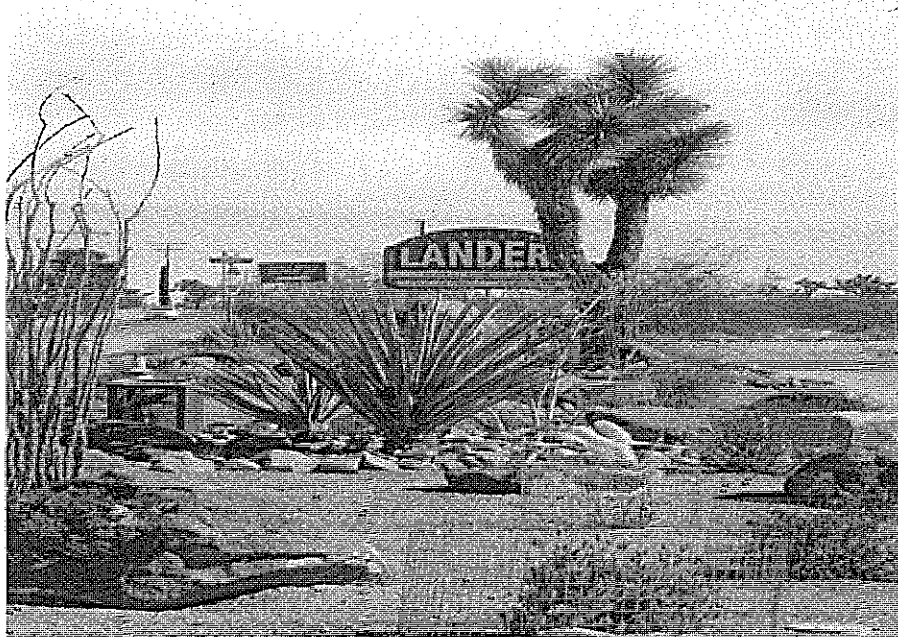




Comprehensive Annual Financial Report
For the Fiscal Years Ended
June 30, 2014 and 2013

Bighorn-Desert View Water Agency
A Public Agency
622 S. Jemez Trail
Yucca Valley, California
92284



Prepared by:
Marina D. West, PG, General Manager
Gayla Blanton, Accounting Technician II



Our Mission, Vision and Values

"To provide a high quality supply of water and reliable service to all customers at a fair and reasonable rate.

To demonstrate accountability by taking economically responsible action today to secure our water supply for tomorrow.

We pledge to use all available resources for maintaining our existing facilities as well as plan, design, finance, and construct our future infrastructure for benefit to our customers in our service area.

Staff and board are committed to a comprehensive evaluation of the most important issues while establishing a record of fairness to all customers"

Bighorn-Desert View Water Agency
Board of Directors as of June 30th, 2014

Member	Office	Term Expires
Judy Corl-Lorono	President	2017
J. Dennis Staley	V. President	2017
Terry Burkhart	Secretary	2017
Michael McBride	Director	2015
J. Larry Coulombe	Director	2015

Bighorn-Desert View Water Agency
Marina D. West, PG, General Manager/Chief Engineer
622 S. Jemez Trail
Yucca Valley, California 92284
(760) 364-2315
www.bdvwva.org



Comprehensive Annual Financial Report

For the Fiscal Year Ended

June 30, 2014

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A Public Agency

622 S. Jemez Trail

Yucca Valley, California

92284

Prepared by:

Marina D. West, PG, General Manager
Gayla Blanton, Accounting Technician II

BIGHORN-DESERT VIEW WATER AGENCY
COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year Ended June 30, 2014

(with comparative information for June 30, 2013)

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INTRODUCTORY SECTION

Bighorn-Desert View Water Agency

Board of Directors

Judy Corl-Lorono, President
J. Dennis Staley, V. President
Terry Burkhart, Secretary
Michael McBride, President
J. Larry Coulombe, Director



Agency Office
622 S. Jemez Trail
Yucca Valley, CA 92284-1440

760/364-2315 Phone
760/364-3412 Fax

Marina D West, P.G., General Manager

www.bdvwa.org

A Public Agency

October 28, 2014

Introduction

It is our pleasure to submit the Annual Financial Report for the Bighorn-Desert View Water Agency for the fiscal years ended June 30, 2014 and 2013, following guidelines set forth by the Governmental Accounting Standards Board. The Agency is ultimately responsible for both the accuracy of the data and the completeness and the fairness of presentation, including all disclosures in this financial report. We believe that the data presented is accurate in all material respects. This report is designed in a manner that we believe necessary to enhance your understanding of the Agency's financial position and activities.

Generally Accepted Accounting Principles (GAAP) requires that management provide a narrative introduction, overview and analysis to accompany the financial statements in the form of the Management's Discussion and Analysis (MD&A) section. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with the MD&A. The Agency's MD&A can be found immediately after the Independent Auditors' Report.

Agency Structure and Leadership

The Bighorn-Desert View Water Agency enabling Act, the "Bighorn Mountains Water Agency Law", is an Uncodified Act of the California Statutes of 1969, Chapter 1175, and effective August 31, 1969. The Law was amended in 1989 (Statutes of 1989, Chapter 570) through AB 1819 (Woodruff) to facilitate a proposed consolidation of the 1969 Bighorn Mountains Water Agency with the Desert View County Water District, which was completed in 1990 without further amendment to the Water Agency Law. In September 2013, Governor Jerry Brown signed into law SB 246 (Fuller) which is a complete modernization (re-write and re-organization) of the 1990 version of the Law.

The Bighorn-Desert View Water Agency operates pursuant to the provisions of the Bighorn-Desert View Water Agency Law, California Water Code Appendix, Sections 112-1 *et. seq.* The Agency is governed by a five-member Board of Directors, elected

at-large from within the Agency's service area. The General Manager administers the day-to-day operations of the Agency in accordance with policies and procedures established by the Board of Directors. In addition to the General Manager, the Agency staff consists of six (6) full-time employees organized in two departments: Administration and Operations.

The Agency's Board of Directors regularly scheduled meetings are on the fourth Tuesday of each month at 6 pm. Meetings are publically noticed and citizens are encouraged to attend.

The Agency provides water service to approximately 1,450 active residential customers, 340 infrequent/inactive customers, and 100 bulk-hauling customers within its forty-four (44) square-mile service area, located in the eastern desert area of San Bernardino County. The Agency encompasses the unincorporated communities in the county known as Flamingo Heights, (western) Landers, and Johnson Valley.

Agency Services

Residential customers represent nearly 100% of the Agency's customer base and therefore consume a majority of the water produced annually. A quantity of water is lost to system flushing, testing and leaks. The Agency currently has a total of six (6) active groundwater wells with a total system production capacity of 3,368 gallons per minute. In fiscal year 2013/14, the Agency produced approximately 393 acre-feet of groundwater, a decrease of approximately 8% from fiscal year 2012/13. The Agency did not purchase any imported State Project Water from the Mojave Water Agency during this time period. However, Mojave Water Agency in conjunction with the Agency completed construction of a groundwater recharge facility for the region.

Economic Condition and Outlook for the Local Economy

According to *Sperling's Best Places* the cost of living in the Landers area is 18.7% lower than the U.S. average. The unemployment rate is currently approximately 8.3% (down from 12% reported in FY2012/13). Using U.S. Census Block group data, all census blocks within the Agency boundaries are classified as a "disadvantaged". The area is classified as rural unincorporated San Bernardino County with a planned residential zoning of 2.5 acre minimum lot size. The area is comprised of predominantly English and Spanish speaking residents.

Within the Agency are very few commercial businesses. The largest employer is the local elementary school. Many local residents commute to the Twentynine Palms Marine Corps Ground Combat Center, Town of Yucca Valley or 60 miles south to Palm Springs, CA area or a similar distance north to the Victorville area for employment.

Major Initiatives

The activities of the Board and staff of the Agency are driven by our mission statement: "To provide a high quality supply of water and reliable service to all customers at a fair and reasonable rate". At the February 2014 Board Workshop the following goals and

objectives were developed for implementation over the next one to two years and beyond.

1. Balanced Budget and growth of reserve funds for replacement/refurbishment of infrastructure, emergency contingencies and capital improvement programs outlined in the 2005 Water Master Plan. Continue efforts to reduce costs where possible. Explore revenue enhancing measures such as standby fees and water transfers.
2. Actively participate in the upcoming Integrated Regional Water Management Plan (IRWMP) process to be undertaken by the Mojave Water Agency. Develop project proposals aimed at infrastructure and other capital improvements envisioned for the Agency during the 20-plus year planning horizon.
3. Remain focused on preventative maintenance of the water distribution system appurtenances including pressure reducing stations, fire hydrants, isolation valves, air vacuum valves and emergency power connections. Work with engineer to prioritize and implement short-term capital or refurbishment projects.
4. Continue outreach to the community through various forms of communication including newsletters, annual calendar, revised utility bill format, completion of the desert-wise water conservation garden at the Landers Post Office and participation in local community events (eg. Homestead Valley Park 3rd of July and the Gubler Orchid Festival), and plan meetings with elected officials at local, regional and state level to increase awareness on issues facing the Agency.
5. Update administrative procedures as needed including development of a "Director Handbook".
6. Completion of the Ames/Reche Spreading Grounds for recharge of imported water from the State Water Project through the Morongo Basin Pipeline in partnership with the Mojave Water Agency, Hi-Desert Water District and the County of San Bernardino Special Districts Water Department. File *Amended and Restated Judgment for the Ames Valley Water Basin* on behalf of project participants.
7. Reorganization (acquisition) of the adjoining County Service Area 70/Zone W-1-Landers water system into Bighorn-Desert View Water Agency which would increase the customer base by approximately 650 metered residences providing more efficient/effective service and local elected representation for customers of the county.
8. Continue to pursue grant opportunities for capital, replacement and refurbishment projects including emergency and disaster preparedness (i.e. 2011 Hazard Mitigation Planning Grant Notice of Interest).

9. Obtain Certificate of Achievement for Excellence in Financial Reporting for our Comprehensive Financial Report for a minimum of five consecutive years from the Government Finance Officers Association of the United States and Canada.
10. Submit application to Special District Leadership Foundation for the District Transparency Certificate in Excellence.

All programs and operations of the Agency are developed and performed to provide the highest level of services to its customers.

Accomplishments

To assist the Board of Directors in meeting their mission, staff achieved the following initiatives in fiscal year 2013/14:

1. Adopted a balance budget on time without reliance on cash reserves and with expectation of increased unrestricted reserves needed to fund planned capital projects and replaced aged vehicles. Placed liens on the secured property tax rolls for outstanding debt owed the Agency.
2. Continued progress on multi-year Ames/Reche Groundwater Storage and Recovery Program. Construction of the pipeline, outlet structure to the Pipes Wash and tie-in to the State Water Project through the Morongo Basin Pipeline was completed in August 2013 and the facility deemed "operational" in February 2014. Thereafter work began on preparing motions and filings for the *Amended and Restated Judgment for the Ames Valley Water Basin* with the Riverside County Court on behalf of project participants.
3. In February 2013, the Agency authored a state legislative bill to modernize the entire Bighorn-Desert View Water Agency Law (e.g. enabling act). The legislation, Senate Bill No. 246, was carried by Senator Fuller (18th District). Staff attended hearings in support of the bill throughout 2013 and on September 24, 2013 Governor Brown approved the bill. This bill assists the Agency by eliminating a long-standing but unnecessary requirement for financial separation of the predecessor entities Bighorn Mountains Water Agency and Desert View County Water District.
4. Completed an engineering study to evaluate the long-term viability of three Agency wells impacted by elevated uranium. Completed contract specifications for the installation of transfer switches at Agency facilities so that operations could continue during power outages utilizing portable power generators. Completed an "arc flash hazard study" at all Agency facilities.
5. In April 2014, the Agency filed an application and Plan of Service for the annexation of a neighboring water agency (CSA 70/Zone W-1) and its simultaneous dissolution from County of San Bernardino Special Districts Department. The application is being processed through the Local Agency Formation Commission (LAFCO) and expected to continue through FY2014/15.

6. Completed transition to an outsourced billing format to improve customer communication. Participated in various outreach events including Homestead Valley Park 3rd of July event, Gubler's Orchid Festival, Minerva Hoyt Water Education Day and Morongo Basin Conservation Association Desert-Wise Landscape Home Tour.
7. Preventative maintenance in 2012/13 included testing and refurbishment of all water production meters, refurbishment of several pressure reducing stations (PRV's), exercising 1/3 of the pipeline isolation valves, replacement of 1/3 of the air-vacuum valves, routine dead end flushing, as well as repair of approximately 43 service line leaks and replacement of 33 service lines
8. There were no Worker's Compensation claims filed and no Property Liability claims paid in program year 2013/14.
9. Agency Director Terry Burkhart continued her service to the Special Districts Risk Management Authority (SDRMA) Board of Directors.
10. Awarded Certificate of Achievement for Excellence in Financial Reporting for our Comprehensive Financial Report in fiscal year 2013/14 from the Government Finance Officers Association of the United States and Canada.
11. Awarded the 2-year Certificate of Excellence in District Transparency from the SDRMA.

Internal Control Structure

Agency management is responsible for the establishment and maintenance of the internal control structure that ensures the assets of the Agency are protected from loss, theft or misuse. The internal control structure also ensures adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The Agency's internal control structure is designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived, and (2) the valuation of costs and benefits requires estimates and judgments by management.

Budgetary Control

Each year the Agency Board of Directors has adopted an annual operating budget. The budget authorizes and provides the basis for reporting and control of financial operations and accountability for the Agency's operations. Capital budgets have not been passed by the Board of Directors due to lack of cash reserves to establish a formal budget for capital improvements and lack of an asset management plan. Therefore, projects are brought to the Board individually, as needed, for consideration. The budget and reporting treatment applied to the Agency is consistent with the accrual basis of accounting and the financial statement basis.

Investment Policy

The Board of Directors has adopted an investment policy that conforms to state law, Agency ordinance and resolutions, and prudent money management. The objective of the Investment Policy is safety, liquidity and yield. Although the policy covers a wide-variety of investment instruments the Agency's reserve funds are currently invested in the State Treasurer's Local Agency Investment Fund (LAIF) and an institutional checking account (Union Bank of California).

Water Rates and Agency Revenues

Agency's current policy direction ensures that all revenues from user charges generated from Agency customers must support all Agency operations including capital project funding. Accordingly, water rates are regularly reviewed. Water rates are user charges imposed on customers for services and are the primary component of the Agency's revenue. Water rates are composed of a commodity (usage) charge and a fixed meter (readiness-to-serve) charge. There were no rate increases imposed in fiscal year 2013/14.

Water Conservation Programs

The Agency is an active member of the Morongo Basin Alliance for Water Awareness and Conservation (MB AWAC). Agency Board and staff participate in and sponsor a number of community events with a conservation component, such as the Desert-Wise Landscaping Home Tours and Workshops held throughout the Morongo Basin. The Agency also distributes materials to encourage water conservation. The Agency has not found a need to implement a tiered water rate structure to encourage conservation as water usage in the service area averages less than 100 gallons per day per person.

Audit and Financial Reporting

State Law and Bond covenants require the Agency to obtain an annual audit of its financial statements by an independent certified public accountant. The accounting firm of Mayer-Hoffman-McCann P.C., An Independent Accounting Firm has conducted the audit of the Agency's financial statements. Their unqualified Independent Auditor's Report appears in the Financial Section.

Risk Management

The Agency has been a member of the Special District Risk Management Authority (SDRMA) since 1983. The purpose of SDRMA is to arrange and administer programs of insurance for pooling of self-insured losses and to purchase excess insurance coverage.

Technology Advance in Customer Service (E-government initiatives)

The Agency customers have the option to pay their bills in person at the Agency office, on-line through their bank account, with a major credit card over the phone or through the Agency's website or the internet. The Agency implemented the Automated Clearing House (ACH) payment method for customers in fiscal year 2012/13.

Customers also have access to agency agenda's and agenda backup materials via email notifications immediately upon publication. The agenda materials as well as other reference material are also available on the Agency website (www.bdvwa.org). The Agency is in the process of updating the website to provide more historical documents and board actions to the public.

Other References

More information has been provided in both the Management's Discussion and Analysis and the Notes to the Basic Financial Statements which can be found in the Financial Section of this report.

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 Bighorn-Desert View Water Agency for its comprehensive annual financial report of the fiscal year ended June 30, 2013. This was the third year that the Agency has applied for and achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

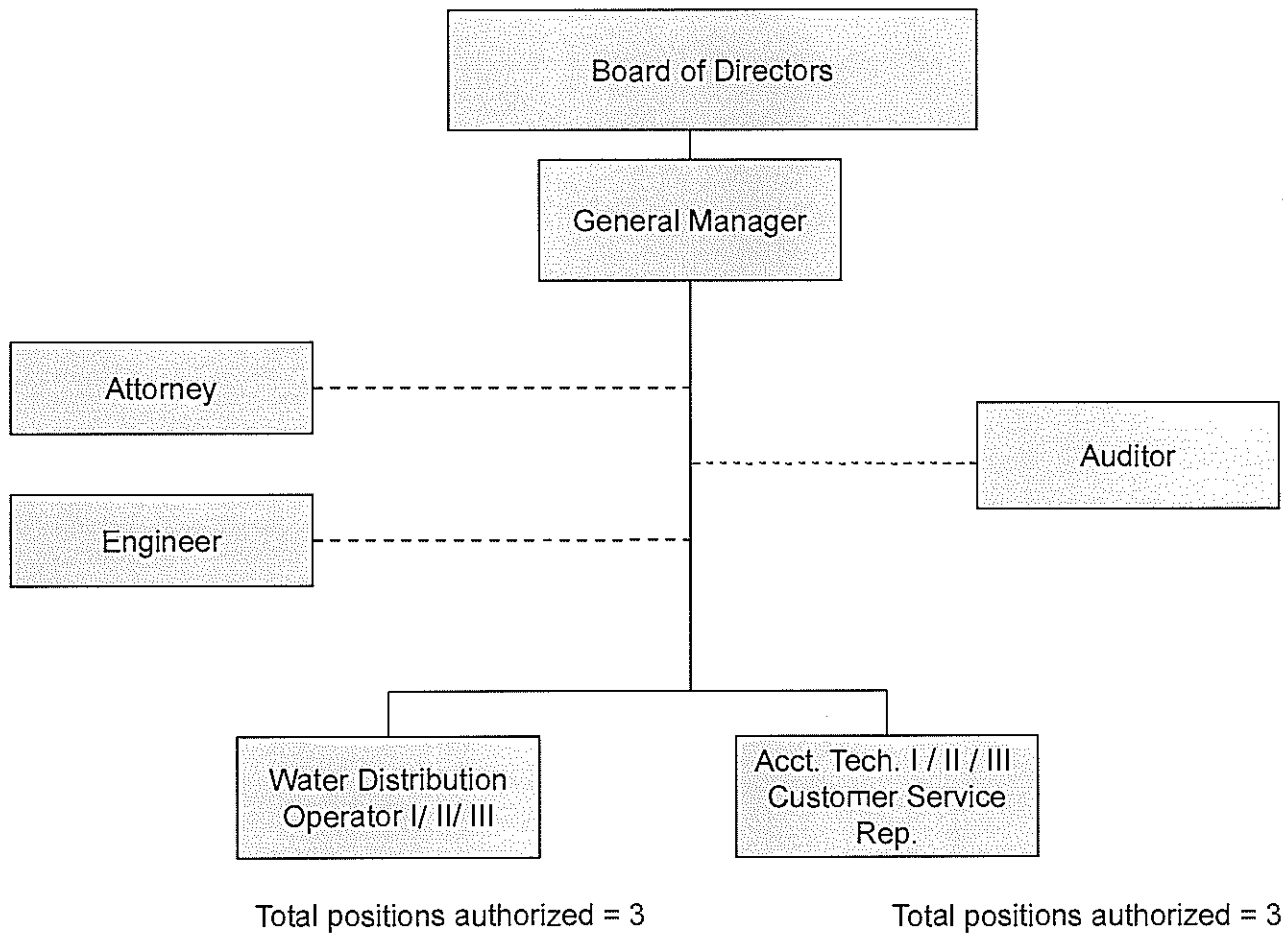
A Certificate of Achievement is valid for a period of one year only. The Agency believes that the current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and the Agency intends to submit an application to the GFOA to determine our eligibility for certification.

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

With Great Pleasure,

Marina D. West, PG
General Manager

Gayla Blanton
Accounting Technician II





Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Bighorn-Desert View
Water Agency, California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

Executive Director/CEO

FINANCIAL SECTION



Board of Directors
BIGHORN-DESERT VIEW WATER AGENCY

INDEPENDENT AUDITORS' REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the Bighorn-Desert View Water Agency (the Agency) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

BIGHORN-DESERT VIEW WATER AGENCY

Page two

of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Bighorn-Desert View Water Agency, as of June 30, 2014, and the changes in its financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Bighorn-Desert View Water Agency's 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 15 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

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

BIGHORN-DESERT VIEW WATER AGENCY

Page three

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Bighorn-Desert View Water Agency's basic financial statements. The *introductory section* and the *statistical section* are presented for purposes of additional analysis and are not a required part of the basic financial statements. The *introductory section* and the *statistical section* 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 it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 17, 2014 on our consideration of Bighorn-Desert View Water Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Bighorn-Desert View Water Agency's internal control over financial reporting and compliance.

Mayer Hoffman Malen, P.C.

Irvine, California

October 17, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis of the financial performance of the Bighorn Desert View Water Agency ("Agency") provides an overview of the Agency's financial activities for the fiscal year ended June 30, 2014. Please read it in conjunction with the transmittal letter and financial statements identified in the accompanying table of contents.

INFORMATION REPORTED IN THE ACCOMPANYING FINANCIAL STATEMENTS

One of the most important questions asked about the Agency's finances is, "Is the Agency better off or worse off as a result of the year's activities?" The Statement of Net Position (previously a Statement of Net Assets) and the Statement of Revenues, Expenses, and Changes in Net Position report information about the Agency in a way that helps answer this question. These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The financial statements of the Agency report the Agency's net assets and changes in them. You can think of the Agency's net position – the difference between assets and liabilities – as one way to measure the Agency's financial health, or *financial position*. Over time, *increases and decreases* in the Agency's net assets are one indicator of whether its *financial health* is improving or deteriorating.

AGENCY FINANCIAL STATEMENTS

A summary of the Agency's *statement of net assets* follows:

Table 1
Net Position
Formally "Net Assets"
(in Actual Dollars)

	<u>2014</u>	<u>2013</u>	<u>Change</u>
Current and Other Assets	\$ 1,757,916	\$ 1,517,564	240,352
Capital Assets	<u>3,677,468</u>	<u>3,914,504</u>	(237,036)
Total Assets	\$ 5,435,384	\$ 5,432,068	3,316
Current Liabilities	\$ 316,611	\$ 310,091	6,520
Non-Current Liabilities	<u>579,838</u>	<u>686,927</u>	(107,089)
Total Liabilities	\$ 896,449	\$ 997,018	(100,569)
Net Investment in capital Assets	\$ 3,003,491	\$ 3,130,527	(127,036)
Restricted	--	1,304,523	(1,304,523)
Unrestricted	1,535,444	--	1,535,444
Total Net Position	<u>\$ 4,538,935</u>	<u>\$ 4,435,050</u>	103,885

A summary of the Agency's *statement of revenues, expenses, and changes in net assets* follows:

Table 2
Changes in Net Position
Formally "Change in Net Assets"
(in Actual Dollars)

	<u>2014</u>	<u>2013</u>	<u>Change</u>
Operating Revenues			
Water Sales	\$ 453,100	\$ 468,824	(15,724)
Other revenues	<u>636,764</u>	<u>638,034</u>	(1,270)
Total Operating Revenues	\$ 1,089,864	\$ 1,106,858	(16,994)
Operating Expenses			
Transmission and Distribution	\$ 512,501	\$ 547,991	(35,490)
General and Administrative	640,378	516,493	123,885
Depreciation	<u>233,053</u>	<u>229,565</u>	3,488
Total Operating Expenses	\$ 1,385,932	\$ 1,294,049	91,883
Operating Income (Loss)	(296,068)	(187,191)	(108,877)
Non-Operating Revenues (Expenses):			
Interest revenue	6,227	3,142	3,085
Tax Levy & Surcharges	281,726	280,647	1,079
Desert View Debt Surcharge	49,843	49,967	(124)
Interest expense	(38,486)	(45,024)	6,538
Other expense	<u>(1,734)</u>	<u>(98)</u>	(1,636)
Total Non-Operating Revenues (Expenses)	\$ 297,576	\$ 288,509	9,067
Capital Contributions	102,377	193,000	(90,623)
Change in Net Position	103,885	294,318	(190,433)
Net Position at Beginning of Year	<u>4,435,050</u>	<u>4,140,732</u>	294,318
Net Position at End of Year	<u>\$ 4,538,935</u>	<u>\$ 4,435,050</u>	103,885

The increase or decrease in net position can provide an indication as to whether the overall financial position of the Agency improved or deteriorated during the year. Net position of the Agency increased slightly by 2% (\$4.54 million compared to \$4.43) million. The net assets (financial position) of the Agency changed as a result of the revenue and expense fluctuations described below.

The reasons for significant changes in the revenues and expenses of the Agency noted above are as follows:

- The decrease in capital assets from Fiscal Year 2012/13 to Fiscal Year 2013/14 was primarily due to the annual recognition of depreciation expense. The increase in current and other assets was primarily due to revenues earned in Fiscal Year 2013/14 exceeding the amount of expenses that were paid for operations.
- Non-current liabilities have been decreased by approximately \$107,000 as a result of payments made on the long-term debt service (General Obligation and Water Revenue Bonds) during the fiscal year. See Note 4 of the audited financial statements for further clarification.
- The net investment in capital assets diminished by the amount of depreciation that was recognized during the fiscal year. The Agency's unrestricted assets increased over the prior year. This is because the financial statements now identify all assets as unrestricted since the Agency's enabling act was modified through state legislation (SB 246) to eliminate prior requirements for separation of assets to each predecessor entity.

Throughout fiscal year 2012/13 and into 2013/14, the Agency sought changes to its enabling Act, which would remove the requirement to comply with Section 31012 of the County Water District Law referring to the separation of funds of each predecessor entity. The Agency authored SB 246 (Fuller) which was carried through the state legislature by Senator Jean Fuller (18th District) where it succeeded unopposed. In September 2013, Governor Jerry Brown signed into law SB 246 (Fuller) which eliminates this requirement and completely modernizes the Bighorn-Desert View Water Agency enabling Act providing final closure on this outstanding issue.

- Transmission and Distribution decreased by approximately \$35,500 which is primarily attributed to decreased spending (over prior period) on engineering design services, power for pumping water (less water pumped over prior year), vehicle maintenance and other one-time prior year expenses.
- General and Administrative costs increased above the prior year by approximately 124,000. The increase is attributed to increased medical benefit premiums as well as labor costs as employees earned Cost-of-Living Adjustments (COLA) and merit increases. A portion of the variance is related to expenses associated with development of a Hazard Mitigation Plan which will later be reimbursed through a grant obtained secured from the CA Office of Emergency Services for this purpose. Finally, in Fiscal Year 2013/14 the Board decided to proceed with an application to the Local Area Formation Commission (LAFCO No. 3181) for annexation of a neighboring county water

zone (CSA 70/W-1 Goat Mountain). A budget was approved and approximately \$42,000 was directed towards the annexation effort in FY13/14.

- Operating revenues decreased over prior year due to lower water sales attributed to customer water conservation.
- The net position at year end indicates the Agency's revenues exceeded expenses by nearly \$104,000 which is about \$20,000 less than projected in the FY2013/14 adopted Budget.

LONG-TERM DEBT

At the end of the 2013/14 fiscal year, the Agency had bonded debt outstanding of \$673,977 less the portion (\$116,000) due in less than one year. All debt payments were made on time and in full during the year. No new debt was issued during the fiscal year. The Desert View Water Revenue Bond matures in 2020. The Bighorn Mountains General Obligation Bond matures in 2019. For more detailed information on long-term debt activity see Note 4 of the enclosed financial statements.

Contacting the Agency's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the Agency's finances and to show the Agency's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the General Manager's Office, at Bighorn Desert View Water Agency, 622 S. Jemez Trail, Yucca Valley, CA 92284.

BIGHORN-DESERT VIEW WATER AGENCY
STATEMENT OF NET POSITION
As of June 30, 2014
(with comparative information for June 30, 2013)

Assets	2014	2013
Current assets:		
Cash and cash equivalents (note 2)	1,202,156	744,931
Accounts receivable - water services	191,979	209,651
Due from other governments - Mojave Water	18,461	234,255
Property tax receivable	30,797	27,925
Inventory	70,100	63,035
Prepaid expenses	973	883
Total current assets	1,514,466	1,280,680
Non-current assets:		
Long term receivables (net of allowance for uncollectible amounts)	66,354	59,788
Idle Assets (note 3)	177,096	177,096
Capital assets not being depreciated (note 3)	98,010	503,522
Capital assets being depreciated, net (note 3)	3,579,458	3,410,982
Total non-current assets	3,920,918	4,151,388
Total assets	5,435,384	5,432,068
Liabilities		
Current liabilities:		
Accounts payable	90,199	96,139
Current portion of bonds payable (note 4)	116,000	110,000
Current portion of compensated absences (note 4)	28,054	27,619
Payroll liabilities	19,025	16,359
Customer deposits - water	58,831	54,778
Interest payable	4,502	5,196
Total current liabilities	316,611	310,091
Non-current liabilities (note 4):		
Bonds payable	557,977	673,977
Compensated absences	21,861	12,950
Total non-current liabilities	579,838	686,927
Total liabilities	896,449	997,018
Net Position		
Net investment in capital assets	3,003,491	3,130,527
Restricted	-	1,304,523
Unrestricted	1,535,444	-
Total net position	4,538,935	4,435,050
Total liabilities and net position	\$ 5,435,384	5,432,068

See Notes to Financial Statements

BIGHORN-DESERT VIEW WATER AGENCY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

For the Year Ended June 30, 2014
(with comparative information for June 30, 2013)

	2014	2013
Operating revenues		
Water sales	\$ 453,100	468,824
Water services	41,879	50,544
Basic surcharge	594,885	587,490
Total operating revenues	1,089,864	1,106,858
 Operating expenses		
Transmission and distribution	512,501	547,991
General and administrative	640,378	516,493
Depreciation	233,053	229,565
Total operating expenses	1,385,932	1,294,049
Operating income (loss)	(296,068)	(187,191)
 Non-operating revenues (expenses)		
Interest income	6,227	3,142
Tax levy	281,726	280,647
Desert View debt surcharge	49,843	49,967
Gain/loss on disposal of asset	-	(125)
Other income/expense	(1,734)	(98)
Interest expense	(38,486)	(45,024)
Total non-operating revenues (expenses)	297,576	288,509
Income before capital contributions	1,508	101,318
 Capital contributions	102,377	193,000
Change in net position	103,885	294,318
 Net position at beginning of year	4,435,050	4,140,732
Net position at end of year	\$ 4,538,935	4,435,050

See Notes to Financial Statements

BIGHORN-DESERT VIEW WATER AGENCY
STATEMENT OF CASH FLOWS
For the Year ended June 30, 2014
(with comparative information for June 30, 2013)

	2014	2013
Cash flows from operating activities:		
Cash received from customers	\$ 1,102,151	1,198,494
Cash payments to suppliers for goods and services	(710,581)	(681,748)
Cash payments to employees and directors for services	(422,177)	(388,004)
Nonoperating miscellaneous expense	(1,734)	(5,187)
Net cash provided by (used in) operating activities	(32,341)	123,555
Cash flows from non-capital financing activities:		
Property taxes received	99,712	99,207
Net cash provided by non-capital financing activities	99,712	99,207
Cash flows from capital and related financing activities:		
Property taxes received in support of long-term debt	182,014	181,440
Other revenue received in support of long-term debt	49,843	49,967
Acquisition of capital assets	(17,221)	(444,837)
Principal paid on long-term debt	(110,000)	(105,000)
Interest paid on long-term debt	(39,180)	(45,024)
Capital contributions received	318,171	-
Net cash used in capital and related financing activities	383,627	(363,454)
Cash flows from investing activities:		
Interest received	6,227	3,142
Net cash used in investing activities	6,227	3,142
Net increase (decrease) in cash and cash equivalents	457,225	(137,550)
Cash and cash equivalents beginning, July 1	744,931	882,481
Cash and cash equivalents ending, June 30	\$ 1,202,156	744,931
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:		
Operating income (loss)	\$ (296,068)	(187,191)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation	233,053	229,565
Other non-operating income (expense)	(1,734)	(5,187)
(Increase) decrease in accounts receivable	17,672	13,191
(Increase) decrease in property tax receivable	(2,872)	4,086
(Increase) decrease in long term receivables	(6,566)	(14,904)
(Increase) decrease in inventories	(7,065)	(124)
(Increase) decrease in prepaid expenses	(90)	5,441
(Increase) decrease in other assets	21,204	-
(Decrease) increase in accounts payable	(5,940)	68,405
(Decrease) increase in accrued liabilities	12,012	9,636
(Decrease) increase in customer deposits	4,053	637
Total adjustments	263,727	310,746
Net cash provided by (used for) operating activity	\$ (32,341)	123,555

There were no noncash capital, financing or investing activities for the years ended June 30, 2014 and June 30, 2013

BIGHORN-DESERT VIEW WATER AGENCY

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2014

(1) Summary of significant accounting policies

Reporting entity - Bighorn-Desert View Water Agency (the "Agency") is a special district that was formed in 1990 when the San Bernardino County Board of Supervisors approved the consolidation of Bighorn Mountains Water Agency (established 1969) and Desert View Water District (established 1964). It is the Agency's mission to provide water and water related services to the population within the Agency's boundaries. Accordingly, the Agency is authorized to finance, construct, operate and maintain a water transmission and distribution system to benefit this population. There are 1,923 user connections within the Agency's boundaries which encompass approximately 44 square miles. The Agency is governed by a five-member Board of Directors, who are elected to staggered 4-year terms.

Basis of accounting - The Agency uses the flow of economic resources measurement focus. This measurement focus emphasizes the determination of net income. The accrual basis of accounting is used by the Agency. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

The Agency distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with water sales to customers. Non-operating revenues are those derived from support of long-term debt and the investment of cash reserves.

Use of restricted resources - When resources are combined, the Agency generally uses restricted resources, prior to using unrestricted resources, to pay expenditures meeting the criteria imposed on the use of restricted resources.

Use of estimates - The preparation of 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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Inventory - Inventory of materials and supplies, consisting of parts used for utility plant construction are carried at the weighted-average cost.

BIGHORN-DESERT VIEW WATER AGENCY

NOTES TO FINANCIAL STATEMENTS

(Continued)

(1) **Summary of significant accounting policies (Continued)**

Utility plant - Capital assets are stated at cost. Depreciation is provided on a straight-line basis over the estimated useful lives which range from five to fifty years. Depreciation expense for the year ended June 30, 2014 was \$233,053. It is the policy of the Agency to capitalize property, plant and equipment with a cost of \$1,000 or more.

Allowance for uncollectible accounts - It is agency policy that for all water accounts delinquent for more than 90 days have a lien placed on their property. The agency believes that collection is certain as customers cannot sell their properties without remittance of their water payments. An allowance for uncollectible accounts of \$4,500 has been recorded for the year ended June 30, 2014, based on prior collection historical information, for amounts not collected when a property is sold through a Tax Levy sale. The amount placed on the tax rolls is recorded separately as a long term receivable on the balance sheet. Long Term receivables for the year ended June 30, 2014 were \$66,354.

Debt issuance costs - Debt issuance costs are expensed when incurred.

Other accounting policies - Customers are billed on a bi-monthly basis and the related revenues are recorded when customers are billed.

Income taxes - The Agency is exempt from Federal and State income taxes, as it is a public government agency.

Cash and cash equivalents - For purposes of the statement of cash flows, the Agency limits the term *cash and cash equivalents* to only currency on hand, demand deposits with banks or other financial institutions, and deposits in other kinds of accounts or cash management pools that have the general characteristics of demand deposit accounts in that the Agency may deposit additional cash at any time and effectively withdraw cash at any time without prior notice or penalty.

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

Lien date:	March
Levy date:	July 1 to June 30
Due date:	November 1 - first installment March 1 - second installment
Collection date:	December 10 - first installment April 10 - second installment

BIGHORN-DESERT VIEW WATER AGENCY

NOTES TO FINANCIAL STATEMENTS

(Continued)

(1) **Summary of significant accounting policies (Continued)**

General property taxes are assessed and collected by the County of San Bernardino on a rate per \$100 of assessed value, plus other increases approved by the voters. The general property taxes are pooled and are then allocated to the districts based on formulas. Property taxes are recognized as revenue when received and/or become available. Property tax revenues are considered available when they become due or past due and receivable within the current period and those expected to be collected during a 60-day period subsequent to the balance sheet date when significant.

Grants - When a grant agreement is approved and eligible expenditures are incurred, the amount is recorded as a federal capital or operating grant receivable on the statement of net position and as capital grant contribution or operating grant revenue, as appropriate, on the statement of revenues, expenses and changes in net position.

Prior year information - Certain data has been presented for the prior year. Such data does not represent a complete presentation in accordance with generally accepted accounting principles, but has been presented for comparative purposes only.

(2) **Cash and investments**

The Agency maintains a cash and investment pool that is available for all funds. Each fund type balance in the pool is reflected on the combined balance sheet as cash and investments.

Cash deposits - The carrying amounts of the Agency's cash deposits were \$181,899 at June 30, 2014. Bank balances before reconciling items were \$194,245 at that date, the total amount of which was collateralized or insured with securities held by pledging financial institutions in the Agency's name as discussed below.

The California Government Code requires California banks and savings and loan associations to secure the Agency's cash deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in the Agency's name.

The market value of the pledged securities must equal at least 110% of the Agency's deposits. California law also allows financial institutions to secure the Agency's deposits by pledging first trust deed mortgage notes having a value of 150% of the Agency's

BIGHORN-DESERT VIEW WATER AGENCY

NOTES TO FINANCIAL STATEMENTS

(Continued)

(2) Cash and investments (Continued)

deposits. The Agency may waive collateral requirements for cash deposits, which are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC). The Agency follows the practice of pooling cash and investments of all funds, except for funds required to be held by fiscal agents under provisions of bond indentures. Interest income earned on pooled cash and investments is allocated on an accounting period basis to the various funds based on the period-end cash and investment balances; interest income from cash and investments with fiscal agents is credited directly to the related fund.

Investments - Under the provisions of the Agency's investment policy and in accordance with California Government Code, the following investments were authorized:

- Securities issued by the U.S. Treasury
- Securities issued and fully guaranteed as to payment by an agency of the U.S. Government
- Bankers' Acceptances
- Non-negotiable certificates of deposit
- Repurchase Agreements
- California Local Agency Investment Fund (State Pool)
- Corporate medium-term notes
- Mortgage-backed securities
- Diversified Management Companies, as defined by Section 23701m of the Revenue Taxation Code

Summary of cash and investments - The following is a summary of pooled cash and investments at June 30, 2014:

Cash and investments	\$1,202,156
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At June 30, 2014, cash and investments were composed of the following:

	Credit Quality <u>Ratings</u>	<u>Fair Value</u>
Deposits	Not Rated	\$ 181,899
Local Agency Investment Funds	Not Rated	1,018,707
Petty Cash	Not Rated	<u>1,550</u>
		<u>\$1,202,156</u>

BIGHORN-DESERT VIEW WATER AGENCY

NOTES TO FINANCIAL STATEMENTS

(Continued)

(2) Cash and investments, (Continued)

Risk Disclosures

Interest rate risk - As a means of limiting its exposure to fair value losses arising from rising interest rates, the Agency's investment policy limits the Agency's investment portfolio to maturities not to exceed five years at time of purchase.

Credit risk - State law limits investments in commercial paper and corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations (NRSROs). It is the Agency's policy to limit its investments in these investment types to the top rating issued by NRSROs, including raters Standard & Poor's, Fitch Ratings, and Moody's Investors Service.

Summary of Investments to Maturity

The fair value of investments held by maturity at June 30, 2014, is shown below:

Maturity:	
Current to one year	\$1,018,707
Two to three years	-
Four to five years	<u>-</u>
Total	<u>\$1,018,707</u>

Investment in State Investment Pool - The Agency 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 Agency's investment in this pool is reported in the accompanying financial statements at amounts based upon the Agency'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 is not rated.

BIGHORN-DESERT VIEW WATER AGENCY

NOTES TO FINANCIAL STATEMENTS

(Continued)

(3) Utility plant in service

A summary of changes in utility plant in service for the year ended June 30, 2014:

<u>Assets at Cost</u>	<u>Balance July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2014</u>
Capital assets, not being depreciated:				
Land	\$ 76,611	-	-	76,611
Construction in progress	<u>426,911</u>	<u>17,221</u>	<u>(422,733)</u>	<u>21,399</u>
Total capital assets, not being depreciated	<u>503,522</u>	<u>17,221</u>	<u>(422,733)</u>	<u>98,010</u>
Capital assets, being depreciated:				
Fuel station	18,942	-	-	18,942
Motor vehicles	450,976	56,957	-	507,933
Office building	237,605	-	-	237,605
Office equipment	118,241	-	(22,152)	96,089
Organization	336,272	-	-	336,272
Shop equipment	41,328	-	-	41,328
Water system	7,865,319	344,522	-	8,209,841
Yards	<u>61,438</u>	<u>50</u>	<u>-</u>	<u>61,488</u>
Total capital assets, being depreciated	<u>9,130,121</u>	<u>401,529</u>	<u>(22,152)</u>	<u>9,509,498</u>
Total assets at cost	<u>9,633,643</u>	<u>418,750</u>	<u>(444,885)</u>	<u>9,607,508</u>
Accumulated depreciation:				
Fuel station	(12,201)	(813)	-	(13,014)
Motor vehicles	(393,588)	(20,992)	-	(414,580)
Office building	(210,863)	(2,243)	-	(213,106)
Office equipment	(117,250)	(268)	22,152	(95,366)
Organization	(83,157)	(13,451)	-	(96,608)
Shop equipment	(39,456)	(850)	-	(40,306)
Water system	(4,809,646)	(194,190)	-	(5,003,836)
Yards	<u>(52,978)</u>	<u>(246)</u>	<u>-</u>	<u>(53,224)</u>
Total accumulated depreciation	<u>(5,719,139)</u>	<u>(233,053)</u>	<u>22,152</u>	<u>(5,930,040)</u>
Total capital assets being depreciated, net	<u>3,410,982</u>	<u>168,476</u>	<u>-</u>	<u>3,579,458</u>
Capital assets, net book value	<u>\$ 3,914,504</u>	<u>185,697</u>	<u>(422,733)</u>	<u>3,677,468</u>

BIGHORN-DESERT VIEW WATER AGENCY

NOTES TO FINANCIAL STATEMENTS

(Continued)

(3) Utility plant in service, (Continued)

Idle Assets - During fiscal year 2011/2012 the Agency conducted a feasibility study as to the existence of ground water in the Johnson Valley. In doing so, the Agency constructed a well which was to be used to pump water from the Johnson Valley. However, it was determined that at the drilling depth dictated by the feasibility study, the well would not produce water. While the Agency could continue to drill to further depths, in hopes of creating a producing well, this decision has not yet been made by management or the Board of Directors. As such, the value of the Johnson Valley Well, \$177,096, will be held on the balance sheet as an Idle Asset, not to be depreciated, until the Agency decides how to proceed regarding further drilling. Since the well has not experienced a permanent decline in the service utility of the asset, the well is not considered to be impaired based upon the criteria of GASB Statement No. 42.

(4) Long-term debt

Bonds Payable:

	<u>June 30, 2014</u>
Bighorn General obligation bonds:	
Original issue \$1,875,000, 5%, maturing in 2019; secured by tax levy revenues	\$ 470,000
Desert View Water revenue bonds:	
Original issue \$700,000, 5%, maturing in 2020; secured by a pledge of all revenues	<u>203,977</u>
Total bonds payable	673,977
Less portion due within one year	<u>(116,000)</u>
	<u>\$ 557,977</u>

Change in Long Term Liabilities:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within 1 Year</u>
Bighorn General Obligation Bonds	\$ 551,000	-	(81,000)	470,000	85,000
Desert View Water Revenue Bonds	232,977	-	(29,000)	203,977	31,000
Compensated Absences	<u>40,569</u>	<u>39,402</u>	<u>(30,145)</u>	<u>49,915</u>	<u>28,054</u>
Total	<u>\$ 824,546</u>	<u>39,402</u>	<u>(140,145)</u>	<u>723,892</u>	<u>144,054</u>

BIGHORN-DESERT VIEW WATER AGENCY

NOTES TO FINANCIAL STATEMENTS

(Continued)

(4) Long-term debt, (Continued)

Future long-term debt maturities are as follows:

Year Ending <u>June 30</u>	<u>General Obligation Bonds</u>		<u>Water Revenue Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 85,000	23,500	31,000	9,022
2016	89,000	19,250	32,000	7,422
2017	94,000	14,800	34,000	5,722
2018	98,000	10,100	35,000	3,972
2019	104,000	5,200	37,000	2,122
2020	-	-	<u>34,977</u>	<u>172</u>
Total	<u>\$ 470,000</u>	<u>72,850</u>	<u>203,977</u>	<u>28,432</u>

(5) Joint powers authority

The Agency participates in a joint powers agreement (JPA), the Special District Risk Management Authority (SDRMA), in order to obtain workers compensation and property liability insurance coverage. The relationships between the Agency and the JPA are such that the JPA is not a component unit of the Agency for financial reporting purposes.

The JPA has budgeting and financial reporting requirements independent of member units and its financial statements are not presented in these financial statements; however, transactions between the JPA and the Agency are included in these statements.

Special Districts Risk
Management Authority (SDRMA)

- Purpose: To purchase property, workers compensation, and liability insurance for member districts
- Participants: Special districts in California
- Governing board: Two directors selected by the California Special Districts Association and five elected from membership

BIGHORN-DESERT VIEW WATER AGENCY

NOTES TO FINANCIAL STATEMENTS

(Continued)

(6) Morongo Basin pipeline water delivery costs

On March 15, 1991, the Agency entered into an agreement with the Mojave Water Agency ("MWA") to receive water delivered through MWA's Morongo Basin pipeline ("the Pipeline") that serves the area of Improvement District M. Included in the transmission and distribution expenses of the Agency for the year ended June 30, 2014 are \$73,232 of such costs paid to MWA for water delivered through MWA's Morongo Basin pipeline. Under the terms of the agreement, the cost of the water purchased takes into account both operating and capital costs associated with the pipeline.

(7) Litigation

The Agency presently has no material action, suit or proceeding that is expected to have a material adverse effect upon the financial condition of the Agency.

(8) Defined benefit pension plan

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

Funding policy - For the year ended June 30, 2014, the Agency was required to contribute an actuarially determined rate of 17.620% (employer's rate) of covered payroll. The contribution requirements of plan members and the Agency are established and may be amended by PERS.

Annual pension cost - The Agency's total contributions to CalPERS for the fiscal years ending:

	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>June 30, 2012</u>
CalPERS contributions	\$ 46,433	40,788	38,520

BIGHORN-DESERT VIEW WATER AGENCY

NOTES TO FINANCIAL STATEMENTS

(Continued)

(8) Defined benefit pension plan (Continued)

For the year ended June 30, 2014, the Agency's annual pension cost for PERS was equal to the Agency's required and actual contributions (not including the portion paid on behalf of employees). The required contribution was determined as part of the June 30, 2011, actuarial valuation using the entry age normal cost method. The actuarial assumptions included: (a) 7.5% investment rate of return (net of administrative expenses); (b) projected annual salary increases of 2.75% attributable to inflation; and (c) a 0.25% across the board increase and merit increases that vary by length of service. The actuarial value of PERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a three-year period (smoothed market value). PERS unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis.

(9) Debt Covenants

The Agency is presently repaying two bond issues: (1) the 1979 Bighorn Mountains Water Agency General Obligation Bonds; and (2) the 1980 Desert View Water District Revenue Bonds. Each of these bond issues includes a series of covenants to which the Agency, or its predecessors, has agreed. One of the covenants in each issue is that the Agency will, at a minimum set its rates in a manner to provide sufficient revenue to cover operating costs, pay the principal and interest due on the bond installments, pay the annual payment required by the agreement with Mojave Water Agency, and have a specified coverage. The 1980 Desert View bonds have a coverage requirement that net revenues be 20% over the annual principal and interest payment. For the year ended June 30, 2014, this requirement has been met.

The Pledge of Revenues and Funds of the 1980 Desert View Water District Revenue Bonds (the "pledge") requires that a Reserve Fund be established to further secure the payment of the principal of and interest on those bonds. Pursuant to the pledge, the balance of this Reserve Fund is to be maintained at the average of all future payments, or \$38,735. At June 30, 2014, the reserve was fully funded and had a balance of \$1,018,707.

STATISTICAL SECTION

Financial Trends

These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time:

- Net Position by Component
- Changes in Net Position/Equity

Revenue Capacity

These schedules contain trend information to help the reader assess the government's most significant current local revenue source, the property tax:

- Water Sold
- Rates
- Largest Users

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place:

- Demographic

Debt Capacity Information

These schedules assist users in understanding and assessing a government's debt burden and its ability to issue additional debt:

- Ratio of Outstanding Debt
- Ratio of General Bond Outstanding
- Pledged – Revenue Coverage

Operating Information

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:

- Employees
- Operating and Capital

**BIGHORN-DESERT VIEW WATER AGENCY
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS**

<u>Fiscal Year</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Invested in capital assets, net of related debt	2,100,217	2,285,266	2,691,161	2,816,559	2,546,637	3,087,501	3,331,173	3,286,244	3,130,527	3,003,491
Restricted Bighorn/Desert View	408,227	413,889	-	-	-	766,463	-	-	-	-
Restricted for Bighorn	-	-	-	-	-	-	(182,214)	96,880	197,943	-
Restricted for Desert View	-	-	-	-	-	-	1,164,613	1,233,465	1,106,580	-
Unrestricted	501,402	492,707	845,948	453,169	940,679	-	-	-	-	1,535,444
Total net position	3,009,846	3,191,862	3,537,109	3,269,728	3,487,316	3,853,964	4,313,572	4,616,589	4,435,050	4,538,935
% Increase	5.29%	6.05%	10.82%	-7.56%	6.65%	10.51%	11.93%	7.02%	-3.93%	2.34%

Source: Audited financial statements

**BIGHORN-DESERT VIEW WATER AGENCY
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS**

Fiscal Year	Water Operating Revenues	Operating Expenses	Operating Loss	Total Nonoperating Revenues/Expenses	Grant Income	Change in Net Position
2004/2005	793,862	918,655	(124,793)	275,989	-	151,196
2005/2006	957,729	878,861	78,868	103,148	200,000	182,016
2006/2007	1,028,163	1,078,584	(50,421)	117,286	278,378	345,243
2007/2008	901,719	1,337,090	(435,371)	167,994	11,077	(256,300)
2008/2009	1,066,200	1,107,924	(41,724)	210,507	42,855	211,638
2009/2010	1,144,587	1,172,020	(27,433)	161,738	232,343	366,648
2010/2011	1,102,914	1,196,140	(93,226)	122,229	430,605	459,608
2011/2012	1,102,119	1,222,486	(120,367)	295,167	128,217	303,017
2012/2013	1,106,858	1,294,049	(187,191)	288,509	193,000	294,318
2013/2014	1,089,864	1,385,932	(296,068)	297,576	102,377	103,885

2012/2013 Changed total non-operating from 294,318 to correct amount of 288,509.

**BIGHORN-DESERT VIEW WATER AGENCY
WATER SOLD
LAST TEN FISCAL YEARS**

Fiscal Year 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014

BIGHORN MOUNTAINS

Residential 1-6 plus bulk accounts 30, 31 & 33										
Cubic Feet	6,151,317	6,342,070	9,182,709	8,018,498	7,410,980	6,714,996	6,542,481	6,307,928	6,313,798	6,452,122
Acre Feet	141.2	145.6	210.8	184.1	170.1	154.2	150.2	145	145	148

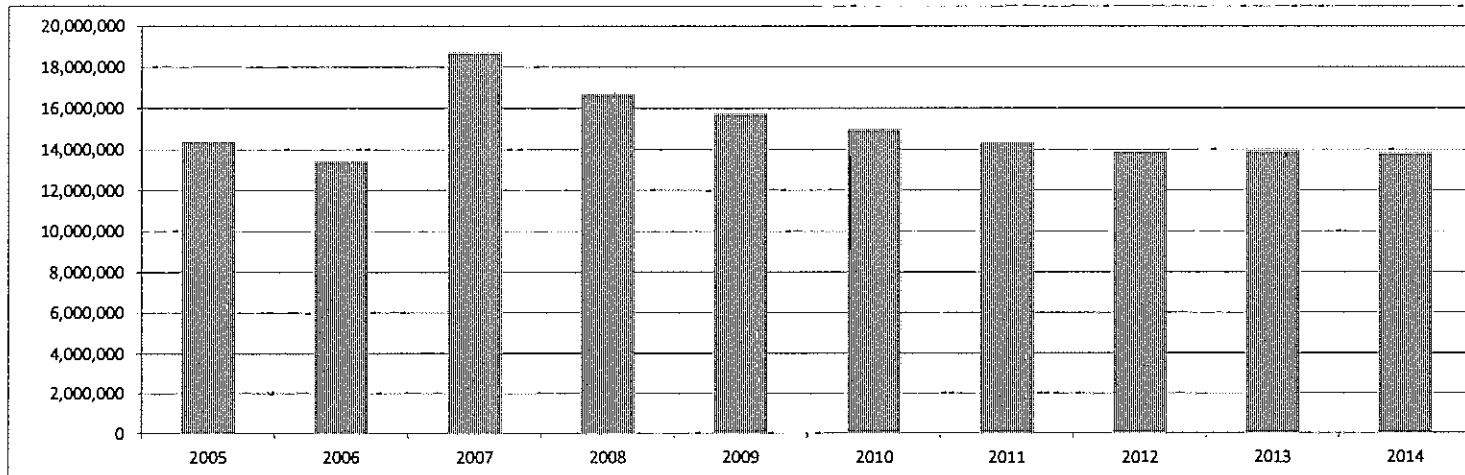
DESERT VIEW

Residential 7-11 plus bulk account 32										
Cubic Feet	8,227,880	7,053,992	9,499,609	8,623,442	8,295,352	8,239,072	7,779,814	7,559,768	7,589,015	7,348,915
Acre Feet	188.9	161.9	218.1	198.0	190.4	189.1	178.6	173.5	174.2	168.7

Total Sales in Cubic Feet	14,379,197	13,396,062	18,682,318	16,641,940	15,706,332	14,954,068	14,322,295	13,867,696	13,902,813	13,801,037
Total Sales in Acre Feet	330.1	307.5	428.9	382.0	360.6	343.3	328.8	318.4	319.2	316.8

Bulk accounts are for individuals that haul their own water and water haulers.
Closed accounts are included with billing cycle regardless of route.

WATER SOLD PER YEAR



**BIGHORN-DESERT VIEW WATER AGENCY
WATER RATES
LAST TEN FISCAL YEARS**

Fiscal Year	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
BIGHORN MOUNTAINS										
Accounts 01-06										
Consumption Rate	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00
Basic Service Charge	\$20.00	\$20.00	\$20.00	\$20.00	\$27.50	\$27.50	\$27.50	\$27.50	\$27.50	\$27.50
DESERT VIEW										
Accounts 07-11										
Consumption Rate	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00
Basic Service Charge	\$20.00	\$20.00	\$20.00	\$20.00	\$27.50	\$27.50	\$27.50	\$27.50	\$27.50	\$27.50
FMHA	\$4.65	\$4.65	\$4.65	\$4.65	\$4.65	\$4.65	\$4.65	\$4.65	\$4.65	\$4.65
Accounts 30-33										
Consumption Rate	\$3.00	\$3.00	\$7.00	\$7.00	\$7.00	\$8.50	\$8.50	\$8.50	\$8.50	\$8.50
Basic Service Charge	\$20.00	\$20.00	None	None	None	None	None	None	None	None

"Basic Rate" is montly fixed basic service charge regardless of water consumption.

"Usage Rate" is rate imposed per 100 cubic feet metered Agency bills customers bi-monthly.

Basic Service Charge and Consumption Rate changes are subject to California Constitution limitations (aka: Proposition 218)

**BIGHORN-DESERT VIEW WATER AGENCY
LARGEST WATER USERS 2013-2014**

Customer	Sales in Cubic Ft	Annual Revenues	Percent of Sales
1 H2O2U (WATER HAULER)	200,660	\$17,758	3.92%
2 JS WATER (WATER HAULER)	107,190	\$9,486	2.09%
3 WHITE ROCK HORSE RESCUE	105,845	\$3,175	0.70%
4 LANDERS ELEMENTARY SCHOOL	97,590	\$2,928	0.65%
5 RESIDENTIAL CUSTOMER 1	96,628	\$2,899	0.64%
6 RESIDENTIAL CUSTOMER2	79,734	\$2,392	0.53%
7 HERO MARKET	64,701	\$1,941	0.43%
8 LOYAL ORDER OF MOOSE LANDERS LODGE	57,779	\$1,733	0.38%
9 RESIDENTIAL CUSTOMER	56,280	\$1,688	0.37%
10 RESIDENTIAL CUSTOMER 3	53,769	\$1,613	0.36%
Water Sold in 2013-2014	13,801,037	\$ 453,100	

Bulk rate has increased which reflects in 2013/2014 Annual Revenues.

Only potable water is distributed by BDVWA

High usage contributed to "water leaks" have been excluded

LARGEST WATER USERS 2005-2006

Customer	Sales in Cubic Ft	Annual Revenues	Percent of Sales
1 L&S WATER DELIVERY (WATER HAULER)	267,720	\$8,032	1.60%
2 MATICH CORP (CONSTRUCTION METER)	254,420	\$7,633	1.52%
3 DON LINDBERG (WATER HAULER)	115,210	\$3,456	0.69%
4 LANDER ELEMENTARY SCHOOL	105,088	\$3,153	0.63%
5 RESIDENTIAL CUSTOMER	94,370	\$2,831	0.57%
6 SALAS, DAVID (WATER HAULER)	93,400	\$2,802	0.56%
7 RESIDENTIAL CUSTOMER 1	85,733	\$2,572	0.51%
8 RESIDENTIAL CUSTOMER 3	72,672	\$2,180	0.44%
9 RESIDENTIAL CUSTOMER	66,212	\$1,986	0.40%
10 RESIDENTIAL CUSTOMER 2	64,762	\$1,943	0.39%
Water Sold in 2005-2006	13,396,062	\$ 500,565	

**BIGHORN-DESERT VIEW WATER AGENCY
RATIO OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS**

Fiscal Year	BH Bond	DV Bond	Total Outstanding Debt	Percent of Personal Income	Debt per Capita
2004/2005	\$1,065,000	\$421,977	\$1,486,977	2.54%	\$587
2005/2006	\$1,013,000	\$401,977	\$1,414,977	2.24%	\$548
2006/2007	\$958,000	\$380,977	\$1,338,977	1.99%	\$511
2007/2008	\$900,000	\$358,977	\$1,258,977	1.87%	\$489
2008/2009	\$838,000	\$335,977	\$1,173,977	1.76%	\$456
2009/2010	\$772,000	\$311,977	\$1,083,977	1.48%	\$356
2010/2011	\$702,000	\$268,447	\$970,447	1.03%	\$318
2011/2012	\$628,000	\$260,978	\$888,978	0.78%	\$292
2012/2013	\$551,000	\$232,977	\$783,977	0.69%	\$257
2013/2014	\$470,000	\$203,594	\$673,594	0.78%	\$221

2010 and 2011 income was estimated by using the Yucca Valley income found in the financial report and taking the same % of increase/decrease.

2012, 2013, 2014 Median household income taken from
http://www.bestplaces.net/economy/zip-code/california/yucca_valley/92284

2013-2014 population for 2010-2013 was updated so Debt per Capita changed.

**BIGHORN-DESERT VIEW WATER AGENCY
RATIO OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS**

Fiscal Year	Obligation Bonds	Assessed Value	Debt per Capita
2004/2005	\$1,065,000	\$1,065,000	\$420
2005/2006	\$1,013,000	\$1,013,000	\$392
2006/2007	\$958,000	\$958,000	\$366
2007/2008	\$900,000	\$900,000	\$350
2008/2009	\$838,000	\$838,000	\$325
2009/2010	\$772,000	\$772,000	\$254
2010/2011	\$702,000	\$702,000	\$230
2011/2012	\$628,000	\$628,000	\$206
2012/2013	\$551,000	\$551,000	\$180
2013/2014	\$470,000	\$470,000	\$154

2013-2014 Population for 2010-2013 was updated so Debt per Capita has changed.

**BIGHORN-DESERT VIEW WATER AGENCY
PLEGDED-REVENUE COVERAGE
LAST TEN FISCAL YEARS**

Desert View Water Revenue Bonds

Fiscal Year Ended June 30	FMHA Surcharge	Debt		Coverage
		Principal	Interest	
2003/2004	41,738	18,000	23,150	1.01
2004/2005	42,631	19,000	22,250	1.03
2005/2006	42,964	20,000	20,586	1.06
2006/2007	43,665	21,000	19,899	1.07
2007/2008	43,640	22,000	18,181	1.09
2008/2009	47,744	23,000	22,436	1.05
2009/2010	50,345	24,000	12,311	1.39
2010/2011	50,206	25,000	13,534	1.30
2011/2012	50,006	26,000	13,442	1.27
2012/2013	49,967	28,000	12,324	1.24
2013/2014	49,843	29,000	11,274	1.24

2004 - 2005 are estimated from number of service connections multiplied by the FHMA surcharge

**BIGHORN-DESERT VIEW WATER AGENCY
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN CALENDAR YEARS**

Calendar Year	Population	Personal Income	Unemployment Rate
2005	2,535	\$23,104	5.30%
2006	2,582	\$24,425	5%
2007	2,619	\$25,645	5.60%
2008	2,574	\$26,178	8.20%
2009	2,575	\$25,837	13%
2010	3,045	\$24,052	13%
2011	3,047	\$31,027	14%
2012	3,049	\$37,293	12.7%
2013	3,053	\$37,293	14.0%
2014	3,053	\$28,255	8.3%

1. Population was recalibrated back to 2010 for the FY2013/14 CAFR based on analysis by Stanley Hoffman & Assoc. as part of an economic review for the Agency. In the future, population will be obtained from the Agency Appropriation Limit worksheet.

2. Personal income is based on an average of 3 blocks from U.S. Census American Community Survey Household Median Income in 2009, then compared to previous data for San Bernardino County. <http://www.bea.gov/regional/downloadzip.cfm>

3. 2012 Unemployment was taken from www.labormarketinfo.edd.ca.gov - Historical Civilian Labor Force

4. 2012 Median household income taken from http://www.bestplaces.net/economy/zip-code/california/yucca_valley/92284

5. 2013-2014 Population for 2010-2013 was updated.

Employer	Number of Employees				2014 % of Labor Force
	2010-2011	2011-2012	2012-2013	2013-2014	
Post Office	1	1	1	1	0.09%
Western Coffee Pot	4	1	2	0	0.00%
Mojave Liquor/ Hallidays	2	2	4	5	0.46%
Loyal Order/Moose Landers	2	2	2	2	0.18%
Halliday's	1	2	0	0	0.00%
Castle Inn	3	3	2	0	0.00%
Diversified Tools	4	4	4	2	0.18%
Heros	4	6	6	5	0.46%
Bighorn Desert View Water Agency	8	7	7	7	0.64%
Landers Elementary School	27	25	20	25	2.29%

Total Labor Force for BDV Service Area 1090

Employment information from 2003-2009 is not available.

Every employer in the Bighorn-Desert View service area is included.

2013-2014 Employees for Loyal Order of Moose in Landers has been carried over from the previous year. Unable to reach a representative.

Changes from 2012-2013:

Western Coffee Pot closed.

Castle Inn closed.

Changes from 2011-2012:

The owner of Mojave purchased Halliday's

Gubler's Orchid has been removed from the list, Gubler's is not in our service area.

Total Labor Force was estimated by using the Yucca Valley Labor Force found on: www.Labormarketinfo.edd.ca.gov then reduced according to the population.

**BIGHORN-DESERT VIEW WATER AGENCY
DISTRICT EMPLOYEES BY FUNCTION
LAST TEN FISCAL YEARS**

<u>Water Operations</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Water Quality & Maintenance	1	1	1	1	1	1	1	1	1	1
Water Distribution & Maintenance	2	2	2	2	2	2	2	2	2	2
Field Supervisor*	1	1	1	1	1	1	0	0	0	0
Chief of Operations**	0	0	1	1	0	0	0	0	0	0
<u>Administration</u>										
Administration***	2	2	2	2	2	2	2	2	1	1
Accounting I, II, III/Customer Service	2	2	2	2	2	2	2	2	3	3
Total Positions	8	8	9	9	8	8	7	7	7	7

General Manager is included in Administration
Board Members and Temporary employees are not included.

*6/30/12: Supervisor Field Vacant.

**6/30/08 Chief of Operations position eliminated

***6/30/12: Exec. Sec/Personnel Vacant

***07/01/13: Exec. Sec/Personnel eliminated

**BIGHORN-DESERT VIEW WATER AGENCY
WATER SYSTEM STATISTICS
LAST TEN FISCAL YEARS**

<u>POTABLE WATER SYSTEM</u> ¹	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Miles of pipeline:	120	120	120	120	120	120	120	120	120	120
Number of storage tanks	10	10	10	10	10	10	10	10	10	10
Maximum storage capacity (million gallons)	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4
Number of active pumping plants	2	2	2	2	2	2	2	2	2	2
Number of active wells ² :										
domestic	8	8	8	8	8	8	7	7	7	6
Domestic well production capacity:										
acre feet per calendar year	452	474	530	487	469	432	412	412	427	427
Number of service connections ³ :										
Bighorn Mountains	787	804	825	809	1012	1008	1008	1007	1007	1009
Desert View	764	780	797	773	900	894	892	889	888	886
<u>GENERAL INFORMATION</u>										
Service area (annexed property):										
acres	27,353	27,353	27,353	27,353	27,353	27,353	27,353	27,353	27,353	27,353
square miles	43	43	43	43	43	43	43	43	43	43

1. Corrections have been from prior year statistics
2. Well 4 was inactivated in 2011 and Well 2 was inactivated in 2013
3. 2003 to 2008 figures include open meters in use only. 2009 the count was changed to include all meters active and inactive.
4. 2013-2014 Verified service connections for 2009-2013; both Bighorn Mountain and Desert View totals have been updated.