

CITY OF TEHACHAPI
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2010

**City of Tehachapi
Annual Financial Report
For the Fiscal Year Ended June 30, 2010**

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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, 2010, 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, 2010, 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 December 3, 2010, 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 58 through 61 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries 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 as a whole. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as whole.

Mayer Hoffman McCann P.C.

Bakersfield, California
December 3, 2010

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, 2010. 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 3% to \$34,631,565 as a result of this year's operations.
- Total City revenues, including program and general revenues, were \$14,548,136 which is \$7,116,440 less than the prior year.
- Net assets in governmental funds increased \$716,583, and net assets in business activities increased \$345,777.
- Governmental revenue was decreased by \$5,781,816 to \$9,058,647.
- Governmental expense was increased by \$420,215 to \$8,342,064.
- Revenues from business-type activities decreased by \$1,334,624 to \$5,489,489.
- Expenses from business-type activities decreased by \$46,747 to \$4,880,982.
- General fund revenue was decreased by \$262,867 to \$5,093,415.
- General fund balance as of June 30, 2010 is \$5,070,965 an increase of \$727,131 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 the City Council serves as the RDA governing board, the RDA is included in the governmental activities column. The services under governmental activities are supported by taxes and by specific program revenue.

The business-type activities include Refuse, Water, Sewer, Transit 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 29 individual governmental funds (active funds only). Information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, expenditure and changes in fund balances for the General Fund, RDA Fund, RDA Low and Moderate Housing Fund and Railroad Depot capital project fund which are considered to be major funds. Data from the other 25 governmental funds are combined into a single, aggregated presentation.

Proprietary Funds

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

Notes to the Financial Statements

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

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. The required supplementary information includes 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 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 \$34,631,565 at June 30, 2010.

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 decreased to \$19,333,025 (56% of total net assets) from \$20,327,463. The most significant cause for the decrease was from debts incurred to pay for rebuilding the Railroad Depot which was destroyed by fire on June 13, 2008, Curry Road reconstruction and Centennial Plaza construction. Reimbursement from the insurance company for the Railroad Depot rebuilding project and Federal grants payment for the aforementioned capital projects will reduce this debt.

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.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

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

The restricted fund balance was decreased from the prior year by \$2,047,481 mainly due to use of RDA 2007 Tax Allocation Revenue Bond proceeds for various capital projects such as: Pioneer Park, Valley South bike path, Railroad Depot improvement, Beekay Theatre, downtown improvement, Centennial Plaza, Challenger Drive, Mill & H reconstruction, Safe Route to School and wastewater lift station. Restricted funds are subject to external restrictions on how they may be used.

The unrestricted fund balance was increased to \$4,136,709 from \$32,430. This increase was attributed to the fund balance increase in the General Fund and payments from Federal and State authorities for various grants. Grant funds are typically received upon completion of capital projects. During the course of capital project construction, generally the General Fund or RDA Fund advances funds to capital project funds to pay for construction costs. Once grants are received, the advanced amounts are paid; consequently, to replenish the unrestricted funds.

Summary of Statement of Net Assets

	Governmental Activities		Business-Type Activities		Total	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Current and Other Assets	16,111,558	18,132,076	4,141,736	3,480,558	20,253,294	21,612,634
Capital Assets	24,002,430	21,980,385	16,343,247	17,155,539	40,345,677	39,135,924
Total Assets	<u>40,113,988</u>	<u>40,112,461</u>	<u>20,484,983</u>	<u>20,636,097</u>	<u>60,598,971</u>	<u>60,748,558</u>
Current Liabilities	1,317,000	1,652,766	1,284,622	1,246,288	2,601,622	2,899,054
Long-term Liabilities	17,511,907	17,891,197	5,853,877	6,389,102	23,365,784	24,280,299
Total Liabilities	<u>18,828,907</u>	<u>19,543,963</u>	<u>7,138,499</u>	<u>7,635,390</u>	<u>25,967,406</u>	<u>27,179,353</u>
Investments in Capital, Net of related debt	9,392,632	10,088,383	9,940,393	10,239,080	19,333,025	20,327,463
Restricted	9,756,061	11,712,486	1,405,770	1,496,826	11,161,831	13,209,312
Unrestricted	2,136,388	(1,232,371)	2,000,321	1,264,801	4,136,709	32,430
Total Net Assets	<u>21,285,081</u>	<u>20,568,498</u>	<u>13,346,484</u>	<u>13,000,707</u>	<u>34,631,565</u>	<u>33,569,205</u>

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

Governmental Activities

Governmental activities increased the City's net assets by \$716,583 thereby accounting for 67% of the total growth in the City's net assets mainly due to \$715,056 decrease in liabilities in governmental funds.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Statement of Activities

	Governmental Activities		Business Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Revenue						
Program Revenues:						
Charges for Services	-	79,786	4,995,863	5,367,038	4,995,863	5,446,824
Operating contribution & Grants	-	4,500	128,881	227,305	128,881	231,805
Capital Grants & Contribution	779,867	6,514,059	-	15,724	779,867	6,529,783
General Revenues:						
Property taxes	2,868,727	2,942,733	-	-	2,868,727	2,942,733
Sales Taxes	1,447,323	1,621,829	-	-	1,447,323	1,621,829
Other Taxes	898,509	1,042,071	-	-	898,509	1,042,071
License and permits	1,176,769	1,162,628	-	-	1,176,769	1,162,628
Other sources of funds	798,631	464,338	-	-	798,631	464,338
Miscellaneous	1,002,569	1,451,934	249,839	424,021	1,252,408	1,875,955
Interest	164,720	268,633	36,438	77,977	201,158	346,610
Transfers	(78,468)	(712,048)	78,468	712,048	-	-
	<u>9,058,647</u>	<u>14,840,463</u>	<u>5,489,489</u>	<u>6,824,113</u>	<u>14,548,136</u>	<u>21,664,576</u>
Expenses						
Primary Government						
General Government	1,804,904	1,423,677	-	-	1,804,904	1,423,677
Administration	1,062,187	803,365	-	-	1,062,187	803,365
Public Works & Planning	2,240,441	2,369,372	-	-	2,240,441	2,369,372
	-	-	-	-	-	-
Police	2,154,979	2,257,331	-	-	2,154,979	2,257,331
Fire Department	63,431	60,000	-	-	63,431	60,000
Council	48,314	41,601	-	-	48,314	41,601
City Clerk	66,734	39,045	-	-	66,734	39,045
Treasurer	22,318	2,448	-	-	22,318	2,448
Parks	3,314	1,742	-	-	3,314	1,742
Interest	875,442	923,268	-	-	875,442	923,268
Business-type Activities						
Refuse	-	-	1,038,916	872,602	1,038,916	872,602
Water	-	-	1,541,337	1,675,563	1,541,337	1,675,563
Sewer	-	-	1,556,259	1,600,071	1,556,259	1,600,071
Transit	-	-	128,956	130,139	128,956	130,139
Airport	-	-	615,514	649,354	615,514	649,354
Total Expense	<u>8,342,064</u>	<u>7,921,849</u>	<u>4,880,982</u>	<u>4,927,729</u>	<u>13,223,046</u>	<u>12,849,578</u>
Change in Net Assets	716,583	6,918,614	608,507	1,896,384	1,325,090	8,814,998
Net Assets at beginning of yr	20,568,498	13,649,884	13,000,707	11,115,600	33,569,205	24,765,484
Prior Period Adj	-	-	(262,730)	(11,277)	(262,730)	(11,277)
Net Assets at end of year	<u><u>21,285,081</u></u>	<u><u>20,568,498</u></u>	<u><u>13,346,484</u></u>	<u><u>13,000,707</u></u>	<u><u>34,631,565</u></u>	<u><u>33,569,205</u></u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Business Type Activities

The City operates five business-type activities. These activities are captured in Refuse, Water, Sewer, Transit and Airport funds. Of the total \$1,062,360 City wide net assets increase, \$345,777 (33% of total increase) was attributed to the business-type activities. The reduction in liability by making principal payments on outstanding debts was the main factor for the net assets increase.

FINANCIAL ANALYSIS OF INDIVIDUAL FUNDS

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

Governmental Funds

As of June 30, 2010, the City's governmental funds reported a combined ending fund balance of \$14,655,156. This number shows approximately a 10% (\$1,562,900) fund balance decrease from the prior year. The main factor for this decrease is from the use of RDA bond proceeds for various capital projects such as Valley South bike path, Railroad Depot improvement, Beekay theatre, Downtown improvement, Centennial Plaza, Challenger Drive, Mill & H Street reconstruction, Safe Route to School and wastewater lift station. This fund balance is available for spending on the government's ongoing obligations to citizens and creditors although 5% 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 the General Fund was \$4,692,768 which included \$2,279,741 of advances made to other funds such as Airport, special district funds and various capital project funds. Although the amount is labeled as advances, there is a possibility that the General Fund may end up writing them off in a manner of an operating transfer as they happened in the past. The General Fund wrote off an outstanding loan balance of \$359,533 in fiscal year 2000/01 for the Airport fund expecting the Airport fund would self sustain from that time on. However, the Airport Fund still has not generated enough revenues to support its expenses.

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

The *Redevelopment fund* has a total fund balance of \$4,054,713 which is reserved for capital projects within the designated project area and debt services as stated in the Bond indenture. The decrease of \$2,188,100 in the RDA fund balance was from the use of bond proceeds for various capital projects.

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

MANAGEMENT’S DISCUSSION AND ANALYSIS (CONTINUED)

Proprietary Fund.

Unrestricted net assets of the Water and Sewer funds at the end of the year are negative \$488,972 and \$2,860,804 respectively. The negative unrestricted net assets in the Water fund were caused by the construction of two new water tanks (T & T tanks). The fund shortage was covered by money which was borrowed from the RDA fund in fiscal year 2008/09. This loan is budgeted to be paid back to the RDA fund beginning in the fiscal year 2013/14.

The net assets of the Sewer fund were increased by \$418,218 from the prior year. Approximately 51% of the Sewer fund balance increase was from Sewer connection fees. The unrestricted net assets in Sewer fund, \$2,860,804, will be used for the construction of a new sewer plant over the next two to three years.

GENERAL FUND BUDGETARY HIGHLIGHTS

A detailed budgetary comparison schedule for the year ended June 30, 2010 is presented as required supplementary information following the notes to the financial statements. The final budget amounts are different from those presented in the 2009/10 – 2013/14 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	2009/10 Actual	Variance Actual vs. Final Budget (Negative)
Revenues incl. Other Sources	4,567,320	4,609,423	5,093,415	483,992
Expenditures incl. Other Uses	4,578,410	4,427,549	4,366,284	61,265
Net changes in fund balances	(11,090)	181,874	727,131	545,257
Fund Balance Beginning (Adjusted)	4,343,834	4,343,834	4,343,834	-
Fund Balance - Ending	4,332,744	4,525,708	5,070,965	545,257

Overall, the General Fund actual ending fund balance is \$545,257 more than what was budgeted in the final budget. The major contributions to positive revenue variance are from property tax revenue, \$148,965, sales tax, \$51,789 and landscape and construction charges, \$138,171. The major reasons for the favorable variance in expenditures are from unbudgeted reimbursement from the Tehachapi Unified School District for a School Resource Officer, \$36,774; reduction in operation cost, \$83,073; and unspent legal cost, \$77,114.

The departments in General Fund which contributed a major positive variance to the total expenditure are Public Works, \$82,293; Landscape Service, \$21,063; Community Development department, \$46,973; and Police, \$39,722. Contrarily, the major unfavorable variance in the General Fund is from the overhead allocation to other funds. The budgeted allocation was \$362,057; however, because of less actual spending in the General Fund, the actual allocated cost was \$175,813 resulting \$186,244 of unfavorable variance.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

GENERAL FUND BUDGETARY HIGHLIGHT (Continued)

During the fiscal year 2009/2010, the economy situation worsened, The major General Fund revenues such as sales tax, property tax, transient occupancy tax, franchise tax, business license tax and vehicle license tax all declined compared to fiscal year 2008/09. However, staff managed to increase the fund balance in General Fund by \$335,285. There was \$262,863 reduction in General Fund revenue whereas the expenditures in the same fund were reduced by \$598,148. This was the result of staff's consistent prudent approach toward spending.

CAPITAL & DEBT ADMINISTRATION

Capital Assets

	Governmental Activities	Business-type Activities	Totals
Non-Depreciable Assets:			
Land	941,007	2,270,404	3,211,411
Total non-depreciable assets	941,007	2,270,404	3,211,411
Depreciable Assets (net of accumulated depreciation)			
Buildings	2,928,350	4,191,588	7,119,938
Improvements other than building	16,533,406	7,671,826	24,205,232
Machinery and equipment	687,146	760,504	1,447,650
Parks	263,949	-	263,949
Construction in progress	2,648,572	1,448,925	4,097,497
Total depreciable assets-net	23,061,423	14,072,843	37,134,266
Total Capital Assets	24,002,430	16,343,247	40,345,677

The City of Tehachapi's investment in capital assets for its governmental and business type activities as of June 30, 2010, amounts to \$40,345,677 (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	16,883,141	5,965,995	22,849,136
Loans	-	79,545	79,545
Capital Leases	766,002	357,314	1,123,316
Compensated absences	222,257	-	222,257
Total Long-Term Liabilities	17,871,400	6,402,854	24,274,254

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Long Term Debt (Continued)

The City of Tehachapi's total long term debt was decreased by \$777,133 during the current fiscal year. This decrease was mainly from making payments on principals of various outstanding debts without incurring additional debt.

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.

NEXT YEAR'S BUDGET AND ECONOMIC FACTORS

In June, 2010, the Council adopted the 2010/11 through 2014/15 five-year budget, with total appropriations of \$17,304,721 in fiscal year 2010/11. The following factors were taken into consideration for the next fiscal year budget:

- 0.09% cost of living increase was granted for all employees; however, there will still be no merit increases at this time.
- Reinstatement of the 5% reduction of department heads' salary which began on February 11, 2009 until June 30, 2010.
- The 2010/11 General Fund revenue budget (\$4,607,545) was projected at \$485,872 less than the actual revenue received in 2009/10. The reasons for this reduction were due to a continued weak economy and a fund transfer of \$149,110 from the RDA to General Fund in fiscal year 2009/10 to pay for the museum improvement project..
- The 2010/11 General Fund expenditure budget (\$4,787,065) was projected at \$14,304 less than the actual expenditure in 2009/10.
- Sixty-two equivalent dwelling units (EDU) of water connections and ninety-three EDUs of sewer connections were budgeted. The difference in number of connections between water and sewer depends on the type of business.
- Various capital projects were included in this budget and they are:
 - Valley Boulevard improvement, Proposition 1B, \$160,000
 - Downtown Beautification II, \$1,200,000
 - Centennial Plaza, \$536,025
 - Safe Route to School, \$200,000
 - Water Main Replacement on "C" Street, \$260,000
 - Water Radio Meters Replacement, \$50,000
 - Highline Tank Recoat, \$12,000
 - Water Banking Program, \$120,000
 - Sewer Line Root Control, \$30,000
 - West Side Sewer Screw Pump Recoat, \$30,000
 - New sewer plant (\$2,000,000 – 50% of total projected construction cost)

Although the City has to tighten up on general spending due to economy related revenue reductions, there are still numerous capital projects in process. Most of these projects are the results of staff's vision for seeing the big picture, City's financial capabilities of bringing projects to grant-ready status and staff's successful efforts at securing various grants.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

NEXT YEAR'S BUDGET AND ECONOMIC FACTORS (Continued)

The concerns for double dip economy recession are no longer the major talk in the market, yet no one denies the continuation of the sluggish economy. Most economists are foreseeing an extremely slow recovery and many concerns for the consequences of the Federal Reserve's responses such as quantitative easing (QE) and the continuation of historically low benchmark interest rate to help stabilize the financial system and the economy. Pinco's Mohammed El-Erian wrote his opinion regarding QE 2 from FT.com which states that "The unfortunate conclusion is that QE 2 will be of limited success in sustaining high growth and job creation in the U.S., and will complicate life for many other countries... With domestic outcomes again falling short of policy expectations, it is just a matter of time until the Fed will be expected to do even more."

While we all hope for the best, the City will continue to be extremely prudent in its spending policy in order to prepare for the worst.

BASIC FINANCIAL STATEMENTS

**CITY OF TEHACHAPI
STATEMENT OF NET ASSETS
JUNE 30, 2010**

	Primary Government		
	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Cash and cash equivalents	\$ 6,330,962	\$ 4,041,582	\$ 10,372,544
Short-term investments	5,325,946	399,002	5,724,948
Receivables (net of allowance)	1,577,234	665,817	2,243,051
Due from trust and agency funds	67,608	-	67,608
Internal balances	2,034,900	(2,034,900)	-
Prepays	84,620	5,784	90,404
Deferred charges	592,055	829,451	1,421,506
Capital assets (net of accumulated depreciation):			
Land	941,007	2,270,404	3,211,411
Buildings	2,928,350	4,191,588	7,119,938
Improvements other than buildings	16,533,406	7,671,826	24,205,232
Machinery and equipment	687,146	760,504	1,447,650
Parks	263,949	-	263,949
Construction in progress	2,648,572	1,448,925	4,097,497
Advance to trust and agency funds	98,233	-	98,233
Other assets	-	235,000	235,000
Total assets	40,113,988	20,484,983	60,598,971
LIABILITIES			
Current liabilities:			
Accounts payable	710,732	329,839	1,040,571
Accrued interest payable	93,160	57,600	150,760
Deferred revenue	153,615	261,084	414,699
Customer deposits payable	-	87,122	87,122
Capital leases payable - current	24,493	21,288	45,781
Notes and bonds payable - current	335,000	527,689	862,689
Noncurrent liabilities:			
Capital leases	741,509	336,026	1,077,535
Notes and bonds payable	16,770,398	5,517,851	22,288,249
Total liabilities	18,828,907	7,138,499	25,967,406
NET ASSETS			
Invested in capital assets, net of related debt	9,392,632	9,940,393	19,333,025
Restricted for:			
Deposits	-	101,873	101,873
Highways and streets	1,140,745	-	1,140,745
Public safety	535,287	-	535,287
Debt service	-	1,303,897	1,303,897
RDA	8,080,029	-	8,080,029
Unrestricted	2,136,388	2,000,321	4,136,709
Total net assets	\$ 21,285,081	\$ 13,346,484	\$ 34,631,565

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, 2010**

	Program Revenues				Governmental Activities	Primary Government Business-type Activity	Total
	Expenses	Charges for Services	Operating Contributions and Grants	Capital Grants and Contributions			
Functions/Programs							
Primary Government							
Governmental activities:							
General government	\$ 1,804,904	\$ -	\$ -	\$ -	\$ (1,804,904)	\$ -	\$ (1,804,904)
Administration	1,062,187	-	-	-	(1,062,187)	-	(1,062,187)
Public works	1,921,628	-	-	779,867	(1,141,761)	-	(1,141,761)
Planning	318,813	-	-	-	(318,813)	-	(318,813)
Police	2,154,979	-	-	-	(2,154,979)	-	(2,154,979)
Fire department	63,431	-	-	-	(63,431)	-	(63,431)
Council	48,314	-	-	-	(48,314)	-	(48,314)
City clerk	66,734	-	-	-	(66,734)	-	(66,734)
Treasurer	22,318	-	-	-	(22,318)	-	(22,318)
Parks	3,314	-	-	-	(3,314)	-	(3,314)
Interest	875,442	-	-	-	(875,442)	-	(875,442)
Total governmental activities	<u>8,342,064</u>			<u>779,867</u>	<u>(7,562,197)</u>		<u>(7,562,197)</u>
Business-type activities:							
Refuse	1,038,916	950,370	-	-	-	(88,546)	(88,546)
Water	1,541,337	1,740,006	-	-	-	198,669	198,669
Sewer	1,556,259	1,832,524	-	-	-	276,265	276,265
Transit	128,956	-	128,881	-	-	(75)	(75)
Airport	615,514	472,963	-	-	-	(142,551)	(142,551)
Total business-type activities	<u>4,880,982</u>	<u>4,995,863</u>	<u>128,881</u>			<u>243,762</u>	<u>243,762</u>
Total primary government	<u>\$ 13,223,046</u>	<u>\$ 4,995,863</u>	<u>\$ 128,881</u>	<u>\$ 779,867</u>	<u>\$ (7,562,197)</u>	<u>\$ 243,762</u>	<u>\$ (7,318,435)</u>
General revenues:							
Property taxes		2,868,727			2,868,727		2,868,727
Sales taxes		1,447,323			1,447,323		1,447,323
Other taxes		898,509			898,509		898,509
Licenses and permits		1,176,769			1,176,769		1,176,769
Other sources of funds		798,631			798,631		798,631
Miscellaneous		1,002,569			1,002,569	249,839	1,252,408
Interest		164,720			164,720	36,438	201,158
Transfers in (out)		(78,468)			(78,468)	78,468	-
Total general revenues and transfers		<u>8,278,780</u>			<u>8,278,780</u>	<u>364,745</u>	<u>8,643,525</u>
Change in net assets		716,583			716,583	608,507	1,325,090
Net assets beginning of year		20,568,498			20,568,498	13,000,707	33,569,205
Depreciation adjustments		-			-	(11,277)	(11,277)
Prior period adjustments		-			-	(251,453)	(251,453)
Net assets beginning of year		20,568,498			20,568,498	12,737,977	33,306,475
Net assets at end of year		<u>\$ 21,285,081</u>			<u>\$ 21,285,081</u>	<u>\$ 13,346,484</u>	<u>\$ 34,631,565</u>

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

**CITY OF TEHACHAPI
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2010**

	General	RDA Low & Moderate Housing	RDA Fund
ASSETS			
Cash and short-term investments	\$ 2,092,492	\$ 3,988,364	\$ 2,576,918
Receivables (net allowances)	756,330	36,952	110,857
Due from trust and agency funds	67,608	-	-
Due from other funds	2,212,133	-	1,370,000
Prepays	84,620	-	-
Advances to other funds	98,233	-	-
	<u>\$ 5,311,416</u>	<u>\$ 4,025,316</u>	<u>\$ 4,057,775</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 240,451	\$ -	\$ 3,062
Due to other funds	-	-	-
Deferred revenue	-	-	-
	<u>240,451</u>	<u>-</u>	<u>3,062</u>
Fund balances:			
Reserved	378,197	118,133	472,534
Unreserved	4,692,768	3,907,183	3,582,179
	<u>5,070,965</u>	<u>4,025,316</u>	<u>4,054,713</u>
Total fund balances	<u>5,070,965</u>	<u>4,025,316</u>	<u>4,054,713</u>
Total liabilities and fund balances	<u>\$ 5,311,416</u>	<u>\$ 4,025,316</u>	<u>\$ 4,057,775</u>

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

**CITY OF TEHACHAPI
BALANCE SHEET
GOVERNMENTAL FUNDS (CONTINUED)
JUNE 30, 2010**

	Railroad Depot	Other Governmental Funds	Totals 6/30/2010
ASSETS			
Cash and short-term investments	\$ -	\$ 2,999,134	\$ 11,656,908
Receivables (net allowances)	420,882	252,213	1,577,234
Due from trust and agency funds	-	-	67,608
Due from other funds	-	-	3,582,133
Prepays	-	-	84,620
Advances to other funds	-	-	98,233
	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 420,882</u>	<u>\$ 3,251,347</u>	<u>\$ 17,066,736</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 7,590	\$ 459,629	\$ 710,732
Due to other funds	1,101,949	445,284	1,547,233
Deferred revenue	-	153,615	153,615
	<hr/>	<hr/>	<hr/>
Total liabilities	<u>1,109,539</u>	<u>1,058,528</u>	<u>2,411,580</u>
Fund balances:			
Reserved	-	-	968,864
Unreserved	(688,657)	2,192,819	13,686,292
	<hr/>	<hr/>	<hr/>
Total fund balances	<u>(688,657)</u>	<u>2,192,819</u>	<u>14,655,156</u>
	<hr/>	<hr/>	<hr/>
Total liabilities and fund balances	<u>\$ 420,882</u>	<u>\$ 3,251,347</u>	<u>\$ 17,066,736</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, 2010**

Fund balances of governmental funds	\$	14,655,156
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		27,038,129
Construction in process		2,648,572
Accumulated depreciation		(5,684,271)
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		(17,170,000)
Capital leases payable		(766,002)
Compensated absences		(222,257)
Accrued interest payable is not reported in the governmental funds.		(93,160)
Unamortized issuance costs on revenue bonds payable has not been reported in the governmental funds.		878,914
		878,914
Net assets of governmental activities	\$	21,285,081

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, 2010**

	General	RDA Low Moderate Housing	RDA Fund
REVENUES			
Grants	\$ 107,035	\$ -	\$ -
Property taxes	987,471	407,926	1,222,541
Sales taxes	1,447,323	-	-
Other taxes	566,260	-	-
Licenses and permits	1,176,769	-	-
Other sources of funds	-	-	-
Interest	77,035	26,252	44,892
Miscellaneous	582,412	-	-
Total revenues	<u>4,944,305</u>	<u>434,178</u>	<u>1,267,433</u>
EXPENDITURES			
Current:			
General government	691,859	-	-
Administration	154,623	87,198	787,020
Public works	877,869	-	24,076
Planning	264,164	-	-
Fire department	63,431	-	-
Police	2,154,979	-	-
Council	48,314	-	-
City clerk	66,734	-	-
Treasurer	22,318	-	-
Parks	3,314	-	-
Capital outlay:			
General government	11,380	-	-
Public works	-	-	326,142
Planning	-	-	-
Debt service:			
Interest expense	-	170,456	681,823
Principal	-	54,000	216,000
Total expenditures	<u>4,358,985</u>	<u>311,654</u>	<u>2,035,061</u>
Excess (deficiency) of revenues over (under) expenditures	<u>585,320</u>	<u>122,524</u>	<u>(767,628)</u>
OTHER FINANCING SOURCE (USES)			
Transfers in	149,110	-	216,836
Transfers out	(7,299)	-	(1,637,308)
Total other financing sources (uses)	<u>141,811</u>	<u>-</u>	<u>(1,420,472)</u>
Net change in fund balances	727,131	122,524	(2,188,100)
Fund balances at beginning of year	<u>4,343,834</u>	<u>3,902,792</u>	<u>6,242,813</u>
Fund balances at end of year	<u>\$ 5,070,965</u>	<u>\$ 4,025,316</u>	<u>\$ 4,054,713</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, 2010**

	Railroad Depot	Other Governmental Funds	Totals 6/30/2010
REVENUES			
Grants	\$ -	\$ 672,832	\$ 779,867
Property taxes	-	250,789	2,868,727
Sales taxes	-	-	1,447,323
Other taxes	-	332,249	898,509
Licenses and permits	-	-	1,176,769
Other sources of funds	-	798,631	798,631
Interest	-	16,541	164,720
Miscellaneous	420,157	-	1,002,569
Total revenues	<u>420,157</u>	<u>2,071,042</u>	<u>9,137,115</u>
EXPENDITURES			
Current:			
General government	-	-	691,859
Administration	-	24,840	1,053,681
Public works	-	900,060	1,802,005
Planning	-	54,649	318,813
Fire department	-	-	63,431
Police	-	-	2,154,979
Council	-	-	48,314
City clerk	-	-	66,734
Treasurer	-	-	22,318
Parks	-	-	3,314
Capital outlay:			
General government	-	-	11,380
Public works	-	555,749	881,891
Planning	1,270,496	1,061,352	2,331,848
Debt service:			
Interest expense	-	24,970	877,249
Principal	-	23,731	293,731
Total expenditures	<u>1,270,496</u>	<u>2,645,351</u>	<u>10,621,547</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(850,339)</u>	<u>(574,309)</u>	<u>(1,484,432)</u>
OTHER FINANCING SOURCE (USES)			
Transfers in	100,000	1,844,712	2,310,658
Transfers out	-	(744,519)	(2,389,126)
Total other financing sources (uses)	<u>100,000</u>	<u>1,100,193</u>	<u>(78,468)</u>
Net change in fund balances	(750,339)	525,884	(1,562,900)
Fund balances at beginning of year	61,682	1,666,935	16,218,056
Fund balances at end of year	<u>\$ (688,657)</u>	<u>\$ 2,192,819</u>	<u>\$ 14,655,156</u>

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

**CITY OF TEHACHAPI
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010**

Net changes in fund balances - total governmental funds	\$ (1,562,900)
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.	3,105,496
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.	(1,083,451)
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.	293,731
Accrued interest payable is not reported in the governmental funds.	1,806
The statement of net assets includes amortization of issuance costs on long term debt.	(8,506)
To record the net change in compensated absences in the statement of activities	<u>(29,593)</u>
Change in net assets of governmental activities	<u>\$ 716,583</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, 2010**

	Water Fund	Sewer Fund	Airport Fund
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,007,245	\$ 2,925,928	\$ 40,128
Short-term investments	242,628	156,374	-
Receivables (net of allowance)	259,958	226,684	4,474
Prepays	-	5,784	-
Total current assets	<u>1,509,831</u>	<u>3,314,770</u>	<u>44,602</u>
Noncurrent assets:			
Deferred charges	199,052	627,421	-
Other assets	-	-	-
Capital assets:			
Land	1,599,247	613,614	57,543
Construction in process	13,787	1,435,138	-
Buildings	72,421	4,100,931	18,236
Machinery and equipment	123,484	359,356	277,664
Improvements other than buildings	5,310,470	382,498	1,978,858
Total capital assets (net of accumulated depreciation)	<u>7,119,409</u>	<u>6,891,537</u>	<u>2,332,301</u>
Total noncurrent assets	<u>7,318,461</u>	<u>7,518,958</u>	<u>2,332,301</u>
Total assets	<u>\$ 8,828,292</u>	<u>\$ 10,833,728</u>	<u>\$ 2,376,903</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 76,183	\$ 32,192	\$ 29,434
Accrued interest payable	14,723	40,868	2,009
Due to other funds	1,370,000	-	645,365
Deferred revenue	36,552	224,532	-
Customer deposits payable	78,422	-	8,700
Capital leases payable - current	1,475	19,813	-
Notes and bonds payable - current	151,650	367,083	8,956
Total current liabilities	<u>1,729,005</u>	<u>684,488</u>	<u>694,464</u>
Noncurrent liabilities:			
Capital leases	44,670	291,356	-
Notes and bonds payable	1,602,933	3,844,328	70,590
Total noncurrent liabilities	<u>1,647,603</u>	<u>4,135,684</u>	<u>70,590</u>
Total liabilities	<u>3,376,608</u>	<u>4,820,172</u>	<u>765,054</u>
NET ASSETS			
Invested in capital assets, net of related debt	5,318,681	2,368,957	2,252,755
Restricted:			
Cash	101,873	-	-
Debt service	520,102	783,795	-
Unrestricted	(488,972)	2,860,804	(640,906)
Total net assets	<u>\$ 5,451,684</u>	<u>\$ 6,013,556</u>	<u>\$ 1,611,849</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, 2010**

	Refuse Fund	Nonmajor - Transit Fund	Total Current Year
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 68,206	\$ 75	\$ 4,041,582
Short-term investments	-	-	399,002
Receivables (net of allowance)	142,688	32,013	665,817
Prepays	-	-	5,784
Total current assets	210,894	32,088	5,112,185
Noncurrent assets:			
Deferred charges	-	2,978	829,451
Other assets	235,000	-	235,000
Capital assets:			
Land	-	-	2,270,404
Construction in process	-	-	1,448,925
Buildings	-	-	4,191,588
Machinery and equipment	-	-	760,504
Improvements other than buildings	-	-	7,671,826
Total capital assets (net of accumulated depreciation)	-	-	16,343,247
Total noncurrent assets	235,000	2,978	17,407,698
Total assets	\$ 445,894	\$ 35,066	\$ 22,519,883
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 176,499	\$ 15,531	\$ 329,839
Accrued interest payable	-	-	57,600
Due to other funds	-	19,535	2,034,900
Deferred revenue	-	-	261,084
Customer deposits payable	-	-	87,122
Capital leases payable - current	-	-	21,288
Notes and bonds payable - current	-	-	527,689
Total current liabilities	176,499	35,066	3,319,522
Noncurrent liabilities:			
Capital leases	-	-	336,026
Notes and bonds payable	-	-	5,517,851
Total noncurrent liabilities	-	-	5,853,877
Total liabilities	176,499	35,066	9,173,399
NET ASSETS			
Invested in capital assets, net of related debt	-	-	9,940,393
Restricted:			
Cash	-	-	101,873
Debt service	-	-	1,303,897
Unrestricted	269,395	-	2,000,321
Total net assets	\$ 269,395	\$ -	\$ 13,346,484

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

**CITY OF TEHACHAPI
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2010**

	Water Fund	Sewer Fund	Airport Fund
OPERATING REVENUES:			
Charges for services	\$ 1,740,006	\$ 1,832,524	\$ 472,963
Miscellaneous	202,623	30,590	2,127
Total operating revenues	<u>1,942,629</u>	<u>1,863,114</u>	<u>475,090</u>
Operating expenses:			
Personnel services	663,875	542,363	129,180
Maintenance and operations	482,211	395,895	337,787
Depreciation	270,304	355,172	144,316
Total operating expenses	<u>1,416,390</u>	<u>1,293,430</u>	<u>611,283</u>
OPERATING INCOME	<u>526,239</u>	<u>569,684</u>	<u>(136,193)</u>
Nonoperating revenues (expenses):			
Intergovernmental	-	-	-
Interest income	-	36,363	-
Interest expense	(124,947)	(262,829)	(4,231)
Total nonoperating revenues (expenses)	<u>(124,947)</u>	<u>(226,466)</u>	<u>(4,231)</u>
Income (loss) before operating transfers	401,292	343,218	(140,424)
Transfers in	-	75,000	3,468
Total transfers in	<u>-</u>	<u>75,000</u>	<u>3,468</u>
Change in net assets	401,292	418,218	(136,956)
Net assets - beginning	5,050,392	5,595,338	2,011,535
Depreciation adjustment	-	-	(11,277)
Prior period adjustment	-	-	(251,453)
NET ASSETS - ENDING	<u>\$ 5,451,684</u>	<u>\$ 6,013,556</u>	<u>\$ 1,611,849</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 ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2010**

	Refuse Fund	Nonmajor - Transit Fund	Totals
OPERATING REVENUES:			
Charges for services	\$ 950,370	\$ -	\$ 4,995,863
Miscellaneous	14,499	-	249,839
Total operating revenues	964,869	-	5,245,702
Operating expenses:			
Personnel services	53,151	23,965	1,412,534
Maintenance and operations	985,765	104,991	2,306,649
Depreciation	-	-	769,792
Total operating expenses	1,038,916	128,956	4,488,975
OPERATING INCOME	(74,047)	(128,956)	756,727
Nonoperating revenues (expenses):			
Intergovernmental	-	128,881	128,881
Interest income	-	75	36,438
Interest expense	-	-	(392,007)
Total nonoperating revenues (expenses)	-	128,956	(226,688)
Income (loss) before operating transfers	(74,047)	-	530,039
Transfers in	-	-	78,468
Total transfers in	-	-	78,468
Change in net assets	(74,047)	-	608,507
Net assets - beginning	343,442	-	13,000,707
Depreciation adjustment	-	-	(11,277)
Prior period adjustment	-	-	(251,453)
NET ASSETS - ENDING	\$ 269,395	\$ -	13,346,484

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, 2010**

	Enterprise
CASH FLOWS FROM OPERATING ACTIVITIES	
Total operating revenues	\$ 5,286,345
Personnel services	(1,412,534)
Maintenance and operations	(2,270,944)
Net cash provided by operating activities	1,602,867
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES	
Operating transfers in	78,468
Intergovernmental revenue	128,881
Net cash provided by noncapital and related financing activities	207,349
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of fixed assets	(220,230)
Interest expense (net of discount amortization)	(301,056)
Payments on capital lease obligations	(20,421)
Payments on long-term debt	(506,932)
Net cash used in capital and related financing activities	(1,048,639)
CASH FLOWS PROVIDED BY INVESTING ACTIVITIES	
Interest received	36,438
Net cash provided by investing activities	36,438
Net increase in cash	798,015
Cash, beginning of year	3,642,569
Cash, end of year	\$ 4,440,584
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	\$ 756,727
Adjustment to reconcile operating income to net cash provided by operating activities:	
Depreciation	769,792
Decrease (increase) in:	
Receivables	89,821
Prepaid expenses	(5,784)
Increase (decrease) in:	
Accounts payable	66,017
Due to other funds	(30,312)
Deposits payable	(8,066)
Deferred revenues	(35,328)
Net cash provided by operating activities	\$ 1,602,867
NON CASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:	
Depreciation adjustment to net assets	\$ (11,277)
Prior period adjustment	\$ (251,453)

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, 2010**

	<u>Total Trust and Agency Funds</u>
ASSETS	
Cash and short-term investments	\$ 1,488,985
Short term investments	99,583
Receivables (net allowances)	51,777
Advances to other funds	98,233
Other assets	<u>217,291</u>
 Total assets	 <u><u>\$ 1,955,869</u></u>
LIABILITIES	
Accounts payable	\$ 7,793
Advances from other funds	196,466
Due to other funds	67,608
Due to bond holders	<u>1,684,002</u>
 Total liabilities	 <u><u>\$ 1,955,869</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, 2010**

(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, 2010

(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, 2010**

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

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

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

The City reports the following major proprietary funds:

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

**CITY OF TEHACHAPI
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

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

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

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.

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, 2010, 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.

**CITY OF TEHACHAPI
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

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

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

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.

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.

**CITY OF TEHACHAPI
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

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

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

4. Capital assets (Continued)

The costs of normal maintenance and repairs that do not add to the value of the asset or materiality 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 \$1,321,303. Of this amount, \$0 was included as part of the cost of capital assets under construction.

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

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

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

5. Compensated absences

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

6. Long-term obligations

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

**CITY OF TEHACHAPI
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

(1) Summary of significant accounting policies (Continued)

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

6. *Long-term obligations (Continued)*

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.

(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 a budget hearing in June.

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.

**CITY OF TEHACHAPI
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

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

B. Excess of expenditures over appropriations

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

Funds	Excess Expenditures
Major Funds:	
Railroad Depot	\$ 850,339
RDA Fund	767,628
Special Revenue Funds:	
Surface Transportation Program	275,202
Gas Tax	225,988
Traffic Signal - Local	134,145
Safe Route to School Funds	32,326
Valley Blvd. Improvement Project	21,586
Mill & H Improvements ARRA Project	19,227
Lighting District	16,192
Capital Projects Funds:	
Tehachapi Centennial Plaza	215,609
General Plan Update	129,219
Green Street Lighting Project	90,013
Downtown Master Plan	88,629
Challenger Drive Exit	58,988
Park & Recreation Capital Project Fee Fund	19,117
Energy Efficiency Conservation	50

C. Deficit fund equity

The following funds had deficit fund balances at June 30, 2010:

Major Funds:	
Railroad Depot	\$ (688,657)
Special Revenue Funds:	
Surface Transportation Program	(165,260)
Safe Route to School	(23,256)
Mill & H Improvement Projects	(9,251)
Community Development Grant	(2,174)
Capital Projects Funds:	
Tehachapi Centennial Plaza	(165,796)
Downtown Master Plan	(20,173)
Energy Efficiency Conservation Project	(50)

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

**CITY OF TEHACHAPI
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

(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, 2010:

Deposits	\$ 642,008
LAIF	11,100,971
Cash and cash equivalents	11,742,979
Investments	
Investments with fiscal agents	5,824,531
Restricted cash with fiscal agents	118,550
Total	\$ 17,686,060

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

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Cash and Cash Equivalents	\$ 6,330,962	\$ 3,923,032	\$ 1,488,985	\$ 11,742,979
Short-Term Investments	5,325,946	399,002	99,583	5,824,531
Restricted Cash	-	118,550	-	118,550
	\$ 11,656,908	\$ 4,440,584	\$ 1,588,568	\$ 17,686,060

Deposits

Custodial Credit Risks. Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's deposit policy requires deposits to be covered by the federal depository insurance and collateral having a market value of 110% of the uninsured deposit. As of June 30, 2010 none of the City's bank balance of \$762,827 was exposed to custodial credit risk.

Investments

As of June 30, 2010, 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>
Local Agency Investment Funds	11,100,971	11,100,971	-
Government Securities	1,004,396	-	1,004,396
Guaranteed Investment Contract	574,590	-	574,590
Money Market	3,224,660	3,224,660	-
Negotiable Certificate of Deposit	1,020,885	1,020,885	-
	16,925,502	15,346,516	1,578,986

**CITY OF TEHACHAPI
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

(3) Detailed notes on all funds (Continued)

Authorized Investments

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

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

City Treasurer	\$ 11,100,971
Fiscal Agents (Bond trustees for the City and its component units)	5,824,531
	\$ 16,925,502

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.

**CITY OF TEHACHAPI
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

(3) Detailed notes on all funds (Continued)

A. Deposits and investments (Continued)

Authorized Investments (Continued)

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.

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, 2010 Fitch's and Moody's rated the City's investments, except for those investments held by its bond trustees and the California LAIF, as A and AA. 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 Treasury Money Fund	Money fund	\$ 3,014,401
Morgan Stanley Smith Barney	Negotiable certificate of deposit	1,020,885

Custodial Credit Risk

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

**CITY OF TEHACHAPI
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

(3) Detailed notes on all funds (Continued)

B. Restricted Cash

Included in cash and investments are restricted cash assets of \$4,210,465 held by the various bond trustees and fiscal agents, and \$78,422 and \$39,828 of customer deposits in the Water Utility and Airport Funds, respectively.

C. Receivables

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

	General Fund	RDA Low Moderate Housing Fund	RDA Debt Service	Railroad Depot	Nonmajor Fund	Total
Governmental Activities						
Taxes	\$ 709,993	\$ 36,952	\$ 110,857	\$ 420,882	\$ 219,152	\$ 1,497,836
Others	46,337	-	-	-	33,061	79,398
Net total receivables	<u>\$ 756,330</u>	<u>\$ 36,952</u>	<u>\$ 110,857</u>	<u>\$ 420,882</u>	<u>\$ 252,213</u>	<u>\$ 1,577,234</u>

	Water Fund	Sewer Fund	Refuse Fund	Airport Fund	Nonmajor Fund	Total	Fiduciary Funds
Business Type Activities							
Others	\$ 265,260	\$ 231,578	\$ 145,593	\$ 4,474	\$ 32,013	\$ 678,918	\$ 51,777
Gross receivables	265,260	231,578	145,593	4,474	32,013	678,918	51,777
Less: Allowance for uncollectibles	(5,302)	(4,894)	(2,905)	-	-	(13,101)	-
Net total receivables	<u>\$ 259,958</u>	<u>\$ 226,684</u>	<u>\$ 142,688</u>	<u>\$ 4,474</u>	<u>\$ 32,013</u>	<u>\$ 665,817</u>	<u>\$ 51,777</u>

**CITY OF TEHACHAPI
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

(3) Detailed notes on all funds (Continued)

D. Capital assets

Capital asset activity for the year ended June 30, 2010 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 927,662	\$ 13,345	\$ -	\$ 941,007
Construction in progress	1,930,747	1,493,870	(776,045)	2,648,572
Total capital assets, not being depreciated	<u>2,858,409</u>	<u>1,507,215</u>	<u>(776,045)</u>	<u>3,589,579</u>
Capital assets, being depreciated:				
Buildings	2,568,080	1,474,079	-	4,042,159
Machinery and equipment	2,971,477	11,380	-	2,982,857
Improvements other than building	17,905,377	888,867	-	18,794,244
Parks	277,862	-	-	277,862
Total capital assets being depreciated	<u>23,722,796</u>	<u>2,374,326</u>	<u>-</u>	<u>26,097,122</u>
Less accumulated depreciation for:				
Buildings	(1,009,464)	(104,345)	-	(1,113,809)
Machinery and equipment	(1,958,363)	(337,348)	-	(2,295,711)
Improvements other than building	(1,626,027)	(634,811)	-	(2,260,838)
Parks	(6,966)	(6,947)	-	(13,913)
Total accumulated depreciation	<u>(4,600,820)</u>	<u>(1,083,451)</u>	<u>-</u>	<u>(5,684,271)</u>
Total capital assets, being depreciated, net	<u>19,121,976</u>	<u>1,290,875</u>	<u>-</u>	<u>20,412,851</u>
Governmental activities capital assets, net	<u>\$ 21,980,385</u>	<u>\$ 2,798,090</u>	<u>\$ (776,045)</u>	<u>\$ 24,002,430</u>

**CITY OF TEHACHAPI
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

(3) Detailed notes on all funds (Continued)

D. Capital assets (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 2,150,575	\$ 119,829	\$ -	\$ 2,270,404
Construction in progress	1,368,915	80,010	-	1,448,925
Total capital assets, not being depreciated	<u>3,519,490</u>	<u>199,839</u>	<u>-</u>	<u>3,719,329</u>
Capital assets, being depreciated:				
Buildings	11,125,195	-	-	11,125,195
Machinery and equipment	1,637,899	20,391	-	1,658,290
Improvements other than building	10,600,986	-	-	10,600,986
Total capital assets being depreciated	<u>23,364,080</u>	<u>20,391</u>	<u>-</u>	<u>23,384,471</u>
Less accumulated depreciation for:				
Buildings	(6,609,167)	(324,440)	-	(6,933,607)
Machinery and equipment	(806,207)	(91,579)	-	(897,786)
Improvements other than building	(2,312,657)	(616,503)	-	(2,929,160)
Total accumulated depreciation	<u>(9,728,031)</u>	<u>(1,032,522)</u>	<u>-</u>	<u>(10,760,553)</u>
Total capital assets, being depreciated, net	<u>13,636,049</u>	<u>(1,012,131)</u>	<u>-</u>	<u>12,623,918</u>
Business-type activities capital assets, net	<u>\$ 17,155,539</u>	<u>\$ (812,292)</u>	<u>\$ -</u>	<u>\$ 16,343,247</u>

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

Governmental activities:	
General government	<u>\$ 1,083,451</u>
Total depreciation expense - governmental activities	<u>\$ 1,083,451</u>
Business-type activities	
Water	\$ 270,304
Sewer	355,172
Airport	407,046
Total depreciation expense - business-type activities	<u>\$ 1,032,522</u>

**CITY OF TEHACHAPI
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

(3) Detailed notes on all funds (Continued)

D. Capital assets (Continued)

Construction commitments

The City has active construction projects as of June 30, 2010. At year-end the City's commitments with contractors are as follows:

<u>Project</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
General Plan Update	\$ 531,350	\$ 98,800
Valley and Mountain View Signalization	259,014	31,576
Centennial Plaza	120,145	396,610
Total	<u>\$ 910,509</u>	<u>\$ 526,986</u>

E. Inter-fund receivables, payables, and transfers

The composition of inter-fund balances as of June 30, 2010 is as follows:

	<u>Receivable Fund</u>	<u>Payable Fund</u>
General Fund	\$ 2,279,741	\$ -
RDA Fund	1,370,000	-
Railroad Depot	-	1,101,949
	<u>3,649,741</u>	<u>1,101,949</u>
Special Revenue:		
Community Development Grant	-	2,175
Lighting District	-	97,855
Mill & H Improvements	-	7,545
Safe Route To School (Anita/Snyder)	-	16,009
Surface Transfer Program	-	215,492
TDA 3 Bike Safety	-	282
	<u>-</u>	<u>339,358</u>
Capital Projects:		
Tehachapi Centennial Plaza	-	89,082
Downtown Master	-	16,794
Energy Efficiency Conservation	-	50
	<u>-</u>	<u>105,926</u>

**CITY OF TEHACHAPI
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

(3) Detailed notes on all funds (Continued)

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

	<u>Receivable Fund</u>	<u>Payable Fund</u>
Enterprise Funds:		
Airport Fund	-	645,365
Transit Fund	-	19,535
Water Utility Fund	1,315,521	2,685,521
	<u>1,315,521</u>	<u>3,350,421</u>
Trust and Agency Funds:		
Summit 89-2	-	67,608
	<u>\$ 4,965,262</u>	<u>\$ 4,965,262</u>

Advances to/from consist of the following at June 30, 2010:

	<u>Receivable Fund</u>	<u>Payable Fund</u>
General Fund	\$ 98,233	\$ -
Trust and Agency Funds:		
Summit 89-2	98,233	98,233
Special Districts Revolving Fund	-	98,233
	<u>\$ 196,466</u>	<u>\$ 196,466</u>

Operating transfers consist of the following at June 30, 2010:

General Fund:		
Transfer to Airport Fund		\$ 3,467
Transfer to Lighting District		3,832
		<u>7,299</u>
Special Revenue Funds:		
Gas Tax Fund		
Transfer to TDA 3 Bike Safety Grant Project		100,000
Streets and Roads Fund		
Transfer to Gas Tax Fund		267,636
Transfer to Curry Rehabilitation Project		140,234
Community Development Grant		
Transfer to Park and Recreation Fund		119,813
		<u>627,683</u>
Capital Projects Funds:		
Beekay Theater Fund		
Transfer to RDA Project Fund		216,836
		<u>216,836</u>

**CITY OF TEHACHAPI
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

(3) Detailed notes on all funds (Continued)

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

RDA Fund:

Transfer to Community Development Grant Project	119,813
Transfer to TDA 3 Bike Safety Grant Project	403,691
Transfer to Railroad Depot Project	100,000
Transfer to Beekay Theater Fund	85,311
Transfer to Downtown Masterplan Implementation Project	100,000
Transfer to TEA Grant Downtown Beautification Project	5,409
Transfer to Green/Robinson/F Street Downtown Improvement Project	213,000
Transfer to Centennial Plaza Project	68,973
Transfer to Challenger Drive Extension Project	280,000
Transfer to Mill & H Improvement Project	27,000
Transfer to Safe Route to School Project	10,000
Transfer to Sewer Utility Fund	75,000
Transfer to General Fund (TDA Grant Project)	149,110
	<u>1,637,307</u>
	<u>\$ 2,489,125</u>

F. Other Assets

Other assets at June 30, 2010 consist of the following:

	Trust and Agency Fund	Total
Foreclosure receivables	\$ 217,291	\$ 217,291

Foreclosure Receivables

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

Joint venture in recycling project

During the year ended June 30, 1991, the City invested \$235,000 in a joint venture recycling plant with Benz Sanitation, a local sanitation company. The investment does not result in title to the plant. The City does, however, have a profit-sharing interest of 5% of the gross profits and is held free from responsibility for any debts and obligations of the recycling project. The City did not receive a profit sharing payment for the year ending June 30, 2010.

**CITY OF TEHACHAPI
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

(3) Detailed notes on all funds (Continued)

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:

	Governmental Activities	Business Activities
Asset:		
Goodrick Drive	\$ 955,570	\$ 195,719
Machinery and equipment	49,625	305,428
Less: Accumulated depreciation	(368,405)	(177,777)
Total	\$ 636,790	\$ 323,370

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2010, were as follows:

Year Ending June 30,	Governmental Activities	Business Activities
2011	\$ 48,688	\$ 35,364
2012	48,676	35,361
2013	48,663	35,358
2014	48,649	35,356
2015	48,635	35,353
2016-2020	242,952	176,718
2021-2025	242,533	49,675
2026-2030	242,041	49,575
2031-2033	96,660	19,798
	1,067,497	472,558
Less amount representing interest	(301,496)	(115,244)
Present value of net minimum lease payments	\$ 766,001	\$ 357,314

**CITY OF TEHACHAPI
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

(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, 2010, was as follows:

	July 1, 2009	Additions	Deletions	June 30, 2010	Due Within One Year
Governmental activities:					
Bonds payable	\$ 17,440,000	\$ -	\$ 270,000	\$17,170,000	\$ 335,000
Less deferred amounts:					
For issuance discounts	(287,468)	-	(609)	\$ (286,859)	-
Total bonds payable	17,152,532	-	269,391	16,883,141	335,000
Capital leases	789,733	-	23,731	766,002	24,493
Compensated absences	192,663	29,594	-	222,257	-
Governmental activity					
Long-term liabilities	<u>\$ 18,134,928</u>	<u>\$ 29,594</u>	<u>\$ 293,122</u>	<u>\$17,871,400</u>	<u>\$ 359,493</u>

	July 1, 2009	Additions	Deletions	June 30, 2010	Due Within One Year
Business-type activities:					
2004 Forward Refunding Revenue Bond	\$ 3,295,000	\$ -	\$ 125,000	\$ 3,170,000	\$ 125,000
1993 State Revolving Loan	897,570	-	169,061	728,509	174,133
1998 Sewer and Water COP	252,300	-	4,400	247,900	4,600
2000 Sewer and Water COP	2,145,000	-	200,000	1,945,000	215,000
Less deferred amounts:					
For issuance discounts	(139,162)	-	(13,748)	(125,414)	-
Total bonds payable	6,450,708	-	484,713	5,965,995	518,733
Department of Transportation					
Loan	88,016	-	8,471	79,545	8,956
Capital leases	377,735	-	20,421	357,314	21,289
Business-type activity					
Long-term liabilities	<u>\$ 6,916,459</u>	<u>\$ -</u>	<u>\$ 513,605</u>	<u>\$ 6,402,854</u>	<u>\$ 548,978</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, 2009 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 1st and December 1st 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, 2010**

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

H. Long term debt (Continued)

Governmental Activities (Continued)

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

2005 - Bonds		
Year Ending June 30,	Principal	Interest
2011	\$ 175,000	\$ 392,715
2012	185,000	385,626
2013	190,000	378,109
2014	195,000	370,256
2015	205,000	362,064
2016-2020	1,155,000	1,668,968
2021-2025	1,455,000	1,373,330
2026-2030	1,815,000	979,106
2031-2035	2,345,000	450,461
2036	540,000	13,826
Total	\$ 8,260,000	\$ 6,374,461

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 for the 2007 Bonds which fund the special escrow fund, to provide money to meet the parity reserve fund requirement for the 2007 Bonds and the 2005 Bonds 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 1st and December 1st of each year commencing June 1, 2009. 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, 2010**

(3) Detailed notes on all funds (Continued)

H. Long term debt (Continued)

Governmental Activities (Continued)

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

2007 - Bonds		
Year Ending June 30,	Principal	Interest
2011	\$ 160,000	\$ 447,309
2012	165,000	440,226
2013	175,000	432,650
2014	175,000	424,785
2015	185,000	416,686
2016-2020	1,070,000	1,939,753
2021-2025	1,360,000	1,642,509
2026-2030	1,740,000	1,252,989
2031-2035	2,235,000	743,039
2036-2038	1,645,000	134,034
Total	\$ 8,910,000	\$ 7,873,980

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, 2010 are as follows:

Description	Interest Rates	Amounts
2004 Water and Sewer Revenue Forward Refunding	4.00% (average)	\$ 3,170,000
1993 State Revolving Loan	3.00%	728,509
1998 Sewer and Water COP	4.50%	247,900
2000 Sewer and Water COP	5.51% (average)	1,945,000
Department of Transportation Loan Fuel Tank	5.05%	79,545
		6,170,954
Less: Unamortized discount		(125,414)
		\$ 6,045,540

**CITY OF TEHACHAPI
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

(3) Detailed notes on all funds (Continued)

H. Long term debt (Continued)

Business Activities (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
2011	\$ 340,000	\$ 227,661
2012	355,000	212,094
2013	375,000	194,831
2014	405,000	175,819
2015	440,000	154,706
2016-2020	2,595,000	447,943
2021	605,000	24,956
	<u>\$ 5,115,000</u>	<u>\$ 1,438,010</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
2011	\$ 174,133	\$ 21,855
2012	179,357	16,631
2013	184,738	11,251
2014	190,271	5,708
Total	<u>\$ 728,499</u>	<u>\$ 55,445</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, 2010**

(3) Detailed notes on all funds (Continued)

H. Long term debt (Continued)

State Revolving Loan (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
2011	\$ 4,600	\$ 11,156
2012	4,800	10,948
2013	5,000	10,732
2014	5,300	10,508
2015	5,400	10,269
2016-2020	31,200	47,441
2021-2025	38,900	39,767
2026-2030	48,800	30,137
2031-2035	60,600	18,171
2036-2038	43,300	3,956
Total	\$ 247,900	\$ 193,085

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
2011	\$ 8,956	\$ 4,017
2012	9,440	3,565
2013	9,924	3,088
2014	10,408	2,587
2015	10,892	2,061
2016-2018	29,926	2,786
Total	\$ 79,546	\$ 18,104

**CITY OF TEHACHAPI
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

(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 \$2,725,000 at June 30, 2010.

Due to delinquent annual levies amounting to \$2,335,663, limited obligation bonds amounting to \$1,045,000 (principal only) are in default at June 30, 2010.

**CITY OF TEHACHAPI
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

(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, 2009 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, 2009 (the most recent information available), are presented below:

	(In Thousands)
Total Assets	\$ 63,349
Total Liabilities	54,046
Total Net Assets	9,303
Total Liabilities and Net Assets	\$ 63,349
Total Operating Revenues for Year	24,022
Total Operating Expenses for Year	28,433
Operating Loss for Year	\$ (4,411)

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, 2010**

(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 City Ordinance 05-04-679. 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 2009-10 was 8.916%. 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.

As of June 30, 2008 the City's Miscellaneous Plan membership consisted of 42 active, 9 transferred, 9 separated, and 23 retired.

Annual Pension Cost

For fiscal year 2009-10, the estimated City's annual pension cost was \$199,350 and the City actually contributed \$172,012. The required contribution for fiscal year 2009-10 was determined as part of the June 30, 2008 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% compounded annually for overall 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, 2010**

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

B. City employee retirement plans (Continued)

Miscellaneous Plan (Continued)

Three-Year Trend Information for the Miscellaneous Plan

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2008	\$ 178,183	100.00%	\$ -
6/30/2009	188,420	100.00%	-
6/30/2010	172,012	100.00%	-

Safety Fire Plan:

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

As of June 30, 2008, the City's Safety Fire Plan membership consisted of 8 transferred, 3 separated, and 1 retired.

Trend Information for the Fire Safety Plan

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2008	43,412	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 City Ordinance 07-07-692. 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.

**CITY OF TEHACHAPI
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

(4) Other information (Continued)

B. City employee retirement plans (Continued)

Safety Police Plan (Continued)

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 2009-10 was 16.894% for 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.

As of June 30, 2008, the City's Safety Police Plan membership consists of 13 active, 3 transferred, and 14 retired.

Annual Pension Cost

For fiscal year 2009-10, the estimated City's annual pension cost was \$124,343 and the City actually contributed \$206,660. The required contribution for fiscal year 2009-10 was determined as part of the June 30, 2008 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

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2008	\$ 208,945	100.00%	\$ -
6/30/2009	127,716	100.00%	-
6/30/2010	206,660	100.00%	-

**CITY OF TEHACHAPI
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

(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, 2010.

D. Reserved fund balances

Fund balances that are not available for appropriation at June 30, 2010 are reserved for the following purposes:

	General Fund	RDA Funds	Total
Reserved:			
Notes receivable	\$ 195,344	\$ -	\$ 195,344
Prepays	84,620	-	84,620
Advances to other funds	98,233	-	98,233
Debt Service	-	118,133	118,133
Low Mod Housing	-	472,534	472,534
	<u>\$ 378,197</u>	<u>\$ 590,667</u>	<u>\$ 968,864</u>

E. State of California Budget Bill ABX4-26

This bill is part of the 2009 State budget which authorizes a shift of tax increment revenue, \$1.7 billion from the current budget year and \$2.05 billion in the fiscal year 2010-2011, from redevelopment agencies to school districts. The California Redevelopment Association has filed a lawsuit to challenge the constitutionality of ABX4-26 and seeks to prevent the state from taking redevelopment funds for non-development purposes.

F. Proposition 1A Borrowing by the State of California

Under the provisions of Proposition 1A and as part of the 2009-10 budget package passed by the California state legislature on July 28, 2009, the State of California borrowed 8% of the amount of property tax revenue, including those property taxes associated with the in-lieu motor vehicle license fee, the triple flip in lieu sales tax, and supplemental property tax, apportioned to cities, counties and special districts (excluding redevelopment agencies). The state is required to repay this borrowing plus interest by June 30, 2013. After repayment of this initial borrowing, the California legislature may

**CITY OF TEHACHAPI
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

(4) Other information (Continued)

F. Proposition 1A Borrowing by the State of California (Continued)

consider only one additional borrowing within a ten-year period. The amount of this borrowing pertaining to the City of Tehachapi was \$195,344.

This borrowing by the State of California was recognized as a receivable in the accompanying financial statements. Under the modified accrual basis of accounting, the borrowed tax revenues are not permitted to be recognized as revenue in the governmental fund financial statements until the tax revenues are received from the State of California (expected to be fiscal year 2012-13). In the government-wide financial statements, the tax revenues were recognized in the fiscal year for which they were levied (fiscal year 2009-10).

G. Prior Period Adjustment

During the current year, it was determined that prior year depreciation expense for various capital assets totaling \$251,453 was incorrectly omitted from the Airport Fund. To correct this error, the beginning fund balance of the Airport Fund of \$2,000,258, as originally reported, has been decreased to \$1,748,805. In addition, beginning net assets for business-type activities of \$12,989,430, as originally reported, have been decreased to \$12,737,977.

H. Subsequent Events

On October 26, 2010, the City made a lump sum payment of \$2,034,855 to pay off the remaining balance of the 2000 Sewer and Water COP which amounted to \$1,945,000 of principal payment and \$89,855 of interest payment.

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF TEHACHAPI
SCHEDULE OF FUNDING PROGRESS
FOR THE YEAR ENDED JUNE 30, 2010**

California Public Employees' Retirement System Plan

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded (Excess Assets) AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
Miscellaneous Plan						
6/30/2006	\$ 2,492,226,176	\$ 2,754,396,608	\$ 262,170,432	90.48%	\$ 699,897,835	37.46%
6/30/2007	2,391,434,447	2,611,746,790	220,312,343	91.56%	665,522,859	33.10%
6/30/2008	2,547,323,278	2,780,280,768	232,957,490	91.62%	688,606,681	33.83%
Safety Fire Plan						
6/30/2006	371,203,956	389,558,550	18,354,594	95.29%	-	0.00%
6/30/2007	377,230,242	391,672,319	14,442,077	96.31%	-	0.00%
6/30/2008	390,402,716	399,268,718	8,866,002	97.78%	-	0.00%
Safety Police Plan						
6/30/2006	6,102,615,567	7,278,049,834	1,175,434,267	83.85%	754,730,438	155.74%
6/30/2007	6,826,599,459	7,986,055,176	1,159,455,717	85.48%	831,607,658	139.42%
6/30/2008	7,464,927,716	8,700,467,733	1,235,540,017	85.80%	914,840,596	135.06%

**CITY OF TEHACHAPI
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2010**

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Grants	\$ -	\$ 100,000	\$ 107,035	\$ 7,035
Property taxes	753,343	838,506	987,471	148,965
Sales taxes	1,506,321	1,395,534	1,447,323	51,789
Other taxes	653,196	612,281	566,260	(46,021)
Licenses and permits	1,151,760	1,176,404	1,176,769	365
Interest	40,000	70,000	77,035	7,035
Miscellaneous	462,700	416,698	582,412	165,714
Total revenues	<u>4,567,320</u>	<u>4,609,423</u>	<u>4,944,305</u>	<u>334,882</u>
EXPENDITURES				
Current:				
General government	690,295	605,365	691,859	(86,494)
Administration	161,700	149,595	154,623	(5,028)
Public works	1,032,971	975,643	877,869	97,774
Planning	327,528	311,136	264,164	46,972
Fire department	63,300	63,300	63,431	(131)
Police	2,189,144	2,178,721	2,154,979	23,742
Council	23,332	32,681	48,314	(15,633)
City Clerk	60,803	56,791	66,734	(9,943)
Treasurer	2,587	7,250	22,318	(15,068)
Parks	-	7,000	3,314	3,686
Capital outlay:				
General government	26,750	27,235	11,380	15,855
Total expenditures	<u>4,578,410</u>	<u>4,414,717</u>	<u>4,358,985</u>	<u>55,732</u>
Excess (deficiency) of revenues under expenditures	<u>(11,090)</u>	<u>194,706</u>	<u>585,320</u>	<u>390,614</u>
OTHER FINANCING SOURCES				
Transfers in	-	-	149,110	149,110
Transfers out	-	(12,832)	(7,299)	5,533
Total other financing sources	<u>-</u>	<u>(12,832)</u>	<u>141,811</u>	<u>154,643</u>
Change in fund balances	(11,090)	181,874	727,131	545,257
Fund balance - beginning	<u>4,343,834</u>	<u>4,343,834</u>	<u>4,343,834</u>	<u>-</u>
Fund balance - ending	<u>\$ 4,332,744</u>	<u>\$ 4,525,708</u>	<u>\$ 5,070,965</u>	<u>\$ 545,257</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, 2010**

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Property taxes	\$ 444,694	\$ 444,694	\$ 407,926	\$ (36,768)
Interest	20,000	15,000	26,252	11,252
Total revenues	<u>464,694</u>	<u>459,694</u>	<u>434,178</u>	<u>(25,516)</u>
EXPENDITURES				
Current:				
Administration	152,500	100,348	87,198	13,150
Debt service:				
Interest expense	170,387	170,387	170,456	(69)
Principal	54,000	54,000	54,000	-
Total expenditures	<u>376,887</u>	<u>324,735</u>	<u>311,654</u>	<u>13,081</u>
Excess (deficiency) of revenues under expenditures	<u>87,807</u>	<u>134,959</u>	<u>122,524</u>	<u>(12,435)</u>
Change in fund balances	87,807	134,959	122,524	(12,435)
Fund balance - beginning	<u>3,902,792</u>	<u>3,902,792</u>	<u>3,902,792</u>	<u>-</u>
Fund balance - ending	<u>\$ 3,990,599</u>	<u>\$ 4,037,751</u>	<u>\$ 4,025,316</u>	<u>\$ (12,435)</u>

**CITY OF TEHACHAPI
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
RDA FUND
FOR THE YEAR ENDED JUNE 30, 2010**

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Property taxes	\$ 1,228,567	\$ 1,228,567	\$ 1,222,541	\$ (6,026)
Interest	10,000	30,000	44,892	14,892
Total revenues	<u>1,238,567</u>	<u>1,258,567</u>	<u>1,267,433</u>	<u>8,866</u>
EXPENDITURES				
Current:				
Administration	532,001	931,140	787,020	144,120
Public works	50,000	180,000	24,076	155,924
Capital outlay:				
Public works	405,000	405,000	326,142	78,858
Debt service:				
Interest expense	681,546	681,546	681,823	(277)
Principal	216,000	216,000	216,000	-
Total expenditures	<u>1,884,547</u>	<u>2,413,686</u>	<u>2,035,061</u>	<u>378,625</u>
Excess (deficiency) of revenues under expenditures	<u>(645,980)</u>	<u>(1,155,119)</u>	<u>(767,628)</u>	<u>387,491</u>
OTHER FINANCING SOURCES				
Transfers in	-	-	216,836	216,836
Transfers out	<u>(2,551,526)</u>	<u>(1,488,197)</u>	<u>(1,637,308)</u>	<u>(149,111)</u>
Total other financing sources	<u>(2,551,526)</u>	<u>(1,488,197)</u>	<u>(1,420,472)</u>	<u>67,725</u>
Change in fund balances	(3,197,506)	(2,643,316)	(2,188,100)	455,216
Fund balance - beginning	<u>6,242,813</u>	<u>6,242,813</u>	<u>6,242,813</u>	<u>-</u>
Fund balance - ending	<u>\$ 3,045,307</u>	<u>\$ 3,599,497</u>	<u>\$ 4,054,713</u>	<u>\$ 455,216</u>

**CITY OF TEHACHAPI
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
RAILROAD DEPOT
FOR THE YEAR ENDED JUNE 30, 2010**

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Miscellaneous	\$ -	\$ 214,571	\$ 420,157	\$ 205,586
Total revenues	-	214,571	420,157	205,586
EXPENDITURES				
Capital outlay:				
Planning	500,000	1,037,000	1,270,496	(233,496)
Total expenditures	500,000	1,037,000	1,270,496	(233,496)
Excess (deficiency) of revenues under expenditures	(500,000)	(822,429)	(850,339)	(27,910)
OTHER FINANCING SOURCES				
Transfers in	100,000	100,000	100,000	-
Total other financing sources	100,000	100,000	100,000	-
Change in fund balances	(400,000)	(722,429)	(750,339)	(27,910)
Fund balance - beginning	61,682	61,682	61,682	-
Fund balance - ending	<u>\$ (338,318)</u>	<u>\$ (660,747)</u>	<u>\$ (688,657)</u>	<u>\$ (27,910)</u>

SUPPLEMENTARY INFORMATION

**CITY OF TEHACHAPI
COMBINING BALANCE SHEET
NONMAJOR
GOVERNMENTAL FUNDS
JUNE 30, 2010**

	Special Revenue	Capital Projects	Total Nonmajor
ASSETS			
Cash and short-term investments	\$ 1,606,594	\$ 1,392,540	\$ 2,999,134
Receivables (net allowances)	252,213	-	252,213
 Total assets	 \$ 1,858,807	 \$ 1,392,540	 \$ 3,251,347
 LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 358,521	\$ 101,108	\$ 459,629
Due to other funds	339,358	105,926	445,284
Deferred revenue	153,615	-	153,615
 Total liabilities	 851,494	 207,034	 1,058,528
 Fund balances:			
Unreserved	1,007,313	1,185,506	2,192,819
 Total fund balances	 1,007,313	 1,185,506	 2,192,819
 Total liabilities and fund balances	 \$ 1,858,807	 \$ 1,392,540	 \$ 3,251,347

**CITY OF TEHACHAPI
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2010**

	Special Revenue	Capital Projects	Total Nonmajor
REVENUES			
Grants	\$ 672,832	\$ -	\$ 672,832
Property taxes	250,789	-	250,789
Other taxes	332,249	-	332,249
Other sources of funds	798,631	-	798,631
Interest	11,050	5,491	16,541
	<u>2,065,551</u>	<u>5,491</u>	<u>2,071,042</u>
EXPENDITURES			
Current:			
Administration	24,840	-	24,840
Public works	745,522	154,538	900,060
Planning	12,002	42,647	54,649
Capital outlay:			
Public works	465,736	90,013	555,749
Planning	745,086	316,266	1,061,352
Debt service:			
Interest expense	24,970	-	24,970
Principal	23,731	-	23,731
	<u>2,041,887</u>	<u>603,464</u>	<u>2,645,351</u>
Excess (deficiency) of revenues over (under) expenditures	<u>23,664</u>	<u>(597,973)</u>	<u>(574,309)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	977,615	867,097	1,844,712
Transfers out	<u>(527,683)</u>	<u>(216,836)</u>	<u>(744,519)</u>
Total other financing sources (uses)	<u>449,932</u>	<u>650,261</u>	<u>1,100,193</u>
Net change in fund balances	473,596	52,288	525,884
Fund balances - beginning	<u>533,717</u>	<u>1,133,218</u>	<u>1,666,935</u>
Fund balances - ending	<u>\$ 1,007,313</u>	<u>\$ 1,185,506</u>	<u>\$ 2,192,819</u>

**CITY OF TEHACHAPI
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2010**

	<u>Streets and Roads</u>	<u>Traffic Signals</u>	<u>TDA 3 Bike Safety</u>
ASSETS			
Cash and short-term investments	\$ 69,170	\$ 777,733	\$ -
Receivables (net allowances)	<u>84,445</u>	<u>-</u>	<u>282</u>
 Total assets	 <u>\$ 153,615</u>	 <u>\$ 777,733</u>	 <u>\$ 282</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ -	\$ 249,321	\$ -
Due to other funds	-	-	282
Deferred revenue	<u>153,615</u>	<u>-</u>	<u>-</u>
 Total liabilities	 <u>153,615</u>	 <u>249,321</u>	 <u>282</u>
 Fund balances:			
Unreserved	<u>-</u>	<u>528,412</u>	<u>-</u>
 Total fund balances	 <u>-</u>	 <u>528,412</u>	 <u>-</u>
 Total liabilities and fund balances	 <u>\$ 153,615</u>	 <u>\$ 777,733</u>	 <u>\$ 282</u>

**CITY OF TEHACHAPI
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2010**

	Surface Transportation Program	TEA Grant Downtown Beautification	Beverage Container Recycling
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and short-term investments	\$ -	\$ -	\$ 5,189
Receivables (net allowances)	92,697	-	-
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 92,697</u>	<u>\$ -</u>	<u>\$ 5,189</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 42,465	\$ -	\$ -
Due to other funds	215,492	-	-
Deferred revenue	-	-	-
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>257,957</u>	<u>-</u>	<u>-</u>
Fund balances:			
Unreserved	<u>(165,260)</u>	<u>-</u>	<u>5,189</u>
	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>(165,260)</u>	<u>-</u>	<u>5,189</u>
	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balances	<u>\$ 92,697</u>	<u>\$ -</u>	<u>\$ 5,189</u>

**CITY OF TEHACHAPI
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2010**

	<u>Lighting District</u>	<u>Community Development Grant</u>	<u>Gas Tax</u>
ASSETS			
Cash and short-term investments	\$ 228,504	\$ -	\$ 85,778
Receivables (net allowances)	<u>33,060</u>	<u>-</u>	<u>34,775</u>
Total assets	<u>\$ 261,564</u>	<u>\$ -</u>	<u>\$ 120,553</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 14,334	\$ -	\$ 23,361
Due to other funds	97,856	2,174	-
Deferred revenue	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>112,190</u>	<u>2,174</u>	<u>23,361</u>
Fund balances:			
Unreserved	<u>149,374</u>	<u>(2,174)</u>	<u>97,192</u>
Total fund balances	<u>149,374</u>	<u>(2,174)</u>	<u>97,192</u>
Total liabilities and fund balances	<u>\$ 261,564</u>	<u>\$ -</u>	<u>\$ 120,553</u>

**CITY OF TEHACHAPI
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2010**

	Mill & H Improvements ARRA Project	Safe Route to School Fund	Valley Blvd Improvement Project
ASSETS			
Cash and short-term investments	\$ -	\$ -	\$ 395,870
Receivables (net allowances)	6,454	-	-
	<u>6,454</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 6,454</u>	<u>\$ -</u>	<u>\$ 395,870</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 8,160	\$ 7,247	\$ 13,633
Due to other funds	7,545	16,009	-
Deferred revenue	-	-	-
	<u>15,705</u>	<u>23,256</u>	<u>13,633</u>
Total liabilities	<u>15,705</u>	<u>23,256</u>	<u>13,633</u>
Fund balances:			
Unreserved	<u>(9,251)</u>	<u>(23,256)</u>	<u>382,237</u>
Total fund balances	<u>(9,251)</u>	<u>(23,256)</u>	<u>382,237</u>
Total liabilities and fund balances	<u>\$ 6,454</u>	<u>\$ -</u>	<u>\$ 395,870</u>

**CITY OF TEHACHAPI
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2010**

	Oil Recycling Grant Fund	Facility Impact Fee Fund	Total Nonmajor
ASSETS			
Cash and short-term investments	\$ 405	\$ 43,945	\$ 1,606,594
Receivables (net allowances)	500	-	252,213
Total assets	<u>\$ 905</u>	<u>\$ 43,945</u>	<u>\$ 1,858,807</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ 358,521
Due to other funds	-	-	339,358
Deferred revenue	-	-	153,615
Total liabilities	<u>-</u>	<u>-</u>	<u>851,494</u>
Fund balances:			
Unreserved	905	43,945	1,007,313
Total fund balances	<u>905</u>	<u>43,945</u>	<u>1,007,313</u>
Total liabilities and fund balances	<u>\$ 905</u>	<u>\$ 43,945</u>	<u>\$ 1,858,807</u>

**CITY OF TEHACHAPI
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 FOR YEAR ENDED JUNE 30, 2010**

	Streets and Roads	Traffic Signals	TDA 3 Bike Safety
REVENUES			
Grants	\$ -	\$ -	\$ 556,000
Property taxes	-	-	-
Other taxes	-	-	-
Other sources of funds	404,853	326,850	19,161
Interest	2,057	4,742	-
	<u>406,910</u>	<u>331,592</u>	<u>575,161</u>
EXPENDITURES			
Current:			
Administration	-	-	-
Public works	-	-	-
Planning	-	1	-
Capital outlay:			
Public works	-	465,736	-
Planning	-	-	283,119
Debt service:			
Interest expense	-	-	-
Principal	-	-	-
	<u>-</u>	<u>465,737</u>	<u>283,119</u>
Total expenditures	-	465,737	283,119
Excess of revenues over expenditures	<u>406,910</u>	<u>(134,145)</u>	<u>292,042</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	503,691
Transfers out	<u>(407,870)</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(407,870)</u>	<u>-</u>	<u>503,691</u>
Net change in fund balances	(960)	(134,145)	795,733
Fund balances - beginning	<u>960</u>	<u>662,557</u>	<u>(795,733)</u>
Fund balances - ending	<u>\$ -</u>	<u>\$ 528,412</u>	<u>\$ -</u>

**CITY OF TEHACHAPI
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR YEAR ENDED JUNE 30, 2010**

	Surface Transportation Program	TEA Grant Downtown Beautification	Beverage Container Recycling
REVENUES			
Grants	\$ 97,899	\$ -	\$ 5,000
Property taxes	-	-	-
Other taxes	-	-	-
Other sources of funds	-	-	-
Interest	-	-	1
	<hr/>	<hr/>	<hr/>
Total revenues	97,899	-	5,001
EXPENDITURES			
Current:			
Administration	-	-	-
Public works	-	-	-
Planning	-	-	-
Capital outlay:			
Public works	-	-	-
Planning	373,101	-	-
Debt service:			
Interest expense	-	-	-
Principal	-	-	-
	<hr/>	<hr/>	<hr/>
Total expenditures	373,101	-	-
Excess of revenues over expenditures	<u>(275,202)</u>	<u>-</u>	<u>5,001</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	140,234	5,409	-
Transfers out	-	-	-
	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	140,234	5,409	-
Net change in fund balances	(134,968)	5,409	5,001
Fund balances - beginning	<u>(30,292)</u>	<u>(5,409)</u>	<u>188</u>
Fund balances - ending	<u>\$ (165,260)</u>	<u>\$ -</u>	<u>\$ 5,189</u>

**CITY OF TEHACHAPI
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR YEAR ENDED JUNE 30, 2010**

	Lighting District	Community Development Grant	Gas Tax
REVENUES			
Grants	\$ -	\$ -	\$ -
Property taxes	250,789	-	-
Other taxes	-	-	332,249
Other sources of funds	-	-	4,000
Interest	1,448	-	329
	<u>252,237</u>	<u>-</u>	<u>336,578</u>
Total revenues			
EXPENDITURES			
Current:			
Administration	24,840	-	-
Public works	231,588	-	513,865
Planning	12,001	-	-
Capital outlay:			
Public works	-	-	-
Planning	-	-	-
Debt service:			
Interest expense	-	-	24,970
Principal	-	-	23,731
	<u>268,429</u>	<u>-</u>	<u>562,566</u>
Total expenditures			
Excess of revenues over expenditures	<u>(16,192)</u>	<u>-</u>	<u>(225,988)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	3,832	119,813	167,636
Transfers out	-	(119,813)	-
	<u>3,832</u>	<u>-</u>	<u>167,636</u>
Total other financing sources (uses)			
Net change in fund balances	(12,360)	-	(58,352)
Fund balances - beginning	161,734	(2,174)	155,544
Fund balances - ending	<u>\$ 149,374</u>	<u>\$ (2,174)</u>	<u>\$ 97,192</u>

**CITY OF TEHACHAPI
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 FOR YEAR ENDED JUNE 30, 2010**

	Mill & H Improvements ARRA Project	Safe Route to School Fund	Valley Blvd Improvement Project
REVENUES			
Grants	\$ 13,433	\$ -	\$ -
Property taxes	-	-	-
Other taxes	-	-	-
Other sources of funds	-	-	-
Interest	-	-	2,294
	<u>13,433</u>	<u>-</u>	<u>2,294</u>
Total revenues	<u>13,433</u>	<u>-</u>	<u>2,294</u>
EXPENDITURES			
Current:			
Administration	-	-	-
Public works	-	-	-
Planning	-	-	-
Capital outlay:			
Public works	-	-	-
Planning	32,660	32,326	23,880
Debt service:			
Interest expense	-	-	-
Principal	-	-	-
	<u>32,660</u>	<u>32,326</u>	<u>23,880</u>
Total expenditures	<u>32,660</u>	<u>32,326</u>	<u>23,880</u>
Excess of revenues over expenditures	<u>(19,227)</u>	<u>(32,326)</u>	<u>(21,586)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	27,000	10,000	-
Transfers out	-	-	-
	<u>27,000</u>	<u>10,000</u>	<u>-</u>
Total other financing sources (uses)	<u>27,000</u>	<u>10,000</u>	<u>-</u>
Net change in fund balances	7,773	(22,326)	(21,586)
Fund balances - beginning	<u>(17,024)</u>	<u>(930)</u>	<u>403,823</u>
Fund balances - ending	<u>\$ (9,251)</u>	<u>\$ (23,256)</u>	<u>\$ 382,237</u>

**CITY OF TEHACHAPI
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 FOR YEAR ENDED JUNE 30, 2010**

	Oil Recycling Grant Fund	Facility Impact Fee Fund	Total Nonmajor
REVENUES			
Grants	\$ 500	\$ -	\$ 672,832
Property taxes	-	-	250,789
Other taxes	-	-	332,249
Other sources of funds	-	43,767	798,631
Interest	1	178	11,050
	<u>501</u>	<u>43,945</u>	<u>2,065,551</u>
EXPENDITURES			
Current:			
Administration	-	-	24,840
Public works	69	-	745,522
Planning	-	-	12,002
Capital outlay:			
Public works	-	-	465,736
Planning	-	-	745,086
Debt service:			
Interest expense	-	-	24,970
Principal	-	-	23,731
	<u>69</u>	<u>-</u>	<u>2,041,887</u>
Excess of revenues over expenditures	<u>432</u>	<u>43,945</u>	<u>23,664</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	977,615
Transfers out	-	-	(527,683)
	<u>-</u>	<u>-</u>	<u>449,932</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>449,932</u>
Net change in fund balances	432	43,945	473,596
Fund balances - beginning	<u>473</u>	<u>-</u>	<u>533,717</u>
Fund balances - ending	<u>\$ 905</u>	<u>\$ 43,945</u>	<u>\$ 1,007,313</u>

**CITY OF TEHACHAPI
COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECT FUNDS
JUNE 30, 2010**

	Tucker Road/ Valley Blvd. Exchange	Energy Efficiency Conservation Project	Green Street Lighting Project
ASSETS			
Cash and short-term investments	\$ 46,565	\$ -	\$ 102,106
Total assets	\$ 46,565	\$ -	\$ 102,106
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ 18,338
Due to other funds	-	50	-
Total liabilities	-	50	18,338
Fund balances:			
Unreserved	46,565	(50)	83,768
Total fund balances	46,565	(50)	83,768
Total liabilities and fund balances	\$ 46,565	\$ -	\$ 102,106

**CITY OF TEHACHAPI
COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECT FUNDS
JUNE 30, 2010**

	<u>Capital Equipment Replacement</u>	<u>Public Safety Capital Project Fee</u>	<u>General Plan Update</u>
ASSETS			
Cash and short-term investments	<u>\$ 120,985</u>	<u>\$ 535,287</u>	<u>\$ 44,843</u>
Total assets	<u><u>\$ 120,985</u></u>	<u><u>\$ 535,287</u></u>	<u><u>\$ 44,843</u></u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ -
Due to other funds	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:			
Unreserved	<u>120,985</u>	<u>535,287</u>	<u>44,843</u>
Total fund balances	<u>120,985</u>	<u>535,287</u>	<u>44,843</u>
Total liabilities and fund balances	<u><u>\$ 120,985</u></u>	<u><u>\$ 535,287</u></u>	<u><u>\$ 44,843</u></u>

**CITY OF TEHACHAPI
 COMBINING BALANCE SHEET
 NONMAJOR CAPITAL PROJECT FUNDS
 JUNE 30, 2010**

	BeeKay Theater	Downtown Master Plan	Parks & Rec. Capital Project
ASSETS			
Cash and short-term investments	\$ -	\$ -	\$ 338,119
Total assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 338,119</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ -	\$ 3,379	\$ 554
Due to other funds	-	16,794	-
Total liabilities	<u>-</u>	<u>20,173</u>	<u>554</u>
Fund balances:			
Unreserved	-	(20,173)	337,565
Total fund balances	<u>-</u>	<u>(20,173)</u>	<u>337,565</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 338,119</u>

**CITY OF TEHACHAPI
COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECT FUNDS
JUNE 30, 2010**

	<u>Challenger Drive Exit</u>	<u>Tehachapi Centennial Plaza</u>	<u>Total Nonmajor</u>
ASSETS			
Cash and short-term investments	\$ 204,635	\$ -	\$ 1,392,540
Total assets	<u>\$ 204,635</u>	<u>\$ -</u>	<u>\$ 1,392,540</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 2,123	\$ 76,714	\$ 101,108
Due to other funds	-	89,082	105,926
Total liabilities	<u>2,123</u>	<u>165,796</u>	<u>207,034</u>
Fund balances:			
Unreserved	<u>202,512</u>	<u>(165,796)</u>	<u>1,185,506</u>
Total fund balances	<u>202,512</u>	<u>(165,796)</u>	<u>1,185,506</u>
Total liabilities and fund balances	<u>\$ 204,635</u>	<u>\$ -</u>	<u>\$ 1,392,540</u>

**CITY OF TEHACHAPI
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR CAPITAL PROJECT FUNDS
 FOR THE YEAR ENDED JUNE 30, 2010**

	Tucker Road/ Valley Blvd. Exchange	Energy Efficiency Conservation Project	Green Street Lighting Project
REVENUES			
Interest	\$ 270	\$ -	\$ -
Total revenues	<u>270</u>	<u>-</u>	<u>-</u>
EXPENDITURES			
Current:			
Public works	-	-	-
Planning	-	50	-
Capital outlay:			
Public works	-	-	90,013
Planning	-	-	-
Total expenditures	<u>-</u>	<u>50</u>	<u>90,013</u>
Excess of revenues over expenditures	<u>270</u>	<u>(50)</u>	<u>(90,013)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	213,000
Transfers out	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>213,000</u>
Net change in fund balances	270	(50)	122,987
Fund balances - beginning	<u>46,295</u>	<u>-</u>	<u>(39,219)</u>
Fund balances - ending	<u>\$ 46,565</u>	<u>\$ (50)</u>	<u>\$ 83,768</u>

**CITY OF TEHACHAPI
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR CAPITAL PROJECT FUNDS
 FOR THE YEAR ENDED JUNE 30, 2010**

	Capital Equipment Replacement	Public Safety Capital Project Fee	General Plan Update
REVENUES			
Interest	\$ -	\$ 3,697	\$ -
Total revenues	-	3,697	-
EXPENDITURES			
Current:			
Public works	-	319	107,263
Planning	-	-	21,956
Capital outlay:			
Public works	-	-	-
Planning	-	-	-
Total expenditures	-	319	129,219
Excess of revenues over expenditures	-	3,378	(129,219)
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	-	-	-
Total other financing sources (uses)	-	-	-
Net change in fund balances	-	3,378	(129,219)
Fund balances - beginning	120,985	531,909	174,062
Fund balances - ending	<u>\$ 120,985</u>	<u>\$ 535,287</u>	<u>\$ 44,843</u>

**CITY OF TEHACHAPI
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECT FUNDS
FOR THE YEAR ENDED JUNE 30, 2010**

	BeeKay Theater	Downtown Master Plan	Parks & Rec. Capital Project
REVENUES			
Interest	\$ -	\$ -	\$ 1,524
Total revenues	-	-	1,524
EXPENDITURES			
Current:			
Public works	-	-	-
Planning	-	-	20,641
Capital outlay:			
Public works	-	-	-
Planning	-	88,625	-
Total expenditures	-	88,625	20,641
Excess of revenues over expenditures	-	(88,625)	(19,117)
OTHER FINANCING SOURCES (USES)			
Transfers in	85,311	100,000	119,813
Transfers out	(216,836)	-	-
Total other financing sources (uses)	(131,525)	100,000	119,813
Net change in fund balances	(131,525)	11,375	100,696
Fund balances - beginning	131,525	(31,548)	236,869
Fund balances - ending	\$ -	\$ (20,173)	\$ 337,565

**CITY OF TEHACHAPI
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECT FUNDS
FOR THE YEAR ENDED JUNE 30, 2010**

	Challenger Drive Exit	Tehachapi Centennial Plaza	Total Nonmajor
REVENUES			
Interest	\$ -	\$ -	\$ 5,491
Total revenues	-	-	5,491
EXPENDITURES			
Current:			
Public works	-	46,956	154,538
Planning	-	-	42,647
Capital outlay:			
Public works	-	-	90,013
Planning	58,988	168,653	316,266
Total expenditures	58,988	215,609	603,464
Excess of revenues over expenditures	(58,988)	(215,609)	(597,973)
OTHER FINANCING SOURCES (USES)			
Transfers in	280,000	68,973	867,097
Transfers out	-	-	(216,836)
Total other financing sources (uses)	280,000	68,973	650,261
Net change in fund balances	221,012	(146,636)	52,288
Fund balances - beginning	(18,500)	(19,160)	1,133,218
Fund balances - ending	\$ 202,512	\$ (165,796)	\$ 1,185,506

**CITY OF TEHACHAPI
 COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
 FIDUCIARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Capital Hills 89-1</u>	<u>Tucker Road 87-1</u>	<u>East Tehachapi Blvd. Project 89-3</u>	<u>Summit 89-2</u>
ASSETS				
Cash and short-term investments	\$ 1,256,999	\$ 87,277	\$ 3,360	\$ -
Short term investments	-	-	4,446	-
Receivables (net allowances)	-	-	-	-
Advances to other funds	-	-	-	-
Other assets	-	-	25,115	192,176
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 1,256,999</u>	<u>\$ 87,277</u>	<u>\$ 32,921</u>	<u>\$ 192,176</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 7,709	\$ -	\$ -	\$ 49
Advances from other funds	-	-	-	98,233
Due to other funds	-	-	-	67,608
Due to bond holders	1,249,290	87,277	32,921	26,286
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>\$ 1,256,999</u>	<u>\$ 87,277</u>	<u>\$ 32,921</u>	<u>\$ 192,176</u>

**CITY OF TEHACHAPI
 COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
 FIDUCIARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2010**

	Tehachapi Meadows 90-1	Special Districts Revolving Fund	Total Trust and Agency Funds
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and short-term investments	\$ 141,349	\$ -	\$ 1,488,985
Short term investments	95,137	-	99,583
Receivables (net allowances)	51,777	-	51,777
Advances to other funds	-	98,233	98,233
Other assets	-	-	217,291
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 288,263</u>	<u>\$ 98,233</u>	<u>\$ 1,955,869</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 35	\$ -	\$ 7,793
Advances from other funds	-	98,233	196,466
Due to other funds	-	-	67,608
Due to bond holders	288,228	-	1,684,002
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>\$ 288,263</u>	<u>\$ 98,233</u>	<u>\$ 1,955,869</u>