

CITY OF TEHACHAPI
ANNUAL FINANCIAL REPORT
Year Ended June 30, 2012

City of Tehachapi
Year Ended June 30, 2012

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FINANCIAL SECTION

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, 2012, 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, 2012, 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 required the dissolution of redevelopment agencies as of February 1, 2012, including the Tehachapi Redevelopment Agency.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 5, 2013 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.

Teaman Ramirez & Smith, Inc.

February 5, 2013

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, 2012. 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 39% to \$51,709,487 as a result of this year's operations.
- Total City revenues, including program and general revenues, were \$16,393,652 which is \$133,222 more than the prior year.
- Net assets in governmental funds increased \$14,031,120, and net assets in business activities increased \$381,764.
- Governmental revenue was increased by \$1,028,046 to \$9,979,568.
- Governmental expense was decreased by \$741,996 to \$7,986,183.
- Revenues from business-type activities decreased by \$894,824 to \$6,414,084.
- Expenses from business-type activities increased by \$918,393 to \$6,032,320.
- General fund revenue was increased by \$753,306 to \$6,016,200.
- General fund balance as of June 30, 2012 is \$6,885,968 an increase of \$1,071,288 from the prior year.
- There are no longer Tehachapi Redevelopment Agency (RDA) and Low and Moderate Income Housing Fund (LMIHF) by the end of this fiscal year. The City of Tehachapi elected to be Successor Agency for both Tehachapi RDA and LMIHF. Effective February 1, 2012, the Successor Agency took over the operations of both RDA and LMIHF.

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 the following:

- General Government: administration, finance and accounting, human resources, legal, city clerk, etc.
- Public Works: road maintenance, city engineer and building maintenance
- Public Safety: Police and fire services
- Community Development: Planning, building inspections and community development
- Pass-through: Redevelopment Agency (RDA) payment to pass-through taxing agencies
- Interest: RDA interest payments on two bonds issued in 2005 and 2007

On December 29, 2011, The California Supreme Court largely upheld AB 1X 26 (which provides for the winding up and dissolution of redevelopment agencies) and invalidated AB 1X 27 (which provided for an alternative voluntary redevelopment program). 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. On January 10, 2012, The City of Tehachapi opted to become the successor agency for the Tehachapi Redevelopment Agency effective February 1, 2012. Therefore, RDA financial activities through January 31, 2012 are included in the government-wide financial statements then RDA fund balance was transferred to Successor Agency which is presented under the Fiduciary Funds Section.

The services under governmental activities are supported by taxes and by specific program revenue.

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 composed of three categories: governmental funds, proprietary funds and fiduciary 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 26 active individual governmental funds. 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 Green Street Lighting and Tract 6216 Settlement capital project funds which are considered to be major funds. Data from the other 20 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.

Fiduciary Funds

The City's fiduciary fund activities are reported in a separate section of this report under Statement of Fiduciary Net Assets. These activities are excluded from the City's other financial statements because they don't pertain to the City and it cannot use assets belonging to fiduciary fund to finance its operations. Financial activities, such as, from the Successor Agency to the former Tehachapi RDA (Successor Agency) are included in the fiduciary statement.

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 budgetary comparison schedules for major governmental funds and illustration of conditions and activities for all non-major 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 \$51,709,487 at June 30, 2012.

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 equipment) Net of Related Debt was increased to \$40,379,938 (78% of total net assets) from \$20,728,668. The increase was contributed by:

- Transfer of outstanding bonds payable of former RDA from governmental funds to fiduciary Funds (\$16,220,077)
- Capitalized construction in progress for the new sewer plant (\$3,566,423)

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 \$7,809,954. The above mentioned reclassification of RDA (including Low and Moderate Housing Funds) is the main reason for the restricted fund decrease. In addition, the financing of capital projects such as a

new police building and road maintenance projects by using special revenue funds contributed to the decrease in the restricted fund balance.

The unrestricted fund balance was increased to \$8,415,971 from \$5,844,403. This increase was attributed to the fund balance increase in the General Fund and payment from the bond insurance company as a result of settlement to complete the infrastructure on Tract 6216.

Summary of Statement of Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current and Other Assets	11,128,853	14,898,206	3,292,774	4,548,831	14,421,627	19,447,037
Capital Assets	25,912,258	25,201,144	19,028,487	15,899,380	44,940,745	41,100,524
Total Assets	<u>37,041,111</u>	<u>40,099,350</u>	<u>22,321,261</u>	<u>20,448,211</u>	<u>59,362,372</u>	<u>60,547,561</u>
Current Liabilities	536,820	1,336,429	2,562,982	848,695	3,099,802	2,185,124
Long-term Liabilities	718,033	17,007,783	3,835,050	4,058,051	4,553,083	21,065,834
Total Liabilities	<u>1,254,853</u>	<u>18,344,212</u>	<u>6,398,032</u>	<u>4,906,746</u>	<u>7,652,885</u>	<u>23,250,958</u>
Investments in Capital, Net of related debt	25,196,028	8,469,619	15,183,910	12,259,049	40,379,938	20,728,668
Restricted	1,062,353	6,825,505	1,851,225	3,898,027	2,913,578	10,723,532
Unrestricted	9,527,877	6,460,014	(1,111,906)	(615,611)	8,415,971	5,844,403
Total Net Assets	<u>35,786,258</u>	<u>21,755,138</u>	<u>15,923,229</u>	<u>15,541,465</u>	<u>51,709,487</u>	<u>37,296,603</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.

Governmental Activities

Governmental activities increased the City's net assets by \$14,031,120 thereby accounting for 64% of the total growth in the City's net assets. This increase is mainly due to reclassification of outstanding RDA bonds payable and receipt of the insurance settlement on Tract 6216 as mentioned previously.

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 \$14,412,884 City wide net assets increase, \$381,764 (3% of total increase) was attributed to the business-type activities. The increase is mainly from the grant received from the Water Resources Control Board for the new sewer plant project.

Statement of Activities

	Governmental Activities		Business Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenue						
Program Revenues:						
Charges for Services	712,266	821,079	5,401,190	5,692,378	6,113,456	6,513,457
Operating contribution & Grant	426,773	592,393	268,865	158,105	695,638	750,498
Capital Grants & Contribution	887,355	1,742,770	1,950,554	-	2,837,909	1,742,770
General Revenues:						
Property taxes	2,155,857	3,199,699			2,155,857	3,199,699
Sales Taxes	1,814,353	1,421,347			1,814,353	1,421,347
Other Taxes	1,493,251	2,354,582			1,493,251	2,354,582
License and permits	1,073,177				1,073,177	-
Other sources of funds					-	-
Miscellaneous	22,586	30,582	64,717	105,946	87,303	136,528
Interest	85,362	109,028	37,346	32,521	122,708	141,549
Transfers	1,308,588	(1,319,958)	(1,308,588)	1,319,958	-	-
	9,979,568	8,951,522	6,414,084	7,308,908	16,393,652	16,260,430
Expenses						
Primary Government						
General Government	2,237,365	2,679,826			2,237,365	2,679,826
Administration					-	-
Public Works & Planning	2,406,248	2,233,054			2,406,248	2,233,054
Police	2,631,886	2,524,093			2,631,886	2,524,093
Fire Department					-	-
Council					-	-
City Clerk					-	-
Treasurer					-	-
Parks					-	-
Pass-throughs	188,475	396,866			188,475	396,866
Interest	522,209	894,340			522,209	894,340
Business-type Activities						
Refuse			1,000,826	971,974	1,000,826	971,974
Water			1,809,932	1,828,318	1,809,932	1,828,318
Sewer			2,052,393	1,465,372	2,052,393	1,465,372
Transit			161,590	146,448	161,590	146,448
Airport			1,007,579	701,815	1,007,579	701,815
Total Expense	7,986,183	8,728,179	6,032,320	5,113,927	14,018,503	13,842,106
Extraordinary Items	12,037,735				12,037,735	
Change in Net Assets	1,993,385	223,343	381,764	2,194,981	2,375,149	2,418,324
Net Assets at beginning of yr	21,755,138	21,285,081	15,541,465	13,346,484	37,296,603	34,631,565
Prior Period Adj		246,714	-	-	-	246,714
Net Assets at end of year	35,786,258	21,755,138	15,923,229	15,541,465	51,709,487	37,296,603

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, 2012, the City's governmental funds reported a combined ending fund balance of \$10,262,923. This number shows approximately 24% (\$3,189,525) fund balance decrease from the prior year. Again, the reclassification of the RDA and Low and Moderate Income Housing Fund from the governmental funds category to fiduciary funds is the main cause of the governmental funds balance decrease. This fund balance is available for spending on the government's ongoing obligations to citizens and creditors; although, 33% (or \$3,376,955) of the total governmental funds 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 fund balance in the General Fund was \$6,885,968 which includes \$1,281,175 of non-spendable fund balance. The non-spendable funds are made up 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 off some of the advances in a manner of an operating transfer as happened in past years. 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 outstanding advances made to other funds and committed fund balance, will be used to pay for various City services such as police, contracted fire, public works and the City's general operations.

The negative fund balance in the Green Street Lighting Capital Projects Fund will be remedied during the next fiscal year once payment is received from a federal grant. The \$2,184,674 fund balance in Tract 6216 project fund was due to an insurance settlement received from the developer's bond company. The settlement is intended to be used to complete the infrastructure which was left incomplete by the developer.

Special revenue funds, street maintenance funds and miscellaneous capital project funds are included in Other Governmental Funds. The majority of special revenue funds are various development fee funds with a specific purpose for the use of funds.

Proprietary Fund

The Net Assets of major proprietary funds such as, Water, Sewer, Airport and Refuse funds are \$5,916,197, \$8,526,682, \$1,198,323 and \$288,852 respectively. The unrestricted net assets of the Water and Sewer funds at the end of the year are negative \$565,601 and positive \$101,622 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 payments 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.

During this fiscal year, the Water and Sewer funds have returned \$685,000 and 626,688 respectively to Successor Agency Fund due to a negative bond proceed balance in the Successor Agency Fund. The monies were originally transferred from the RDA fund to Water and Sewer funds in March, 2011 to help pay for projects which benefit the RDA project area. The fund returned has caused the Water fund a \$527,295 reduction in the net asset from the prior year whereas the Sewer fund showed \$1,128,070 increase in net asset balance in spite of the fund transfer because of the \$1,950,554 grant received from the Water Resources Control Board for the construction of the new sewer plant. The restricted net assets in Sewer fund, \$1,623,886, will be used for continuation of the construction and expansion of a new sewer plant over the next year.

As of June 30, 2012, the Airport Fund owes \$969,796 to the 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, 2012 is presented as required supplementary information following the notes to the financial statements. The final budget amounts are different from those presented in the 2011/12 – 2015/16 original five-year budget documents. It is due to changes that occurred between the original budget and the mid-year budget adjustments.

General Fund

	Original Budget	Final Budget	2011/12 Actual	Variance Actual vs. Finanl Budget (Negative)
Revenues incl. Other Sources	4,901,984	5,441,839	6,016,200	574,361
Expenditures incl. Other Uses	4,861,962	5,433,905	4,944,914	488,991
Net changes in fund balances	40,022	7,934	1,071,286	1,063,352
Fund Balance Beginning (Adjusted)	5,814,682	5,814,682	5,814,682	0
Fund Balance - Ending	5,854,704	5,822,616	6,885,968	1,063,352

Overall, the General Fund actual ending fund balance is \$1,063,352 more than what was budgeted in the final budget. The major contributions to positive revenue variance are from sales tax, \$476,734, transient occupancy tax, \$137,461, and landscape, construction and miscellaneous staff charges, \$96,568.

During fiscal year 2011/12, the status of the general economy has improved from the recession of the last few years. It seemed that the sales tax increase was affected by the growth of economy and high gasoline prices during the year. 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 and higher room occupancy rate.

The departments in General Fund which contributed a major positive variance to the total expenditure are General Government, \$325,041; Public Works, \$80,197; and the Police department, \$24,921.

CAPITAL & DEBT ADMINISTRATION

Capital Assets

	Governmental Activities	Business-type Activities	Totals
Non-Depreciable Assets:			
Land	4,612,950	7,707,099	12,320,049
Total non-depreciable assets	4,612,950	7,707,099	12,320,049
Depreciable Assets (net of accumulated depreciation)			
Buildings	21,299,308	11,321,388	32,620,696
Improvements other than building	0	0	0
Machinery and equipment	0	0	0
Parks	0	0	0
Construction in progress	0	0	0
Total depreciable assets-net	21,299,308	11,321,388	32,620,696
Total Capital Assets	25,912,258	19,028,487	44,940,745

The City of Tehachapi's investment in capital assets for its governmental and business-type activities as of June 30, 2012, amounts to \$44,940,745 (net of accumulated depreciation) which is a \$3,840,221 increase from fiscal year 2010/11. This investment in capital assets includes land, buildings, improvements, machineries and equipment, 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	0	3,497,967	3,497,967
Loans		449,697	449,697
Capital Leases	716,230	146,697	862,927
Compensated absences	155,243	108,981	264,224
Total Long-Term Liabilities	871,473	4,203,342	5,074,815

The City of Tehachapi's total long term debt was decreased by \$16,924,042 compared to the last fiscal year. This decrease was mainly from the reclassification of outstanding RDA bonds from the governmental funds to fiduciary funds as stated several times in this report.

State statutes limit the amount of general obligation debt a governmental entity may issue to fifteen 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, 2012, the Council adopted the 2012/13 through 2016/17 five-year budget, with total appropriations of \$17,030,667 in fiscal year 2012/13. The following factors were taken into consideration for the next fiscal year budget:

- 3% cost of living increase was granted for all employees.
- The 2012/13 General Fund revenue budget (\$5,332,649) was projected at \$683,551 less than the actual revenue received in 2011/12. A \$100,000 COPS grant is not included in this budget since there is no certainty that the State will continue with its funding. A \$250,000 Successor Agency administration fee is included in the General Fund revenue budget although the same fee for the fiscal year 2011/12 was not received due to fund shortage in the Successor Agency fund.
- The 2012/13 General Fund expenditure budget (\$5,296,873) was projected at \$305,708 more than the actual expenditure in 2011/12.
- Average of nineteen equivalent dwelling units (EDU) 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:
 - Four city vehicle replacements \$126,270
 - Airport taxiway, apron rehabilitation and drainage improvement \$1,300,000
 - Water Radio Meters Replacement, \$30,000
 - Water Banking Program, \$130,000
 - "C" Street water main replacement \$260,000
 - Purchase of a welder and a generator for the Utility Department \$35,000
 - New sewer plant \$1,000,000
 - Tehachapi Blvd. improvement Ph. IV \$543,178
 - Tract 6216 infrastructure improvement \$2,064,542
 - New police building design \$250,000

As always, this budget was put together in a very conservative manner. Although our City was fortunate enough to generate a positive overall fund balance, the City is not putting its guard down in securing its financial stability.

The economy has improved slowly during the last few years; however, the general consensus of economists is that this has been the weakest rebound since World War II. The economic outlook is not that bright for the year 2013. The majority of economists are forecasting less than a 2% growth rate in 2013 whereas a 3% or more growth rate is anticipated in the year 2014. The good news is that the economy is going forward toward renewed prosperity although it is not the rate that most of us desire.

BASIC FINANCIAL STATEMENTS

City of Tehachapi
Statement of Net Assets
June 30, 2012

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and Investments	\$ 7,529,671	\$ 2,314,793	\$ 9,844,464
Receivables (Net of Allowance)	1,237,273	2,342,735	3,580,008
Loans Receivable	195,344	-	195,344
Due from Agency Funds	111,238	-	111,238
Internal Balances	1,946,626	(1,946,626)	-
Restricted Cash and Investments	-	96,566	96,566
Prepays	108,701	522	109,223
Deferred Charges	-	249,784	249,784
Capital Assets, Not Being Depreciated	4,612,950	7,707,099	12,320,049
Capital Assets, Depreciated, Net	21,299,308	11,321,388	32,620,696
Other	-	235,000	235,000
	<u>37,041,111</u>	<u>22,321,261</u>	<u>59,362,372</u>
Total Assets			
LIABILITIES			
Current Liabilities:			
Accounts Payable	329,523	2,041,215	2,370,738
Accrued Liabilities	5,137	21,711	26,848
Accrued Interest Payable	-	35,198	35,198
Deposits Payable	48,720	96,566	145,286
Noncurrent Liabilities:			
Due within One Year	153,440	368,292	521,732
Due in More Than One Year	718,033	3,835,050	4,553,083
	<u>1,254,853</u>	<u>6,398,032</u>	<u>7,652,885</u>
Total Liabilities			
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	25,196,028	15,183,910	40,379,938
Restricted for:			
Maintenance of Water Lines	-	106,331	106,331
Construction and Expansion of Facilities	-	1,744,894	1,744,894
Highways and Streets	1,047,108	-	1,047,108
Public Safety	15,245	-	15,245
Unrestricted	9,527,877	(1,111,906)	8,415,971
	<u>\$ 35,786,258</u>	<u>\$ 15,923,229</u>	<u>\$ 51,709,487</u>
Total Net Assets			

The accompanying notes are an integral part of this statement.

City of Tehachapi
Statement of Activities
Year Ended June 30, 2012

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General Government	\$ 2,237,365	\$ 279,444	\$ 13,444	\$ -
Public Works	1,087,338	386,568	-	536,403
Public Safety	2,631,886	46,254	382,364	-
Community Development	1,318,910	-	30,965	350,952
Pass-throughs	188,475	-	-	-
Interest	522,209	-	-	-
Total Governmental Activities	7,986,183	712,266	426,773	887,355
Business-type Activities:				
Refuse	1,000,826	993,607	-	-
Water	1,809,932	1,931,096	-	-
Sewer	2,052,393	1,805,210	-	1,950,554
Transit	161,590	4,272	133,376	-
Airport	1,007,579	667,005	135,489	-
Total Business-type Activities	6,032,320	5,401,190	268,865	1,950,554
Total Primary Government	\$ 14,018,503	\$ 6,113,456	\$ 695,638	\$ 2,837,909

General Revenues:

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

Total General Revenues and Transfers

Extraordinary Items

Change in Net Assets

Net Assets - Beginning of Year

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>
\$ (1,944,477)	\$ -	\$ (1,944,477)
(164,367)	-	(164,367)
(2,203,268)	-	(2,203,268)
(936,993)	-	(936,993)
(188,475)	-	(188,475)
(522,209)	-	(522,209)
<u>(5,959,789)</u>	<u>-</u>	<u>(5,959,789)</u>
-	(7,219)	(7,219)
-	121,164	121,164
-	1,703,371	1,703,371
-	(23,942)	(23,942)
-	(205,085)	(205,085)
<u>-</u>	<u>1,588,289</u>	<u>1,588,289</u>
<u>(5,959,789)</u>	<u>1,588,289</u>	<u>(4,371,500)</u>
2,155,857	-	2,155,857
1,814,353	-	1,814,353
550,529	-	550,529
567,461	-	567,461
1,073,177	-	1,073,177
183,638	-	183,638
191,623	-	191,623
22,586	64,717	87,303
85,362	37,346	122,708
1,308,588	(1,308,588)	-
<u>7,953,174</u>	<u>(1,206,525)</u>	<u>6,746,649</u>
12,037,735	-	12,037,735
14,031,120	381,764	14,412,884
<u>21,755,138</u>	<u>15,541,465</u>	<u>37,296,603</u>
<u>\$ 35,786,258</u>	<u>\$ 15,923,229</u>	<u>\$ 51,709,487</u>

The accompanying notes are an integral part of this statement.

**City of Tehachapi
Balance Sheet
Governmental Funds
June 30, 2012**

	General Fund	RDA Low and Moderate Housing	RDA Debt Service Fund	Green Street Lighting Capital Projects Fund
ASSETS				
Cash and Investments	\$ 3,005,931	\$ -	\$ -	\$ -
Cash with Fiscal Agent	-	-	-	-
Receivables	682,877	-	-	468,916
Loans Receivable	195,344	-	-	-
Due from Agency Funds	111,238	-	-	-
Due from Other Funds	2,040,047	-	-	-
Prepays	108,701	-	-	-
Advances to Other Funds	977,130	-	-	-
	<u>\$ 7,121,268</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 468,916</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$ 181,443	\$ -	\$ -	\$ 856
Accrued Liabilities	5,137	-	-	-
Due to Other Funds	-	-	-	446,939
Deferred Revenue	-	-	-	468,916
Deposits Payable	48,720	-	-	-
	<u>235,300</u>	<u>-</u>	<u>-</u>	<u>916,711</u>
Fund Balances:				
Nonspendable	1,281,175	-	-	-
Restricted	-	-	-	-
Committed	757,662	-	-	-
Assigned	-	-	-	-
Unassigned	4,847,131	-	-	(447,795)
	<u>6,885,968</u>	<u>-</u>	<u>-</u>	<u>(447,795)</u>
Total Fund Balances	<u>6,885,968</u>	<u>-</u>	<u>-</u>	<u>(447,795)</u>
Total Liabilities and Fund Balances	<u>\$ 7,121,268</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 468,916</u>

The accompanying notes are an integral part of this statement.

Tract 6216 Settlement Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
\$ 2,235,259	\$ 2,288,481	\$ 7,529,671
-	-	-
-	85,480	1,237,273
-	-	195,344
-	-	111,238
-	-	2,040,047
-	-	108,701
-	-	977,130
<u>\$ 2,235,259</u>	<u>\$ 2,373,961</u>	<u>\$ 12,199,404</u>
\$ 50,585	\$ 96,639	\$ 329,523
-	-	5,137
-	623,612	1,070,551
-	13,634	482,550
-	-	48,720
<u>50,585</u>	<u>733,885</u>	<u>1,936,481</u>
-	-	1,281,175
-	1,695,074	1,695,074
2,184,674	-	2,942,336
-	454,242	454,242
-	(509,240)	3,890,096
<u>2,184,674</u>	<u>1,640,076</u>	<u>10,262,923</u>
<u>\$ 2,235,259</u>	<u>\$ 2,373,961</u>	<u>\$ 12,199,404</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, 2012

Fund Balances of Governmental Funds	\$	10,262,923
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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		33,712,829
Accumulated Depreciation		(7,800,571)

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

Capital Leases Payable		(716,230)
Compensated Absences		(155,243)

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

		<u>482,550</u>
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Net Assets of Governmental Activities	\$	<u><u>35,786,258</u></u>
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City of Tehachapi
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2012

	General Fund	RDA Low and Moderate Housing	RDA Debt Service Fund	Green Street Lighting Capital Projects Fund
REVENUES				
Taxes	\$ 5,177,692	\$ 188,475	\$ 753,899	\$ -
Licenses, Permits, and Fines	50,646	-	-	-
Intergovernmental	175,386	-	-	350,952
Charges for Services	454,973	-	-	-
Investment Earnings	46,774	14,094	766	-
Miscellaneous Revenues	110,729	-	-	-
Total Revenues	<u>6,016,200</u>	<u>202,569</u>	<u>754,665</u>	<u>350,952</u>
EXPENDITURES				
Current:				
General Government	922,633	45,229	194,847	-
Public Works	509,970	-	-	-
Public Safety	2,631,886	-	-	-
Community Development	784,039	-	-	-
Pass-throughs	-	-	188,475	-
Capital Outlay	-	-	-	681,181
Debt Service:				
Interest Expense	-	83,317	333,269	-
Principal	-	70,000	280,000	-
Total Expenditures	<u>4,848,528</u>	<u>198,546</u>	<u>996,591</u>	<u>681,181</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>1,167,672</u>	<u>4,023</u>	<u>(241,926)</u>	<u>(330,229)</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	46,252	-	1,311,688	-
Transfers Out	(142,638)	-	(52,000)	-
Total Other Financing Sources (Uses)	<u>(96,386)</u>	<u>-</u>	<u>1,259,688</u>	<u>-</u>
EXTRAORDINARY ITEMS				
RDA Dissolution	-	(4,125,007)	(2,074,487)	-
Developer Settlement	-	-	-	-
Total Extraordinary Items	<u>-</u>	<u>(4,125,007)</u>	<u>(2,074,487)</u>	<u>-</u>
Net Change in Fund Balances	1,071,286	(4,120,984)	(1,056,725)	(330,229)
Fund Balances, Beginning of Year	5,814,682	4,120,984	1,056,725	(117,566)
Fund Balances, End of Year	<u>\$ 6,885,968</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (447,795)</u>

The accompanying notes are an integral part of this statement.

Tract 6216 Settlement Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 758,035	\$ 6,878,101
-	-	50,646
-	250,436	776,774
-	-	454,973
8,296	15,434	85,364
-	-	110,729
<u>8,296</u>	<u>1,023,905</u>	<u>8,356,587</u>
-	22,301	1,185,010
-	964,982	1,474,952
-	-	2,631,886
203,005	331,866	1,318,910
-	-	188,475
-	785,166	1,466,347
-	23,396	439,982
-	25,279	375,279
<u>203,005</u>	<u>2,152,990</u>	<u>9,080,841</u>
<u>(194,709)</u>	<u>(1,129,085)</u>	<u>(724,254)</u>
-	1,751,137	3,109,077
<u>(46,252)</u>	<u>(1,559,599)</u>	<u>(1,800,489)</u>
<u>(46,252)</u>	<u>191,538</u>	<u>1,308,588</u>
-	-	(6,199,494)
<u>2,425,635</u>	<u>-</u>	<u>2,425,635</u>
<u>2,425,635</u>	<u>-</u>	<u>(3,773,859)</u>
2,184,674	(937,547)	(3,189,525)
-	2,577,623	13,452,448
<u>\$ 2,184,674</u>	<u>\$ 1,640,076</u>	<u>\$ 10,262,923</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, 2012

Net Changes in Fund Balances - Total Governmental Funds \$ (3,189,525)

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

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

Capital Outlay	1,853,961
Depreciation Expense	(1,142,847)

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	350,000
Capital Leases	25,279
Amortization of Issuance Costs	(22,962)
Amortization of Bond Discounts	(10,968)

Accrued interest payable is not reported in the governmental funds. (48,297)

Some revenues reported in the Statement of Activities are not considered available to finance current expenditures and therefore are not reported as revenues in the governmental funds. 314,393

Governmental funds do not report certain long-term assets and long-term liabilities that are reflected in the Statement of Net Assets. This amount represents the difference in the extraordinary loss in the governmental funds and the extraordinary gain in the Statement of Activities, due to the dissolution of the Redevelopment Agency. 15,811,594

To record the net change in compensated absences in the Statement of Activities. 90,492

Change in Net Assets of Governmental Activities \$ 14,031,120

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City of Tehachapi
Statement of Net Assets
Proprietary Funds
June 30, 2012

	Water Fund	Sewer Fund	Airport Fund
ASSETS			
Current Assets:			
Cash and Investments	\$ 109,822	\$ 2,067,157	\$ -
Receivables (Net of Allowance)	304,700	1,789,512	100,354
Restricted Cash and Investments	96,566	-	-
Prepays	98	424	-
Total Current Assets	<u>511,186</u>	<u>3,857,093</u>	<u>100,354</u>
Noncurrent Assets:			
Deferred Charges	34,970	214,814	-
Other Assets	-	-	-
Capital Assets, Not Being Depreciated	<u>1,788,791</u>	<u>5,728,061</u>	<u>190,247</u>
Capital Assets, Net of Accumulated Depreciation	<u>5,031,467</u>	<u>4,290,741</u>	<u>1,999,180</u>
Total Capital Assets (Net of Accumulated Depreciation)	<u>6,820,258</u>	<u>10,018,802</u>	<u>2,189,427</u>
Total Noncurrent Assets	<u>6,855,228</u>	<u>10,233,616</u>	<u>2,189,427</u>
Total Assets	<u>7,366,414</u>	<u>14,090,709</u>	<u>2,289,781</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable	94,183	1,669,763	47,038
Accrued Liabilities	9,123	8,880	2,708
Accrued Interest Payable	6,260	27,394	1,544
Due to Other Funds	-	-	969,496
Customer Deposits Payable	96,566	-	-
Compensated Absences - Current	17,682	14,789	3,256
Capital Leases Payable - Current	1,288	4,056	-
Notes and Bonds Payable - Current	<u>20,725</u>	<u>294,013</u>	<u>9,924</u>
Total Current Liabilities	<u>245,827</u>	<u>2,018,895</u>	<u>1,033,966</u>
Noncurrent Liabilities:			
Advances Payable	596,081	381,049	-
Compensated Absences	29,553	29,710	6,266
Capital Leases Payable	41,858	99,495	-
Notes and Bonds Payable	<u>536,898</u>	<u>3,034,878</u>	<u>51,226</u>
Total Noncurrent Liabilities	<u>1,204,390</u>	<u>3,545,132</u>	<u>57,492</u>
Total Liabilities	<u>1,450,217</u>	<u>5,564,027</u>	<u>1,091,458</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	6,254,459	6,801,174	2,128,277
Restricted:			
Maintenance of Water Lines	106,331	-	-
Construction and Expansion of Facilities	121,008	1,623,886	-
Debt Service	-	-	-
Unrestricted	<u>(565,601)</u>	<u>101,622</u>	<u>(929,954)</u>
Total Net Assets	<u>\$ 5,916,197</u>	<u>\$ 8,526,682</u>	<u>\$ 1,198,323</u>

The accompanying notes are an integral part of this statement.

Refuse Fund	Nonmajor Transit Fund	Total
\$ 101,270	\$ 36,544	\$ 2,314,793
148,169	-	2,342,735
-	-	96,566
-	-	522
<u>249,439</u>	<u>36,544</u>	<u>4,754,616</u>
-	-	249,784
<u>235,000</u>	-	<u>235,000</u>
-	-	7,707,099
-	-	11,321,388
-	-	19,028,487
<u>235,000</u>	-	<u>19,513,271</u>
<u>484,439</u>	<u>36,544</u>	<u>24,267,887</u>
190,616	39,615	2,041,215
663	337	21,711
-	-	35,198
-	-	969,496
-	-	96,566
1,384	1,175	38,286
-	-	5,344
-	-	324,662
<u>192,663</u>	<u>41,127</u>	<u>3,532,478</u>
-	-	977,130
2,924	2,242	70,695
-	-	141,353
-	-	3,623,002
<u>2,924</u>	<u>2,242</u>	<u>4,812,180</u>
<u>195,587</u>	<u>43,369</u>	<u>8,344,658</u>
-	-	15,183,910
-	-	106,331
-	-	1,744,894
-	-	-
<u>288,852</u>	<u>(6,825)</u>	<u>(1,111,906)</u>
<u>\$ 288,852</u>	<u>\$ (6,825)</u>	<u>\$ 15,923,229</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, 2012

	Water Fund	Sewer Fund	Airport Fund
OPERATING REVENUES			
Charges for Services	\$ 1,931,096	\$ 1,805,210	\$ 667,005
Miscellaneous	25,593	25,954	1,953
Total Operating Revenues	<u>1,956,689</u>	<u>1,831,164</u>	<u>668,958</u>
OPERATING EXPENSES			
Personnel Services	782,920	635,804	204,970
Maintenance and Operations	606,145	717,838	643,925
Depreciation	246,605	360,430	155,358
Total Operating Expenses	<u>1,635,670</u>	<u>1,714,072</u>	<u>1,004,253</u>
Operating Income (Loss)	<u>321,019</u>	<u>117,092</u>	<u>(335,295)</u>
NONOPERATING REVENUES (EXPENSES)			
Intergovernmental	-	-	135,489
Investment Earnings	10,948	25,433	-
Interest Expense	(174,262)	(338,321)	(3,326)
Total Nonoperating Revenues (Expenses)	<u>(163,314)</u>	<u>(312,888)</u>	<u>132,163</u>
Income (Loss) Before Capital Contributions and Operating Transfers	157,705	(195,796)	(203,132)
Capital Contributions	-	1,950,554	-
Transfers In	-	-	3,100
Transfers Out	(685,000)	(626,688)	-
Change in Net Assets	(527,295)	1,128,070	(200,032)
Net Assets - Beginning of Year	<u>6,443,492</u>	<u>7,398,612</u>	<u>1,398,355</u>
Net Assets - End of Year	<u>\$ 5,916,197</u>	<u>\$ 8,526,682</u>	<u>\$ 1,198,323</u>

The accompanying notes are an integral part of this statement.

Refuse Fund	Nonmajor Transit Fund	Total
\$ 993,607	\$ 4,272	\$ 5,401,190
11,217	-	64,717
<u>1,004,824</u>	<u>4,272</u>	<u>5,465,907</u>
53,907	27,337	1,704,938
946,919	134,253	3,049,080
-	-	762,393
<u>1,000,826</u>	<u>161,590</u>	<u>5,516,411</u>
<u>3,998</u>	<u>(157,318)</u>	<u>(50,504)</u>
-	133,376	268,865
678	287	37,346
-	-	(515,909)
<u>678</u>	<u>133,663</u>	<u>(209,698)</u>
4,676	(23,655)	(260,202)
-	-	1,950,554
-	-	3,100
<u>-</u>	<u>-</u>	<u>(1,311,688)</u>
4,676	(23,655)	381,764
<u>284,176</u>	<u>16,830</u>	<u>15,541,465</u>
<u>\$ 288,852</u>	<u>\$ (6,825)</u>	<u>\$ 15,923,229</u>

The accompanying notes are an integral part of this statement.

City of Tehachapi
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2012

	Water Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from Customers	\$ 1,910,056
Payments to Employees for Services	(782,920)
Payments to Suppliers for Goods and Services	(534,612)
	592,524
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES	
Cash Received from Other Funds	-
Cash Paid to Other Funds	(685,000)
Intergovernmental Revenue	-
	(685,000)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and Construction of Capital Assets	(147,758)
Interest Paid	(46,410)
Capital Grants	-
Proceeds from Loans	-
Payments on Interfund Advance	(159,103)
Payments on Capital Lease Obligations	(1,523)
Payments on Long-term Debt	(20,600)
	(375,394)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest Received	10,948
	10,948
Net Increase (Decrease) in Cash and Cash Equivalents	(456,922)
Cash and Cash Equivalents, Beginning of the Year	663,310
Cash and Cash Equivalents, End of the Year	\$ 206,388

The accompanying notes are an integral part of this statement.

Sewer Fund	Airport Fund	Refuse Fund	Nonmajor Transit Fund	Total
\$ 1,774,113	\$ 573,436	\$ 989,385	\$ 4,272	\$ 5,251,262
(635,804)	(204,970)	(53,907)	(27,337)	(1,704,938)
(713,784)	(391,647)	(932,324)	(114,736)	(2,687,103)
424,525	(23,181)	3,154	(137,801)	859,221
-	3,100	-	-	3,100
(626,688)	-	-	-	(1,311,688)
-	135,489	-	133,376	268,865
(626,688)	138,589	-	133,376	(1,039,723)
(1,955,612)	(132,704)	-	-	(2,236,074)
(148,134)	(3,565)	-	-	(198,109)
428,333	-	-	-	428,333
388,547	-	-	-	388,547
(101,773)	-	-	-	(260,876)
(187,805)	(9,439)	-	-	(198,767)
(288,557)	-	-	-	(309,157)
(1,865,001)	(145,708)	-	-	(2,386,103)
25,433	-	678	287	37,346
25,433	-	678	287	37,346
(2,041,731)	(30,300)	3,832	(4,138)	(2,529,259)
4,108,888	30,300	97,438	40,682	4,940,618
\$ 2,067,157	\$ -	\$ 101,270	\$ 36,544	\$ 2,411,359

(Continued)

City of Tehachapi
Statement of Cash Flows
Proprietary Funds - Continued
Year Ended June 30, 2012

	Water Fund
Reconciliation of Operating Income (Loss) to	
Net Cash Provided (Used) by Operating Activities:	
Operating Income (Loss)	\$ 321,019
Adjustments to Reconcile Operating Income (Loss) to	
Net Cash Provided (Used) by Operating Activities:	
Depreciation	246,605
Changes in Operating Assets and Liabilities:	
Decrease (Increase) in Receivables	(52,924)
Decrease (Increase) in Prepaid Expenses	(98)
Increase (Decrease) in Accounts Payable	50,218
Increase (Decrease) in Accrued Liabilities	9,123
Increase (Decrease) in Compensated Absences	12,192
Increase (Decrease) in Due to Other Funds	-
Increase (Decrease) in Deposits Payable	6,389
	<u>\$ 592,524</u>
TOTAL CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES	
Amortization Related to Long-term Debt	\$ 128,756

The accompanying notes are an integral part of this statement.

Sewer Fund	Airport Fund	Refuse Fund	Nonmajor Transit Fund	Total
\$ 117,092	\$ (335,295)	\$ 3,998	\$ (157,318)	\$ (50,504)
360,430	155,358	-	-	762,393
(57,039)	(95,522)	(15,439)	-	(220,924)
(12)	-	-	-	(110)
(19,527)	822	12,913	18,344	62,770
8,880	2,683	663	337	21,686
14,701	3,799	1,019	836	32,547
-	244,974	-	-	244,974
-	-	-	-	6,389
<u>\$ 424,525</u>	<u>\$ (23,181)</u>	<u>\$ 3,154</u>	<u>\$ (137,801)</u>	<u>\$ 859,221</u>
\$ 194,869	\$ -	\$ -	\$ -	\$ 323,625

The accompanying notes are an integral part of this statement.

City of Tehachapi
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2012

	Total Agency Funds	Successor Agency Private-purpose Trust Fund
ASSETS		
Cash and Investments	\$ 1,307,714	\$ 5,072,258
Cash with Fiscal Agent	-	1,180,155
Receivables	-	-
Advances to Other Funds	98,233	-
Due from Other Funds	-	-
Deferred Charges	-	546,131
Other Assets	323,778	-
Total Assets	\$ 1,729,725	6,798,544
Accounts Payable	\$ 117,758	-
Advances from Other Funds	98,233	-
Interest Payable	-	68,211
Due to City	111,238	-
Due to Bond Holders	1,402,496	-
Long-term Debt	-	16,220,077
Total Liabilities	\$ 1,729,725	16,288,288
NET ASSETS		
Net Assets (Deficit) Held in Trust for Successor Agency		\$ (9,489,744)

The accompanying notes are an integral part of this statement.

City of Tehachapi
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
Year Ended June 30, 2012

	<u>Successor Agency Private-purpose Trust Fund</u>
ADDITIONS	
Property Taxes	\$ 512,851
Interest Income	<u>12,490</u>
Total Additions	<u>525,341</u>
 DEDUCTIONS	
Administrative Costs	63,156
Interest on Bonds	<u>339,829</u>
Total Deductions	<u>402,985</u>
Change in Net Assets before Extraordinary Items	122,356
Extraordinary Loss	<u>(9,612,100)</u>
Change in Net Assets	(9,489,744)
Net Assets - Beginning of Year	<u>-</u>
Net Assets - End of Year	<u><u>\$ (9,489,744)</u></u>

City of Tehachapi
Notes to Financial Statements
Year Ended June 30, 2012

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. As described in Note 3E to the financial statements, the Tehachapi Redevelopment Agency was dissolved as of January 31, 2012 in accordance with AB X126.

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.

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, 2012

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 Debt Service 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 *Green Street Lighting Project Fund* is used to account for the Downtown Improvement Project Phase II.

The *Tract 6216 Settlement Capital Projects Fund* is used to account for the expenditures related to the completion of the Alta Estates Infrastructure.

City of Tehachapi
Notes to Financial Statements
Year Ended June 30, 2012

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

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

The City reports the following major proprietary funds:

The *Water Utility, Sewer Utility, Airport and Refuse 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.

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.

The *Successor Agency Private-purpose Trust Fund* is issued to account for the dissolution of the former Tehachapi Redevelopment Agency.

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.

City of Tehachapi
Notes to Financial Statements
Year Ended June 30, 2012

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

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

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.

C) Implementation of Governmental Accounting Standards Board (GASB) Pronouncements

Governmental Accounting Standards Board Statement No. 63

In June of 2011, GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The objective of this Statement is to provide guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2011. The City has elected not to early implement GASB No. 63 and has not determined its effect on the City's financial statements.

Governmental Accounting Standards Board Statement No. 65

In March of 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Statement No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in the financial statements. Statement No. 65 is effective for periods beginning after December 15, 2012. The City has elected not to early implement GASB No. 65 and has not determined its effect on the City's financial statements.

Governmental Accounting Standards Board Statement No. 68

In June of 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27*. This statement was issued to improve the financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. This statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trust or equivalent arrangements that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this statement. Statement No. 68 is effective for periods beginning after June 15, 2014. The City has elected not to early implement GASB No. 68 and has not determined its effect on the City's financial statements.

City of Tehachapi
Notes to Financial Statements
Year Ended June 30, 2012

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

D) Assets, Liabilities, and Net Assets or Equity

Deposits and Investments

For purposes of the Statement of Cash Flows, the City's cash and cash equivalents 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, 2012, 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.

City of Tehachapi
Notes to Financial Statements
Year Ended June 30, 2012

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

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

Receivables and Payables - Continued

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.

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 \$515,509. 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

City of Tehachapi
Notes to Financial Statements
Year Ended June 30, 2012

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

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

Capital Assets - Continued

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.

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.

City of Tehachapi
Notes to Financial Statements
Year Ended June 30, 2012

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

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

Net Assets and Fund Balances - Continued

1) Net Assets - Continued

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.

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, 2012

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

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

Deficit Fund Equity

The following non-major funds had material deficit fund balances at June 30, 2012:

Nonmajor Special Revenue Funds:	
Streets and Roads	(221,765)
Event Center and Rode Grounds	(279,327)

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

E) Explanation of Certain Differences Between the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances and the Government-wide Statement of Activities

The difference between the extraordinary loss recognized in the fund financial statements and the extraordinary gain recognized in the government-wide financial statements is reconciled as follows:

Deferred charges reported in government-wide financial statements	\$ (546,131)
Accrued bond interest reported in the government-wide financial statements	137,648
Long-term debt reported in the government-wide financial statements	<u>16,220,077</u>
Net increase to net assets of the government-wide financial statements	<u>\$ 15,811,594</u>

2) DETAILED NOTES ON ALL FUNDS

A) Cash and Investments

The City's cash and investments consisted of the following at June 30, 2012:

Deposits	\$ 1,093,302
Investments	<u>16,407,855</u>
Total Cash and Investments	<u>\$ 17,501,157</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	\$ 7,601,262	\$ 2,314,793	\$ 7,488,536	\$ 17,404,591
Restricted Cash	<u>-</u>	<u>96,566</u>	<u>-</u>	<u>96,566</u>
	<u>\$ 7,601,262</u>	<u>\$ 2,411,359</u>	<u>\$ 7,488,536</u>	<u>\$ 17,501,157</u>

City of Tehachapi
Notes to Financial Statements
Year Ended June 30, 2012

2) DETAILED NOTES ON ALL FUNDS - Continued

A) Cash and Investments - Continued

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, 2012, none of the City's deposits were exposed to custodial credit risk.

Investments

As of June 30, 2012, the City had the following investments:

Investment Type	Total	Maturities in Years	
		Less than 1	1 to 5
Local Agency Investment Funds	\$ 11,408,725	\$ 11,408,725	\$ -
Government Securities	1,000,000	-	1,000,000
Negotiable Certificates of Deposit	682,271	287,481	394,790
Money Market Mutual Funds	133,841	133,841	-
CSJVRMA Investment Pool	2,002,863	2,002,863	-
Held by Bond Trustee:			
Money Market Mutual Funds	1,180,155	1,180,155	-
Total	\$ 16,407,855	\$ 15,013,065	\$ 1,394,790

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	\$ 15,227,700
Fiscal Agents (Bond trustees for the City and its component units)	<u>1,180,155</u>
	<u>\$ 16,407,855</u>

City of Tehachapi
Notes to Financial Statements
Year Ended June 30, 2012

2) DETAILED NOTES ON ALL FUNDS - Continued

A) Cash and Investments - Continued

Authorized Investments - Continued

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:

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.

City of Tehachapi
Notes to Financial Statements
Year Ended June 30, 2012

2) DETAILED NOTES ON ALL FUNDS - Continued

A) Cash and Investments - Continued

Credit Risk - Continued

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.

Investment Type	Total as of June 30, 2012	Minimum Legal Rating	AAA	AA	Unrated	Not Required to be Rated
LAIF	\$ 11,408,725	None	\$ -	\$ -	\$ 11,408,725	\$ -
Government Securities	1,000,000	None	-	1,000,000	-	-
Negotiable Certificates or Deposit	682,271	None	-	-	682,271	-
Money Market Mutual Funds	133,841	A	133,841	-	-	-
CSJVRMA Investment Pool	2,002,863	None	-	-	2,002,863	-
Held by Bond Trustee:						
Money Market Mutual Funds	1,180,155	A	1,180,155	-	-	-
Total	\$ 16,407,855		\$ 1,313,996	\$ 1,000,000	\$ 14,093,859	\$ -

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.

City of Tehachapi
Notes to Financial Statements
Year Ended June 30, 2012

2) DETAILED NOTES ON ALL FUNDS - Continued

A) Cash and Investments - Continued

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.

Included in cash and investments are restricted cash assets of \$1,180,155 held by the various bond trustees and fiscal agents, and \$96,566 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	Green Street Lighting Project	Other Governmental Funds	Total	
Governmental Activities					
Taxes	\$ 492,777	\$ -	\$ 41,846	\$	534,623
Others	291,867	468,916	43,634	\$	804,417
Net Total Receivables	<u>\$ 784,644</u>	<u>\$ 468,916</u>	<u>\$ 85,480</u>	<u>\$</u>	<u>1,339,040</u>
	Water Fund	Sewer Fund	Airport Fund	Refuse Fund	Total
Business-Type Activities					
Others	\$ 310,191	\$ 1,794,581	\$ 100,354	\$ 151,216	\$ 2,356,342
Gross Receivables	310,191	1,794,581	100,354	151,216	2,356,342
Less: Allowance for Uncollectibles	<u>(5,491)</u>	<u>(5,069)</u>	<u>-</u>	<u>(3,047)</u>	<u>(13,607)</u>
Net Total Receivables	<u>\$ 304,700</u>	<u>\$ 1,789,512</u>	<u>\$ 100,354</u>	<u>\$ 148,169</u>	<u>\$ 2,342,735</u>

City of Tehachapi
Notes to Financial Statements
Year Ended June 30, 2012

2) DETAILED NOTES ON ALL FUNDS - Continued

C) Capital Assets

Capital assets activity for the year ended June 30, 2012 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets, Not Depreciated:				
Land	\$ 941,007	\$ -	\$ -	\$ 941,007
Construction in Progress	1,924,826	1,747,117	-	3,671,943
Total Capital Assets, Not Depreciated	2,865,833	1,747,117	-	4,612,950
Capital Assets Being Depreciated:				
Buildings and Improvements	4,042,159	-	-	4,042,159
Machinery and Equipment	3,007,500	106,137	(130,249)	2,983,388
Improvements other than Buildings	21,795,763	707	-	21,796,470
Parks	277,862	-	-	277,862
Total Capital Assets Being Depreciated	29,123,284	106,844	(130,249)	29,099,879
Less Accumulated Depreciation:				
Buildings and Improvements	(1,267,426)	(153,482)	-	(1,420,908)
Machinery and Equipment	(2,507,476)	(199,292)	130,249	(2,576,519)
Improvements other than Buildings	(2,992,211)	(783,126)	-	(3,775,337)
Parks	(20,860)	(6,947)	-	(27,807)
Total Accumulated Depreciation	(6,787,973)	(1,142,847)	130,249	(7,800,571)
Total Capital Assets Being Depreciated, Net	22,335,311	(1,036,003)	-	21,299,308
Governmental Activities Capital Assets, Net of Depreciation	\$ 25,201,144	\$ 711,114	\$ -	\$ 25,912,258

City of Tehachapi
Notes to Financial Statements
Year Ended June 30, 2012

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	1,648,563	97,000	-	1,658,263
Construction in Progress	1,559,891	3,717,036	-	5,276,927
Total Capital Assets, Not Depreciated	3,893,063	3,814,036	-	7,707,099
Capital Assets Being Depreciated:				
Buildings	11,125,195	-	-	11,125,195
Machinery and Equipment	1,645,908	77,464	-	1,723,372
Improvements other than Building	10,748,463	-	-	10,748,463
Total Capital Assets Being Depreciated	23,519,566	77,464	-	23,597,030
Less Accumulated Depreciation:				
Building and Improvements	(7,257,997)	(324,358)	-	(7,582,355)
Machinery and Equipment	(965,770)	(70,216)	-	(1,035,986)
Improvements other than Building	(3,289,482)	(367,819)	-	(3,657,301)
Total Accumulated Depreciation	(11,513,249)	(762,393)	-	(12,275,642)
Total Capital Assets Being Depreciated, Net	12,006,317	(684,929)	-	11,321,388
Business-type Activities Capital Assets, Net of Depreciation	\$ 15,899,380	\$ 3,129,107	\$ -	\$ 19,028,487

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

Governmental Activities:	
General Government	\$ 1,147,847
Total Depreciation Expense - Governmental Activities	\$ 1,147,847
Business-type Activities:	
Water	\$ 246,606
Sewer	360,429
Airport	155,358
Total Depreciation Expense - Business-type Activities	\$ 762,393

City of Tehachapi
Notes to Financial Statements
Year Ended June 30, 2012

2) DETAILED NOTES ON ALL FUNDS - Continued

D) Interfund Receivables, Payables and Transfers

The composition of interfund balances as of June 30, 2012 is as follows:

	<u>Receivable Fund</u>	<u>Payable Fund</u>
General Fund	\$ 2,040,047	\$ -
Green Street Lighting Project		446,939
Non-major Governmental Funds	-	623,612
Enterprise Funds:		
Airport Fund	-	969,496
	<u> </u>	<u> </u>
Total	<u>\$ 2,040,047</u>	<u>\$ 2,040,047</u>

The General Fund has loaned monies to the Non-major Governmental Funds, the Airport Fund, and the Green Street Lighting Project 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, 2012:

	<u>Receivable Fund</u>	<u>Payable Fund</u>
General Fund	\$ 977,130	\$ -
Proprietary Funds:		
Water Fund	-	596,081
Sewer Fund	-	381,049
	<u> </u>	<u> </u>
Total	<u>\$ 977,130</u>	<u>\$ 977,130</u>

The General Fund advanced the Water and Sewer Funds \$596,081 and \$381,049 respectively, in order for the Water and Sewer funds to pay off bonds early.

Interfund transfers for the year ended June 30, 2012 are as follows:

		<u>TRANSFERS IN</u>				
		<u>General Fund</u>	<u>RDA Debt Service Fund</u>	<u>Non-major Governmental Funds</u>	<u>Airport Fund</u>	<u>Total</u>
TRANSFERS OUT	General Fund	\$ -	\$ -	\$ 139,538	\$ 3,100	\$ 142,638
	RDA Fund	-	-	52,000	-	52,000
	Trust 6216 Settlement Project	46,252	-	-	-	46,252
	Non-Major Governmental Funds	-	-	1,559,599	-	1,559,599
	Water Fund	-	685,000	-	-	685,000
	Sewer Fund	-	626,688	-	-	626,688
		<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	Total	<u>\$ 46,252</u>	<u>\$ 1,311,688</u>	<u>\$ 1,751,137</u>	<u>\$ 3,100</u>	<u>\$ 3,112,177</u>

City of Tehachapi
Notes to Financial Statements
Year Ended June 30, 2012

2) DETAILED NOTES ON ALL FUNDS - Continued

D) Interfund Receivables, Payables and Transfers - Continued

The RDA Fund transferred \$52,000 to Non-major Governmental Funds for various capital projects. The transfers from the Non-major Governmental Funds to the Non-major Governmental Funds were for capital projects. The transfers from the General Fund to the Non-major Governmental Funds were for capital projects. The transfers from the Water and Sewer Funds of \$685,000 and \$626,688 to the RDA Fund is to reimburse the RDA fund for transfers made in prior years.

E) Other Assets

Other assets at June 30, 2012 consist of the following:

	Agency Funds	Total
Foreclosure Receivables	\$ 323,778	\$ 323,778

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, 2012.

City of Tehachapi
Notes to Financial Statements
Year Ended June 30, 2012

2) DETAILED NOTES ON ALL FUNDS - Continued

F) Long-term Debt

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2012, was as follows:

	Beginning Balance	Additions	Deletions	Transfers	Ending Balance	Due Within One Year
Governmental Activities:						
Tax Allocation Bonds	\$ 16,835,000	\$ -	\$ 350,000	\$(16,485,000)	\$ -	\$ -
Less Deferred Amounts:						
For Issuance Discounts	<u>(275,891)</u>	<u>-</u>	<u>(10,968)</u>	<u>264,923</u>	<u>-</u>	<u>-</u>
Total Bonds Payable	16,559,109	-	339,032	(16,220,077)	-	-
Capital Leases	741,509	-	25,279	-	716,230	26,090
Compensated Absences	<u>245,735</u>	<u>72,799</u>	<u>163,291</u>	<u>-</u>	<u>155,243</u>	<u>127,350</u>
Governmental Activity						
Long-term Liabilities	<u>\$ 17,546,353</u>	<u>\$ 72,799</u>	<u>\$ 527,602</u>	<u>(16,220,077)</u>	<u>\$ 871,473</u>	<u>\$ 153,440</u>
Business-type Activities:						
2004 Revenue Refunding Bonds	\$ 3,045,000	\$ -	\$ 125,000	-	\$ 2,920,000	\$ 125,000
1993 State Revolving Loan	554,375	-	179,357	-	375,018	184,738
1998 Sewer and Water COP	243,300	-	4,800	-	238,500	5,000
Less Deferred Amounts:						
For Issuance Discounts	(110,568)	-	(75,017)	-	(35,551)	-
On Refunding	<u>237,349</u>	<u>-</u>	<u>237,349</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Bonds Payable	3,969,456	-	417,489	-	3,497,967	314,738
Department of Transportation						
Loan	70,589	-	9,439	-	61,150	9,924
Water Resources Control Board						
Loan	-	388,547	-	-	388,547	-
Capital Leases	336,025	-	189,328	-	146,697	5,344
Compensated Absences	<u>76,434</u>	<u>86,212</u>	<u>53,665</u>	<u>-</u>	<u>108,981</u>	<u>38,286</u>
Business-type Activity						
Long-term Liabilities	<u>\$ 4,452,504</u>	<u>\$ 474,759</u>	<u>\$ 723,921</u>	<u>\$ -</u>	<u>\$ 4,203,342</u>	<u>\$ 368,292</u>

City of Tehachapi
Notes to Financial Statements
Year Ended June 30, 2012

2) DETAILED NOTES ON ALL FUNDS - Continued

F) Long-term Debt - Continued

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	(414,338)	(84,864)
Total	\$ 541,232	\$ 110,855

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2012, were as follows:

Year Ending June 30,	Governmental Activities	Business-type Activities
2013	\$ 48,663	\$ 9,967
2014	48,649	9,964
2015	48,635	9,961
2016	48,622	9,958
2017	48,607	9,955
2018-2022	242,792	49,729
2023-2027	242,345	49,637
2028-2032	241,987	49,564
Total	970,300	198,735
Less amount representing interest	(254,070)	(52,038)
Present value of net minimum lease payments	\$ 716,230	\$ 146,697

City of Tehachapi
Notes to Financial Statements
Year Ended June 30, 2012

2) DETAILED NOTES ON ALL FUNDS - Continued

F) Long-term Debt - Continued

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.

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
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	\$ 2,920,000	\$ 709,509

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
2013	\$ 184,738	\$ 11,251
2014	190,280	5,708
Total	\$ 375,018	\$ 16,959

City of Tehachapi
Notes to Financial Statements
Year Ended June 30, 2012

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
2013	\$ 5,000	\$ 10,732
2014	5,300	10,508
2015	5,400	10,269
2016	5,700	10,026
2017	6,000	9,770
2018-2022	34,000	44,573
2023-2027	42,800	36,176
2028-2032	53,000	25,659
2033-2037	66,200	12,591
2038	15,100	680
Total	<u>\$ 238,500</u>	<u>\$ 170,984</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
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	6,691	338
Total	<u>\$ 61,150</u>	<u>10,522</u>

City of Tehachapi
Notes to Financial Statements
Year Ended June 30, 2012

2) DETAILED NOTES ON ALL FUNDS - Continued

F) Long-term Debt - Continued

Water Resources Control Board Loan

In September 2011, the City received a loan from the California State Water Resources Control Board for up to \$2,121,030 to be used for the Wastewater Treatment Plant Expansion Project. The amount of the loan will be based on eligible project costs and is issued on a reimbursement basis. The loan matures over 20 years with an interest rate of 2.6%. As of June 30, 2012 the City has been issued \$388,547 in loan proceeds and will be repaid from the Sewer Fund. A debt service schedule will be determined when the City has been issued the full amount eligible on the loan.

Long-term Liabilities - Fiduciary Funds

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 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
2013	\$ 190,000	\$ 378,109
2014	195,000	370,256
2015	205,000	362,064
2016	210,000	353,525
2017	220,000	344,379
2018-2022	1,265,000	1,560,749
2023-2027	1,590,000	1,230,034
2028-2032	2,010,000	784,114
2033-2036	2,015,000	212,849
Total	\$ 7,900,000	\$ 5,596,121

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

City of Tehachapi
Notes to Financial Statements
Year Ended June 30, 2012

2) DETAILED NOTES ON ALL FUNDS - Continued

F) Long-term Debt - Continued

Long-term Liabilities - Fiduciary Funds - Continued

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.

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

2007 Bonds		
Year Ending June 30,	Principal	Interest
2013	\$ 175,000	\$ 432,650
2014	175,000	424,785
2015	185,000	416,686
2016	195,000	407,933
2017	200,000	398,582
2018-2022	1,185,000	1,830,288
2023-2027	1,495,000	1,499,407
2028-2032	1,920,000	1,065,440
2033-2037	2,480,000	495,396
2038	575,000	15,279
Total	\$ 8,585,000	\$ 6,986,446

The following is a schedule of changes in long-term debt of the Successor Agency for the fiscal year ended June 30, 2012.

	Beginning Balance	Additions	Deletions	Transfers	Ending Balance	Due Within One Year
Bonds Payable:						
Tax Allocation Bonds	\$ -	\$ -	\$ -	\$ 16,485,000	\$ 16,485,000	\$ 365,000
Unamortized Bond Discount	-	-	-	(264,923)	(264,923)	-
Total	\$ -	\$ -	\$ -	\$ 16,220,077	16,220,077	\$ 365,000

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

City of Tehachapi
Notes to Financial Statements
Year Ended June 30, 2012

2) DETAILED NOTES ON ALL FUNDS - Continued

F) Long-term Debt - Continued

No-Commitment Debt

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 \$0 at June 30, 2012.

Due to delinquent annual assessments, limited obligation bonds amounting to \$2,425,000 (principal only) are in default at June 30, 2012.

G) Fund Balances

The details of the fund balances as of June 30, 2012 are presented below:

	General Fund	RDA Low and Moderate Housing	RDA Debt Service Fund	Green St. Lighting Fund	Tract 6216 Settlement	Other Governmental Funds	Total Governmental Funds
Nonspendable:							
Prepays	\$ 108,701	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 108,701
Loans Receivable	195,344	-	-	-	-	-	195,344
Advances to Other Funds	1,075,363	-	-	-	-	-	1,075,363
Restricted for:							
Lighting District	-	-	-	-	-	185,968	185,968
Transportation	-	-	-	-	-	975,799	975,799
Development	-	-	-	-	-	533,307	533,307
Committed to:							
Emergency Contingency	757,662	-	-	-	-	-	757,662
Assigned to:							
Capital Projects Equipment Replacement	-	-	-	-	-	211,036	211,036
Police Building	-	-	-	-	-	120,985	120,985
Tract 6216 Settlement	-	-	-	-	2,184,674	-	2,184,674
Unassigned:	4,748,898	-	-	(447,795)	-	(509,240)	3,791,863
Total Fund Balance	\$ 6,885,968	\$ -	\$ -	\$ (447,795)	\$ 2,184,674	\$ 1,640,076	\$ 10,262,923

City of Tehachapi
Notes to Financial Statements
Year Ended June 30, 2012

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, 2012 and 2011 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 2011-2012 were 10.530% for the Miscellaneous Plan and 24.112% 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, 2012

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
6/30/10	\$ 172,012	100%
6/30/11	\$ 233,113	100%
6/30/12	\$ 220,242	100%

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

Fiscal Year	Required Contributions	Percent Contributed
6/30/10	\$ 206,660	100%
6/30/11	\$ 171,299	100%
6/30/12	\$ 205,618	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) Commitments and Contingencies

Construction Commitments

The City has active construction projects as of June 30, 2012. At year-end the City's commitments with contractors are as follows:

Project	Spent-to-Date	Remaining Commitment
New Sewer Plant	\$ 2,872,330	\$ 726,049
Total	\$ 2,872,330	\$ 726,049

City of Tehachapi
Notes to Financial Statements
Year Ended June 30, 2012

3) OTHER INFORMATION - Continued

C) Commitments and Contingencies - Continued

Construction Commitments - Continued

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.

D) Successor Agency Trust for Assets of Former Redevelopment Agency

On December 29, 2011, the California Supreme Court upheld Assembly Bill 1X 26 ("the Bill") that provides for the dissolution of all redevelopment agencies in the State of California. This action impacted the reporting entity of the City of Tehachapi that previously had reported a redevelopment agency within the reporting entity of the City as a blended component unit.

The Bill provides that upon dissolution of a redevelopment agency, either the City or another unit of local government will agree to serve as the "successor agency" to hold the assets until they are distributed to other units of state and local government. On January 10, 2012, the City Council elected to become the Successor Agency for the former redevelopment agency in accordance with the Bill as part of City Resolution No. 02-12.

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

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

The Bill directs the State Controller of the State of California 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 the Bill.

Management believes, in consultation with legal counsel, that the obligations of the former redevelopment agency due to the City are valid enforceable obligations payable by the successor agency trust under the requirements of the Bill. The City's position on this issue is not a position of settled law and there is considerable legal uncertainty regarding this issue. It is reasonably possible that a legal determination may be made at a later date by an appropriate judicial authority that would resolve this issue unfavorably to the City.

In accordance with the timeline set forth in the Bill (as modified by the California Supreme Court on December 29, 2011) all redevelopment agencies in the State of California were dissolved and ceased to operate as a legal entity as of February 1, 2012.

City of Tehachapi
Notes to Financial Statements
Year Ended June 30, 2012

3) OTHER INFORMATION - Continued

D) Successor Agency Trust for Assets of Former Redevelopment Agency - Continued

Prior to that date, the final several months of the activity of the redevelopment agency continued to be reported in the governmental funds of the City. After the date of dissolution, the assets and activities of the dissolved redevelopment agency are reported in a fiduciary fund (private-purpose trust fund) in the financial statements of the City.

The transfer of the assets and liabilities of the former redevelopment agency as of February 1, 2012 (effectively the same date as January 31, 2012) from governmental funds of the City to fiduciary funds was reported in the governmental funds as an extraordinary loss (or gain) in the governmental fund financial statements. The receipt of these assets and liabilities as of January 31, 2012 was reported in the private-purpose trust fund as an extraordinary gain (or loss).

Because of the different measurement focus of the governmental funds (*current financial resources measurement focus*) and the measurement focus of the trust funds (*economic resources measurement focus*), the extraordinary loss (gain) recognized in the governmental funds was not the same amount as the extraordinary gain (loss) that was recognized in the fiduciary fund financial statements.

The difference between the extraordinary loss recognized in the fund financial statements and the extraordinary gain recognized in the fiduciary fund financial statements is reconciled as follows:

Total extraordinary loss reported in governmental funds - increase to net assets of the Successor Agency Trust Fund.	\$ 6,199,494
Accrued bond interest reported in the government-wide financial statements - decrease to net assets of the Successor Agency Trust Fund.	(137,648)
Unamortized bond issuance cost reported in the government-wide financial statements - increase to net assets of the Successor Agency Trust Fund.	546,131
Long-term debt reported in the government-wide financial statements - decrease to net assets of the Successor Agency Trust Fund.	<u>(16,220,077)</u>
Net decrease to net assets of the Successor Agency Trust Fund as a result of initial transfers	<u>\$ (9,612,100)</u>

Extraordinary Items

The Extraordinary item in the Tract 6216 Settlement Capital Projects Fund in the Statement of Revenues, Expenditures and Changes in Fund Balances of \$2,425,635 is the result of an insurance settlement from a developer that did not complete the required infrastructure improvements in the tract. This amount is also included in the Extraordinary Item in the Statement of Activities. The extraordinary loss in the Successor Agency Private-purpose Trust Fund as stated in Note 3 D above is an extraordinary gain in the government-wide statement of activities. The two extraordinary items resulted in a total extraordinary gain of \$12,037,735.

REQUIRED SUPPLEMENTARY INFORMATION

City of Tehachapi
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General Fund
Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 4,483,098	\$ 4,526,549	\$ 5,177,692	\$ 651,143
Licenses, Permits, and Fines	66,700	53,200	50,646	(2,554)
Intergovernmental	15,000	167,385	175,386	8,001
Charges for Services	251,000	556,400	454,973	(101,427)
Investment Earnings	55,000	35,000	46,774	11,774
Miscellaneous Revenues	31,186	103,305	110,729	7,424
	<u>4,901,984</u>	<u>5,441,839</u>	<u>6,016,200</u>	<u>574,361</u>
EXPENDITURES				
Current:				
General Government	903,447	1,244,097	922,633	321,464
Public Works	587,015	590,167	509,970	80,197
Public Safety	2,618,944	2,656,807	2,631,886	24,921
Community Development	740,763	797,098	784,039	13,059
Capital Outlay:				
General Government	-	-	-	-
	<u>4,850,169</u>	<u>5,288,169</u>	<u>4,848,528</u>	<u>439,641</u>
Excess (Deficiency) of Revenues over Expenditures	<u>51,815</u>	<u>153,670</u>	<u>1,167,672</u>	<u>1,014,002</u>
OTHER FINANCING SOURCES (USES)				
Transfers	-	-	46,252	46,252
Transfers Out	(11,794)	(145,736)	(142,638)	3,098
	<u>(11,794)</u>	<u>(145,736)</u>	<u>(96,386)</u>	<u>49,350</u>
Net Change in Fund Balances	40,021	7,934	1,071,286	1,063,352
Fund Balance, Beginning of Year	<u>5,814,682</u>	<u>5,814,682</u>	<u>5,814,682</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 5,854,703</u>	<u>\$ 5,822,616</u>	<u>\$ 6,885,968</u>	<u>\$ 1,063,352</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, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 538,079	\$ 538,079	\$ 188,475	\$ (349,604)
Investment Earnings	10,000	10,000	14,094	4,094
Total Revenues	<u>548,079</u>	<u>548,079</u>	<u>202,569</u>	<u>(345,510)</u>
EXPENDITURES				
Current:				
General Government	96,646	96,646	45,229	51,417
Debt Service				
Interest Expense	165,170	165,170	83,317	81,853
Principal	70,000	70,000	70,000	-
Total Expenditures	<u>331,816</u>	<u>331,816</u>	<u>198,546</u>	<u>133,270</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>216,263</u>	<u>216,263</u>	<u>4,023</u>	<u>(212,240)</u>
Extraordinary Loss	<u>-</u>	<u>-</u>	<u>(4,125,007)</u>	<u>(4,125,007)</u>
Net Change in Fund Balance	216,263	216,263	(4,120,984)	(4,337,247)
Fund Balance, Beginning of Year	<u>4,120,984</u>	<u>4,120,984</u>	<u>4,120,984</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ 4,337,247</u></u>	<u><u>\$ 4,337,247</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (4,337,247)</u></u>

City of Tehachapi
Notes to Required Supplementary Information
Year Ended June 30, 2012

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, 2012

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Taxes	\$ 1,156,824	\$ 753,899	\$ (402,925)
Investment Earnings	10,000	766	(9,234)
Total Revenues	<u>1,166,824</u>	<u>754,665</u>	<u>(412,159)</u>
EXPENDITURES			
Current:			
General Government	483,066	194,847	288,219
Pass-throughs	-	188,475	(188,475)
Debt Service:			
Interest Expense	660,682	333,269	327,413
Principal	280,000	280,000	-
Total Expenditures	<u>1,423,748</u>	<u>996,591</u>	<u>427,157</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(256,924)</u>	<u>(241,926)</u>	<u>14,998</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	-	1,311,688	1,311,688
Transfers Out	-	(52,000)	(52,000)
Total Other Financing Sources (Uses)	<u>-</u>	<u>1,259,688</u>	<u>1,259,688</u>
Extraordinary Loss	<u>-</u>	<u>(2,074,487)</u>	<u>(2,074,487)</u>
Net Change in Fund Balance	(256,924)	(1,056,725)	1,274,686
Fund Balance, Beginning of Year	<u>1,056,725</u>	<u>1,056,725</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 799,801</u>	<u>\$ -</u>	<u>\$ 1,274,686</u>

City of Tehachapi
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Tract 6216 Settlement Project
Year Ended June 30, 2012

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Intergovernmental	\$ -	\$ -	\$ -
Investment Earnings		8,296	
Total Revenues	-	8,296	8,296
EXPENDITURES			
Community Development	-	203,005	-
Total Expenditures	-	-	-
Excess (Deficiency) of Revenues over Expenditures	-	8,296	8,296
OTHER FINANCING SOURCES (USES)			
Transfers Out		(46,252)	(46,252)
Net Change in Fund Balance	-	(37,956)	(37,956)
Fund Balance, Beginning of Year	-	-	-
Fund Balance, End of Year	\$ -	\$ (37,956)	\$ (37,956)

City of Tehachapi
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2012

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Total</u>
ASSETS			
Cash and Investments	\$ 1,353,962	\$ 934,519	\$ 2,288,481
Receivables	41,846	43,634	85,480
	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 1,395,808</u>	<u>\$ 978,153</u>	<u>\$ 2,373,961</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable	\$ 88,136	\$ 8,503	\$ 96,639
Due to Other Funds	585,565	38,047	623,612
Deferred Revenue	-	13,634	13,634
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>673,701</u>	<u>60,184</u>	<u>733,885</u>
Fund Balances:			
Restricted	1,223,249	471,825	1,695,074
Assigned	-	454,242	454,242
Unassigned	(501,142)	(8,098)	(509,240)
	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances	<u>722,107</u>	<u>917,969</u>	<u>1,640,076</u>
Total Liabilities and Fund Balances	<u>\$ 1,395,808</u>	<u>\$ 978,153</u>	<u>\$ 2,373,961</u>

City of Tehachapi
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-Major Governmental Funds
Year Ended June 30, 2012

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Total</u>
REVENUES			
Taxes	\$ 758,035	\$ -	\$ 758,035
Licenses and Permits	-	-	-
Intergovernmental	220,436	30,000	250,436
Investment Earnings	10,292	5,142	15,434
Miscellaneous Revenue	-	-	-
	<u>988,763</u>	<u>35,142</u>	<u>1,023,905</u>
Total Revenues			
EXPENDITURES			
Current:			
General Government	22,301	-	22,301
Public Works	958,482	6,500	964,982
Community Development	147,517	184,349	331,866
Capital Outlay	328,199	456,967	785,166
Debt Service:			
Interest Expense	23,396	-	23,396
Principal	25,279	-	25,279
	<u>1,505,174</u>	<u>647,816</u>	<u>2,152,990</u>
Total Expenditures			
Excess (Deficiency) of Revenues Over Expenditures	<u>(516,411)</u>	<u>(612,674)</u>	<u>(1,129,085)</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	995,595	755,542	1,751,137
Transfers Out	<u>(1,018,595)</u>	<u>(541,004)</u>	<u>(1,559,599)</u>
	<u>(23,000)</u>	<u>214,538</u>	<u>191,538</u>
Total Other Financing Sources (Uses)			
Net Change in Fund Balances	(539,411)	(398,136)	(937,547)
Fund Balances, Beginning of Year	<u>1,261,518</u>	<u>1,316,105</u>	<u>2,577,623</u>
Fund Balances, End of Year	<u>\$ 722,107</u>	<u>\$ 917,969</u>	<u>\$ 1,640,076</u>

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City of Tehachapi
Combining Balance Sheet
Non-major Special Revenue Funds
June 30, 2012

	<u>Streets and Roads</u>	<u>Traffic Signals</u>	<u>TDA 3 Bike Safety</u>	<u>Oil Recycling Grant Fund</u>
ASSETS				
Cash and Investments	\$ -	\$ 745,188	\$ -	\$ 264
Receivables	-	-	-	-
Total Assets	<u>\$ -</u>	<u>\$ 745,188</u>	<u>\$ -</u>	<u>\$ 264</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$ -	\$ 1,210	\$ -	\$ -
Due to Other Funds	221,765	-	50	-
Deferred Revenue	-	-	-	-
Total Liabilities	<u>221,765</u>	<u>1,210</u>	<u>50</u>	<u>-</u>
Fund Balances:				
Restricted	-	743,978	-	264
Assigned	-	-	-	-
Unassigned	<u>(221,765)</u>	<u>-</u>	<u>(50)</u>	<u>-</u>
Total Fund Balances	<u>(221,765)</u>	<u>743,978</u>	<u>(50)</u>	<u>264</u>
Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ 745,188</u>	<u>\$ -</u>	<u>\$ 264</u>

<u>Beverage Container Recycling</u>	<u>Lighting District</u>	<u>Event Center & Rodeo Grounds</u>	<u>Gas Tax</u>	<u>Facility Impact Fee Fund</u>	<u>Total Non-Major Funds</u>
\$ 15,295	\$ 307,105	\$ -	\$ 177,596	\$ 108,514	\$ 1,353,962
-	1,446	-	40,400	-	41,846
<u>\$ 15,295</u>	<u>\$ 308,551</u>	<u>\$ -</u>	<u>\$ 217,996</u>	<u>\$ 108,514</u>	<u>\$ 1,395,808</u>
\$ -	\$ 30,248	\$ 7,912	\$ 48,766	\$ -	\$ 88,136
-	92,335	271,415	-	-	585,565
-	-	-	-	-	-
-	122,583	279,327	48,766	-	673,701
15,295	185,968	-	169,230	108,514	1,223,249
-	-	-	-	-	-
-	-	(279,327)	-	-	(501,142)
<u>15,295</u>	<u>185,968</u>	<u>(279,327)</u>	<u>169,230</u>	<u>108,514</u>	<u>722,107</u>
<u>\$ 15,295</u>	<u>\$ 308,551</u>	<u>\$ -</u>	<u>\$ 217,996</u>	<u>\$ 108,514</u>	<u>\$ 1,395,808</u>

City of Tehachapi
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Special Revenue Funds
Year Ended June 30, 2012

	Streets and Roads	Traffic Signals	TDA 3 Bike Safety	Oil Recycling Grant Fund
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and Permits	-	-	-	-
Intergovernmental	192,010	23,426	-	-
Investment Earnings	168	5,240	-	4
	<u>192,178</u>	<u>28,666</u>	<u>-</u>	<u>4</u>
Total Revenues	<u>192,178</u>	<u>28,666</u>	<u>-</u>	<u>4</u>
EXPENDITURES				
Current:				
General Government	-	-	-	-
Public Works	2,225	-	-	384
Community Development	-	-	-	-
Capital Outlay	-	48,872	-	-
Debt Service:				
Interest Expense	23,396	-	-	-
Principal	25,279	-	-	-
	<u>50,900</u>	<u>48,872</u>	<u>-</u>	<u>384</u>
Total Expenditures	<u>50,900</u>	<u>48,872</u>	<u>-</u>	<u>384</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>141,278</u>	<u>(20,206)</u>	<u>-</u>	<u>(380)</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	-	-
Transfers Out	(477,591)	-	-	-
	<u>(477,591)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(477,591)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(336,313)	(20,206)	-	(380)
Fund Balances, Beginning of Year	<u>114,548</u>	<u>764,184</u>	<u>(50)</u>	<u>644</u>
Fund Balances, End of Year	<u>\$ (221,765)</u>	<u>\$ 743,978</u>	<u>\$ (50)</u>	<u>\$ 264</u>

<u>Beverage Container Recycling</u>	<u>Lighting District</u>	<u>Event Center & Rodeo Grounds</u>	<u>Gas Tax</u>	<u>Facility Impact Fee Fund</u>	<u>Total Non-Major Funds</u>
\$ -	\$ 329,263	\$ -	\$ 389,421	\$ 39,351	\$ 758,035
-	-	-	-	-	-
5,000	-	-	-	-	220,436
69	1,996	-	-	2,815	10,292
<u>5,069</u>	<u>331,259</u>	<u>-</u>	<u>389,421</u>	<u>42,166</u>	<u>988,763</u>
-	22,301	-	-	-	22,301
-	265,986	-	689,887	-	958,482
-	14,889	-	-	132,628	147,517
-	-	279,327	-	-	328,199
-	-	-	-	-	23,396
-	-	-	-	-	25,279
<u>-</u>	<u>303,176</u>	<u>279,327</u>	<u>689,887</u>	<u>132,628</u>	<u>1,505,174</u>
<u>5,069</u>	<u>28,083</u>	<u>(279,327)</u>	<u>(300,466)</u>	<u>(90,462)</u>	<u>(516,411)</u>
-	-	-	454,591	541,004	995,595
-	-	-	-	(541,004)	(1,018,595)
-	-	-	454,591	-	(23,000)
5,069	28,083	(279,327)	154,125	(90,462)	(539,411)
<u>10,226</u>	<u>157,885</u>	<u>-</u>	<u>15,105</u>	<u>198,976</u>	<u>1,261,518</u>
<u>\$ 15,295</u>	<u>\$ 185,968</u>	<u>\$ (279,327)</u>	<u>\$ 169,230</u>	<u>\$ 108,514</u>	<u>\$ 722,107</u>

City of Tehachapi
Combining Balance Sheet
Non-major Capital Project Funds
June 30, 2012

	<u>Tucker Road / Valley Blvd. Exchange</u>	<u>Energy Efficiency Conservation Project</u>	<u>Capital Equipment Replacement</u>
ASSETS			
Cash and Investments	\$ 47,215	\$ -	\$ 120,985
Receivables	-	-	-
	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 47,215</u>	<u>\$ -</u>	<u>\$ 120,985</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable	\$ -	\$ -	\$ -
Due to Other Funds	-	2,590	-
Deferred Revenue	-	-	-
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>-</u>	<u>2,590</u>	<u>-</u>
Fund Balances:			
Restricted	47,215	-	-
Assigned	-	-	120,985
Unassigned	-	(2,590)	-
	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances	<u>47,215</u>	<u>(2,590)</u>	<u>120,985</u>
Total Liabilities and Fund Balances	<u>\$ 47,215</u>	<u>\$ -</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>
\$ -	\$ -	\$ 20,086	\$ -	\$ 409,234	\$ 170,903
-	30,000	13,634	-	-	-
<u>\$ -</u>	<u>\$ 30,000</u>	<u>\$ 33,720</u>	<u>\$ -</u>	<u>\$ 409,234</u>	<u>\$ 170,903</u>
\$ -	\$ 51	\$ 4,710	\$ -	\$ -	\$ -
-	35,457	-	-	-	-
-	-	13,634	-	-	-
-	35,508	18,344	-	-	-
-	-	15,376	-	409,234	-
-	-	-	-	-	170,903
-	(5,508)	-	-	-	-
-	(5,508)	15,376	-	409,234	170,903
<u>\$ -</u>	<u>\$ 30,000</u>	<u>\$ 33,720</u>	<u>\$ -</u>	<u>\$ 409,234</u>	<u>\$ 170,903</u>

Continued

City of Tehachapi
Combining Balance Sheet
Non-major Capital Project Funds - Continued
Year Ended June 30, 2012

	<u>Tehachapi Centennial Plaza</u>	<u>Tehachapi Blvd Imprv - Phase IV</u>	<u>New Police Building</u>	<u>Total Non-Major Funds</u>
ASSETS				
Cash and Investments	\$ -	\$ 43,875	\$ 122,221	\$ 934,519
Receivables	-	-	-	43,634
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ -</u>	<u>\$ 43,875</u>	<u>\$ 122,221</u>	<u>\$ 978,153</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$ -	\$ 3,742	\$ -	\$ 8,503
Due to Other Funds	-	-	-	38,047
Deferred Revenue	-	-	-	13,634
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>-</u>	<u>3,742</u>	<u>-</u>	<u>60,184</u>
Fund Balances:				
Restricted	-	-	-	471,825
Assigned	-	40,133	122,221	454,242
Unassigned	-	-	-	(8,098)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances	<u>-</u>	<u>40,133</u>	<u>122,221</u>	<u>917,969</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ 43,875</u>	<u>\$ 122,221</u>	<u>\$ 978,153</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, 2012

	<u>Tucker Road / Valley Blvd. Exchange</u>	<u>Energy Efficiency Conservation Project</u>	<u>Capital Equipment Replacement</u>
REVENUES			
Licenses, Permits, and Fines	\$ -	\$ -	\$ -
Intergovernmental	-	-	-
Miscellaneous Revenue	-	-	-
Investment Earnings	324	-	-
	<u>324</u>	<u>-</u>	<u>-</u>
Total Revenues	<u>324</u>	<u>-</u>	<u>-</u>
EXPENDITURES			
Current:			
Public Works	-	-	-
Community Development	-	85	-
Capital Outlay	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>-</u>	<u>85</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>324</u>	<u>(85)</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	-	-	-
Transfers Out	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	324	(85)	-
Fund Balances, Beginning of Year	<u>46,891</u>	<u>(2,505)</u>	<u>120,985</u>
Fund Balances, End of Year	<u><u>\$ 47,215</u></u>	<u><u>\$ (2,590)</u></u>	<u><u>\$ 120,985</u></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>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	30,000	-	-	-	-
-	-	-	-	-	-
<u>1,967</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,851</u>	<u>-</u>
<u>1,967</u>	<u>30,000</u>	<u>-</u>	<u>-</u>	<u>2,851</u>	<u>-</u>
-	-	-	-	6,500	-
-	184,264	-	-	-	-
-	-	7,624	15,526	5,989	-
<u>-</u>	<u>184,264</u>	<u>7,624</u>	<u>15,526</u>	<u>12,489</u>	<u>-</u>
<u>1,967</u>	<u>(154,264)</u>	<u>(7,624)</u>	<u>(15,526)</u>	<u>(9,638)</u>	<u>-</u>
-	126,406	23,000	12,427	-	-
<u>(541,004)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>(541,004)</u>	<u>126,406</u>	<u>23,000</u>	<u>12,427</u>	<u>-</u>	<u>-</u>
(539,037)	(27,858)	15,376	(3,099)	(9,638)	-
<u>539,037</u>	<u>22,350</u>	<u>-</u>	<u>3,099</u>	<u>418,872</u>	<u>170,903</u>
<u>\$ -</u>	<u>\$ (5,508)</u>	<u>\$ 15,376</u>	<u>\$ -</u>	<u>\$ 409,234</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, 2012

	Tehachapi Centennial Plaza	Tehachapi Blvd Imprv - Phase IV	New Police Building	Total Non-Major Funds
REVENUES				
Licenses, Permits, and Fines	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	30,000
Miscellaneous Revenue	-	-	-	-
Investment Earnings	-	-	-	5,142
	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,142</u>
Total Revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>35,142</u>
EXPENDITURES				
Current:				
Public Works	-	-	-	6,500
Community Development	-	-	-	184,349
Capital Outlay	-	9,045	418,783	456,967
	<u>-</u>	<u>9,045</u>	<u>418,783</u>	<u>456,967</u>
Total Expenditures	<u>-</u>	<u>9,045</u>	<u>418,783</u>	<u>647,816</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>-</u>	<u>(9,045)</u>	<u>(418,783)</u>	<u>(612,674)</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	705	52,000	541,004	755,542
Transfers Out	-	-	-	(541,004)
	<u>705</u>	<u>52,000</u>	<u>541,004</u>	<u>214,538</u>
Total Other Financing Sources (Uses)	<u>705</u>	<u>52,000</u>	<u>541,004</u>	<u>214,538</u>
Net Change in Fund Balances	705	42,955	122,221	(398,136)
Fund Balances, Beginning of Year	(705)	(2,822)	-	1,316,105
Fund Balances, End of Year	<u>\$ -</u>	<u>\$ 40,133</u>	<u>\$ 122,221</u>	<u>\$ 917,969</u>

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City of Tehachapi
Combining Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2012

	Capital Hills 89-1	Tucker Road 87-1	East Tehachapi Blvd. Project 89-3	Summit 89-2
ASSETS				
Cash and Investments	\$ 1,184,319	\$ 87,544	\$ -	\$ -
Cash with Fiscal Agent	-	-	-	-
Receivables	-	-	-	-
Advances to Other Funds	-	-	-	-
Due from Other Funds	-	-	-	-
Other Assets	-	-	25,911	297,867
	<u>-</u>	<u>-</u>	<u>25,911</u>	<u>297,867</u>
Total Assets	<u>\$ 1,184,319</u>	<u>\$ 87,544</u>	<u>\$ 25,911</u>	<u>\$ 297,867</u>
LIABILITIES AND FUND BALANCES				
Accounts Payable	\$ 7,271	\$ -	\$ 980	\$ 11,274
Advances From Other Funds	-	-	-	98,233
Due to Other Funds	-	-	6,109	105,129
Due to Bond Holders	1,177,048	87,544	18,822	83,231
	<u>1,177,048</u>	<u>87,544</u>	<u>18,822</u>	<u>83,231</u>
Total Liabilities	<u>\$ 1,184,319</u>	<u>\$ 87,544</u>	<u>\$ 25,911</u>	<u>\$ 297,867</u>

Tehachapi Meadows 90-1	Special Districts Revolving Fund	Total Agency Funds
\$ 35,851	\$ -	\$ 1,307,714
-	-	-
-	-	-
-	98,233	98,233
-	-	-
-	-	323,778
<u>\$ 35,851</u>	<u>\$ 98,233</u>	<u>\$ 1,729,725</u>
\$ -	\$ 98,233	\$ 117,758
-	-	98,233
-	-	111,238
35,851	-	1,402,496
<u>\$ 35,851</u>	<u>\$ 98,233</u>	<u>\$ 1,729,725</u>