CITY OF TAFT, TEXAS

FINANCIAL STATEMENTS AS OF

SEPTEMBER 30, 2023

TOGETHER WITH INDEPENDENT AUDITORS' REPORT THEREON

AND SUPPLEMENTARY INFORMATION

Prepared by:

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The Accounting Firm
PUBLIC ACCOUNTANT
Donald L. Allman, CPA, PC

Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Taft, Texas, as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the City of Taft, Texas's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discreetly presented component unit, each major fund, and the aggregate remaining fund information of the City of Taft, Texas, as of September 30, 2023, 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 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, Texas 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

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, Texas'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 generally accepted auditing standards and *Government Auditing Standards* 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 generally accepted auditing standards and *Government Auditing Standards*, 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 the City of Taft, Texas'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 the City of Taft, Texas'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 and budgetary comparison information on pages 3-9 and 37-38 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 13, 2024, on our consideration of the City of Taft, Texas 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 solely 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 effectiveness of the City of Taft, Texas's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Taft, Texas internal control over financial reporting and compliance.

Donald L. Allman, CPA, P.C.

Georgetown, TX
October 13, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

In this section of the Annual Financial Report, we, the Administrators of City of Taft, Texas, discuss and analyze the City's financial performance for the fiscal year ended September 30, 2023. Please read it in conjunction with the independent auditors' report on page 1, and the City's Basic Financial Statements which begin on page 13.

FINANCIAL HIGHLIGHTS

- The City's net position decreased by $(534,232) as a result of this year's operations.
- The General Fund ended the fiscal year with a decrease of $(901,227) in net position, and the Proprietary Fund ended the fiscal year with an increase of $366,995.
- The General Fund, Debt Service Fund, and Other Governmental Funds ended the fiscal year with a $838,231 increase in Governmental Funds net position.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities (on pages 13 through 15). These provide information about the activities of the City as a whole and present a longer-term view of the City's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements (starting on page 16) report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. For governmental activities, these statements tell how services were finance in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget. Proprietary statements provide the same type of information as the government-wide financial statements, only in more detail.

The notes to the financial statements (starting on page 24) provide narrative explanations or additional data needed for full disclosure in the government-wide statements and the fund financial statements.

USING THIS ANNUAL REPORT (continued)

Reporting the City as a Whole

The statement of Net Position and the Statement of Activities

The analysis of the City's overall financial condition and operations begins on page 13. Its primary purpose is to show whether the City is better or worse off as a result of the year's activities. The Statement of Net Position includes all of the City's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the City's operations during the year.

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes). Both the statement of net position and the statement of activities are prepared utilizing the accrual basis of accounting as opposed to the modified accrual basis used in prior reporting models.

These two statements report the City's net position and the changes in them. The City's net position (the difference between assets and liabilities) provide one measure of the City's financial health or financial position. Over time, increases or decreases in the City's net position are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the City however you should consider non-financial factors as well, such as changes in the property tax base and the condition of the City's facilities.

In the Statement of Net Position and the Statement of Activities, the City is divided into two kinds of activities.

> Governmental activities-Most of the City's basic services are reported here, including the police, streets, culture & recreation, and general government. Property taxes, sales taxes and franchise fees finance most of these activities.
>
> Business-type activities – The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's water and sewer system activities are reported here.

USING THIS ANNUAL REPORT (continued)

Reporting the City's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds – not the City as a whole. Some funds are required to be established by state law and by bond covenants. The City's two kinds of funds – governmental and proprietary – utilize different accounting approaches.

Governmental funds – The majority of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method identified as the modified accrual basis of accounting, which measure cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. By comparing information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements readers may better understand the long-term impact of the government's near-term financing decisions. The relationships or differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental fund is detailed in a reconciliation following the fund financial statements.

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. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the City's enterprise funds are identical to the business-type activities that are reported in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

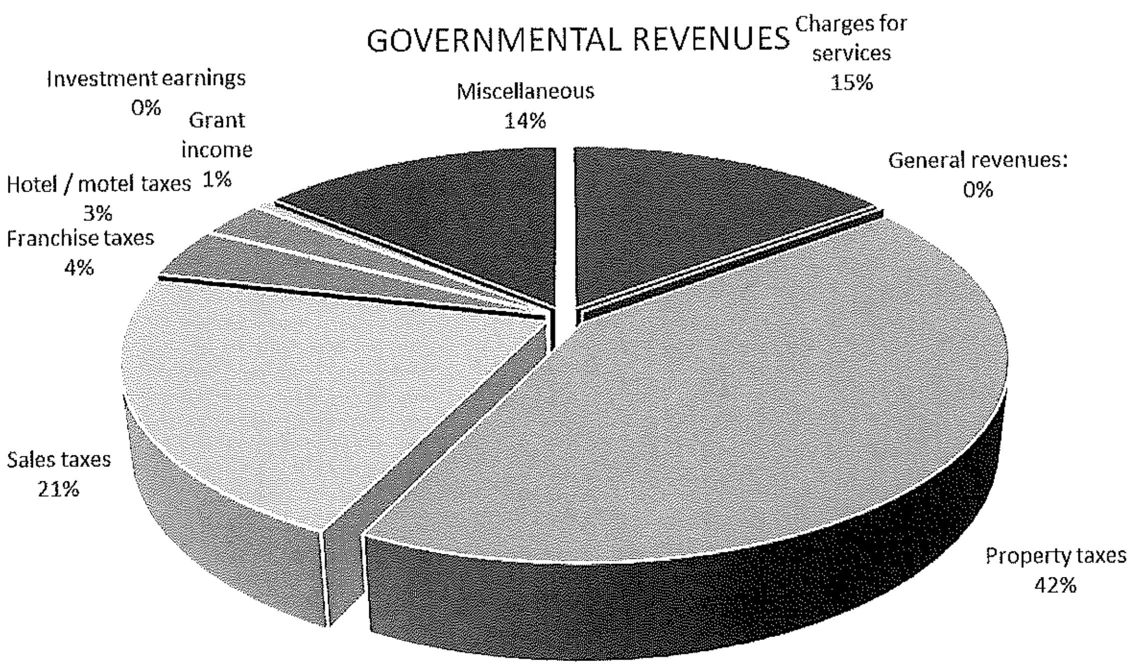
GOVERNMENT-WIDE FINANCIAL ANALYSIS

The City's combined net position was $6,059,084 as of September 30, 2023. Analyzing the net position and net expenses of governmental and business-type activities separately, the business-type activities net position are $1,832,230 and the general fund net position was $4,226,854. The following analysis focuses on the net position (Table I) and general revenues and significant expenses of the City's governmental and business-type activities (Table II).

Management's Discussion and Analysis
City of Taft, Texas
Table I
NET POSITION

STATEMENT OF NET POSITION
As of September 30, 2023

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Current and other assets	$ 2,184,973	$ 2,036,500	$ 868,547	$ 449,576	$ 3,053,520	$ 2,486,076
Capital assets, net	5,973,220	4,751,462	5,355,299	5,388,608	11,328,519	10,140,070
Total Assets	8,158,193	6,787,962	6,223,846	5,838,184	14,382,039	12,626,146
Deferred Outflows of Resources	365,248	83,586	222,390	88,990	587,638	172,576
Long-term liabilities	3,442,381	623,462	3,739,531	4,098,716	7,181,912	4,722,178
Other liabilities	535,646	978,530	698,273	269,494	1,233,919	1,248,024
Total Liabilities	3,978,027	1,601,992	4,437,804	4,368,210	8,415,831	5,970,202
Deferred Inflows of Resources	318,560	141,475	176,202	93,729	494,762	235,204
Net investment in capital assets	2,331,828	4,391,853	1,605,349	1,406,342	3,937,177	5,798,195
Restricted	878,994	616,025	237,121	-	1,116,115	616,025
Unrestricted	1,016,032	120,203	(10,240)	58,893	1,005,792	179,096
Total Net Position	$ 4,226,854	$ 5,128,081	$ 1,832,230	$ 1,465,235	$ 6,059,084	$ 6,593,316



Management's Discussion and Analysis
City of Taft, Texas
Table II

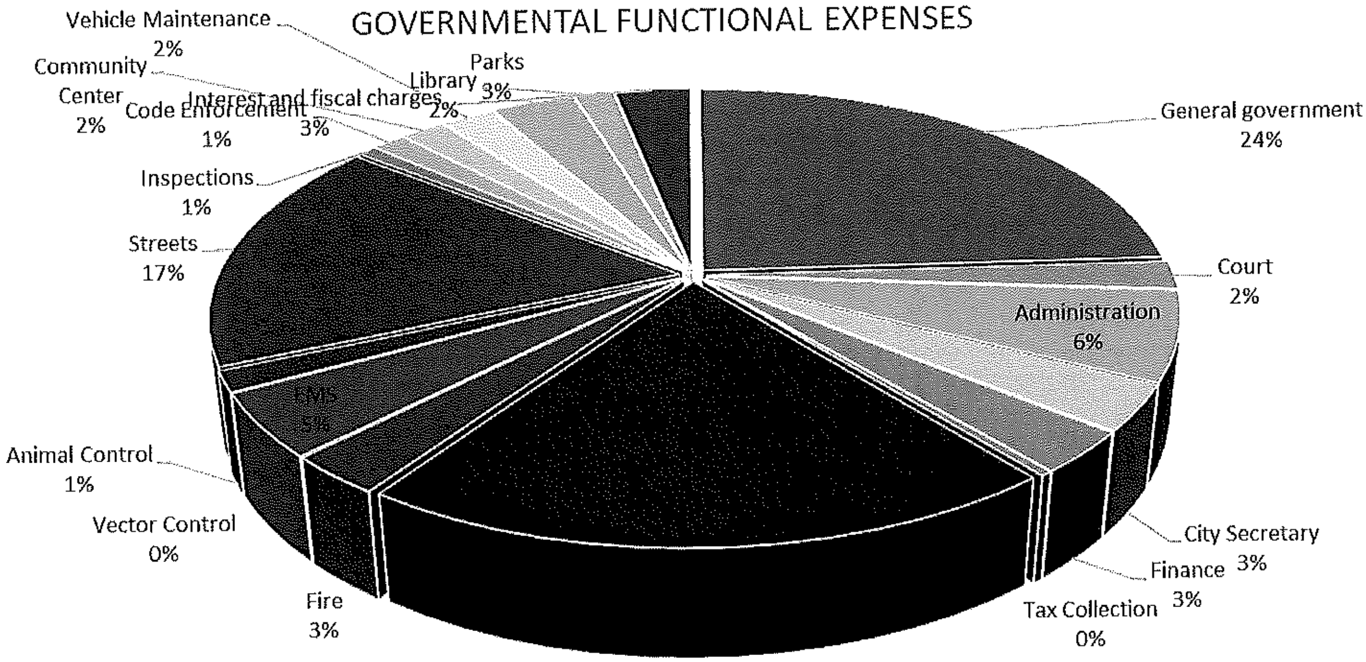
CHANGE IN NET POSITION

STATEMENT OF CHANGES IN NET POSITION

For the Fiscal Year Ended September 30, 2023

	Governmental Activities 2023	2022	Business-Type Activities 2023	2022	Totals 2023	2022
Revenues						
Program revenues:						
Charges for services	434,156	264,123	2,791,668	2,672,667	3,225,824	2,936,790
General revenues:						
Property taxes	$1,225,485	$ 923,214	$ -	$ -	$1,225,485	$ 923,214
Sales taxes	617,224	370,011	-	-	617,224	370,011
Franchise taxes	116,955	123,148	-	-	116,955	123,148
Hotel / motel taxes	82,222	3,485	-	-	82,222	3,485
Investment earnings	290	9	-	-	290	9
Grant income	17,666	377,161	-	65,000	17,666	377,161
Miscellaneous	399,701	68,354	24,000	-	423,701	68,354
Total Revenues	2,893,699	2,129,505	2,815,668	2,737,667	5,709,367	4,867,172
Expenses						
General government	1,005,743	904,014	-	-	1,005,743	904,014
Court	82,794	70,202			82,794	70,202
Administration	264,609	134,459			264,609	134,459
City Secretary	136,020	63,673			136,020	63,673
Finance	122,592	221,235			122,592	221,235
Tax Collection	14,014	14,412			14,014	14,412
Police	844,273	640,501	-	-	844,273	640,501
Fire	119,599	143,030			119,599	143,030
EMS	189,583	175,620			189,583	175,620
Vector Control	206	195			206	195
Animal Control	61,431	48,010			61,431	48,010
Streets	700,724	519,063	-	-	700,724	519,063
Inspections	30,626	87,604			30,626	87,604
Code Enforcement	56,636	37,524			56,636	37,524
Community Center	75,533	9,745	-	-	75,533	9,745
Vehicle Maintenance	92,282	85,958			92,282	85,958
Parks	138,573	79,605			138,573	79,605
Library	64,925	62,347	-	-	64,925	62,347
Interest and fiscal charges	128,936	13,845	4,803	-	133,739	13,845
Utility	-	-	2,109,697	1,759,823	2,109,697	1,759,823
Total Expenses	4,129,099	3,311,042	2,114,500	1,759,823	6,243,599	5,070,865
Increase (Decrease) in Net Position Before Transfers	(1,235,400)	(1,181,537)	701,168	977,844	(534,232)	(203,693)
Transfers in (out)	334,173	663,160	(334,173)	(663,160)	-	-
Change in Net Position	(901,227)	(518,377)	366,995	314,684	(534,232)	(203,693)
Net Position, Beginning	5,128,081	5,646,458	1,465,235	1,150,551	6,593,316	6,797,009
Net Position, Ending	$ 4,226,854	$ 5,128,081	$1,832,230	$1,465,235	$6,059,084	$6,593,316

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)



A large portion of the City's net position reflects its 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. The City uses these capital assets to provide services to citizens; consequently these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The balance of *unrestricted net position,* $1,005,792 may be used to meet the government's ongoing obligations to citizens and creditors.

For fiscal year 2023, revenues from governmental activities totaled $2,893,699. Property tax, sales tax, and charges for services are the largest components of revenues (78 percent respectively).

For fiscal year 2023, expenses for governmental activities totaled $4,129,099. The City's three largest funded programs are for general government, public safety and streets.

Charges for services of the City's business-type activities were $2,815,668 for the fiscal year ending September 30, 2023. Expenses for the City's business-type activities were $2,114,500. The City's largest expenses are the purchase of water, sewer, and salaries & related expenses.

THE CITY'S FUNDS

As the City completed the year, its governmental funds, as presented in the balance sheet on page 16, reported a combined fund balance of $1,542,627 which is higher than last year's total of $838,231.

Management's Discussion and Analysis
City of Taft, Texas

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2023, the City had $11,328,519 invested in a broad range of capital assets, including facilities and equipment and land. See the Capital Assets section of the footnotes for greater detail on capital assets and depreciation.

SCHEDULE OF CAPITAL ASSETS
(Net of Accumulated Depreciation)
30-Sep-23

	Governmental Activities		Business-Type Activities		Totals	
	2023	**2022**	**2023**	**2022**	**2023**	**2022**
Non-Depreciable Assets						
Land	$ 10,524	$ 10,524	$ -	$ -	$ 10,524	$ 10,524
Construction in progress	1,523,036	284,181	176,305	-	1,699,341	284,181
Depreciable Capital Assets						
Buildings and improvements	5,857,282	5,857,282	28,970	28,970	5,886,252	5,886,252
Equipment	12,088,878	11,489,065	288,470	288,470	12,377,348	11,777,535
Infrastructure	884,527	884,527	-	-	884,527	884,527
Water & Sewer System			10,433,515	10,433,515		10,433,515
Accumulated Depreciation	(14,391,027)	(13,774,117)	(5,571,961)	(5,362,347)		(19,136,464)
Totals	5,973,220	4,751,462	5,355,299	5,388,608	11,328,519	10,140,070

Debt

At September 30, 2023, the City had $6,897,362 in Notes, Leases and Bonds outstanding.
More detailed information about the City's long-term liabilities is presented in the Notes to the Financial Statement starting on page 26.

SCHEDULE OF LONG-TERM DEBT
30-Sep-23

	Governmental Activities		Business-Type Activities		Totals	
	2023	2022	2023	2022	2023	2022
Certificates of Obligation	$ 2,840,000	$ -	$ 3,657,000	$ 3,850,000	$ 6,497,000	$ 3,850,000
Notes Payable	307,412	359,609	92,950	132,266	400,362	491,875
Totals	$ 3,147,412	$ 359,609	$ 3,749,950	$ 3,982,266	$ 6,897,362	$ 4,341,875

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected and appointed officials considered service delivery and system maintenance costs when setting the fiscal year 2022-2023 budget and tax rate. Economic growth in the form of increased sales and investment in business and residential property has contributed to the City's tax base, but increase in costs and infrastructure maintenance needs are expected.

The City adopted a $10,663,191 budget for fiscal year 2022-2023. It will be funded through property taxes via a $0.66 tax rate, which is no increase in the property tax rate. Water and sewer charges, sales and franchise taxes, a General Land Office Grant, and other local revenues will help fund the budget.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

CITY OF TAFT, TEXAS
STATEMENT OF NET POSITION
September 30, 2023

	Primary Government			Component Unit	Component Unit
	Governmental Activities	Business-Type Activities	Totals	Taft Economic Development	Taft Quality Imp. Corporation
Assets					
Cash and cash equivalents	$ 786,212	$ 71,839	$ 858,051	$ 457,691	204,233
Restricted Cash	938,133	237,121	1,175,254		
Receivables, net	439,847	550,575	990,422	25,844	12,922
Prepaid expenses	20,781	-	20,781	-	2,200
Inventory	-	9,012	9,012	-	
Capital assets, Land CIP	1,533,560	-	1,533,560	415,920	
Capital assets, net	4,439,660	5,355,299	9,794,959	-	42,501
Total Assets	8,158,193	6,223,846	14,382,039	899,455	259,656
Deferred Outflows of Resources					
Deferred Outflows	365,248	222,390	587,638	-	-
Total Deferred Outflows of Resources	365,248	222,390	587,638	-	-
Liabilities					
Accounts payable and accruals	336,635	296,527	633,162	-	
Deposits	-	167,912	167,912		
Operating Lease Liability - Current	54,011	40,834	54,011		
Operating Lease Liability - Long term	253,401	-	253,401		
Long-term liabilities current portion	145,000	193,000	338,000	25,233	
Long-term liabilities due long term	3,188,980	3,739,531	6,928,511	172,876	
Total Liabilities	3,978,027	4,437,804	8,415,831	198,109	-
Deferred Inflows of Resources					
Deferred inflows	318,560	176,202	494,762	-	-
Total Deferred Inflows of Resources	318,560	176,202	494,762		
Net Position					
Net investment in capital assets	2,331,828	1,605,349	3,937,177	217,811	42,501
Restricted for:					
Debt service	340,752	237,121	577,873	-	
Capital projects	-	-	-	-	
Economic development	-	-	-	483,535	217,155
Special Revenue Funds	538,242	-	538,242	-	
Unrestricted	1,016,032	(10,240)	1,005,792	-	
Total Net Position	$ 4,226,854	$ 1,832,230	$6,059,084	$ 701,346	259,656

The accompanying notes are an integral part of the financial statements.

CITY OF TAFT, TEXAS
STATEMENT OF ACTIVITIES
September 30, 2023

		Program Revenues		Net (Expense) Revenue and Changes in Net Position				
				Primary Government			Component Unit Taft EDC	Componer Unit Taft QIC
Functions / Programs	**Expenses**	**Charges for Services**	**Operating Grants and :ontribution**	**Governmental Activities**	**Business-Type Activities**	**Totals**		
Primary Government								
Governmental Activities								
General government	$ 1,891,633	$ 366,810	$ -	$ (1,524,823)	$ -	$ (1,524,823)	$ -	
Public safety	1,153,455	57,911	17,666	(1,077,878)	-	(1,077,878)	-	
Highways and streets	700,724	-	-	(700,724)	-	(700,724)	-	
Community services	75,533	9,435	-	(66,098)	-	(66,098)	-	
Culture and recreation	203,498	-	-	(203,498)	-	(203,498)	-	
Interest on long-term debt	133,739	-	-	(128,936)	(4,803)	(133,739)	-	
Total Governmental Activities	4,158,582	434,156	17,666	(3,701,957)	(4,803)	(3,706,760)	-	
Business-Type Activities								
Utility fund	2,109,697	2,815,668	-	-	705,971	705,971		
Total business-Type Activities	2,109,697	2,815,668	-	-	705,971	705,971		
Total Primary Government	$ 6,268,279	$ 3,249,824	$ 17,666	(3,701,957)	701,168	(3,000,789)	-	
Component Unit								
Economic Development Corp	50,784						(50,784)	
Quality Improvement Corp	7,751	-	-	-	-			(7,751
Total Component Unit	58,535	-	-				(50,784)	(7,751)
General Revenues:								
Taxes					-			
Property taxes				$ 1,225,485	$ -	$ 1,225,485	$ -	
Sales taxes				617,224	-	617,224	140,276	69,100
Hotel / motel taxes				82,222	-	82,222		
Franchise taxes				116,955	-	116,955	-	
Penalties and interest				24,680	-	24,680	-	
Investment earnings				290	-	290	-	
Miscellaneous				399,701	-	399,701	-	
Other income				-			5,385	
Transfers				334,173	(334,173)	-	-	
Total General Revenues and Transfers				2,800,730	(334,173)	2,466,557	145,661	69,100
Change in Net Position				(901,227)	366,995	(534,232)	94,877	61,349
Prior Period Adjustment				-	-	-	-	
Net Position, Beginning				5,128,081	1,465,235	6,593,316	606,469	198,307
Net Position, Ending				$ 4,226,854	$ 1,832,230	$ 6,059,084	$ 701,346	259,656

The accompanying notes are an integral part of the financial statements.

CITY OF TAFT, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2023

	General Fund	Debt Service	Other Governmental Funds	Totals Governmental Funds
Assets				
Cash and cash equivalents	$ 904,034	$ 222,930	$ 597,381	$ 1,724,345
Receivables, net:				
Property taxes	145,004	122,095	-	267,099
Sales taxes	51,688	-	-	51,688
Franchise	15,110	-	-	15,110
Other	45,282	-	60,668	105,950
Due from other funds	175,000	-	5,612	180,612
Prepaid expenses	20,781	-	-	20,781
Total Assets	1,356,899	345,025	663,661	2,365,585
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities				
Accounts payable	161,292	-	18,279	179,571
Accrued expenses payable	162,676	-	-	162,676
Due to other funds	5,612	-	175,000	180,612
Total Liabilities	329,580	-	193,279	522,859
Deferred Inflows of Resources				
Unavailable revenues, property taxes	145,004	122,095	-	267,099
Unavailable revenues, fines	-	-	33,000	33,000
Total Deferred Inflows of Resources	145,004	122,095	33,000	300,099
Fund Balances				
Nonspendable	20,781	-	-	20,781
Restricted :	-	-	-	-
Debt Service	-	222,930	-	222,930
Municipal Court	-	-	138,183	138,183
Animal Control			29,190	29,190
Fire Department			127,362	127,362
Police Department			16,127	16,127
Street Maintenance			126,520	
Unassigned	861,534	-	-	861,534
Total Fund Balances	882,315	222,930	437,382	1,542,627
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 1,356,899	$ 345,025	$ 663,661	$ 2,365,585

The accompanying notes are an integral part of the financial statements.

CITY OF TAFT, TEXAS
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
September 30, 2023

Amounts reported for governmental activities in the statement of net position are different because:nt because:

Capital assets are used in governmental activities are not current financial resources and therefore not reported in the governmental funds.	5,973,220
Property taxes receivable are not available to pay for current period expenditures and therefore are deferred in the governmental funds.	267,099
Some liabilities, including bonds payable, interest payable, notes payable, premiums on bonds/other refunding charges, net pension liability and accrued compensated absences are not reported as liabilities in the governmental funds.	(3,641,392)
Deferred outflows and inflows of resources pertaining to actuarial pension differences between expected and actual economic experience, projected and actual investment earnings and pension contributions made subsequent to the measurement date are not financial resources, and therefore, are not reported in the funds.	64,519
Prepaid expenses are unavailable to pay for current period expenditures and are therefore deferred in the governmental funds.	20,781
Net Position of Governmental Activities	$ 4,226,854

See Notes to Financial Statements

The accompanying notes are an integral part of the financial statements.

CITY OF TAFT, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended September 30, 2023

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Revenues				
Taxes:				
Property	#########	#######	$ -	$ 1,380,704
Sales	617,224	-	-	617,224
Hotel/motel	3,427	-	78,795	82,222
Franchise	116,955	-	-	116,955
Penalties and interest	23,273	1,407	-	24,680
Licenses and permits	72,267	-	-	72,267
Fines and forfeitures	43,964	-	13,947	57,911
Charges for services	248,293	-	55,685	303,978
Contributions and donations and Grants	-	-	17,666	17,666
Investment earnings	-	290	-	290
Other	399,701	-	-	399,701
Total Revenues	2,575,976	331,529	166,093	3,073,598
Expenditures				
Current:				
General/government	918,793	-	-	918,793
Court	82,794	-	-	82,794
Administration	264,609	-	-	264,609
City Secretary	136,020	-	-	136,020
Finance	122,592	-	-	122,592
Tax Collection	14,014	-	-	14,014
Public safety (Police, Fire, EMS)	885,179	-	4,298	889,477
Highways and streets	210,091	-	141,791	351,882
Community Center	75,533	-	-	75,533
Code Enforcement	56,636	-	-	56,636
Vector Control	206	-	-	206
Inspections	30,626	-	-	30,626
Animal Control	60,551	-	-	60,551
Vehicle Maintenance	92,282	-	-	92,282
Culture and recreation (Parks, Library)	196,688	-	-	196,688
Capital Outlay	1,838,698	-	-	1,838,698
Debt Service:				
Principal retirement	52,197	353,000	-	405,197
Interest and fiscal charges	11,267	117,669	-	128,936
Debt issuance costs	-	-	-	-
Total Expenditures	5,048,776	470,669	146,089	5,665,534
(Deficiency) of Revenues (Under) Expenditures	(2,472,800)	(139,140)	20,004	(2,591,936)
Other Financing Sources				
Bond Proceeds	2,956,854			2,956,854
Transfers Out	(176,305)	-	-	(176,305)
Transfers from Proprietary Fund	287,548	275,059	-	562,607
Transfers in General Fund	-	(52,129)	-	(52,129)
Total Other Financing Sources	3,068,097	222,930	-	3,291,027
Net Change in Fund Balances	595,297	222,930	20,004	838,231
Fund Balances - Beginning	287,018	88,211	417,378	792,607
Prior Period Adjustment				
Fund Balances - Ending	$ 882,315	#######	$437,382	$ 1,542,627

The accompanying notes are an integral part of the financial statements.

CITY OF TAFT, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2023

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

Net change in fund balances - total governmental funds	$ 838,231
Governmental funds report capital outlays as expenditures. However, in the statement of statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay 1,838,698 is more than depreciation ($616,910) in the current period.	1,221,788
Pension Expense & OPEB Expense is not included in Governmental Funds	(107,158)
Changes in Deferred Inflows and Deferred Outflows are not recognized in Governmental Funds but are recognized in Government Wide Financials.	(274,867)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds. This represents the net change in property taxes receivable on the accrual basis of accounting.	(27,534)
The issuance in long-term debt (e.g., bonds, leases, certificates of obligation) provides	(2,956,854)
current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount represents the net effect of these differences in the treatment of long-term debt and related items, and consists of and principal repayment on capital leases, notes payable and bonds $405,197.	405,197
Change in Net Position of Governmental Activities	$ (901,197)

The accompanying notes are an integral part of the financial statements.

CITY OF TAFT, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUND
September 30, 2023

	Water	Business-Type Activities Major Funds Wastewater	Sanitation	Total
Assets				
Current Assets:				
Cash & cash equivalents	-	$ -	71,839	71,839
Restricted Cash	26,098	211,023	-	237,121
Accounts receivable, net	270,079	155,665	124,831	550,575
Net Pension Asset	-	-	-	-
Inventory	9,012	-	-	9,012
Total Current Assets	305,189	366,688	196,670	868,547
Noncurrent assets				
Capital assets:				
Construction in progress		176,305	-	176,305
Land		-	-	-
Buildings and improvements	28,970	-	-	28,970
Water/Wastewater System	2,085,139	8,348,376	-	10,433,515
Equipment, Vehicles, Machinery	155,215	130,489	2,766	288,470
Less accumulated depreciation	(1,783,045)	(3,786,542)	(2,374)	(5,571,961)
Total Noncurrent Assets	486,279	4,868,628	392	5,355,299
Total Assets	791,468	5,235,316	197,062	6,223,846
Deferred Outflows of Resources				
Deferred outflows	106,539	55,011	60,840	222,390
Total Deferred Outflows of Resources	106,539	55,011	60,840	222,390
Liabilities				
Current Liabilities				
Accounts payable	53,928	66,621	121,782	242,331
Accrued Expenses	12,647	5,400	36,149	54,196
Customer deposits	167,912	-	-	167,912
Unearned revenue	-	-	-	-
Capital leases payable	25,760	15,074	-	40,834
Bonds payable	-	193,000	-	193,000
Total Current Liabilities	260,247	280,095	157,931	698,273
Noncurrent Liabilities				
Capital leases payable	29,221	22,895	-	52,116
Compensated absences	4,098	1,602	703	6,403
Net pension liability	84,293	62,198	47,286	193,777
Net OPEB Liability	11,052	5,964	6,219	23,235
Bonds payable	-	3,464,000		3,464,000
Total Noncurrent Liabilities	128,664	3,556,659	54,208	3,739,531
Total Liabilities	388,911	3,836,754	212,139	4,437,804
Deferred Inflows of Resources				
Deferred inflows	84,824	42,069	49,309	176,202
Total Deferred Inflows of Resources	84,824	42,069	49,309	176,202
Net Position				
Net investment in capital assets	431,298	1,173,659	392	1,605,349
Restricted	26,098	211,023	-	237,121
Unrestricted	(33,124)	26,822	(3,938)	(10,240)
Total Net Position	424,272	$ 1,411,504	(3,546)	1,832,230

The accompanying notes are an integral part of the financial statements.

CITY OF TAFT, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION – PROPRIETARY FUND
For the Year Ended September 30, 2023

	Business-Type Activities			
	Major Funds			
	Water	Wastewater	Sanitation	Total
Operating Revenues				
Charges for services:				
Water	1,300,845	-	-	1,300,845
Sewage	-	842,135	-	842,135
Sanitation	-	-	648,688	648,688
Interest income	-	-	-	-
Other	-	24,000	-	24,000
Total Operating Revenues	1,300,845	866,135	648,688	2,815,668
Operating Expenses				
Personnel services - salaries and wages	176,347	88,967	11,669	276,983
Personnel services - employee benefits	41,955	17,859	15,633	75,447
Purchased professional and technical services	80,500	153,689	-	234,189
Purchased property services	385,883	-	476,612	862,495
Other operating expenses	32,280	25,354	21,650	79,284
Supplies, Repairs & Maintenance	224,444	130,648	16,592	371,684
Depreciation	24,698	184,328	589	209,615
Total Operating Expenses	966,107	600,845	542,745	2,109,697
Operating Income	334,738	265,290	105,943	705,971
				-
Non-Operating Revenues (Expenses)				-
Investment earnings	-	-	-	-
Interest expense	-	(4,803)	-	(4,803)
Grant income	-	-	-	-
Total Non-Operating Revenues (Expenses)	-	(4,803)	-	(4,803)
Income Before Transfers	334,738	260,487	105,943	701,168
Transfers in	-	176,305	-	176,305
Transfers (out)	(311,271)	(58,115)	(141,092)	(510,478)
Change in Net Position	23,467	378,677	(35,149)	366,995
Net Position, Beginning	400,805	1,032,827	31,603	1,465,235
Net Position, Ending	424,272	$1,411,504	(3,546)	1,832,230

The accompanying notes are an integral part of the financial statements.

CITY OF TAFT, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Year Ended September 30, 2023

	Business-type Activities Utility Fund
Cash Flows From Operating Activities	
Receipts from customers and users	$ 2,705,657
Disbursed for goods and services to suppliers	(1,560,133)
Disbursed for personnel services	(88,967)
Other revenues	-
Net Cash Provided by Operating Activities	1,056,557
Cash Flows From Noncapital Financing Activities	
Funds from Restricted Cash	32,822
Transfers (to) other funds	(366,995)
Net Cash Provided (Used) by noncapital Financing Activities	(334,173)
Cash Flows From Capital and Related Financing Activities	
Principal payments on bonds, notes and capital leases	(232,316)
Grant income	-
Interest and fiscal charges	(4,803)
Acquisition and construction of capital assets	(176,305)
Net Cash (Used) by Capital and Related Financing Activities	(413,424)
Cash Flows From Investing Activities	
Interest Received	-
Net Cash Provided by Investing Activities	-
Net Increase in Cash and Cash Equivalents	308,960
Cash and Cash Equivalents, Beginning	-
Cash and Cash Equivalents, Ending	$ 308,960

The accompanying notes are an integral part of the financial statements.

CITY OF TAFT, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Year Ended September 30, 2023

	Business-Type Activities
	Utility Fund
Reconciliation of Operating Income (Loss) to	
Net Cash Provided by Operating Activities	
Operating income (loss)	$ 705,971
Adjustments to reconcile operating income (loss)	
to net cash provided by operating activities	
Depreciation	209,615
(Increase) decrease in accounts receivable	(110,011)
(Increase) decrease in inventory	-
(Increase)/Decrease in Deferred Outflows, Deferred Inflows, OPEB & Per	53,874
Increase /(decrease) in accrued expenses	47,678
(Decrease) in Customer Deposits	(1,094)
Increase (decrease) in accounts payable	150,524
Total adjustments	350,586
Net Cash Provided by Operating Activities	$ 1,056,557

The accompanying notes are an integral part of the financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

The City of Taft, Texas was incorporated in 1890, pursuant to the laws of the State of Texas. The City operates under a "Home Rule Charter" form of government and provides services authorized by its 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. Presently, these services include police and fire protection, street repair and maintenance, park maintenance, animal control and general administrative services.

The following is a summary of certain significant accounting policies followed in the preparation of the financial statements of the City of Taft (the City).

The City is an independent political subdivision of the State of Texas, governed by a mayor and six council members, one from each precinct, and is considered a primary government. As required by generally accepted accounting principles, these financial statements have been prepared, based on considerations regarding the potential for inclusion of other entities, organizations, or functions, as part of the City's financial reporting entity.

In determining the financial reporting entity, the City complies with the provisions of GASB Statement No. 39, Determining Whether Certain Organizations Are Component Units – an amendment of GASB Statement No. 14, and includes all component units of which the City appoints a voting majority of the unit's board; the City is either able to impose its will on the unit of a financial benefit or burden relationship exists, 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 non-profits created from the election of Section 4A and 4B economic sales tax, respectively. They are governed by boards appointed by the City council. The corporations provide 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 are discretely presented into the City's financial statements. Separate financial statements are not issued for the Corporations.

Additionally, as the City is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity. The overriding elements associated with prescribed criteria considered in determining that the City's financial reporting entity status is that of a primary government are; that it has a separately elected governing body; it is legally separate; and it is fiscally independent of other state and local governments.

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments.* This statement, known as the "Reporting Model" statement, affects the way the City prepares and presents financial information. State and local governments traditionally have used a financial reporting model substantially different from the one used to prepare private-sector financial reports.

GASB Statement No. 34 established new requirements and a new reporting model for the annual financial reports of state and local governments. The Statement was developed to make annual reports easier to understand and more useful to the people who use governmental financial information to make decisions and includes:

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The Statement of Net Position and the Statement or Activities are government-wide financial statements. They report information on all of the City's non-fiduciary activities with most of the inter-fund activities removed. Governmental activities include programs supported primarily by taxes, grants and other intergovernmental revenues. Business type activities include programs supported by water and sewer revenues.

The Statement of Activities demonstrates how other people or entities that participate in programs the City operates have shared in the payment of the direct costs. The "charges for services" column includes payments made by parties that purchase, use, or directly benefit from goods or services provided by a given function or segment of the City. Examples include water and sewer payments, police fines, etc. The "grants and contributions" column includes amounts paid by organizations outside the City to help meet the operational or capital requirements of a given function. If a revenue is not a program revenue, it is a general revenue used to support all of the City's functions. Taxes are always general revenues.

Inter-fund activities between governmental funds appear as due to/due from on the Governmental Fund Balance Sheet. All inter-fund transactions between governmental funds are eliminated on the government-wide statements.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental and 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 use the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus only current assets, current liabilities and fund balances are included on the balance sheet. Operating statements of these funds present net increase and decreases in current assets (i.e. revenues and other financing sources and expenditures and other financing uses).

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for un-matured interest and principal on long-term debt which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. The City considers all revenues available if they are collectible within 60 days after year end.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (Continued)

Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

D. FUND ACCOUNTING

The City reports the following major governmental funds:

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

2. **Debt Service Fund** – used to account for the resources accumulated and payments made for principal and interest on long-term certificate of obligation debt of governmental funds.

3. **Special Revenues Fund** – used to account for financial resources to be used for the court, police, fire, and street maintenance funds.

The City reports the following major proprietary fund:

2. **Enterprise Fund** – used to account for those operations that are financed and operated in a manner similar to private business or where the board has decided that the determination of revenues earned, cost incurred and/or net income is necessary for management accountability. This fund include the Utility Fund – Water, Sewer and Sanitation Fund.

E. OTHER ACCOUNTING POLICIES

1. For purposes of the statement of cash flows, cash and cash equivalents include all cash and certificates of deposit having an original maturity date of less than three months.

   The investment policies of the City are governed by State Statute and an adopted City Investment Policy. Major provisions of the City's investment policy include: responsibility for investments, authorized investments, bank and security dealer selection and qualifying procedures, safekeeping and custodial procedures, statement of investment objectives and investment reporting procedures. This policy permits investment in U.S. Treasury or U.S. Agency issues, mutual funds, public funds investment pools and repurchase agreements. Statutes require that securities underlying repurchase agreements be limited to federal government securities having a market value of at least 1052 percent of the cost of the repurchase agreement.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. OTHER ACCOUNTING POLICIES (Continued)

2. Capital Assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets, other than infrastructure items, are defined by the government as assets with an initial, individual cost of more than $1,000 and an estimated useful life in excess of one year. Infrastructure is not held to the $1,000 limit; all infrastructure, purchased after October 1, 2003 (prospective method) is capitalized regardless of cost. The City inventoried its general fixed assets at October 1, 2003 and they are valued at original cost where such cost was known, otherwise, they are valued at estimated historical cost.

   Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

   Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Interest cost on governmental activities construction projects are not capitalized.

   Property, plant and equipment is depreciated using the straight-line method over the following estimated useful lives.

   Buildings 40, Building improvements 40; Vehicle 5; Infrastructure 50; Equipment 10; Water and sewer system 40; Sanitation system – Disposal plant 20;

3. During the course of operations, transactions occur between individual funds for specified purposes. These receivables and payable are, for the most part, eliminated from the Government-Wide Statements of Net Assets and are classified a "due from other funds" or "due to other funds" in the fund financial statements. Short-term advances between funds are accounted for in the appropriate interfund receivable and payable accounts.

4. The City records the purchase of supplies as expenditures/expenses at the time of purchase and does not maintain inventory.

5. In the fund financial statements of the governmental funds, the City can reserve portions of fund equity in the governmental fund financial statements. Reserves of fund equity represent those portions of fund equity not appropriate for expenditure or legally restricted by outside parties for use for a specific purpose.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. OTHER ACCOUNTING POLICIES (Continued)

6. The City allows carryover of vacation only with prior scheduling and approval. Each employee is granted 80 hours of vacation at the employee's anniversary date. Any accrued vacation balance is paid upon termination.

   One day of sick pay is accrued for each month of service. Unused sick days can be carried forward, but will not be paid on termination.

   All compensated absences are accrued when incurred and are included in the government-wide, and fund financial statements.

7. 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, expenditures, and expenses during the reporting period. Actual results could differ from those estimates.

8. The City applied restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

9. The City is a Home Rule Municipality with a maximum tax rate for all purpose of $1.50 per 100 assessed valuation. This maximum tax rate is imposed by the Constitution of the State of Texas. Within this $1.50 maximum, there is not legal limit upon the amount of taxes which can be levied for debt service. All taxes due the City on real or personal property are collected by the Falls County Tax Assessor-Collector and may be paid at any time after the tax tolls have been completed and approved, which is not later than October 1. Current taxes become delinquent on February 1 following the tax year. There are various penalties for delinquent taxes; there are not discounts allowed on taxes. The procedure for collecting delinquent taxes is to refer to a collection attorney after sending two delinquent notices and a letter. All properties located within the City limits on January 1 of each year are charged with a special lien in favor of the City from such date for taxes due thereon.

10. Transactions between funds that would be treated as revenues, expenditures, or expenses, if they involved organizations external to the governmental unit, are accounted for as revenues, expenditures, or expenses in the funds involved. Transactions which constitute reimbursement of a fund for expenditures or expenses initially made from that fund, which are properly attributable to another fund, are recorded as expenditures or expenses in the reimbursing fund and as reductions of the expenditure or expense in the fund that is reimbursed. Nonrecurring or non-routine transfers of equity between funds are reported as additions to, or reductions of, the fund balance of governmental fund types. All other legally authorized transfers are treated as operating transfers and are included in the results of operations of both governmental and proprietary fund types.

    Pensions:

    For purposes of measuring the net pension liability, pension related deferred outflows and inflows of resources, and pension expense, City specific information about its Fiduciary Net Position in the Texas Municipal Retirement System (TMRS) and additions to/deductions from the City'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. Information regarding the City's Total Pension Liability is obtained from TMRS through a report prepared for the City by TMRS.

b. Measurement Focus, Basis of Accounting (continued)

consulting actuary, Gabriel Roeder Smith & Company, in compliance with Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions.

Deferred Outflows/Inflows 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 position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has the following items that qualify for reporting in this category.

- Deferred charges on refunding – A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.
- Pension contributions after measurement date – These contributions are deferred and recognized in the following fiscal year.
- Difference in projected and actual earnings on pension assets – This difference is deferred and amortized over a closed five year period.
- Difference in expected and actual pension experience – This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statements element, deferred inflows or resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, this item is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes and municipal court fines. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. BUDGET AND DATA

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to the beginning of each fiscal year, the Mayor submits to the City Council a proposed budget for the fiscal year beginning on the following October 1. The operating budget includes proposed expenditures and the means of financing those expenditures.

2. Public hearings are conducted at which all interested persons' comments concerning the budget are heard.

3. The budget is legally enacted by the City Council.

4. Budget revisions may be made during the year.

5. The City over-expended its budget in the general fund area as follows:

III. DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

Legal and Contractual Provisions Governing Deposits and Investments

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

III. DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS (Continued)

Additional Contracted Provisions governing deposits and investments are as follows:

The funds of the City must be deposited and invested under the terms of a contract, contents of which are set out in the **Depository Contract Law.** The depository bank places approved pledged securities for safekeeping and trust with the City's agent bank in an amount sufficient to protect City's funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

Deposits

As of September 30, 2023, the City's deposit balances were as follows:

	Book Balance	Fair Value
Cash and cash equivalents	$ 858,051	$ 858,051
Restricted Cash and cash equivalents	1,175,254	1,175,254
Total Cash and Cash Equivalents	**$ 2,033,305**	**$ 2,033,305**

Policies Governing Deposits and Investments

1. Foreign Currency Risk – The City's deposits and investments are not exposed to foreign currency risk.
2. Custodial Credit Risk – The City's policy is to be collateralized. The City was fully collateralized during the year.
3. Interest Rate Risk – The City has no debt securities which have interest rate risk.

III. DETAILED NOTES ON ALL FUNDS (Continued)

A. DEPOSITS AND INVESTMENTS (Continued)

Policies Governing Deposits and Investments

4. Credit Risk – In compliance with the City's Investment Policy, as of September 30, 2009, the City minimized credit risk loss due to default of a security issuer or backer, by: limiting investments to the safest types of securities; limiting Certificates of Deposits that are insured by the Federal Deposit Insurance Corporation (FDIC); limiting the City's investments to obligations issued, guaranteed, insured by or backed by the full faith and credit of the United States or its agencies and instrumentalities; pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisers with which the City will do business; and diversifying the investment portfolio so that potential losses on individual securities were minimized.

   Concentration Risk – The City's deposits and investments are not exposed to concentration risk.

B. PROPERTY TAXES

Property taxes for each year are levied on approximately October 1 and are due upon receipt of the tax bill and become delinquent on February 1 of the following year. On January 1 of each year, a tax lien is attached to the property to secure the payment of all taxes, penalties, and interest. The lien exists in the factor of the State and each taxing unit. Appraised values are established by the Central Appraisal District (CAD) of San Patricio County, Texas, through procedures established by the Texas Legislature. The County Tax Assessor Collector bills and collects the City's property taxes. The County bills the City's tax levies as soon as possible after certification of taxable values by the CAD, which is approximately August 1 as noted above. Additional tax bills are sent in December, February, April and July (which includes a surcharge for legal costs associated with collection).

In August, delinquent taxes are turned over to the County's delinquent tax attorneys for final collection or other disposition.

III. DETAILED NOTES ON ALL FUNDS (Continued)

B. PROPERTY TAXES (Continued)

The City has enacted an ordinance providing for the exemption of $5,000 of the assessed value of residential homesteads, for persons 65 years of age or older, from property taxes. This is provided by Section 1-b of Article 8 of the Constitution of Texas. An exemption of $12,000 is allowed disabled veterans on any one piece of property. Additionally, the market value of agricultural land is reduced to agricultural value for purposes of the City's tax levy calculation.

The City is permitted, by Article XI, Section 5 of the State of Texas Constitution and the City Charter, to levy property taxes up to $1.50 per $100 of assessed valuation for general governmental services. Within the $1.50 maximum levy, there is no legal limit upon the amount of property taxes which can be levied for debt service. The total Ad Valorem tax levy was $1,028,956.

C. DISAGGREGATION OF RECEIVABLES AND PAYABLES

Receivables at year end for the government's individual major funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Utility Fund	Totals
Net Receivables			
Property Taxes	$ 267,099	$ -	$ 267,099
Sales Taxes	51,688		51,688
Accounts	105,950	550,575	656,525
Franchise	15,110	-	15,110
Other	-	-	-
Totals	$ 439,847	$ 550,575	990,422

	Unavailable
General Fund:	
Delinquent property taxes receivable	$ 224,406
Current property taxes receivable	42,693
Total General Fund	$ 267,099

In the proprietary funds, the City records certain revenues billed to other governmental agencies, residents, and others on a monthly basis. Adjustments to revenue are made for uncollectible accounts as determined by management.

III. DETAILED NOTES ON ALL FUNDS (Continued)

C. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2023 was as follows:

	Balances Oct. 1, 2022	Additions	Retirements	Balances Sept. 30, 2023
Government Activities:				
Capital assets not being depreciated:				
Land	$ 10,524	$ -	$ -	$ 10,524
Construction in Progress	284,151	1,238,885	-	1,523,036
Total capital assets not being depreciated:	294,675	1,238,885	-	1,533,560
Capital assets being depreciated:				
Buildings and improvements	5,857,282	-	-	5,857,282
Equipment & Vehicles	11,489,065	599,813	-	12,088,878
Infrastructure	884,527	-	-	884,527
Total capital assets being depreciated	18,230,874	599,813	-	18,830,687
Less: Accumulated Depreciation for:				
Buildings and improvements	(4,564,644)	(149,170)	-	(4,713,814)
Equipment	(8,895,650)	(134,965)	-	(9,030,615)
Infrastructure	(313,823)	(332,775)	-	(646,598)
Total Accumulated Depreciation	(13,774,117)	(616,910)	-	(14,391,027)
Total capital assets being depreciated, net	4,456,757	(17,097)	-	4,439,660
Governmental activities capital assets, net	$ 4,751,432	$ 1,221,788	$ -	$ 5,973,220
Business-Type Activities:				
Capital assets not being depreciated:				
Land	$ -	$ -	$ -	$ -
Construction in progress	-	176,305	-	176,305
Total capital assets not being depreciated:	$ -	$ 176,305	$ -	$ 176,305
Capital assets being depreciated:				
Buildings and improvements	28,970	-	-	28,970
Water/Wastewater System	10,433,515	-	-	10,433,515
Machinery & equipment	288,470	-	-	288,470
Total capital assets being depreciated	10,750,955	-	-	10,750,955
Less: Accumulated Depreciation				
Buildings and improvements	(28,970)	-	-	(28,970)
Water/Wastewater System	(5,256,720)	(184,492)	-	(5,441,212)
Infrastructure	(76,657)	(25,122)	-	(101,779)
Total Accumulated Depreciation	(5,362,347)	(209,614)	-	(5,571,961)
Total capital assets being depreciated, net	5,388,608	(209,614)	-	5,178,994
Business-Type activities capital assets, net	$ 5,388,608	$ (33,309)	$ -	$ 5,355,299

III. DETAILED NOTES ON ALL FUNDS (Continued)

Governmental Activities:		
Animal Control		880
General government	$	187,633
Public safety		71,555
Highways and streets		348,842
Community services		1,190
Culture and recreation		6,810
Total Depreciation Expense-Governmental Activities	$	616,910
Business-Type Activities:		
Utility	$	209,614
Total Depreciation Expense-Business-type Activities	$	209,614

III. DETAILED NOTES ON ALL FUNDS (Continued)

D. LONG-TERM DEBT –

The City's long-term debt at September 30, 2023 is comprised of the following individual issues:

	Balances Oct. 1, 2022	Additions	Reductions	Balance Sept. 30, 2023	Amounts Due Within One Year
Governmental Activities:					
Notes payable	359,609	-	(52,197)	307,412	54,011
Certificates of obligation		3,000,000	(160,000)	2,840,000	145,000
Net pension liability	183,270	233,692	-	416,962	-
Net OPEB Liability	80,583	-	(21,958)	58,625	
Compensated absences	18,393	-	-	18,393	-
Total Governmental Activities	$ 641,855	$ 3,233,692	$ (234,155)	$ 3,641,392	$ 199,011
Business-Type Activities:					
Certificates of obligation	$ 3,850,000	$ -	$ (193,000)	$ 3,657,000	$ 193,000
Notes payable	132,266	-	(39,316)	92,950	40,834
Net pension liability	83,804	109,973	-	193,777	-
Net OPEB Liability	32,646	-	(9,411)	23,235	
Compensated absences	2,163	4,240	-	6,403	-
Total Business-Type Activities	$ 4,100,879	$ 114,213	$ (241,727)	$ 3,973,365	$ 233,834

III. DETAILED NOTES ON ALL FUNDS (Continued)

D. LONG-TERM DEBT (Continued)

The annual requirements to maturity for the above long-term debt are as follows:

Year ended	Governmental Activities	
Sept. 30,	Principal	Interest
2024	145,000	132,287
2025	155,000	125,116
2026	160,000	117,588
2027	170,000	109,701
2028	175,000	101,456
2029-2033	1,025,000	368,657
2034-2037	1,010,000	99,424
Totals	$ 2,840,000	$ 1,054,229

Year ended	Governmental Activities	
Sept. 30,	Principal	Interest
2024	54,011	9,454
2025	33,080	7,577
2026	34,069	6,588
2027	35,088	5,569
2028	37,791	2,866
2029-2031	113,373	8,599
Totals	$ 307,412	$ 40,653

Year Ended	Business-Type Activities	
Sept 30,	Principal	Interest
2024	40,834	3,287
2025	21,205	1,709
2026	15,219	958
2027	15,692	486
2028	-	-
Totals	$ 92,950	$ 6,440

Year Ended	Business-Type Activities	
Sept 30,	Principal	Interest
2024	193,000	-
2025	193,000	-
2026	193,000	-
2027	193,000	-
2028	193,000	-
2029-2033	960,000	
2034-2038	960,000	
2039-2042	772,000	
Totals	3,657,000	-

CITY OF TAFT, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)

III. DETAILED NOTES ON ALL FUNDS (Continued)

E. INTERFUND TRANSFERS

Interfund transfers during the year ended September 30, 2023 were as follows:

	Transfers In/(Out)			
Transfers Out	**General Fund**	**Proprietary Fund**		**Totals**
Utility Fund	$ 334,173	$ (334,173)	$ -	$ -
Totals	$ 334,173	$ (334,173)	$ -	$ -

F. DEFINED BENEFIT PENSION PLAN

Plan Description

` The City of Taft participates as one of 860 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency 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 municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual report (CAFR) that can be obtained at www.tmrs.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 benefit is calculated as if the sum of the employee's contributions, with interest, and the city financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payment options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24 or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

Employees covered by benefit terms.
At the December 31, 2022 valuation and measurement date, the following employees were covered by the benefit terms.

Inactive employees or beneficiaries currently receiving benefits	19
Inactive employees entitled to but not yet receiving benefits	65
Active employees	26
Total	110

C. Contributions

The contribution rate for the employees in TMRS is 5%, 6% and 7% of employee gross earnings, 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 annually determined by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Employees for the City of Taft were required to contribute 5% of their annual gross earnings during the fiscal year. The contribution rates for the City of Taft were 5% and 5% in calendar years 2023 and 2022 respectively. The city's contributions to TMRS for the year ended September 30, 2023 were $190,698 and were equal to the required contributions.

D. Net Pension Liability

The city's Net Pension Liability (NPL) was measured as of December 31, 2022, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The Total Pension Liability in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions:

Inflation 2.5% per year
Overall payroll growth 3.0% to 10.5% per year
Investment Rate of Return 6.75% net of pension plan investmentt expense, including inflation
Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB on account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Disabled Retiree Mortality Table is used, with slight adjustments.

III. DETAILED NOTES ON ALL FUNDS (Continued)

I. PENSION PLAN (Continued)

Actuarial assumptions used in the December 31, 2022, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period January 1, 2010 through December 31, 2014, first used in the December 31, 2016 valuation. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2010 through 2014, and dated December 31, 2016. These assumptions were first used in the December 31, 2016 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2021 valuation.

The long-term expected rate of return on pension plan investments is 6.75%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. 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 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. The target allocation and best estimates of arithmetic 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)
Domestic Equity	17.5%	4.80%
International Equity	17.5%	6.05%
Core Fixed Income	30.0%	1.50%
Non-Core Fixed Income	10.0%	3.50%
Real Return	5.0%	1.75%
Real Estate	10.0%	5.25%
Absolute Return	5.0%	4.25%
Private Equity	5.0%	8.50%
Total	100.0%	

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.

III. DETAILED NOTES ON ALL FUNDS (Continued)

I. PENSION PLAN (Continued)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/21	$ 3,949,574	$ 3,682,500	$ 267,074
Changes for the year:			
Service cost	244,932	-	244,932
Interest	263,226	-	263,226
Change of benefit terms	-	-	-
Difference between expected and actual experience	(153,022)	-	(153,022)
Changes in assumptions	-	-	-
Contributions - employer	-	190,698	(190,698)
Contributions - employee	-	87,879	(87,879)
Net investment income	-	(267,555)	267,555
Benefit payments, including refunds of employer contributio	(344,801)	(344,801)	-
Administrative expense	-	(2,326)	2,326
Other changes	-	2,775	(2,775)
Net changes	$ 10,335	$ (333,330)	$ 343,665
Balance at 12/31/22	$ 3,959,909	$ 3,349,170	$ 610,739

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:

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	$1,091,914	$610,739	$216,048

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.tmrs.com

CITY OF TAFT
SCHEDULE OF PENSION EXPENSE
SEPTEMBER 30, 2023

1.	Total Service Cost	244,932
2.	Interest on the Total OPEB Liability	263,226
3.	Changes in Benefit terms	-
4.	Employee Contributions	(87,879)
5.	Projected earningson plan investments	(248,569)
6.	Administrative expense	2,326
7.	Other Changes in Fiduciary Net Position	(2,776)
8	Recognition of Current year Outflowof Resources-Liab	(82,715)
9	Recognition of Current year Inflow of Resources-Assets	103,225
10	Amortization of Prior Year Inflows of Resources-Liab	5,992
11	Amortization of Prior Year Inflows of Resources-Asset	(36,768)
12	Total Pension Expense	160,994

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic exp	$ (13,426)	$ -
Changes in actuarial assumptions	(35,007)	-
Difference between projected and actual investments	-	-
Contributions subsequent to the measurement date	-	-
Totals	$ (48,433)	$ -

Year ended Dec 31:	
2023	(7,226)
2024	(12,382)
2025	(13,705)
2026	(14,005)
2027	(1,115)
Thereafter	-
	$ (48,433)

NOTE 10 – SUPPLEMENTAL DEATH BENEFITS PLAN

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 on "other postemployment benefit," or OPEB.

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 the employees' entire careers.

The City's contributions to the TMRS SDBF for the years ended 2022, 2021, and 2019 were $1275, $1275, and $1,275 respectively, which equaled the required contributions each year.

TMRS records indicate the following percentages contributed by the City (as employer contributions) for the following fiscal years ending:

Plan/ Calendar Year	Annual Required Contribution (Rate)	Actual Contribution Made (Rate)	Percentage of ARC Contributed
2018	N/A	N/A	100%
2019	N/A	N/A	100%
2020	0.00%	0.00%	100%
2021	0.00%	(city to provide)	(city to provide)
2022	0.00%	(city to provide)	(city to provide)

Net Other Post Employment Benefits Liability.

Actuarial Assumptions

Actuarial assumptions were developed from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2015 to December 31, 2019. These assumptions were adopted in 2019 and first used in the December 31, 2019 valuation.

All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.

The Mortality Experience Investigation Study covering 2015 through 2019 is used as the basis for the post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs). Mortality Rates for service employees uses the RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis with scale BB to account for future mortality improvements subject to the 3% floor.

NOTE 10 – SUPPLEMENTAL DEATH BENEFITS PLAN

Inflation	2.50% per year
Overall payroll growth	3.50 to 10.5% per year including inflation
Discount rate	2.75%

Changes in the Net Other Post Employment Benefits Liability

	Increase (Decrease) Total OPEB Liability
Balance at 12/31/21	**$ 113,229**
Changes for the year	
Service Cost	8,286
Interest on Total OPEB liability	2,127
Changes of benefit terms	0
Differences between expected and actual experience	(3,631)
Changes in assumption or other inputs	(34,636)
Benefit payments	(3,515)
Net changes	(31,369)
Total OPEB Liability – end of year	$ 81,860
Total OPEB Liability as a Percentage of Covered Payroll	6.52%

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the City, calculated using the current discount rate of 3.05% as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (3.05%) or -1 percentage point higher (4.05%) than the current rate. Because the SDBF is considered an unfunded trust, the relevant discount rate to calculate the total OPEB liability is based on the Fidelity Index's 20 year Municipal GO AA Index.

	1% Decrease in Discount Rate (3.05%)	Discount Rate (4.05%)	1% Increase in Discount Rate (5.05%)
Total OPEB liability	$95,168	$81,860	$71,264

CITY OF TAFT
SCHEDULE OF OPEB EXPENSE
SEPTEMBER 30, 2023

1. Total Service Cost	8,286
2. Interest on the Total OPEB Liability	2,127
3. Changes in Benefit terms	-
4. Employer administrative costs	-
5. Recognition of deferred outflows/inflows of resources	
6. Difference between expected and actual experience	(11,589)
7. Changes in assumptions or other inputs	(2,135)
8 Total OPEB Expense	(3,311)

NOTE 10 – SUPPLEMENTAL DEATH BENEFITS PLAN

Other Information

Due to the SDBF being considered an unfunded OPEB plan, benefit payments are treated as being equal to the employer's yearly contributions for retirees. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits. In order to determine the retiree portion of the City's Supplemental Death Benefit Plan contributions (that which is considered OPEB), the City should perform the following calculation:
Total covered payroll * retiree Portion of SDB Contribution (Rate)

CITY OF TAFT
SCHEDULE OF OPEB OUTFLOWS AND INFLOWS - CURRENT AND FUTURE EXPENSE
SEPTEMBER 30, 2023

	Recognition Period (or amortization yrs)	Total (Inflow) or Outflow of Resources	2023 Recognized in current pension expense	Deferred (Inflow) Outflow in future expense
Due to Liabilities:				
Difference in expected and actual experience [actuarial (gains) or losses]	4.2700	$ (3,631)	$ (851)	$ (2,780)
Difference in assumption changes [actuarial (gains) or losses]	4.2700	$ (34,636)	$ (8,112)	$ (26,524)
			$ (8,963)	$ (29,304)

Deferred Outflows and Deferred Inflows of Resources, by year, to be recognized in future pension expense as follows:

	Net deferred outflows (inflows) of resources
2023	$ (10,986)
2024	(7,950)
2025	(7,980)
2026	(2,415)
2027	-
Thereafter	-
Total	$ (29,331)

III. DETAILED NOTES ON ALL FUNDS (Continued)

J. COMMITMENTS AND CONTINGENCIES (Continued)

As of September 30, 2023, the City of Taft, Texas did not have any pending litigation or potential, non-disclosed liabilities that would have a material effect on the financial statements.

K. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City's risk management program encompasses obtaining property and liability insurance through Texas Municipal League (TML), and Intergovernmental

Risk – Pool. The City has not had any significant reduction in insurance coverage and the amounts of insurance settlements have not exceeded insurance coverage for any of the last three years.

The City also provides workers compensation insurance on its employees through TML.

During the year ended September 30, 2023, employees of the City were covered by a health insurance plan (the plan) with Texas Municipal League Intergovernmental Employee Benefit Program. The City paid premiums for employee coverage; optional dependent coverage is at the employee's expense. The City does not retain any risk of loss on health insurance.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF TAFT, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE BUDGET TO ACTUAL – GENERAL FUND
For the Year Ended September 30, 2023

	Budgeted Amounts			Variance from Final
	Original	Final	Actual	Budget
Revenues				
Property Taxes	$ 878,000	$ 878,000	$ 1,050,872	$ 172,872
Sales Taxes	250,000	250,000	617,224	367,224
Franchise Taxes	123,500	123,500	116,955	(6,545)
Hotel Motel taxes	3,000	3,000	3,427	427
Penalties and interest	18,000	18,000	23,273	5,273
Licenses and permits	38,700	38,700	72,267	33,567
Fines	61,000	61,000	43,964	(17,036)
Charges for services	312,650	312,650	248,293	(64,357)
Other	402,550	402,550	399,701	(2,849)
Total Revenues	2,087,400	2,087,400	2,575,976	488,576
Expenditures				
General government	2,823,248	2,823,248	918,793	1,904,455
Court	85,824	85,824	82,794	3,030
Administration	286,370	286,370	264,609	21,761
City Secretary	108,950	108,950	136,020	(27,070)
Finance	182,090	182,090	122,592	59,498
Tax Collection	17,000	17,000	14,014	2,986
Police	904,677	904,677	617,114	287,563
Fire Department	560,000	560,000	78,482	481,518
EMS	183,000	183,000	189,583	(6,583)
Vector Control	9,400	9,400	206	9,194
Streets	1,032,651	1,032,651	210,091	822,560
Inspections	57,000	57,000	30,626	26,374
Animal Control	73,454	73,454	60,551	12,903
Code Enforcement	77,053	77,053	56,636	20,417
Vehicle Maintenance	82,053	82,053	92,282	(10,229)
Parks	553,537	553,537	131,763	421,774
Community Center	70,897	70,897	75,533	(4,636)
Library	47,354	47,354	64,925	(17,571)
Capital outlay	400,000	400,000	1,838,698	(1,438,698)
Debt Service: Interest expense	77,000	77,000	11,267	65,733
Agent Fees	125,000	125,000		
Principal retirement	393,000	393,000	52,197	340,803
Total Expenditures	8,149,558	8,149,558	5,048,776	2,975,782
(Deficiency) of Revenues (Under) Expenditures	(6,062,158)	(6,062,158)	(2,472,800)	3,589,358
Other Financing Sources (Uses)				
Grant income & donations	3,326,524	3,326,524	-	(3,326,524)
Loan Proceeds	2,875,000	2,875,000	2,956,854	81,854
Transfers in	1,115,634	1,115,634	287,548	(828,086)
Transfers (out)	(975,000)	(975,000)	(176,305)	798,695
Total Other Financing Sources (Uses)	6,342,158	6,342,158	3,068,097	(3,274,061)
Net Change in Fund Balance	280,000	280,000	595,297	315,297
Fund Balance - Beginning	287,018	287,018	287,018	
Fund Balance - Ending	$ 567,018	$ 567,018	$ 882,315	$ 315,297

The accompanying notes are an integral part of the financial statements.

CITY OF TAFT, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE BUDGET TO ACTUAL – PROPRIETARY FUND
For the Year Ended September 30, 2023

	Budgeted Amounts			Variance from Final
	Original	Final	Actual	Budget
Revenues				
Water Revenues	$ 1,477,725	$ 1,477,725	$ 1,300,845	$ (176,880)
Wastewater Revenues	837,600	837,600	842,135	4,535
Sanitation Revenues	719,192	719,192	648,688	(70,504)
Debt Service transfers	-	-	-	-
Northwest Water Tower	-	-	-	-
Interest income	-	-	-	-
Other revenues	-	-	24,000	24,000
Total Revenues	3,034,517	3,034,517	2,815,668	(218,849)
Expenditures				
Personnel services - salaries and wages	195,082	195,082	276,983	(81,901)
Personnel services - employee benefits	43,254	43,254	75,447	(32,193)
Purchased professional and technical service	506,000	506,000	234,189	271,811
Purchased property services	425,000	425,000	862,495	(437,495)
Other operating expenses	73,189	73,189	79,284	(6,095)
Supplies, Repairs & Maintenance	1,271,108	1,271,108	371,684	899,424
Capital Outlay/Depreciation	-	-	209,615	(209,615)
Debt Service:	-	-		-
Interest expense	-	-	4,803	(4,803)
Total Expenditures	2,513,633	2,513,633	2,114,500	399,133
(Deficiency) of Revenues (Under) Expenditures	520,884	520,884	701,168	180,284
Other Financing Sources (Uses)				
Grant income			-	-
Transfers in	-	-	176,305	176,305
Transfers (out)	(520,884)	(520,884)	(510,478)	10,406
Total Other Financing Sources (Uses)	(520,884)	(520,884)	(334,173)	186,711
Net Change in Fund Balance	-	-	366,995	366,995
Fund Balance - Beginning	1,465,235	1,465,235	1,465,235	
Fund Balance - Ending	$ 1,465,235	$ 1,465,235	$ 1,832,230	$ 366,995

The accompanying notes are an integral part of the financial statements.

CITY OF TAFT, TEXAS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
For the Year Ended September 30, 2023

	2022	2021	2020	2019	2018
Total Pension Liability					
Service cost	$ 244,932	$ 222,882	$ 207,625	$ 208,017	$ 168,576
Interest (on the total pension liability)	263,226	249,208	234,458	229,330	225,316
Changes of benefit terms	-	-	-	-	-
Difference between expected and actual experience	(153,022)	12,235	(457)	(106,121)	(75,996)
Change of assumptions	-	-	-	8,098	-
Benefit payments, including refunds of employee contributions	(344,801)	(230,549)	(230,944)	(295,368)	(260,923)
Net Change in Total Pension Liability	10,335	253,776	210,682	43,956	56,973
Total Pension Liability - Beginning	3,949,574	3,695,798	3,485,116	3,441,160	3,384,187
Total Pension Liability - Ending (a)	$ 3,959,909	$ 3,949,574	$ 3,695,798	$ 3,485,116	$ 3,441,160
Plan Fiduciary Net Position					
Contributions - employer	$ 190,698	$ 199,239	$ 188,923	$ 176,267	$ 140,360
Contributions - employee	87,879	83,971	73,963	72,952	61,237
Net investment income	(267,555)	417,649	224,283	402,386	(82,359)
Benefit payments, including refunds of employee contributions	(344,801)	(230,549)	(230,944)	(295,368)	(260,923)
Administrative expense	(2,326)	(1,939)	(1,454)	(2,276)	(1,591)
Other	2,775	14	(59)	(67)	(84)
Net Change in Plan Fiduciary Net Position	(333,330)	468,385	254,712	353,894	(143,360)
Plan Fiduciary Net Position - Beginning	3,682,500	3,214,115	2,959,403	2,605,509	2,748,869
Plan Fiduciary Net Position - Ending (b)	$ 3,349,170	$ 3,682,500	$ 3,214,115	$ 2,959,403	$ 2,605,509
Net Pension Liability - Ending (a) - (b)	$ 610,739	$ 267,074	$ 481,683	$ 525,713	$ 835,651
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	84.58%	93.24%	86.97%	84.92%	75.72%
Covered Employee Payroll	1,255,416	1,199,580	1,056,618	1,042,171	874,813
Net Pension Liability as a Percentage of Covered Employee Payroll	48.65%	22.26%	45.59%	50.44%	95.52%

Notes to Schedule: N/A

The accompanying notes are an integral part of the financial statements.

	2017	2016	2015	2014	2013	2012
Total Pension Liability						
Service cost	$ 182,378	$ 164,979	$ 166,770	$ 178,906	N/A	N/A
Interest (on the total pension liability)	213,745	209,567	192,863	183,803	N/A	N/A
Changes of benefit terms	-	-	-	N/A	N/A	N/A
Difference between expected and actual experience	(123)	(157,954)	36,416	(81,571)	N/A	N/A
Change of assumptions	-	-	101,816	N/A	N/A	N/A
Benefit payments, including refunds of employee contributions	(174,425)	(152,381)	(142,536)	(142,737)	N/A	N/A
Net Change in Total Pension Liability	221,575	64,211	355,329	138,401	N/A	N/A
Total Pension Liability - Beginning	3,162,612	3,098,401	2,743,072	2,604,671	N/A	N/A
Total Pension Liability - Ending (a)	$ 3,384,187	$3,162,612	$ 3,098,401	$ 2,743,072	N/A	N/A
Plan Fiduciary Net Position						
Contributions - employer	$ 142,494	118,619	119,931	104,293	N/A	N/A
Contributions - employee	68,933	69,486	74,499	77,790	N/A	N/A
Net investment income	330,661	149,095	3,171	114,128	N/A	N/A
Benefit payments, including refunds of employee contributions	(174,425)	(152,381)	(142,536)	(142,737)	N/A	N/A
Administrative expense	(1,712)	(1,679)	(1,930)	(1,191)	N/A	N/A
Other	(86)	(91)	(95)	(98)	N/A	N/A
Net Change in Plan Fiduciary Net Position	365,865	183,049	53,040	152,185	N/A	N/A
Plan Fiduciary Net Position - Beginning	2,383,004	2,199,955	2,146,915	1,994,730	N/A	N/A
Plan Fiduciary Net Position - Ending (b)	$ 2,748,869	2,383,004	2,199,955	2,146,915	N/A	N/A
Net Pension Liability - Ending (a) - (b)	$ 635,318	779,608	898,446	596,157	N/A	N/A
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	81.23%	75.35%	71.00%	78.27%	N/A	N/A
Covered Employee Payroll	984,762	992,656	1,064,265	1,111,280	N/A	N/A
Net Pension Liability as a Percentage of Covered Employee Payroll	64.51%	78.54%	84.42%	53.65%	N/A	N/A

Notes to Schedule: N/A

The accompanying notes are an integral part of the financial statements.

CITY OF TAFT, TEXAS
SCHEDULE OF CONTRIBUTIONS
For the Year Ended September 30, 2023

	2023	2022	2021	2020	2019	2018
Actuarially Determined Contributions	$ 190,698	$ 206,464	$ 192,622	$ 181,294	$ 139,238	$ 132,585
Contributions in Relation to the Actuarially Determined Contributions	$ 190,698	$ 206,464	$ 192,622	$ 181,294	$ 139,238	$ 132,585
Contribution Deficiency (Excess)	-	-	-	-	-	-
Covered Employee Payroll	1,255,416	1,326,839	1,135,666	1,029,037	894,088	985,310
Contributions as a Percentage of Covered Employee Payroll	15.19%	15.56%	16.96%	17.62%	15.57%	13.46%

GASB 68 requires ten years of data to be provided in this schedule, however, only five years are currently available

	2017	2016	2015	2013	2012	2011
Actuarially Determined Contributions	$ 120,783	$ 114,529	N/A	N/A	N/A	N/A
Contributions in Relation to the Actuarially Determined Contributions	$ 120,783	114,529	N/A	N/A	N/A	N/A
Contribution Deficiency (Excess)	-	-	N/A	N/A	N/A	N/A
Covered Employee Payroll	########	1,020,793	N/A	N/A	N/A	N/A
Contributions as a Percentage of Covered Employee Payroll	12.07%	11.22%	N/A	N/A	N/A	N/A

GASB 68 requires ten years of data to be provided in this schedule, however, only on year is currently available

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amorization Period	25 years
Asset Valuation Method	10 year smoothed market, 15% soft corridor
Inflation	2.5%
Salary increases	3.5% to 10.5% 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 2015 valuation pursuant to an experience study of the period 2010-2014.
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied By 109% and female rates multiplied by 103% and projected on a fully generational basis with Scale BB.

The accompanying notes are an integral part of the financial statements.

Other Information

City of Taft
Combining Balance Sheet
Non-Major Governmental Funds
September 30, 2023

	Special Revenue Funds					
	Fireman's Fund	Police Department Funds	Municipal Court	Animal Control	Street Maintenance	Totals Nonmajor Special Revenue Funds
Assets						
Cash and cash equivalents	$ 287,616	$ 16,127	$ 156,462	$ 29,190	$ 107,986	$ 597,381
Accounts Receivable	47,746				12,922	60,668
Due from other funds	-	-	-	-	5,612	5,612
Total Assets	335,362	16,127	156,462	29,190	126,520	663,661
Liabilities & Fund Balances						
Liabilities						
Accounts payable	-	-	18,279	-	-	18,279
Deferred Revenue	33,000					33,000
Due to other funds	175,000	-	-	-	-	175,000
Total Liabilities	208,000	-	18,279	-	-	226,279
Fund Balances						
Restricted	127,362	16,127	138,183	29,190	126,520	437,382
Total Fund Balances	127,362	16,127	138,183	29,190	126,520	437,382
Total Liabilities and Fund Balances	$ 335,362	$ 16,127	$ 156,462	$ 29,190	$ 126,520	$ 663,661

City of Taft
Combining Schedule of Revenues, Expenditures and Changes In Fund Balances
Non-Major Governmental Funds
September 30, 2023

	Fireman's Fund	Department Funds	Municipal Court	Animal Control	Street Maintenance	Revenue Funds
Revenues						
Taxes						
Property	$ -	$ -	$ -	$ -	$ -	$ -
Hotel/Motel	-	-	-	-	78,795	78,795
Charges for services	48,129	-	7,556	-	-	55,685
Fines and forfeitures	-	-	13,947	-	-	13,947
Investment earnings	-	-	-	-	-	-
Contributions and donations	14,746	2,920	-	-	-	17,666
Grants						-
Other	-	-	-	-	-	-
Total Revenues	62,875	2,920	21,503	-	78,795	166,093
Expenditures						
Current:						
General government	-	-	-	-	-	-
Public safety	4,298	-	-	-	-	4,298
Highways and streets	-	-		-	141,791	141,791
Culture and recreation	-	-		-	-	-
Capital Outlay	-				-	-
Debt Service:						-
Principal payments	-	-		-	-	-
Interest an fiscal charges	-			-	-	-
Total Expenditures	4,298	-	-	-	141,791	146,089
Excess (Deficiency) of Revenues **Over (Under) Expenditures**	58,577	2,920	21,503	-	(62,996)	20,004
Other Financing Sources						
Transfers in/(Out)	-	-	-	-	-	-
Total Other Financing Sources	-	-	-	-	-	-
Net Change in Fund Balances	58,577	2,920	21,503	-	(62,996)	20,004
Fund Balances, Begin of Year	68,785	13,207	116,680	29,190	189,516	417,378
Fund Balances, End of Year	$ 127,362	$ 16,127	$ 138,183	$ 29,190	$ 126,520	$ 437,382

COMPLIANCE AND INTERNAL CONTROL SECTION

The Accounting Firm of Donald L. Allman, CPA

Donald L. Allman, CPA, PC
4749 Williams Drive, Ste. 322
Georgetown, Texas 78633

CERTIFIED PUBLIC ACCOUNTANT

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Mayor & City Council
City of Taft, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Taft, Texas, as of and for the year ended September 30, 2023 and the related notes to the financial statements, which collectively comprise the City of Taft, Texas' basic financial statements, and have issued our report thereon dated October 13, 2024.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Taft, Texas' 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*.

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

Donald L. Allman, CPA, PC
Georgetown, TX
October 13, 2024