

CITY OF TEHACHAPI
ANNUAL FINANCIAL REPORT
Year Ended June 30, 2011

City of Tehachapi
Notes to Financial Statements
Year Ended June 30, 2011

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Independent Auditors' Report

The Honorable City Council
City of Tehachapi, California

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 Tehachapi (the "City"), California, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Tehachapi's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Tehachapi, California, as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 3 to the financial statements, there have been recent changes in legislation affecting redevelopment agencies in the State of California which requires the dissolution of redevelopment agencies as of February 1, 2012, including the Tehachapi Redevelopment Agency.

As described in Note 1 to the financial statements, the City adopted the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 6, 2012 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 12 and budgetary comparison information on pages 58 and 59 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Tehachapi's financial statements as a whole. The supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Jeaman Ramirez & Smith, Llc.

February 6, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the City of Tehachapi ("City") provides a narrative overview and analysis of the City's financial activities for the fiscal year ended June 30, 2011. The City encourages readers to consider the information presented here in conjunction with the financial statements and notes to the financial statements which are included with this report.

Financial Highlights

- The City's net assets increased 7.7% to \$37,296,603 as a result of this year's operations.
- Total City revenues, including program and general revenues, were \$16,260,430 which is \$1,712,294 more than the prior year.
- Net assets in governmental funds increased \$470,057, and net assets in business activities increased \$2,194,981.
- Governmental revenue was decreased by \$107,125 to \$8,951,522.
- Governmental expense was increased by \$386,115 to \$8,728,179.
- Revenues from business-type activities increased by \$1,819,419 to \$7,308,908.
- Expenses from business-type activities increased by \$232,945 to \$5,113,927.
- General fund revenue was increased by \$169,479 to \$5,262,894.
- General fund balance as of June 30, 2011 is \$5,814,682 an increase of \$743,717 from the prior year.

Overview of Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of:

1. The Basic Financial Statements, which include the Government-wide Financial Statements, Fund Financial Statements, and Notes to Financial Statements
2. Required Supplementary Information
3. Supplementary Information

The Government-wide Financial Statements

The focus of government-wide financial statements is on the overall financial position and activities of the government as a whole. These financial statements are constructed around the concept of a primary government. The primary government is then broken down into two different activities, governmental activities and business-type activities.

The governmental activities include general government, public safety, public works, general administration and Redevelopment Agency (RDA). Although the RDA is a separate agency, because it functions as part of the City and the City Council serves as the RDA governing board, the RDA is included in the governmental activities column. The services under governmental activities are supported by taxes and by specific program revenue.

The major notable event to most cities in the State of California after the fiscal year end 2010/11 is the elimination of all redevelopment agencies. The California Supreme Court largely upheld AB 26 (which provides for the winding up and dissolution of redevelopment agencies), invalidated AB 27 (which provided for an alternative voluntary redevelopment program), and held that AB 26 may be severed from AB 27 and will be enforced independently. As a result of the Supreme Court's decision, on February 1, 2012, all redevelopment agencies were considered dissolved, consequently the cities do not have the option of making remittance payments to enable the continued operation of redevelopment agencies. The City opted to become the successor agency for the Tehachapi Redevelopment Agency effective February 1, 2012.

The business-type activities include Refuse, Water, Sewer, Transit and Airport funds. Unlike governmental services, these services are supported by charges paid by users based on the amount of the service they use.

The basic financial statements are comprised of the following:

- Statement of Net Assets

The Statement of Net Assets is prepared using accounting principles that are similar to commercial enterprises. The purpose of the statement of net assets is to attempt to report all assets held and liabilities owed by the City. The difference between the City's total assets and total liabilities is labeled as *net assets* and this difference is similar to the total owners' equity presented by a commercial enterprise. Although the purpose of the City is not to accumulate net assets, in general, increases or decreases of net assets may serve as an indicator of the financial position of the City.

- Statement of Activities

The purpose of the statement of activities is to present the revenues and expenses of the City. Again, the items presented on the statement of activities are measured in a manner similar to the approach used by a commercial enterprise in that revenues are recognized when earned and expenses are recognized when incurred. The difference between revenue and expense is called *net income* in commercial enterprise whereas it is called *change in net assets* in the City's financial report.

Fund Financial Statements

Unlike government-wide financial statements, the focus of fund financial statements is directed to specific activities of the City rather than the City as a whole. All of the City's funds are divided into two categories: governmental funds and proprietary funds.

Fund financial statements provide detailed information about each of the City's most significant funds, called major funds. The concept of major fund, and the determination of which funds are major, was established by Governmental Accounting Standard Boards (GASB) 34 and replaces the concept of combining like funds and presenting them in total. Instead, each major fund is presented individually, while all non-major funds are summarized and presented in a single column.

Governmental Funds

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions.

The City of Tehachapi maintains 27 individual governmental funds (active funds only). Information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditure and Changes in Fund Balances for the General Fund, RDA Low and Moderate Housing Fund, RDA Fund and Railroad Depot capital project fund which are considered to be major funds. Data from the other 23 governmental funds are combined into a single, aggregated presentation.

Proprietary Funds

The only type of Proprietary funds the City of Tehachapi maintains is enterprise funds. The Refuse, Water, Sewer, Transit and Airport funds are presented as business-type activities in the government-wide financial statements. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The City considers Water, Sewer, Refuse and Airport funds to be major funds. The Transit fund is categorized as a non-major proprietary fund.

Notes to the Financial Statements

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

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. The required supplementary information includes California Public Employees' Retirement System Plan Schedule and budgetary comparison schedules for major governmental funds.

Overview of the City's Financial Position and Operations

The City's overall financial position and operations for the past two years are summarized based on the information included in the government-wide financial statements. Net assets may serve

over time as an indicator of a government's financial position. For the City of Tehachapi, assets exceeded liabilities by \$37,296,603 at June 30, 2011.

The largest portion of the City's net assets is in investments in capital assets. The Investments in Capital Assets (e.g. land, infrastructures, buildings, machineries and equipments) Net of Related Debt was increased to \$20,728,668 (56% of total net assets) from \$19,333,025. The increase was mainly due to the reclassification of a loan granted by RDA to the Water Fund. Initially, the Water Fund had borrowed \$1.37 million from RDA to aid in financing a portion of a water capacity increase related project. The total cost of which is approximately \$5 million. However, since the water capacity increase project also accommodates the anticipated business and population growth within the RDA project area, it is a logically sound decision to convert such a loan into a project cost expense. The reclassification of the loan was justified based on the acreage the RDA project area covers compared to the rest of the City.

The City uses these capital assets to provide services to residents; accordingly, these assets are not available for future spending. Although the City's investments in capital assets are 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 restricted fund balance was decreased from the prior year by \$438,299. The above mentioned re-classification of the loan for the water capacity increase project had contributed the main reason for the restricted fund decrease. The bond proceeds balance in the RDA which has been used for any RDA capital projects are categorized as restricted funds.

The unrestricted fund balance was increased to \$5,844,403 from \$4,136,709. This increase was attributed to the fund balance increase in the General Fund and payments from Federal and State authorities for various grants. Grant funds are typically received upon completion of capital projects. During the course of capital project construction, generally the General Fund advances funds to capital project funds to pay for construction costs. Once grants are received, the advanced amounts are paid; consequently, to replenish the unrestricted funds.

Summary of Statement of Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Current and Other Assets	14,898,206	16,111,558	4,548,831	4,141,736	19,447,037	20,253,294
Capital Assets	25,201,144	24,002,430	15,899,380	16,343,247	41,100,524	40,345,677
Total Assets	<u>40,099,350</u>	<u>40,113,988</u>	<u>20,448,211</u>	<u>20,484,983</u>	<u>60,547,561</u>	<u>60,598,971</u>
Current Liabilities	1,336,429	1,317,000	848,695	1,284,622	2,185,124	2,601,622
Long-term Liabilities	17,007,783	17,511,907	4,058,051	5,853,877	21,065,834	23,365,784
Total Liabilities	<u>18,344,212</u>	<u>18,828,907</u>	<u>4,906,746</u>	<u>7,138,499</u>	<u>23,250,958</u>	<u>25,967,406</u>
Investments in Capital, Net of related debt	8,469,619	9,392,632	12,259,049	9,940,393	20,728,668	19,333,025
Restricted	6,825,505	9,756,061	3,898,027	1,405,770	10,723,532	11,161,831
Unrestricted	6,460,014	2,136,388	(615,611)	2,000,321	5,844,403	4,136,709
Total Net Assets	<u>21,755,138</u>	<u>21,285,081</u>	<u>15,541,465</u>	<u>13,346,484</u>	<u>37,296,603</u>	<u>34,631,565</u>

The City started capturing its capital assets in governmental funds beginning fiscal year 2002/2003. In accordance with GASB 34, the City was not required to retroactively capture the capital assets because the City fell under the Implementation Phase III due to the size of its revenue in fiscal year 1999/2000.

Statement of Activities

	Governmental Activities		Business Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenue						
Program Revenues:						
Charges for Services	821,079	-	5,692,378	4,995,863	6,513,457	4,995,863
Operating contribution & Grant	592,393	-	158,105	128,881	750,498	128,881
Capital Grants & Contribution	1,742,770	779,867	-	-	1,742,770	779,867
General Revenues:						
Property taxes	3,199,699	2,868,727	-	-	3,199,699	2,868,727
Sales Taxes	1,421,347	1,447,323	-	-	1,421,347	1,447,323
Other Taxes	2,354,582	898,509	-	-	2,354,582	898,509
License and permits		1,176,769	-	-	-	1,176,769
Other sources of funds		798,631	-	-	-	798,631
Miscellaneous	30,582	1,002,569	105,946	249,839	136,528	1,252,408
Interest	109,028	164,720	32,521	36,438	141,549	201,158
Transfers	(1,319,958)	(78,468)	1,319,958	78,468	-	-
	8,951,522	9,058,647	7,308,908	5,489,489	16,260,430	14,548,136
Expenses						
Primary Government						
General Government	2,679,826	1,804,904	-	-	2,679,826	1,804,904
Administration		1,062,187	-	-	-	1,062,187
Public Works & Planning	2,233,054	2,240,441	-	-	2,233,054	2,240,441
Police	2,524,093	2,154,979	-	-	2,524,093	2,154,979
Fire Department		63,431	-	-	-	63,431
Council		48,314	-	-	-	48,314
City Clerk		66,734	-	-	-	66,734
Treasurer		22,318	-	-	-	22,318
Parks		3,314	-	-	-	3,314
Pass-throughs	396,866	-	-	-	396,866	-
Interest	894,340	875,442	-	-	894,340	875,442
Business-type Activities						
Refuse		-	971,974	1,038,916	971,974	1,038,916
Water		-	1,828,318	1,541,337	1,828,318	1,541,337
Sewer		-	1,465,372	1,556,259	1,465,372	1,556,259
Transit		-	146,448	128,956	146,448	128,956
Airport		-	701,815	615,514	701,815	615,514
Total Expense	8,728,179	8,342,064	5,113,927	4,880,982	13,842,106	13,223,046
Change in Net Assets	223,343	716,583	2,194,981	608,507	2,418,324	1,325,090
Net Assets at beginning of yr	21,285,081	20,568,498	13,346,484	13,000,707	34,631,565	33,569,205
Prior Period Adj	246,714	-	-	(262,730)	246,714	(262,730)
Net Assets at end of year	21,755,138	21,285,081	15,541,465	13,346,484	37,296,603	34,631,565

Governmental Activities

Governmental activities increased the City's net assets by \$470,057 thereby accounting for 18% of the total growth in the City's net assets mainly due to \$484,695 reduction in liabilities in governmental funds.

Business-Type Activities

The City operates five business-type activities. These activities are captured in Refuse, Water, Sewer, Transit and Airport funds. Of the total \$2,665,038 City wide net assets increase, \$2,194,981 (82% of total increase) was attributed to the business-type activities. The reduction in liability by making principal payments on outstanding debts and reclassification of the RDA loan was the main factor for the net assets increase.

FINANCIAL ANALYSIS OF INDIVIDUAL FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Please note that unlike the Government-Wide financial statements discussed previously, the fund statements are reflected on a modified accrual basis.

Governmental Funds

As of June 30, 2011, the City's governmental funds reported a combined ending fund balance of \$13,452,448. This number shows approximately 8% (\$1,202,708) fund balance decrease from the prior year. Again, the reclassification of the loan from RDA to the Water Fund for the capacity project resulted in this decrease. This fund balance is available for spending on the government's ongoing obligations to citizens and creditors; although, 18% of the total governmental fund balance is dedicated for specific purposes such as street and road maintenance, various capital projects associated with special fees collected and other capital projects paid by specific grants.

The *General Fund* is the chief operating fund of the City. At the end of the current fiscal year, the unassigned fund balance in the General Fund was \$3,449,467 which included \$1,045,989 of advances made to other funds such as Airport, special district funds and various capital project funds. Although the amount is labeled as advances, there is a possibility that the General Fund may end up writing them off in a manner of an operating transfer as happened in the past. The General Fund wrote off an outstanding loan balance of \$359,533 in fiscal year 2000/01 for the Airport fund expecting the Airport fund would self sustain from that time on. However, the Airport Fund still has not generated enough revenues to support its expenses.

The fund balance, after the deduction of any outstanding advances made to other funds, will be used to pay for various City services such as police, contracted fire, public works and the City's general operations.

The *Redevelopment fund* has a total fund balance of \$1,056,725 of which \$959,386 is reserved for outstanding 2005 & 2007 RDA Tax Increment Revenue Bonds. The decrease of \$2,997,988 in the RDA fund balance was from the use of bond proceeds for various capital projects such as

downtown and infrastructure improvement including blight elimination and water capacity increase project.

Twenty percent of 2005 & 2007 RDA Tax Revenue Allocation Bond proceeds were allocated to the *RDA Low and Moderate Housing Fund* and as a result, this fund was presented as one of the major governmental funds. To date, no major housing projects have occurred using the housing fund.

Proprietary Fund

Unrestricted net assets of the Water and Sewer funds at the end of the year are negative \$330,689 and positive \$157,209 respectively. The negative balance in unrestricted net assets of the Water fund was caused by the construction of two water tanks (T & T tanks) back in 2008. This project was constructed using internal borrowing instead of outside financing sources in the form of bonds. In return, the Water Fund is to pay back the loan principal over time utilizing future connection fees. This decision resulted in over a half-million dollar cost savings to the Water Fund since the internal funding eliminates the need to pay issuance costs as well as interest payment associated with issuing bonds. In addition, by not having additional bonds outstanding, the water fund will have more leverage when issuing bonds in the future to pay for bigger capital projects.

Also, another sound decision that benefited the City as a whole by more than half a million dollars is the refunding of 2000 Certificates of Participation (2000 COP) with an outstanding balance of \$1,365,600 using an internal Investment Fund. The savings are recognized as follows:

- The City's investment fund will earn approximately 1.5% higher interest rate than when investing funds with outside financial institutions.
- The Water and Sewer fund will pay approximately 1.5% lower interest rate for the remaining term of the loan which is for the next six years.
- The Water and Sewer fund did not have to pay for issuance costs, such as underwriter discounts, bond attorneys' fees, document-printing costs, and other miscellaneous fees associated with issuing bonds.

The net assets of the Sewer fund were increased by \$1,385,057 from the prior year. Approximately 36% of the Sewer fund balance increase was from Sewer connection fees. The restricted net assets in Sewer fund, \$3,583,785, will be used for the construction and expansion of a new sewer plant over the next two to three years.

As of June 30, 2011, the Airport Fund owes \$724,522 to General Fund and this loan was a result of continuous deficits in Airport Fund operations.

GENERAL FUND BUDGETARY HIGHLIGHTS

A detailed budgetary comparison schedule for the year ended June 30, 2011 is presented as required supplementary information following the notes to the financial statements. The final budget amounts are different from those presented in the 2010/11 – 2014/15 original five-year budget documents. It is due to changes that occurred between the original budget and the mid-year budget adjustments.

	Original Budget	Final Budget	2010/11 Actual	Variance Actual vs. Final Budget
Revenues incl. Other Sources	4,607,545	4,746,774	5,262,894	516,120
Expenditures incl. Other Uses	4,605,176	4,728,276	4,612,277	115,999
Net changes in fund balances	2,369	18,498	650,617	632,119
Fund Balance Beginning (Adjusted)	5,164,065	5,164,065	5,164,065	0
Fund Balance - Ending	5,166,434	5,182,563	5,814,682	632,119

Overall, the General Fund actual ending fund balance is \$632,119 more than what was budgeted in the final budget. The major contributions to positive revenue variance are from property tax revenue, \$50,591, sales tax, \$225,568, transient occupancy tax, \$119,780, motor vehicle license fee, \$31,889, and landscape and construction charges, \$73,829.

The major reasons for the favorable variance in expenditures are due to the reimbursements from the Tehachapi Unified School District for a School Resource Officer, \$19,443; reduction in operation cost, \$69,485; and under spent legal cost, \$27,072.

The departments in General Fund which contributed a major positive variance to the total expenditure are General Government \$62,321; Finance \$10,094; Public Works, \$31,095; and Community Development department, \$45,809. Contrarily, the major unfavorable variance in the General Fund is from the engineering expenses not subject to reimbursement, \$21,001 and overhead allocation to other funds, \$21,102. The budgeted allocation was \$222,526; however, because of less actual spending in the General Fund, the actual allocated cost was \$201,424 resulting \$21,102 of unfavorable variance.

During the fiscal year 2010/11, the economy stayed at a status quo from prior years. In spite of the status of economy downturn in general, the City actually increased fund balances in most major funds. The General Fund was greatly benefited from sales tax generated by Love's Truck Stop and it experienced a slight growth in sales taxes in general. Another substantial General Fund revenue increase was from the transient occupancy tax which is also known as lodging tax. This is due to additional payments received from one of the hotels for their prior year's delinquent accounts.

There was \$169,477 increase in General Fund revenue but the expenditures in the same fund were also increased by \$245,987. However, staff managed to increase the fund balance in General Fund by \$76,510. The major General Fund revenues that contributed to a favorable revenue variance are sales tax, \$265,792 and transient occupancy tax, \$249,180.

CAPITAL & DEBT ADMINISTRATION

Capital Assets

	Governmental Activities	Business-type Activities	Totals
Non-Depreciable Assets:			
Land	2,865,833	3,893,063	6,758,896
Total non-depreciable assets	2,865,833	3,893,063	6,758,896
Depreciable Assets (net of accumulated depreciation)			
Infrastructure, Machinery, CIP	22,335,311	12,006,317	34,341,628
Total depreciable assets-net	22,335,311	12,006,317	34,341,628
Total Capital Assets	25,201,144	15,899,380	41,100,524

The City of Tehachapi's investment in capital assets for its governmental and business-type activities as of June 30, 2011, amounts to \$41,100,524 (net of accumulated depreciation) which is a \$754,847 increase from fiscal year 2009/10. This investment in capital assets includes land, buildings, improvements, machineries and equipments, roads, sidewalks, airport runways, water and sewer systems.

Additional information on the City of Tehachapi's capital assets can be found in Note 2-C.

Long-Term Debt

	Governmental Activities	Business-type Activities	Totals
Bonds	16,559,109	3,969,456	20,528,565
Loans		70,589	70,589
Capital Leases	741,509	336,025	1,077,534
Compensated absences	245,735	76,434	322,169
Total Long-Term Liabilities	17,546,353	4,452,504	21,998,857

The City of Tehachapi's total long term debt was decreased by \$2,275,397 during the current fiscal year. This decrease was mainly from making payments on principals of various outstanding debts without incurring additional debt as well as from internal refunding of 2000 COP as mentioned earlier.

State statutes limit the amount of general obligation debt a governmental entity may issue to 15 percent of its total assessed valuation. The RDA Revenue Allocation Bonds are not general obligation debt.

NEXT YEAR'S BUDGET AND ECONOMIC FACTORS

In June, 2011, the Council adopted the 2011/12 through 2015/16 five-year budget, with total appropriations of \$17,360,973 in fiscal year 2011/12. The following factors were taken into consideration for the next fiscal year budget:

- 0.7% cost of living increase was granted for all employees; however, there will still be no merit increases at this time.
- The 2011/12 General Fund revenue budget (\$4,607,545) was projected at \$360,910 less than the actual revenue received in 2010/11. A \$100,000 of COPS grant is not included in this budget since there is no certainty that the State will pay for such a grant. The \$114,080 reduction in lodging tax was due to nonexistence of delinquent tax payment from a hotel. Finally, no police grant was budgeted since \$87,493 grant received in 2010/11 was just a one-time grant.
- The 2012/13 General Fund expenditure budget (\$4,861,961) was projected at \$249,686 more than the actual expenditure in 2010/11.
- Twenty equivalent dwelling units (EDU) of connections were considered for any development related fees such as water and sewer connections, facilities impact, traffic mitigation and park and recreation capital improvement.
- Various capital projects were included in this budget and they are:
 - Purchase of snow plow \$37,000
 - Service body vehicle, \$70,000
 - Water Radio Meters Replacement, \$50,000
 - Water Banking Program, \$120,000
 - New Sewer Plant \$4,250,000.

As always, this budget was put together in a very conservative manner. Although our City was fortunate enough to generate a positive fund balance, the City is not putting its guard down in securing its financial security. For example, in spite of favorable fund balances in most major funds, the merit increases for employees continue to remain in frozen status.

The City of Tehachapi is small but our staff has pride in keeping the city financially secure.

BASIC FINANCIAL STATEMENTS

City of Tehachapi
Statement of Net Assets
June 30, 2011

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Investments	\$ 10,700,406	\$ 1,020,916	\$ 11,721,322
Receivables (Net of Allowance)	1,194,499	599,590	1,794,089
Loans Receivable	195,344	-	195,344
Due from Agency Funds	137,880	-	137,880
Internal Balances	1,962,528	(1,962,528)	-
Restricted Cash and Investments	-	3,919,702	3,919,702
Prepays	138,456	412	138,868
Deferred Charges	569,093	735,739	1,304,832
Capital Assets, Not Being Depreciated	2,865,833	3,893,063	6,758,896
Capital Assets, Depreciated, Net	22,335,311	12,006,317	34,341,628
Other	-	235,000	235,000
	<u>40,099,350</u>	<u>20,448,211</u>	<u>60,547,561</u>
Total Assets			
LIABILITIES			
Current Liabilities:			
Accounts Payable	653,075	323,017	976,092
Accrued Liabilities	4,598	25	4,623
Accrued Interest Payable	89,351	41,023	130,374
Deposits Payable	50,835	90,177	141,012
Noncurrent Liabilities:			
Due within One Year	538,570	394,453	933,023
Due in More Than One Year	17,007,783	4,058,051	21,065,834
	<u>18,344,212</u>	<u>4,906,746</u>	<u>23,250,958</u>
Total Liabilities			
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	8,469,619	12,259,049	20,728,668
Restricted for:			
Maintenance of Water Lines	-	106,149	106,149
Construction and Expansion of Facilities	-	3,704,701	3,704,701
Highways and Streets	1,108,759	-	1,108,759
Public Safety	539,037	-	539,037
Debt Service	-	87,177	87,177
RDA	5,177,709	-	5,177,709
Unrestricted	6,460,014	(615,611)	5,844,403
	<u>\$ 21,755,138</u>	<u>\$ 15,541,465</u>	<u>\$ 37,296,603</u>
Total Net Assets			

The accompanying notes are an integral part of this statement.

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City of Tehachapi
Statement of Activities
Year Ended June 30, 2011

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General Government	\$ 2,679,826	\$ 273,355	\$ 56	\$ -
Public Works	1,850,761	278,874	-	1,053,153
Public Safety	2,524,093	268,850	510,733	-
Community Development	382,293	-	81,604	689,617
Pass-throughs	396,866	-	-	-
Interest	894,340	-	-	-
Total Governmental Activities	8,728,179	821,079	592,393	1,742,770
Business-type Activities:				
Refuse	971,974	976,370	-	-
Water	1,828,318	2,067,381	-	-
Sewer	1,465,372	2,174,712	-	-
Transit	146,448	4,867	158,105	-
Airport	701,815	469,048	-	-
Total Business-type Activities	5,113,927	5,692,378	158,105	-
Total Primary Government	\$ 13,842,106	\$ 6,513,457	\$ 750,498	\$ 1,742,770

General Revenues:
Property Taxes
Sales and Use Taxes
Property Tax in Lieu
Transient Occupancy Tax
Franchise Tax
Other Taxes
Miscellaneous Revenues
Investment Earnings
Transfers In (Out)

Total General Revenues

Change in Net Assets

Net Assets - Beginning of Year

Prior Period Adjustment

Net Assets - End of Year

The accompanying notes are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Assets

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ (2,406,415)	\$ -	\$ (2,406,415)
(518,734)	-	(518,734)
(1,744,510)	-	(1,744,510)
388,928	-	388,928
(396,866)	-	(396,866)
(894,340)	-	(894,340)
<u>(5,571,937)</u>	<u>-</u>	<u>(5,571,937)</u>
-	4,396	4,396
-	239,063	239,063
-	709,340	709,340
-	16,524	16,524
-	(232,767)	(232,767)
<u>-</u>	<u>736,556</u>	<u>736,556</u>
<u>(5,571,937)</u>	<u>736,556</u>	<u>(4,835,381)</u>
3,199,699	-	3,199,699
1,421,347	-	1,421,347
1,443,215	-	1,443,215
499,780	-	499,780
186,562	-	186,562
225,025	-	225,025
30,582	105,946	136,528
109,028	32,521	141,549
(1,319,958)	1,319,958	-
<u>5,795,280</u>	<u>1,458,425</u>	<u>7,253,705</u>
223,343	2,194,981	2,418,324
21,285,081	13,346,484	34,631,565
<u>246,714</u>	<u>-</u>	<u>246,714</u>
<u>\$ 21,755,138</u>	<u>\$ 15,541,465</u>	<u>\$ 37,296,603</u>

The accompanying notes are an integral part of this statement.

City of Tehachapi
Balance Sheet
Governmental Funds
June 30, 2011

	General Fund	RDA Low and Moderate Housing	RDA Fund
ASSETS			
Cash and Investments	\$ 2,801,650	\$ 4,095,765	\$ 994,607
Receivables	608,410	25,219	75,655
Loans Receivable	195,344	-	-
Due from Agency Funds	39,647	-	-
Due from Other Funds	1,006,342	-	-
Prepays	135,956	-	2,500
Advances to Other Funds	1,336,239	-	-
	Total Assets	\$ 4,120,984	\$ 1,072,762
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable	\$ 253,473	\$ -	\$ 16,037
Accrued Liabilities	4,598	-	-
Due to Other Funds	-	-	-
Deferred Revenue	-	-	-
Deposits Payable	50,835	-	-
	Total Liabilities	-	16,037
Fund Balances:			
Nonspendable	1,667,539	-	2,500
Restricted	-	4,120,984	1,054,225
Committed	697,676	-	-
Assigned	-	-	-
Unassigned	3,449,467	-	-
	Total Fund Balances	4,120,984	1,056,725
	Total Liabilities and Fund Balances	\$ 4,120,984	\$ 1,072,762

The accompanying notes are an integral part of this statement.

Railroad Depot	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 2,808,384	\$ 10,700,406
-	485,215	1,194,499
-	-	195,344
-	-	39,647
-	-	1,006,342
-	-	138,456
-	-	1,336,239
<u>\$ -</u>	<u>\$ 3,293,599</u>	<u>\$ 14,610,933</u>
\$ -	\$ 383,565	\$ 653,075
-	-	4,598
-	281,820	281,820
-	168,157	168,157
-	-	50,835
<u>-</u>	<u>833,542</u>	<u>1,158,485</u>
-	-	1,670,039
-	2,288,718	7,463,927
-	-	697,676
-	294,987	294,987
-	(123,648)	3,325,819
<u>-</u>	<u>2,460,057</u>	<u>13,452,448</u>
<u>\$ -</u>	<u>\$ 3,293,599</u>	<u>\$ 14,610,933</u>

The accompanying notes are an integral part of this statement.

City of Tehachapi
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets
June 30, 2011

Fund Balances of Governmental Funds \$ 13,452,448

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

Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds:

Capital Assets	31,989,117
Accumulated Depreciation	(6,787,973)

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore, are not reported in the funds:

Bonds Payable	(16,835,000)
Issuance Discount	275,891
Capital Leases Payable	(741,509)
Compensated Absences	(245,735)

Accrued interest payable is not reported in the governmental funds. (89,351)

Long-term assets that are not available for current use. Amounts are recorded as deferred revenue under the modified accrual basis of accounting. 168,157

Deferred charge for issuance costs on bonds. 569,093

Net Assets of Governmental Activities \$ 21,755,138

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City of Tehachapi
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2011

	General Fund	RDA Low and Moderate Housing	RDA Fund
REVENUES			
Taxes	\$ 4,625,942	\$ 396,866	\$ 1,587,464
Licenses, Permits, and Fines	76,582	-	-
Intergovernmental	188,424	-	-
Charges for Services	289,414	-	-
Investment Earnings	49,537	27,952	15,465
Miscellaneous Revenues	32,995	-	-
Total Revenues	<u>5,262,894</u>	<u>424,818</u>	<u>1,602,929</u>
EXPENDITURES			
Current:			
General Government	822,662	91,250	582,319
Public Works	989,697	-	29,093
Public Safety	2,524,093	-	-
Community Development	267,555	-	-
Pass-throughs	-	-	396,866
Capital Outlay	-	2,895	-
Debt Service:			
Interest Expense	-	168,005	672,019
Principal	-	67,000	268,000
Total Expenditures	<u>4,604,007</u>	<u>329,150</u>	<u>1,948,297</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>658,887</u>	<u>95,668</u>	<u>(345,368)</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	-	-	-
Transfers Out	(8,270)	-	(2,652,620)
Total Other Financing Sources (Uses)	<u>(8,270)</u>	<u>-</u>	<u>(2,652,620)</u>
Net Change in Fund Balances	650,617	95,668	(2,997,988)
Fund Balances, Beginning of Year	5,070,965	4,025,316	4,054,713
Prior Period Adjustment	93,100	-	-
Fund Balances, End of Year	<u>\$ 5,814,682</u>	<u>\$ 4,120,984</u>	<u>\$ 1,056,725</u>

The accompanying notes are an integral part of this statement.

Railroad Depot	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 636,897	\$ 7,247,169
-	346,535	423,117
-	1,811,735	2,000,159
-	-	289,414
-	16,075	109,029
-	1,440	34,435
-	<u>2,812,682</u>	<u>10,103,323</u>
-	5,837	1,502,068
-	893,959	1,912,749
-	-	2,524,093
-	114,738	382,293
-	-	396,866
-	2,288,111	2,291,006
-	24,195	864,219
-	24,493	359,493
-	<u>3,351,333</u>	<u>10,232,787</u>
-	<u>(538,651)</u>	<u>(129,464)</u>
688,657	947,954	1,636,611
-	(295,679)	(2,956,569)
<u>688,657</u>	<u>652,275</u>	<u>(1,319,958)</u>
688,657	113,624	(1,449,422)
(688,657)	2,192,819	14,655,156
-	153,614	246,714
<u>\$ -</u>	<u>\$ 2,460,057</u>	<u>\$ 13,452,448</u>

The accompanying notes are an integral part of this statement.

City of Tehachapi
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
Year Ended June 30, 2011

Net Changes in Fund Balances - Total Governmental Funds \$ (1,449,422)

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

Governmental funds report capital outlays as an expenditures. However in the Statement of Activities the cost of these assets is allocated over their estimated useful lives as depreciation expense.

Capital Outlay	2,409,352
Disposal of Capital Assets	(56,358)
Depreciation Expense	(1,154,280)

The issuance of long-term debt (e.g., bonds, leases) provides 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 assets. Also, governmental funds report the effect of issuance costs, premium discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Principal Repayments	
Tax Allocation Bonds	335,000
Capital Leases	24,493
Amortization of Issuance Costs	(22,962)
Amortization of Bond Discounts	(10,968)

Accrued interest payable is not reported in the governmental funds. 3,809

Some revenues reported in the Statement of Activities are not considered to be available to finance current expenditures and therefore are not reported as revenues in the governmental funds. 168,157

To record the net change in compensated absences in the statement of activities. (23,478)

Change in Net Assets of Governmental Activities \$ 223,343

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City of Tehachapi
Statement of Net Assets
Proprietary Funds
June 30, 2011

	Water Fund	Sewer Fund	Airport Fund
ASSETS			
Current Assets:			
Cash and Investments	\$ 345,976	\$ 506,520	\$ 30,300
Receivables (Net of Allowance)	251,776	210,252	4,832
Restricted Cash and Investments	317,334	3,602,368	-
Prepays	-	412	-
Total Current Assets	<u>915,086</u>	<u>4,319,552</u>	<u>35,132</u>
Noncurrent Assets:			
Deferred Charges	171,609	564,130	-
Other Assets	-	-	-
Capital Assets, Not Being Depreciated	<u>1,673,882</u>	<u>2,161,638</u>	<u>57,543</u>
Capital Assets, Net of Accumulated Depreciation	<u>5,245,224</u>	<u>4,606,555</u>	<u>2,154,538</u>
Total Capital Assets (Net of Accumulated Depreciation)	<u>6,919,106</u>	<u>6,768,193</u>	<u>2,212,081</u>
Total Noncurrent Assets	<u>7,090,715</u>	<u>7,332,323</u>	<u>2,212,081</u>
Total Assets	<u>8,005,801</u>	<u>11,651,875</u>	<u>2,247,213</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable	43,965	33,862	46,216
Accrued Liabilities	-	-	25
Accrued Interest Payable	7,164	32,076	1,783
Due to Other Funds	-	-	724,522
Customer Deposits Payable	90,177	-	-
Compensated Absences - Current	24,604	20,921	4,018
Capital Leases Payable - Current	1,538	20,653	-
Notes and Bonds Payable - Current	<u>19,200</u>	<u>289,957</u>	<u>9,440</u>
Total Current Liabilities	<u>186,648</u>	<u>397,469</u>	<u>786,004</u>
Noncurrent Liabilities:			
Advances Payable	755,184	482,822	-
Compensated Absences	10,439	8,877	1,705
Capital Leases Payable	43,131	270,703	-
Notes and Bonds Payable	<u>566,907</u>	<u>3,093,391</u>	<u>61,150</u>
Total Noncurrent Liabilities	<u>1,375,661</u>	<u>3,855,793</u>	<u>62,855</u>
Total Liabilities	<u>1,562,309</u>	<u>4,253,262</u>	<u>848,859</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	6,459,939	3,657,619	2,141,491
Restricted:			
Maintenance of Water Lines	106,149	-	-
Construction and Expansion of Facilities	120,916	3,583,785	-
Debt Service	87,177	-	-
Unrestricted	<u>(330,689)</u>	<u>157,209</u>	<u>(743,137)</u>
Total Net Assets	<u>\$ 6,443,492</u>	<u>\$ 7,398,613</u>	<u>\$ 1,398,354</u>

The accompanying notes are an integral part of this statement.

Refuse Fund	Nonmajor Transit Fund	Total
\$ 97,438	\$ 40,682	\$ 1,020,916
132,730	-	599,590
-	-	3,919,702
-	-	412
<u>230,168</u>	<u>40,682</u>	<u>5,540,620</u>
-	-	735,739
<u>235,000</u>	<u>-</u>	<u>235,000</u>
-	-	3,893,063
<u>-</u>	<u>-</u>	<u>12,006,317</u>
-	-	15,899,380
<u>235,000</u>	<u>-</u>	<u>16,870,119</u>
<u>465,168</u>	<u>40,682</u>	<u>22,410,739</u>
177,703	21,271	323,017
-	-	25
-	-	41,023
-	-	724,522
-	-	90,177
2,309	1,813	53,665
-	-	22,191
<u>-</u>	<u>-</u>	<u>318,597</u>
<u>180,012</u>	<u>23,084</u>	<u>1,573,217</u>
-	-	1,238,006
980	768	22,769
-	-	313,834
-	-	3,721,448
<u>980</u>	<u>768</u>	<u>5,296,057</u>
<u>180,992</u>	<u>23,852</u>	<u>6,869,274</u>
-	-	12,259,049
-	-	106,149
-	-	3,704,701
-	-	87,177
<u>284,176</u>	<u>16,830</u>	<u>(615,611)</u>
<u>\$ 284,176</u>	<u>\$ 16,830</u>	<u>\$ 15,541,465</u>

The accompanying notes are an integral part of this statement.

City of Tehachapi
Statement of Revenues, Expenses, and Changes in Net Assets
Proprietary Funds
Year Ended June 30, 2011

	Water Fund	Sewer Fund	Airport Fund
OPERATING REVENUES			
Charges for Services	\$ 2,067,381	\$ 2,174,712	\$ 469,048
Miscellaneous	60,424	24,134	11,003
Total Operating Revenues	<u>2,127,805</u>	<u>2,198,846</u>	<u>480,051</u>
OPERATING EXPENSES			
Personnel Services	731,269	521,968	181,873
Maintenance and Operations	656,292	339,947	365,852
Depreciation	261,150	353,629	150,299
Total Operating Expenses	<u>1,648,711</u>	<u>1,215,544</u>	<u>698,024</u>
Operating Income (Loss)	<u>479,094</u>	<u>983,302</u>	<u>(217,973)</u>
NONOPERATING REVENUES (EXPENSES)			
Intergovernmental	-	-	-
Investment Earnings	7,321	24,894	-
Interest Expense	(118,063)	(249,828)	(3,791)
Loss on Disposal of Capital Assets	(61,544)	-	-
Total Nonoperating Revenues (Expenses)	<u>(172,286)</u>	<u>(224,934)</u>	<u>(3,791)</u>
Income (Loss) Before Operating Transfers	306,808	758,368	(221,764)
Transfers In	<u>685,000</u>	<u>626,688</u>	<u>8,270</u>
Change in Net Assets	991,808	1,385,056	(213,494)
Net Assets - Beginning of Year	<u>5,451,684</u>	<u>6,013,556</u>	<u>1,611,849</u>
Net Assets - End of Year	<u>\$ 6,443,492</u>	<u>\$ 7,398,612</u>	<u>\$ 1,398,355</u>

The accompanying notes are an integral part of this statement.

Refuse Fund	Nonmajor Transit Fund	Total
\$ 976,370	\$ 4,867	\$ 5,692,378
10,385	-	105,946
<u>986,755</u>	<u>4,867</u>	<u>5,798,324</u>
55,501	27,583	1,518,194
916,473	118,865	2,397,429
-	-	765,078
<u>971,974</u>	<u>146,448</u>	<u>4,680,701</u>
<u>14,781</u>	<u>(141,581)</u>	<u>1,117,623</u>
-	158,105	158,105
-	306	32,521
-	-	(371,682)
-	-	(61,544)
<u>-</u>	<u>158,411</u>	<u>(242,600)</u>
14,781	16,830	875,023
<u>-</u>	<u>-</u>	<u>1,319,958</u>
14,781	16,830	2,194,981
<u>269,395</u>	<u>-</u>	<u>13,346,484</u>
<u>\$ 284,176</u>	<u>\$ 16,830</u>	<u>\$ 15,541,465</u>

The accompanying notes are an integral part of this statement.

City of Tehachapi
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2011

	Water Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from Customers	\$ 2,147,742
Payments to Employees for Services	(731,269)
Payments to Suppliers for Goods and Services	(2,023,467)
	(606,994)
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES	
Cash Received from Other Funds	-
Intergovernmental Revenue	-
	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and Construction of Capital Assets	(122,393)
Interest Paid	(96,255)
Proceeds from Interfund Advances	833,016
Cash Received from Other Funds	685,000
Payments on Interfund Advance	(77,832)
Payments on Capital Lease Obligations	(1,476)
Payments on Long-term Debt	(1,206,950)
	13,110
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest Received	7,321
	7,321
Net Increase (Decrease) in Cash and Cash Equivalents	(586,563)
Cash and Cash Equivalents, Beginning of the Year	1,249,873
Cash and Cash Equivalents, End of the Year	\$ 663,310

The accompanying notes are an integral part of this statement.

Sewer Fund	Airport Fund	Refuse Fund	Nonmajor Transit Fund	Total
\$ 2,220,650	\$ 470,992	\$ 996,713	\$ 39,858	\$ 5,875,955
(521,968)	(181,873)	(55,501)	(27,583)	(1,518,194)
(308,479)	(264,165)	(911,980)	(130,079)	(3,638,170)
<u>1,390,203</u>	<u>24,954</u>	<u>29,232</u>	<u>(117,804)</u>	<u>719,591</u>
-	8,270	-	-	8,270
-	-	-	158,105	158,105
-	8,270	-	158,105	166,375
(230,284)	(30,079)	-	-	(382,756)
(206,141)	(4,018)	-	-	(306,414)
532,584	-	-	-	1,365,600
626,688	-	-	-	1,311,688
(49,762)	-	-	-	(127,594)
(19,813)	-	-	-	(21,289)
(1,041,783)	(8,955)	-	-	(2,257,688)
<u>(388,511)</u>	<u>(43,052)</u>	<u>-</u>	<u>-</u>	<u>(418,453)</u>
24,894	-	-	306	32,521
<u>24,894</u>	<u>-</u>	<u>-</u>	<u>306</u>	<u>32,521</u>
1,026,586	(9,828)	29,232	40,607	500,034
<u>3,082,302</u>	<u>40,128</u>	<u>68,206</u>	<u>75</u>	<u>4,440,584</u>
<u>\$ 4,108,888</u>	<u>\$ 30,300</u>	<u>\$ 97,438</u>	<u>\$ 40,682</u>	<u>\$ 4,940,618</u>

(Continued)

City of Tehachapi
Statement of Cash Flows
Proprietary Funds - Continued
Year Ended June 30, 2011

	<u>Water Fund</u>
Reconciliation of Operating Income (Loss) to	
Net Cash Provided (Used) by Operating Activities:	
Operating Income (Loss)	\$ 479,094
Adjustments to Reconcile Operating Income (Loss) to	
Net Cash Provided (Used) by Operating Activities:	
Depreciation	261,150
Changes in Operating Assets and Liabilities:	
Decrease (Increase) in Receivables	8,182
Decrease (Increase) in Prepaid Expenses	-
Increase (Decrease) in Accounts Payable	(32,218)
Increase (Decrease) in Accrued Liabilities	-
Increase (Decrease) in Compensated Absences	35,043
Increase (Decrease) in Due to Other Funds	(1,370,000)
Increase (Decrease) in Deposits Payable	11,755
	<u>11,755</u>
TOTAL CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u><u>\$ (606,994)</u></u>
 NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES	
 Amortization Related to Long-term Debt	 \$ 3,323

The accompanying notes are an integral part of this statement.

<u>Sewer Fund</u>	<u>Airport Fund</u>	<u>Refuse Fund</u>	<u>Nonmajor Transit Fund</u>	<u>Total</u>
\$ 983,302	\$ (217,973)	\$ 14,781	\$ (141,581)	\$ 1,117,623
353,629	150,299	-	-	765,078
16,432	(359)	9,958	34,991	69,204
5,372	-	-	-	5,372
1,670	16,782	1,204	5,740	(6,822)
-	25	-	-	25
29,798	5,723	3,289	2,581	76,434
-	79,157	-	(19,535)	(1,310,378)
-	(8,700)	-	-	3,055
<u>\$ 1,390,203</u>	<u>\$ 24,954</u>	<u>\$ 29,232</u>	<u>\$ (117,804)</u>	<u>\$ 719,591</u>
\$ 20,412	\$ -	\$ -	\$ -	\$ 23,735

The accompanying notes are an integral part of this statement.

City of Tehachapi
Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
Year Ended June 30, 2011

	Total Agency Funds
ASSETS	
Cash and Investments	\$ 1,525,368
Cash with Fiscal Agent	4,550
Receivables	22,837
Advances to Other Funds	98,233
Other Assets	257,222
	257,222
Total Assets	\$ 1,908,210
LIABILITIES	
Accounts Payable	\$ 14,764
Advances from Other Funds	196,466
Due to Other Funds	39,647
Due to Bond Holders	1,657,333
	1,657,333
Total Liabilities	\$ 1,908,210

The accompanying notes are an integral part of this statement.

City of Tehachapi
Notes to Financial Statements
Year Ended June 30, 2011

1) REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A) Reporting Entity

The City of Tehachapi was incorporated August 13, 1909 under the general laws of the State of California. The City operates under a Council/City Manager form of government and provides the following services: public safety (police and fire); community services; public works; general administrative services; and capital improvements.

As required by accounting principles generally accepted in the United States of America, these financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government.

The following is a brief overview of the component units included in the accompanying financial statements of the City.

Tehachapi Redevelopment Agency - The Tehachapi Redevelopment Agency was established pursuant to the State of California Health and Safety Code, Section 33000. The Agency is responsible for rehabilitation and economic revitalization of certain areas within the City.

Tehachapi City Financing Corporation (TCFC) - The Tehachapi City Financing Corporation was formed on September 26, 1990, as a Nonprofit Public Benefit Corporation to render financial assistance to the City by issuing debt instruments.

Detailed financial statements are available for the Tehachapi Redevelopment Agency from the City's Finance Department. The TCFC does not issue separate financial statements.

B) Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The Government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

City of Tehachapi
Notes to Financial Statements
Year Ended June 30, 2011

1) REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

B) Measurement Focus, Basis of Accounting, and Financial Statement Presentation - Continued

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. The Agency funds also use the accrual basis of accounting. The Agency funds are custodial in nature and therefore do not involve measurement of results of operations.

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 providers have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Taxes, intergovernmental revenues, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual, and are therefore recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

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

The *RDA Low and Moderate Housing Fund* is used to account for the portion of Agency tax increment revenue legally restricted to expenditures for low and moderate income housing purposes.

The *RDA Fund* is used to account for the interest and principal payments on the Agency's long-term debt issuance and to fund redevelopment projects.

The *Railroad Depot Fund* is used to account for the expenditures related to the construction of the new railroad depot structure.

The City reports the following major proprietary funds:

The *Sewer Utility, Water Utility, Refuse and Airport Funds* are used to account for those operations that are financed and operated in a manner similar to a private business enterprise where the intent of the City Council is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

City of Tehachapi
Notes to Financial Statements
Year Ended June 30, 2011

1) REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

B) Measurement Focus, Basis of Accounting, and Financial Statement Presentation - Continued

Additionally, the City reports the following fund types:

The *Agency Funds* are used to account for funds that are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City accounts for transactions of its special assessment districts and community facilities districts as agency funds.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in-lieu of taxes and other charges between the City's water and sewer function and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

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

City of Tehachapi
Notes to Financial Statements
Year Ended June 30, 2011

1) REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

C) Assets, Liabilities, and Net Assets or Equity

Deposits and Investments

For purposes of the Statement of Cash Flows, the City's cash and investments are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

In accordance with the California Government Code, and as further restricted by the City's adopted investment policy, the City may invest in the following types of investments:

- U.S. Treasury Bills, Notes and Bonds.
- Local Agency Investment Fund administered by the California State Treasurer.
- Obligations issued by agencies or instrumentality of the U.S. Government.
- Negotiable Certificates of Deposit issued by federally or state chartered banks or associations.
- Money Market Mutual Funds investing in the securities and obligations authorized by CGC Section 53601.
- Guaranteed Investment Contract.

Investments held by bond trustees and/or fiscal agents are invested in accordance with separate trust agreements.

For all investments at June 30, 2011, amortized cost approximates fair market value.

The City follows the practice of pooling cash and investments of all funds except for funds held in separate trust agreements.

Interest income earned on pooled cash and investments is allocated quarterly to the various funds based on the average of the beginning and ending cash balances. Interest income from cash and investments of funds excluded from pooled cash is credited directly to the related fund.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of the interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of the interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a nonspendable fund balance account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of allowance for uncollectibles.

Taxes are levied on July 1 and are payable in two installments on December 10 and April 10. The County bills and collects the property taxes and remits them to the City in installments during the year. City property tax revenues are recognized when levied to the extent that they result in current receivables.

City of Tehachapi
Notes to Financial Statements
Year Ended June 30, 2011

1) REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

C) Assets, Liabilities, and Net Assets or Equity - Continued

Receivables and Payables - Continued

The County is permitted by State Law (Proposition 13) to levy taxes at 1% of full market value (at time of purchase) and can increase the property tax rate no more than 2% per year. The City receives a share of this basic levy.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Restricted Assets

Amounts shown as restricted assets have been restricted by either bond indenture, by law, or contractual obligations to be used for specified purposes, such as servicing bonded debt and construction of capital assets.

Capital Assets

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 are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair 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 assets' 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. The total interest expense incurred by the proprietary funds during the current fiscal year was \$371,682. Of this amount, \$0 was included as part of the cost of capital assets under construction.

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

Buildings	30 years
Machinery and Equipment	5 - 30 years
Structures and Other Improvements	10 - 40 years

Capital lease obligations of the Proprietary Funds are accounted for in the year of inception as a liability of the fund. The related asset is recorded as an asset of the fund.

City of Tehachapi
Notes to Financial Statements
Year Ended June 30, 2011

1) REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

C) Assets, Liabilities, and Net Assets or Equity - Continued

Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the City does not have a policy to pay any amounts when employees separate from service with the City. All vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

Net Assets and Fund Balances

GASB Statement No. 34 adds the concept of Net Assets, which is measured on the full accrual basis, to the concept of Fund Balance, which is measured on the modified accrual basis.

1) Net Assets

Net assets are the excess of all the City's assets over all its liabilities, regardless of fund. Net assets are divided into three captions under GASB Statement No. 34. These captions apply only to net assets, which is determined only at the government-wide level and for proprietary funds and are described below:

Invested in capital assets, net of related debt describes the portion of net assets which is represented by the current net book value of the City's capital assets, less the outstanding balance of any debt issued to finance these assets.

Restricted describes the portion of net assets which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulation, laws, or other restrictions which the City cannot unilaterally alter. These principally include developer fees received for use on capital projects, debt service requirements, and redevelopment funds restricted to low and moderate income purposes.

City of Tehachapi
Notes to Financial Statements
Year Ended June 30, 2011

1) REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

C) Assets, Liabilities, and Net Assets or Equity - Continued

Net Assets and Fund Balances - Continued

1) Net Assets - Continued

Unrestricted describes the portion of net assets which is not restricted to use.

2) Fund Balances

The City implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* as of June 30, 2011. Fund balances in governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The City considers restricted fund balance to have been spent first when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. Similarly, when an expenditure is incurred for purposes for which amounts in any of the unrestricted classifications of fund balance could be used, the City considers committed amounts to be reduced first, followed by assigned amounts and then unassigned amounts.

The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

Nonspendable Fund Balance - Amounts that cannot be spent either because they are in nonspendable form or are required to be maintained intact.

Restricted Fund Balance - Amounts that are constrained to specific purposes by state or federal laws, or externally imposed conditions by grantors or creditors.

Committed Fund Balance - Amounts constrained for a specific purpose by City Council action. It would require the same action by City Council to remove the constraint. The City's committed fund balance includes:

General Fund Emergency Contingency - The City's General Fund balance committed for emergency contingencies has been set by resolution and is for specific uses listed as the declaration of a state or federal state of emergency or a local emergency.

Assigned Fund Balance - Amounts that are constrained by the City Council's intent to use specified financial resources for specific purposes, but are neither restricted nor committed. The City's fund balance policy delegates the authority to assign amounts to be used for specific purposes to the Finance Director for the purpose of reporting these amounts in the annual financial statements.

Unassigned Fund Balance - These are either residual positive net resources of fund balance in excess of what can properly be classified in one of the other four categories, or negative balances.

City of Tehachapi
Notes to Financial Statements
Year Ended June 30, 2011

1) REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

C) Assets, Liabilities, and Net Assets or Equity - Continued

2) Fund Balances - Continued

Deficit Fund Equity

The following funds had material deficit fund balances at June 30, 2011:

Nonmajor Capital Projects Funds:	
Green Street Lighting Project	(117,566)

The City expects to abate these deficits by operating transfers from the general fund and future revenue.

2) DETAILED NOTES ON ALL FUNDS

A) Cash and Investments

The City's cash and investments consisted of the following at June 30, 2011:

Deposits	\$ 647,717
Investments	<u>16,523,225</u>
 Total Cash and Investments	 <u>\$ 17,170,942</u>

The City's deposits and investments are reflected in the accompanying basic financial statements as follows:

	Governmental Activities	Business-Type Activities	Fiduciary Funds	Total
Cash and Investments	\$ 10,700,406	\$ 1,020,916	\$ 1,525,368	\$ 13,246,690
Restricted Cash	-	3,919,702	4,550	3,924,252
	<u>\$ 10,700,406</u>	<u>\$ 4,940,618</u>	<u>\$ 1,529,918</u>	<u>\$ 17,170,942</u>

Deposits

Custodial Credit Risk - Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's deposit policy requires deposits to be covered by the federal depository insurance and collateral having a market value of 110% of the uninsured deposit. As of June 30, 2011, none of the City's deposits were exposed to custodial credit risk.

City of Tehachapi
Notes to Financial Statements
Year Ended June 30, 2011

2) DETAILED NOTES ON ALL FUNDS

A) Cash and Investments

Investments

As of June 30, 2011, the City had the following investments:

Investment Type	Total	Maturities in Years	
		Less than 1	1 to 5
Local Agency Investment Funds	\$ 11,963,764	\$ 11,963,764	\$ -
Government Securities	2,048,000	-	2,048,000
Negotiable Certificates of Deposit	1,199,239	619,597	579,642
Money Market Mutual Funds	3,695	3,695	-
Corporate Bonds	91,646	91,646	-
Held by Bond Trustee:			
Money Market Mutual Funds	1,216,881	1,216,881	-
Total	\$ 16,523,225	\$ 13,895,583	\$ 2,627,642

Authorized Investments

The investments listed above are managed by the City Treasurer and Fiscal Agents (bond trustees acting in accordance with bond covenants). Investments managed by the City Treasurer are invested in accordance with the City's investment policy. Investments managed by bond trustees are invested in accordance with provisions of the respective bond agreements, rather than the general provisions of the California Government Code or the City's investment policy.

The City's investments by the investments manager are as follows:

City Treasurer	\$ 15,306,344
Fiscal Agents (Bond trustees for the City and its component units)	<u>1,216,881</u>
	<u>\$ 16,523,225</u>

The City Treasurer has direct oversight over the City's pooled investment fund which covers cash and investments of the City's governmental funds, proprietary funds, and agency funds which are invested in accordance with the City's investment policy. The investment policy generally complies with California Government Code Section 53601 and its primary detail is as follows:

City of Tehachapi
Notes to Financial Statements
Year Ended June 30, 2011

2) DETAILED NOTES ON ALL FUNDS - Continued

A) Cash and Investments - Continued

Authorized Investments - Continued

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment In One Issuer	Minimum Ratings
U.S. Agencies	5 years	100%	100%	None
U.S. Treasury Bills, Notes and Bonds	5 years	100%	100%	None
Local Agency Investment Fund (LAIF)	N/A	None	None	None
Guaranteed Investment Contract	N/A	None	None	AA
Certificates of Deposit (CDs)	5 years	30%	100%	A
Money Market Mutual Funds	N/A	15%	None	None
Commercial Paper	5 years	15%	None	
Trust Indenture	N/A	None	None	

Investments with fiscal agents are investments held by the bond trustee. The City and its investment advisor selects the investment under the terms of the applicable trust agreement, directs the bond trustee to acquire the investment, and the bond trustee then holds the investment on behalf of the City and/or its component units. Proceeds of bonds administered by bond trustees are also generally covered under the City Treasurer's investment policy; however, specific provisions of each issuance are usually used in managing such investments.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. Information about the sensitivity of the fair values of the City's and its component units' investments to market rate fluctuations is provided in the table above that shows the distribution by maturity.

The City's investment policy generally complies with the State Government Code with respect to allowable investment instruments as a means of managing its fair value losses arising from changing interest rates. Guaranteed investment contracts are investments held by fiscal agents (bond trustees) and are restricted for construction projects and debt service.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligations to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the City's investment policy, or debt agreements, and the Standard and Poor's rating as of year end for each investment type.

City of Tehachapi
Notes to Financial Statements
Year Ended June 30, 2011

2) DETAILED NOTES ON ALL FUNDS - Continued

A) Cash and Investments - Continued

Credit Risk - Continued

Investment Type	Total as of June 30, 2011	Minimum Legal Rating	AAA	Other	Unrated	Not Required to be Rated
LAIF	\$ 11,963,764	None	\$ -	\$ -	\$ 11,963,764	\$ -
Government Securities	2,048,000	None	2,048,000	-	-	-
Negotiable Certificates or Deposit	1,199,239	None	-	-	1,199,239	-
Money Market Mutual Funds	3,695	AAA	3,695	-	-	-
Corporate Bonds	91,646	A	91,646	-	-	-
Held by Bond Trustee:						
Money Market Mutual Funds	1,216,881	AAA	1,216,881	-	-	-
Total	<u>\$ 16,523,225</u>		<u>\$ 3,360,222</u>	<u>\$ -</u>	<u>\$ 13,163,003</u>	<u>\$ -</u>

Concentration of Credit Risk

Concentration of credit risk is the increased risk of loss if the City has a significant amount of investments with a single issuer. In accordance with the Investment Policy of the City, none of the investments categories listed exceeded the maximum allowable percentage of its portfolio. The investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. Investments in any one issuer that represent 5% or more of the total of the City's investments are as follows:

Issuer	Type of Investment	Amount
Federal National Mortgage Association	Government Security	\$ 1,000,000

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Custodial credit risk for LAIF is not determinable.

Investment in State Investment Pool

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

City of Tehachapi
Notes to Financial Statements
Year Ended June 30, 2011

2) DETAILED NOTES ON ALL FUNDS - Continued

A) Cash and Investments - Continued

Included in cash and investments are restricted cash assets of \$4,559,461 held by the various bond trustees and fiscal agents, and \$87,177 of customer deposits in the Water Utility Fund.

B) Receivables

Receivables as of year-end for the City's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	RDA Low/Moderate Housing Fund	RDA Debt Service	Railroad Depot	Nonmajor Fund	Total
Governmental Activities						
Taxes	\$ 431,355	\$ 25,219	\$ 75,655	\$ -	\$ 42,963	\$ 575,192
Others	177,055	-	-	-	442,252	619,307
Net Total Receivables	<u>\$ 608,410</u>	<u>\$ 25,219</u>	<u>\$ 75,655</u>	<u>\$ -</u>	<u>\$ 485,215</u>	<u>\$ 1,194,499</u>
	Water Fund	Sewer Fund	Refuse Fund	Airport Fund	Nonmajor Fund	Total
Business-Type Activities						
Others	\$ 258,500	\$ 216,459	\$ 136,405	\$ 4,832	\$ -	\$ 616,196
Gross Receivables	258,500	216,459	136,405	4,832	-	616,196
Less: Allowance for Uncollectibles	<u>(6,724)</u>	<u>(6,207)</u>	<u>(3,675)</u>	<u>-</u>	<u>-</u>	<u>(16,606)</u>
Net Total Receivables	<u>\$ 251,776</u>	<u>\$ 210,252</u>	<u>\$ 132,730</u>	<u>\$ 4,832</u>	<u>\$ -</u>	<u>\$ 599,590</u>

City of Tehachapi
Notes to Financial Statements
Year Ended June 30, 2011

2) DETAILED NOTES ON ALL FUNDS - Continued

C) Capital Assets

Capital assets activity for the year ended June 30, 2011 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets, Not Depreciated:				
Land	\$ 941,007	\$ -	\$ -	\$ 941,007
Construction in Progress	2,648,572	589,528	(1,313,274)	1,924,826
Total Capital Assets, Not Depreciated	3,589,579	589,528	(1,313,274)	2,865,833
Capital Assets Being Depreciated:				
Buildings and Improvements	4,042,159	-	-	4,042,159
Machinery and Equipment	2,982,857	131,579	(106,936)	3,007,500
Improvements other than Buildings	18,794,244	3,001,519	-	21,795,763
Parks	277,862	-	-	277,862
Total Capital Assets Being Depreciated	26,097,122	3,133,098	(106,936)	29,123,284
Less Accumulated Depreciation:				
Buildings and Improvements	(1,113,809)	(153,617)	-	(1,267,426)
Machinery and Equipment	(2,295,711)	(262,343)	50,578	(2,507,476)
Improvements other than Buildings	(2,260,838)	(731,373)	-	(2,992,211)
Parks	(13,913)	(6,947)	-	(20,860)
Total Accumulated Depreciation	(5,684,271)	(1,154,280)	50,578	(6,787,973)
Total Capital Assets Being Depreciated, Net	20,412,851	1,978,818	(56,358)	22,335,311
Governmental Activities Capital Assets, Net of Depreciation	\$ 24,002,430	\$ 2,568,346	\$ (1,369,632)	\$ 25,201,144

City of Tehachapi
Notes to Financial Statements
Year Ended June 30, 2011

2) DETAILED NOTES ON ALL FUNDS - Continued

C) Capital Assets - Continued

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities:				
Capital Assets, Not Depreciated:				
Land	\$ 684,609	\$ -	\$ -	\$ 684,609
Water Rights*	1,585,795	110,527	(47,759)	1,648,563
Construction in Progress	1,448,925	137,639	(26,673)	1,559,891
Total Capital Assets, Not Depreciated	3,719,329	248,166	(74,432)	3,893,063
Capital Assets Being Depreciated:				
Buildings	11,125,195	-	-	11,125,195
Machinery and Equipment	1,658,290	-	(12,382)	1,645,908
Improvements other than Building	10,600,986	147,477	-	10,748,463
Total Capital Assets Being Depreciated	23,384,471	147,477	(12,382)	23,519,566
Less Accumulated Depreciation:				
Building and Improvements	(6,933,607)	(324,390)	-	(7,257,997)
Machinery and Equipment	(897,786)	(80,366)	12,382	(965,770)
Improvements other than Building	(2,929,160)	(360,322)	-	(3,289,482)
Total Accumulated Depreciation	(10,760,553)	(765,078)	12,382	(11,513,249)
Total Capital Assets Being Depreciated, Net	12,623,918	(617,601)	-	12,006,317
Business-Type Activities Capital Assets, Net of Depreciation	\$ 16,343,247	\$ (369,435)	\$ (74,432)	\$ 15,899,380

* This amount was included in Land in the Water Fund in prior years. The balance is now properly classified as Water Rights.

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

Governmental Activities:

General Government \$ 1,154,280

Total Depreciation Expense - Governmental Activities \$ 1,154,280

Business-Type Activities:

Water \$ 261,150
Sewer 353,629
Airport 150,299

Total Depreciation Expense - Business-Type Activities \$ 765,078

City of Tehachapi
Notes to Financial Statements
Year Ended June 30, 2011

2) DETAILED NOTES ON ALL FUNDS - Continued

D) Interfund Receivables, Payables and Transfers

The composition of interfund balances as of June 30, 2011 is as follows:

	<u>Receivable Fund</u>	<u>Payable Fund</u>
General Fund	\$ 1,045,989	\$ -
Non-major Governmental Funds	-	281,820
Enterprise Funds:		
Airport Fund	-	724,522
Agency Funds	<u>-</u>	<u>39,647</u>
Total	<u>\$ 1,045,989</u>	<u>\$ 1,045,989</u>

The General Fund has loaned monies to the Non-major Governmental Funds, the Airport Fund, and the Agency Funds to cover operating cash deficits. These amounts are expected to be paid back in the following fiscal year.

Advances to/from consist of the following at June 30, 2011:

	<u>Receivable Fund</u>	<u>Payable Fund</u>
General Fund	\$ 1,336,239	\$ -
Proprietary Funds:		
Water Fund	-	755,184
Sewer Fund	-	482,822
Agency Funds	<u>-</u>	<u>98,233</u>
Total	<u>\$ 1,336,239</u>	<u>\$ 1,336,239</u>

The General Fund advanced the Water and Sewer Funds \$755,184 and \$482,822 respectively, in order for the Water and Sewer funds to payoff bonds early.

City of Tehachapi
Notes to Financial Statements
Year Ended June 30, 2011

2) DETAILED NOTES ON ALL FUNDS - Continued

D) Interfund Receivables, Payables and Transfers - Continued

Interfund transfers for the year ended June 30, 2011 are as follows:

		TRANSFERS IN					
		Railroad Depot Fund	Non-major Governmental Funds	Water Fund	Sewer Fund	Airport Fund	Total
TRANSFERS OUT	General Fund	\$ -	\$ -	\$ -	\$ -	\$ 8,270	\$ 8,270
	RDA Fund	688,657	652,275	685,000	626,688	-	2,652,620
	Non-Major Governmental Funds	-	295,679	-	-	-	295,679
	Total	\$ 688,657	\$ 947,954	\$ 685,000	\$ 626,688	\$ 8,270	\$ 2,956,569

The RDA Fund transferred \$2,652,620 to the Railroad Depot, Non-major Governmental, Water, and Sewer funds for various capital projects. The transfers from the Non-major Governmental Funds to the Non-Major Governmental Funds were for capital projects.

E) Other Assets

Other assets at June 30, 2011 consist of the following:

	Agency Funds	Total
Foreclosure Receivables	\$ 257,222	\$ 257,222

Foreclosure Receivables

The City has provided infrastructure improvements to various property owners in exchange for special taxes on those properties. Non-payment of these taxes has occurred on selected properties and the City has taken steps toward foreclosure. Funds have been expended during the foreclosure process that are expected to be received at completion of the foreclosure action. Due to the uncertainty as to the date upon which the City will receive reimbursement for the funds expended, those receivables have been reclassified as Other Assets within the Fiduciary Funds.

Joint Venture in Recycling Project

During the year ended June 30, 1991, the City invested \$235,000 in a joint venture recycling plant with Benz Sanitation, a local sanitation company. The investment does not result in title to the plant. The City does, however, have a profit sharing interest of 5% of the gross profits and is held free from responsibility for any debts and obligations of the recycling project. The City did not receive a profit sharing payment for the year ending June 30, 2011.

City of Tehachapi
Notes to Financial Statements
Year Ended June 30, 2011

2) DETAILED NOTES ON ALL FUNDS - Continued

F) Long-Term Debt

Changes in General Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2011, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Governmental Activities:					
Tax Allocation Bonds	\$ 17,170,000	\$ -	\$ 335,000	\$ 16,835,000	\$ 350,000
Less Deferred Amounts:					
For Issuance Discounts	(286,859)	-	(10,968)	(275,891)	-
Total Bonds Payable	16,883,141	-	324,032	16,559,109	350,000
Capital Leases	766,002	-	24,493	741,509	25,279
Compensated Absences	222,257	196,012	172,534	245,735	163,291
Governmental Activity					
Long-term Liabilities	<u>\$ 17,871,400</u>	<u>\$ 196,012</u>	<u>\$ 521,059</u>	<u>\$ 17,546,353</u>	<u>\$ 538,570</u>
Business-type Activities:					
2004 Revenue Refunding Bonds	\$ 3,170,000	\$ -	\$ 125,000	\$ 3,045,000	\$ 125,000
1993 State Revolving Loan	728,509	-	174,134	554,375	179,357
1998 Sewer and Water COP	247,900	-	4,600	243,300	4,800
2000 Sewer and Water COP	1,945,000	-	1,945,000	-	-
Less Deferred Amounts:					
For Issuance Discounts	(125,414)	-	(14,846)	(110,568)	-
On Refunding	261,084	-	23,735	237,349	-
Total Bonds Payable	6,227,079	-	2,257,623	3,969,456	309,157
Department of Transportation					
Loan	79,545	-	8,956	70,589	9,440
Capital Leases	357,314	-	21,289	336,025	22,191
Compensated Absences	-	132,464	56,030	76,434	53,665
Business-type Activity					
Long-term Liabilities	<u>\$ 6,663,938</u>	<u>\$ 132,464</u>	<u>\$ 2,343,898</u>	<u>\$ 4,452,504</u>	<u>\$ 394,453</u>

Tax Allocation Bonds

In December 2005, the Tehachapi Redevelopment Agency issued Tax Allocation Bonds in the amount of \$8,780,000. These bonds were issued for the purpose of refunding the Agency's \$1,555,000 2004 Subordinate Tax Allocation Notes and the Agency's \$2,500,000 2002 Tax Allocation Notes. A portion of the net proceeds of the Bonds will also be used to fund certain redevelopment activities of benefit to the Tehachapi Redevelopment Agency ("the Project Area"), including amounts which will be deposited into a special escrow fund for future release. The

City of Tehachapi
Notes to Financial Statements
Year Ended June 30, 2011

2) DETAILED NOTES ON ALL FUNDS - Continued

F) Long-Term Debt - Continued

Tax Allocation Bonds - Continued

Bonds will mature on December 1, 2035 and the interest rate ranges between 3.25% and 5.25% over the life of the Bonds. Interest is payable semiannually on June 1st and December 1st of each year, commencing June 1, 2006. The Bonds are subject to redemption at the option of the Agency on or after June 1, 2006.

The annual debt service requirements to maturity of the 2005 Tax Allocation Bonds are as follows:

2005 Bonds		
Year Ending June 30,	Principal	Interest
2012	\$ 185,000	\$ 385,626
2013	190,000	378,109
2014	195,000	370,256
2015	205,000	362,064
2016	210,000	353,525
2017-2021	1,210,000	1,616,515
2022-2026	1,520,000	1,303,741
2027-2031	1,910,000	884,449
2032-2036	2,460,000	327,457
Total	\$ 8,085,000	\$ 5,981,742

In December 2007, the Tehachapi Redevelopment Agency issued Tax Allocation Bonds in the amount of \$9,120,000. These Bonds were issued for the purpose of financing additional redevelopment activities for the Tehachapi Redevelopment Agency (the "Project Area"), including amounts which will be deposited into a special escrow fund for future release. Proceeds of the 2007 Bonds will also be used to fund capitalized interest for the 2007 Bonds which fund the special escrow fund, to provide money to meet the parity reserve fund requirement for the 2007 Bonds and the 2005 Bonds. The Bonds are secured by a pledge of tax revenues. The Bonds will mature on December 1, 2037 and the interest rate ranges between 3.4% and 5.313% over the life of the Bonds. Interest is payable semiannually, on June 1st and December 1st of each year, commencing June 1, 2009. The Bonds are subject to redemption at the option of the Agency on or after December 1, 2018.

City of Tehachapi
Notes to Financial Statements
Year Ended June 30, 2011

2) DETAILED NOTES ON ALL FUNDS - Continued

F) Long-Term Debt - Continued

Tax Allocation Bonds - Continued

The annual debt service requirements to maturity of the 2007 Tax Allocation Bonds are as follows:

2007 Bonds		
Year Ending June 30,	Principal	Interest
2012	\$ 165,000	\$ 440,226
2013	175,000	432,650
2014	175,000	424,785
2015	185,000	416,686
2016	195,000	407,933
2017-2021	1,125,000	1,886,612
2022-2026	1,425,000	1,572,900
2027-2031	1,825,000	1,161,636
2032-2036	2,355,000	622,800
2037-2038	1,125,000	60,441
Total	\$ 8,750,000	\$ 7,426,669

Capital Leases

The City, at various occasions, enters into lease agreements that qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

	Governmental Activities	Business-Type Activities
Asset:		
Goodrick Drive	\$ 955,570	\$ 195,719
Less Accumulated Depreciation	(366,559)	(75,078)
Total	\$ 589,011	\$ 120,641

City of Tehachapi
Notes to Financial Statements
Year Ended June 30, 2011

2) DETAILED NOTES ON ALL FUNDS - Continued

F) Long-Term Debt - Continued

Capital Leases - Continued

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2011, were as follows:

Year Ending June 30,	Governmental Activities	Business-Type Activities
2012	\$ 48,676	\$ 35,361
2013	48,663	35,358
2014	48,649	35,356
2015	48,635	35,353
2016	48,622	35,349
2017-2021	242,874	151,311
2022-2026	242,441	49,656
2027-2031	241,933	49,552
2032	48,318	9,897
Total	1,018,811	437,193
Less amount representing interest	(277,301)	(101,168)
Present value of net minimum lease payments	<u>\$ 741,510</u>	<u>\$ 336,025</u>

2004 Revenue Refunding Bonds

On November 1, 2004, the City issued Water and Sewer Revenue Refunding Bonds in the amount of \$3,770,000. These 2004 bonds were issued for the purpose of prepaying and defeasing the outstanding 1994 Water and Sewer Revenue Refunding Bond with an aggregated principal amount of \$2,970,000 and to pay the cost of issuance of the Bonds. The acquisition price exceeded the net carrying value of the old debt by \$261,937 which is being amortized over the life of the new debt, which is equal to the remaining life of the refunded debt. The bonds were issued with an interest rate ranging from 2% to 4.125% over the life of the bonds, with a debt service requirement of \$5,436,606 to be paid over the next 15 years.

City of Tehachapi
Notes to Financial Statements
Year Ended June 30, 2011

2) DETAILED NOTES ON ALL FUNDS - Continued

F) Long-Term Debt - Continued

2004 Revenue Refunding Bonds - Continued

The annual debt service requirements to maturity for the 2004 Water and Sewer Revenue Refunding Bonds are as follows:

Year Ending June 30,	Principal	Interest
2012	\$ 125,000	\$ 117,644
2013	125,000	113,737
2014	135,000	109,344
2015	140,000	104,444
2016	145,000	99,187
2017	150,000	93,469
2018	495,000	80,569
2019	555,000	59,569
2020	570,000	36,712
2021	605,000	12,478
Total	<u>\$ 3,045,000</u>	<u>\$ 827,153</u>

1993 State Revolving Loan

During fiscal year 1994-1995, the City obtained financing from the State of California for the construction of sewer facilities. The State established a line of credit upon which the City received \$2,882,112 in eleven disbursements from January 1993 to January 1994. The interest rate is 3.0% and repayment is scheduled in annual installments over 20 years commencing November 1, 1994.

The annual debt service requirements are as follows:

Year Ending June 30,	Principal	Interest
2012	\$ 179,357	\$ 16,631
2013	184,738	11,251
2014	190,280	5,708
Total	<u>\$ 554,375</u>	<u>\$ 33,590</u>

City of Tehachapi
Notes to Financial Statements
Year Ended June 30, 2011

2) DETAILED NOTES ON ALL FUNDS - Continued

F) Long-Term Debt - Continued

1998 Sewer & Water COPs

In July 1998, the City obtained loans from the USDA Rural Development totaling \$289,900. The Sewer Fund received \$103,000 and Water Fund received \$186,900. The loans were made by purchase of Certificates of Participation (COP), which were issued by the Tehachapi City Financing Corp. (Financing Corp.) with an interest rate of 4.5%. The proceeds from the sale of the COPs were used to finance the building of a new sewer line to connect to the recently annexed Ashe tract. The COPs are secured by installments payments due from the City based on an Installment Sale Agreement between the Financing Corporation and the City.

The annual debt service requirements to maturity for the 1998 Sewer and Water COPs are as follows:

Year Ending June 30,	Principal	Interest
2012	\$ 4,800	\$ 10,948
2013	5,000	10,732
2014	5,300	10,508
2015	5,400	10,269
2016	5,700	10,026
2017-2021	32,600	46,039
2022-2026	40,900	38,016
2027-2031	50,700	27,940
2032-2036	63,400	15,444
2037-2038	29,500	2,007
Total	<u>\$ 243,300</u>	<u>\$ 181,929</u>

Department of Transportation Loan

In October 1998, the City obtained financing from the Department of Transportation Aeronautics Program for the purchase of a fuel tank for the airport. The cost of the fuel tank was \$139,900. The interest rate is 5.0% and repayment is scheduled in annual installments over 17 years commencing January 1, 2002.

The annual debt service requirements to maturity are as follows:

Year Ending June 30,	Principal	Interest
2012	\$ 9,440	\$ 3,565
2013	9,924	3,088
2014	10,408	2,587
2015	10,891	2,061
2016	11,376	1,511
2017	11,860	937
2018	6,690	338
Total	<u>\$ 70,589</u>	<u>14,087</u>

City of Tehachapi
Notes to Financial Statements
Year Ended June 30, 2011

2) DETAILED NOTES ON ALL FUNDS - Continued

F) Long-Term Debt - Continued

No-Commitment Debt

The City issued limited obligation bonds to finance the construction of infrastructure improvements within the City through the use of Special Assessment Districts and Community Facilities Districts. The repayment of the bonds are payable from special assessments and special taxes levied each year, or from foreclosure proceeds. The bonds do not constitute indebtedness of the City, and the City is in no way obligated for their repayment and is only acting on behalf of bondholders and initiating foreclosure proceedings, if necessary. Accordingly, these special assessments and special tax bonds payable have been excluded from the accompanying primary government financial statements.

Limited obligation assessment district and community facilities district bonds outstanding amounted to \$2,630,000 at June 30, 2011.

Due to delinquent annual assessments, limited obligation bonds amounting to \$2,425,000 (principal only) are in default at June 30, 2011.

G) Fund Balances

The details of the fund balances as of June 30, 2011 are presented below:

	General Fund	RDA Low and Moderate Housing	RDA Fund	Railroad Depot	Other Governmental Funds	Total Governmental Funds
Nonspendable:						
Prepays	\$ 135,956	\$ -	\$ 2,500	\$ -	\$ -	\$ 138,456
Loans Receivable	195,344	-	-	-	-	195,344
Advances to Other Funds	1,336,239	-	-	-	-	1,336,239
Restricted for:						
Low/Mod Housing	-	4,004,228	-	-	-	4,004,228
Debt Service	-	116,756	959,386	-	-	1,076,142
Redevelopment Projects	-	-	94,839	-	-	94,839
Capital Projects	-	-	-	-	1,027,150	1,027,150
Transportation	-	-	-	-	1,062,592	1,062,592
Development	-	-	-	-	198,976	198,976
Committed to:						
Emergency Contingency	697,676	-	-	-	-	697,676
Assigned to:						
Capital Projects Equipment Replacement	-	-	-	-	174,002	174,002
	-	-	-	-	120,985	120,985
Unassigned:	3,449,467	-	-	-	(123,648)	3,325,819
Total Fund Balance	\$ 5,814,682	\$ 4,120,984	\$ 1,056,725	\$ -	\$ 2,460,057	\$ 13,452,448

City of Tehachapi
Notes to Financial Statements
Year Ended June 30, 2011

3) OTHER INFORMATION

A) Risk Management

The City participates with other public entities in a joint venture under a joint powers agreement which establishes the Central San Joaquin Valley Risk Management Authority (CSJVRMA).

The City is covered for the first \$1,000,000 of each general liability claim and \$500,000 of each workers' compensation claim through the CSJVRMA. The city has the right to receive dividends or the obligation to pay assessments based on a formula which, among other expenses, charges the City's account for liability and workers' compensation losses under \$10,000. The City's share of estimated claims payable at June 30, 2011 and 2010 amounted to \$0. The CSJVRMA participates in an excess pool which provides general liability coverage from \$1,000,000 to \$25,000,000. The CSJVRMA participates in an excess pool which provides workers' compensation coverage from \$500,000 to \$4,500,000 and purchases excess reinsurance above the \$5,000,000 to the statutory limit.

The CSJVRMA is a consortium of fifty-five (55) cities in San Joaquin Valley, California. It was established under the provisions of California Government Code Section 6500 et seq. The CSJVRMA is governed by a Board of Directors, which meets 3-4 times per year, consisting of one member appointed by each member city. The day-to-day business is handled by a management group employed by the CSJVRMA. At termination of the joint powers agreement and after all claims have been settled, any excess or deficit will be divided among the cities in accordance with its governing documents.

B) City Employee Retirement Plans

Miscellaneous Plan and Safety Plan:

Plan Description

The City of Tehachapi contributes to the California Public Employees Retirement System (CalPERS), a cost-sharing multiple-employer public employee defined benefit pension plan. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The contract offers a "2% at 55" plan for Miscellaneous Plan members and "3% at 50" plan for Safety Police Plan Members. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and city ordinance. Copies of CalPERS' annual financial report may be obtained from their executive office: 400 P Street, Sacramento, California 95814.

Funding Policy

Active plan members are required to contribute a percentage of their annual covered salary. The City of Tehachapi pays the member contributions for both the Miscellaneous Plan and the Safety Plan: 7% and 9% respectively. The City is also required to make additional contributions at an actuarially determined rate. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rates for fiscal year 2010-2011 were 9.309% for the Miscellaneous Plan and 19.094% for the Safety Police Plan. The contribution requirements of the plan members are established by State statute and the employer contribution rate is established and may be amended by CalPERS.

City of Tehachapi
Notes to Financial Statements
Year Ended June 30, 2011

3) OTHER INFORMATION - Continued

B) City Employee Retirement Plans - Continued

Miscellaneous Plan and Safety Plan: - Continued

Funding Policy - Continued

Three Year Trend Information for the City of Tehachapi Miscellaneous Employees' Retirement Plan

Fiscal Year	Required Contributions	Percent Contributed
6/30/09	\$ 188,420	100%
6/30/10	\$ 172,012	100%
6/30/11	\$ 233,113	100%

Three Year Trend Information for the City of Tehachapi Safety Police Employees' Retirement Plan

Fiscal Year	Required Contributions	Percent Contributed
6/30/09	\$ 127,716	100%
6/30/10	\$ 206,660	100%
6/30/11	\$ 171,299	100%

Safety Fire Plan

During the fiscal year ended June 30, 2008, the Safety Fire Plan of the City became inactive. As such the City paid the side fund in the amount of \$35,087 for the fiscal year June 30, 2008 and there will be no additional required contributions. The plan is now part of an inactive pool subject to future gains and losses. At any point in the future, the City may be required to make a contribution on the pools gain and losses. Currently the pool has a surplus and no additional contribution is required.

C) Prior Period Adjustment

A prior period adjustment of \$93,100 was made to the General Fund for sales tax not accrued properly in the prior year. Also, an adjustment was made to the Streets and Roads Fund for \$153,614 to record revenue that had been deferred in the prior year. These amounts are also reflected as prior period adjustments in the government-wide financial statements, governmental activities.

City of Tehachapi
Notes to Financial Statements
Year Ended June 30, 2011

3) OTHER INFORMATION - Continued

D) Commitments and Contingencies

Construction Commitments

The City has active construction projects as of June 30, 2011. At year-end the City's commitments with contractors are as follows:

<u>Project</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Downtown Beautification Phase II	\$ 271,401	\$ 686,498
Total	<u>\$ 271,401</u>	<u>\$ 686,498</u>

The City has entered into a new debt agreement (Sewer Loan) as of May 2011. As of June 30, 2011, there was no activity by the City for this debt.

Recent Changes in Legislation Affecting California Redevelopment Agencies

On June 29, 2011, the Governor of the State of California signed Assembly Bills X1 26 and 27 as part of the State's budget package. Assembly Bill X1 26 requires each California redevelopment agency to suspend (effective July 1, 2011) nearly all activities except to implement existing contracts, meet already-incurred obligations, preserve its assets and prepare for the impending dissolution of the agency. Assembly Bill X1 27 provides a means for redevelopment agencies to continue to exist and operate by means of a Voluntary Alternative Redevelopment Program. Under this program, each local government would adopt an ordinance agreeing to make certain payments to the County Auditor Controller in fiscal year 2011-12 and annual payments each fiscal year thereafter. Assembly Bill X1 26 indicates that the city, special district or county "may use any available funds not otherwise obligated for other uses" to make this payment. The City of Tehachapi intends to use available monies of its redevelopment agency for this purpose and the City and Agency have approved a reimbursement agreement to accomplish that. The amounts to be paid after fiscal year 2012-13 have yet to be determined by the state legislature.

Assembly Bill X1 26 directs the State Controller of the State of California to review the propriety of any transfers of assets between redevelopment agencies and other public bodies that occurred after January 1, 2011. If the public body that received such transfers is not contractually committed to a third party for the expenditure or encumbrance of those assets, the State Controller is required to order the available assets to be transferred to the public body designated as the successor agency by Assembly Bill X1 26.

In the event that Assembly Bill X1 26 is upheld, the receivable recognized by funds of the City that had previously loaned or advanced funds to the redevelopment agency would become uncollectible with a loss recognized to the City. Additionally, the City would be impacted by the elimination of reimbursements previously paid to the City by the redevelopment agency for shared administrative services.

City of Tehachapi
Notes to Financial Statements
Year Ended June 30, 2011

3) OTHER INFORMATION - Continued

D) Commitments and Contingencies - Continued

The League of California Cities and the California Redevelopment Association (CRA) filed a lawsuit on July 18, 2011 on behalf of cities, counties and redevelopment agencies petitioning the California Supreme Court to overturn Assembly Bills X1 26 and 27 on the grounds that they violate the California Constitution. On August 11, 2011, the California Supreme Court issued a stay of all of Assembly Bill X1 27 and most of Assembly Bill X1 26. The California Supreme Court stated in its order that “the briefing schedule is designed to facilitate oral argument as early as possible in 2011, and a decision before January 15, 2012.” A second order issued by the California Supreme Court on August 17, 2011 indicated that certain provisions of Assembly Bills X1 26 and 27 were still in effect and not affected by its previous stay, including requirements to file an appeal of the determination of the community remittance payment by August 15, the requirement to adopt an Enforceable Obligations Payment Schedule (“EOPS”) by August 29, 2011, and the requirement to prepare a preliminary draft of the initial Recognized Obligation Payment Schedule (“ROPS”) by September 30, 2011.

Because the stay provided by Assembly Bill X1 26 only affects enforcement, each agency must adopt an Enforceable Obligation Payment Schedule and draft Recognized Obligation Payment Schedule prior to September 30, as required by the statute. Enforceable obligations include bonds, loans, and payments required by the federal or State government; legally enforceable payments required in connection with agency employees such as pension payments and unemployment payments, judgments or settlements; legally binding and enforceable agreements or contracts; and contracts or agreements necessary for the continued administration or operation of the agency that are permitted for purposes set for in AB X1 26.

On September 6, 2011, City of Tehachapi Ordinance No. 11-02-708 was adopted indicating that the City will comply with the Voluntary Alternative Redevelopment Program in order to permit the continued existence and operation of the agency, in the event Assembly Bills X1 26 and/or 27 are upheld as constitutional. The initial payment by the City is estimated to be \$316,877 with one half due on January 15, 2012 and the other half due May 15, 2012. Thereafter, an estimated \$100,000 will be due annually. The amounts to be paid after fiscal year 2012-13 have yet to be determined by the State Legislature. The semi-annual payments will be due on January 15 and May 15 of each year and would increase or decrease with changes in tax increment. Additionally, an increased amount would be due to schools if any "new debt" is incurred. Assembly Bill X1 27 allows a one-year reprieve on the agency's obligation to contribute 20% of tax increment to the low-and-moderate-income housing fund so as to permit the Agency to assemble sufficient funds to make its initial payments. Failure to make these payments would require agencies to be terminated under the provisions of ABX1 26.

As of December 29, 2011, the Supreme Court of California upheld the provisions of Assembly Bill X1 26 and invalidated Assembly Bill X1 27. The ruling provides for the wind up and dissolution of redevelopment agencies as of February 1, 2012.

REQUIRED SUPPLEMENTARY INFORMATION

City of Tehachapi
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General Fund
Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
REVENUES				
Taxes	\$ 4,072,385	\$ 4,171,889	\$ 4,625,942	\$ 454,053
Licenses, Permits, and Fines	80,000	68,876	76,582	7,706
Intergovernmental	85,000	160,000	188,424	28,424
Charges for Services	270,000	253,764	289,414	35,650
Investment Earnings	70,000	70,000	49,537	(20,463)
Miscellaneous Revenues	30,160	22,245	32,995	10,750
	<u>4,607,545</u>	<u>4,746,774</u>	<u>5,262,894</u>	<u>516,120</u>
Total Revenues				
EXPENDITURES				
Current:				
General Government	918,965	886,209	822,662	63,547
Public Works	539,399	602,959	989,697	(386,738)
Public Safety	2,383,917	2,506,650	2,524,093	(17,443)
Community Development	762,895	724,188	267,555	456,633
Capital Outlay:				
General Government	-	-	-	-
	<u>4,605,176</u>	<u>4,720,006</u>	<u>4,604,007</u>	<u>115,999</u>
Total Expenditures				
Excess (Deficiency) of Revenues over Expenditures	<u>2,369</u>	<u>26,768</u>	<u>658,887</u>	<u>632,119</u>
OTHER FINANCING SOURCES (USES)				
Transfers Out	-	(8,270)	(8,270)	-
	<u>-</u>	<u>(8,270)</u>	<u>(8,270)</u>	<u>-</u>
Total Other Financing Sources (Uses)				
Net Change in Fund Balances	2,369	18,498	650,617	632,119
Fund Balance, Beginning of Year	5,070,965	5,070,965	5,070,965	-
Prion Period Adjustment	93,100	93,100	93,100	-
Fund Balance, End of Year	<u>\$ 5,166,434</u>	<u>\$ 5,182,563</u>	<u>\$ 5,814,682</u>	<u>\$ 632,119</u>

City of Tehachapi
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - RDA Low and Moderate Housing Fund
Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 489,163	\$ 489,163	\$ 396,866	\$ (92,297)
Investment Earnings	10,000	6,000	27,952	21,952
Total Revenues	<u>499,163</u>	<u>495,163</u>	<u>424,818</u>	<u>(70,345)</u>
EXPENDITURES				
Current:				
General Government	154,630	93,815	91,250	2,565
Capital Outlay		2,895	2,895	-
Debt Service				
Interest Expense	168,005	168,005	168,005	-
Principal	67,000	67,000	67,000	-
Total Expenditures	<u>389,635</u>	<u>331,715</u>	<u>329,150</u>	<u>2,565</u>
Excess (Deficiency) of Revenues Over Expenditures	109,528	163,448	95,668	(67,780)
Fund Balance, Beginning of Year	<u>4,025,316</u>	<u>4,025,316</u>	<u>4,025,316</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ 4,134,844</u></u>	<u><u>\$ 4,188,764</u></u>	<u><u>\$ 4,120,984</u></u>	<u><u>\$ (67,780)</u></u>

City of Tehachapi
Notes to Required Supplementary Information
Year Ended June 30, 2011

Budgetary Accounting

Budgetary comparison schedules are presented as part of the Required Supplementary Information for major Special Revenue Funds as provided for by GASB Statement No. 34. The City budget is adopted on a basis consistent with accounting principles generally accepted in United States of America. The City Manager is required to prepare and submit to the City Council the annual budget of the City and administer it after the adoption. City Council approval is required for budget revisions that affect the total appropriations of the City.

SUPPLEMENTARY INFORMATION

City of Tehachapi
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - RDA Fund
Year Ended June 30, 2011

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Taxes	\$ 1,145,370	\$ 1,587,464	\$ 442,094
Investment Earnings	11,600	15,465	3,865
Total Revenues	<u>1,156,970</u>	<u>1,602,929</u>	<u>445,959</u>
EXPENDITURES			
Current:			
General Government	661,431	582,319	79,112
Public Works	12,028	29,093	(17,065)
Pass-throughs	-	396,866	(396,866)
Debt Service:			
Interest Expense	672,019	672,019	-
Principal	268,000	268,000	-
Total Expenditures	<u>1,613,478</u>	<u>1,948,297</u>	<u>(334,819)</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(456,508)</u>	<u>(345,368)</u>	<u>111,140</u>
OTHER FINANCING SOURCES (USES)			
Transfers Out	<u>(2,465,393)</u>	<u>(2,652,620)</u>	<u>(187,227)</u>
Total Other Financing Sources (Uses)	<u>(2,465,393)</u>	<u>(2,652,620)</u>	<u>(187,227)</u>
Net Change in Fund Balance	(2,921,901)	(2,997,988)	(76,087)
Fund Balance, Beginning of Year	<u>4,054,713</u>	<u>4,054,713</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 1,132,812</u>	<u>\$ 1,056,725</u>	<u>\$ (76,087)</u>

City of Tehachapi
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Railroad Depot
Year Ended June 30, 2011

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Miscellaneous Revenues	\$ -	\$ -	\$ -
Total Revenues	-	-	-
EXPENDITURES			
Capital Outlay	-	-	-
Total Expenditures	-	-	-
Excess (Deficiency) of Revenues over Expenditures	-	-	-
OTHER FINANCING SOURCES (USES)			
Transfers In	686,680	688,657	1,977
Net Change in Fund Balance	686,680	688,657	1,977
Fund Balance, Beginning of Year	(688,657)	(688,657)	-
Fund Balance, End of Year	<u>\$ (1,977)</u>	<u>\$ -</u>	<u>\$ 1,977</u>

City of Tehachapi
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2011

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Total</u>
ASSETS			
Cash and Investments	\$ 1,305,811	\$ 1,502,573	\$ 2,808,384
Receivables	254,150	231,065	485,215
	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 1,559,961</u>	<u>\$ 1,733,638</u>	<u>\$ 3,293,599</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable	\$ 76,124	\$ 307,441	\$ 383,565
Due to Other Funds	222,319	59,501	281,820
Deferred Revenue	-	168,157	168,157
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>298,443</u>	<u>535,099</u>	<u>833,542</u>
Fund Balances:			
Restricted	1,261,568	1,027,150	2,288,718
Assigned	-	294,987	294,987
Unassigned	(50)	(123,598)	(123,648)
	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances	<u>1,261,518</u>	<u>1,198,539</u>	<u>2,460,057</u>
Total Liabilities and Fund Balances	<u>\$ 1,559,961</u>	<u>\$ 1,733,638</u>	<u>\$ 3,293,599</u>

City of Tehachapi
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-Major Governmental Funds
Year Ended June 30, 2011

	Special Revenue	Capital Projects	Total
REVENUES			
Taxes	\$ 636,897	\$ -	\$ 636,897
Licenses and Permits	243,179	103,356	346,535
Intergovernmental	1,372,117	439,618	1,811,735
Investment Earnings	9,258	6,817	16,075
Miscellaneous Revenue	-	1,440	1,440
	<u>2,261,451</u>	<u>551,231</u>	<u>2,812,682</u>
Total Revenues			
EXPENDITURES			
Current:			
General Government	5,837	-	5,837
Public Works	890,709	3,250	893,959
Community Development	13,062	101,676	114,738
Capital Outlay	1,202,615	1,085,496	2,288,111
Debt Service:			
Interest Expense	24,195	-	24,195
Principal	24,493	-	24,493
	<u>2,160,911</u>	<u>1,190,422</u>	<u>3,351,333</u>
Total Expenditures			
Excess (Deficiency) of Revenues Over Expenditures	<u>100,540</u>	<u>(639,191)</u>	<u>(538,651)</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	295,730	652,224	947,954
Transfers Out	(295,679)	-	(295,679)
	<u>51</u>	<u>652,224</u>	<u>652,275</u>
Total Other Financing Sources (Uses)			
Net Change in Fund Balances	100,591	13,033	113,624
Fund Balances, Beginning of Year	1,007,313	1,185,506	2,192,819
Prior Period Adjustment	153,614	-	153,614
	<u>153,614</u>	<u>-</u>	<u>153,614</u>
Fund Balances, End of Year	<u>\$ 1,261,518</u>	<u>\$ 1,198,539</u>	<u>\$ 2,460,057</u>

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City of Tehachapi
Combining Balance Sheet
Non-major Special Revenue Funds
June 30, 2011

	<u>Streets and Roads</u>	<u>Traffic Signals</u>	<u>TDA 3 Bike Safety</u>	<u>Surface Transportation Program</u>
ASSETS				
Cash and Investments	\$ -	\$ 799,010	\$ -	\$ -
Receivables	195,426	-	3,171	-
Total Assets	<u>\$ 195,426</u>	<u>\$ 799,010</u>	<u>\$ 3,171</u>	<u>\$ -</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$ -	\$ 34,826	\$ 50	\$ -
Due to Other Funds	80,878	-	3,171	-
Deferred Revenue	-	-	-	-
Total Liabilities	<u>80,878</u>	<u>34,826</u>	<u>3,221</u>	<u>-</u>
Fund Balances:				
Restricted	114,548	764,184	-	-
Assigned	-	-	-	-
Unassigned	-	-	(50)	-
Total Fund Balances	<u>114,548</u>	<u>764,184</u>	<u>(50)</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ 195,426</u>	<u>\$ 799,010</u>	<u>\$ 3,171</u>	<u>\$ -</u>

<u>TEA Grant Downtown Beautification</u>	<u>Beverage Container Recycling</u>	<u>Lighting District</u>	<u>Community Development Grant</u>	<u>Gas Tax</u>	<u>Mill & H Improvements ARRA Project</u>	<u>Safe Route to School Fund</u>
\$ -	\$ 5,226	\$ 297,150	\$ -	\$ 3,164	\$ 1,641	\$ -
-	5,000	7,590	-	42,963	-	-
<u>\$ -</u>	<u>\$ 10,226</u>	<u>\$ 304,740</u>	<u>\$ -</u>	<u>\$ 46,127</u>	<u>\$ 1,641</u>	<u>\$ -</u>
\$ -	\$ -	\$ 15,305	\$ -	\$ 24,302	\$ 1,641	\$ -
-	-	131,550	-	6,720	-	-
-	-	-	-	-	-	-
-	-	146,855	-	31,022	1,641	-
-	10,226	157,885	-	15,105	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	10,226	157,885	-	15,105	-	-
<u>\$ -</u>	<u>\$ 10,226</u>	<u>\$ 304,740</u>	<u>\$ -</u>	<u>\$ 46,127</u>	<u>\$ 1,641</u>	<u>\$ -</u>

Continued

City of Tehachapi
Combining Balance Sheet
Non-major Special Revenue Funds - Continued
Year Ended June 30, 2010

	Valley Boulevard Improvement Project	Oil Recycling Grant Fund	Facility Impact Fee Fund	Total Non-Major Funds
ASSETS				
Cash and Short-term Investments	\$ -	\$ 644	\$ 198,976	\$ 1,305,811
Receivables	-	-	-	254,150
	<u>-</u>	<u>-</u>	<u>-</u>	<u>254,150</u>
Total Assets	<u>\$ -</u>	<u>\$ 644</u>	<u>\$ 198,976</u>	<u>\$ 1,559,961</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$ -	\$ -	\$ -	\$ 76,124
Due to Other Funds	-	-	-	222,319
Deferred Revenue	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>298,443</u>
Fund Balances:				
Restricted	-	644	198,976	1,261,568
Assigned	-	-	-	-
Unassigned	-	-	-	(50)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>(50)</u>
Total Fund Balances	<u>-</u>	<u>644</u>	<u>198,976</u>	<u>1,261,518</u>
Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ 644</u>	<u>\$ 198,976</u>	<u>\$ 1,559,961</u>

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City of Tehachapi
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Special Revenue Funds
Year Ended June 30, 2011

	Streets and Roads	Traffic Signals	TDA 3 Bike Safety	Surface Transportation Program
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and Permits	-	243,179	-	-
Intergovernmental	195,426	78,000	3,171	219,925
Investment Earnings	839	4,833	-	-
	<u>196,265</u>	<u>326,012</u>	<u>3,171</u>	<u>219,925</u>
EXPENDITURES				
Current:				
General Government	-	-	-	-
Public Works	-	-	-	-
Community Development	-	-	-	-
Capital Outlay	-	80,540	3,221	5,262
Debt Service:				
Interest Expense	24,195	-	-	-
Principal	24,493	-	-	-
	<u>48,688</u>	<u>80,540</u>	<u>3,221</u>	<u>5,262</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>147,577</u>	<u>245,472</u>	<u>(50)</u>	<u>214,663</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	49,403	265	-	-
Transfers Out	(236,046)	(9,965)	-	(49,403)
	<u>(186,643)</u>	<u>(9,700)</u>	<u>-</u>	<u>(49,403)</u>
Net Change in Fund Balances	(39,066)	235,772	(50)	165,260
Fund Balances, Beginning of Year	-	528,412	-	(165,260)
Prior Period Adjustments	153,614	-	-	-
Fund Balances, End of Year	<u>\$ 114,548</u>	<u>\$ 764,184</u>	<u>\$ (50)</u>	<u>\$ -</u>

<u>TEA Grant Downtown Beautification</u>	<u>Beverage Container Recycling</u>	<u>Lighting District</u>	<u>Community Development Grant</u>	<u>Gas Tax</u>	<u>Mill & H Improvements ARRA Project</u>	<u>Safe Route to School Fund</u>
\$ -	\$ -	\$ 278,225	\$ -	\$ 358,672	\$ -	\$ -
-	-	-	-	-	-	-
-	5,000	-	-	-	466,474	250,000
-	37	1,848	-	22	-	-
-	5,037	280,073	-	358,694	466,474	250,000
-	-	5,837	-	-	-	-
-	-	252,663	-	637,781	-	-
-	-	13,062	-	-	-	-
-	-	-	-	-	463,429	257,461
-	-	-	-	-	-	-
-	-	271,562	-	637,781	463,429	257,461
-	5,037	8,511	-	(279,087)	3,045	(7,461)
-	-	-	2,174	197,000	6,206	30,717
-	-	-	-	-	-	-
-	-	-	2,174	197,000	6,206	30,717
-	5,037	8,511	2,174	(82,087)	9,251	23,256
-	5,189	149,374	(2,174)	97,192	(9,251)	(23,256)
-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ 10,226</u>	<u>\$ 157,885</u>	<u>\$ -</u>	<u>\$ 15,105</u>	<u>\$ -</u>	<u>\$ -</u>

Continued

City of Tehachapi
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Continued
Non-Major Special Revenue Funds
Year Ended June 30, 2010

	Valley Boulevard Improvement Project	Oil Recycling Grant Fund	Facility Impact Fee Fund	Total Non-Major Funds
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ 636,897
Licenses and Permits	-	-	-	243,179
Intergovernmental	-	-	154,121	1,372,117
Investment Earnings	765	4	910	9,258
	<u>765</u>	<u>4</u>	<u>155,031</u>	<u>2,261,451</u>
Total Revenues	<u>765</u>	<u>4</u>	<u>155,031</u>	<u>2,261,451</u>
EXPENDITURES				
Current:				
General Government	-	-	-	5,837
Public Works	-	265	-	890,709
Community Development	-	-	-	13,062
Capital Outlay	392,702	-	-	1,202,615
Debt Service:				
Interest Expense	-	-	-	24,195
Principal	-	-	-	24,493
	<u>-</u>	<u>-</u>	<u>-</u>	<u>24,493</u>
Total Expenditures	<u>392,702</u>	<u>265</u>	<u>-</u>	<u>2,160,911</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(391,937)</u>	<u>(261)</u>	<u>155,031</u>	<u>100,540</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	9,965	-	-	295,730
Transfers Out	(265)	-	-	(295,679)
	<u>9,700</u>	<u>-</u>	<u>-</u>	<u>51</u>
Total Other Financing Sources (Uses)	<u>9,700</u>	<u>-</u>	<u>-</u>	<u>51</u>
Net Change in Fund Balances	(382,237)	(261)	155,031	100,591
Fund Balances, Beginning of Year	382,237	905	43,945	1,007,313
Prior Period Adjustment	-	-	-	153,614
Fund Balances, End of Year	<u>\$ -</u>	<u>\$ 644</u>	<u>\$ 198,976</u>	<u>\$ 1,261,518</u>

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City of Tehachapi
Combining Balance Sheet
Non-major Capital Project Funds
June 30, 2011

	<u>Tucker Road / Valley Blvd. Exchange</u>	<u>Energy Efficiency Conservation Project</u>	<u>Green Street Lighting Project</u>	<u>Capital Equipment Replacement</u>
ASSETS				
Cash and Investments	\$ 46,891	\$ -	\$ 154,963	\$ 120,985
Receivables	<u>-</u>	<u>-</u>	<u>168,157</u>	<u>-</u>
Total Assets	<u>\$ 46,891</u>	<u>\$ -</u>	<u>\$ 323,120</u>	<u>\$ 120,985</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$ -	\$ -	\$ 272,529	\$ -
Due to Other Funds	-	2,505	-	-
Deferred Revenue	<u>-</u>	<u>-</u>	<u>168,157</u>	<u>-</u>
Total Liabilities	<u>-</u>	<u>2,505</u>	<u>440,686</u>	<u>-</u>
Fund Balances:				
Restricted	46,891	-	-	-
Assigned	-	-	-	120,985
Unassigned	<u>-</u>	<u>(2,505)</u>	<u>(117,566)</u>	<u>-</u>
Total Fund Balances	<u>46,891</u>	<u>(2,505)</u>	<u>(117,566)</u>	<u>120,985</u>
Total Liabilities and Fund Balances	<u>\$ 46,891</u>	<u>\$ -</u>	<u>\$ 323,120</u>	<u>\$ 120,985</u>

<u>Public Safety Capital Project Fee</u>	<u>General Plan Update</u>	<u>Valley Shoulder Ext - HSIP</u>	<u>Downtown Master Plan</u>	<u>Parks & Rec. Capital Project</u>	<u>Challenger Drive Exit</u>
\$ 539,037	\$ 22,350	\$ -	\$ 18,874	\$ 422,122	\$ 173,116
-	-	5,760	-	-	-
<u>\$ 539,037</u>	<u>\$ 22,350</u>	<u>\$ 5,760</u>	<u>\$ 18,874</u>	<u>\$ 422,122</u>	<u>\$ 173,116</u>
\$ -	\$ -	\$ 1,948	\$ 15,775	\$ 3,250	\$ 2,213
-	-	3,812	-	-	-
-	-	-	-	-	-
-	-	5,760	15,775	3,250	2,213
539,037	22,350	-	-	418,872	-
-	-	-	3,099	-	170,903
-	-	-	-	-	-
<u>539,037</u>	<u>22,350</u>	<u>-</u>	<u>3,099</u>	<u>418,872</u>	<u>170,903</u>
<u>\$ 539,037</u>	<u>\$ 22,350</u>	<u>\$ 5,760</u>	<u>\$ 18,874</u>	<u>\$ 422,122</u>	<u>\$ 173,116</u>

Continued

City of Tehachapi
Combining Balance Sheet
Non-major Capital Project Funds - Continued
Year Ended June 30, 2011

	<u>Tehachapi Centennial Plaza</u>	<u>Tehachapi Blvd Imprv - Phase IV</u>	<u>Total Non-Major Funds</u>
ASSETS			
Cash and Investments	\$ -	\$ 4,235	\$ 1,502,573
Receivables	57,148	-	231,065
	<u>57,148</u>	<u>-</u>	<u>231,065</u>
Total Assets	<u>\$ 57,148</u>	<u>\$ 4,235</u>	<u>\$ 1,733,638</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable	\$ 4,669	\$ 7,057	\$ 307,441
Due to Other Funds	53,184	-	59,501
Deferred Revenue	-	-	168,157
	<u>-</u>	<u>-</u>	<u>168,157</u>
Total Liabilities	<u>57,853</u>	<u>7,057</u>	<u>535,099</u>
Fund Balances:			
Restricted	-	-	1,027,150
Assigned	-	-	294,987
Unassigned	(705)	(2,822)	(123,598)
	<u>(705)</u>	<u>(2,822)</u>	<u>(123,598)</u>
Total Fund Balances	<u>(705)</u>	<u>(2,822)</u>	<u>1,198,539</u>
Total Liabilities and Fund Balances	<u>\$ 57,148</u>	<u>\$ 4,235</u>	<u>\$ 1,733,638</u>

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City of Tehachapi
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Capital Project Funds
Year Ended June 30, 2011

	Tucker Road / Valley Blvd. Exchange	Energy Efficiency Conservation Project	Green Street Lighting Project	Capital Equipment Replacement
REVENUES				
Licenses, Permits, and Fines	-	-	-	-
Intergovernmental	-	-	14,306	-
Miscellaneous Revenue	-	-	-	-
Investment Earnings	326	-	-	-
	<u>326</u>	<u>-</u>	<u>14,306</u>	<u>-</u>
Total Revenues	<u>326</u>	<u>-</u>	<u>14,306</u>	<u>-</u>
EXPENDITURES				
Current:				
Public Works	-	-	-	-
Community Development	-	2,455	-	-
Capital Outlay	-	-	415,640	-
	<u>-</u>	<u>-</u>	<u>415,640</u>	<u>-</u>
Total Expenditures	<u>-</u>	<u>2,455</u>	<u>415,640</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>326</u>	<u>(2,455)</u>	<u>(401,334)</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	200,000	-
Transfers Out	-	-	-	-
	<u>-</u>	<u>-</u>	<u>200,000</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>200,000</u>	<u>-</u>
Net Change in Fund Balances	326	(2,455)	(201,334)	-
Fund Balances, Beginning of Year	<u>46,565</u>	<u>(50)</u>	<u>83,768</u>	<u>120,985</u>
Fund Balances, End of Year	<u>\$ 46,891</u>	<u>\$ (2,505)</u>	<u>\$ (117,566)</u>	<u>\$ 120,985</u>

<u>Public Safety Capital Project Fee</u>	<u>General Plan Update</u>	<u>Valley Shoulder Ext - HSIP</u>	<u>Downtown Master Plan</u>	<u>Parks & Rec. Capital Project</u>	<u>Challenger Drive Exit</u>
-	-	-	-	103,356	-
-	-	5,760	-	-	-
-	-	-	-	1,440	-
<u>3,750</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,741</u>	<u>-</u>
<u>3,750</u>	<u>-</u>	<u>5,760</u>	<u>-</u>	<u>107,537</u>	<u>-</u>
-	-	-	-	3,250	-
-	22,493	-	76,728	-	-
-	-	11,915	-	22,980	31,609
<u>-</u>	<u>22,493</u>	<u>11,915</u>	<u>76,728</u>	<u>26,230</u>	<u>31,609</u>
<u>3,750</u>	<u>(22,493)</u>	<u>(6,155)</u>	<u>(76,728)</u>	<u>81,307</u>	<u>(31,609)</u>
-	-	6,155	100,000	-	-
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>6,155</u>	<u>100,000</u>	<u>-</u>	<u>-</u>
3,750	(22,493)	-	23,272	81,307	(31,609)
<u>535,287</u>	<u>44,843</u>	<u>-</u>	<u>(20,173)</u>	<u>337,565</u>	<u>202,512</u>
<u>\$ 539,037</u>	<u>\$ 22,350</u>	<u>\$ -</u>	<u>\$ 3,099</u>	<u>\$ 418,872</u>	<u>\$ 170,903</u>

Continued

City of Tehachapi
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Continued
Non-Major Capital Project Funds
Year Ended June 30, 2011

	Tehachapi Centennial Plaza	Tehachapi Blvd Imprv - Phase IV	Total Non-Major Funds
REVENUES			
Licenses, Permits, and Fines	-	-	103,356
Intergovernmental	419,552	-	439,618
Miscellaneous Revenue	-	-	1,440
Investment Earnings	-	-	6,817
	<u>419,552</u>	<u>-</u>	<u>551,231</u>
EXPENDITURES			
Current:			
Public Works	-	-	3,250
Community Development	-	-	101,676
Capital Outlay	549,716	53,636	1,085,496
	<u>549,716</u>	<u>53,636</u>	<u>1,190,422</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(130,164)</u>	<u>(53,636)</u>	<u>(639,191)</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	295,255	50,814	652,224
Transfers Out	-	-	-
	<u>295,255</u>	<u>50,814</u>	<u>652,224</u>
Net Change in Fund Balances	165,091	(2,822)	13,033
Fund Balances, Beginning of Year	<u>(165,796)</u>	<u>-</u>	<u>1,185,506</u>
Fund Balances, End of Year	<u>\$ (705)</u>	<u>\$ (2,822)</u>	<u>\$ 1,198,539</u>

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City of Tehachapi
Combining Statement of Fiduciary Assets and Liabilities
Agency Funds
Year Ended June 30, 2011

	Capital Hills 89-1	Tucker Road 87-1	East Tehachapi Blvd. Project 89-3	Summit 89-2
ASSETS				
Cash and Investments	\$ 1,169,952	\$ 87,455	\$ 6,059	\$ -
Cash with Fiscal Agent	-	-	4,467	-
Receivables	-	-	22,837	-
Advances to Other Funds	-	-	-	-
Other Assets	-	-	25,911	231,311
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 1,169,952</u>	<u>\$ 87,455</u>	<u>\$ 59,274</u>	<u>\$ 231,311</u>
LIABILITIES AND FUND BALANCES				
Accounts Payable	\$ 5,600	\$ -	\$ -	\$ 9,164
Advances From Other Funds	-	-	-	98,233
Due to Other Funds	-	-	-	39,647
Due to Bond Holders	1,164,352	87,455	59,274	84,267
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>\$ 1,169,952</u>	<u>\$ 87,455</u>	<u>\$ 59,274</u>	<u>\$ 231,311</u>

Tehachapi Meadows 90-1	Special Districts Revolving Fund	Total Agency Funds
\$ 261,902	\$ -	\$ 1,525,368
83	-	4,550
-	-	22,837
-	98,233	98,233
-	-	257,222
<u>\$ 261,985</u>	<u>\$ 98,233</u>	<u>\$ 1,908,210</u>
\$ -	\$ -	\$ 14,764
-	98,233	196,466
-	-	39,647
<u>261,985</u>	<u>-</u>	<u>1,657,333</u>
<u>\$ 261,985</u>	<u>\$ 98,233</u>	<u>\$ 1,908,210</u>