



Bear Valley Community Services District
Tehachapi, California

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2013



Charles Z. Fedak & Company

Certified Public Accountants
An Accountancy Corporation

BEAR VALLEY COMMUNITY SERVICES DISTRICT

List of Elected and Appointed Officials

June 30, 2013

Elected Officials

BOARD OF DIRECTORS

President	Richard Zanutto
Vice-President	William Mason
Director	Charlene LaClaire
Director	Al Romano
Director	Bonnie Shea

Appointed Officials

General Manager	Jeff Hodge
Assistant General Manager	Sandy Janzen
Finance Director	Rudy Hernandez
Chief of Police	Rod Walthers
Superintendent of Public Works	Larry Tuma

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Bear Valley Community Services District
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2013

Prepared by:
Finance Department
Rudy Hernandez, Finance Director

**Bear Valley Community Services District
Annual Financial Report
For the Fiscal Year Ended June 30, 2013**

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Introductory Section



October 31, 2013

To the Board of Directors and Citizens of the Bear Valley Community Services District:

State law requires that all general-purpose 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 principals (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the Bear Valley Community Services District for the fiscal year ended June 30, 2013.

This report consists of management's representations concerning the finances of the Bear Valley Community Services 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 Bear Valley Community Services 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 Bear Valley Community Services District's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the Bear Valley Community Services 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 Bear Valley Community Services District's financial statements have been audited by Charles Z. Fedak & Company, Certified Public Accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Bear Valley Community Services District for the fiscal year ended June 30, 2013 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the Bear Valley Community Services District's financial statements for the fiscal year ended June 30, 2013, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component 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 Bear Valley Community Services District's MD&A can be found immediately following the report of the independent auditor.

Profile of the Bear Valley Community Services District

The Bear Valley Community Services District was organized May 4, 1970, under provisions of the California Community Services District Law (Sections 61000 et seq. of the Government Code of the State of California) to provide and acquire municipal facilities for Bear Valley Springs, a 25,000 acre master planned, four season, low density recreational residential community. Bear Valley Springs is located in the Tehachapi Mountains, eleven miles west of the City of Tehachapi in eastern Kern County, 123 miles north of Los Angeles. Bear Valley Springs comprises a broad grassland valley at an average elevation of 4,000 feet, surrounded by mountains rising to over 6,900 feet. Over 8,500 acres are set aside for wilderness and green belt areas. Homesites have been limited to 3,800 with current assessable lots of 3,550 due to consolidation of existing lots over the years. Residential lots range in size from 1/3 acre to over 100 acres. Approximately 2 acres is devoted to commercial use.

The Bear Valley Community Services District is governed by a five-member Board of Directors which is elected on a non-partisan basis by qualified voters in the District to four-year terms. 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 passing ordinances, 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.

Under law, community services districts may perform a variety of municipal services if authorized to do so by the residents thereof. Bear Valley Community Services District currently provides water, wastewater, police, roads, solid waste, parks and recreation, post office and certain other services. The District serves a population of approximately 6,000 residents based on the 2010 U.S. census.

The annual budget serves as the foundation for the Bear Valley Community Services District's financial planning and control. All departments of the Bear Valley Community Services District are required to submit requests for appropriations to the general manager on or before March 20 each year. The general manager, together with the treasurer and the Finance 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 appropriated budget is prepared by fund (e.g. general) and department (e.g. police), which is the legal level of budgetary control. Department heads may make transfers of appropriations within a department (e.g. underspend on small tools and overspend on office supplies). Transfers of appropriations between departments, however, require the specific approval of the Board. Budget-to-actual comparisons are provided in this report for each individual fund maintained by the District. For governmental funds this comparison is presented beginning on page 53. For enterprise funds the comparison is presented beginning on page 57.

Factors Affecting Financial Condition

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

Local economy – Since Bear Valley Community Services District receives no sales taxes, fuel taxes or other revenues that are sensitive to the business cycle, revenues tend to be stable over time. Property taxes are the main source of general revenues. Due to the booming housing market that prevailed from 2002 to 2006, the market value of residential properties has increased sharply with the result that the assessed valuation of the District has increased much more rapidly than just a few years ago. However, the growth rate for fiscal 2013 was much lower than the recent trend because the housing bubble burst. Going forward, the rate of growth could be in the low single-digits for a while. Although property tax revenues are higher now than in previous years, there will probably be very little growth in this primary revenue source for the next few years, until the housing market stabilizes.

Bear Valley has been affected little compared to other communities, because there is no tract housing in the community; therefore, there is not an excessive inventory of houses for sale and foreclosures have not yet become an issue. Property tax revenues fund 58% of public safety. Management will closely monitor the situation.

The recent development boom had also brought in development (capacity) fees for water and wastewater systems. That money can be used for future capital projects to increase the District's water and wastewater capacity and to retire debt associated with the projects. During fiscal year 2013, there was a further curtailment of the number of new water and sewer connections, due to the slow real estate market, a trend that began early in fiscal year 2008. The number of new connections during the year was far less than the long-term averages.

Long-term financial planning. The Board approves a three-year capital improvement plan as part of the annual budget. The approved plan can be accomplished with current revenues and reserves and no outside borrowing. However, short-term internal borrowing may be required.

Cash management policies and practices. Cash temporarily idle during the year was invested in the Local Agency Investment Fund of the State Treasurer and the Kern County Treasury Pool. Both of these pooled investment accounts are considered completely liquid since the District has next-day access to its monies. The average yield on these investments was 0.37% which is lower than last year. Management endeavors to maintain balances within the FDIC insured limits of \$250,000 in its operating accounts (checking and savings). California law requires banks to collateralize government accounts up to \$1 million.

Risk management. Bear Valley Community Services District is a member of the Special District Risk Management Authority for the purposes of purchasing general liability, property damage and workers compensation insurance. SDRMA has been providing pooled risk management since the mid 1980's and has reserves in excess of all industry standards. General liability coverage exceeds \$10 million.

Employee pension benefits. District employees are members of the California Public Employees' Retirement System (CalPERS). As of July 1, 2005, all plan assets and liabilities for the two plans (miscellaneous and safety) have been pooled with other public agencies with similar plans. Contribution rates for fiscal year 2013 for both plans were higher than the normal cost for each risk pool because the individual plans were underfunded when they entered the pools. Also, the safety plan was recently upgraded, which added significantly to the employer contribution rate. In addition, the District pays the 7% miscellaneous employees' contribution.

Net Position. The Board has established several "reserve targets" for the end of each fiscal year. The amounts actually existing on June 30, 2013, are compared with their respective targets in the schedule on the next page. Net position that are below their "reserve targets" are shown in **bold print**.

**Bear Valley Community Services District
Reserves Target and Actual as of June 30, 2013**

<u>Category Fund</u>	<u>6/30/2013 Target</u>	<u>6/30/2013 Actual</u>	<u>6/30/2012 Actual</u>
Emergency/disaster response	\$ 157,282	\$ 156,962	\$ 156,296
Contingencies:			
General fund	1,234,790	1,214,570	1,256,381
Roads	402,772	378,944	471,357
Water enterprise	493,190	508,679	486,116
Wastewater enterprise	45,833	82,353	64,820
Solid waste enterprise	101,454	109,041	108,838
Police contingencies:			
General fund	388,940	399,904	412,079
Rate stabilization:			
Water enterprise	98,640	101,736	97,223
Wastewater enterprise	28,000	28,000	28,000
Solid waste enterprise	25,365	27,260	27,209
Asset replacements:			
General fund	1,141,487	1,253,659	1,151,921
Roads	1,813,969	2,162,103	1,773,934
Water Reserve	1,458,769	1,487,364	1,464,855
Water enterprise	305,607	601,987	446,469
Wastewater enterprise	-	128,742	84,657
Solid waste enterprise	266,023	301,679	293,298
Self-insurance:			
SUI reserve	58,552	54,384	55,202
Debt service:			
Bond redemption	289,248	329,284	299,815
Water enterprise	164,644	53,790	164,644
Wastewater enterprise	34,626	-	-
Water development	-	104,676	-
Wastewater development	-	34,663	-
AD 95-1 bond (wastewater)	108,600	108,600	108,600

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a *Certificate of Achievement for Excellence in Financial Reporting* to the District for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2012. This was the sixth consecutive year that the District has achieved this prestigious award. In order to be awarded a Certificate of Achievement, the District had to publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principals and applicable legal requirements.

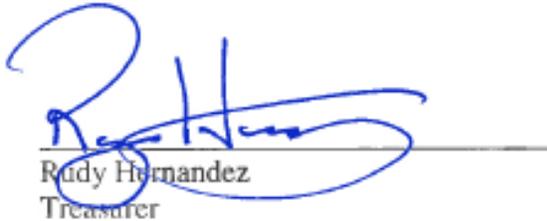
A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Preparation of this report was accomplished by the combined efforts of District staff. We appreciate the dedicated efforts and professionalism that our staff members bring to the District. We would also like to thank the members of the Board of Directors for their continued support in the planning and implementation of the Bear Valley Community Services District's fiscal policies.

Respectfully submitted,



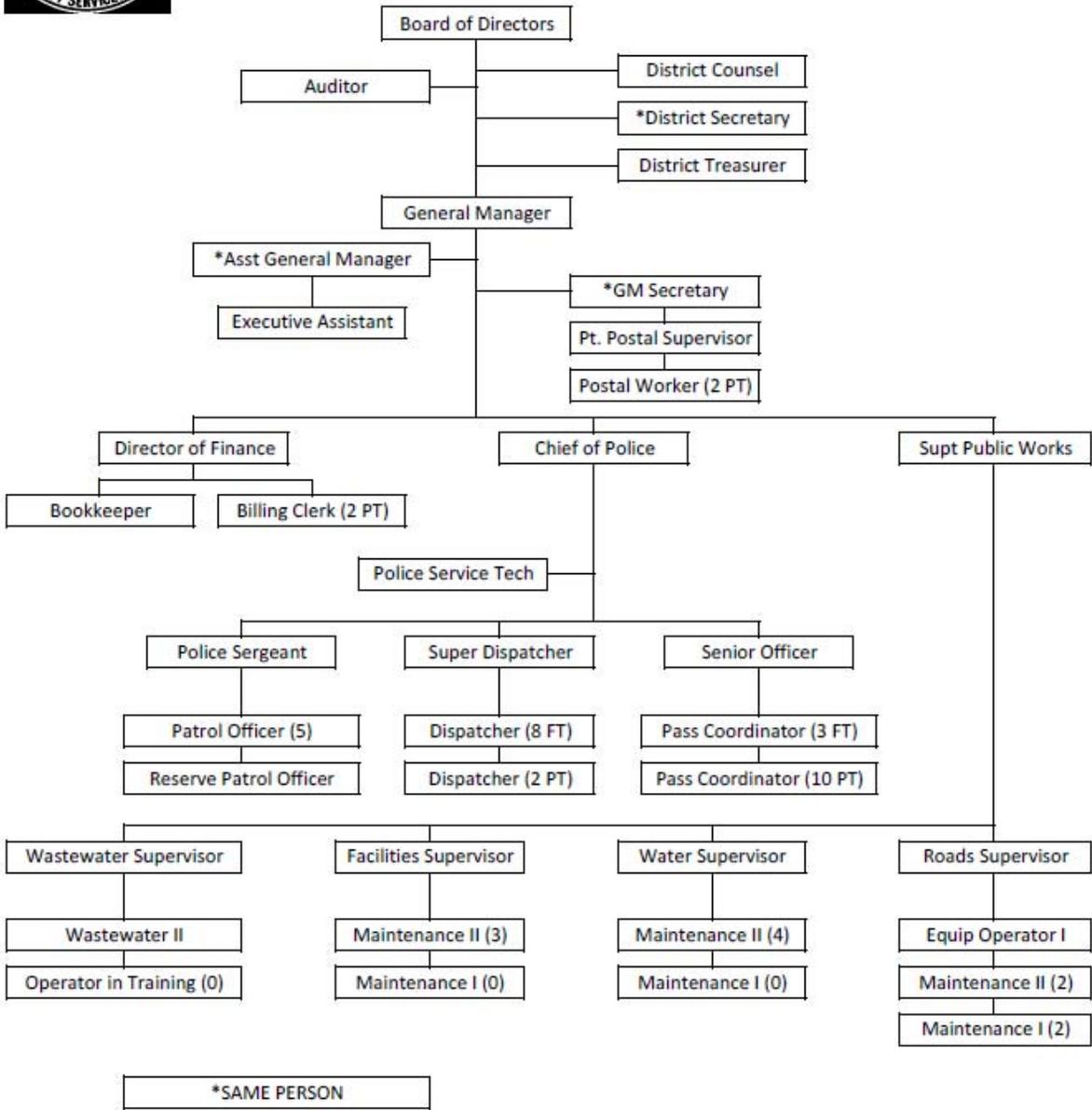
Jeffrey Hodge
General Manager



Rudy Hernandez
Treasurer



**BEAR VALLEY
COMMUNITY SERVICES DISTRICT
ORGANIZATIONAL CHART
2013**





Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Bear Valley Community
Services District, California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2012

Executive Director/CEO

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Financial Section



Charles Z. Fedak, CPA, MBA
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Independent Auditor's Report

Board of Directors
Bear Valley Community Services District
Tehachapi, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Bear Valley Community Services District (District) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprises 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 controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these basic financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Bear Valley Community Services District as of June 30, 2013, and the changes in its net position and its cash flows, where applicable, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Independent Auditor's Report, continued

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 10 through 20 and the required supplementary information on pages 53 through 61 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, 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 Matters

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements as a whole. The introductory section on pages 1 through 7, and the statistical section on pages 62 through 85 are presented for purposes of additional analysis and are not required parts of the basic financial statements. 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 September 30, 2013, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 compliance. This report can be found on pages 86 and 87.

Charles Z. Fedak = Company CPAs - An Accountancy Corporation

Charles Z. Fedak and Company, CPAs – An Accountancy Corporation
Cypress, California
October 31, 2013

**Bear Valley Community Services District
Management's Discussion and Analysis
For the Year Ended June 30, 2013**

Management's Discussion and Analysis

As management of the Bear Valley Community Services District, we offer readers of the Bear Valley Community Services District's financial statements this narrative overview and analysis of the financial activities of the Bear Valley Community Services District for the fiscal year ended June 30, 2013. 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 1-5 of this report. All amounts, unless otherwise indicated, are expressed in whole dollars.

Financial Highlights

- Government-wide cash balance increased \$613,974 (7.32%).
- Government-wide net position decreased \$202,986 (0.83%).
- General fund achieved its full contingency reserve funding levels of 50% of next year's expenditure budget for general contingencies and 100% of the 20% of next year's police department expenditure budget for police contingencies.
- Water enterprise fund net position decreased \$57,188.
- Wastewater enterprise fund net position decreased \$141,949.
- Solid waste enterprise fund net position increased \$27,310.
- Rate stabilization reserves are funded in the water, wastewater, and solid waste enterprise funds.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Bear Valley Community Services District's basic financial statements. The Bear Valley Community Services District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the Bear Valley Community Services District's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the Bear Valley Community Services District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Bear Valley Community Services District is improving or deteriorating.

The statement of activities presents information showing how the Bear Valley Community Services District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Bear Valley Community Services District that are principally supported by taxes, assessments and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Bear Valley Community Services District include general government, public safety, streets and roads, and parks & recreation. The business-type activities of the Bear Valley Community Services District include operations for water, wastewater (sewer), solid waste (trash) and post office.

The government-wide financial statements can be found on pages 21-22 of this report.

**Bear Valley Community Services District
Management's Discussion and Analysis
For the Year Ended June 30, 2013**

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 Bear Valley Community Services District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Bear Valley Community Services District can be divided into three categories: governmental funds, enterprise funds and fiduciary funds.

Governmental Funds

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

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

The Bear Valley Community Services District maintains five individual governmental funds: general (including emergency and state unemployment insurance reserves), roads, bond redemption and supplemental law enforcement services. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund, roads fund, bond redemption fund and supplemental law enforcement services fund, which are considered major funds. The District maintains no non-major governmental funds. The emergency fund, although maintained separately during the year to account for monies set aside for emergency and disaster response, is combined with the general fund in this report. The state unemployment insurance reserve fund, although maintained separately during the year to account for monies set aside to cover unemployment insurance claims, is combined with the general fund in this report.

The Bear Valley Community Services District adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 23-29 of this report.

Enterprise Funds

Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Bear Valley Community Services District uses four enterprise funds to account for its water, wastewater, solid waste, and post office enterprises.

Enterprise funds provide the same type of information as the government-wide financial statements, only in more detail. The enterprise fund financial statements provide separate information for all four enterprise funds.

A budgetary comparison statement to demonstrate compliance with the budget is not required for enterprise funds, nonetheless, we provide such a comparison on pages 57-60 of this report.

**Bear Valley Community Services District
Management's Discussion and Analysis
For the Year Ended June 30, 2013**

The Government Finance Officers Association recommends that a government use the smallest number of individual funds consistent with legal and operating requirements. For the purposes of this report, three individual funds (water enterprise, water development and water reserve funds) are reported together as Water Enterprise; four funds (wastewater enterprise, wastewater development, wastewater reserve, and assessment district 95-1 funds) are reported together as Wastewater Enterprise; and two funds (solid waste enterprise and solid waste reserve funds) are reported together as Solid Waste Enterprise. The individual funds are maintained for internal purposes but are properly aggregated in this report for financial reporting purposes.

The basic enterprise fund financial statements can be found on pages 27-29 of this report.

Fiduciary funds. The Bear Valley Community Services District maintains no fiduciary funds; however, for the benefit of its employees, the District does participate in the CalPERS 457 deferred compensation program, which assets are held by CalPERS for the exclusive benefit of the plan participants. Additional information about this program can be found in Note 14 on page 47 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 30-52 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information, which can be found on pages 53-61 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Bear Valley Community Services District, assets exceed liabilities by \$24,082,798 at the close of the most recent fiscal year, with a decrease of \$202,986 compared with the prior year. This (\$202,986) shows that the District operated at a break even point for fiscal year ending June 30, 2013.

By far the largest portion of the Bear Valley Community Services District's net position (61%) reflects its investment in capital assets (e.g. land, water/wastewater infrastructure and equipment). The Bear Valley Community Services District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Bear Valley Community Services District's Net Position

	Condensed Statement of Net Position					
	Governmental Activities		Business-type Activities		Total District	
	2013	2012	2013	2012	2013	2012
Assets:						
Current and other assets	\$ 6,127,260	5,750,227	3,480,515	3,210,266	9,607,775	8,960,493
Non-current assets	-	301,924	390,000	520,000	390,000	821,924
Capital assets, net	9,032,135	9,421,252	10,749,025	11,329,045	19,781,160	20,750,297
Total assets	15,159,395	15,473,403	14,619,540	15,059,311	29,778,935	30,532,714
Liabilities:						
Current liabilities	581,791	529,560	429,941	443,392	1,011,732	972,952
Non-current liabilities	1,631,467	1,966,547	3,052,938	3,307,431	4,684,405	5,273,978
Total liabilities	2,213,258	2,496,107	3,482,879	3,750,823	5,696,137	6,246,930
Net position:						
Net investment in capital assets	7,237,135	7,316,252	7,552,143	7,922,292	14,789,278	15,238,544
Restricted	2,903,525	2,558,543	390,000	520,000	3,293,525	3,078,543
Unrestricted	2,805,477	3,102,501	3,194,518	2,866,196	5,999,995	5,968,697
Total net position	\$ 12,946,137	12,977,296	11,136,661	11,308,488	24,082,798	24,285,784

**Bear Valley Community Services District
Management's Discussion and Analysis
For the Year Ended June 30, 2013**

The remaining balance of restricted/unrestricted net position of \$9,293,520 may be used to meet the government's ongoing obligations.

At the end of the current fiscal year, the Bear Valley Community Services District is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year. There was a decrease of \$31,159 in net position for governmental activities, a decrease of 0.24%.

Net position for business-type activities decreased \$171,827, a decrease of 1.51% over prior year.

Governmental activities. Governmental activities decreased the Bear Valley Community Services District's net position by \$31,159.

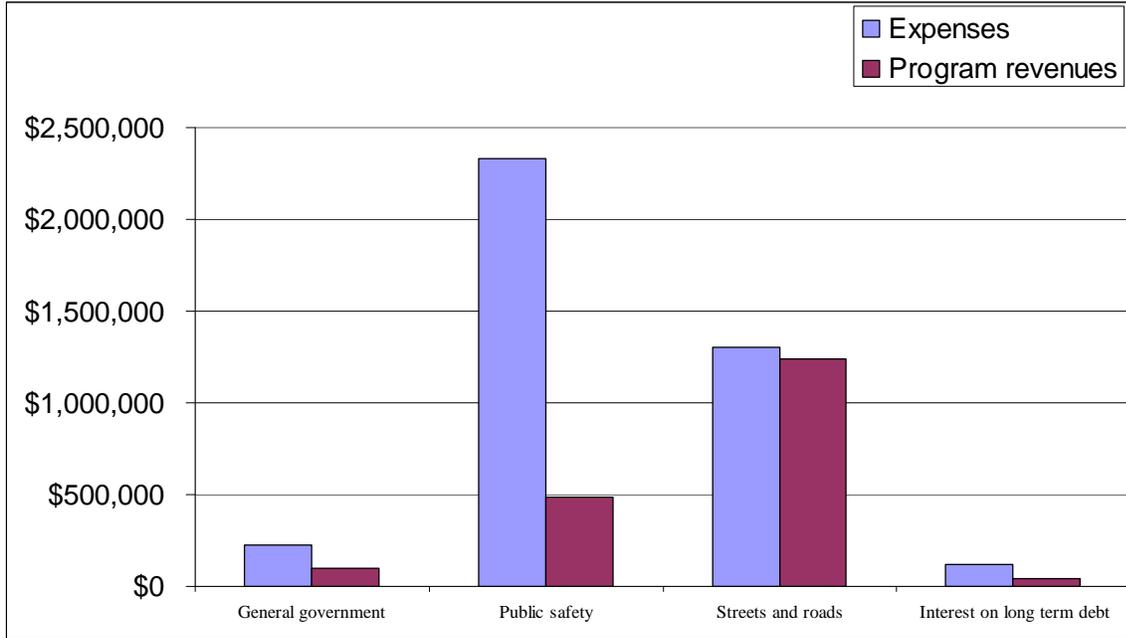
Bear Valley Community Services District's Changes in Net Position

	Condensed Statement of Activities					
	Governmental Activities		Business-type Activities		Total District	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program revenues:						
Charges for services	\$ 1,839,571	1,727,834	3,535,889	3,250,599	5,375,460	4,978,433
Operating grants and contrib.	100,000	100,000	-	-	100,000	100,000
Capital grants and contrib.	-	-	22,665	29,194	22,665	29,194
General revenues:						
Property taxes	1,453,862	1,436,378	-	-	1,453,862	1,436,378
Voter approved taxes	932,711	902,687	-	-	932,711	902,687
Investment earnings	22,581	37,582	13,128	16,670	35,709	54,252
Total revenues	<u>4,348,725</u>	<u>4,204,481</u>	<u>3,571,682</u>	<u>3,296,463</u>	<u>7,920,407</u>	<u>7,500,944</u>
Expenses:						
General government	267,288	216,106	-	-	267,288	216,106
Public safety	2,484,408	2,472,660	-	-	2,484,408	2,472,660
Streets and roads	1,227,831	1,299,402	-	-	1,227,831	1,299,402
Interest on long-term debt	381,075	108,125	-	-	381,075	108,125
Water	-	-	2,556,173	2,263,028	2,556,173	2,263,028
Wastewater	-	-	624,276	563,913	624,276	563,913
Solid waste	-	-	527,556	493,249	527,556	493,249
Post office	-	-	54,786	48,798	54,786	48,798
Total expenses	<u>4,360,602</u>	<u>4,096,293</u>	<u>3,762,791</u>	<u>3,368,988</u>	<u>8,123,393</u>	<u>7,465,281</u>
Change in net position	(11,877)	108,188	(191,109)	(72,525)	(202,986)	35,663
CalPERS side-fund payoff	-	(229,020)	-	-	-	(229,020)
Transfers	(19,282)	(64,437)	19,282	64,437	-	-
Change in net position	(31,159)	(185,269)	(171,827)	(8,088)	(202,986)	(193,357)
Net position, beginning of year	<u>12,977,296</u>	<u>13,162,565</u>	<u>11,308,488</u>	<u>11,316,576</u>	<u>24,285,784</u>	<u>24,479,141</u>
Net position, end of year	<u>\$ 12,946,137</u>	<u>12,977,296</u>	<u>11,136,661</u>	<u>11,308,488</u>	<u>24,082,798</u>	<u>24,285,784</u>

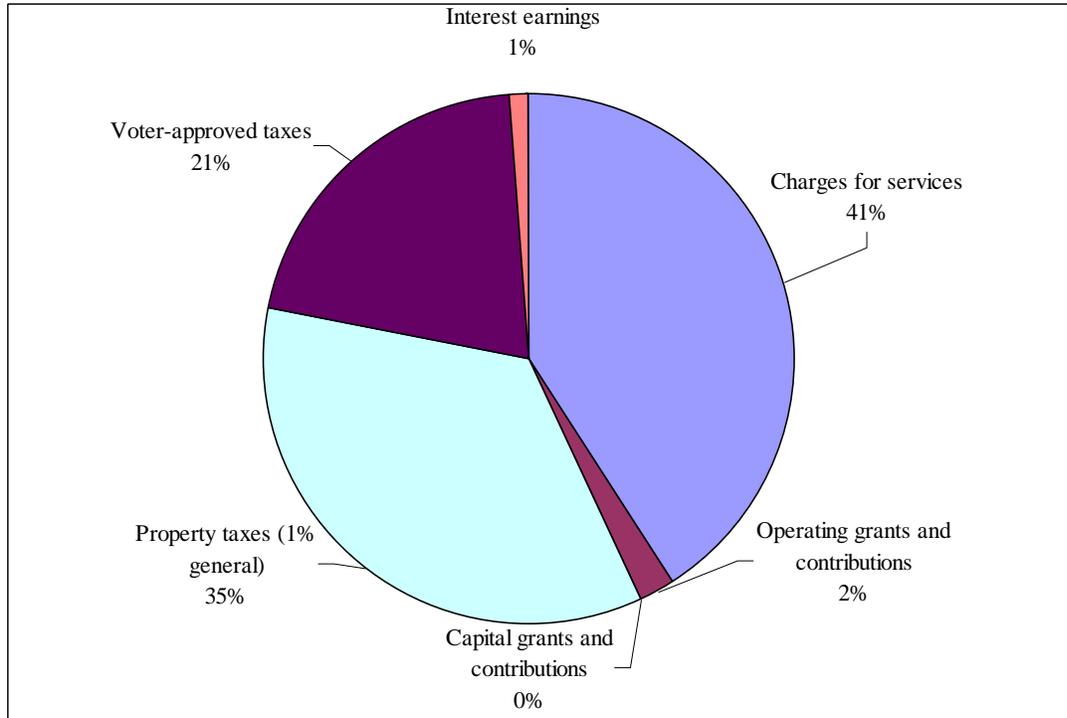
- Revenue from charges for services in the governmental activities increased \$111,737 (6.4%), due primarily to an increase in reimbursement and dispatching revenues.
- Revenue from grants and contributions decreased \$6,529. This increase is due to a decrease in water and wastewater development fees collected in FY 2012-13 as compared to 2011-12.
- Property taxes decreased \$17,484 (1.2%).
- Total expenses increased \$264,309 (6.5%), primarily due to the GASB No. 65 one-year write-off of \$301,924 in deferred charges.

**Bear Valley Community Services District
Management's Discussion and Analysis
For the Year Ended June 30, 2013**

Expenses and Program Revenues – Governmental Activities



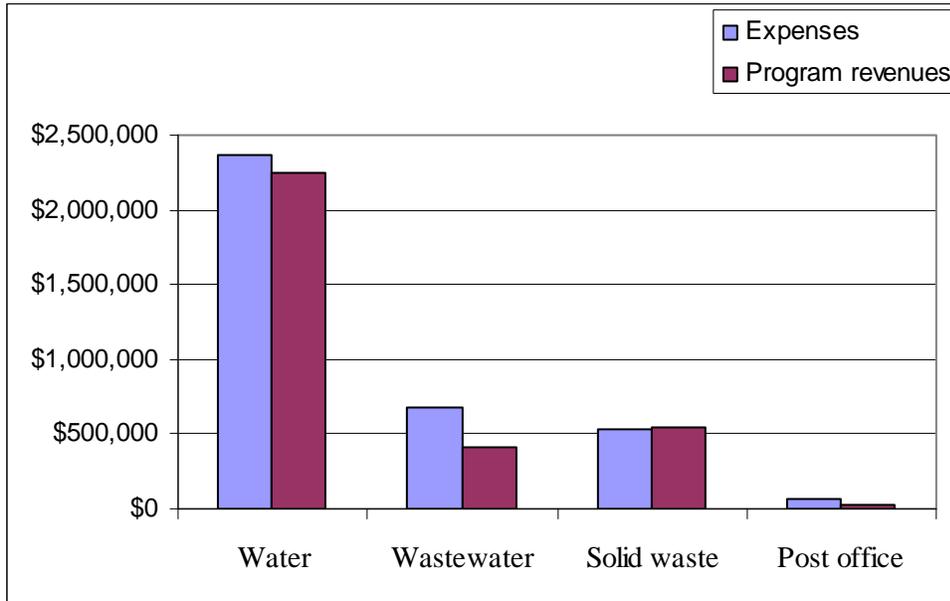
Revenues by Source – Governmental Activities



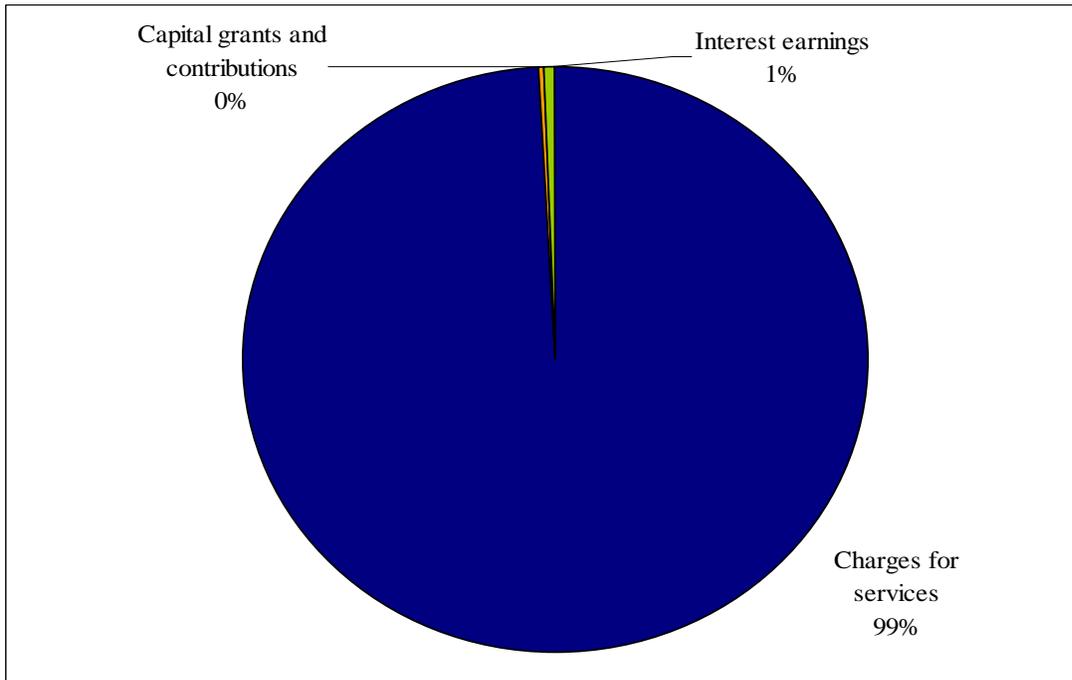
Business-type activities. Business-type activities decreased the Bear Valley Community Services District's net position by \$171,827.

**Bear Valley Community Services District
Management's Discussion and Analysis
For the Year Ended June 30, 2013**

Expense and Program Revenues – Business-type Activities



Revenues by Source – Business-type Activities



**Bear Valley Community Services District
Management's Discussion and Analysis
For the Year Ended June 30, 2013**

Financial Analysis of the Government's Funds

As noted earlier, the Bear Valley Community Services District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the Bear Valley Community Services District's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the Bear Valley Community Services District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Bear Valley Community Services District's governmental funds reported combined ending fund balances of \$5,942,990, an increase of \$326,142 in comparison with the prior year. \$2,776,458 of the total fund balance for all governmental funds (47%) constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is restricted and assigned to indicate that it is not available for general spending because it has already been committed to 1) future road maintenance and improvement, 2) bond debt service, 3) public safety grant-related expenditures, 4) unemployment compensation and 5) prepaid expenditures.

The general fund is the chief operating fund of the Bear Valley Community Services District. At the end of the current fiscal year, the fund balance of the general fund was \$2,979,861 of which \$149,019 is assigned for compensated absences and \$54,384 assigned for unemployment compensation. In addition, \$156,816 of the fund balance is unassigned by the Board for emergencies and disaster response and \$2,619,642 unassigned for six-month operating reserve. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 102% of total general fund expenditures, while total fund balance represents 115% of that same amount.

The fund balance of the Bear Valley Community Services District's general fund decreased \$11,935. The amount assigned for unemployment compensation decreased \$817. The amount unassigned for emergency response increased \$729. The amount unassigned for six-month operating reserve increased by \$1,354.

The roads fund has a restricted fund balance of \$2,540,108 which will be used for the ongoing maintenance and improvement of streets and roads, including drainage ways and rights of way and \$59,604 for compensated absences. The increase in fund balance during the year was \$288,853.

Enterprise funds. The Bear Valley Community Services District's enterprise funds provide the same type of information found in the government-wide financial statements, but in more detail.

Net position for all enterprise funds decreased \$171,827. Changes in total net position from last year are as follows: water enterprise (\$57,189); wastewater enterprise (\$141,948); solid waste enterprise \$27,310; post office enterprise \$0.

The post office enterprise fund had unrestricted net position of \$0 on June 30, 2013. Revenues to this fund cover less than half of the cost to provide this service, with the balance being subsidized by the general fund. Each year the general fund backfills the post office enterprise fund's financial needs.

General Fund Budgetary Highlights

The final budgeted expenditures at year end were \$58,339 less than actual. The variance is primarily due to the net effect of the general government of \$109,765 more than actually budgeted and public safety being \$58,162 less than actually budgeted. Actual revenues were less than the anticipated budget by \$28,224 primarily due to greater than budgeted property tax revenue of \$46,403 and under budgeted other revenue of \$28,741. The General Fund budget to actual comparison schedule can be found on page 53.

**Bear Valley Community Services District
Management's Discussion and Analysis
For the Year Ended June 30, 2013**

Capital Asset and Debt Administration

Capital assets. The Bear Valley Community Services District's investment in capital assets for its governmental and business type activities as of June 30, 2013, amounts to \$19,781,160 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, park facilities and infrastructure.

Major capital asset events during the current fiscal year included the following:

- \$14,030 for upgrade of the radio system at Police Department.
- \$16759 for upgrade of accounting software system.
- \$12,653 for the reconstruction of the dispatch station.
- \$14,336 for booster pump repairs.

Bear Valley Community Services District's Capital Assets

		Capital Assets					
		Governmental Activities		Business-type Activities		Total District	
		2013	2012	2013	2012	2013	2011
Capital assets:							
Non-depreciable assets	\$	4,833,827	4,804,415	3,662,053	3,662,053	8,495,880	8,466,468
Depreciable assets		31,913,390	31,944,470	19,922,417	19,908,081	51,835,807	51,852,551
Total capital assets		36,747,217	36,748,885	23,584,470	23,570,134	60,331,687	60,319,019
Accumulated depreciation		(27,715,082)	(27,327,633)	(12,835,445)	(12,241,089)	(40,550,527)	(39,568,722)
Total capital assets, net	\$	9,032,135	9,421,252	10,749,025	11,329,045	19,781,160	20,750,297

Additional information on the Bear Valley Community Services District's capital assets can be found in note 6 on pages 39-41 of this report.

Bear Valley Community Services District's Outstanding Debt

Long-term debt. At the end of the current fiscal year, the Bear Valley Community Services District had total debt outstanding of \$4,991,882. Of this amount, \$1,795,000 comprises debt backed by the full faith and credit of the Bear Valley Community Services District, \$325,793 is owed to the State Water Resources Control Board (SWRCB) for wastewater plant improvements and \$2,871,089 is owed to the California Infrastructure and Economic Development Bank (CIEDB) for water and wastewater system improvements.

		Long-term Debt					
		Governmental Activities		Business-Type Activities		Total	
		2013	2012	2013	2012	2013	2012
Long-term debt:							
General obligation bonds	\$	1,795,000	2,105,000	-	-	1,795,000	2,105,000
SWRCB revolving fund loan		-	-	325,793	434,390	325,793	434,390
CIEDB loan		-	-	2,871,089	2,972,363	2,871,089	2,972,363
Total long-term debt	\$	1,795,000	2,105,000	3,196,882	3,406,753	4,991,882	5,511,753

**Bear Valley Community Services District
Management's Discussion and Analysis
For the Year Ended June 30, 2013**

General Obligation, Special Assessment and Revenue Bonds

The Bear Valley Community Services District's total debt decreased \$519,871 (9.4%) during the current fiscal year. The key factors in this decrease were the retirement of \$310,000 of general obligation bonds as well as principal payments of \$108,597 on the SWRCB loan and \$101,274 on the CIEDB loan.

On August 12, 2010, the District was informed by Standard & Poor that Bear Valley Community Services District's "A-" rating was upgraded to "A+". According to Standard & Poor, the District's rating was upgraded after reviewing budget and audited financial information and concluded that District's financial operations were healthy, with strong reserve levels and consistency balanced results. General obligation bonds issued in 2002 have a "AAA" rating, due to the existence of bond insurance purchased from Financial Security Assurance, Inc.

State statutes limit the amount of bonded debt a community services district may issue to 15 percent of its total assessed valuation at the time the bonds are issued. The current debt limitation for the Bear Valley Community Services District is \$94,929,000, which is significantly in excess of the Bear Valley Community Services District's outstanding debt.

In June 2003, the Bear Valley Community Services District entered into two contracts with the California Infrastructure and Economic Development Bank for loans totaling \$3,588,844 for water and wastewater infrastructure improvement and reconstruction projects (\$2,964,600 for water and \$624,244 for wastewater). For the purpose of this report, these loans will be treated as revenue bonds, since they are contractual obligations of the water and wastewater enterprises. As of June 30, 2013, there was \$2,871,089.

Additional information on the Bear Valley Community Services District's long-term debt can be found in notes 8 and 9 on pages 43-45 of this report.

Economic Factors and Next Year's Budgets and Rates

The Kern county auditor-controller's office updated tax rolls show that Bear Valley Springs FY 2013-14 assessed values have increased 4% over prior year FY 2012-13. This is an improvement over prior FY 2012-13, which shows assessed values decreasing .003% over prior FY 2011-12. Actual general fund property tax receipts for FY 2012-13 were \$1,359,560 which were higher over prior FY 2011-12 by \$16,397, or .01%.

With the recent drop in property tax revenues and investment earnings over the last several years, the Board, finance committee and staff have fiscal challenges ahead in attempting to balance the District budget while maintaining the same level of services. For example, as part of the fiscal year 2013-13 budget process, the Finance Committee and staff will be analyzing the general fund operations in particular the general fund departments of police, dispatch and gate. The goal is to keep general fund costs in line with future projected revenues.

From a long-term perspective, the Board on August 9, 2012, approved a contract with Mr. William C. Statler to prepare a five year general fund fiscal forecast.

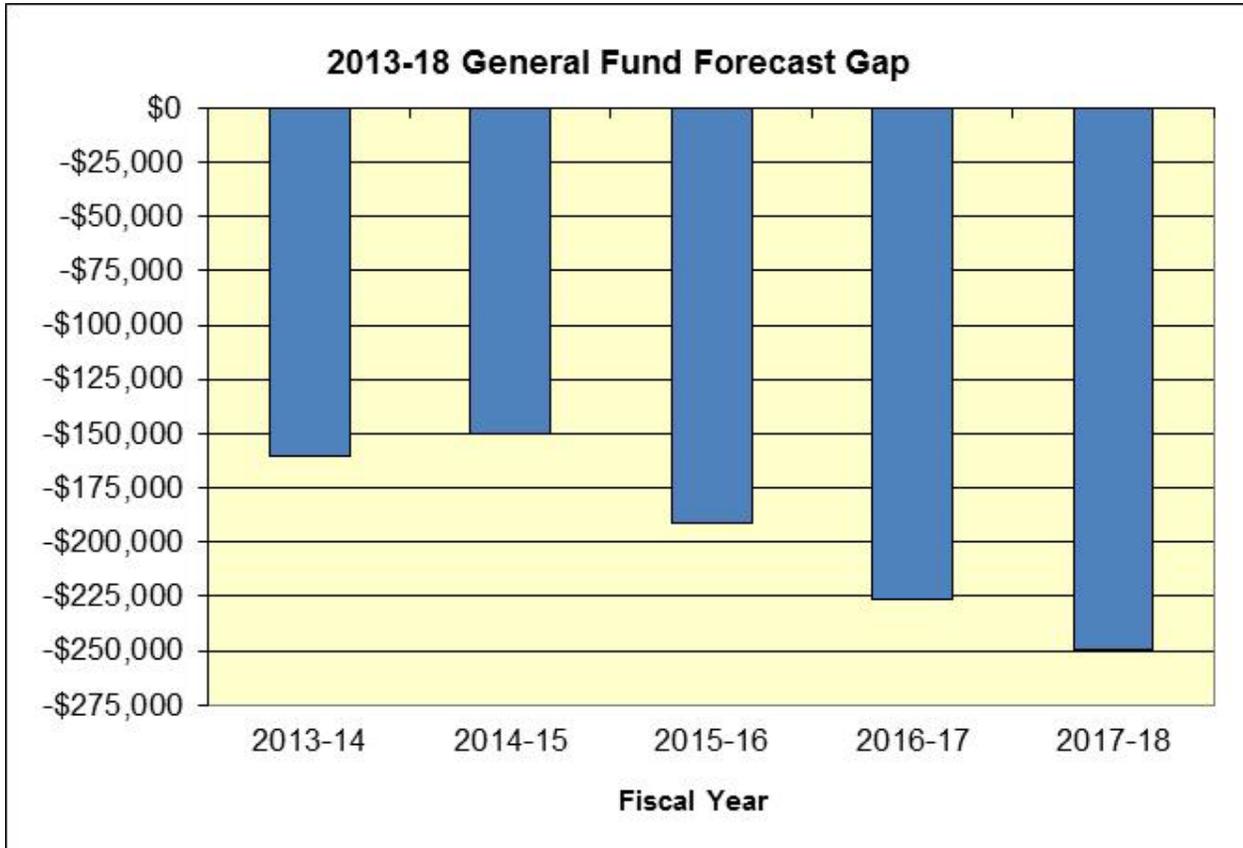
Forecast Purpose

The purpose of the forecast is to identify the General Fund's ability over the next five years – on an "order of magnitude" basis – to continue current services in light of the worst recession since the Great Depression as well as fiscal circumstances unique to the District.

**Bear Valley Community Services District
Management's Discussion and Analysis
For the Year Ended June 30, 2013**

SUMMARY OF FORECAST FINDINGS

Table 1



The District's General Fund is facing significant challenges over the next five years and beyond. As shown in Table 1, without corrective action, the District is facing an annual gap of about \$160,000 next fiscal year, which grows to about \$250,000 by 2017-18. More problematically, beginning 2014-15, the gap grows each year and it is likely to continue doing so after 2017-18. Stated simply, this means that there is not a simple structural solution in ensuring the District's fiscal stability.

WHAT CAUSES THE GAP TO GROW LARGER EACH YEAR

While the assumptions underlying the forecast are detailed below, the short answer is: although costs are projected to increase over the next five years – about 2% annually, revenues are likely to grow at a slower pace. In fact, two of the District's top four revenue sources – police and gate special taxes – will be flat over the next five years.

And while declines in property taxes, the District's largest General Fund revenue source, have most likely hit rock bottom, future increases are likely to be modest. To view the full general fund five-year forecast report, please go to the District's website @ www.bvscd.org.

Issues Regarding The Wastewater Operating Fund:

Over the last several years, the wastewater operating fund has not been able to meet the required debt service coverage ratio of 110%. As a result, CIEDB officials have required that the District establish a stabilization reserve fund to address this problem. The District currently has \$28,000 in the wastewater stabilization fund. After reviewing the FY 2010-11 audit report, CIEDB officials considered increasing the wastewater stabilization reserve requirement from \$28,000 to \$58,000.

**Bear Valley Community Services District
Management's Discussion and Analysis
For the Year Ended June 30, 2013**

To mitigate the wastewater operating fund projected future deficits and address the debt service coverage ratio problem, on September 10, 2012, the Bear Valley Community Service District Board of Directors approved an increase in residential and commercial wastewater rates which are listed below:

<i>Wastewater Charges</i>	<u>Current</u>	<u>Adopted</u>	<u>Increase</u>
Residential Connected	\$65.13	\$76.16	\$11.03
Commercial Connected	\$11.63 per HCF	\$19.04	\$ 7.41

As shown above, the adopted increase for residential customers was \$11.03, or 17%, and \$7.41 or 74% per HCF for commercial customers. This wastewater rate increase took effect October 1, 2013.

The result of this rate increase and other operating expenditure cutbacks resulted in a wastewater operating fund net surplus of \$61,618 (excluding depreciation expense of \$163,546). In addition, the required debt service calculation for FY 2012-13 is 110% which meets the terms of the CIEDB bank loan.

The average yield on district investments for fiscal year 2012-13 was 0.37%. The estimated yield for next year is 0.35%, a conservative figure.

Employee benefit costs are 30% of all personnel costs.

Prices for energy complex products and services have increased over the past year. Budgets for motor fuel, natural gas and electricity have increased as a result.

As in prior years, the district will not establish a budget for depreciation expense. Rather than using the utility approach for rate-setting, the district has adopted the cash-needs approach, which includes budgets for all current-period operating expenditures and capital expenditures, but excludes depreciation expense. To accommodate this shortcoming, the district sets aside an amount equal to 7% of the enterprise fund's operating expenditure budget each year for future asset replacement projects. Each enterprise fund (water, wastewater and solid waste) has a dedicated asset replacement reserve. Available balances in these funds are monitored regularly to ensure adequacy.

On June 25, 2012, the GASB issued Statement No.68. Statement 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual cost of pension benefits. The statement also enhances accountability and transparency through revised and new note of disclosures and required supplementary information (RSI). The provisions in statement 68 are effective for fiscal years beginning after June 15, 2014.

During the fiscal year 2012-13, the finance committee worked extensively in establishing a water reserve fund for its water operations. Once it is completed and approved by the Board, the finance committee will then work on establishing asset replacement plans for other governmental and enterprise funds.

All of these factors were considered in preparing the Bear Valley Community Services District's budget for the FY 2013-14.

Requests for Information

This financial report is designed to provide a general overview of the Bear Valley Community Services District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Treasurer, Bear Valley Community Services District, 28999 South Lower Valley Road, Tehachapi, CA 93561.

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Basic Financial Statements

Bear Valley Community Services District
Statement of Net Position
June 30, 2013

<i>Assets</i>	Governmental Activities	Business-type Activities	Total
Current assets:			
Cash and cash equivalents (note 2)	\$ 5,822,067	3,174,322	8,996,389
Accrued interest receivable	5,541	3,046	8,587
Accounts receivable – utilities, net (note 3)	-	505,477	505,477
Accounts receivable – other	27,589	-	27,589
Property taxes and assessments receivable	22,063	1,284	23,347
Internal balances (note 4)	250,000	(250,000)	-
Prepaid expenses and other deposits	-	46,386	46,386
Total current assets	6,127,260	3,480,515	9,607,775
Non-current assets:			
Improvement district bonds receivable (note 5)	-	390,000	390,000
Capital assets – not being depreciated (note 6)	4,833,827	3,662,053	8,495,880
Capital assets – being depreciated, net (note 6)	4,198,308	7,086,972	11,285,280
Total non-current assets	9,032,135	11,139,025	20,171,160
Total assets	15,159,395	14,619,540	29,778,935
<i>Liabilities and Net Position</i>			
Current liabilities:			
Accounts payable and accrued expenses	101,976	133,274	235,250
Accrued wages and related payables	46,439	21,707	68,146
Deposits and deferred revenue	35,855	-	35,855
Accrued interest on long-term debt	25,365	34,963	60,328
Long-term liabilities – due within one year:			
Compensated absences (note 7)	52,156	24,013	76,169
Bond payable (note 8)	320,000	-	320,000
Loans payable (note 9)	-	215,984	215,984
Total current liabilities	581,791	429,941	1,011,732
Non-current liabilities:			
Long-term liabilities – due in more than one year:			
Compensated absences (note 7)	156,467	72,040	228,507
Bond payable (note 8)	1,475,000	-	1,475,000
Loans payable (note 9)	-	2,980,898	2,980,898
Total non-current liabilities	1,631,467	3,052,938	4,684,405
Total liabilities	2,213,258	3,482,879	5,696,137
Net position:			
Net investment in capital assets (note 10)	7,237,135	7,552,143	14,789,278
Restricted (note 11)	2,903,525	390,000	3,293,525
Unrestricted (note 12)	2,805,477	3,194,518	5,999,995
Total net position	\$ 12,946,137	11,136,661	24,082,798

See accompanying notes to the basic financial statements

**Bear Valley Community Services District
Statement of Activities
For the Year Ended June 30, 2013**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Governmental activities:							
General government	\$ 267,288	66,390	-	-	(200,898)	-	(200,898)
Public safety	2,484,408	499,262	100,000	-	(1,885,146)	-	(1,885,146)
Streets and roads	1,227,831	1,233,029	-	-	5,198	-	5,198
Interest on long-term debt	381,075	40,890	-	-	(340,185)	-	(340,185)
Total governmental activities	4,360,602	1,839,571	100,000	-	(2,421,031)	-	(2,421,031)
Business-type activities:							
Water	2,556,173	2,467,766	-	22,665	-	(65,742)	(65,742)
Wastewater	624,276	480,573	-	-	-	(143,703)	(143,703)
Solid waste	527,556	552,046	-	-	-	24,490	24,490
Post office	54,786	35,504	-	-	-	(19,282)	(19,282)
Total business-type activities	3,762,791	3,535,889	-	22,665	-	(204,237)	(204,237)
Total	\$ 8,123,393	5,375,460	100,000	22,665	(2,421,031)	(204,237)	(2,625,268)
General revenues:							
Property taxes					\$ 1,453,862	-	1,453,862
Voter-approved taxes					932,711	-	932,711
Interest earnings					22,581	13,128	35,709
Total general revenues					2,409,154	13,128	2,422,282
Other financing sources(uses):							
Transfers in/(out) (note 4)					(19,282)	19,282	-
Change in net position					(31,159)	(171,827)	(202,986)
Net position, beginning of year					12,977,296	11,308,488	24,285,784
Net position, end of year					\$ 12,946,137	11,136,661	24,082,798

See accompanying notes to the basic financial statements

Bear Valley Community Services District
Balance Sheets – Governmental Funds
June 30, 2013

	<u>General</u>	<u>Streets and Roads</u>	<u>Debt Service</u>	<u>Supplemental Law Enforcement</u>	<u>Total Governmental Activities</u>
Assets:					
Cash and cash equivalents	\$ 2,804,572	2,581,948	352,781	82,766	5,822,067
Accrued interest receivable	2,704	2,494	343	-	5,541
Accounts receivable – other	25,046	2,543	-	-	27,589
Property taxes and assessments receivable	11,035	9,504	1,524	-	22,063
Due from other funds	250,000	-	-	-	250,000
Prepays and other deposits	-	-	-	-	-
Total assets	<u>3,093,357</u>	<u>2,596,489</u>	<u>354,648</u>	<u>82,766</u>	<u>6,127,260</u>
Liabilities:					
Accounts payable and accrued expenses	68,301	19,282	-	14,393	101,976
Accrued wages and related payables	34,170	12,269	-	-	46,439
Due to other funds	-	-	-	-	-
Deposits and deferred revenue	11,025	24,830	-	-	35,855
Total liabilities	<u>113,496</u>	<u>56,381</u>	<u>-</u>	<u>14,393</u>	<u>184,270</u>
Fund balance:					
Restricted:					
Street and road improvements	-	2,480,504	-	-	2,480,504
Debt service	-	-	354,648	-	354,648
Public safety	-	-	-	68,373	68,373
Assigned:					
Compensated absences	149,019	59,604	-	-	208,623
Unemployment compensation	54,384	-	-	-	54,384
Unassigned:					
Emergency reserve	156,816	-	-	-	156,816
Six-month operating reserve	2,619,642	-	-	-	2,619,642
Total fund balance	<u>2,979,861</u>	<u>2,540,108</u>	<u>354,648</u>	<u>68,373</u>	<u>5,942,990</u>
Total liabilities and fund balance	<u>\$ 3,093,357</u>	<u>2,596,489</u>	<u>354,648</u>	<u>82,766</u>	<u>6,127,260</u>

Bear Valley Community Services District
Reconciliation of the Balance Sheets of Governmental Funds to the Statement of Net Position
June 30, 2013

Reconciliation:

Fund balance of governmental funds	\$	5,942,990
Amounts reported for governmental activities in the statement of net position is different because:		
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet. However, the statement of net position includes those capital position among the assets of the District as a whole.		9,032,135
Interest on long-term debt is not accrued as a governmental fund liability, but rather is recognized as an expenditure when due.		(25,365)
Long-term liabilities applicable to the District are not due and payable in the current period and accordingly are not reported as governmental fund liabilities. All liabilities, both current and long-term, are reported in the statement of net position as follows:		
Compensated absences		(208,623)
Bonds payable		(1,795,000)
Net position of governmental activities	\$	<u><u>12,946,137</u></u>

See accompanying notes to the basic financial statements

Bear Valley Community Services District
Statements of Revenues, Expenditures and Changes in Fund Balances– Governmental Funds
For the Year Ended June 30, 2013

	<u>General</u>	<u>Streets and Roads</u>	<u>Debt Service</u>	<u>Supplemental Law Enforcement</u>	<u>Total Governmental Activities</u>
Revenues:					
Property taxes	\$ 1,453,862	-	-	-	1,453,862
Voter-approved taxes	555,811	-	376,900	-	932,711
Special assessments	-	1,199,582	-	-	1,199,582
Charges for services	424,936	-	-	-	424,936
Federal and state aid	-	-	-	100,000	100,000
Interest earnings	11,660	10,091	830	-	22,581
Rents and royalties	-	-	40,890	-	40,890
Other	140,716	33,447	-	-	174,163
Total revenues	<u>2,586,985</u>	<u>1,243,120</u>	<u>418,620</u>	<u>100,000</u>	<u>4,348,725</u>
Expenditures:					
General government	210,153	-	1,646	-	211,799
Public safety	2,326,043	-	-	76,611	2,402,654
Streets and roads	-	954,267	-	-	954,267
Capital outlay	43,442	-	-	-	43,442
Debt service:	-	-	-	-	-
Bond payments	-	-	310,000	-	310,000
Interest paid	-	-	81,139	-	81,139
Total expenditures	<u>2,579,638</u>	<u>954,267</u>	<u>392,785</u>	<u>76,611</u>	<u>4,003,301</u>
Excess(deficiency) of revenues over expenditures	<u>7,347</u>	<u>288,853</u>	<u>25,835</u>	<u>23,389</u>	<u>345,424</u>
Other financing sources(uses):					
Transfers in(out)	<u>(19,282)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(19,282)</u>
Net change in fund balance	<u>(11,935)</u>	<u>288,853</u>	<u>25,835</u>	<u>23,389</u>	<u>326,142</u>
Fund balance, beginning of year	<u>2,991,796</u>	<u>2,251,255</u>	<u>328,813</u>	<u>44,984</u>	<u>5,616,848</u>
Fund balance, end of year	<u>\$ 2,979,861</u>	<u>2,540,108</u>	<u>354,648</u>	<u>68,373</u>	<u>5,942,990</u>

Bear Valley Community Services District
Reconciliation of the Statements of Revenues, Expenditures and Changes in Fund Balance of
Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2013

Reconciliation:

Net changes in fund balance of total governmental funds	\$	326,142
<p>Amounts reported for governmental activities in the statement of activities are different because:</p> <p>Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense as follows:</p>		
Capital outlay		43,442
Depreciation expense		(432,559)
<p>Repayment of long-term debt is reported as expenditures in governmental funds, and thus, has the effect of reducing fund balance because current financial resources have been used. For the District as a whole, however, the principal payments reduce the liabilities in the statement of net position and do not result in an expense in the statement of activities.</p>		
		310,000
<p>Deferred charges consist of capitalized debt issuance costs on the statement of net position. These amounts are amortized over the life of the debt service liability on the statement of activities.</p>		
		(301,924)
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenses in governmental funds as follows:</p>		
Net change in accrued interest for the current period		3,634
Net change in compensated absences for the current period		20,106
		23,740
Change in net position of governmental activities	\$	(31,159)

See accompanying notes to the basic financial statements

Bear Valley Community Services District
Statements of Net Position – Enterprise Funds
June 30, 2013

<i>Assets</i>	Water	Wastewater	Solid Waste	Post Office	Total Business-type Activities
Current assets:					
Cash and cash equivalents	\$ 2,040,654	419,611	703,764	10,293	3,174,322
Accrued interest receivable	1,991	399	656	-	3,046
Accounts receivable – utilities, net	339,241	96,677	69,559	-	505,477
Accounts receivable – other	-	-	-	-	-
Property assessments receivable	410	874	-	-	1,284
Due from other funds	-	-	-	-	-
Prepaid expenses and other deposits	-	46,386	-	-	46,386
Total current assets	2,382,296	563,947	773,979	10,293	3,730,515
Non-current assets:					
Improvement district bonds receivable	-	390,000	-	-	390,000
Capital assets – not being depreciated	3,647,319	14,734	-	-	3,662,053
Capital assets, net – being depreciated	6,103,345	916,200	67,427	-	7,086,972
Total non-current assets	9,750,664	1,320,934	67,427	-	11,139,025
Total assets	12,132,960	1,884,881	841,406	10,293	14,869,540
Liabilities and Net Position					
Current liabilities:					
Accounts payable and accrued expenses	72,017	5,416	49,270	6,571	133,274
Accrued wages and related payables	14,202	3,702	3,007	796	21,707
Accrued interest on long-term debt	28,918	6,045	-	-	34,963
Due to other funds	181,843	68,157	-	-	250,000
Deposits and deferred revenue	-	-	-	-	-
Long-term liabilities – due within one year:					
Compensated absences	14,756	2,159	6,367	731	24,013
Loans payable	88,820	127,164	-	-	215,984
Total current liabilities	400,556	212,643	58,644	8,098	679,941
Non-current liabilities:					
Long-term liabilities – due in more than one year:					
Compensated absences	44,267	6,476	19,102	2,195	72,040
Loans payable	2,285,878	695,020	-	-	2,980,898
Total non-current liabilities	2,330,145	701,496	19,102	2,195	3,052,938
Total liabilities	2,730,701	914,139	77,746	10,293	3,732,879
Net position:					
Net investment in capital assets	7,375,966	108,750	67,427	-	7,552,143
Restricted for debt service	-	390,000	-	-	390,000
Unrestricted	2,026,293	471,992	696,233	-	3,194,518
Total net position	\$ 9,402,259	970,742	763,660	-	11,136,661

See accompanying notes to the basic financial statements

Bear Valley Community Services District
Statements of Revenues, Expenses and Changes in Fund Net Position – Enterprise Funds
For the Year Ended June 30, 2013

	<u>Water</u>	<u>Wastewater</u>	<u>Solid Waste</u>	<u>Post Office</u>	<u>Total Business-type Activities</u>
Operating revenues:					
Water consumption sales	\$ 2,417,518	-	-	-	2,417,518
Wastewater service charges	-	470,836	-	-	470,836
Solid waste collection charges	-	-	550,867	-	550,867
Post office box charges	-	-	-	33,824	33,824
Other charges for services	50,248	9,737	1,179	1,680	62,844
Total operating revenues	<u>2,467,766</u>	<u>480,573</u>	<u>552,046</u>	<u>35,504</u>	<u>3,535,889</u>
Operating expenses:					
Salaries and benefits	799,848	281,629	184,316	48,924	1,314,717
Operations	1,271,358	146,163	325,222	5,862	1,748,605
Total operating expenses	<u>2,071,206</u>	<u>427,792</u>	<u>509,538</u>	<u>54,786</u>	<u>3,063,322</u>
Operating income(loss) before depreciation	396,560	52,781	42,508	(19,282)	472,567
Depreciation expense	(412,792)	(163,546)	(18,018)	-	(594,356)
Operating income(loss)	<u>(16,232)</u>	<u>(110,765)</u>	<u>24,490</u>	<u>(19,282)</u>	<u>(121,789)</u>
Non-operating revenue(expense):					
Interest earnings	8,554	1,754	2,820	-	13,128
Interest expense	(72,176)	(32,937)	-	-	(105,113)
Total non-operating, net	<u>(63,622)</u>	<u>(31,183)</u>	<u>2,820</u>	<u>-</u>	<u>(91,985)</u>
Operating transfers in(out)	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,282</u>	<u>19,282</u>
Capital contributions:					
Capacity charges	22,665	-	-	-	22,665
Total capital contributions	<u>22,665</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,665</u>
Change in net position	<u>(57,189)</u>	<u>(141,948)</u>	<u>27,310</u>	<u>-</u>	<u>(171,827)</u>
Net position, beginning of year	<u>9,459,448</u>	<u>1,112,690</u>	<u>736,350</u>	<u>-</u>	<u>11,308,488</u>
Net position, end of year	<u>\$ 9,402,259</u>	<u>970,742</u>	<u>763,660</u>	<u>-</u>	<u>11,136,661</u>

See accompanying notes to the basic financial statements

Bear Valley Community Services District
Statements of Cash Flows – Enterprise Funds
For the Year Ended June 30, 2013

	<u>Water</u>	<u>Wastewater</u>	<u>Solid Waste</u>	<u>Post Office</u>	<u>Total Business-type Activities</u>
Cash flows from operating activities:					
Cash receipts from customers	\$ 2,443,374	460,018	544,210	35,504	3,483,106
Cash paid to employees for salaries and benefits	(818,324)	(315,348)	(184,558)	(48,768)	(1,366,998)
Cash paid to vendors and suppliers	(1,294,031)	(125,284)	(301,440)	(1,790)	(1,722,545)
Net cash provided(used) by operating activities	<u>331,019</u>	<u>19,386</u>	<u>58,212</u>	<u>(15,054)</u>	<u>393,563</u>
Cash flows from non-capital financing activities:					
Transfers in	-	-	-	19,282	19,282
Cash flows from capital and related financing activities:					
Acquisition and construction of capital assets	(14,336)	-	-	-	(14,336)
Proceeds from capital contributions	22,665	-	-	-	22,665
Payments made from(to) other funds	-	-	-	-	-
Principal payments on loans payable	(83,763)	(126,108)	-	-	(209,871)
Interest payments on loans payable	(73,230)	(33,157)	-	-	(106,387)
Net cash used in capital and financing activities	<u>(148,664)</u>	<u>(159,265)</u>	<u>-</u>	<u>-</u>	<u>(307,929)</u>
Cash flows from investing activities:					
Proceeds from bonds receivable	-	130,000	-	-	130,000
Interest earnings	9,227	1,904	3,015	-	14,146
Net cash provided by investing activities	<u>9,227</u>	<u>131,904</u>	<u>3,015</u>	<u>-</u>	<u>144,146</u>
Net increase(decrease) in cash	191,582	(7,975)	61,227	4,228	249,062
Cash and cash equivalents, beginning of year	1,849,072	427,586	642,537	6,065	2,925,260
Cash and cash equivalents, end of year	<u>\$ 2,040,654</u>	<u>419,611</u>	<u>703,764</u>	<u>10,293</u>	<u>3,174,322</u>
Reconciliation of operating income to net cash provided(used) by operating activities:					
Operating income(loss)	\$ (16,232)	(110,765)	24,490	(19,282)	(121,789)
Adjustments to reconcile operating income to net cash provided(used) by operating activities:					
Depreciation expense	412,792	163,546	18,018	-	594,356
Changes in assets and liabilities:					
(Increase)decrease in assets:					
Accounts receivable – utilities, net	(13,929)	(21,897)	(7,836)	-	(43,662)
Accounts receivable – other	-	2,073	-	-	2,073
Property assessments receivable	2,264	(731)	-	-	1,533
Prepaid expenses and other deposits	-	17,851	-	-	17,851
Increase(decrease) in liabilities:					
Accounts payable and accrued expenses	(22,673)	3,028	23,782	4,072	8,209
Accrued wages and related payables	3,277	(879)	568	174	3,140
Deposits and deferred revenue	(12,727)	-	-	-	(12,727)
Compensated absences	(21,753)	(32,840)	(810)	(18)	(55,421)
Total adjustments	<u>347,251</u>	<u>130,151</u>	<u>33,722</u>	<u>4,228</u>	<u>515,352</u>
Net cash provided(used) by operating activities	<u>\$ 331,019</u>	<u>19,386</u>	<u>58,212</u>	<u>(15,054)</u>	<u>393,563</u>

See accompanying notes to the basic financial statements

Bear Valley Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2013

(1) Reporting Entity and Summary of Significant Accounting Policies

A. Organization and Operations of the Reporting Entity

The Bear Valley Community Services District (District) serves as the local government for Bear Valley Springs. The District is similar to a city government, supplying such services as police protection, parks and recreation, potable water, road maintenance, wastewater treatment, and solid waste disposal. The District exists under California State law governing special districts (Government Code, Sec 61000 et. seq.). The District was established by resolution of Kern County Board of Supervisors on May 4, 1970, for the purpose of providing infrastructure services for the newly developing community of Bear Valley Springs. The District is governed by a five-member Board of Directors who serve four-year terms and are elected at large. The directors entrust the responsibility for the efficient execution of District policies to their designated representative, the General Manager.

The criteria used in determining the scope of the financial reporting entity is based on the provisions of Governmental Accounting Statements No. 61, *The Financial Reporting Entity*. The District is the primary governmental unit based on the foundation of a separately elected governing board that is elected by the citizens in a general popular election. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The District is financially accountable if it appoints a voting majority of the organization's governing body and: 1) It is able to impose its will on that organization, or 2) There is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. The District has no blended or discretely-presented component units.

B. Basis of Accounting and Measurement Focus

The *basic financial statements* of the District are composed of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to the basic financial statements

Government-wide Financial Statements

These statements are presented on an *economic resources* measurement focus and the accrual basis of accounting for both governmental and business-like activities. Accordingly, all of the District's assets and liabilities, including capital assets, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which the liability is incurred. The Statement of Activities demonstrates the degree to which the operating expenses of a given function are offset by operating revenues. Operating expenses are those that are clearly identifiable with a specific function. The types of transactions reported as operating revenues for the District are charges for services directly related to the operations of the District. Charges for services include revenues from customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by the District. Taxes, operating grants and other items not properly included among operating revenues are reported instead as non-operating revenues. Contributed capital and capital grants are included as capital contributions.

Fund Financial Statements

These statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds. Accompanying these statements is a schedule to reconcile and explain the differences in fund balances as presented in these statements to the net position presented in the Government-wide Financial Statements.

Bear Valley Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2013

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

B. Basis of Accounting and Measurement Focus, continued

Governmental funds are accounted for on a spending or *current financial resources* measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and liabilities are included on the Balance Sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under modified accrual basis of accounting, revenues are recognized in the accounting period in which they become measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 60-days after year-end) are recognized when due. The primary sources susceptible to accrual for the District are property tax, interest earnings, investment revenue and operating and capital grant revenues. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. However, exceptions to this rule include principal and interest on debt, which are recognized when due.

The accrual basis of accounting is followed by the proprietary enterprise funds. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, such as, unbilled but utilized utility services are recorded at year end.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred, regardless of when the related cash flows take place. Operating revenues and expenses, such as water sales, wastewater service, solid waste collection and purchases of water, result from exchange transactions associated with the principal activity of the District. Exchange transactions are those in which each party receives and gives up essentially equal values. Management, administration and depreciation expenses are also considered operating expenses. Other revenues and expenses not included in the above categories, such as interest income and interest expense, are reported as non-operating revenues and expenses.

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity with a self-balancing set of accounts established for the purpose of carrying out specific activities, or attaining certain objectives in accordance with specific regulations, restrictions or limitations.

Funds are organized into two major categories: governmental and proprietary categories. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operation fund of the District, or meets the following criteria:

- a) Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or proprietary fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b) Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or proprietary fund are at least 5 percent of the corresponding total for all governmental and proprietary funds combined.
- c) The entity has determined that a fund is important to the financial statement user.

The funds of the financial reporting entity are described below:

Governmental Funds

General – This fund acts as the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund. This fund also includes all activity and assets of the emergency and unemployment compensation funds.

Road – This fund is used to account for the revenues received from special assessments for road maintenance and operations.

Bear Valley Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2013

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

B. Basis of Accounting and Measurement Focus, continued

Governmental Funds, continued

Bond Redemption – This fund is used to account for the receipts received from the voter-approved tax levied on the property parcels within the District’s service area to provide principal and interest payments on the general obligation bonds issued in 2002.

Supplemental Law Enforcement – This fund is used to account for specific funds appropriated to the District by the State of California under the *Citizens Option for Public Safety (COPS)* program.

Enterprise Funds

Water – This fund accounts for the water transmission and distribution operations of the District.

Wastewater – This fund accounts for the wastewater service operations of the District.

Solid Waste – This fund accounts for the solid waste collection and disposal operations of the District.

Post Office – This fund accounts for the activities involved in the operation of the post office.

C. Financial Statement Elements

1. Cash and Cash Equivalents

Substantially, all of the District’s cash is invested in interest bearing accounts. The District considers all highly-liquid investments with a maturity of three months or less to be cash equivalents.

2. Accounts Receivable

The District extends credit to customers in the normal course of operations. Management deems all accounts receivable as collectible at year-end. Accordingly, an allowance for doubtful accounts has not been recorded.

3. Property Taxes and Assessments

The Kern County Assessor’s Office assesses all real and personal property within the County each year. The Kern County Tax Collector’s Office bills and collects the District’s share of property taxes and/or tax assessments. The Kern County Treasurer’s Office remits current and delinquent property tax collections to the District throughout the year. Property tax in California is levied in accordance with Article 13A of the State Constitution at one percent (1%) of countywide assessed valuations.

The Kern County Assessor’s Office assesses all real and personal property within the County each year. The Kern County Tax Collector’s Office bills and collects the District’s share of property taxes and/or tax assessments. The Kern County Treasurer’s Office remits current and delinquent property tax collections to the District throughout the year. Property tax in California is levied in accordance with Article 13A of the State Constitution at one percent (1%) of countywide assessed valuations.

Property taxes and assessments receivable at year-end are related to property taxes and special assessments collected by the Kern County, which have not been credited to the District's cash balance as of June 30. The property tax calendar is as follows:

Lien date	March 1
Levy date	July 1
Due dates	November 1 and February 1
Collection dates	December 10 and April 10

Bear Valley Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2013

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

C. Financial Statement Elements, continued

4. Prepaid Expenses

Certain payments to vendors reflect costs or deposits applicable to future accounting periods and are recorded as prepaid items in the basic financial statements.

5. Capital Assets

Capital assets acquired and/or constructed are capitalized at historical cost. District policy has set the capitalization threshold for reporting capital assets at \$5,000. Donated assets are recorded at estimated fair market value at the date of donation and/or historical cost. Upon retirement or other disposition of capital assets, the cost and related accumulated depreciation are removed from the respective balances and any gains or losses are recognized. Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

Governmental Activities

- Buildings and improvements – 20 to 30 years
- Infrastructure, streets and roads – 20 to 40 years
- Vehicles and equipment – 3 to 10 years

Business-Type Activities

- Transmission and distribution systems – 10 to 50 years
- Collection systems – 10 to 50 Years
- Vehicles and equipment – 3 to 10 years

7. Gate pass/device deposits

The District collects a deposit for gate passes and automatic gate openers from citizens who request to utilize these devices to gain automatic access through the District's front gate. The District has begun the practice of selling these devices to citizens instead of accepting deposits for their use. The balance in this account is comprised of the remaining balance of the deposits on these devices.

8. Net Position/Fund Balances

The government-wide financial statements utilize a net position presentation. Net position categories are as follows:

- **Net Investment in Capital Assets** – This component of net position consists of capital assets, net of accumulated depreciation and reduced by any outstanding debt outstanding against the acquisition, construction or improvement of those assets.
- **Restricted 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 or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted Net Position** – This component of net position consists of net position that do not meet the definition of *restricted* or *net investment in capital assets*.

9. Interfund Transactions

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

Bear Valley Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2013

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

C. Financial Statement Elements, continued

10. Fund Equity

The financial statements for governmental funds reports fund balance as nonspendable, restricted, committed, assigned or unassigned based primarily on the extent to which the District is bound to honor constraints on how specific amounts can be spent.

- **Nonspendable fund balance** – amounts that cannot be spent because they are either (a) not spendable in form, or (b) legally or contractually required to be maintained intact.
- **Restricted fund balance** – amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions enabling legislation.
- **Committed fund balance** – amounts that can only be used for specific purposes determined by formal action of the District’s highest level of decision-making authority (the Board of Directors) and that remain binding unless removed in the same manner. The underlying action that imposed the limitation needs to occur no later than the close of the reporting period. The formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is an adopted Board resolution.

The Board of Directors has adopted, by resolution, a Prudent Reserve Fund for economic emergencies in which the Board may, at its discretion, set aside all or any part of a surplus generated in the general fund resulting from the excess of revenues over expenditures. An appropriation from the Prudent Reserve Fund would require an approved resolution by a two-thirds vote of the Board and are limited to emergency situations. Examples of such emergencies include, but are not limited to: covering expenses arising from a natural disaster, to replacing revenue taken over by another entity, or to a drop in actual/projected revenue of more than five percent of the General Fund adopted revenue budget.

- **Assigned fund balance** – amounts that are constrained by the District’s intent to be used for specific purposes. The intent can be established at either the highest level of decision-making, or by a body or an official designated for that purpose. This is also the classification for residual funds in the District’s special revenue funds.
- **Unassigned fund balance** – the residual classification for the District’s general fund that includes amounts not contained in the other classifications. In other funds, the unassigned classification is used only if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes.

The Board of Directors establishes, modifies or rescinds fund balance commitments and assignments by passage of an ordinance or resolution. This is done through adoption of the budget and subsequent budget amendments that occur throughout the year. When both restricted and unrestricted resources are available for use, it is the District’s policy to use restricted resources first, followed by the unrestricted, committed, assigned and unassigned resources as they are needed.

Fund Balance Policy

The District believes that sound financial management principles require that sufficient funds be retained by the District to provide a stable financial base at all times. To retain this stable financial base, the District needs to maintain an unrestricted fund balance in its funds sufficient to fund cash flows of the District and to provide financial reserves for unanticipated expenditures and/or revenue shortfalls of an emergency nature. Committed, assigned and unassigned fund balances are considered unrestricted.

10. Utility Sales

Utility sales are billed on a monthly basis. Estimated unbilled utility revenue through June 30 has been accrued at year-end for the enterprise funds.

Bear Valley Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2013

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

C. Financial Statement Elements, continued

11. Capital Contributions

Capital contributions represent cash and capital asset additions contributed to the District by property owners, granting agencies or real estate developers desiring services that require capital connection expenditures or capacity commitment.

12. Use of Estimates

The preparation of the basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported changes in net position during the reporting period. Actual results could differ from those estimates.

D. Implementation of New Accounting Pronouncements

For the year ended June 30, 2013, the District implemented the following Governmental Accounting Standards Board pronouncements:

Governmental Accounting Standards Board Statement No. 60

In November 2010, the GASB issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*. This Statement addresses how to account for and report service concession arrangements, a type of public-private or public-public partnership that state and local governments are increasingly entering into. There were no Concession Arrangements entered into by the District.

Governmental Accounting Standards Board Statement No. 61

In November 2010, the GASB issued Statement No. 61, *The Financial Reporting Entity, Omnibus*. This Statement is designed to improve financial reporting for governmental entities by amending the requirements of GASB Statement No. 14, *The Financial Reporting Entity*, and GASB Statement No. 34, *Basic Financial Statement and Management's Discussion and Analysis for State and local Governments*.

Governmental Accounting Standards Board Statement No. 62

In December 2010, The GASB issued Statement No. 62 – *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements*. The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements:

1. Financial Accounting Standards Board (FASB) Statements and Interpretations
2. Accounting Principles Board Opinions
3. Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure.

Hereinafter, these pronouncements collectively are referred to as the ***FASB & AICPA pronouncements***. This Statement also supersedes Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, thereby eliminating the election provided in paragraph 7 of that statement for enterprise funds and business-type activities to apply post-November 30, 1989, FASB Statements and Interpretations that do not conflict with or contradict GASB pronouncements. However, those entities can continue to apply, as other accounting literature, post-November 30, 1989, FASB pronouncements that do not conflict with or contradict GASB pronouncements, including this Statement.

Bear Valley Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2013

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

D. Implementation of New Accounting Pronouncements, continued

Governmental Accounting Standards Board Statement No. 63

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This Statement is designed to improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as *Net Position*, rather than *Net Assets*.

Governmental Accounting Standards Board Statement No. 65

In March 2012, the GASB issued Statement No. 65 – *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

(2) Cash and Cash Equivalents

Cash and cash equivalents as of June 30, 2013, are classified by fund as follows:

Governmental activity funds:	
General fund	\$ 2,804,572
Streets and roads fund	2,581,948
Bond redemption fund	352,781
Supplemental law enforcement	82,766
Total	5,822,067
Business-type activity funds:	
Water fund	2,040,654
Wastewater fund	419,611
Solid waste fund	703,764
Post office fund	10,293
Total	3,174,322
Total cash and cash equivalents	\$ 8,996,389

Cash and cash equivalents as of June 30, 2013, consisted of the following:

Cash on hand	\$ 600
Deposits held with financial institutions	489,818
Deposits held with the California Local Agency Investment Fund (LAIF)	1,476,256
Deposits held with the County of Kern Treasurer's Pooled Cash Portfolio	7,029,715
Total	\$ 8,996,389

As of June 30, 2013, the following Pool's had the following average maturities at year end:

Deposits held with the California Local Agency Investment Fund (LAIF)	278 days
Deposits held with the County of Kern Treasurer's Pooled Cash Portfolio	558 days

Authorized Deposits and Investments

The District's investment policy authorizes investments in the County of Kern Treasurer's Pooled Cash Portfolio and the California Local Agency Investment Fund (LAIF). The District's investment policy does contain specific provisions intended to limit its exposure to interest rate risk, credit risk, custodial risk, and concentration of credit risk.

Bear Valley Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2013

(2) Cash and Cash Equivalents, continued

Kern County Treasurer Fund

The Kern County Treasurer's Pooled Cash Portfolio (Pool) is a pooled investment fund program governed by the Kern County Board of Supervisors, and administered by the Kern County Treasurer and Tax Collector. Investments in the Pool are highly liquid as deposits and withdrawals can be made at anytime without penalty. The Pool does not impose a maximum investment limit.

The Kern County's bank deposits are either Federally insured or collateralized in accordance with the California Government Code. Pool detail may be obtained from the Kern County Treasurer and Tax Collector's website at www.kcttc.co.kern.ca.us.

Investment in the California State Investment Pool

The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code 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. LAIF detail may be obtained from the State of California Treasurer's website at www.treasurer.ca.gov/pmia-laif/index.asp.

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 California Government Code and the District's investment policy does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a 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. Of the bank balance, up to \$250,000 is federally insured. The remaining balance is to be collateralized by the bank.

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 Code and the District's investment policy contains legal and policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as the Kern County Pool or LAIF).

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. The longer the maturity an investment has the greater its fair value has sensitivity to changes in market interest rates. The District's investment policy follows the Code as it relates to limits on investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates.

Bear Valley Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2013

(2) Cash and Cash Equivalents, continued

Credit Risk

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; however, the Kern County Pool and LAIF are not rated.

Concentration of Credit Risk

The District's investment policy does not contain various limitations on the amounts that can be invested in any one governmental agency or non-governmental issuer as stipulated by the California Government Code. The District's deposit portfolio with governmental agencies, Kern County is 68% and LAIF is 29% as of June 30, 2013, of the District's total depository and investment portfolio.

(3) Accounts Receivable – Utilities, net

The accounts receivable – utilities, net balance consists of the following balances as of June 30, 2013:

	<u>Water</u>	<u>Wastewater</u>	<u>Solid Waste</u>	<u>Total</u>
Accounts receivable – utilities	\$ 484,742	96,677	69,559	650,978
Allowance for uncollectible receivables	(145,501)	-	-	(145,501)
Accounts receivable – utilities, net	<u>\$ 339,241</u>	<u>96,677</u>	<u>69,559</u>	<u>505,477</u>

(4) Internal Balances

Due To/From Other Funds

Internal balances consist of the following as of June 30, 2013:

<u>Purpose</u>	<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Advancement	General	Water	\$ <u>181,843</u>
Advancement	General	Wastewater	\$ <u>68,157</u>

The General fund advanced the Water fund \$181,843 in fiscal year 2009 and \$68,157 to the Wastewater Fund due to fund capital improvements. The advancement bears interest at the current LAIF interest earned rate per quarter and is expected to be repaid in fiscal year 2014.

Interfund Transfers

Interfund transfers consist of the following for the year ended June 30, 2013:

<u>Transfer from</u>	<u>Transfer to</u>	<u>Amount</u>
General	Post Office	\$ <u>19,282</u>

Interfund transfers are used to move revenues received in the General fund to the Post Office fund to absorb the Post Office fund's operating deficit, to repay the General Fund for purchases made for the Supplemental Law Enforcement Fund prior to the fund receiving its annual funding and for the Wastewater fund to repay the Water fund. Other transfers were for operating transfers between funds.

Bear Valley Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2013

(5) Improvement District Bonds Receivable

The District maintains the records for Improvement District No. 95-1. The Improvement District was established under the Municipal Improvement Act of 1913 and the improvement bonds that were issued were partially financed with 1915 Improvement Act Bonds. The District accounts for the Improvement District No. 95-1 under GASB No. 6, *Accounting and Financial Reporting for Special Assessments*. The Improvement District has levied a special assessment amongst the property owners to repay the improvement bonds that were issued. Since the District is not directly liable for the for the improvement district debt and it is expected that all such debt will be repaid from the property owners via the special assessment and not the District's general revenues, the improvement district debt is not included on the District's financial statements. The District acts solely as an agent for the bondholders in collecting and forwarding the special assessments to pay-off the debt. As of June 30, 2013, the Improvement District No. 95-1 bonds outstanding totaled \$520,000.

The District had elected to hold the Improvement District No. 95-1 Bonds rather than to sell them on the open market. Since the District has elected to hold these bonds, the District is entitled to receive the special assessment payments from the property owners to pay-down these bonds. The Improvement District bonds receivable principal balance totaled \$390,000 as of June 30, 2013. The principal balance of \$130,000 is due and payable to the District each year until 2016.

(6) Capital Assets

Governmental Activities

Changes in capital assets for the year were as follows:

	<u>Balance 2012</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>Balance 2013</u>
Non-depreciable assets:				
Land	\$ 4,804,415	-	-	4,804,415
Construction-in-process	-	29,412	-	29,412
Total non-depreciable assets	<u>4,804,415</u>	<u>29,412</u>	<u>-</u>	<u>4,833,827</u>
Depreciable assets:				
Buildings and improvements	5,923,148	-	-	5,923,148
Infrastrture, streets and roads	24,179,347	-	-	24,179,347
Vehicles and equipment	1,841,975	14,030	(45,110)	1,810,895
Total depreciable assets	<u>31,944,470</u>	<u>14,030</u>	<u>(45,110)</u>	<u>31,913,390</u>
Accumulated depreciation:				
Buildings and improvements	(3,900,931)	(81,612)	-	(3,982,543)
Infrastrture, streets and roads	(21,933,317)	(230,846)	-	(22,164,163)
Vehicles and equipment	(1,493,385)	(120,101)	45,110	(1,568,376)
Total accumulated depreciation	<u>(27,327,633)</u>	<u>(432,559)</u>	<u>45,110</u>	<u>(27,715,082)</u>
Total depreciable assets, net	<u>4,616,837</u>	<u>(418,529)</u>	<u>-</u>	<u>4,198,308</u>
Total capital assets, net	<u>\$ 9,421,252</u>			<u>9,032,135</u>

Major capital asset additions in the governmental activities area include new equipment.

Bear Valley Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2013

(6) Capital Assets, continued

Depreciation expense under governmental activities was allotted as follows for the year ended June 30, 2013:

	Depreciation Expense
General government	\$ 72,449
Public safety	79,641
Streets and roads	280,469
Total	\$ 432,559

Business-Type Activities

Changes in capital assets for the year were as follows:

	Balance 2012	Additions	Deletions/ Transfers	Balance 2013
Non-depreciable assets:				
Land	\$ 3,662,053	-	-	3,662,053
Construction in progress	-	-	-	-
Total non-depreciable assets	3,662,053	-	-	3,662,053
Depreciable assets:				
Water transmission and distribution	14,265,195	14,336	-	14,279,531
Wastewater collection	4,689,248	-	-	4,689,248
Solid waste collection	156,231	-	-	156,231
Vehicles and equipment	797,407	-	-	797,407
Total depreciable assets	19,908,081	14,336	-	19,922,417
Accumulated depreciation:				
Water transmission and distribution	(7,855,971)	(389,129)	-	(8,245,100)
Wastewater collection	(3,637,845)	(155,033)	-	(3,792,878)
Solid waste collection	(103,704)	(6,087)	-	(109,791)
Vehicles and equipment	(643,569)	(44,107)	-	(687,676)
Total accumulated depreciation	(12,241,089)	(594,356)	-	(12,835,445)
Total depreciable assets, net	7,666,992	(580,020)	-	7,086,972
Total capital assets, net	\$ 11,329,045			10,749,025

Major capital asset additions in the business-type activities area include transmission and distribution and system upgrades.

Bear Valley Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2013

(6) Capital Assets, continued

A summary of changes of capital assets per Enterprise Funds are as follows:

Water Enterprise	Balance 2012	Additions	Deletions/ Transfers	Balance 2013
Non-depreciable assets:				
Land	\$ 3,647,319	-	-	3,647,319
Construction in progress	-	-	-	-
Total non-depreciable assets	3,647,319	-	-	3,647,319
Depreciable assets:				
Water transmission and distribution	14,265,195	14,336	-	14,279,531
Vehicles and equipment	544,235	-	-	544,235
Total depreciable assets	14,809,430	14,336	-	14,823,766
Accumulated depreciation:				
Water transmission and distribution	(7,855,971)	(389,129)	-	(8,245,100)
Vehicles and equipment	(451,658)	(23,663)	-	(475,321)
Total accumulated depreciation	(8,307,629)	(412,792)	-	(8,720,421)
Total depreciable assets, net	6,501,801	(398,456)	-	6,103,345
Total capital assets, net	\$ 10,149,120			9,750,664
<hr/>				
Wastewater Enterprise	Balance 2012	Additions	Deletions/ Transfers	Balance 2013
Non-depreciable assets:				
Land	\$ 14,734	-	-	14,734
Total non-depreciable assets	14,734	-	-	14,734
Depreciable assets:				
Wastewater collection	4,689,248	-	-	4,689,248
Vehicles and equipment	102,291	-	-	102,291
Total depreciable assets	4,791,539	-	-	4,791,539
Accumulated depreciation:				
Wastewater collection	(3,637,845)	(155,033)	-	(3,792,878)
Vehicles and equipment	(73,948)	(8,513)	-	(82,461)
Total accumulated depreciation	(3,711,793)	(163,546)	-	(3,875,339)
Total depreciable assets, net	1,079,746	(163,546)	-	916,200
Total capital assets, net	\$ 1,094,480			930,934
<hr/>				
Solid Waste Enterprise	Balance 2012	Additions	Deletions/ Transfers	Balance 2013
Depreciable assets:				
Solid waste collection	\$ 156,231	-	-	156,231
Vehicles and equipment	150,881	-	-	150,881
Total depreciable assets	307,112	-	-	307,112
Accumulated depreciation:				
Solid waste collection	(103,704)	(6,087)	-	(109,791)
Vehicles and equipment	(117,963)	(11,931)	-	(129,894)
Total accumulated depreciation	(221,667)	(18,018)	-	(239,685)
Total depreciable assets, net	85,445	(18,018)	-	67,427
Total capital assets, net	\$ 85,445			67,427

Bear Valley Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2013

(7) Compensated Absences

The District provides employees with compensated absence benefits as follows:

<u>Description</u>	<u>Benefit per year</u>	<u>Vesting</u>	<u>Maximum</u>	<u>Excess payment</u>
Sick leave	12 days-classified 14 days-management	5 years = 50% on departure 10 years = 100% on departure	480 hours	As of Nov. 30th 50% of hours >480 10 years = 100% of hours >480
Vacation	10 days (years 2-5) 15 days (years 6-15) 20 days (years 16-20) 25 days (years 21+)	1 year = 100% on departure	320 hours	Capped at 320 hours
Comp time	1.5 hours off for each 1 hour OT worked (employee's choice)	No minimum time required	120 hours	District may buy excess of 40 hours in June each year

- The District's obligation relating to employees' rights to receive compensation for future absences is attributable to employees' services already rendered.
- The obligation related to rights that vest or accumulate.
- Payment of the compensation is probable.
- The amount can be reasonable estimated.

Changes in compensated absences as of June 30, 2013, were as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Compensated absences, beginning	\$ 228,729	151,474
Current year employee earnings	213,986	77,653
Employee time taken	<u>(234,060)</u>	<u>(133,074)</u>
Compensated absences, ending	208,655	96,053
Less: current portion payable	<u>(52,156)</u>	<u>(24,013)</u>
Long-term portion payable	<u>\$ 156,499</u>	<u>72,040</u>

Bear Valley Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2013

(8) Bond Payable

Changes in bond payable for the year ended June 30, 2013, is as follows:

	Balance 2012	Additions	Payments	Balance 2013
General obligation bonds	\$ 2,105,000	-	(310,000)	1,795,000
Less: current portion due	(310,000)			(320,000)
Long-term portion due	\$ 1,795,000			1,475,000

General Obligation Bonds

In fiscal year 2003, the District issued \$4,530,000 in Bear Valley Community Services District Improvement District No. 2 General Obligation Bonds, 2002 Series A. The proceeds of the 2002 Bonds were used to finance certain water system improvements and refund the District's 1995 Bonds. The 2002 Bonds are general obligations bonds of the District and the Board of Directors of the District has the power and is obligated to levy an annual ad valorem tax for payment of the 2002 Bonds and the interest thereon upon all property within the Improvement District subject to taxation by the District (except certain personal property which is taxable at limited rates) without limitation as to the rate amount.

The bonds are scheduled to mature in fiscal year 2031. Interest is payable semi-annually on September 1st and March 1st each year at an escalating rate from 1.75% to 4.75%, while principal installments ranging from \$50,000 to \$345,000 are payable each year on September 1st. Annual debt service requirements on the bonds are as follows:

Year	Principal	Interest	Total
2014	\$ 320,000	69,715	389,715
2015	335,000	57,183	392,183
2016	345,000	43,750	388,750
2017	50,000	35,788	85,788
2018	55,000	33,487	88,487
2018-2023	305,000	127,713	432,713
2024-2028	385,000	47,382	432,382
Totals	1,795,000	415,018	2,210,018
Current portion due	(320,000)		
Long-term portion	\$ 1,475,000		

Bear Valley Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2013

(9) Loans Payable

Changes in loans payable for the year ended June 30, 2013, are as follows:

	<u>Balance 2012</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance 2013</u>
Water fund:				
CIEBD - Loan	\$ 2,458,462	-	(83,764)	2,374,698
Wastewater fund:				
SWRCB - Loan	434,390	-	(108,597)	325,793
CIEBD - Loan	513,901	-	(17,510)	496,391
Total loans payable	<u>3,406,753</u>	<u>-</u>	<u>(209,871)</u>	<u>3,196,882</u>
Less: current portion due	<u>(212,927)</u>			<u>(215,984)</u>
Long-term portion due	<u>\$ 3,193,826</u>			<u>2,980,898</u>

Water and Wastewater Funds

California Infrastructure and Economic Development Bank (CIEDB) Loan

In fiscal year 2004, the District entered into financing agreements with the California Infrastructure and Economic Development Bank (CIEDB). Under terms of these agreements, CIEDB issued tax-exempt bonds with proceeds in the amount of \$5,048,600 to be provided to the District. These proceeds will be used for water and wastewater system improvements.

The CIEDB – Loan is scheduled to mature in fiscal year 2033. Interest is payable semi-annually on August 1st and February 1st each year at a rate of 2.93%, while escalating principal installments ranging from \$90,302 to \$188,857 are payable each year on August 1st. Annual debt service requirements on the loan are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 107,386	82,373	189,759
2014	110,533	79,181	189,714
2015	113,772	75,894	189,666
2016	117,105	72,512	189,617
2017	120,536	69,031	189,567
2018-2022	657,774	293,278	951,052
2023-2027	759,953	185,581	945,534
2028-2032	<u>884,030</u>	<u>65,798</u>	<u>949,828</u>
Total	2,871,089	<u>923,648</u>	<u>3,794,737</u>
Current portion due	<u>(107,386)</u>		
Long-term portion	<u>\$ 2,763,703</u>		

Bear Valley Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2013

(9) Loans Payable, continued

State Water Resources Control Board (SWRCB) Loan

In fiscal year 1995, the District entered into a loan financing agreement with the State Water Resources Control Board (SWRCB). The SWRCB issued the District \$2,171,950 under the State Revolving Fund Loan Contract. In fiscal year 1996, the District paid the SWRCB \$361,999 in exchange for reducing the existing 3.10% interest rate loan to a zero interest loan. The \$361,999 has been recorded as a prepaid expense in the Wastewater Fund's statement of net position and is being amortized to interest expense over the twenty-year loan payment period. As of June 30, 2013, the remaining unamortized interest balance is as follows:

	Amount
Prepaid interest	\$ 361,999
Accumulated amortization	(315,613)
Prepaid interest, net	\$ 46,386

The SWRCB – Loan is scheduled to mature in fiscal year 2016. Principal installments of \$108,597.50 are payable each year on January 13th. Annual principal installments on the loan are as follows:

Year	Principal
2014	\$ 108,598
2015	108,598
2016	108,597
Total	325,793
Current portion due	(108,598)
Long-term portion	\$ 217,195

Bear Valley Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2013

(10) Net Investment in Capital Assets

The calculations of net investment in capital assets are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
The balance consists of the following:		
Capital assets – not being depreciated	\$ 4,833,827	3,662,053
Capital assets – being depreciated, net	4,198,308	7,086,972
Bond payable – current portion	(320,000)	-
Loans payable – current portion	-	(215,984)
Bond payable – long-term portion	(1,475,000)	-
Loans payable – long-term portion	-	(2,980,898)
Total	<u>\$ 7,237,135</u>	<u>7,552,143</u>

(11) Restricted Net Position

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Net position are restricted as follows:		
Street and road improvements	\$ 2,480,504	-
Debt service	354,648	-
Public safety (COPS Program)	68,373	-
Improvement bond	-	390,000
	<u>\$ 2,903,525</u>	<u>390,000</u>

(12) Unrestricted Net Position

The District's Board of Directors has designated the use of the District's June 30, 2013, unrestricted net position as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Net position are designated as follows:		
Unemployment compensation	\$ 54,384	-
Emergency reserve	156,816	-
Police contingencies	253,354	-
Six-month operating reserve	2,340,923	-
Prepaid expenses	-	46,386
Water operations	-	816,463
Water capital replacement	-	1,209,830
Wastewater operations	-	263,100
Wastewater capital replacement	-	162,506
Solid waste operations	-	436,896
Solid waste capital replacement	-	259,337
Total	<u>\$ 2,805,477</u>	<u>3,194,518</u>

Six-Month Operating Reserve

The District's general government and public safety activities receives the bulk of its funding from the Kern County Tax Collector at the end of the months of December and April, which coincides with the property tax payment dates of December 10 and April 10 each year. Each fiscal year, the District will need to utilize its six-month operating reserve until this funding is received.

Bear Valley Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2013

(13) Deferred Compensation Savings Plan

For the benefit of its employees, the District participates in a 457 Deferred Compensation Program (Program). The purpose of this Program is to provide deferred compensation for public employees that elect to participate in the Program. Generally, eligible employees may defer receipt of a portion of their salary until termination, retirement, death or unforeseeable emergency. Until the funds are paid or otherwise made available to the employee, the employee is not obligated to report the deferred salary for income tax purposes.

Federal law requires deferred compensation assets to be held in trust for the exclusive benefit of the participants. Accordingly, the District is in compliance with this legislation. Therefore, these assets are not the legal property of the District, and are not subject to claims of the District's general creditors. Market value of all plan assets held in trust by CalPERS at June 30, 2013, was \$855,650.

The District has implemented GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. Since the District has little administrative involvement and does not perform the investing function for this plan, the assets and related liabilities are not shown on the statement of net position.

(14) Defined Benefit Pension Plan

Plan Description

The District contributes to the California Public Employees Retirement System (CalPERS), a cost-sharing multiple-employer defined benefit pension plan. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public agencies within the State of California. Benefit provisions and all other requirements are established by state statute and the District. Copies of CalPERS annual financial report may be obtained from their executive Office: 400 P Street, Sacramento, California 95814.

Funding Policy

Tier I – Miscellaneous and Safety Plans

The contribution rate for plan members in the CalPERS 2.0% at 50 Risk Pool Retirement Plan for Safety Employees is 9% and CalPERS 2.0% at 55 Risk Pool Retirement Plan for Miscellaneous Employees is 7% of their annual covered salary.

The District paid 0% of the Safety Employees member portion and the District paid all of the Miscellaneous Employees 7% member portion. Also, the District is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The required employer contribution rates are equal to the annual pension cost (APC) percentage of payroll for fiscal years 2013, 2012 and 2011, as noted below.

The contribution requirements of the plan members are established by State statute, and the employer contribution rate is established and may be amended by CalPERS. For fiscal years 2013, 2012 and 2011, the District's annual contributions for the CalPERS plan were equal to the District's required and actual contributions for each fiscal year as follows:

Bear Valley Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2013

(14) Defined Benefit Pension Plan, continued

California Public Employees Pension Reform Act of 2013

On September 12, 2012, the California Governor signed the California Public Employees' Pension Reform Act of 2013 (PEPRA) into law. PEPRA took effect January 1, 2013.

Key components of the legislation are as follows:

- Establishes PEPRA which will apply to all public employers and public pension plans on and after January 1, 2013 (Except specific exemptions);
- Establishes new retirement tiers/benefits for new public employees;
- Prohibits certain cash payments from being counted as compensation; and
- Increases retirement age for all new public employees.

Second-Tier – Beginning January 1, 2013

PEPRA Safety Employees

The contribution rate for plan members in the CalPERS 2.7% at 57 Retirement Plan under PEPRA is 12.25% of their annual covered wages. District employees contribute 12.25% of their annual covered wages to their account. Also, the District is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The employer contribution rate (12.25%) and member contribution rate (12.25%) is a combined rate of 24.50%, which will be in effect until June 30, 2015.

PEPRA Miscellaneous Employees

The contribution rate for plan members in the CalPERS 2.0% at 62 Retirement Plan under PEPRA is 6.50% of their annual covered wages. District employees contribute 6.50% of their annual covered wages to their account. Also, the District is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The employer contribution rate (6.70%) and member contribution rate (6.50%) is a combined rate of 13.20%, which will be in effect until June 30, 2015.

For fiscal years 2013, 2012 and 2011, the District's annual contributions for the CalPERS plan were equal to the District's required and actual contributions for each fiscal year as follows:

Three Years CalPERS Funding Information – Safety Employees Plan

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>	<u>APC Percentage of Payroll</u>
2010-2011	\$ 107,655	100%	-	20.128%
2011-2012	130,618	100%	-	24.564%
2012-2013	97,909	100%	-	26.421%

Three Years CalPERS Funding Information – Miscellaneous Plan

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>	<u>APC Percentage of Payroll</u>
2010-2011	\$ 144,837	100%	-	8.515%
2011-2012	181,989	100%	-	9.576%
2012-2013	182,813	100%	-	9.754%

See Page 61 for the Schedule of Funding Status.

Bear Valley Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2013

(14) Defined Benefit Pension Plan, continued

Actuarial Methods and Assumptions

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and the pattern of sharing of costs between the employer and plan members to that point. Consistent with the long-term perspective of actuarial calculations, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities for benefits.

CalPERS Safety Plan

The following is a summary of the actuarial assumptions and methods:

Valuation date	June 30, 2011
Actuarial cost method	Entry age normal cost method
Amortization method	Level percent of payroll, open
Average remaining amortization period	16 years as of the valuation date
Asset valuation method	15 year smoothed market
Actuarial assumptions:	
Discount rate	7.50% (net of administrative expenses)
Projected salary increase	3.30% to 14.20% depending on age, service, and type of employment
Inflation	2.75%
Payroll growth	3.00%
Individual salary growth	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 2.75% and an annual production growth of 0.25%

CalPERS Miscellaneous Plan.

The following is a summary of the actuarial assumptions and methods:

Valuation date	June 30, 2011
Actuarial cost method	Entry age normal cost method
Amortization method	Level percent of payroll, open
Average remaining amortization period	20 years as of the valuation date
Asset valuation method	15 year smoothed market
Actuarial assumptions:	
Discount rate	7.50% (net of administrative expenses)
Projected salary increase	3.30% to 14.20% depending on age, service, and type of employment
Inflation	2.75%
Payroll growth	3.00%
Individual salary growth	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 2.75% and an annual production growth of 0.25%

Bear Valley Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2013

(15) Risk Management

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District is a member of the Special District Risk Management Authority (SDRMA), an intergovernmental risk sharing joint powers authority created to provide self-insurance programs for California special districts. The purpose of the SDRMA is to arrange and administer programs of self-insured losses and to purchase excess insurance coverage. At June 30, 2013, the District participated in the liability and property programs of the SDRMA as follows:

- General and auto liability, public officials and employees' errors and omissions: Total risk financing self-insurance limits of \$2,500,000, combined single limit at \$2,500,000 per occurrence. The District purchased additional excess coverage layers: \$10,000,000 for general, auto and public officials liability, which increases the limits on the insurance coverage noted above.

In addition to the above, the District also has the following insurance coverage:

- Employee dishonesty coverage up to \$400,000 per loss includes public employee dishonesty, forgery or alteration and theft, disappearance and destruction coverage's.
- Property loss is paid at the replacement cost for property on file, if replaced within three years after the loss, otherwise paid on an actual cash value basis, to a combined total of \$1.0 billion per occurrence, subject to a \$2,000 deductible per occurrence.
- Boiler and machinery coverage for the replacement cost up to \$100 million per occurrence, subject to a \$1,000 deductible per occurrence.
- Public officials personal liability up to \$500,000 each occurrence, with an annual aggregate of \$500,000 per each elected/appointed official to which this coverage applies, subject to the terms, with a deductible of \$500 per claim.
- Workers' compensation insurance per statutory requirements and Employer's Liability Coverage up to \$5 million.

Settled claims have not exceeded any of the coverage amounts in any of the last three fiscal years. There were no reductions in insurance coverage in fiscal year 2013, 2012 and 2011. Liabilities are recorded when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated net of the respective insurance coverage. Liabilities include an amount for claims that have been incurred but not reported (IBNR). There were no IBNR claims payable as of June 30, 2013, 2012 and 2011.

Bear Valley Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2013

(16) Governmental Accounting Standards Board Statements

Newly Issued Accounting Pronouncements, But Not Yet Effective

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to June 30, 2013, that have effective dates that may impact future financial presentations.

Governmental Accounting Standards Board Statement No. 66

In March 2012, the GASB issued Statement No. 66 – *Technical Corrections—2013—an amendment of GASB Statements No. 10 and No. 62*. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements*. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. The impact of the implementation of this Statement to District’s financial statements has not been assessed at this time.

Governmental Accounting Standards Board Statement No. 68

In June 2012, the GASB issued Statement No. 68 – *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement. The provisions of Statement 68 are effective for fiscal years beginning after June 15, 2014. The impact of the implementation of this Statement to District’s financial statements has not been assessed at this time.

Governmental Accounting Standards Board Statement No. 69

In January 2013, the GASB issued Statement No. 69 – *Government Combinations and Disposals of Government Operations*. The objective of this Statement is to provide new accounting and financial reporting standards for government mergers and acquisitions and for government operations that have been transferred or sold. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2013. The impact of the implementation of this Statement to District’s financial statements has not been assessed at this time.

Governmental Accounting Standards Board Statement No. 70

In April 2013, the GASB issued Statement No. 70 – *Accounting and Financial Reporting for Non-exchange Guarantees*. Provisions of this Statement require that governments that extend non-exchange financial guarantees to recognize a liability when qualitative factors and historic data, if any, indicate that it is more likely than not that the government will be required to make a payments on the guarantee. The amount of the liability to be recognized should be the discounted present value of the best estimate of the future outflows related to the guarantee expected to be incurred. When there is no best estimate but a range of the estimated future outflows can be established, the amount of the liability to be recognized should be the discounted present value of the minimum amount within the range. The impact of the implementation of this Statement to District’s financial statements has not been assessed at this time.

Bear Valley Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2013

(17) Commitments and Contingencies

Litigation

In the ordinary course of operations, the District is subject to claims and litigation from outside parties. After consultation with legal counsel, the District believes the ultimate outcome of such matters, if any, will not materially affect its financial condition.

Grant Awards

Grant funds received by the District are subject to audit by the grantor agencies. Such audit could lead to requests for reimbursements to the grantor agencies for expenditures disallowed under terms of the grant. Management of the District believes that such disallowances, if any, would not be significant.

(18) Subsequent Events

Events occurring after June 30, 2013, have been evaluated for possible adjustment to the financial statements or disclosure as of October 31, 2013, which is the date the financial statements were available to be issued. The District is not aware of any subsequent events that would require recognition or disclosure in the financial statements.

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Required Supplementary Information

Bear Valley Community Services District
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual – General Fund – Major Fund
For the Year Ended June 30, 2013

	<u>Adopted Original Budget</u>	<u>Board Approved Changes</u>	<u>Revised Final Budget</u>	<u>Actual Budgetary Basis</u>	<u>Variance Positive (Negative)</u>
Revenues:					
Property taxes	\$ 1,500,265	-	1,500,265	1,453,862	(46,403)
Voter-approved taxes	550,651	-	550,651	555,811	5,160
Charges for services	425,238	-	425,238	424,936	(302)
Federal and state aid	9,000	-	9,000	-	(9,000)
Interest earnings	18,349	-	18,349	11,660	(6,689)
Rents and royalties	27,640	-	27,640	27,909	269
Other	84,066	-	84,066	112,807	28,741
Total revenues	<u>2,615,209</u>	<u>-</u>	<u>2,615,209</u>	<u>2,586,985</u>	<u>(28,224)</u>
Expenditures:					
General government	100,388	-	100,388	210,153	(109,765)
Public safety	2,384,205	-	2,384,205	2,326,043	58,162
Capital outlay	36,706	-	36,706	43,442	(6,736)
Total expenditures	<u>2,521,299</u>	<u>-</u>	<u>2,521,299</u>	<u>2,579,638</u>	<u>(58,339)</u>
Excess(deficiency) of revenues over expenditures	<u>93,910</u>	<u>-</u>	<u>93,910</u>	<u>7,347</u>	<u>(86,563)</u>
Other financing sources(uses):					
Operating transfers	(15,191)	-	(15,191)	(19,282)	(4,091)
Net change in fund balance	78,719	-	78,719	(11,935)	<u>(90,654)</u>
Fund balance, beginning of year	<u>2,991,796</u>	<u>-</u>	<u>2,991,796</u>	<u>2,991,796</u>	
Fund balance, end of year	<u>\$ 3,070,515</u>	<u>-</u>	<u>3,070,515</u>	<u>2,979,861</u>	

(1) Budgets and Budgetary Data

The District follows specific procedures in establishing the budgetary data reflected in the financial statements. Each year the District's General Manager prepares and submits an operating and capital budget to the Board of Directors no later than June. The basis used to prepare the budget does not differ substantially from the modified accrual basis of accounting. The adopted budget becomes operative on July 1. The Board of Directors must approve all supplemental appropriations to the budget and transfers between major accounts.

Bear Valley Community Services District
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual – Road Fund – Major Fund
For the Year Ended June 30, 2013

	<u>Adopted Original Budget</u>	<u>Board Approved Changes</u>	<u>Revised Final Budget</u>	<u>Actual Budgetary Basis</u>	<u>Variance Positive (Negative)</u>
Revenues:					
Special assessments	\$ 1,199,100	-	1,199,100	1,199,582	482
Interest earnings	12,569	-	12,569	10,091	(2,478)
Other	18,500	-	18,500	33,447	14,947
Total revenues	<u>1,230,169</u>	<u>-</u>	<u>1,230,169</u>	<u>1,243,120</u>	<u>12,951</u>
Expenditures:					
Streets and roads	995,244	-	995,244	954,267	40,977
Capital outlay	220,000	-	220,000	-	220,000
Total expenditures	<u>1,215,244</u>	<u>-</u>	<u>1,215,244</u>	<u>954,267</u>	<u>260,977</u>
Excess(deficiency) of revenues over expenditures	<u>14,925</u>	<u>-</u>	<u>14,925</u>	<u>288,853</u>	<u>273,928</u>
Other financing sources(uses):					
Operating transfers	-	-	-	-	-
Net change in fund balance	14,925	-	14,925	288,853	<u>273,928</u>
Fund balance, beginning of year	<u>2,201,816</u>	<u>-</u>	<u>2,201,816</u>	<u>2,251,255</u>	
Fund balance, end of year	<u>\$ 2,216,741</u>	<u>-</u>	<u>2,216,741</u>	<u>2,540,108</u>	

Bear Valley Community Services District
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual – Supplemental Law Enforcement – Major Fund
For the Year Ended June 30, 2013

	<u>Adopted Original Budget</u>	<u>Board Approved Changes</u>	<u>Revised Final Budget</u>	<u>Actual Budgetary Basis</u>	<u>Variance Positive (Negative)</u>
Revenues:					
Federal and state aid	\$ 100,000	-	100,000	100,000	-
Interest earnings	-	-	-	-	-
Total revenues	<u>100,000</u>	<u>-</u>	<u>100,000</u>	<u>100,000</u>	<u>-</u>
Expenditures:					
Public safety	-	-	-	76,611	(76,611)
Capital outlay	121,062	-	121,062	-	121,062
Total expenditures	<u>121,062</u>	<u>-</u>	<u>121,062</u>	<u>76,611</u>	<u>44,451</u>
Excess(deficiency) of revenues over expenditures	<u>(21,062)</u>	<u>-</u>	<u>(21,062)</u>	<u>23,389</u>	<u>44,451</u>
Net change in fund balance	<u>(21,062)</u>	<u>-</u>	<u>(21,062)</u>	<u>23,389</u>	<u>44,451</u>
Other financing sources(uses):					
Operating transfers	-	-	-	-	-
Net change in fund balance	<u>(21,062)</u>	<u>-</u>	<u>(21,062)</u>	<u>23,389</u>	<u>44,451</u>
Fund balance, beginning of year	<u>31,036</u>	<u>-</u>	<u>31,036</u>	<u>44,984</u>	
Fund balance, end of year	<u>\$ 9,974</u>	<u>-</u>	<u>9,974</u>	<u>68,373</u>	

Bear Valley Community Services District
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual – Bond Redemption Fund – Debt Service Fund
For the Year Ended June 30, 2013

	<u>Adopted Original Budget</u>	<u>Board Approved Changes</u>	<u>Revised Final Budget</u>	<u>Actual Budgetary Basis</u>	<u>Variance Positive (Negative)</u>
Revenues:					
Voter-approved taxes	\$ 360,152	-	360,152	376,900	16,748
Interest earnings	1,050	-	1,050	830	(220)
Rents and royalties	31,448	-	31,448	40,890	9,442
Total revenues	<u>392,650</u>	<u>-</u>	<u>392,650</u>	<u>418,620</u>	<u>25,970</u>
Expenditures:					
Debt service:					
General government	-	-	-	1,646	-
Bond payments	310,000	-	310,000	310,000	-
Interest paid	81,940	-	81,940	81,139	801
Total expenditures	<u>391,940</u>	<u>-</u>	<u>391,940</u>	<u>392,785</u>	<u>801</u>
Excess(deficiency) of revenues over expenditures	<u>710</u>	<u>-</u>	<u>710</u>	<u>25,835</u>	<u>26,771</u>
Other financing sources(uses):					
Operating transfers	-	-	-	-	-
Net change in fund balance	710	-	710	25,835	<u>26,771</u>
Fund balance, beginning of year	<u>288,538</u>	<u>-</u>	<u>345,421</u>	<u>328,813</u>	
Fund balance, end of year	<u>\$ 289,248</u>	<u>-</u>	<u>346,131</u>	<u>354,648</u>	

Bear Valley Community Services District
Schedule of Revenues, Expenses and Changes in Net Position
Budget and Actual – Water Fund
For the Year Ended June 30, 2013

	<u>Adopted Original Budget</u>	<u>Board Approved Changes</u>	<u>Revised Final Budget</u>	<u>Actual Basis</u>	<u>Variance Positive (Negative)</u>
Operating revenues:					
Water consumption sales	\$ 2,102,088	-	2,102,088	2,417,518	315,430
Other charges for services	<u>51,250</u>	-	<u>51,250</u>	<u>50,248</u>	<u>(1,002)</u>
Total operating revenues	<u>2,153,338</u>	-	<u>2,153,338</u>	<u>2,467,766</u>	<u>314,428</u>
Operating expenses:					
Salaries and benefits	862,451	-	862,451	799,848	62,603
Operations	<u>1,397,013</u>	-	<u>1,397,013</u>	<u>1,271,358</u>	<u>125,655</u>
Total operating expenses	<u>2,259,464</u>	-	<u>2,259,464</u>	<u>2,071,206</u>	<u>188,258</u>
Operating income(loss) before capital	(106,126)	-	(106,126)	396,560	502,686
Depreciation expense	<u>-</u>	-	<u>-</u>	<u>(412,792)</u>	<u>412,792</u>
Operating income(loss)	<u>(106,126)</u>	-	<u>(106,126)</u>	<u>(16,232)</u>	<u>89,894</u>
Non-operating revenue(expense):					
Interest earnings	4,662	-	4,662	8,554	3,892
Interest expense	<u>(78,065)</u>	-	<u>(78,065)</u>	<u>(72,176)</u>	<u>(5,889)</u>
Total non-operating, net	<u>(73,403)</u>	-	<u>(73,403)</u>	<u>(63,622)</u>	<u>9,781</u>
Capital contributions and purchases:					
Capital outlay	-	-	-	-	-
Standby charges	27,375	-	27,375	-	(27,375)
Capacity charges	<u>-</u>	-	<u>-</u>	<u>22,665</u>	<u>22,665</u>
Total capital contributions	<u>27,375</u>	-	<u>27,375</u>	<u>22,665</u>	<u>4,710</u>
Change in net assets	<u>(152,154)</u>	-	<u>(152,154)</u>	<u>(57,189)</u>	<u>104,385</u>
Other financing sources(uses):					
Operating transfers net	<u>125,000</u>	-	<u>125,000</u>	<u>125,000</u>	<u>-</u>
Net position, beginning of year	<u>10,171,395</u>	-	<u>10,171,395</u>	<u>9,459,448</u>	
Net position, end of year	<u>\$ 10,144,241</u>	<u>-</u>	<u>10,144,241</u>	<u>9,402,259</u>	

Bear Valley Community Services District
Schedule of Revenues, Expenses and Changes in Net Position
Budget and Actual – Wastewater Fund
For the Year Ended June 30, 2013

	Adopted Original Budget	Board Approved Changes	Revised Final Budget	Actual Basis	Variance Positive (Negative)
Operating revenues:					
Wastewater service charges	\$ 408,071	-	408,071	470,836	62,765
Other charges for services	1,900	-	1,900	9,737	7,837
Total operating revenues	<u>409,971</u>	<u>-</u>	<u>409,971</u>	<u>480,573</u>	<u>70,602</u>
Operating expenses:					
Salaries and benefits	328,874	-	328,874	281,629	47,245
Operations	154,545	-	154,545	146,163	8,382
Total operating expenses	<u>483,419</u>	<u>-</u>	<u>483,419</u>	<u>427,792</u>	<u>55,627</u>
Operating income(loss) before capital	(73,448)	-	(73,448)	52,781	126,229
Depreciation expense	-	-	-	(163,546)	163,546
Operating income(loss)	<u>(73,448)</u>	<u>-</u>	<u>(73,448)</u>	<u>(110,765)</u>	<u>(37,317)</u>
Non-operating revenue(expense):					
Interest earnings	996	-	996	1,754	758
Interest expense	(16,588)	-	(16,588)	(32,937)	16,349
Total non-operating, net	<u>(15,592)</u>	<u>-</u>	<u>(15,592)</u>	<u>(31,183)</u>	<u>(15,591)</u>
Capital contributions and purchases:					
Capital outlay	-	-	-	-	-
Standby charges	2,260	-	2,260	-	2,260
Capacity charges	-	-	-	-	-
Total capital contributions	<u>2,260</u>	<u>-</u>	<u>2,260</u>	<u>-</u>	<u>-</u>
Change in net assets	<u>(86,780)</u>	<u>-</u>	<u>(86,780)</u>	<u>(141,948)</u>	<u>(52,908)</u>
Other financing sources(uses):					
Operating transfers	15,000	-	15,000	-	(15,000)
Net position, beginning of year	<u>1,313,309</u>	<u>-</u>	<u>1,313,309</u>	<u>1,112,690</u>	
Net position, end of year	<u>\$ 1,241,529</u>	<u>-</u>	<u>1,241,529</u>	<u>970,742</u>	

Bear Valley Community Services District
Schedule of Revenues, Expenses and Changes in Net Position
Budget and Actual – Solid Waste Fund
For the Year Ended June 30, 2013

	Adopted Original Budget	Board Approved Changes	Revised Final Budget	Actual Basis	Variance Positive (Negative)
Operating revenues:					
Solid waste collection charges	\$ 545,451	-	545,451	550,867	5,416
Other charges for services	1,150	-	1,150	1,179	29
Total operating revenues	<u>546,601</u>	<u>-</u>	<u>546,601</u>	<u>552,046</u>	<u>5,445</u>
Operating expenses:					
Salaries and benefits	188,272	-	188,272	184,316	3,956
Operations	363,690	-	363,690	325,222	38,468
Total operating expenses	<u>551,962</u>	<u>-</u>	<u>551,962</u>	<u>509,538</u>	<u>42,424</u>
Operating income(loss) before capital	(5,361)	-	(5,361)	42,508	47,869
Depreciation expense	-	-	-	(18,018)	(18,018)
Operating income(loss)	<u>(5,361)</u>	<u>-</u>	<u>(5,361)</u>	<u>24,490</u>	<u>65,887</u>
Non-operating revenue(expense):					
Interest earnings	2,582	-	2,582	2,820	238
Total non-operating, net	<u>2,582</u>	<u>-</u>	<u>2,582</u>	<u>2,820</u>	<u>238</u>
Capital contributions and purchases:					
Capital outlay	-	-	-	-	-
Total capital contributions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in net position	<u>(2,779)</u>	<u>-</u>	<u>(2,779)</u>	<u>27,310</u>	<u>66,125</u>
Net position, beginning of year	<u>513,151</u>	<u>-</u>	<u>513,151</u>	<u>736,350</u>	
Net position, end of year	<u>\$ 510,372</u>	<u>-</u>	<u>510,372</u>	<u>763,660</u>	

Bear Valley Community Services District
Schedule of Revenues, Expenses and Changes in Net Position
Budget and Actual – Post Office Fund
For the Year Ended June 30, 2013

	Adopted Original Budget	Board Approved Changes	Revised Final Budget	Actual Basis	Variance Positive (Negative)
Operating revenues:					
Post office box charges	\$ 37,000	-	37,000	33,824	(3,176)
Other charges for services	2,400	-	2,400	1,680	(720)
Total operating revenues	<u>39,400</u>	<u>-</u>	<u>39,400</u>	<u>35,504</u>	<u>(3,896)</u>
Operating expenses:					
Salaries and benefits	46,251	-	46,251	48,924	(2,673)
Operations	8,339	-	8,339	5,862	2,477
Total operating expenses	<u>54,590</u>	<u>-</u>	<u>54,590</u>	<u>54,786</u>	<u>(196)</u>
Operating income(loss) before capital	(15,190)	-	(15,190)	(19,282)	(4,092)
Depreciation expense	-	-	-	-	-
Operating income(loss)	<u>(15,190)</u>	<u>-</u>	<u>(15,190)</u>	<u>(19,282)</u>	<u>(4,092)</u>
Non-operating revenue(expense):					
Interest earnings	-	-	-	-	-
Total non-operating, net	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Capital contributions and purchases:					
Capital outlay	-	-	-	-	-
Total capital contributions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in net position	<u>(15,190)</u>	<u>-</u>	<u>(15,190)</u>	<u>(19,282)</u>	<u>(4,092)</u>
Other financing sources(uses):					
Operating transfers	15,191	-	15,191	19,282	
Net position, beginning of year	<u>681</u>	<u>-</u>	<u>681</u>	<u>-</u>	
Net position, end of year	<u>\$ 682</u>	<u>-</u>	<u>682</u>	<u>-</u>	

Bear Valley Community Services District
Schedule of Funding Status
For the Year Ended June 30, 2013

(1) Defined Benefit Pension Plan – Safety Plan

Development of the Actuarial Value of Assets Calculation in a Risk Pool			
The District is part of the CalPERS Miscellaneous 2.0% at 50 yrs. Risk Pool	June 30, 2011	June 30, 2012	June 30, 2013
1. Plan's accrued liability	\$ 3,495,730	-	-
2. Plan's side fund	(240,497)	-	-
3. Pool's accrued liability	503,491,275	-	-
4. Pool's side fund	(24,932,098)	-	-
5. Pool's actuarial value of assets (AVA) including receivables	421,374,728	-	-
6. Plan's actuarial value of assets (AVA) including receivables [(1+2) / (3+4) x 5]	2,866,256	-	-
7. Pool's market value of assets (MVA) including receivables	377,235,284	-	-
8. Plan's market value of assets (MVA) including receivables [(1+2) / (3+4) x 7]	2,566,012	-	-

Funding History

The Funding History below shows the actuarial accrued liability, the actuarial value of assets, the market value of assets, funded ratios and the annual covered payroll. The actuarial value of assets is used to establish funding requirements and the funded ratio on this basis represents the progress toward fully funding future benefits for current plan participants. The funded ratio based on the market value of assets is an indicator of the short-term solvency of the plan in the risk pool.

Actuarial Valuation Date	Actuarial Accrued Liability (a)	Actuarial Value of Assets (AVA) (b)	Market Value of Assets (MVA) (c)	Funded Ratio		Annual Covered Payroll
				AVA (b/a)	MVA (c/a)	
June 30, 2011	\$ 3,495,730	2,866,256	2,566,012	81.99%	73.40%	\$ 491,043
June 30, 2012	*	-	-	0.00%	0.00%	-
June 30, 2013	*	-	-	0.00%	0.00%	-

* CalPERS has not provided the information for these periods as of the date of the audit report.

(2) Defined Benefit Pension Plan – Miscellaneous Plan

Development of the Actuarial Value of Assets Calculation in a Risk Pool			
The District is part of the CalPERS Miscellaneous 2.0% at 55 yrs. Risk Pool	June 30, 2011	June 30, 2012	June 30, 2013
1. Plan's accrued liability	\$ 7,485,957	-	-
2. Plan's side fund	(7,445)	-	-
3. Pool's accrued liability	3,619,835,876	-	-
4. Pool's side fund	(115,840,552)	-	-
5. Pool's actuarial value of assets (AVA) including receivables	3,203,214,899	-	-
6. Plan's actuarial value of assets (AVA) including receivables [(1+2) / (3+4) x 5]	6,836,562	-	-
7. Pool's market value of assets (MVA) including receivables	2,867,303,802	-	-
8. Plan's market value of assets (MVA) including receivables [(1+2) / (3+4) x 7]	6,119,633	-	-

Funding History

The Funding History below shows the actuarial accrued liability, the actuarial value of assets, the market value of assets, funded ratios and the annual covered payroll. The actuarial value of assets is used to establish funding requirements and the funded ratio on this basis represents the progress toward fully funding future benefits for current plan participants. The funded ratio based on the market value of assets is an indicator of the short-term solvency of the plan in the risk pool.

Actuarial Valuation Date	Actuarial Accrued Liability (a)	Actuarial Value of Assets (AVA) (b)	Market Value of Assets (MVA) (c)	Funded Ratio		Annual Covered Payroll
				AVA (b/a)	MVA (c/a)	
June 30, 2011	\$ 7,485,957	6,836,562	6,119,633	91.33%	81.75%	\$ 1,923,442
June 30, 2012	*	-	-	0.00%	0.00%	-
June 30, 2013	*	-	-	0.00%	0.00%	-

* CalPERS has not provided the information for these periods as of the date of the audit report.

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Statistical Section

Bear Valley Community Services District Statistical Section

This part of the Bear Valley Community Services 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
<i>Financial Trends</i>	63
These schedules contain trend information to help the reader understand how the government’s financial performance and well-being have changed over time.	
<i>Revenue Capacity</i>	69
These schedules contain information to help the reader assess the government’s most significant local revenue source, the property tax. Additional information is provided for the district’s other significant own-source revenue, water rates and charges.	
<i>Debt Capacity</i>	75
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.	
<i>Demographic and Economic Information</i>	79
These schedules offer demographic and economic indicators to help the reader understand the environment within which the government’s financial activities take place.	
<i>Operating Information</i>	83
These schedules contain service and infrastructure data to help the reader understand how the information in the government’s financial report relates to the services the government provides and the activities it performs.	

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial report.

**Bear Valley Community Services District
Net Position by Component
Last Nine Fiscal Years**

	Fiscal Year								
	2005	2006	2007	2008	2009	2010	2011	2012	2013
Governmental activities									
Net investment in capital assets	\$ 576,813	1,607,199	12,758,330	7,908,553	7,427,958	7,326,882	7,162,968	7,316,252	7,237,135
Restricted	3,137,706	2,504,289	1,497,690	1,795,914	2,090,893	2,408,975	2,571,722	2,558,543	2,903,525
Unrestricted	1,690,030	1,918,583	2,030,428	2,420,377	3,011,933	3,120,170	3,427,875	3,102,501	2,805,477
Total governmental activities net position	5,404,549	6,030,071	16,286,448	12,124,844	12,530,784	12,856,027	13,162,565	12,977,296	12,946,137
Business-type activities									
Net investment in capital assets	\$ 9,822,197	11,135,070	8,814,901	8,446,326	8,129,164	8,108,596	7,921,405	7,922,292	7,552,143
Restricted	1,430,000	1,300,000	1,170,000	1,040,000	910,000	780,000	650,000	520,000	390,000
Unrestricted	1,081,252	84,444	2,515,682	2,713,608	2,782,889	2,755,692	2,745,171	2,866,196	3,194,518
Total business-type activities net position	12,333,449	12,519,514	12,500,583	12,199,934	11,822,053	11,644,288	11,316,576	11,308,488	11,136,661
Primary government									
Net investment in capital assets	\$ 10,399,010	12,742,269	21,573,231	16,354,879	15,557,122	15,435,478	15,084,373	15,238,544	14,789,278
Restricted	4,567,706	3,804,289	2,667,690	2,835,914	3,000,893	3,188,975	3,221,722	3,078,543	3,293,525
Unrestricted	2,771,282	2,003,027	4,546,110	5,133,985	5,794,822	5,875,862	6,173,046	5,968,697	5,999,995
Total primary government net position	\$ 17,737,998	18,549,585	28,787,031	24,324,778	24,352,837	24,500,315	24,479,141	24,285,784	24,082,798

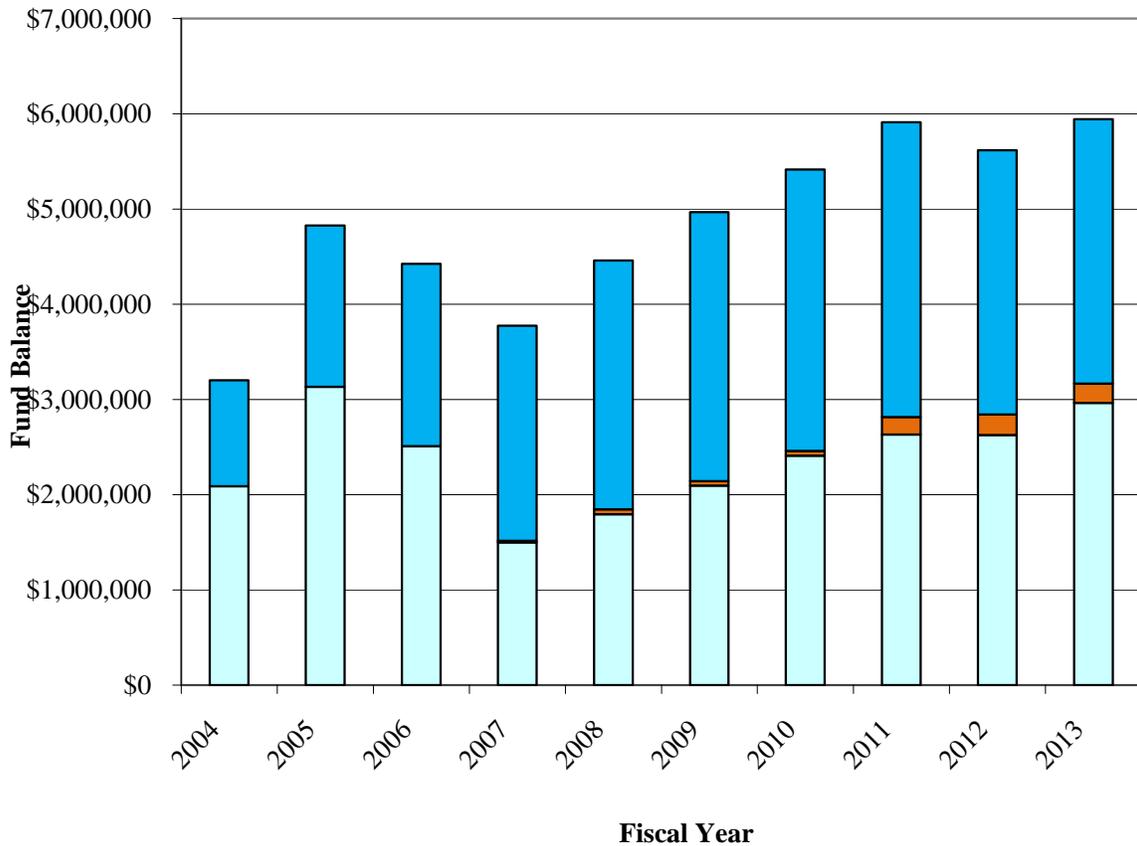
Bear Valley Community Services District Changes in Net Position Last Nine Fiscal Years

	Fiscal Year								
	2005	2006	2007	2008	2009	2010	2011	2012	2013
Expenses									
Governmental activities:									
General government	\$ 54,814	98,348	224,617	153,306	129,117	231,959	228,845	216,106	267,288
Public safety	1,377,122	1,482,548	1,939,116	2,049,192	2,148,707	2,314,935	2,329,772	2,472,660	2,484,408
Streets and roads	1,105,638	1,121,971	1,074,429	1,206,404	1,413,192	1,215,221	1,306,067	1,299,402	1,227,831
Parks and recreation	6,548	104,866	-	-	-	130,010	120,242	108,125	381,075
Interest on long-term debt	171,238	166,916	152,237	145,589	138,360	-	-	-	-
Total governmental activities expenses	<u>2,715,360</u>	<u>2,974,649</u>	<u>3,390,399</u>	<u>3,554,491</u>	<u>3,829,376</u>	<u>3,892,125</u>	<u>3,984,926</u>	<u>4,096,293</u>	<u>4,360,602</u>
Business-type activities:									
Water	2,220,679	2,294,063	2,530,935	2,580,769	2,730,138	2,418,407	2,365,576	2,263,028	2,556,173
Wastewater	511,129	523,576	585,732	624,276	636,048	655,946	674,229	563,913	624,276
Solid Waste	344,924	417,933	391,902	435,828	489,239	487,778	527,794	493,249	527,556
Post office	77,351	78,025	40,346	62,314	62,206	61,687	60,230	48,798	54,786
Total business-type activities:	<u>3,154,083</u>	<u>3,313,597</u>	<u>3,548,915</u>	<u>3,703,187</u>	<u>3,917,631</u>	<u>3,623,818</u>	<u>3,627,829</u>	<u>3,368,988</u>	<u>3,762,791</u>
Total primary government expenses	<u>5,869,443</u>	<u>6,288,246</u>	<u>6,939,314</u>	<u>7,257,678</u>	<u>7,747,007</u>	<u>7,515,943</u>	<u>7,612,755</u>	<u>7,465,281</u>	<u>8,123,393</u>
Program Revenues									
Governmental activities:									
Charges for services:									
General government	71,328	39,957	39,842	39,757	45,088	81,361	100,856	73,893	66,390
Public safety	10,414	13,471	77,713	335,067	385,665	424,014	385,809	404,372	499,262
Streets and roads	1,364,595	1,215,321	1,265,861	1,213,381	1,209,750	1,218,883	1,241,115	1,209,390	1,233,029
Interest on long-term debt	-	7,240	14,480	14,480	14,480	21,901	40,334	40,179	40,890
Operating grants and contributions	109,647	123,796	187,440	7,947	8,775	100,000	100,000	100,000	100,000
Capital grants and contributions	-	-	752,970	170,371	117,498	-	-	-	-
Total governmental activities program revenues	<u>1,555,984</u>	<u>1,399,785</u>	<u>2,338,306</u>	<u>1,781,003</u>	<u>1,781,256</u>	<u>1,846,159</u>	<u>1,868,114</u>	<u>1,827,834</u>	<u>1,939,571</u>
Business-type activities:									
Charges for services:									
Water	1,970,504	2,066,904	2,147,079	2,163,588	2,457,211	2,333,175	2,241,350	2,256,422	2,467,766
Wastewater	338,296	357,970	391,355	389,739	413,618	417,962	409,959	417,313	480,573
Solid waste	398,463	473,136	501,944	534,044	540,497	552,975	547,267	543,901	552,046
Post office	22,790	24,835	27,326	26,217	28,013	29,038	32,235	32,963	35,504
Capital grants and contributions	497,434	464,614	241,022	148,103	10,108	52,885	9,870	29,194	22,665
Total business-type activities program revenues	<u>3,227,487</u>	<u>3,387,459</u>	<u>3,308,726</u>	<u>3,261,691</u>	<u>3,449,447</u>	<u>3,386,035</u>	<u>3,240,681</u>	<u>3,279,793</u>	<u>3,558,554</u>
Net (Expense)/Revenue									
Governmental activities	(1,159,376)	(1,574,864)	(1,052,093)	(1,773,488)	(2,048,120)	(2,045,966)	(2,116,812)	(2,268,459)	(2,421,031)
Business-type activities	73,404	73,862	(240,189)	(441,496)	(468,184)	(237,783)	(387,148)	(89,195)	(204,237)
Total primary government net expense	<u>(1,085,972)</u>	<u>(1,501,002)</u>	<u>(1,292,282)</u>	<u>(2,214,984)</u>	<u>(2,516,304)</u>	<u>(2,283,749)</u>	<u>(2,503,960)</u>	<u>(2,357,654)</u>	<u>(2,625,268)</u>
General Revenues and Other Changes in Net Position									
Governmental activities:									
Property taxes	1,008,095	1,142,598	1,328,452	1,470,491	1,476,498	1,501,422	1,516,367	1,436,378	1,453,862
Voter-approved taxes	690,700	682,805	939,297	905,597	907,149	856,299	902,846	902,687	932,711
Investment income	101,986	170,877	179,756	166,022	104,606	46,137	42,813	37,582	22,581
CalPERS side-fund payoff (note 14)	700,666	157,268	-	-	-	-	-	(229,020)	-
Transfers in (out) (note 4)	421,842	(50,864)	(26,901)	(36,097)	(34,193)	(32,649)	(38,676)	(64,437)	(19,282)
Total governmental activities	<u>2,923,289</u>	<u>2,102,684</u>	<u>2,420,604</u>	<u>2,506,013</u>	<u>2,454,060</u>	<u>2,371,209</u>	<u>2,423,350</u>	<u>2,083,190</u>	<u>2,389,872</u>
Business-type activities:									
Investment income	50,021	61,340	95,721	99,547	56,110	27,369	20,760	16,670	13,128
Transfers in (out) (note 4)	(421,842)	50,864	26,901	36,097	34,193	32,649	38,676	64,437	19,282
Total business-type activities	<u>(371,821)</u>	<u>112,204</u>	<u>122,622</u>	<u>135,644</u>	<u>90,303</u>	<u>60,018</u>	<u>59,436</u>	<u>81,107</u>	<u>32,410</u>
Total primary government	<u>2,551,468</u>	<u>2,214,888</u>	<u>2,543,226</u>	<u>2,641,657</u>	<u>2,544,363</u>	<u>2,431,227</u>	<u>2,482,786</u>	<u>2,164,297</u>	<u>2,422,282</u>
Changes in Net Position									
Governmental activities	1,763,913	527,820	1,368,511	732,525	405,940	325,243	306,538	(185,269)	(31,159)
Business-type activities	(298,417)	186,066	(117,567)	(305,852)	(377,881)	(177,765)	(327,712)	(8,088)	(171,827)
Total primary government	<u>\$ 1,465,496</u>	<u>713,886</u>	<u>1,250,944</u>	<u>426,673</u>	<u>28,059</u>	<u>147,478</u>	<u>(21,174)</u>	<u>(193,357)</u>	<u>(202,986)</u>

Note: The Agency began to report accrual information when it implemented GASB Statement 34 in fiscal year 2005.

**Bear Valley Community Services District
Fund Balances, Governmental Funds
Last Ten Fiscal Years**

	Fiscal Year				
	2004	2005	2006	2007	2008
General Fund					
Assigned	\$ -	-	-	19,472	50,511
Unassigned	1,114,249	1,695,509	1,913,145	2,256,870	2,614,706
Total general fund	1,114,249	1,695,509	1,913,145	2,276,342	2,665,217
All Other Governmental Funds					
Restricted	\$ 2,087,687	3,132,227	2,509,727	1,497,690	1,795,914
Total all other governmental funds	2,087,687	3,132,227	2,509,727	1,497,690	1,795,914

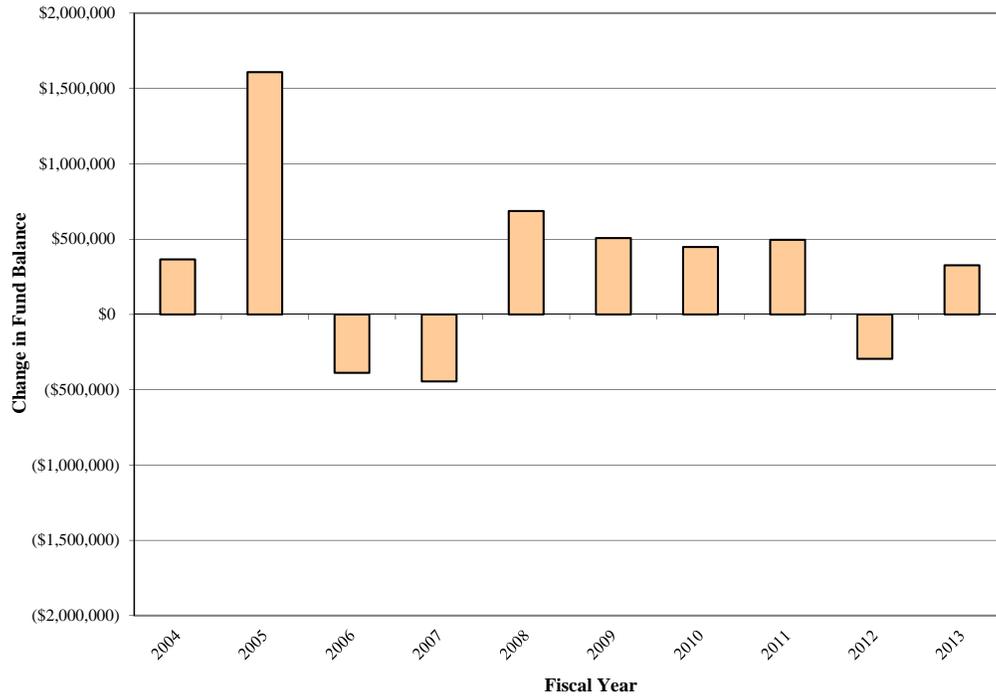


Fiscal Year

<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
47,448	51,741	184,908	217,421	203,403
<u>2,825,664</u>	<u>2,955,409</u>	<u>3,094,646</u>	<u>2,774,375</u>	<u>2,776,458</u>
<u>2,873,112</u>	<u>3,007,150</u>	<u>3,279,554</u>	<u>2,991,796</u>	<u>2,979,861</u>
<u>2,094,767</u>	<u>2,408,975</u>	<u>2,632,266</u>	<u>2,625,052</u>	<u>2,963,129</u>
<u>2,094,767</u>	<u>2,408,975</u>	<u>2,632,266</u>	<u>2,625,052</u>	<u>2,963,129</u>

**Bear Valley Community Services District
Changes in Fund Balances, Governmental Funds
Last Ten Fiscal Years**

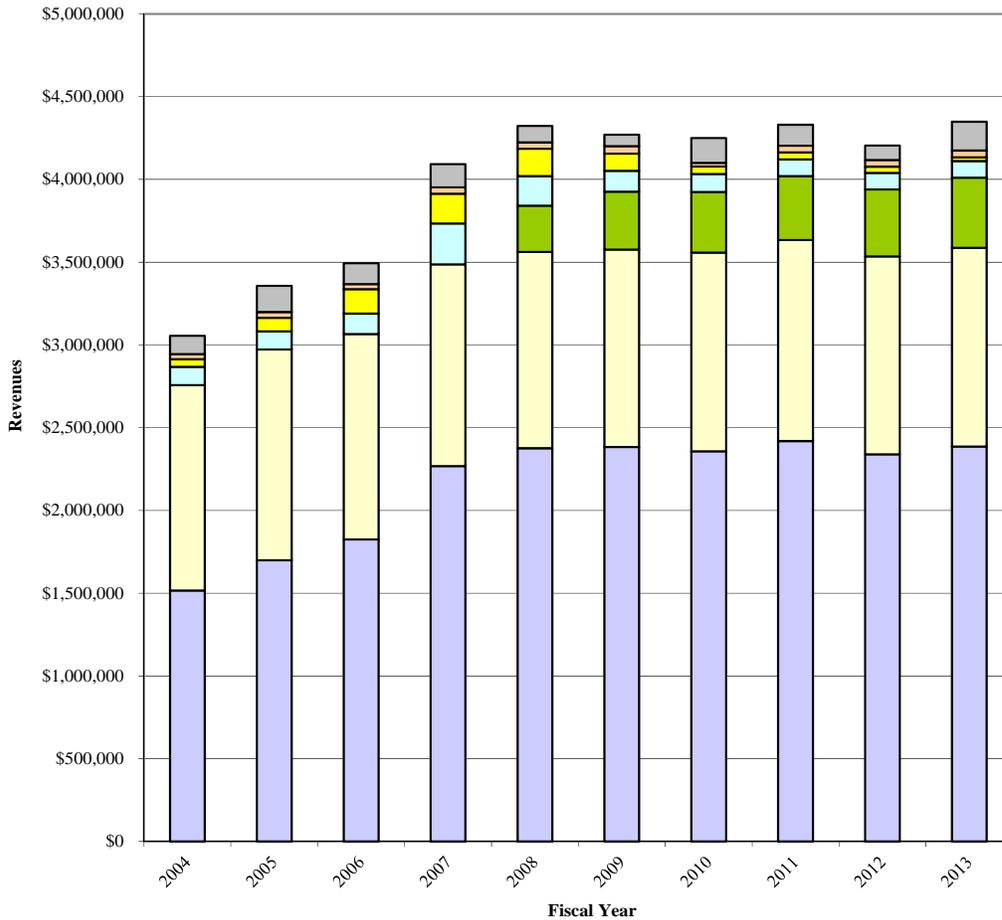
	Fiscal Year				
	2004	2005	2006	2007	2008
Revenues (see page)	\$ 3,055,666	3,356,765	3,493,767	4,092,951	4,323,113
Expenditures (see page)	<u>2,948,970</u>	<u>2,870,809</u>	<u>4,005,035</u>	<u>4,510,653</u>	<u>3,599,917</u>
Excess of revenues over (under) expenditures	<u>106,696</u>	<u>485,956</u>	<u>(511,268)</u>	<u>(417,702)</u>	<u>723,196</u>
Other Financing Sources (Uses)					
Sale of capital assets	182,800	700,666	157,268	-	-
CalPERS side-fund payoff	231,559	490,800	762	-	-
Operating transfers in(out)	<u>(155,953)</u>	<u>(68,958)</u>	<u>(51,626)</u>	<u>(26,901)</u>	<u>(36,097)</u>
Total Other Financing Sources (Uses)	<u>258,406</u>	<u>1,122,508</u>	<u>106,404</u>	<u>(26,901)</u>	<u>(36,097)</u>
Prior year adjustments	-	-	17,156	-	-
Net change in fund balances	<u>\$ 365,102</u>	<u>1,608,464</u>	<u>(387,708)</u>	<u>(444,603)</u>	<u>687,099</u>
Debt service as a percentage of noncapital expenditures	15.1%	15.6%	14.3%	12.7%	12.2%



Fiscal Year				
2009	2010	2011	2012	2013
4,269,509	4,250,017	4,330,140	4,204,481	4,348,725
<u>3,728,568</u>	<u>3,769,122</u>	<u>3,795,769</u>	<u>4,205,996</u>	<u>4,003,301</u>
<u>540,941</u>	<u>480,895</u>	<u>534,371</u>	<u>(1,515)</u>	<u>345,424</u>
-	-	-	-	-
-	-	-	(229,020)	-
<u>(34,193)</u>	<u>(32,649)</u>	<u>(38,676)</u>	<u>(64,437)</u>	<u>(19,282)</u>
<u>(34,193)</u>	<u>(32,649)</u>	<u>(38,676)</u>	<u>(293,457)</u>	<u>(19,282)</u>
-	-	-	-	-
<u>506,748</u>	<u>448,246</u>	<u>495,695</u>	<u>(294,972)</u>	<u>326,142</u>
11.2%	11.1%	10.8%	10.3%	9.9%

Bear Valley Community Services District Governmental Funds Revenues Last Ten Fiscal Years

	Fiscal Year					
	2004	2005	2006	2007	2008	2009
Property taxes	\$ 1,515,960	1,698,795	1,825,403	2,267,749	2,376,088	2,383,647
Special property assessments	1,240,719	1,273,712	1,240,300	1,218,853	1,185,734	1,192,104
Charges for services	-	-	-	-	279,351	349,692
Federal/state aid	110,836	109,647	123,796	247,550	178,318	126,273
Interest	46,271	81,212	147,413	179,756	166,022	104,606
Rents and royalties	30,877	35,576	30,704	37,944	37,944	44,384
Other	111,003	157,823	126,151	141,099	99,656	68,803
Total governmental revenues	\$ 3,055,666	3,356,765	3,493,767	4,092,951	4,323,113	4,269,509

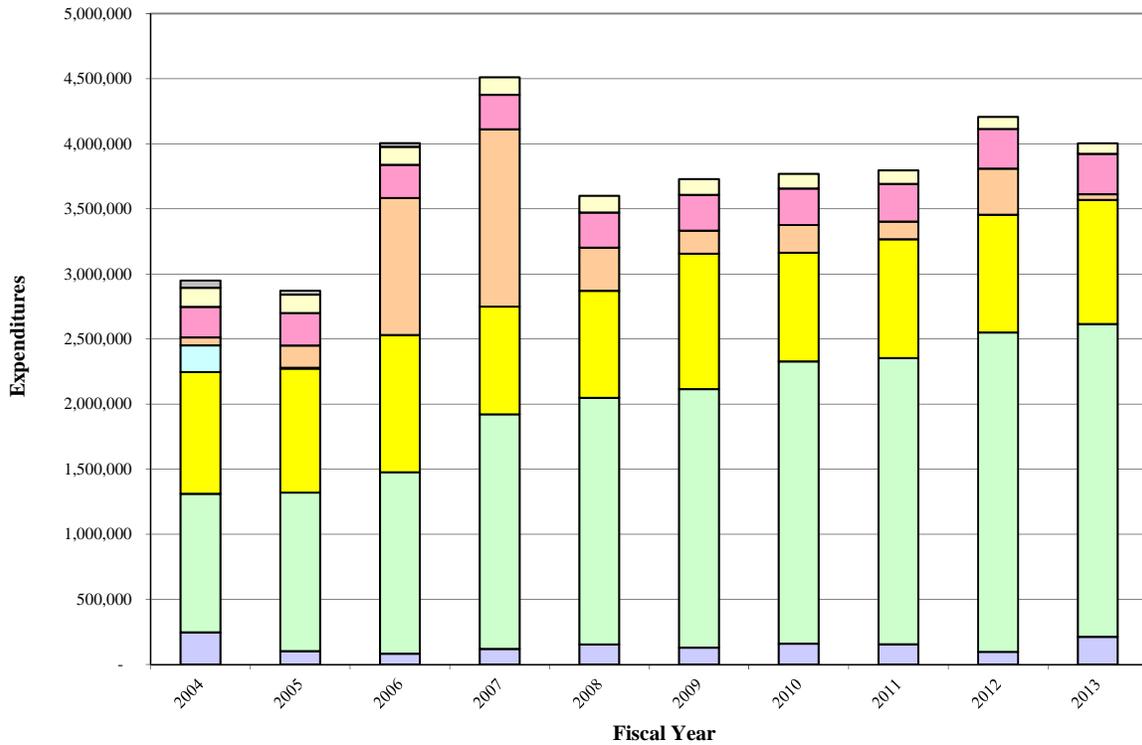


Fiscal Year

2010	2011	2012	2013
2,357,721	2,419,213	2,339,065	2,386,573
1,199,706	1,214,524	1,196,182	1,199,582
366,778	385,809	404,372	424,936
107,920	101,140	100,000	100,000
46,137	42,813	37,582	22,581
21,901	40,334	40,179	40,890
149,854	126,307	87,101	174,163
<u>4,250,017</u>	<u>4,330,140</u>	<u>4,204,481</u>	<u>4,348,725</u>

Bear Valley Community Services District Governmental Funds Expenditures Last Ten Fiscal Years

	Fiscal Year					
	2004	2005	2006	2007	2008	2009
General government	\$ 246,209	102,034	82,358	119,262	153,306	129,117
Public safety	1,065,187	1,218,355	1,394,221	1,802,181	1,894,283	1,986,061
Streets and roads	935,046	952,333	1,054,528	826,982	822,488	1,040,140
Parks and recreation	205,343	6,548	-	-	-	-
Capital outlay	60,512	170,300	1,052,012	1,363,044	331,798	177,148
Debt service:						
Principal	235,000	250,000	255,000	265,000	270,000	275,000
Interest	146,173	141,276	138,609	134,184	128,042	121,102
Amortization of bond discount	55,500	29,963	28,307	-	-	-
Total governmental expenditures	\$ 2,948,970	2,870,809	4,005,035	4,510,653	3,599,917	3,728,568



Fiscal Year

2010	2011	2012	2013
158,701	154,114	96,697	211,799
2,168,705	2,199,794	2,453,161	2,402,654
835,455	912,780	905,118	954,267
-	-	-	-
213,310	135,358	354,118	43,442
280,000	290,000	305,000	310,000
112,951	103,723	91,902	81,139
-	-	-	-
3,769,122	3,795,769	4,205,996	4,003,301

**Bear Valley Community Services District
Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years (in thousands)**

Fiscal Year	Real Property	Personal Property	Less: Tax Exempt Real Property	Total Taxable Assessed Value	Estimated Actual Taxable Value	Assessed Value¹ as a Percentage of Actual Value
2004	\$ 418,852	\$ 3,025	\$ 9,415	\$ 412,462	\$ 863,520	48.86%
2005	467,654	3,278	9,702	461,230	1,087,500	43.30%
2006	526,488	3,036	9,765	519,759	1,271,895	41.63%
2007	613,445	3,354	9,667	607,132	1,223,563	50.41%
2008	681,582	3,406	9,800	675,188	1,021,675	67.05%
2009	724,762	4,169	10,038	718,893	597,680	121.96%
2010	680,296	3,347	10,213	673,430	579,750	117.92%
2011	657,999	3,622	10,241	651,380	562,357	117.65%
2012	628,953	6,003	10,157	624,799	545,486	116.40%
2013	627,217	5,642	10,059	622,800	605,489	104.52%

Source: Kern County Auditor-Controller

Note: Estimated actual value is the prior year's actual value times the change in the median price for single family residences as reported by the California Association of Realtors for the Central Valley housing market.

¹ Includes tax-exempt property

**Bear Valley Community Services District
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years (rate per \$100 of assessed value)**

Fiscal Year	BVCSD Debt Service Rate	Overlapping						Total Direct & Overlapping Rates
		County Operating Rate ¹	TCCWD Debt Service Rate	KCWA Debt Service Rate	TUSD Debt Service Rate	TVHD Debt Service Rate ²	KCCD Debt Service Rate	
2004	0.071632	1.000000	0.096978	0.015312	0.097077		0.011803	1.292802
2005	0.073532	1.000000	0.100100	0.014513	0.058577	0.026677	0.009176	1.282575
2006	0.065039	1.000000	0.101195	0.010638	0.057986	0.035246	0.009630	1.279734
2007	0.054344	1.000000	0.086239	0.008349	0.015944	0.007097	0.005283	1.177256
2008	0.048649	1.000000	0.089213	0.010017	0.043727	0.021849	0.008036	1.221491
2009	0.044993	1.000000	0.094669	0.008404	0.041620	0.018615	0.009053	1.217354
2010	0.043648	1.000000	0.066360	0.010943	0.045908	0.025048	0.009401	1.201308
2011	0.047701	1.000000	0.054584	0.009357	0.050094	0.023559	0.010117	1.195412
2012	0.054994	1.000000	0.038438	0.010320	0.057412	0.026277	0.008502	1.195943
2013	0.055383	1.000000	0.042905	0.010705	0.043529	0.008067	0.012644	1.173233

Source: Kern County Treasurer-

BVCSD: Bear Valley Community Services District
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

¹ Approximately 20% of the county general operating property tax is returned to BVCSD for public safety.

² Applies to most, but not all, taxable property in BVCSD.

**Bear Valley Community Services District
Property Tax Levies and Collections
Last Ten Fiscal Years**

Fiscal Year	Taxes Levied	Collected within the Fiscal Year of the Levy		Collections of Delinquent Amounts	Total Collections	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2004	\$ 828,036	\$ 814,454	98.36%	\$ 13,582	\$ 828,036	100.00%
2005	924,561	910,536	98.48%	14,025	924,561	100.00%
2006	1,032,982	1,014,902	98.25%	18,080	1,032,982	100.00%
2007	1,252,669	1,228,310	98.06%	24,359	1,252,669	100.00%
2008	1,383,943	1,332,477	96.28%	51,466	1,383,943	100.00%
2009	1,462,554	1,420,412	97.12%	42,142	1,462,554	100.00%
2010	1,400,063	1,363,709	97.40%	36,353	1,400,063	100.00%
2011	1,474,738	1,452,252	98.48%	22,485	1,474,737	100.00%
2012	1,420,719	1,419,159	99.89%	1,560	1,420,719	100.00%
2013	1,473,395	1,472,760	99.96%	635	1,473,395	100.00%

Source: Kern Count Auditor-Controller

Note: The District is on the Teeter Plan, whereby Kern County forwards 100% of property tax collections during the current year and keeps delinquent amounts when collected together with applicable penalties and interest.

**Bear Valley Community Services District
Principal Property Tax Payers
Current Fiscal Year and Seven Years Ago**

<u>Customer</u>	<u>Assessed Value</u>	<u>Percentage of Total</u>
Duvall, Edward J & Karen A Rev Liv Trust	\$ 921,084	5.75%
Thevelus, Bo & Melissa	814,000	5.08%
Duplan Family Trust	752,329	4.70%
Wesley, Dennis M & Joanne M	747,000	4.66%
Osbrink, Jaime E & Diana S	695,000	4.34%
Baer, Dan W & Cynthia S	690,083	4.31%
Jones, Rita	676,215	4.22%
Falkenhagen, Susan C	665,471	4.16%
Moore, Timothy A & Caroline T	650,629	4.06%
Bollinger, Kevin R Trust	646,000	4.03%
Brock Family Trust	634,020	3.96%
Baker, William D & Jean M	633,437	3.96%
Boehm, Arthur R Jr	627,985	3.92%
Duvall, Edward J & Karen A Rev Liv Trust	625,000	3.90%
Johnson, Donald K & H Colette	585,000	3.65%
Adams, Gary & Sandra Trust	584,888	3.65%
Morse, John & Barbara	584,165	3.65%
Calandrelli, Marcia & Jorge	576,181	3.60%
Benz Revocable Living Trust	570,000	3.56%
Liparto, David J & Blayne E	565,003	3.53%
Salzborn, David C & Gwen S	562,120	3.51%
Carn Family Trust	561,100	3.50%
Weinroth, Paul M & Lorie Jean	551,222	3.44%
Bergstrom Family Trust	550,000	3.43%
Gibson, Oliver E Jr & Joni R	545,439	3.41%
Total Principal Property Tax Payers	\$ 16,013,371	100.00%
Total Assessed Value District-Wide	\$ 622,801,249	100.00%

Source: KernData

**Bear Valley Community Services District
Water Sales Revenue and Quantities Sold by Customer Class
Last Ten Fiscal Years**

Fiscal Year	Water Sales Revenue				Quantity of Water Sold (acre feet)			
	Residential	Commercial/ Institutional	Lake Fill	Total	Residential	Commercial/ Institutional	Lake Fill	Total
2004	\$ 1,631,132	\$ 138,455	\$ 105,607	\$ 1,875,194	968	66	152	1,186
2005	1,595,508	114,157	130,739	1,840,404	844	52	159	1,055
2006	1,710,226	147,673	134,530	1,992,429	912	66	172	1,150
2007	1,839,068	160,987	80,902	2,080,957	960	69	95	1,124
2008	1,842,254	145,795	142,501	2,130,550	939	62	145	1,146
2009	2,047,720	172,338	190,074	2,410,132	889	71	177	1,138
2010	1,990,372	149,690	108,195	2,248,257	795	49	139	983
2011	1,707,947	146,869	86,331	1,941,147	744	58	83	885
2012	1,711,765	144,702	105,616	1,962,083	766	61	110	937
2013	1,850,468	154,584	114,292	2,119,344	837	64	106	1,007

Source: Bear Valley CSD audited financial statements and billing records.

**Bear Valley Community Services District
Water Rates by Customer Class
Last Ten Fiscal Years**

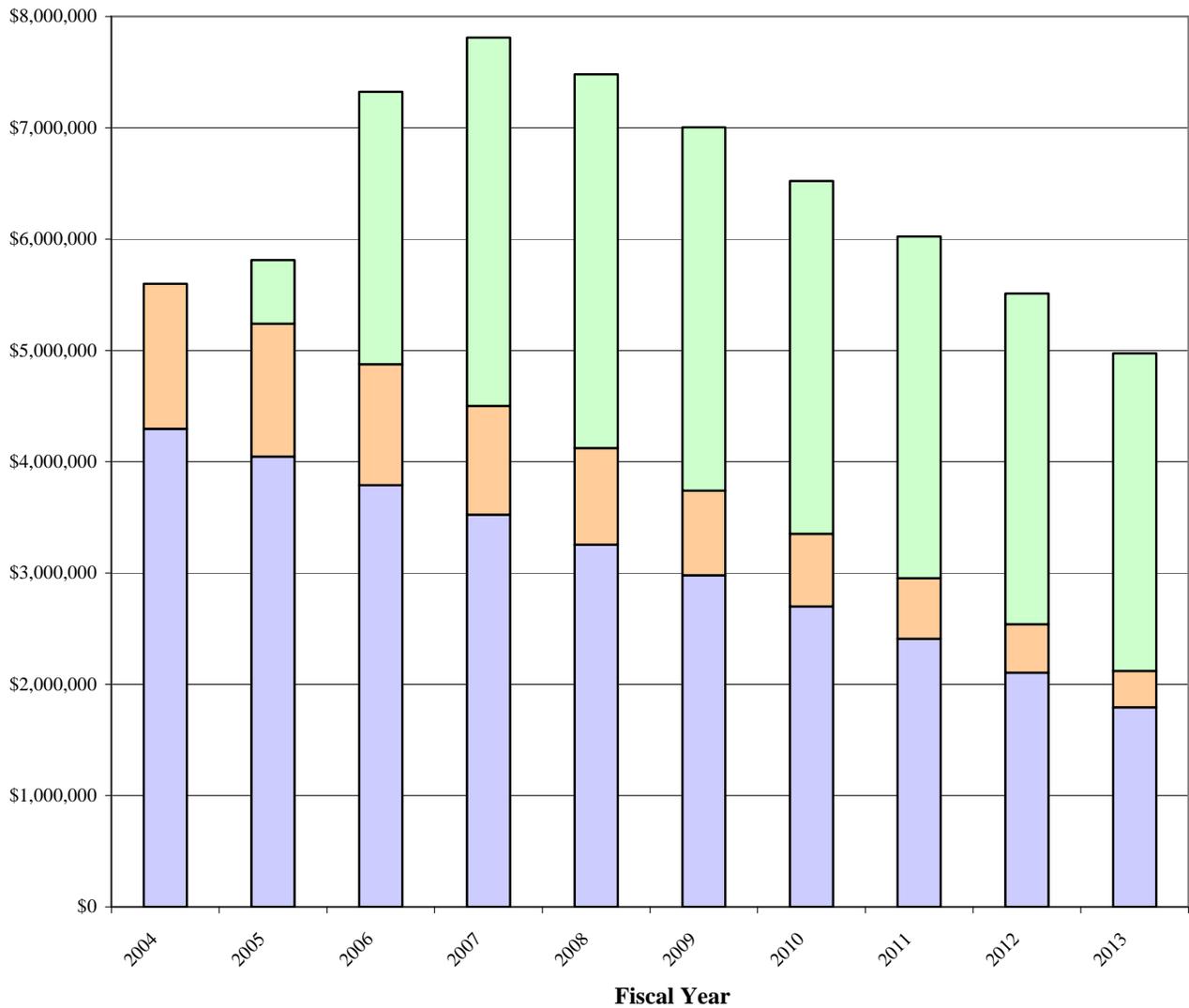
Fiscal Year	Monthly Water Base Charge ¹			Average Volume Charge Per Billing Unit ²			Average Price Per Billing Unit ³		
	Residential	Commercial/ Institutional	Lake Fill	Residential	Commercial/ Institutional	Lake Fill	Residential	Commercial/ Institutional	Lake Fill
2004	22.50	22.50	0.00	2.18	4.87	1.76	3.83	4.73	1.76
2005	22.50	22.50	0.00	2.41	5.00	1.99	4.38	5.45	1.99
2006	22.50	22.50	0.00	2.46	5.31	1.99	4.34	5.63	1.99
2007	23.45	23.45	0.00	2.48	5.28	2.05	4.35	5.59	2.05
2008	24.22	24.22	0.00	2.57	5.42	2.30	4.58	5.78	2.30
2009	25.33	25.33	0.00	3.02	6.14	2.44	5.22	6.45	2.44
2010	25.33	25.33	0.00	3.20	6.22	2.44	5.72	6.72	2.44
2011	25.33	25.33	0.00	3.14	7.64	2.44	5.83	8.18	2.44
2012	25.33	25.33	0.00	2.54	7.59	2.44	5.17	8.14	2.44
2013	25.33	25.33	0.00	2.69	9.97	2.44	5.08	10.65	2.44

Source: Bear Valley CSD billing records.

- Notes:**
1. Monthly base charge shown is highest amount levied during the fiscal year.
 2. Includes only volume (commodity) charges.
 3. Includes both monthly base charge and volume charges.

**Bear Valley Community Services District
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years**

Fiscal Year	Governmental Activities	Business-type Activities		Total		
	General Obligation Bonds	State Revolving Fund Loan	Installment Sale Contract (CIEDB)	Debt	Per Capita	As a Share of Personal Income
2004	4,295,000	1,303,170	-	5,598,170	793.62	2.65%
2005	4,045,000	1,194,573	572,910	5,812,483	783.35	2.53%
2006	3,790,000	1,085,975	2,447,274	7,323,249	1,038.17	3.46%
2007	3,525,000	977,378	3,307,147	7,809,525	1,052.50	3.40%
2008	3,255,000	868,780	3,357,848	7,481,628	1,014.73	3.11%
2009	2,980,000	760,182	3,264,900	7,005,082	953.20	2.81%
2010	2,700,000	651,585	3,169,228	6,520,813	865.52	2.45%
2011	2,410,000	542,988	3,070,753	6,023,741	768.24	2.08%
2012	2,105,000	434,390	2,972,363	5,511,753	918.63	3.35%
2013	1,795,000	325,792	2,852,522	4,973,314	828.89	3.03%



**Bear Valley Community Services District
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years**

Fiscal Year	General Obligation Bonds	Percentage of Estimated Actual Taxable Value of Property	Percentage of Personal Income	Per Capita
2004	3,790,000	0.44%	1.79%	537.28
2005	3,525,000	0.32%	1.53%	475.07
2006	3,255,000	0.26%	1.35%	441.48
2007	2,980,000	0.24%	1.20%	405.50
2008	2,700,000	0.26%	1.01%	358.38
2009	2,980,000	0.50%	1.03%	380.05
2010	2,700,000	0.47%	1.64%	450.00
2011	2,410,000	0.43%	1.05%	395.99
2012	2,105,000	0.39%	0.87%	341.84
2013	1,795,000	0.30%	0.70%	288.30

Sources: Bear Valley Community Services District audited financial statements, Assessed Values, and Demographic information.

**Bear Valley Community Services District
Direct and Overlapping Governmental Activities Debt
As of June 30, 2013**

	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
Overlapping Debt:			
Tehachapi Unified School District	\$ 16,874,326	16.57%	\$ 2,796,076
Kern Community College District	242,111,160	0.91%	2,203,212
Tehachapi Valley Healthcare District	56,034,614	16.35%	9,161,659
Tehachapi-Cummings County WD	2,531,000	100.00%	<u>1,460,000</u>
Total overlapping debt			15,620,947
BVCSD Governmental Activities Direct Debt		100.00%	<u>1,795,000</u>
Total direct and overlapping debt			<u>\$ 17,415,947</u>

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

Overlapping governments are those that coincide, at least in part, within the geographic boundaries of the District. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the District. This process recognizes that, when considering the District's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account.

**Bear Valley Community Services District
Legal Debt Margin Information
Last Ten Fiscal Years (in thousands)**

	Fiscal Year										
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Debt limit	\$ 53,470	\$ 55,442	\$ 58,282	\$ 63,282	\$ 70,640	\$ 79,429	\$ 109,340	\$ 102,546	\$ 99,239	\$ 95,244	94,929
Total debt applicable to limit	<u>5,942</u>	<u>5,598</u>	<u>5,802</u>	<u>7,215</u>	<u>7,810</u>	<u>7,482</u>	<u>7,005</u>	<u>6,520</u>	<u>6,023</u>	<u>5,508</u>	<u>5,190</u>
Legal Debt Margin	<u>\$ 47,528</u>	<u>\$ 49,844</u>	<u>\$ 52,480</u>	<u>\$ 56,067</u>	<u>\$ 62,830</u>	<u>\$ 71,947</u>	<u>\$ 102,335</u>	<u>\$ 96,026</u>	<u>\$ 93,216</u>	<u>\$ 89,736</u>	<u>\$ 89,739</u>
Total debt applicable to the limit as a percentage of debt limit	11.1%	10.1%	10.0%	11.4%	11.1%	9.4%	6.4%	6.4%	6.1%	5.8%	5.5%

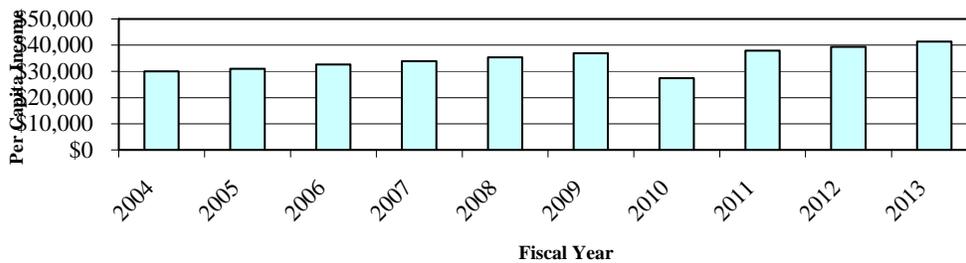
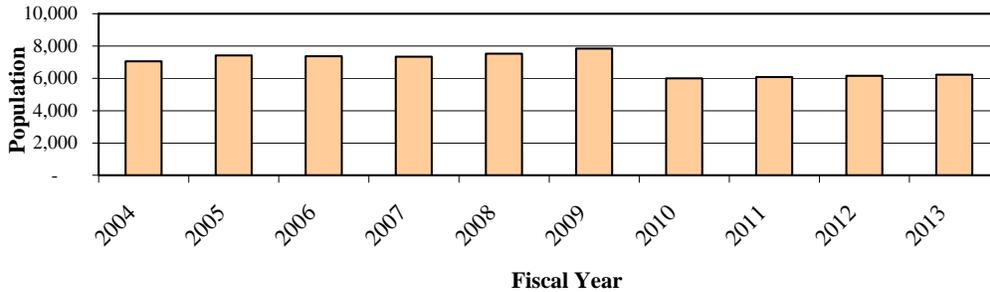
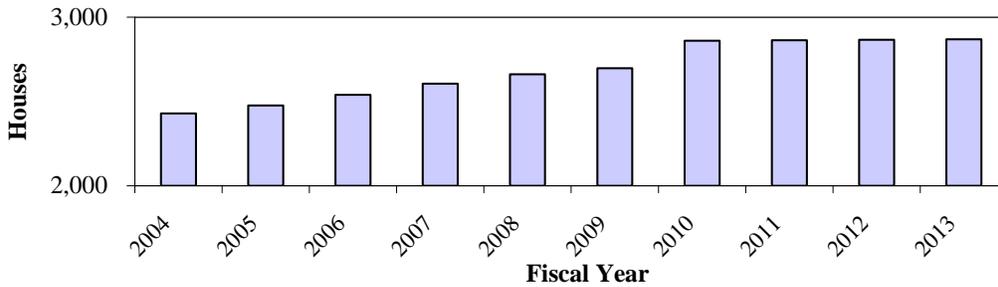
Legal Debt Margin Calculation for Fiscal Year 2013

Assessed value	\$ 622,801
Add back: exempt real property	<u>10,059</u>
Total assessed value	632,860
Debt limit (15% of total assessed value)	94,929
Debt applicable to limit:	
General obligation bonds	1,795
State loans	<u>3,395</u>
Total debt applicable to limit	<u>5,190</u>
Legal debt margin	<u>\$ 89,739</u>

Note: California Government Code 61126(b) states, "A district shall not incur bonded indebtedness pursuant to this section that exceeds 15 percent of the assessed value of all taxable property in the district at the time that the bonds are issued."

Bear Valley Community Services District Demographics and Economic Statistics Last Ten Calendar Years

Year	Completed Houses ¹	Population ²	Personal Income per Capita ³	Housing Vacancy Rate ⁴	Houses Sold ⁵	Average Selling Price ⁵
2004	2,429	7,054	29,994	13.8%	252	191,804
2005	2,476	7,420	30,978	12.9%	203	241,830
2006	2,539	7,373	32,607	14.1%	189	325,757
2007	2,605	7,349	33,899	15.1%	162	390,475
2008	2,661	7,534	35,397	15.2%	141	385,312
2009	2,697	7,841	36,961	15.5%	94	370,017
2010	2,860	6,000	27,388	15.8%	121	253,440
2011	2,863	6,086	37,889	16.8%	116	204,928
2012	2,866	6,158	39,318	18.1%	129	202,072
2013	2,869	6,226	41,331	16.3%	154	223,446



- Sources:**
1. Bear Valley Springs Association and BVCSD water billing register.
 2. BVCSD estimate based on U.S. Census Bureau for 2010. Years 2001-2009 are based on 2000 U.S. Census Bureau.
 3. US Census Bureau for 2000. Other years are estimates based on change in per-capita personal income as published by California Dept of Finance.
 4. Estimate based on the number of zero consumption residential water bills.
 5. Tehachapi Area Association of Realtors Multiple Listing Service for single family residences only.

**Bear Valley Community Services District
Pledged-Revenue Coverage
CIEDB Installment Sale Contract - Water Enterprise
Last Ten Fiscal Years**

Fiscal Year	Revenues ¹	Less: Expenses ²	Net Available Revenues	Debt Service			Coverage Ratio
				Principal	Interest ³	Total	
2004	\$ 2,477,993	\$ 1,644,979	\$ 833,014	\$ -	\$ 29,452	\$ 29,452	28.28
2005	2,457,101	1,768,833	688,268	-	61,324	61,324	11.22
2006	2,544,753	1,829,194	715,559	-	38,799	38,799	18.44
2007	2,442,194	1,889,287	552,907	112,611	69,810	182,421	3.03
2008	2,359,040	2,045,359	313,681	74,690	85,009	159,699	1.96
2009	2,506,051	2,212,710	293,341	76,878	88,503	165,381	1.77
2010	2,360,485	1,893,587	466,898	79,130	85,098	164,228	2.84
2011	2,020,289	1,674,573	345,716	79,183	82,480	161,663	2.14
2012	2,063,451	1,635,934	427,517	79,772	82,241	162,013	2.64
2013	2,221,394	1,798,807	422,587	86,292	72,175	158,467	2.67

Notes: CIEDB = California Infrastructure and Economic Development Bank

¹ Revenue pledged includes amounts collected from all sources

² Expenses do not include interest or depreciation.

³ Interest expense includes CIEDB service fee of 0.3% of outstanding principal balance.

**Bear Valley Community Services District
Pledged-Revenue Coverage
CIEDB Installment Sale Contract - Wastewater Enterprise
Last Ten Fiscal Years**

Fiscal Year	Revenues ¹	Less: Expenses ²	Net Available Revenues	Debt Service			Coverage Ratio
				Principal	Interest ³	Total	
2004	\$ 325,515	\$ 279,432	\$ 46,083	\$ -	\$ 3,309	\$ 3,309	13.93
2005	393,670	273,702	119,968	-	16,088	16,088	7.46
2006	382,997	305,084	77,913	12,004	19,739	31,743	2.45
2007	422,839	339,243	83,596	16,078	14,778	30,856	2.71
2008	431,483	366,969	64,514	15,613	18,367	33,980	1.90
2009	411,889	381,048	30,841	16,070	18,320	34,390	0.90
2010	408,665	411,319	(2,654)	16,167	17,788	33,956	(0.08)
2011	438,817	434,562	4,255	16,285	17,241	33,526	0.13
2012	437,396	450,780	(13,384)	16,406	17,192	33,598	(0.40)
2013	468,948	430,724	38,224	18,038	16,626	34,664	1.10

Notes: CIEDB = California Infrastructure and Economic Development Bank

¹ Revenue pledged includes amounts collected from all sources

² Expenses do not include interest or depreciation.

³ Interest expense includes CIEDB service fee of 0.3% of outstanding principal balance.

**Bear Valley Community Services District
Principal Employers
Current Fiscal Year and Ten Years Ago**

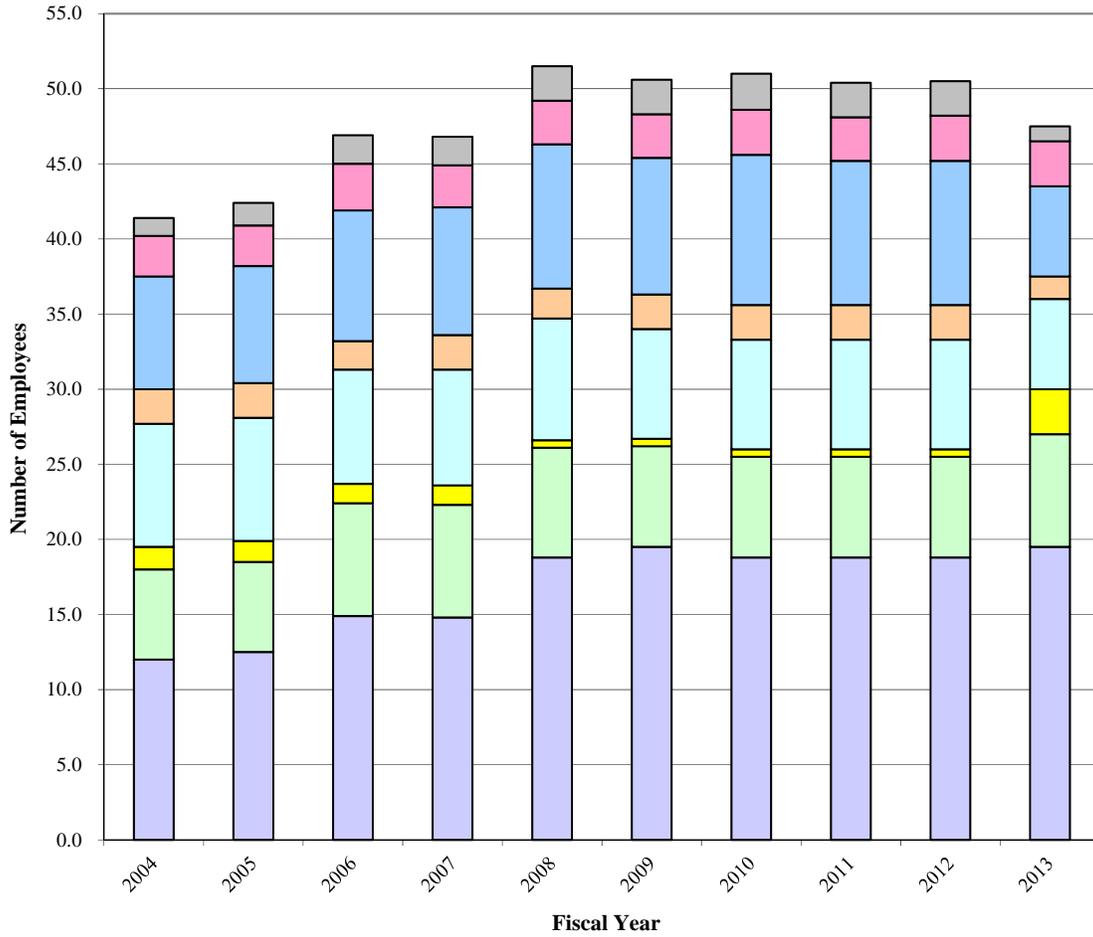
<u>Employer</u>	<u>Production/Services</u>	<u>2013</u>		<u>2003</u>	
		<u>Employees</u>	<u>Rank</u>	<u>Employees</u>	<u>Rank</u>
California Correctional Inst.	State prison	1,911	1	1,600	1
Tehachapi Unified School D.	Public school system	464	2	500	2
Tehachapi Hospital	Healthcare	175	3	105	7
GE Energy	Wind energy production/manuf.	150	4		
Lehigh Southwest Cement	Cement production	120	5		
Home Depot	Retail store	115	6		
Albertson's Supermarket	Retail grocery store	112	7	110	5
K Mart	Retail store	107	8	110	5
Benz Sanitation	Trash/septic/propane	70	9	70	8
SaveMart Supermarkets	Retail	65	10		
City of Tehachapi	Municipality	58	11		
Terra-Gen Power, LLC	Wind energy	54	12		
Selecta Switch	Electrical parts manufacturing	45	13	55	9
Chemtool, Inc.	Specialty Lubricants	39	14		
Total		<u>3,485</u>		<u>2,550</u>	

Source: Greater Tehachapi Chamber of Commerce

Note: These are the principal employers for the greater Tehachapi area, which consists of several communities surrounding and including the City of Tehachapi. Bear Valley Community Services District constitutes approximately 22% of the assessed value of the greater Tehachapi area.

Bear Valley Community Services District Operating and Capacity Indicators Last Ten Fiscal Years

Department	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Public Safety	12.0	12.5	14.9	14.8	18.8	19.5	18.8	18.8	18.8	19.5
Gate	6.0	6.0	7.5	7.5	7.3	6.7	6.7	6.7	6.7	7.5
General Services	1.5	1.4	1.3	1.3	0.5	0.5	0.5	0.5	0.5	3.0
Roads	8.2	8.2	7.6	7.7	8.1	7.3	7.3	7.3	7.3	6.0
Post Office	2.3	2.3	1.9	2.3	2.0	2.3	2.3	2.3	2.3	1.5
Water	7.5	7.8	8.7	8.5	9.6	9.1	10.0	9.6	9.6	6.0
Wastewater	2.7	2.7	3.1	2.8	2.9	2.9	3.0	2.9	3.0	3.0
Solid Waste	1.2	1.5	1.9	1.9	2.3	2.3	2.4	2.3	2.3	1.0
	<u>41.4</u>	<u>42.4</u>	<u>46.9</u>	<u>46.8</u>	<u>51.5</u>	<u>50.6</u>	<u>51.0</u>	<u>50.4</u>	<u>50.5</u>	<u>47.5</u>



**Bear Valley Community Services District
Operating Indicators by Function
Last Ten Fiscal Years**

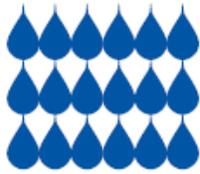
Function	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Public safety										
Physical arrests	43.0	41	80	72	63	79	50	56	48	170
Traffic violations	292.0	333	529	511	437	406	445	469	266	295
Parking violations	6.0	2	8	12	24	39	14	12	0	10.0
Highways and streets										
Street resurfacing (lane miles)	0.0	0.0	12.8	9.1	0.0	0.0	0.0	0.0	0.0	0.0
Parks & recreation										
Bear Valley Springs Assn. annual dues	\$860	\$940	\$888	\$1,065	\$1,193	\$1,218	\$1,250	\$1,226	\$1,277	\$1,277
Water										
New connections	89	89	77	34	13	3	7	3	3	3
Total well production (acre feet)	1,282	1,138	1,261	1,231	1,250	1,183	956	951	1,066	1,152
Daily average well production (1,000 gal.)	1,141	1,016	1,126	1,099	1,113	1,056	853	853	951	894
Maximum day well production (1,000 gal.)	2,154	2,083	2,206	2,133	2,159	1,882	2,364	2,367	1,967	2,115
Imported water as % of total supply	50%	51%	57%	57%	63%	46%	46%	46%	52%	53%
Unaccounted-for water (% of production)	7.4%	7.4%	8.8%	8.2%	7.8%	6.4%	6.9%	7.4%	8.5%	4.9%
Electricity used for pumping (1,000 kWh)	2,291	2,227	2,493	2,587	2,682	2,682	2,632	2,687	2,696	2,693
Average residential consumption (gal/d)	379	323	343	355	343	328	294	278	287	309
Wastewater										
New connections	20	2	5	4	0	0	0	0	0	0
Effluent production (acre feet)	74	83	83	86	103	86	100	111	90	
Effluent sales (acre feet)	19	32	22	29	26	18	26	16	27	22
Sanitation										
Refuse collected (tons/day)	9.8	10.6	10.9	10.7	10.6	9.6	9.7	9.4	9.4	8.4
Greenwaste collected (tons/day)	8.9	10.9	11.5	11.9	12.8	11.0	12.1	13.0	11.3	11.5

Source: Various government departments.

**Bear Valley Community Services District
Miscellaneous Statistics
As of June 30, 2013**

Date of incorporation	May 4, 1970
Form of government	Council/Manager
Number of employees:	
Classified	59
Exempt	5
Area in square miles	40
Bear Valley Community Services District facilities and services:	
Miles of streets	110
Parks and recreation:	
Parks (includes athletic parks, campgrounds and equestrian center)	8
Park acreage (includes lakes)	220
Golf course acreage (includes driving range)	85
Community facilities	4
Swimming pools	2
Tennis courts	4
Miles of equestrian/hiking trails	50
Open space acreage	8,250
Police protection	
Number of stations	1
Number of sworn officers	9
Number of dispatchers	12
Number of law violations:	
Physical arrests	170
Traffic violations	295
Parking violations	10
Water system:	
Miles of water mains	120
Number of wells	25
Number of steel tank reservoirs	43
Storage capacity in gallons	4,570,000
Number of pneumatic pressure tanks	7
Number of booster pumps	75
Number of pressure zones	19
Number of service connections	2,972
Number of fire hydrants	750
Daily average well production in gallons	894,416
Maximum day well production in gallons	2,115,107
Sewerage system:	
Miles of sanitary sewers	7
Daily treatment capacity of treatment plant in gallons	250,000
Number of service connections	467
Daily average treatment in gallons	89,746
Maximum day treatment in gallons	189,587
Facilities and services not included in the primary government:	
Fire Protection (Kern County Fire Department):	
Number of stations	1
Number of on-duty firefighters	3
Bear Valley Springs Association	
Number of employees	142
Annual revenues	\$ 6,963,431
Annual property owners association dues	\$ 1,277
Community Emergency Response Team	
Number of registered disaster service workers	230

Report on Compliance and Internal Controls



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Independent Auditor's Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Directors
Bear Valley Community Services District
Tehachapi, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Bear Valley Community Services District (District) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprises the District's basic financial statements, and have issued our report thereon dated October 31, 2013.

Internal Control Over Financial Reporting

In planning and performing our audits of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Independent Auditor's Report on Internal Controls Over Financial Reporting
And on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*, (continued)**

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Charles Z. Fedak = Charles Z. Fedak and Company CPAs - An Accountancy Corporation

Charles Z. Fedak and Company, CPAs – An Accountancy Corporation
Cypress, California
October 31, 2013