



Tehachapi-Cummings County Water District

Our Water • Our Future

Tehachapi-Cummings County Water District
Tehachapi, California

Comprehensive Annual Financial Report
For the Year Ended June 30, 2017



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

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year Ended June 30, 2017

Prepared by:

LaMinda Madenwald, Business Manager

Tehachapi-Cummings County Water District
Comprehensive Annual Financial Report
Year Ended June 30, 2017

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INTRODUCTORY SECTION



Tehachapi-Cummings County Water District

Our Water • Our Future

Directors:
Jonathan Hall
James Pack
Jean Prel
David E. Worden
Rick Zanutto

Officers:
Rick Zanutto, *President*
David E. Worden, *Vice President*
Tom Neisler, *General Manager*
Lori Bunn, *Secretary*
LaMinda Madenwald, *Treasurer*

December 14, 2017

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, 2017.

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 benefit, 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, 2017 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 unmodified ("clean") opinion that the District's financial statements for the fiscal year ended June 30, 2017 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 36,000.

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 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 and the business manager, together with an ad-hoc Budget Committee, prepare 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.

Information useful in assessing the District’s Economic Condition

The financial position 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 increase by approximately 3% in fiscal 2018. Fiscal 2017 growth rate was relatively unchanged.

The District’s second largest source of revenue, imported water sales, increased in fiscal year 2017 due to an increase in the State’s allocation, increased demand following changes in drought conditions, and increased pumping capacity facilitated by completion of the engine replacement project. M&I sales increased by 54% and AG sales increased by 19%. Ag water deliveries in 2016 (these records are kept by calendar year) were 5,679 acre-feet compared with 4,349 AF in 2015, and remained above the ten-year average of 3,707 AF. M&I water deliveries were 1,371 AF in calendar year 2016 and 1,309 AF in calendar year 2015, remaining below the ten-year average of 1,982 AF.

State Water Project allocation. The SWP allocation for 2017 is 85%, which is more than sufficient to fill all imported water orders. The District Plans to enter 2018 with no SWP carryover water.

Energy costs. The District’s water rates are driven by the price it pays for natural gas to power its pump plants. Natural gas prices have remained soft. 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. The District has contracted for the majority of its natural gas needs through 2020. There is a limit to how much natural gas can be purchased in advance because of the variability of the State water supply.

Air quality regulations. The Valley Air Board limited the District’s engines at Pump Plant 1 to 4,000 operating hours per year, restricting the amount of water that could be pumped. To increase pumping capacity, the District successfully replaced all four engines and its system-wide controls in fiscal 2016 by entering into an installment purchase agreement with Umpqua Bank, dated April 1, 2015. The agreement provided for up to \$7,000,000. The project was completed in

fiscal year 2017 for approximately \$5,781,000. Debt service payments began in December of 2015 and will end in December of 2023.

Workforce. The District’s workforce consists of 19 full-time positions and three temporary summer helpers.

Employee pension liability. District employees are members of the California Public Employees’ Retirement System (CalPERS). Because the District purchased prior service when it entered the system in 2004, it had an unfunded accrued actuarial liability or “side-fund.” The CalPERS side fund was paid-in-full during fiscal year 2017, resulting in a cost savings to the District.

Reserves. Concurrently with the 2017-18 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, 2017, all reserve targets are filled, with the exception of the three flood control improvement districts. Management will review the need for additional reserve contributions during budget development for fiscal year 2018-19. The following table shows the amounts as of June 30, 2017:

	Reserve Formula	Full Reserve Target	Interim Reserve Target	Actual Reserve 6/30/17	Reserve Target Met?
Designated Reserves:					
Working capital	90 days of operating expenses	\$ 1,376,400	\$ 1,376,400	\$ 3,405,655	Full - Yes
Water banking reserve	Cost to spread 4,000 AF of imported SWP water	1,286,960	1,286,960	1,318,440	Full - Yes
Tax revenue liability reserve	50% of Kern County's liability estimate	591,900	295,950	591,987	Full - Yes
Emergency reserve	5% of general fund operating expenses	275,300	137,650	308,384	Full - Yes
Major repairs/overhauls	5% of capital assets' book value	1,411,500	705,750	1,411,558	Interim - Yes
Rate stabilization reserve	1 to 5% of general fund operating expenses	275,300	137,650	308,156	Full - Yes
Restricted Reserves:					
State Payment operating reserve	50% of current year expenditure budget	1,333,500	1,333,500	1,838,402	Full - Yes
State Payment tax revenue liability reserve	50% of Kern County's liability estimate	152,400	152,400	152,419	Full - Yes
Prop 84 grant reserve	Matching funds per grant	-	-	39,683	Full - Yes
2 flood control replacement	50% of construction cost indexed for inflation	229,400	229,400	92,786	No
3 flood control replacement	50% of construction cost indexed for inflation	509,800	509,800	158,744	No
1 flood control replacement	50% of construction cost indexed for inflation	1,461,700	1,461,700	759,377	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, 2016, the eighth 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.

Sincerely,

A handwritten signature in blue ink that reads "LaMinda Madenwald". The signature is written in a cursive style and is enclosed within a light blue rectangular border.

LaMinda Madenwald
Business Manager

TEHACHAPI-CUMMINGS COUNTY WATER DISTRICT

List of Elected and Appointed Officials

June 30, 2017

Elected Officials

BOARD OF DIRECTORS

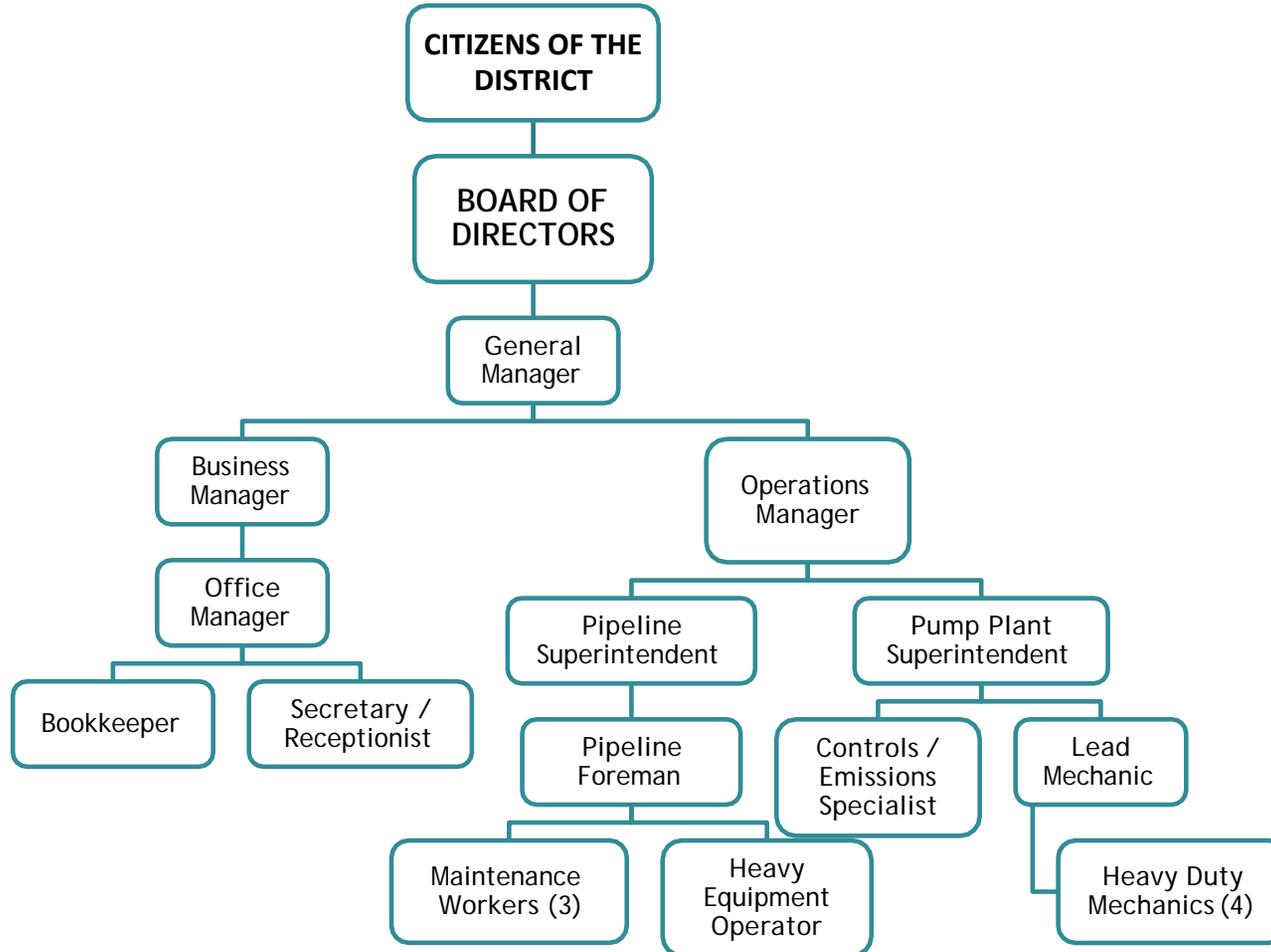
Jonathan D. Hall	December 2020
James D. Pack	December 2018
Jean A. Prel	December 2018
David E. Worden	December 2018
Rick Zanutto	December 2018

Appointed Officials

Rick Zanutto	President
David E. Worden	Vice-President
Lori Bunn	District Secretary
Tom Neisler	General Manager
LaMinda Madenwald	Treasurer

Tehachapi-Cummings County Water District
22901 Banducci Road
P.O. Box 326
Tehachapi, California 93561
(661) 822-5504 www.tccwd.com

TEHACHAPI-CUMMINGS COUNTY WATER DISTRICT ORGANIZATION CHART





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, 2016

Christopher P. Morill

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 Tehachapi-Cummings County Water District (the "District"), as of and for the year ended June 30, 2017, 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, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the State Controller's Minimum Audit Requirements for Special Districts. 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 Tehachapi-Cummings County Water District, as of June 30, 2017, 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, as well as accounting systems prescribed by the State Controller's Office and State regulations governing special districts.

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

Other Information

Our audit was conducted for the purpose of forming 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 December 14, 2017 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.

Van Lant & Fankhaed, LLP

December 14, 2017

**Tehachapi-Cummings County Water District
Management's Discussion and Analysis
For the Year Ended June 30, 2017**

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, 2017. 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 \$481,477 (+4%). Restricted cash increased \$666,773 (+28%). Unrestricted cash decreased \$185,296 (-2%).
- The District's total combined net position was \$17,408,491 at June 30, 2017, an increase of \$1,343,188 (+8%). Restricted net position increased \$668,929 (+29%). Unrestricted net position increased \$451,303 (+8%).
- During the year, the District's operating revenues increased by \$549,937 (+19%).
- The District's operating expenses increased by \$1,470,213 (+17%).
- Debt decreased \$965,667 (-18%).
- All debt service obligations were met and the coverage ratio for the 2012 side-fund refunding rate covenant was 1.34, which exceeded the minimum ratio of 1.25.

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.

**Tehachapi-Cummings County Water District
Management's Discussion and Analysis
For the Year Ended June 30, 2017**

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 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 31-32 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 33 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 34-39 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 \$17,408,491 at the close of the most recent fiscal year, an increase of \$1,343,188 compared with the prior year (see Table A-1).

The largest portion of the Tehachapi-Cummings County Water District's net position (\$8,313,751) 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 (\$3,001,728) is externally restricted by state law or debt covenants. See Note 4 on page 23 for additional information about restricted assets.

**Tehachapi-Cummings County Water District
Management's Discussion and Analysis
For the Year Ended June 30, 2017**

Unrestricted net position may be used to meet the District's ongoing obligations. As of June 30, 2017, the District shows an unrestricted net position of \$6,093,012, an improvement of \$451,303 from the prior year.

**Table A-1
Condensed Statements of Net Position
June 30, 2017 and 2016
(000's)**

	<u>2017</u>	<u>2016</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
Current and other assets	\$ 12,060	\$ 11,584	\$ 476	4%
Capital assets	12,832	12,892	(60)	0%
Total assets	<u>24,892</u>	<u>24,476</u>	<u>416</u>	<u>2%</u>
Deferred outflows of resources	<u>546</u>	<u>227</u>	<u>319</u>	<u>141%</u>
Current liabilities	1,429	1,852	(423)	-23%
Long-term liabilities	<u>6,101</u>	<u>6,088</u>	<u>13</u>	<u>0%</u>
Total liabilities	<u>7,530</u>	<u>7,940</u>	<u>(410)</u>	<u>-5%</u>
Deferred inflows of resources	<u>501</u>	<u>698</u>	<u>(197)</u>	<u>-28%</u>
Net position:				
Net investment in capital assets	8,314	8,091	223	3%
Restricted	3,002	2,333	669	29%
Unrestricted	<u>6,093</u>	<u>5,641</u>	<u>452</u>	<u>8%</u>

Changes in Net Position. The District's total revenues were \$11,527,596, including capital contributions. Approximately 69% of the District's revenue came from taxes and assessments during the fiscal year. Twenty-nine percent came from water sales and services, while 2% was related to other revenues. Operating revenues increased compared with the prior year due to increased water sales. Nonoperating revenues increased 13% due to increased taxes and assessments.

During the year, revenues exceeded expenses by \$1,343,188 and net position increased by the same amount.

**Tehachapi-Cummings County Water District
Management's Discussion and Analysis
For the Year Ended June 30, 2017**

**Table A-2
Condensed Statements of Revenues, Expenses and Changes in Net Assets
Years Ended June 30, 2017 and 2016
(000's)**

	<u>2017</u>	<u>2016</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
Operating Revenues				
Water sales	\$ 3,283	\$ 2,753	\$ 530	19%
Water services	94	75	19	25%
Operating grant	41	108	(67)	-62%
Total operating revenues	<u>3,418</u>	<u>2,936</u>	<u>482</u>	<u>16%</u>
Nonoperating revenues				
Taxes and assessments	7,876	6,818	1,058	16%
Benefit assessments	101	110	(9)	-8%
Interest and penalties	93	63	30	48%
Other revenues	39	93	(54)	-58%
Gain on sale of capital assets	-	113	(113)	-100%
Capital contributions	-	-	-	0%
Total nonoperating revenues	<u>8,109</u>	<u>7,197</u>	<u>912</u>	<u>13%</u>
Total revenues	<u>11,527</u>	<u>10,133</u>	<u>1,394</u>	<u>14%</u>
Operating expenses				
Source of supply	2,359	2,930	(571)	-19%
Pumping	3,718	2,567	1,151	45%
Transmission and distribution	1,567	1,098	469	43%
General and administrative	1,698	1,474	224	15%
Depreciation	705	508	197	39%
Total operating expenses	<u>10,047</u>	<u>8,577</u>	<u>1,470</u>	<u>17%</u>
Nonoperating expenses				
Interest expense	137	91	46	51%
Total nonoperating expenses	<u>137</u>	<u>91</u>	<u>46</u>	<u>51%</u>
Total expenses	<u>10,184</u>	<u>8,668</u>	<u>1,516</u>	<u>17%</u>
Change in net position	1,343	1,465	(122)	
Net position -- beginning	16,065	14,600	1,465	
Prior period adjustment	-	-	-	
Net position -- ending	<u>\$ 17,408</u>	<u>\$ 16,065</u>	<u>\$ 1,343</u>	

- Operating revenue increased \$549,937 (+19%). Sales of municipal & industrial water grew by 54% and revenue from agricultural water sales grew by 19% due to an increase in the State's allocation; increased demand following changes in drought conditions; and increased pumping capacity facilitated by completion of the engine replacement project.

**Tehachapi-Cummings County Water District
Management's Discussion and Analysis
For the Year Ended June 30, 2017**

- Operating expenses increased \$1,470,213 (+17%) primarily due to increased demand, capacity and related equipment improvements.
- Nonoperating revenues increased 13% due to increased taxes and assessments.

Capital Assets and Debt Administration

Capital Assets. At June 30, 2017, the District had invested \$31,360,375 in a broad range of capital assets. (See Table A-3.) This amount represents a net increase (including additions and deductions) of \$645,133 or +2% compared with last year due to the installation of new engines and engine controls. See Note 3 on page 22 for more information. Accumulated depreciation increased 4% due to the engine replacement project acquisitions. The District's capital assets are 59% depreciated.

**Table A-3
Condensed Statements of Capital Assets
June 30, 2017 and 2016
(000's)**

	2017	2016	Dollar Change	Percentage Change
Land	\$ 779	\$ 779	\$ -	0%
Water system improvements	27,483	25,149	2,334	9%
General office & equipment	2,878	2,862	16	1%
Flood control facilities	220	220	-	0%
Construction in progress	-	1,705	(1,705)	-100%
	<u>31,360</u>	<u>30,715</u>	<u>645</u>	<u>2%</u>
Accumulated depreciation	(18,528)	(17,823)	(705)	4%
Total	<u>\$ 12,832</u>	<u>\$ 12,892</u>	<u>\$ (60)</u>	<u>0%</u>

Long-term debt. At the end of the current fiscal year, the Tehachapi-Cummings County Water District had total debt outstanding of \$4,518,632 a decrease of \$965,667 during the year. The CalPERS side fund liability was paid-in-full during the fiscal year resulting in a cost savings for the District. \$4,518,632 is owed to Umpqua Bank on the 2015 installment purchase financing loan. Umpqua approved up to \$7,000,000 to replace all four engines at the district's Pump Plant 1 and replace all of the pumping system controls throughout. Construction was completed during 2016-17 at a lower total cost of \$5,780,810. See Note 6 on page 28 for more information.

**Tehachapi-Cummings County Water District
Management's Discussion and Analysis
For the Year Ended June 30, 2017**

**Table A-4
Condensed Statements of Long-term Debt
June 30, 2017 and 2016
(000's)**

	<u>2017</u>	<u>2016</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
Bank loan	-	683	(683)	-100%
Installment purchase	4,519	4,801	(282)	-6%
Total	<u>\$ 4,519</u>	<u>\$ 5,484</u>	<u>\$ (965)</u>	<u>-18%</u>

Economic Factors and Next Year's Budgets and Rates

- Assessed valuation of the Tehachapi-Cummings County Water District will increase by approximately 3% in fiscal year 2017-18. A stable or growing tax base is extremely important for the District, as 69% of the general fund's total revenue in 2016-17 was from general property taxes, which are directly linked to assessed valuation.
- The excess reserves in the State Payment Fund were totally consumed as of July 1, 2016. As a result, the 2016-17 tax rate was adjusted to reflect normal State Water Project obligations and bring the revenues and expenditures into balance. In fiscal year 2017-18, due to projected increased water sales revenue and the respective increase to reserves, the amount required to be collected from the tax levy is about -19% lower than the previous fiscal year.
- The Department of Water Resources provided a 2017 State Water Project allocation of 85%, an above average year for SWP. The district replaced \$266,040 in locally-banked water that was drawn during the recent historic drought, reducing the amount reserved for this purpose.
- 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 is forecast to increase in 2017-18 by 28%.
- Municipal & industrial water deliveries increased by 54% in 2016-17 following the end of the mandatory water conservation requirements caused by the drought. M&I water sales are forecast to increase 21% compared with fiscal 2016-17.
- No surplus water was sold under voluntary banking agreements in 2016-17, except for the 181 acre-feet already under contract with Granite Construction for their Solari quarry project, which is an out-of-district water customer; and approximately 400 acre-feet was sold to Golden Hills Community Services District, a Term M&I customer of the district.
- The District will continue 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. As of January 1, 2017, all term M&I customers were required to bank water and have executed the required contracts.

***Tehachapi-Cummings County Water District
Management's Discussion and Analysis
For the Year Ended June 30, 2017***

- In 2011 the California Correctional Institution (CCI) completed its updated wastewater treatment facility, which produces high-quality disinfected tertiary recycled water. The district has a contract with CCI to purchase this water and a permit with the State to distribute it. One-third of this water is sold for golf course irrigation and two-thirds is sold for non-food crop agricultural irrigation.
- Investment earnings will be higher than the prior year due to greater cash balances and higher rates of return. For the fiscal year 2016-17, the average yield on money invested in the Kern County Treasury Pool was 1.20% and the average yield on money invested in the Local Agency Investment Fund (LAIF) was 0.98%.
- Employee benefit costs account for 50% on top of salaries and wages in the approved 2017-18 budget.
- Current staffing is 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 eight 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 has contracted for the majority of its natural gas needs through 2020.
- 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 2017-18 budget includes a reserves policy, which sets forth reserve targets and an approach to accumulating those reserves over time. As of June 30, 2017, 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 2017-18 fiscal year. The Final budget for 2017-18 fiscal year was approved by the Board of Directors on August 16, 2017.

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.

BASIC FINANCIAL STATEMENTS

Tehachapi-Cummings County Water District
Statement of Net Position
June 30, 2017

ASSETS

Current Assets:

Cash and Cash Equivalents	\$ 8,324,548
Accounts Receivable	570,341
Accrued Interest Receivable	29,841
Taxes Receivable	17,594
Grant Receivable	49,890
Other Receivables	4,190
Prepaid Expenses and Refundable Deposits	31,895
Total Current Assets	9,028,299

Noncurrent Assets:

Restricted Assets:

Cash and Cash Equivalents	3,032,072
Capital Assets Not Being Depreciated:	
Land	680,084
Land Not in Use	99,355
Construction in Progress	-
Capital Assets, Net of Accumulated Depreciation	12,052,944
Total Noncurrent Assets	15,864,455
Total Assets	24,892,754

DEFERRED OUTFLOWS OF RESOURCES

Deferred Outflows Related to Pensions	546,461
---------------------------------------	---------

LIABILITIES

Current Liabilities:

Accounts Payable	589,780
Accrued Wages Payable	103,191
Current Portion of Long-term Debt	735,872
Total Current Liabilities	1,428,843

Noncurrent Liabilities:

Compensated Absences Payable	143,024
Loan Payable, Less Current Portion	3,863,211
Net Pension Liability	2,094,927
Total Noncurrent Liabilities	6,101,162
Total Liabilities	7,530,005

DEFERRED INFLOWS OF RESOURCES

Deferred Inflows Related to Pensions	500,719
--------------------------------------	---------

NET POSITION

Net Investment in Capital Assets	8,313,751
Restricted For:	
Water Payment	1,990,821
Improvement Districts	1,010,907
Unrestricted	6,093,012
Total Net Position	\$ 17,408,491

Tehachapi-Cummings County Water District
Statement of Revenues, Expenses and Changes in Fund Net Position
Year Ended June 30, 2017

OPERATING REVENUES	
Water Sales	\$ 3,283,122
Water Services	94,373
	3,377,495
 OPERATING EXPENSES	
Source of Supply	2,359,233
Pumping	3,717,915
Transmission and Distribution	1,566,557
General and Administrative	1,698,386
Depreciation	705,045
	10,047,136
Total Operating Expenses	10,047,136
Operating Income (Loss)	(6,669,641)
 NONOPERATING REVENUES (EXPENSES)	
Taxes and Assessments	7,876,330
Benefit Assessments	100,977
Grant Revenue	41,399
Interest and Penalties	92,718
Interest Expense	(137,272)
Other Revenues	38,677
	8,012,829
Total Nonoperating Revenue (Expenses)	8,012,829
Change in Net Position	1,343,188
Net Position - Beginning of Year	16,065,303
Net Position - End of Year	\$ 17,408,491

The accompanying notes are an integral part of this statement.

Tehachapi-Cummings County Water District
Statement of Cash Flows
Year Ended June 30, 2017

Cash Flows from Operating Activities

Cash Received from Customers	\$ 3,397,120
Cash Payments to Employees for Services	(2,300,189)
Cash Payments to Suppliers for Goods and Services	(7,009,018)
Other Operating Cash Receipts	<u>54,943</u>
Net Cash Provided (Used) by Operating Activities	<u>(5,857,144)</u>

Cash Flows from Non-capital Financing Activities

Receipts from Property Taxes and Assessments	7,975,751
Receipts from Grant Revenue	25,892
Payments on Loan	(682,800)
Interest Paid on Loan	<u>(12,038)</u>
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>7,306,805</u>

Cash Flows from Capital and Related Financing Activities

Proceeds from Sale of Capital Assets	-
Proceeds from Long-term Debt	356,187
Payments for Purchase and Construction of Property and Equipment	(645,133)
Payment on Long-Term Debt	(639,054)
Interest Paid on Long-Term Debt	<u>(125,235)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(1,053,235)</u>

Cash Flows from Investing Activities

Receipt of Interest Income	<u>85,051</u>
Net Cash Provided (Used) by Investing Activities	<u>85,051</u>

Net Increase (Decrease) in Cash and Cash Equivalents 481,477

Cash and Cash Equivalents - Beginning of Year 10,875,143

Cash and Cash Equivalents - End of Year \$ 11,356,620

Cash and Cash Equivalents are Reported in the Statement of Net Position as Follows:

Unrestricted Cash	\$ 8,324,548
Restricted Cash	<u>3,032,072</u>
	<u><u>\$ 11,356,620</u></u>

Tehachapi-Cummings County Water District
Statement of Cash Flows - Continued
Year Ended June 30, 2017

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

Operating Income (Loss)	\$ (6,669,641)
Adjustments to Reconcile Operating Income (Loss) Net Cash Provided (Used) by Operating Activities:	
Depreciation	705,045
Other Revenue	38,677
Changes in Operating Assets and Liabilities:	
(Increase) Decrease in Accounts Receivable, Water Customers	19,625
(Increase) Decrease in Other Receivables	16,266
(Increase) Decrease in Prepaid Expenses and Refundable Deposits	(5,972)
(Increase) Decrease in Deferred Outflows - Pensions	(319,815)
Increase (Decrease) in Accounts Payable	(121,651)
Increase (Decrease) in Accrued Wages Payables	3,181
Increase (Decrease) in Compensated Absences Payable	27,595
Increase (Decrease) in Deferred Inflows - Pension	(197,365)
Increase (Decrease) in Net Pension Liability	646,911
Net Cash Provided (Used) by Operating Activities	\$ (5,857,144)

The accompanying notes are an integral part of this statement.

Tehachapi-Cummings County Water District
Notes to Financial Statements
Year Ended June 30, 2017

<u>NOTE</u>	<u>DESCRIPTION</u>	<u>PAGE</u>
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Tehachapi-Cummings County Water District
Notes to Financial Statements
Year Ended June 30, 2017

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 accompanying financial statements present the District and its component units, entities for which the District is considered to be financially accountable. Currently, the District has no such component units to report.

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 asset; 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.

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 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 of capital assets."

Tehachapi-Cummings County Water District
Notes to Financial Statements
Year Ended June 30, 2017

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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.

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 risks 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.

Tehachapi-Cummings County Water District
Notes to Financial Statements
Year Ended June 30, 2017

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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. Donated capital assets received prior to the implementation of GASB 72 were recorded at fair value on the date of donation. Donated capital assets received subsequent to the implementation of GASB 72 are recorded at acquisition value as of the date received.

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 capital assets are recognized.

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 \$223,475 at June 30, 2017.

Tehachapi-Cummings County Water District
Notes to Financial Statements
Year Ended June 30, 2017

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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, 2017 measured approximately 1,407 acre-feet. Of this amount, 250 acre-feet is considered a minimum pool for emergency reserve. The remaining 1,157 acre-feet in storage on June 30, 2017 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 st Installment
	February 1	- 2 nd Installment
Delinquent Date	December 10	- 1 st Installment
	April 10	- 2 nd 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 value.

P) Interest

The District incurs interest charges on long-term debt. There was no interest capitalized for the year ended June 30, 2017.

Tehachapi-Cummings County Water District
Notes to Financial Statements
Year Ended June 30, 2017

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Q) Pensions

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

2) CASH AND INVESTMENTS

Cash and Investments as of June 30, 2017 are classified in the accompanying financial statements as follows:

Current Assets - Cash	\$ 8,324,548
Noncurrent Assets - Restricted Cash	<u>3,032,072</u>
Total Cash	<u>\$ 11,356,620</u>

Cash and investments as of June 30, 2017 consist of the following:

Deposits with Financial Institutions	\$ 1,403,053
Petty Cash	500
Local Agency Investment Fund (LAIF)	100,518
Pooled with Kern County	<u>9,852,549</u>
Total Cash and Investments	<u>\$ 11,356,620</u>

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 and LAIF. The investment policy does not address investment of debt proceeds held by bond trustee that are governed by the provisions of debt agreements.

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 and LAIF; 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 LAIF are rated.

As of June 30, 2017, the District had the following investments and maturities:

Tehachapi-Cummings County Water District
Notes to Financial Statements
Year Ended June 30, 2017

2) CASH AND INVESTMENTS - Continued

	Fair Value	Investment Maturities		
		Less than 1 Year	1 Year to 5 Years	6 Years to 10 Years
Local Agency Investment Fund	\$ 100,518	\$ 100,518	\$ -	\$ -
County Pool	9,852,549	9,852,549	-	-
Total	<u>\$ 9,953,067</u>	<u>\$9,953,067</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, 2017, the District did not have deposits with financial institutions in excess of federal depository insurance limits.

Fair Value of Investments

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District's fair value measurements are as follows:

Investment in State Investment Pool

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

Tehachapi-Cummings County Water District
Notes to Financial Statements
Year Ended June 30, 2017

2) CASH AND INVESTMENTS - Continued

County Pool

Cash funds deposited with the Kern County Treasurer's office are in a pooled money fund. The County of Kern Investment Pool is subject to regulatory oversight by the Treasury Oversight Committee, as required by California Government Code Section 27143. 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. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County for the entire County portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County, which are recorded on an amortized cost basis.

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	1,704,822	-	(1,704,822)	-
Total Capital Assets, Not Being Depreciated	2,484,261	-	(1,704,822)	779,439
Capital Assets Being Depreciated:				
Pumping Plants	9,910,752	2,310,911	-	12,221,663
Mainline Pipeline	4,330,473	-	-	4,330,473
Dam and Reservoir	2,001,598	-	-	2,001,598
Transmission and Distribution System	1,655,114	23,136	-	1,678,250
General Office, Shop, and Equipment	2,862,050	15,909	-	2,877,959
Emissions Reduction	5,476,360	-	-	5,476,360
Water Reclamation	388,990	-	-	388,990
Groundwater Recharge and Recovery	1,385,220	-	-	1,385,220
Flood Control Facilities	220,424	-	-	220,424
Total Capital Assets Being Depreciated	28,230,981	2,349,955	-	30,580,936
Less Accumulated Depreciation:				
Pumping Plants	(4,630,024)	(456,696)	-	(5,086,720)
Mainline Pipeline	(2,439,258)	(57,497)	-	(2,496,755)
Dam and Reservoir	(847,351)	(21,797)	-	(869,148)
Transmission and Distribution System	(1,297,433)	(26,526)	-	(1,323,959)
General Office, Shop, and Equipment	(1,821,303)	(109,214)	-	(1,930,517)
Emissions Reduction	(5,476,360)	-	-	(5,476,360)
Water Reclamation	(38,899)	(7,780)	-	(46,679)
Groundwater Recharge and Recovery	(1,266,054)	(25,269)	-	(1,291,323)
Flood Control Facilities	(6,266)	(267)	-	(6,533)
Total Accumulated Depreciation	(17,822,948)	(705,045)	-	(18,527,993)
Total Capital Assets Being Depreciated, Net	10,408,033	1,644,911	-	12,052,944
Capital Assets, Net of Depreciation	\$ 12,892,294	\$ 1,644,911	\$ (1,704,822)	\$ 12,832,383

Tehachapi-Cummings County Water District
Notes to Financial Statements
Year Ended June 30, 2017

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.

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.

Cash is restricted at June 30, 2017 as follows:

Water Payment Fund	\$ 1,981,092
Improvement District #2	92,538
Improvement District #3	158,315
Assessment Zone #1	754,190
Customer Deposits	45,937
	<u>\$ 3,032,072</u>

5) DEFINED BENEFIT PENSION PLAN

General Information about the Pension Plan

Plan Description – All qualified permanent and probationary employees are eligible to participate in the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (Plan) administered by the California Public Employees’ Retirement System (CalPERS). The Plan consists of individual rate plans (benefit tiers) within a miscellaneous risk pool. Plan assets may be used to pay benefits for any employer rate plan of the miscellaneous pool. Accordingly, rate plans within the miscellaneous pool are not separate plans under GASB Statement No. 68. Individual employers pay sponsor more than one rate plan in the miscellaneous pool. The District sponsors two rate plans. Benefit provisions under the Plan are established by State statute and District resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Tehachapi-Cummings County Water District
Notes to Financial Statements
Year Ended June 30, 2017

5) DEFINED BENEFIT PENSION PLAN - Continued

Benefits Provided – The Plan is a cost-sharing multiple-employer defined benefit pension plan administered by the California Public Employees’ Retirement System (CalPERS). A full description of the pension plan benefit provisions, assumptions for funding purposes but not accounting purposes, and membership information is listed in the June 30, 2015 Annual Actuarial Valuation Report. Details of the benefits provided can be obtained in Appendix B of the June 30, 2015 actuarial valuation report. This report is a publicly available valuation report that can be obtained at CalPERS’ website under Forms and Publications.

The rate plan provisions and benefits in effect at June 30, 2017, are summarized as follows:

	Miscellaneous	
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	2% @ 60	2% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50	50
Monthly benefits, as a % of eligible compensation	2%	2%
Required employee contribution rates	7%	6.50%
Required employer contribution rates	7.953% + \$65,840	6.647% + \$94

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

Beginning in fiscal year 2016, CalPERS collects employer contributions for the Plan as a percentage of payroll for the normal cost portion as noted in the rates above and as a dollar amount for contributions toward the unfunded liability. The dollar amounts are billed on a monthly basis. The District’s required contribution for the unfunded liability was \$65,934 in fiscal year 2017.

The District’s contributions to the Plan for the year ended June 30, 2017 were \$167,497.

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

As of June 30, 2017, the District reported a liability of \$2,094,927 for its proportionate share of the net pension liability. The District’s net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2016, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015 rolled forward to June 30, 2016 using standard update procedures. The District’s proportion of the net pension liability was based on a projection of the District’s long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

Tehachapi-Cummings County Water District
Notes to Financial Statements
Year Ended June 30, 2017

5) DEFINED BENEFIT PENSION PLAN - Continued

The District's proportionate share of the net pension liability as of June 30, 2015 and 2016 was as follows:

	Miscellaneous
Proportion - June 30, 2015	0.05278%
Proportion - June 30, 2016	0.06031%
Change - Increase (Decrease)	-0.00753%

For the year ended June 30, 2017, the District recognized pension expense of \$297,227. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 167,497	\$ -
Differences between actual and expected experience	4,275	-
Changes in assumptions	-	52,470
Change in employer's proportion	101,602	313,695
Differences between employer's contributions and proportionate share of contributions	-	134,554
Net differences between projected and actual earnings on plan investments	273,087	-
Total	\$ 546,461	\$ 500,719

\$167,497 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ending June 30,		
2018	\$	(188,654)
2019		(132,866)
2020		129,033
2021		70,732
2022		-
Thereafter		-

Tehachapi-Cummings County Water District
Notes to Financial Statements
Year Ended June 30, 2017

5) DEFINED BENEFIT PENSION PLAN - Continued

Actuarial Assumptions – The total pension liabilities in the June 30, 2015 actuarial valuations were determined using the following actuarial assumptions:

	Miscellaneous
Valuation date	June 30, 2015
Measurement date	June 30, 2016
Actuarial cost method	entry-age normal
Actuarial assumptions:	
Discount rate	7.65%
Inflation	2.75%
Payroll growth	3.00%
Projected salary increase	(1)
Investment rate of return	7.65%
Mortality	(2)

(1) Varies by entry age and service

(2) Derived using CalPERS' Membership Data for all Funds.

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2015 valuation were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can be found on the CalPERS website.

Discount Rate – The discount rate used to measure the total pension liability was 7.65% for each Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.65 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.65 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

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

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

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

Tehachapi-Cummings County Water District
Notes to Financial Statements
Year Ended June 30, 2017

5) DEFINED BENEFIT PENSION PLAN - Continued

for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

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

Asset Class	New Strategic Allocation	Real Return Years 1 - 10 (1)	Real Return Years 11+ (2)
Global Equity	51%	5.25%	5.71%
Global Fixed Income	19%	0.99%	2.43%
Inflation Sensitive	6%	0.45%	3.36%
Private Equity	10%	6.83%	6.95%
Real Estate	10%	4.50%	5.13%
Infrastructure and Forestland	2%	4.50%	5.09%
Liquidity	2%	-0.55%	-1.05%

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

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

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

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

	Miscellaneous
1% Decrease	6.65%
Net Pension Liability	\$ 3,502,156
Current Discount Rate	7.65%
Net Pension Liability	\$ 2,094,927
1% Increase	8.65%
Net Pension Liability	\$ 931,922

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

Payable to the Pension Plan – At June 30, 2017, the District reported no payables for the year ended June 30, 2017.

Tehachapi-Cummings County Water District
Notes to Financial Statements
Year Ended June 30, 2017

6) LONG-TERM LIABILITIES

2015 Installment Agreement

As of April 1, 2015, the District entered into an installment purchase agreement with Umpqua Bank (Bank), to finance certain improvements to the District's water system (project). The Bank agreed to provide project funds of up to \$7,000,000, of which the District had received \$5,780,810 as of June 30, 2017. The District will be required to repay amounts borrowed upon completion of the project. Installment payments will include principal and interest at 2.51% per annum. Amounts borrowed are secured by net revenues received by the District from ownership and operation of the water system. The future debt service requirements are as follows:

Year Ending June 30,	Principal	Interest	Total
2018	\$ 655,421	\$ 110,863	\$ 766,284
2019	672,207	94,077	766,284
2020	689,138	77,061	766,199
2021	707,071	59,213	766,284
2022	725,180	41,104	766,284
2023	743,752	22,532	766,284
2024	325,863	4,158	330,021
Total	<u>\$ 4,518,632</u>	<u>\$ 409,008</u>	<u>\$ 4,927,640</u>

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 District paid off the outstanding balance of the loan during the fiscal year. Therefore, this loan has fully matured as of June 30, 2017.

The following summarizes long-term liabilities transactions for the year ended June 30, 2017:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Compensated Absences Payable	\$ 195,880	\$ 116,049	\$ 88,454	\$ 223,475	\$ 80,451
Net Pension Liability	1,448,016	646,911	-	2,094,927	-
2015 Installment Agreement	4,801,499	356,187	639,054	4,518,632	655,421
2012 CalPERS Refunding Loan	682,800	-	682,800	-	-
Total Long-term Liabilities	<u>\$ 7,128,195</u>	<u>\$ 1,119,147</u>	<u>\$ 1,410,308</u>	<u>\$ 6,837,034</u>	<u>\$ 735,872</u>

Tehachapi-Cummings County Water District
Notes to Financial Statements
Year Ended June 30, 2017

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:

<u>Type of Coverage</u>	<u>Limits per Occurrence</u>	
	<u>Pooled Self-Insured</u>	<u>Excess Insurance</u>
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

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.

Tehachapi-Cummings County Water District
Notes to Financial Statements
Year Ended June 30, 2017

8) COMMITMENTS AND CONTINGENCIES - Continued

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 \$2,359,233 for the year ended June 30, 2017.

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.

10) IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

GASB 83: This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018.

GASB 86: This Statement establishes reporting requirements for when a government places cash and other monetary assets acquired with only existing resources in an irrevocable trust to extinguish debt. In financial statements using the economic resources measurement focus, governments should recognize any difference between the reacquisition price (the amount required to be placed in the trust) and the net carrying amount of the debt defeased in substance using only existing resources as a separately identified gain or loss in the period of the defeasance. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017.

GASB 87: This Statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

REQUIRED SUPPLEMENTARY INFORMATION

Tehachapi-Cummings County Water District
Required Supplementary Information
For the Year Ended June 30, 2017

Schedule of the District's Proportionate Share of the Net Pension Liability
Last 10 Years*

Measurement Date	Proportion of the Net Pension Liability	Proportionate Share of Net Pension Liability	Covered Employee Payroll	Proportionate Share of the Net Pension Liability as a % of Payroll	Plan Fiduciary Net Position as a % of the Total Pension Liability
2016	0.06031%	\$ 2,094,927	\$ 1,497,937	139.85%	79.96%
2015	0.05280%	1,448,016	1,339,895	108.07%	85.62%
2014	0.06760%	1,670,715	1,164,070	143.52%	83.02%

*Fiscal year 2015 was the first year of implementation, therefore, not all 10 years of information are available.

Notes to schedule:

Benefit Changes: none

Changes in assumptions: none

Tehachapi-Cummings County Water District
Required Supplementary Information
For the Year Ended June 30, 2017

Schedule of Plan Contributions
Last 10 Years*

Fiscal Year	Contractually Required Contributions	Contributions in Relation to the Actuarially Determined Contributions	Contribution Deficiency/ (Excess)	Covered Employee Payroll	Contributions as a % of Covered Employee Payroll
2017	\$ 167,497	\$ (167,497)	\$ -	\$ 1,525,054	10.98%
2016	218,649	(218,649)	-	1,497,937	14.60%
2015	199,443	(199,443)	-	1,339,895	14.88%

*Fiscal year 2015 was the first year of implementation, therefore, not all 10 years of information are available.

Notes to the Schedule of Plan Contributions

Valuation Date: 6/30/2015

SUPPLEMENTARY INFORMATION

Tehachapi-Cummings County Water District
Rate Covenant
Year Ended June 30, 2017

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 1.25 times the sum of: (1) the annual loan repayments due each fiscal year, and (2) 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 the 2016-17 fiscal year is as follows:

Rate Covenant: Net Revenues + all other available revenues
Installation payments due in the fiscal year

The rate covenant is calculated as follows:

General Activities:	
Operating Revenue	\$ 3,377,495
Nonoperating Revenue	5,015,461
Total Gross Revenue	<u>8,392,956</u>
Less: Operation and Maintenance Expenses	(7,733,188)
Add: Depreciation Expense	705,045
Add: Interest Expense	<u>137,272</u>
Net Revenues	<u>\$ 1,502,085 (a)</u>
Annual Debt Service:	
2015 Installment Agreement - Principal	\$ 639,054
2015 Installment Agreement - Interest	125,235
2012 Refunding Loan - Principal	331,200
2012 Refunding Loan - Interest	<u>23,220</u>
Total Debt Service in Fiscal Year 2016-17	<u>\$ 1,118,709 (b)</u>
Rate Covenant Calculation (a)/(b):	1.34 %

Tehachapi-Cummings County Water District
Combining Schedule of Net Position
June 30, 2017

	General Activities	Major Repairs	Tax Revenue Liability	Emergency Fund	Water Payment Fund
ASSETS					
Current Assets:					
Cash and Cash Equivalents	\$ 4,758,421	\$ 1,250,298	\$ 385,881	\$ 307,582	\$ -
Accounts Receivable	570,341	-	-	-	-
Accrued Interest Receivable	12,758	3,260	1,006	802	5,165
Taxes Receivable	12,834	-	-	-	4,564
Grant Receivables	-	-	-	-	-
Other Receivables	4,190	-	-	-	-
Due from Other Funds	9,087	-	-	-	-
Prepaid Expenses and Refundable Deposits	28,847	-	-	-	-
Total Current Assets	<u>5,396,478</u>	<u>1,253,558</u>	<u>386,887</u>	<u>308,384</u>	<u>9,729</u>
Noncurrent Assets:					
Restricted Assets:					
Cash and Cash Equivalents	45,937	-	-	-	1,981,092
Total Restricted Assets	<u>45,937</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,981,092</u>
Capital Assets:					
Land	680,084	-	-	-	-
Pumping Plants	12,221,663	-	-	-	-
Mainline Pipeline	4,330,473	-	-	-	-
Dam and Reservoir	2,001,598	-	-	-	-
Transmission and Distribution System	1,678,250	-	-	-	-
General Office, Shop and Equipment	2,877,959	-	-	-	-
Emissions Reduction	5,476,360	-	-	-	-
Water Reclamation	388,990	-	-	-	-
Groundwater Banking and Recovery	1,385,220	-	-	-	-
Flood Control Facilities	6,580	-	-	-	-
Land Not In Use	99,355	-	-	-	-
Total Capital Assets	31,146,532	-	-	-	-
Less Accumulated Depreciation	<u>(18,527,993)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Capital Assets, Net of Accumulated Depreciation	<u>12,618,539</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Noncurrent Assets	<u>12,664,476</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,981,092</u>
Total Assets	<u>18,060,954</u>	<u>1,253,558</u>	<u>386,887</u>	<u>308,384</u>	<u>1,990,821</u>
DEFERRED OUTFLOW OF RESOURCES					
Deferred Outflows Related to Pensions	546,461	-	-	-	-

Improvement District No. 2	Improvement District No. 3	Assessment Zone No. 1	Water Banking Reserve	Proposition 84 Grant	Water Rate Stabilization	Totals
\$ -	\$ -	\$ -	\$ 1,315,011	\$ -	\$ 307,355	\$ 8,324,548
-	-	-	-	-	-	570,341
241	413	1,966	3,429	-	801	29,841
7	16	173	-	-	-	17,594
-	-	-	-	49,890	-	49,890
-	-	-	-	-	-	4,190
-	-	-	-	-	-	9,087
-	-	3,048	-	-	-	31,895
<u>248</u>	<u>429</u>	<u>5,187</u>	<u>1,318,440</u>	<u>49,890</u>	<u>308,156</u>	<u>9,037,386</u>
<u>92,538</u>	<u>158,315</u>	<u>754,190</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,032,072</u>
<u>92,538</u>	<u>158,315</u>	<u>754,190</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,032,072</u>
-	-	-	-	-	-	680,084
-	-	-	-	-	-	12,221,663
-	-	-	-	-	-	4,330,473
-	-	-	-	-	-	2,001,598
-	-	-	-	-	-	1,678,250
-	-	-	-	-	-	2,877,959
-	-	-	-	-	-	5,476,360
-	-	-	-	-	-	388,990
-	-	-	-	-	-	1,385,220
5,907	197,208	10,729	-	-	-	220,424
-	-	-	-	-	-	99,355
<u>5,907</u>	<u>197,208</u>	<u>10,729</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>31,360,376</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(18,527,993)</u>
<u>5,907</u>	<u>197,208</u>	<u>10,729</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,832,383</u>
<u>98,445</u>	<u>355,523</u>	<u>764,919</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,864,455</u>
<u>98,693</u>	<u>355,952</u>	<u>770,106</u>	<u>1,318,440</u>	<u>49,890</u>	<u>308,156</u>	<u>24,901,841</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>546,461</u>

Continued

Tehachapi-Cummings County Water District
Combining Schedule of Net Position - Continued
June 30, 2017

	General Activities	Major Repairs	Tax Revenue Liability	Emergency Fund	Water Payment Fund
LIABILITIES AND FUND BALANCES					
Current Liabilities:					
Accounts Payable	\$ 588,660	\$ -	\$ -	\$ -	\$ -
Accrued Wages Payable	103,191	-	-	-	-
Due to Other Funds	-	-	-	-	-
Current Portion of Long-term Debt	735,872	-	-	-	-
Total Current Liabilities	<u>1,427,723</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Noncurrent Liabilities:					
Compensated Absences Payable	143,024	-	-	-	-
Loan Payable, Less Current Portion	3,863,211	-	-	-	-
Net Pension Liability	2,094,927	-	-	-	-
Total Noncurrent Liabilities	<u>6,101,162</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>7,528,885</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred Inflows Related to Pensions	500,719	-	-	-	-
NET POSITION					
Net Investment in Capital Assets	8,099,907	-	-	-	-
Restricted	-	-	-	-	1,990,821
Unrestricted	2,477,904	1,253,558	386,887	308,384	-
Total Net Position	<u>\$ 10,577,811</u>	<u>\$ 1,253,558</u>	<u>\$ 386,887</u>	<u>\$ 308,384</u>	<u>\$ 1,990,821</u>

Improvement District No. 2	Improvement District No. 3	Assessment Zone No. 1	Water Banking Reserve	Proposition 84 Grant	Water Rate Stabilization	Totals
\$ -	\$ -	\$ -	\$ -	\$ 1,120	\$ -	\$ 589,780
-	-	-	-	-	-	103,191
-	-	-	-	9,087	-	9,087
-	-	-	-	-	-	735,872
-	-	-	-	10,207	-	1,437,930
-	-	-	-	-	-	143,024
-	-	-	-	-	-	3,863,211
-	-	-	-	-	-	2,094,927
-	-	-	-	-	-	6,101,162
-	-	-	-	10,207	-	7,539,092
-	-	-	-	-	-	500,719
5,907	197,208	10,729	-	-	-	8,313,751
92,786	158,744	759,377	-	-	-	3,001,728
-	-	-	1,318,440	39,683	308,156	6,093,012
<u>\$ 98,693</u>	<u>\$ 355,952</u>	<u>\$ 770,106</u>	<u>\$ 1,318,440</u>	<u>\$ 39,683</u>	<u>\$ 308,156</u>	<u>\$ 17,408,491</u>

Tehachapi-Cummings County Water District
Combining Schedule of Revenues, Expenses and Change in Net Position
Year Ended June 30, 2017

	General Activities	Major Repairs	Tax Revenue Liability	Emergency Fund	Water Payment Fund
Operating Income					
Water Sales	\$ 3,283,122	\$ -	\$ -	\$ -	\$ -
Water Services	94,373	-	-	-	-
Total Operating Income	<u>3,377,495</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Operating Expenses					
Source of Supply	39,506	-	-	-	2,319,727
Pumping	3,717,915	-	-	-	-
Transmission and Distribution	1,566,557	-	-	-	-
General and Administrative	1,566,893	-	-	-	6,312
Depreciation	705,045	-	-	-	-
Total Operating Expenses	<u>7,595,916</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,326,039</u>
Operating Income (Loss)	<u>(4,218,421)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,326,039)</u>
Non-Operating Revenues (Expenses)					
Taxes and Assessments	4,944,872	-	-	-	2,920,950
Benefit Assessments	-	-	-	-	-
Grant Revenue	-	-	-	-	-
Interest and Penalties	31,912	12,521	3,865	3,081	13,343
Interest Expense	(137,272)	-	-	-	-
Gain on Sale of Capital Assets	-	-	-	-	-
Other	38,677	-	-	-	-
Total Non-Operating Revenues (Expenses)	<u>4,878,189</u>	<u>12,521</u>	<u>3,865</u>	<u>3,081</u>	<u>2,934,293</u>
Income Before Transfers	659,768	12,521	3,865	3,081	608,254
Tranfers Between Funds	266,040	-	-	-	-
Capital Contributions	-	-	-	-	-
Change in Net Position	925,808	12,521	3,865	3,081	608,254
Net Position - Beginning of Year	<u>9,652,003</u>	<u>1,241,037</u>	<u>383,022</u>	<u>305,303</u>	<u>1,382,567</u>
Net Position - End of Year	<u>\$ 10,577,811</u>	<u>\$ 1,253,558</u>	<u>\$ 386,887</u>	<u>\$ 308,384</u>	<u>\$ 1,990,821</u>

Improvement District No. 2	Improvement District No. 3	Assessment Zone No. 1	Water Banking Reserve	Proposition 84 Grant	Water Rate Stabilization	Totals
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,283,122
-	-	-	-	-	-	94,373
-	-	-	-	-	-	3,377,495
-	-	-	-	-	-	2,359,233
-	-	-	-	-	-	3,717,915
-	-	-	-	-	-	1,566,557
257	20,853	39,477	-	64,594	-	1,698,386
-	-	-	-	-	-	705,045
257	20,853	39,477	-	64,594	-	10,047,136
(257)	(20,853)	(39,477)	-	(64,594)	-	(6,669,641)
3,559	6,949	-	-	-	-	7,876,330
-	-	100,977	-	-	-	100,977
-	-	-	-	41,399	-	41,399
901	1,691	7,185	15,142	-	3,077	92,718
-	-	-	-	-	-	(137,272)
-	-	-	-	-	-	-
-	-	-	-	-	-	38,677
4,460	8,640	108,162	15,142	41,399	3,077	8,012,829
4,203	(12,213)	68,685	15,142	(23,195)	3,077	1,343,188
-	-	-	(266,040)	-	-	-
-	-	-	-	-	-	-
4,203	(12,213)	68,685	(250,898)	(23,195)	3,077	1,343,188
94,490	368,165	701,421	1,569,338	62,878	305,079	16,065,303
<u>\$ 98,693</u>	<u>\$ 355,952</u>	<u>\$ 770,106</u>	<u>\$ 1,318,440</u>	<u>\$ 39,683</u>	<u>\$ 308,156</u>	<u>\$ 17,408,491</u>

STATISTICAL SECTION

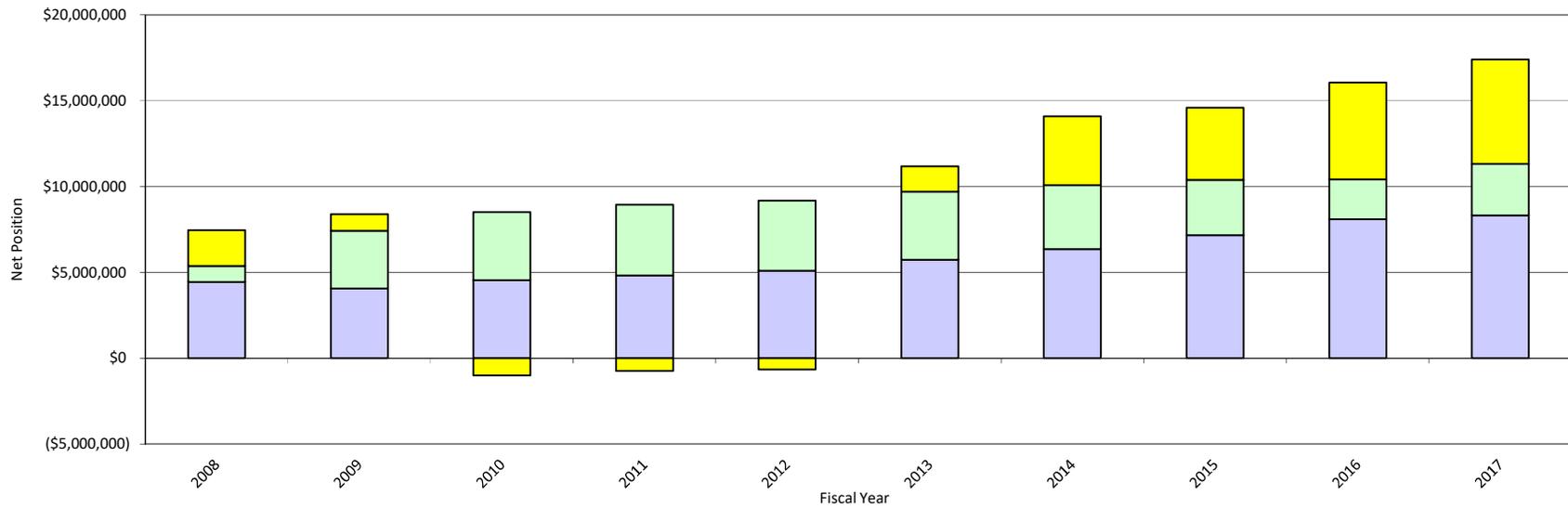
STATISTICAL SECTION

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 government's overall financial health.

CONTENTS	PAGE
Financial Trends These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.	41
Revenue Capacity These schedules contain information to help the reader assess the government's most significant local revenue source and property tax revenues. Additional information is provided for the agency's other significant own-source revenue, water rates and charges.	43
Debt Capacity These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.	50
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.	53

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

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Primary government										
Net investment in capital assets	\$ 4,447,542	4,061,009	4,547,984	4,817,714	5,097,703	5,730,318	6,365,364	7,171,929	8,090,795	8,313,751
Restricted	931,863	3,367,140	3,961,631	4,118,597	4,082,001	3,974,312	3,721,841	3,213,736	2,332,799	3,001,728
Unrestricted	2,081,248	970,116	(1,003,506)	(736,140)	(657,746)	1,469,712	4,016,721	4,214,735	5,641,709	6,093,012
Total primary government net position	7,460,653	8,398,265	7,506,109	8,200,171	8,521,958	11,174,342	14,103,926	14,600,400	16,065,303	17,408,491



Notes: 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 for a CalPERS side fund balance. That side-fund was paid in full in June 2012 with a new six-year financing in the amount of \$1,719,700. Note: Loan balance paid-in-full December 2016.

GASB 68 relating to the booking of net pension liability became effective in fiscal year 2015. A prior period adjustment of (\$2,079,960) affects unrestricted net position in 2015.

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

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Operating Revenue										
Water sales	\$ 3,212,744	2,320,361	1,666,603	2,213,642	2,153,752	3,628,628	4,238,640	2,911,318	2,752,766	3,283,122
Water services	2,660	21,918	30,508	58,817	109,721	170,070	212,374	83,084	74,792	94,373
Total Operating Revenue	3,215,404	2,342,279	1,697,111	2,272,459	2,263,473	3,798,698	4,451,014	2,994,402	2,827,558	3,377,495
Operating Expenses										
Source of supply	1,871,526	2,157,524	1,948,106	2,039,033	1,807,335	2,012,630	2,251,965	2,175,844	2,930,542	2,359,233
Pumping	3,904,314	2,408,043	2,701,969	3,078,163	2,825,975	2,991,849	2,869,507	2,704,953	2,566,889	3,717,915
Transmission and distribution	1,184,682	1,123,787	836,386	854,949	805,735	811,078	970,506	859,971	1,097,929	1,566,557
General and administrative	1,885,579	2,476,398	1,159,459	1,141,240	1,184,938	1,231,926	1,209,872	1,720,254	1,473,593	1,698,386
Depreciation expense	791,164	752,775	405,449	513,231	407,561	394,875	389,980	384,693	507,970	705,045
Total Operating Expenses	9,637,265	8,918,527	7,051,369	7,626,616	7,031,544	7,442,358	7,691,830	7,845,715	8,576,923	10,047,136
Operating Loss	(6,421,861)	(6,576,248)	(5,354,258)	(5,354,157)	(4,768,071)	(3,643,660)	(3,240,816)	(4,851,313)	(5,749,365)	(6,669,641)
Non-Operating Revenue (Expense)										
Taxes and assessments	6,637,647	6,962,832	6,093,875	5,906,378	4,907,756	6,127,627	6,038,683	6,771,443	6,818,390	7,876,330
Benefit assessments	3,226	19,276	92,727	103,651	127,549	102,308	116,543	116,317	109,594	100,977
Grant Revenue	-	-	-	-	-	-	-	327,977	108,707	41,399
Interest and penalties	174,634	86,188	72,193	44,192	19,340	30,210	29,140	46,178	63,310	92,718
Interest expense	(139,865)	(119,528)	(112,115)	(89,503)	(68,461)	(103,447)	(82,259)	(48,827)	(91,729)	(137,272)
Gain (Loss) on sale of assets	(10,486)	(9,532)	(92,734)	-	7,100	8,030	4,600	6,169	112,500	-
Other revenues	101,478	574,624	148,403	137,121	96,574	114,916	63,693	208,490	93,496	38,677
Capital grants and contributions	-	-	446,618	152,689	-	16,400	-	-	-	-
Total Non-Operating Revenue (Expense)	6,766,634	7,513,860	6,648,967	6,254,528	5,089,858	6,296,044	6,170,400	7,427,747	7,214,268	8,012,829
Change in Net Position	344,773	937,612	1,294,709	900,371	321,787	2,652,384	2,929,584	2,576,434	1,464,903	1,343,188
Net Position - Beginning of year	7,115,880	7,460,653	8,398,265	7,506,109	8,200,171	8,521,958	11,174,342	14,103,926	14,600,400	16,065,303
Prior Period Adjustment	-	-	(2,186,865)	(206,309)	-	-	-	(2,079,960)	-	-
Net Position - End of year	\$ 7,460,653	8,398,265	7,506,109	8,200,171	8,521,958	11,174,342	14,103,926	14,600,400	16,065,303	17,408,491

Note: Prior period adjustments are as follows: 2010 - CalPERS side fund pension-related debt; 2011 - prior-period depreciation; 2015 - net pension liability per GASB 68.

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

Fiscal Year	Real Property	Personal Property	Less: Tax Exempt Real Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value¹ as a Percentage of Actual Value
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%
2015	3,075,911	1,023,045	40,826	4,058,130	0.387	3,820,487	107.29%
2016	3,112,215	1,085,786	42,427	4,155,574	0.379	3,472,546	120.89%
2017	3,248,729	933,818	41,468	4,141,079	0.694	3,722,157	112.37%

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.

¹ 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	
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
2015	0.038749	1.000000	0.011259	0.063958	0.073485	0.010450	1.197901
2016	0.037867	1.000000	0.013572	0.044537	0.078107	0.013571	1.187654
2017	0.069397	1.000000	0.013180	0.053490	0.080016	0.015316	1.231399

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
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%
2015	4,666,872	4,664,301	99.94%	4,355	4,668,656	2,571	0.06%
2016	4,756,897	4,753,678	99.93%	(10,513)	4,743,165	3,219	0.07%
2017	4,695,481	4,690,481	99.89%	(18,320)	4,672,161	5,000	0.11%

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 ¹	Total Collections	Delinquent Tax	
		Amount	Percentage of Levy	Amount	Amount	Amount	Percentage of Levy
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%
2015	1,838,998	1,838,406	99.97%	52,883	1,891,289	592	0.03%
2016	1,845,559	1,817,559	98.48%	32,956	1,850,515	28,000	1.52%
2017	2,924,384	2,871,752	98.20%	(7,952)	2,863,800	52,632	1.80%

[1] Includes penalties and redemptions

Source: Kern Count Auditor-Controller

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

Property Owner	2017			2008		
	Assessed Value	Rank	Percentage of Total	Assessed Value	Rank	Percentage of Total
Alta Wind I Owner Lessor ABCD	\$ 315,039,001	1	7.61%			
Alta Wind XI LLC	174,194,995	2	4.21%			
Alta Wind II Owner Lessor ABCDE	135,326,175	5	3.27%			
Coram California Development LP	129,617,179	4	3.13%			
Calaveras Cement Co	117,490,678	6	2.84%	29,925,163	3	0.95%
California Portland Cement Co	110,147,958	3	2.66%	114,866,919	1	3.66%
Mustang Hills LLC	103,957,920	7	2.51%			
Windstar Energy LLC	98,202,411	8	2.37%			
Sunselect Prod Cal Inc	62,121,643	9	1.50%			
Crystal Organics Farms LLC	19,203,408	10	0.46%			
GE Wind Energy LLC				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%
Total	1,265,301,368		30.56%	244,326,785		7.79%
Total Assessed Value	4,141,079,073		100.00%	3,134,483,172		100.00%

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 Eight Years Ago**

Customer	2017			2009		
	Annual Water Sales	Rank	Percentage of Total	Annual Water Sales	Rank	Percentage of Total
Bornt & Sons Farms	\$ 1,194,739	1	29.12%	\$ 477,954	1	20.41%
Crystal Organic Farms	1,036,089	2	25.25%			
Golden Hills Community Services Dist	275,734	3	6.72%			
Bear Valley Community Services Dist	197,308	4	4.81%	285,913	2	12.21%
City of Tehachapi	108,173	5	2.64%	91,503	7	3.91%
Lehr Brothers f.k.a. Kundert Brothers Farms	97,719	6	2.38%	91,824	6	3.92%
Stallion Springs Community Svc Dist.	92,240	7	2.25%	46,305	9	1.98%
Valley Sod f.k.a. Tehachapi Turf	64,240	8	1.57%	106,256	5	4.54%
California Correctional Institute	43,329	9	1.06%	167,669	3	7.16%
Sun Select	26,514	10	0.65%			
Oak Tree Affiliates				115,948	4	4.95%
California Portland Cement Co.				90,698	8	3.87%
Jin Chung				39,293	10	1.68%
Total	3,136,083		76.43%	1,513,363		64.61%
Total Water Sales	4,103,266		100.00%	2,342,279		100.00%

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

Water Sales Revenue					
Fiscal Year	Agricultural	Municipal & Industrial	Surplus	Recycled	Total
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
2015	2,053,503	703,478	204,530	32,891	2,994,402
2016	2,080,546	557,717	247,291	13,913	2,899,467
2017	2,472,006	856,251	-	34,106	3,362,363

Quantity of Imported Water Sold (acre feet) ¹					
Year	Agricultural	Municipal & Industrial	Surplus	Recycled	Total
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	5,100	200	10,881
2013	4,239	2,359	3,227	257	10,082
2014	5,468	1,562	226	393	7,649
2015	4,349	1,309	226	158	6,042
2016	5,679	1,371	226	357	7,633

Note: [1]: 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**

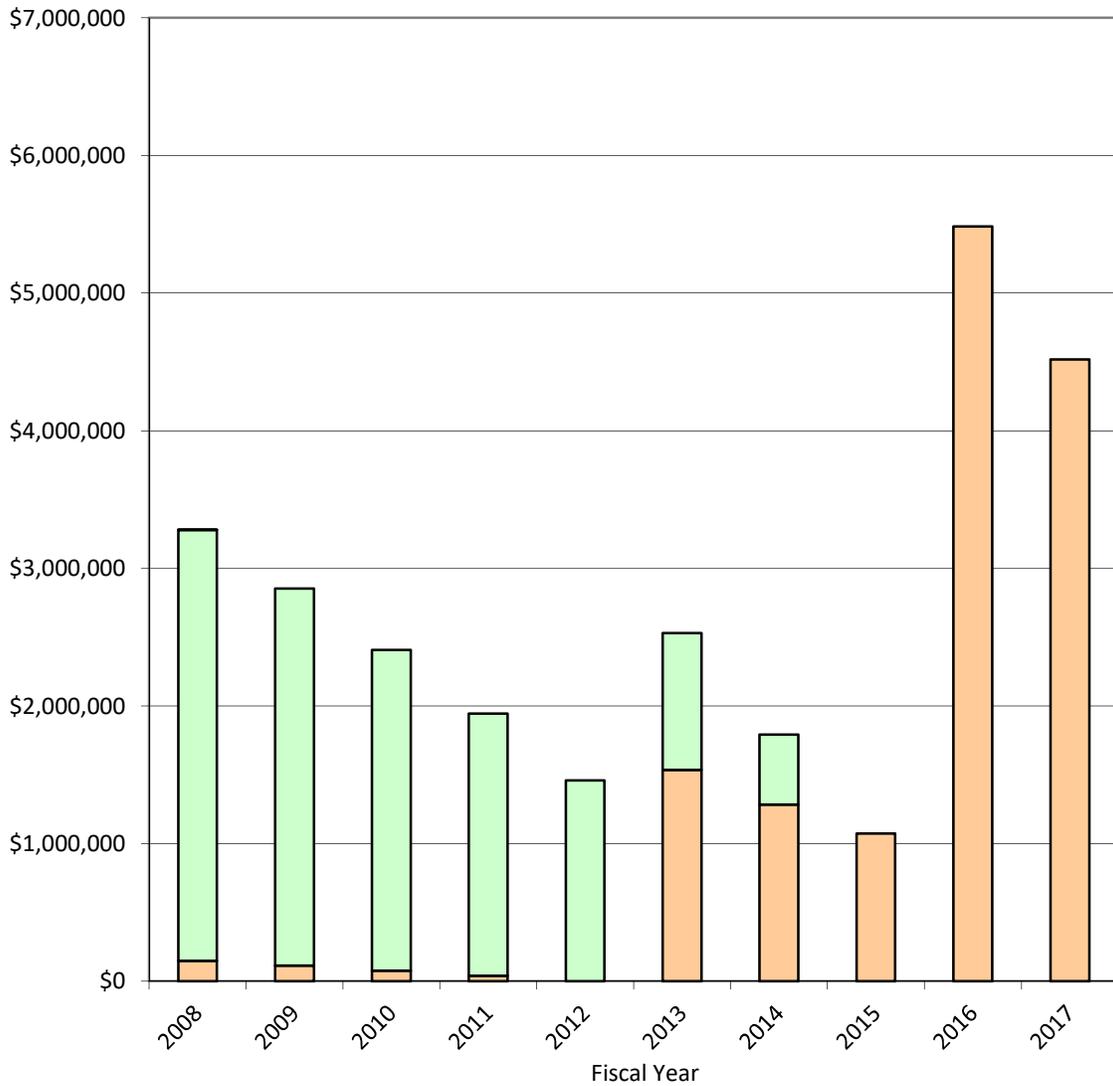
Fiscal Year	Monthly Meter Charge	Commodity Charge Per Acre Foot						
	All Customers	Agricultural			Term Municipal and Industrial			Regular Municipal Industrial (All Zones)
		Pressure Zone 1	Pressure Zone 2	Pressure Zone 3	Pressure Zone 1	Pressure Zone 2	Pressure Zone 3	
2008	4.50	318.00	318.00	318.00	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
2015	4.50	363.00	456.00	676.00	363.00	456.00	676.00	1385.00
2016	4.50	363.00	436.00	676.00	363.00	436.00	676.00	1385.00
2017	4.50	363.00	436.00	676.00	363.00	436.00	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 / Installment Purchases	Certificates of Participation	Debt	Per Capita	As a Share of Personal Income
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%
2015	-	1,074,252	-	1,074,252	28.30	0.10%
2016	-	5,484,300	-	5,484,300	153.62	0.49%
2017	-	4,518,632	-	4,518,632	125.67	0.39%



**Tehachapi-Cummings County Water District
Direct and Overlapping Debt
As of June 30, 2017**

	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
Overlapping Debt:			
Tehachapi Unified School District	\$ 13,332,000	97.10%	\$ 12,945,972
Kern Community College District	307,944,368	5.61%	17,278,035
Bear Valley Community Service Dist.	792,000	100.00%	792,000
Tehachapi Valley Healthcare District	61,894,072	94.92%	<u>58,749,408</u>
Total overlapping debt			89,765,415
TCCWD Direct Debt	4,518,632	100.00%	<u>4,518,632</u>
Total direct and overlapping debt			<u><u>\$ 94,284,047</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									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Debt limit	\$ 470,172	\$ 506,659	\$ 513,275	\$ 528,585	\$ 522,581	\$ 574,322	\$ 569,270	\$ 614,843	\$ 629,700	\$ 627,382
Total debt applicable to limit	3,279	2,854	2,408	1,945	1,460	2,531	1,793	1,074	5,484	4,519
Legal Debt Margin	<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>	<u>\$ 613,769</u>	<u>\$ 624,216</u>	<u>\$ 622,863</u>
Total debt applicable to the limit as a percentage of debt limit	0.7%	0.6%	0.5%	0.4%	0.3%	0.4%	0.3%	0.2%	0.9%	0.7%

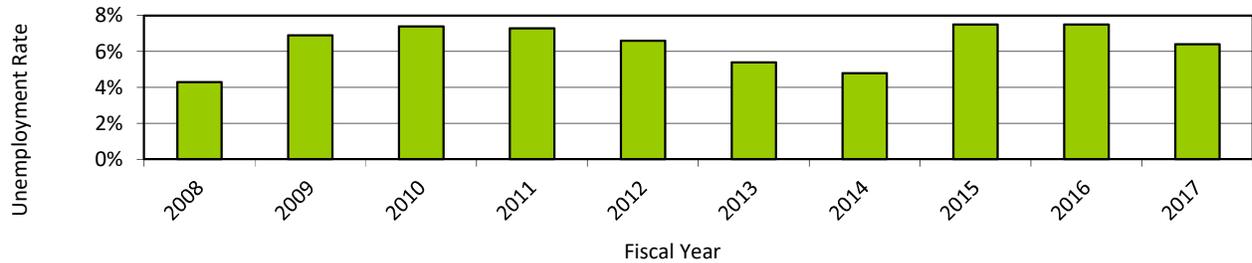
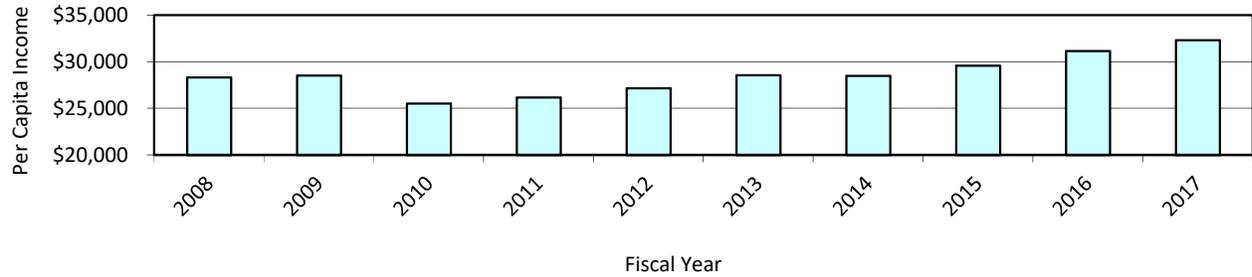
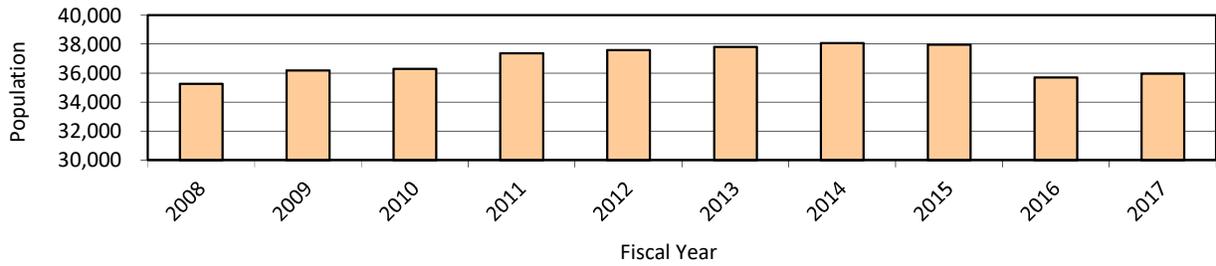
Legal Debt Margin Calculation for Fiscal Year 2017

Assessed value	\$ 4,141,079
Add back: exempt real property	41,468
Total assessed value	<u>4,182,547</u>
Debt limit (15% of total assessed value)	627,382
Debt applicable to limit:	
General obligation bonds	-
Bank loans / Installment Purchases	4,519
Certificates of participation	-
Total debt applicable to limit	<u>4,519</u>
Legal debt margin	<u>\$ 622,863</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 ¹	Personal Income (expressed in thousands)	Personal Income per Capita ²	Unemployment Rate ³
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%
2015	37,964	1,122,599	29,570	7.5%
2016	35,700	1,112,347	31,158	7.5%
2017	35,957	1,161,697	32,308	6.4%



Sources: [1] Kern Council of Governments and California Department of Finance. 2016 figure is from the 2015 Regional Urban Water Management Plan (RUWMP).
 [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 Five Years Ago**

Employer	Production/Services	2017		2012	
		Employees	Rank	Employees	Rank
California Correctional Inst.	State prison	1,678	1	1,911	1
Tehachapi Unified School D.	Public school system	542	2	464	2
Tehachapi Hospital	Healthcare	175	3	175	3
Lehigh Southwest Cement	Cement production	120	4	120	5
Home Depot	Retail store	115	5	115	6
Albertson's Supermarket	Retail grocery store	93	6	112	7
K Mart	Retail store	88	7	107	8
Benz Sanitation	Trash/septic/propane	70	8	70	9
City of Tehachapi	Government	58	9		
SaveMart Supermarket	Retail grocery store	51	10	65	10
GE Energy	Wind energy production/manuf.			150	4
Total		2,990		3,289	

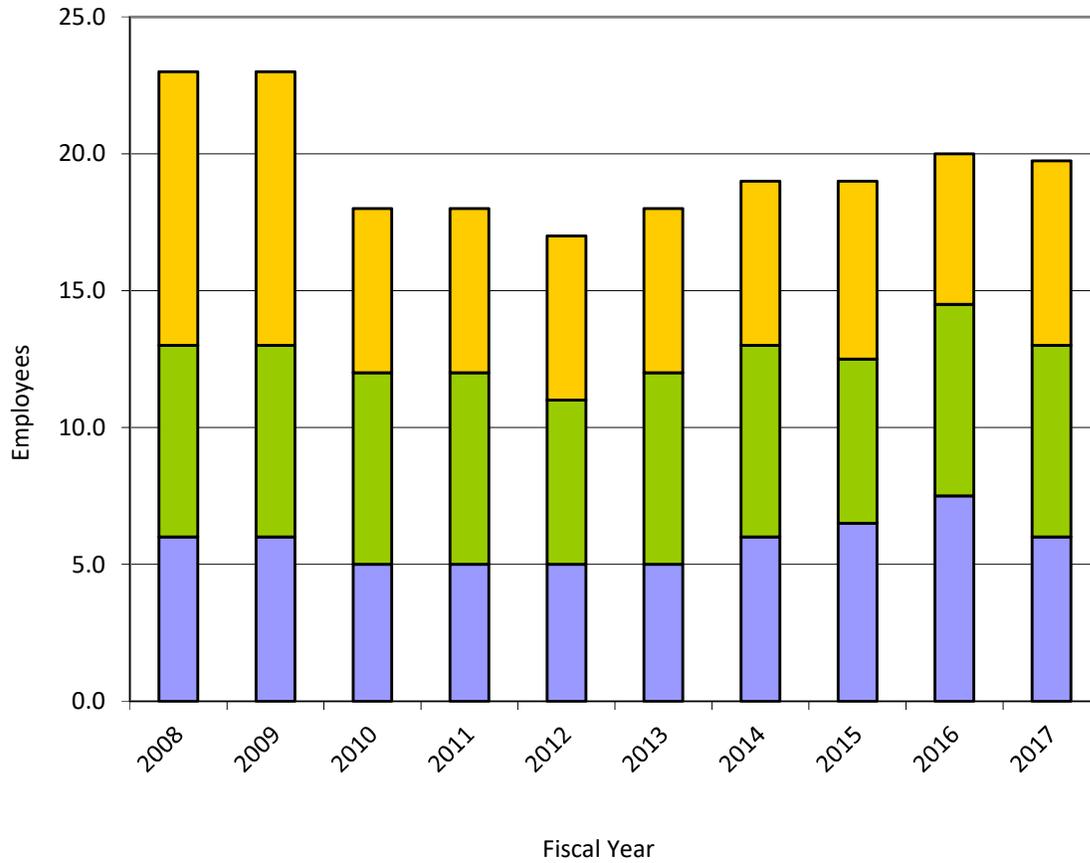
Source: Greater Tehachapi Chamber of Commerce.

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
2008	6.0	7.0	10.0	23.0
2009	6.0	7.0	10.0	23.0
2010	5.0	7.0	6.0	18.0
2011	5.0	7.0	6.0	18.0
2012	5.0	6.0	6.0	17.0
2013	5.0	7.0	6.0	18.0
2014	6.0	7.0	6.0	19.0
2015	6.5	6.0	6.5	19.0
2016	7.5	7.0	5.5	20.0
2017	6.0	7.0	6.8	19.8



**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 ¹ on June 30	Year	State Water Imported	State Water Project Allocation	System Losses % of SWP	Watermaster Statistics				
							Groundwater Pumping (AF)			Banked Water (AF) ²	
							Tehachapi Basin	Cummings Basin	Brite Basin	Tehachapi Basin	Cummings Basin
2008	1,350	0	2007	7,868	60%	13.3%	4,632	3,729	328	4,634	6,811
2009	1,527	0	2008	6,304	35%	19.2%	5,127	3,964	328	4,283	6,934
2010	1,491	0	2009	5,856	40%	21.4%	4,589	4,406	346	4,476	7,640
2011	1,340	0	2010	6,166	50%	12.7%	4,252	3,650	345	4,856	8,756
2012	1,015	9,379	2011	6,004	80%	9.5%	4,471	2,875	346	7,108	8,764
2013	1,051	8,396	2012	6,890	65%	12.6%	4,304	2,881	347	7,372	9,191
2014	1,310	4,020	2013	7,367	35%	9.1%	5,302	3,404	347	7,276	9,597
2015	1,366	2,520	2014	4,357	5%	22.3%	5,555	3,287	347	4,903	8,973
2016	817	2,520	2015	5,160	20%	16.6%	5,541	3,629	347	4,572	8,510
2017	1,407	2,520	2016	7,639	60%	12.6%	5,934	3,569	333	3,953	9,147

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.