

**CITY OF TEHACHAPI**  
**ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2008**

**City of Tehachapi  
Annual Financial Report  
For the Fiscal Year Ended June 30, 2008**

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## 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 (City) as of and for the year ended June 30, 2008, 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'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, as of June 30, 2008, 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.

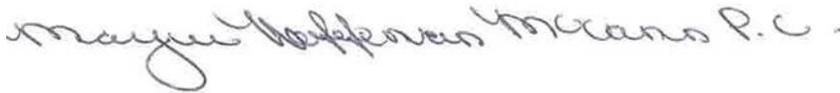
In accordance with *Governmental Auditing Standards*, we have also issued our report dated February 2, 2009, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and important for assessing the results of our audit.

### **Southern California Locations**

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The management's discussion and analysis and budgetary comparison information on pages 3 through 12 and 55 through 57, 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's basic financial statements. The combining nonmajor 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 nonmajor 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.

A handwritten signature in cursive script that reads "Mayer Wolfson Means P.C.".

Bakersfield, California  
February 2, 2009

## **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, 2008. The City encourages readers to consider the information presented here in conjunction with the financial statements and notes to the financial statements which are included with this report.

### **Financial Highlights**

- The City's net assets increased 11.4% to \$24,765,483 as a result of this year's operations.
- Total City revenues, including program and general revenues, were \$17,029,862 which is \$654,184 less than the prior year.
- Net assets in governmental funds increased \$623,945, and net assets in business activities increased \$1,902,641.
- Governmental revenue was decreased by \$932,768 to \$9,510,507.
- Governmental expense was increased by \$2,148,636 to \$8,886,562.
- Revenues from business-type activities increased by \$278,584 to \$7,519,355.
- Expenses from business-type activities increased by \$301,259 to \$5,605,437
- General fund revenue was increased by \$600,429 to \$5,725,750.
- General fund balance as of June 30, 2008 is \$4,412,013 an increase of \$552,666 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 broken down into two different activities, governmental activities and business-type activities.

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

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

- Statement of Activities

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

### Fund Financial Statements

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

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

### Governmental Funds

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

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

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

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

The City of Tehachapi maintains 27 individual governmental funds (active funds only). Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditure and changes in fund balances for the General Fund, Redevelopment Fund, and RDA Low and Moderate Housing Fund which are considered to be major funds. Data from the other 24 governmental funds are combined into a single, aggregated presentation.

### **Proprietary Funds**

The only type of Proprietary funds the City of Tehachapi maintains is enterprise funds. The Refuse, Water, Sewer, Transit, 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 Water, Sewer and Airport funds to be major funds and Refuse, Community Development, and Transit 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 \$24,765,483 at June 30, 2008.

The largest portion of the City's net assets is in Investments in Capital Assets. The Investments in Capital Assets (e.g. land, infrastructures, buildings, machineries and equipments) Net of Related Debt was increased to \$11,941,726 (48% of total net assets) from \$9,754,229. The major increase was contributed by capital projects such as the Beekay Theatre reconstruction, General Plan update, water tanks project, airfield improvement and the Robinson & F street parking lot. The City uses these capital assets to provide services to residents; accordingly, these assets are not available for future spending. Although the City's investments in capital assets are reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The restricted fund balance was increased from the prior year by \$7,349,189 mainly due to issuance of RDA 2007 Tax Allocation Revenue Bonds. The restricted funds are subject to external restrictions on how they may be used.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

### Overview of the City's Financial Position and Operations (Continued)

The negative unrestricted fund balance was caused by advancement of funds for the grant projects. The grants are typically received upon the completion of capital projects and the grant fund would replenish the unrestricted funds.

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Current and Other Assets	18,829,033	11,297,206	2,763,813	4,292,350	21,592,846	15,589,556
Capital Assets	14,113,217	12,980,530	16,940,126	14,187,449	31,053,343	27,167,979
Total Assets	<u>32,942,250</u>	<u>24,277,736</u>	<u>19,703,939</u>	<u>18,479,799</u>	<u>52,646,189</u>	<u>42,757,535</u>
Current Liabilities	919,449	1,599,887	1,173,881	1,358,130	2,093,330	2,958,017
Long-term Liabilities	18,372,918	9,651,911	7,414,458	7,908,710	25,787,376	17,560,621
Total Liabilities	<u>19,292,367</u>	<u>11,251,798</u>	<u>8,588,339</u>	<u>9,266,840</u>	<u>27,880,706</u>	<u>20,518,638</u>
Investments in Capital, Net of related debt	2,416,058	3,475,490	9,525,668	6,278,739	11,941,726	9,754,229
Restricted	12,925,958	5,492,613	1,571,106	1,655,262	14,497,064	7,147,875
Unrestricted	<u>(1,692,133)</u>	<u>4,057,835</u>	<u>18,826</u>	<u>1,278,958</u>	<u>(1,673,307)</u>	<u>5,336,793</u>
Total Net Assets	<u>13,649,883</u>	<u>13,025,938</u>	<u>11,115,600</u>	<u>9,212,959</u>	<u>24,765,483</u>	<u>22,238,897</u>

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

### Governmental Activities

Governmental activities increased the City's net assets by \$623,945 thereby accounting for 25% of the total growth in the City's net assets mainly due to \$552,666 net fund balance increase (revenue minus expenditure) in General Fund.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

### Statement of Activities

	Governmental Activities		Business Type Activities		Total	
	2008	2007	2008	2007	2008	2007
<b>Revenue</b>						
Program Revenues:						
Charges for Services			5,541,119	5,966,176	5,541,119	5,966,176
Operating contribution & Grant	553,782	2,115,477	197,317	141,500	751,099	2,256,977
Capital Grants & Contribution	533,592	-	658,985		1,192,577	-
					-	-
General Revenues:						
Property taxes	2,675,686	2,072,479			2,675,686	2,072,479
Sales Taxes	1,775,634	1,627,259			1,775,634	1,627,259
Other Taxes	953,522	958,609			953,522	958,609
License and permits	1,036,689	862,660	135,176		1,171,865	862,660
Other sources of funds	789,681				789,681	
Miscellaneous	690,523	2,295,270	888,947	1,026,970	1,579,470	3,322,240
Interest	505,380	505,166	93,829	112,480	599,209	617,646
Transfers	(3,982)	6,355	3,982	(6,355)	-	-
	9,510,507	10,443,275	7,519,355	7,240,771	17,029,862	17,684,046
<b>Expenses</b>						
Primary Government						
General Government	1,715,141	991,108			1,715,141	991,108
Administration	828,295	535,152			828,295	535,152
Public Works & Planning	3,223,511	1,794,853			3,223,511	1,794,853
Police	2,330,267	738,583			2,330,267	738,583
Fire Department	98,919	602,241			98,919	602,241
Sheriff	-	1,553,493			-	1,553,493
Council	22,617	16,850			22,617	16,850
City Clerk	15,122	55,308			15,122	55,308
Treasurer	2,012	2,108			2,012	2,108
Interest	650,678	448,230			650,678	448,230
					-	-
Business-type Activities						
Refuse			805,195	714,070	805,195	714,070
Water			1,931,122	1,900,038	1,931,122	1,900,038
Sewer			1,520,946	1,522,811	1,520,946	1,522,811
Transit			121,144	115,291	121,144	115,291
Airport			718,237	577,631	718,237	577,631
Community Development			508,793	474,337	508,793	474,337
Total Expense	8,886,562	6,737,926	5,605,437	5,304,178	14,491,999	12,042,104
Change in Net Assets	623,945	3,705,349	1,913,918	1,936,593	2,537,863	5,641,942
Net Assets at beginning of yr	13,025,938	9,320,589	9,212,959	7,205,131	22,238,897	16,525,720
Depreciation Adjustment			(11,277)	71,235	(11,277)	71,235
<b>Net Assets at end of year</b>	<b>13,649,883</b>	<b>13,025,938</b>	<b>11,115,600</b>	<b>9,212,959</b>	<b>24,765,483</b>	<b>22,238,897</b>

## 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. Of the total \$2,526,586 City wide net assets increase, \$1,902,641 (75% of total increase) was contributed by the business-type activities. The capital projects such as T & T water tanks and the reduction in liability by making principal payment on outstanding debts were the main factors for the net assets increase.

### FINANCIAL ANALYSIS OF INDIVIDUAL FUNDS

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

#### Governmental Funds

As of June 30, 2008, the City's governmental funds reported combined ending fund balances of \$17,337,973. This number shows approximately 85% (\$7,986,017) fund balance increase from the prior year. The main contribution to this increase is from the issuance of \$9,120,000 RDA Tax Revenue Allocation Bonds in December 2007. This fund balance is available for spending on the government's ongoing obligations to citizens and creditors although 75% 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, the unreserved fund balance in General Fund was \$4,412,013 which includes \$2,944,514 of advancement made to other funds such as Airport, Community Development and other project funds. Although the amount was labeled as advancements, there is a possibility that the General Fund may end up changing it from advance status to operating fund transfers to Airport and Community Development funds. Airport Fund does not generate enough revenue to support its expenses whereas a portion of Community Development functions such as general planning services are not revenue generating functions. The general planning services were initially a part of the General Fund. The fund balance, after the deduction of any outstanding advancement made to other funds, is to pay for various City services such as police, contracted fire and City's general operations.

The *Redevelopment fund* has a total fund balance of \$8,033,746 which is reserved for capital projects within the designated project area and debt services as stated in the Bond indenture. Increase of \$6,278,089 in RDA fund balance was from the issuance of 2007 RDA Tax Revenue Allocation Bonds.

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

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

### FINANCIAL ANALYSIS OF INDIVIDUAL FUNDS (CONTINUED)

#### Proprietary Fund.

Unrestricted net assets of the Water and Sewer funds at the end of the year are negative (\$1,008,711) and \$2,037,972 respectively. The negative unrestricted net assets in Water fund were caused by the construction of two new water tanks (T & T tanks). The fund shortage will be covered by money which will be borrowed from the RDA fund in the fiscal year 2008/09. This loan is budgeted to be paid back by the end of fiscal year 2011/12.

The net assets of the Sewer fund were increased by \$1,063,067. The unrestricted net assets in Sewer fund will be used for the construction of a new sewer plant in the next two years.

#### GENERAL FUND BUDGETARY HIGHLIGHTS

A detailed budgetary comparison schedule for the year ended June 30, 2008 is presented as required supplementary information following the notes to the financial statements. The final budget amounts are different from those presented in the 2007/08 – 2011/12 original five-year budget documents. It is due to changes that occurred between the original budget and mid year budget adjustments.

	Original Budget	Final Budget	2007/08 Actual	Variance Actual vs. Final Budget (Negative)
Revenues incl. Other Sources	5,126,066	5,226,216	5,752,596	526,380
Expenditures incl. Other Uses	4,972,607	5,794,289	5,199,930	594,359
Net changes in fund balances	153,459	(568,073)	552,666	1,120,739
Fund Balance Beginning (Adjusted)	3,859,347	3,859,347	3,859,347	-
Fund Balance - Ending	4,012,806	3,291,274	4,412,013	1,120,739

Overall, the actual ending fund balance is \$1,120,739 more than what was budgeted in the final budget. The major contributions to this positive variance are from the increase in revenues as well as decrease in expenditures. The increase in General Fund revenue was attributed to property taxes \$201,122 and construction service fees \$359,476.

The General fund spending variance is \$594,359 favorable than what was budgeted. This positive variance was contributed by the departments such as General Fund, Landscape Service, Construction Service, and Police departments in the amount of \$225,616, \$102,506, \$97,059 and \$102,141 respectively.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

### CAPITAL & DEBT ADMINISTRATION

#### Capital Assets

	Governmental Activities	Business-type Activities	Totals
Non-Depreciable Assets:			
Land	661,794	2,099,350	2,761,144
Total non-depreciable assets	661,794	2,099,350	2,761,144
Depreciable Assets (net of accumulated depreciation)			
Buildings	618,036	4,840,519	5,458,555
Improvements other than building	6,294,951	5,130,810	11,425,761
Machinery and equipment	1,126,073	912,991	2,039,064
Construction in progress	5,412,363	3,956,456	9,368,819
Total depreciable assets-net	13,451,423	14,840,776	28,292,199
Total Capital Assets	14,113,217	16,940,126	31,053,343

The City of Tehachapi's investment in capital assets for its governmental and business type activities as of June 30, 2008, amounts to \$31,053,343 (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 D.

#### Long-Term Debt

	Governmental Activities	Business-type Activities	Totals
Bonds	17,361,387	6,910,297	24,271,684
Loans		96,004	96,004
Capital Leases	823,484	408,157	1,231,641
Compensated absences	188,047	0	188,047
Total Long-Term Liabilities	18,372,918	7,414,458	25,787,376

The City of Tehachapi's total debt was increased by \$8,226,752 during the current fiscal year. This increase was mainly from the issuance of 2007 RDA Revenue Allocation Bonds.

State statutes limit the amount of general obligation debt a governmental entity may issue to 15 percent of its total assessed valuation. The 2007 RDA Revenue Allocation Bonds are not general obligation debt.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

### ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

In June, 2008, the Council adopted the 2008/09 through 2012/13 five-year budget, with total appropriations of \$16,854,768 in fiscal year 2008/09. The following factors were taken into consideration for the next fiscal year budget:

- Cost of living increase of 4.2% for miscellaneous and safety category employees.
- Information Technology department was created under General Fund.
- One hundred new connections were considered to calculate various revenues such as water and sewer use fees, water and sewer connection fees and building permits in this budget.
- \$450,000 was allocated for the continuation of General Plan update.
- Approximately \$300,000 was budgeted for water purchase, lease and banking program.
- \$100,000 was set aside for the retrofit radio read meters.
- \$2,000,000 (50 % of total project cost) was budgeted for the new sewer plant construction.
- \$2,214,950 was allocated from RDA fund for various capital projects such as Tehachapi Blvd. Sidewalk II, Railroad Depot restoration, Beekay Theatre, downtown master plan improvement, Challenger Drive extension, Green Street lighting project and Tehachapi Centennial Plaza in fiscal year 2008/09.

After a series of contemplations, the City decided to build a four million dollar sewer plant instead of \$24 million dollar one. Many factors were considered in this decision making and the considered factors are:

- Substantial slow down of new construction followed by the Real Estate market slump and economy recession.
- Drastic increase in number of connections is required in order to be able to pay the debt on a 24 million dollar waste water treatment plant project
- The four million dollar project is part of the 24 million dollar project; therefore, there will be no waste of money by choosing the smaller scale.

In last year's Management Discussion and Analysis report, the staff asked "Are we walking into a recession?" The answer "yes" was proved and declared loud and clear. What does that mean for the City? It simply means that the City will have reductions in revenue. The anticipated revenue reductions may occur in such areas as sales tax, property taxes, vehicle license tax, transient lodging tax, gas tax, utility connection fees, building permit fees, traffic mitigation fees, safety fees and park and recreation fees.

From July through December, 2008, only seventeen equivalent dwelling unit (EDU) permits have been issued out of one hundred budgeted. However, twelve of seventeen issued were from the KB Homes' completion of a tract. There are no more new housing tracts in the permit process as of January 2009. With this rate, evidently the City will not meet the budgeted number of new EDU's. This alone proves the slump in the housing market. Furthermore, the State has declared RDA to shift \$350 million in property tax revenues to K-12 schools and community colleges during the 2008-09 fiscal year. The share of Tehachapi RDA to Education Revenue Augmentation Fund shift for this year is \$75,654.

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

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET (CONTINUED)**

In order to survive and cope in this worsening economy, the City is taking a very cautious approach toward spending. For example, the City decided not to fill three vacant positions until there is a clear sign of affordability. As we have always done, the City used conservative measures to budget its revenues as well as expenditures. With a conservative budget and the caution that the City is taking towards any spending, there is a good chance that the City will go through this economic hard time without taking drastic measures.

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, 2008**

	Primary Government		
	Governmental Activities	Business-Type Activities	Totals
<b>ASSETS</b>			
Cash and cash equivalents	\$ 7,639,381	\$ 2,378,690	\$ 10,018,071
Short-term investments	7,442,926	403,742	7,846,668
Receivables (net of allowance)	813,359	811,550	1,624,909
Due from trust and agency funds	34,705	-	34,705
Internal balances	2,068,005	(2,068,005)	-
Prepays	40,412	-	40,412
Deferred Charges	630,446	1,002,836	1,633,282
Capital assets (net of accumulated depreciation):			
Land	661,794	2,099,350	2,761,144
Buildings	618,036	4,840,519	5,458,555
Improvements other than buildings	6,294,951	5,130,810	11,425,761
Machinery and equipment	1,126,073	912,991	2,039,064
Construction in progress	5,412,363	3,956,456	9,368,819
Advance to trust and agency funds	159,799	-	159,799
Other assets	-	235,000	235,000
<b>Total assets</b>	<b>\$ 32,942,250</b>	<b>\$ 19,703,939</b>	<b>\$ 52,646,189</b>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	\$ 649,547	\$ 703,003	\$ 1,352,550
Accrued interest payable	58,835	69,175	128,010
Other accrued payables	10,713	6,635	17,348
Deferred revenue	200,354	308,553	508,907
Customer deposits payable	-	86,515	86,515
Capital leases payable - current	33,751	30,418	64,169
Notes and bonds payable - current	225,000	481,334	706,334
Noncurrent liabilities:			
Capital leases	789,733	377,739	1,167,472
Notes and bonds payable	17,324,434	6,524,967	23,849,401
<b>Total liabilities</b>	<b>19,292,367</b>	<b>8,588,339</b>	<b>27,880,706</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	2,416,058	9,525,668	11,941,726
Restricted for:			
Deposits	-	93,938	93,938
Highways and streets	528,585	-	528,585
Public Safety	453,642	-	453,642
Debt Service	-	1,477,168	1,477,168
RDA	11,798,739	-	11,798,739
Other purposes	144,992	-	144,992
Unrestricted	(1,692,133)	18,826	(1,673,307)
<b>Total net assets</b>	<b>\$ 13,649,883</b>	<b>\$ 11,115,600</b>	<b>\$ 24,765,483</b>

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, 2008**

Functions/Programs	Program Revenues			Primary Government			
	Expenses	Charges for Services	Operating Contributions and Grants	Capital Grants and Contributions	Governmental Activities	Business-type Activity	Total
<b>Primary Government</b>							
Governmental activities:							
General government	\$ 1,747,743	\$ -	\$ -	\$ -	\$ (1,747,743)	\$ -	\$ (1,747,743)
Administration	828,295	-	-	-	(828,295)	-	(828,295)
Public works	3,073,204	-	277,848	533,592	(2,261,764)	-	(2,261,764)
Planning	117,705	-	-	-	(117,705)	-	(117,705)
Police	2,330,267	69,302	-	-	(2,260,965)	-	(2,260,965)
Fire department	98,919	206,632	-	-	107,713	-	107,713
Council	22,617	-	-	-	(22,617)	-	(22,617)
City clerk	15,122	-	-	-	(15,122)	-	(15,122)
Treasurer	2,012	-	-	-	(2,012)	-	(2,012)
Interest	650,678	-	-	-	(650,678)	-	(650,678)
Total governmental activities	<u>8,886,562</u>	<u>275,934</u>	<u>277,848</u>	<u>533,592</u>	<u>(7,799,188)</u>	<u>-</u>	<u>(7,799,188)</u>
Business-type activities:							
Refuse	805,195	804,891	-	-	-	(304)	(304)
Water	1,931,122	1,739,204	16,087	-	-	(175,831)	(175,831)
Sewer	1,520,946	2,485,801	-	-	-	964,855	964,855
Transit	121,144	-	109,858	-	-	(11,286)	(11,286)
Airport	718,237	432,710	730,357	-	-	444,830	444,830
Community Development Department	508,793	78,513	-	-	-	(430,280)	(430,280)
Total business-type activities	<u>5,605,437</u>	<u>5,541,119</u>	<u>856,302</u>	<u>-</u>	<u>-</u>	<u>791,984</u>	<u>791,984</u>
Total primary government	<u>\$ 14,491,999</u>	<u>\$ 5,817,053</u>	<u>\$ 1,134,150</u>	<u>\$ 533,592</u>	<u>\$ (7,799,188)</u>	<u>\$ 791,984</u>	<u>\$ (7,007,204)</u>
General revenues:							
Property taxes					2,675,686	-	2,675,686
Sales taxes					1,775,634	-	1,775,634
Other taxes					953,522	-	953,522
Licenses and permits					1,036,689	135,176	1,171,865
Other sources of funds					789,681	-	789,681
Miscellaneous					690,523	888,947	1,579,470
Interest					505,380	93,829	599,209
Transfers in (out)					(3,982)	3,982	-
Total general revenues and transfers					<u>8,423,133</u>	<u>1,121,934</u>	<u>9,545,067</u>
Change in net assets					<u>623,945</u>	<u>1,913,918</u>	<u>2,537,863</u>
Net assets beginning of year					13,025,938	9,212,959	22,238,897
Depreciation adjustments					-	(11,277)	(11,277)
Net assets at end of year					<u>\$ 13,649,883</u>	<u>\$ 11,115,600</u>	<u>\$ 24,765,483</u>

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

**CITY OF TEHACHAPI  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2008**

	General	RDA Low & Moderate Housing	RDA Fund
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>ASSETS</b>			
Cash and short-term investments	\$ 993,522	\$ 3,743,432	\$ 8,095,241
Receivables (net allowances)	557,028	21,561	64,682
Due from other funds	34,705	-	-
Internal balances	2,784,715	-	-
Prepays	40,412	-	-
Advances to other funds	159,799	-	-
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total assets	<u>\$ 4,570,181</u>	<u>\$ 3,764,993</u>	<u>\$ 8,159,923</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 147,455	\$ -	\$ 126,177
Other accrued payables	10,713	-	-
Due to other funds	-	-	-
Deferred revenue	-	-	-
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total liabilities	<u>158,168</u>	<u>-</u>	<u>126,177</u>
Fund balances:			
Reserved	-	3,764,993	8,033,746
Unreserved	4,412,013	-	-
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total fund balances	<u>4,412,013</u>	<u>3,764,993</u>	<u>8,033,746</u>
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total liabilities and fund balances	<u>\$ 4,570,181</u>	<u>\$ 3,764,993</u>	<u>\$ 8,159,923</u>

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

**CITY OF TEHACHAPI  
BALANCE SHEET  
GOVERNMENTAL FUNDS (CONTINUED)  
JUNE 30, 2008**

	<u>Other Governmental Funds</u>	<u>Totals 2008</u>
<b>ASSETS</b>		
Cash and short-term investments	\$ 2,250,112	\$ 15,082,307
Receivables (net allowances)	170,088	813,359
Due from other funds	-	34,705
Internal balances	451,019	3,235,734
Prepays	-	40,412
Advances to other funds	-	159,799
	<u>                    </u>	<u>                    </u>
Total assets	<u><u>\$ 2,871,219</u></u>	<u><u>\$ 19,366,316</u></u>
<b>LIABILITIES AND FUND BALANCES</b>		
Liabilities:		
Accounts payable	\$ 375,915	\$ 649,547
Other accrued payables	-	10,713
Due to other funds	1,167,729	1,167,729
Deferred revenue	200,354	200,354
	<u>                    </u>	<u>                    </u>
Total liabilities	<u>1,743,998</u>	<u>2,028,343</u>
Fund balances:		
Reserved	-	11,798,739
Unreserved	1,127,221	5,539,234
	<u>                    </u>	<u>                    </u>
Total fund balances	<u>1,127,221</u>	<u>17,337,973</u>
	<u>                    </u>	<u>                    </u>
Total liabilities and fund balances	<u><u>\$ 2,871,219</u></u>	<u><u>\$ 19,366,316</u></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, 2008**

Fund balances of governmental funds	\$	17,337,973
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets, net of depreciation, that have not been included as financial resources in governmental fund activity:		
Cost of capital assets		12,487,243
Construction in process		5,412,363
Accumulated depreciation		(3,786,389)
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		(17,361,387)
Capital leases payable		(823,484)
Compensated Absences		(188,047)
Accrued interest payable is not reported in the governmental funds.		(58,835)
Unamortized issuance costs on revenue bonds payable has not been reported in the governmental funds.		630,446
Net assets of governmental activities	\$	13,649,883

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, 2008**

	General	RDA Low Moderate Housing	RDA Fund
<b>REVENUES</b>			
Grants	\$ 2,047	\$ -	\$ -
Charges for services	-	-	-
Property taxes	1,016,419	395,756	1,191,400
Sales taxes	1,775,634	-	-
Other taxes	734,732	-	-
Licenses and permits	1,036,689	-	-
Other sources of funds	-	-	-
Interest	262,629	74,062	136,151
Miscellaneous	897,600	1,036	-
Total revenues	<u>5,725,750</u>	<u>470,854</u>	<u>1,327,551</u>
<b>EXPENDITURES</b>			
Current:			
General government	1,024,815	-	-
Administration	132,879	120,645	464,984
Public works	1,130,803	-	234,797
Planning	-	-	2,325
Fire department	98,919	-	-
Police	2,424,145	-	-
Council	22,617	-	-
City Clerk	15,122	-	-
Treasurer	2,012	-	-
Debt service:			
Interest expense	4,213	122,958	491,832
Principal	136,134	22,000	88,000
Bond insurance	-	51,646	206,586
Total expenditures	<u>4,991,659</u>	<u>317,249</u>	<u>1,488,524</u>
Excess of revenues over expenditures	<u>734,091</u>	<u>153,605</u>	<u>(160,973)</u>
<b>OTHER FINANCING SOURCE (USES)</b>			
Transfers in	26,846	-	-
Transfers out	(208,271)	-	(714,876)
Bond proceeds	-	1,824,000	7,296,000
Discount on issuance	-	(35,515)	(142,062)
Total other financing sources (uses)	<u>(181,425)</u>	<u>1,788,485</u>	<u>6,439,062</u>
Net change in fund balances	552,666	1,942,090	6,278,089
Fund balances at beginning of year	3,859,347	1,822,903	1,755,657
Fund balances at end of year	<u>\$ 4,412,013</u>	<u>\$ 3,764,993</u>	<u>\$ 8,033,746</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, 2008**

	Other Governmental Funds	Totals 2008
<b>REVENUES</b>		
Grants	\$ 809,393	\$ 811,440
Charges for services	275,934	275,934
Property taxes	72,111	2,675,686
Sales taxes	-	1,775,634
Other taxes	218,790	953,522
Licenses and permits	-	1,036,689
Other sources of funds	789,681	789,681
Interest	32,538	505,380
Miscellaneous	-	898,636
Total revenues	2,198,447	9,722,602
<b>EXPENDITURES</b>		
Current:		
General government	-	1,024,815
Administration	65,999	784,507
Public works	1,174,012	2,539,612
Planning	2,577,649	2,579,974
Fire department	-	98,919
Police	-	2,424,145
Council	-	22,617
City Clerk	-	15,122
Treasurer	-	2,012
Debt service:		
Interest expense	27,332	646,335
Principal	32,602	278,736
Bond insurance	-	258,232
Total expenditures	3,877,594	10,675,026
Excess of revenues over expenditures	(1,679,147)	(952,424)
<b>OTHER FINANCING SOURCE (USES)</b>		
Transfers in	1,716,202	1,743,048
Transfers out	(823,883)	(1,747,030)
Bond proceeds	-	9,120,000
Discount on issuance	-	(177,577)
Total other financing sources (uses)	892,319	8,938,441
Net change in fund balances	(786,828)	7,986,017
Fund balances at beginning of year	1,914,049	9,351,956
Fund balances at end of year	\$ 1,127,221	\$ 17,337,973

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 GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2008**

Net changes in fund balances - total governmental funds	\$ 7,986,017
Amounts reported for governmental activities in the statement of activities is different because:	
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.	1,716,863
Depreciation expense on capital assets is reported in the government-wide statement and changes in net assets, but it does not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure on the fund statements.	(584,176)
Proceeds from the issuance of bonds and/or debt is reported as other financing sources in governmental funds. The issuance of bonds and/or debt increases liabilities in the statements of net assets, but does not result in an increase in the statement of activities.	(9,120,000)
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.	278,736
Accrued interest payable is not reported in the governmental funds.	(1,492)
The statement of net assets includes unamortized issuance costs on long term debt.	389,170
To record the net change in compensated absences in the statement of activities.	<u>(41,173)</u>
Change in net assets of governmental activities	<u><u>\$ 623,945</u></u>

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

**CITY OF TEHACHAPI  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2008**

	Water Fund	Sewer Fund	Airport Fund
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 168,712	\$ 2,142,135	\$ 8,840
Short-term investments	246,244	157,498	-
Receivables (net of allowance)	324,468	273,774	3,504
Due from other funds	2,208,843	35,298	-
Total current assets	<u>2,948,267</u>	<u>2,608,705</u>	<u>12,344</u>
Noncurrent assets:			
Deferred charges	248,273	750,379	-
Other assets	-	-	-
Capital assets:			
Land	1,428,193	613,614	57,543
Construction in process	2,049,862	1,148,756	757,838
Buildings	99,450	4,717,992	23,077
Machinery and equipment	211,911	397,520	277,946
Improvements other than buildings	3,119,124	390,583	1,621,103
Total capital assets (net of accumulated depreciation)	<u>6,908,540</u>	<u>7,268,465</u>	<u>2,737,507</u>
Total noncurrent assets	<u>7,156,813</u>	<u>8,018,844</u>	<u>2,737,507</u>
Total assets	<u>\$ 10,105,080</u>	<u>\$ 10,627,549</u>	<u>\$ 2,749,851</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	\$ 319,970	\$ 62,786	\$ 77,210
Accrued interest payable	16,956	49,795	2,424
Other accrued payables	-	-	48
Due to other funds	3,084,123	35,298	726,621
Deferred revenue	43,197	265,356	-
Customer deposits payable	77,776	-	8,739
Capital leases payable - current	8,322	22,096	-
Notes and bonds payable - current	132,350	340,997	7,987
Total current liabilities	<u>3,682,694</u>	<u>776,328</u>	<u>823,029</u>
Noncurrent liabilities:			
Capital leases	47,575	330,164	-
Notes and bonds payable	1,887,731	4,549,219	88,017
Total noncurrent liabilities	<u>1,935,306</u>	<u>4,879,383</u>	<u>88,017</u>
Total liabilities	<u>5,618,000</u>	<u>5,655,711</u>	<u>911,046</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	4,832,562	2,025,989	2,641,503
Restricted:			
Cash	93,938	-	-
Debt service	569,291	907,877	-
Unrestricted	(1,008,711)	2,037,972	(802,698)
Total net assets	<u>\$ 4,487,080</u>	<u>\$ 4,971,838</u>	<u>\$ 1,838,805</u>

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

**CITY OF TEHACHAPI  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2008**

	Nonmajor Proprietary Funds	Total Current Year
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 59,003	\$ 2,378,690
Short-term investments	-	403,742
Receivables (net of allowance)	209,804	811,550
Due from other funds	-	2,244,141
Total current assets	<u>268,807</u>	<u>5,838,123</u>
Noncurrent assets:		
Deferred charges	4,184	1,002,836
Other assets	235,000	235,000
Capital assets:		
Land	-	2,099,350
Construction in process	-	3,956,456
Buildings	-	4,840,519
Machinery and equipment	25,614	912,991
Improvements other than buildings	-	5,130,810
Total capital assets (net of accumulated depreciation)	<u>25,614</u>	<u>16,940,126</u>
Total noncurrent assets	<u>264,798</u>	<u>18,177,962</u>
Total assets	<u>\$ 533,605</u>	<u>\$ 24,016,085</u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	\$ 243,037	\$ 703,003
Accrued interest payable	-	69,175
Other accrued payables	6,587	6,635
Due to other funds	466,104	4,312,146
Deferred revenue	-	308,553
Customer deposits payable	-	86,515
Capital leases payable - current	-	30,418
Notes and bonds payable - current	-	481,334
Total current liabilities	<u>715,728</u>	<u>5,997,779</u>
Noncurrent liabilities:		
Capital leases	-	377,739
Notes and bonds payable	-	6,524,967
Total noncurrent liabilities	<u>-</u>	<u>6,902,706</u>
Total liabilities	<u>715,728</u>	<u>12,900,485</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	25,614	9,525,668
Restricted:		
Cash	-	93,938
Debt service	-	1,477,168
Unrestricted	<u>(207,737)</u>	<u>18,826</u>
Total net assets	<u>\$ (182,123)</u>	<u>\$ 11,115,600</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, 2008**

	Water Fund	Sewer Fund	Airport Fund
<b>OPERATING REVENUES:</b>			
Charges for services	\$ 1,739,204	\$ 2,485,801	\$ 432,710
Licenses and permits	-	-	-
Miscellaneous	708,783	41,689	19,852
Total operating revenues	<u>2,447,987</u>	<u>2,527,490</u>	<u>452,562</u>
Operating expenses:			
Personnel services	643,814	480,833	253,894
Maintenance and operations	937,423	383,761	409,200
Depreciation	211,340	369,424	50,106
Total operating expenses	<u>1,792,577</u>	<u>1,234,018</u>	<u>713,200</u>
<b>OPERATING INCOME</b>	<u>655,410</u>	<u>1,293,472</u>	<u>(260,638)</u>
Nonoperating revenues (expenses):			
Intergovernmental	16,087	-	730,357
Interest income	21,826	71,523	-
Interest expense	(138,545)	(286,928)	(5,037)
Total nonoperating revenues (expenses)	<u>(100,632)</u>	<u>(215,405)</u>	<u>725,320</u>
Income before operating transfers	554,778	1,078,067	464,682
Transfers in	-	-	18,982
Transfers out	-	(15,000)	-
Total transfers in (out)	<u>-</u>	<u>(15,000)</u>	<u>18,982</u>
Change in net assets	554,778	1,063,067	483,664
Net assets - beginning	3,932,302	3,908,771	1,366,418
Depreciation adjustment	-	-	(11,277)
<b>NET ASSETS - ENDING</b>	<u>\$ 4,487,080</u>	<u>\$ 4,971,838</u>	<u>\$ 1,838,805</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, 2008**

	Nonmajor Proprietary Funds	Totals
<b>OPERATING REVENUES:</b>		
Charges for services	\$ 883,404	\$ 5,541,119
Licenses and permits	135,176	135,176
Miscellaneous	118,623	888,947
Total operating revenues	<u>1,137,203</u>	<u>6,565,242</u>
Operating expenses:		
Personnel services	432,497	1,811,038
Maintenance and operations	986,385	2,716,769
Depreciation	16,250	647,120
Total operating expenses	<u>1,435,132</u>	<u>5,174,927</u>
<b>OPERATING INCOME</b>	<u>(297,929)</u>	<u>1,390,315</u>
Nonoperating revenues (expenses):		
Intergovernmental	109,858	856,302
Interest income	480	93,829
Interest expense	-	(430,510)
Total nonoperating revenues (expenses)	<u>110,338</u>	<u>519,621</u>
Income before operating transfers	(187,591)	1,909,936
Transfers in	-	18,982
Transfers out	-	(15,000)
Total transfers in (out)	<u>-</u>	<u>3,982</u>
Change in net assets	(187,591)	1,913,918
Net assets - beginning	5,468	9,212,959
Depreciation adjustment	-	(11,277)
<b>NET ASSETS - ENDING</b>	<u>\$ (182,123)</u>	<u>\$ 11,115,600</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, 2008**

	Enterprise
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Total operating revenues	\$ 7,891,635
Personnel services	(1,811,038)
Maintenance and operations	(1,929,758)
Net cash provided by operating activities	4,150,839
<b>CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Operating transfers out	3,982
Intergovernmental revenue	197,317
Net cash provided by noncapital and related financing activities	201,299
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Purchase of fixed assets	(3,411,074)
Interest expense (net of discount amortization)	(347,812)
Payments on capital lease obligations	(42,142)
Payments on long-term debt	(465,858)
Net cash used in capital and related financing activities	(4,266,886)
<b>CASH FLOWS PROVIDED BY INVESTING ACTIVITIES</b>	
Interest received	93,829
Net cash provided by investing activities	93,829
Net Increase in Cash	179,081
Cash, beginning of year	2,603,351
Cash, end of year	\$ 2,782,432
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	
Operating income	\$ 2,049,300
Adjustment to reconcile operating income to net cash provided by operating activities:	
Depreciation	647,120
(Increase) decrease in:	
Receivables	689,512
Due from other funds	(1,052,572)
Increase (decrease) in:	
Accounts payable	(149,192)
Due to other funds	1,988,775
Deposits payable	10,591
Other current liabilities	(8,960)
Deferred revenues	(23,735)
Net cash provided by operating activities	\$ 4,150,839
<b>NON CASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:</b>	
Depreciation Adjustment to Net Assets	(11,277)

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, 2008**

	<u>Total Trust and Agency Funds</u>
<b>ASSETS</b>	
Cash and short-term investments	\$ 1,526,160
Short term investments	45,829
Receivables (net allowances)	367
Due from other funds	7,412
Advances to other funds	159,799
Due from bond holders	179,250
Other assets	<u>308,889</u>
 Total assets	 <u><u>\$ 2,227,706</u></u>
<b>LIABILITIES AND FUND BALANCES</b>	
Liabilities:	
Accounts payable	\$ 1,420,377
Deposits	28,394
Advances from other funds	319,598
Due to other funds	42,117
Due to bond holders	<u>417,220</u>
 Total liabilities	 <u><u>\$ 2,227,706</u></u>

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

**CITY OF TEHACHAPI  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2008**

**CONTINUED**

**(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 BASIC FINANCIAL STATEMENTS  
JUNE 30, 2008**

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

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

**CITY OF TEHACHAPI  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2008**

**(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 *sewer utility, water utility, and airport fund* 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.

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

**CITY OF TEHACHAPI  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2008**

**(CONTINUED)**

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

**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.
- Guaranteed Investment Contract

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

For all investments at June 30, 2008, 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" (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.

**CITY OF TEHACHAPI  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2008**

**(CONTINUED)**

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

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

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

Taxes are levied on July 1 and are payable in two installments on December 10 and April 10. The County bills and collects the property taxes and remits them to the City in installments during the year. City property tax revenues are recognized when levied to the extent that they result in current receivables 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 \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair 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.

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 \$1,076,845. 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.

**CITY OF TEHACHAPI  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2008**

**(CONTINUED)**

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

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

**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.

**7. *Fund equity***

In the fund financial statements, governmental funds report 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.

**CITY OF TEHACHAPI  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2008**

(CONTINUED)

**(2) 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:

Funds	Excess Expenditures
Major Funds:	
RDA Fund	\$ 165,564
RDA - Low/Moderate Housing	7,911
Special Revenue Funds:	
TDA 3 Bike Safety	73,352
Community Development Grant	58,446
Lighting District	29,959
General Plan Update	24,428
TEA Grant Downtown Beautification	19,459
Traffic Signals	15,924
Capital Projects Funds:	
Railroad Depot	429,925
BeeKay Theatre	182,779
Downtown Master Plan	9,262
Challenger Drive Exit	4,096
Tehachapi Centennial Plaza	3,004
Tehachapi Streetscape	287

**CITY OF TEHACHAPI  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2008**

(CONTINUED)

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

**C. Deficit fund equity**

The following funds had deficit fund balances at June 30, 2008:

Special Revenue Funds:	
Streets and Roads	\$ (34,194)
Surface Transportation Program	(231)
TDA 3 Bike Safety	(51,232)
Community Development Grant	(164,636)
Challenger Drive Exit	(12,096)
Tehachapi Centennial Plaza	(15,005)
General Plan Update	(24,428)
TEA Grant Downtown Beautification	(18,872)
Capital Projects Funds:	
Railroad Depot	(411,614)
Tehachapi Streetscape	(287)
Downtown Master Plan	(9,353)
Misc. Capital Projects	(44,286)
Green Street Lighting Project	(36,181)

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

The following Proprietary fund had a deficit fund balance at June 30, 2008:

Community Development Department	\$ (434,413)
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**(3) Detailed notes on all funds**

**A. Cash and Investments**

The City's cash, cash equivalents, and investments consist of the following at June 30, 2008:

Deposits	\$ 1,222,268
LAIF	10,324,213
Cash and cash equivalents	<u>11,546,481</u>
Investments	
Investments with fiscal agents	7,890,247
Total	<u><u>\$ 19,436,728</u></u>

**CITY OF TEHACHAPI  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2008**

(CONTINUED)

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

**A. Cash and Investments (Continued)**

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	\$ 7,639,381	\$ 2,295,076	\$ 1,526,160	\$ 11,460,617
Short-Term Investments	7,442,926	403,742	45,829	7,892,497
Restricted Cash	-	83,614	-	83,614
	<u>\$ 15,082,307</u>	<u>\$ 2,782,432</u>	<u>\$ 1,571,989</u>	<u>\$ 19,436,728</u>

**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, 2008 none of the City's bank balance of \$1,222,268 was exposed to custodial credit risk.

**Investments**

As of June 30, 2008, 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>
US Treasury Notes	71,100	71,100	-
Local Agency Investment Funds	10,324,213	10,324,213	-
Guaranteed Investment Contract	574,590	-	574,590
Money Market	7,244,557	7,244,557	-
	<u>18,214,460</u>	<u>17,639,870</u>	<u>574,590</u>

**Authorized Investments**

The investments listed above are managed by the City Treasurer and Fiscal agents (bond trustees acting in accordance with bond covenants). Investments managed by 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.

**CITY OF TEHACHAPI  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2008**

(CONTINUED)

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

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

**Authorized Investments (Continued)**

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

City Treasurer	\$ 10,324,213
Fiscal Agents (Bond trustees for the City and its component units)	7,890,247
	\$ 18,214,460

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	100%	100%	None
U.S. Treasury Bills, Notes, & Bonds	Yes	5	100%	100%	None
Local Agency Investment Funds	Yes	N/A	None	None	None
Guaranteed Investment Contract	Yes	N/A	None	None	AA
Certificate of Deposits (CDs)	Yes	5	30%	100%	A
Money Market Mutual Funds	Yes	N/A	15%	None	None
Commercial Paper	Yes	5	15%	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 BASIC FINANCIAL STATEMENTS  
JUNE 30, 2008**

**(CONTINUED)**

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

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

**Authorized Investments (Continued)**

*Interest Rate Risk (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*

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. At June 30, 2008 Fitch's and Moody's rated the City's investments, except for those investments held by its bond trustees and the California LAIF, as AAA. The California LAIF is unrated as to credit risk.

*Concentration of Credit Risk*

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

Issuer	Type of Investment	Amount
Bank of New York Hamilton Treasury Money Fund	Money Fund	\$ 7,182,386

*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 \$7,440,676 held by the various bond trustees and fiscal agents, and \$74,774 and \$8,840 of customer deposits in the Water Utility, and Airport Funds, respectively.

**CITY OF TEHACHAPI  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2008**

**(CONTINUED)**

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

**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.

	General Fund	RDA Low Moderate Housing Fund	RDA Fund	Nonmajor and Other Funds	Total
Taxes	\$ 208,974	\$ 21,561	\$ 64,682	\$ -	\$ 295,217
Others	348,054	-	-	717	348,771
Accounts	-	-	-	993,138	993,138
Gross Receivables	557,028	21,561	64,682	993,855	1,637,126
Less: allowance for uncollectibles	-	-	-	(12,217)	(12,217)
Net total receivables	<u>\$ 557,028</u>	<u>\$ 21,561</u>	<u>\$ 64,682</u>	<u>\$ 981,638</u>	<u>\$ 1,624,909</u>

**D. Capital assets**

Capital asset activity for the year ended June 30, 2008 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 661,794	\$ -	\$ -	\$ 661,794
Construction in progress	6,116,675	1,974,111	(2,678,423)	5,412,363
Total capital assets, not being depreciated	<u>6,778,469</u>	<u>1,974,111</u>	<u>(2,678,423)</u>	<u>6,074,157</u>
Capital assets, being depreciated:				
Buildings	1,342,296	202,184	-	1,544,480
Machinery and equipment	2,811,311	344,839	(416,225)	2,739,925
Improvements other than building	5,458,779	2,082,265	-	7,541,044
Total capital assets being depreciated	<u>9,612,386</u>	<u>2,629,288</u>	<u>(416,225)</u>	<u>11,825,449</u>
Less accumulated depreciation for:				
Buildings	(873,145)	(53,299)	-	(926,444)
Machinery and equipment	(1,584,580)	(237,384)	208,112	(1,613,852)
Improvements other than building	(952,600)	(293,493)	-	(1,246,093)
Total accumulated depreciation	<u>(3,410,325)</u>	<u>(584,176)</u>	<u>208,112</u>	<u>(3,786,389)</u>
Total capital assets, being depreciated, net	<u>6,202,061</u>	<u>2,045,112</u>	<u>(208,113)</u>	<u>8,039,060</u>
Governmental activities capital assets, net	<u>\$ 12,980,530</u>	<u>\$ 4,019,223</u>	<u>\$ (2,886,536)</u>	<u>\$ 14,113,217</u>

**CITY OF TEHACHAPI  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2008**

**(CONTINUED)**

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

**D. Capital assets (Continued)**

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-type activities:</b>				
Capital assets not being depreciated:				
Land	\$ 2,076,724	\$ 22,626	\$ -	\$ 2,099,350
Construction in progress	1,032,922	3,029,508	(105,974)	3,956,456
Total capital assets, not being depreciated	<u>3,109,646</u>	<u>3,052,134</u>	<u>(105,974)</u>	<u>6,055,806</u>
Capital assets, being depreciated:				
Buildings	11,125,195	-	-	11,125,195
Machinery and equipment	1,637,479	25,370	-	1,662,849
Improvements other than building	6,769,129	439,545	-	7,208,674
Total capital assets being depreciated	<u>19,531,803</u>	<u>464,915</u>	<u>-</u>	<u>19,996,718</u>
Less accumulated depreciation for:				
Buildings	(5,958,578)	(326,098)	-	(6,284,676)
Machinery and equipment	(628,032)	(121,826)	-	(749,858)
Improvements other than building	(1,867,390)	(210,474)	-	(2,077,864)
Total accumulated depreciation	<u>(8,454,000)</u>	<u>(658,398)</u>	<u>-</u>	<u>(9,112,398)</u>
Total capital assets, being depreciated, net	<u>11,077,803</u>	<u>(193,483)</u>	<u>-</u>	<u>10,884,320</u>
Business-type activities capital assets, net	<u>\$ 14,187,449</u>	<u>\$ 2,858,651</u>	<u>\$ (105,974)</u>	<u>\$ 16,940,126</u>

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

Governmental activities:	
General government	\$ 584,176
Total depreciation expense - governmental activities	<u>\$ 584,176</u>
Business-type activities	
Water	\$ 211,340
Sewer	369,425
Airport	61,383
Community Development	16,250
Total depreciation expense - business-type activities	<u>\$ 658,398</u>

**CITY OF TEHACHAPI  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2008**

**(CONTINUED)**

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

**D. Capital assets (Continued)**

**Construction commitments**

The City has active construction projects as of June 30, 2008. At year-end the City's commitments with contractors are as follows:

<u>Project</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Software upgrade and module purchase	\$ 10,100	\$ 13,926
BeeKay Theatre	146,472	470,775
General Plan Update	206,050	424,100
Water tank project	1,475,190	645,810
Airfield Improvement	137,256	12,410
Robinson & F Parking Lot	100,173	38,460
Total	<u>\$ 2,075,241</u>	<u>\$ 1,605,481</u>

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

The composition of inter-fund balances as of June 30, 2008 is as follows:

	<u>Receivable Fund</u>	<u>Payable Fund</u>
General Fund	\$ 2,819,420	\$ -
Special Revenue:		
Community Development Grant	-	\$ 164,636
Lighting District	-	91,147
Tea Grant Downtown B	-	5,311
Surface Transportation	-	231
Tehachapi Centennial Plaza	-	12,625
Challenger Drive Ext	-	11,263
	<u>-</u>	<u>285,213</u>

**CITY OF TEHACHAPI  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2008**

(CONTINUED)

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

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

	<u>Receivable Fund</u>	<u>Payable Fund</u>
Capital Projects:		
Railroad Depot	-	348,116
Public Safety Capital Project	451,019	451,019
Downtown Master		4,987
Miscellaneous Capital Projects		44,286
Green St Lighting Project	-	34,108
	<u>451,019</u>	<u>882,516</u>
Enterprise Funds:		
Airport Fund	-	726,621
Sewer Fund	35,298	35,298
Water Utility	2,208,843	3,084,123
Community Development Department	-	466,104
	<u>2,244,141</u>	<u>4,312,146</u>
Trust and Agency Funds:		
Summit 89-2		34,705
Curry Highline 90-1	-	7,412
Mountain Meadows 90-1	7,412	-
	<u>7,412</u>	<u>42,117</u>
	<u>\$ 5,521,992</u>	<u>\$ 5,521,992</u>

Advances to/from consist of the following at June 30, 2008.

	<u>Receivable Fund</u>	<u>Payable Fund</u>
General Fund	<u>\$ 159,799</u>	<u>\$ -</u>
Trust and Agency Funds:		
Summit 89-2		98,233
Curry Highline 90-1	-	61,566
Special Districts Revolving Fund	159,799	159,799
	<u>\$ 319,598</u>	<u>\$ 319,598</u>

Operating Transfers consist of the following at June 30, 2008

General Fund:		
Transfer to General Plan Update		\$ 176,769
Transfer to Tehachapi Streetscape		12,520
Transfer to Airport		18,982
		<u>208,271</u>

**CITY OF TEHACHAPI  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2008**

(CONTINUED)

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

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

Special Revenue Funds:	
Streets and Roads	
Transfer to Gas Tax	259,717
Misc. Special Revenue	
Transfer to General Plan Update	1,544
	261,261
Capital Projects Funds:	
Public safety Capital Project	
Transfer to General Fund	26,846
Tucker Road/ Valley Exchange	
Transfer to Surface Transportation Program	535,776
	562,622
Enterprise Funds:	
Sewer Utility	
Transfer to Capital Equipment Replacement	15,000
	15,000
RDA Fund:	
Transfer to Railroad Depot	230,000
Transfer to Downtown Masterplan	127,362
Transfer to TEA Grant Downtown Beautification	310,000
Transfer to General Plan Update	21,687
Transfer to Gas Tax	25,827
	714,876
	\$ 1,762,030

**F. Other Assets**

Other assets at June 30, 2008 consist of the following:

	Trust and Agency Fund	Total
Foreclosure receivables	\$ 308,890	\$ 308,890
	\$ 308,890	\$ 308,890

**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.

**CITY OF TEHACHAPI  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2008**

(CONTINUED)

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

**F. Other Assets (Continued)**

**Joint venture in recycling project**

During the year ended June 30, 1991, the City invested \$235,000 in a joint venture recycling plant with Benz Sanitation, a local sanitation company. The investment does not result in title to the plant. The City does, however, have a profit-sharing interest of 5% of the gross profits and is held free from responsibility for any debts and obligations of the recycling project. The City did not receive a profit sharing payment for the year ending June 30, 2008.

**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.

The assets acquired through capital leases are as follows:

	<u>Governmental Activities</u>	<u>Business Activities</u>
Asset:		
Goodrick Drive	\$ 955,571	\$ 195,719
Machinery and equipment	49,625	305,428
Less: Accumulated depreciation	(233,149)	(125,757)
Total	<u>\$ 772,047</u>	<u>\$ 375,390</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2008, were as follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>	<u>Business Activities</u>
2009	\$ 59,922	\$ 46,645
2010	48,701	35,366
2011	48,688	35,364
2012	48,676	35,361
2013	48,662	35,358
2014-2018	243,103	176,749
2019-2023	242,708	100,494
2024-2028	242,247	49,617
2029-2033	193,413	39,616
	<u>1,176,120</u>	<u>554,570</u>
Less amount representing interest	(352,637)	(146,413)
Present value of net minimum lease payments	<u>\$ 823,484</u>	<u>\$ 408,157</u>

**CITY OF TEHACHAPI  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2008**

**(CONTINUED)**

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

**H. Long term debt**

**Changes in General Long-Term Liabilities**

Long-term liability activity for the year ended June 30, 2008, was as follows:

	July 1, 2007	Additions	Deletions	June 30, 2008	Due Within One Year
<b>Governmental activities:</b>					
Bonds payable	\$ 8,655,000	\$ 9,120,000	\$ (110,000)	\$ 17,665,000	\$ 225,000
Less deferred amounts:					
For issuance discounts	(142,181)	(177,577)	16,145	(303,613)	-
Total bonds payable	8,512,819	8,942,423	(93,855)	17,361,387	225,000
Capital leases	992,221	-	(168,737)	823,484	33,751
Compensated absences	146,874	41,173	-	188,047	-
Governmental activity					
Long-term liabilities	<u>\$ 9,651,914</u>	<u>\$ 8,983,596</u>	<u>\$ (262,592)</u>	<u>\$ 18,372,918</u>	<u>\$ 258,751</u>

	July 1, 2007	Additions	Deletions	June 30, 2008	Due Within One Year
<b>Business-type activities:</b>					
2004 Forward Refunding Revenue Bond	\$ 3,535,000	\$ -	\$ 120,000	\$ 3,415,000	\$ 120,000
1993 State Revolving Loan	1,221,062	-	159,355	1,061,707	164,147
1998 Sewer and Water COP	260,500	-	4,000	256,500	4,200
2000 Sewer and Water COP	2,505,000	-	175,000	2,330,000	185,000
Less deferred amounts:					
For issuance discounts	(166,658)	-	(13,748)	(152,910)	-
Total bonds payable	7,354,904	-	444,607	6,910,297	473,347
Department of Transportation					
Loan	103,507	-	7,503	96,004	7,987
Capital leases	450,299	-	42,142	408,157	30,418
Business-type activity					
Long-term liabilities	<u>\$ 7,908,710</u>	<u>\$ -</u>	<u>\$ 494,252</u>	<u>\$ 7,414,458</u>	<u>\$ 511,752</u>

**Governmental Activities**

In December 2005, the Tehachapi Redevelopment Agency issued Tehachapi Redevelopment Project Revenue 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 will mature on December 1, 2035 and the interest rate ranges between 3.25% to 5.25% over the life of the bonds. Interest is payable semiannually on June 1<sup>st</sup> and December 1<sup>st</sup> of each year commencing June 1, 2006. The notes are subject to redemption at the option of the agency on or after June 1, 2006.

**CITY OF TEHACHAPI  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2008**

(CONTINUED)

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

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

The annual debt service requirements to maturity of the 2005 Tehachapi Redevelopment Project Bonds are as follows:

<b>2005 - Bonds</b>		
Year Ending June 30,	Principal	Interest
2009	\$ 115,000	\$ 404,713
2010	170,000	399,405
2011	175,000	392,735
2012	185,000	385,626
2013	190,000	378,109
2014-2018	1,065,000	1,764,615
2019-2023	1,320,000	1,501,744
2024-2028	1,660,000	1,151,456
2029-2033	2,115,000	678,533
2034-2036	1,550,000	121,616
Total	\$ 8,545,000	\$ 7,178,552

In December 2007, the Tehachapi Redevelopment Agency issued Tehachapi Redevelopment Project 2007 Tax Allocation Bonds in the amount of \$9,120,000. These bonds were issued for the purpose of financing additional redevelopment activities for the Tehachapi Redevelopment Agency (the "Project Area"), including amounts which will be deposited into a special escrow fund for future release. Proceeds of the 2007 Bonds will also be used to fund capitalized interest from the 2007 Bonds which fund the special escrow fund, to provide money to meet the parity reserve fund requirement for the 2007 Bonds and the 2005 Bonds and to pay the cost of issuance of the 2007 Bonds. The Bonds are secured by a pledge of tax revenues. The Bonds will mature on December 1, 2037 and the interest rate ranges between 3.4% to 5.313% over the life of the bonds. Interest is payable semiannually on June 1<sup>st</sup> and December 1<sup>st</sup> of each year commencing June 1, 2008. The notes are subject to redemption at the option of the agency on or after December 1, 2018.

**CITY OF TEHACHAPI  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2008**

(CONTINUED)

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

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

The annual debt service requirements to maturity of the 2007 Tehachapi Redevelopment Project Bonds are as follows:

<b>2007 - Bonds</b>		
Year Ending June 30,	Principal	Interest
2009	\$ 110,000	\$ 456,218
2010	100,000	452,548
2011	160,000	447,309
2012	165,000	440,226
2013	175,000	432,650
2014-2018	970,000	2,036,618
2019-2023	1,240,000	1,770,808
2024-2028	1,570,000	1,421,840
2029-2033	2,025,000	963,873
2034-2038	2,605,000	360,656
Total	\$ 9,120,000	\$ 8,782,746

**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, 2008 are as follows:

Description	Interest Rates	Amounts
2004 Water and Sewer Revenue Forward Refunding	3.00% (average)	\$ 3,415,000
1993 State Revolving Loan	3.00%	1,061,707
1998 Sewer and Water COP	4.50%	256,500
2000 Sewer and Water COP	5.51% (average)	2,330,000
Department of Transportation Loan Fuel Tank	5.05%	96,004
		7,159,211
Less: Unamortized discount		(152,910)
		\$ 7,006,301

**CITY OF TEHACHAPI  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2008**

**(CONTINUED)**

**(3) 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
2009	\$ 305,000	\$ 254,858
2010	325,000	242,047
2011	340,000	227,661
2012	355,000	212,094
2013	375,000	194,831
2014-2018	2,315,000	659,331
2019-2021	1,730,000	144,094
	<u>\$ 5,745,000</u>	<u>\$ 1,934,917</u>

**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
2009	\$ 164,146	\$ 31,851
2010	169,061	26,927
2011	174,133	21,855
2012	179,357	16,631
2013	184,738	11,251
2014	190,272	5,708
Total	<u>\$ 1,061,707</u>	<u>\$ 114,223</u>

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 BASIC FINANCIAL STATEMENTS  
JUNE 30, 2008**

**(CONTINUED)**

**(3) 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
2009	\$ 4,200	\$ 11,542
2010	4,400	11,354
2011	4,600	11,155
2012	4,800	10,948
2013	5,000	10,733
2014-2018	28,600	50,069
2019-2023	35,600	43,043
2024-2028	44,700	34,250
2029-2033	55,400	23,274
2034-2038	69,200	9,612
Total	<u>\$ 256,500</u>	<u>\$ 215,979</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
2009	7,987	4,848
2010	8,471	4,445
2011	8,956	4,017
2012	9,440	3,565
2013	9,924	3,088
2014-2018	51,226	7,434
Total	<u>\$ 96,004</u>	<u>\$ 27,397</u>

**CITY OF TEHACHAPI  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2008**

**(CONTINUED)**

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

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

**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 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 \$3,010,000 at June 30, 2008.

Due to delinquent annual levies amounting to \$2,619,178, limited obligation bonds amounting to \$ 1,865,000 (principal only) are in default at June 30, 2008.

**CITY OF TEHACHAPI  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2008**

**(CONTINUED)**

**(4) Other information**

**A. Risk management**

The City participates with other public entities in a joint venture under a joint powers agreement which establishes the Central San Joaquin Valley Risk Management Authority (CSJVRMA). The 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 \$500,000 of each workers' compensation claim through the CSJVRMA. The City has the right to receive dividends or the obligation to pay assessments based on a formula which, among other expenses, charges the City's account for liability and workers' compensation losses under \$10,000. The City's share of estimated claims payable at June 30, 2008 amounted to \$0. The CSJVRMA participates in an excess pool which provides general liability coverage from \$1,000,000 to \$25,000,000. The CSJVRMA participates in an excess pool which provides workers' compensation coverage from \$500,000 to \$4,500,000 and purchases excess reinsurance above the \$5,000,000 to the statutory limit.

The CSJVRMA is a consortium of fifty-five (55) cities in San Joaquin Valley, California. It was established under the provisions of California Government Code Section 6500 et seq. The CSJVRMA is governed by a Board of Directors, which meets 3-4 times per year, consisting of one member appointed by each member city. The day-to-day business is handled by a management group employed by the CSJVRMA. The financial position and results of operations for the Authority, as of June 30, 2007 (the most recent information available), are presented below:

	(In Thousands)
Total Assets	\$ 50,199
Total Liabilities	41,675
Total Net Assets	8,524
Total Liabilities and Net Assets	\$ 50,199
Total Operating Revenues for Year	20,789
Total Operating Expenses for Year	25,422
Operating Loss for Year	\$ (4,633)

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 BASIC FINANCIAL STATEMENTS  
JUNE 30, 2008**

**(CONTINUED)**

**(4) Other information (Continued)**

**B. City employee retirement plans**

**Miscellaneous 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) risk pool, a cost sharing 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 2007-08 was 8.559%. 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 2007-08, the City's annual pension cost was \$135,267 and the City actually contributed \$178,183. The required contribution for fiscal year 2007-08 was determined as part of the June 30, 2006 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 fifteen-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.

**CITY OF TEHACHAPI  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2008**

**(CONTINUED)**

**(4) Other information (Continued)**

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

**Miscellaneous Plan (Continued)**

**Annual Pension Cost (Continued)**

Three-Year Trend Information for the Miscellaneous Plan

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/2006	102,763	100.00%	-
6/30/2007	157,413	100.00%	-
6/30/2008	135,267	100.00%	-

**Safety Fire Plan:**

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

Three-Year Trend Information for the Fire Safety Plan

<u>Fiscal Year Ending June 30,</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2006	\$ 187,942	100.00%	\$ -
2007	\$ 101,160	100.00%	\$ -
2008	\$ 35,087	100.00%	\$ -

**Safety Police Plan:**

The City of Tehachapi's (the City) defined benefit pension 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 as part of the Public Agency portion of the California Public Employees Retirement System (CalPERS), a cost sharing 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.

**CITY OF TEHACHAPI  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2008**

**(CONTINUED)**

**(4) Other information (Continued)**

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

**Safety Police Plan: (Continued)**

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 9% 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 2007-08 was 13.616% for retired police officers. 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 2007-08, the City's annual pension cost was \$306,070 and the City actually contributed \$515,015. The required contribution for fiscal year 2007-08 was determined as part of the June 30, 2006 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 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 fifteen 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.

**Three-Year Trend Information for the Police Safety Plan**

<u>Fiscal Year Ending June 30,</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2006	\$ -	-	\$ -
2007	\$ 106,680	100.00%	\$ -
2008	\$ 306,070	100.00%	\$ -

**CITY OF TEHACHAPI  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2008**

**(CONTINUED)**

**(4) 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, 2008.

**D. Reserved fund balances**

Fund balances that are not available for appropriation at June 30, 2008 are reserved for the following purposes:

	General Fund	RDA Funds	Total
Reserved			
Prepays	40,412	-	40,412
Advances to other funds	159,799	-	159,799
Debt Service	-	8,033,746	8,033,746
Low Mod Housing	-	3,764,993	3,764,993
	<u>\$ 200,211</u>	<u>\$ 11,798,739</u>	<u>\$ 11,998,950</u>

**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF TEHACHAPI  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2008**

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Grants	\$ -	\$ 6,100	\$ 2,047	\$ (4,053)
Property taxes	737,454	815,315	1,016,419	201,104
Sales taxes	1,652,788	1,764,000	1,775,634	11,634
Other taxes	1,421,770	719,860	734,732	14,872
Licenses and permits	955,903	1,064,602	1,036,689	(27,913)
Interest	-	230,000	262,629	32,629
Miscellaneous	331,305	599,493	897,600	298,107
Total revenues	<u>5,099,220</u>	<u>5,199,370</u>	<u>5,725,750</u>	<u>526,380</u>
<b>EXPENDITURES</b>				
Current:				
General government	1,478,670	1,437,070	1,024,815	412,255
Administration	158,978	147,984	132,879	15,105
Public works	871,100	1,284,680	1,130,803	153,877
Fire department	98,775	104,983	98,919	6,064
Police	2,096,713	2,524,604	2,424,145	100,459
Council	36,125	61,985	22,617	39,368
City Clerk	19,036	20,283	15,122	5,161
Treasurer	3,395	2,885	2,012	873
Debt service:				
Interest expense	-	-	4,213	(4,213)
Principal	-	-	136,134	(136,134)
Total expenditures	<u>4,762,792</u>	<u>5,584,474</u>	<u>4,991,659</u>	<u>592,815</u>
Excess (deficiency) of revenues under expenditures	<u>336,428</u>	<u>(385,104)</u>	<u>734,091</u>	<u>1,119,195</u>
<b>OTHER FINANCING SOURCES</b>				
Transfers in	26,846	26,846	26,846	-
Transfers out	(209,815)	(209,815)	(208,271)	1,544
Total other financing sources	<u>(182,969)</u>	<u>(182,969)</u>	<u>(181,425)</u>	<u>1,544</u>
Change in fund balances	153,459	(568,073)	552,666	1,120,739
Fund balance - beginning	<u>3,859,347</u>	<u>3,859,347</u>	<u>3,859,347</u>	<u>-</u>
Fund balance - ending	<u>\$ 4,012,806</u>	<u>\$ 3,291,274</u>	<u>\$ 4,412,013</u>	<u>\$ 1,120,739</u>

**CITY OF TEHACHAPI  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL  
RDA LOW & MODERATE HOUSING  
FOR THE YEAR ENDED JUNE 30, 2008**

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Property taxes	\$ 234,785	\$ 330,421	\$ 395,756	\$ 65,335
Interest	45,000	57,000	74,062	17,062
Miscellaneous	-	-	1,036	1,036
Total revenues	<u>279,785</u>	<u>387,421</u>	<u>470,854</u>	<u>83,433</u>
<b>EXPENDITURES</b>				
Current:				
Administration	799,649	153,587	120,645	32,942
Debt service:				
Interest expense	60,105	82,105	122,958	(40,853)
Principal	22,000	22,000	22,000	-
Bond insurance	-	51,646	51,646	-
Total expenditures	<u>881,754</u>	<u>309,338</u>	<u>317,249</u>	<u>(7,911)</u>
Excess (deficiency) of revenues under expenditures	<u>(601,969)</u>	<u>78,083</u>	<u>153,605</u>	<u>75,522</u>
<b>OTHER FINANCING SOURCES</b>				
Bond proceeds	-	1,824,000	1,824,000	-
Discount on issuance	-	(35,515)	(35,515)	-
Total other financing sources	<u>-</u>	<u>1,788,485</u>	<u>1,788,485</u>	<u>-</u>
Change in fund balances	(601,969)	1,866,568	1,942,090	75,522
Fund balance - beginning	<u>1,822,903</u>	<u>1,822,903</u>	<u>1,822,903</u>	<u>-</u>
Fund balance - ending	<u>\$ 1,220,934</u>	<u>\$ 3,689,471</u>	<u>\$ 3,764,993</u>	<u>\$ 75,522</u>

**CITY OF TEHACHAPI  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL  
RDA FUND  
FOR THE YEAR ENDED JUNE 30, 2008**

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Property taxes	\$ 704,355	\$ 991,264	\$ 1,191,400	\$ 200,136
Interest	60,000	85,000	136,151	51,151
Total revenues	<u>764,355</u>	<u>1,076,264</u>	<u>1,327,551</u>	<u>251,287</u>
<b>EXPENDITURES</b>				
Current:				
Administration	222,713	461,359	464,984	(3,625)
Public works	202,556	238,597	234,797	3,800
Planning	-	-	2,325	(2,325)
Debt service:				
Interest expense	328,418	328,418	491,832	(163,414)
Principal	88,000	88,000	88,000	-
Bond insurance	-	206,586	206,586	-
Total expenditures	<u>841,687</u>	<u>1,322,960</u>	<u>1,488,524</u>	<u>(165,564)</u>
Excess (deficiency) of revenues under expenditures	<u>(77,332)</u>	<u>(246,696)</u>	<u>(160,973)</u>	<u>85,723</u>
<b>OTHER FINANCING SOURCES</b>				
Transfers in	-	804,015	-	(804,015)
Transfers out	(250,000)	(1,493,064)	(714,876)	778,188
Bond proceeds	-	7,296,000	7,296,000	-
Discount on issuance	-	(142,062)	(142,062)	-
Total other financing sources	<u>(250,000)</u>	<u>6,464,889</u>	<u>6,439,062</u>	<u>(25,827)</u>
Change in fund balances	(327,332)	6,218,193	6,278,089	59,896
Fund balance - beginning	<u>1,755,657</u>	<u>1,755,657</u>	<u>1,755,657</u>	<u>-</u>
Fund balance - ending	<u>\$ 1,428,325</u>	<u>\$ 7,973,850</u>	<u>\$ 8,033,746</u>	<u>\$ 59,896</u>

**SUPPLEMENTARY INFORMATION**

**CITY OF TEHACHAPI  
COMBINING BALANCE SHEET  
NONMAJOR  
GOVERNMENTAL FUNDS  
JUNE 30, 2008**

	Special Revenue	Capital Projects	Total Nonmajor
<b>ASSETS</b>			
Cash and short-term investments	\$ 1,008,941	\$ 1,241,171	\$ 2,250,112
Receivables (net allowances)	145,773	24,315	170,088
Internal balances	-	451,019	451,019
Total assets	\$ 1,154,714	\$ 1,716,505	\$ 2,871,219
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 96,976	\$ 278,939	\$ 375,915
Due to other funds	261,325	906,404	1,167,729
Deferred revenue	200,354	-	200,354
Total liabilities	558,655	1,185,343	1,743,998
Fund balances:			
Unreserved	596,059	531,162	1,127,221
Total fund balances	596,059	531,162	1,127,221
Total liabilities and fund balances	\$ 1,154,714	\$ 1,716,505	\$ 2,871,219

**CITY OF TEHACHAPI  
COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
NONMAJOR  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2008**

	Special Revenue	Capital Projects	Total Nonmajor
<b>REVENUES</b>			
Grants	\$ 804,014	\$ 5,379	\$ 809,393
Charges for services	-	275,934	275,934
Property taxes	72,111	-	72,111
Other taxes	218,790	-	218,790
Other sources of funds	599,869	189,812	789,681
Interest	11,001	21,537	32,538
	<u>1,705,785</u>	<u>492,662</u>	<u>2,198,447</u>
Total revenues			
<b>EXPENDITURES</b>			
Current:			
Administration	65,999	-	65,999
Public works	913,217	260,795	1,174,012
Planning	1,531,007	1,046,642	2,577,649
Debt service:			
Interest expense	27,332	-	27,332
	<u>2,570,157</u>	<u>1,307,437</u>	<u>3,877,594</u>
Total expenditures			
Excess of revenues over expenditures	<u>(864,372)</u>	<u>(814,775)</u>	<u>(1,679,147)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	1,131,320	584,882	1,716,202
Transfers out	<u>(261,261)</u>	<u>(562,622)</u>	<u>(823,883)</u>
Total other financing sources (uses)	<u>870,059</u>	<u>22,260</u>	<u>892,319</u>
Net change in fund balances	5,687	(792,515)	(786,828)
Fund balances - beginning	<u>590,372</u>	<u>1,323,677</u>	<u>1,914,049</u>
Fund balances - ending	<u>\$ 596,059</u>	<u>\$ 531,162</u>	<u>\$ 1,127,221</u>

**CITY OF TEHACHAPI  
 COMBINING BALANCE SHEET  
 NONMAJOR SPECIAL REVENUE FUNDS  
 JUNE 30, 2008**

	Streets and Roads	Traffic Signals	Supplemental Law Enforcement
<b>ASSETS</b>			
Cash and short-term investments	\$ 75,296	\$ 550,948	\$ 2,161
Receivables (net allowances)	90,864	2,592	-
Total assets	\$ 166,160	\$ 553,540	\$ 2,161
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ -	\$ 3,087	\$ -
Due to other funds	-	-	-
Deferred revenue	200,354	-	-
Total liabilities	200,354	3,087	-
Fund balances:			
Unreserved	(34,194)	550,453	2,161
Total fund balances	(34,194)	550,453	2,161
Total liabilities and fund balances	\$ 166,160	\$ 553,540	\$ 2,161

**CITY OF TEHACHAPI  
COMBINING BALANCE SHEET  
NONMAJOR SPECIAL REVENUE FUNDS  
JUNE 30, 2008**

	Surface Transportation Program	TDA 3 Bike Safety	Beverage Container Recycling
<b>ASSETS</b>			
Cash and short-term investments	\$ -	\$ 2,461	\$ 18,211
Receivables (net allowances)	-	-	-
<b>Total assets</b>	<b>\$ -</b>	<b>\$ 2,461</b>	<b>\$ 18,211</b>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ -	\$ 53,693	\$ -
Due to other funds	231	-	-
Deferred revenue	-	-	-
<b>Total liabilities</b>	<b>231</b>	<b>53,693</b>	<b>-</b>
Fund balances:			
Unreserved	(231)	(51,232)	18,211
<b>Total fund balances</b>	<b>(231)</b>	<b>(51,232)</b>	<b>18,211</b>
<b>Total liabilities and fund balances</b>	<b>\$ -</b>	<b>\$ 2,461</b>	<b>\$ 18,211</b>

**CITY OF TEHACHAPI  
COMBINING BALANCE SHEET  
NONMAJOR SPECIAL REVENUE FUNDS  
JUNE 30, 2008**

	Lighting District	Community Development Grant	Gas Tax
<b>ASSETS</b>			
Cash and short-term investments	\$ 200,569	\$ -	\$ 159,295
Receivables (net allowances)	717	-	51,600
Total assets	<u>\$ 201,286</u>	<u>\$ -</u>	<u>\$ 210,895</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 12,253	\$ -	\$ 14,382
Due to other funds	91,147	164,636	-
Deferred revenue	-	-	-
Total liabilities	<u>103,400</u>	<u>164,636</u>	<u>14,382</u>
Fund balances:			
Unreserved	<u>97,886</u>	<u>(164,636)</u>	<u>196,513</u>
Total fund balances	<u>97,886</u>	<u>(164,636)</u>	<u>196,513</u>
Total liabilities and fund balances	<u>\$ 201,286</u>	<u>\$ -</u>	<u>\$ 210,895</u>

**CITY OF TEHACHAPI  
COMBINING BALANCE SHEET  
NONMAJOR SPECIAL REVENUE FUNDS  
JUNE 30, 2008**

	TEA Grant Downtown Beautification	Misc. Special Revenue Proj.	Total Nonmajor
<b>ASSETS</b>			
Cash and short-term investments	\$ -	\$ -	\$ 1,008,941
Receivables (net allowances)	-	-	145,773
	<u>-</u>	<u>-</u>	<u>145,773</u>
Total assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,154,714</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 13,561	\$ -	\$ 96,976
Due to other funds	5,311	-	261,325
Deferred revenue	-	-	200,354
	<u>-</u>	<u>-</u>	<u>200,354</u>
Total liabilities	<u>18,872</u>	<u>-</u>	<u>558,655</u>
Fund balances:			
Unreserved	<u>(18,872)</u>	<u>-</u>	<u>596,059</u>
Total fund balances	<u>(18,872)</u>	<u>-</u>	<u>596,059</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,154,714</u>

**CITY OF TEHACHAPI  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
NONMAJOR SPECIAL REVENUE FUNDS  
FOR YEAR ENDED JUNE 30, 2008**

	Streets and Roads	Traffic Signals	Supplemental Law Enforcement
<b>REVENUES</b>			
Grants	\$ -	\$ -	\$ -
Property taxes	-	-	-
Other taxes	-	-	-
Other sources of funds	477,856	22,013	100,000
Interest	-	-	1,517
	<hr/>	<hr/>	<hr/>
Total revenues	477,856	22,013	101,517
	<hr/>	<hr/>	<hr/>
<b>EXPENDITURES</b>			
Current:			
Administration	-	-	-
Public works	252,333	360	100,000
Planning	-	75,924	-
Debt service:			
Interest expense	-	-	-
Principal	-	-	-
	<hr/>	<hr/>	<hr/>
Total expenditures	252,333	76,284	100,000
	<hr/>	<hr/>	<hr/>
Excess of revenues over expenditures	225,523	(54,271)	1,517
	<hr/>	<hr/>	<hr/>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	-	-	-
Transfers out	(259,717)	-	-
	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	(259,717)	-	-
	<hr/>	<hr/>	<hr/>
Net change in fund balances	(34,194)	(54,271)	1,517
	<hr/>	<hr/>	<hr/>
Fund balances - beginning	-	604,724	644
	<hr/>	<hr/>	<hr/>
Fund balances - ending	<u>\$ (34,194)</u>	<u>\$ 550,453</u>	<u>\$ 2,161</u>

**CITY OF TEHACHAPI  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
NONMAJOR SPECIAL REVENUE FUNDS  
FOR YEAR ENDED JUNE 30, 2008**

	Surface Transportation Program	TDA 3 Bike Safety	Beverage Container Recycling
<b>REVENUES</b>			
Grants	\$ 333,080	\$ 400,000	\$ 5,000
Property taxes	-	-	-
Other taxes	-	-	-
Other sources of funds	-	-	-
Interest	-	-	450
	<u>333,080</u>	<u>400,000</u>	<u>5,450</u>
Total revenues			
	<u>333,080</u>	<u>400,000</u>	<u>5,450</u>
<b>EXPENDITURES</b>			
Current:			
Administration	-	-	-
Public works	-	-	-
Planning	1,015,336	175,440	-
Debt service:			
Interest expense	-	-	-
Principal	-	-	-
	<u>1,015,336</u>	<u>175,440</u>	<u>-</u>
Total expenditures			
	<u>1,015,336</u>	<u>175,440</u>	<u>-</u>
Excess of revenues over expenditures	<u>(682,256)</u>	<u>224,560</u>	<u>5,450</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	535,776	-	-
Transfers out	-	-	-
	<u>535,776</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)			
	<u>535,776</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(146,480)	224,560	5,450
Fund balances - beginning	146,249	(275,792)	12,761
	<u>146,249</u>	<u>(275,792)</u>	<u>12,761</u>
Fund balances - ending	<u>\$ (231)</u>	<u>\$ (51,232)</u>	<u>\$ 18,211</u>

**CITY OF TEHACHAPI  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
NONMAJOR SPECIAL REVENUE FUNDS  
FOR YEAR ENDED JUNE 30, 2008**

	Lighting District	Community Development Grant	Gas Tax
<b>REVENUES</b>			
Grants	\$ -	\$ 65,934	\$ -
Property taxes	72,111	-	-
Other taxes	-	-	218,790
Other sources of funds	-	-	-
Interest	5,891	-	3,143
	<u>78,002</u>	<u>65,934</u>	<u>221,933</u>
Total revenues			
<b>EXPENDITURES</b>			
Current:			
Administration	65,999	-	-
Public works	119,771	86,867	353,886
Planning	9,924	-	-
Debt service:			
Interest expense	-	-	27,332
Principal	-	-	32,602
	<u>195,694</u>	<u>86,867</u>	<u>413,820</u>
Total expenditures			
Excess of revenues over expenditures	<u>(117,692)</u>	<u>(20,933)</u>	<u>(191,887)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	-	-	285,544
Transfers out	-	-	-
	<u>-</u>	<u>-</u>	<u>285,544</u>
Total other financing sources (uses)			
Net change in fund balances	(117,692)	(20,933)	93,657
Fund balances - beginning	<u>215,578</u>	<u>(143,703)</u>	<u>102,856</u>
Fund balances - ending	<u>\$ 97,886</u>	<u>\$ (164,636)</u>	<u>\$ 196,513</u>

**CITY OF TEHACHAPI  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
NONMAJOR SPECIAL REVENUE FUNDS  
FOR YEAR ENDED JUNE 30, 2008**

	TEA Grant Downtown Beautification	Misc. Special Revenue	Total Nonmajor
<b>REVENUES</b>			
Grants	\$ -	\$ -	\$ 804,014
Property taxes	-	-	72,111
Other taxes	-	-	218,790
Other sources of funds	-	-	599,869
Interest	-	-	11,001
	<hr/>	<hr/>	<hr/>
Total revenues	-	-	1,705,785
	<hr/>	<hr/>	<hr/>
<b>EXPENDITURES</b>			
Current:			
Administration	-	-	65,999
Public works	-	-	913,217
Planning	254,383	-	1,531,007
Debt service:			
Interest expense	-	-	27,332
Principal	-	-	32,602
	<hr/>	<hr/>	<hr/>
Total expenditures	254,383	-	2,570,157
	<hr/>	<hr/>	<hr/>
Excess of revenues over expenditures	(254,383)	-	(864,372)
	<hr/>	<hr/>	<hr/>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	310,000	-	1,131,320
Transfers out	-	(1,544)	(261,261)
	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	310,000	(1,544)	870,059
	<hr/>	<hr/>	<hr/>
Net change in fund balances	55,617	(1,544)	5,687
	<hr/>	<hr/>	<hr/>
Fund balances - beginning	(74,489)	1,544	590,372
	<hr/>	<hr/>	<hr/>
Fund balances - ending	\$ (18,872)	\$ -	\$ 596,059
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**CITY OF TEHACHAPI  
COMBINING BALANCE SHEET  
NONMAJOR CAPITAL PROJECTS FUNDS  
JUNE 30, 2008**

	Tucker Road/ Valley Blvd. Exchange	Railroad Depot	Misc. Capital Projects
<b>ASSETS</b>			
Cash and short-term investments	\$ 45,750	\$ -	\$ -
Receivables (net allowances)	-	-	-
Internal balances	-	-	-
	<u>45,750</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 45,750</u>	<u>\$ -</u>	<u>\$ -</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ -	\$ 63,498	\$ -
Due to other funds	-	348,116	44,286
	<u>-</u>	<u>411,614</u>	<u>44,286</u>
Total liabilities	<u>-</u>	<u>411,614</u>	<u>44,286</u>
Fund balances:			
Unreserved	45,750	(411,614)	(44,286)
	<u>45,750</u>	<u>(411,614)</u>	<u>(44,286)</u>
Total fund balances	<u>45,750</u>	<u>(411,614)</u>	<u>(44,286)</u>
Total liabilities and fund balances	<u>\$ 45,750</u>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF TEHACHAPI  
COMBINING BALANCE SHEET  
NONMAJOR CAPITAL PROJECTS FUNDS  
FOR YEAR ENDED JUNE 30, 2008**

	Capital Equipment Replacement	Public Safety Capital Project Fee	Tehachapi Streetscape
<b>ASSETS</b>			
Cash and short-term investments	\$ 120,985	\$ 437,851	\$ -
Receivables (net allowances)	-	13,630	-
Internal balances	-	451,019	-
	<u>120,985</u>	<u>902,500</u>	<u>-</u>
Total assets	<u>\$ 120,985</u>	<u>\$ 902,500</u>	<u>\$ -</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ 287
Due to other funds	-	451,019	-
	<u>-</u>	<u>451,019</u>	<u>287</u>
Total liabilities	<u>-</u>	<u>451,019</u>	<u>287</u>
Fund balances:			
Unreserved	<u>120,985</u>	<u>451,481</u>	<u>(287)</u>
Total fund balances	<u>120,985</u>	<u>451,481</u>	<u>(287)</u>
Total liabilities and fund balances	<u>\$ 120,985</u>	<u>\$ 902,500</u>	<u>\$ -</u>

**CITY OF TEHACHAPI  
COMBINING BALANCE SHEET  
NONMAJOR CAPITAL PROJECTS FUNDS  
FOR YEAR ENDED JUNE 30, 2008**

	BeeKay Theater	Downtown Master Plan	Parks & Rec. Capital Project
<b>ASSETS</b>			
Cash and short-term investments	\$ 166,877	\$ -	\$ 425,452
Receivables (net allowances)	-	-	10,685
Internal balances	-	-	-
	<u>166,877</u>	<u>-</u>	<u>436,137</u>
Total assets	<u>\$ 166,877</u>	<u>\$ -</u>	<u>\$ 436,137</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 136,818	\$ 4,366	\$ -
Due to other funds	-	4,987	-
	<u>136,818</u>	<u>9,353</u>	<u>-</u>
Total liabilities	<u>136,818</u>	<u>9,353</u>	<u>-</u>
Fund balances:			
Unreserved	<u>30,059</u>	<u>(9,353)</u>	<u>436,137</u>
	<u>30,059</u>	<u>(9,353)</u>	<u>436,137</u>
Total fund balances	<u>30,059</u>	<u>(9,353)</u>	<u>436,137</u>
Total liabilities and fund balances	<u>\$ 166,877</u>	<u>\$ -</u>	<u>\$ 436,137</u>

**CITY OF TEHACHAPI  
COMBINING BALANCE SHEET  
NONMAJOR CAPITAL PROJECTS FUNDS  
FOR YEAR ENDED JUNE 30, 2008**

	Challenger Drive Exit	Tehachapi Centennial Plaza	General Plan Update
<b>ASSETS</b>			
Cash and short-term investments	\$ -	\$ -	\$ 44,256
Receivables (net allowances)	-	-	-
Internal balances	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 44,256</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 833	\$ 2,380	\$ 68,684
Due to other funds	11,263	12,625	-
	<u>12,096</u>	<u>15,005</u>	<u>68,684</u>
Total liabilities	<u>12,096</u>	<u>15,005</u>	<u>68,684</u>
Fund balances:			
Unreserved	<u>(12,096)</u>	<u>(15,005)</u>	<u>(24,428)</u>
	<u>(12,096)</u>	<u>(15,005)</u>	<u>(24,428)</u>
Total fund balances	<u>(12,096)</u>	<u>(15,005)</u>	<u>(24,428)</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 44,256</u>

**CITY OF TEHACHAPI  
 COMBINING BALANCE SHEET  
 NONMAJOR CAPITAL PROJECTS FUNDS  
 FOR YEAR ENDED JUNE 30, 2008**

	<u>Green Street Lighting Project</u>	<u>Total Nonmajor</u>
<b>ASSETS</b>		
Cash and short-term investments	\$ -	\$ 1,241,171
Receivables (net allowances)	-	24,315
Internal balances	-	451,019
	<hr/>	<hr/>
Total assets	\$ -	\$ 1,716,505
	<hr/> <hr/>	<hr/> <hr/>
<b>LIABILITIES AND FUND BALANCES</b>		
Liabilities:		
Accounts payable	\$ 2,073	\$ 278,939
Due to other funds	34,108	906,404
	<hr/>	<hr/>
Total liabilities	36,181	1,185,343
	<hr/>	<hr/>
Fund balances:		
Unreserved	(36,181)	531,162
	<hr/>	<hr/>
Total fund balances	(36,181)	531,162
	<hr/>	<hr/>
Total liabilities and fund balances	\$ -	\$ 1,716,505
	<hr/> <hr/>	<hr/> <hr/>

**CITY OF TEHACHAPI  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
NONMAJOR CAPITAL PROJECTS FUNDS  
FOR YEAR ENDED JUNE 30, 2008**

	Tucker Road/ Valley Blvd. Exchange	Railroad Depot	Misc. Capital Projects
<b>REVENUES</b>			
Grants	\$ -	\$ -	\$ -
Charges for services	-	-	-
Other sources of funds	-	12,316	-
Interest	3,615	-	-
	<u>3,615</u>	<u>-</u>	<u>-</u>
Total revenues	<u>3,615</u>	<u>12,316</u>	<u>-</u>
<b>EXPENDITURES</b>			
Current:			
Public works	-	-	2,618
Planning	-	639,925	851
	<u>-</u>	<u>639,925</u>	<u>3,469</u>
Total expenditures	<u>-</u>	<u>639,925</u>	<u>3,469</u>
Excess of revenues over expenditures	<u>3,615</u>	<u>(627,609)</u>	<u>(3,469)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	-	230,000	-
Transfers out	(535,776)	-	-
	<u>(535,776)</u>	<u>230,000</u>	<u>-</u>
Total other financing sources (uses)	<u>(535,776)</u>	<u>230,000</u>	<u>-</u>
Net change in fund balances	(532,161)	(397,609)	(3,469)
Fund balances - beginning	577,911	(14,005)	(40,817)
Fund balances - ending	<u>\$ 45,750</u>	<u>\$ (411,614)</u>	<u>\$ (44,286)</u>

**CITY OF TEHACHAPI  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
NONMAJOR CAPITAL PROJECTS FUNDS  
FOR YEAR ENDED JUNE 30, 2008**

	Capital Equipment Replacement	Public Safety Capital Project Fee	Tehachapi Streetscape
<b>REVENUES</b>			
Grants	\$ -	\$ -	\$ 5,379
Charges for services	-	275,934	-
Other sources of funds	-	-	-
Interest	-	8,994	-
	<hr/>	<hr/>	<hr/>
Total revenues	-	284,928	5,379
	<hr/>	<hr/>	<hr/>
<b>EXPENDITURES</b>			
Current:			
Public works	-	-	-
Planning	-	-	292
	<hr/>	<hr/>	<hr/>
Total expenditures	-	-	292
	<hr/>	<hr/>	<hr/>
Excess of revenues over expenditures	-	284,928	5,087
	<hr/>	<hr/>	<hr/>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	15,000	-	12,520
Transfers out	-	(26,846)	-
	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	15,000	(26,846)	12,520
	<hr/>	<hr/>	<hr/>
Net change in fund balances	15,000	258,082	17,607
Fund balances - beginning	105,985	193,399	(17,894)
	<hr/>	<hr/>	<hr/>
Fund balances - ending	<u>\$ 120,985</u>	<u>\$ 451,481</u>	<u>\$ (287)</u>

**CITY OF TEHACHAPI  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
NONMAJOR CAPITAL PROJECTS FUNDS  
FOR YEAR ENDED JUNE 30, 2008**

	BeeKay Theater	Downtown Master Plan	Parks & Rec. Capital Project
<b>REVENUES</b>			
Grants	\$ -	\$ -	\$ -
Charges for services	-	-	-
Other sources of funds	125	-	177,371
Interest	-	-	8,928
	<u>125</u>	<u>-</u>	<u>186,299</u>
<b>EXPENDITURES</b>			
Current:			
Public works	1,250	-	-
Planning	291,529	83,262	-
	<u>292,779</u>	<u>83,262</u>	<u>-</u>
Total expenditures	<u>292,779</u>	<u>83,262</u>	<u>-</u>
Excess of revenues over expenditures	<u>(292,654)</u>	<u>(83,262)</u>	<u>186,299</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	-	127,362	-
Transfers out	-	-	-
	<u>-</u>	<u>127,362</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>127,362</u>	<u>-</u>
Net change in fund balances	(292,654)	44,100	186,299
Fund balances - beginning	322,713	(53,453)	249,838
Fund balances - ending	<u>\$ 30,059</u>	<u>\$ (9,353)</u>	<u>\$ 436,137</u>

**CITY OF TEHACHAPI  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
NONMAJOR CAPITAL PROJECTS FUNDS  
FOR YEAR ENDED JUNE 30, 2008**

	Challenger Drive Exit	Tehachapi Centennial Plaza	General Plan Update
<b>REVENUES</b>			
Grants	\$ -	\$ -	\$ -
Charges for services	-	-	-
Other sources of funds	-	-	-
Interest	-	-	-
	<hr/>	<hr/>	<hr/>
Total revenues	<hr/> -	<hr/> -	<hr/> -
<b>EXPENDITURES</b>			
Current:			
Public works	-	-	220,746
Planning	12,096	15,005	3,682
	<hr/>	<hr/>	<hr/>
Total expenditures	<hr/> 12,096	<hr/> 15,005	<hr/> 224,428
Excess of revenues over expenditures	<hr/> (12,096)	<hr/> (15,005)	<hr/> (224,428)
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	-	-	200,000
Transfers out	-	-	-
	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	<hr/> -	<hr/> -	<hr/> 200,000
Net change in fund balances	(12,096)	(15,005)	(24,428)
Fund balances - beginning	<hr/> -	<hr/> -	<hr/> -
Fund balances - ending	<hr/> <u>\$ (12,096)</u>	<hr/> <u>\$ (15,005)</u>	<hr/> <u>\$ (24,428)</u>

**CITY OF TEHACHAPI  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
NONMAJOR CAPITAL PROJECTS FUNDS  
FOR YEAR ENDED JUNE 30, 2008**

	Green Street Lighting Project	Total Nonmajor
<b>REVENUES</b>		
Grants	\$ -	\$ 5,379
Charges for services	-	275,934
Other sources of funds	-	189,812
Interest	-	21,537
	-	21,537
Total revenues	-	492,662
<b>EXPENDITURES</b>		
Current:		
Public works	36,181	260,795
Planning	-	1,046,642
	36,181	1,046,642
Total expenditures	36,181	1,307,437
Excess of revenues over expenditures	(36,181)	(814,775)
<b>OTHER FINANCING SOURCES (USES)</b>		
Transfers in	-	584,882
Transfers out	-	(562,622)
	-	22,260
Total other financing sources (uses)	-	22,260
Net change in fund balances	(36,181)	(792,515)
Fund balances - beginning	-	1,323,677
Fund balances - ending	\$ (36,181)	\$ 531,162

**CITY OF TEHACHAPI  
COMBINING STATEMENT OF NET ASSETS  
NONMAJOR PROPRIETARY FUNDS  
JUNE 30, 2008**

	<u>Transit</u>	<u>Refuse</u>	<u>Community Development Department</u>	<u>Total Nonmajor</u>
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 19,491	\$ 39,512	\$ -	\$ 59,003
Receivables (net of allowance)	717	134,327	74,760	209,804
Total current assets	<u>20,208</u>	<u>173,839</u>	<u>74,760</u>	<u>268,807</u>
Noncurrent assets:				
Deferred charges	4,184	-	-	4,184
Other assets	-	235,000	-	235,000
Capital assets:				
Machinery and equipment	-	-	25,614	25,614
Total capital assets (net of accumulated depreciation)	<u>-</u>	<u>-</u>	<u>25,614</u>	<u>25,614</u>
Total noncurrent assets	<u>4,184</u>	<u>235,000</u>	<u>25,614</u>	<u>264,798</u>
Total assets	<u>\$ 24,392</u>	<u>\$ 408,839</u>	<u>\$ 100,374</u>	<u>\$ 533,605</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	\$ 24,392	\$ 156,549	\$ 62,096	\$ 243,037
Other accrued payables	-	-	6,587	6,587
Due to other funds	-	-	466,104	466,104
Deferred revenue	-	-	-	-
Total liabilities	<u>24,392</u>	<u>156,549</u>	<u>534,787</u>	<u>715,728</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	-	-	25,614	25,614
Unrestricted	<u>-</u>	<u>252,290</u>	<u>(460,027)</u>	<u>(207,737)</u>
Total net assets	<u>\$ -</u>	<u>\$ 252,290</u>	<u>\$ (434,413)</u>	<u>(182,123)</u>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<u>\$ 24,392</u>	<u>\$ 408,839</u>	<u>\$ 100,374</u>	<u>\$ 533,605</u>

**CITY OF TEHACHAPI  
COMBINING STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET ASSETS  
NONMAJOR PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2008**

	Transit	Refuse	Community Development Department	Total Nonmajor
<b>OPERATING REVENUES:</b>				
Charges for services	\$ -	\$ 804,891	\$ 78,513	\$ 883,404
Licenses and permits	-	-	135,176	135,176
Miscellaneous	10,806	20,710	87,107	118,623
Total operating revenues	<u>10,806</u>	<u>825,601</u>	<u>300,796</u>	<u>1,137,203</u>
Operating expenses:				
Personnel services	18,882	43,416	370,199	432,497
Maintenance and operations	102,262	761,779	122,344	986,385
Depreciation	-	-	16,250	16,250
Total operating expenses	<u>121,144</u>	<u>805,195</u>	<u>508,793</u>	<u>1,435,132</u>
<b>OPERATING INCOME</b>	<u>(110,338)</u>	<u>20,406</u>	<u>(207,997)</u>	<u>(297,929)</u>
Nonoperating revenues (expenses):				
Intergovernmental	109,858	-	-	109,858
Interest income	480	-	-	480
Total nonoperating revenues (expenses)	<u>110,338</u>	<u>-</u>	<u>-</u>	<u>110,338</u>
Change in net assets	-	20,406	(207,997)	(187,591)
Net assets - beginning	<u>-</u>	<u>231,884</u>	<u>(226,416)</u>	<u>5,468</u>
<b>NET ASSETS - ENDING</b>	<u>\$ -</u>	<u>\$ 252,290</u>	<u>\$ (434,413)</u>	<u>\$ (182,123)</u>

**CITY OF TEHACHAPI  
 COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
 FIDUCIARY FUNDS  
 JUNE 30, 2008**

	<u>Capital Hills 89-1</u>	<u>Tucker Road 87-1</u>	<u>East Tehachapi Blvd. Project 89-3</u>
<b>ASSETS</b>			
Cash and short-term investments	\$ 1,347,908	\$ 86,218	\$ 52,285
Short term investments	-	-	33,809
Receivables (net allowances)	-	-	-
Due from other funds	-	-	-
Advances to other funds	-	-	-
Due from bond holders	60,651	-	-
Other assets	1,869	-	25,044
	<u>1,410,428</u>	<u>86,218</u>	<u>111,138</u>
Total assets	<u>\$ 1,410,428</u>	<u>\$ 86,218</u>	<u>\$ 111,138</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 1,409,899	\$ -	\$ -
Deposits	529	-	-
Advances from other funds	-	-	-
Due to other funds	-	-	-
Due to bond holders	-	86,218	111,138
	<u>-</u>	<u>86,218</u>	<u>111,138</u>
Total liabilities	<u>\$ 1,410,428</u>	<u>\$ 86,218</u>	<u>\$ 111,138</u>

**CITY OF TEHACHAPI  
COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
FIDUCIARY FUNDS  
JUNE 30, 2008**

	Summit 89-2	Curry Highline 90-1	Tehachapi Meadows 90-1
	<u>          </u>	<u>          </u>	<u>          </u>
<b>ASSETS</b>			
Cash and short-term investments	\$ -	\$ -	\$ 39,749
Short term investments	-	(65,026)	77,046
Receivables (net allowances)	-	-	367
Due from other funds	-	-	7,412
Advances to other funds	-	-	-
Due from bond holders	-	118,599	-
Other assets	186,414	15,405	80,157
	<u>186,414</u>	<u>15,405</u>	<u>80,157</u>
 Total assets	 <u>\$ 186,414</u>	 <u>\$ 68,978</u>	 <u>\$ 204,731</u>
 <b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 3,553	\$ -	\$ 6,925
Deposits	-	-	27,865
Advances from other funds	98,233	61,566	-
Due to other funds	34,705	7,412	-
Due to bond holders	49,923	-	169,941
	<u>49,923</u>	<u>-</u>	<u>169,941</u>
 Total liabilities	 <u>\$ 186,414</u>	 <u>\$ 68,978</u>	 <u>\$ 204,731</u>

**CITY OF TEHACHAPI  
COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
FIDUCIARY FUNDS  
JUNE 30, 2008**

	<u>Special Districts Revolving Fund</u>	<u>Total Trust and Agency Funds</u>
<b>ASSETS</b>		
Cash and short-term investments	\$ -	\$ 1,526,160
Short term investments	-	45,829
Receivables (net allowances)	-	367
Due from other funds	-	7,412
Advances to other funds	159,799	159,799
Due from bond holders	-	179,250
Other assets	-	308,889
	<hr/>	<hr/>
Total assets	<u>\$ 159,799</u>	<u>\$ 2,227,706</u>
 <b>LIABILITIES AND FUND BALANCES</b>		
Liabilities:		
Accounts payable	\$ -	\$ 1,420,377
Deposits	-	28,394
Advances from other funds	159,799	319,598
Due to other funds	-	42,117
Due to bond holders	-	417,220
	<hr/>	<hr/>
Total liabilities	<u>\$ 159,799</u>	<u>\$ 2,227,706</u>