



**Bear Valley Community Services District**  
Tehachapi, California

**Comprehensive Annual Financial Report**

**For the Fiscal Year Ended June 30, 2011**



**BEAR VALLEY COMMUNITY SERVICES DISTRICT**

**List of Elected and Appointed Officials**

**June 30, 2011**

**Elected Officials**

**BOARD OF DIRECTORS**

<b>President</b>	<b>Richard Zanutto</b>
<b>Vice-President</b>	<b>Alfonso Romano</b>
<b>Director</b>	<b>William Mason</b>
<b>Director</b>	<b>John Morgan</b>
<b>Director</b>	<b>Bonnie Shea</b>

**Appointed Officials**

<b>General Manager</b>	<b>John C. Yeakley</b>
<b>Assistant General Manager</b>	<b>Sandy Janzen</b>
<b>Finance Director</b>	<b>Rudy Hernandez</b>
<b>Chief of Police</b>	<b>Terry Freeman</b>
<b>Superintendent of Public Works</b>	<b>Clint Stewart</b>

**Bear Valley Community Services District  
28999 S. Lower Valley Road  
Tehachapi, California 93561  
(661) 821-4428 [www.bvcsd.com](http://www.bvcsd.com)**



**Bear Valley Community Services District**  
**Comprehensive Annual Financial Report**  
**For the Fiscal Year Ended June 30, 2011**

**Prepared by:**  
**Finance Department**  
*Rudy Hernandez, Finance Director*

**Bear Valley Community Services District  
Annual Financial Report  
For the Fiscal Year Ended June 30, 2011**

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# **Introductory Section**







October 31, 2011

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, 2011.

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, 2011 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, 2011 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). 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 51. For enterprise funds the comparison is presented beginning on page 55.

### **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 2011 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 high now, 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 65% 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 2011 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 1.2% which is slightly 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 2011 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 Assets.** The Board has established several "reserve targets" for the end of each fiscal year. The amounts actually existing on June 30, 2011 are compared with their respective targets in the schedule on the next page. Net assets that are below their "reserve targets" are shown in **bold print**.

**Bear Valley Community Services District  
Reserves Target and Actual as of June 30, 2011**

<b>Category Fund</b>	<b>6/30/2011 Target</b>	<b>6/30/2011 Actual</b>	<b>6/30/2010 Actual</b>
Emergency/disaster response	\$ 156,534	\$ 155,375	\$ 154,250
Contingencies:			
General fund	1,375,260	<b>1,127,844</b>	<b>1,277,863</b>
Roads	389,242	<b>338,117</b>	<b>333,967</b>
Water enterprise	491,440	<b>455,202</b>	<b>504,751</b>
Wastewater enterprise	85,087	<b>83,342</b>	<b>79,700</b>
Solid waste enterprise	98,660	99,484	<b>91,500</b>
Police contingencies:			
General fund	403,457	<b>368,942</b>	<b>361,200</b>
Rate stabilization:			
Water enterprise	98,290	<b>91,040</b>	<b>100,950</b>
Wastewater enterprise	21,270	28,000	<b>19,200</b>
Solid waste enterprise	24,665	24,871	<b>22,870</b>
Asset replacements:			
General fund	872,624	1,444,543	1,173,853
Roads	1,302,695	1,938,076	1,597,725
Water Reserve	1,087,681	1,451,483	1,448,588
Water enterprise	469,054	371,128	464,688
Wastewater enterprise	42,053	109,853	66,113
Solid waste enterprise	256,207	336,313	257,815
Self-insurance:			
SUI reserve	58,404	<b>44,081</b>	<b>51,742</b>
Debt service:			
Bond redemption	392,934	392,134	395,400
Water enterprise	60,823	59,947	61,386
Water development	104,100	101,717	104,272
Wastewater development	34,475	33,526	33,682
AD 95-1 bond (wastewater)	108,600	108,600	108,600
Capital improvements:			
Supp law enforcement svcs	100,000	100,000	<b>101,015</b>

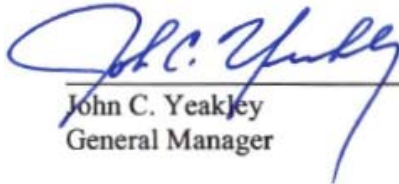
## Awards and Acknowledgements

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, 2010. This was the fourth 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,



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John C. Yeakley  
General Manager

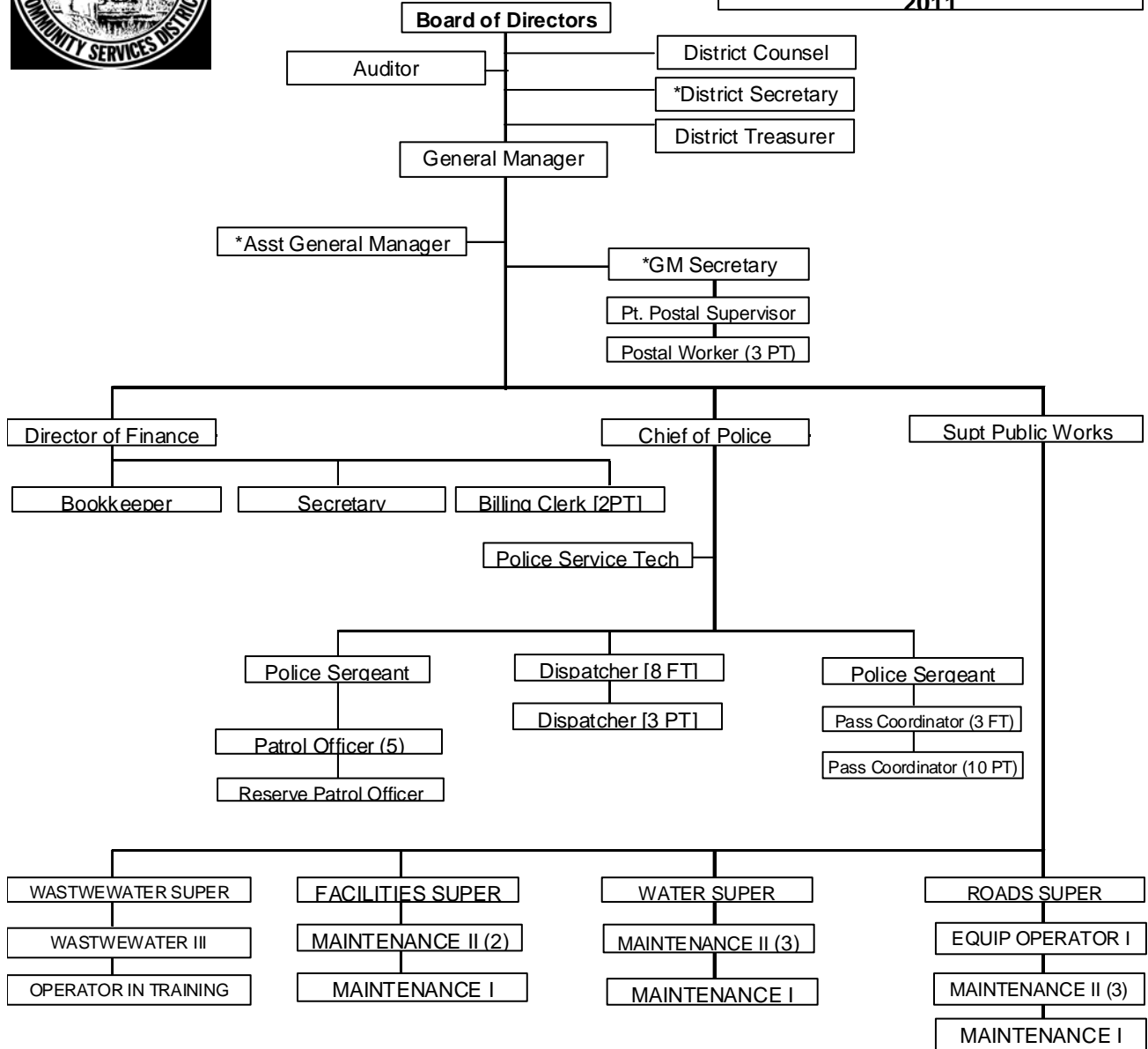


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Rudy Hernandez  
Treasurer



**BEAR VALLEY COMMUNITY SERVICES DISTRICT ORGANIZATIONAL CHART 2011**



\*SAME PERSON

# 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, 2010

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



*Linda C. Davison*

President

*Jeffrey R. Emer*

Executive Director

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# **Financial Section**





Charles Z. Fedak, CPA, MBA  
Paul J. Kaymark, CPA  
Christopher J. Brown, CPA

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An Accountancy Corporation

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## Independent Auditor's Report

Board of Directors  
Bear Valley Community Services District  
Tehachapi, California

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, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the District's management. 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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Bear Valley Community Services District as of June 30, 2011, and the respective changes in net assets and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 31, 2011 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* and should be read in conjunction with this report in considering the results of our audit. That report can be found on page 83.

As described in Note 1.B to the basic financial statements, the District adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, for the year ended June 30, 2011.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 10 through 21 and the required supplementary information on pages 51 through 53 and the other supplemental information on pages 54 through 58 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.

## Independent Auditor's Report, continued

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.

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 59 through 82 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.

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

**Charles Z. Fedak and Company, CPA's – An Accountancy Corporation**  
Cypress, California  
October 31, 2011

**Bear Valley Community Services District  
Management's Discussion and Analysis  
For the Year Ended June 30, 2011**

## **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, 2011. 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 \$486,601 (5.92%).
- Government-wide net assets decreased \$21,174 (0.09%).
- General fund achieved its full contingency reserve funding levels of 50% of next year's expenditure budget for general contingencies and 91% of the 20% of next year's police department expenditure budget for police contingencies.
- Water enterprise fund net assets decreased \$127,418.
- Wastewater enterprise fund net assets decreased \$223,817.
- Solid waste enterprise fund net assets improved \$23,523.
- Rate stabilization reserves are funded in the water, wastewater and solid waste enterprise funds.
- All debt service obligations were met and Standard & Poor's "A-" rating was upgraded to "A+."

### **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 assets presents information on all of the Bear Valley Community Services District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets 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 22-23 of this report.

**Bear Valley Community Services District  
Management's Discussion and Analysis  
For the Year Ended June 30, 2011**

**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 nonmajor 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 24-27 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 55-58 of this report.

**Bear Valley Community Services District  
Management's Discussion and Analysis  
For the Year Ended June 30, 2011**

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 28-30 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 13 on page 48 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 31-50 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 51-53 of this report.

**Government-wide Financial Analysis**

As noted earlier, net assets 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 \$24,479,141 at the close of the most recent fiscal year, decrease of \$21,174 compared with the prior year. This (\$21,174) shows that the District operated at a break even point for fiscal year ending June 30, 2011.

By far the largest portion of the Bear Valley Community Services District's net assets (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 Assets**

	Condensed Statement of Net Assets					
	Governmental Activities		Business-type Activities		Total District	
	2011	2010	2011	2010	2011	2010
<b>Assets:</b>						
Current and other assets	\$ 6,158,635	5,646,451	3,105,432	3,194,491	9,264,067	8,840,942
Non-current assets	321,723	341,521	650,000	780,000	971,723	1,121,521
Capital assets, net	9,572,968	10,026,882	11,535,146	11,929,409	21,108,114	21,956,291
<b>Total assets</b>	<b>16,053,326</b>	<b>16,014,854</b>	<b>15,290,578</b>	<b>15,903,900</b>	<b>31,343,904</b>	<b>31,918,754</b>
<b>Liabilities:</b>						
Current liabilities	634,733	604,342	483,100	552,856	1,117,833	1,157,198
Non-current liabilities	2,256,028	2,554,485	3,490,902	3,706,756	5,746,930	6,261,241
<b>Total liabilities</b>	<b>2,890,761</b>	<b>3,158,827</b>	<b>3,974,002</b>	<b>4,259,612</b>	<b>6,864,763</b>	<b>7,418,439</b>
<b>Net assets:</b>						
Net investment in capital assets	7,162,968	7,326,882	7,921,405	8,108,596	15,084,373	15,435,478
Restricted	2,571,722	2,408,975	650,000	780,000	3,221,722	3,188,975
Unrestricted	3,427,875	3,120,170	2,745,171	2,755,692	6,173,046	5,875,862
<b>Total net assets</b>	<b>\$ 13,162,565</b>	<b>12,856,027</b>	<b>11,316,576</b>	<b>11,644,288</b>	<b>24,479,141</b>	<b>24,500,315</b>

**Bear Valley Community Services District  
Management's Discussion and Analysis  
For the Year Ended June 30, 2011**

The remaining balance of restricted/unrestricted net assets (\$9,394,768) 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 assets, 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 an increase of \$306,538 in net assets for governmental activities, an decrease of 5%.

Net assets for business-type activities decreased \$327,712, a decrease of 84% over prior year.

**Governmental activities.** Governmental activities increased the Bear Valley Community Services District's net assets by \$306,538. This was mainly due to additions of cash from higher property tax revenues, increased revenues from charges for services, and decreases in long-term liabilities from retirement of general obligation bonds.

**Bear Valley Community Services District's Changes in Net Assets**

**Condensed Statement of Activities**

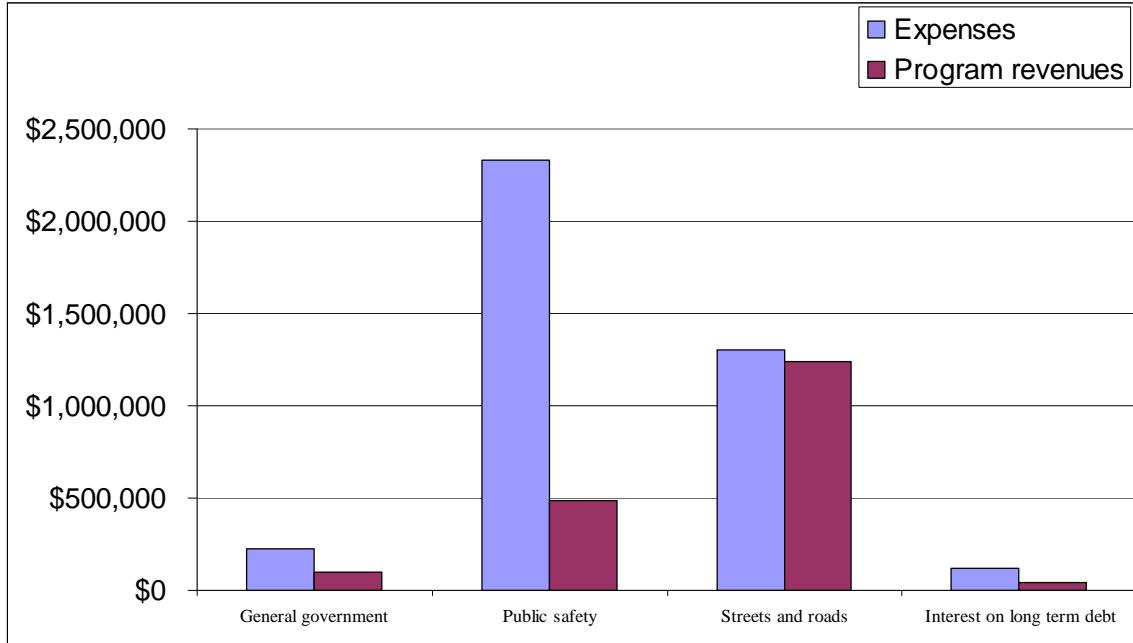
	Governmental Activities		Business-type Activities		Total District	
	2011	2010	2011	2010	2011	2010
<b>Revenues:</b>						
<b>Program revenues:</b>						
Charges for services	\$ 1,768,114	1,746,159	3,230,811	3,333,150	4,998,925	5,079,309
Operating grants and contrib.	100,000	100,000	-	-	100,000	100,000
Capital grants and contrib.	-	-	9,870	52,885	9,870	52,885
<b>General revenues:</b>						
Property taxes	1,516,367	1,501,422	-	-	1,516,367	1,501,422
Voter approved taxes	902,846	856,299	-	-	902,846	856,299
Investment earnings	42,813	46,137	20,760	27,369	63,573	73,506
<b>Total revenues</b>	4,330,140	4,250,017	3,261,441	3,413,404	7,591,581	7,663,421
<b>Expenses:</b>						
General government	228,845	231,959	-	-	228,845	231,959
Public safety	2,329,772	2,314,935	-	-	2,329,772	2,314,935
Streets and roads	1,306,067	1,215,221	-	-	1,306,067	1,215,221
Interest on long-term debt	120,242	130,010	-	-	120,242	130,010
Water	-	-	2,365,576	2,418,407	2,365,576	2,418,407
Wastewater	-	-	674,229	655,946	674,229	655,946
Solid waste	-	-	527,794	487,778	527,794	487,778
Post office	-	-	60,230	61,687	60,230	61,687
<b>Total expenses</b>	3,984,926	3,892,125	3,627,829	3,623,818	7,612,755	7,515,943
<b>Change in net assets</b>	345,214	357,892	(366,388)	(210,414)	(21,174)	147,478
Transfers	(38,676)	(32,649)	38,676	32,649	-	-
<b>Change in net assets</b>	306,538	325,243	(327,712)	(177,765)	(21,174)	147,478
<b>Net assets, beginning of year</b>	12,856,027	12,530,784	11,644,288	11,822,053	24,500,315	24,352,837
<b>Net assets, end of year</b>	\$ 13,162,565	12,856,027	11,316,576	11,644,288	24,479,141	24,500,315

- Revenue from charges for services in the governmental activities increased \$19,030 (5%) due to the police dispatch service contract with the City of Tehachapi.
- Revenue from grants and contributions decreased \$43,015 (81%). This decrease is due to a decrease in water development fees collected in FY 2010-11 as compared to 2009-10.
- Property taxes increased \$22,479 (1%).
- Total expenses increased \$49,725 (1%).
- Costs for salaries and benefits increased \$186,314 (5%). Costs for operations and maintenance decreased \$99,197 (4%).

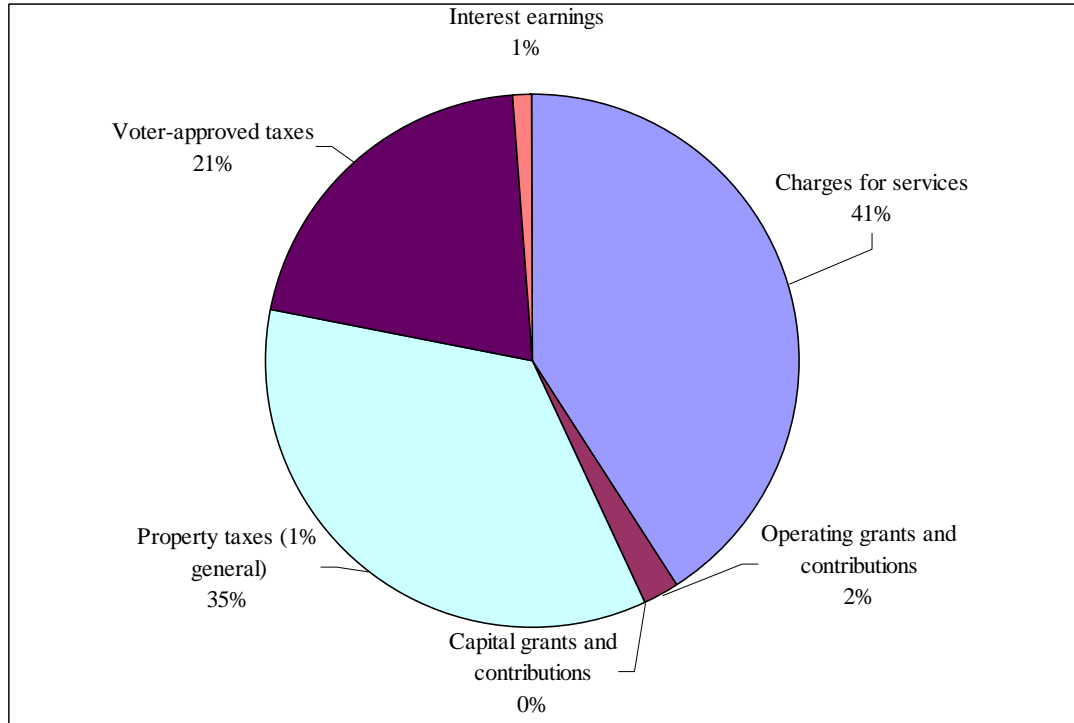


**Bear Valley Community Services District  
Management's Discussion and Analysis  
For the Year Ended June 30, 2011**

**Expenses and Program Revenues – Governmental Activities**



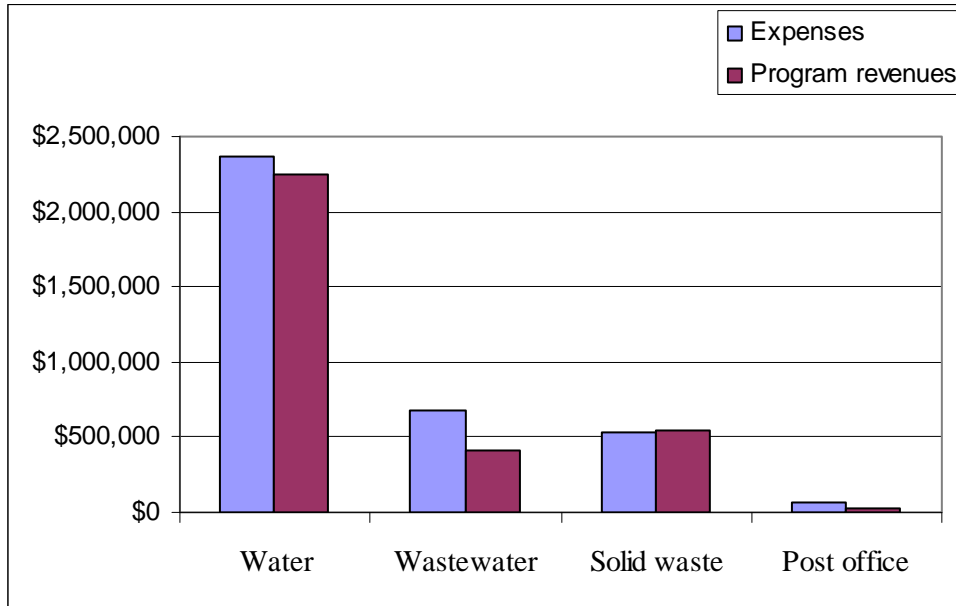
**Revenues by Source – Governmental Activities**



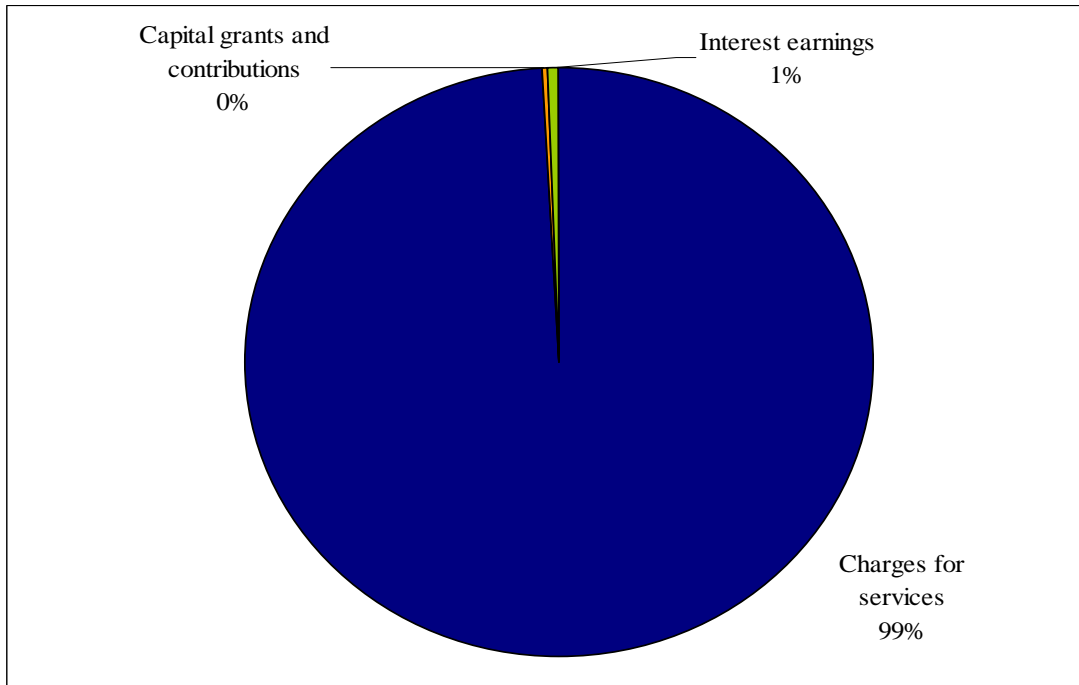
**Business-type activities.** Business-type activities decreased the Bear Valley Community Services District's net assets by \$372,712 primarily due the depreciation of capital assets.

**Bear Valley Community Services District  
Management's Discussion and Analysis  
For the Year Ended June 30, 2011**

**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, 2011**

**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 \$5,911,820, an increase of \$495,695 in comparison with the prior year, primarily due to the fact that there was no major road paving project done during the year. \$3,094,646 of the total fund balance for all governmental funds (52%) 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 \$3,279,554 of which \$140,827 is assigned for compensated absences and \$44,081 assigned for unemployment compensation. In addition, \$155,375 of the fund balance is unassigned by the Board for emergencies and disaster response and \$2,939,271 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 129% of total general fund expenditures, while total fund balance represents 137% of that same amount.

**Bear Valley Community Services District  
Management's Discussion and Analysis  
For the Year Ended June 30, 2011**

The fund balance of the Bear Valley Community Services District's general fund increased \$272,404 during the current fiscal year because of (1) higher property tax revenues, (2) new revenues from the contract with the City of Tehachapi whereby the district provides the city's dispatch and 9-1-1 service in exchange for monthly cash payments, and (3) generally good control of expenditures. The amount assigned for unemployment compensation decreased \$7,660 and the amount restricted for prepaid expenditures remained at zero. The amount unassigned for emergency response increased \$1,125. The amount unassigned for six-month operating reserve increased by \$499,312.

The roads fund has a restricted fund balance of \$2,167,319 which will be used for the ongoing maintenance and improvement of streets and roads, including drainage ways and rights of way and \$60,544 for compensated absences. The increase in fund balance during the year was \$296,171, primarily due to a decrease in major road paving expenditures.

***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 assets for all enterprise funds decreased \$327,712 compared with last year. Changes in total net assets from last year are as follows: water enterprise (\$127,418); wastewater enterprise (\$223,817); solid waste enterprise \$23,523; post office enterprise \$0.

The post office enterprise fund had unrestricted net assets of \$0 on June 30, 2011. 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**

Differences between the original budget and the final amended were \$74,771.

**Bear Valley Community Services District  
Management's Discussion and Analysis  
For the Year Ended June 30, 2011**

**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, 2011 amounts to \$21,108,114 (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:

- \$39,214 was spent for the purchase of 2011 Chevy Tahoe.
- \$21,168 for the purchase of a 2011 Polaris Ranger.
- \$63,584 for the purchase of Diesel Compressor (Crack Sealer).
- \$11,392 for the purchase of Asphalt Spreader.
- \$10,527 for the construction of a New Road for Water Operations.
- \$216,014 for Booster Pump Houses
- \$412,234 to Convert CV Well # 6 to Potable.
- 

**Bear Valley Community Services District's Capital Assets**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total District</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Capital assets:						
Non-depreciable assets	\$ 4,804,415	4,804,415	4,330,327	3,662,053	9,134,742	8,466,468
Depreciable assets	<u>31,590,352</u>	<u>31,454,994</u>	<u>19,009,861</u>	<u>19,382,447</u>	<u>50,600,213</u>	<u>50,837,441</u>
<b>Total capital assets</b>	36,394,767	36,259,409	23,340,188	23,044,500	59,734,955	59,303,909
Accumulated depreciation	<u>(26,821,799)</u>	<u>(26,232,527)</u>	<u>(11,805,042)</u>	<u>(11,115,091)</u>	<u>(38,626,841)</u>	<u>(37,347,618)</u>
<b>Total capital assets, net</b>	<u>\$ 9,572,968</u>	<u>10,026,882</u>	<u>11,535,146</u>	<u>11,929,409</u>	<u>21,108,114</u>	<u>21,956,291</u>

Additional information on the Bear Valley Community Services District's capital assets can be found in note 7 on pages 40-42 of this report.

**Bear Valley Community Services District  
Management's Discussion and Analysis  
For the Year Ended June 30, 2011**

**Long-term debt.** At the end of the current fiscal year, the Bear Valley Community Services District had total debt outstanding of \$6,023,741. Of this amount, \$2,410,000 comprises debt backed by the full faith and credit of the Bear Valley Community Services District, \$542,988 is owed to the State Water Resources Control Board (SWRCB) for wastewater plant improvements and \$3,070,753 is owed to the California Infrastructure and Economic Development Bank (CIEDB) for water and wastewater system improvements.

**Bear Valley Community Services District's Outstanding Debt**

**General Obligation, Special Assessment and Revenue Bonds**

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Long-term debt:						
General obligation bonds	\$ 2,410,000	2,700,000	-	-	2,410,000	2,700,000
SWRCB revolving fund loan	-	-	542,988	651,585	542,988	651,585
CIEDB loan	-	-	3,070,753	3,169,228	3,070,753	3,169,228
<b>Total Long-term debt</b>	<b>\$ 2,410,000</b>	<b>2,700,000</b>	<b>3,613,741</b>	<b>3,820,813</b>	<b>6,023,741</b>	<b>6,520,813</b>

The Bear Valley Community Services District's total debt decreased \$497,072 (8%) during the current fiscal year. The key factors in this decrease were the retirement of \$290,000 of general obligation bonds as well as principal payments of \$108,598 on the SWRCB loan and \$98,475 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 \$99,239,000, 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, 2011, there was \$3,070,753 of outstanding principal and accrued interest payable of \$37,474.

Additional information on the Bear Valley Community Services District's long-term debt can be found in notes 9 and 10 on pages 44-46 of this report.

**Bear Valley Community Services District  
Management's Discussion and Analysis  
For the Year Ended June 30, 2011**

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

- Assessed valuation of the Bear Valley Community Services District decreased 4.0% for fiscal year 2010-11. This decrease is the result of the sharp decline in real estate activity and prices. This is extremely important for public safety activities because property taxes provide most of the funding for public safety. Growth in property tax revenues has allowed the Bear Valley Community Services District to maintain a police force of one sworn officer per 1,000 residents. Maintaining a positive ratio in future years will be difficult if property tax assessed values continue to decline as reflected in fiscal 2010-11.
- Residential development will continue, but at a much slower pace compared with the past several years, resulting in revenues from water and wastewater capacity fees that are far lower than recent years. During the year there were only 3 new water connections and no capacity fees for new sewer connections. This is extremely low compared to the five-year average of 27 new water accounts and 2 new sewer accounts per year. Water capacity fee revenue will be used for projects increasing water system capacity, including debt service pertaining to such projects funded by the CIEDB loan. Wastewater capacity fee revenue will accumulate and will be held in reserve for repayment of the CIEDB loan relating to new wastewater treatment facilities that have already been built.
- Investment earnings will decrease somewhat. The average yield on district investments for fiscal year 2010-11 was .63%. The estimated yield for next year is .55%, 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. Expenditures from water reserves are replenished at the rate of 20% of the expended amount annually.
- The District's long-term water tank maintenance contract, whereby 100% of the water storage tanks have now been recoated, carries a cost of \$175,000 per year. For the first three years of the contract this cost was covered by proceeds from the CIEDB loan, but starting in 2006-07, the cost was borne by current water rate payers, as the construction period for the CIEDB loan had expired.
- In preparing the FY 2010-11 general fund budget, staff received a letter from the Kern County Auditor-Controllers office advising agencies that 2010-11 assessed valuation for all property is expected to remain approximately the same as 2009-10 values. The auditor-controller further stated that the assessor's office continues to process numerous value reductions resulting in property tax refunds that have resulted in lower than normal supplemental property tax revenue. Based on this information, the District was expecting to receive less property tax revenue in fiscal year 2010-11 than what was received in fiscal year 2009-10. Despite these conservative projections, the District received \$22,479 or 1% more in fiscal year 2010-11 than 2009-10.
- During the fiscal year 2010-11, 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.

**Bear Valley Community Services District  
Management's Discussion and Analysis  
For the Year Ended June 30, 2011**

- All of these factors were considered in preparing the Bear Valley Community Services District's budget for the FY 2011-12.

**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.



# **Basic Financial Statements**

**Bear Valley Community Services District**  
**Statement of Net Assets**  
**June 30, 2011**

<i>Assets</i>	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Current assets:</b>			
Cash and cash equivalents (note 2)	\$ 5,844,986	2,857,903	8,702,889
Accrued interest receivable	9,156	4,644	13,800
Accounts receivable – utilities, net (note 3)	-	410,122	410,122
Accounts receivable – other	34,172	-	34,172
Property taxes and assessments receivable	20,321	675	20,996
Internal balances (note 4)	250,000	(250,000)	-
Prepaid expenses and other deposits	-	82,088	82,088
<b>Total current assets</b>	<b>6,158,635</b>	<b>3,105,432</b>	<b>9,264,067</b>
<b>Non-current assets:</b>			
Improvement district bonds receivable (note 5)	-	650,000	650,000
Deferred charges, net (note 6)	321,723	-	321,723
Capital assets – not being depreciated (note 7)	4,804,415	4,330,327	9,134,742
Capital assets – being depreciated, net (note 7)	4,768,553	7,204,819	11,973,372
<b>Total non-current assets</b>	<b>9,894,691</b>	<b>12,185,146</b>	<b>22,079,837</b>
<b>Total assets</b>	<b>16,053,326</b>	<b>15,290,578</b>	<b>31,343,904</b>
<b><i>Liabilities and Net Assets</i></b>			
<b>Current liabilities:</b>			
Accounts payable and accrued expenses	95,233	94,391	189,624
Accrued wages and related payables	138,622	69,498	208,120
Deposits and deferred revenue	12,960	42,739	55,699
Accrued interest on long-term debt	32,575	37,474	70,049
Long-term liabilities – due within one year:			
Compensated absences (note 8)	50,343	29,040	79,383
Bond payable (note 9)	305,000	-	305,000
Loans payable (note 10)	-	209,958	209,958
<b>Total current liabilities</b>	<b>634,733</b>	<b>483,100</b>	<b>1,117,833</b>
<b>Non-current liabilities:</b>			
Long-term liabilities – due in more than one year:			
Compensated absences (note 8)	151,028	87,119	238,147
Bond payable (note 9)	2,105,000	-	2,105,000
Loans payable (note 10)	-	3,403,783	3,403,783
<b>Total non-current liabilities</b>	<b>2,256,028</b>	<b>3,490,902</b>	<b>5,746,930</b>
<b>Total liabilities</b>	<b>2,890,761</b>	<b>3,974,002</b>	<b>6,864,763</b>
<b>Net assets:</b>			
Net investment in capital assets (note 11)	7,162,968	7,921,405	15,084,373
Restricted (note 12)	2,571,722	650,000	3,221,722
Unrestricted (note 13)	3,427,875	2,745,171	6,173,046
<b>Total net assets</b>	<b>\$ 13,162,565</b>	<b>11,316,576</b>	<b>24,479,141</b>

See accompanying notes to the basic financial statements

**Bear Valley Community Services District  
Statement of Activities  
For the Year Ended June 30, 2011**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Governmental activities:</b>							
General government	\$ 228,845	100,856	-	-	(127,989)	-	(127,989)
Public safety	2,329,772	385,809	100,000	-	(1,843,963)	-	(1,843,963)
Streets and roads	1,306,067	1,241,115	-	-	(64,952)	-	(64,952)
Interest on long-term debt	120,242	40,334	-	-	(79,908)	-	(79,908)
<b>Total governmental activities</b>	<b>3,984,926</b>	<b>1,768,114</b>	<b>100,000</b>	<b>-</b>	<b>(2,116,812)</b>	<b>-</b>	<b>(2,116,812)</b>
<b>Business-type activities:</b>							
Water	2,365,576	2,241,350	-	9,870	-	(114,356)	(114,356)
Wastewater	674,229	409,959	-	-	-	(264,270)	(264,270)
Solid waste	527,794	547,267	-	-	-	19,473	19,473
Post office	60,230	32,235	-	-	-	(27,995)	(27,995)
<b>Total business-type activities</b>	<b>3,627,829</b>	<b>3,230,811</b>	<b>-</b>	<b>9,870</b>	<b>-</b>	<b>(387,148)</b>	<b>(387,148)</b>
<b>Total</b>	<b>\$ 7,612,755</b>	<b>4,998,925</b>	<b>100,000</b>	<b>9,870</b>	<b>(2,116,812)</b>	<b>(387,148)</b>	<b>(2,503,960)</b>
<b>General revenues:</b>							
Property taxes					\$ 1,516,367	-	1,516,367
Voter-approved taxes					902,846	-	902,846
Interest earnings					42,813	20,760	63,573
Transfers in/(out) (note 4)					(38,676)	38,676	-
<b>Total general revenues</b>					<b>2,423,350</b>	<b>59,436</b>	<b>2,482,786</b>
<b>Change in net assets</b>					<b>306,538</b>	<b>(327,712)</b>	<b>(21,174)</b>
<b>Net assets, beginning of year</b>					<b>12,856,027</b>	<b>11,644,288</b>	<b>24,500,315</b>
<b>Net assets, end of year</b>					<b>\$ 13,162,565</b>	<b>11,316,576</b>	<b>24,479,141</b>

See accompanying notes to the basic financial statements

**Bear Valley Community Services District**  
**Balance Sheets – Governmental Funds**  
**June 30, 2011**

	<u>General</u>	<u>Streets and Roads</u>	<u>Debt Service</u>	<u>Supplemental Law Enforcement</u>	<u>Total Governmental Activities</u>
<b>Assets:</b>					
Cash and cash equivalents	\$ 3,200,724	2,265,259	330,599	48,404	5,844,986
Accrued interest receivable	5,097	3,560	499	-	9,156
Accounts receivable – other	6,904	2,268	-	25,000	34,172
Property taxes and assessments receivable	14,183	5,106	1,032	-	20,321
Due from other funds	250,000	-	-	-	250,000
Prepays and other deposits	-	-	-	-	-
<b>Total assets</b>	<u>3,476,908</u>	<u>2,276,193</u>	<u>332,130</u>	<u>73,404</u>	<u>6,158,635</u>
<b>Liabilities:</b>					
Accounts payable and accrued expenses	79,096	15,006	-	1,131	95,233
Accrued wages and related payables	105,298	33,324	-	-	138,622
Due to other funds	-	-	-	-	-
Deposits and deferred revenue	12,960	-	-	-	12,960
<b>Total liabilities</b>	<u>197,354</u>	<u>48,330</u>	<u>-</u>	<u>1,131</u>	<u>246,815</u>
<b>Fund balance:</b>					
Restricted:					
Street and road improvements	-	2,167,319	-	-	2,167,319
Debt service	-	-	332,130	-	332,130
Public safety	-	-	-	72,273	72,273
Assigned:					
Compensated absences	140,827	60,544	-	-	201,371
Unemployment compensation	44,081	-	-	-	44,081
Unassigned:					
Emergency reserve	155,375	-	-	-	155,375
Six-month operating reserve	2,939,271	-	-	-	2,939,271
<b>Total fund balance</b>	<u>3,279,554</u>	<u>2,227,863</u>	<u>332,130</u>	<u>72,273</u>	<u>5,911,820</u>
<b>Total liabilities and fund balance</b>	<u>\$ 3,476,908</u>	<u>2,276,193</u>	<u>332,130</u>	<u>73,404</u>	<u>6,158,635</u>

**Bear Valley Community Services District**  
**Reconciliation of the Balance Sheets of Governmental Funds to the Statement of Net Assets**  
**June 30, 2011**

**Reconciliation:**

Fund balance of governmental funds	\$	5,911,820
Amounts reported for governmental activities in the statement of net assets is different because:		
Deferred charges are expended in governmental funds as a cost of debt issuance, while the statement of net assets includes those deferred charges among the assets of the District and amortizes them over the life of the debt service.		321,723
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 assets includes those capital assets among the assets of the District as a whole.		9,572,968
Interest on long-term debt is not accrued as a governmental fund liability, but rather is recognized as an expenditure when due.		(32,575)
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 assets as follows:		
Compensated absences		(201,371)
Bonds payable		<u>(2,410,000)</u>
Net assets of governmental activities	\$	<u><u>13,162,565</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, 2011**

	<u>General</u>	<u>Streets and Roads</u>	<u>Debt Service</u>	<u>Supplemental Law Enforcement</u>	<u>Total Governmental Activities</u>
<b>Revenues:</b>					
Property taxes	\$ 1,516,367	-	-	-	1,516,367
Voter-approved taxes	558,367	-	344,479	-	902,846
Special assessments	-	1,214,524	-	-	1,214,524
Charges for services	385,809	-	-	-	385,809
Federal and state aid	1,140	-	-	100,000	101,140
Interest earnings	25,058	15,896	1,859	-	42,813
Rents and royalties	-	-	40,334	-	40,334
Other	99,716	26,591	-	-	126,307
<b>Total revenues</b>	<u>2,586,457</u>	<u>1,257,011</u>	<u>386,672</u>	<u>100,000</u>	<u>4,330,140</u>
<b>Expenditures:</b>					
General government	154,114	-	-	-	154,114
Public safety	2,172,593	-	-	27,201	2,199,794
Streets and roads	-	912,780	-	-	912,780
Capital outlay	60,382	74,976	-	-	135,358
Debt service:	-	-	-	-	-
Bond payments	-	-	290,000	-	290,000
Interest paid	-	-	103,723	-	103,723
<b>Total expenditures</b>	<u>2,387,089</u>	<u>987,756</u>	<u>393,723</u>	<u>27,201</u>	<u>3,795,769</u>
Excess(deficiency) of revenues over expenditures	<u>199,368</u>	<u>269,255</u>	<u>(7,051)</u>	<u>72,799</u>	<u>534,371</u>
<b>Other financing sources(uses):</b>					
Operating transfers in(out)	<u>73,036</u>	<u>26,916</u>	<u>(6,240)</u>	<u>(132,388)</u>	<u>(38,676)</u>
<b>Net change in fund balance</b>	272,404	296,171	(13,291)	(59,589)	495,695
<b>Fund balance, beginning of year</b>	<u>3,007,150</u>	<u>1,931,692</u>	<u>345,421</u>	<u>131,862</u>	<u>5,416,125</u>
<b>Fund balance, end of year</b>	<u>\$ 3,279,554</u>	<u>2,227,863</u>	<u>332,130</u>	<u>72,273</u>	<u>5,911,820</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, 2011**

**Reconciliation:**

Net changes in fund balance of total governmental funds	\$	495,695
<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		135,358
Depreciation expense		(589,272)
<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 assets and do not result in an expense in the statement of activities.</p>		
		290,000
<p>Deferred charges consist of capitalized debt issuance costs on the statement of net assets. These amounts are amortized over the life of the debt service liability on the statement of activities.</p>		
		(19,798)
<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		3,279
Net change in compensated absences for the current period		(8,724)
		<u>306,538</u>
Change in net assets of governmental activities	\$	<u><u>306,538</u></u>
<p>See accompanying notes to the basic financial statements</p>		

**Bear Valley Community Services District**  
**Statements of Net Assets – Enterprise Funds**  
**June 30, 2011**

<i>Assets</i>	<b>Water</b>	<b>Wastewater</b>	<b>Solid Waste</b>	<b>Post Office</b>	<b>Total Business-type Activities</b>
<b>Current assets:</b>					
Cash and cash equivalents	\$ 1,799,968	470,608	583,806	3,521	2,857,903
Accrued interest receivable	3,139	625	880	-	4,644
Accounts receivable – utilities, net	275,990	68,845	65,287	-	410,122
Accounts receivable – other	-	-	-	-	-
Property assessments receivable	142	533	-	-	675
Due from other funds	-	-	-	-	-
Prepaid expenses and other deposits	-	82,088	-	-	82,088
<b>Total current assets</b>	<b>2,079,239</b>	<b>622,699</b>	<b>649,973</b>	<b>3,521</b>	<b>3,355,432</b>
<b>Non-current assets:</b>					
Improvement district bonds receivable	-	650,000	-	-	650,000
Capital assets – not being depreciated	3,647,319	14,734	-	-	3,662,053
Capital assets, net – being depreciated	6,633,660	1,152,963	86,470	-	7,873,093
<b>Total non-current assets</b>	<b>10,280,979</b>	<b>1,817,697</b>	<b>86,470</b>	<b>-</b>	<b>12,185,146</b>
<b>Total assets</b>	<b>12,360,218</b>	<b>2,440,396</b>	<b>736,443</b>	<b>3,521</b>	<b>15,540,578</b>
<b>Liabilities and Net Assets</b>					
<b>Current liabilities:</b>					
Accounts payable and accrued expenses	63,458	4,863	25,866	204	94,391
Accrued wages and related payables	40,765	17,659	8,829	2,245	69,498
Accrued interest on long-term debt	30,995	6,479	-	-	37,474
Due to other funds	181,843	68,157	-	-	250,000
Deposits and deferred revenue	42,739	-	-	-	42,739
Long-term liabilities – due within one year:					
Compensated absences	13,749	10,180	4,842	1,072	29,843
Loans payable	83,836	126,122	-	-	209,958
<b>Total current liabilities</b>	<b>457,385</b>	<b>233,460</b>	<b>39,537</b>	<b>3,521</b>	<b>733,903</b>
<b>Non-current liabilities:</b>					
Long-term liabilities – due in more than one year:					
Compensated absences	41,247	30,542	14,527	-	86,316
Loans payable	2,456,005	947,778	-	-	3,403,783
<b>Total non-current liabilities</b>	<b>2,497,252</b>	<b>978,320</b>	<b>14,527</b>	<b>-</b>	<b>3,490,099</b>
<b>Total liabilities</b>	<b>2,954,637</b>	<b>1,211,780</b>	<b>54,064</b>	<b>3,521</b>	<b>4,224,002</b>
<b>Net assets:</b>					
Net investment in capital assets	7,741,138	93,797	86,470	-	7,921,405
Unrestricted	1,664,443	1,134,819	595,909	-	3,395,171
<b>Total net assets</b>	<b>\$ 9,405,581</b>	<b>1,228,616</b>	<b>682,379</b>	<b>-</b>	<b>11,316,576</b>

See accompanying notes to the basic financial statements



**Bear Valley Community Services District**  
**Statements of Revenues, Expenses and Changes in Fund Net Assets – Enterprise Funds**  
**For the Year Ended June 30, 2011**

	<u>Water</u>	<u>Wastewater</u>	<u>Solid Waste</u>	<u>Post Office</u>	<u>Total Business-type Activities</u>
<b>Operating revenues:</b>					
Water consumption sales	\$ 2,189,463	-	-	-	2,189,463
Wastewater service charges	-	402,396	-	-	402,396
Solid waste collection charges	-	-	545,026	-	545,026
Post office box charges	-	-	-	28,836	28,836
Other charges for services	51,887	7,563	2,241	3,399	65,090
<b>Total operating revenues</b>	<u>2,241,350</u>	<u>409,959</u>	<u>547,267</u>	<u>32,235</u>	<u>3,230,811</u>
<b>Operating expenses:</b>					
Salaries and benefits	765,728	260,095	171,995	53,336	1,251,154
Operations	1,068,490	168,342	325,426	6,894	1,569,152
<b>Total operating expenses</b>	<u>1,834,218</u>	<u>428,437</u>	<u>497,421</u>	<u>60,230</u>	<u>2,820,306</u>
Operating income(loss) before depreciation	407,132	(18,478)	49,846	(27,995)	410,505
Depreciation expense	(448,878)	(210,700)	(30,373)	-	(689,951)
<b>Operating income(loss)</b>	<u>(41,746)</u>	<u>(229,178)</u>	<u>19,473</u>	<u>(27,995)</u>	<u>(279,446)</u>
<b>Non-operating revenue(expense):</b>					
Interest earnings	13,723	2,987	4,050	-	20,760
Interest expense	(82,480)	(35,092)	-	-	(117,572)
Total non-operating, net	(68,757)	(32,105)	4,050	-	(96,812)
<b>Operating transfers in(out)</b>	<u>(26,785)</u>	<u>37,466</u>	<u>-</u>	<u>27,995</u>	<u>38,676</u>
<b>Capital contributions:</b>					
Capacity charges	9,870	-	-	-	9,870
Total capital contributions	9,870	-	-	-	9,870
<b>Change in net assets</b>	<u>(127,418)</u>	<u>(223,817)</u>	<u>23,523</u>	<u>-</u>	<u>(327,712)</u>
<b>Net assets, beginning of year</b>	<u>9,532,999</u>	<u>1,452,433</u>	<u>658,856</u>	<u>-</u>	<u>11,644,288</u>
<b>Net assets, end of year</b>	<u>\$ 9,405,581</u>	<u>1,228,616</u>	<u>682,379</u>	<u>-</u>	<u>11,316,576</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, 2011**

	<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	\$ 2,247,190	413,833	548,060	32,235	3,241,318
Cash paid to employees for salaries and benefits	(760,109)	(269,817)	(169,723)	(53,463)	(1,253,112)
Cash paid to vendors and suppliers	(1,156,220)	(159,146)	(330,267)	(6,912)	(1,652,545)
Net cash provided(used) by operating activities	<u>330,861</u>	<u>(15,130)</u>	<u>48,070</u>	<u>(28,140)</u>	<u>335,661</u>
Cash flows from non-capital financing activities:					
Operating transfers in	(26,785)	37,466	-	27,995	38,676
Cash flows from capital and related financing activities:					
Acquisition and construction of capital assets	(295,688)	-	-	-	(295,688)
Proceeds from capital contributions	9,870	-	-	-	9,870
Payments made from(to) other funds	(34,476)	34,476	-	-	-
Principal payments on loans payable	(81,449)	(125,623)	-	-	(207,072)
Interest payments on loans payable	(83,474)	(35,300)	-	-	(118,774)
Net cash used in capital and financing activities	<u>(485,217)</u>	<u>(126,447)</u>	<u>-</u>	<u>-</u>	<u>(611,664)</u>
Cash flows from investing activities:					
Proceeds from bonds receivable	-	130,000	-	-	130,000
Interest earnings	15,051	3,224	4,305	-	22,580
Net cash provided by investing activities	<u>15,051</u>	<u>133,224</u>	<u>4,305</u>	<u>-</u>	<u>152,580</u>
Net increase(decrease) in cash	(166,090)	29,113	52,375	(145)	(84,747)
Cash and cash equivalents, beginning of year	1,966,058	441,495	531,431	3,666	2,942,650
Cash and cash equivalents, end of year	<u>\$ 1,799,968</u>	<u>470,608</u>	<u>583,806</u>	<u>3,521</u>	<u>2,857,903</u>
Reconciliation of operating income to net cash provided(used) by operating activities:					
Operating income(loss)	\$ (41,746)	(229,178)	19,473	(27,995)	(279,446)
Adjustments to reconcile operating income to net cash provided(used) by operating activities:					
Depreciation expense	448,878	210,700	30,373	-	689,951
Changes in assets and liabilities:					
(Increase)decrease in assets:					
Accounts receivable – utilities, net	(30,546)	6,827	793	-	(22,926)
Accounts receivable – other	6,278	-	-	-	6,278
Property assessments receivable	323	966	-	-	1,289
Prepaid expenses and other deposits	-	17,851	-	-	17,851
Increase(decrease) in liabilities:					
Accounts payable and accrued expenses	(87,730)	(8,655)	(4,841)	(18)	(101,244)
Accrued wages and related payables	2,298	3,125	902	(422)	5,903
Deposits and deferred revenue	29,785	(3,919)	-	-	25,866
Compensated absences	3,321	(12,847)	1,370	295	(7,861)
Total adjustments	<u>372,607</u>	<u>214,048</u>	<u>28,597</u>	<u>(145)</u>	<u>615,107</u>
Net cash provided(used) by operating activities	<u>\$ 330,861</u>	<u>(15,130)</u>	<u>48,070</u>	<u>(28,140)</u>	<u>335,661</u>

See accompanying notes to the basic financial statements

**Bear Valley Community Services District**  
**Notes to the Basic Financial Statements**  
**June 30, 2011**

**(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. 14, *The Financial Reporting Entity*, and No. 39, *Determining Whether Certain Organizations Are Component Units* (an amendment of No. 14). 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. New Accounting Pronouncements**

*Government Accounting Standards Board Statement No. 54*

For the fiscal year ended June 30, 2011, the District implemented Government Accounting Standards Board Statement No. 54 (GASB 54), *Fund Balance Reporting and Governmental Fund Type Definitions*. The requirements of this statement are effective for the financial statement periods beginning after June 15, 2010.

GASB 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied, and it clarifies the existing governmental fund type definitions. It establishes balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in the governmental funds. These classifications are described in the Fund Equity section of Note 1.D.9.

GASB 54 also provides guidance for classifying stabilization amounts on the face of the balance sheet and requires disclosure of certain information about stabilization arrangements in the notes to the financial statements. The definitions of the general fund, special revenue fund type, capital projects fund type, debt service fund type, and permanent fund type are also clarified by the provisions in this statement.

**C. 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

**Bear Valley Community Services District**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2011**

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

**C. Basis of Accounting and Measurement Focus, continued**

***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 Assets. The Statement of Activities presents changes in net assets. 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 assets presented in the Government-wide Financial Statements.

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.

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, are generally followed in both the government-wide and propriety fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The District has elected not to follow subsequent private-sector guidance.

**Bear Valley Community Services District**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2011**

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

**C. Basis of Accounting and Measurement Focus, continued**

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.

**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.

**D. 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.

**Bear Valley Community Services District**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2011**

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

**D. Financial Statement Elements, continued**

**3. Property Taxes and Assessments, continued**

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

**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. Deferred Charges**

The deferred charges are from original issuance costs on the District's general obligation bonds that will be amortized over the remaining debt service life of the bonds.

**6. 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.

**Bear Valley Community Services District**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2011**

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

**D. Financial Statement Elements, continued**

**8. Net Assets/Fund Balances**

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

- **Net Investment in Capital Assets** – This component of net assets 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 Assets** – This component of net assets consists of constraints placed on net assets 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 Assets** – This component of net assets consists of net assets that do not meet the definition of *restricted* or *net investment in capital assets*.

**9. Fund Equity**

The financial statements, governmental funds report 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.
- **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 established, 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.

**Bear Valley Community Services District**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2011**

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

**D. Financial Statement Elements, continued**

**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.

**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 assets during the reporting period. Actual results could differ from those estimates.

**(2) Cash and Cash Equivalents**

Cash and cash equivalents as of June 30, 2011, are classified by fund as follows:

Governmental activity funds:	
General fund	\$ 3,200,724
Streets and roads fund	2,265,259
Bond redemption fund	330,599
Supplemental law enforcement	<u>48,404</u>
Total	<u>5,844,986</u>
Business-type activity funds:	
Water fund	1,799,968
Wastewater fund	470,608
Solid waste fund	583,806
Post office fund	<u>3,521</u>
Total	<u>2,857,903</u>
Total cash and cash equivalents	<u><u>\$ 8,702,889</u></u>

Cash and cash equivalents as of June 30, 2011, consisted of the following:

Cash on hand	\$ 600
Deposits held with financial institutions	268,507
Deposits held with the County of Kern Treasurer's Pooled Cash Portfolio	5,651,157
Deposits held with the California Local Agency Investment Fund (LAIF)	<u>2,782,625</u>
Total	<u><u>\$ 8,702,889</u></u>

As of June 30, 2011, the District's authorized deposits had the following maturities:

Deposits held with the County of Kern Treasurer's Pooled Cash Portfolio	523 days
Deposits held with the California Local Agency Investment Fund (LAIF)	237 days



**Bear Valley Community Services District**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2011**

**(2) Cash and Cash Equivalents, continued**

***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.

***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](http://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](http://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).

**Bear Valley Community Services District**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2011**

**(2) Cash and Cash Equivalents, continued**

***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.

***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 33% and LAIF is 62% as of June 30, 2011, 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, 2011.

	<u>Water</u>	<u>Wastewater</u>	<u>Waste</u>	<u>Total</u>
Accounts receivable – utilities	\$ 369,868	68,845	65,287	504,000
Allowance for uncollectible receivables	<u>(93,878)</u>	<u>-</u>	<u>-</u>	<u>(93,878)</u>
Accounts receivable – utilities, net	<u>\$ 275,990</u>	<u>68,845</u>	<u>65,287</u>	<u>410,122</u>

**(4) Internal Balances**

***Due To/From Other Funds***

Internal balances consist of the following as of June 30, 2011.

<u>Purpose</u>	<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Advancement	General	Water	\$ <u>250,000</u>

The General fund advanced the Water fund \$250,000 in 2011 due to a negative cash position in that fund. The advancement bears interest at the current LAIF interest earned rate per quarter and is expected to be repaid in fiscal year 2011.

**Bear Valley Community Services District**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2011**

**(4) Internal Balances, continued**

*Interfund Operational Transfers*

Interfund transfers consist of the following for the year ended June 30, 2011.

<u>Transfer from</u>	<u>Transfer to</u>	<u>Amount</u>
General	Post Office	\$ <u>27,995</u>
General	Roads	\$ <u>26,916</u>
Debt Serv	General	\$ <u>6,240</u>
Supp Law	General	\$ <u>132,388</u>
General	Wastewater	\$ <u>10,681</u>
Water	Wastewater	\$ <u>26,785</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.

**(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 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, 2011, the Improvement District No. 95-1 bonds outstanding totaled \$780,000.

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 \$650,000 as of June 30, 2011. The principal balance of \$130,000 is due and payable to the District each year until 2016.

**(6) Deferred Charges, net**

The deferred charges balance consists of the following as of June 30, 2011.

	<u>Amount</u>
General obligation bond issuance costs	\$ 576,169
Accumulated amortization	<u>(254,446)</u>
Deferred charges, net	\$ <u>321,723</u>

**Bear Valley Community Services District**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2011**

**(7) Capital Assets**

***Governmental Activities***

Changes in capital assets for the year were as follows:

	<u>Balance 2010</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>Balance 2011</u>
Non-depreciable assets:				
Land	\$ 4,804,415	-	-	4,804,415
Construction-in-process	-	-	-	-
Total non-depreciable assets	<u>4,804,415</u>	<u>-</u>	<u>-</u>	<u>4,804,415</u>
Depreciable assets:				
Buildings and improvements	5,923,148	-	-	5,923,148
Infrastrture, streets and roads	23,912,036	-	-	23,912,036
Vehicles and equipment	1,619,810	135,358	-	1,755,168
Total depreciable assets	<u>31,454,994</u>	<u>135,358</u>	<u>-</u>	<u>31,590,352</u>
Accumulated depreciation:				
Buildings and improvements	(3,731,043)	(82,267)	-	(3,813,310)
Infrastrture, streets and roads	(21,267,921)	(332,682)	-	(21,600,603)
Vehicles and equipment	(1,233,563)	(174,323)	-	(1,407,886)
Total accumulated depreciation	<u>(26,232,527)</u>	<u>(589,272)</u>	<u>-</u>	<u>(26,821,799)</u>
Total depreciable assets, net	<u>5,222,467</u>	<u>(453,914)</u>	<u>-</u>	<u>4,768,553</u>
Total capital assets, net	<u>\$ 10,026,882</u>			<u>9,572,968</u>

Major capital asset additions in the governmental activities area include road improvements and law enforcement equipment.

Depreciation expense under governmental activities was allotted as follows for the year ended June 30, 2011.

	<u>Depreciation Expense</u>
General government	\$ 74,731
Public safety	122,459
Streets and roads	392,082
Total	<u>\$ 589,272</u>

**Bear Valley Community Services District**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2011**

**(7) Capital Assets, continued**

***Business-Type Activities***

Changes in capital assets for the year were as follows:

	<u>Balance 2010</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>Balance 2011</u>
Non-depreciable assets:				
Land	\$ 3,662,053	-	-	3,662,053
Construction in progress	372,586	295,688	-	668,274
Total non-depreciable assets	<u>4,034,639</u>	<u>295,688</u>	<u>-</u>	<u>4,330,327</u>
Depreciable assets:				
Water transmission and distribution	13,379,109	-	-	13,379,109
Wastewater collection	4,677,114	-	-	4,677,114
Solid waste collection	156,231	-	-	156,231
Vehicles and equipment	797,407	-	-	797,407
Total depreciable assets	<u>19,009,861</u>	<u>-</u>	<u>-</u>	<u>19,009,861</u>
Accumulated depreciation:				
Water transmission and distribution	(7,104,041)	(384,833)	-	(7,488,874)
Wastewater collection	(3,365,752)	(198,721)	-	(3,564,473)
Solid waste collection	(84,358)	(9,703)	-	(94,061)
Vehicles and equipment	(560,940)	(96,694)	-	(657,634)
Total accumulated depreciation	<u>(11,115,091)</u>	<u>(689,951)</u>	<u>-</u>	<u>(11,805,042)</u>
Total depreciable assets, net	<u>7,894,770</u>	<u>(689,951)</u>	<u>-</u>	<u>7,204,819</u>
Total capital assets, net	<u>\$ 11,929,409</u>			<u>11,535,146</u>

Major capital asset additions in the business-type activities area include transmission, distribution and collection system upgrades and various other projects. A significant portion of these additions were constructed by the District and/or sub-contractors and transferred out of construction-in-process upon completion of these various projects.

**Bear Valley Community Services District**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2011**

**(7) Capital Assets, continued**

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

<b>Water Enterprise</b>	<b>Balance 2010</b>	<b>Additions</b>	<b>Deletions/ Transfers</b>	<b>Balance 2011</b>
Non-depreciable assets:				
Land	\$ 3,647,319	-	-	3,647,319
Construction in progress	372,586	295,688	(668,274)	-
Total non-depreciable assets	4,019,905	295,688	(668,274)	3,647,319
Depreciable assets:				
Water transmission and distribution	13,379,109	668,274	-	14,047,383
Vehicles and equipment	544,235	-	-	544,235
Total depreciable assets	13,923,344	668,274	-	14,591,618
Accumulated depreciation:				
Water transmission and distribution	(7,104,041)	(384,833)	-	(7,488,874)
Vehicles and equipment	(405,039)	(64,045)	-	(469,084)
Total accumulated depreciation	(7,509,080)	(448,878)	-	(7,957,958)
Total depreciable assets, net	6,414,264	219,396	-	6,633,660
Total capital assets, net	\$ 10,434,169			10,280,979
<hr/>				
<b>Wastewater Enterprise</b>	<b>Balance 2010</b>	<b>Additions</b>	<b>Deletions/ Transfers</b>	<b>Balance 2011</b>
Non-depreciable assets:				
Land	\$ 14,734	-	-	14,734
Total non-depreciable assets	14,734	-	-	14,734
Depreciable assets:				
Wastewater collection	4,677,114	-	-	4,677,114
Vehicles and equipment	102,291	-	-	102,291
Total depreciable assets	4,779,405	-	-	4,779,405
Accumulated depreciation:				
Wastewater collection	(3,365,752)	(198,721)	-	(3,564,473)
Vehicles and equipment	(49,990)	(11,979)	-	(61,969)
Total accumulated depreciation	(3,415,742)	(210,700)	-	(3,626,442)
Total depreciable assets, net	1,363,663	(210,700)	-	1,152,963
Total capital assets, net	\$ 1,378,397			1,167,697
<hr/>				
<b>Solid Waste Enterprise</b>	<b>Balance 2010</b>	<b>Additions</b>	<b>Deletions/ Transfers</b>	<b>Balance 2011</b>
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	(84,358)	(9,703)	-	(94,061)
Vehicles and equipment	(105,911)	(20,670)	-	(126,581)
Total accumulated depreciation	(190,269)	(30,373)	-	(220,642)
Total depreciable assets, net	116,843	(30,373)	-	86,470
Total capital assets, net	\$ 116,843			86,470

**Bear Valley Community Services District**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2011**

**(8) 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>
<b>Sick leave</b>	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
<b>Vacation</b>	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
<b>Comp time</b>	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, 2011, were as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Compensated absences, beginning	\$ 192,647	124,020
Current year employee earnings	182,564	59,546
Employee time taken	<u>(173,840)</u>	<u>(67,407)</u>
Compensated absences, ending	201,371	116,159
Less: current portion payable	<u>(50,343)</u>	<u>(29,040)</u>
Long-term portion payable	<u>\$ 151,028</u>	<u>87,119</u>

**Bear Valley Community Services District**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2011**

**(9) Bond Payable**

Changes in bond payable for the year ended June 30, 2011 is as follows:

	<b>Balance 2010</b>	<b>Additions</b>	<b>Payments</b>	<b>Balance 2011</b>
General obligation bonds	\$ 2,700,000	-	(290,000)	2,410,000
Less: current portion due	(290,000)			(305,000)
Long-term portion due	\$ 2,410,000			2,105,000

***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 1<sup>st</sup> and March 1<sup>st</sup> 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 1<sup>st</sup>. Annual debt service requirements on the bonds are as follows:

<b>Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2012	\$ 305,000	91,903	396,903
2013	310,000	81,140	391,140
2014	320,000	69,715	389,715
2015	335,000	57,183	392,183
2016	345,000	43,750	388,750
2017-2021	280,000	154,400	434,400
2022-2026	350,000	82,013	432,013
2027-2028	165,000	7,957	172,957
Totals	2,410,000	588,061	2,998,061
Current portion due	(305,000)		
Long-term portion	\$ 2,105,000		



**Bear Valley Community Services District**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2011**

**(10) Loans Payable**

Changes in loans payable for the year ended June 30, 2011 are as follows:

	<u>Balance</u> <u>2010</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance</u> <u>2011</u>
<b>Water fund:</b>				
CIEBD - Loan	\$ 2,621,291	-	(81,449)	2,539,842
<b>Wastewater fund:</b>				
SWRCB - Loan	651,585	-	(108,597)	542,988
CIEBD - Loan	547,937	-	(17,026)	530,911
Total loans payable	<u>3,820,813</u>	<u>-</u>	<u>(207,072)</u>	<u>3,613,741</u>
Less: current portion due	<u>(207,072)</u>			<u>(209,958)</u>
Long-term portion due	<u>\$ 3,613,741</u>			<u>3,403,783</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 1<sup>st</sup> and February 1<sup>st</sup> each year at a rate of 2.93% while escalating principal installments ranging from \$90,302 to \$185,877 are payable each year on August 1<sup>st</sup>. Annual debt service requirements on the loan are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 101,360	88,488	189,848
2013	104,330	85,475	189,805
2014	107,386	82,373	189,759
2015	110,533	79,181	189,714
2015	113,772	75,894	189,666
2016-2020	620,858	326,711	947,569
2021-2025	717,303	228,855	946,158
2026-2030	828,729	115,796	944,525
2031-2033	<u>366,482</u>	<u>10,815</u>	<u>377,297</u>
Total	3,070,753	<u>1,093,588</u>	<u>4,164,341</u>
Current portion due	<u>(101,360)</u>		
Long-term portion	<u>\$ 2,969,393</u>		

**Bear Valley Community Services District**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2011**

**(10) 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 assets and is being amortized to interest expense over the twenty-year loan payment period. As of June 30, 2011, the remaining unamortized interest balance is as follows:

	<b>Amount</b>
Prepaid interest	\$ 361,999
Accumulated amortization	(279,911)
Prepaid interest, net	\$ 82,088

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

<b>Year</b>	<b>Principal</b>
2012	\$ 108,598
2013	108,598
2014	108,597
2015	108,598
2016	108,597
Total	542,988
Current portion due	(108,598)
Long-term portion	\$ 434,390

**Bear Valley Community Services District**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2011**

**(11) Net Investment in Capital Assets**

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

	<b>Governmental Activities</b>	<b>Business-type Activities</b>
The balance consists of the following:		
Capital assets – not being depreciated	\$ 4,804,415	4,330,327
Capital assets – being depreciated, net	4,768,553	7,204,819
Bond payable – current portion	(305,000)	-
Loans payable – current portion	-	(209,958)
Bond payable – long-term portion	(2,105,000)	-
Loans payable – long-term portion	-	(3,403,783)
Total	<u>\$ 7,162,968</u>	<u>7,921,405</u>

**(12) Restricted Net Assets**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>
Net assets are restricted as follows:		
Street and road improvements	\$ 2,167,319	-
Debt service	332,130	-
Public safety (COPS Program)	72,273	-
Improvement bond	-	650,000
	<u>\$ 2,571,722</u>	<u>650,000</u>

**(13) Unrestricted Net Assets**

The District's Board of Directors has designated the use of the District's June 30, 2011 unrestricted net assets as follows:

	<b>Governmental Activities</b>	<b>Business-type Activities</b>
Net assets are designated as follows:		
Unemployment compensation	\$ 44,081	-
Emergency reserve	155,375	-
Police contingencies	368,942	-
Six-month operating reserve	2,537,754	-
Deferred charges, net	321,723	-
Prepaid expenses	-	82,088
Water operations	-	518,835
Water capital replacement	-	1,145,608
Wastewater operations	-	246,891
Wastewater capital replacement	-	155,840
Solid waste operations	-	425,972
Solid waste capital replacement	-	169,937
Total	<u>\$ 3,427,875</u>	<u>2,745,171</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, 2011**

**(14) 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, 2011 was \$427,668.

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 assets.

**(15) 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, CA, 95814.

***Funding Policy***

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 2011, 2010 and 2009 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 2011, 2010 and 2009, 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***

<b>Fiscal Year</b>	<b>Annual Pension Cost (APC)</b>	<b>Percentage of APC Contributed</b>	<b>Net Pension Obligation</b>	<b>APC Percentage of Payroll</b>
2008-2009	\$ 92,500	100%	\$ -	20.215%
2009-2010	104,772	100%	-	20.128%
2010-2011	107,655	100%	-	20.477%

**Bear Valley Community Services District**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2011**

**(15) Defined Benefit Pension Plan, continued**

*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>
2008-2009	\$ 134,121	100%	\$ -	8.201%
2009-2010	140,320	100%	-	8.244%
2010-2011	144,837	100%	-	8.515%

**(16) 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, 2011, 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 two years after the loss, otherwise paid on an actual cash value basis, to a combined total of \$750 million 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 \$100,000 per each elected/appointed official to which this coverage applies, subject to the terms, with a deductible of \$500 per claim.
- Workers' compensation insurance up to \$100 million per occurrence 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 2011, 2010 and 2009. 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, 2011, 2010 and 2009.

**Bear Valley Community Services District**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2011**

**(17) Governmental Accounting Standards Board Statements Issued, Not Yet Effective**

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to June 30, 2011, that have effective dates that may impact future financial presentations.

***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 standard address how to account for and report service concession arrangements (SCAs), a type of public-private or public-public partnership that state and local governments are increasingly entering into. This statement is effective for financial statements for periods beginning after December 15, 2011. The impact of the implementation of this Statement to the District's financial statements has not been assessed at this time.

***Governmental Accounting Standards Board Statement No. 61***

In November 2010, the GASB issued Statement No.61, *The Financial Reporting Entity, Omnibus*. This standard 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*. This statement is effective for financial statements for periods beginning after December 15, 2011. The impact of the implementation of this Statement to the District's financial statements has not been assessed at this time.

***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 standard 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. This statement is effective for financial statements for periods beginning after December 15, 2011. The impact of the implementation of this Statement to the District's financial statements has not been assessed at this time.

***Governmental Accounting Standards Board Statement No. 64***

In June 2011, the GASB issued Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions – an amendment of GASB Statement No. 53*. This standard is designed to improve financial reporting by clarifying the circumstances in which hedge accounting should continue when a swap counterparty, or swap counterparty's credit support provider, is replaced. This statement is effective for financial statements for periods beginning after December 15, 2011. The impact of the implementation of this Statement to the District's financial statements has not been assessed at this time.

**(18) 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.

**(19) Subsequent Events**

Events occurring after June 30, 2011 have been evaluated for possible adjustment to the financial statements or disclosure as of September 30, 2011, which is the date the financial statements were available to be issued.

## **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, 2011**

	<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>
<b>Revenues:</b>					
Property taxes	\$ 1,574,067	-	1,574,067	1,516,367	(57,700)
Voter-approved taxes	535,454	-	535,454	558,367	22,913
Charges for services	385,703	-	385,703	385,809	106
Federal and state aid	9,100	-	9,100	1,140	(7,960)
Interest earnings	35,414	-	35,414	25,058	(10,356)
Rents and royalties	26,896	-	26,896	-	(26,896)
Other	94,275	-	94,275	99,716	5,441
<b>Total revenues</b>	<u>2,660,909</u>	<u>-</u>	<u>2,660,909</u>	<u>2,586,457</u>	<u>(74,452)</u>
<b>Expenditures:</b>					
General government	483,184	7,510	490,694	154,114	336,580
Public safety	2,017,286	25,037	2,042,323	2,172,593	(130,270)
Capital outlay	-	-	-	60,382	(60,382)
<b>Total expenditures</b>	<u>2,500,470</u>	<u>32,547</u>	<u>2,533,017</u>	<u>2,387,089</u>	<u>145,928</u>
Excess(deficiency) of revenues over expenditures	<u>160,439</u>	<u>(32,547)</u>	<u>127,892</u>	<u>199,368</u>	<u>71,476</u>
<b>Other financing sources(uses):</b>					
Operating transfers	(47,320)	(60,000)	(107,320)	73,036	180,356
<b>Net change in fund balance</b>	113,119	(92,547)	20,572	272,404	<u>251,832</u>
<b>Fund balance, beginning of year</b>	<u>3,007,150</u>	<u>-</u>	<u>3,007,150</u>	<u>3,007,150</u>	
<b>Fund balance, end of year</b>	<u>\$ 3,120,269</u>	<u>(92,547)</u>	<u>3,027,722</u>	<u>3,279,554</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, 2011**

	<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>
<b>Revenues:</b>					
Special assessments	\$ 1,166,784	-	1,166,784	1,214,524	47,740
Interest earnings	21,028	-	21,028	15,896	(5,132)
Other	13,150	-	13,150	26,591	13,441
<b>Total revenues</b>	<u>1,200,962</u>	<u>-</u>	<u>1,200,962</u>	<u>1,257,011</u>	<u>56,049</u>
<b>Expenditures:</b>					
Streets and roads	906,902	(11,266)	895,636	912,780	(17,144)
Capital outlay	246,205	180,000	426,205	74,976	351,229
<b>Total expenditures</b>	<u>1,153,107</u>	<u>168,734</u>	<u>1,321,841</u>	<u>987,756</u>	<u>334,085</u>
Excess(deficiency) of revenues over expenditures	<u>47,855</u>	<u>(168,734)</u>	<u>(120,879)</u>	<u>269,255</u>	<u>390,134</u>
<b>Other financing sources(uses):</b>					
Operating transfers	-	-	-	26,916	26,916
<b>Net change in fund balance</b>	47,855	(168,734)	(120,879)	296,171	<u>417,050</u>
<b>Fund balance, beginning of year</b>	<u>1,931,692</u>	<u>-</u>	<u>1,931,692</u>	<u>1,931,692</u>	
<b>Fund balance, end of year</b>	<u>\$ 1,979,547</u>	<u>(168,734)</u>	<u>1,810,813</u>	<u>2,227,863</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, 2011**

	<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>
<b>Revenues:</b>					
Federal and state aid	\$ 100,000	-	100,000	100,000	-
Interest earnings	-	-	-	-	-
<b>Total revenues</b>	<u>100,000</u>	<u>-</u>	<u>100,000</u>	<u>100,000</u>	<u>-</u>
<b>Expenditures:</b>					
Public safety	-	-	-	27,201	(27,201)
Capital outlay	100,000	46,525	146,525	-	146,525
<b>Total expenditures</b>	<u>100,000</u>	<u>46,525</u>	<u>146,525</u>	<u>27,201</u>	<u>119,324</u>
Excess(deficiency) of revenues over expenditures	<u>-</u>	<u>(46,525)</u>	<u>(46,525)</u>	<u>72,799</u>	<u>119,324</u>
<b>Net change in fund balance</b>	<u>-</u>	<u>(46,525)</u>	<u>(46,525)</u>	<u>72,799</u>	<u>119,324</u>
<b>Other financing sources(uses):</b>					
Operating transfers	-	-	-	(132,288)	(132,288)
<b>Net change in fund balance</b>	<u>-</u>	<u>(46,525)</u>	<u>(46,525)</u>	<u>(59,489)</u>	<u>(12,964)</u>
<b>Fund balance, beginning of year</b>	<u>131,862</u>	<u>-</u>	<u>131,862</u>	<u>131,862</u>	
<b>Fund balance, end of year</b>	<u>\$ 131,862</u>	<u>(46,525)</u>	<u>85,337</u>	<u>72,373</u>	

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## **Other Supplemental Information**



**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, 2011**

	<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>
<b>Revenues:</b>					
Voter-approved taxes	\$ 330,376	-	330,376	344,479	14,103
Interest earnings	6,200	-	6,200	1,859	(4,341)
Rents and royalties	27,919	-	27,919	40,334	12,415
<b>Total revenues</b>	<u>364,495</u>	<u>-</u>	<u>364,495</u>	<u>386,672</u>	<u>22,177</u>
<b>Expenditures:</b>					
Debt service:					
Bond payments	290,000	-	290,000	290,000	-
Interest paid	102,934	-	102,934	103,723	(789)
<b>Total expenditures</b>	<u>392,934</u>	<u>-</u>	<u>392,934</u>	<u>393,723</u>	<u>(789)</u>
Excess(deficiency) of revenues over expenditures	<u>(28,439)</u>	<u>-</u>	<u>(28,439)</u>	<u>(7,051)</u>	<u>21,388</u>
<b>Other financing sources(uses):</b>					
Operating transfers	-	-	-	(6,240)	(6,240)
<b>Net change in fund balance</b>	<u>(28,439)</u>	<u>-</u>	<u>(28,439)</u>	<u>(13,291)</u>	<u>15,148</u>
<b>Fund balance, beginning of year</b>	<u>345,421</u>	<u>-</u>	<u>345,421</u>	<u>345,421</u>	
<b>Fund balance, end of year</b>	<u>\$ 316,982</u>	<u>-</u>	<u>316,982</u>	<u>332,130</u>	

**Bear Valley Community Services District**  
**Schedule of Revenues, Expenses and Changes in Net Assets**  
**Budget and Actual – Water Fund**  
**For the Year Ended June 30, 2011**

	<u>Adopted Original Budget</u>	<u>Board Approved Changes</u>	<u>Revised Final Budget</u>	<u>Actual Basis</u>	<u>Variance Positive (Negative)</u>
<b>Operating revenues:</b>					
Water consumption sales	\$ 2,209,613	(75,000)	2,134,613	2,189,463	54,850
Other charges for services	<u>39,800</u>	<u>-</u>	<u>39,800</u>	<u>51,887</u>	<u>12,087</u>
<b>Total operating revenues</b>	<u>2,249,413</u>	<u>(75,000)</u>	<u>2,174,413</u>	<u>2,241,350</u>	<u>66,937</u>
<b>Operating expenses:</b>					
Salaries and benefits	779,938	(11,266)	768,672	765,728	2,944
Operations	<u>980,907</u>	<u>-</u>	<u>980,907</u>	<u>1,068,490</u>	<u>(87,583)</u>
<b>Total operating expenses</b>	<u>1,760,845</u>	<u>(11,266)</u>	<u>1,749,579</u>	<u>1,834,218</u>	<u>(84,639)</u>
Operating income(loss) before capital	488,568	(63,734)	424,834	407,132	(17,702)
Depreciation expense	<u>-</u>	<u>-</u>	<u>-</u>	<u>(448,878)</u>	<u>448,878</u>
<b>Operating income(loss)</b>	<u>488,568</u>	<u>(63,734)</u>	<u>424,834</u>	<u>(41,746)</u>	<u>(466,580)</u>
<b>Non-operating revenue(expense):</b>					
Interest earnings	26,937	-	26,937	13,723	(13,214)
Interest expense	<u>(83,474)</u>	<u>-</u>	<u>(83,474)</u>	<u>(82,480)</u>	<u>(994)</u>
Total non-operating, net	<u>(56,537)</u>	<u>-</u>	<u>(56,537)</u>	<u>(68,757)</u>	<u>(12,220)</u>
<b>Capital contributions and purchases:</b>					
Capital outlay	(120,000)	(57,614)	(177,614)	-	(177,614)
Standby charges	27,700	-	27,700	-	(27,700)
Capacity charges	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,870</u>	<u>9,870</u>
Total capital contributions	<u>(92,300)</u>	<u>(57,614)</u>	<u>(149,914)</u>	<u>9,870</u>	<u>(159,784)</u>
<b>Change in net assets</b>	<u>339,731</u>	<u>(121,348)</u>	<u>218,383</u>	<u>(100,633)</u>	<u>(638,584)</u>
<b>Other financing sources(uses):</b>					
Operating transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>(26,785)</u>	<u>(26,785)</u>
<b>Net assets, beginning of year</b>	<u>9,532,999</u>	<u>-</u>	<u>9,532,999</u>	<u>9,532,999</u>	
<b>Net assets, end of year</b>	<u>\$ 9,872,730</u>	<u>(121,348)</u>	<u>9,751,382</u>	<u>9,405,581</u>	



**Bear Valley Community Services District**  
**Schedule of Revenues, Expenses and Changes in Net Assets**  
**Budget and Actual – Wastewater Fund**  
**For the Year Ended June 30, 2011**

	Adopted Original Budget	Board Approved Changes	Revised Final Budget	Actual Basis	Variance Positive (Negative)
<b>Operating revenues:</b>					
Wastewater service charges	\$ 387,000	(15,572)	371,428	402,396	30,968
Other charges for services	22,300	-	22,300	7,563	(14,737)
<b>Total operating revenues</b>	<u>409,300</u>	<u>(15,572)</u>	<u>393,728</u>	<u>409,959</u>	<u>16,231</u>
<b>Operating expenses:</b>					
Salaries and benefits	283,909	(4,382)	279,527	260,095	19,432
Operations	197,146	-	197,146	168,342	28,804
<b>Total operating expenses</b>	<u>481,055</u>	<u>(4,382)</u>	<u>476,673</u>	<u>428,437</u>	<u>48,236</u>
Operating income(loss) before capital	(71,755)	(11,190)	(82,945)	(18,478)	64,467
Depreciation expense	-	-	-	(210,700)	210,700
<b>Operating income(loss)</b>	<u>(71,755)</u>	<u>(11,190)</u>	<u>(82,945)</u>	<u>(229,178)</u>	<u>(146,233)</u>
<b>Non-operating revenue(expense):</b>					
Interest earnings	2,370	-	2,370	2,987	617
Interest expense	(17,449)	-	(17,449)	(35,092)	17,643
Total non-operating, net	<u>(15,079)</u>	<u>-</u>	<u>(15,079)</u>	<u>(32,105)</u>	<u>(17,026)</u>
<b>Capital contributions and purchases:</b>					
Capital outlay	-	-	-	-	-
Standby charges	2,300	-	2,300	-	2,300
Capacity charges	-	-	-	-	-
Total capital contributions	<u>2,300</u>	<u>-</u>	<u>2,300</u>	<u>-</u>	<u>-</u>
<b>Change in net assets</b>	<u>(84,534)</u>	<u>(11,190)</u>	<u>(95,724)</u>	<u>(261,283)</u>	<u>(163,259)</u>
<b>Other financing sources(uses):</b>					
Operating transfers	60,000	-	60,000	37,466	(22,534)
<b>Net assets, beginning of year</b>	<u>1,452,433</u>	<u>-</u>	<u>1,452,433</u>	<u>1,452,433</u>	
<b>Net assets, end of year</b>	<u>\$ 1,427,899</u>	<u>(11,190)</u>	<u>1,416,709</u>	<u>1,228,616</u>	

**Bear Valley Community Services District**  
**Schedule of Revenues, Expenses and Changes in Net Assets**  
**Budget and Actual – Solid Waste Fund**  
**For the Year Ended June 30, 2011**

	Adopted Original Budget	Board Approved Changes	Revised Final Budget	Actual Basis	Variance Positive (Negative)
<b>Operating revenues:</b>					
Solid waste collection charges	\$ 543,635	-	543,635	545,026	1,391
Other charges for services	200	-	200	2,241	2,041
<b>Total operating revenues</b>	<u>543,835</u>	<u>-</u>	<u>543,835</u>	<u>547,267</u>	<u>3,432</u>
<b>Operating expenses:</b>					
Salaries and benefits	181,838	(2,507)	179,331	171,995	7,336
Operations	365,883	-	365,883	325,426	40,457
<b>Total operating expenses</b>	<u>547,721</u>	<u>(2,507)</u>	<u>545,214</u>	<u>497,421</u>	<u>47,793</u>
Operating income(loss) before capital	(3,886)	2,507	(1,379)	49,846	51,225
Depreciation expense	-	-	-	(30,373)	(30,373)
<b>Operating income(loss)</b>	<u>(3,886)</u>	<u>2,507</u>	<u>(1,379)</u>	<u>19,473</u>	<u>81,598</u>
<b>Non-operating revenue(expense):</b>					
Interest earnings	4,689	-	4,689	4,050	(639)
Total non-operating, net	<u>4,689</u>	<u>-</u>	<u>4,689</u>	<u>4,050</u>	<u>(639)</u>
<b>Capital contributions and purchases:</b>					
Capital outlay	(5,000)	(10,000)	(15,000)	-	15,000
Total capital contributions	<u>(5,000)</u>	<u>(10,000)</u>	<u>(15,000)</u>	<u>-</u>	<u>15,000</u>
<b>Change in net assets</b>	<u>(4,197)</u>	<u>(7,493)</u>	<u>(11,690)</u>	<u>23,523</u>	<u>95,959</u>
Net assets, beginning of year	658,856	-	658,856	658,856	
Net assets, end of year	<u>\$ 654,659</u>	<u>(7,493)</u>	<u>647,166</u>	<u>682,379</u>	

**Bear Valley Community Services District**  
**Schedule of Revenues, Expenses and Changes in Net Assets**  
**Budget and Actual – Post Office Fund**  
**For the Year Ended June 30, 2011**

	Adopted Original Budget	Board Approved Changes	Revised Final Budget	Actual Basis	Variance Positive (Negative)
<b>Operating revenues:</b>					
Post office box charges	\$ 26,325	-	26,325	28,836	2,511
Other charges for services	2,250	-	2,250	3,399	1,149
<b>Total operating revenues</b>	<b>28,575</b>	<b>-</b>	<b>28,575</b>	<b>32,235</b>	<b>3,660</b>
<b>Operating expenses:</b>					
Salaries and benefits	65,943	(625)	65,318	53,336	11,982
Operations	9,952	-	9,952	6,894	3,058
<b>Total operating expenses</b>	<b>75,895</b>	<b>(625)</b>	<b>75,270</b>	<b>60,230</b>	<b>15,040</b>
Operating income(loss) before capital	(47,320)	625	(46,695)	(27,995)	18,700
Depreciation expense	-	-	-	-	-
<b>Operating income(loss)</b>	<b>(47,320)</b>	<b>625</b>	<b>(46,695)</b>	<b>(27,995)</b>	<b>18,700</b>
<b>Non-operating revenue(expense):</b>					
Interest earnings	-	-	-	-	-
Total non-operating, net	-	-	-	-	-
<b>Capital contributions and purchases:</b>					
Capital outlay	-	-	-	-	-
Total capital contributions	-	-	-	-	-
<b>Change in net assets</b>	<b>(47,320)</b>	<b>625</b>	<b>(46,695)</b>	<b>(27,995)</b>	<b>18,700</b>
<b>Other financing sources(uses):</b>					
Operating transfers	47,320	(625)	46,695	27,995	
<b>Net assets, beginning of year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>Net assets, end of year</b>	<b>\$ -</b>	<b>-</b>	<b>-</b>	<b>-</b>	

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# **Statistical Section**



**Bear Valley Community Services District  
Statistical Section**

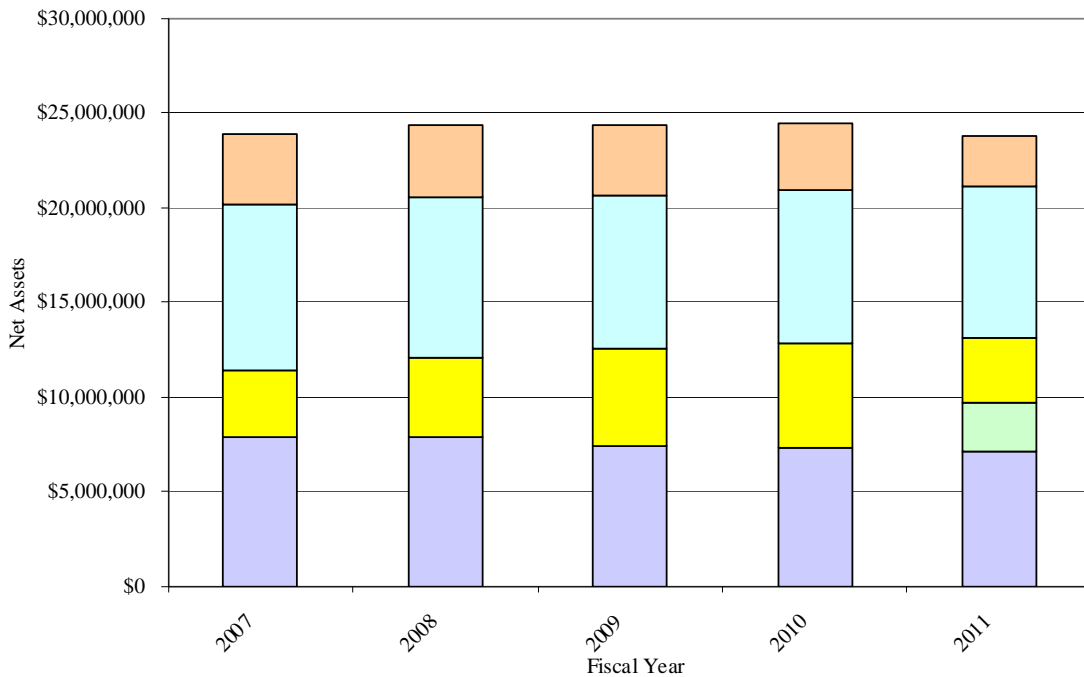
This part of the Bear Valley Community Services District’s comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about the government’s overall financial health.

<b>Contents</b>	<b>Page</b>
<b><i>Financial Trends</i></b>	<b>60</b>
These schedules contain trend information to help the reader understand how the government’s financial performance and well-being have changed over time.	
<b><i>Revenue Capacity</i></b>	<b>66</b>
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 agency’s other significant own-source revenue, water rates and charges.	
<b><i>Debt Capacity</i></b>	<b>72</b>
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.	
<b><i>Demographic and Economic Information</i></b>	<b>76</b>
These schedules offer demographic and economic indicators to help the reader understand the environment within which the government’s financial activities take place.	
<b><i>Operating Information</i></b>	<b>80</b>
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 Assets by Component  
Last Five Fiscal Years**

	Fiscal Year				
	2007	2008	2009	2010	2011
Governmental activities					
Invested in capital assets, net of related debt	\$ 7,864,201	7,908,553	7,427,958	7,326,882	7,162,968
Restricted	-	-	-	-	2,571,722
Unrestricted	3,528,118	4,216,291	5,102,826	5,529,145	3,427,875
<b>Total governmental activities net assets</b>	<b>11,392,319</b>	<b>12,124,844</b>	<b>12,530,784</b>	<b>12,856,027</b>	<b>13,162,565</b>
Business-type activities					
Invested in capital assets, net of related debt	\$ 8,820,104	8,446,326	8,129,164	8,108,596	7,921,405
Restricted	-	-	-	-	650,000
Unrestricted	3,685,682	3,753,608	3,692,889	3,535,692	2,745,171
<b>Total business-type activities net assets</b>	<b>12,505,786</b>	<b>12,199,934</b>	<b>11,822,053</b>	<b>11,644,288</b>	<b>11,316,576</b>
Primary government					
Invested in capital assets, net of related debt	\$ 16,684,305	16,354,879	15,557,122	15,435,478	15,084,373
Restricted	-	-	-	-	3,221,722
Unrestricted	7,213,800	7,969,899	8,795,715	9,064,837	6,173,046
<b>Total primary government net assets</b>	<b>\$ 23,898,105</b>	<b>24,324,778</b>	<b>24,352,837</b>	<b>24,500,315</b>	<b>24,479,141</b>



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



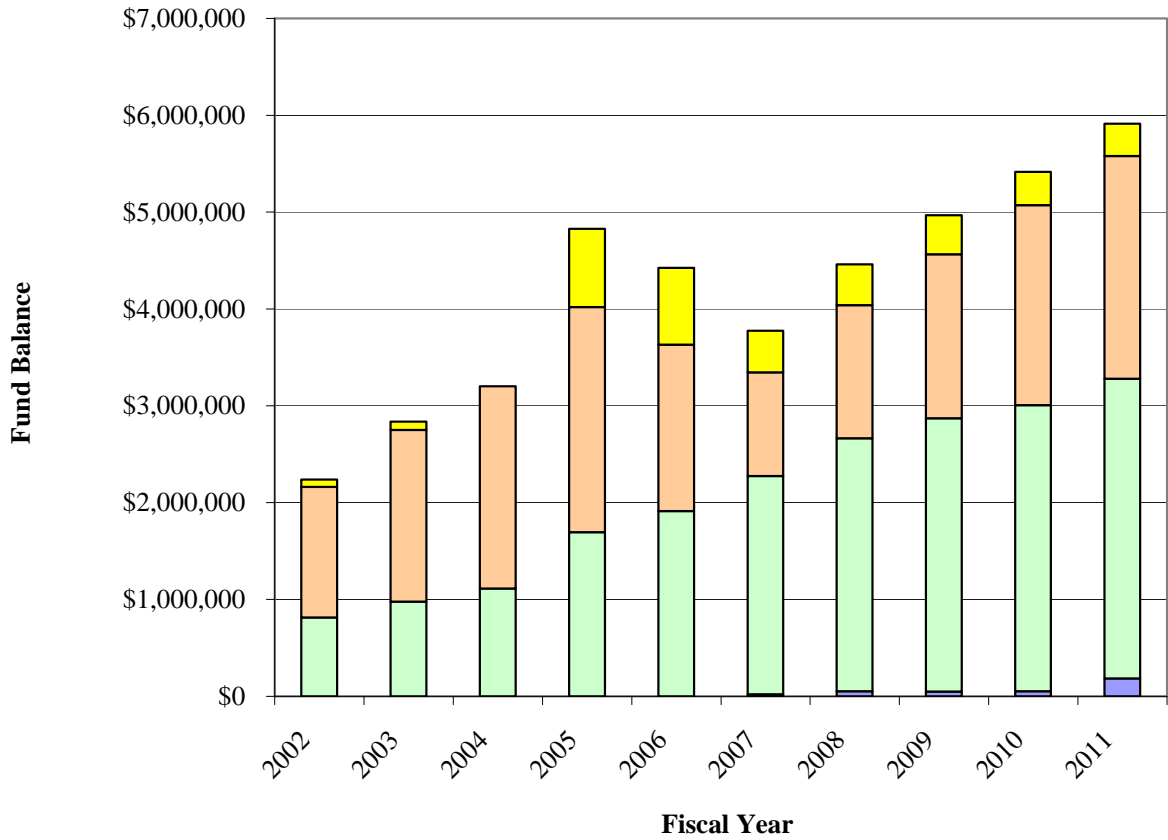
**Bear Valley Community Services District**  
**Changes in Net Assets**  
**Last Five Fiscal Years**

	Fiscal Year				
	2007	2008	2009	2010	2011
<b>Expenses</b>					
Governmental activities:					
General government	\$ 224,617	153,306	129,117	231,959	228,845
Public safety	1,939,116	2,049,192	2,148,707	2,314,935	2,329,772
Streets and roads	1,074,429	1,206,404	1,413,192	1,215,221	1,306,067
Parks and recreation	-	-	-	130,010	120,242
Interest on long-term debt	152,237	145,589	138,360		
Total governmental activities expenses	<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>
Business-type activities:					
Water	2,530,935	2,580,769	2,730,138	2,418,407	2,365,576
Wastewater	585,732	624,276	636,048	655,946	674,229
Solid Waste	391,902	435,828	489,239	487,778	527,794
Post office	40,346	62,314	62,206	61,687	60,230
Total business-type activities:	<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>
Total primary government expenses	<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>
<b>Program Revenues</b>					
Governmental activities:					
Charges for services:					
General government	39,842	39,757	45,088	81,361	100,856
Public safety	77,713	335,067	385,665	424,014	385,809
Streets and roads	1,265,861	1,213,381	1,209,750	1,218,883	1,241,115
Interest on long-term debt	14,480	14,480	14,480	21,901	40,334
Operating grants and contributions	187,440	7,947	8,775	100,000	100,000
Capital grants and contributions	752,970	170,371	117,498	-	-
Total governmental activities program revenues	<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>
Business-type activities:					
Charges for services:					
Water	2,147,079	2,163,588	2,457,211	2,333,175	2,241,350
Wastewater	391,355	389,739	413,618	417,962	409,959
Solid waste	501,944	534,044	540,497	552,975	547,267
Post office	27,326	26,217	28,013	29,038	32,235
Capital grants and contributions	241,022	148,103	10,108	52,885	9,870
Total business-type activities program revenues	<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>
<b>Net (Expense)/Revenue</b>					
Governmental activities	(1,052,093)	(1,773,488)	(2,048,120)	(2,045,966)	(2,116,812)
Business-type activities	(240,189)	(441,496)	(468,184)	(237,783)	(387,148)
Total primary government net expense	<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>
<b>General Revenues and Other Changes in Net Assets</b>					
Governmental activities:					
Property taxes	1,328,452	1,470,491	1,476,498	1,501,422	1,516,367
Voter-approved taxes	939,297	905,597	907,149	856,299	902,846
Investment income	179,756	166,022	104,606	46,137	42,813
Gain on sale of land	-	-	-	-	-
Transfers	(26,901)	(36,097)	(34,193)	(32,649)	(38,676)
Total governmental activities	<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>
Business-type activities:					
Investment income	95,721	99,547	56,110	27,369	20,760
Transfers	26,901	36,097	34,193	32,649	38,676
Total business-type activities	<u>122,622</u>	<u>135,644</u>	<u>90,303</u>	<u>60,018</u>	<u>59,436</u>
Total primary government	<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>
<b>Changes in Net Assets</b>					
Governmental activities	1,368,511	732,525	405,940	325,243	306,538
Business-type activities	(117,567)	(305,852)	(377,881)	(177,765)	(327,712)
Total primary government	<u>\$ 1,250,944</u>	<u>426,673</u>	<u>28,059</u>	<u>147,478</u>	<u>(21,174)</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				
		2002	2003	2004	2005	2006
General Fund						
Reserved	\$	-	-	-	-	-
Unreserved		815,744	979,652	1,114,249	1,695,509	1,913,145
<b>Total general fund</b>		<u>815,744</u>	<u>979,652</u>	<u>1,114,249</u>	<u>1,695,509</u>	<u>1,913,145</u>
All Other Governmental Funds						
Reserved	\$	-	-	-	-	-
Unreserved:						
Special revenue		1,347,000	1,771,054	2,087,867	2,324,332	1,719,080
Debt service funds		75,393	86,308	-	807,895	790,647
<b>Total all other governmental funds</b>		<u>1,422,393</u>	<u>1,857,362</u>	<u>2,087,867</u>	<u>3,132,227</u>	<u>2,509,727</u>

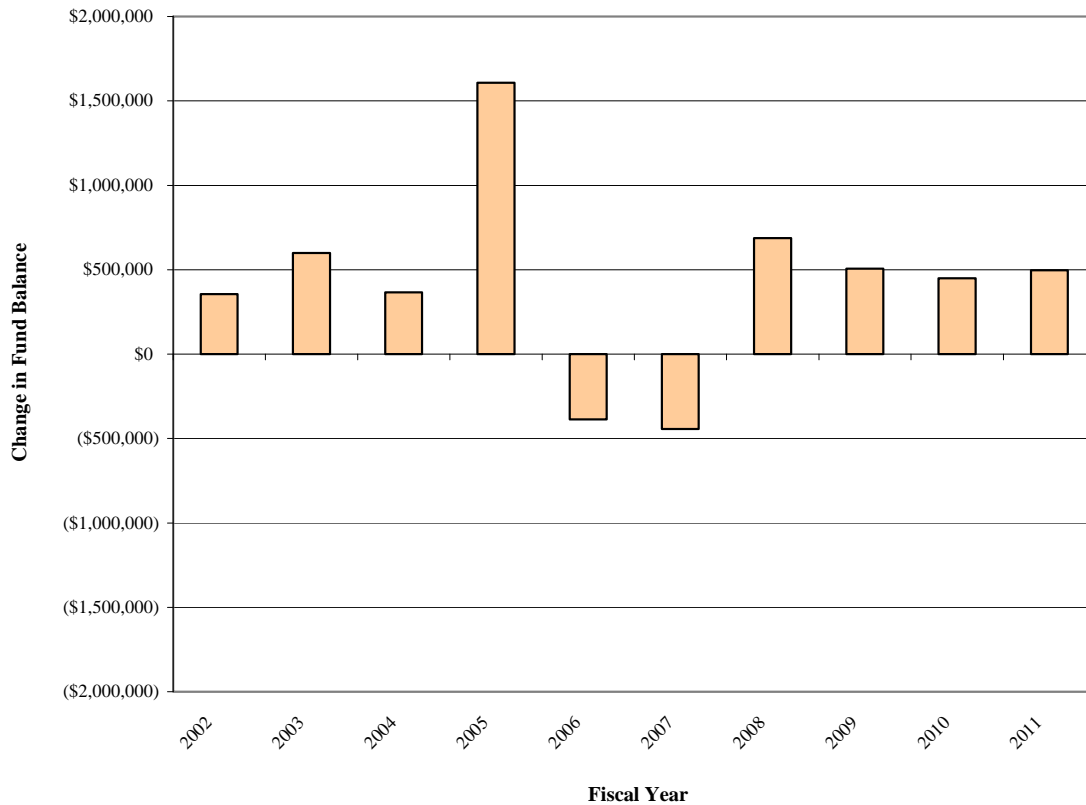


**Fiscal Year**

<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
19,472	50,511	47,448	51,741	184,908
<u>2,256,870</u>	<u>2,614,706</u>	<u>2,825,664</u>	<u>2,955,409</u>	<u>3,094,646</u>
<u><u>2,276,342</u></u>	<u><u>2,665,217</u></u>	<u><u>2,873,112</u></u>	<u><u>3,007,150</u></u>	<u><u>3,279,554</u></u>
-	-	-	-	-
1,067,617	1,373,221	1,691,317	2,063,554	2,300,136
<u>430,073</u>	<u>422,693</u>	<u>403,450</u>	<u>345,421</u>	<u>332,130</u>
<u><u>1,497,690</u></u>	<u><u>1,795,914</u></u>	<u><u>2,094,767</u></u>	<u><u>2,408,975</u></u>	<u><u>2,632,266</u></u>

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

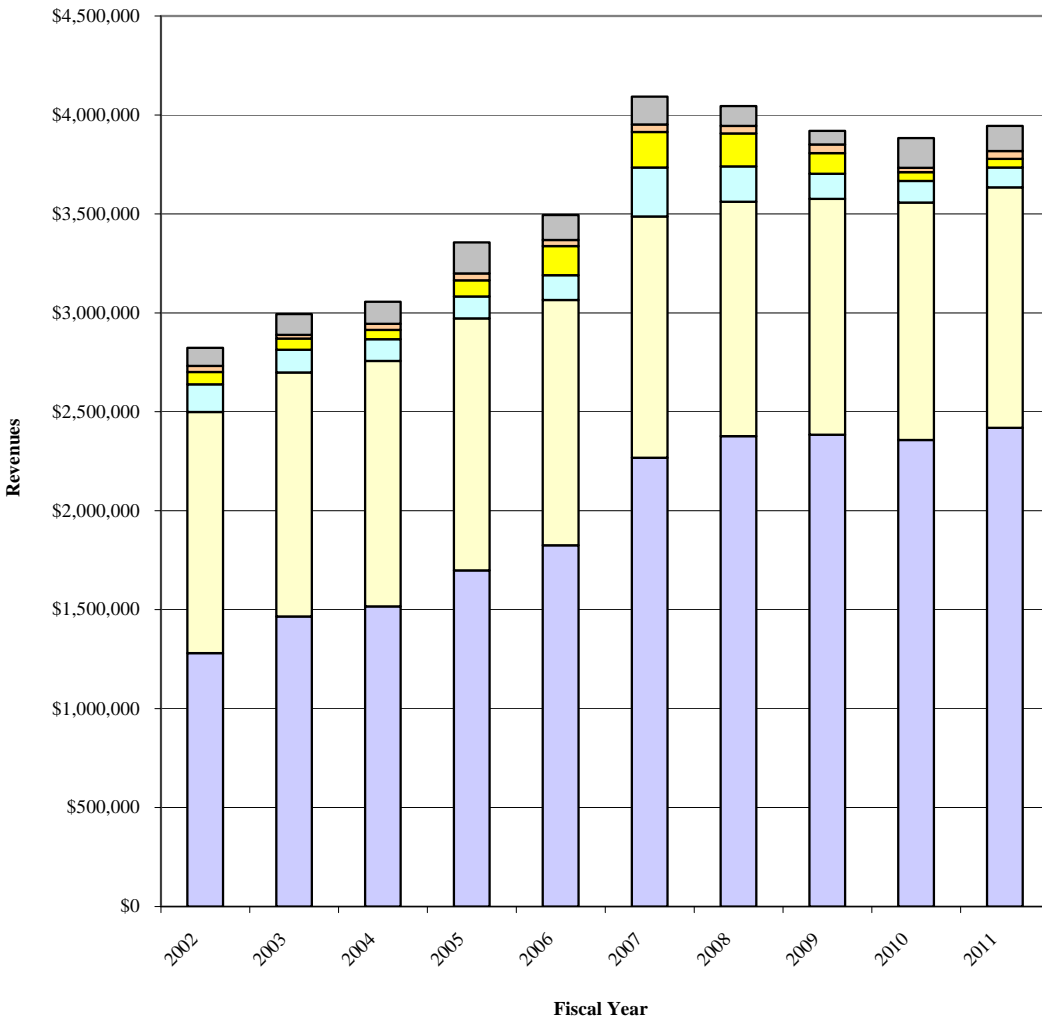
	Fiscal Year				
	2002	2003	2004	2005	2006
Revenues (see page )	\$ 2,823,737	2,994,192	3,055,666	3,356,765	3,493,767
Expenditures (see page )	<u>2,358,588</u>	<u>2,412,857</u>	<u>2,948,970</u>	<u>2,870,809</u>	<u>4,005,035</u>
Excess of revenues over (under) expenditures	<u>465,149</u>	<u>581,335</u>	<u>106,696</u>	<u>485,956</u>	<u>(511,268)</u>
Other Financing Sources (Uses)					
Sale of capital assets	43,855	63,912	182,800	700,666	157,268
Operating transfers in	59,756	2,015	231,559	490,800	762
Operating transfers out	<u>(213,594)</u>	<u>(48,385)</u>	<u>(155,953)</u>	<u>(68,958)</u>	<u>(51,626)</u>
Total Other Financing Sources (Uses)	<u>(109,983)</u>	<u>17,542</u>	<u>258,406</u>	<u>1,122,508</u>	<u>106,404</u>
Prior year adjustments	-	-	-	-	17,156
<b>Net change in fund balances</b>	<b><u>\$ 355,166</u></b>	<b><u>598,877</u></b>	<b><u>365,102</u></b>	<b><u>1,608,464</u></b>	<b><u>(387,708)</u></b>
Debt service as a percentage of noncapital expenditures	13.4%	13.1%	15.1%	15.6%	14.3%



<b>Fiscal Year</b>				
<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
4,092,951	4,323,113	4,269,509	4,250,017	4,330,140
<u>4,510,653</u>	<u>3,599,917</u>	<u>3,728,568</u>	<u>3,769,122</u>	<u>3,795,769</u>
<u>(417,702)</u>	<u>723,196</u>	<u>540,941</u>	<u>480,895</u>	<u>534,371</u>
-	-	-	-	-
<u>(26,901)</u>	<u>(36,097)</u>	<u>(34,193)</u>	<u>(32,649)</u>	<u>(38,676)</u>
<u>(26,901)</u>	<u>(36,097)</u>	<u>(34,193)</u>	<u>(32,649)</u>	<u>(38,676)</u>
-	-	-	-	-
<u>(444,603)</u>	<u>687,099</u>	<u>506,748</u>	<u>448,246</u>	<u>495,695</u>
12.7%	12.2%	11.2%	11.1%	10.8%

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

	Fiscal Year					
	2002	2003	2004	2005	2006	2007
Property taxes	\$ 1,281,113	1,465,391	1,515,960	1,698,795	1,825,403	2,267,749
Special property assessments	1,217,906	1,232,509	1,240,719	1,273,712	1,240,300	1,218,853
Charges for services	-	-	-	-	-	-
Federal/state aid	139,974	115,000	110,836	109,647	123,796	247,550
Interest	62,262	56,502	46,271	81,212	147,413	179,756
Rents and royalties	30,868	19,360	30,877	35,576	30,704	37,944
Other	91,614	105,430	111,003	157,823	126,151	141,099
<b>Total governmental revenues</b>	<b>\$ 2,823,737</b>	<b>2,994,192</b>	<b>3,055,666</b>	<b>3,356,765</b>	<b>3,493,767</b>	<b>4,092,951</b>

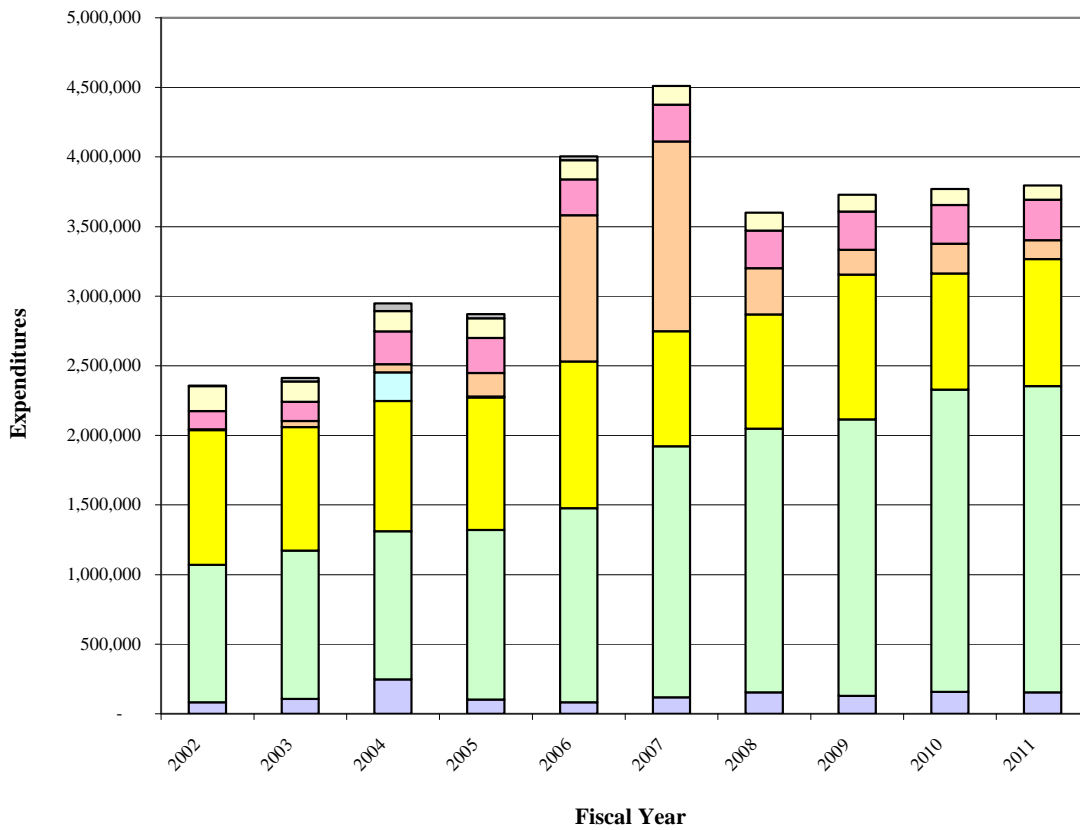


**Fiscal Year**

<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
2,376,088	2,383,647	2,357,721	2,419,213
1,185,734	1,192,104	1,199,706	1,214,524
279,351	349,692	366,778	385,809
178,318	126,273	107,920	101,140
166,022	104,606	46,137	42,813
37,944	44,384	21,901	40,334
99,656	68,803	149,854	126,307
<b>4,323,113</b>	<b>4,269,509</b>	<b>4,250,017</b>	<b>4,330,140</b>

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

	Fiscal Year					
	2002	2003	2004	2005	2006	2007
General government	\$ 83,385	106,129	246,209	102,034	82,358	119,262
Public safety	986,538	1,067,301	1,065,187	1,218,355	1,394,221	1,802,181
Streets and roads	967,202	885,243	935,046	952,333	1,054,528	826,982
Parks and recreation	-	-	205,343	6,548	-	-
Capital outlay	7,068	43,589	60,512	170,300	1,052,012	1,363,044
Debt service:						
Principal	130,000	140,000	235,000	250,000	255,000	265,000
Interest	178,902	145,023	146,173	141,276	138,609	134,184
Amortization of bond discount	5,493	25,572	55,500	29,963	28,307	-
<b>Total governmental expenditures</b>	<b>\$ 2,358,588</b>	<b>2,412,857</b>	<b>2,948,970</b>	<b>2,870,809</b>	<b>4,005,035</b>	<b>4,510,653</b>





**Fiscal Year**

<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
153,306	129,117	158,701	154,114
1,894,283	1,986,061	2,168,705	2,199,794
822,488	1,040,140	835,455	912,780
-	-	-	-
331,798	177,148	213,310	135,358
270,000	275,000	280,000	290,000
128,042	121,102	112,951	103,723
-	-	-	-
<b>3,599,917</b>	<b>3,728,568</b>	<b>3,769,122</b>	<b>3,795,769</b>

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

<b>Fiscal Year</b>	<b>Real Property</b>	<b>Personal Property</b>	<b>Less: Tax Exempt Real Property</b>	<b>Total Taxable Assessed Value</b>	<b>Estimated Actual Taxable Value</b>	<b>Assessed Value<sup>1</sup> as a Percentage of Actual Value</b>
2002	366,430	3,181	8,988	360,623	591,521	62.48%
2003	385,369	3,177	9,191	379,355	738,014	52.65%
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%

**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.

<sup>1</sup> 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	BVCS D Debt Service Rate	Overlapping						Total Direct & Overlapping Rates
		County Operating Rate <sup>1</sup>	TCCWD Debt Service Rate	KCWA Debt Service Rate	TUSD Debt Service Rate	TVHD Debt Service Rate <sup>2</sup>	KCCD Debt Service Rate	
2002	0.062078	1.000000	0.155068	0.011595	0.053628			1.282369
2003	0.071473	1.000000	0.124953	0.013881	0.096829			1.307136
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

**Source: Kern County Treasurer-**

BVCS D: 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

<sup>1</sup> Approximately 20% of the county general operating property tax is returned to BVCS D for public safety.

<sup>2</sup> Applies to most, but not all, taxable property in BVCS D.

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

<b>Fiscal Year</b>	<b>Taxes Levied</b>	<b>Collected within the Fiscal Year of the Levy</b>		<b>Collections of Delinquent Amounts</b>	<b>Total Collections</b>	
		<b>Amount</b>	<b>Percentage of Levy</b>		<b>Amount</b>	<b>Percentage of Levy</b>
2002	743,853	727,801	97.84%	16,052	743,853	100.00%
2003	778,168	763,825	98.16%	14,343	778,168	100.00%
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%

**Source:** Kern County 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**

<b>Customer</b>	<b>2011</b>		<b>2003</b>	
	<b>Assessed Value</b>	<b>Percentage of Total</b>	<b>Assessed Value</b>	<b>Percentage of Total</b>
Federal National Mortgage Assn	\$ 2,491,370	0.34%	\$	
John M & Sandra L Canizo	1,320,735	0.18%		
Jamie E & Diana S Osbrink	1,139,132	0.16%		
Bo & Melissa Thevelius	1,137,849	0.16%		
Widget Checkered Flag Trust	1,101,619	0.15%		
Stephen & Beverly Berg Hansen	998,007	0.14%		
Edward J & Karen A Duval Rev Liv Tr	930,301	0.13%		
Jones Family Trust	928,232	0.13%		
Schroder Family Trust	901,775	0.12%		
Rabinder S & Madhu Bhogal	860,383	0.12%		
Paul M & Joan N Benz			674,990	0.09%
Kenneth & Celestie Karas			664,995	0.09%
Hurley Family Trust			644,573	0.09%
Duplan Family Trust			634,568	0.09%
Richard & Pocahontas K Young			608,860	0.08%
Russell & Patricia Frazier			586,740	0.08%
Fisher Family Trust			570,439	0.08%
Susan Falkenhagen			565,814	0.08%
Dennis Nelson			564,161	0.08%
Louis & Anne McCutcheon			552,138	0.08%
<b>Total</b>	<b>11,809,403</b>	<b>1.62%</b>	<b>6,067,278</b>	<b>0.83%</b>
<b>Total Assessed Value</b>	<b>728,931,000</b>	<b>100.00%</b>	<b>388,546,000</b>	<b>100.00%</b>

**Source:** KernData

Note: District began keeping these records in fiscal year 2002.

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

<b>Fiscal Year</b>	<b>Water Sales Revenue</b>				<b>Quantity of Water Sold (acre feet)</b>			
	<b>Residential</b>	<b>Commercial/ Institutional</b>	<b>Lake Fill</b>	<b>Total</b>	<b>Residential</b>	<b>Commercial/ Institutional</b>	<b>Lake Fill</b>	<b>Total</b>
2002	949,658	103,849	115,040	1,168,547	938	72	203	1,213
2003	1,224,393	111,263	92,461	1,428,117	898	71	144	1,113
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

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

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

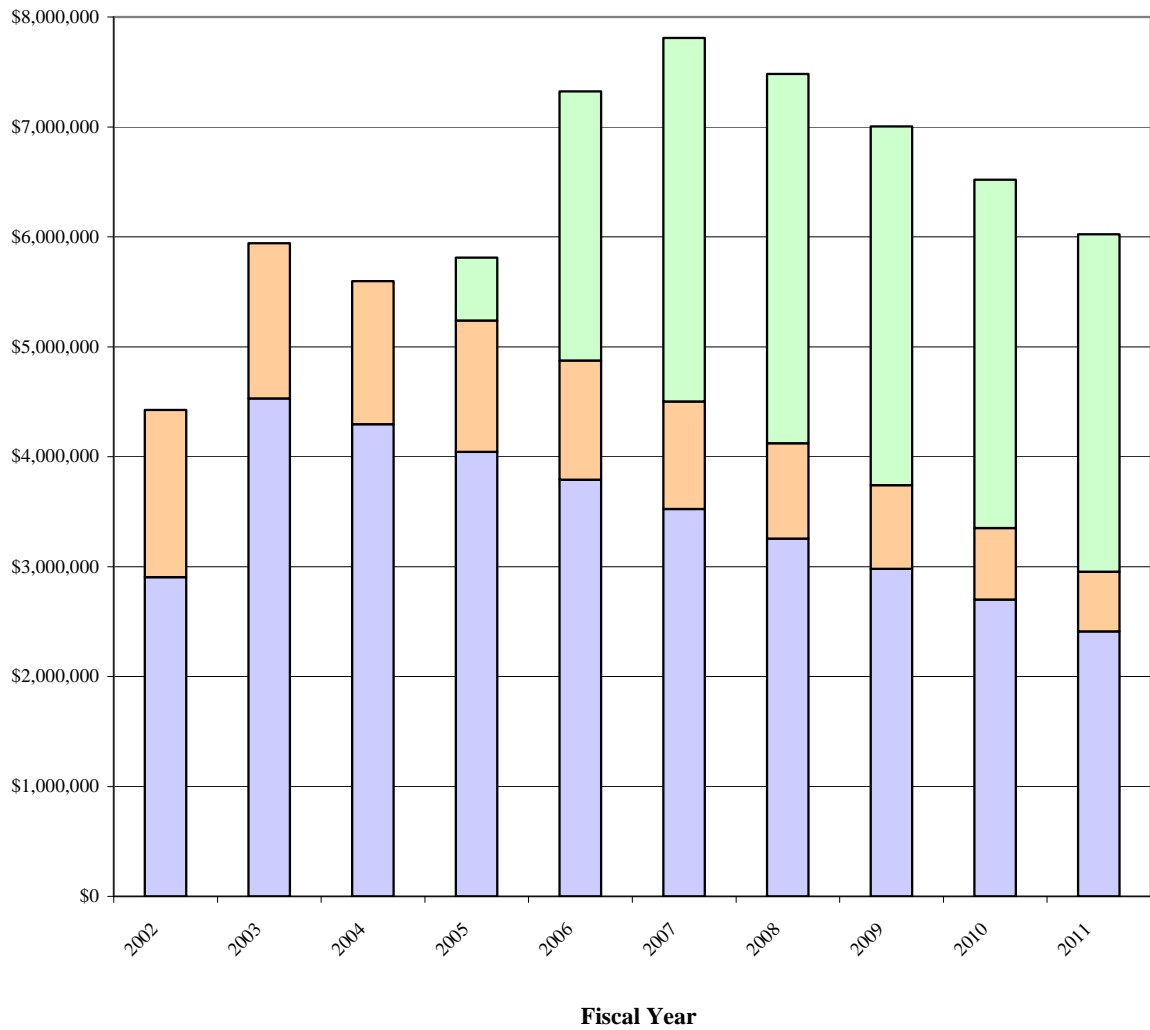
<b>Fiscal Year</b>	<b>Monthly Water Base Charge <sup>1</sup></b>			<b>Average Volume Charge Per Billing Unit <sup>2</sup></b>			<b>Average Price Per Billing Unit <sup>3</sup></b>		
	<b>Residential</b>	<b>Commercial/ Institutional</b>	<b>Lake Fill</b>	<b>Residential</b>	<b>Commercial/ Institutional</b>	<b>Lake Fill</b>	<b>Residential</b>	<b>Commercial/ Institutional</b>	<b>Lake Fill</b>
2002	15.00	15.00	0.00	1.52	2.96	1.50	2.26	3.11	1.50
2003	22.50	22.50	0.00	1.78	3.61	1.65	3.14	3.85	1.65
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	7.39	2.44	5.83	7.91	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
2002	2,905,000	1,520,365	-	4,425,365	690.38	2.33%
2003	4,530,000	1,411,768	-	5,941,768	889.49	3.03%
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	993.25	3.05%
2007	3,525,000	977,378	3,307,147	7,809,525	1,062.66	3.13%
2008	3,255,000	868,780	3,357,848	7,481,628	993.05	2.81%
2009	2,980,000	760,182	3,264,900	7,005,082	893.39	2.42%
2010	2,700,000	651,585	3,169,228	6,520,813	1,086.80	3.97%
2011	2,410,000	542,988	3,070,753	6,023,741	989.71	3.53%





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

<b>Fiscal Year</b>	<b>General Obligation Bonds</b>	<b>Percentage of Actual Taxable Value of Property</b>	<b>Percentage of Personal Income</b>	<b>Per Capita</b>
2002	2,905,000	0.55%	1.53%	453.20
2003	4,530,000	0.77%	2.31%	678.14
2004	4,295,000	0.58%	2.03%	608.87
2005	4,045,000	0.47%	1.76%	545.15
2006	3,790,000	0.35%	1.58%	514.04
2007	3,525,000	0.28%	1.41%	479.66
2008	3,255,000	0.27%	1.22%	432.04
2009	2,980,000	0.29%	1.03%	380.05
2010	2,700,000	0.47%	1.64%	450.00
2011	2,410,000	0.43%	1.41%	395.96

**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, 2011**

	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
Overlapping Debt:			
Tehachapi Unified School District	\$ 18,668,630	19.90%	\$ 3,715,057
Kern Community College District	249,760,000	1.02%	2,547,552
Tehachapi Valley Healthcare District	13,800,000	18.73%	2,584,740
Tehachapi-Cummings County WD	1,905,000	100.00%	<u>1,905,000</u>
Total overlapping debt			8,847,349
BVCS D Governmental Activities Direct Debt		100.00%	<u>2,410,000</u>
Total direct and overlapping debt			<u>\$ 11,257,349</u>

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

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

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Debt limit	\$ 50,926	\$ 53,470	\$ 55,442	\$ 58,282	\$ 63,282	\$ 70,640	\$ 79,429	\$ 109,340	\$ 102,546	\$ 99,239
Total debt applicable to limit	<u>4,425</u>	<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>
Legal Debt Margin	<u>\$ 46,501</u>	<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>
Total debt applicable to the limit as a percentage of debt limit	8.7%	11.1%	10.1%	10.0%	11.4%	11.1%	9.4%	6.4%	6.4%	6.1%

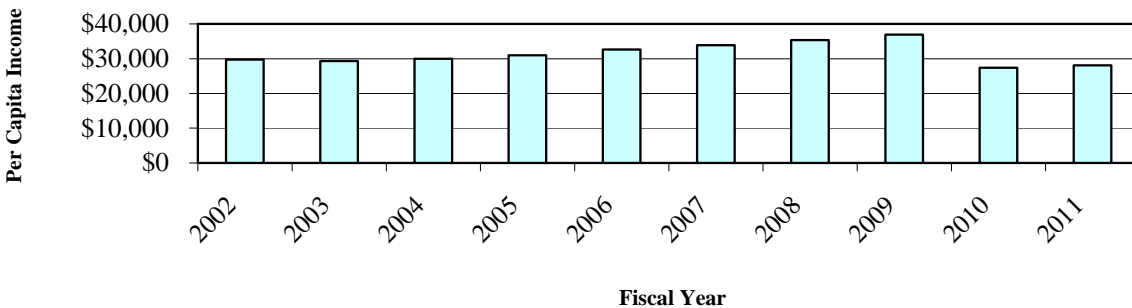
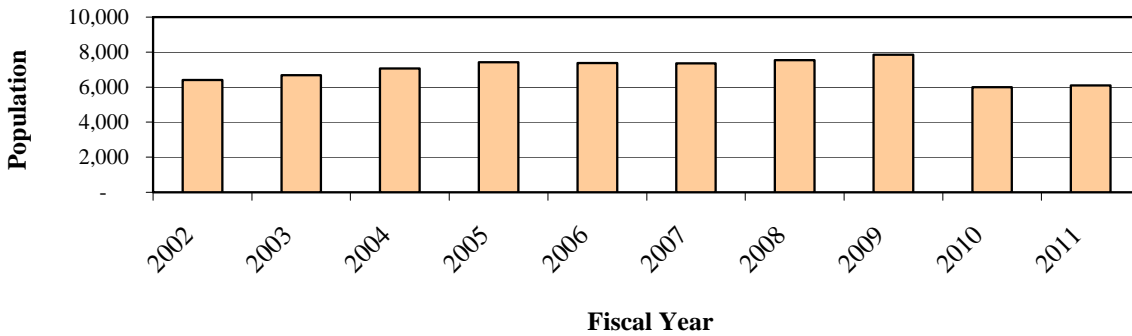
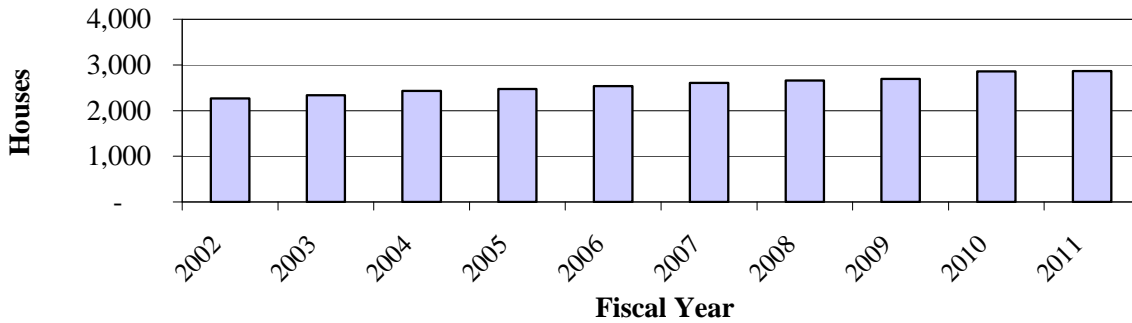
**Legal Debt Margin Calculation for Fiscal Year 2011**

Assessed value	\$ 651,380
Add back: exempt real property	<u>10,213</u>
Total assessed value	661,593
Debt limit (15% of total assessed value)	99,239
Debt applicable to limit:	
General obligation bonds	2,410
State loans	<u>3,613</u>
Total debt applicable to limit	<u>6,023</u>
Legal debt margin	<u>\$ 93,216</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 <sup>1</sup>	Population <sup>2</sup>	Personal Income per Capita <sup>3</sup>	Housing Vacancy Rate <sup>4</sup>	Houses Sold <sup>5</sup>	Average Selling Price <sup>5</sup>
2001	2,170	6,173	27,540	16.7%	143	150,660
2002	2,269	6,410	29,694	15.2%	158	154,101
2003	2,337	6,680	29,316	13.8%	170	170,236
2004	2,429	7,054	29,994	13.8%	252	191,804
2005	2,476	7,420	30,977	12.9%	203	241,830
2006	2,539	7,373	32,607	14.1%	189	325,757
2007	2,605	7,349	33,898	15.1%	162	390,475
2008	2,661	7,534	35,396	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	28,075	16.8%	116	204,928



- 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 <sup>1</sup>	Less: Expenses <sup>2</sup>	Net Available Revenues	Debt Service			Coverage Ratio
				Principal	Interest <sup>3</sup>	Total	
2002	-	-	-	-	-	-	
2003	-	-	-	-	-	-	
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

**Notes:** CIEDB = California Infrastructure and Economic Development Bank

<sup>1</sup> Revenue pledged includes amounts collected from all sources

<sup>2</sup> Expenses do not include interest or depreciation.

<sup>3</sup> 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 <sup>1</sup>	Less: Expenses <sup>2</sup>	Net Available Revenues	Debt Service			Coverage Ratio
				Principal	Interest <sup>3</sup>	Total	
2002	-	-	-	-	-	-	
2003	-	-	-	-	-	-	
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

**Notes:** CIEDB = California Infrastructure and Economic Development Bank

<sup>1</sup> Revenue pledged includes amounts collected from all sources

<sup>2</sup> Expenses do not include interest or depreciation.

<sup>3</sup> 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**

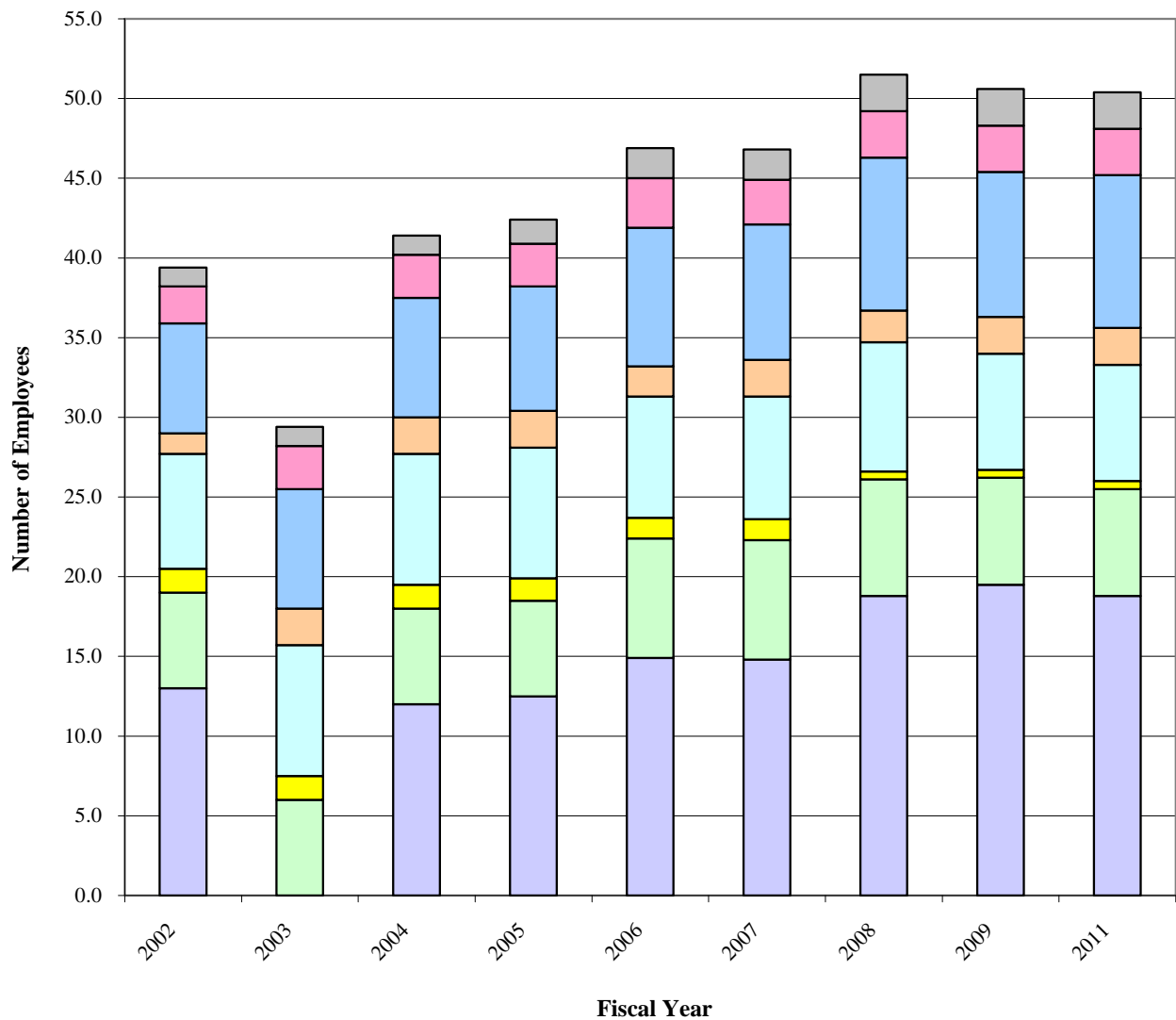
<u>Employer</u>	<u>Production/Services</u>	<u>2011</u>		<u>2002</u>	
		<u>Employees</u>	<u>Rank</u>	<u>Employees</u>	<u>Rank</u>
California Correctional Inst.	State prison	1,700	1	1,600	1
Tehachapi Unified School D.	Public school system	447	2	500	2
Tehachapi Hospital	Healthcare	175	3	105	7
GE Energy	Wind energy production/manuf.	150	4		
Lehigh Southwest Cement	Cement production	123	5		
Home Depot	Retail store	123	5		
Albertson's Supermarket	Retail grocery store	120	6	110	5
K Mart	Retail store	120	6	110	5
Benz Sanitation	Trash/septic/propane	70	9	70	8
City of Tehachapi	Municipality	68	10	50	10
SaveMart Supermarkets	Retail	65	11		
Selecta Switch	Electrical parts manufacturing	45	12	55	9
Chemtool, Inc.	Specialty Lubricants	39	13		
Total		<u>3,245</u>		<u>2,600</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	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Public Safety	13.0		12.0	12.5	14.9	14.8	18.8	19.5	18.8	18.8
Gate	6.0	6.0	6.0	6.0	7.5	7.5	7.3	6.7	6.7	6.7
General Services	1.5	1.5	1.5	1.4	1.3	1.3	0.5	0.5	0.5	0.5
Roads	7.2	8.2	8.2	8.2	7.6	7.7	8.1	7.3	7.3	7.3
Post Office	1.3	2.3	2.3	2.3	1.9	2.3	2.0	2.3	2.3	2.3
Water	6.9	7.5	7.5	7.8	8.7	8.5	9.6	9.1	10.0	9.6
Wastewater	2.3	2.7	2.7	2.7	3.1	2.8	2.9	2.9	3.0	2.9
Solid Waste	1.2	1.2	1.2	1.5	1.9	1.9	2.3	2.3	2.4	2.3
	<u>39.4</u>	<u>29.4</u>	<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>





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

Function	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Public safety										
Physical arrests	N/A	N/A	43	41	80	72	63	79	50	56
Traffic violations	N/A	N/A	292	333	529	511	437	406	445	469
Parking violations	N/A	N/A	6	2	8	12	24	39	14	12
Highways and streets										
Street resurfacing (lane miles)	0.0	0.0	0.0	0.0	12.8	9.1	0.0	0.0	0.0	0.0
Parks & recreation										
Bear Valley Springs Assn. annual dues	\$845	\$855	\$860	\$940	\$888	\$1,065	\$1,193	\$1,218	1,250	1,226
Water										
New connections	107	59	89	89	77	34	13	3	7	3
Total well production (acre feet)	1,308	1,170	1,282	1,138	1,261	1,231	1,250	1,183	956	951
Daily average well production (1,000 gal.)	1,168	1,045	1,141	1,016	1,126	1,099	1,113	1,056	853	853
Maximum day well production (1,000 gal.)	2,068	2,249	2,154	2,083	2,206	2,133	2,159	1,882	2,364	2,367
Imported water as % of total supply	43%	54%	50%	51%	57%	57%	63%	46%	46%	46%
Unaccounted-for water (% of production)	7.3%	4.8%	7.4%	7.4%	8.8%	8.2%	7.8%	6.4%	6.9%	7.4%
Electricity used for pumping (1,000 kWh)	2,549	2,501	2,291	2,227	2,493	2,587	2,682	2,682	2,632	2,687
Average residential consumption (gal/d)	397	366	379	323	343	355	343	328	294	278
Wastewater										
New connections	11	15	20	2	5	4	0	0	0	0
Effluent production (acre feet)	70	48	74	83	83	86	103	86	100	111
Effluent sales (acre feet)	22	24	19	32	22	29	26	18	26	16
Sanitation										
Refuse collected (tons/day)	8.6	9.2	9.8	10.6	10.9	10.7	10.6	9.6	9.7	9.4
Greenwaste collected (tons/day)	5.7	6.9	8.9	10.9	11.5	11.9	12.8	11.0	12.1	13.0

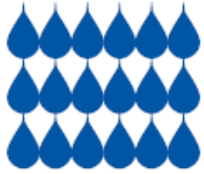
**Source:** Various government departments.

**Bear Valley Community Services District  
Miscellaneous Statistics  
As of June 30, 2011**

Date of incorporation	May 4, 1970
Form of government	Council/Manager
Number of employees:	
Classified	57
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	56
Traffic violations	469
Parking violations	12
Water system:	
Miles of water mains	120
Number of wells	26
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	853,652
Maximum day well production in gallons	2,364,624
Sewerage system:	
Miles of sanitary sewers	7
Daily treatment capacity of treatment plant in gallons	250,000
Number of service connections	472
Daily average treatment in gallons	89,746
Maximum day treatment in gallons	237,313
Facilities and services not included in the primary government:	
Fire Protection (Kern County Fire Department):	
Number of stations	1
Number of on-duty fire fighters	3
Bear Valley Springs Association	
Number of employees	145
Annual revenues	\$ 5,779,140
Annual property owners association dues	\$ 1,226
Community Emergency Response Team	
Number of registered disaster service workers	230

# **Report on Compliance and Internal Controls**





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# Charles Z. Fedak & Company

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An Accountancy Corporation

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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 the basic financial statements of the Bear Valley Community Services District (District) as of and for the year ended June 30, 2011, and have issued our report thereon dated October 31, 2011. 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.

### ***Internal Control Over Financial Reporting***

In planning and performing our audits, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A deficiency in internal control over financial reporting 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Directors and management and is not intended to be and should not be used by anyone other than these specified parties.

*Charles Z. Fedak & Company CPAs - An Accountancy Corporation*

Charles Z. Fedak and Company, CPA's – An Accountancy Corporation  
Cypress, California  
October 31, 2011