216,528</u>	<u>-</u>	<u>10,750,955</u>
<i>Accumulated Depreciation:</i>				
Buildings	(28,970)	-	-	(28,970)
Water/Wastewater System	(5,075,199)	(181,521)	-	(5,256,720)
Machinery and Equipment	(53,465)	(23,192)	-	(76,657)
<i>Total Accumulated Depreciation</i>	<u>(5,157,634)</u>	<u>(204,713)</u>	<u>-</u>	<u>(5,362,347)</u>
Total Capital Assets Being Depreciated, Net	<u>5,376,793</u>	<u>11,815</u>	<u>-</u>	<u>5,388,608</u>
Business-Type Activities Capital Assets, Net	<u>\$ 5,376,793</u>	<u>\$ 11,815</u>	<u>\$ -</u>	<u>\$ 5,388,608</u>

CITY OF TAFT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2022

NOTE 5 -- CAPITAL ASSETS (Continued)

	Beginning Balance	Additions	Deletions	Ending Balance
Discrete Component Unit				
Taft Economic Development Corporation				
<i>Capital Assets, Not Being Depreciated:</i>				
Land	\$ 415,920	\$ -	\$ -	\$ 415,920
Total Assets	<u>415,920</u>	<u>-</u>	<u>-</u>	<u>415,920</u>
Taft Quality Improvement Corporation				
<i>Capital Assets, Being Depreciated:</i>				
Machinery and Equipment	100,690	-	-	100,690
Total Capital Assets Being Depreciated	<u>100,690</u>	<u>-</u>	<u>-</u>	<u>100,690</u>
<i>Accumulated Depreciation:</i>				
Machinery and Equipment	(38,051)	(6,712)	-	(44,763)
Total Accumulated Depreciation	<u>(38,051)</u>	<u>(6,712)</u>	<u>-</u>	<u>(44,763)</u>
Total Capital Assets Being Depreciated, Net	<u>\$ 62,639</u>	<u>\$ (6,712)</u>	<u>\$ -</u>	<u>\$ 55,927</u>

Depreciation expense was charged to the governmental functions and business-type activities as follows:

<i>Governmental Activities:</i>	
General Government	\$ 149,258
Police	27,697
Fire	40,535
EMS	620
Streets	330,905
Animal Control	3,800
Parks	6,810
Community Center	1,190
Total Depreciation Expense - Governmental Activities	<u>\$ 560,815</u>
<i>Business-Type Activities:</i>	
Water Utility	\$ 25,030
Wastewater Utility	178,894
Sanitation	789
Total Depreciation Expense - Business Type Activities	<u>\$ 204,713</u>

CITY OF TAFT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2022

NOTE 6 -- LONG-TERM LIABILITIES

Long-term liabilities at September 30, 2022 were comprised of the following items:

	Balance 9/30/2021	Additions	Reductions	Balance 9/30/2022	Due Within One Year
<i>Governmental Activities:</i>					
Notes Payable	\$ 516,233	\$ -	\$ (156,624)	\$ 359,609	\$ 52,197
Compensated Absences	24,902	18,393	(24,902)	18,393	18,393
Net Pension Liability	340,615	179,454	(336,799)	183,270	-
Other Postemployment Benefit Liability	72,177	10,855	(2,449)	80,583	-
<i>Total Governmental Activities</i>	<u>953,927</u>	<u>208,702</u>	<u>(520,774)</u>	<u>641,855</u>	<u>70,590</u>
<i>Business-Type Activities</i>					
Certificates of Obligation	4,388,857	-	(538,857)	3,850,000	193,000
Notes Payable	82,776	73,877	(24,387)	132,266	39,316
Compensated Absences	9,517	2,163	(9,517)	2,163	2,163
Net Pension Liability	141,068	74,322	(131,586)	83,804	-
Other Postemployment Benefit Liability	29,587	4,450	(1,391)	32,646	-
<i>Total Business-Type Activities</i>	<u>4,651,805</u>	<u>154,812</u>	<u>(705,738)</u>	<u>4,100,879</u>	<u>234,479</u>
<i>Total Primary Government</i>	<u>\$ 5,605,732</u>	<u>\$ 363,514</u>	<u>\$ (1,226,512)</u>	<u>\$ 4,742,734</u>	<u>\$ 305,069</u>

Compensated absences and other postemployment benefit obligations for governmental activities are generally liquidated by the general fund.

NOTE 7 -- DEBT

The City has one outstanding bond issue as of September 30, 2022:

Certificates of Obligation, Series 2010 were issued in June 2010 through the Texas Water Development Board for a face amount of \$5.78 million. The bonds mature serially through 2042 and bear no interest. The bonds were issued to construct improvements to the wastewater system.

These bonds are primarily secured by future property tax levies, but also include a pledge of net revenues of the wastewater utility.

The Taft Economic Development Corporation (EDC) signed a note payable in 2015 to purchase land for \$374 thousand. The note is secured by the land, bank deposits of the EDC and matures May 2030. The note requires monthly payments and bears interest at the Wall Street Journal Prime Rate, adjusted each May. The rate as of September 30, 2022 was 4.75%.

CITY OF TAFT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2022

NOTE 7 -- DEBT (CONTINUED)

The City also utilizes 5-7 year notes to purchase equipment. These notes primarily require annual principal and interest payments and bear interest ranging from 2.99% to 4.99%. In 2022, the City entered into a new loan for a sewer cleaner for \$73,877. This note requires five annual payments of \$16,177, bears interest at 3.10% and is secured by the sewer cleaner.

Changes in the debt for the year ending September 30, 2022 were as follows:

	Balance 9/30/2021	Additions	Reductions	Balance 9/30/2022	Due Within One Year
<i>Governmental Activities:</i>					
Private Placements:					
Notes Payable	\$ 516,233	\$ -	\$ (156,624)	\$ 359,609	\$ 52,197
<i>Total Governmental Activities</i>	<u>\$ 516,233</u>	<u>\$ -</u>	<u>\$ (156,624)</u>	<u>\$ 359,609</u>	<u>\$ 52,197</u>
<i>Business-Type Activities:</i>					
Private Placements:					
2010 Certificates	\$ 345,857	\$ -	\$ (345,857)	\$ -	\$ -
2010 Certificates	4,043,000	-	(193,000)	3,850,000	193,000
Notes Payable	82,776	73,877	(24,387)	132,266	39,316
<i>Total Business-Type Activities</i>	<u>\$ 4,471,633</u>	<u>\$ 73,877</u>	<u>\$ (563,244)</u>	<u>\$ 3,982,266</u>	<u>\$ 232,316</u>
<i>Discretely Presented Component Units (DPCU)</i>					
EDC:					
Note Payable	\$ 246,226	\$ -	\$ (24,050)	\$ 222,176	\$ 24,067
<i>Total DPCU</i>	<u>\$ 246,226</u>	<u>\$ -</u>	<u>\$ (24,050)</u>	<u>\$ 222,176</u>	<u>\$ 24,067</u>

The annual debt service requirements on these bonds as of September 30, 2022 are as follows:

Year Ending September 30,	Governmental Activities			Discretely Presented Component Units		
	Private Placement Notes Payable			Direct Borrowing Note Payable		
	Principal	Interest	Total	Principal	Interest	Total
2023	\$ 52,197	\$ 11,267	\$ 63,464	\$ 24,067	\$ 10,031	\$ 34,098
2024	54,011	9,454	63,465	25,233	8,865	34,098
2025	33,080	7,577	40,657	26,458	7,640	34,098
2026	34,069	6,588	40,657	27,741	6,357	34,098
2027	35,088	5,569	40,657	29,090	5,008	34,098
2028-2031	151,164	11,465	162,629	89,587	6,297	95,884
Total	<u>\$ 359,609</u>	<u>\$ 51,920</u>	<u>\$ 411,529</u>	<u>\$ 222,176</u>	<u>\$ 44,198</u>	<u>\$ 266,374</u>

CITY OF TAFT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2022

NOTE 7 -- DEBT (CONTINUED)

Year Ending September 30,	Business-Type Activities				
	Private Placement Certificates		Private Placement Notes Payable		Total
	Principal	Interest	Principal	Interest	
2023	\$ 193,000	\$ -	\$ 39,316	\$ 4,803	\$ 237,119
2024	193,000	-	40,834	3,287	237,121
2025	193,000	-	21,205	1,709	215,914
2026	193,000	-	15,219	958	209,177
2027	193,000	-	15,692	486	209,178
2028-2032	964,000	-	-	-	964,000
2033-2037	960,000	-	-	-	960,000
2038-2042	961,000	-	-	-	961,000
Total	<u>\$ 3,850,000</u>	<u>\$ -</u>	<u>\$ 132,266</u>	<u>\$ 11,243</u>	<u>\$ 3,993,509</u>

NOTE 8 -- PENSION PLAN – TEXAS MUNICIPAL RETIREMENT SYSTEM

A. Plan Description

The City participates as one of 895 plans in the defined benefit cash-balance plan administered by the Texas Municipal Retirement System (TMRS). TMRS is a statewide public retirement plan created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for employees of Texas participating cities. The TMRS Act places the general administration and management of TMRS with a six-member, Governor-appointed Board of Trustees; however, TMRS is not fiscally dependent on the State of Texas. TMRS issues a publicly available Annual Comprehensive Financial Report (Annual Report) that can be obtained at www.tmr.com. All eligible employees of the City are required to participate in TMRS.

B. Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS.

At retirement, the member's benefit is calculated based on the sum of the member's contributions, with interest, and the City-financed monetary credits with interest. The retiring member may select one of seven monthly benefit payment options. Members may also choose to receive their retirement benefit in one of seven payments options. Members may also choose to receive a portion of their benefit as a lump sum distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the total member's contributions and interest.

CITY OF TAFT
BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2022

NOTE 8 -- PENSION PLAN – TEXAS MUNICIPAL RETIREMENT SYSTEM (CONTINUED)

At the December 31, 2021 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	17
Inactive Employees Entitled to but Not Yet Receiving Benefits	58
Active Employees	29
	<hr/>
	104
	<hr/>

C. Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of member's total compensation, and the city matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The city's contribution rate is based on the liabilities created from the benefit plan options selected by the city and any changes in benefits or actual experience over time.

Employees for the City were required to contribute 7% of their annual compensation during the fiscal year. The City matches employee contributions 2 to 1. The contribution rates for the City were 16.52% and 15.19% for calendar years 2021 and 2022 respectively. The City's contributions to TMRS for the year ended September 30, 2022 were \$206,464, and were equal to the required contributions.

D. Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2021, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

The Total Pension Liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall Payroll Growth	2.75% per year
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

CITY OF TAFT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2022

NOTE 8 -- PENSION PLAN -- TEXAS MUNICIPAL RETIREMENT SYSTEM (CONTINUED)

E. Actuarial Assumptions

Salary increases were based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees is used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2109 actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rates (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	35%	7.55%
Core Fixed Income	6%	2.00%
Non-Core Fixed Income	20%	5.68%
Other Public and Private Markets	12%	7.22%
Real Estate	12%	6.85%
Hedge Funds	5%	5.35%
Private Equity	10%	10.00%
	100%	

CITY OF TAFT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2022

NOTE 8 -- PENSION PLAN – TEXAS MUNICIPAL RETIREMENT SYSTEM (CONTINUED)

E. Discount Rate

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

F. Changes in Net Pension Liability (Asset)

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at December 31, 2020	\$ 3,695,798	\$ 3,214,115	\$ 481,683
Changes for the year:			
Service Cost	222,882	-	222,882
Interest	249,208	-	249,208
Change of Benefit Terms	-	-	-
Difference Between Expected and Actual Experience	12,235	-	12,235
Changes of Assumptions	-	-	-
Contributions - Employer	-	199,239	(199,239)
Contributions - Employee	-	83,971	(83,971)
Net Investment Income	-	417,649	(417,649)
Benefit Payments, Including Refunds of Employee Contributions	(230,549)	(230,549)	-
Administrative Expense	-	(1,939)	1,939
Other Changes	-	14	(14)
Net Changes	253,776	468,385	(214,609)
Balance at December 31, 2021	\$ 3,949,574	\$ 3,682,500	\$ 267,074

G. Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	Discount Rate 5.75%	Discount Rate 6.75%	Discount Rate 7.75%
Net Pension Liability	\$ 758,112	\$ 267,074	\$ (137,168)

CITY OF TAFT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2022

NOTE 8 -- PENSION PLAN -- TEXAS MUNICIPAL RETIREMENT SYSTEM (CONTINUED)

H. Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at www.tmr.com.

I. Pension Expense

For the year ended September 30, 2022, the City recognized pension expense of \$108,429.

J. Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At September 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Economic Experience	\$ 5,992	\$ -
Changes in Actuarial Assumptions	-	-
Differences Between Projected and Actual Investment Earnings	-	212,296
Contributions Subsequent to the Measurement Date	145,401	-
	<u>\$ 151,393</u>	<u>\$ 212,296</u>

The City reported \$145,401 as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date (December 31, 2021) that will be recognized as a reduction of the net pension liability for the year ending December 31, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

For the Year Ended December 31,	
2022	\$ (30,776)
2023	(90,347)
2024	(45,044)
2025	(40,137)
Thereafter	-
	<u>\$ (206,304)</u>

CITY OF TAFT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2022

NOTE 9 -- OTHER POST EMPLOYMENT BENEFITS (OPEB)

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance 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 post-employment benefit," or OPEB.

Membership in the plan at December 31, 2021, the valuation and measurement date, consisted of:

Inactive Employees or Beneficiaries Currently Receiving Benefits	13
Inactive Employees Entitled to but Not Yet Receiving Benefits	3
Active Employees	29
	<u>45</u>

The City contributes to the SDBF 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 SDBF 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 following key assumptions were used in developing the actuarial valuation:

Inflation	2.50%
Salary Increases	3.50% to 11.50% Including Inflation
Discount Rate	1.84% (Fidelity Index's 20-Year Municipal GO AA Index)
Administrative Expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality Rates - Service Retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality Rates - Disabled Retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

The City's contributions to TMRS were \$4,246 for the fiscal year ended September 30, 2022 and were equal to the required contributions. The SDBF required contribution rates were as follows:

Calendar Year	Total SDBF Contribution Rate	Retiree Portion to SDBF Contribution Rate
2022	0.41%	0.28%
2021	0.45%	0.32%

CITY OF TAFT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2022

NOTE 9 -- OTHER POST EMPLOYMENT BENEFIT (OPEB) (Continued)

The City's Total OPEB Liability (TOL), based on the above actuarial factors, as of December 31, 2021 was calculated as follows:

	Total OPEB Liability
Balance at December 31, 2020	\$ 101,763
Changes for the year:	
Service Cost	6,718
Interest	2,064
Change of Benefit Terms	-
Difference Between Expected and Actual Experience	3,603
Changes of Assumptions	2,920
Benefit Payments	(3,839)
Net Changes	11,466
Balance at December 31, 2021	\$ 113,229

There is no separate trust maintained to fund this Total OPEB Liability. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits.

The following presents the TOL of the City, calculated using the discount rate of 1.84% as well as what the City's TOL would be if it were calculated using a discount rate that is 1-percentage point lower and 1-percentage point higher than the current rate:

	Discount Rate 0.84%	Discount Rate 1.84%	Discount Rate 2.84%
Total OPEB Liability	\$ 134,159	\$ 113,229	\$ 96,861

For the year ended September 30, 2022, the City recognized OPEB expense of \$8,484. Also as of September 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ 6,282	\$ 22,410
Changes in Actuarial Assumptions	11,838	498
Contributions Subsequent to the Measurement Date	3,063	-
	\$ 21,183	\$ 22,908

CITY OF TAFT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2022

NOTE 9 -- OTHER POST EMPLOYMENT BENEFIT (OPEB) (Continued)

Deferred outflows of resources in the amount of \$3,063 is related to OPEB benefits resulting from contributions subsequent to the measurement date, and will be recognized as a reduction of the total OPEB liability for the plan year ended December 31, 2022. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

For the Year Ended December 31,			
	2022	\$	(4,761)
	2023		(2,023)
	2024		1,013
	2025		983
	2026		-
	Thereafter		-
		<u>\$</u>	<u>(4,788)</u>

NOTE 10 -- INTERFUND TRANSACTIONS

Transfers during the fiscal year ending September 30, 2022 consisted of the following:

Transfer From	Transfer To	Amount	Purpose
Water Utility	General Fund	\$ 660,806	Payment in Lieu of Taxes
Wastewater Utility	General Fund	541,929	Payment in Lieu of Taxes
Sanitation Fund	General Fund	36,892	Payment in Lieu of Taxes
Debt Service	Wastewater Utility	576,467	In Support of Debt Service
		<u>\$ 1,816,094</u>	

In addition, the following balances were owed between funds at September 30, 2022:

Due From	Due to	Amount	Purpose
General Fund	Nonmajor Governmental	\$ 24,329	Sales tax collections
Nonmajor Governmental	General Fund	175,000	Short-term pooled cash loan
		<u>\$ 199,329</u>	

NOTE 11 -- CONTINGENCIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by such agencies. Any disallowed claims, including amounts already collected may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

CITY OF TAFT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2022

NOTE 12 -- RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; injuries to employees; employee health benefits; and other claims of various natures. The City contracts with the Texas Municipal League (TML) to provide insurance coverage for property and casualty, and workers compensation. TML is a multi-employer group that provides for a combination of modified self-insurance and stop-loss coverage. Contributions are set annually by TML. Liability by the City is generally limited to the contributed amounts. There were no significant changes in coverage during fiscal year 2022.

NOTE 13 -- COMMITMENTS

Long-term Contracts

In 1964, the City signed a water supply contract with the San Patricio Municipal Water District ("District"). The agreement has been amended several times with the current version dated in 2013. The term of the agreement is for 30 years or until the District bonds are no longer outstanding, whichever is later. The cost of the water will be based on the District's annual budget.

In August 2020, the City contracted with Allegiance Mobile Health ("Allegiance") to provide EMS services within the City. Allegiance will provide one mobile intensive care unit in Taft and deliver services 24/7/365. Allegiance will bill patients for services and receive all revenues. In addition, the City will subsidize the operations of Allegiance with bi-monthly payments of \$29,167 for the term of the agreement, which is three years with two one year mutual options. The City may terminate the agreement with 30 days notice and Allegiance may terminate the agreement with 90 days notice.

NOTE 14 -- LITIGATION

The City is the subject of various claims and litigation that have arisen in the course of its operations. Management is of the opinion that the City's liability in these cases, if decided adversely to the City, will not have a material effect on the City's financial position because of insurance coverage.

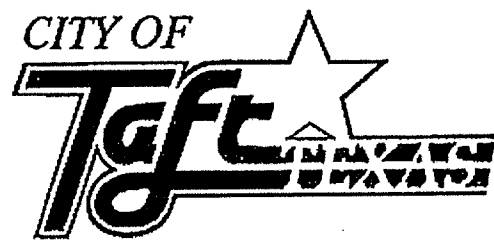
NOTE 15 -- SUBSEQUENT EVENT

In October 2022, the City issued combination tax and limited pledge revenue certificates of obligation, series 2022 for \$3.0 million. The certificates will be used for street and utility improvements. Debt service will be paid by a combination of interest and sinking property taxes and wastewater utility revenues.

REQUIRED SUPPLEMENTARY INFORMATION

Required supplementary information includes financial information and disclosures that are required by the GASB but are not considered a part of the basic financial statements. Such information includes:

- Budgetary Comparison Schedule - General Fund
- Schedule of Changes in Net Pension Liability and Related Ratios - Last 10 Plan Years
- Schedule of Contributions - Last 10 Fiscal Years
- Schedule of Changes in Total Other Post-Employment Benefit Liability and Related Ratios



CITY OF TAFT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL – GENERAL FUND
YEAR ENDED SEPTEMBER 30, 2022

	Budgeted Amounts		Actual	Variance With
	Original	Final	Amounts	Final Budget
REVENUES				
Property Taxes	\$ 553,457	\$ 553,457	\$ 611,269	\$ 57,812
Sales and Mixed Beverage Taxes	280,000	280,000	296,009	16,009
Franchise Taxes	113,500	113,500	123,148	9,648
Occupancy Tax	3,000	3,000	3,485	485
Licenses and Permits	61,700	61,700	105,797	44,097
Grants and Donations	411,000	411,000	288,022	(122,978)
Fines and Forfeitures	84,800	84,800	81,924	(2,876)
Rental Income	38,000	38,000	34,711	(3,289)
Investment Earnings	-	-	9	9
Miscellaneous	163,149	163,149	85,595	(77,554)
TOTAL REVENUES	<u>1,708,606</u>	<u>1,708,606</u>	<u>1,629,969</u>	<u>(78,637)</u>
EXPENDITURES				
<i>Current:</i>				
General Government	901,790	901,790	700,818	200,972
Court	71,075	71,075	64,366	6,709
Administration	128,985	128,985	140,835	(11,850)
City Secretary	64,524	64,524	65,819	(1,295)
Finance	243,848	243,848	235,898	7,950
Tax Collection	14,600	14,600	14,412	188
Police	742,189	742,189	640,104	102,085
Fire Department	40,100	40,100	35,837	4,263
EMS	181,000	181,000	175,000	6,000
Vector Control	4,750	4,750	195	4,555
Streets	249,535	249,535	156,490	93,045
Inspections	94,000	94,000	87,604	6,396
Animal Control	72,100	72,100	46,483	25,617
Code Enforcement	63,965	63,965	39,012	24,953
Vehicle Maintenance	95,511	95,511	87,852	7,659
Parks	84,539	84,539	58,832	25,707
Community Center	11,000	11,000	7,115	3,885
Library	71,713	71,713	65,062	6,651
<i>Capital Outlay</i>	107,991	107,991	403,083	(295,092)
<i>Debt Service:</i>				
Principal	20,165	20,165	126,342	(106,177)
Interest	2,644	2,644	6,440	(3,796)
TOTAL EXPENDITURES	<u>3,266,024</u>	<u>3,266,024</u>	<u>3,157,599</u>	<u>108,425</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,557,418)</u>	<u>(1,557,418)</u>	<u>(1,527,630)</u>	<u>29,788</u>
OTHER FINANCING SOURCES (USES)				
Sale of Equipment	-	-	17,878	17,878
Transfers In	1,557,418	1,557,418	1,239,627	(317,791)
TOTAL OTHER FINANCING SOURCES (USES)	<u>1,557,418</u>	<u>1,557,418</u>	<u>1,257,505</u>	<u>(299,913)</u>
Net Change in Fund Balance	<u>-</u>	<u>-</u>	<u>(270,125)</u>	<u>(270,125)</u>
Fund Balances, Beginning	<u>557,143</u>	<u>557,143</u>	<u>557,143</u>	<u>-</u>
Fund Balances, Ending	<u>\$ 557,143</u>	<u>\$ 557,143</u>	<u>\$ 287,018</u>	<u>\$ (270,125)</u>

CITY OF TAFT
SCHEDULE OF CHANGES – NET PENSION LIABILITY AND RELATED RATIOS
LAST TEN PLAN YEARS*

	Total Pension Liability			
	2014	2015	2016	2017
Service Cost	\$ 178,906	\$ 166,770	\$ 164,979	\$ 182,378
Interest (on the Total Pension Liability)	183,803	192,863	209,567	213,745
Changes of Benefit Terms	-	-	-	-
Difference between Expected and Actual Experience	(81,571)	36,416	(157,954)	(123)
Change of Assumptions	-	101,816	-	-
Benefit Payments, Including Refunds of Employee Contributions	(142,737)	(142,536)	(152,381)	(174,425)
Net Change in Total Pension Liability	138,401	355,329	64,211	221,575
Total Pension Liability - Beginning	2,604,671	2,743,072	3,098,401	3,162,612
Total Pension Liability - Ending	<u>\$ 2,743,072</u>	<u>\$ 3,098,401</u>	<u>\$ 3,162,612</u>	<u>\$ 3,384,187</u>
	Plan Fiduciary Net Position			
	2014	2015	2016	2017
Contributions - Employer	\$ 104,293	\$ 119,931	\$ 118,619	\$ 142,494
Contributions - Employee	77,790	74,499	69,486	68,933
Net Investment Income	114,128	3,171	149,095	330,661
Benefit Payments, Including Refunds of Employee Contributions	(142,737)	(142,536)	(152,381)	(174,425)
Administrative Expense	(1,191)	(1,930)	(1,679)	(1,712)
Other	(98)	(95)	(91)	(86)
Net Change in Plan Fiduciary Net Position	152,185	53,040	183,049	365,865
Plan Fiduciary Net Position - Beginning	1,994,730	2,146,915	2,199,955	2,383,004
Plan Fiduciary Net Position - Ending	<u>\$ 2,146,915</u>	<u>\$ 2,199,955</u>	<u>\$ 2,383,004</u>	<u>\$ 2,748,869</u>
Net Pension Liability - Ending	\$ 596,157	\$ 898,446	\$ 779,608	\$ 635,318
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	78.27%	71.00%	75.35%	81.23%
Covered Payroll	\$ 1,111,280	\$ 1,064,265	\$ 992,656	\$ 984,762
Net Pension Liability as a Percentage of Covered Payroll	53.65%	84.42%	78.54%	64.51%

*GASB 68 requires 10 years of data to be provided in this schedule. The City will develop the schedule prospectively as data becomes available.

Total Pension Liability			
2018	2019	2020	2021
\$ 168,576	\$ 208,017	\$ 207,625	\$ 222,882
225,316	229,330	234,458	249,208
-	-	-	-
(75,996)	(106,121)	(457)	12,235
	8,098	-	-
(260,923)	(295,368)	(230,944)	(230,549)
56,973	43,956	210,682	253,776
3,384,187	3,441,160	3,485,116	3,695,798
<u>\$ 3,441,160</u>	<u>\$ 3,485,116</u>	<u>\$ 3,695,798</u>	<u>\$ 3,949,574</u>

Plan Fiduciary Net Position			
2018	2019	2020	2021
\$ 140,360	\$ 176,267	\$ 188,923	\$ 199,239
61,237	72,952	73,963	83,971
(82,359)	402,386	224,283	417,649
(260,923)	(295,368)	(230,944)	(230,549)
(1,591)	(2,276)	(1,454)	(1,939)
(84)	(67)	(59)	14
(143,360)	353,894	254,712	468,385
2,748,869	2,605,509	2,959,403	3,214,115
<u>\$ 2,605,509</u>	<u>\$ 2,959,403</u>	<u>\$ 3,214,115</u>	<u>\$ 3,682,500</u>

\$ 835,651	\$ 525,713	\$ 481,683	\$ 267,074
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75.72%	84.92%	86.97%	93.24%
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\$ 874,813	\$ 1,042,171	\$ 1,056,618	\$ 1,199,580
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95.52%	50.44%	45.59%	22.26%
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CITY OF TAFT
SCHEDULE OF CITY PENSION CONTRIBUTIONS
LAST TEN FISCAL YEARS*

<u>Fiscal Year Ending September 30,</u>	<u>Actuarially Determined Contributions</u>	<u>Contributions in Relation to the Actuarially Determined Contributions</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
2016	\$ 114,529	\$ 114,529	\$ -	\$ 1,020,793	11.2%
2017	120,783	120,783	-	1,000,324	12.1%
2018	132,585	132,585	-	985,310	13.5%
2019	139,238	139,238	-	894,088	15.6%
2020	181,294	181,294	-	1,029,037	17.6%
2021	192,622	192,622	-	1,135,666	17.0%
2022	206,464	206,464	-	1,326,839	15.6%

*GASB 68 requires 10 fiscal years of data to be provided in this schedule. The City will develop the schedule prospectively as data becomes available.

CITY OF TAFT
SCHEDULE OF CHANGES – TOTAL OTHER POST-EMPLOYMENT BENEFIT LIABILITY
AND RELATED RATIOS
LAST TEN PLAN YEARS*

	Total OPEB Liability				
	2017	2018	2019	2020	2021
Service Cost	\$ 3,742	\$ 3,674	\$ 3,439	\$ 4,860	\$ 6,718
Interest on Total OPEB Liability	3,017	3,031	4,736	2,911	2,064
Changes of Benefit Terms	-	-	-	-	-
Difference between Expected and Actual Experience	-	35,500	(43,046)	(19,532)	3,603
Change of Assumptions or Other Inputs	5,693	(5,130)	13,650	10,856	2,920
Benefit Payments	(689)	(612)	(1,146)	(1,479)	(3,839)
Net Change in Total OPEB Liability	11,763	36,463	(22,367)	(2,384)	11,466
Total OPEB Liability - Beginning	78,288	90,051	126,514	104,147	101,763
Total OPEB Liability - Ending	<u>\$ 90,051</u>	<u>\$ 126,514</u>	<u>\$ 104,147</u>	<u>\$ 101,763</u>	<u>\$ 113,229</u>
Covered-Employee Payroll	\$ 984,762	\$ 874,813	\$ 1,042,171	\$ 1,056,618	\$ 1,199,580
Total OPEB Liability as a Percentage of Covered-Employee Payroll	9.14%	14.46%	9.99%	9.63%	9.44%

*GASB Statement No. 75 requires 10 years of data to be provided in this schedule. The City will develop the schedule prospectively as data becomes available.

No assets are accumulated in a trust that meets the criteria in of GASB Codification P22.101 or P52.101 to pay related benefits.

CITY OF TAFT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2022

Budgetary Information

The budget is prepared in accordance with accounting principles generally accepted in the United States of America. The City maintains strict budgetary controls. The objective of these controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Council and as such is a good management control device. Annual budgets are adopted for all governmental funds except the capital projects funds. Project-length financial plans are adopted for capital projects funds.

Budgetary preparation and control is exercised at the department level. Actual expenditures may not legally exceed appropriations at the fund level. The city manager may transfer budgeted amounts within departments within any fund; however, transfers between departments and funds must be approved by City Council.

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrances 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 utilized in the governmental funds. Encumbrances lapse at year-end and do not constitute expenditures or liabilities because the commitments must be reappropriated and honored during the subsequent year.

Pension Plan

Valuation Date:

Actuarially determined contribution rates are calculated as of December 31 and become effective in January, thirteen (13) months later.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	23 Years
Asset Valuation Method	10 Year Smoothed Market; 12% Soft Corridor
Inflation	2.50%
Salary Increases	3.50% to 11.5% Including Inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014 - 2018.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB (10) mortality tables, with the public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

Other Information

Notes

There were no benefit changes during the year.

CITY OF TAFT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
SEPTEMBER 30, 2022

Other Postemployment Benefit

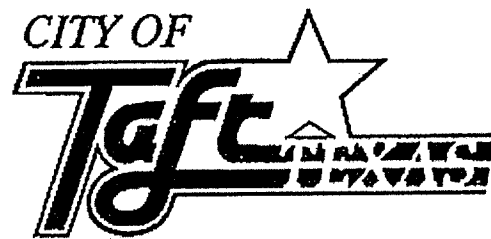
Inflation	2.50%
Salary Increases	3.50% to 11.50% Including Inflation
Discount Rate	1.84% (Fidelity Index's 20-Year Municipal GO AA Index)
Administrative Expenses	All administrative expenses are paid throe the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality Rates - Service Retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality Rates - Disabled Retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In additional, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

Changes in Benefits:

None

Changes in Assumptions:

2021	Discount rate reduced to 1.84%
2020	Discount rate reduced to 2.00%
2019	Discount rate reduced to 2.75%
2018	Discount rate increased to 3.71%
2017	Discount rate reduced to 3.31%



SUPPLEMENTARY INFORMATION

Supplementary information includes combining nonmajor individual fund statements which are not required by the GASB, nor a part of the basic financial statements.

Such statements and schedules include:

- Combining Statements – Nonmajor Governmental Funds
- Comparative Individual Major Fund Statements:
 - General Fund
 - Water Fund
 - Wastewater Fund
 - Sanitation Fund

CITY OF TAFT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2022

	Special Revenue Funds					Total Nonmajor Funds
	Firemens' Fund	Child Safety	Municipal Court	Animal Control Donations	Street Maintenance	
ASSETS						
Cash and Cash Equivalents	\$ 243,785	\$ 13,207	\$ 125,274	\$ 29,190	\$ 152,779	\$ 564,235
Receivables (net of allowances):						
Sales Tax	-	-	-	-	12,408	12,408
Due from Other Funds	-	-	-	-	24,329	24,329
TOTAL ASSETS	<u>\$ 243,785</u>	<u>\$ 13,207</u>	<u>\$ 125,274</u>	<u>\$ 29,190</u>	<u>\$ 189,516</u>	<u>\$ 600,972</u>
LIABILITIES AND FUND BALANCE						
<i>Liabilities:</i>						
Accounts Payable	\$ -	\$ -	\$ 8,594	\$ -	\$ -	\$ 8,594
Due to Other Funds	175,000	-	-	-	-	175,000
<i>Total Liabilities</i>	<u>175,000</u>	<u>-</u>	<u>8,594</u>	<u>-</u>	<u>-</u>	<u>183,594</u>
<i>Fund Balance:</i>						
Restricted For:						
Municipal Court	-	-	116,680	-	-	116,680
Animal Control	-	-	-	29,190	-	29,190
Fire Department	68,785	-	-	-	-	68,785
Police Department	-	13,207	-	-	-	13,207
Street Maintenance	-	-	-	-	189,516	189,516
<i>Total Fund Balances</i>	<u>68,785</u>	<u>13,207</u>	<u>116,680</u>	<u>29,190</u>	<u>189,516</u>	<u>417,378</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 243,785</u>	<u>\$ 13,207</u>	<u>\$ 125,274</u>	<u>\$ 29,190</u>	<u>\$ 189,516</u>	<u>\$ 600,972</u>

CITY OF TAFT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Special Revenue Funds					Total Nonmajor Funds
	Firemens' Fund	Police Donations & Forfeitures	Municipal Court	Animal Control Donations	Street Maintenance	
REVENUES						
Sales Tax	\$ -	\$ -	\$ -	\$ -	\$ 74,002	\$ 74,002
Grants and Donations	81,899	2,200	-	-	-	84,099
Fines and Forfeitures	-	-	10,174	-	-	10,174
TOTAL REVENUES	<u>81,899</u>	<u>2,200</u>	<u>10,174</u>	<u>-</u>	<u>74,002</u>	<u>168,275</u>
EXPENDITURES						
<i>Current:</i>						
Court	-	-	10,250	-	-	10,250
Fire Department	66,658	-	-	-	-	66,658
Streets	-	-	-	-	40,000	40,000
<i>Capital Outlay</i>	24,983	-	-	-	-	24,983
<i>Debt Service:</i>						
Principal	30,282	-	-	-	-	30,282
Interest	10,375	-	-	-	-	10,375
TOTAL EXPENDITURES	<u>132,298</u>	<u>-</u>	<u>10,250</u>	<u>-</u>	<u>40,000</u>	<u>182,548</u>
Net Change in Fund Balance	(50,399)	2,200	(76)	-	34,002	(14,273)
Fund Balances, Beginning	119,184	11,007	116,756	29,190	155,514	431,651
Fund Balances, Ending	<u>\$ 68,785</u>	<u>\$ 13,207</u>	<u>\$ 116,680</u>	<u>\$ 29,190</u>	<u>\$ 189,516</u>	<u>\$ 417,378</u>

CITY OF TAFT
BALANCE SHEET – GENERAL FUND
SEPTEMBER 30, 2022 AND 2021

	2022	2021
ASSETS		
Cash and Cash Equivalents	\$ 938,136	\$ 1,176,519
Investments	10,203	10,203
Receivables (net of allowances):		
Property Taxes	177,818	145,004
Sales Tax	49,634	51,688
Other	48,201	218,899
Due from Other Funds	175,000	16,574
Prepaid Items	34,496	20,781
TOTAL ASSETS	<u><u>\$ 1,433,488</u></u>	<u><u>\$ 1,639,668</u></u>
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES		
<i>Liabilities:</i>		
Accounts Payable	\$ 138,939	\$ 448,498
Accrued Wages	17,647	47,079
Due to Other Funds	24,329	5,612
Unearned Grant Revenue	792,235	436,332
<i>Total Liabilities</i>	<u>973,150</u>	<u>937,521</u>
 <i>Deferred Inflows of Resources:</i>		
Unavailable Property Tax Revenue	173,320	145,004
<i>Total Deferred Inflows of Resources</i>	<u>173,320</u>	<u>145,004</u>
 <i>Fund Balances:</i>		
Nonspendable:		
Prepaid Items	34,496	20,781
Restricted For:		
Radios	-	57,000
Fire Truck Purchase	-	121,855
Unassigned	252,522	357,507
<i>Total Fund Balances</i>	<u>287,018</u>	<u>557,143</u>
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u><u>\$ 1,433,488</u></u>	<u><u>\$ 1,639,668</u></u>

CITY OF TAFT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GENERAL FUND
FOR THE YEARS ENDING SEPTEMBER 30, 2022 AND 2021

	2022	2021
REVENUES		
Property Taxes	\$ 611,269	\$ 516,817
Sales and Mixed Beverage Taxes	296,009	293,322
Franchise Taxes	123,148	120,932
Occupancy Tax	3,485	3,725
Licenses and Permits	105,797	67,974
Grants and Donations	288,022	232,010
Fines and Forfeitures	81,924	89,887
Antenna Income	34,711	30,368
Investment Earnings	9	27
Miscellaneous	85,595	164,433
TOTAL REVENUES	<u>1,629,969</u>	<u>1,519,495</u>
EXPENDITURES		
<i>Current</i>		
General Government	700,818	678,232
Court	64,366	58,704
Administration	140,835	30,217
City Secretary	65,819	45,883
Finance	235,898	200,286
Tax Collection	14,412	13,899
Police	640,104	680,951
Fire Department	35,837	8,270
EMS	175,000	175,000
Vector Control	195	5,404
Streets	156,490	172,376
Inspections	87,604	84,337
Animal Control	46,483	49,651
Code Enforcement	39,012	41,176
Vehicle Maintenance	87,852	79,114
Parks	58,832	65,474
Community Center	7,115	21,683
Library	65,062	51,962
<i>Capital Outlay</i>	403,083	442,794
<i>Debt Service:</i>		
Principal	126,342	22,045
Interest and Fiscal Charges	6,440	3,505
TOTAL EXPENDITURES	<u>3,157,599</u>	<u>2,930,963</u>
Excess (Deficiency) of Revenues		
Over (Under) Expenditures	<u>(1,527,630)</u>	<u>(1,411,468)</u>
OTHER FINANCING SOURCES (USES)		
Sales of Capital Assets	17,878	-
Transfers In	1,239,627	852,757
Issuance of Note Payable	-	346,987
TOTAL OTHER FINANCING SOURCES	<u>1,257,505</u>	<u>1,199,744</u>
Net Change in Fund Balance	(270,125)	(211,724)
Fund Balances, Beginning	557,143	768,867
Fund Balances, Ending	<u>\$ 287,018</u>	<u>\$ 557,143</u>

CITY OF TAFT
STATEMENT OF NET POSITION – WATER FUND
SEPTEMBER 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
<i>Current Assets:</i>		
Cash and Cash Equivalents	\$ -	\$ -
Accounts Receivable, Net of Allowance:		
Customer Accounts	195,892	250,596
Inventory	<u>9,012</u>	<u>9,012</u>
<i>Total Current Assets</i>	<u>204,904</u>	<u>259,608</u>
<i>Noncurrent Assets:</i>		
Capital Assets:		
Water System (net)	397,635	411,260
Equipment (net)	<u>113,344</u>	<u>124,748</u>
<i>Total Noncurrent Assets</i>	<u>510,979</u>	<u>536,008</u>
TOTAL ASSETS	<u>715,883</u>	<u>795,616</u>
 DEFERRED OUTFLOWS OF RESOURCES		
Deferred Pension Related Outflows	36,496	34,656
Deferred OPEB Related Outflows	<u>6,011</u>	<u>5,431</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>42,507</u>	<u>40,087</u>
TOTAL ASSETS & DEFERRED OUTFLOWS	<u>\$ 758,390</u>	<u>\$ 835,703</u>
 LIABILITIES		
<i>Current Liabilities:</i>		
Accounts Payable	\$ 46,198	\$ 16,469
Accrued Wages	3,054	8,061
Accrued Interest	836	1,229
Customer Deposits Payable	169,006	165,531
Accrued Compensated Absences	1,381	6,403
Current Portion of Long-term Debt	<u>19,535</u>	<u>18,749</u>
<i>Total Current Liabilities</i>	<u>240,010</u>	<u>216,442</u>
<i>Noncurrent Liabilities:</i>		
Long-term Debt (Net of Current Portion)	20,354	39,889
Net Pension Liability	36,456	65,813
Total Other Postemployment Benefit Liability	<u>15,528</u>	<u>13,960</u>
<i>Total Noncurrent Liabilities</i>	<u>72,338</u>	<u>119,662</u>
TOTAL LIABILITIES	<u>312,348</u>	<u>336,104</u>
 DEFERRED INFLOWS OF RESOURCES		
Deferred Pension Related Inflows	38,925	21,171
Deferred OPEB Related Inflows	<u>6,312</u>	<u>6,721</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>45,237</u>	<u>27,892</u>
 NET POSITION		
Net Investment in Capital Assets	471,090	477,370
Unrestricted (Deficit)	<u>(70,285)</u>	<u>(5,663)</u>
TOTAL NET POSITION	<u>400,805</u>	<u>471,707</u>
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 758,390</u>	<u>\$ 835,703</u>

CITY OF TAFT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
WATER FUND
FOR THE YEARS ENDING SEPTEMBER 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
OPERATING REVENUES		
Charges for Services	\$ 1,135,097	\$ 1,094,280
Penalties and Fees	92,043	21,698
Other Charges	<u>67,170</u>	<u>35,975</u>
TOTAL OPERATING REVENUES	<u>1,294,310</u>	<u>1,151,953</u>
OPERATING EXPENSES		
Personnel	161,661	158,110
Administration and Other	4,860	5,179
Maintenance	197,748	59,090
Water Purchases	378,043	431,986
Depreciation	<u>25,030</u>	<u>24,637</u>
TOTAL OPERATING EXPENSES	<u>767,342</u>	<u>679,002</u>
OPERATING INCOME (LOSS)	<u>526,968</u>	<u>472,951</u>
NONOPERATING REVENUES (EXPENSES)		
Grants and Donations	65,000	-
Interest Expense	<u>(2,064)</u>	<u>(4,624)</u>
TOTAL NONOPERATING REVENUES	<u>62,936</u>	<u>(4,624)</u>
INCOME BEFORE TRANSFERS	<u>589,904</u>	<u>468,327</u>
TRANSFERS		
Transfers Out	<u>(660,806)</u>	<u>(320,119)</u>
TOTAL TRANSFERS	<u>(660,806)</u>	<u>(320,119)</u>
CHANGE IN NET POSITION	(70,902)	148,208
NET POSITION AT BEGINNING OF YEAR	<u>471,707</u>	<u>323,499</u>
NET POSITION AT END OF YEAR	<u>\$ 400,805</u>	<u>\$ 471,707</u>

CITY OF TAFT
STATEMENT OF NET POSITION – WASTEWATER FUND
SEPTEMBER 30, 2022 AND 2021

	2022	2021
ASSETS		
<i>Current Assets:</i>		
Cash and Cash Equivalents	\$ -	\$ 124,663
Accounts Receivable, Net of Allowance:		
Customer Accounts	141,054	143,302
<i>Total Current Assets</i>	<u>141,054</u>	<u>267,965</u>
<i>Noncurrent Assets:</i>		
Capital Assets:		
Wastewater System (net)	4,779,160	4,804,406
Equipment (net)	97,488	34,609
<i>Total Noncurrent Assets</i>	<u>4,876,648</u>	<u>4,839,015</u>
TOTAL ASSETS	<u>5,017,702</u>	<u>5,106,980</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Pension Related Outflows	19,886	19,217
Deferred OPEB Related Outflows	3,109	2,899
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>22,995</u>	<u>22,116</u>
TOTAL ASSETS & DEFERRED OUTFLOWS	<u>\$ 5,040,697</u>	<u>\$ 5,129,096</u>
LIABILITIES		
<i>Current Liabilities:</i>		
Accounts Payable	\$ 5,892	\$ 1,351
Accrued Wages	-	1,706
Accrued Interest	2,047	1,797
Accrued Compensated Absences	-	1,602
Current Portion of Long-term Debt	212,781	278,405
<i>Total Current Liabilities</i>	<u>220,720</u>	<u>284,861</u>
<i>Noncurrent Liabilities:</i>		
Long-term Debt (Net of Current Portion)	3,729,596	4,134,590
Net Pension Liability	26,899	37,566
Total Other Postemployment Benefit Liability	8,380	7,810
<i>Total Noncurrent Liabilities</i>	<u>3,764,875</u>	<u>4,179,966</u>
TOTAL LIABILITIES	<u>3,985,595</u>	<u>4,464,827</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred Pension Related Inflows	18,977	12,526
Deferred OPEB Related Inflows	3,298	3,447
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>22,275</u>	<u>15,973</u>
NET POSITION		
Net Investment in Capital Assets	934,271	426,020
Unrestricted (Deficit)	98,556	222,276
TOTAL NET POSITION	<u>1,032,827</u>	<u>648,296</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 5,040,697</u>	<u>\$ 5,129,096</u>

CITY OF TAFT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
WASTERWATER FUND
FOR THE YEARS ENDING SEPTEMBER 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
OPERATING REVENUES		
Charges for Services	\$ 748,194	\$ 696,809
Other Charges	<u>8,000</u>	<u>-</u>
TOTAL OPERATING REVENUES	<u>756,194</u>	<u>696,809</u>
OPERATING EXPENSES		
Personnel	97,424	102,836
Administration and Other	3,223	3,548
Maintenance	87,726	46,170
Depreciation	<u>178,894</u>	<u>169,416</u>
TOTAL OPERATING EXPENSES	<u>367,267</u>	<u>321,970</u>
OPERATING INCOME (LOSS)	<u>388,927</u>	<u>374,839</u>
NONOPERATING REVENUES (EXPENSES)		
Bond Defeasance Costs	(18,750)	-
Interest Expense	<u>(20,184)</u>	<u>(22,994)</u>
TOTAL NONOPERATING REVENUES	<u>(38,934)</u>	<u>(22,994)</u>
INCOME BEFORE TRANSFERS	<u>349,993</u>	<u>351,845</u>
TRANSFERS		
Transfers In	576,467	290,200
Transfers Out	<u>(541,929)</u>	<u>(532,637)</u>
TOTAL TRANSFERS	<u>34,538</u>	<u>(242,437)</u>
CHANGE IN NET POSITION	384,531	109,408
NET POSITION AT BEGINNING OF YEAR	<u>648,296</u>	<u>538,888</u>
NET POSITION AT END OF YEAR	<u><u>\$ 1,032,827</u></u>	<u><u>\$ 648,296</u></u>

CITY OF TAFT
STATEMENT OF NET POSITION – SANITATION FUND
SEPTEMBER 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
<i>Current Assets:</i>		
Cash and Cash Equivalents	\$ -	\$ -
Accounts Receivable, Net of Allowance:		
Customer Accounts	<u>103,618</u>	<u>119,726</u>
<i>Total Current Assets</i>	<u>103,618</u>	<u>119,726</u>
<i>Noncurrent Assets:</i>		
Capital Assets:		
Equipment (net)	<u>981</u>	<u>1,770</u>
<i>Total Noncurrent Assets</i>	<u>981</u>	<u>1,770</u>
TOTAL ASSETS	<u>104,599</u>	<u>121,496</u>
 DEFERRED OUTFLOWS OF RESOURCES		
Deferred Pension Related Outflows	20,263	19,183
Deferred OPEB Related Outflows	<u>3,225</u>	<u>2,884</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>23,488</u>	<u>22,067</u>
TOTAL ASSETS & DEFERRED OUTFLOWS	<u><u>\$ 128,087</u></u>	<u><u>\$ 143,563</u></u>
 LIABILITIES		
<i>Current Liabilities:</i>		
Accounts Payable	\$ 39,717	\$ 30,068
Accrued Wages	581	3,325
Due to Other Funds	-	16,574
Accrued Compensated Absences	<u>782</u>	<u>1,512</u>
<i>Total Current Liabilities</i>	<u>41,080</u>	<u>51,479</u>
<i>Noncurrent Liabilities:</i>		
Net Pension Liability	20,449	37,689
Total Other Postemployment Benefit Liability	<u>8,738</u>	<u>7,817</u>
<i>Total Noncurrent Liabilities</i>	<u>29,187</u>	<u>45,506</u>
TOTAL LIABILITIES	<u>70,267</u>	<u>96,985</u>
 DEFERRED INFLOWS OF RESOURCES		
Deferred Pension Related Inflows	23,046	12,619
Deferred OPEB Related Inflows	<u>3,171</u>	<u>3,411</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>26,217</u>	<u>16,030</u>
 NET POSITION		
Net Investment in Capital Assets	981	1,770
Unrestricted (Deficit)	<u>30,622</u>	<u>28,778</u>
TOTAL NET POSITION	<u>31,603</u>	<u>30,548</u>
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u><u>\$ 128,087</u></u>	<u><u>\$ 143,563</u></u>

CITY OF TAFT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
SANITATION FUND
FOR THE YEARS ENDING SEPTEMBER 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
OPERATING REVENUES		
Charges for Services	\$ 622,163	\$ 600,052
TOTAL OPERATING REVENUES	<u>622,163</u>	<u>600,052</u>
OPERATING EXPENSES		
Personnel	167,835	114,041
Administration and Other	4,092	6,052
Maintenance	13,663	8,732
Garbage Service	397,837	382,573
Depreciation	789	396
TOTAL OPERATING EXPENSES	<u>584,216</u>	<u>511,794</u>
OPERATING INCOME (LOSS)	<u>37,947</u>	<u>88,258</u>
TRANSFERS		
Transfers Out	(36,892)	-
TOTAL TRANSFERS	<u>(36,892)</u>	<u>-</u>
CHANGE IN NET POSITION	1,055	88,258
NET POSITION AT BEGINNING OF YEAR	<u>30,548</u>	<u>(57,710)</u>
NET POSITION AT END OF YEAR	<u>\$ 31,603</u>	<u>\$ 30,548</u>



COMPLIANCE SECTION



Armstrong, Vaughan & Associates, P. C.

Certified Public Accountants

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

INDEPENDENT AUDITOR'S REPORT

To the City Council and management
City of Taft

We have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Taft as of and for the year ended September 30, 2022, 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 March 23, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered 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 City of Taft's internal control. Accordingly, we do not express an opinion on the effectiveness of 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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

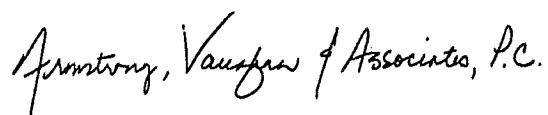
Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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*.

We noted certain matters that we have reported to management of City of Taft in a separate letter dated March 23, 2023.

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.



Armstrong, Vaughan & Associates, P.C.

March 23, 2023

