



City of Tehachapi

Annual Financial Report and Independent Auditor's Report

For the Fiscal Year Ended June 30, 2015

CITY OF TEHACHAPI
ANNUAL FINANCIAL REPORT
Year Ended June 30, 2015

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Annual Financial Report
Year Ended June 30, 2015

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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, 2015, 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, 2015, 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.

Change in Accounting Principle

As described in Note 3 to the financial statements, in 2015, the City adopted new accounting guidance, *GASB Statement No. 68, Accounting and Financial Reporting for Pensions*. 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, budgetary comparison information, and other required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 26, 2016 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.

A handwritten signature in black ink that reads "Van Lant + Fankhaed, LLP". The signature is written in a cursive style and is positioned above a light yellow rectangular highlight.

January 26, 2016

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, 2015. The City encourages readers to consider the financial statements and notes presented here in conjunction with the financial statements which are included with this report.

Financial Highlights

- The City's net position increased 3% to \$53,309,138 from \$51,861,983 as a result of this year's operations.
- Total City revenues, including program and general revenues, were \$19,303,360 which is \$4,658,972 more than the prior year.
- Net position in governmental activities increased by \$2,854,133 to \$37,810,765, an 8% increase.
- Net position in business type activities decreased by \$1,406,978 to \$15,498,373, an 8% decrease.
- Governmental revenue increased by \$5,391,709 to \$13,194,802, a 69% increase.
- Governmental expense was decreased by \$884,177 to \$8,384,437, a 10% decrease.
- Revenues from business-type activities decreased by \$732,737 to \$6,108,558, an 11% decrease.
- Expenses from business-type activities increased by \$39,126 to \$6,592,213, a 1% increase.
- General fund revenue was decreased by \$108,651 to \$6,960,727, a 2% decrease.
- General fund expense was decreased by \$1,209,701 to 6,385,940, a 16% decrease.
- General fund balance as of June 30, 2015 is \$8,213,340; an increase of \$574,787 or 8% from the prior year.
- Governmental Accounting Standards Board Statement 68 (GASB 68) requirements are reflected in this report to record the net pension liability, pension expense, and deferred outflows/deferred inflows of resources related to pension.

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. 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.

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, airport and the Moto-Cross Event Center. 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 a 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 44 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. The funds categorized under major funds are: General Fund, Streets and Roads Fund, Challenger Drive Extension Capital Project Fund, and New Police Building Capital Project Fund. Data from the other 40 governmental funds are combined into two aggregate funds: Street Projects/Capital Projects Fund and Other Governmental Funds.

Proprietary Funds

The only type of proprietary funds the City of Tehachapi maintains is enterprise funds. The Refuse, Water, Sewer, Transit, Airport, and Moto-Cross Event Center 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 whereas the Transit and Moto-Cross Event Center Funds are 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 the City cannot use assets belonging to fiduciary funds to finance its operations. Financial activities included in the fiduciary statement consist of the Successor Agency to the former Tehachapi RDA (Successor Agency), Special Assessment Districts (AD) and the Community Facilities District (CFD).

Notes to the Financial Statements

The notes give 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 and Supplementary Information. The Required Supplementary Information section includes budgetary comparison schedules for major governmental funds and the Supplementary Information section includes an illustration of conditions and activities for all non-major funds as well as special district agency 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 \$53,309,138 at June 30, 2015.

The largest portion of the City's net position is in investments in capital assets. The Net Investment in Capital Assets (e.g. land, infrastructures, buildings, machineries and equipment) was increased to \$44,623,329 (84% of total net position) from \$43,212,750. The increase of \$1,410,579 was contributed mainly by the Challenger Drive construction and annexed city hall reconstruction.

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, as the capital assets themselves cannot be used to liquidate these liabilities.

The pension informations are recorded in the Statement of Net Position. The Deferred Outflows/Inflows of Resources are composed of deferred pension contributions, proportionate share differences and pension actuarial amounts. The GASB 68 was issued to improve the financial reporting by state and local governments for pensions and replaces GASB 27.

The restricted fund balance was increased from the prior year by \$2,582,272. This increase was due to internally funding new police building construction and increased grant fund receipts for capital projects. The Public Safety Facility Impact Fee Fund borrowed from the General Fund to finance the shortage for construction of the new police building. This loan will eventually be paid by future Public Safety Facility Fees.

The unrestricted fund balance was decreased to \$1,361,922 from \$3,907,618. It is a result of fund shifting from non-restricted funds to restricted funds.

Summary of Statement of Net Position

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
ASSETS						
Current and Other Assets	9,707,068	6,979,709	3,970,210	3,922,950	13,677,278	10,902,659
Capital Assets	32,082,955	30,283,115	17,911,039	18,572,105	49,993,994	48,855,220
Total Assets	41,790,023	37,262,824	21,881,249	22,495,055	63,671,272	59,757,879
DEFERRED OUTFLOWS OF RESOURCES	602,384		202,394		804,778	
LIABILITY						
Current Liabilities	1,290,799	1,565,417	925,715	779,671	2,216,514	2,345,088
Long-term Liabilities	2,620,588	740,775	5,383,842	4,810,033	8,004,430	5,550,808
Total Liabilities	3,911,387	2,306,192	6,309,557	5,589,704	10,220,944	7,895,896
DEFERRED INFLOWS OF RESOURCES	670,255		275,713		945,968	
NET POSITION						
Net Investment in Capital Assets	31,447,535	29,619,903	13,175,794	13,592,847	44,623,329	43,212,750
Restricted	3,990,455	1,408,183	3,333,432	3,333,432	7,323,887	4,741,615
Unrestricted	2,372,775	3,928,546	(1,010,853)	(20,928)	1,361,922	3,907,618
Total Net Position	37,878,636	34,956,632	15,571,692	16,905,351	53,450,328	51,861,983

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 rules due to the size of its revenue in fiscal year 1999/2000.

Governmental Activities

Governmental activities increased the City's net position by \$2,854,133 thereby accounting for 71% of the City's total net position. This increase is mainly due to various grant funds received for major capital projects.

Business-Type Activities

The City operates six business-type activities. These activities are captured in Refuse, Water, Sewer, Transit, Airport and Moto-Cross Event Center Funds. While the City's total net position was increased by \$1,447,155, the net position in business-type activities was decreased by \$1,406,978. The main reasons for decrease are:

1. Reduction in water service revenues due to less water usage in order to help the drought situation in California;
2. Recording of pension liability for the first time per Governmental Accounting Standard Board (GASB) 68 announcement.

Statement of Activities

	Governmental Activities		Business Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenue						
Program Revenues:						
Charges for Services	953,871	946,329	5,770,455	6,226,599	6,724,326	7,172,928
Operating contribution & Grants	864,473	606,281	362,894	440,453	1,227,367	1,046,734
Capital Grants & Contribution	5,156,087	1,311,289		33,290	5,156,087	1,344,579
General Revenues:						
Property taxes	1,184,100	1,187,822			1,184,100	1,187,822
Sales Taxes	1,957,100	1,986,771			1,957,100	1,986,771
Other Taxes	1,756,994	1,884,570			1,756,994	1,884,570
License and permits	1,237,753	1,204,395			1,237,753	1,204,395
Other sources of funds					-	-
Miscellaneous	45,508	238,008	106,104	118,296	151,612	356,304
Interest	34,077	37,005	15,426	19,514	49,503	56,519
Loss on Disposal		(189,709)	(141,482)		(141,482)	(189,709)
Transfer to Fiduciary Fund		(1,406,525)			-	(1,406,525)
Transfers	4,839	(3,143)	(4,839)	3,143	-	-
	13,194,802	7,803,093	6,108,558	6,841,295	19,303,360	14,644,388
Expenses						
Primary Government						
General Government	2,763,073	2,709,575			2,763,073	2,709,575
Public Works	2,165,018	1,834,154			2,165,018	1,834,154
Police	2,658,659	3,181,899			2,658,659	3,181,899
Community Development	776,844	1,521,265			776,844	1,521,265
Interest	20,843	21,721			20,843	21,721
Business-type Activities						
Refuse			1,248,408	1,168,082	1,248,408	1,168,082
Water			2,130,275	2,129,184	2,130,275	2,129,184
Sewer			2,090,278	2,032,645	2,090,278	2,032,645
Transit			197,247	183,382	197,247	183,382
Airport			925,376	1,039,794	925,376	1,039,794
Motocross			629		629	
Total Expense	8,384,437	9,268,614	6,592,213	6,553,087	14,976,650	15,821,701
Extraordinary Items						-
Change in Net Position	4,810,365	(1,465,521)	(483,655)	288,208	4,326,710	(1,177,313)
Net Position at beginning of yr	34,956,632	37,868,663	16,905,351	16,617,143	51,861,983	54,485,806
Prior Period Adj	(1,956,232)	(1,446,510)	(923,323)		(2,879,555)	(1,446,510)
Net Position at end of year	37,810,765	34,956,632	15,498,373	16,905,351	53,309,138	51,861,983

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, 2015, the City's governmental funds reported a combined ending fund balance of \$8,125,401. This number shows an approximate 70% (\$3,340,660) fund balance increase from the prior year. The reason for this increase was the receipt of various capital 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 \$8,213,340 which includes \$3,787,406 of non-spendable funds. The non-spendable funds consist of advances made to other funds such as the Airport Fund, special district funds and various capital project funds. As of June 30, 2015, the Airport Fund owes \$1,417,263 to the General Fund. This loan is a result of continuous deficits in airport operations. Although there is a history of write-offs to the Airport Fund (in fiscal year 2000-01 \$359,533 was forgiven), the City is hoping to recoup the loaned amount. Airport personnel costs, the major expense to the Airport Fund in previous years, have been reduced significantly starting with fiscal year 2015-16.

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

Among five major governmental funds, two governmental funds had in negative fund balances at the end of this fiscal year. These funds are Challenger Drive Extension Capital Project Fund (Challenger Project Fund) and New Police Building Capital Project Fund. The final fund balances are negative \$10,000 and \$3,923,902 respectively.

The negative fund balance in the Challenger Project Fund will be remedied by a grant from the State of California. However, the fund shortage in New Police Building Capital Project Fund was covered by a loan from the General Fund and Sewer Capacity Increase Fund. It is expected that the loan will be repaid with facility impact development fees collected in the future.

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. The combined fund balance from other Governmental Funds is \$1,065,319.

Proprietary Fund

The balances in net position of the following major proprietary funds: Water, Sewer, Airport and Refuse are \$6,174,541, \$8,348,091, \$638,938 and \$337,432 respectively. The unrestricted net position of the Water and Sewer Funds at the end of the fiscal year are negative \$72,486 and positive \$286,286 respectively.

The balance of unrestricted net position in the Water Fund decreased by \$409,442 from the prior year. The reduction in unrestricted funds are due to a reduction in water service fee and connection fee revenue. The prior year's negative balance in net position in the Water Fund was because of

the internally funded water capacity capital projects completed in year 2008. The decision to internally fund these capital projects resulted in over a half-million dollar cost savings to the Water Fund since 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.

GENERAL FUND BUDGETARY HIGHLIGHTS

A detailed budgetary comparison schedule for the year ended June 30, 2015 is presented as Required Supplementary Information following the notes to the financial statements. The final budget amounts differ from those shown in the 2014/15 – 2018/19 original five-year budget documents. This modification is a result of changes that occurred between the original budget and the mid-year budget adjustments.

General Fund

	Original Budget	Final Budget	2014/15 Actual	Variance Actual vs. Final Budget (Negative)
Revenues incl. Other Sources	6,232,073	6,384,438	6,960,727	576,289
Expenditures incl. Other Uses	6,227,040	6,544,868	6,385,940	158,928
Net changes in fund balances	5,033	(160,430)	574,787	735,217
Fund Balance Beginning (Adjusted)	7,638,553	7,638,553	7,638,553	0
Fund Balance - Ending	7,643,586	7,478,123	8,213,340	735,217

Overall, the General Fund actual ending fund balance is \$735,217 more than what was budgeted in the final budget. The major contributions to the positive revenue variance are generated from service admin charges (\$227,630), landscape, construction and miscellaneous staff labor charges (\$201,567), and transient occupancy tax (\$133,826). When compared to the budget, both General Fund revenues and General Fund expenditures yield favorable variances of \$576,289 and \$158,928, respectively.

During fiscal year 2014/15, \$225,000 in administrative costs were charged to the Successor Agency to Tehachapi Redevelopment Agency (Successor Agency). Currently, the Successor Agency does not have enough property tax increment revenue from the RDA's Property Tax Trust Fund to pay this fee. Although the administrative charges are booked as revenue in General Fund, no actual cash was received. This amount was booked as a loan.

Another substantial General Fund revenue increase was from the transient occupancy tax (TOT) which is also known as lodging tax. This was mainly due to additional payments received from

one of the hotels to settle their delinquent account. This additional TOT collection was completed in the fiscal year 2014-15. A room occupancy rate hike also contributed to the TOT increase.

All departments in the General Fund have contributed to the favorable variance when actuals are compared with budgets except for General Government. The unfavorable variance in the General Government was \$147,977. Departments with the most favorable variances are: Police (\$90,429), Community Development (\$55,350), Public Works (\$53,154) and Engineering (\$44,202).

CAPITAL & DEBT ADMINISTRATION

Capital Assets

	Governmental Activities	Business-type Activities	Totals
Non-Depreciable Assets:			
Land	800,789	728,399	1,529,188
Water Rights		1,829,036	1,829,036
Construction in Progress	1,456,406	452,607	1,909,013
Total non-depreciable assets	<u>2,257,195</u>	<u>3,010,042</u>	<u>5,267,237</u>
Depreciable Assets (net of accumulated depreciation)			
Buildings	6,974,169	7,967,373	14,941,542
Machinery and equipment	316,897	563,404	880,301
Improvements other than building	22,305,480	6,370,220	28,675,700
Parks	229,214		229,214
Total depreciable assets-net	<u>29,825,760</u>	<u>14,900,997</u>	<u>44,726,757</u>
Total Capital Assets	<u>32,082,955</u>	<u>17,911,039</u>	<u>49,993,994</u>

The City of Tehachapi's investment in capital assets for its governmental and business-type activities as of June 30, 2015, amounts to \$49,993,994 (net of accumulated depreciation) which is a \$1,138,774 increase from fiscal year 2013/14. This increase the result of various grant related capital street projects and the reconstruction of the old police building.

The 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	2,719,099	2,719,099
Loans	0	1,886,001	1,886,001
Capital Leases	635,420	130,145	765,565
Net Pension Liability	1,849,799	849,305	2,699,104
Compensated absences	231,053	94,204	325,257
Total Long-Term Liabilities	2,716,272	5,678,754	8,395,026

The City of Tehachapi's total long term debt increased by \$2,466,747 compared to the last fiscal year. No new debts were issued during the fiscal year. The increase in debt was due to the pension liability disclosure requirement under GASB 68. This the first year that Net Pension Liability is included in the long-term liability section.

State statutes limit the amount of general obligation debt a governmental entity may issue to fifteen percent of its total assessed valuation. The City has not exceeded this limit.

NEXT YEAR'S BUDGET AND ECONOMIC FACTORS

In June, 2015, the Council adopted the 2015/16 through 2019/20 five-year budget, with total appropriations of \$19,597,377 in fiscal year 2015/16. The following factors were taken into consideration for the next fiscal year budget:

- Cost of living increase of 1.3% is granted to employees.
- Employer paid retirement contribution is decreased for miscellaneous group employees (1.0%) and safety employees (1.5%) from 2% and 3.5% respectively.
- Medical premium contributions are capped at January, 2011 premium rates starting January, 2016.
- The 2015/16 General Fund revenue budget (\$6,164,761) is projected at \$795,966 less than the actual revenue received in 2014/15. A \$100,000 COPS grant is not included in this budget since there is no certainty that the State will continue with its funding at the time of budgeting.
- No administration fee from the Successor Agency is included in the General Fund revenue budget because no actual funds will be received since the tax increment revenues for the Successor Agency are barely sufficient to make the annual debt service payments. However, the administrative cost will be charged to the Successor Agency and recorded as a loan.
- The 2015/16 General Fund expenditure budget (\$6,158,508) is projected at \$227,432 less than the actual expenditures in 2014/15.
- An average of 15 equivalent dwelling units (EDU) are considered for new water and sewer connection fee revenue budget calculations.

- Other development related impact fees such as facilities impact, traffic mitigation, and park and recreation capital improvement are estimated based on the same development assumptions as water and sewer.
- Various capital projects included in this budget are:
 - Two police vehicle replacements \$57,407
 - IT related equipment and computers \$81,500
 - Fire services contract \$87,280 (not including the City's portion of the fire fee from the property tax retained by Kern County)
 - Sidewalk/parking area improvement \$20,000
 - Housing elements \$50,000
 - A third of the cost of VOIP phone system \$66,000
 - Snyder well intertie \$522,200 (to be funded by AB84 Grant)
 - Water meters purchase \$30,000
 - Water purchase \$70,000
 - Structure improvement/tank cleaning \$30,000
 - Dennison well rehabilitation/valve insertion \$40,000
 - Equipment for the Water Department \$15,000
 - Indirect potable reuse study \$190,000
 - Structure improvement \$10,000
 - SCADA spare parts \$10,000
 - Utility tractor for treatment plant \$30,000
 - Southwest taxiway rehabilitation \$560,000
 - Traffic signal study \$150,000
 - Completion of Tract 6216 \$117,000
 - Tehachapi Event Center and Rodeo Grounds \$386,510
 - Freedom Plaza \$789,529
 - HSIP East Tehachapi improvement project \$1,300,000
 - Curry Median/Tompkins Street improvement \$475,500
 - Mulberry transit stop enhancement \$86,516
 - Alternative transportation program \$705,000

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

The economy has gradually improved during this fiscal year and the outlook for 2015-2016 is healthy. The unemployment rate has declined as the job market gradually grows. The economists are forecasting approximately 3% GDP growth in 2016. When it comes to the interest rate prediction, the consensus is "higher interest rates are coming". The good news is that the economy has been and continues to head in a positive direction.

BASIC FINANCIAL STATEMENTS

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City of Tehachapi
Statement of Net Position
June 30, 2015

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and Investments	\$ 7,196,457	\$ 2,703,854	\$ 9,900,311
Receivables (Net of Allowance)	1,709,473	847,700	2,557,173
Due from Agency Funds	696,647	-	696,647
Internal Balances	(68,811)	68,811	-
Restricted Cash and Investments	-	114,845	114,845
Prepays	173,302	-	173,302
Capital Assets, Not Being Depreciated	2,257,195	3,010,042	5,267,237
Capital Assets, Depreciated, Net	29,825,760	14,900,997	44,726,757
Other	-	235,000	235,000
Total Assets	<u>41,790,023</u>	<u>21,881,249</u>	<u>63,671,272</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Pension Contributions	459,165	177,199	636,364
Proportionate Share Differences	140,923	25,195	166,118
Pension Actuarial Amounts	2,296	-	2,296
Total Deferred Outflows of Resources	<u>602,384</u>	<u>202,394</u>	<u>804,778</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable	900,499	466,405	1,366,904
Accrued Liabilities	247,842	29,333	277,175
Accrued Interest Payable	-	20,220	20,220
Deposits Payable	46,774	114,845	161,619
Noncurrent Liabilities:			
Due within One Year	95,684	294,912	390,596
Due in More Than One Year	2,620,588	5,383,842	8,004,430
Total Liabilities	<u>3,911,387</u>	<u>6,309,557</u>	<u>10,220,944</u>
DEFERRED INFLOWS OF RESOURCES			
Pension Actuarial Amounts	<u>670,255</u>	<u>275,713</u>	<u>945,968</u>
NET POSITION			
Net Investment in Capital Assets	31,447,535	13,175,794	44,623,329
Restricted for:			
Maintenance of Water Lines	-	107,434	107,434
Construction and Expansion of Facilities	-	3,225,998	3,225,998
Highways and Streets	3,973,873	-	3,973,873
Development	-	-	-
Public Safety	16,582	-	16,582
Unrestricted	2,372,775	(1,010,853)	1,361,922
Total Net Position	<u>\$ 37,810,765</u>	<u>\$ 15,498,373</u>	<u>\$ 53,309,138</u>

The accompanying notes are an integral part of this statement.

City of Tehachapi
Statement of Activities
Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General Government	\$ 2,763,073	\$ 726,782	\$ 4,966	\$ -
Public Works	2,165,018	195,463	-	4,706,087
Public Safety	2,658,659	31,626	847,947	-
Community Development	776,844	-	11,560	450,000
Interest	20,843	-	-	-
Total Governmental Activities	8,384,437	953,871	864,473	5,156,087
Business-type Activities:				
Water	2,130,275	1,928,714	-	-
Sewer	2,109,038	1,908,726	-	-
Airport	925,376	672,209	168,410	-
Refuse	1,248,408	1,255,069	-	-
Transit	197,247	5,737	194,484	-
Motocross Event Center	629	-	-	-
Total Business-type Activities	6,610,973	5,770,455	362,894	-
Total Primary Government	\$ 14,995,410	\$ 6,724,326	\$ 1,227,367	\$ 5,156,087

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)
- Transfer to Fiduciary Fund

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>
\$ (2,031,325)	\$ -	\$ (2,031,325)
2,736,532	-	2,736,532
(1,779,086)	-	(1,779,086)
(315,284)	-	(315,284)
(20,843)	-	(20,843)
<u>(1,410,006)</u>	<u>-</u>	<u>(1,410,006)</u>
-	(201,561)	(201,561)
-	(200,312)	(200,312)
-	(84,757)	(84,757)
-	6,661	6,661
-	2,974	2,974
-	(629)	(629)
<u>-</u>	<u>(477,624)</u>	<u>(477,624)</u>
<u>(1,410,006)</u>	<u>(477,624)</u>	<u>(1,887,630)</u>
1,184,100	-	1,184,100
1,957,100	-	1,957,100
672,331	-	672,331
683,826	-	683,826
1,237,753	-	1,237,753
210,647	-	210,647
190,190	-	190,190
45,508	106,104	151,612
34,077	15,426	49,503
-	(122,722)	(122,722)
4,839	(4,839)	-
-	-	-
<u>6,220,371</u>	<u>(6,031)</u>	<u>6,214,340</u>
4,810,365	(483,655)	4,326,710
34,956,632	16,905,351	51,861,983
<u>(1,956,232)</u>	<u>(923,323)</u>	<u>(2,879,555)</u>
<u>\$ 37,810,765</u>	<u>\$ 15,498,373</u>	<u>\$ 53,309,138</u>

**City of Tehachapi
Balance Sheet
Governmental Funds
June 30, 2015**

	General Fund	Streets and Roads	Challenger Dr. Extension Capital Projects Fund
ASSETS			
Cash and Investments	\$ 2,980,204	\$ -	\$ -
Receivables	561,084	764,603	10,000
Due from Fiduciary Funds	696,647	-	-
Due from Other Funds	922,453	-	-
Prepays	173,302	-	-
Advances to Other Funds	3,614,104	-	-
	<u>8,947,794</u>	<u>764,603</u>	<u>10,000</u>
Total Assets	<u>\$ 8,947,794</u>	<u>\$ 764,603</u>	<u>\$ 10,000</u>
LIABILITIES			
Accounts Payable	\$ 440,882	\$ -	\$ -
Accrued Liabilities	246,798	-	-
Due to Other Funds	-	550,102	10,000
Deposits Payable	46,774	-	-
Advances from Other Funds	-	-	-
	<u>734,454</u>	<u>550,102</u>	<u>10,000</u>
Total Liabilities	<u>734,454</u>	<u>550,102</u>	<u>10,000</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenues - Grants	-	-	10,000
	<u>-</u>	<u>-</u>	<u>10,000</u>
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>10,000</u>
FUND BALANCES			
Nonspendable	3,787,406	-	-
Restricted	-	214,501	-
Committed	997,993	-	-
Unassigned	3,427,941	-	(10,000)
	<u>8,213,340</u>	<u>214,501</u>	<u>(10,000)</u>
Total Fund Balances	<u>8,213,340</u>	<u>214,501</u>	<u>(10,000)</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 8,947,794</u>	<u>\$ 764,603</u>	<u>\$ 10,000</u>

The accompanying notes are an integral part of this statement.

New Police Building Capital Projects Fund	Street Projects Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 2,565,251	\$ 1,651,002	\$ 7,196,457
-	23,301	350,485	1,709,473
-	-	-	696,647
-	-	-	922,453
-	-	-	173,302
-	-	-	3,614,104
<u>\$ -</u>	<u>\$ 2,588,552</u>	<u>\$ 2,001,487</u>	<u>\$ 14,312,436</u>
\$ 137,950	\$ 15,182	\$ 306,485	\$ 900,499
-	-	1,044	247,842
-	-	259,314	819,416
-	-	-	46,774
<u>3,785,952</u>	<u>-</u>	<u>-</u>	<u>3,785,952</u>
<u>3,923,902</u>	<u>15,182</u>	<u>566,843</u>	<u>5,800,483</u>
-	7,227	369,325	386,552
-	7,227	369,325	386,552
-	-	-	3,787,406
-	2,566,143	1,531,260	4,311,904
-	-	-	997,993
<u>(3,923,902)</u>	<u>-</u>	<u>(465,941)</u>	<u>(971,902)</u>
<u>(3,923,902)</u>	<u>2,566,143</u>	<u>1,065,319</u>	<u>8,125,401</u>
<u>\$ -</u>	<u>\$ 2,588,552</u>	<u>\$ 2,001,487</u>	<u>\$ 14,312,436</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, 2015

Fund Balances of Governmental Funds	\$	8,125,401
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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		43,281,938
Accumulated Depreciation		(11,198,983)

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		(635,420)
Net Pension Liability		(1,849,799)
Compensated Absences		(231,053)

Amounts for deferred inflows and deferred outflows related to the City's Net Pension Liability are not reported in the funds.

Deferred Pension Contributions		459,165
Pension Actuarial Amounts - Outflows		2,296
Proportionate Share Contribution Differences		140,923
Pension Actuarial Amounts - Inflows		(670,255)

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

386,552

Net Position of Governmental Activities	\$	<u><u>37,810,765</u></u>
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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, 2015

	General Fund	Streets and Roads	Challenger Dr. Extension Capital Projects Fund
REVENUES			
Taxes	\$ 5,650,748	\$ -	\$ -
Licenses, Permits, and Fines	72,610	-	-
Intergovernmental	333,061	764,603	1,307,349
Charges for Services	454,167	-	-
Investment Earnings	22,322	-	-
Miscellaneous Revenues	422,980	-	-
Total Revenues	<u>6,955,888</u>	<u>764,603</u>	<u>1,307,349</u>
EXPENDITURES			
Current:			
General Government	1,335,083	-	-
Public Works	1,057,002	1,991	-
Public Safety	3,159,926	-	-
Community Development	753,199	-	-
Capital Outlay	-	-	1,088,976
Debt Service:			
Interest Expense	-	20,843	-
Principal	-	27,792	-
Total Expenditures	<u>6,305,210</u>	<u>50,626</u>	<u>1,088,976</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>650,678</u>	<u>713,977</u>	<u>218,373</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	4,839	-	96,534
Transfers Out	(80,730)	(270,638)	-
Total Other Financing Sources (Uses)	<u>(75,891)</u>	<u>(270,638)</u>	<u>96,534</u>
Net Change in Fund Balances	574,787	443,339	314,907
Fund Balances, Beginning of Year	<u>7,638,553</u>	<u>(228,838)</u>	<u>(324,907)</u>
Fund Balances, End of Year	<u>\$ 8,213,340</u>	<u>\$ 214,501</u>	<u>\$ (10,000)</u>

The accompanying notes are an integral part of this statement.

New Police Building Capital Projects Fund	Street Projects Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 620,268	\$ 6,271,016
-	-	-	72,610
3,786	2,255,508	1,128,113	5,792,420
-	-	24,707	478,874
-	5,739	6,016	34,077
-	450,000	1,747	874,727
<u>3,786</u>	<u>2,711,247</u>	<u>1,780,851</u>	<u>13,523,724</u>
-	-	72,563	1,407,646
-	3,631	1,102,394	2,165,018
-	-	-	3,159,926
-	-	23,645	776,844
480,629	38,328	1,021,901	2,629,834
-	-	-	20,843
-	-	-	27,792
<u>480,629</u>	<u>41,959</u>	<u>2,220,503</u>	<u>10,187,903</u>
<u>(476,843)</u>	<u>2,669,288</u>	<u>(439,652)</u>	<u>3,335,821</u>
76,456	-	357,979	535,808
-	(103,145)	(76,456)	(530,969)
<u>76,456</u>	<u>(103,145)</u>	<u>281,523</u>	<u>4,839</u>
(400,387)	2,566,143	(158,129)	3,340,660
<u>(3,523,515)</u>	<u>-</u>	<u>1,223,448</u>	<u>4,784,741</u>
<u>\$ (3,923,902)</u>	<u>\$ 2,566,143</u>	<u>\$ 1,065,319</u>	<u>\$ 8,125,401</u>

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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, 2015

Net Changes in Fund Balances - Total Governmental Funds \$ 3,340,660

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	3,111,820
Depreciation Expense	(1,308,351)
Loss on Disposal of Capital Assets	(3,629)

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	27,792
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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. (333,761)

Amounts for deferred inflows and deferred outflows related to the City's Net Pension Liability are not reported in the funds. This is the net change in deferred inflows and outflows related to the net pension liability.

Deferred Pension Contributions	(21,651)
Pension Actuarial Amounts - Outflows	2,296
Proportionate Share Contribution Differences	140,923
Pension Actuarial Amounts - Inflows	(670,255)

The amounts below included in the Statement of Activities do not provide (require) the use of current financial resources and, therefore, are not reported as revenues or expenditures in governmental funds (net change):

Compensated Absences	(62,728)
Net Pension Liability	587,249

Change in Net Position of Governmental Activities \$ 4,810,365

The accompanying notes are an integral part of this statement.

City of Tehachapi
Statement of Net Position
Proprietary Funds
June 30, 2015

	Water Fund	Sewer Fund	Airport Fund
ASSETS			
Current Assets:			
Cash and Investments	\$ 588,684	\$ 1,973,509	\$ -
Accounts Receivable (Net of Allowance)	231,063	234,322	64,838
Restricted Cash and Investments	114,845	-	-
Total Current Assets	<u>934,592</u>	<u>2,207,831</u>	<u>64,838</u>
Noncurrent Assets:			
Other Assets	-	-	-
Advances to Other Funds	-	1,735,000	-
Capital Assets, Not Being Depreciated	1,926,888	653,354	419,835
Capital Assets, Net of Accumulated Depreciation	4,620,656	8,479,821	1,800,520
Total Capital Assets (Net of Accumulated Depreciation)	<u>6,547,544</u>	<u>9,133,175</u>	<u>2,220,355</u>
Total Noncurrent Assets	<u>6,547,544</u>	<u>10,868,175</u>	<u>2,220,355</u>
Total Assets	<u>7,482,136</u>	<u>13,076,006</u>	<u>2,285,193</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Pension Contributions	80,895	77,043	19,261
Proportionate Share Differences	11,502	10,954	2,739
Total Deferred Outflows of Resources	<u>92,397</u>	<u>87,997</u>	<u>22,000</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable	94,435	35,090	91,875
Accrued Liabilities	6,963	6,265	2,006
Accrued Interest Payable	3,336	16,128	756
Due to Other Funds	-	-	-
Customer Deposits Payable	114,845	-	-
Compensated Absences - Current	16,309	15,772	3,847
Capital Leases Payable - Current	1,704	4,172	-
Notes and Bonds Payable - Current	23,977	214,937	11,376
Total Current Liabilities	<u>261,569</u>	<u>292,364</u>	<u>109,860</u>
Noncurrent Liabilities:			
Advances Payable	88,992	56,897	1,417,263
Compensated Absences	30,058	22,762	297
Capital Leases Payable	36,573	87,696	-
Net Pension Liability	387,726	369,263	92,316
Notes and Bonds Payable	469,205	3,867,055	18,550
Total Noncurrent Liabilities	<u>1,012,554</u>	<u>4,403,673</u>	<u>1,528,426</u>
Total Liabilities	<u>1,274,123</u>	<u>4,696,037</u>	<u>1,638,286</u>
DEFERRED INFLOWS OF RESOURCES			
Pension Actuarial Amounts	<u>125,869</u>	<u>119,875</u>	<u>29,969</u>
NET POSITION			
Net Investment in Capital Assets	6,016,085	4,959,315	2,190,429
Restricted:			
Maintenance of Water Lines	107,434	-	-
Construction and Expansion of Facilities	123,508	3,102,490	-
Unrestricted	(72,486)	286,286	(1,551,491)
Total Net Position	<u>\$ 6,174,541</u>	<u>\$ 8,348,091</u>	<u>\$ 638,938</u>

The accompanying notes are an integral part of this statement.

Refuse Fund	Nonmajor Transit Fund	Nonmajor Moto-cross Event Center Fund	Total
\$ 141,661	\$ -	\$ -	\$ 2,703,854
161,889	155,588	-	847,700
-	-	-	114,845
<u>303,550</u>	<u>155,588</u>	<u>-</u>	<u>3,666,399</u>
235,000	-	-	235,000
-	-	-	1,735,000
-	-	9,965	3,010,042
-	-	-	14,900,997
-	-	9,965	17,911,039
<u>235,000</u>	<u>-</u>	<u>9,965</u>	<u>19,881,039</u>
<u>538,550</u>	<u>155,588</u>	<u>9,965</u>	<u>23,547,438</u>
-	-	-	177,199
-	-	-	25,195
-	-	-	202,394
197,597	37,443	9,965	466,405
480	13,619	-	29,333
-	-	-	20,220
-	102,408	629	103,037
-	-	-	114,845
1,522	1,296	-	38,746
-	-	-	5,876
-	-	-	250,290
<u>199,599</u>	<u>154,766</u>	<u>10,594</u>	<u>1,028,752</u>
-	-	-	1,563,152
1,519	822	-	55,458
-	-	-	124,269
-	-	-	849,305
-	-	-	4,354,810
<u>1,519</u>	<u>822</u>	<u>-</u>	<u>6,946,994</u>
<u>201,118</u>	<u>155,588</u>	<u>10,594</u>	<u>7,975,746</u>
-	-	-	275,713
-	-	9,965	13,175,794
-	-	-	107,434
-	-	-	3,225,998
337,432	-	(10,594)	(1,010,853)
<u>\$ 337,432</u>	<u>\$ -</u>	<u>\$ (629)</u>	<u>\$ 15,498,373</u>

City of Tehachapi
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
Year Ended June 30, 2015

	Water Fund	Sewer Fund	Airport Fund
OPERATING REVENUES			
Charges for Services	\$ 1,928,714	\$ 1,908,726	\$ 672,209
Miscellaneous	73,412	26,740	5,791
Total Operating Revenues	<u>2,002,126</u>	<u>1,935,466</u>	<u>678,000</u>
OPERATING EXPENSES			
Personnel Services	1,015,249	857,553	215,762
Maintenance and Operations	835,249	597,015	537,218
Depreciation	251,138	501,221	170,610
Total Operating Expenses	<u>2,101,636</u>	<u>1,955,789</u>	<u>923,590</u>
Operating Income (Loss)	<u>(99,510)</u>	<u>(20,323)</u>	<u>(245,590)</u>
NONOPERATING REVENUES (EXPENSES)			
Intergovernmental	-	-	168,410
Investment Earnings	2,548	12,382	36
Loss on Disposal of Capital Assets	-	(122,722)	-
Interest Expense	(28,639)	(153,249)	(1,786)
Total Nonoperating Revenues (Expenses)	<u>(26,091)</u>	<u>(263,589)</u>	<u>166,660</u>
Income (Loss) Before Capital Contributions and Operating Transfers	(125,601)	(283,912)	(78,930)
Capital Contributions	-	-	-
Transfers In	-	-	-
Transfers Out	(4,839)	-	-
Change in Net Position	(130,440)	(283,912)	(78,930)
Net Position - Beginning of Year	6,726,498	9,033,448	818,229
Restatement of Net Position	<u>(421,517)</u>	<u>(401,445)</u>	<u>(100,361)</u>
Net Position - End of Year	<u>\$ 6,174,541</u>	<u>\$ 8,348,091</u>	<u>\$ 638,938</u>

The accompanying notes are an integral part of this statement.

Refuse Fund	Nonmajor Transit Fund	Nonmajor Moto-cross Event Center Fund	Total
\$ 1,255,069	\$ 5,737	\$ -	\$ 5,770,455
161	-	-	106,104
<u>1,255,230</u>	<u>5,737</u>	<u>-</u>	<u>5,876,559</u>
66,761	30,494	-	2,185,819
1,181,647	166,753	629	3,318,511
-	-	-	922,969
<u>1,248,408</u>	<u>197,247</u>	<u>629</u>	<u>6,427,299</u>
<u>6,822</u>	<u>(191,510)</u>	<u>(629)</u>	<u>(550,740)</u>
-	194,484	-	362,894
460	-	-	15,426
-	-	-	(122,722)
-	-	-	(183,674)
<u>460</u>	<u>194,484</u>	<u>-</u>	<u>71,924</u>
7,282	2,974	(629)	(478,816)
-	-	-	-
-	-	-	-
-	-	-	(4,839)
<u>7,282</u>	<u>2,974</u>	<u>(629)</u>	<u>(483,655)</u>
330,150	(2,974)	-	16,905,351
-	-	-	(923,323)
<u>\$ 337,432</u>	<u>\$ -</u>	<u>\$ (629)</u>	<u>\$ 15,498,373</u>

The accompanying notes are an integral part of this statement.

City of Tehachapi
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2015

	Water Fund	Sewer Fund
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers	\$ 2,140,318	\$ 1,944,825
Payments to Employees for Services	(1,020,620)	(865,647)
Payments to Suppliers for Goods and Services	(803,311)	(587,531)
	316,387	491,647
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES		
Cash Received from Other Funds	-	-
Cash Paid to Other Funds	(4,839)	(1,735,000)
Intergovernmental Revenue	-	-
	(4,839)	(1,735,000)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and Construction of Capital Assets	(84,402)	(73,623)
Interest Paid	(29,652)	(154,588)
Capital Grants	-	-
Proceeds from Sale of Capital Assets	-	18,760
Payments on Interfund Advance	(174,059)	(111,283)
Payments on Capital Lease Obligations	(1,675)	(4,018)
Payments on Long-term Debt	(22,546)	(204,882)
	(312,334)	(529,634)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received	2,548	12,382
	2,548	12,382
Net Increase (Decrease) in Cash and Cash Equivalents	1,762	(1,760,605)
Cash and Cash Equivalents, Beginning of the Year	701,767	3,734,114
Cash and Cash Equivalents, End of the Year	\$ 703,529	\$ 1,973,509
Reconciliation of Operating Income (Loss) to		
Net Cash Provided (Used) by Operating Activities:		
Operating Income (Loss)	\$ (99,510)	\$ (20,323)
Adjustments to Reconcile Operating Income (Loss) to		
Net Cash Provided (Used) by Operating Activities:		
Depreciation	251,138	501,221
Changes in Operating Assets and Liabilities:		
Decrease (Increase) in Accounts Receivable	138,762	8,909
Decrease (Increase) in Prepaid Expenses	101	450
Decrease (Increase) in Deferred Outflows - Pensions	(5,319)	(5,066)
Increase (Decrease) in Accounts Payable	31,920	9,476
Increase (Decrease) in Accrued Liabilities	18	8
Increase (Decrease) in Compensated Absences	(5,053)	(7,790)
Increase (Decrease) in Net Pension Liability	(120,868)	(115,113)
Increase (Decrease) in Deferred Inflows - Pensions	125,869	119,875
Increase (Decrease) in Deposits Payable	(671)	-
	316,387	491,647
TOTAL CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 316,387	\$ 491,647
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES		
Amortization Related to Long-term Debt	\$ -	\$ 3,950

The accompanying notes are an integral part of this statement.

Airport Fund	Refuse Fund	Nonmajor Transit Fund	Nonmajor Moto-cross Event Center Fund	Total
\$ 677,953	\$ 1,254,195	\$ (149,851)	\$ -	\$ 5,867,440
(223,430)	(66,761)	(30,494)	-	(2,206,952)
(492,542)	(1,177,998)	(128,172)	9,066	(3,180,488)
(38,019)	9,436	(308,517)	9,066	480,000
-	-	102,408	629	103,037
(101,795)	-	-	-	(1,841,634)
-	-	194,484	-	194,484
(101,795)	-	296,892	629	(1,544,113)
(235,396)	-	-	(9,695)	(403,116)
(2,061)	-	-	-	(186,301)
300,105	-	-	-	300,105
-	-	-	-	18,760
-	-	-	-	(285,342)
-	-	-	-	(5,693)
(10,891)	-	-	-	(238,319)
51,757	-	-	(9,695)	(799,906)
36	460	-	-	15,426
36	460	-	-	15,426
(88,021)	9,896	(11,625)	-	(1,848,593)
88,021	131,765	11,625	-	4,667,292
\$ -	\$ 141,661	\$ -	\$ -	\$ 2,818,699
\$ (245,590)	\$ 6,822	\$ (191,510)	\$ (629)	\$ (550,740)
170,610	-	-	-	922,969
(47)	(1,035)	(155,588)	-	(8,999)
-	-	-	-	551
(1,267)	-	-	-	(11,652)
44,676	5,072	26,297	9,695	127,136
333	(10)	13,383	-	13,732
(7,925)	(1,413)	(1,099)	-	(23,280)
(28,778)	-	-	-	(264,759)
29,969	-	-	-	275,713
-	-	-	-	(671)
\$ (38,019)	\$ 9,436	\$ (308,517)	\$ 9,066	\$ 480,000
\$ -	\$ -	\$ -	\$ -	\$ 3,950

The accompanying notes are an integral part of this statement.

City of Tehachapi
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2015

	Total Agency Funds	Successor Agency Private-purpose Trust Fund
ASSETS		
Cash and Investments	\$ 990,268	\$ 4,002,150
Cash with Fiscal Agent	-	625,517
Receivables	3,729	-
Advances to Other Funds	209,589	-
Other Assets	355,557	-
Total Assets	\$ 1,559,143	4,627,667
LIABILITIES		
Accounts Payable	\$ 5,946	-
Advances from Other Funds	209,589	-
Interest Payable	-	64,200
Due to City	257,454	439,193
Due to Bond Holders	1,086,154	-
Long-term Debt	-	15,127,981
Total Liabilities	\$ 1,559,143	15,631,374
NET POSITION		
Net Position (Deficit) Held in Trust for Successor Agency		\$ (11,003,707)

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, 2015

	<u>Successor Agency Private-purpose Trust Fund</u>
ADDITIONS	
Property Taxes	\$ 1,238,347
Interest Income	<u>14,060</u>
Total Additions	<u>1,252,407</u>
DEDUCTIONS	
Administrative Costs	235,200
Projects	2,152,084
Interest on Bonds	<u>788,326</u>
Total Deductions	<u>3,175,610</u>
Change in Net Position	(1,923,203)
Net Position - Beginning of Year	<u>(9,080,504)</u>
Net Position - End of Year	<u><u>\$ (11,003,707)</u></u>

The accompanying notes are an integral part of this statement.

City of Tehachapi
Notes to Financial Statements
Year Ended June 30, 2015

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, 2015

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 *Challenger Dr. Extension Capital Projects Fund* is used to account for the grants restricted for the Challenger Drive Extension project.

The *New Police Building Capital Projects Fund* is used to account for the financial resources and expenditures necessary to construct the City's new police facility.

The *Street Projects Capital Projects Fund* is used to account for the financial resources and expenditures necessary for various street projects.

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, 2015

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. 72

In February of 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application*. This statement was issued to address accounting and financial reporting issues related to fair value measurements. This GASB Statement is required to be implemented in financial statements issued for the periods beginning after June 15, 2015. The City has elected not to early implement this statement and has not determined its effect on the financial statements.

City of Tehachapi
Notes to Financial Statements
Year Ended June 30, 2015

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

Governmental Accounting Standards Board Statement No. 75

In June of 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement was issued to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions. This GASB Statement is required to be implemented in financial statements issued for the periods beginning after June 15, 2017. The City has elected not to early implement this statement and has not determined its effect on the 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, 2015, 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, 2015

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, 2015

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 \$202,087. 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, 2015

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 reports deferred outflows as a result of the City's implementation of GASB Statement No. 68, Accounting and Financial Reporting for Pensions, which 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 certain items, which arise 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. In addition, the City reports deferred inflows as a result of the City's implementation of GASB Statement No. 68, Accounting and Financial Reporting for Pensions, which qualify for reporting in this category.

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, 2015

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, 2015

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

Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City of Tehachapi's California Public Employees' Retirement System (CalPERS) plans (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deficit Fund Equity

The following non-major funds had material deficit fund balances at June 30, 2015:

Non-major Funds:	
Event Center & Rodeo Grounds	\$ (73,328)
Gas Tax	(127,178)
East Tehachapi Blvd Improvement	(52,046)
Tehachapi Blvd Imprv-Phase IV	(49,579)

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, 2015:

Deposits	\$ 645,994
Petty Cash	2,160
Investments	<u>14,984,937</u>
 Total Cash and Investments	 <u><u>\$ 15,633,091</u></u>

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

	Governmental Activities	Business-Type Activities	Fiduciary Funds	Total
Cash and Investments	\$ 7,196,457	\$ 2,703,854	\$ 4,992,418	\$ 14,892,729
Restricted Cash	<u>-</u>	<u>114,845</u>	<u>625,517</u>	<u>740,362</u>
	<u><u>\$ 7,196,457</u></u>	<u><u>\$ 2,818,699</u></u>	<u><u>\$ 5,617,935</u></u>	<u><u>\$ 15,633,091</u></u>

City of Tehachapi
Notes to Financial Statements
Year Ended June 30, 2015

2) DETAILED NOTES ON ALL FUNDS - Continued

Deposits

Custodial Credit Risk - Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's deposit policy requires deposits to be covered by the federal depository insurance and collateral having a market value of 110% of the uninsured deposit. As of June 30, 2015, none of the City's deposits were exposed to custodial credit risk.

Investments

As of June 30, 2015, the City had the following investments:

Investment Type	Total	Maturities in Years	
		Less than 1	1 to 5
Local Agency Investment Funds	\$ 12,190,240	\$ 12,190,240	\$ -
Negotiable Certificates of Deposit	107,978	107,978	-
CSJVRMA Investment Pool	2,061,202	2,061,202	-
Held by Bond Trustee:			
Money Market Mutual Funds	625,517	625,517	-
Total	\$ 14,984,937	\$ 14,984,937	\$ -

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	\$ 14,359,420
Fiscal Agents (Bond trustees for the City and its component units)	<u>625,517</u>
	<u>\$ 14,984,937</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, 2015

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, 2015

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, 2015	Minimum Legal Rating	AAA	AA	Unrated	Not Required to be Rated
LAIF	\$ 12,190,240	None	\$ -	\$ -	\$12,190,240	\$ -
Negotiable Certificates of Deposit	107,978	None	-	-	107,978	-
CSJVRMA Investment Pool	2,061,202	None	-	-	2,061,202	-
Held by Bond Trustee:						
Money Market Mutual Funds	625,517	A	625,517	-	-	-
Total	\$ 14,984,937		\$ 625,517	\$ -	\$14,359,420	\$ -

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% of 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 \$625,517 held by the various bond trustees and fiscal agents, and \$113,845 of customer deposits in the Water Utility Fund.

City of Tehachapi
Notes to Financial Statements
Year Ended June 30, 2015

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	Streets and Roads Fund	Challenger Drive Extension Fund	Street Projects Fund	Other Governmental Funds	Total
Governmental Activities						
Taxes	\$ 481,205	\$ -	\$ -	\$ -	\$ -	\$ 481,205
Grants	-	764,603	10,000	23,301	350,485	1,148,389
Others	79,879	-	-	-	-	79,879
Net Total Receivables	\$ 561,084	\$ 764,603	\$ 10,000	\$ 23,301	\$ 350,485	\$ 1,709,473

	Water Fund	Sewer Fund	Airport Fund	Refuse Fund	Nonmajor Transit Fund	Total
Business-Type Activities						
Service Fees	\$ 231,063	\$ 234,322	\$ 10,544	\$ 161,889	\$ -	\$ 637,818
Grants	-	-	54,294	-	155,588	209,882
Gross Receivables	231,063	234,322	64,838	161,889	155,588	847,700
Less: Allowance for Uncollectibles	-	-	-	-	-	-
Net Total Receivables	\$ 231,063	\$ 234,322	\$ 64,838	\$ 161,889	\$ 155,588	\$ 847,700

City of Tehachapi
Notes to Financial Statements
Year Ended June 30, 2015

2) DETAILED NOTES ON ALL FUNDS - Continued

C) Capital Assets

Capital assets activity for the year ended June 30, 2015 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets, Not Depreciated:				
Land	\$ 800,789	\$ -	\$ -	\$ 800,789
Construction in Progress	8,337,190	2,981,155	(9,861,939)	1,456,406
Total Capital Assets, Not Depreciated	9,137,979	2,981,155	(9,861,939)	2,257,195
Capital Assets Being Depreciated:				
Buildings and Improvements	4,019,083	4,971,260	-	8,990,343
Machinery and Equipment	3,114,981	159,583	(98,839)	3,175,725
Improvements other than Buildings	23,719,052	4,861,761	-	28,580,813
Parks	277,862	-	-	277,862
Total Capital Assets Being Depreciated	31,130,978	9,992,604	(98,839)	41,024,743
Less Accumulated Depreciation:				
Buildings and Improvements	(1,716,991)	(299,183)	-	(2,016,174)
Machinery and Equipment	(2,795,752)	(158,286)	95,210	(2,858,828)
Improvements other than Buildings	(5,431,398)	(843,935)	-	(6,275,333)
Parks	(41,701)	(6,947)	-	(48,648)
Total Accumulated Depreciation	(9,985,842)	(1,308,351)	95,210	(11,198,983)
Total Capital Assets Being Depreciated, Net	21,145,136	8,684,253	(3,629)	29,825,760
Governmental Activities Capital Assets, Net of Depreciation	<u>\$ 30,283,115</u>	<u>\$ 11,665,408</u>	<u>\$ (9,865,568)</u>	<u>\$ 32,082,955</u>

City of Tehachapi
Notes to Financial Statements
Year Ended June 30, 2015

2) DETAILED NOTES ON ALL FUNDS - Continued

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities:				
Capital Assets, Not Depreciated:				
Land	\$ 728,399	\$ -	\$ -	\$ 728,399
Water Rights	1,829,036	-	-	1,829,036
Construction in Progress	129,251	323,356	-	452,607
Total Capital Assets, Not Depreciated	2,686,686	323,356	-	3,010,042
Capital Assets Being Depreciated:				
Buildings	16,832,726	15,000	-	16,847,726
Machinery and Equipment	1,782,315	65,029	(298,558)	1,548,786
Improvements other than Building	11,189,292	-	-	11,189,292
Total Capital Assets Being Depreciated	29,804,333	80,029	(298,558)	29,585,804
Less Accumulated Depreciation:				
Building and Improvements	(8,425,438)	(454,915)	-	(8,880,353)
Machinery and Equipment	(1,066,226)	(76,232)	157,076	(985,382)
Improvements other than Building	(4,427,250)	(391,822)	-	(4,819,072)
Total Accumulated Depreciation	(13,918,914)	(922,969)	157,076	(14,684,807)
Total Capital Assets Being Depreciated, Net	15,885,419	(842,940)	(141,482)	14,900,997
Business-type Activities Capital Assets, Net of Depreciation	\$ 18,572,105	\$ (519,584)	\$ (141,482)	\$ 17,911,039

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

Governmental Activities:	
General Government	\$ 1,308,351
Total Depreciation Expense - Governmental Activities	\$ 1,308,351
 Business-type Activities:	
Water	\$ 251,138
Sewer	501,221
Airport	170,610
Total Depreciation Expense - Business-type Activities	\$ 922,969

City of Tehachapi
Notes to Financial Statements
Year Ended June 30, 2015

2) DETAILED NOTES ON ALL FUNDS - Continued

D) Interfund Receivables, Payables and Transfers

The composition of interfund balances as of June 30, 2015 is as follows:

	Receivable Fund	Payable Fund
General Fund	\$ 922,453	\$ -
Streets and Roads	-	550,102
Challenger Dr. Extension	-	10,000
Non-major Governmental Funds	-	259,314
Non-major Transit Enterprise Fund	-	102,408
Non-major Motocross Event Center Enterprise Fund	-	629
	<u>\$ 922,453</u>	<u>\$ 922,453</u>
Total	\$ 922,453	\$ 922,453

The General Fund has loaned monies to the Streets and Roads Fund, Challenger Dr. Extension, Non-major Governmental Funds, Non-major Transit Enterprise Fund, and Non-major Motocross Event Center Enterprise Fund 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, 2015:

	Receivable Fund	Payable Fund
General Fund	\$ 3,614,104	\$ -
New Police Building		2,050,952
Proprietary Funds:		
Water Fund		88,992
Sewer Fund		56,897
Airport Fund		1,417,263
Sewer Fund	1,735,000	
New Police Building		1,735,000
	<u>\$ 5,349,104</u>	<u>\$ 5,349,104</u>
Total	\$ 5,349,104	\$ 5,349,104

The General Fund advanced the Water and Sewer Funds \$88,992 and \$56,897, respectively, in order for the Water and Sewer Funds to pay off bonds early. The General Fund has advanced the Airport Fund \$1,417,263 to cover operating deficits. In addition, the General Fund and Sewer Fund have advanced \$2,050,952 and \$1,735,000, respectively to the New Police Building Capital Projects fund to construct the City' new Police facility.

City of Tehachapi
Notes to Financial Statements
Year Ended June 30, 2015

2) DETAILED NOTES ON ALL FUNDS - Continued

Interfund transfers for the year ended June 30, 2015 are as follows:

		TRANSFERS IN				
		General Fund	Challenger Dr. Extension Fund	New Police Building Fund	Non-major Governmental Funds	Total
TRANSFERS OUT	General Fund	\$ -	\$ -	\$ -	\$ 80,730	\$ 80,730
	Streets and Roads	-	-	-	270,638	270,638
	Street Projects	-	96,534	-	6,611	103,145
	Water Fund	4,839	-	-	-	4,839
	Non-Major Governmental Funds	-	-	76,456	-	76,456
Total		<u>\$ 4,839</u>	<u>\$ 96,534</u>	<u>\$ 76,456</u>	<u>\$ 357,979</u>	<u>\$ 535,808</u>

Transfers were made between various funds to provide funding for project costs and cover operating deficits during the fiscal year.

The Due From Fiduciary Funds of \$696,647 in the General Fund is the result of amounts due from the Agency Funds and Successor Agency Private-purpose Trust Fund of \$257,454 and \$439,193, 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, 2015 consist of the following:

	Agency Funds	Refuse Fund	Total
Foreclosure Receivables	\$ 355,557	\$ -	\$ 355,557
Joint Venture in Recycling Project	-	235,000	235,000
	<u>\$ 355,557</u>	<u>\$ 235,000</u>	<u>\$ 590,557</u>

Foreclosure Receivables

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

City of Tehachapi
Notes to Financial Statements
Year Ended June 30, 2015

2) DETAILED NOTES ON ALL FUNDS - Continued

Joint Venture in Recycling Project

During the year ended June 30, 1991, the City invested \$235,000 in a joint venture recycling plant with Benz Sanitation, a local sanitation company. The investment does not result in title to the plant. The City does, however, have a profit sharing interest of 5% of the gross profits and is held free from responsibility for any debts and obligations of the recycling project. The City did not receive a profit sharing payment for the year ending June 30, 2015.

F) Long-term Debt

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2015, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Governmental Activities:					
Capital Leases	\$ 663,212	\$ -	\$ 27,792	\$ 635,420	\$ 28,684
Net Pension Liability	-	2,437,048	587,249	1,849,799	-
Compensated Absences	168,325	89,150	26,422	231,053	67,000
Governmental Activity Long-term Liabilities	<u>\$ 831,537</u>	<u>\$ 2,526,198</u>	<u>\$ 641,463</u>	<u>\$ 2,716,272</u>	<u>\$ 95,684</u>
Business-type Activities:					
2004 Revenue Refunding Bonds	\$ 2,660,000	\$ -	\$ 140,000	\$ 2,520,000	\$ 145,000
1998 Sewer and Water COP	228,200	-	5,400	222,800	5,700
Less Deferred Amounts:					
For Issuance Discounts	(27,651)	-	(3,950)	(23,701)	-
Total Bonds Payable	2,860,549	-	141,450	2,719,099	150,700
Department of Transportation Loan	40,818	-	10,891	29,927	11,376
Water Resources Control Board Loan	1,942,053	-	85,979	1,856,074	88,214
Capital Leases	135,838	-	5,693	130,145	5,876
Net Pension Liability	-	1,114,064	264,759	849,305	-
Compensated Absences	117,484	38,746	62,026	94,204	38,746
Business-type Activity Long-term Liabilities	<u>\$ 5,096,742</u>	<u>\$ 1,152,810</u>	<u>\$ 570,798</u>	<u>\$ 5,678,754</u>	<u>\$ 294,912</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, 2015

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	(557,674)	(114,222)
Total	\$ 397,896	\$ 81,497

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2015, were as follows:

Year Ending June 30,	Governmental Activities	Business-type Activities
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	824,187	168,810
Less amount representing interest	(188,767)	(38,665)
Present value of net minimum lease payments	\$ 635,420	\$ 130,145

City of Tehachapi
Notes to Financial Statements
Year Ended June 30, 2015

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
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	\$ 2,520,000	\$ 381,984

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.

City of Tehachapi
Notes to Financial Statements
Year Ended June 30, 2015

2) DETAILED NOTES ON ALL FUNDS - Continued

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

Year Ending June 30,	Principal	Interest
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	<u>\$ 222,800</u>	<u>\$ 139,474</u>

Department of Transportation Loan

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

The annual debt service requirements to maturity are as follows:

Year Ending June 30,	Principal	Interest
2016	\$ 11,376	\$ 1,511
2017	11,860	937
2018	6,691	338
Total	<u>\$ 29,927</u>	<u>\$ 2,786</u>

City of Tehachapi
Notes to Financial Statements
Year Ended June 30, 2015

2) DETAILED NOTES ON ALL FUNDS - Continued

Water Resources Control Board Loan

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

The annual debt service requirements to maturity are as follows:

Year Ending June 30,	Principal	Interest
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>\$ 1,856,074</u>	<u>\$ 463,594</u>

Long-term Liabilities - Fiduciary Funds

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

City of Tehachapi
Notes to Financial Statements
Year Ended June 30, 2015

2) DETAILED NOTES ON ALL FUNDS - Continued

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

2005 Bonds		
Year Ending June 30,	Principal	Interest
2016	\$ 210,000	\$ 353,525
2017	220,000	344,379
2018	235,000	334,391
2019	240,000	323,843
2020	250,000	312,830
2021-2025	1,455,000	1,373,330
2026-2030	1,815,000	979,106
2031-2035	2,345,000	450,461
2036	540,000	13,826
Total	\$ 7,310,000	\$ 4,485,691

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.

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

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

2007 Bonds		
Year Ending June 30,	Principal	Interest
2016	\$ 195,000	\$ 407,933
2017	200,000	398,583
2018	215,000	388,631
2019	225,000	377,935
2020	235,000	366,671
2021-2025	1,360,000	1,642,509
2026-2030	1,740,000	1,252,989
2031-2035	2,235,000	743,039
2036-2038	1,645,000	145,059
Total	\$ 8,050,000	\$ 5,723,349

City of Tehachapi
Notes to Financial Statements
Year Ended June 30, 2015

2) DETAILED NOTES ON ALL FUNDS - Continued

The following is a schedule of changes in long-term debt of the Successor Agency for the fiscal year ended June 30, 2015.

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Bonds Payable:					
Tax Allocation Bonds	\$ 15,750,000	\$ -	\$ 390,000	\$ 15,360,000	\$ 405,000
Unamortized Bond Discount	(242,987)	-	(10,968)	(232,019)	-
Total	<u>15,507,013</u>	<u>\$ -</u>	<u>\$ 379,032</u>	<u>15,127,981</u>	<u>\$ 405,000</u>

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, 2015.

City of Tehachapi
Notes to Financial Statements
Year Ended June 30, 2015

2) DETAILED NOTES ON ALL FUNDS - Continued

G) Fund Balances

The details of the fund balances as of June 30, 2015 are presented below:

	General Fund	Streets And Roads Fund	Challenger Dr. Ext. Fund	New Police Building Fund	Street Projects Fund	Other Governmental Funds	Total Governmental Funds
Nonspendable:							
Prepays	\$ 173,302	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 173,302
Advances to Other Funds	3,614,104	-	-	-	-	-	3,614,104
Restricted for:							
Lighting District	-	-	-	-	-	66,975	66,975
Transportation	-	214,501	-	-	2,566,143	1,288,082	4,068,726
Parks and Recreation	-	-	-	-	-	96,112	96,112
Tract 6216 Settlement	-	-	-	-	-	79,491	79,491
Committed to:							
Emergency Contingency	997,993	-	-	-	-	-	997,993
Unassigned:	<u>3,427,941</u>	<u>-</u>	<u>(10,000)</u>	<u>(3,923,902)</u>	<u>-</u>	<u>(465,341)</u>	<u>(971,302)</u>
Total Fund Balance	<u><u>\$8,213,340</u></u>	<u><u>\$ 214,501</u></u>	<u><u>\$ (10,000)</u></u>	<u><u>\$ (3,923,902)</u></u>	<u><u>\$ 2,566,143</u></u>	<u><u>\$ 1,065,319</u></u>	<u><u>\$ 8,125,401</u></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, 2015 and 2014 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, 2015

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:

General Information about the Defined Benefit Pension Plans

Plan Descriptions – All qualified permanent and probationary employees are eligible to participate in the City’s Miscellaneous and Safety Employee Pension Plans, cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees’ Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and Town resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided – The Plans are cost-sharing multiple-employer defined benefit pension plans administered by the California Public Employees’ Retirement System (CalPERS). A full description of the pension plan benefit provisions, assumptions for funding purposes but not accounting purposes, and membership information is listed in the June 30, 2013 Annual Actuarial Valuation Report. Details of the benefits provided can be obtained in Appendix B of the June 30, 2013 actuarial valuation report. This report is a publically available valuation report that can be obtained at CalPERS’ website under Forms and Publications.

The Plan’s provisions and benefits in effect at June 30, 2015, are summarized as follows:

	Miscellaneous Prior to November 26, 2012	Miscellaneous Tier II After November 26, 2012	Miscellaneous PEPRA After January 1, 2013
Hire date	November 26, 2012	November 26, 2012	January 1, 2013
Benefit formula	2% @ 55	2% @ 60	2% @ 62
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	55	60	62
Monthly benefits, as a % of eligible compensation	2%	2%	2%
Required employee contribution rates	7%	7%	6.25%
Required employer contribution rates	12.087%	8%	6.25%

City of Tehachapi
Notes to Financial Statements
Year Ended June 30, 2015

3) OTHER INFORMATION - Continued

	Safety Tier I	Safety Tier II	Safety PEPRA
	Prior to November 26, 2012	After November 26, 2012	After January 1, 2013
Hire date			
Benefit formula	3% @ 50	2% @ 50	2.7% @ 57
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50	50	57
Monthly benefits, as a % of eligible compensation	3%	2%	2.7%
Required employee contribution rates	9%	9%	11.50%
Required employer contribution rates	27.849%	20.083%	11.50%

Contributions – Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended June 30, 2015, the contributions recognized as part of pension expense for each Plan were as follows:

	Miscellaneous	Safety
Contributions - employer	\$ 256,056	\$ 213,408
Contributions - employee (paid by employer)	127,638	-

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2015, the City reported net pension liabilities for its proportionate shares of the net pension liability of each Plan as follows:

	Proportionate Share of Net Pension Liability
Miscellaneous	\$ 1,846,314
Safety	852,790
Total Net Pension Liability	\$ 2,699,104

City of Tehachapi
Notes to Financial Statements
Year Ended June 30, 2015

3) OTHER INFORMATION – Continued

The City's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2014, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014 using standard update procedures. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined.

The City's proportionate share of the net pension liability as of June 30, 2013 and 2014 was as follows:

	<u>Miscellaneous</u>	<u>Safety</u>
Proportion - June 30, 2013	0.07391%	0.02360%
Proportion - June 30, 2014	0.07470%	0.02274%
Change - Increase (Decrease)	0.00079%	-0.00086%

For the year ended June 30, 2015, the City recognized pension expense of \$607,734. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 636,364	\$ -
Differences between actual and expected experience	-	-
Changes in assumptions	-	-
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	168,414	148,245
Net differences between projected and actual earnings on plan investments	-	797,722
	<u> </u>	<u> </u>
Total	<u>\$ 804,778</u>	<u>\$ 945,967</u>

\$636,364 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016.

City of Tehachapi
Notes to Financial Statements
Year Ended June 30, 2015

3) OTHER INFORMATION – Continued

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ending June 30,		
2016	\$	(192,227)
2017		(192,227)
2018		(193,668)
2019		(199,431)
2020		-
Thereafter		-

Actuarial Assumptions – The total pension liabilities in the June 30, 2013 actuarial valuations were determined using the following actuarial assumptions:

	All Plans
Valuation date	June 30, 2013
Measurement date	June 30, 2014
Actuarial cost method	entry-age normal
Actuarial assumptions:	
Discount rate	7.50%
Inflation	2.75%
Payroll growth	3.00%
Projected salary increase	(1)
Investment rate of return	7.50% (2)
Mortality	(3)

- (1) Depending on age, service and type of employment
- (2) Net of pension plan investment expenses, including inflation
- (3) Derived using CalPERS' Membership Data for all Funds.

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2013 valuation were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can found on the CalPERS website.

Discount Rate – The discount rate used to measure the total pension liability was 7.50% for each Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.50 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.50 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

City of Tehachapi
Notes to Financial Statements
Year Ended June 30, 2015

3) OTHER INFORMATION – Continued

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50 percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65 percent. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as we have changed our methodology.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

Asset Class	New Strategic Allocation	Real Return Years 1 - 10 (1)	Real Return Years 11+ (2)
Global Equity	47%	5.25%	5.71%
Global Fixed Income	19%	0.99%	2.43%
Inflation Sensitive	6%	0.45%	3.36%
Private Equity	12%	6.83%	6.95%
Real Estate	11%	4.50%	5.13%
Infrastructure and Forestland	3%	4.50%	5.09%
Liquidity	2%	-0.55%	-1.05%

(1) An expected inflation of 2.5% used for this period.

(2) An expected inflation of 3.0% used for this period.

City of Tehachapi
Notes to Financial Statements
Year Ended June 30, 2015

3) OTHER INFORMATION – Continued

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

– The following presents the City’s proportionate share of the net pension liability for each Plan, calculated using the discount rate for each Plan, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	Miscellaneous	Safety
1% Decrease	6.50%	6.50%
Net Pension Liability	\$ 3,134,646	\$ 1,467,540
Current Discount Rate	7.50%	7.50%
Net Pension Liability	\$ 1,846,314	\$ 852,790
1% Increase	8.50%	8.50%
Net Pension Liability	\$ 777,120	\$ 346,261

Pension Plan Fiduciary Net Position – Detailed information about each pension plan’s fiduciary net position is available in the separately issued CalPERS financial reports.

Payable to the Pension Plan

At June 30, 2015, the City reported a payable of \$0 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2015.

C) Commitments and Contingencies

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. Construction commitments at year-end were \$934,005.

The City has been named as a defendant in a pending case that is not covered by the purchased insurance coverage. The City is vigorously contesting this lawsuit and the outcome of the case is currently unknown. However, the City could potentially incur damages and attorneys’ fees related to this case in a range of \$200,000 to \$300,000.

D) Restatement of Net Position

The City implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, in fiscal year 2014-15. As a result, the beginning net position in the Statement of Activities – Governmental Activities and Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds was restated by \$1,956,232 and \$923,323, 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, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 5,321,985	\$ 5,409,330	\$ 5,650,748	\$ 241,418
Licenses, Permits, and Fines	131,000	73,659	72,610	(1,049)
Intergovernmental	70,000	262,758	333,061	70,303
Charges for Services	300,000	237,467	454,167	216,700
Investment Earnings	25,000	11,000	22,322	11,322
Miscellaneous Revenues	384,088	390,224	422,980	32,756
	<u>6,232,073</u>	<u>6,384,438</u>	<u>6,955,888</u>	<u>571,450</u>
EXPENDITURES				
Current:				
General Government	1,185,538	1,270,911	1,335,083	(64,172)
Public Works	1,183,629	1,159,649	1,057,002	102,647
Public Safety	3,027,969	3,250,355	3,159,926	90,429
Community Development	829,904	862,663	753,199	109,464
Capital Outlay:				
General Government	-	-	-	-
	<u>6,227,040</u>	<u>6,543,578</u>	<u>6,305,210</u>	<u>238,368</u>
Excess (Deficiency) of Revenues over Expenditures	<u>5,033</u>	<u>(159,140)</u>	<u>650,678</u>	<u>809,818</u>
OTHER FINANCING SOURCES (USES)				
Transfers	-	-	4,839	4,839
Transfers Out	-	(1,290)	(80,730)	(79,440)
	<u>-</u>	<u>(1,290)</u>	<u>(75,891)</u>	<u>(74,601)</u>
Net Change in Fund Balances	5,033	(160,430)	574,787	735,217
Fund Balance, Beginning of Year	<u>7,638,553</u>	<u>7,638,553</u>	<u>7,638,553</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 7,643,586</u>	<u>\$ 7,478,123</u>	<u>\$ 8,213,340</u>	<u>\$ 735,217</u>

City of Tehachapi
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Streets and Roads
Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 809,751	\$ 1,200,000	\$ 764,603	\$ (435,397)
Investment Earnings	-	-	-	-
Total Revenues	<u>809,751</u>	<u>1,200,000</u>	<u>764,603</u>	<u>(435,397)</u>
EXPENDITURES				
Current:				
Public Works	14,000	15,990	1,991	13,999
Capital Outlay	406,820	406,820	-	406,820
Debt Service				
Interest Expense	20,843	20,843	20,843	-
Principal	27,792	27,792	27,792	-
Total Expenditures	<u>469,455</u>	<u>471,445</u>	<u>50,626</u>	<u>420,819</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>340,296</u>	<u>728,555</u>	<u>713,977</u>	<u>(14,578)</u>
OTHER FINANCING SOURCES (USES)				
Transfers Out	<u>(301,597)</u>	<u>(56,650)</u>	<u>(270,638)</u>	<u>213,988</u>
Total Other Financing Sources (Uses)	<u>(301,597)</u>	<u>(56,650)</u>	<u>(270,638)</u>	<u>213,988</u>
Net Change in Fund Balance	38,699	671,905	443,339	(228,566)
Fund Balance, Beginning of Year	<u>(228,838)</u>	<u>(228,838)</u>	<u>(228,838)</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ (190,139)</u></u>	<u><u>\$ 443,067</u></u>	<u><u>\$ 214,501</u></u>	<u><u>\$ (228,566)</u></u>

City of Tehachapi
Required Supplementary Information
Year Ended June 30, 2015

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
Last 10 Years*

	Miscellaneous Risk Pool
	2015
Proportion of the Net Pension Liability	0.02967%
Proportionate Share of Net Pension Liability	\$ 1,846,314
Covered - Employee Payroll	\$ 2,535,721
Proportionate Share of the Net Pension Liability as a percentage of Payroll	72.81%
Plan's Fiduciary Net Position	\$ 7,865,024
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	80.99%
	Safety Risk Pool
	2015
Proportion of the Net Pension Liability	0.01370%
Proportionate Share of Net Pension Liability	\$ 852,790
Covered - Employee Payroll	\$ 948,530
Proportionate Share of the Net Pension Liability as a percentage of Payroll	89.91%
Plan's Fiduciary Net Position	\$ 3,736,700
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	81.42%

*Fiscal year 2015 is the first year of implementation, therefore only one year of information is available.

Notes to the Schedule of the City's Proportionate Share of the Net Pension Liability

Benefit Changes: None

Changes in Assumptions: None

City of Tehachapi
Required Supplementary Information
Year Ended June 30, 2015

SCHEDULE OF PLAN CONTRIBUTIONS
Last 10 Years*

		2015
Contractually Required Contributions (actuarially determined)	\$	523,262
Contributions in Relation to the Actuarially Determined Contributions		(523,262)
Contribution Deficiency (Excess)	\$	-
Covered-Employee Payroll	\$	3,484,251
Contributions as a Percentage of Covered Employee Payroll		15.02%

*Fiscal year 2015 is the first year of implementation, therefore only one year of information is available.

Notes to the Schedule of Plan Contributions

Valuation Date: 6/30/2013

City of Tehachapi
Notes to Required Supplementary Information
Year Ended June 30, 2015

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
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2015

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Total</u>
ASSETS			
Cash and Investments	\$ 1,464,671	\$ 186,331	\$ 1,651,002
Receivables	263,766	86,719	350,485
	<u>\$ 1,728,437</u>	<u>\$ 273,050</u>	<u>\$ 2,001,487</u>
LIABILITIES			
Accounts Payable	\$ 268,212	\$ 38,273	\$ 306,485
Accrued Liabilities	1,044	-	1,044
Due to Other Funds	177,377	81,937	259,314
	<u>446,633</u>	<u>120,210</u>	<u>566,843</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenues - Grants	300,463	68,862	369,325
	<u>300,463</u>	<u>68,862</u>	<u>369,325</u>
FUND BALANCES			
Restricted	1,345,657	185,603	1,531,260
Assigned	-	-	-
Unassigned	(364,316)	(101,625)	(465,941)
	<u>981,341</u>	<u>83,978</u>	<u>1,065,319</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 1,728,437</u>	<u>\$ 273,050</u>	<u>\$ 2,001,487</u>

City of Tehachapi
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-Major Governmental Funds
Year Ended June 30, 2015

	Special Revenue	Capital Projects	Total
REVENUES			
Taxes	\$ 620,268	\$ -	\$ 620,268
Intergovernmental	958,653	169,460	1,128,113
Charges for Services	24,707	-	24,707
Investment Earnings	5,291	725	6,016
Miscellaneous Revenue	1,747	-	1,747
	<u>1,610,666</u>	<u>170,185</u>	<u>1,780,851</u>
Total Revenues			
EXPENDITURES			
Current:			
General Government	72,563	-	72,563
Public Works	919,746	182,648	1,102,394
Community Development	21,473	2,172	23,645
Capital Outlay	906,322	115,579	1,021,901
	<u>1,920,104</u>	<u>300,399</u>	<u>2,220,503</u>
Total Expenditures			
Excess (Deficiency) of Revenues Over Expenditures	<u>(309,438)</u>	<u>(130,214)</u>	<u>(439,652)</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	172,897	185,082	357,979
Transfers Out	<u>(76,456)</u>	<u>-</u>	<u>(76,456)</u>
	<u>96,441</u>	<u>185,082</u>	<u>281,523</u>
Total Other Financing Sources (Uses)			
Net Change in Fund Balances	(212,997)	54,868	(158,129)
Fund Balances, Beginning of Year	<u>1,194,338</u>	<u>29,110</u>	<u>1,223,448</u>
Fund Balances, End of Year	<u><u>\$ 981,341</u></u>	<u><u>\$ 83,978</u></u>	<u><u>\$ 1,065,319</u></u>

City of Tehachapi
Combining Balance Sheet
Non-major Special Revenue Funds
June 30, 2015

	<u>Traffic Signals</u>	<u>TDA 3 Bike Safety</u>	<u>Oil Recycling Grant Fund</u>	<u>Beverage Container Recycling</u>
ASSETS				
Cash and Investments	\$ 1,261,833	\$ -	\$ 267	\$ 16,582
Receivables	-	165,736	-	-
Total Assets	<u>\$ 1,261,833</u>	<u>\$ 165,736</u>	<u>\$ 267</u>	<u>\$ 16,582</u>
LIABILITIES				
Accounts Payable	\$ -	\$ 128,349	\$ -	\$ -
Accrued Liabilities	-	-	-	-
Due to Other Funds	-	34,961	-	-
Total Liabilities	-	<u>163,310</u>	-	-
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenues - Grants	-	165,736	-	-
Total Deferred Inflows of Resources	-	<u>165,736</u>	-	-
FUND BALANCES				
Restricted	1,261,833	-	267	16,582
Assigned	-	-	-	-
Unassigned	-	(163,310)	-	-
Total Fund Balances	<u>1,261,833</u>	<u>(163,310)</u>	<u>267</u>	<u>16,582</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 1,261,833</u>	<u>\$ 165,736</u>	<u>\$ 267</u>	<u>\$ 16,582</u>

<u>Lighting District</u>	<u>Event Center & 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>
\$ 140,992	\$ -	\$ 44,997	\$ -	\$ -	\$ 1,464,671
-	73,828	24,202	-	-	263,766
<u>\$ 140,992</u>	<u>\$ 73,828</u>	<u>\$ 69,199</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,728,437</u>
\$ 5,429	\$ -	\$ 134,434	\$ -	\$ -	\$ 268,212
-	-	1,044	-	-	1,044
68,588	73,828	-	-	-	177,377
<u>74,017</u>	<u>73,828</u>	<u>135,478</u>	<u>-</u>	<u>-</u>	<u>446,633</u>
-	73,828	60,899	-	-	300,463
-	73,828	60,899	-	-	300,463
66,975	-	-	-	-	1,345,657
-	-	-	-	-	-
-	(73,828)	(127,178)	-	-	(364,316)
<u>66,975</u>	<u>(73,828)</u>	<u>(127,178)</u>	<u>-</u>	<u>-</u>	<u>981,341</u>
<u>\$ 140,992</u>	<u>\$ 73,828</u>	<u>\$ 69,199</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,728,437</u>

City of Tehachapi
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Special Revenue Funds
Year Ended June 30, 2015

	<u>Traffic Signals</u>	<u>TDA 3 Bike Safety</u>	<u>Oil Recycling Grant Fund</u>	<u>Beverage Container Recycling</u>
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	25,794	166,983	-	-
Charges for Services	-	-	-	-
Investment Earnings	4,018	-	1	53
Miscellaneous Revenues	-	-	-	-
Total Revenues	<u>29,812</u>	<u>166,983</u>	<u>1</u>	<u>53</u>
EXPENDITURES				
Current:				
General Government	-	-	-	-
Public Works	-	-	-	-
Community Development	-	-	-	-
Capital Outlay	537	323,716	-	-
Total Expenditures	<u>537</u>	<u>323,716</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>29,275</u>	<u>(156,733)</u>	<u>1</u>	<u>53</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	29,275	(156,733)	1	53
Fund Balances, Beginning of Year	<u>1,232,558</u>	<u>(6,577)</u>	<u>266</u>	<u>16,529</u>
Fund Balances, End of Year	<u>\$ 1,261,833</u>	<u>\$ (163,310)</u>	<u>\$ 267</u>	<u>\$ 16,582</u>

<u>Lighting District</u>	<u>Event Center & 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>
\$ 310,529	\$ -	\$ 309,739	\$ -	\$ -	\$ 620,268
-	-	406,116	-	359,760	958,653
-	-	-	24,707	-	24,707
973	-	19	227	-	5,291
1,747	-	-	-	-	1,747
<u>313,249</u>	<u>-</u>	<u>715,874</u>	<u>24,934</u>	<u>359,760</u>	<u>1,610,666</u>
72,563	-	-	-	-	72,563
229,250	-	690,496	-	-	919,746
21,473	-	-	-	-	21,473
-	74,017	196,408	-	311,644	906,322
<u>323,286</u>	<u>74,017</u>	<u>886,904</u>	<u>-</u>	<u>311,644</u>	<u>1,920,104</u>
<u>(10,037)</u>	<u>(74,017)</u>	<u>(171,030)</u>	<u>24,934</u>	<u>48,116</u>	<u>(309,438)</u>
-	-	121,665	-	51,232	172,897
-	-	-	(76,456)	-	(76,456)
<u>-</u>	<u>-</u>	<u>121,665</u>	<u>(76,456)</u>	<u>51,232</u>	<u>96,441</u>
(10,037)	(74,017)	(49,365)	(51,522)	99,348	(212,997)
77,012	189	(77,813)	51,522	(99,348)	1,194,338
<u>\$ 66,975</u>	<u>\$ (73,828)</u>	<u>\$ (127,178)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 981,341</u>

City of Tehachapi
Combining Balance Sheet
Non-major Capital Project Funds
June 30, 2015

	Tucker Road / Valley Blvd. Exchange	East Tehachapi Blvd Improvement Project	General Plan Update	Valley Shoulder Ext - HSIP
ASSETS				
Cash and Investments	\$ 7,730	\$ -	\$ -	\$ 2,270
Receivables	-	47,756	-	-
Total Assets	<u>\$ 7,730</u>	<u>\$ 47,756</u>	<u>\$ -</u>	<u>\$ 2,270</u>
LIABILITIES				
Liabilities:				
Accounts Payable	\$ -	\$ 37,545	\$ -	\$ -
Due to Other Funds	-	32,358	-	-
Total Liabilities	<u>-</u>	<u>69,903</u>	<u>-</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenues - Grants	-	29,899	-	-
Total Deferred Inflows of Resources	<u>-</u>	<u>29,899</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Restricted	7,730	-	-	2,270
Unassigned	-	(52,046)	-	-
Total Fund Balances	<u>7,730</u>	<u>(52,046)</u>	<u>-</u>	<u>2,270</u>
Total Liabilities and Fund Balances	<u>\$ 7,730</u>	<u>\$ 47,756</u>	<u>\$ -</u>	<u>\$ 2,270</u>

Parks & Rec. Capital Project	Tract 6216 Settlement Fund	Tehachapi Blvd Imprv - Phase IV	Freedom Plaza	Total Non-Major Funds
\$ 96,112	\$ 79,491	\$ -	\$ 728	\$ 186,331
-	38,963	-	-	86,719
<u>\$ 96,112</u>	<u>\$ 118,454</u>	<u>\$ -</u>	<u>\$ 728</u>	<u>\$ 273,050</u>
\$ -	\$ -	\$ -	\$ 728	\$ 38,273
-	-	49,579	-	81,937
-	-	49,579	728	120,210
-	38,963	-	-	68,862
-	38,963	-	-	68,862
96,112	79,491	-	-	185,603
-	-	(49,579)	-	(101,625)
<u>96,112</u>	<u>79,491</u>	<u>(49,579)</u>	<u>-</u>	<u>83,978</u>
<u>\$ 96,112</u>	<u>\$ 118,454</u>	<u>\$ -</u>	<u>\$ 728</u>	<u>\$ 273,050</u>

City of Tehachapi
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Capital Project Funds
Year Ended June 30, 2015

	Tucker Road / Valley Blvd. Exchange	East Tehachapi Blvd Improvement Project	General Plan Update	Valley Shoulder Ext - HSIP
REVENUES				
Licenses, Permits, and Fines	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	119,046	-	50,414
Miscellaneous Revenue	-	-	-	-
Investment Earnings	25	-	-	-
Total Revenues	<u>25</u>	<u>119,046</u>	<u>-</u>	<u>50,414</u>
EXPENDITURES				
Current:				
Public Works	-	166,320	-	-
Community Development	-	-	848	-
Capital Outlay	-	-	-	655
Total Expenditures	<u>-</u>	<u>166,320</u>	<u>848</u>	<u>655</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>25</u>	<u>(47,274)</u>	<u>(848)</u>	<u>49,759</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	-	1,207	80,730	-
Transfers Out	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>1,207</u>	<u>80,730</u>	<u>-</u>
Net Change in Fund Balances	25	(46,067)	79,882	49,759
Fund Balances, Beginning of Year	<u>7,705</u>	<u>(5,979)</u>	<u>(79,882)</u>	<u>(47,489)</u>
Fund Balances, End of Year	<u>\$ 7,730</u>	<u>\$ (52,046)</u>	<u>\$ -</u>	<u>\$ 2,270</u>

<u>Parks & Rec. Capital Project</u>	<u>Tract 6216 Settlement Fund</u>	<u>Tehachapi Blvd Imprv - Phase IV</u>	<u>Freedom Plaza</u>	<u>Total Non-Major Funds</u>
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	169,460
-	-	-	-	-
322	378	-	-	725
<u>322</u>	<u>378</u>	<u>-</u>	<u>-</u>	<u>170,185</u>
-	-	-	16,328	182,648
-	1,324	-	-	2,172
30,192	20,233	21	64,478	115,579
<u>30,192</u>	<u>21,557</u>	<u>21</u>	<u>80,806</u>	<u>300,399</u>
<u>(29,870)</u>	<u>(21,179)</u>	<u>(21)</u>	<u>(80,806)</u>	<u>(130,214)</u>
-	-	-	103,145	185,082
-	-	-	-	-
-	-	-	103,145	185,082
(29,870)	(21,179)	(21)	22,339	54,868
125,982	100,670	(49,558)	(22,339)	29,110
<u>\$ 96,112</u>	<u>\$ 79,491</u>	<u>\$ (49,579)</u>	<u>\$ -</u>	<u>\$ 83,978</u>

City of Tehachapi
Combining Statement of Assets and Liabilities
Agency Funds
June 30, 2015

	Capital Hills 89-1	Tucker Road 87-1	East Tehachapi Blvd. Project 89-3	Summit 89-2
ASSETS				
Cash and Investments	\$ 760,082	\$ 59,044	\$ 125,814	\$ 7,081
Receivables	-	-	3,729	-
Advances to Other Funds	-	-	-	-
Other Assets	-	-	26,077	329,480
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 760,082</u>	<u>\$ 59,044</u>	<u>\$ 155,620</u>	<u>\$ 336,561</u>
LIABILITIES				
Accounts Payable	\$ 721	\$ 2,802	\$ 2,199	\$ 224
Advances From Other Funds	-	-	-	-
Due to City	-	-	26,827	230,627
Due to Bond Holders	759,361	56,242	126,594	105,710
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>\$ 760,082</u>	<u>\$ 59,044</u>	<u>\$ 155,620</u>	<u>\$ 336,561</u>

Tehachapi Meadows 90-1	Special Districts Revolving Fund	Total Agency Funds
\$ 38,247	\$ -	\$ 990,268
-	-	3,729
-	209,589	209,589
-	-	355,557
<u>\$ 38,247</u>	<u>\$ 209,589</u>	<u>\$ 1,559,143</u>
\$ -	\$ -	\$ 5,946
-	209,589	209,589
-	-	257,454
38,247	-	1,086,154
<u>\$ 38,247</u>	<u>\$ 209,589</u>	<u>\$ 1,559,143</u>