

**CITY OF TEHACHAPI**  
**ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2005**

**City of Tehachapi  
Annual Financial Report  
For the Fiscal Year Ended June 30, 2005**

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Mayer Hoffman McCann P.C.  
An Independent CPA Firm

## INDEPENDENT AUDITORS' REPORT

To the 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, California, as of and for the year ended June 30, 2005, 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 an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit 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, as of June 30, 2005, 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.

In accordance with *Governmental Auditing Standards*, we have also issued our report dated October 14, 2005, on our consideration of The City of Tehachapi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. The purpose of this report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and does not 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 *Governmental Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

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The management's discussion and analysis and budgetary comparison information on pages 3 through 8 and on pages 58 through 61 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Tehachapi basic financial statements. The combining non-major fund financial statements listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining non-major fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Bakersfield, California  
October 14, 2005

## 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, 2005. We encourage readers to consider the information presented here in conjunction with the financial statements and notes to the financial statements included with this report.

### Financial Highlights

- The City's net assets increased 6% to \$13,999,374 as a result of this year's operations.
- Total City's revenues, including program and general revenues, were \$10,076,684, increase of \$1,622,964 from the prior year.
- Net assets in governmental funds increased \$38,423, and net assets in business activities increased \$1,041,079.
- Governmental revenue was increased by \$797,488 to \$4,483,801.
- Governmental expense was increased by \$992,247 to \$4,442,867.
- Revenues from business-type activities increased by \$825,478 to \$5,592,885.
- General fund revenue was increased by \$663,989 to \$3,453,165.
- General fund balance as of June 30, 2005 is \$2,754,137, an increase of \$781,284 from the prior year.

### Overview of Financial Statements

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

1. The Basic Financial Statements, which include the government-wide financial statements
2. Fund Financial Statements
3. Notes to the financial statements
4. Required supplementary information
5. 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 broke down into two different activities, governmental activities and business-type activities.

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

The business-type activities include refuse, water, sewer, transit, community development and airport fund. Unlike governmental services, these services are supported by charges paid by users based on the amount of the service they use.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

### The Government-wide Financial Statements (Continued)

The basic financial statements are comprised of the following:

- Statement of Net Assets

The Statement of New 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 of its assets held and liabilities owed by the City. The difference between the City's total assets and total liabilities is labeled a *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 where as it is called *change in net assets* in the City's financial report.

### Fund Financial Statements

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

Fund financial statements provide detailed information about each of the City's most significant funds, called major funds. The concept of major fund, and the determination of which are major funds, 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.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

### **Governmental Funds (Continued)**

The City of Tehachapi maintains 22 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, gas tax fund, capital project fund and redevelopment agency fund, which are considered to be major funds. Data from the other 19 governmental funds are combined into a single, aggregated presentation.

### **Proprietary Funds**

The only type of Proprietary funds for the City of Tehachapi maintains are enterprise funds. The refuse, water, sewer, transit, community Development 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 refuse, water and sewer funds to be major funds and community development, transit and airport funds are categorized as non-major proprietary funds.

### **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 the major governmental funds.

### **Overview of the City's Financial Position and Operations**

The City's overall financial position and operations for the past two years are summarized as follows based on the information included in the government-wide financial statements. Net assets may serve over time as an indicator of government's financial position. For the City of Tehachapi, assets exceeded liabilities by \$13,999,374 at June 30, 2005.

The largest portion (49%) of the City's net assets reflects its investments of \$6,696,315 in capital assets (land, Buildings and improvements, equipment, infrastructure, and construction in progress, net of accumulated depreciation), less any related outstanding debt used to acquire those assets. The remaining balance of unrestricted net assets, \$4,801,952 (34%) may be used to meet the government's ongoing obligations to citizens, creditors and to meet City imposed designations (e.g. reserves, endowments, pending litigations, contingencies, capital projects).

**MANAGEMENT’S DISCUSSION AND ANALYSIS (CONTINUED)**

**Overview of the City’s Financial Position and Operations (Continued)**

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Current and Other Assets	5,160,911	6,307,590	3,924,475	3,111,964	9,085,386	9,419,554
Capital Assets	8,688,620	7,680,407	12,369,020	11,379,342	21,057,640	19,059,749
Total Assets	<u>13,849,531</u>	<u>13,987,997</u>	<u>16,293,495</u>	<u>14,491,306</u>	<u>30,143,026</u>	<u>28,479,303</u>
Current Liabilities	467,380	500,571	1,320,891	1,105,444	1,788,271	1,606,015
Long-term Liabilities	5,389,448	5,533,143	8,965,934	8,420,270	14,355,382	13,953,413
Total Liabilities	<u>5,856,828</u>	<u>6,033,714</u>	<u>10,286,825</u>	<u>9,525,714</u>	<u>16,143,653</u>	<u>15,559,428</u>
Investments in Capital, net of related debt	3,293,228	2,211,592	3,403,087	2,959,072	6,696,315	5,170,664
Restricted	1,945,338	1,560,944	555,769	759,482	2,501,107	2,320,426
Unrestricted	2,754,137	4,181,747	2,047,815	1,247,038	4,801,952	5,428,785
Total Net Assets	<u>7,992,703</u>	<u>7,954,283</u>	<u>6,006,671</u>	<u>4,965,592</u>	<u>13,999,374</u>	<u>12,919,875</u>

48% of the City’s net assets reflects its capital assets (e.g., land, buildings, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to residents; accordingly, these assets are not available for future spending. Although the City’s investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The City started capturing its capital assets in governmental funds since fiscal year 2002/2003. In accordance with GASB 34, The City was not required to retroactively capture the capital assets like other bigger cities because the City was fallen under implementation phase III due to the size of its revenue in fiscal year 1999/2000.

The remaining balance (\$1,945,338) of net assets is subject to external restrictions on how they may be used.

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

**Governmental Activities**

Governmental activities increased the City’s net assets by \$38,420, there by accounting for .5% of the total growth in the City’s net assets. Although there was major decrease in governmental revenue due to decrease in capital grants and contribution, sales (17%) and property tax (38%) were increased. The detailed information on statement of activities are as shown on the following:

**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

**Statement of Activities**

	Governmental Activities		Business Type Activities		Total	
	2005	2004	2005	2004	2005	2004
<b>Revenue</b>						
Program Revenues:						
Charges for Services			4,188,304	3,438,712	4,188,304	3,438,712
Operating contribution & Grants	691,969	606,012	245,712	33,633	937,681	639,645
Capital Grants & Contribution	117,264	59,471	-	1,132,046	117,264	1,191,517
General Revenues:						
Property taxes	1,033,106	747,389			1,033,106	747,389
Sales Taxes	1,240,112	1,063,399			1,240,112	1,063,399
Other Taxes	715,596	1,032,243			715,596	1,032,243
License and permits	548,400	9,725			548,400	9,725
Miscellaneous	335,676	153,426	801,516	56,223	1,137,192	209,649
Interest	88,168	69,649	70,858	51,792	159,026	121,441
Transfers	(286,495)	(55,001)	286,495	55,001	-	-
	<u>4,483,796</u>	<u>3,686,313</u>	<u>5,592,885</u>	<u>4,767,407</u>	<u>10,076,681</u>	<u>8,453,720</u>
<b>Expenses</b>						
Primary Government						
General Government	620,887	721,352			620,887	721,352
Administration	599,747	370,934			599,747	370,934
Public Works	1,529,286	660,125			1,529,286	660,125
Planning	-	135,893			-	135,893
Fire Department	550,021	326,806			550,021	326,806
Sheriff	789,806	922,700			789,806	922,700
Council	39,113	37,447			39,113	37,447
City Clerk	72,569	74,730			72,569	74,730
Treasurer	1,674	4,357			1,674	4,357
Interest	239,764	196,276			239,764	196,276
Business-type Activities						
Refuse			646,544	513,544	646,544	513,544
Water			1,353,438	1,008,439	1,353,438	1,008,439
Sewer			1,568,969	1,214,379	1,568,969	1,214,379
Transit			118,425	99,181	118,425	99,181
Airport			438,832	216,559	438,832	216,559
Community Development			414,321	-	414,321	-
Total Expense	<u>4,442,867</u>	<u>3,450,620</u>	<u>4,540,529</u>	<u>3,052,102</u>	<u>8,983,396</u>	<u>6,502,722</u>
Change in Net Assets	40,929	235,693	1,052,356	1,715,305	1,093,285	1,950,998
Net Assets at beginning of yr	7,954,283	7,710,382	4,965,592	3,269,768	12,919,875	10,980,150
Prior Period and Depreciation Adj	(2,509)	8,208	(11,277)	(19,481)	(13,786)	(11,273)
Net Assets at end of year	<u>7,992,703</u>	<u>7,954,283</u>	<u>6,006,671</u>	<u>4,965,592</u>	<u>13,999,374</u>	<u>12,919,875</u>

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

### Business Type Activities

The City operates six business type activities. These are refuse, water, sewer, transit, airport and community development funds. The City's net asset increase was 16% resulted by the business type activities.

### 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 displayed previously, the fund statements are not reflected on a full accrual basis.

#### Governmental Funds

As of June 30, 2005, the City's governmental funds reported combined ending fund balances of \$4,699,475. This number shows approximately 19% fund balance decrease from the prior year caused by gas tax and RDA funds. This fund balance is available for spending at the government's ongoing obligations to citizens and creditors although 41% of the total governmental fund balance is dedicated for specific purposes such as street and road maintenance, Redevelopment Agency and various capital projects.

The *general fund* is the chief operating fund of the City. At the end of the current fiscal year unreserved fund balance of the general fund was \$2,286,090. As a discretionary fund, the general fund is mainly used to pay for City's safety service such as contracted Sheriff service and City fire as well as the City's cost of general operation.

*Gas tax fund* is solely dedicated for street and road maintenance. The main sources of the gas tax fund are from the allocated gasoline tax and TDA (Transportation Development Act) Article 8. At the end of the current fiscal year, the fund balance was \$75,813 and it was decreased by \$121,992 from the prior year. The decrease was mainly caused by the cost of the capital projects that were carried over from the prior year.

The *Redevelopment fund* has a total fund balance of \$1,165,938, most of which is reserved for capital projects within the designated project area and debt services. The net decrease in RDA fund balance during the current year was \$662,510 primarily due to the use of the proceeds generated by the 2004 Notes.

#### Proprietary Funds.

Unrestricted net assets of the refuse, water and sewer funds at the end of the year are \$241,953, \$739,116 and \$1,343,541 respectively. Water and sewer funds showed increase of net asset by \$533,513 and \$724,552. These increases were mostly caused by the new connections as a result of growth of the community. However, the net asset of refuse fund was decreased by \$40,667.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

### GENERAL FUND BUDGETARY HIGHLIGHTS

A detailed budgetary comparison schedule for the year ended June 30, 2005 is presented as required supplementary information following the notes to the financial statements. The final budget amounts are different from those presented in the 2004/05 – 2008/09 original five-year budget documents. It is due to changes that occurred between when the original budget was prepared and year-end final budget approvals.

	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues	2,702,398	2,889,081	3,444,165	555,084
Expenditures	2,710,721	2,654,921	2,670,741	(15,820)
Other Sources (Uses)	9,000	9,000	7,860	(1,140)
Net changes in fund balances	677	243,160	781,284	538,124
Fund Balance Beginning (Adjusted)	1,972,853	1,972,853	1,972,853	-
Fund Balance - Ending	1,973,530	2,216,013	2,754,137	538,124

Overall, the actual ending fund balance is \$538,124 more than what was budgeted in final budget. The major contributions to this positive variance are mainly from increase in revenue such as sales tax (\$176,713), property tax (\$80,825), transient lodging tax (\$22,142), vehicle tax (\$152,541) and a new fee for the capital project for public safety purpose (\$150,024). The negative expenditure variances are from various departments and expenditures. As a result of current year's operation, the fund balance of general fund was increased by \$781,284.

### CAPITAL & DEBT ADMINISTRATION

#### Capital Assets

	Governmental Activities	Business-type Activities	Totals
Non-Depreciable Assets:			
Land	614,419	2,029,690	2,644,109
Total non-depreciable assets	614,419	2,029,690	2,644,109
Depreciable Assets (net of accumulated depreciation)			
Buildings	562,092	5,328,432	5,890,524
Improvements other than building	4,268,223	3,167,739	7,435,962
Machinery and equipment	1,164,738	376,039	1,540,777
Construction in progress	2,079,148	1,467,119	3,546,267
Total depreciable assets-net	8,074,201	10,339,329	18,413,530
Total Capital Assets	8,688,620	12,369,019	21,057,639

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

### CAPITAL & DEBT ADMINISTRATION (CONTINUED)

#### Capital Assets (Continued)

The City of Tehachapi's investment in capital assets for its governmental and business type activities as of June 30, 2005, amounts to \$21,057,639 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery 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 4.

#### Long-Term Debt

	Governmental Activities	Business-type Activities	Totals
Bonds	3,990,768	8,289,934	12,280,702
Loans	-	117,061	117,061
Capital Leases	1,312,786	558,939	1,871,725
Compensated absences	85,894	-	85,894
Total Long-Term Liabilities	<u>5,389,448</u>	<u>8,965,934</u>	<u>14,355,382</u>

The City of Tehachapi's total debt was increased by \$401,969 during the current fiscal year. The increase was due to the refunding of 1994 Water and Sewer Revenue Bonds.

State statutes limit the amount of general obligation debt a governmental entity may issue to 15 percent of its total assessed valuation.

### ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Following factors were taken into consideration in the budget for the next fiscal year:

- Cost of living increase by 0.773% for the miscellaneous category employees and 5.2% increase for the Fire Department.
- Public Employees' Retirement System (PERS) plan change from 2% @ 60 to 2% @ 55 for the miscellaneous category employees. Due to the PERS plan change, the City is required to contribute 4.427% more to the PERS plan.
- Seven new positions were budgeted. The budgeted new positions are a principal planner, a finance analyst, a city engineer, a maintenance worker and three fire fighters.
- Issuance of RDA major revenue bonds was anticipated. The bond proceeds will be used to pay for the RDA's 2002 and 2004 outstanding notes and also pay the major downtown improvement.
- One hundred fifty new additional connections were considered city wide in this budget.
- Major water meter replacement was budgeted to change from manual to radio read.
- \$1,000,000 was budgeted for the new sewer plant design.

The City takes conservative measures to budget for its revenue as well as expenditures. For the major General Fund revenue projection, trend analysis as well as growth projections were used.

## **BASIC FINANCIAL STATEMENTS**

**CITY OF TEHACHAPI  
STATEMENT OF NET ASSETS  
JUNE 30, 2005**

	Primary Government		
	Governmental Activities	Business-Type Activities	Totals
<b>ASSETS</b>			
Cash and cash equivalents	\$ 3,209,371	\$ 1,615,730	\$ 4,825,101
Short-term investments	1,064,761	522,361	1,587,122
Receivables (net of allowance)	253,702	465,981	719,683
Due from trust and agency funds	67,797	-	67,797
Internal balances	187,476	(187,476)	-
Prepays	23,608	-	23,608
Deferred Charges	59,781	1,256,921	1,316,702
Capital assets (net of accumulated depreciation):			
Land	614,419	2,029,690	2,644,109
Buildings	562,092	5,328,432	5,890,524
Improvements other than building	4,268,223	3,167,740	7,435,963
Machinery and equipment	1,164,738	376,039	1,540,777
Construction in progress	2,079,148	1,467,119	3,546,267
Advance to trust and agency funds	294,415	-	294,415
Other assets	-	250,958	250,958
Total assets	<u>13,849,531</u>	<u>16,293,495</u>	<u>30,143,026</u>
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	401,655	842,947	1,244,602
Accrued interest payable	65,725	-	65,725
Liabilities payable from restricted assets	-	62,820	62,820
Other liabilities	-	35,366	35,366
Deferred revenue	-	379,758	379,758
Noncurrent liabilities:			
Due within one year	171,256	584,940	756,196
Due in more than one year	5,218,192	8,380,994	13,599,186
Total liabilities	<u>5,856,828</u>	<u>10,286,825</u>	<u>16,143,653</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	3,293,228	3,403,087	6,696,315
Restricted for:			
Highways and streets	348,790	-	348,790
Public Safety	(36,457)	-	(36,457)
Debt Service	-	555,769	555,769
Other purposes	1,633,005	-	1,633,005
Unrestricted	2,754,137	2,047,815	4,801,952
Total net assets	<u>\$ 7,992,703</u>	<u>\$ 6,006,671</u>	<u>\$ 13,999,374</u>

The notes to the financial statements are an integral part of this statement

**CITY OF TEHACHAPI  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2005**

	Program Revenues				Governmental Activities	Primary Government Business-type Activity	Total
	Expenses	Charges for Services	Operating Contributions and Grants	Capital Grants and Contributions			
<b>Functions/Programs</b>							
<b>Primary Government</b>							
Governmental activities:							
General government	\$ 620,887	\$ -	\$ -	\$ -	\$ (620,887)	\$ -	\$ (620,887)
Administration	599,747	-	-	-	(599,747)	-	(599,747)
Public works and Planning	1,529,286	-	591,969	117,264	(820,053)	-	(820,053)
Fire department	550,021	-	-	-	(550,021)	-	(550,021)
Sheriff	789,806	-	100,000	-	(689,806)	-	(689,806)
Council	39,113	-	-	-	(39,113)	-	(39,113)
City clerk	72,569	-	-	-	(72,569)	-	(72,569)
Treasurer	1,674	-	-	-	(1,674)	-	(1,674)
Interest	239,764	-	-	-	(239,764)	-	(239,764)
Total governmental activities	<u>4,442,867</u>	<u>-</u>	<u>691,969</u>	<u>117,264</u>	<u>(3,633,634)</u>	<u>-</u>	<u>(3,633,634)</u>
Business-type activities:							
Refuse	646,544	595,006	-	-	-	(51,538)	(51,538)
Water	1,353,438	1,288,195	-	-	-	(65,243)	(65,243)
Sewer	1,568,969	1,950,251	-	-	-	381,282	381,282
Transit	118,425	-	201,049	-	-	82,624	82,624
Airport	438,832	252,790	44,663	-	-	(141,379)	(141,379)
Community Development Department	414,321	102,062	-	-	-	(312,259)	(312,259)
Total business-type activities	<u>4,540,529</u>	<u>4,188,304</u>	<u>245,712</u>	<u>-</u>	<u>-</u>	<u>(106,513)</u>	<u>(106,513)</u>
<b>Total primary government</b>	<u>\$ 8,983,396</u>	<u>\$ 4,188,304</u>	<u>\$ 937,681</u>	<u>\$ 117,264</u>	<u>\$ (3,633,634)</u>	<u>\$ (106,513)</u>	<u>\$ (3,740,147)</u>
General revenues:							
Property taxes					1,033,106	-	1,033,106
Sales taxes					1,240,112	-	1,240,112
Other taxes					715,596	-	715,596
Licenses and permits					548,400	-	548,400
Miscellaneous					335,676	801,516	1,137,192
Interest					88,168	70,858	159,026
Transfers					(286,495)	286,495	-
Total general revenues and transfers					<u>3,674,563</u>	<u>1,158,869</u>	<u>4,833,432</u>
Change in net assets					<u>40,929</u>	<u>1,052,356</u>	<u>1,093,285</u>
Net assets beginning of year - unadjusted					<u>7,954,283</u>	<u>4,965,592</u>	<u>12,919,875</u>
Prior period and depreciation adjustments					<u>(2,509)</u>	<u>(11,277)</u>	<u>(13,786)</u>
Net assets beginning of year - adjusted					<u>7,951,774</u>	<u>4,954,315</u>	<u>12,906,089</u>
Net assets at end of year					<u>\$ 7,992,703</u>	<u>\$ 6,006,671</u>	<u>\$ 13,999,374</u>

The notes to the financial statements are an integral part of this statement

**CITY OF TEHACHAPI  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2005**

	General	Gas Tax	RDA Fund
<b>ASSETS</b>			
Cash and short-term investments	1,368,331	110,613	1,131,274
Receivables (net of allowance)	170,069	-	36,718
Due from other funds	1,153,425	-	-
Prepays	23,608	-	-
Advance to other funds	294,415	-	-
Total assets	<u>3,009,848</u>	<u>110,613</u>	<u>1,167,992</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	255,711	34,800	2,054
Due to other funds	-	-	-
Total liabilities	<u>255,711</u>	<u>34,800</u>	<u>2,054</u>
Fund balances:			
Reserved	468,047	-	54,337
Unreserved	2,286,090	75,813	1,111,601
Total fund balance	<u>2,754,137</u>	<u>75,813</u>	<u>1,165,938</u>
Total liabilities and fund balances	<u>3,009,848</u>	<u>110,613</u>	<u>1,167,992</u>

The notes to the financial statements are an integral part of this statement

**CITY OF TEHACHAPI  
BALANCE SHEET  
GOVERNMENTAL FUNDS (CONTINUED)  
JUNE 30, 2005**

	Other Governmental Funds	Totals 2005
	<u>          </u>	<u>          </u>
<b>ASSETS</b>		
Cash and short-term investments	1,663,914	4,274,132
Receivables (net of allowance)	46,915	253,702
Due from other funds	-	1,153,425
Prepays	-	23,608
Advance to other funds	-	294,415
	<u>          </u>	<u>          </u>
Total assets	<u>1,710,829</u>	<u>5,999,282</u>
 <b>LIABILITIES AND FUND BALANCES</b>		
Liabilities:		
Accounts payable	109,090	401,655
Due to other funds	898,152	898,152
	<u>          </u>	<u>          </u>
Total liabilities	<u>1,007,242</u>	<u>1,299,807</u>
 Fund balances:		
Reserved	67,570	589,954
Unreserved	636,017	4,109,521
	<u>          </u>	<u>          </u>
Total fund balance	<u>703,587</u>	<u>4,699,475</u>
 Total liabilities and fund balances	<u>1,710,829</u>	<u>5,999,282</u>

The notes to the financial statements 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, 2005**

Fund balances of governmental funds	\$ 4,699,475
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets, net of depreciation, have not been included as financial resources in governmental fund activity.	8,688,620
Long term debt and compensated absences from the General Long Term Debt Account Group that have not been included in the governmental fund activity:	
Tax obligation bonds payable	(3,990,768)
Capital leases payable	(1,312,786)
Compensated Absences	(85,894)
Accrued interest payable is not reported in the governmental funds.	(65,725)
Unamortized issuance costs on revenue bonds payable has not been reported in the governmental funds.	<u>59,781</u>
Net assets of governmental activities	<u><u>\$ 7,992,703</u></u>

The notes to the financial statements are an integral part of this statement

**CITY OF TEHACHAPI  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2005**

	General	Gas Tax	RDA Fund
<b>REVENUES</b>			
Grants	\$ 51,336	\$ -	\$ -
Property taxes	630,128	-	479,801
Sales taxes	1,240,112	-	-
Other taxes	595,683	206,647	-
Licenses and permits	548,400	-	-
Other sources of funds	-	-	-
Interest	42,830	1,337	24,909
Miscellaneous	335,676	-	-
Total revenues	<u>3,444,165</u>	<u>207,984</u>	<u>504,710</u>
<b>EXPENDITURES</b>			
General government	446,598	-	-
Administration	112,702	-	487,045
Public works	605,073	597,763	-
Planning	-	-	-
Fire department	611,466	-	-
Sheriff	781,546	-	-
Council	39,113	-	-
City clerk	72,569	-	-
Treasurer	1,674	-	-
Interest expense	-	-	171,925
Total expenditures	<u>2,670,741</u>	<u>597,763</u>	<u>658,970</u>
Excess (deficiency) of revenues over (under) expenditures	<u>773,424</u>	<u>(389,779)</u>	<u>(154,260)</u>
<b>OTHER FINANCING SOURCES(USES)</b>			
Transfers in	9,000	333,600	
Transfers out	(1,140)	(65,813)	(508,250)
Total other financing sources (uses)	<u>7,860</u>	<u>267,787</u>	<u>(508,250)</u>
Net change in fund balances	781,284	(121,992)	(662,510)
Fund balances - beginning	1,972,853	197,805	1,828,448
Prior Period Adjustment	-	-	-
Total adjusted fund balance - beginning	<u>1,972,853</u>	<u>197,805</u>	<u>1,828,448</u>
Fund balances - ending	<u>\$ 2,754,137</u>	<u>\$ 75,813</u>	<u>\$ 1,165,938</u>

The notes to the financial statements are an integral part of this statement

**CITY OF TEHACHAPI  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2005**

	Other Governmental Funds	Totals 2005
<b>REVENUES</b>		
Grants	\$ 56,163	\$ 107,499
Property taxes	-	1,109,929
Sales taxes	-	1,240,112
Other taxes	43,090	845,420
Licenses and permits	-	548,400
Other sources of funds	495,086	495,086
Interest	19,092	88,168
Miscellaneous	-	335,676
Total revenues	<u>613,431</u>	<u>4,770,290</u>
<b>EXPENDITURES</b>		
General government	-	446,598
Administration	-	599,747
Public works	265,764	1,468,600
Planning	1,357,676	1,357,676
Fire department	-	611,466
Sheriff	8,260	789,806
Council	-	39,113
City clerk	-	72,569
Treasurer	-	1,674
Interest expense	-	171,925
Total expenditures	<u>1,631,700</u>	<u>5,559,174</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,018,269)</u>	<u>(788,884)</u>
<b>OTHER FINANCING SOURCES(USES)</b>		
Transfers in	288,709	631,309
Transfers out	<u>(342,600)</u>	<u>(917,803)</u>
Total other financing sources (uses)	<u>(53,891)</u>	<u>(286,494)</u>
Net change in fund balances	(1,072,160)	(1,075,378)
Fund balances - beginning	1,778,256	5,777,362
Prior Period Adjustment	(2,509)	(2,509)
Total adjusted fund balance - beginning	<u>1,775,747</u>	<u>5,774,853</u>
Fund balances - ending	<u>\$ 703,587</u>	<u>\$ 4,699,475</u>

The notes to the financial statements are an integral part of this statement

**CITY OF TEHACHAPI  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES OF  
GOVERNMENT FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2005**

Net changes in fund balances - total governmental funds	\$ (1,075,378)
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.	1,008,213
Repayment of principal on debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	191,463
Accrued interest payable is not reported in the governmental funds.	(12,041)
The statement of net assets includes unamortized issuance costs on long term debt.	(49,762)
To record the net change in compensated absences in the statement of activities.	(21,566)
Change in net assets of governmental activities	\$ 40,929

The notes to the financial statements are an integral part of this statement

**CITY OF TEHACHAPI  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2005**

	Refuse Fund	Water Fund	Sewer Fund
<b>ASSETS</b>			
Current assets:			
Cash and short-term investments	\$ 4,779	\$ 1,245,713	\$ 832,286
Receivables (net of allowance)	124,336	135,295	193,989
Due from other funds	-	328,087	65,710
Total current assets	<u>129,115</u>	<u>1,709,095</u>	<u>1,091,985</u>
Noncurrent assets:			
Deferred charges	-	322,104	934,817
Other assets	235,000	-	-
Capital assets:			
Land	-	1,358,533	613,613
Construction in progress	-	1,192,124	257,305
Buildings	-	774,582	8,848,378
Machinery and equipment	-	394,157	220,625
Improvements other than building	-	2,618,710	608,169
Less accumulated depreciation	-	(2,058,540)	(3,996,380)
Total capital assets (net of accumulated depreciation)	<u>-</u>	<u>4,279,566</u>	<u>6,551,710</u>
Total noncurrent assets	<u>235,000</u>	<u>4,601,670</u>	<u>7,486,527</u>
Total assets	<u><u>364,115</u></u>	<u><u>6,310,765</u></u>	<u><u>8,578,512</u></u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	57,460	613,461	119,988
Due to other funds	64,702	186,598	65,710
Customer deposits payable	-	54,060	-
Other current liabilities	-	-	-
Capital lease payable - current	-	39,400	16,050
Current portion of long-term debt	-	-	-
Notes and bonds payable - current	-	167,975	310,933
Total current liabilities	<u>122,162</u>	<u>1,061,494</u>	<u>512,681</u>
Deferred revenue	-	53,166	326,592
Noncurrent liabilities:			
Capital leases	-	95,922	407,568
Notes and bonds payable	-	2,255,477	5,555,548
Total noncurrent liabilities	<u>-</u>	<u>2,351,399</u>	<u>5,963,116</u>
Total liabilities	<u>122,162</u>	<u>3,466,059</u>	<u>6,802,389</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	-	1,720,792	261,611
Restricted for debt service	-	384,798	170,971
Unrestricted	241,953	739,116	1,343,541
Total net assets	<u><u>\$ 241,953</u></u>	<u><u>\$ 2,844,706</u></u>	<u><u>\$ 1,776,123</u></u>

The notes to the financial statements are an integral part of this statement

**CITY OF TEHACHAPI  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS (CONTINUED)  
JUNE 30, 2005**

	Non-Major Proprietary Funds	Total Current Year
<b>ASSETS</b>		
Current assets:		
Cash and short-term investments	\$ 55,311	\$ 2,138,089
Receivables (net of allowance)	12,361	465,981
Due from other funds	-	393,797
Total current assets	<u>67,672</u>	<u>2,997,867</u>
Noncurrent assets:		
Deferred charges	-	1,256,921
Other assets	15,958	250,958
Capital assets:		
Land	57,543	2,029,689
Construction in progress	17,696	1,467,125
Buildings	1,025,504	10,648,464
Machinery and equipment	220,831	835,613
Improvements other than building	1,515,693	4,742,572
Less accumulated depreciation	<u>(1,299,522)</u>	<u>(7,354,442)</u>
Total capital assets (net of accumulated depreciation)	<u>1,537,745</u>	<u>12,369,021</u>
Total noncurrent assets	<u>1,553,703</u>	<u>13,876,900</u>
Total assets	<u><u>1,621,375</u></u>	<u><u>16,874,767</u></u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	52,035	842,944
Due to other funds	264,263	581,273
Customer deposits payable	8,760	62,820
Other current liabilities	35,366	35,366
Capital lease payable - current	-	55,450
Current portion of long-term debt	6,535	6,535
Notes and bonds payable - current	-	478,908
Total current liabilities	<u>366,959</u>	<u>2,063,296</u>
Deferred revenue	-	379,758
Noncurrent liabilities:		
Capital leases	-	503,490
Notes and bonds payable	<u>110,526</u>	<u>7,921,551</u>
Total noncurrent liabilities	<u>110,526</u>	<u>8,425,041</u>
Total liabilities	<u>477,485</u>	<u>10,868,095</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	1,420,684	3,403,087
Restricted for debt service	-	555,769
Unrestricted	<u>(276,795)</u>	<u>2,047,815</u>
Total net assets	<u><u>\$ 1,143,889</u></u>	<u><u>\$ 6,006,671</u></u>

The notes to the financial statements are an integral part of this statement

**CITY OF TEHACHAPI  
STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2005**

	Refuse Fund	Water Fund	Sewer Fund
Operating revenues:			
Charges for services	\$ 595,006	\$ 1,288,195	\$ 1,950,251
Miscellaneous	10,871	562,762	30,733
Total operating revenues	<u>605,877</u>	<u>1,850,957</u>	<u>1,980,984</u>
Operating expenses:			
Personnel services	33,000	397,975	304,069
Maintenance and operations	613,544	646,898	596,535
Depreciation	-	146,173	343,242
Total operating expenses	<u>646,544</u>	<u>1,191,046</u>	<u>1,243,846</u>
Operating income (loss)	<u>(40,667)</u>	<u>659,911</u>	<u>737,138</u>
Nonoperating revenues (expenses):			
Intergovernmental	-	-	-
Interest income	-	35,994	34,292
Interest expense	-	(162,392)	(325,123)
Total nonoperating revenues (expenses)	<u>-</u>	<u>(126,398)</u>	<u>(290,831)</u>
Income (loss) before operating transfers	(40,667)	533,513	446,307
Transfers in	-	-	300,000
Transfers out	-	-	(21,755)
Change in net assets	<u>(40,667)</u>	<u>533,513</u>	<u>724,552</u>
Net assets - beginning	282,620	2,311,193	1,051,571
Depreciation adjustment	-	-	-
	<u>282,620</u>	<u>2,311,193</u>	<u>1,051,571</u>
Net assets - ending	<u>\$ 241,953</u>	<u>\$ 2,844,706</u>	<u>\$ 1,776,123</u>

The notes to the financial statements are an integral part of this statement

**CITY OF TEHACHAPI  
STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUNDS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2005**

	Non-Major Proprietary Funds	Totals
Operating revenues:		
Charges for services	\$ 354,852	\$ 4,188,304
Grants	44,663	44,663
Miscellaneous	197,150	801,516
Total operating revenues	<u>596,665</u>	<u>5,034,483</u>
Operating expenses:		
Personnel services	453,627	1,188,671
Maintenance and operations	390,145	2,247,122
Depreciation	121,892	611,307
Total operating expenses	<u>965,664</u>	<u>4,047,100</u>
Operating income (loss)	<u>(368,999)</u>	<u>987,383</u>
Nonoperating revenues (expenses):		
Intergovernmental	201,049	201,049
Interest income	572	70,858
Interest expense	(5,914)	(493,429)
Total nonoperating revenues (expenses)	<u>195,707</u>	<u>(221,522)</u>
Income (loss) before operating transfers	(173,292)	765,861
Transfers in	8,250	308,250
Transfers out	-	(21,755)
Change in net assets	<u>(165,042)</u>	<u>1,052,356</u>
Net assets - beginning	1,320,208	4,965,592
Depreciation adjustment	(11,277)	(11,277)
	<u>1,308,931</u>	<u>4,954,315</u>
Net assets - ending	<u>\$ 1,143,889</u>	<u>\$ 6,006,671</u>

The notes to the financial statements are an integral part of this statement

**CITY OF TEHACHAPI  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2005**

	Enterprise
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Total operating revenues	\$ 4,774,428
Personnel services	(1,188,671)
Maintenance and operations	(1,624,782)
Net cash provided by operating activities	1,960,975
<b>CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Operating transfers in	286,495
Intergovernmental revenue	192,205
Net cash provided by noncapital and related financing activities	478,700
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Purchase of fixed assets	(1,340,505)
Interest expense (net of discount amortization)	(403,915)
Payments on capital lease obligations	(39,364)
Payments on long-term debt	(490,485)
Net cash used in capital and related financing activities	(2,274,269)
<b>CASH FLOWS PROVIDED BY INVESTING ACTIVITIES</b>	
Interest received	70,858
Net cash provided by investing activities	70,858
Net Decrease in Cash	236,264
Cash, beginning of year	1,901,825
Cash, end of year	\$ 2,138,089
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	
Operating income	\$ 987,383
Adjustment to reconcile operating income to net cash provided by operating activities:	
Depreciation	611,307
(Increase) decrease in:	
Receivables	44,979
Due from other funds	(248,028)
Deferred charges other assets	(7,114)
Increase (decrease) in:	
Accounts payable	588,765
Due to other funds	281,603
Deposits payable	(4,677)
Other current liabilities	35,367
Deferred revenues	(328,610)
Net cash provided by operating activities	\$ 1,960,975
<b>NON CASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:</b>	
Purchase of equipment under capital lease	271,757
Depreciation Adjustment to Net Assets	(11,277)
2004 Forward Refunding Bond Issuance	800,000

The notes to the financial statements are an integral part of this statement

**CITY OF TEHACHAPI  
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
FIDUCIARY FUNDS  
JUNE 30, 2005**

	<u>Total Trust and Agency Funds</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 341,519
Short-term investments	97,933
Receivables (net of allowance)	87,481
Due from other funds	7,412
Advances to other funds	294,415
Due from bond holders	166,590
Other assets	<u>307,595</u>
 Total assets	 <u><u>1,302,945</u></u>
<b>LIABILITIES</b>	
Accounts payable	\$ 3,488
Deposits	25,687
Due to other funds	75,209
Due to bond holders	609,732
Advances from other funds	<u>588,829</u>
 Total liabilities	 <u><u>\$ 1,302,945</u></u>

The notes to the financial statements are an integral part of this statement

**CITY OF TEHACHAPI  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2005**

(1) **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 review of the component units included in the accompanying general-purpose financial statements of the City.

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

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

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

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

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund 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 those that are clearly identifiable with a specific 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*.

CITY OF TEHACHAPI  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2005

(CONTINUED)

(1) **Summary of significant accounting policies (Continued)**

**B. Government-wide and fund financial statements (Continued)**

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.

**C. Measurement focus, basis of accounting, and financial statement presentation**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary 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. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental and 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 collectible 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.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been 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 City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Gas tax* and *RDA Fund* are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes (not including major capital projects).

CITY OF TEHACHAPI  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2005

(CONTINUED)

(1) **Summary of significant accounting policies (Continued)**

**C. Measurement focus, basis of accounting, and financial statement presentation  
(Continued)**

The City reports the following major proprietary funds:

The *refuse, sewer utility, and water utility* 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.

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

**CITY OF TEHACHAPI  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2005**

**(CONTINUED)**

**(1) Summary of significant accounting policies (Continued)**

**C. Measurement focus, basis of accounting, and financial statement presentation  
(Continued)**

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.

**D. Assets, liabilities, and net assets or equity**

***1. Deposits and investments***

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 Sections 16249.1, 53601 and 53635 of 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:

- US Treasury Bills, Notes and Bonds.
- Local Agency Investment Fund administered by the California State Treasurer
- Obligations issued by agencies or instrumentality of the US 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.

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

For all investments at June 30, 2005, 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 bank accounts under the provision of bond indentures.

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.

***2. Receivable 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"

CITY OF TEHACHAPI  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2005

(CONTINUED)

(1) **Summary of significant accounting policies (Continued)**

**D. Assets, liabilities, and net assets or equity (Continued)**

**2. Receivable and payables (continued)**

(i.e., the current portion of the interfund loans) or “advances to/from other funds” (i.e., the non-current 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 fund balance reserve 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 taxes receivables are shown net of allowance for uncollectibles.

Taxes are levied on July 1 and are payable in two installments on December 10 and April 10. The County bills and collects the property taxes and remits them to the City in installments during the year. City property tax revenues are recognized when levied to the extent that they result in current receivables in accordance with Interpretation 3 of the National Council on Governmental Accounting, Revenue Recognition – Property Taxes.

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.

**3. 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.

**4. 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 \$3,000 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 market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

**CITY OF TEHACHAPI  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2005**

**(CONTINUED)**

**(1) Summary of significant accounting policies (Continued)**

**E. Assets, liabilities, and net assets or equity (Continued)**

**4. Capital assets (continued)**

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 City during the current fiscal year was \$665,354. Of this amount \$0 was included as part of the cost of capital assets under construction.

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

<u>Assets</u>	<u>Years</u>
Buildings	30
Machinery and equipment	5 - 30
Structure and other improvements	10 - 40

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.

**5. 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.

**6. 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.

**CITY OF TEHACHAPI  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2005**

(CONTINUED)

(1) **Summary of significant accounting policies (Continued)**

**E. Assets, liabilities, and net assets or equity (Continued)**

**7. Fund equity**

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

Reservations of retained earnings are limited to outside third-party restrictions.

(2) **Reconciliation of government-wide and fund financial statements**

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

The governmental fund balance sheet includes reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets. “Total fund balances” of the governmental funds of \$4,699,475 differs from “net assets” of governmental activities of \$7,992,707, reported in the statement of net assets. The details of this \$3,293,232 difference are as follows:

	Increases	Decreases	Balance
Fund balances for governmental activities			\$ 4,699,475

Capital related items

When capital assets (land, buildings, equipment) that are to be used in governmental activities are purchased or constructed, the cost of those assets are reported as expenditures in governmental funds. However, the statement of net assets includes those capital assets among the assets of the City as a whole:

Construction in progress	2,079,148	-
Cost of capital assets	9,001,551	-
Accumulated depreciation	-	(2,392,079)
	11,080,699	(2,392,079)

**CITY OF TEHACHAPI  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2005**

(CONTINUED)

(2) **Reconciliation of government-wide and fund financial statements (Continued)**

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

	Increases	Decreases	Balance
<u>Long-term liabilities</u>			
Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long term are reported in the statement of net assets. Balances at June 30, 2005 were:			
Compensated absences	-	(85,894)	
Bonds payable	-	(3,990,768)	
Capital leases payable	-	(1,312,786)	
	-	(5,389,448)	
 <u>Accrued Interest</u>			
Interest is not accrued in the fund financial statements.		\$ (65,725)	
 <u>Issuance costs/discounts</u>			
Unamortized issuance costs and discounts are capitalized and amortized in the statement of net assets	59,781		
 <u>Reclassifications and eliminations</u>			
Interfund balances must generally be eliminated in the governmental statements, except for residual amounts due between governmental activities. Amounts involving fiduciary funds should be reported as external transactions. Any allocations must reduce the expenses of the function from which the expenses are being allocated, so that expenses are reported only once in the function in which they are allocated.			
	898,152	(898,152)	
Net change	12,038,632	(8,745,404)	3,293,228
Net assets of governmental activities			\$ 7,992,703

**CITY OF TEHACHAPI  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2005**

(CONTINUED)

(2) **Reconciliation of government-wide and fund financial statements (Continued)**

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

The governmental fund statement of revenues, expenses, and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental funds and changes in net assets of governmental activities* as reported in the government-wide financial statement of activities. The “net changes in fund balances” for governmental funds of \$(1,075,378) differs from the “changes in net assets” for the governmental activities of \$40,930 reported in the statement of activities. Details of this \$1,116,308 difference are as follows:

	Increases	Decreases	Balance
Net changes in fund balances for governmental activities			\$(1,075,378)
<u>Capital related items</u>			

When capital assets (land, buildings, equipment) that are to be used in governmental activities are purchased or constructed, the cost of those assets are reported as expenditures in governmental funds. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. As a result, fund balance increases by the amount of financial resources expended, whereas net assets decrease by the amounts of depreciation expense charged for the year.

Capital outlay	1,506,488	-
Depreciation expense	-	(498,275)
	1,506,488	(498,275)

**CITY OF TEHACHAPI  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2005**

(CONTINUED)

(2) **Reconciliation of government-wide and fund financial statements (Continued)**

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

	Increases	Decreases	Balance
<p>Repayment of bond principal and other long term liabilities is reported as an expenditure in governmental funds and, thus, has the effect of reducing fund balance because current financial resources have been used. For the City as a whole, however, the principal payments reduce the liabilities in the statement of net assets and do not result in an expense in the statement of activities.</p>			
Principal payments made	191,463	-	
<u>Accrued interest</u>			
Interest is not accrued in the fund financial statements.	-	(12,041)	
<u>Issuance costs/discount</u>			
Issuance costs/discounts expensed in the governmental funds have been capitalized and amortized in the statement of activities	-	(49,762)	
<u>Compensated absences</u>			
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.			
Net change in compensated absences	(21,566)	-	
<u>Reclassifications and eliminations</u>			
Interfund balances must generally be eliminated in the governmental statements, except for residual amounts due between governmental activities. Amounts involving fiduciary funds should be reported as external transactions. Any allocations must reduce the expenses of the function from which the expenses are being allocated, so that expenses are reported only once - in the function in which they are allocated.	631,309	(631,309)	
Net change	2,307,694	(1,191,387)	1,116,307
Net change in net assets for governmental activities			\$ 40,929

**CITY OF TEHACHAPI  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2005**

(CONTINUED)

(3) **Stewardship, compliance, and accountability**

**A. Budgetary information**

Each year the City Council adopts a budget that provides for the general operations of the City. Budgets are prepared on the modified accrual basis of accounting.

The City Manager may transfer budgeted amounts up to \$10,000 within funds and budget amounts relating to personnel between funds up to \$10,000. The City Council must authorize all other revisions to the budget.

Each year the City Manager submits a proposed budget to the City Council during early June. The City Council held weekly budget hearings starting in May.

Formal budgetary integration is employed as a management control device during the year for the General, Special Revenue, Capital Projects, and certain Debt Service Funds.

Budgets for the General, Special Revenue, Capital Projects, and certain Debt Service Funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America, except for capital leases. Purchases of equipment under capital leases are not budgeted in the year of acquisition as capital outlays, but are budgeted as lease expenditures as the payments are made. Budgeted amounts are as originally adopted or amended.

**B. Excess of expenditures over appropriations**

Excess of expenditures over appropriations in individual funds are as follows:

<u>Funds</u>	<u>Excess Expenditures</u>
Special Revenue Funds:	
Community Development Grant	\$ 10,892
Supplemental Law Enforcement	112,017
Surface Transportation Program	177,965
Cleop. Law Enforcement Equipment	8,260
Oil Recycling Grant	1,856
TDA 3 Bike Safety	228,493
Lighting District	22,292
Misc Special Revenue Proj.	5,207
Capital Projects Funds:	
Beekay Theatre	7,075
Emission Reduction Project	295
Broome Ranch Park	5,000

**CITY OF TEHACHAPI  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2005**

(CONTINUED)

**(3) Stewardship, compliance, and accountability (Continued)**

**C. Deficit fund equity**

The following funds had deficit balances at June 30, 2005:

Special Revenue Funds:	
Community Development Grant	\$ (16,975)
TDA 3 Bike Safety	(277,382)
Supplemental Law Enforcement	(36,457)
Surface Transportation Program	(349,397)
Misc. Special Revenue Proj.	(5,207)
Capital Projects Funds:	
Railroad Depot	(124,102)
Emmission Reduction Project	(295)
Broome Ranch Park	(5,000)
Tehachapi Streetscape	(16,218)
TEA-05 Downtown Beautification	(86,560)

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

**(4) Detailed notes on all funds**

**A. Cash and Investments**

The City's cash, cash equivalents, and investments consist of the following at June 30, 2005:

Deposits	\$ 805,492
LAIF	4,360,607
Cash and cash equivalents	<u>5,166,099</u>
Investments	1,000,000
Investments with Fiscal Agents	685,576
Total	<u>\$ 6,851,675</u>

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

	<u>Governmental</u> <u>Activities</u>	<u>Business Type</u> <u>Activities</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Cash and Cash				
Equivalents	\$ 3,101,737	\$ 1,615,730	\$ 341,519	\$ 5,058,986
Short-Term				
Investments	1,064,761	522,361	97,933	1,685,055
Restricted Cash	107,634	-	-	107,634
	<u>\$ 4,274,132</u>	<u>\$ 2,138,091</u>	<u>\$ 439,452</u>	<u>\$ 6,851,675</u>

**CITY OF TEHACHAPI  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2005**

(CONTINUED)

(4) **Detailed notes on all funds (Continued)**

**A. Deposits and investments (Continued)**

**Deposits**

*Custodial Credit Risks.* Custodial credit risks 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, 2005 none of the City's bank balance of \$806,012 (carrying amount of \$861,757) was exposed to custodial credit risk.

**Investments**

As of June 30, 2005, the City had the following investments:

<u>Investment Types</u>	<u>Book Value</u>	<u>Maturities in years</u>		
		<u>Less than 1</u>	<u>1 to 5</u>	<u>Over 5</u>
US Treasury Notes	400,636	-	400,637	
US Agencies	1,000,000		1,000,000	
Local Agency Investment Funds	4,360,607	4,360,607		
Commercial Paper	284,940	230,402	54,537	
	<u>6,046,183</u>	<u>4,591,009</u>	<u>1,455,174</u>	<u>-</u>

**Authorized Investments**

The investments listed above are managed by the City Treasurer, Fiscal agents (bond trustees acting in accordance with bond covenants). Investments managed by City Treasurer are invested in accordance with its respective investment policies. Investments managed by bond trustees are invested in accordance by 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	\$ 5,360,607
Fiscal Agents (Bond trustees for the City and its component units)	685,576
	<u>\$ 6,046,183</u>

**CITY OF TEHACHAPI  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2005**

(CONTINUED)

**(4) Detailed notes on all funds (Continued)**

**A. Deposits and investments (Continued)**

**Authorized Investments (Continued)**

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

	Authorized by Investment Policy	Maximum Maturity (years)	Maximum Percentage of Portfolio	Maximum Investment in One Issuer	Minumum Ratings
U.S. Treasury and Agencies	Yes	5	None	100%	None
U.S. Treasury Bills, Notes, & Bonds	Yes	5	None	100%	None
Local Agency Investment Funds	Yes	N/A	None	None	None
Certificate of Deposits (CDs)	Yes	N/A	30%	None	A
Money Market Mutual Funds	Yes	N/A	15%	None	None
Commercial Paper	Yes	5	None	None	
Trust indenture	Yes	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 the 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 and its component units' investments to market rate fluctuations is provided in the table above that shows the distribution by maturity.

**CITY OF TEHACHAPI  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2005**

**(CONTINUED)**

**(4) Detailed notes on all funds (Continued)**

**A. Deposits and investments (Continued)**

**Authorized Investments (Continued)**

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 and Concentration of Credit Risk*

The City's investment policy complies with the State Government Code with respect to allowable investment instruments in managing its risks of loss related to credit risk and concentration of credit risk. At June 30, 2005 Standard & Poor's and Moody's rated the City's investments, except for those investments held by its bond of trustees, as AAA and Aaa, respectively. In addition, none of the investments categories listed above exceeded the maximum allowable percentage of its portfolio.

*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.

**B. Restricted Cash**

Included in cash and investments are restricted cash assets of \$685,576 held by the various bond trustees and fiscal agents, and \$50,707 , \$1,415 , and 8,500.00 of customer deposits in the Water Utility, Sewer Utility, and Airport Funds, respectively.

**C. Receivables**

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

**CITY OF TEHACHAPI  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2005**

(CONTINUED)

(4) Detailed notes on all funds (Continued)

**C. Receivables (Continued)**

	General Fund	RDA Fund	Nonmajor and Other Funds	Total
Taxes	\$ 132,330	\$ 36,718	\$ -	\$ 169,048
Others	37,739	468	1,597	39,804
Accounts	-	-	518,420	518,420
Gross Receivables	170,069	37,186	520,017	727,272
Less: allowance for uncollectibles	-	-	(7,589)	(7,589)
Net total receivables	<u>\$ 170,069</u>	<u>\$ 37,186</u>	<u>\$ 512,428</u>	<u>\$ 719,683</u>

**CITY OF TEHACHAPI  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2005**

**(CONTINUED)**

**(4) Detailed notes on all funds (Continued)**

**D. Capital assets**

Capital asset activity for the year ended June 30, 2005 was as follows:

**Primary Government:**

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 614,419	\$ -	\$ -	\$ 614,419
Construction in progress	729,458	1,359,340	(9,650)	2,079,148
Total capital assets, not being depreciated	<u>1,343,877</u>	<u>1,359,340</u>	<u>(9,650)</u>	<u>2,693,567</u>
Capital assets, being depreciated:				
Buildings	1,342,296	-	-	1,342,296
Machinery and equipment	2,242,022	92,383	-	2,334,405
Improvements other than building	4,646,016	64,415	-	4,710,431
Total capital assets being depreciated	<u>8,230,334</u>	<u>156,798</u>	<u>-</u>	<u>8,387,132</u>
Less accumulated depreciation for:				
Buildings	(733,989)	(46,215)	-	(780,204)
Machinery and equipment	(932,431)	(237,236)	-	(1,169,667)
Improvements other than building	(227,384)	(214,824)	-	(442,208)
Total accumulated depreciation	<u>(1,893,804)</u>	<u>(498,275)</u>	<u>-</u>	<u>(2,392,079)</u>
Total capital assets, being depreciated, net	<u>6,336,530</u>	<u>(341,477)</u>	<u>-</u>	<u>5,995,053</u>
Governmental activities capital assets, net	<u>\$ 7,680,407</u>	<u>\$ 1,017,863</u>	<u>\$ (9,650)</u>	<u>\$ 8,688,620</u>

**CITY OF TEHACHAPI  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2005**

(CONTINUED)

(4) **Detailed notes on all funds (Continued)**

**D. Capital assets (Continued)**

**Business-type Activities:**

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-type activities:</b>				
Capital assets not being depreciated:				
Land	\$ 1,959,692	\$ 69,998	\$ -	\$ 2,029,690
Construction in progress	1,608,281	1,465,914	(1,607,076)	1,467,119
Total capital assets, not being depreciated	<u>3,567,973</u>	<u>1,535,912</u>	<u>(1,607,076)</u>	<u>3,496,809</u>
Capital assets, being depreciated:				
Buildings	9,551,221	1,097,242	-	10,648,463
Machinery and equipment	757,506	78,109	-	835,615
Improvements other than building	4,234,498	508,074	-	4,742,572
Total capital assets being depreciated	<u>14,543,225</u>	<u>1,683,425</u>	<u>-</u>	<u>16,226,650</u>
Less accumulated depreciation for:				
Buildings	(5,002,161)	(317,870)	-	(5,320,031)
Machinery and equipment	(394,937)	(64,639)	-	(459,576)
Improvements other than building	(1,334,758)	(240,075)	-	(1,574,833)
Total accumulated depreciation	<u>(6,731,856)</u>	<u>(622,584)</u>	<u>-</u>	<u>(7,354,440)</u>
Total capital assets, being depreciated, net	<u>7,811,369</u>	<u>1,060,841</u>	<u>-</u>	<u>8,872,210</u>
Business-type activities capital assets, net	<u>\$ 11,379,342</u>	<u>\$ 2,596,753</u>	<u>\$(1,607,076)</u>	<u>\$12,369,019</u>

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

Governmental activities:	
General government	\$ 498,275
Total depreciation expense - governmental activities	<u>\$ 498,275</u>
Business-type activities	
Water	\$ 146,173
Sewer	343,242
Airport	117,273
Community Development	4,619
Total depreciation expense - business-type activities	<u>\$ 611,307</u>

**CITY OF TEHACHAPI  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2005**

(CONTINUED)

**(4) Detailed notes on all funds (Continued)**

**D. Capital assets (Continued)**

Construction commitments

The City has active construction projects as of June 30, 2005. At year-end the City's commitments with contractors are as follows:

<u>Project</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Tehachapi Street Scape	\$ 4,233	\$ 6,267
TEA-Downtown Beautification	84,697	61,303
New Well	1,073,008	471,398
Total	<u>\$ 1,161,938</u>	<u>\$ 538,968</u>

**E. Inter-fund receivables, payables, and transfers**

The composition of inter-fund balances as of June 30, 2005 is as follows:

Due to/from other funds:

	<u>Receivable Fund</u>	<u>Payable Fund</u>
General Fund	\$ 1,153,425	\$ -
Special Revenue:		
Community Development Grant	-	\$ 12,819
Misc Special Revenue Project	-	5,207
TDA 3 Bike Safety	-	314,920
Goodrick Road Assessment	-	1,597
Lighting District	-	15,788
Surface Transport Program	-	405,343
	<u>-</u>	<u>755,674</u>
Capital Projects:		
Railroad Depot	-	124,102
Tehachapi Streetscape	-	16,218
Emission Reduction Project	-	295
Tea Grant Downtown B	-	1,863
	<u>-</u>	<u>142,478</u>
Enterprise Funds:		
Refuse Fund	-	64,702
Airport Fund	-	141,803
Transit Fund	-	4,804
Sewer Fund	65,710	65,710
Water Utility	328,086	186,598
Community Development Department	-	117,656
	<u>393,796</u>	<u>581,273</u>
Trust and Agency Funds:		
Summit 89-2	-	67,796
Curry Highline 90-1	-	7,412
Mountain Meadows 90-1	7,412	-
	<u>7,412</u>	<u>75,208</u>
	<u>\$ 1,554,633</u>	<u>\$ 1,554,633</u>

**CITY OF TEHACHAPI  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2005**

(CONTINUED)

(4) **Detailed notes on all funds (Continued)**

**E. Inter-fund receivables, payables, and transfers (Continued)**

Advances to/from consist of the following at June 30, 2005.

	Receivable Fund	Payable Fund
General Fund	\$ 294,415	\$ -
Trust and Agency Funds:		
Capital Hills 89-1	-	85,764
Summit 89-2	-	98,233
Curry Highline 90-1	-	61,567
Mountain Meadows 90-1	-	48,851
Special Districts Revolving Fund	294,415	294,415
	\$ 588,830	\$ 588,830

Operating Transfers consist of the following at June 30, 2005:

General Fund:	
Transfer to Cleep Law Enforcement	\$ 856
Transfer to Tree Grant	284
	1,140
Special Revenue Funds:	
Gas Tax	
Transfer to Antelope Run Culvert	1,641
Transfer to Surface Transportation Program	63,594
Transfer to Valley Blvd Extension	578
Streets and Roads	
Transfer to Gas Tax	333,600
	399,413
Capital Projects Funds:	
Capital Equipment Replacement	
Transfer to General Fund	9,000
	9,000
RDA Fund:	
Transfer to Airport	8,250
Transfer to Sewer Utility	300,000
Transfer to Railroad Depot	100,000
Transfer to Beekay Theatre	100,000
	508,250
Enterprise Funds:	
Sewer Utility	
Transfer to Capital Equipment Replacement	21,755
	\$ 939,558

**CITY OF TEHACHAPI  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2005**

(CONTINUED)

**(4) Detailed notes on all funds (Continued)**

**F. Other Assets**

Other assets at June 30, 2005 consist of the following:

	Trust and Agency Fund	Total
Foreclosure receivables	\$ 307,595	\$ 307,595
	\$ 307,595	\$ 307,595

**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 received a profit sharing payment of \$11,543 for the year ending June 30, 2005.

**G. 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.

**CITY OF TEHACHAPI  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2005**

(CONTINUED)

**(4) Detailed notes on all funds (Continued)**

**G. Leases (Continued)**

The assets acquired through capital leases are as follows:

	Governmental Activities	Business Activities
Asset:		
Goodrick Drive	955,571	195,719
Machinery and equipment	1,028,973	434,226
Less: Accumulated depreciation	<u>(550,847)</u>	<u>(84,083)</u>
Total	<u>1,433,697</u>	<u>545,862</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2005, were as follows:

Year Ending June 30,	Governmental Activities	Business Activities
2006	218,586	78,190
2007	190,215	60,954
2008	98,388	60,400
2009	98,376	46,645
2010	87,155	35,366
2011-2015	281,765	176,790
2016-2020	242,953	176,717
2021-2025	242,532	49,675
2026-2030	242,042	49,575
2031-2035	96,661	19,798
	<u>1,798,672</u>	<u>754,110</u>
Less amount representing interest	<u>(485,886)</u>	<u>(195,171)</u>
Present value of net minimum lease payments	<u>\$1,312,786</u>	<u>\$558,939</u>

**H. Long term debt**

**Changes in General Long-Term Liabilities**

Long-term liability activity for the year ended June 30, 2005, was as follows:

	July 1, 2004	Additions	Deletions	June 30, 2005	Due Within One Year
<b>Governmental activities:</b>					
Bonds payable	\$ 4,055,000	\$ -	\$ -	\$ 4,055,000	-
Less deferred amounts:					
For issuance discounts	(90,434)	-	26,202	(64,232)	-
Total bonds payable	3,964,566	-	26,202	3,990,768	-
Capital leases	1,504,249	-	191,463	1,312,786	171,256
Compensated absences	64,328	21,566	-	85,894	-
Governmental activity					
Long-term liabilities	<u>\$ 5,533,143</u>	<u>\$ 21,566</u>	<u>\$ 217,665</u>	<u>\$ 5,389,448</u>	<u>\$ 171,256</u>

**CITY OF TEHACHAPI  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2005**

(CONTINUED)

(4) Detailed notes on all funds (Continued)

H. Long term debt (Continued)

Changes in General Long-Term Liabilities (Continued)

	July 1, 2004	Additions	Deletions	June 30, 2005	Due Within One Year
<b>Business-type activities:</b>					
2004 Forward Refunding Revenue Bond	\$ 3,040,000	\$ 800,000	\$ 70,000	\$ 3,770,000	115,000
1993 State Revolving Loan	1,671,820	-	145,834	1,525,986	150,209
1998 Sewer and Water COP	271,700	-	3,600	268,100	3,700
2000 Sewer and Water COP	3,185,000	-	265,000	2,920,000	255,000
Less deferred amounts:	-	-	-	-	-
For issuance discounts	(197,909)	(9,993)	(13,750)	(194,152)	-
Total bonds payable	7,970,611	790,007	470,684	8,289,934	523,909
Department of Transportation					
Loan	123,112	-	6,051	117,061	6,535
Capital leases	326,547	271,757	39,365	558,939	54,496
Business-type activity					
Long-term liabilities	<u>\$ 8,420,270</u>	<u>\$ 1,061,764</u>	<u>\$ 516,100</u>	<u>\$ 8,965,934</u>	<u>\$ 584,940</u>

**Governmental Activities**

In June 2002, the Tehachapi Redevelopment Agency issued \$2,500,000 of Tax Allocation Notes. Proceeds of the notes will be used to fund redevelopment activities of benefit to the Agency's Tehachapi Redevelopment Project. The notes will mature on June 1, 2007 and the interest rate is 4.7%. Interest is payable semiannually on June 1 and December 1 of each year commencing December 1, 2002. The notes are subject to redemption at the option of the agency on or after June 1, 2005. The notes will be repaid exclusively from the tax revenues to be levied from the project.

The annual debt service requirements to maturity of the 2002 Tax Allocation Notes are as follows:

Year Ending June 30,	Principal	Interest
2006	-	117,500
2007	2,500,000	117,500
Total	<u>\$ 2,500,000</u>	<u>\$ 235,000</u>

**CITY OF TEHACHAPI  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2005**

(CONTINUED)

(4) **Detailed notes on all funds (Continued)**

**H. Long term debt (Continued)**

In January 2004, the Tehachapi Redevelopment Agency issued \$1,555,000 of Tax Allocation Notes. Proceeds of the notes will be used to fund redevelopment activities of benefit to the Agency's Tehachapi Redevelopment Project. The notes will mature on June 1, 2007 and the interest rate is 3.5%. Interest is payable semiannually on June 1 and December 1 of each year commencing June 1, 2004. The notes are subject to redemption at the option of the agency on or after June 1, 2005. The notes will be repaid exclusively from the tax revenues to be levied from the project.

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

Year Ending June 30,	Principal	Interest
2006	-	54,425
2007	1,555,000	54,425
Total	<u>\$ 1,555,000</u>	<u>\$ 108,850</u>

**Business Activities**

The City issued Certificates of Participation, Refunding Revenue Bonds, and obtained a revolving loan from the State of California to finance the construction of sewer and water improvements. These obligations are reported in the enterprise funds as they are expected to be repaid from enterprise revenues. Amounts outstanding at June 30, 2005 are as follows:

<u>Description</u>	<u>Interest Rates</u>	<u>Amounts</u>
2004 Water and Sewer Revenue Forward Refunding	6.69% (average)	\$ 3,770,000
1993 State Revolving Loan	3.00%	1,525,986
1998 Sewer and Water COP	4.50%	268,100
2000 Sewer and Water COP	5.51% (average)	2,920,000
Department of Transportation Loan Fuel Tank	5.05%	117,061
		<u>8,601,147</u>
Less: Unamortized discount		(194,154)
		<u>\$ 8,406,993</u>

**CITY OF TEHACHAPI  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2005**

(CONTINUED)

**(4) Detailed notes on all funds (Continued)**

**H. Long term debt (Continued)**

The annual debt service requirements to maturity for the 2004 Water and Sewer Forward Refunding Revenue Bond and 2000 Sewer and Water COP are as follows:

Year Ending June 30,	Principal	Interest
2006	370,000	290,091
2007	280,000	277,543
2008	295,000	266,680
2009	305,000	254,858
2010	325,000	242,048
2011-2015	1,915,000	965,111
2016-2020	2,595,000	447,943
2021-2025	605,000	24,956
	<b>6,690,000</b>	<b>2,769,230</b>

**State Revolving Loan**

During fiscal year of 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
2006	150,209	45,779
2007	154,715	41,273
2008	159,356	36,632
2009	164,147	31,851
2010	169,061	26,927
2011-2015	728,498	55,445
Total	<b>\$ 1,525,986</b>	<b>\$ 237,907</b>

In July 1998, the City obtained loans from the USDA Rural Development Department, totaling \$289,900. The Sewer Fund received \$103,000 and the Water Fund received \$186,900. The City used these funds to finance the sale of COP's totaling \$289,900; \$103,000 for the Sewer Fund and \$186,900 for the Water Fund, on July 15, 1998 with an interest rate of 4.5%. The revenue from the sale of the COP's was used to finance the building of a new sewer line to connect to the recently annexed Ashe tract.

**CITY OF TEHACHAPI  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2005**

(CONTINUED)

**(4) Detailed notes on all funds (Continued)**

**H. Long term debt (Continued)**

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

Year Ending June 30,	Principal	Interest
2006	3,700	12,065
2007	3,900	11,899
2008	4,000	11,722
2009	4,200	11,543
2010	4,400	11,354
2011-2015	25,100	53,613
2016-2020	31,200	47,441
2021-2025	38,900	39,767
2026-2030	48,800	30,137
2031-2035	60,600	18,171
2036-2039	43,300	3,956
Total	<u>\$ 268,100</u>	<u>\$ 251,668</u>

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
2006	6,535	5,911
2007	7,019	5,581
2008	7,503	5,227
2009	7,987	4,848
2010	8,471	4,445
2011-2015	49,620	15,318
2016-2018	29,926	2,786
	<u>\$ 117,061</u>	<u>\$ 44,116</u>

**Deferred Charges**

On December 21, 1994, the City issued \$3.675 million in Refunding Revenue Bonds at variable interest rates to partially current refund \$2.455 million of 1990 Sewer and Water COP's and to purchase sewer improvements from the General Fund. The General Fund used the sales proceeds to retire the 1992 Certificates of Participation (a general long-term debt obligation of the City). The current refunding was undertaken to implement the

**CITY OF TEHACHAPI  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2005**

**(CONTINUED)**

**(4) Detailed notes on all funds (Continued)**

**H. Long term debt (Continued)**

purchase of the sewer improvements from the General Fund. The reacquisition price exceeded the net carrying amount of the old debt by \$149,494. This amount is being amortized over the new debt life, which is shorter than the life of the refunded debt.

Also, on April 1, 2000, the City issued \$3.990 million in Installment Sale COP's at variable interest rates to current refund the outstanding balance of the 1990 Sewer and Water COP's and to pay off their water rights loan from Sierra National Bank. The reacquisition price exceeded the net carrying amount of the old debt by \$323,218. This amount is being amortized over the new debt life, which is shorter than the life of the refunded debt.

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.

**Special Assessment Districts and Community Facilities Districts**

The City issued limited obligation bonds to finance the construction of infrastructure improvements within the City through the use of Special Assessment Districts and Community Facilities Districts. The repayment of the bonds are payable from special assessments and special taxes levied each year, or from foreclosure proceeds. The bonds do not constitute indebtedness of the City, and the City is in no way obligated for their repayment and is only acting on behalf of bondholders in collecting the assessments/taxes, forwarding the collections to the bondholders and initiating foreclosure proceedings, if necessary. Accordingly, these special assessment 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 \$4,970,000 at June 30, 2005.

Due to delinquent annual levies amounting to \$4,670,480, limited obligation bonds amounting to \$ 5,195,000 (principal only) are in default at June 30, 2005.

**CITY OF TEHACHAPI  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2005**

(CONTINUED)

(5) **Other information (Continued)**

**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 relationship between the City and CSJVRMA is such that CSJVRMA is not a component unit of the City for financial reporting purposes.

The City is covered for the first \$1,000,000 of each general liability claim and \$350,000 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, 2005 amounted to \$0. The CSJVRMA participates in an excess pool which provides general liability coverage from \$1,000,000 to \$15,000,000 and purchases excess reinsurance to \$10,000,000. The CSJVRMA participates in an excess pool which provides workers' compensation coverage from \$350,000 to \$1,000,000 and purchases excess reinsurance above the \$1,000,000 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 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. The financial position and results of operations for the Authority, as of June 30, 2004 (the most recent information available), are presented below:

	(In Thousands)
Total Assets	\$ 50,064
Total Liabilities	<u>38,014</u>
Total Retained Earnings	12,050
Total Liabilities and Retained Earnings	<u>\$ 50,064</u>
Total Revenues for Year	<u>17,236</u>
Total Expenses for Year	17,505
Net Loss for Year	<u>\$ (269)</u>

At the 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.

**CITY OF TEHACHAPI  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2005**

**(CONTINUED)**

**(5) Other information (Continued)**

**B. City employee retirement plan**

**Plan Description**

The City of Tehachapi's (the City) defined benefit pension plan (the Miscellaneous Plan) provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. The Miscellaneous Plan of the City is part of the Public Agency portion of the California Public Employees Retirement System (CalPERS), an agent multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the State of California. A menu of benefit provisions as well as other requirements are established by State statutes within the Public Employees' Retirement Law. The City selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through local ordinance 21252.01. CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95814.

**Funding Policy**

Active plan members in the Miscellaneous Plan are required to contribute 7% of their annual covered salary. The City is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal 2004-05 was 2.484%. 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.

**Annual Pension Cost**

For fiscal year 2004-05, the City's annual pension cost was \$0 and the City actually contributed \$27,133. The required contribution for fiscal year 2004-05 was determined as part of the June 30, 2003 actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percent of pay. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses); (b) projected salary increases that vary by age, duration of service, and type of employment ranging from 3.25% to 14.45% for miscellaneous members, and (c) 3.25% payroll growth. Both (a) and (b) include an inflation component of 3.0%. The actuarial value of the Miscellaneous Plan's assets was determined using a technique that smoothes the effect of short-term volatility in the market value of investments over a three-year period. The Miscellaneous Plan's unfounded actuarial accrued liability (or excess assets) is being amortized as a level percentage of projected payroll over a closed 20-year period. The remaining amortization period at June 30, 2003 was thirty years.

**CITY OF TEHACHAPI  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2005**

(CONTINUED)

(5) **Other information (Continued)**

**B. City employee retirement plan (Continued)**

**Annual Pension Cost (Continued)**

Three-Year Trend Information for the Miscellaneous Plan

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2003	-	100.00%	-
6/30/2004	-	100.00%	-
6/30/2005	-	100.00%	-

Required Supplementary Information – Funded Status of Miscellaneous Plan

Valuation Date	Entry Age Normal Accrued Liability	Actuarial Value of Assets	Unfunded/ (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	UAAL as a % of Payroll
06/30/01	\$ 2,313,373	\$ 3,041,704	\$ (728,331)	131.50%	\$ 816,576	(89.193%)
06/30/02	\$ 2,507,357	\$ 2,918,579	\$ (411,222)	116.40%	\$ 977,916	(42.051%)
06/30/03	\$ 2,775,694	\$ 2,901,366	\$ (125,672)	104.5%	\$ 917,832	(13.692%)

The City of Tehachapi's (the City) defined benefit pension plan (the Safety Plan) provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The Safety Plan of the City is part of the Public Agency portion of the California Public Employees Retirement System (CalPERS), an agent multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the State of California. A menu of benefit provisions as well as other requirements are established by State statutes within the Public Employees' Retirement Law. The City selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through local ordinance 21252.01. CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95814.

**Funding Policy**

Active plan members in the Safety Plan are required to contribute 7% of their annual covered salary. The City is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal 2004-05 was \$51,047 for retired firefighters and police. 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 THE FINANCIAL STATEMENTS  
JUNE 30, 2005**

(CONTINUED)

(5) **Other information (Continued)**

**B. City employee retirement plan (Continued)**

**Annual Pension Cost**

For fiscal year 2004-05, the City's annual pension cost was \$51,047 and the City actually contributed \$0. The required contribution for fiscal year 2004-2005 was determined as part of the June 30, 2003 actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percent of pay. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses); (b) projected salary increases that vary by age, duration of service and type of employment ranging from 3.25% to 13.15% for safety members, and (c) 3.25% to payroll growth. Both (a) and (b) include an inflation component of 3.0%. The actuarial value of the Safety Plan's assets was determined using a technique that smoothes the effect of short-term volatility in the market value of investments over a three-year period. The Safety Plan's unfunded actuarial accrued liability (or excess assets) is being amortized as a level percentage of projected payroll over a closed 20-year period. The remaining amortization period at June 30, 2003 was seven years.

Three-Year Trend Information for the Safety Plan

Fiscal Year Ending June 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2003	\$ 80,666	0.00%	\$ 80,666
2004	\$ 38,383	0.00%	\$ 38,383
2005	\$ 51,047	0.00%	\$ 51,047

The net pension obligation of \$51,047 was paid at the beginning of fiscal year 2005-2006.

Required Supplementary Information – Funded Status of Safety Plan

Valuation Date	Entry Age Normal Accrued Liability	Actuarial Value of Assets	Unfunded/ (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	UAAL as a % of Payroll
6/30/2001	\$ 1,394,971	\$ 913,463	\$ 481,508	65.50%	\$ 45,864	1049.90%
6/30/2002	\$ 1,489,195	\$ 849,122	\$ 640,073	57.00%	\$ 48,216	1327.50%
6/30/2003	\$ 1,413,483	\$ 839,361	\$ 574,122	59.40%	\$ 50,820	1129.70%

**CITY OF TEHACHAPI  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2005**

(CONTINUED)

(5) **Other information (Continued)**

**C. Deferred compensation plan**

The City offers all its regular full-time employees a deferred compensation plan created in accordance with Internal Revenue Code (IRC) Section 457. The plan permits participating employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

The plan was started in September 1998. On that date, assets of the plan were placed in trust for the exclusive benefit of participants and their beneficiaries. The requirements of that IRC Section prescribes that the City does not own the amounts deferred by employees, including the related income on those amounts. Accordingly, the assets and the liability for the compensation deferred by plan participants, including earnings on plan assets, are not reported on the City's financial statements for the year ended June 30, 2005.

**D. Reserved fund balances**

Fund balances that are not available for appropriation at June 30, 2005 are reserved for the following purposes:

	General Fund	Special Revenue Fund	Capital Projects Fund	Total
Reserved				
Prepays	23,608	-	-	23,608
Advances to other funds	294,415	-	-	294,415
Designated for future projects	150,024	-	67,570	217,594
	<u>\$ 468,047</u>	<u>\$ -</u>	<u>\$ 67,570</u>	<u>\$ 535,617</u>

**E. Changes in beginning fund balances**

**Government Funds:**

	<u>Recycling</u>
Fund Balance, June 30, 2004 as previously stated	\$ 8,173
Reclass expenses to proper account	(2,509)
Fund Balance, June 30, 2004 as restated	<u>\$ 5,664</u>

CITY OF TEHACHAPI  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2005

(CONTINUED)

(5) **Other information (Continued)**

**E. Changes in beginning fund balances**

**Subsequent event:**

On December 1, 2005, the Tehachapi Redevelopment Agency issued Tehachapi Redevelopment Project 2005 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. Proceeds of the Bonds will also be used to establish a Reserve Fund, provide capitalized interest through December 1, 2008 on the Special Escrow Bonds, and to pay costs of issuance for the Bonds. The Bonds are secured by a pledge of tax revenues. The bonds were issued with an interest rate ranging from 3.25% to 5.25% over the life of the bonds.

**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF TEHACHPI  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2005**

	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>REVENUES</b>			
Grants	\$ 61,889	\$ 51,336	\$ (10,553)
Taxes	2,258,323	2,465,923	207,600
Licenses and permits	471,154	548,400	77,246
Interest	35,000	42,830	7,830
Miscellaneous	62,715	335,676	272,961
Total revenues	<u>2,889,081</u>	<u>3,444,165</u>	<u>555,084</u>
<b>EXPENDITURES</b>			
General government	417,988	446,598	(28,610)
Administration	119,655	112,702	6,953
Public works	589,322	605,073	(15,751)
Planning	-	-	-
Fire department	546,250	611,466	(65,216)
Sheriff	866,513	781,546	84,967
Council	37,473	39,113	(1,640)
City clerk	76,197	72,569	3,628
Treasurer	1,523	1,674	(151)
Total expenditures	<u>2,654,921</u>	<u>2,670,741</u>	<u>(15,820)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>234,160</u>	<u>773,424</u>	<u>539,264</u>
<b>OTHER FINANCING SOURCES(USES)</b>			
Transfers in	9,000	9,000	-
Transfers out	-	(1,140)	(1,140)
Total other financing sources	<u>9,000</u>	<u>7,860</u>	<u>(1,140)</u>
Net change in fund balances	243,160	781,284	538,124
Fund balances - beginning	1,972,853	1,972,853	-
Prior period adjustment	-	-	-
Fund balances - ending	<u><u>2,216,013</u></u>	<u><u>\$ 2,754,137</u></u>	<u><u>\$ 538,124</u></u>

**CITY OF TEHACHPI  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL  
GAS TAX FUND  
FOR THE YEAR ENDED JUNE 30, 2005**

	Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>			
Taxes	\$ 199,000	\$ 206,647	\$ 7,647
Interest	1,000	1,337	337
Total revenues	<u>200,000</u>	<u>207,984</u>	<u>7,984</u>
<b>EXPENDITURES</b>			
Public works	<u>666,371</u>	<u>597,763</u>	<u>68,608</u>
Total expenditures	<u>666,371</u>	<u>597,763</u>	<u>68,608</u>
Excess (deficiency) of revenues over (under)expenditures	<u>(466,371)</u>	<u>(389,779)</u>	<u>76,592</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds of debt	-	-	-
Transfers in	333,600	333,600	-
Transfers out	<u>-</u>	<u>(65,813)</u>	<u>(65,813)</u>
Total other financing sources (uses)	<u>333,600</u>	<u>267,787</u>	<u>(65,813)</u>
Change in fund balances	(132,771)	(121,992)	10,779
Fund balance - beginning Prior Period Adjustment	<u>197,805</u>	<u>197,805</u>	<u>-</u>
Fund balance - ending	<u>\$ 65,034</u>	<u>\$ 75,813</u>	<u>\$ 10,779</u>

**CITY OF TEHACHPI  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL  
DEBT SERVICE FUND  
FOR THE YEAR ENDED JUNE 30, 2005**

	<u>Budget</u>	<u>Actual</u>	Variance with Final Budget- Positive (Negative)
<b>REVENUES</b>			
Property Tax	\$ 271,000	359,887	\$ 88,887
Interest	15,000	10,686	(4,314)
	<u>286,000</u>	<u>370,573</u>	<u>84,573</u>
<b>EXPENDITURES</b>			
Administration	394,925	416,097	(21,172)
Excess (deficiency) of revenues over expenditures	<u>(108,925)</u>	<u>(45,524)</u>	<u>63,401</u>
<b>OTHER FINANCING SOURCES(USES)</b>			
Interest Expense	(137,540)	(137,540)	
Proceeds of debt	-	-	-
Operating transfers out	<u>(658,250)</u>	<u>(508,250)</u>	<u>(150,000)</u>
Total other financing (uses)	<u>(795,790)</u>	<u>(645,790)</u>	<u>(150,000)</u>
Net change in fund balances	(904,715)	(691,314)	213,401
Fund balances at beginning of year	<u>1,052,679</u>	<u>1,052,679</u>	<u>-</u>
Fund balances at end of year	<u>\$ 147,964</u>	<u>\$ 361,365</u>	<u>\$ 213,401</u>

**CITY OF TEHACHPI  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL  
RDA FUND  
FOR THE YEAR ENDED JUNE 30, 2005**

	Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>			
Taxes	\$ 361,000	\$ 479,801	\$ 118,801
Interest	27,000	24,909	(2,091)
	388,000	504,710	116,710
<b>EXPENDITURES</b>			
Administration	474,110	487,045	(12,935)
	474,110	487,045	(12,935)
Excess (deficiency) of revenues over (under)expenditures	(86,110)	17,665	103,775
<b>OTHER FINANCING SOURCES (USES)</b>			
Interest Expense	(171,925)	(171,925)	-
Transfers out	(658,250)	(508,250)	150,000
	(830,175)	(680,175)	150,000
Excess (deficiency) of revenues over expenditures and other Change in fund balances	\$ (916,285)	(662,510)	\$ 253,775
Fund balance - beginning	1,828,448	1,828,448	-
Fund balance - ending	\$ 912,163	\$ 1,165,938	\$ 253,775

**SUPPLEMENTARY INFORMATION**

**CITY OF TEHACHAPI  
COMBINING BALANCE SHEET  
NONMAJOR  
GOVERNMENTAL FUNDS  
JUNE 30, 2005**

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Total Nonmajor</u>
<b>ASSETS</b>			
Cash and short-term investments	\$ 219,949	\$ 1,443,965	\$ 1,663,914
Receivables (net of allowance)	46,915	-	46,915
	<u>266,864</u>	<u>1,443,965</u>	<u>1,710,829</u>
Total assets			
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable and accrued liabilities	71,639	37,451	109,090
Due to other funds	755,674	142,478	898,152
	<u>827,313</u>	<u>179,929</u>	<u>1,007,242</u>
Total liabilities			
Fund Balances:			
Reserved fund balance	-	67,570	67,570
Unreserved fund balance	(560,449)	1,196,466	636,017
	<u>(560,449)</u>	<u>1,264,036</u>	<u>703,587</u>
Total fund balance			
Total liabilities and fund balance	<u>\$ 266,864</u>	<u>\$ 1,443,965</u>	<u>\$ 1,710,829</u>

**CITY OF TEHACHAPI  
COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
NONMAJOR  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2005**

	Special Revenue	Capital Projects	Total Nonmajor
<b>REVENUES</b>			
Grants	\$ 56,163	\$ -	\$ 56,163
Taxes	43,090	-	43,090
Other sources of funds	495,086	-	495,086
Interest	4,048	15,044	19,092
Total revenues	<u>598,387</u>	<u>15,044</u>	<u>613,431</u>
<b>EXPENDITURES</b>			
Public works	265,764	-	265,764
Planning	779,958	577,718	1,357,676
Sheriff	8,260	-	8,260
Total expenditures	<u>1,053,982</u>	<u>577,718</u>	<u>1,631,700</u>
Deficiency of revenues under expenditures	<u>(455,595)</u>	<u>(562,674)</u>	<u>(1,018,269)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	64,735	223,974	288,709
Transfers out	<u>(333,600)</u>	<u>(9,000)</u>	<u>(342,600)</u>
Total other financing sources (uses)	<u>(268,865)</u>	<u>214,974</u>	<u>(53,891)</u>
Net change in fund balances	<u>(724,460)</u>	<u>(347,700)</u>	<u>(1,072,160)</u>
Fund balances - beginning	166,520	1,611,736	1,778,256
Prior period adjustment	<u>(2,509)</u>	<u>-</u>	<u>(2,509)</u>
Total adjusted fund balance - beginning	<u>164,011</u>	<u>1,611,736</u>	<u>1,775,747</u>
Fund balances - ending	<u>\$ (560,449)</u>	<u>\$ 1,264,036</u>	<u>\$ 703,587</u>

**CITY OF TEHACHAPI  
COMBINING BALANCE SHEET  
NONMAJOR SPECIAL REVENUE FUNDS  
JUNE 30, 2005**

	Streets and Roads	Traffic Signals	Supplemental Law Enforcement	Surface Transportation Program
<b>ASSETS</b>				
Cash and short-term investments	\$ -	\$ 97,118	\$ 16,066	\$ 63,594
Receivables (net of allowance)	-	-	-	-
Total assets	<u>\$ -</u>	<u>\$ 97,118</u>	<u>\$ 16,066</u>	<u>\$ 63,594</u>
<b>LIABILITIES AND FUND BALANCE</b>				
Liabilities				
Accounts payable and accrued liabilities	\$ -	\$ -	\$ 52,523	\$ 7,648
Due to other funds	-	-	-	405,343
Total liabilities	<u>-</u>	<u>-</u>	<u>52,523</u>	<u>412,991</u>
Fund balance				
Unreserved	<u>-</u>	<u>97,118</u>	<u>(36,457)</u>	<u>(349,397)</u>
Total fund balance	<u>-</u>	<u>97,118</u>	<u>(36,457)</u>	<u>(349,397)</u>
Total liabilities and Fund balance	<u>\$ -</u>	<u>\$ 97,118</u>	<u>\$ 16,066</u>	<u>\$ 63,594</u>

**CITY OF TEHACHAPI  
COMBINING BALANCE SHEET  
NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)  
JUNE 30, 2005**

	<u>Cleop Law Enforcement</u>	<u>Oil Recycling Grant</u>	<u>TDA 3 Bike Safety</u>	<u>Beverage Container Recycling</u>
<b>ASSETS</b>				
Cash and short-term investments	\$ -	\$ 2,549	\$ -	\$ 9,389
Receivables (net of allowance)	-	-	44,850	-
Total assets	<u>\$ -</u>	<u>\$ 2,549</u>	<u>\$ 44,850</u>	<u>\$ 9,389</u>
<b>LIABILITIES AND FUND BALANCE</b>				
Liabilities				
Accounts payable and accrued liabilities	\$ -	\$ -	\$ 7,312	\$ -
Due to other funds	-	-	314,920	-
Total liabilities	<u>-</u>	<u>-</u>	<u>322,232</u>	<u>-</u>
Fund balance				
Unreserved	<u>-</u>	<u>2,549</u>	<u>(277,382)</u>	<u>9,389</u>
Total fund balance	<u>-</u>	<u>2,549</u>	<u>(277,382)</u>	<u>9,389</u>
Total liabilities and Fund balance	<u>\$ -</u>	<u>\$ 2,549</u>	<u>\$ 44,850</u>	<u>\$ 9,389</u>

**CITY OF TEHACHAPI  
 COMBINING BALANCE SHEET  
 NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)  
 JUNE 30, 2005**

	<u>Goodrick Road Assessment</u>	<u>Tree Grant</u>	<u>Lighting District</u>	<u>Community Development Grant</u>
<b>ASSETS</b>				
Cash and short-term investments	\$ -	\$ -	\$ 31,233	\$ -
Receivables (net of allowance)	1,597	-	468	-
Total assets	<u>\$ 1,597</u>	<u>\$ -</u>	<u>\$ 31,701</u>	<u>\$ -</u>
<b>LIABILITIES AND FUND BALANCE</b>				
Liabilities				
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ 4,156
Due to other funds	1,597	-	15,788	12,819
Total liabilities	<u>1,597</u>	<u>-</u>	<u>15,788</u>	<u>16,975</u>
Fund balance				
Unreserved	<u>-</u>	<u>-</u>	<u>15,913</u>	<u>(16,975)</u>
Total fund balance	<u>-</u>	<u>-</u>	<u>15,913</u>	<u>(16,975)</u>
Total liabilities and Fund balance	<u>\$ 1,597</u>	<u>\$ -</u>	<u>\$ 31,701</u>	<u>\$ -</u>

**CITY OF TEHACHAPI  
 COMBINING BALANCE SHEET  
 NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)  
 JUNE 30, 2005**

	Misc. Special Revenue Proj.	Total Nonmajor
	<u>          </u>	<u>          </u>
<b>ASSETS</b>		
Cash and short-term investments	\$ -	\$ 219,949
Receivables (net of allowance)	-	46,915
	<u>          </u>	<u>          </u>
Total assets	<u>\$ -</u>	<u>\$ 266,864</u>
<b>LIABILITIES AND FUND BALANCE</b>		
Liabilities		
Accounts payable and accrued liabilities	\$ -	\$ 71,639
Due to other funds	5,207	755,674
	<u>          </u>	<u>          </u>
Total liabilities	<u>5,207</u>	<u>827,313</u>
Fund balance		
Unreserved	<u>(5,207)</u>	<u>(560,449)</u>
Total fund balance	<u>(5,207)</u>	<u>(560,449)</u>
Total liabilities and Fund balance	<u>\$ -</u>	<u>\$ 266,864</u>

**CITY OF TEHACHAPI  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
NONMAJOR SPECIAL REVENUE FUNDS  
FOR YEAR ENDED JUNE 30, 2005**

	Streets and Roads	Traffic Signals	Supplemental Law Enforcement	Surface Transportation Program
<b>REVENUES</b>				
Grants	\$ -	\$ -	\$ -	\$ -
Taxes	-	-	-	-
Other sources of funds	333,600	60,678	100,000	-
Interest	-	-	3,435	-
Total revenues	<u>333,600</u>	<u>60,678</u>	<u>103,435</u>	<u>-</u>
<b>EXPENDITURES</b>				
Public works	-	-	212,017	-
Planning	-	-	-	492,965
Sheriff	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>212,017</u>	<u>492,965</u>
Excess (deficiency) of revenues over (under) expenditures	<u>333,600</u>	<u>60,678</u>	<u>(108,582)</u>	<u>(492,965)</u>
<b>OTHER FINANCING SOURCES (USES )</b>				
Transfers in	-	-	-	63,594
Transfers out	<u>(333,600)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(333,600)</u>	<u>-</u>	<u>-</u>	<u>63,594</u>
Net change in fund balances	<u>-</u>	<u>60,678</u>	<u>(108,582)</u>	<u>(429,371)</u>
Fund balances beginning	-	36,440	72,125	79,974
Prior period adjustment	-	-	-	-
Total adjusted fund balance - beginning	<u>-</u>	<u>36,440</u>	<u>72,125</u>	<u>79,974</u>
Fund balances - ending	<u>\$ -</u>	<u>\$ 97,118</u>	<u>\$ (36,457)</u>	<u>\$ (349,397)</u>

**CITY OF TEHACHAPI  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
NONMAJOR SPECIAL REVENUE FUNDS  
FOR YEAR ENDED JUNE 30, 2005**

	Cleep, Law Enforcement Equipment	Oil Recycling Grant	TDA 3 Bike Safety	Beverage Container Recycling
<b>REVENUES</b>				
Grants	\$ -	\$ 1,063	\$ 44,850	\$ 5,000
Taxes	-	-	-	-
Other sources of funds	-	-	808	-
Interest	5	78	-	174
Total revenues	<u>5</u>	<u>1,141</u>	<u>45,658</u>	<u>5,174</u>
<b>EXPENDITURES</b>				
Public works	-	4,256	-	-
Planning	-	-	286,993	-
Sheriff	8,260	-	-	-
Total expenditures	<u>8,260</u>	<u>4,256</u>	<u>286,993</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(8,255)</u>	<u>(3,115)</u>	<u>(241,335)</u>	<u>5,174</u>
<b>OTHER FINANCING SOURCES (USES )</b>				
Transfers in	856	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>856</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>(7,399)</u>	<u>(3,115)</u>	<u>(241,335)</u>	<u>5,174</u>
Fund balances beginning	7,399	8,173	(36,047)	4,215
Prior period adjustment	-	(2,509)	-	-
Total adjusted fund balance - beginning	<u>7,399</u>	<u>5,664</u>	<u>(36,047)</u>	<u>4,215</u>
Fund balances - ending	<u>\$ -</u>	<u>\$ 2,549</u>	<u>\$ (277,382)</u>	<u>\$ 9,389</u>

**CITY OF TEHACHAPI  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)  
FOR YEAR ENDED JUNE 30, 2005**

	Goodrick Road Assessment	Tree Grant	Lighting District	Community Development Department
<b>REVENUES</b>				
Grants	\$ -	\$ -	\$ -	\$ 5,250
Taxes	-	-	43,090	-
Other sources of funds	-	-	-	-
Interest	-	-	356	-
Total revenues	<u>\$ -</u>	<u>-</u>	<u>43,446</u>	<u>5,250</u>
<b>EXPENDITURES</b>				
Public works	-	-	22,292	21,992
Planning	-	-	-	-
Sheriff	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>22,292</u>	<u>21,992</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>21,154</u>	<u>(16,742)</u>
<b>OTHER FINANCING SOURCES (USES )</b>				
Transfers in	-	285	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>285</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>-</u>	<u>285</u>	<u>21,154</u>	<u>(16,742)</u>
Fund balances beginning	-	(285)	(5,241)	(233)
Prior period adjustment	-	-	-	-
Total adjusted fund balance - beginning	<u>-</u>	<u>(285)</u>	<u>(5,241)</u>	<u>(233)</u>
Fund balances - ending	<u>-</u>	<u>\$ -</u>	<u>\$ 15,913</u>	<u>\$ (16,975)</u>

**CITY OF TEHACHAPI  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)  
 FOR YEAR ENDED JUNE 30, 2005**

	Misc. Special Revenue	Total Nonmajor
<b>REVENUES</b>		
Grants	\$ -	\$ 56,163
Taxes	-	43,090
Other sources of funds	-	495,086
Interest	-	4,048
Total revenues	-	598,387
<b>EXPENDITURES</b>		
Public works	5,207	265,764
Planning	-	779,958
Sheriff	-	8,260
Total expenditures	5,207	1,053,982
Excess (deficiency) of revenues over (under) expenditures	(5,207)	(455,595)
<b>OTHER FINANCING SOURCES (USES )</b>		
Transfers in	-	64,735
Transfers out	-	(333,600)
Total other financing sources (uses)	-	(268,865)
Net change in fund balances	(5,207)	(724,460)
Fund balances beginning	-	166,520
Prior period adjustment	-	(2,509)
Total adjusted fund balance - beginning	-	164,011
Fund balances - ending	(5,207)	\$ (560,449)

**CITY OF TEHACHAPI  
 COMBINING BALANCE SHEET  
 NONMAJOR CAPITAL PROJECTS FUNDS  
 JUNE 30, 2005**

	<u>Tucker Road/ Valley Blvd. Exchange</u>	<u>Railroad Depot</u>	<u>Valley Antelope Run Culvert</u>	<u>Capital Equipment Replacement</u>
<b>ASSETS</b>				
Cash and short-term investments	\$ 922,391	\$ -	\$ -	\$ 76,985
Total assets	<u>\$ 922,391</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 76,985</u>
<b>LIABILITIES AND FUND BALANCE</b>				
Liabilities				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	124,102	-	-
Total liabilities	<u>-</u>	<u>124,102</u>	<u>-</u>	<u>-</u>
Fund balance				
Reserved fund balance	-	-	-	-
Unreserved fund balance	922,391	(124,102)	-	76,985
Total fund balance	<u>922,391</u>	<u>(124,102)</u>	<u>-</u>	<u>76,985</u>
Total liabilities and Fund balance	<u>\$ 922,391</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 76,985</u>

**CITY OF TEHACHAPI  
COMBINING BALANCE SHEET  
NONMAJOR CAPITAL PROJECTS FUNDS (CONTINUED)  
JUNE 30, 2005**

	<u>Valley Blvd. Extension</u>	<u>Tehachapi Streetscape</u>	<u>BeeKay Theater</u>	<u>Emission Reduction Project</u>
<b>ASSETS</b>				
Cash and short-term investments	\$ -	\$ -	\$ 332,884	\$ -
Total assets	<u>-</u>	<u>\$ -</u>	<u>\$ 332,884</u>	<u>\$ -</u>
<b>LIABILITIES AND FUND BALANCE</b>				
Liabilities				
Accounts payable	\$ -	\$ -	\$ 435	\$ -
Due to other funds	-	16,218	-	295
Total liabilities	<u>-</u>	<u>16,218</u>	<u>435</u>	<u>295</u>
Fund balance				
Reserved fund balance	-	6,267	-	-
Unreserved fund balance	-	(22,485)	332,449	(295)
Total fund balance	<u>-</u>	<u>(16,218)</u>	<u>332,449</u>	<u>(295)</u>
Total liabilities and Fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 332,884</u>	<u>\$ -</u>

**CITY OF TEHACHAPI  
 COMBINING BALANCE SHEET  
 NONMAJOR CAPITAL PROJECTS FUNDS (CONTINUED)  
 JUNE 30, 2005**

	<u>Downtown Master Plan</u>	<u>TEA-05 Downtown Beautification</u>	<u>Broome Ranch Park</u>	<u>Total Nonmajor</u>
<b>ASSETS</b>				
Cash and short-term investments	\$ 196,402	\$ (84,697)	\$ -	\$ 1,443,965
Total assets	<u>\$ 196,402</u>	<u>\$ (84,697)</u>	<u>-</u>	<u>\$ 1,443,965</u>
<b>LIABILITIES AND FUND BALANCE</b>				
Liabilities				
Accounts payable	\$ 32,016	\$ -	\$ 5,000	\$ 37,451
Due to other funds	<u>-</u>	<u>1,863</u>	<u>-</u>	<u>142,478</u>
Total liabilities	<u>32,016</u>	<u>1,863</u>	<u>\$ 5,000</u>	<u>179,929</u>
Fund balance				
Reserved fund balance	-	61,303	-	67,570
Unreserved fund balance	<u>164,386</u>	<u>(147,863)</u>	<u>(5,000)</u>	<u>1,196,466</u>
Total fund balance	<u>164,386</u>	<u>(86,560)</u>	<u>(5,000)</u>	<u>1,264,036</u>
Total liabilities and Fund balance	<u>\$ 196,402</u>	<u>\$ (84,697)</u>	<u>\$ -</u>	<u>\$ 1,443,965</u>

**CITY OF TEHACHPI  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
NONMAJOR CAPITAL PROJECTS FUNDS  
FOR THE YEAR ENDED JUNE 30, 2005**

	Tucker Road/ Valley Blvd. Exchange	Railroad Depot	Valley Antelope Run Culvert	Capital Equipment Replacement
<b>REVENUES</b>				
Interest	\$ 15,044	\$ -	\$ -	\$ -
Total revenues	<u>15,044</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>EXPENDITURES</b>				
Planning	<u>-</u>	<u>45,625</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>15,044</u>	<u>(45,625)</u>	<u>-</u>	<u>-</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	100,000	578	21,755
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>(9,000)</u>
Total other financing sources (uses)	<u>-</u>	<u>100,000</u>	<u>578</u>	<u>12,755</u>
Net change in fund balance	<u>15,044</u>	<u>54,375</u>	<u>578</u>	<u>12,755</u>
Fund balances - beginning	907,347	(178,477)	(578)	64,230
Prior period adjustment	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total adjusted fund balance - beginning	<u>907,347</u>	<u>(178,477)</u>	<u>(578)</u>	<u>64,230</u>
Fund balances - ending	<u>\$ 922,391</u>	<u>\$ (124,102)</u>	<u>\$ -</u>	<u>\$ 76,985</u>

**CITY OF TEHACHPI  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
NONMAJOR CAPITAL PROJECTS FUNDS (CONTINUED)  
FOR YEAR ENDED JUNE 30, 2005**

	Valley Blvd. Extension	Tehachapi Streetscape	BeeKay Theater	Emission Reduction Project
<b>REVENUES</b>				
Interest	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-
<b>EXPENDITURES</b>				
Planning	-	11,723	7,075	295
Excess (deficiency) of revenues over (under) expenditures	-	(11,723)	(7,075)	(295)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	1,641	-	100,000	-
Transfers out	-	-	-	-
Total other financing sources (uses)	1,641	-	100,000	-
Net change in fund balance	1,641	(11,723)	92,925	(295)
Fund balances - beginning	(1,641)	(4,495)	239,524	-
Prior period adjustment	-	-	-	-
Total adjusted fund balance - beginning	(1,641)	(4,495)	239,524	-
Fund balances - ending	<u>0</u>	<u>\$ (16,218)</u>	<u>\$ 332,449</u>	<u>\$ (295)</u>

**CITY OF TEHACHPI  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NONMAJOR CAPITAL PROJECTS FUNDS (CONTINUED)  
 FOR YEAR ENDED JUNE 30, 2005**

	Downtown Master Plan	TEA-05 Downtown Beautification	Broome Ranch Park	Total Nonmajor
<b>REVENUES</b>				
Interest	\$ -	\$ -	\$ -	\$ 15,044
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,044</u>
<b>EXPENDITURES</b>				
Planning	421,440	86,560	5,000	577,718
Excess (deficiency) of revenues over (under) expenditures	<u>(421,440)</u>	<u>(86,560)</u>	<u>(5,000)</u>	<u>(562,674)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	-	223,974
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>(9,000)</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>214,974</u>
Net change in fund balance	<u>(421,440)</u>	<u>(86,560)</u>	<u>(5,000)</u>	<u>(347,700)</u>
Fund balances - beginning	585,826	-	-	1,611,736
Prior period adjustment	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total adjusted fund balance - beginning	<u>585,826</u>	<u>-</u>	<u>-</u>	<u>1,611,736</u>
Fund balances - ending	<u>\$ 164,386</u>	<u>\$ (86,560)</u>	<u>\$ (5,000)</u>	<u>\$ 1,264,036</u>

**CITY OF TEHACHPI  
COMBINING STATEMENT OF NET ASSETS  
NONMAJOR PROPRIETARY FUNDS  
JUNE 30, 2005**

	Transit	Airport	Community Development Department	Total Non - Major
<b>ASSETS</b>				
Current assets	\$ -	\$ 55,311	\$ -	\$ 55,311
Receivables (net of allowance)	12,361	-	-	12,361
Total current assets	<u>12,361</u>	<u>55,311</u>	<u>-</u>	<u>67,672</u>
Total capital assets (net of accumulated depreciation)	-	1,489,700	48,044	1,537,744
Other assets	8,844	-	7,114	15,958
<b>TOTAL ASSETS</b>	<u><u>21,205</u></u>	<u><u>1,545,011</u></u>	<u><u>55,158</u></u>	<u><u>1,621,374</u></u>
<b>LIABILITIES AND FUND EQUITY</b>				
Current liabilities				
Accounts payable	16,401	17,025	18,609	52,035
Due to other funds	4,804	141,803	117,656	264,263
Customer deposits - current	-	8,760	-	8,760
Other current liability	-	-	35,366	35,366
Capital leases payable - current	-	-	-	-
Current portion of long-term debt	-	6,535	-	6,535
Notes and bonds payable - current	-	-	-	-
Total current liabilities	<u>21,205</u>	<u>174,123</u>	<u>171,631</u>	<u>366,959</u>
Long-term liabilities				
Notes and bonds payable	-	110,526	-	110,526
Total long-term liabilities	<u>-</u>	<u>110,526</u>	<u>-</u>	<u>110,526</u>
<b>TOTAL LIABILITIES</b>	<u>21,205</u>	<u>284,649</u>	<u>171,631</u>	<u>477,485</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	-	1,372,639	48,044	1,420,683
Restricted	-	-	-	-
Unrestricted	<u>-</u>	<u>(112,277)</u>	<u>(164,517)</u>	<u>(276,794)</u>
<b>TOTAL FUND EQUITY</b>	<u>-</u>	<u>1,260,362</u>	<u>(116,473)</u>	<u>1,143,889</u>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<u><u>\$ 21,205</u></u>	<u><u>1,545,011</u></u>	<u><u>55,158</u></u>	<u><u>1,621,374</u></u>

**CITY OF TEHACHPI  
COMBINING STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN FUND NET ASSETS  
NONMAJOR PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2005**

	Transit	Airport	Community Development Department	Total Non - Major
<b>OPERATING REVENUES</b>				
Charges for services	\$ -	\$ 252,790	\$ 102,062	\$ 354,852
Grants	-	44,663	-	44,663
Miscellaneous	-	1,364	195,786	197,150
Total operating revenues	<u>-</u>	<u>298,817</u>	<u>297,848</u>	<u>596,665</u>
<b>OPERATING EXPENSES</b>				
Personnel services	10,919	135,147	307,561	453,627
Maintenance and operations	107,506	180,498	102,141	390,145
Depreciation	-	117,273	4,619	121,892
Total operating expenses	<u>118,425</u>	<u>432,918</u>	<u>414,321</u>	<u>965,664</u>
Operating income (loss)	<u>(118,425)</u>	<u>(134,101)</u>	<u>(116,473)</u>	<u>(368,999)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Intergovernmental	201,049	-	-	201,049
Interest	533	39	-	572
Interest expense	-	(5,914)	-	(5,914)
Total nonoperating revenues (expenses)	<u>201,582</u>	<u>(5,875)</u>	<u>-</u>	<u>195,707</u>
Income (loss) before operating transfers	83,157	(139,976)	(116,473)	(173,292)
<b>OPERATING TRANSFERS</b>				
Transfers in	-	8,250	-	8,250
Net operating transfers	<u>-</u>	<u>8,250</u>	<u>-</u>	<u>8,250</u>
Change in net assets	<u>83,157</u>	<u>(131,726)</u>	<u>(116,473)</u>	<u>(165,042)</u>
Net assets - beginning	(83,157)	1,403,365	-	1,320,208
Depreciation adjustment	-	(11,277)	-	(11,277)
Adjusted net assets - beginning	<u>(83,157)</u>	<u>1,392,088</u>	<u>-</u>	<u>1,308,931</u>
Net assets - ending	<u>\$ -</u>	<u>1,260,362</u>	<u>(116,473)</u>	<u>1,143,889</u>

**CITY OF TEHACHPI  
COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
FIDUCIARY FUNDS  
JUNE 30, 2005**

	Capital Hills 89-1	Tucker Road 87-1	East Tehachapi Blvd. Project 89-3	Summit 89-2
<b>ASSETS</b>				
Cash and cash equivalents	\$ 70,790	\$ 82,612	\$ 110,727	\$ -
Short-term investments	78,612	-	15,788	-
Receivables (net of allowance)	86,562	-	-	-
Due from other funds	-	-	-	-
Advances to other funds	-	-	-	-
Due from bond holders	-	-	-	47,991
Other assets	70,220	-	24,992	118,039
Total assets	<u>\$ 306,184</u>	<u>\$ 82,612</u>	<u>\$ 151,507</u>	<u>\$ 166,030</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 3,488	\$ -	\$ -	\$ -
Deposits	529	-	-	-
Due to other funds	-	-	-	67,797
Due to bond holders	216,403	82,612	151,507	-
Advances from other funds	85,764	-	-	98,233
Total liabilities	<u>\$ 306,184</u>	<u>\$ 82,612</u>	<u>\$ 151,507</u>	<u>\$ 166,030</u>

**CITY OF TEHACHPI**  
**COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES**  
**FIDUCIARY FUNDS (Continued)**  
**JUNE 30, 2005**

	Curry Highline 90-1	Mountain Meadows 90-1	Special Districts Revolving Fund	Total Trust and Agency Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ -	\$ 77,390	\$ -	\$ 341,519
Short-term investments	(65,026)	68,559	-	97,933
Receivables (net of allowance)	-	919	-	87,481
Due from other funds	-	7,412	-	7,412
Advances to other funds	-	-	294,415	294,415
Due from bond holders	118,599	-	-	166,590
Other assets	15,405	78,939	-	307,595
<b>Total assets</b>	<b>\$ 68,978</b>	<b>\$ 233,219</b>	<b>\$ 294,415</b>	<b>\$ 1,302,945</b>
<b>LIABILITIES</b>				
Accounts payable	\$ -	\$ -	\$ -	\$ 3,488
Deposits	-	25,158	-	25,687
Due to other funds	7,412	-	-	75,209
Due to bond holders	-	159,210	-	609,732
Advances from other funds	61,566	48,851	294,415	588,829
<b>Total liabilities</b>	<b>\$ 68,978</b>	<b>\$ 233,219</b>	<b>\$ 294,415</b>	<b>\$ 1,302,945</b>