



**CITY OF TEHACHAPI**  
**ANNUAL FINANCIAL REPORT**  
**For the Fiscal Year Ended**  
**June 30, 2013**



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**ANNUAL FINANCIAL REPORT**  
**Year Ended June 30, 2013**



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Year Ended June 30, 2013

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## **FINANCIAL SECTION**



## Independent Auditor's Report

The Honorable City Council  
City of Tehachapi, California

### Report on the Financial Statements

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, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are

appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Tehachapi, California, as of June 30, 2013, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As described in Note 3 D, to the financial statements, as of June 30, 2013, the City adopted new accounting guidance, GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

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

### *Other Information*

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

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 14, 2014 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*Van Lant + Fankhaed, LLP*

January 14, 2014

# 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, 2013. 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 position increased 5% to \$54,485,806 as a result of this year's operations.
- Total City revenues, including program and general revenues, were \$16,677,127 which is \$283,475 more than the prior year.
- Net position in governmental funds increased \$2,082,405, and net position in business activities increased \$693,912.
- Governmental revenue was decreased by \$186,932 to \$9,792,636.
- Governmental expense was decreased by \$275,952 to \$7,710,231.
- Revenues from business-type activities increased by \$470,407 to \$6,884,491.
- Expenses from business-type activities decreased by \$91,524 to \$5,940,796.
- General fund revenue was increased by \$1,076,039 to \$7,055,239.
- General fund balance as of June 30, 2013 is \$8,164,816 an increase of \$1,278,848 from the prior year.

## Overview of Financial Statements

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

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

## The Government-wide Financial Statements

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

The governmental activities include the following:

- General Government: administration, finance and accounting, human resources, legal, city clerk, etc.
- Public Works: road maintenance, city engineer and building maintenance
- Public Safety: Police and fire services

- Community Development: Planning, building inspections and community development
- Interest: Interest payments on loans

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

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

The basic financial statements are comprised of the following:

- Statement of Net Position

The Statement of Net Position is prepared using accounting principles that are similar to commercial enterprises. The purpose of the Statement of Net Position 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 position* 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 position, in general, increases or decreases of net position 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 position* in the City's financial report.

## **Fund Financial Statements**

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

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

## **Governmental Funds**

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

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

The City of Tehachapi maintains 40 active individual governmental funds. Information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditure and Changes in Fund Balances for the General Fund, Street and Roads Fund and Tract 6216 Settlement capital project funds which are considered to be major funds. Data from the other 37 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, Airport and Refuse funds to be major funds. The Transit fund is categorized as a non-major proprietary fund.

## **Fiduciary Funds**

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

## **Notes to the Financial Statements**

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

## **Required Supplementary Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. The required supplementary information includes budgetary comparison schedules for major governmental funds and illustration of conditions and activities for all non-major funds.

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

The City's overall financial position and operations for the past two years are summarized based on the information included in the government-wide financial statements. Net Position may serve over time as an indicator of a government's financial position. For the City of Tehachapi, assets exceeded liabilities by \$54,485,806 at June 30, 2013.

The largest portion of the City's net position is in investments in capital assets. The Investments in Capital Assets (e.g. land, infrastructures, buildings, machineries and equipment) Net of Related Debt was increased to \$41,169,979 (76% of total net position) from \$40,379,938. The increase of 790,041 was contributed by initial costs of construction for the new police building.

The City uses these capital assets to provide services to residents; accordingly, these assets are not available for future spending. Although the City's investments in capital assets are reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The restricted fund balance was increased from the prior year by \$2,207,925. The increase was due to collections of connection fee, development fee and Street and Roads Fund from TDA.

The unrestricted fund balance was decreased to \$8,194,324 from \$8,415,971. The major reason for the decrease was attributed to fund shift from unrestricted funds to restricted funds.

## Summary of Statement of Net Position

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current and Other Assets	11,413,665	11,128,853	3,538,196	3,292,774	14,951,861	14,421,627
Capital Assets	28,212,876	25,912,258	19,052,856	19,028,487	47,265,732	44,940,745
Total Assets	<u>39,626,541</u>	<u>37,041,111</u>	<u>22,591,052</u>	<u>22,321,261</u>	<u>62,217,593</u>	<u>59,362,372</u>
Current Liabilities	921,444	536,820	701,986	2,562,982	1,623,430	3,099,802
Long-term Liabilities	836,434	718,033	5,271,923	3,835,050	6,108,357	4,553,083
Total Liabilities	<u>1,757,878</u>	<u>1,254,853</u>	<u>5,973,909</u>	<u>6,398,032</u>	<u>7,731,787</u>	<u>7,652,885</u>
Investments in Capital, Net of related debt	27,522,736	25,196,028	13,647,243	15,183,910	41,169,979	40,379,938
Restricted	1,750,367	1,062,353	3,371,136	1,851,225	5,121,503	2,913,578
Unrestricted	8,595,560	9,527,877	(401,236)	(1,111,906)	8,194,324	8,415,971
Total Net Position	<u>37,868,663</u>	<u>35,786,258</u>	<u>16,617,143</u>	<u>15,923,229</u>	<u>54,485,806</u>	<u>51,709,487</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 position by \$2,082,405 thereby accounting for 75% of the total growth in the City's net position. This increase is mainly due to three major capital projects, namely: Tehachapi Boulevard Improvement Phase IV, Tract 6216 Settlement and the New Police Building.

### Business-Type Activities

The City operates five business-type activities. These activities are captured in Refuse, Water, Sewer, Transit and Airport funds. Of the total \$2,776,319 City wide net position increase, \$683,914 (25% of total increase) was attributed to the business-type activities. The increase is mainly from the grant received from the Water Resources Control Board for the new sewer plant project. The new sewer plant was completed on November 2012.

## Statement of Activities

	Governmental Activities		Business Type Activities		Total	
	2013	2012	2013	2012	2013	2012
<b>Revenue</b>						
Program Revenues:						
Charges for Services	1,370,266	712,266	6,338,533	5,401,190	7,708,799	6,113,456
Operating contribution & Grant	726,682	426,773	151,973	268,865	878,655	695,638
Capital Grants & Contribution	1,495,913	887,355	200,409	1,950,554	1,696,322	2,837,909
General Revenues:						
Property taxes	1,266,510	2,155,857			1,266,510	2,155,857
Sales Taxes	1,842,393	1,814,353			1,842,393	1,814,353
Other Taxes	1,536,684	1,493,251			1,536,684	1,493,251
License and permits	1,191,288	1,073,177			1,191,288	1,073,177
Other sources of funds					-	-
Miscellaneous	436,300	22,586	73,881	64,717	510,181	87,303
Interest	41,022	85,362	5,273	37,346	46,295	122,708
Transfers	(114,422)	1,308,588	114,422	(1,308,588)	-	-
	9,792,636	9,979,568	6,884,491	6,414,084	16,677,127	16,393,652
<b>Expenses</b>						
Primary Government						
General Government	619,917	2,237,365			619,917	2,237,365
Administration					-	-
Public Works & Planning	4,243,430	2,406,248			4,243,430	2,406,248
Police	2,824,312	2,631,886			2,824,312	2,631,886
Pass-throughs		188,475			-	188,475
Interest	22,572	522,209			22,572	522,209
Business-type Activities						
Refuse			1,025,326	1,000,826	1,025,326	1,000,826
Water			1,870,875	1,809,932	1,870,875	1,809,932
Sewer			1,893,294	2,052,393	1,893,294	2,052,393
Transit			171,642	161,590	171,642	161,590
Airport			979,659	1,007,579	979,659	1,007,579
Total Expense	7,710,231	7,986,183	5,940,796	6,032,320	13,651,027	14,018,503
Extraordinary Items		12,037,735			-	12,037,735
Change in Net Assets	2,082,405	1,993,385	943,695	381,764	3,026,100	2,375,149
Net Position at beginning of yr	35,786,258	21,755,138	15,923,229	15,541,465	51,709,487	37,296,603
Prior Period Adj			(249,783)	-	(249,783)	-
<b>Net Position at end of year</b>	<b>37,868,663</b>	<b>35,786,258</b>	<b>16,617,141</b>	<b>15,923,229</b>	<b>54,485,804</b>	<b>51,709,487</b>

### 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, 2013, the City's governmental funds reported a combined ending fund balance of \$10,206,689. This number shows approximately 1% (\$56,234) fund balance decrease from the prior year. This fund balance is available for spending on the government's ongoing obligations to citizens and creditors; although, 20% (or \$2,041,873) of the total governmental funds balance is dedicated for specific purposes such as street and road maintenance, various capital projects associated with special fees collected and other capital projects paid by specific grants.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the fund balance in the General Fund was \$8,164,816 which includes \$2,102,611 of non-spendable fund balance. The non-spendable funds are made up of prepaid and advances made to certain funds such as Airport, special district funds and fiduciary funds. Although the amount is labeled as advances, there is a possibility that the General Fund may end up writing off some of the advances in a manner of an operating transfer as happened in past years. The General Fund wrote off an outstanding loan balance of \$359,533 in fiscal year 2000/01 for the Airport fund expecting the Airport fund would self sustain from that time on. However, the Airport Fund still has not generated enough revenues to support its expenses.

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

The \$496,120 fund balance in Tract 6216 project fund was due to remaining unspent balance from an insurance settlement received from the developer's bond company. The settlement is intended to be used to complete the infrastructure which was left incomplete by the developer. The infrastructure is expected to be completed during FY2013/14.

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

## **Proprietary Fund**

The Net Position of major proprietary funds such as, Water, Sewer, Airport and Refuse funds are \$6,391,276, \$9,033,220, \$900,529 and \$318,543 respectively. The unrestricted net position of the Water and Sewer funds at the end of the year are negative \$104,373 and positive \$531,459 respectively. The negative balance in unrestricted net position of the Water fund was caused by the construction of two water tanks (T & T tanks) back in 2008. This project was constructed using internal borrowing instead of outside financing sources in the form of bonds. In return, the Water Fund is to pay back the loan principal over time utilizing future connection fees. This decision resulted in over a half-million dollar cost savings to the Water Fund since the internal funding eliminates the need to pay issuance costs as well as interest payments associated with issuing bonds. In addition, by not having additional bonds outstanding, the water fund will have more leverage when issuing bonds in the future to pay for bigger capital projects.

As of June 30, 2013, the Airport Fund owes \$1,093,039 to the General Fund and this loan was a result of continuous deficits in Airport Fund operations.

## GENERAL FUND BUDGETARY HIGHLIGHTS

A detailed budgetary comparison schedule for the year ended June 30, 2013 is presented as required supplementary information following the notes to the financial statements. The final budget amounts are different from those presented in the 2012/13 – 2016/17 original five-year budget documents. It is due to changes that occurred between the original budget and the mid-year budget adjustments.

### General Fund

	Original Budget	Final Budget	2012/13 Actual	Variance Actual vs. Final Budget (Negative)
Revenues incl. Other Sources	5,332,649	6,030,071	7,092,239	1,062,168
Expenditures incl. Other Uses	5,296,873	6,003,000	5,813,391	189,609
Net changes in fund balances	35,776	27,071	1,278,848	1,251,777
Fund Balance Beginning (Adjusted)	6,885,968	6,885,968	6,885,968	0
Fund Balance - Ending	6,921,744	6,913,039	8,164,816	1,251,777

Overall, the General Fund actual ending fund balance is \$1,251,777 more than what was budgeted in the final budget. The major contributions to positive revenue variance are from sales tax (\$209,280), administration service fee from Successor Agency to RDA (\$191,600), landscape, construction and miscellaneous staff charges (\$132,146), insurance claim received from CSJVRMA (\$113,084), property tax (\$90,485), transient occupancy tax (\$80,619), and police grants (\$56,145).

During fiscal year 2012/13, the status of the general economy has improved from the recession of the last few years. It seemed that increases in various taxes such as sales, property and transient occupancy taxes were affected by the growth of economy. The reason for a favorable variance in administration service fee collected from the Successor Agency to RDA is due to conservative budget practices. Meanwhile, claims payment received from CSJVRMA was for the liability insurance claim filed previously for loss.

The departments in General Fund which contributed a major positive variance to the total expenditure are Police department, \$147,831; Community Development, \$35,281; and the Finance department, \$20,619.

## CAPITAL & DEBT ADMINISTRATION

### Capital Assets

	Governmental Activities	Business-type Activities	Totals
Non-Depreciable Assets:			
Land	941,007	684,609	1,625,616
Water Rights		1,829,036	1,829,036
Construction in Progress	4,701,719	42,080	4,743,799
Total non-depreciable assets	<u>5,642,726</u>	<u>2,555,725</u>	<u>8,198,451</u>
Depreciable Assets (net of accumulated depreciation)			
Buildings	2,467,769	8,745,789	11,213,558
Machinery and equipment	544,595	1,040,967	1,585,562
Improvements other than building	19,314,678	6,710,375	26,025,053
Parks	243,108		243,108
Total depreciable assets-net	<u>22,570,150</u>	<u>16,497,131</u>	<u>39,067,281</u>
Total Capital Assets	<u>28,212,876</u>	<u>19,052,856</u>	<u>47,265,732</u>

The City of Tehachapi's investment in capital assets for its governmental and business-type activities as of June 30, 2013, amounts to \$47,265,732 (net of accumulated depreciation) which is a \$2,324,987 increase from fiscal year 2011/12. This investment in capital assets includes land, buildings, improvements, machineries and equipment, roads, sidewalks, airport runways, water and sewer systems.

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

### Long-Term Debt

	Governmental Activities	Business-type Activities	Totals
Bonds	0	3,187,179	3,187,179
Loans		2,077,079	2,077,079
Capital Leases	690,140	141,353	831,493
Compensated absences	172,384	129,156	301,540
Total Long-Term Liabilities	<u>862,524</u>	<u>5,534,767</u>	<u>6,397,291</u>

The City of Tehachapi's total long term debt was increased by \$1,322,476 compared to the last fiscal year. This increase was mainly due to a loan from the State Water Resources Control Board to finance in part the construction of the new sewer plant.

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

## **NEXT YEAR'S BUDGET AND ECONOMIC FACTORS**

In June, 2013, the Council adopted the 2013/14 through 2017/18 five-year budget, with total appropriations of \$19,057,601 in fiscal year 2013/14. The following factors were taken into consideration for the next fiscal year budget:

- 2.1% cost of living increase was granted for all employees.
- The 2013/14 General Fund revenue budget (\$5,995,010) was projected at \$797,229 less than the actual revenue received in 2012/13. A \$100,000 COPS grant is not included in this budget since there is no certainty that the State will continue with its funding. A \$250,000 Successor Agency administration fee is included in the General Fund revenue budget, the same fee actually received in 2012/13.
- The 2013/14 General Fund expenditure budget (\$5,991,051) was projected at \$177,660 more than the actual expenditure in 2012/13.
- Average of 43 equivalent dwelling units (EDU) connections were considered for any development related fees such as water and sewer connections, facilities impact, traffic mitigation, and park and recreation capital improvement.
- Various capital projects were included in this budget and they are:
  - Three city vehicle replacements \$148,000
  - Water Radio Meters Replacement, \$30,000
  - Water Banking Program, \$25,000
  - Process Water Improvement, \$120,000
  - Structure Improvement, \$50,000
  - Water Lines/Supply Improvement, \$60,000
  - Miscellaneous Equipment, \$60,000
  - Manhole Rehabilitation, \$30,000
  - Sewer Line Improvement, \$50,000
  - Computers & Equipment, \$60,300
  - Tehachapi Event Center & Rodeo Grounds, \$137,767
  - Bike path striping, \$140,000
  - Safe Route to School-Pinon/Curry, \$415,000
  - Challenger Drive Extension, \$1,400,000
  - Tract 6216 infrastructure improvement, \$520,926
  - New police building, \$3,300,000

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

The overall US economy has improved during the year 2013 by picking up its momentum. The housing market showed signs of substantial recovery and unemployment rate went down to 7% from 10% when it was at its worst. Many economists are optimistic about the economy in 2014 and we all hope that will be the case.

## **BASIC FINANCIAL STATEMENTS**

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**City of Tehachapi**  
**Statement of Net Position**  
June 30, 2013

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and Investments	\$ 5,447,234	\$ 4,941,842	\$ 10,389,076
Receivables (Net of Allowance)	1,897,836	891,309	2,789,145
Loans Receivable	195,344	-	195,344
Due from Agency Funds	1,133,759	-	1,133,759
Internal Balances	2,633,467	(2,633,467)	-
Restricted Cash and Investments	-	102,976	102,976
Prepays	106,025	536	106,561
Capital Assets, Not Being Depreciated	5,642,726	2,555,725	8,198,451
Capital Assets, Depreciated, Net	22,570,150	16,497,131	39,067,281
Other	-	235,000	235,000
	<u>39,626,541</u>	<u>22,591,052</u>	<u>62,217,593</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts Payable	780,445	284,087	1,064,532
Accrued Liabilities	111,222	14,917	126,139
Accrued Interest Payable	-	29,160	29,160
Deposits Payable	3,687	110,976	114,663
Noncurrent Liabilities:			
Due within One Year	115,928	469,049	584,977
Due in More Than One Year	746,596	5,065,720	5,812,316
	<u>1,757,878</u>	<u>5,973,909</u>	<u>7,731,787</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	27,522,736	13,647,243	41,169,979
Restricted for:			
Maintenance of Water Lines	-	107,434	107,434
Construction and Expansion of Facilities	-	3,263,702	3,263,702
Highways and Streets	1,323,615	-	1,323,615
Development	264,160	-	264,160
Public Safety	162,592	-	162,592
Unrestricted	8,595,560	(401,236)	8,194,324
	<u>37,868,663</u>	<u>16,617,143</u>	<u>54,485,806</u>
Total Net Position	<u>\$ 37,868,663</u>	<u>\$ 16,617,143</u>	<u>\$ 54,485,806</u>

The accompanying notes are an integral part of this statement.

**City of Tehachapi**  
**Statement of Activities**  
Year Ended June 30, 2013

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<b>Governmental Activities:</b>				
General Government	\$ 619,917	\$ 729,692	\$ 7,842	\$ -
Public Works	1,487,071	339,310	24,950	1,493,335
Public Safety	2,824,312	301,264	287,720	-
Community Development	2,756,359	-	406,170	2,578
Interest	22,572	-	-	-
<b>Total Governmental Activities</b>	<b>7,710,231</b>	<b>1,370,266</b>	<b>726,682</b>	<b>1,495,913</b>
<b>Business-type Activities:</b>				
Water	1,870,875	2,347,414	-	-
Sewer	1,893,294	2,287,292	-	200,409
Airport	979,657	645,437	4,233	-
Refuse	1,025,326	1,054,088	-	-
Transit	171,642	4,302	147,740	-
<b>Total Business-type Activities</b>	<b>5,940,794</b>	<b>6,338,533</b>	<b>151,973</b>	<b>200,409</b>
<b>Total Primary Government</b>	<b>\$ 13,651,025</b>	<b>\$ 7,708,799</b>	<b>\$ 878,655</b>	<b>\$ 1,696,322</b>

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

Total General Revenues and Transfers

Change in Net Position

Net Position - Beginning of Year

Restatement of Net Position

Net Position - End of Year

The accompanying notes are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ 117,617	\$ -	\$ 117,617
370,524	-	370,524
(2,235,328)	-	(2,235,328)
(2,347,611)	-	(2,347,611)
<u>(22,572)</u>	<u>-</u>	<u>(22,572)</u>
<u>(4,117,370)</u>	<u>-</u>	<u>(4,117,370)</u>
-	476,539	476,539
-	594,407	393,998
-	(329,987)	(329,987)
-	28,762	28,762
-	(19,600)	(19,600)
<u>-</u>	<u>750,121</u>	<u>549,712</u>
<u>(4,117,370)</u>	<u>750,121</u>	<u>(3,567,658)</u>
1,266,510	-	1,266,510
1,842,393	-	1,842,393
618,866	-	618,866
540,619	-	540,619
1,191,288	-	1,191,288
179,058	-	179,058
198,141	-	198,141
436,300	73,881	510,181
41,022	18,800	59,822
-	(13,527)	(13,527)
<u>(114,422)</u>	<u>114,422</u>	<u>-</u>
<u>6,199,775</u>	<u>193,576</u>	<u>6,393,351</u>
2,082,405	943,697	3,026,102
35,786,258	15,923,229	51,709,487
<u>-</u>	<u>(249,783)</u>	<u>(249,783)</u>
<u>\$ 37,868,663</u>	<u>\$ 16,617,143</u>	<u>\$ 54,485,806</u>

The accompanying notes are an integral part of this statement.

**City of Tehachapi  
Balance Sheet  
Governmental Funds  
June 30, 2013**

	General Fund	Streets and Roads	Tract 6216 Settlement Capital Projects Fund
<b>ASSETS</b>			
Cash and Investments	\$ 2,536,372	\$ -	\$ 823,077
Receivables	661,784	890,274	-
Loans Receivable	195,344	-	-
Due from Fiduciary Funds	1,133,759	-	-
Due from Other Funds	2,000,268	-	-
Prepays	106,025	-	-
Advances to Other Funds	1,801,242	-	-
	<u>\$ 8,434,794</u>	<u>\$ 890,274</u>	<u>\$ 823,077</u>
<b>LIABILITIES</b>			
Accounts Payable	\$ 155,069	\$ -	\$ 326,957
Accrued Liabilities	111,222	-	-
Due to Other Funds	-	597,224	-
Deposits Payable	3,687	-	-
	<u>269,978</u>	<u>597,224</u>	<u>326,957</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable Revenues - Grants	-	293,050	-
	<u>-</u>	<u>293,050</u>	<u>-</u>
<b>FUND BALANCES</b>			
Nonspendable	2,102,611	-	-
Restricted	-	-	-
Committed	809,629	-	-
Assigned	-	-	496,120
Unassigned	5,252,576	-	-
	<u>8,164,816</u>	<u>-</u>	<u>496,120</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 8,434,794</u>	<u>\$ 890,274</u>	<u>\$ 823,077</u>

The accompanying notes are an integral part of this statement.

Other Governmental Funds	Total Governmental Funds
\$ 2,087,785	\$ 5,447,234
345,778	1,897,836
-	195,344
-	1,133,759
-	2,000,268
-	106,025
-	1,801,242
<u>\$ 2,433,563</u>	<u>\$ 12,581,708</u>
\$ 298,419	\$ 780,445
-	111,222
570,819	1,168,043
-	3,687
<u>869,238</u>	<u>2,063,397</u>
<u>18,572</u>	<u>311,622</u>
<u>18,572</u>	<u>311,622</u>
-	2,102,611
1,738,887	1,738,887
-	809,629
178,673	674,793
(371,807)	4,880,769
<u>1,545,753</u>	<u>10,206,689</u>
<u>\$ 2,433,563</u>	<u>\$ 12,581,708</u>

The accompanying notes are an integral part of this statement.

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**City of Tehachapi**  
**Reconciliation of the Balance Sheet of Governmental Funds**  
**to the Statement of Net Position**  
June 30, 2013

Fund Balances of Governmental Funds	\$	10,206,689
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Amounts reported for governmental activities in the Statement of Net Position are different because:

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

Capital Assets		37,031,918
Accumulated Depreciation		(8,819,042)

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

Capital Leases Payable		(690,140)
Compensated Absences		(172,384)

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

		311,622
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Net Position of Governmental Activities	\$	37,868,663
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The accompanying notes are an integral part of this statement.

**City of Tehachapi**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
Year Ended June 30, 2013

	General Fund	Streets and Roads	Tract 6216 Settlement Capital Projects Fund
	<u>          </u>	<u>          </u>	<u>          </u>
<b>REVENUES</b>			
Taxes	\$ 5,356,958	\$ -	\$ -
Licenses, Permits, and Fines	90,551	-	-
Intergovernmental	367,963	890,274	-
Charges for Services	817,582	-	-
Investment Earnings	25,908	-	7,027
Miscellaneous Revenues	396,277	-	-
	<u>7,055,239</u>	<u>890,274</u>	<u>7,027</u>
Total Revenues			
<b>EXPENDITURES</b>			
Current:			
General Government	1,280,959	-	-
Public Works	652,602	2,149	-
Public Safety	2,824,312	-	-
Community Development	938,491	-	1,695,581
Capital Outlay	-	-	-
Debt Service:			
Interest Expense	-	22,572	-
Principal	-	26,090	-
	<u>5,696,364</u>	<u>50,811</u>	<u>1,695,581</u>
Total Expenditures			
Excess (Deficiency) of Revenues Over Expenditures	<u>1,358,875</u>	<u>839,463</u>	<u>(1,688,554)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	37,000	-	-
Transfers Out	<u>(117,027)</u>	<u>(324,648)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(80,027)</u>	<u>(324,648)</u>	<u>-</u>
Net Change in Fund Balances	1,278,848	514,815	(1,688,554)
Fund Balances, Beginning of Year	6,885,968	(221,765)	2,184,674
Prior Period Adjustment	<u>-</u>	<u>(293,050)</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ 8,164,816</u>	<u>\$ -</u>	<u>\$ 496,120</u>

The accompanying notes are an integral part of this statement.

Other Governmental Funds	Total Governmental Funds
\$ 592,428	\$ 5,949,386
-	90,551
1,504,684	2,762,921
293,296	1,110,878
8,088	41,023
20,000	416,277
<u>2,418,496</u>	<u>10,371,036</u>
63,462	1,344,421
878,114	1,532,865
-	2,824,312
122,287	2,756,359
1,513,179	1,513,179
-	22,572
-	26,090
<u>2,577,042</u>	<u>10,019,798</u>
<u>(158,546)</u>	<u>351,238</u>
986,238	1,023,238
<u>(695,985)</u>	<u>(1,137,660)</u>
<u>290,253</u>	<u>(114,422)</u>
131,707	236,816
1,414,046	10,262,923
-	(293,050)
<u>\$ 1,545,753</u>	<u>\$ 10,206,689</u>

The accompanying notes are an integral part of this statement.

**City of Tehachapi**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances**  
**of Governmental Funds to the Statement of Activities**  
Year Ended June 30, 2013

Net Changes in Fund Balances - Total Governmental Funds \$ 236,816

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

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

Capital Outlay	3,435,652
Depreciation Expense	(1,135,034)

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect premiums and discounts when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.

Capital Leases	26,090
----------------	--------

Some revenues reported in the Statement of Activities are not considered available to finance current expenditures and therefore are not reported as revenues in the governmental funds. (463,978)

To record the net change in compensated absences in the Statement of Activities. (17,141)

Change in Net Position of Governmental Activities \$ 2,082,405

The accompanying notes are an integral part of this statement.

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**City of Tehachapi**  
**Statement of Net Position**  
**Proprietary Funds**  
June 30, 2013

	Water Fund	Sewer Fund	Airport Fund
<b>ASSETS</b>			
Current Assets:			
Cash and Investments	\$ 1,051,448	\$ 3,829,974	\$ 31,133
Accounts Receivable (Net of Allowance)	366,182	238,091	11,532
Restricted Cash and Investments	102,976	-	-
Prepays	98	438	-
Total Current Assets	<u>1,520,704</u>	<u>4,068,503</u>	<u>42,665</u>
Noncurrent Assets:			
Other Assets	-	-	-
Capital Assets, Not Being Depreciated	1,842,487	613,614	99,624
Capital Assets, Net of Accumulated Depreciation	5,003,771	9,520,789	1,972,571
Total Capital Assets (Net of Accumulated Depreciation)	<u>6,846,258</u>	<u>10,134,403</u>	<u>2,072,195</u>
Total Noncurrent Assets	<u>6,846,258</u>	<u>10,134,403</u>	<u>2,072,195</u>
Total Assets	<u>8,366,962</u>	<u>14,202,906</u>	<u>2,114,860</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts Payable	73,511	36,849	54,290
Accrued Liabilities	6,356	6,187	1,657
Accrued Interest Payable	5,324	22,542	1,294
Due to Other Funds	714,100	-	-
Customer Deposits Payable	110,976	-	-
Compensated Absences - Current	16,309	15,772	3,847
Capital Leases Payable - Current	1,622	3,893	-
Notes and Bonds Payable - Current	22,319	392,061	10,408
Total Current Liabilities	<u>950,517</u>	<u>477,304</u>	<u>71,496</u>
Noncurrent Liabilities:			
Advances Payable	432,004	276,199	1,093,039
Compensated Absences	38,055	36,801	8,978
Capital Leases Payable	39,953	95,886	-
Notes and Bonds Payable	515,157	4,283,496	40,818
Total Noncurrent Liabilities	<u>1,025,169</u>	<u>4,692,382</u>	<u>1,142,835</u>
Total Liabilities	<u>1,975,686</u>	<u>5,169,686</u>	<u>1,214,331</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	6,267,207	5,359,067	2,020,969
Restricted:			
Maintenance of Water Lines	107,434	-	-
Construction and Expansion of Facilities	121,008	3,142,694	-
Unrestricted	(104,373)	531,459	(1,120,440)
Total Net Position	<u>\$ 6,391,276</u>	<u>\$ 9,033,220</u>	<u>\$ 900,529</u>

The accompanying notes are an integral part of this statement.

Refuse Fund	Nonmajor Transit Fund	Total
\$ 29,287	\$ -	\$ 4,941,842
158,094	117,410	891,309
-	-	102,976
-	-	536
<u>187,381</u>	<u>117,410</u>	<u>5,936,663</u>
<u>235,000</u>	<u>-</u>	<u>235,000</u>
<u>-</u>	<u>-</u>	<u>2,555,725</u>
<u>-</u>	<u>-</u>	<u>16,497,131</u>
<u>-</u>	<u>-</u>	<u>19,052,856</u>
<u>235,000</u>	<u>-</u>	<u>19,287,856</u>
<u>422,381</u>	<u>117,410</u>	<u>25,224,519</u>
98,285	21,152	284,087
479	238	14,917
-	-	29,160
-	118,125	832,225
-	-	110,976
1,522	1,296	38,746
-	-	5,515
-	-	424,788
<u>100,286</u>	<u>140,811</u>	<u>1,740,414</u>
-	-	1,801,242
3,552	3,024	90,410
-	-	135,839
-	-	4,839,471
<u>3,552</u>	<u>3,024</u>	<u>6,866,962</u>
<u>103,838</u>	<u>143,835</u>	<u>8,607,376</u>
-	-	13,647,243
-	-	107,434
-	-	3,263,702
318,543	(26,425)	(401,236)
<u>\$ 318,543</u>	<u>\$ (26,425)</u>	<u>\$ 16,617,143</u>

The accompanying notes are an integral part of this statement.

**City of Tehachapi**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**Proprietary Funds**  
Year Ended June 30, 2013

	Water Fund	Sewer Fund	Airport Fund
<b>OPERATING REVENUES</b>			
Charges for Services	\$ 2,347,414	\$ 2,287,292	\$ 645,437
Miscellaneous	41,259	30,303	1,756
Total Operating Revenues	<u>2,388,673</u>	<u>2,317,595</u>	<u>647,193</u>
<b>OPERATING EXPENSES</b>			
Personnel Services	851,770	797,148	243,581
Maintenance and Operations	731,760	475,493	573,057
Depreciation	246,865	454,021	160,182
Total Operating Expenses	<u>1,830,395</u>	<u>1,726,662</u>	<u>976,820</u>
Operating Income (Loss)	<u>558,278</u>	<u>590,933</u>	<u>(329,627)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Intergovernmental	-	-	4,233
Investment Earnings	5,777	12,657	-
Loss on Disposal of Capital Assets	(13,527)	-	-
Interest Expense	(40,480)	(166,632)	(2,837)
Total Nonoperating Revenues (Expenses)	<u>(48,230)</u>	<u>(153,975)</u>	<u>1,396</u>
Income (Loss) Before Capital Contributions and Operating Transfers	510,048	436,958	(328,231)
Capital Contributions	-	200,409	-
Transfers In	-	83,985	30,437
Transfers Out	-	-	-
Change in Net Position	510,048	721,352	(297,794)
Net Position - Beginning of Year	5,916,197	8,526,682	1,198,323
Restatement of Net Position	(34,969)	(214,814)	-
Net Position - End of Year	<u>\$ 6,391,276</u>	<u>\$ 9,033,220</u>	<u>\$ 900,529</u>

The accompanying notes are an integral part of this statement.

Refuse Fund	Nonmajor Transit Fund	Total
\$ 1,054,088	\$ 4,302	\$ 6,338,533
563	-	73,881
<u>1,054,651</u>	<u>4,302</u>	<u>6,412,414</u>
60,479	29,350	1,982,328
964,847	142,292	2,887,449
-	-	861,068
<u>1,025,326</u>	<u>171,642</u>	<u>5,730,845</u>
<u>29,325</u>	<u>(167,340)</u>	<u>681,569</u>
-	147,740	151,973
366	-	18,800
-	-	(13,527)
-	-	(209,949)
<u>366</u>	<u>147,740</u>	<u>(52,703)</u>
29,691	(19,600)	628,866
-	-	200,409
-	-	114,422
-	-	-
<u>29,691</u>	<u>(19,600)</u>	<u>943,697</u>
288,852	(6,825)	15,923,229
-	-	(249,783)
<u>\$ 318,543</u>	<u>\$ (26,425)</u>	<u>\$ 16,617,143</u>

The accompanying notes are an integral part of this statement.

**City of Tehachapi**  
**Statement of Cash Flows**  
**Proprietary Funds**  
Year Ended June 30, 2013

	Water Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from Customers	\$ 2,341,601
Payments to Employees for Services	(851,770)
Payments to Suppliers for Goods and Services	(33,968)
	1,455,863
<b>Net Cash Provided (Used) by Operating Activities</b>	
<b>CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Cash Received from Other Funds	-
Intergovernmental Revenue	-
	-
<b>Net Cash Provided (Used) by Noncapital and Related Financing Activities</b>	
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Acquisition and Construction of Capital Assets	(286,392)
Interest Paid	(41,416)
Capital Grants	-
Proceeds from Loans	-
Payments on Interfund Advance	(164,077)
Payments on Capital Lease Obligations	(1,572)
Payments on Long-term Debt	(20,147)
	(513,604)
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest Received	5,777
	5,777
<b>Net Cash Provided (Used) by Investing Activities</b>	
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	
	948,036
Cash and Cash Equivalents, Beginning of the Year	206,388
Cash and Cash Equivalents, End of the Year	\$ 1,154,424

The accompanying notes are an integral part of this statement.

Sewer Fund	Airport Fund	Refuse Fund	Nonmajor Transit Fund	Total
\$ 3,869,002	\$ 736,015	\$ 1,044,726	\$ (113,108)	\$ 7,878,236
(797,148)	(241,579)	(60,479)	(29,350)	(1,980,326)
(2,103,026)	(442,262)	(1,056,596)	(41,826)	(3,677,678)
968,828	52,174	(72,349)	(184,284)	2,220,232
83,985	30,437	-	-	114,422
-	4,233	-	147,740	151,973
83,985	34,670	-	147,740	266,395
(569,622)	(42,950)	-	-	(898,964)
(167,534)	(2,837)	-	-	(211,787)
200,409	-	-	-	200,409
1,735,149	-	-	-	1,735,149
(104,850)	-	-	-	(268,927)
(3,772)	-	-	-	(5,344)
(392,433)	(9,924)	-	-	(422,504)
697,347	(55,711)	-	-	128,032
12,657	-	366	-	18,800
12,657	-	366	-	18,800
1,762,817	31,133	(71,983)	(36,544)	2,633,459
2,067,157	-	101,270	36,544	2,411,359
<u>\$ 3,829,974</u>	<u>\$ 31,133</u>	<u>\$ 29,287</u>	<u>\$ -</u>	<u>\$ 5,044,818</u>

(Continued)

The accompanying notes are an integral part of this statement.

**City of Tehachapi**  
**Statement of Cash Flows**  
**Proprietary Funds - Continued**  
Year Ended June 30, 2013

	Water Fund
<b>Reconciliation of Operating Income (Loss) to</b>	
<b>Net Cash Provided (Used) by Operating Activities:</b>	
Operating Income (Loss)	\$ 558,278
Adjustments to Reconcile Operating Income (Loss) to	
Net Cash Provided (Used) by Operating Activities:	
Depreciation	246,865
Changes in Operating Assets and Liabilities:	
Decrease (Increase) in Accounts Receivable	(61,482)
Decrease (Increase) in Prepaid Expenses	-
Increase (Decrease) in Accounts Payable	(20,670)
Increase (Decrease) in Accrued Liabilities	(2,767)
Increase (Decrease) in Compensated Absences	7,129
Increase (Decrease) in Due to Other Funds	714,100
Increase (Decrease) in Deposits Payable	14,410
	<u>14,410</u>
<b>TOTAL CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>\$ 1,455,863</b>
 <b>NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES</b>	
 Amortization Related to Long-term Debt	\$ -

The accompanying notes are an integral part of this statement.

Sewer Fund	Airport Fund	Refuse Fund	Nonmajor Transit Fund	Total
\$ 590,933	\$ (329,627)	\$ 29,325	\$ (167,340)	\$ 681,569
454,021	160,182	-	-	861,068
1,551,421	88,822	(9,925)	(117,410)	1,451,426
(14)	-	-	-	(14)
(1,632,914)	7,252	(92,331)	(18,463)	(1,757,126)
(2,693)	(1,301)	(184)	(99)	(7,044)
8,074	3,303	766	903	20,175
-	123,543	-	118,125	955,768
-	-	-	-	14,410
<u>\$ 968,828</u>	<u>\$ 52,174</u>	<u>\$ (72,349)</u>	<u>\$ (184,284)</u>	<u>\$ 2,220,232</u>
\$ 3,950	\$ -	\$ -	\$ -	\$ 3,950

The accompanying notes are an integral part of this statement.

**City of Tehachapi**  
**Statement of Fiduciary Net Position**  
**Fiduciary Funds**  
June 30, 2013

	Total Agency Funds	Successor Agency Private-purpose Trust Fund
<b>ASSETS</b>		
Cash and Investments	\$ 1,413,362	\$ 4,948,539
Cash with Fiscal Agent	-	1,193,256
Advances to Other Funds	209,589	-
Other Assets	338,874	-
Total Assets	\$ 1,961,825	6,141,795
<b>LIABILITIES</b>		
Accounts Payable	\$ 173	-
Advances from Other Funds	419,178	-
Interest Payable	-	66,253
Due to City	159,303	764,867
Due to Bond Holders	1,383,171	-
Long-term Debt	-	15,866,045
Total Liabilities	\$ 1,961,825	16,697,165
<b>NET POSITION</b>		
Net Position (Deficit) Held in Trust for Successor Agency		\$ (10,555,370)

The accompanying notes are an integral part of this statement.

**City of Tehachapi**  
**Statement of Changes in Net Position**  
**Fiduciary Funds**  
Year Ended June 30, 2013

	Successor Agency Private-purpose Trust Fund
<b>ADDITIONS</b>	
Property Taxes	\$ 919,749
Interest Income	31,171
	950,920
Total Additions	950,920
<b>DEDUCTIONS</b>	
Administrative Costs	650,647
Interest on Bonds	819,768
	1,470,415
Total Deductions	1,470,415
Change in Net Position	(519,495)
Net Position - Beginning of Year	(9,489,744)
Restatement of Net Position	(546,131)
	(10,585,970)
Net Position - End of Year	\$ (10,555,370)

The accompanying notes are an integral part of this statement.

**City of Tehachapi**  
**Notes to Financial Statements**  
Year Ended June 30, 2013

**1) REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A) Reporting Entity**

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

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

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

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

The TCFC does not issue separate financial statements.

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

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

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

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

**City of Tehachapi**  
**Notes to Financial Statements**  
Year Ended June 30, 2013

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

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

Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the providers have been met.

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

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

The City reports the following major governmental funds:

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

The *Streets and Roads Special Revenue Fund* is used to account for financial resources that are restricted for the repair and maintenance of City streets.

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

The City reports the following major proprietary funds:

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

**City of Tehachapi**  
**Notes to Financial Statements**  
Year Ended June 30, 2013

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

Additionally, the City reports the following fund types:

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

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

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

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

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

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

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

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

Governmental Accounting Standards Board Statement No. 68

In June of 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27*. This statement was issued to improve the financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions with regard to providing decision-useful

**City of Tehachapi**  
**Notes to Financial Statements**  
Year Ended June 30, 2013

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

information, supporting assessments of accountability and inter-period equity, and creating additional transparency. This statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trust or equivalent arrangements that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this statement. Statement No. 68 is effective for periods beginning after June 15, 2014. The City has elected not to early implement GASB No. 68 and has not determined its effect on the City's financial statements.

**D) Assets, Liabilities, and Net Position or Equity**

**Deposits and Investments**

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

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

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

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

For all investments at June 30, 2013, amortized cost approximates fair market value.

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

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

**City of Tehachapi**  
**Notes to Financial Statements**  
Year Ended June 30, 2013

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

**Receivables and Payables**

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

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

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

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

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

**Prepaid Items**

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

**Restricted Assets**

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

**Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

**City of Tehachapi**  
**Notes to Financial Statements**  
Year Ended June 30, 2013

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The total interest expense incurred by the proprietary funds during the current fiscal year was \$209,949. Of this amount, \$0 was included as part of the cost of capital assets under construction.

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

Buildings	30 years
Machinery and Equipment	4 - 30 years
Structures and Other Improvements	10 - 40 years

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

**Compensated Absences**

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

**Long-term Obligations**

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts 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.

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

**City of Tehachapi**  
**Notes to Financial Statements**  
Year Ended June 30, 2013

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

**Net Position**

In the government-wide financial statements, net position is classified in the following categories:

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

*Restricted* describes the portion of net position which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulation, laws, or other restrictions which the City cannot unilaterally alter.

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

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense) until then. The City currently has no items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has only one type of item, which arises only under the modified accrual basis of accounting, which qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes, special assessments, grant receivables, and other miscellaneous receivables. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

**Net Position Flow Assumption**

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g. restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the statement of net position, a flow assumption must be made about the order in which the resources are considered to be applied.

It is the City's policy to consider restricted – net position to have been depleted before unrestricted – net position.

**City of Tehachapi**  
**Notes to Financial Statements**  
Year Ended June 30, 2013

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

**Fund Balances**

Fund balances in governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

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

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

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

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

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

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

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

**City of Tehachapi**  
**Notes to Financial Statements**  
Year Ended June 30, 2013

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

**Deficit Fund Equity**

The following non-major funds had material deficit fund balances at June 30, 2013:

Nonmajor Special Revenue Funds:	
TDA 3 Bike Safety	\$ (7,961)
Event Center and Rode Grounds	(43,560)
Safe Route to School	(20,635)
General Plan Update	(74,039)
Tehachapi Blvd Imprv-Phase IV	(49,558)
New Police Building	(176,054)

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

**2) DETAILED NOTES ON ALL FUNDS**

**A) Cash and Investments**

The City's cash and investments consisted of the following at June 30, 2013:

Deposits	\$ 678,462
Investments	<u>17,368,747</u>
<b>Total Cash and Investments</b>	<b><u>\$ 18,047,209</u></b>

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

	Governmental Activities	Business-Type Activities	Fiduciary Funds	Total
Cash and Investments	\$ 5,447,234	\$ 4,941,842	\$ 6,361,901	\$ 16,750,977
Restricted Cash	<u>-</u>	<u>102,976</u>	<u>1,193,256</u>	<u>1,296,232</u>
	<b><u>\$ 5,447,234</u></b>	<b><u>\$ 5,044,818</u></b>	<b><u>\$ 7,555,157</u></b>	<b><u>\$ 18,047,209</u></b>

*Deposits*

*Custodial Credit Risk* - Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's deposit policy requires deposits to be covered by the federal depository insurance and collateral having a market value of 110% of the uninsured deposit. As of June 30, 2013, none of the City's deposits were exposed to custodial credit risk.

**City of Tehachapi**  
**Notes to Financial Statements**  
Year Ended June 30, 2013

**2) DETAILED NOTES ON ALL FUNDS - Continued**

*Investments*

As of June 30, 2013, the City had the following investments:

Investment Type	Total	Maturities in Years	
		Less than 1	1 to 5
Local Agency Investment Funds	\$ 13,741,531	\$ 13,741,531	\$ -
Negotiable Certificates of Deposit	429,406	107,435	321,971
CSJVRMA Investment Pool Held by Bond Trustee:	2,004,554	2,004,554	-
Money Market Mutual Funds	<u>1,193,256</u>	<u>1,193,256</u>	<u>-</u>
Total	<u>\$ 17,368,747</u>	<u>\$ 17,046,776</u>	<u>\$ 321,971</u>

*Authorized Investments*

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

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

City Finance Director	\$ 16,175,491
Fiscal Agents (Bond trustees for the City and its component units)	<u>1,193,256</u>
	<u>\$ 17,368,747</u>

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

**City of Tehachapi**  
**Notes to Financial Statements**  
Year Ended June 30, 2013

**2) DETAILED NOTES ON ALL FUNDS - Continued**

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

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

*Interest Rate Risk*

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

The City's investment policy generally complies with the State Government Code with respect to allowable investment instruments as a means of managing its fair value losses arising from changing interest rates.

Guaranteed investment contracts are investments held by fiscal agents (bond trustees) and are restricted for construction projects and debt service.

*Credit Risk*

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligations to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

**City of Tehachapi**  
**Notes to Financial Statements**  
Year Ended June 30, 2013

**2) DETAILED NOTES ON ALL FUNDS - Continued**

Presented below is the minimum rating required by (where applicable) the California Government Code, the City's investment policy, or debt agreements, and the Standard and Poor's rating as of year end for each investment type.

Investment Type	Total as of June 30, 2013	Minimum Legal Rating	AAA	AA	Unrated	Not Required to be Rated
LAIF	\$ 13,741,531	None	\$ -	\$ -	\$13,741,531	\$ -
Negotiable Certificates or Deposit	429,406	None	-	-	429,406	-
CSJVRMA Investment Pool	2,004,554	None	-	-	2,004,554	-
Held by Bond Trustee:						
Money Market Mutual Funds	1,193,256	A	1,193,256	-	-	-
<b>Total</b>	<b>\$ 17,368,747</b>		<b>\$1,193,256</b>	<b>\$ -</b>	<b>\$16,175,491</b>	<b>\$ -</b>

*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. There were no investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total City investments in any of the major funds.

*Custodial Credit Risk*

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

*Investment in State Investment Pool*

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

Included in cash and investments are restricted cash assets of \$1,193,256 held by the various bond trustees and fiscal agents, and \$102,976 of customer deposits in the Water Utility Fund.

**City of Tehachapi**  
**Notes to Financial Statements**  
Year Ended June 30, 2013

**2) DETAILED NOTES ON ALL FUNDS - Continued**

**B) Receivables**

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

	General Fund	Street and Roads	Other Governmental Funds	Total
<b>Governmental Activities</b>				
Taxes	\$ 599,728	\$ -	\$ 18,218	\$ 617,946
Grants	-	890,274	297,215	1,187,489
Others	62,056	-	30,345	92,401
	<u>661,784</u>	<u>890,274</u>	<u>345,778</u>	<u>1,897,836</u>
Net Total Receivables	<u>\$ 661,784</u>	<u>\$ 890,274</u>	<u>\$ 345,778</u>	<u>\$ 1,897,836</u>

	Water Fund	Sewer Fund	Airport Fund	Refuse Fund	Nonmajor Transit Fund	Total
<b>Business-Type Activities</b>						
Service Fees	\$ 366,182	\$ 238,091	\$ 11,532	\$ 158,094	\$ 117,410	\$ 891,309
Gross Receivables	366,182	238,091	11,532	158,094	117,410	891,309
Less: Allowance for Uncollectibles	-	-	-	-	-	-
	<u>366,182</u>	<u>238,091</u>	<u>11,532</u>	<u>158,094</u>	<u>117,410</u>	<u>891,309</u>
Net Total Receivables	<u>\$ 366,182</u>	<u>\$ 238,091</u>	<u>\$ 11,532</u>	<u>\$ 158,094</u>	<u>\$ 117,410</u>	<u>\$ 891,309</u>

**City of Tehachapi**  
**Notes to Financial Statements**  
Year Ended June 30, 2013

**2) DETAILED NOTES ON ALL FUNDS - Continued**

**C) Capital Assets**

Capital assets activity for the year ended June 30, 2013 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities:</b>				
Capital Assets, Not Depreciated:				
Land	\$ 941,007	\$ -	\$ -	\$ 941,007
Construction in Progress	3,671,943	2,414,955	(1,385,179)	4,701,719
Total Capital Assets, Not Depreciated	4,612,950	2,414,955	(1,385,179)	5,642,726
Capital Assets Being Depreciated:				
Buildings and Improvements	4,042,159	-	-	4,042,159
Machinery and Equipment	2,983,388	300,413	(116,563)	3,167,238
Improvements other than Buildings	21,796,470	2,105,463	-	23,901,933
Parks	277,862	-	-	277,862
Total Capital Assets Being Depreciated	29,099,879	2,405,876	(116,563)	31,389,192
Less Accumulated Depreciation:				
Buildings and Improvements	(1,420,908)	(153,482)	-	(1,574,390)
Machinery and Equipment	(2,576,519)	(162,687)	116,563	(2,622,643)
Improvements other than Buildings	(3,775,337)	(811,918)	-	(4,587,255)
Parks	(27,807)	(6,947)	-	(34,754)
Total Accumulated Depreciation	(7,800,571)	(1,135,034)	116,563	(8,819,042)
Total Capital Assets Being Depreciated, Net	21,299,308	1,270,842	-	22,570,150
Governmental Activities Capital Assets, Net of Depreciation	<u>\$ 25,912,258</u>	<u>\$ 3,685,797</u>	<u>\$ (1,385,179)</u>	<u>\$ 28,212,876</u>

**City of Tehachapi**  
**Notes to Financial Statements**  
Year Ended June 30, 2013

**2) DETAILED NOTES ON ALL FUNDS - Continued**

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-type Activities:</b>				
Capital Assets, Not Depreciated:				
Land	\$ 684,609	\$ -	\$ -	\$ 684,609
Water Rights	1,745,563	97,000	(13,527)	1,829,036
Construction in Progress	5,276,927	42,080	(5,276,927)	42,080
Total Capital Assets, Not Depreciated	7,707,099	139,080	(5,290,454)	2,555,725
Capital Assets Being Depreciated:				
Buildings	11,125,195	5,615,400	-	16,740,595
Machinery and Equipment	1,723,372	421,411	-	2,144,783
Improvements other than Building	10,748,463	-	-	10,748,463
Total Capital Assets Being Depreciated	23,597,030	6,036,811	-	29,633,841
Less Accumulated Depreciation:				
Building and Improvements	(7,582,355)	(412,451)	-	(7,994,806)
Machinery and Equipment	(1,035,986)	(67,830)	-	(1,103,816)
Improvements other than Building	(3,657,301)	(380,787)	-	(4,038,088)
Total Accumulated Depreciation	(12,275,642)	(861,068)	-	(13,136,710)
Total Capital Assets Being Depreciated, Net	11,321,388	5,175,743	-	16,497,131
Business-type Activities Capital Assets, Net of Depreciation	\$ 19,028,487	\$ 5,314,823	\$ (5,290,454)	\$ 19,052,856

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

<b>Governmental Activities:</b>	
General Government	\$ 1,135,034
Total Depreciation Expense - Governmental Activities	\$ 1,135,034
<b>Business-type Activities:</b>	
Water	\$ 246,865
Sewer	454,021
Airport	160,182
Total Depreciation Expense - Business-type Activities	\$ 861,068

**City of Tehachapi**  
**Notes to Financial Statements**  
Year Ended June 30, 2013

**2) DETAILED NOTES ON ALL FUNDS - Continued**

**D) Interfund Receivables, Payables and Transfers**

The composition of interfund balances as of June 30, 2013 is as follows:

	Receivable Fund	Payable Fund
General Fund	\$ 2,000,268	\$ -
Streets and Roads		597,224
Non-major Governmental Funds	-	570,819
Enterprise Funds:		
Water Fund		714,100
Nonmajor Transit Fund	-	118,125
	\$ 2,000,268	\$ 2,000,268
Total	\$ 2,000,268	\$ 2,000,268

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

Advances to/from consist of the following at June 30, 2013:

	Receivable Fund	Payable Fund
General Fund	\$ 1,801,242	\$ -
Proprietary Funds:		
Water Fund	-	432,004
Sewer Fund	-	276,199
Airport Fund	-	1,093,039
	\$ 1,801,242	\$ 1,801,242
Total	\$ 1,801,242	\$ 1,801,242

The General Fund advanced the Water and Sewer Funds \$432,004 and \$276,199, respectively, in order for the Water and Sewer Funds to pay off bonds early. The General Fund has advanced the Airport Fund \$1,093,039 to cover operating deficits.

Interfund transfers for the year ended June 30, 2013 are as follows:

		TRANSFERS IN				
		General Fund	Non-major Governmental Funds	Airport Fund	Sewer Fund	Total
TRANSFERS OUT	General Fund	\$ -	\$ 86,590	\$ -	\$ 30,437	\$ 117,027
	Streets and Roads		324,648	-	-	324,648
	Non-Major Governmental Funds	37,000	575,000	83,895	-	695,985
	Total	\$ 37,000	\$ 986,238	\$ 83,895	\$ 30,437	\$ 1,137,660

**City of Tehachapi**  
**Notes to Financial Statements**  
Year Ended June 30, 2013

**2) DETAILED NOTES ON ALL FUNDS - Continued**

The transfers from the Non-major Governmental Funds to the Non-major Governmental Funds and from the Streets and Roads Fund were for capital projects. The transfers from the General Fund to the Non-major Governmental Funds and Airport were for capital projects and operating purposes, respectively.

The Due From Fiduciary Fund of \$1,133,759 in the General Fund is the result of amounts due from the Agency Fund and Successor Agency Private-purpose Trust Fund of \$368,892 and \$764,867, respectively. The amounts due from the Agency fund are the result of deficits in those funds. The amounts due from the Successor Agency Private-purpose Trust Fund is the result of the General Fund covering operating deficits upon the start-up of the Successor Agency.

**E) Other Assets**

Other assets at June 30, 2013 consist of the following:

	Agency Funds	Total
Foreclosure Receivables	\$ 338,874	\$ 338,874

**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, 2013.

**City of Tehachapi**  
**Notes to Financial Statements**  
Year Ended June 30, 2013

**2) DETAILED NOTES ON ALL FUNDS - Continued**

**F) Long-term Debt**

**Changes in Long-term Liabilities**

Long-term liability activity for the year ended June 30, 2013, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
<b>Governmental Activities:</b>					
Capital Leases	\$ 716,230	\$ -	\$ 26,090	\$ 690,140	\$ 26,928
Compensated Absences	155,243	86,193	69,052	172,384	89,000
Governmental Activity					
Long-term Liabilities	<u>\$ 871,473</u>	<u>\$ 86,193</u>	<u>\$ 95,142</u>	<u>\$ 862,524</u>	<u>\$ 115,928</u>
<b>Business-type Activities:</b>					
2004 Revenue Refunding Bonds	\$ 2,920,000	\$ -	\$ 125,000	\$ 2,795,000	\$ 135,000
1993 State Revolving Loan	375,018	-	184,738	190,280	190,280
1998 Sewer and Water COP	238,500	-	5,000	233,500	5,300
Less Deferred Amounts:					
For Issuance Discounts	<u>(35,551)</u>	<u>-</u>	<u>(3,950)</u>	<u>(31,601)</u>	<u>-</u>
Total Bonds Payable	3,497,967	-	310,788	3,187,179	330,580
Department of Transportation Loan	61,150	-	9,924	51,226	10,408
Water Resources Control Board Loan	388,547	1,735,149	97,843	2,025,853	83,800
Capital Leases	146,697	-	5,344	141,353	5,515
Compensated Absences	<u>108,981</u>	<u>51,662</u>	<u>31,487</u>	<u>129,156</u>	<u>38,746</u>
Business-type Activity					
Long-term Liabilities	<u>\$ 4,203,342</u>	<u>\$ 1,786,811</u>	<u>\$ 455,386</u>	<u>\$ 5,534,767</u>	<u>\$ 469,049</u>

**Capital Leases**

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

**City of Tehachapi**  
**Notes to Financial Statements**  
Year Ended June 30, 2013

**2) DETAILED NOTES ON ALL FUNDS - Continued**

The assets acquired through capital leases are as follows:

	Governmental Activities	Business-type Activities
Asset:		
Goodrick Drive	\$ 955,570	\$ 195,719
Less Accumulated Depreciation	(462,117)	(94,650)
Total	\$ 493,453	\$ 101,069

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2013, were as follows:

Year Ending June 30,	Governmental Activities	Business-type Activities
2014	\$ 48,649	\$ 9,964
2015	48,635	9,961
2016	48,622	9,958
2017	48,607	9,955
2018	48,591	9,952
2019	48,575	9,949
2020	48,559	9,946
2021	48,542	9,942
2022	48,525	9,939
2023	48,507	9,935
2024	48,489	9,932
2025	48,470	9,928
2026	48,450	9,923
2027	48,430	9,919
2028	48,409	9,915
2029	48,387	9,912
2030	48,365	9,906
2031	48,342	9,902
2032	48,317	9,897
Total	921,471	188,735
Less amount representing interest	(231,331)	(47,382)
Present value of net minimum lease payments	\$ 690,140	\$ 141,353

**City of Tehachapi**  
**Notes to Financial Statements**  
Year Ended June 30, 2013

**2) DETAILED NOTES ON ALL FUNDS - Continued**

**2004 Revenue Refunding Bonds**

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

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

Year Ending June 30,	Principal	Interest
2014	\$ 135,000	\$ 109,344
2015	140,000	104,444
2016	145,000	99,187
2017	150,000	93,469
2018	495,000	80,569
2019	555,000	59,569
2020	570,000	36,712
2021	605,000	12,478
Total	\$ 2,795,000	\$ 595,772

**1993 State Revolving Loan**

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

The annual debt service requirements are as follows:

Year Ending June 30,	Principal	Interest
2014	\$ 190,280	\$ 5,708
Total	\$ 190,280	\$ 5,708

**City of Tehachapi**  
**Notes to Financial Statements**  
Year Ended June 30, 2013

**2) DETAILED NOTES ON ALL FUNDS - Continued**

**1998 Sewer & Water COPs**

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

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

Year Ending June 30,	Principal	Interest
2014	\$ 5,300	\$ 10,508
2015	5,400	10,269
2016	5,700	10,026
2017	6,000	9,770
2018	6,200	9,500
2019	6,500	9,221
2020	6,800	8,928
2021	7,100	8,621
2022	7,400	8,303
2023	7,800	7,969
2024	8,100	7,619
2025	8,500	7,254
2026	9,100	6,871
2027	9,300	6,462
2028	9,700	6,044
2029	10,100	5,607
2030	10,600	5,152
2031	11,000	4,676
2032	11,600	4,181
2033	12,100	3,658
2034	12,700	3,114
2035	13,200	2,543
2036	13,800	1,948
2037	14,400	1,327
2038	15,100	680
Total	\$ 233,500	\$ 160,251

**Department of Transportation Loan**

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

**City of Tehachapi**  
**Notes to Financial Statements**  
Year Ended June 30, 2013

**2) DETAILED NOTES ON ALL FUNDS - Continued**

The annual debt service requirements to maturity are as follows:

Year Ending June 30,	Principal	Interest
2014	\$ 10,408	\$ 2,587
2015	10,891	2,061
2016	11,376	1,511
2017	11,860	937
2018	6,691	338
Total	<u>\$ 51,226</u>	<u>\$ 7,434</u>

**Water Resources Control Board Loan**

In September 2011, the City received a loan from the California State Water Resources Control Board for up to \$2,121,030 to be used for the Wastewater Treatment Plant Expansion Project. The amount of the loan will be based on eligible project costs and is issued on a reimbursement basis. The loan matures over 20 years with an interest rate of 2.6%. As of June 30, 2013 the City has been issued the full amount of the loan, which will be repaid from the Sewer Fund.

The annual debt service requirements to maturity are as follows:

Year Ending June 30,	Principal	Interest
2014	\$ 83,800	\$ 52,675
2015	85,979	50,493
2016	88,214	48,258
2017	90,508	45,964
2018	92,861	43,611
2019	95,276	41,197
2020	97,753	38,720
2021	100,294	36,178
2022	102,902	33,570
2023	105,577	30,895
2024	108,322	28,150
2025	111,139	25,334
2026	114,028	22,444
2027	116,993	19,479
2028	120,035	16,437
2029	123,156	13,316
2030	126,358	10,114
2031	129,643	6,829
2032	133,015	3,458
Total	<u>\$ 2,025,853</u>	<u>\$ 567,122</u>

**City of Tehachapi**  
**Notes to Financial Statements**  
Year Ended June 30, 2013

**2) DETAILED NOTES ON ALL FUNDS - Continued**

**Long-term Liabilities - Fiduciary Funds**

In December 2005, the Tehachapi Redevelopment Agency issued Tax Allocation Bonds in the amount of \$8,780,000. These bonds were issued for the purpose of refunding the Agency's \$1,555,000 2004 Subordinate Tax Allocation Notes and the Agency's \$2,500,000 2002 Tax Allocation Notes. A portion of the net proceeds of the Bonds will also be used to fund certain redevelopment activities of benefit to the Tehachapi Redevelopment Agency ("the Project Area"), including amounts which will be deposited into a special escrow fund for future release. The Bonds will mature on December 1, 2035 and the interest rate ranges between 3.25% and 5.25% over the life of the Bonds. Interest is payable semiannually on June 1<sup>st</sup> and December 1<sup>st</sup> of each year, commencing June 1, 2006. The Bonds are subject to redemption at the option of the Agency on or after June 1, 2006.

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

<b>2005 Bonds</b>		
Year Ending June 30,	Principal	Interest
2014	\$ 195,000	\$ 370,256
2015	205,000	362,064
2016	210,000	353,525
2017	220,000	344,379
2018	235,000	334,391
2019-2023	1,320,000	1,501,790
2024-2028	1,660,000	1,151,457
2029-2033	2,115,000	678,533
2034-2036	1,550,000	121,616
Total	\$ 7,710,000	\$ 5,218,011

In December 2007, the Tehachapi Redevelopment Agency issued Tax Allocation Bonds in the amount of \$9,120,000. These Bonds were issued for the purpose of financing additional redevelopment activities for the Tehachapi Redevelopment Agency (the "Project Area"), including amounts which will be deposited into a special escrow fund for future release. Proceeds of the 2007 Bonds will also be used to fund capitalized interest for the 2007 Bonds which fund the special escrow fund, to provide money to meet the parity reserve fund requirement for the 2007 Bonds and the 2005 Bonds.

**City of Tehachapi**  
**Notes to Financial Statements**  
Year Ended June 30, 2013

**2) DETAILED NOTES ON ALL FUNDS - Continued**

The Bonds are secured by a pledge of tax revenues. The Bonds will mature on December 1, 2037 and the interest rate ranges between 3.4% and 5.313% over the life of the Bonds. Interest is payable semiannually, on June 1<sup>st</sup> and December 1<sup>st</sup> of each year, commencing June 1, 2009. The Bonds are subject to redemption at the option of the Agency on or after December 1, 2018.

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

<b>2007 Bonds</b>		
Year Ending June 30,	Principal	Interest
2014	\$ 175,000	\$ 424,785
2015	185,000	416,686
2016	195,000	407,933
2017	200,000	398,583
2018	215,000	388,631
2019-2023	1,240,000	1,770,808
2024-2028	1,570,000	1,421,840
2029-2033	2,025,000	963,873
2034-2038	2,605,000	360,657
<b>Total</b>	<b>\$ 8,410,000</b>	<b>\$ 6,553,796</b>

The following is a schedule of changes in long-term debt of the Successor Agency for the fiscal year ended June 30, 2013.

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Bonds Payable:					
Tax Allocation Bonds	\$ 16,485,000	\$ -	\$ 365,000	\$ 16,120,000	\$ 370,000
Unamortized Bond Discount	(264,923)	-	(10,968)	(253,955)	-
<b>Total</b>	<b>\$ 16,220,077</b>	<b>\$ -</b>	<b>\$ 354,032</b>	<b>15,866,045</b>	<b>\$ 370,000</b>

**No-Commitment Debt**

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

Due to delinquent annual assessments, limited obligation bonds (Assessment Districts 89-2 and 89-3) amounting to \$2,425,000 (principal only) are in default at June 30, 2013.

**City of Tehachapi**  
**Notes to Financial Statements**  
Year Ended June 30, 2013

**2) DETAILED NOTES ON ALL FUNDS - Continued**

**G) Fund Balances**

The details of the fund balances as of June 30, 2013 are presented below:

	General Fund	Streets And Roads Fund	Tract 6216 Settlement	Other Governmental Funds	Total Governmental Funds
<b>Nonspendable:</b>					
Prepays	\$ 106,025	\$ -	\$ -	\$ -	\$ 106,025
Loans Receivable	195,344	-	-	-	195,344
Advances to Other Funds	1,801,242	-	-	-	1,801,242
<b>Restricted for:</b>					
Lighting District	-	-	-	151,112	151,112
Transportation	-	-	-	1,323,615	1,323,615
Development	-	-	-	264,160	264,160
<b>Committed to:</b>					
Emergency Contingency	809,629	-	-	-	809,629
<b>Assigned to:</b>					
Capital Projects	-	-	-	178,673	178,673
Tract 6216 Settlement	-	-	496,120	-	496,120
<b>Unassigned:</b>	<u>5,252,576</u>	<u>-</u>	<u>-</u>	<u>(371,807)</u>	<u>4,880,769</u>
Total Fund Balance	<u>\$8,164,816</u>	<u>\$ -</u>	<u>\$ 496,120</u>	<u>\$ 1,545,753</u>	<u>\$10,206,689</u>

**3) OTHER INFORMATION**

**A) Risk Management**

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

The City is covered for the first \$1,000,000 of each general liability claim and \$500,000 of each workers' compensation claim through the CSJVRMA. The city has the right to receive dividends or the obligation to pay assessments based on a formula which, among other expenses, charges the City's account for liability and workers' compensation losses under \$10,000. The City's share of estimated claims payable at June 30, 2013 and 2012 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.

**City of Tehachapi**  
**Notes to Financial Statements**  
Year Ended June 30, 2013

**3) OTHER INFORMATION - Continued**

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

The City is exposed to various risks of losses related to torts; thefts of, damage to, and destruction of assets; errors and omissions; and natural disasters. The City purchases insurance as described above. There are no significant reductions in insurance coverage from prior years and also there been no settlements exceeding the insurance coverage for each of the past three fiscal years.

**B) City Employee Retirement Plans**

**Miscellaneous Plan and Safety Plan:**

**Plan Description**

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

**Funding Policy**

Active plan members are required to contribute 7% and 9% of their annual covered salary for the Miscellaneous and Safety plans, respectively. The City of Tehachapi pays the member contributions for both the Miscellaneous Plan and the Safety Plan of 5% and 6.5% respectively. The City is also required to make additional contributions at an actuarially determined rate. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rates for fiscal year 2012-2013 were 10.761% for the Miscellaneous Plan and 24.706% for the Safety Police Plan. The contribution requirements of the plan members are established by State statute and the employer contribution rate is established and may be amended by CalPERS.

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

<u>Fiscal Year</u>	<u>Required Contributions</u>	<u>Percent Contributed</u>
6/30/11	\$ 233,113	100%
6/30/12	\$ 220,242	100%
6/30/13	\$ 248,312	100%

**City of Tehachapi**  
**Notes to Financial Statements**  
Year Ended June 30, 2013

**3) OTHER INFORMATION - Continued**

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

<u>Fiscal Year</u>	<u>Required Contributions</u>	<u>Percent Contributed</u>
6/30/11	\$ 171,299	100%
6/30/12	\$ 205,618	100%
6/30/13	\$ 226,953	100%

**Safety Fire Plan**

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

**C) Commitments and Contingencies**

The City has entered into a new debt agreement (Sewer Loan) as of May 2011. As of June 30, 2013, there was no activity by the City for this debt.

The City has received Federal and State funds for specific purposes that are subject to review by the grantor agencies. These programs are subject to audit by the grantor agencies and upon further examination by the grantors, certain costs could be disallowed. The City expects any such amounts to be immaterial.

**D) Prior Period Adjustment/Restatement of Net Position**

The prior period adjustment in the Statement of Revenues, Expenditures and Changes in Fund Balances for the Streets and Roads Special Revenue Fund of \$293,050 is to record unavailable revenues from grants that were not received within the availability period in the prior year.

The City implemented Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*, in fiscal year 2012-13. As a result, the beginning net position in the Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds and the Statement of Changes in Net Position – Fiduciary Funds was restated by \$249,783 and \$546,131, respectively, to reflect the cumulative effect of applying this statement.

**REQUIRED SUPPLEMENTARY INFORMATION**

**City of Tehachapi**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual - General Fund**  
Year Ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 4,584,122	\$ 4,954,864	\$ 5,356,958	\$ 402,094
Licenses, Permits, and Fines	50,000	78,905	90,551	11,646
Intergovernmental	22,500	250,800	367,963	117,163
Charges for Services	480,000	427,910	817,582	389,672
Investment Earnings	35,000	35,000	25,908	(9,092)
Miscellaneous Revenues	124,025	245,592	396,277	150,685
	<u>5,295,647</u>	<u>5,993,071</u>	<u>7,055,239</u>	<u>1,062,168</u>
<b>EXPENDITURES</b>				
Current:				
General Government	1,032,557	1,322,881	1,280,959	41,922
Public Works	545,112	627,529	652,602	(25,073)
Public Safety	2,637,062	2,972,066	2,824,312	147,754
Community Development	955,642	966,087	938,491	27,596
Capital Outlay:				
General Government	-	-	-	-
	<u>5,170,373</u>	<u>5,888,563</u>	<u>5,696,364</u>	<u>192,199</u>
Excess (Deficiency) of Revenues over Expenditures	<u>125,274</u>	<u>104,508</u>	<u>1,358,875</u>	<u>1,254,367</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers	37,000	37,000	37,000	-
Transfers Out	(126,500)	(114,437)	(117,027)	(2,590)
	<u>(89,500)</u>	<u>(77,437)</u>	<u>(80,027)</u>	<u>(2,590)</u>
Net Change in Fund Balances	35,774	27,071	1,278,848	1,251,777
Fund Balance, Beginning of Year	<u>6,885,968</u>	<u>6,885,968</u>	<u>6,885,968</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 6,921,742</u>	<u>\$ 6,913,039</u>	<u>\$ 8,164,816</u>	<u>\$ 1,251,777</u>

**City of Tehachapi**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual - Streets and Roads**  
Year Ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$ 317,546	\$ 890,274	\$ 890,274	\$ -
Total Revenues	<u>317,546</u>	<u>890,274</u>	<u>890,274</u>	<u>-</u>
<b>EXPENDITURES</b>				
Current:				
General Government	-	-	-	-
Public Works	317,546	350,000	2,149	347,851
Debt Service				
Interest Expense	22,572	22,572	22,572	-
Principal	26,090	26,090	26,090	-
Total Expenditures	<u>366,208</u>	<u>398,662</u>	<u>50,811</u>	<u>347,851</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(48,662)</u>	<u>491,612</u>	<u>839,463</u>	<u>347,851</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers Out	-	(317,546)	(324,648)	7,102
Total Other Financing Sources (Uses)	<u>-</u>	<u>(317,546)</u>	<u>(324,648)</u>	<u>7,102</u>
Net Change in Fund Balance	(48,662)	174,066	514,815	340,749
Fund Balance, Beginning of Year	(221,765)	(221,765)	(221,765)	-
Prior Period Adjustment	-	-	(293,050)	(293,050)
Fund Balance, End of Year	<u>\$ (270,427)</u>	<u>\$ (47,699)</u>	<u>\$ -</u>	<u>\$ 47,699</u>

**City of Tehachapi**  
**Notes to Required Supplementary Information**  
Year Ended June 30, 2013

**Budgetary Accounting**

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

## **SUPPLEMENTARY INFORMATION**

**City of Tehachapi**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual - Tract 6216 Settlement Project**  
Year Ended June 30, 2013

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Investment Earnings	\$ -	\$ 7,027	\$ 7,027
Total Revenues	-	7,027	7,027
<b>EXPENDITURES</b>			
Community Development	1,710,000	1,695,581	14,419
Total Expenditures	1,710,000	1,695,581	14,419
Excess (Deficiency) of Revenues over Expenditures	(1,710,000)	(1,688,554)	21,446
Net Change in Fund Balance	(1,710,000)	(1,688,554)	21,446
Fund Balance, Beginning of Year	2,184,674	2,184,674	-
Fund Balance, End of Year	<u>\$ 474,674</u>	<u>\$ 496,120</u>	<u>\$ 21,446</u>

**City of Tehachapi**  
**Combining Balance Sheet**  
**Non-Major Governmental Funds**  
June 30, 2013

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and Investments	\$ 1,696,224	\$ 391,561	\$ 2,087,785
Receivables	<u>59,309</u>	<u>286,469</u>	<u>345,778</u>
Total Assets	<u>\$ 1,755,533</u>	<u>\$ 678,030</u>	<u>\$ 2,433,563</u>
<b>LIABILITIES</b>			
Accounts Payable	\$ 102,777	\$ 195,642	\$ 298,419
Due to Other Funds	<u>178,499</u>	<u>392,320</u>	<u>570,819</u>
Total Liabilities	<u>281,276</u>	<u>587,962</u>	<u>869,238</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable Revenues - Grants	<u>18,572</u>	<u>-</u>	<u>18,572</u>
Total Deferred Inflows of Resources	<u>18,572</u>	<u>-</u>	<u>18,572</u>
<b>FUND BALANCES</b>			
Restricted	1,527,841	211,046	1,738,887
Assigned	-	178,673	178,673
Unassigned	<u>(72,156)</u>	<u>(299,651)</u>	<u>(371,807)</u>
Total Fund Balances	<u>1,455,685</u>	<u>90,068</u>	<u>1,545,753</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 1,755,533</u>	<u>\$ 678,030</u>	<u>\$ 2,433,563</u>

**City of Tehachapi**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Non-Major Governmental Funds**  
Year Ended June 30, 2013

	Special Revenue	Capital Projects	Total
<b>REVENUES</b>			
Taxes	\$ 592,428	\$ -	\$ 592,428
Intergovernmental	458,926	1,045,758	1,504,684
Charges for Services	293,296	-	293,296
Investment Earnings	6,545	1,543	8,088
Miscellaneous Revenue	-	20,000	20,000
	<u>1,351,195</u>	<u>1,067,301</u>	<u>2,418,496</u>
Total Revenues			
<b>EXPENDITURES</b>			
Current:			
General Government	63,462	-	63,462
Public Works	877,770	344	878,114
Community Development	29,756	92,531	122,287
Capital Outlay	178,042	1,335,137	1,513,179
	<u>1,149,030</u>	<u>1,428,012</u>	<u>2,577,042</u>
Total Expenditures			
Excess (Deficiency) of Revenues Over Expenditures	<u>202,165</u>	<u>(360,711)</u>	<u>(158,546)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	634,648	351,590	986,238
Transfers Out	(325,000)	(370,985)	(695,985)
	<u>309,648</u>	<u>(19,395)</u>	<u>290,253</u>
Total Other Financing Sources (Uses)			
Net Change in Fund Balances	511,813	(380,106)	131,707
Fund Balances, Beginning of Year	<u>943,872</u>	<u>470,174</u>	<u>1,414,046</u>
Fund Balances, End of Year	<u>\$ 1,455,685</u>	<u>\$ 90,068</u>	<u>\$ 1,545,753</u>

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**City of Tehachapi**  
**Combining Balance Sheet**  
**Non-major Special Revenue Funds**  
June 30, 2013

	Traffic Signals	TDA 3 Bike Safety	Oil Recycling Grant Fund	Beverage Container Recycling
<b>ASSETS</b>				
Cash and Investments	\$ 1,130,866	\$ -	\$ 265	\$ 6,480
Receivables	-	-	-	5,000
Total Assets	<u>\$ 1,130,866</u>	<u>\$ -</u>	<u>\$ 265</u>	<u>\$ 11,480</u>
<b>LIABILITIES</b>				
Accounts Payable	\$ 3,040	\$ 7,639	\$ -	\$ -
Due to Other Funds	-	322	-	-
Total Liabilities	<u>3,040</u>	<u>7,961</u>	<u>-</u>	<u>-</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable Revenues - Grants	-	-	-	-
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>				
Restricted	1,127,826	-	265	11,480
Unassigned	-	(7,961)	-	-
Total Fund Balances	<u>1,127,826</u>	<u>(7,961)</u>	<u>265</u>	<u>11,480</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 1,130,866</u>	<u>\$ -</u>	<u>\$ 265</u>	<u>\$ 11,480</u>

<u>Lighting District</u>	<u>Event Center &amp; Rodeo Grounds</u>	<u>Gas Tax</u>	<u>Facility Impact Fee Fund</u>	<u>Safe Route to School Fund</u>	<u>Total Non-Major Funds</u>
\$ 310,042	\$ -	\$ 141,021	\$ 107,550	\$ -	\$ 1,696,224
832	800	34,105	-	18,572	59,309
<u>\$ 310,874</u>	<u>\$ 800</u>	<u>\$ 175,126</u>	<u>\$ 107,550</u>	<u>\$ 18,572</u>	<u>\$ 1,755,533</u>
\$ 22,490	\$ 3,616	\$ 44,732	\$ 786	\$ 20,474	\$ 102,777
137,272	40,744	-	-	161	178,499
<u>159,762</u>	<u>44,360</u>	<u>44,732</u>	<u>786</u>	<u>20,635</u>	<u>281,276</u>
-	-	-	-	18,572	18,572
-	-	-	-	18,572	18,572
151,112	-	130,394	106,764	-	1,527,841
-	(43,560)	-	-	(20,635)	(72,156)
<u>151,112</u>	<u>(43,560)</u>	<u>130,394</u>	<u>106,764</u>	<u>(20,635)</u>	<u>1,455,685</u>
<u>\$ 310,874</u>	<u>\$ 800</u>	<u>\$ 175,126</u>	<u>\$ 107,550</u>	<u>\$ 18,572</u>	<u>\$ 1,755,533</u>

**City of Tehachapi**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Non-Major Special Revenue Funds**  
Year Ended June 30, 2013

	Traffic Signals	TDA 3 Bike Safety	Oil Recycling Grant Fund	Beverage Container Recycling
<b>REVENUES</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	419,382	28,797	-	5,000
Charges for Services	-	-	-	-
Investment Earnings	3,830	-	1	48
Miscellaneous Revenues	-	-	-	-
	<u>423,212</u>	<u>28,797</u>	<u>1</u>	<u>5,048</u>
Total Revenues				
<b>EXPENDITURES</b>				
Current:				
General Government	-	-	-	-
Public Works	-	-	-	-
Community Development	-	-	-	8,863
Capital Outlay	39,364	43,810	-	-
	<u>39,364</u>	<u>43,810</u>	<u>-</u>	<u>8,863</u>
Total Expenditures				
Excess (Deficiency) of Revenues Over Expenditures	383,848	(15,013)	1	(3,815)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	-	7,102	-	-
Transfers Out	-	-	-	-
	<u>-</u>	<u>7,102</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)				
Net Change in Fund Balances	383,848	(7,911)	1	(3,815)
Fund Balances, Beginning of Year	743,978	(50)	264	15,295
Fund Balances, End of Year	<u>\$ 1,127,826</u>	<u>\$ (7,961)</u>	<u>\$ 265</u>	<u>\$ 11,480</u>

<u>Lighting District</u>	<u>Event Center &amp; Rodeo Grounds</u>	<u>Gas Tax</u>	<u>Facility Impact Fee Fund</u>	<u>Safe Route to School Fund</u>	<u>Total Non-Major Funds</u>
\$ 280,190	\$ -	\$ 312,238	\$ -	\$ -	\$ 592,428
-	-	5,747	-	-	458,926
-	-	-	293,296	-	293,296
1,225	-	526	915	-	6,545
-	-	-	-	-	-
<u>281,415</u>	<u>-</u>	<u>318,511</u>	<u>294,211</u>	<u>-</u>	<u>1,351,195</u>
63,462	-	-	-	-	63,462
232,877	-	644,893	-	-	877,770
19,932	-	-	961	-	29,756
-	74,233	-	-	20,635	178,042
<u>316,271</u>	<u>74,233</u>	<u>644,893</u>	<u>961</u>	<u>20,635</u>	<u>1,149,030</u>
<u>(34,856)</u>	<u>(74,233)</u>	<u>(326,382)</u>	<u>293,250</u>	<u>(20,635)</u>	<u>202,165</u>
-	310,000	317,546	-	-	634,648
-	-	(30,000)	(295,000)	-	(325,000)
-	310,000	287,546	(295,000)	-	309,648
(34,856)	235,767	(38,836)	(1,750)	(20,635)	511,813
185,968	(279,327)	169,230	108,514	-	943,872
<u>\$ 151,112</u>	<u>\$ (43,560)</u>	<u>\$ 130,394</u>	<u>\$ 106,764</u>	<u>\$ (20,635)</u>	<u>\$ 1,455,685</u>

**City of Tehachapi**  
**Combining Balance Sheet**  
**Non-major Capital Project Funds**  
June 30, 2013

	<u>Tucker Road / Valley Blvd. Exchange</u>	<u>Energy Efficiency Conservation Project</u>	<u>Capital Equipment Replacement</u>	<u>Public Safety Capital Project Fee</u>
<b>ASSETS</b>				
Cash and Investments	\$ 47,409	\$ -	\$ -	\$ -
Receivables	-	-	-	-
 Total Assets	 <u>\$ 47,409</u>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ -</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
Due to Other Funds	-	-	-	-
 Total Liabilities	 <u>-</u>	 <u>-</u>	 <u>-</u>	 <u>-</u>
Fund Balances:				
Restricted	47,409	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
 Total Fund Balances	 <u>47,409</u>	 <u>-</u>	 <u>-</u>	 <u>-</u>
 Total Liabilities and Fund Balances	 <u>\$ 47,409</u>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ -</u>

<u>General Plan Update</u>	<u>Valley Shoulder Ext - HSIP</u>	<u>Downtown Master Plan</u>	<u>Parks &amp; Rec. Capital Project</u>	<u>Challenger Drive Exit</u>	<u>Green Street Lighting Capital Projects Fund</u>	<u>Tehachapi Centennial Plaza</u>
\$ -	\$ 8,827	\$ -	\$ 125,583	\$ 159,017	\$ 20,068	\$ -
-	11,534	-	-	-	-	-
<u>\$ -</u>	<u>\$ 20,361</u>	<u>\$ -</u>	<u>\$ 125,583</u>	<u>\$ 159,017</u>	<u>\$ 20,068</u>	<u>\$ -</u>
\$ 6,212	\$ 2,375	\$ -	\$ -	\$ -	\$ -	\$ -
67,827	-	-	-	-	-	-
<u>74,039</u>	<u>2,375</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	17,986	-	125,583	-	20,068	-
-	-	-	-	159,017	-	-
<u>(74,039)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>(74,039)</u>	<u>17,986</u>	<u>-</u>	<u>125,583</u>	<u>159,017</u>	<u>20,068</u>	<u>-</u>
<u>\$ -</u>	<u>\$ 20,361</u>	<u>\$ -</u>	<u>\$ 125,583</u>	<u>\$ 159,017</u>	<u>\$ 20,068</u>	<u>\$ -</u>

Continued

**City of Tehachapi**  
**Combining Balance Sheet**  
**Non-major Capital Project Funds - Continued**  
Year Ended June 30, 2013

	Tehachapi Blvd Imprv - Phase IV	New Police Building	Freedom Plaza	Total Non-Major Funds
<b>ASSETS</b>				
Cash and Investments	\$ -	\$ 11,001	\$ 19,656	\$ 391,561
Receivables	274,935	-	-	286,469
<b>Total Assets</b>	<b><u>\$ 274,935</u></b>	<b><u>\$ 11,001</u></b>	<b><u>\$ 19,656</u></b>	<b><u>\$ 678,030</u></b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts Payable	\$ -	\$ 187,055	\$ -	\$ 195,642
Due to Other Funds	324,493	-	-	392,320
<b>Total Liabilities</b>	<b><u>324,493</u></b>	<b><u>187,055</u></b>	<b><u>-</u></b>	<b><u>587,962</u></b>
Fund Balances:				
Restricted	-	-	-	211,046
Assigned	-	-	19,656	178,673
Unassigned	(49,558)	(176,054)	-	(299,651)
<b>Total Fund Balances</b>	<b><u>(49,558)</u></b>	<b><u>(176,054)</u></b>	<b><u>19,656</u></b>	<b><u>90,068</u></b>
<b>Total Liabilities and Fund Balances</b>	<b><u>\$ 274,935</u></b>	<b><u>\$ 11,001</u></b>	<b><u>\$ 19,656</u></b>	<b><u>\$ 678,030</u></b>

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**City of Tehachapi**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Non-Major Capital Project Funds**  
Year Ended June 30, 2013

	<u>Tucker Road / Valley Blvd. Exchange</u>	<u>Energy Efficiency Conservation Project</u>	<u>Capital Equipment Replacement</u>	<u>Public Safety Capital Project Fee</u>
<b>REVENUES</b>				
Licenses, Permits, and Fines	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-
Miscellaneous Revenue	-	-	-	-
Investment Earnings	194	-	-	-
Total Revenues	<u>194</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>EXPENDITURES</b>				
Current:				
Public Works	-	-	-	-
Community Development	-	-	-	-
Capital Outlay	-	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>194</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	-	2,590	-	-
Transfers Out	-	-	(120,985)	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>2,590</u>	<u>(120,985)</u>	<u>-</u>
Net Change in Fund Balances	194	2,590	(120,985)	-
Fund Balances, Beginning of Year	<u>47,215</u>	<u>(2,590)</u>	<u>120,985</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ 47,409</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

<u>General Plan Update</u>	<u>Valley Shoulder Ext - HSIP</u>	<u>Downtown Master Plan</u>	<u>Parks &amp; Rec. Capital Project</u>	<u>Challenger Drive Exit</u>	<u>Green Street Lighting Capital Projects Fund</u>	<u>Tehachapi Centennial Plaza</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	14,112	-	-	-	468,916	-
-	-	-	-	-	-	-
-	-	-	1,349	-	-	-
-	14,112	-	1,349	-	468,916	-
-	-	-	-	-	-	-
92,531	-	-	-	-	-	-
-	11,502	-	35,000	11,886	1,053	-
92,531	11,502	-	35,000	11,886	1,053	-
(92,531)	2,610	-	(33,651)	(11,886)	467,863	-
24,000	-	-	-	-	-	-
-	-	-	(250,000)	-	-	-
24,000	-	-	(250,000)	-	-	-
(68,531)	2,610	-	(283,651)	(11,886)	467,863	-
(5,508)	15,376	-	409,234	170,903	(447,795)	-
<u>\$ (74,039)</u>	<u>\$ 17,986</u>	<u>\$ -</u>	<u>\$ 125,583</u>	<u>\$ 159,017</u>	<u>\$ 20,068</u>	<u>\$ -</u>

Continued

**City of Tehachapi**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Continued**  
**Non-Major Capital Project Funds**  
Year Ended June 30, 2013

	Tehachapi Blvd Imprv - Phase IV	New Police Building	Freedom Plaza	Total Non-Major Funds
<b>REVENUES</b>				
Licenses, Permits, and Fines	\$ -	\$ -	\$ -	\$ -
Intergovernmental	562,730	-	-	1,045,758
Miscellaneous Revenue	-	-	20,000	20,000
Investment Earnings	-	-	-	1,543
<b>Total Revenues</b>	<b>562,730</b>	<b>-</b>	<b>20,000</b>	<b>1,067,301</b>
<b>EXPENDITURES</b>				
Current:				
Public Works	-	-	344	344
Community Development	-	-	-	92,531
Capital Outlay	682,421	593,275	-	1,335,137
<b>Total Expenditures</b>	<b>682,421</b>	<b>593,275</b>	<b>344</b>	<b>1,428,012</b>
Excess (Deficiency) of Revenues Over Expenditures	(119,691)	(593,275)	19,656	(360,711)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	30,000	295,000	-	351,590
Transfers Out	-	-	-	(370,985)
<b>Total Other Financing Sources (Uses)</b>	<b>30,000</b>	<b>295,000</b>	<b>-</b>	<b>(19,395)</b>
<b>Net Change in Fund Balances</b>	<b>(89,691)</b>	<b>(298,275)</b>	<b>19,656</b>	<b>(380,106)</b>
Fund Balances, Beginning of Year	40,133	122,221	-	470,174
Fund Balances, End of Year	<u>\$ (49,558)</u>	<u>\$ (176,054)</u>	<u>\$ 19,656</u>	<u>\$ 90,068</u>

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**City of Tehachapi**  
**Combining Statement of Assets and Liabilities**  
**Agency Funds**  
June 30, 2013

	Capital Hills 89-1	Tucker Road 87-1	East Tehachapi Blvd. Project 89-3	Summit 89-2
<b>ASSETS</b>				
Cash and Investments	\$ 1,175,604	\$ 87,608	\$ 19,438	\$ 92,747
Advances to Other Funds	-	-	-	-
Other Assets	-	-	26,077	312,797
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total Assets	<u><u>\$ 1,175,604</u></u>	<u><u>\$ 87,608</u></u>	<u><u>\$ 45,515</u></u>	<u><u>\$ 405,544</u></u>
<b>LIABILITIES</b>				
Accounts Payable	\$ 95	\$ -	\$ 78	\$ -
Advances From Other Funds	-	-	18,609	190,980
Due to Other Funds	-	-	26,828	132,475
Due to Bond Holders	1,175,509	87,608	-	82,089
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total Liabilities	<u><u>\$ 1,175,604</u></u>	<u><u>\$ 87,608</u></u>	<u><u>\$ 45,515</u></u>	<u><u>\$ 405,544</u></u>

<u>Tehachapi Meadows 90-1</u>	<u>Special Districts Revolving Fund</u>	<u>Total Agency Funds</u>
\$ 37,965	\$ -	\$ 1,413,362
-	209,589	209,589
-	-	338,874
<u>\$ 37,965</u>	<u>\$ 209,589</u>	<u>\$ 1,961,825</u>
\$ -	\$ -	\$ 173
-	209,589	419,178
-	-	159,303
<u>37,965</u>	<u>-</u>	<u>1,383,171</u>
<u>\$ 37,965</u>	<u>\$ 209,589</u>	<u>\$ 1,961,825</u>



**VLF** Van Lant &  
Fankhanel, LLP  
— Certified Public Accountants —