

**Tehachapi-Cummings County Water District**  
Tehachapi, California

**Comprehensive Annual Financial Report**

**For the Year Ended June 30, 2014**



**TEHACHAPI-CUMMINGS  
COUNTY WATER DISTRICT  
Tehachapi, California**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

Year Ended June 30, 2014

Prepared by:

John Martin, General Manager

**Tehachapi-Cummings County Water District**  
**Comprehensive Annual Financial Report**  
Year Ended June 30, 2014

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## **INTRODUCTORY SECTION**

DIRECTORS:  
HARRY M. COWAN  
DAVID HADLEY  
JONATHAN HALL  
JEAN PREL  
ROBERT R. SCHULTZ

OFFICERS:  
HARRY M. COWAN, PRESIDENT  
ROBERT R. SCHULTZ, VICE PRESIDENT  
JOHN A. MARTIN, GENERAL MANAGER  
LORI BUNN, SECRETARY TO THE BOARD

# **TEHACHAPI-CUMMINGS COUNTY WATER DISTRICT**

22901 BANDUCCI RD.  
POST OFFICE BOX 326  
TEHACHAPI, CALIFORNIA 93561  
(661) 822-5504 - (661) 325-3733 - FAX (661) 822-5122  
E-MAIL: [tccwd@tccwd.com](mailto:tccwd@tccwd.com)

October 21, 2014

To the Board of Directors and Citizens of the Tehachapi-Cummings County Water District:

State law requires that all local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformance with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that law, we hereby issue the comprehensive annual financial report of the Tehachapi-Cummings County Water District for the fiscal year ended June 30, 2014.

This report consists of management's representations concerning the finances of the District. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the District has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft or misuse and to compile sufficient reliable information for the preparation of the District's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the District's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The District's financial statements have been audited by Van Lant & Fankhanel, LLP, Certified Public Accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the District for the fiscal year ended June 30, 2014 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified ("clean") opinion that the District's financial statements for the fiscal year ended June 30, 2014 are fairly presented in conformity with GAAP. The independent auditor's report is located at the front of the financial section of this report.

GAAP requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The District's MD&A can be found immediately following the report of the independent auditor.

## **Profile of the Tehachapi-Cummings County Water District**

The Tehachapi-Cummings County Water District was organized on March 10, 1965 under provisions of the County Water District Law (Sections 30000 et seq. of the Water Code of the State of California).

The District is located in the Tehachapi Mountains east of the Southern San Joaquin Valley and encompasses approximately 266,000 acres. The District provides an imported water supply, groundwater

resource management and flood protection. The District imports State Water Project water from the California Aqueduct and sells this imported water to agricultural and municipal/industrial customers.

The local groundwater supply is located in three basins, which are the Brite, Cummings and Tehachapi Basins. The District is the court-appointed Watermaster for these three adjudicated basins. As Watermaster, the District protects the groundwater resources within the basins by administering the judgments and providing annual reports to the Kern County Superior Court.

The District is governed by a five person Board of Directors elected "from divisions" to four-year staggered terms. "From divisions" means election of directors who are residents of the division from which they are elected by the voters of the entire District. The five divisions are roughly equal in acreage. The Directors are responsible for policies and decisions which govern the operations of the District.

The District has operated under the council-manager form of government since its inception. Policy making and legislative authority are vested in the Board of Directors. The Board is responsible for setting policy by ordinance, resolution or minute order, adopting the budget and hiring the general manager, legal counsel and auditor. The general manager is responsible for carrying out the policies of the Board, for overseeing the day-to-day operations of the District and the hiring of all District employees. The District serves a population of approximately 38,000.

The District's mission is to ensure the most reliable, cost effective and highest quality water supply within the District through the importation of State Project Water, management of groundwater basins, as well as provide flood protection within specified areas of the District and within the jurisdiction of the District as defined in the State Water Code and pertinent statutes of the State of California.

The District's one component unit, the Tehachapi-Cummings Emissions Reduction Facilities Corporation, is a California nonprofit public benefit corporation, created in 1994 to aid the financing of the replacement of all of the District's engines and pumps at its four natural gas powered pump plants. The certificates of participation that were issued in 1994 were refinanced in 1999. The final payment is due August 1, 2014.

The annual budget serves as the foundation for the District's financial planning and control. All departments of the District are required to submit budget requests to the general manager on or before April 1 each year. The general manager, together with an ad-hoc Budget Committee, prepares the draft budget. The Board conducts at least two public hearings on the proposed budget and adopts a preliminary budget no later than June 30 and a final budget no later than September 1. The budget is prepared by fund (e.g. general) and department (e.g. administration). Department heads may transfer resources within a department as they see fit. Transfers between funds must be approved by resolution of the Board.

### **Factors Affecting Financial Condition**

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the District operates.

**Local economy.** Since the District receives no sales or fuel taxes that are sensitive to the business cycle, nonoperating revenues (primarily property taxes) tend to be stable. Property taxes from income-producing properties can be impacted by the business cycle, but generally, property taxes are more stable than revenues from other taxes. The District's tax base will grow 8% in fiscal 2015. The fiscal 2014 growth rate was -1%. Weak residential values have been offset by the installation of large-scale wind turbine projects. During fiscal 2014, Kern County deducted \$225,000 from the District's property tax revenues for a correction to the unsecured tax roll for some wind energy assets that had mistakenly been placed in the District's tax rate area. This one-time correction will not affect the District going forward.

The District's second largest source of revenue, imported water sales, suffered from the recent recession, but it appears that the downturn is completely over. Agricultural water consumption recovered nicely in 2013-14. Ag water sales in 2013 (these records are kept by calendar year) were 4,239 acre-feet compared with 3,908 AF in 2012, above the ten-year average of 3,530 AF. M&I water sales were higher, 2,585 AF in calendar year 2013 compared with 1,673 AF in 2012 – more than the ten-year average of 2,181 AF. M&I water sales will decrease in the near term because of State water conservation requirements in 2014.

**State Water Project allocation.** The SWP allocation for 2014 is 5%, the lowest allocation ever in the SWP's 45-year history. To accommodate this extreme condition, the District pumped about one-third of its banked water supply in Tehachapi Basin. The District also recovered 4,372 AF of previously banked water from facilities in the San Joaquin Valley during the fiscal year. We will begin 2015 with no carryover.

**Energy costs.** The soft economy has reduced the demand for natural gas, which, coupled with the greater supplies from domestic shale exploration, has depressed the market price of natural gas. This has worked for the benefit of the District, as its delivery costs are driven by the price it pays for natural gas to power its pump plants. Going forward, the District plans to lock in long-term natural gas supplies at prices that will stabilize its water rates at an affordable level for years to come. Some supply contracts have already been secured for 2015 and 2016. There is a limit to how much natural gas can be purchased in advance because of the variability of the State water supply. Some of the fixed-price contracts for 2014 had to be sold back due to the historically low SWP allocation. The drought resulted in more money being spent on electricity for wells and less being spent on natural gas to import water.

**Workforce.** In November 2009 the District's workforce was reduced by four full-time positions, leaving 18 full-time employees. During fiscal year 2011-12 another position was vacated through attrition (retirement). That position was filled in January 2014. In May 2014 the Board authorized 1.5 full-time equivalent positions for the new water conservation programs.

**Employee pension liability.** District employees are members of the California Public Employees' Retirement System (CalPERS). As of July 1, 2005, all plan assets and liabilities have been pooled with other public agencies with similar plans. Because the District purchased prior service when it entered the system in 2004, it had a large unfunded accrued actuarial liability when CalPERS created the risk pools. A "side-fund" was created for the District's liability which is owed to the risk pool. The District refinanced this debt with a loan from Umpqua Bank during fiscal 2013 to reduce its interest cost. The CalPERS side fund is now paid, replaced by a new debt service obligation to Umpqua Bank.

**Other post-employment benefits (OPEB).** The District provides limited medical insurance assistance to qualified retirees. GASB 45 requires that governments account for this obligation in the same way as retirement obligations. During fiscal year 2011-12 the District joined the California Employers' Retiree Benefit Trust Fund to manage the District's liabilities under this program. The District contributes its Annual Required Contribution to CERBT each year and performs actuarial valuations of its plan every two years to ensure compliance with the plan.

**Reserves.** Concurrently with the 2014-15 budget, the Board adopted a reserves policy, which sets forth reserve targets and an approach for accumulating reserves over time. The policy requires management to calculate full reserve targets and interim reserve targets and annually report to the Board the progress toward achieving those targets. As of June 30, 2014 all reserve targets are filled, with the exception of the three flood control improvement districts. The following table shows the amounts as of June 30, 2014:

	Reserve Formula	Full Reserve Target	Interim Reserve Target	Actual Reserve 6/30/14	Reserve Target Met?
<b>Designated Reserves:</b>					
Working capital	90 days of operating expenses	\$ 1,486,721	\$ 1,486,721	\$ 2,018,303	Full - Yes
Water banking reserve	Cost to spread 4,000 AF of imported SWP water	954,000	954,000	954,000	Full - Yes
Tax revenue liability reserve	50% of Kern County's liability estimate	352,966	176,483	353,134	Full - Yes
Emergency reserve	5% of general fund operating expenses	270,678	135,339	270,965	Full - Yes
Major repairs/overhauls	5% of capital assets' book value	1,187,274	593,637	1,188,338	Full - Yes
Rate stabilization reserve	1 to 5% of general fund operating expenses	270,678	135,339	270,700	Full - Yes
<b>Restricted Reserves:</b>					
State Payment operating reserve	50% of current year expenditure budget	1,224,000	1,224,000	2,294,054	Full - Yes
State Payment tax revenue liability reserve	50% of Kern County's liability estimate	117,342	117,342	117,342	Full - Yes
Prop 84 grant reserve	Matching funds per grant	50,000	50,000	49,687	Full - Yes
Emissions Reduction Debt One-year reserve account	\$522,000 per installment sale agreement	-	-	-	Not Needed
Emissions Reduction Debt August 1 payment reserve	Principal and interest payment due 8/1	521,800	521,800	523,481	Full - Yes
Improvement District No. 2 flood control replacement	50% of construction cost indexed for inflation	222,490	222,490	80,738	No
Improvement District No. 3 flood control replacement	50% of construction cost indexed for inflation	494,408	494,408	169,959	No
Assessment District No. 1 flood control replacement	50% of construction cost indexed for inflation	1,417,497	1,417,497	537,556	No

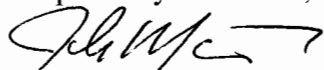
### Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Tehachapi-Cummings County Water District for its comprehensive annual financial report for the fiscal year ended June 30, 2013, the fifth consecutive year of award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Preparation of this report was accomplished by the combined efforts of District staff. I appreciate the dedicated efforts and professionalism that our staff members bring to the District. I would also like to thank the members of the Board of Directors for their continued support in the planning and implementation of the Tehachapi-Cummings County Water District's fiscal policies.

Respectfully submitted,



John Martin  
General Manager



TEHACHAPI-CUMMINGS COUNTY WATER DISTRICT

List of Elected and Appointed Officials

June 30, 2014

Elected Officials

BOARD OF DIRECTORS

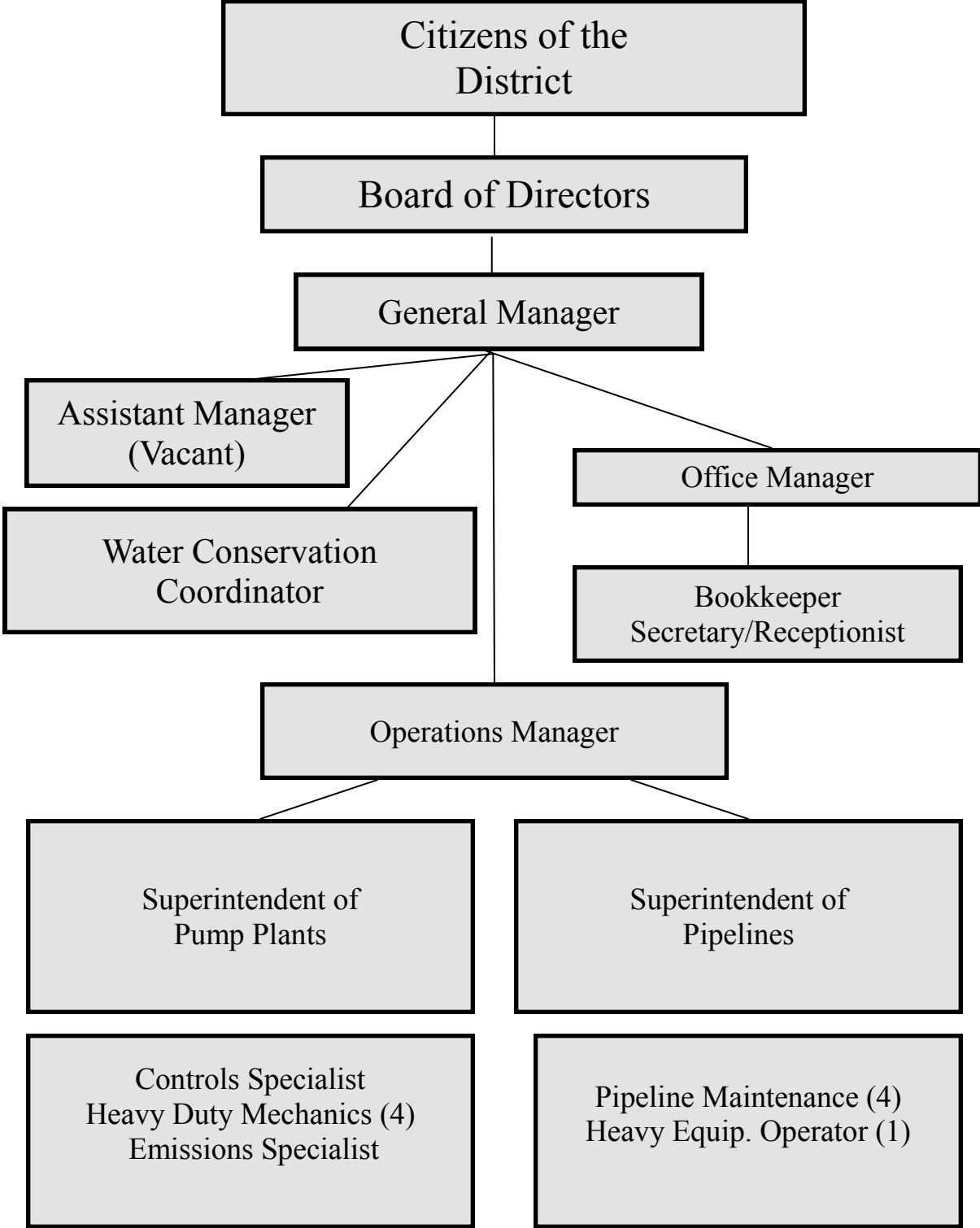
Harry M. Cowan	December 2014
David R. Hadley	December 2016
Jonathan D. Hall	December 2016
Jean A. Prel	December 2014
Robert R. Schultz	December 2014

Appointed Officials

Harry M. Cowan	President
Robert R. Schultz	Vice-President
Lori Bunn	District Secretary
John Martin	General Manager

Tehachapi-Cummings County Water District  
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**TEHACHAPI-CUMMINGS COUNTY WATER DISTRICT  
ORGANIZATIONAL CHART—2014**





Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**Tehachapi-Cummings County  
Water District, California**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2013**

Executive Director/CEO

## **FINANCIAL SECTION**



## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Tehachapi-Cummings County Water District  
Tehachapi, California

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities of the Tehachapi-Cummings County Water District (the "District"), as of and for the year ended June 30, 2014, and the related notes to the financial statements; which collectively comprise the District'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 error or fraud.

### ***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 from 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.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Tehachapi-Cummings County Water District, as of June 30, 2014, and the changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 – 10 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 an opinion on the financial statements that collectively comprise the District's basic financial statements. The introductory section, the schedules listed in the "Supplementary Information" section of the table of contents, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedules listed in the "Supplementary Information" section of the table of contents are the responsibility of management and were derived from and relate 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 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules listed in the "Supplementary Information"

section of the table of contents are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

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

In accordance with *Government Auditing Standards*, we have also issued a report dated October 21, 2014 on our consideration of the District'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 District's internal control over financial reporting and on compliance.

A handwritten signature in cursive script that reads "Van Lant & Fankhaed, LLP".

October 21, 2014

*Tehachapi-Cummings County Water District  
Management's Discussion and Analysis  
For the Year Ended June 30, 2014*

## **Management's Discussion and Analysis**

As management of the Tehachapi-Cummings County Water District, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2014. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i - iv of this report. All amounts, unless otherwise indicated, are expressed in whole dollars.

## **Financial Highlights**

- The District's total combined cash balance increased \$2,021,227 (+29%). Restricted cash decreased \$259,777 (-7%). Unrestricted cash increased \$2,281,004 (+76%).
- The District's total combined net position was \$14,103,926 at June 30, 2014, an increase of \$2,929,584, or +26%. Restricted net position decreased \$252,471 (-6%). Unrestricted net position increased \$2,547,009 (+173%).
- During the year, the District's operating revenues increased by \$652,316 or +17%.
- The District's operating expenses increased by \$249,472 or +3%.
- Debt decreased \$737,600 (-29%).
- All debt service obligations were met and the coverage ratio for the certificate of participation rate covenant was 6.18, which exceeded the minimum ratio of 1.15.

## **Overview of the Financial Statements**

This annual report includes the management's discussion and analysis report, the independent auditor's report, the basic financial statements of the District, and required supplementary information. The financial statements also include notes that explain in more detail some of the information in the financial statements. The basic financial statements include three types of statements that present different views of the District:

## **Required Financial Statements**

**Government-wide financial statements.** The financial statements of the District report information using accounting methods similar to those used by private sector companies. The **Statement of Net Position** includes all of the District's assets and liabilities. It also provides the basis of evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District.

All of the current year's revenues and expenses are accounted for in the **Statement of Revenues, Expenses and Change in Net Position**. This statement measures the success of the District's operations over the past year and can be used to determine whether the District has successfully recovered all its costs through its user fees and other charges.

The final required financial statement is the **Statement of Cash Flows**. This statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and



*Tehachapi-Cummings County Water District  
Management's Discussion and Analysis  
For the Year Ended June 30, 2014*

financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the cash balance during the reporting period.

The government-wide financial statements can be found on pages 11-14 of this report.

**Required supplementary information.** RSI provides additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. This information can be found on pages 15-27 of this report.

**Supplementary information.** In addition to the basic financial statements and required supplementary information, this report also presents certain supplementary information, more particularly the District's debt service rate covenant coverage calculation, which can be found on page 28 of this report.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Tehachapi-Cummings County Water District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District is an enterprise district providing water service. All of the funds of the Tehachapi-Cummings County Water District are related to its water enterprise; therefore, they are considered enterprise funds.

The combining schedules for all of the District's funds can be found on pages 29-34 of this report.

### **Government-wide Financial Analysis**

**Net Position.** As noted earlier, net position may serve over time as a useful indicator of a government's financial strength. In the case of the Tehachapi-Cummings County Water District, assets exceed liabilities by \$14,103,926 at the close of the most recent fiscal year, an increase of \$2,929,584 compared with the prior year (see Table A-1).

The largest portion of the Tehachapi-Cummings County Water District's net position (\$6,365,364) reflects its investment in capital assets (e.g. land, water infrastructure and equipment). The District uses these capital assets to provide services to citizens and its customers; consequently, these assets are not available for future spending.

A portion of the District's net position (\$3,721,841) is externally restricted by state law or debt covenants. See Note 4 on page 23 for additional information about restricted assets.

Unrestricted net position may be used to meet the District's ongoing obligations. As of June 30, 2014 the District shows an unrestricted net position of \$4,016,721, an improvement of \$2,547,009 from the prior year.

**Tehachapi-Cummings County Water District  
Management's Discussion and Analysis  
For the Year Ended June 30, 2014**

**Table A-1  
Condensed Statements of Net Position  
June 30, 2014 and 2013  
(000's)**

	<u>2014</u>	<u>2013</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
Current and other assets	\$ 9,782	\$ 7,692	\$ 2,090	27%
Capital assets	6,875	6,725	150	2%
Total assets	<u>16,657</u>	<u>14,417</u>	<u>2,240</u>	<u>16%</u>
Current liabilities	1,467	1,366	101	7%
Long-term liabilities	1,086	1,877	(791)	-42%
Total liabilities	<u>2,553</u>	<u>3,243</u>	<u>(690)</u>	<u>-21%</u>
Net position:				
Invested in capital assets, . net of related debt	6,365	5,730	635	11%
Restricted	3,722	3,974	(252)	-6%
Unrestricted	4,017	1,470	2,547	173%
Total net position	<u>\$ 14,104</u>	<u>\$ 11,174</u>	<u>\$ 2,930</u>	<u>26%</u>

**Changes in Net Position.** The District's total revenues were \$10,703,673, including capital contributions. Approximately 57% of the District's revenue comes from taxes and assessments. Forty-two percent comes from water sales and services, while 1% relates to other revenues. Operating revenues improved substantially compared with the prior year due to the resurgence of agricultural activity and greater surplus water sales. Nonoperating revenues decreased due to two factors: (1) the assessed valuation of the District decreased 1% and (2) the District was affected by a one-time adjustment made by Kern County for a correction to recently-added wind power properties. During the year, the District had to "pay back" approximately \$225,000 in prior-year property tax revenues (\$165,000 in the General Fund and \$60,000 in the State Payment Fund) because the wind power properties had mistakenly been assigned by the County to the District's tax rate area in a prior year.

During the year, revenues exceeded expenses by \$2,929,584. There were no prior-year adjustments.

**Tehachapi-Cummings County Water District  
Management's Discussion and Analysis  
For the Year Ended June 30, 2014**

**Table A-2  
Condensed Statements of Revenues, Expenses and Changes in Net Assets  
Years Ended June 30, 2014 and 2013  
(000's)**

	<u>2014</u>	<u>2013</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
<b>Operating Revenues</b>				
Water sales	\$ 4,239	\$ 3,629	\$ 610	17%
Water services	212	170	42	25%
Total operating revenues	<u>4,451</u>	<u>3,799</u>	<u>652</u>	<u>17%</u>
<b>Nonoperating revenues</b>				
Taxes and assessments	6,039	6,128	(89)	-1%
Benefit assessments	116	102	14	14%
Interest and penalties	29	30	(1)	-3%
Other revenues	64	115	(51)	-44%
Gain on sale of capital assets	5	8	(3)	-38%
Capital contributions	-	16	(16)	-100%
Total nonoperating revenues	<u>6,253</u>	<u>6,399</u>	<u>(146)</u>	<u>-2%</u>
Total revenues	<u>10,704</u>	<u>10,198</u>	<u>506</u>	<u>5%</u>
<b>Operating expenses</b>				
Source of supply	2,252	2,012	240	12%
Pumping	2,870	2,992	(122)	-4%
Transmission and distribution	970	811	159	20%
General and administrative	1,210	1,232	(22)	-2%
Depreciation	390	395	(5)	-1%
Total operating expenses	<u>7,692</u>	<u>7,442</u>	<u>250</u>	<u>3%</u>
<b>Nonoperating expenses</b>				
Interest expense	82	104	(22)	-21%
Total nonoperating expenses	<u>82</u>	<u>104</u>	<u>(22)</u>	<u>-21%</u>
Total expenses	<u>7,774</u>	<u>7,546</u>	<u>228</u>	<u>3%</u>
Change in net position	2,930	2,652	278	
Net position -- beginning	11,174	8,522	2,652	
Prior period adjustment	-	-	-	
Net position -- ending	<u>\$ 14,104</u>	<u>\$ 11,174</u>	<u>\$ 2,930</u>	

- Operating revenue increased \$652,316 (+17%). Sales of municipal & industrial water were little changed (-3%), but revenue from agricultural water sales grew by 32%. The District received \$1,329,919 from surplus water sales during the fiscal year, an increase from the prior year resulting from two factors: (1) charges to Granite Construction for banked water required under their new long-term contract and (2) the 35% State Water Project allocation, compared with a 65% allocation in 2012 (a lower allocation results in a higher price).

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- Operating expenses increased \$249,472 (+3%) primarily due to the additional costs to recover previously banked water from the Kern Water Bank and the West Kern Water District.
- Nonoperating revenues, primarily from property taxes, decreased -2% due to the slightly lower assessed valuation of the District and because of the one-time adjustments processed by the County during the year.

**Capital Assets and Debt Administration**

**Capital Assets.** At June 30, 2014, the District had invested \$25,199,583 in a broad range of capital assets. (See Table A-3.) This amount represents a net increase (including additions and deductions) of \$469,471 or +2% compared with last year. See Note 3 on page 22 for more information. The District's capital assets are 73% depreciated.

*Table A-3  
Condensed Statements of Capital Assets  
June 30, 2014 and 2013  
(000's)*

	<i>2014</i>	<i>2013</i>	<i>Dollar Change</i>	<i>Percentage Change</i>
Land	\$ 779	\$ 779	\$ -	0%
Water system improvements	21,720	21,455	265	1%
General office & equipment	2,363	2,071	292	14%
Flood control facilities	220	220	-	0%
Construction in progress	117	205	(88)	-43%
	<u>25,199</u>	<u>24,730</u>	<u>469</u>	<u>2%</u>
Accumulated depreciation	<u>(18,324)</u>	<u>(18,005)</u>	<u>(319)</u>	<u>2%</u>
Total	<u>\$ 6,875</u>	<u>\$ 6,725</u>	<u>\$ 150</u>	<u>2%</u>

**Long-term debt.** At the end of the current fiscal year, the Tehachapi-Cummings County Water District had total debt outstanding of \$1,793,400, a reduction of \$737,600 during the year. Of this amount, \$510,000 is related to the 1994 certificates of participation (refinanced in 1999), which purpose was to replace natural gas engines and related equipment to meet new air quality emissions standards. In addition, \$1,283,400 remains outstanding on a loan from Umpqua Bank, which was taken by the District for the purpose of refunding the pension-related debt owed to CalPERS for the pension side fund liability. The lower interest rate on the Umpqua Bank loan compared with the rate imputed by CalPERS results in a cost savings for the District. See Note 6 on page 24 for more information.

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***Table A-4  
Condensed Statements of Long-term Debt  
June 30, 2014 and 2013  
(000's)***

	<b><i>2014</i></b>	<b><i>2013</i></b>	<b><i>Dollar Change</i></b>	<b><i>Percentage Change</i></b>
Certificates of participation	\$ 510	\$ 995	\$ (485)	-49%
Bank loan	1,283	1,536	(253)	-16%
Total	<u>\$ 1,793</u>	<u>\$ 2,531</u>	<u>\$ (738)</u>	<u>-29%</u>

**Economic Factors and Next Year's Budgets and Rates**

- Assessed valuation of the Tehachapi-Cummings County Water District increased 8% for fiscal year 2014-15. For the District the downturn in prices for residential assets has been offset by industrial improvements, particularly the installation of large-scale wind turbine projects on the east side of the District, with the result that the District's assessed valuation has not taken the kind of hit experienced by some other local agencies in the Tehachapi area. In fact, the District's assessed value for 2014-15 is 52% higher than it was in 2006-07 at the peak of the housing bubble. A stable or growing tax base is extremely important for the District, as 49% of the general fund's total revenue in 2013-14 was from general property taxes, which are directly linked to assessed valuation.
- The State Payment Fund currently has excess reserves; therefore, the tax rate adopted for 2014-15 has been reduced. For 2014-15 the rate is less than half of what it was in 2008-09.
- The Department of Water Resources provided a 2014 State Water Project allocation of 5%, which has created a local water supply crisis. In order to fill all agricultural water orders in 2014, the District recovered banked groundwater from Tehachapi Basin and recovered 4,376 acre-feet of its banked water supply in the San Joaquin Valley (2,006 from the Kern Water Bank and 2,370 from the West Kern Water District). These actions increase the cost for the District's source of supply and electricity expense for well pumping, but the cost of natural gas is significantly lower because there is less water available to import. The District also sold its banked water in Cummings Basin to municipal customers but provided no recharge water in 2014. On balance, these actions reduced the District's operating loss during the fiscal year, but over the long-term the district's costs will increase as the water that was recovered from the district's banked supply will eventually need to be replaced. To prepare for the opportunity to import greater quantities of water when it becomes available from the State and to replace the banked water used this year, the District has set aside \$954,000 for water banking locally. In addition, the agricultural water rate was increased effective May 1, 2014 to help cover the additional costs that the District will incur when it imports additional water to replace the groundwater pumped this year. The District will enter 2015 with no carryover water in San Luis Reservoir.
- Farming activity in the District has grown rapidly with organic vegetables becoming the preferred crop in the area. The sale of imported water for agricultural irrigation continues to increase. The 2014-15 budget forecast is 11% more than this year's actual figure.

*Tehachapi-Cummings County Water District  
Management's Discussion and Analysis  
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- Municipal & industrial water deliveries are likely to slip even further, as all urban areas in California are now under mandatory water conservation requirements because of the drought.
- 3,001 acre-feet of surplus water was sold in July of 2013 at the beginning of the fiscal year. That water would not have been sold had we known of the impending historic drought. 2014 is the third year of a five-year contract to sell some quantity of surplus SWP water to the Kern Westside Districts. No water will be sold in 2014-15. The District will determine how much water is available for sale each year.
- 2014 is the second year of a long-term contract to sell surplus water out of the District for use at a quarry. Per the contract, the customer will begin receiving deliveries in 2017 and will be required to bank a five-year supply in the Tehachapi Basin during the four years of 2013-16. During the fiscal year, 452 acre-feet of previously banked water was sold to Granite Construction towards their banked water account requirement under the new contract.
- When the drought ends, the District will resume its water banking at an accelerated pace on its own account. It is also encouraging its term M&I customers to bank water for their own accounts. The District's new term M&I contract requires that water purveyors bank water in the basins equivalent to a five-year supply of their imported SWP requirements.
- In 2011 the California Correctional Institute completed its state-of-the-art wastewater treatment facility, which produces high-quality disinfected tertiary recycled water. One-third of this water is sold for golf course irrigation and two-thirds is sold for agricultural irrigation.
- Investment earnings will be higher than the prior year due to greater cash balances. The average yield on money invested in the Kern County Pool for fiscal year 2014-15 was 0.39%.
- Employee benefit costs now account for 49% on top of salaries and wages in the approved 2014-15 budget, the same as last year.
- Current staffing is 1 part-time and 19 full-time employees plus three summer helpers.
- The District has met its goal of purchasing its supply of natural gas at a price of \$5/mmbtu or less over the past six pumping seasons. As long as the price remains low, water rates should also be stable. The District can now purchase natural gas three years in advance under its contract with Shell. This will serve to stabilize costs and water rates.
- The District's pressure zone water rates (developed in 2010) have resulted in revenues that more closely match costs, thereby reducing operating losses in the general fund.
- The adopted 2014-15 budget includes a reserves policy, which sets forth reserve targets and an approach to accumulating those reserves over time. As of June 30, 2014 all of the full reserve targets had been satisfied except for the flood control improvement district funds.
- As in prior years, the District will not establish a budget for depreciation expense.

All of these factors were considered in preparing the Tehachapi-Cummings County Water District's budget for the 2014-15 fiscal year.

### **Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District Office at 22901 Banducci Road, Post Office Box 326, Tehachapi, California 93561 or by email at [tccwd@tccwd.com](mailto:tccwd@tccwd.com).

## **BASIC FINANCIAL STATEMENTS**

**Tehachapi-Cummings County Water District**  
**Statement of Net Position**  
June 30, 2014

**ASSETS**

Current Assets:

Cash and Cash Equivalents	\$ 5,292,678
Accounts Receivable	690,007
Accrued Interest Receivable	7,788
Taxes Receivable	19,205
Other Receivables	36,526
Prepaid Expenses and Refundable Deposits	<u>23,684</u>
Total Current Assets	<u>6,069,888</u>

Noncurrent Assets:

Restricted Assets:

Cash and Cash Equivalents	3,712,033
Capital Assets Not Being Depreciated:	
Land	680,084
Land Not in Use	99,355
Construction in Progress	117,137
Capital Assets, Net of Accumulated Depreciation	<u>5,978,788</u>

Total Noncurrent Assets 10,587,397

Total Assets \$ 16,657,285

**LIABILITIES**

Current Liabilities:

Accounts Payable	\$ 502,815
Accrued Wages Payable	68,570
Accrued Interest Payable	9,775
Unearned Revenue	35,803
Current Portion of Long-term Debt	<u>850,478</u>

Total Current Liabilities 1,467,441

Noncurrent Liabilities:

Compensated Absences Payable	91,518
Bonds Payable, Less Current Portion	-
Loan Payable, Less Current Portion	<u>994,400</u>

Total Noncurrent Liabilities 1,085,918

Total Liabilities 2,553,359

**NET POSITION**

Net Investment in Capital Assets	6,365,364
Restricted For:	
Debt Service	522,192
Water Payment	2,411,396
Improvement Districts	788,253
Unrestricted	<u>4,016,721</u>

Total Net Position 14,103,926

Total Liabilities and Net Position \$ 16,657,285

The accompanying notes are an integral part of this statement.



**Tehachapi-Cummings County Water District**  
**Statement of Revenues, Expenses and Changes in Fund Net Position**  
Year Ended June 30, 2014

**OPERATING REVENUES**

Water Sales	\$ 4,238,640
Water Services	212,374
	4,451,014
Total Operating Revenues	4,451,014

**OPERATING EXPENSES**

Source of Supply	2,251,965
Pumping	2,869,507
Transmission and Distribution	970,506
General and Administrative	1,209,872
Depreciation	389,980
	7,691,830
Total Operating Expenses	7,691,830
Operating Income (Loss)	(3,240,816)

**NONOPERATING REVENUES (EXPENSES)**

Taxes and Assessments	6,038,683
Benefit Assessments	116,543
Interest and Penalties	29,140
Interest Expense	(82,259)
Gain on Sale of Capital Assets	4,600
Other Revenues	63,693
	6,170,400
Total Nonoperating Revenue (Expenses)	6,170,400

Change in Net Position	2,929,584
Net Position - Beginning of Year	11,174,342
Net Position - End of Year	\$ 14,103,926

The accompanying notes are an integral part of this statement.

**Tehachapi-Cummings County Water District**  
**Statement of Cash Flows**  
Year Ended June 30, 2014

<b>Cash Flows from Operating Activities</b>	
Cash Received from Customers	\$ 4,390,377
Cash Payments to Employees for Services	(1,434,741)
Cash Payments to Suppliers for Goods and Services	(5,838,586)
Other Operating Cash Receipts	<u>89,362</u>
Net Cash Provided (Used) by Operating Activities	<u>(2,793,588)</u>
<b>Cash Flows from Non-capital Financing Activities</b>	
Receipts from Property Taxes and Assessments	6,150,370
Payments on Loan	(252,600)
Interest Paid on Loan	<u>(56,980)</u>
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>5,840,790</u>
<b>Cash Flows from Capital and Related Financing Activities</b>	
Proceeds from Sale of Capital Assets	4,600
Payments for Purchase and Construction of Property and Equipment	(540,026)
Payment on Long-Term Debt	(485,000)
Interest Paid on Long-Term Debt	<u>(34,372)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(1,054,798)</u>
<b>Cash Flows from Investing Activities</b>	
Receipt of Interest Income	<u>28,823</u>
Net Cash Provided (Used) by Investing Activities	<u>28,823</u>
Net Increase (Decrease) in Cash and Cash Equivalents	2,021,227
Cash and Cash Equivalents - Beginning of Year	<u>6,983,484</u>
Cash and Cash Equivalents - End of Year	<u><u>\$ 9,004,711</u></u>
<b>Cash and Cash Equivalents are Reported in the Statement of Net Position as Follows:</b>	
Unrestricted Cash	\$ 5,292,678
Restricted Cash	<u>3,712,033</u>
	<u><u>\$ 9,004,711</u></u>

The accompanying notes are an integral part of this statement.

**Tehachapi-Cummings County Water District**  
**Statement of Cash Flows - Continued**  
Year Ended June 30, 2014

**Reconciliation of Operating Income to Net Cash  
Provided (Used) by Operating Activities:**

Operating Income (Loss)	\$ (3,240,816)
Adjustments to Reconcile Operating Income (Loss) Net Cash	
Provided (Used) by Operating Activities:	
Depreciation	389,980
Other Revenue	63,693
Changes in Operating Assets and Liabilities:	
(Increase) Decrease in Accounts Receivable, Water Customers	(88,454)
(Increase) Decrease in Other Receivables	25,669
(Increase) Decrease in Prepaid Expenses and Refundable Deposits	(468)
Increase (Decrease) in Accounts Payable	15,572
Increase (Decrease) in Accrued Wages Payable	6,762
Increase (Decrease) in Unearned Revenue	27,817
Increase (Decrease) in Compensated Absences Payable	6,657
Net Cash Provided (Used) by Operating Activities	\$ (2,793,588)

The accompanying notes are an integral part of this statement.

**Tehachapi-Cummings County Water District**  
**Notes to Financial Statements**  
Year Ended June 30, 2014

<u>NOTE</u>	<u>DESCRIPTION</u>	<u>PAGE</u>
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4	Restricted Assets	23
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**Tehachapi-Cummings County Water District**  
**Notes to Financial Statements**  
Year Ended June 30, 2014

**1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A) Reporting Entity**

The Tehachapi-Cummings County Water District (the "District") was established by local election held within the boundaries of the proposed District on February 16, 1965, and by resolution of the Kern County Board of Supervisors in accordance with the provisions of the County Water District Law, Division 12, Section 30,000 ET. seq., of the Water Code of the State of California. The District is a successor to the Tehachapi-Cummings Water Conservation District and by motion of the Board of Directors all of its existing assets, liabilities and equities were transferred to the newly formed District effective April 15, 1965. The District is governed by a Board of Directors comprised of five members who are voters within the District.

The District was formed to provide for the organization and management of water works by the acquisition or construction of water facilities for distribution and sale of water. The District's area is approximately 266,000 acres.

The District and the Tehachapi-Cummings Emission Reduction Facilities Corporation, a California Nonprofit Public Benefit Corporation (the "Corporation") have a financial and operational relationship which meets the reporting entity definition criteria of the Government Accounting Standard Board ("GASB") Statement No. 14, "The Financial Reporting Entity," for inclusion of the Corporation as a component unit of the District. Accordingly, the financial activities of the Corporation have been included in the financial statements of the District.

The Corporation is governed by a five-member board appointed by the District board. Although it is legally separate from the District, the Corporation is reported as a blended component unit of the primary government because its sole purpose is to provide financing assistance to the District for construction and acquisition of major capital facilities. Separate financial statements are not prepared for the Corporation.

**B) Financial Reporting**

The District has adopted the provisions of Governmental Accounting Standards Board Statement No. 34, "*Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments.*" Statement No. 34, as amended, established standards for external financial reporting for all state and local governmental entities, which includes a statement of net position, a statement of activities and changes in net position, and a statement of cash flows. It requires the classification of net position into three components – net investment in capital assets; restricted; and unrestricted. These classifications, as stated in Governmental Accounting Standards Board Statement No. 63, "*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position,*" which was implemented by the District in the 2012-13 fiscal year, are defined as follows:

Net Investment in Capital Assets Component of Net Position: This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net position components as the unspent proceeds.

**Tehachapi-Cummings County Water District**  
**Notes to Financial Statements**  
Year Ended June 30, 2014

**1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**B) Financial Reporting - Continued**

Restricted Component of Net Position: This component of net position consists of constraints placed on net position use through external constraints imposed by creditors, grantors, contributors, or laws and regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted Component of Net Position: This component of net position consists of the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that do not meet the definition of "restricted" or "net investment in capital assets."

**C) Fund Accounting**

The District utilizes accounting for enterprise entities that account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body 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 or, (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

The District distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. Principal operating revenues of the District are charges for water sales. 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.

**D) Basis of Accounting**

The accompanying financial statements have been prepared on the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned and expenses are recognized when incurred regardless of the timing of cash payments or receipts.

**E) Basis of Presentation**

The District's basic financial statements are presented using the *economic resources measurement focus* and the *accrual basis of accounting* and conform to accounting principles generally accepted in the United States of America.

When both restricted and unrestricted resources are available for use, it is the District's practice to first expend restricted resources, subsequently utilizing unrestricted resources as needed.

The District has implemented Governmental Accounting Standards Board No. 40 (GASB Statement No. 40), *Deposits and Investments Risk Disclosures - an Amendment of GASB Statement No. 3*. This statement addresses common deposit and investment risks related to credit risks, concentration of credit risk, interest rate risk, and foreign currency risk.

**Tehachapi-Cummings County Water District**  
**Notes to Financial Statements**  
Year Ended June 30, 2014

**1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**E) Basis of Presentation - Continued**

As an element of interest rate risk, this statement requires certain disclosures of investments that have fair values that are highly sensitive to changes in interest rates. Deposits and investment policies related to the risk identified in this statement also are required to be disclosed.

**F) Accounts Receivable**

The District provides for probable uncollectible amounts in accounts receivable through a charge to earnings and a credit to a valuation allowance based on its assessments of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to trade accounts receivable. Changes in the valuation allowance have not been material to the financial statements.

**G) Use of Estimates**

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

**H) Capital Assets**

Capital assets are stated at cost and are being depreciated over their estimated useful lives, ranging from 5 to 50 years. The District uses a capitalization threshold of \$5,000.

Depreciation of capital assets is computed principally on the straight-line method over the following estimated useful lives:

	Years
Buildings	40-50
Wells, Pipelines and Other Delivery Infrastructure	20-75
Transportation Equipment	7-15
Office Equipment	5-10

Maintenance and repairs of capital assets are charged to operations and major improvements are capitalized. Upon retirement, sale or other disposition of capital assets, the cost and accumulated depreciation are eliminated from the accounts and a gain or loss is included in operations.

**I) Flood Control Improvement Districts No. 2, No. 3, and Assessment District No. 1**

These three special improvement districts are maintained separate from other activities of the Tehachapi-Cummings County Water District, although falling within its jurisdiction. The District is responsible for the maintenance of the three flood control districts which impose a separate tax on property within their boundaries for maintenance of facilities. As special improvement districts, no depreciation of fixed assets is recognized.

**Tehachapi-Cummings County Water District**  
**Notes to Financial Statements**  
Year Ended June 30, 2014

**1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**J) Compensated Absences**

Accumulated unpaid employee vacation and sick leave benefits are accrued by the District. The total accumulated vacation and sick leave benefits included in these financial statements as compensated absences payable amounted to \$142,996 at June 30, 2014.

**K) Taxes Receivable and Allowance for Delinquent Taxes**

Unapportioned taxes in the County Treasury at year-end are recorded as current assets of the District. Delinquent taxes for the current year are only recognized as assets and are offset by an allowance of equal amount, having the effect of a zero balance for delinquent taxes receivable.

**L) Inventory of Water in Storage**

Water in the District's reservoir facility at June 30, 2014 measured approximately 1,050 acre-feet. Of this amount, 250 acre-feet is considered a minimum pool for emergency reserve. The remaining 800 acre-feet in storage on June 30, 2014 is for the purpose of agricultural peaking when the demand is greater than the system pumping capacity. Value of this water is not recorded as an asset of the District; said policy is consistent with prior years.

**M) Property Taxes**

Under California law, property taxes are assessed and collected by counties for up to 1 percent of assessed value, plus other increases as approved by affected voters. Property tax revenues are pooled and then allocated based on assessed valuation. Property taxes on the second rolls are payable in two installments, November 1 and February 1. Property tax payments become delinquent after December 10 and April 10, respectively.

Property taxes are assessed and collected each fiscal year according to the following property tax calendar:

Lien Date	January 1	
Levy Date	July 1 to June 30	
Due Date	November 1	- 1 <sup>st</sup> Installment
	February 1	- 2 <sup>nd</sup> Installment
Delinquent Date	December 10	- 1 <sup>st</sup> Installment
	April 10	- 2 <sup>nd</sup> Installment

**N) Cash and Cash Equivalents**

For purposes of reporting cash flows, the District considers highly liquid investments (including restricted assets) with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents also include cash on hand and amounts deposited with banks and the Kern County Treasurer's office.

**O) Investments**

Investments are reported in the accompanying Statement of Net Position at fair market value.



**Tehachapi-Cummings County Water District**  
**Notes to Financial Statements**  
Year Ended June 30, 2014

**1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**P) Interest**

The District incurs interest charges on long-term debt. There was no interest capitalized for the year ended June 30, 2014.

**2) CASH AND INVESTMENTS**

Cash and Investments as of June 30, 2014 are classified in the accompanying financial statements as follows:

Current Assets - Cash	\$ 5,292,678
Noncurrent Assets - Restricted Cash	<u>3,712,033</u>
Total Cash	<u><u>\$ 9,004,711</u></u>

Cash and investments as of June 30, 2014 consist of the following:

Pooled with Kern County	\$ 8,482,519
Cash and Investments with Fiscal Agent	<u>522,192</u>
Total Cash and Investments	<u><u>\$ 9,004,711</u></u>

Cash funds deposited with the Kern County Treasurer's office are in a pooled money fund. Pooled funds may be invested in: (1) direct obligations of the United States government to the payment of which the full faith and credit of the United States government is pledged, (2) certificates of deposit at savings and loan associations and federally insured banks when secured by acceptable collateral and, (3) savings accounts at savings and loan associations and banks, to the extent fully insured.

Cash and investments with Fiscal Agent are invested per the bond agreement. At June 30, 2014 the Fiscal Agent investments were invested in Blackrock T-Funds. Under normal circumstances, T-Funds invest at least 80% of its net assets, plus the amount of borrowings for investment purposes, in U.S. Treasury bills, notes, trust receipts and direct obligations of the U.S. Treasury and repurchase agreements secured by direct Treasury obligations. The Fund may invest up to 20% of its net assets in (i) debt securities issued or guaranteed by the U.S. Government or its agencies or instrumentalities (including debt securities guaranteed by the Federal Deposit Insurance Corporation), and (ii) repurchase agreements that are secured with collateral issued or guaranteed by the U.S. Government or its agencies or instrumentalities (including debt securities guaranteed by the Federal Deposit Insurance Corporation). The Fund invests in a portfolio of securities maturing in 97 days or less (with certain exceptions) that will have a dollar-weighted average maturity of 90 days or less. In addition, the Fund may invest in variable and floating rate instruments and when-issued and delayed delivery securities.

**Investments Authorized by the District's Investment Policy**

The District's investment policy authorizes investment of funds in the Investment Pool of the County of Kern. The investment policy does not address investment of debt proceeds held by bond trustee that are governed by the provisions of debt agreements.

**Tehachapi-Cummings County Water District**  
**Notes to Financial Statements**  
Year Ended June 30, 2014

**2) CASH AND INVESTMENTS - Continued**

**Disclosures Relating to Interest Rate Risk and Credit 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. The District manages its exposure to interest rate risk by investing funds only in the County investment pool, however, the District does not have a formal policy regarding interest rate risk.

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District does not have a formal policy regarding credit risk. Neither the County investment pool or the investments held by the bond trustee are rated.

As of June 30, 2014, the District had the following investments and maturities:

	Fair Value	Investment Maturities		
		Less than 1 Year	1 Year to 5 Years	6 Years to 10 Years
County Pool	\$ 8,482,519	\$8,482,519	\$ -	\$ -
Held by Bond Trustee:				
Blackrock Mutual Funds	522,192	522,192	-	-
Total	<u>\$ 9,004,711</u>	<u>\$9,004,711</u>	<u>\$ -</u>	<u>\$ -</u>

**Concentration of Credit Risk**

The investment policy of the District contains no limitation on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. As of year-end, the District had no investments in any one issuer (other than U.S. Treasury Securities, mutual funds, and external investments pools) that represent 5% or more of total District investments.

**Custodial Credit Risk**

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local government units by pledging securities in an undivided collateral pool held by depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

As of June 30, 2014, the District did not have deposits with financial institutions in excess of federal depository insurance limits.

**Tehachapi-Cummings County Water District**  
**Notes to Financial Statements**  
Year Ended June 30, 2014

**3) CAPITAL ASSETS**

Capital assets are presented as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets, Not Being Depreciated:				
Land	\$ 680,084	\$ -	\$ -	\$ 680,084
Land Not in Use	99,355	-	-	99,355
Construction in Progress	205,190	114,778	(202,831)	117,137
<b>Total Capital Assets, Not Being Depreciated</b>	<b>984,629</b>	<b>114,778</b>	<b>(202,831)</b>	<b>896,576</b>
Capital Assets, Being Depreciated:				
Pumping Plants	4,920,243	266,037	-	5,186,280
Mainline Pipeline	4,330,473	-	-	4,330,473
Dam and Reservoir	2,001,598	-	-	2,001,598
Transmission and Distribution System	1,646,272	-	-	1,646,272
General Office, Shop and Equipment	2,070,854	362,042	(70,556)	2,362,340
Emissions Reduction	6,781,409	-	-	6,781,409
Water Reclamation	388,990	-	-	388,990
Groundwater Recharge and Recovery	1,385,220	-	-	1,385,220
Flood Control Facilities	220,424	-	-	220,424
<b>Total Capital Assets, Being Depreciated</b>	<b>23,745,483</b>	<b>628,079</b>	<b>(70,556)</b>	<b>24,303,006</b>
Less Accumulated Depreciation:				
Pumping Plants	(4,129,058)	(128,169)	-	(4,257,227)
Mainline Pipeline	(2,261,421)	(59,732)	-	(2,321,153)
Dam and Reservoir	(781,961)	(21,796)	-	(803,757)
Transmission and Distribution System	(1,180,290)	(45,514)	-	(1,225,804)
General Office, Shop and Equipment	(1,680,433)	(85,086)	70,556	(1,694,963)
Emissions Reduction	(6,781,228)	(181)	-	(6,781,409)
Water Reclamation	(15,560)	(7,780)	-	(23,340)
Groundwater Recharge and Recovery	(1,169,894)	(41,283)	-	(1,211,177)
Flood Control Facilities	(4,949)	(439)	-	(5,388)
<b>Total Accumulated Depreciation</b>	<b>(18,004,794)</b>	<b>(389,980)</b>	<b>70,556</b>	<b>(18,324,218)</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>5,740,689</b>	<b>238,099</b>	<b>-</b>	<b>5,978,788</b>
<b>Capital Assets, Net of Depreciation</b>	<b>\$ 6,725,318</b>	<b>\$ 352,877</b>	<b>\$ (202,831)</b>	<b>\$ 6,875,364</b>

**Tehachapi-Cummings County Water District**  
**Notes to Financial Statements**  
Year Ended June 30, 2014

**4) RESTRICTED ASSETS**

**Water Payment Fund**

This cash is restricted by tax assessment for payment of the District's obligations to the Kern County Water Agency for the District's share of State Water Project costs pursuant to contracts for agricultural water and municipal and industrial water.

**Emission Reduction Project Fund**

The cash and investments included here are restricted by contract for future debt service payments pertaining to the certificates of participation issued in 1999.

**Improvement District #2 Fund**

This cash is restricted by tax assessment for flood control maintenance, operations and capital improvements within the boundaries of Improvement District #2.

**Improvement District # 3 Fund**

This cash is restricted by tax assessment for flood control maintenance, operation and capital improvements within the boundaries of Improvement District #3.

**Assessment Zone #1 Fund**

This cash is restricted by tax assessment for flood control maintenance, operations and capital improvements within the boundaries of Assessment Zone #1.

The restricted assets at June 30, 2014 are as follows:

**Cash**

Water Payment Fund	\$ 2,399,346
Emission Reduction Fund	522,192
Improvement District #2	80,659
Improvement District #3	169,802
Assessment Zone #1	534,034
Customer Deposits	<u>6,000</u>
	<u>\$ 3,712,033</u>

**Tehachapi-Cummings County Water District**  
**Notes to Financial Statements**  
Year Ended June 30, 2014

**5) DEFINED BENEFIT PENSION PLAN**

**Plan Description**

The District participates in the Public Agency portion of the California Public Employees Retirement System (CalPERS), which acts as a common investment and administrative agent for participating public employers within the State of California. The Plan is a cost-sharing multiple-employer defined benefit plan. A menu of benefit provisions as well as other requirements are established by state statutes within the Public Employees' Retirement Law. The District selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through resolution. CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS' annual financial report may be obtained from the CalPERS executive office at 400 P Street, Sacramento, California 95814.

**Funding Policy**

Participants are required to contribute 7% of their annual covered salary. The District makes the contributions required of District employees hired prior to January 1, 2013 on their behalf and for their account. The District is also required to make an additional contribution at an actuarially determined rate. The rate for the 2013-14 fiscal year of annual covered payroll was 8.961%. The contribution requirements of plan members and the District are established and may be amended by CalPERS. The District's contributions to CalPERS for the years ending June 30, 2014, 2013 and 2012 were \$215,491, \$198,775, and \$352,171, respectively, and were equal to 100% of the required contributions for each year.

**6) LONG-TERM LIABILITIES**

**1999 Certificates of Participation**

In March 1999, the Tehachapi-Cummings County Water District issued \$5,795,000 in certificates of participation with the intent of retiring the certificates of participation issued in August 1994. The proceeds from the March 1999 issue were placed in an escrow account. When the investments in the escrow account matured on August 1, 2002, the 1994 issue was called in full at a premium of 102%. Principal payments on the 1999 certificates of participation are made annually, with interest payments of 3.0% to 4.6% payable semiannually on February 1 and August 1 of each year. The 1999 certificates of participation mature August 1, 2014 and are secured by a pledge of net revenues of the District's water system, including certain property tax revenues collected by the District.

Future debt service requirements on the 1999 Certificates of Participation are as follows:

Year Ending June 30,	Principal	Interest	Total
2015	\$ 510,000	\$ 11,730	\$ 521,730
Total	\$ 510,000	\$ 11,730	\$ 521,730

**Tehachapi-Cummings County Water District**  
**Notes to Financial Statements**  
Year Ended June 30, 2014

**6) LONG-TERM LIABILITIES - Continued**

**2012 CalPERS Refunding Loan**

In August 2012, the District entered into a loan agreement with UMPQUA Bank for the purpose of refunding the CalPERS "Side Fund." Under the terms of the agreement, the District received a loan for \$1,719,700 with principal and interest payments due semi-annually beginning December 31, 2012 at an interest rate of 3.870%. The debt service requirements are payable from net revenues of the District.

The future debt service requirements on the 2012 CalPERS Refunding Loan are as follows:

Year Ending June 30,	Principal	Interest	Total
2015	\$ 289,000	\$ 46,872	\$ 335,872
2016	311,600	35,469	347,069
2017	331,200	23,220	354,420
2018	351,600	10,205	361,805
Total	<u>\$ 1,283,400</u>	<u>\$ 115,766</u>	<u>\$ 1,399,166</u>

The following summarizes long-term liabilities transactions for the year ended June 30, 2014:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Long-term Liabilities:					
Compensated Absences Payable	\$ 136,339	\$ 58,840	\$ (52,183)	\$ 142,996	\$ 51,478
2012 CalPERS Refunding Loan	1,536,000	-	(252,600)	1,283,400	289,000
Certificates of Participation	995,000	-	(485,000)	510,000	510,000
Total Long-term Liabilities	<u>\$ 2,667,339</u>	<u>\$ 58,840</u>	<u>\$ (789,783)</u>	<u>\$ 1,936,396</u>	<u>\$ 850,478</u>

**7) RISK MANAGEMENT**

The District is a member of the Association of California Water Agencies, Joint Powers Insurance Authority (JPIA). JPIA is a group of California Water Districts who have pooled funds to provide self-insurance coverage as follows:

Type of Coverage	Limits per Occurrence	
	Pooled Self-Insured	Excess Insurance
General, Automobile and Public Officials Liability	\$ 1,000,000	\$ 1,000,000 - 59,000,000
Property Insurance	\$ 50,000	\$ 50,000 - 100,000,000
Fidelity Insurance	\$ 100,000	\$ -
Dam Failure Liability	\$ 50,000	\$ 5,000,000
Workers' Compensation	\$ 2,000,000	\$ 2,000,000 - statutory

**Tehachapi-Cummings County Water District**  
**Notes to Financial Statements**  
Year Ended June 30, 2014

**7) RISK MANAGEMENT - Continued**

The District is in a group that has a \$5,000 retention level (deductible) per occurrence for property damage due to theft and natural causes. Property includes buildings, personal property, fixed equipment, mobile equipment, and turbines, generators and transformers. For mechanical damages to turbines, generators and transformers, the deductible ranges from \$10,000 to \$25,000. Also, included in the cost of the property insurance is fidelity insurance with a \$1,000 deductible. There is a \$1,000 deductible on mobile equipment and a \$2,500 deductible for licensed vehicles. The auto and general liability program no longer has a deductible. Claims over the retention levels are insured by the group up to the self-insurance limits and by policies purchased by JPIA from various insurance companies for the excess. JPIA bills the District a deposit premium at the beginning of each policy year, which is placed in a reserve fund to cover the self-insurance portion of any claim. Settlements and/or expenses related to claims during the year are charged against the reserve. If the balance of the reserve at the end of the year is deemed too low in relation to the amount of outstanding claims, the District is retrospectively billed for additional premiums. When the claims are fully settled, any amounts remaining in the reserve are refunded to the District. There have been no losses exceeding coverage limits during any of the previous three years.

**8) COMMITMENTS AND CONTINGENCIES**

**Water Supply Contract with Kern County Water Agency**

The District obtained its surface water supply in accordance with certain contracts signed in December 1966 with the Kern County Water Agency (Agency), amended to its current annual amount of 19,300 acre-feet of entitlement surface water, through the year 2039, for a supply of water for agricultural purposes and for municipal and industrial water purposes. To the extent water under these contracts is not taken, it can be returned for credit. Credit for water not taken is received the following calendar year.

The Kern County Water Agency will also guarantee the sale of excess municipal and industrial water to other members of the Agency. The Agency, in turn, obtained its surface water supply in 1963 when it signed a contract with the State of California, Department of Water Resources (DWR), to purchase annual surface water, currently contracted at 982,730 acre-feet, through the State Water Project (SWP) through the year 2039.

The District's contract with the Agency provides for various separate charges, all of which are included in "Source of Supply" in Operating Expenses of the District's Statement of Revenue and Expenses. The "fixed charge" component of the contract is not necessarily reduced by annual water supply deficiencies as the District is obligated to pay 100% of the annual fixed costs billed to the Agency. Under certain circumstances, fixed charges could be reduced by the DWR when the District receives less than its full entitlement in years of low water supply. Source of supply costs attributable to this contract were \$1,581,245 for the year ended June 30, 2014.

**Tehachapi-Cummings County Water District**  
**Notes to Financial Statements**  
Year Ended June 30, 2014

**8) COMMITMENTS AND CONTINGENCIES - Continued**

**Surplus Water Sale to Kern Westside Districts**

The agreement provides for the sale over a five-year period beginning in calendar year 2012 of a portion of Tehachapi-Cummings County Water District's (TCCWD) annual State Water Project (SWP) amount to Kern Westside Districts (KWD), in amounts to be determined annually by TCCWD, pursuant to the following general terms: TCCWD retains the first 3,000 acre-feet of deliverable water and any additional amount of SWP water as determined by TCCWD to meet its in-district needs. KWD must purchase all such available water and take delivery during each calendar year. This program will allow TCCWD to sell a portion of its SWP allocation in order to raise money so it can take delivery of SWP water in excess of its immediate needs and enhance its groundwater banking program within its service area. Although TCCWD will be selling water under this program, its ultimate goal is to increase groundwater stored in its basins. KWD will pay the rate as calculated from TCCWD's statement of charges as billed by the Kern County Water Agency, so that TCCWD is fully reimbursed for its cost of SWP water. In addition, KWD will pay an additional \$100,000 during years wherein TCCWD makes more than 3,000 acre feet available.

**Property Tax Appeals**

Certain taxpayers within Kern County have made appeals to the County for reductions of their property taxes. These pending appeals may affect the amount of property taxes the District receives in the future. However, the amounts of any future reductions are currently unknown.

**9) Proposition 84 Implementation Grant**

The District was awarded a Proposition 84 grant for approximately \$680,000. The funds are paid to the District on a reimbursable basis and are to be spent on water conservation efforts with a goal to reduce potable water demand by approximately 109 acre feet per year.



## **SUPPLEMENTARY INFORMATION**

**Tehachapi-Cummings County Water District**  
**Rate Covenant**  
Year Ended June 30, 2014

The District has covenanted to establish, maintain, and collect gross revenues (but excluding the items referred to in subsection (iv) of the definition thereof) in each fiscal year sufficient to provide net revenues which, together with all other available revenues will be equal to at least 1.15 times the sum of : (1) the amount of installment payments due in the fiscal year taking into account any credit against installment payments as authorized by the Installment Sales Agreement, and (2) any required deposits to the Reserve fund in the fiscal year, and (3) the aggregate amount debt service or other payments due in such fiscal year with respect to outstanding debt of the District.

The rate covenant for 2014 was as follows:

Rate Covenant:  $\frac{\text{Net Revenues} + \text{all other available revenues}}{\text{Installment payments due in the fiscal year}}$

Rate Covenant:  $\frac{\$3,147,304}{\$510,279} = 6.18$

The rate covenant is calculated as follows:

General Activities:	
Operating Revenue	\$ 4,451,014
Nonoperating Revenues	4,302,980
	<hr/>
Total Gross Revenue	8,753,994
	<hr/>
Less: Operation and Maintenance Expenses	(6,053,650)
Add: Depreciation Expense	389,980
Add: Interest Expense	56,980
	<hr/>
	(5,606,690)
	<hr/>
Net Revenues	<u>\$ 3,147,304</u>
Annual Debt Service:	
Installment Payments of Principal	\$ 485,000
Installment Payments of Interest	25,279
	<hr/>
Total Debt Service in Fiscal Year 2013-14	<u>\$ 510,279</u>

**Tehachapi-Cummings County Water District**  
**Combining Schedule of Net Position**  
June 30, 2014

	General Activities	Major Repairs	Tax Revenue Liability	Emergency Fund	Water Payment Fund
<b>ASSETS</b>					
Current Assets:					
Cash and Cash Equivalents	\$ 2,205,054	\$ 1,187,779	\$ 353,019	\$ 270,838	\$ -
Accounts Receivable	687,676	-	-	-	2,331
Accrued Interest Receivable	3,823	559	115	127	2,499
Taxes Receivable	11,859	-	-	-	7,222
Other Receivables	36,526	-	-	-	-
Prepaid Expenses and Refundable Deposits	20,394	-	-	-	-
<b>Total Current Assets</b>	<b>2,965,332</b>	<b>1,188,338</b>	<b>353,134</b>	<b>270,965</b>	<b>12,052</b>
Noncurrent Assets:					
Restricted Assets:					
Cash and Cash Equivalents	6,000	-	-	-	2,399,346
<b>Total Restricted Assets</b>	<b>6,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,399,346</b>
Capital Assets:					
Land	680,084	-	-	-	-
Pumping Plants	5,186,280	-	-	-	-
Mainline Pipeline	4,330,473	-	-	-	-
Dam and Reservoir	2,001,598	-	-	-	-
Transmission and Distribution System	1,646,272	-	-	-	-
General Office, Shop and Equipment	2,362,340	-	-	-	-
Emissions Reduction	1,570,589	-	-	-	-
Water Reclamation	388,990	-	-	-	-
Groundwater Banking and Recovery	1,385,220	-	-	-	-
Flood Control Facilities	6,580	-	-	-	-
Construction in Progress	117,137	-	-	-	-
Land Not In Use	99,355	-	-	-	-
<b>Total Capital Assets</b>	<b>19,774,918</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Less Accumulated Depreciation	(13,113,398)	-	-	-	-
<b>Total Capital Assets, Net of Accumulated Depreciation</b>	<b>6,661,520</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Noncurrent Assets</b>	<b>6,667,520</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,399,346</b>
<b>Total Assets</b>	<b>\$ 9,632,852</b>	<b>\$ 1,188,338</b>	<b>\$ 353,134</b>	<b>\$ 270,965</b>	<b>\$ 2,411,398</b>

Emission Reduction Project Funds	Improvement District No. 2	Improvement District No. 3	Assessment Zone No. 1	Water Banking Reserve	Proposition 84 Grant	Water Rate Stabilization	Totals
\$ 1,288	\$ -	\$ -	\$ -	\$ 954,000	\$ 50,000	\$ 270,700	\$ 5,292,678
-	-	-	-	-	-	-	690,007
1	68	145	451	-	-	-	7,788
-	11	17	96	-	-	-	19,205
-	-	-	-	-	-	-	36,526
-	-	-	3,290	-	-	-	23,684
<u>1,289</u>	<u>79</u>	<u>162</u>	<u>3,837</u>	<u>954,000</u>	<u>50,000</u>	<u>270,700</u>	<u>6,069,888</u>
<u>522,192</u>	<u>80,659</u>	<u>169,802</u>	<u>534,034</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,712,033</u>
<u>522,192</u>	<u>80,659</u>	<u>169,802</u>	<u>534,034</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,712,033</u>
-	-	-	-	-	-	-	680,084
-	-	-	-	-	-	-	5,186,280
-	-	-	-	-	-	-	4,330,473
-	-	-	-	-	-	-	2,001,598
-	-	-	-	-	-	-	1,646,272
-	-	-	-	-	-	-	2,362,340
5,210,820	-	-	-	-	-	-	6,781,409
-	-	-	-	-	-	-	388,990
-	-	-	-	-	-	-	1,385,220
-	5,907	197,208	10,729	-	-	-	220,424
-	-	-	-	-	-	-	117,137
-	-	-	-	-	-	-	99,355
<u>5,210,820</u>	<u>5,907</u>	<u>197,208</u>	<u>10,729</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,199,582</u>
<u>(5,210,820)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(18,324,218)</u>
<u>-</u>	<u>5,907</u>	<u>197,208</u>	<u>10,729</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,875,364</u>
<u>522,192</u>	<u>86,566</u>	<u>367,010</u>	<u>544,763</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,587,397</u>
<u>\$ 523,481</u>	<u>\$ 86,645</u>	<u>\$ 367,172</u>	<u>\$ 548,600</u>	<u>\$ 954,000</u>	<u>\$ 50,000</u>	<u>\$ 270,700</u>	<u>\$16,657,285</u>

Continued

**Tehachapi-Cummings County Water District**  
**Combining Schedule of Net Position - Continued**  
June 30, 2014

	General Activities	Major Repairs	Tax Revenue Liability	Emergency Fund	Water Payment Fund
<b>LIABILITIES AND FUND BALANCES</b>					
Current Liabilities:					
Accounts Payable	\$ 502,178	\$ -	\$ -	\$ -	\$ 2
Accrued Wages Payable	68,570	-	-	-	-
Accrued Interest Payable	-	-	-	-	-
Unearned Revenue	35,803	-	-	-	-
Current Portion of Long-term Debt	340,478	-	-	-	-
Total Current Liabilities	<u>947,029</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2</u>
Noncurrent Liabilities:					
Compensated Absences Payable	91,518	-	-	-	-
Bonds Payable, Less Current Portion	-	-	-	-	-
Loan Payable, Less Current Portion	994,400	-	-	-	-
Total Noncurrent Liabilities	<u>1,085,918</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>2,032,947</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2</u>
<b>NET POSITION</b>					
Net Investment in Capital Assets	6,661,520	-	-	-	-
Restricted	-	-	-	-	2,411,396
Unrestricted	938,385	1,188,338	353,134	270,965	-
Total Net Position	<u>7,599,905</u>	<u>1,188,338</u>	<u>353,134</u>	<u>270,965</u>	<u>2,411,396</u>
Total Liabilities and Net Position	<u>\$ 9,632,852</u>	<u>\$ 1,188,338</u>	<u>\$ 353,134</u>	<u>\$ 270,965</u>	<u>\$ 2,411,398</u>

Emission Reduction Project Funds	Improvement District No. 2	Improvement District No. 3	Assessment Zone No. 1	Water Banking Reserve	Proposition 84 Grant	Water Rate Stabilization	Totals
\$ 2	\$ -	\$ 5	\$ 315	\$ -	\$ 313	\$ -	\$ 502,815
-	-	-	-	-	-	-	68,570
9,775	-	-	-	-	-	-	9,775
-	-	-	-	-	-	-	35,803
510,000	-	-	-	-	-	-	850,478
<u>519,777</u>	<u>-</u>	<u>5</u>	<u>315</u>	<u>-</u>	<u>313</u>	<u>-</u>	<u>1,467,441</u>
-	-	-	-	-	-	-	91,518
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	994,400
-	-	-	-	-	-	-	1,085,918
<u>519,777</u>	<u>-</u>	<u>5</u>	<u>315</u>	<u>-</u>	<u>313</u>	<u>-</u>	<u>2,553,359</u>
(510,000)	5,907	197,208	10,729	-	-	-	6,365,364
522,192	80,738	169,959	537,556	-	-	-	3,721,841
(8,488)	-	-	-	954,000	49,687	270,700	4,016,721
<u>3,704</u>	<u>86,645</u>	<u>367,167</u>	<u>548,285</u>	<u>954,000</u>	<u>49,687</u>	<u>270,700</u>	<u>14,103,926</u>
<u>\$ 523,481</u>	<u>\$ 86,645</u>	<u>\$ 367,172</u>	<u>\$ 548,600</u>	<u>\$ 954,000</u>	<u>\$ 50,000</u>	<u>\$ 270,700</u>	<u>\$16,657,285</u>

**Tehachapi-Cummings County Water District**  
**Combining Schedule of Revenues, Expenses and Change in Net Position**  
Year Ended June 30, 2014

	General Activities	Major Repairs	Tax Revenue Liability	Emergency Fund	Water Payment Fund
<b>Operating Income</b>					
Water Sales	\$ 4,238,640	\$ -	\$ -	\$ -	\$ -
Water Services	212,374	-	-	-	-
Total Operating Income	<u>4,451,014</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Operating Expenses</b>					
Source of Supply	670,720	-	-	-	1,581,245
Pumping	2,869,507	-	-	-	-
Transmission and Distribution	970,506	-	-	-	-
General and Administrative	1,152,937	-	-	2	4,393
Depreciation	389,980	-	-	-	-
Total Operating Expenses	<u>6,053,650</u>	<u>-</u>	<u>-</u>	<u>2</u>	<u>1,585,638</u>
Operating Income (Loss)	<u>(1,602,636)</u>	<u>-</u>	<u>-</u>	<u>(2)</u>	<u>(1,585,638)</u>
<b>Non-Operating Revenues (Expenses)</b>					
Taxes and Assessments	4,277,554	-	-	-	1,751,481
Benefit Assessments	-	-	-	-	-
Interest and Penalties	14,113	2,324	431	526	8,791
Interest Expense	(56,980)	-	-	-	-
Gain on Sale of Capital Assets	4,600	-	-	-	-
Other	63,693	-	-	-	-
Total Non-Operating Revenues (Expenses)	<u>4,302,980</u>	<u>2,324</u>	<u>431</u>	<u>526</u>	<u>1,760,272</u>
Income Before Transfers	2,700,344	2,324	431	524	174,634
Tranfers Between Funds	<u>(2,274,565)</u>	<u>599,200</u>	<u>247,500</u>	<u>137,800</u>	<u>-</u>
Change in Net Position	425,779	601,524	247,931	138,324	174,634
Net Position - Beginning of Year	<u>7,174,126</u>	<u>586,814</u>	<u>105,203</u>	<u>132,641</u>	<u>2,236,762</u>
Net Position - End of Year	<u>\$ 7,599,905</u>	<u>\$ 1,188,338</u>	<u>\$ 353,134</u>	<u>\$ 270,965</u>	<u>\$ 2,411,396</u>

Emission Reduction Project Funds	Improvement District No. 2	Improvement District No. 3	Assessment Zone No. 1	Water Banking Reserve	Proposition 84 Grant	Water Rate Stabilization	Totals
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,238,640
-	-	-	-	-	-	-	212,374
-	-	-	-	-	-	-	4,451,014
-	-	-	-	-	-	-	2,251,965
-	-	-	-	-	-	-	2,869,507
-	-	-	-	-	-	-	970,506
3,278	44	2,695	46,210	-	313	-	1,209,872
-	-	-	-	-	-	-	389,980
3,278	44	2,695	46,210	-	313	-	7,691,830
(3,278)	(44)	(2,695)	(46,210)	-	(313)	-	(3,240,816)
-	3,477	6,171	-	-	-	-	6,038,683
-	-	-	116,543	-	-	-	116,543
102	302	648	1,903	-	-	-	29,140
(25,279)	-	-	-	-	-	-	(82,259)
-	-	-	-	-	-	-	4,600
-	-	-	-	-	-	-	63,693
(25,177)	3,779	6,819	118,446	-	-	-	6,170,400
(28,455)	3,735	4,124	72,236	-	(313)	-	2,929,584
15,365	-	-	-	954,000	50,000	270,700	-
(13,090)	3,735	4,124	72,236	954,000	49,687	270,700	2,929,584
16,794	82,910	363,043	476,049	-	-	-	11,174,342
<u>\$ 3,704</u>	<u>\$ 86,645</u>	<u>\$ 367,167</u>	<u>\$ 548,285</u>	<u>\$ 954,000</u>	<u>\$ 49,687</u>	<u>\$ 270,700</u>	<u>\$ 14,103,926</u>



## **STATISTICAL SECTION**

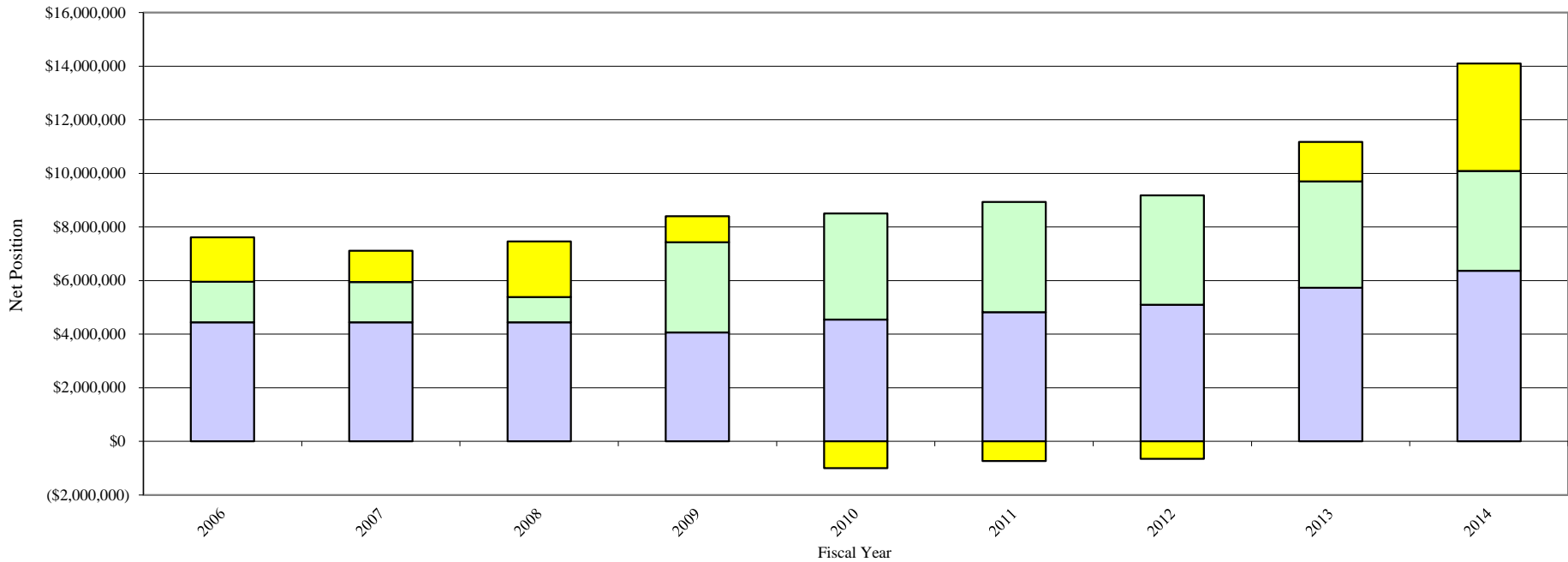
# Statistical Section

This part of the Tehachapi-Cummings County Water District's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about the district's overall financial health.

<b>Contents</b>	<b>Page</b>
<u>Financial Trends</u> These schedules contain trend information to help the reader understand how the district's financial performance and well-being have changed over time.	36
<u>Revenue Capacity</u> These schedules contain information to help the reader assess the district's most significant local revenue source, the property tax. Additional information is provided for the agency's other significant own-source revenue, water rates and charges.	38
<u>Debt Capacity</u> These schedules present information to help the reader assess the affordability of the district's current levels of outstanding debt and its ability to issue additional debt in the future.	45
<u>Demographic and Economic Information</u> These schedules offer demographic and economic indicators to help the reader understand the environment within which the district's financial activities take place.	48

**Tehachapi-Cummings County Water District  
Net Position by Component  
Last Nine Fiscal Years**

	Fiscal Year								
	2006	2007	2008	2009	2010	2011	2012	2013	2014
Primary government									
Net investment in capital assets	\$ 4,439,117	4,439,118	4,447,542	4,061,009	4,547,984	4,817,714	5,097,703	5,730,318	6,365,364
Restricted	1,513,801	1,505,466	931,863	3,367,140	3,961,631	4,118,597	4,082,001	3,974,312	3,721,841
Unrestricted	1,661,670	1,171,297	2,081,248	970,116	(1,003,506)	(736,140)	(657,746)	1,469,712	4,016,721
<b>Total primary government net position</b>	<b><u>7,614,588</u></b>	<b><u>7,115,881</u></b>	<b><u>7,460,653</u></b>	<b><u>8,398,265</u></b>	<b><u>7,506,109</u></b>	<b><u>8,200,171</u></b>	<b><u>8,521,958</u></b>	<b><u>11,174,342</u></b>	<b><u>14,103,926</u></b>



**Note:** Unrestricted net position in 2010 and later is affected by a prior-period adjustment pertaining to the booking of a liability for pension-related debt. Please see note 6 on page 25 for more information.

**Note:** The District began to report accrual information when it implemented GASB Statement 34 in fiscal year 2006.

**Tehachapi-Cummings County Water District  
Changes in Net Position  
Last Nine Fiscal Years**

	Fiscal Year								
	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>Operating Revenue</b>									
Water sales	\$ 2,468,216	2,120,423	3,212,744	2,320,361	1,666,603	2,213,642	2,153,752	3,628,628	4,238,640
Water services	1,780	3,230	2,660	21,918	30,508	58,817	109,721	170,070	212,374
Total Operating Revenue	<u>2,469,996</u>	<u>2,123,653</u>	<u>3,215,404</u>	<u>2,342,279</u>	<u>1,697,111</u>	<u>2,272,459</u>	<u>2,263,473</u>	<u>3,798,698</u>	<u>4,451,014</u>
<b>Operating Expenses</b>									
Source of supply	259,703	947,143	1,871,526	2,157,524	1,948,106	2,039,033	1,807,335	2,012,630	2,251,965
Pumping	2,780,410	3,338,902	3,904,314	2,408,043	2,701,969	3,078,163	2,825,975	2,991,849	2,869,507
Transmission and distribution	988,603	1,084,889	1,184,682	1,123,787	836,386	854,949	805,735	811,078	970,506
General and administrative	2,037,302	2,234,409	1,885,579	2,476,398	1,159,459	1,141,240	1,184,938	1,231,926	1,209,872
Depreciation expense	798,479	798,814	791,164	752,775	405,449	513,231	407,561	394,875	389,980
Total Operating Expenses	<u>6,864,497</u>	<u>8,404,157</u>	<u>9,637,265</u>	<u>8,918,527</u>	<u>7,051,369</u>	<u>7,626,616</u>	<u>7,031,544</u>	<u>7,442,358</u>	<u>7,691,830</u>
Operating Loss	<u>(4,394,501)</u>	<u>(6,280,504)</u>	<u>(6,421,861)</u>	<u>(6,576,248)</u>	<u>(5,354,258)</u>	<u>(5,354,157)</u>	<u>(4,768,071)</u>	<u>(3,643,660)</u>	<u>(3,240,816)</u>
<b>Non-Operating Revenue (Expense)</b>									
Taxes and assessments	4,730,358	5,745,431	6,637,647	6,962,832	6,093,875	5,906,378	4,907,756	6,127,627	6,038,683
Benefit assessments	3,409	2,975	3,226	19,276	92,727	103,651	127,549	102,308	116,543
Interest and penalties	115,669	176,538	174,634	86,188	72,193	44,192	19,340	30,210	29,140
Interest expense	(167,108)	(151,805)	(139,865)	(119,528)	(112,115)	(89,503)	(68,461)	(103,447)	(82,259)
Gain (Loss) on sale of assets	(4,260)	(7,670)	(10,486)	(9,532)	(92,734)	-	7,100	8,030	4,600
Other revenues	191,868	16,328	101,478	574,624	148,403	137,121	96,574	114,916	63,693
Capital grants and contributions	-	-	-	-	446,618	152,689	-	16,400	-
Total Non-Operating Revenue (Expense)	<u>4,869,936</u>	<u>5,781,797</u>	<u>6,766,634</u>	<u>7,513,860</u>	<u>6,648,967</u>	<u>6,254,528</u>	<u>5,089,858</u>	<u>6,296,044</u>	<u>6,170,400</u>
Change in Net Position	475,435	(498,707)	344,773	937,612	1,294,709	900,371	321,787	2,652,384	2,929,584
Net Position - Beginning of year	7,139,153	7,614,588	7,115,880	7,460,653	8,398,265	7,506,109	8,200,171	8,521,958	11,174,342
Prior Period Adjustment	-	-	-	-	(2,186,865)	(206,309)	-	-	-
Net Position - End of year	<u>\$ 7,614,588</u>	<u>7,115,881</u>	<u>7,460,653</u>	<u>8,398,265</u>	<u>7,506,109</u>	<u>8,200,171</u>	<u>8,521,958</u>	<u>11,174,342</u>	<u>14,103,926</u>

**Note:** The District began to report accrual information when it implemented GASB Statement 34 in fiscal year 2006.

**Tehachapi-Cummings County Water District**  
**Assessed Value and Estimated Actual Value of Taxable Property**  
**Last Ten Fiscal Years**  
**(in thousands of dollars)**

<b>Fiscal Year</b>	<b>Real Property</b>	<b>Personal Property</b>	<b>Less: Tax Exempt Real Property</b>	<b>Total Taxable Assessed Value</b>	<b>Total Direct Tax Rate</b>	<b>Estimated Actual Taxable Value</b>	<b>Assessed Value<sup>1</sup> as a Percentage of Actual Value</b>
2005	\$ 1,875,975	\$ 153,021	\$ 36,891	\$ 1,992,105	\$ 1.001	\$ 3,781,693	53.65%
2006	2,126,514	168,348	37,547	2,257,315	1.012	5,077,008	45.20%
2007	2,496,068	198,547	38,318	2,656,297	0.862	5,167,621	52.14%
2008	2,945,282	189,201	39,772	3,094,711	0.892	4,280,895	73.22%
2009	3,191,941	185,785	41,417	3,336,309	0.947	3,196,370	105.67%
2010	3,184,227	237,606	42,636	3,379,197	0.664	3,109,790	110.03%
2011	3,105,842	418,061	42,894	3,481,009	0.546	3,034,470	116.13%
2012	2,843,206	640,664	42,754	3,441,116	0.429	2,985,887	116.68%
2013	2,806,017	1,022,794	42,272	3,786,539	0.384	3,239,408	118.19%
2014	3,016,755	778,381	41,360	3,753,776	0.429	3,431,020	110.61%

**Source:** Kern County Auditor-Controller

**Note:** Estimated actual value is the prior year's estimated actual value times the change in population times the change in house values as expressed in dollars per square foot as reported by Kerndata.com. (Population is used as a proxy for growth and \$/sf for existing residential is a proxy for real estate market value) Unfortunately, this estimate does not take into consideration the taxable value of industrial improvements, such as, the two cement plants and the expansion of wind turbines on the east side of the district. Tax rate is per \$1,000 of assessed value.

<sup>1</sup> Includes tax-exempt property

**Tehachapi-Cummings County Water District  
Direct and Overlapping Property Tax Rates  
Last Ten Fiscal Years  
(rate per \$100 of assessed value)**

Fiscal Year	TCCWD Debt Service Rate	Overlapping					Total Direct & Overlapping Rates
		County Operating Rate	KCWA Debt Service Rate	TUSD Debt Service Rate	TVHD Debt Service Rate	KCCD Debt Service Rate	
2005	0.100100	1.000000	0.014513	0.058577	0.026677	0.009176	1.209043
2006	0.101195	1.000000	0.010638	0.057986	0.035246	0.009630	1.214695
2007	0.086239	1.000000	0.008349	0.015944	0.007097	0.005283	1.122912
2008	0.089213	1.000000	0.010017	0.043727	0.021849	0.008036	1.172842
2009	0.094669	1.000000	0.008404	0.041620	0.018615	0.009053	1.172361
2010	0.066360	1.000000	0.010943	0.045908	0.025048	0.009401	1.157660
2011	0.054584	1.000000	0.009357	0.050094	0.023559	0.010117	1.147711
2012	0.042864	1.000000	0.014797	0.048748	0.029032	0.009057	1.144498
2013	0.038438	1.000000	0.010320	0.057412	0.026277	0.008502	1.140949
2014	0.042905	1.000000	0.010705	0.043529	0.084775	0.012644	1.194558

**Source:** Kern County Treasurer-Tax Collector

TCCWD: Tehachapi-Cummings County Water District

KCWA: Kern County Water Agency

TUSD: Tehachapi Unified School District

TVHD: Tehachapi Valley Hospital District

KCCD: Kern Community College District

**Tehachapi-Cummings County Water District  
Property Tax Levies and Collections  
General Fund  
Last Ten Fiscal Years**

Fiscal Year	Taxes Levied	Collected within the Fiscal Year of the Levy		Prior Year Collections	Total Collections	Delinquent Tax	
		Amount	Percentage of Levy	Amount	Amount	Amount	Percentage of Levy
2005	\$ 2,200,381	\$ 2,198,129	99.90%	\$ 6,176	\$ 2,204,305	\$ 2,252	0.10%
2006	2,462,694	2,461,161	99.94%	8,688	2,469,849	1,533	0.06%
2007	2,851,072	2,835,488	99.45%	8,588	2,844,076	15,584	0.55%
2008	3,259,536	3,256,099	99.89%	28,198	3,284,297	3,437	0.11%
2009	3,466,472	3,463,733	99.92%	35,731	3,499,464	2,739	0.08%
2010	3,561,476	3,558,050	99.90%	12,640	3,570,690	3,426	0.10%
2011	3,765,173	3,757,338	99.79%	14,115	3,771,453	7,835	0.21%
2012	3,752,031	3,748,873	99.92%	(300)	3,748,573	3,158	0.08%
2013	4,219,151	4,215,417	99.91%	5,926	4,221,343	3,734	0.09%
2014	4,309,077	4,306,443	99.94%	(160,127)	4,146,316	2,634	0.06%

This fund is on the "Teeter Plan" whereby the county covers delinquencies in the current year but keeps subsequent collections and penalties based on county estimates at year-end.

**Tehachapi-Cummings County Water District  
Property Tax Levies and Collections  
State Payment Fund  
Last Ten Fiscal Years**

Fiscal Year	Taxes Levied	Collected within the Fiscal Year of the Levy		Prior Year Collections <sup>1</sup>	Total Collections	Delinquent Tax	
		Amount	Percentage of Levy	Amount	Amount	Amount	Percentage of Levy
2005	\$ 2,050,560	\$ 2,010,847	98.06%	\$ 65,651	\$ 2,076,498	\$ 39,713	1.94%
2006	2,318,321	2,265,814	97.74%	73,580	2,339,394	52,507	2.26%
2007	2,327,983	2,264,092	97.26%	91,746	2,355,838	63,891	2.74%
2008	2,850,316	2,730,523	95.80%	79,033	2,809,556	119,793	4.20%
2009	3,105,443	2,973,872	95.76%	112,612	3,086,484	131,571	4.24%
2010	2,335,507	2,249,741	96.33%	107,993	2,357,734	85,766	3.67%
2011	2,004,002	1,862,672	92.95%	75,620	1,938,292	141,330	7.05%
2012	1,661,653	1,619,972	97.49%	(164,702)	1,455,270	41,681	2.51%
2013	1,560,455	1,528,933	97.98%	38,967	1,567,900	31,522	2.02%
2014	1,768,380	1,734,764	98.10%	(6,648)	1,728,116	33,616	1.90%

[1] Includes penalties and redemptions

Source: Kern County Auditor-Controller

**Tehachapi-Cummings County Water District  
Principal Property Tax Payers  
Current Fiscal Year and Six Years Ago**

<b>Property Owner</b>	<b>2014</b>			<b>2008</b>		
	<b>Assessed Value</b>	<b>Rank</b>	<b>Percentage of Total</b>	<b>Assessed Value</b>	<b>Rank</b>	<b>Percentage of Total</b>
Alta Wind I LLC	\$ 313,900,000	1	8.27%			
Alta Wind XI LLC	221,820,000	2	5.84%			
Windstar Energy LLC	160,025,354	3	4.22%			
Brookfield Tehachapi	132,483,381	4	3.49%			
California Portland Cement Co	143,608,676	5	3.78%	114,866,919	1	3.66%
Mustang Hills LLC	117,972,800	6	3.11%			
Alta Wind II LLC	133,845,600	7	3.53%			
Calaveras Cement Co	110,429,014	8	2.91%	29,925,163	3	0.95%
Crystal Organic Farms LLC	19,644,876	9	0.52%			
GE Wind Energy LLC	16,455,155	10	0.43%	34,454,798	2	1.10%
Home Depot USA Inc				11,518,160	4	0.37%
Calwind Resources Inc				10,162,440	5	0.32%
New Albertsons Inc				10,090,799	6	0.32%
Woodward of California Inc				9,702,521	7	0.31%
Ennis Commercial Properties LLC				9,035,778	8	0.29%
La Ryan Investments LLC				8,070,207	9	0.26%
Emster XIII LLC				6,500,000	10	0.21%
<b>Total</b>	<b>1,370,184,856</b>		<b>36.10%</b>	<b>129,459,866</b>		<b>4.13%</b>
<b>Total Assessed Value</b>	<b>3,795,135,492</b>		<b>100.00%</b>	<b>3,134,483,172</b>		<b>100.00%</b>

**Source:** First American Real Estate Solutions (Metroscan) and Kerndata.com.

Note: District began keeping these records in fiscal year 2008.



**Tehachapi-Cummings County Water District  
Principal Water Customers  
Current Fiscal Year and Five Years Ago**

<u>Customer</u>	<u>2014</u>			<u>2009</u>		
	<u>Annual Water Sales</u>	<u>Rank</u>	<u>Percentage of Total</u>	<u>Annual Water Sales</u>	<u>Rank</u>	<u>Percentage of Total</u>
Kern Westside Districts	\$ 923,534	1	20.75%	\$		
Crystal Organic Farms	861,665	2	19.36%	477,954	1	20.41%
Bornet & Sons Farms	716,576	3	16.10%			
Granite Construction Company	406,385	4	9.13%			
Bear Valley Community Services Dist	206,498	5	4.64%	285,913	2	12.21%
Kundert Brothers Farms	172,318	6	3.87%	91,824	6	3.92%
California Correctional Institute	143,100	7	3.21%	167,669	3	7.16%
Golden Hills Community Services Dist	124,963	8	2.81%			
City of Tehachapi	102,183	9	2.30%	91,503	7	3.91%
Stallion Springs Community Svc Dist.	97,463	10	2.19%	46,305	9	1.98%
Oak Tree Affiliates				115,948	4	4.95%
Tehachapi Turf				106,256	5	4.54%
California Portland Cement Co.				90,698	8	3.87%
Jin Chung				39,293	10	1.68%
Total	<u>3,754,685</u>		<u>84.36%</u>	<u>1,513,363</u>		<u>64.61%</u>
Total Water Sales	<u>4,451,014</u>		<u>100.00%</u>	<u>2,342,279</u>		<u>100.00%</u>

**Source:** TCCWD billing records.

Note: District began compiling these records in fiscal year 2009.

**Tehachapi-Cummings County Water District  
Water Sales Revenue and Quantities Sold by Customer Class  
Last Ten Fiscal Years**

Fiscal Year	Water Sales Revenue <sup>1</sup>					Total
	Agricultural	Municipal & Industrial	Surplus	Recycled		
2005	\$ 1,110,986	\$ 1,342,843	\$ -	\$ -	\$	2,453,829
2006	1,426,260	901,034	-	-		2,327,294
2007	1,274,624	814,865	-	-		2,089,489
2008	1,824,842	1,390,562	-	-		3,215,404
2009	1,214,250	1,128,029	-	-		2,342,279
2010	775,498	921,613	-	-		1,697,111
2011	686,409	1,021,090	564,960	-		2,272,459
2012	762,724	1,055,440	440,240	5,069		2,263,473
2013	1,520,585	1,132,845	1,123,709	21,559		3,798,698
2014	2,000,120	1,093,943	1,329,919	27,032		4,451,014

**Note:** [1]: For fiscal years 2004 through 2005 the figures for total water sales are from the audited financial statements, but the amounts shown for agricultural customers and M&I customers are staff estimates.

Year	Quantity of Imported Water Sold (acre feet) <sup>2</sup>					Total
	Agricultural	Municipal & Industrial	Surplus	Recycled		
2004	4,982	2,118	0	0		7,100
2005	4,609	1,941	0	0		6,550
2006	4,139	1,948	0	0		6,087
2007	4,948	3,141	0	0		8,089
2008	3,634	2,112	0	0		5,746
2009	1,763	2,276	0	0		4,039
2010	2,029	1,867	2,000	0		5,896
2011	1,051	2,152	2,000	0		5,203
2012	3,908	1,673	5,001	200		10,582
2013	4,239	2,585	3,227	257		10,051

**Note:** [2]: Imported water records are maintained on a calendar year basis.

**Source:** Tehachapi-Cummings CWD audited financial statements and billing records.

**Tehachapi-Cummings County Water District  
Water Rates by Customer Class  
Last Ten Fiscal Years**

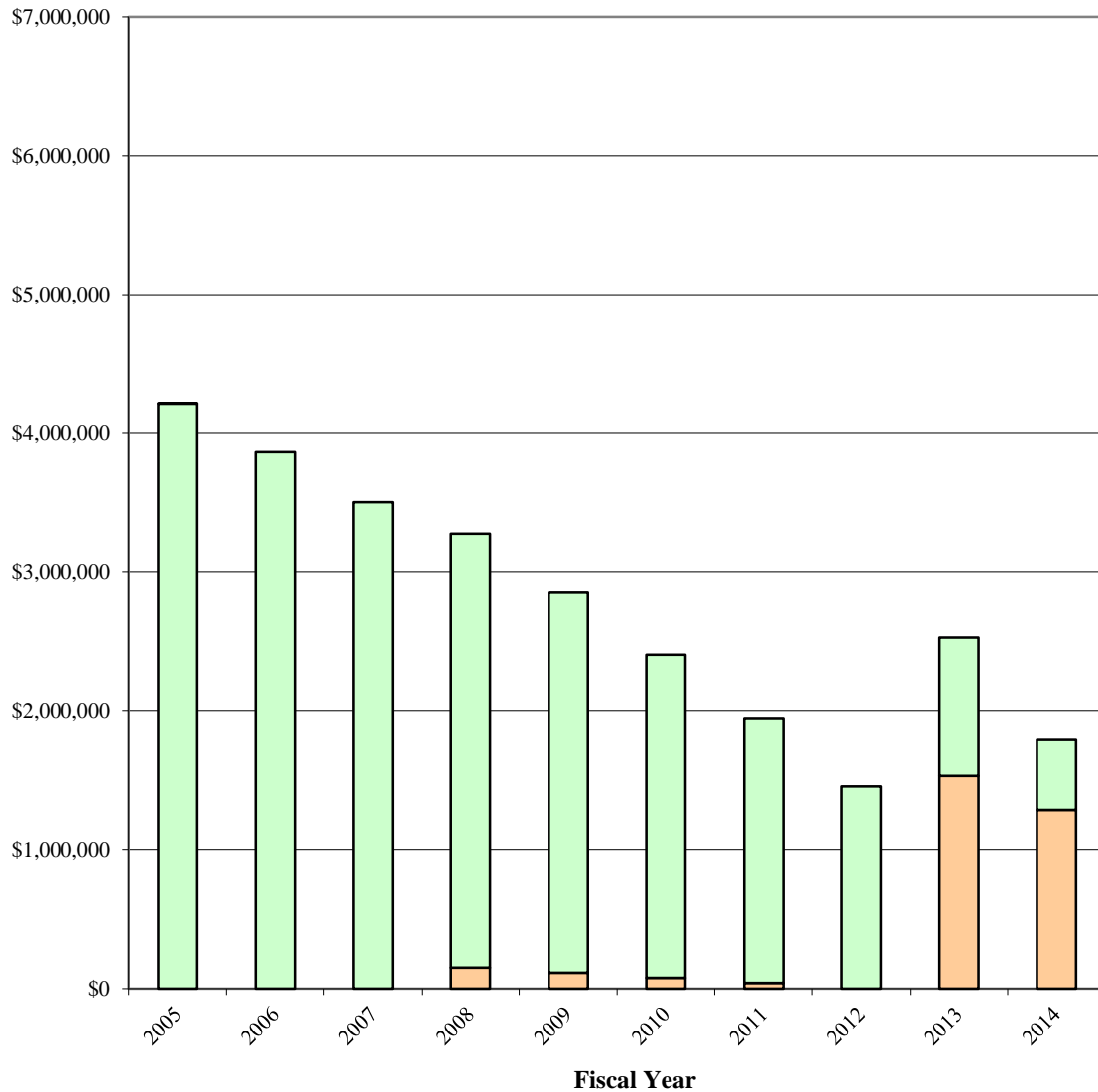
<b>Fiscal Year</b>	<b>Monthly Meter Charge</b>	<b>Commodity Charge Per Acre Foot</b>							
		<b>All Customers</b>	<b>Agricultural</b>			<b>Term Municipal and Industrial</b>			<b>Regular Municipal Industrial (All Zones)</b>
			<b>Pressure Zone 1</b>	<b>Pressure Zone 2</b>	<b>Pressure Zone 3</b>	<b>Pressure Zone 1</b>	<b>Pressure Zone 2</b>	<b>Pressure Zone 3</b>	
2005	\$ 4.50	\$ 223.00	\$ 223.00	\$ 223.00	\$ 389.00	\$ 389.00	\$ 389.00	\$ 645.00	
2006	4.50	362.00	362.00	362.00	528.00	528.00	528.00	784.00	
2007	4.50	318.00	318.00	318.00	409.00	409.00	409.00	1125.00	
2008	4.50	318.00	318.00	318.00	409.00	409.00	409.00	1125.00	
2009	4.50	368.00	368.00	368.00	456.00	456.00	456.00	1109.00	
2010	4.50	309.00	412.00	575.00	363.00	485.00	676.00	1600.00	
2011	4.50	309.00	412.00	575.00	363.00	485.00	676.00	1600.00	
2012	4.50	309.00	412.00	575.00	363.00	485.00	676.00	1600.00	
2013	4.50	309.00	388.00	575.00	363.00	456.00	676.00	1486.00	
2014	4.50	363.00	456.00	676.00	363.00	456.00	676.00	1385.00	

**Source:** Tehachapi-Cummings CWD Board resolutions.

**Notes:** Commodity charge includes state tax shift surcharge during fiscal years 2005 and 2006. In 2010 the district established three pressure zones with varying rates. In addition to the commodity charges, customers taking recharge water pay a \$15/AF surcharge and a 6% spreading loss surcharge.

**Tehachapi-Cummings County Water District  
Ratios of Outstanding Debt by Type  
Last Ten Fiscal Years**

Fiscal Year	Business-type Activities			Total		
	General Obligation Bonds	Bank Loans	Certificates of Participation	Debt	Per Capita	As a Share of Personal Income
2005	\$ -	\$ -	\$ 4,215,000	\$ 4,215,000	\$ 134.27	0.54%
2006	-	-	3,865,000	3,865,000	116.85	0.45%
2007	-	-	3,505,000	3,505,000	102.29	0.38%
2008	-	149,445	3,130,000	3,279,445	92.97	0.33%
2009	-	114,291	2,740,000	2,854,291	78.89	0.28%
2010	-	77,705	2,330,000	2,407,705	66.33	0.26%
2011	-	39,628	1,905,000	1,944,628	52.04	0.20%
2012	-	-	1,460,000	1,460,000	38.83	0.14%
2013	-	1,536,000	995,000	2,531,000	66.93	0.23%
2014	-	1,283,400	510,000	1,793,400	47.11	0.17%



**Tehachapi-Cummings County Water District  
Direct and Overlapping Debt  
As of June 30, 2014**

	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
Overlapping Debt:			
Tehachapi Unified School District	\$ 16,120,664	96.83%	\$ 15,609,648
Kern Community College District	238,024,309	5.03%	11,960,968
Bear Valley Community Service Dist.	1,475,000	100.00%	1,475,000
Tehachapi Valley Healthcare District	63,681,360	97.54%	<u>62,117,346</u>
Total overlapping debt			91,162,962
TCCWD Direct Debt	1,793,400	100.00%	<u>1,793,400</u>
Total direct and overlapping debt			<u><u>\$ 92,956,362</u></u>

**Source:** Business office of noted agencies and Kern County Auditor-Controller.

Note: Estimated percentage applicable is determined by comparing the assessed value of each of the taxing entities with that of the district. Bear Valley CSD is fully contained within the district; therefore, 100% of their debt overlaps.

**Tehachapi-Cummings County Water District  
 Legal Debt Margin Information  
 Last Ten Fiscal Years  
 (amounts expressed in thousands)**

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Debt limit	\$304,349	\$344,229	\$404,192	\$470,172	\$506,659	\$513,275	\$528,585	\$522,581	\$574,322	\$ 569,270
Total debt applicable to limit	4,215	3,865	3,505	3,279	2,854	2,408	1,945	1,460	2,531	1,793
Legal Debt Margin	<u>\$300,134</u>	<u>\$340,364</u>	<u>\$400,687</u>	<u>\$466,893</u>	<u>\$503,805</u>	<u>\$510,867</u>	<u>\$526,640</u>	<u>\$521,121</u>	<u>\$571,791</u>	<u>\$ 567,477</u>
Total debt applicable to the limit as a percentage of debt limit	1.4%	1.1%	0.9%	0.7%	0.6%	0.5%	0.4%	0.3%	0.4%	0.3%

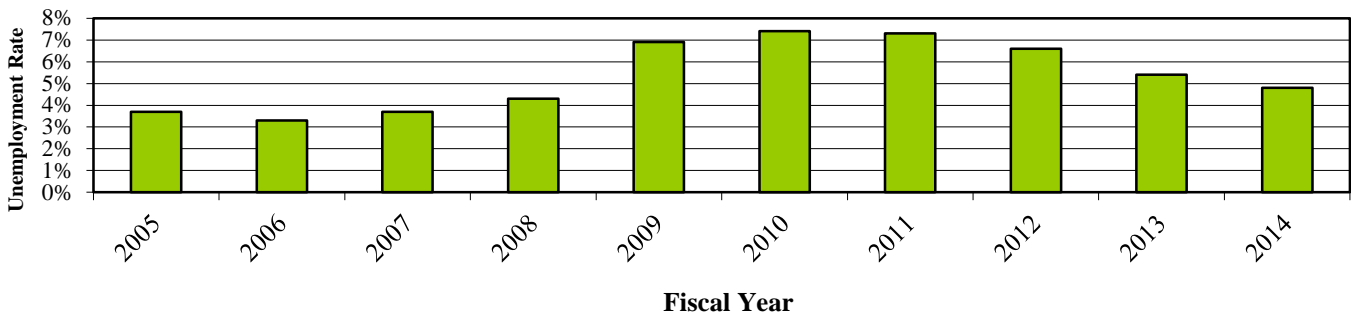
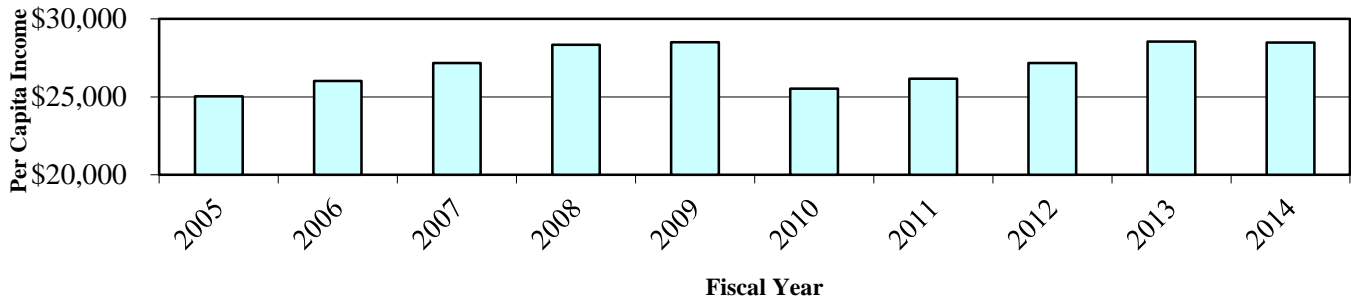
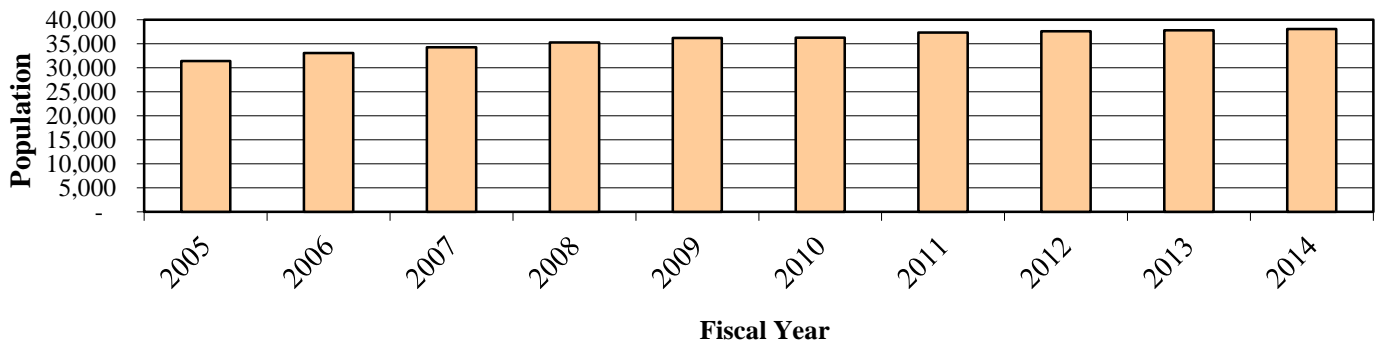
**Legal Debt Margin Calculation for Fiscal Year 2014**

Assessed value	\$3,753,776
Add back: exempt real property	<u>41,360</u>
Total assessed value	3,795,136
Debt limit (15% of total assessed value)	569,270
Debt applicable to limit:	
General obligation bonds	-
Bank loans	1,283
Certificates of participation	<u>510</u>
Total debt applicable to limit	<u>1,793</u>
Legal debt margin	<u><u>\$ 567,477</u></u>

Note: California Water Code does not specify a debt limit for county water districts. However, many other types of special districts in California have a statutory debt limit of 15% of assessed value of all taxable property in the district. We shall use this figure as a guide.

**Tehachapi-Cummings County Water District  
Demographics and Economic Statistics  
Last Ten Years**

Year	Population <sup>1</sup>	Personal Income (expressed in thousands)	Personal Income per Capita <sup>2</sup>	Unemployment Rate <sup>3</sup>
2005	31,391	785,715	25,030	3.7%
2006	33,077	860,700	26,021	3.3%
2007	34,265	931,023	27,171	3.7%
2008	35,273	999,527	28,337	4.3%
2009	36,180	1,031,571	28,513	6.9%
2010	36,300	926,739	25,530	7.4%
2011	37,367	977,930	26,171	7.3%
2012	37,595	1,020,988	27,157	6.6%
2013	37,813	1,079,488	28,548	5.4%
2014	38,067	1,084,221	28,482	4.8%



**Sources:** [1] Kern Council of Governments and California Department of Finance  
 [2] Annual growth figures provided by California Department of Finance. 2010 figure is the estimate from the "American FactFinder 2007-2011 American Community Survey 5-Year Estimates" provided by the U.S. Census Bureau.  
 [3] California Employment Development Department - June of each year

**Tehachapi-Cummings County Water District  
Principal Employers  
Current Fiscal Year and Nine Years Ago**

<u>Employer</u>	<u>Production/Services</u>	<u>2014</u>		<u>2005</u>	
		<u>Employees</u>	<u>Rank</u>	<u>Employees</u>	<u>Rank</u>
California Correctional Inst.	State prison	1,911	1	1,700	1
Tehachapi Unified School D.	Public school system	464	2	447	2
Tehachapi Hospital	Healthcare	175	3	150	4
GE Energy	Wind energy production/manuf.	150	4	400	3
Lehigh Southwest Cement	Cement production	120	5	123	5
Home Depot	Retail store	115	6		
Albertson's Supermarket	Retail grocery store	112	7	120	6
K Mart	Retail store	107	8	120	6
Benz Sanitation	Trash/septic/propane	70	9	70	8
SaveMart Supermarket	Retail grocery store	65	10	65	9
Selecta Switch	Electrical parts manufacturing			45	10
Total		<u>3,354</u>		<u>3,305</u>	

**Source:** Greater Tehachapi Chamber of Commerce.

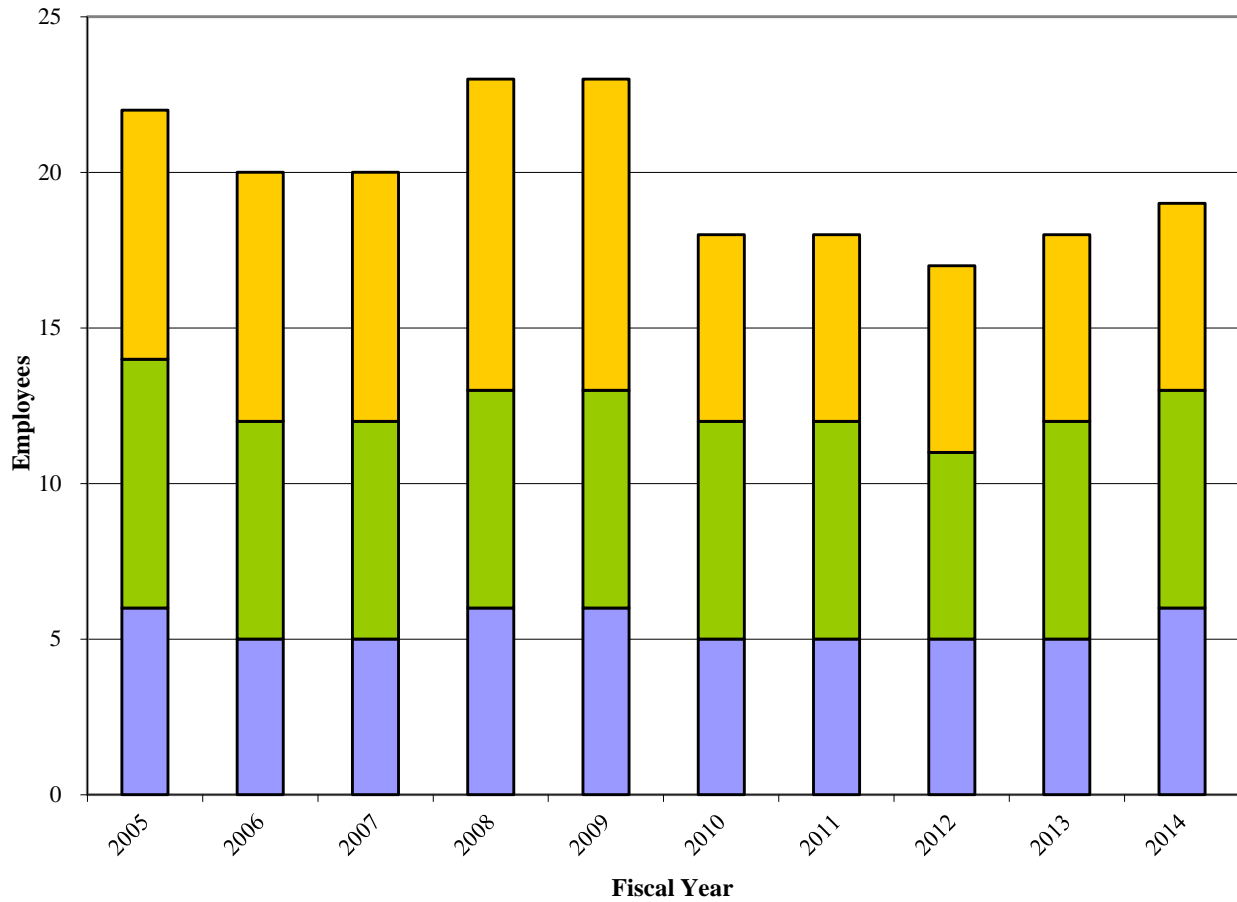
**Note:** Data on total employment in the district is not available from any source.



**Tehachapi-Cummings County Water District  
Operating and Capacity Indicators  
Last Ten Fiscal Years**

**Full-time Equivalent District Employees by Department**

Fiscal Year	Administration	Pumping	Pipeline	Total
2005	6	8	8	22
2006	5	7	8	20
2007	5	7	8	20
2008	6	7	10	23
2009	6	7	10	23
2010	5	7	6	18
2011	5	7	6	18
2012	5	6	6	17
2013	5	7	6	18
2014	6	7	6	19



**Tehachapi-Cummings County Water District  
Operating and Capacity Indicators - Last Ten Years**

**Other Operating and Capacity Indicators**

Year	Water in Storage (AF) (Brite Lake) on June 30	Water Stored In SJV GW Banks <sup>1</sup> on June 30	Year	State Water Imported	State Water Project Allocation	System Losses % of SWP	Watermaster Statistics				
							Groundwater Pumping (AF)			Banked Water (AF) <sup>2</sup>	
							Tehachapi Basin	Cummings Basin	Brite Basin	Tehachapi Basin	Cummings Basin
2005	1,039	0	2004	7,886	65%	10.3%	4,388	3,889	325	4,952	5,993
2006	1,106	0	2005	6,443	90%	10.4%	4,315	3,647	325	3,912	6,028
2007	1,220	0	2006	6,424	100%	19.4%	4,648	3,900	328	3,646	6,768
2008	1,350	0	2007	7,868	60%	13.3%	4,632	3,729	328	3,873	6,811
2009	1,527	0	2008	6,304	35%	19.2%	5,127	3,964	328	3,554	6,934
2010	1,491	0	2009	5,856	40%	21.4%	4,589	4,406	346	3,537	7,640
2011	1,340	0	2010	6,166	50%	12.7%	4,252	3,650	345	3,528	8,756
2012	1,015	9,379	2011	6,004	80%	9.5%	4,471	2,875	346	3,466	8,764
2013	1,051	8,396	2012	6,890	65%	12.6%	4,304	2,881	347	3,468	9,191
2014	1,310	4,020	2013	7,367	35%	9.1%	5,302	3,404	347	3,569	9,597

Note: Water pumping statistics are maintained on a calendar year basis.

[1] : SJV GW Banks: San Joaquin Valley groundwater banks are Kern Water Bank and West Kern Water District.

[2] : Banked water includes artificial replenishment and return flows of applied imported water on TCCWD's account only.