

Bighorn-Desert View Water Agency  
Yucca Valley, California



A Public Agency

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Comprehensive Annual Financial Report  
For the Fiscal Years Ended June 20, 2011 and 2010



Photo by Kaylee West

Bighorn-Desert View Water Agency  
Yucca Valley, California



A Public Agency

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Photo by Kaylee West

## 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 30<sup>th</sup>, 2011

<u>Member</u>	<u>Office</u>	<u>Term Expires</u>
Terry Burkhart	President	2013
Vacant on 6/30/11	Vice President	2013
Michael McBride	Director	2011
David Larson	Director	2011
Judy Corl-Lorono	Director	2011

Bighorn-Desert View Water Agency  
Marina D. West, PG, General Manager  
622 S. Jemez Trail  
Yucca Valley, California 92284  
(760) 364-2315  
[www.bdvwa.org](http://www.bdvwa.org)



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Comprehensive Annual Financial Report

For the Fiscal Years Ended

June 20, 2011 and 2010

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*

**BIGHORN-DESERT VIEW WATER AGENCY**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

Year Ended June 30, 2011

(with comparative information for June 30, 2010)

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**INTRODUCTORY SECTION**

## **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, 2011 and 2010, 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.

This report is organized into four sections: (1) Introductory; (2) Financial; (3) Supplemental Information; and (4) Statistical. The Introductory section offers general information about the Agency's organization and current Agency activities and reports on a summary of significant financial results. The Financial section includes the Independent Auditors' Report, Management's Discussion and Analysis of the Agency's basic financial statements, and the Agency's audited basic financial statements with accompanying notes. The Supplemental Information section includes schedules for purposes of additional analysis. The Statistical section presents un-audited ten-year historical financial, demographic and statistical information pertinent to the Agency's operations.

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 it. The Agency's MD&A can be found immediately after the Independent Auditors' Report.

## **Agency Structure and Leadership**

The Bighorn-Desert View Water Agency is a consolidated independent special district, formed in 1990, operating 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. The Agency employs seven (7) regular employees organized in two departments. The Agency's Board of Directors meets on the fourth Tuesday of each month. Meetings are publically noticed and citizens are encouraged to attend.

The Agency provides water service to approximately 1,500 active residential customers, 400 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 small quantity of water is lost to system flushing, testing and leaks. However, recent measurements of consumption versus production show a variance of approximately 20%. The Agency currently has a total of eight (8) groundwater wells with a maximum production capacity of 2,733 gallons per minute. In 2010 and 2011, the Agency produced 432 and 412 acre-feet of groundwater, respectively. The Agency did not purchase any imported State Project Water from the Mojave Water Agency during this time period.

## **Economic Condition and Outlook for the Local Economy**

According to *Sterling Places* the cost of living in the Landers area is 16.10% lower than the U.S. average. However, the unemployment rate is currently approximately 14%. 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 Twenty-Nine 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.

The downturned economy has affected the Agency's revenue stream through reduced property taxes following re-assessment of property values as well as decreased water sales from conservation and foreclosures.

Measurable improvements in the local economy are not anticipated in the next fiscal year.

## **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". Some of the strategic goals that the Board of Directors are focused on are:

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.
2. Completion of remaining Work Plan Tasks authorized under a \$575,000 Environmental Protection Agency State and Tribal Assistance Grant (EPA STAG) granted to the Agency in 2005.
  - a. Ames/Reche Spreading Grounds and Recovery Program.

- b. Ames/Reche Groundwater Management Plan in support of the Ames/Reche Groundwater Basin Management Agreement aimed at amending the Ames Valley Water Basin Agreement (Stipulated Judgment).
  - c. Johnson Valley Hydrogeologic Investigation.
- 3. Completion of 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.
- 4. Completion of the Local Area Formation Commission Municipal Sphere Review/Sphere of Influence process for the Agency.
- 5. Promote continued education for Board and staff.
- 6. Emergency and disaster preparedness.
- 7. Obtain Certificate of Achievement for Excellence in Financial Reporting for our Comprehensive Financial Report in fiscal year 2010/11 from the Government Finance Officers Association of the United States and Canada.

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 2011:

- 1. Completed a Feasibility Study for the Ames/Reche Spreading Grounds and Recovery Program which included the construction of two new groundwater monitoring wells. Continued progress on Ames/Reche Groundwater Basin Management Agreement and environmental studies in support of a 5-acre recharge facility for imported water from the State Water Project.
- 2. The Agency appointed a Chief Engineer to assist the Agency with execution of the elements of the Water Master Plan and general engineering expertise.
- 3. Updated the biennial Conflict of Interest Code incorporating by reference the standard conflict of interest and disclosure code adopted by the Fair Political Practices Commission as well as updated Code of Ethics for the Agency Board of Directors and key staff.
- 4. Updated the Personnel Manual to include a "Fraud in the Workplace" policy as well as updates to two job descriptions.

5. Adopted a balance budget without relying on cash reserves.
6. Placed liens on the secured property tax rolls for outstanding debt owed the Agency.
7. Adopted an Ordinance providing for the compensation of the Board of Directors and establishing procedures related thereto.
8. Maintained NIMS (National Incident Management System) certifications. Continued participation in ERNIE (Emergency Response Network of the Inland Empire) and CalWarn via mutual aid Memorandum of Understanding.
9. Continued education for members of the Board and staff.
10. Approved a Will Serve Letter to Hahm International proposing an iron mining project in the Johnson Valley area.
11. Formed Ad Hoc Committee to begin search for new General Counsel following untimely death of former General Counsel.
12. Executed 5-year Employment Contract extension with General Manager.
13. Recipient of the calendar year *2011 McMurchie Excellence in Safety Award* in recognition of outstanding leadership for employee loss prevention and safety programs.

### **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**

For the last three fiscal years, 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 budget for capital improvements. 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 and institutional checking accounts only.

## **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.

## **Water Conservation Programs**

Due to the size of the Agency's customer base, compulsory participation in the State's 20X2020 (20% reduction in water consumption by the year 2020) is not required. However, overall the Agency customers have demonstrated a very low per capita consumption rate. Nonetheless, 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 Water-Wise Landscape 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 but the Agency does offer residential water audits in addition to our water awareness program.

## **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, with a major credit card over the phone or on the Agency's website.

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.

### Other References

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

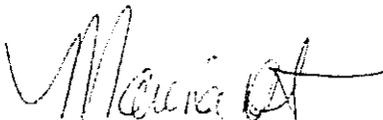
### Awards and Acknowledgements

The Agency received the *McMurchie Excellence in Safety Award* for calendar year 2011 in recognition of outstanding leadership for employee loss prevention and safety programs.

The Government Finance Officers Association of the United States and Canada (GFOA) awards the *Certificate of Achievement for Excellence in Financial Reporting* to Agency's for submission of Comprehensive Annual Financial Reports submitted for review. This will be the first year that the Agency has applied for this prestigious award. In order to be awarded a Certificate of Achievement, a governmental entity 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.

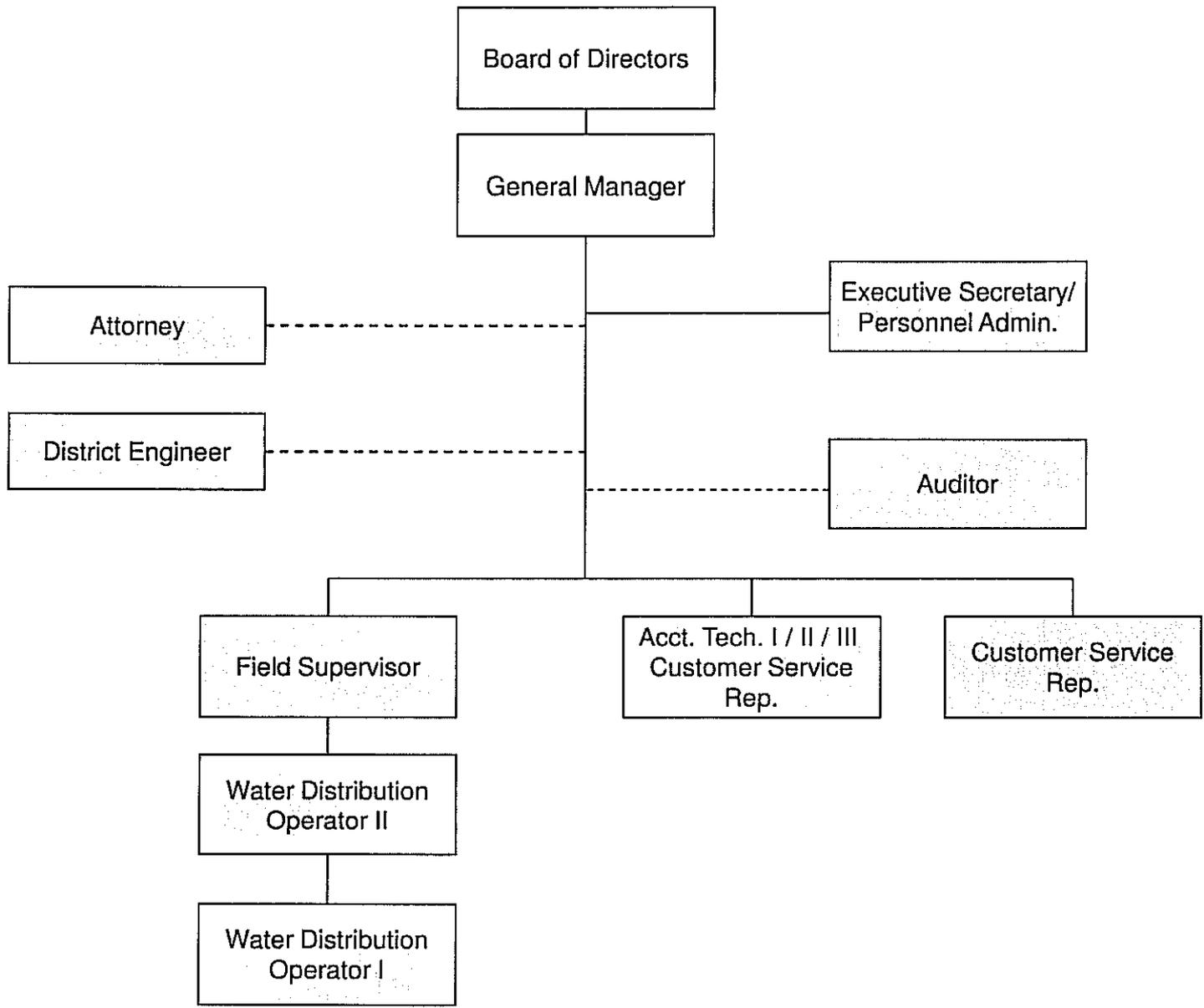
Preparation of this report was accomplished by the combined efforts of Agency staff. We appreciate the dedicated efforts and professionalism that our staff members bring to the Agency. We would also like to thank the members of the Board of Directors for their continued support in the planning and implementation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

With Great Pleasure,

  
\_\_\_\_\_  
Marina West  
General Manager

  
\_\_\_\_\_  
Gayla Blanton  
Accounting Technician II





## Organizational Chart Breakdown

Executive Secretary

Employee: Lynda Tompkins

Job Description Status: Completed & Approved

Acct. Tech. I / II/ III  
Customer Service  
Representative AP

Employee: Gayla Blanton

Job Description Status: Completed & Approved

Customer Service  
Representative AR

Employee: Michelle Corbin

Job Description Status: Background compiled, draft description in progress

Field Supervisor

Employee: Vacant

Job Description Status: Existing description available, compiling data for new description

Water Distribution  
Operator II

Employee: James "Kit" Boyd, David Rewal

Job Description Status: Background compiled, awaiting employee input

Water Distribution  
Operator I

Employees: Mike Caruso

Job Description Status: Background compiled, awaiting employee input

## Organizational Chart Breakdown, cont.

Attorney

Appointed by Contract: Alshire & Wynder, LLP

District Engineer

Appointed by Contract: Krieger & Stewart, Inc.

Auditor

Appointed by Contract: Mayer Hoffman McCann PC

**FINANCIAL SECTION**



**Mayer Hoffman McCann P.C.**

An Independent CPA Firm

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Irvine, California 92612  
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Board of Directors

**BIGHORN-DESERT VIEW WATER AGENCY**

**INDEPENDENT AUDITORS' REPORT**

We have audited the accompanying balance sheet of Bighorn-Desert View Water Agency (the "Agency") as of June 30, 2011, and the related statements of revenues, expenses, and changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year partial comparative information has been derived from the financial statements of the Agency for the year ended June 30, 2010, and in our report dated February 8, 2011, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *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 of material misstatement. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Agency at June 30, 2011, and its changes in net assets and cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

The information identified in the accompanying table of contents as management's discussion and analysis is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Board of Directors  
Bighorn-Desert View Water Agency  
Page Two

Our audit for the year ended June 30, 2011 was conducted for the purpose of forming an opinion on the financial statements that collectively compose the Bighorn-Desert View Water Agency. The statistical section listed in the accompanying table of contents is presented for purposes of additional analysis and are not a required part of the financial statements. These schedules contain financial and nonfinancial information which have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 30, 2011 on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants 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 considered in assessing the results of our audit.

*Maury Hoffman Milam P.C.*

Irvine, California  
November 30, 2011

## 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, 2011. 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 Assets and the Statement of Revenues, Expenses, and Changes in Net Assets 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 assets – 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 Assets  
(in Millions)

	<u>2011</u>	<u>2010</u>	<u>Change</u>
Current and Other Assets	\$ 1.1	\$ 1.0	0.5
Non-current Assets	<u>4.3</u>	<u>4.2</u>	0.17
Total Assets	\$ 5.4	\$ 5.2	0.22
Current Liabilities	\$ 0.2	\$ 0.35	(0.14)
Non-Current Liabilities	<u>0.9</u>	<u>1.0</u>	(0.10)
Total Liabilities	\$ 1.1	\$ 1.4	(0.24)
Invested in capital asset, net of related debt	\$ 3.3	\$ 3.1	0.24
Restricted*	1.0	0.8	0.22
Total Net Assets	<u>\$ 4.3</u>	<u>\$ 3.9</u>	0.46

*(in millions)*

\* Reinstated to conform to current year presentation.

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

Table 2  
Changes in Net Assets  
(in Millions)

	<u>2011</u>	<u>2010</u>	<u>Change</u>
Operating Revenues			
Water Sales	\$ .5	\$ .5	(0.06)
Other revenues	<u>0.6</u>	<u>0.6</u>	0.01
Total Operating Revenues	\$ 1.1	\$ 1.1	(0.04)
Operating Expenses			
Transmission and Distribution	\$ 0.4	\$ 0.4	(0.06)
General and Administrative	0.6	0.5	0.07
Depreciation	<u>0.2</u>	<u>0.2</u>	0.01
Total Operating Expenses	\$ 1.2	\$ 1.2	0.02
Operating Loss	(0.09)	(0.03)	(0.07)
Non-Operating Revenues (Expenses):			
Interest revenue	.004	0.003	0.001
Other revenue	0.28	0.29	0.19
Interest expense	(0.05)	(0.05)	(0.001)
Other expense	<u>(0.11)</u>	<u>(0.4)</u>	(0.04)
Total Non-Operating Revenues (Expenses)	\$ 0.12	\$ 0.16	0.16
Income Before Contributions	0.029	0.13	0.09
Capital grants	<u>.43</u>	<u>.23</u>	(0.04)
Change in Net Assets	0.46	0.36	0.09
Net Assets Beginning, July 1	<u>3.85</u>	<u>3.5</u>	0.37
Net Assets Ending, June 30	<u>\$ 4.31</u>	<u>\$ 3.9</u>	0.46

(In millions)

The increase or decrease in net assets can provide an indication as to whether the overall financial position of the Agency improved or deteriorated during the year. Net assets of the Agency increased by 11% (\$4.31 million compared to \$3.85) 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:

- Income from metered water sales is down approximately 11% from the prior year end. Water sales between 2008 and 2009 increased approximately 8% which has been attributed to the upgrade (exchange) of all customer water meters during that fiscal year. However, water sales then decreased 5% during fiscal year 2009/10 and another 11% this fiscal year. The continued decline in metered water sales has been attributed to the economic downturn (i.e. foreclosures/higher vacancy rates) and possibly conservation measures for the same reason (i.e. tighter budgets).
- Total Net Assets of the Agency increased approximately \$460,000 which is primarily attributed to revenues exceeded expenses. The Agency received \$135,900 of revenue as grant income from the Environmental Protection Agency State and Tribal Assistance Grant (EPA STAG) reimbursements for expenditures made on the Ames/Reche Spreading Grounds Project.
- During FY2010/11 the Agency reviewed its list of depreciable assets and determined that some assets were no longer in the possession of the Agency and should be removed from the asset list. In addition, there were a wide variety of items on the list that could not legitimately be classified as assets (i.e. disposable items such as window blinds). These were also removed from the list. The result was an adjustment to the depreciable assets of approximately \$176,000, with a net book value of approximately \$35,000.
- The Balance Sheet for Liabilities and Net Assets (pg. 8 of the Financial Statements) shows an entry for “deferred revenue” equal to \$0. In 2010 the entry for “deferred revenue” was equal to \$128,209. The change represents the application of the revenue to the Ames/Reche Spreading Grounds Project. The revenue was a cash advance from Mojave Water Agency to fund the Ames/Means Recharge Project as part of a Memorandum of Understanding (eg. Agreement) executed by both Agency’s effective September 10, 2009.
- As described further in note ten (10), the bond resolutions of the Agency and those of its predecessor districts contain provisions that require the tracking of certain operational funds with respect to the geographical areas of the two predecessor districts.

It was not practicable to re-construct with absolute precision the geographical identity of every dollar of operational activity (many expenditures of which were for the joint benefit of both areas) of the Agency that have transpired since the date that the two predecessor water districts were consolidated. Generally accepted accounting principles acknowledge the acceptability of reasonable approximations to measure an accounting result. Accordingly, a distribution of the equity (net assets) of the consolidated Agency as of June 30, 2010 into the two geographical areas associated with the Agency’s predecessor districts was appropriately based upon an operational analysis of the of the Agency based upon a four year study of operations.

For that four year period, the General Manager using her operational knowledge of the Agency, allocated each revenue account classification and each expense account classification to the geographical jurisdictions of the two predecessor agencies using her

best determination of the geographical benefit associated with each revenue classification and expense classification.

Such determinations were made using her informed judgment and operational knowledge. Determinations were made based on the facts and circumstances pertaining to each revenue and expense classification. Where a particular revenue or expense account classification was not associated with a specific geographical area, that classification was assigned in equal proportions to each area.

### **LONG-TERM DEBT**

At the end of the 2010/11 fiscal year, the District had bonded debt outstanding of \$990,977 less the portion (\$100,000) 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.

#### **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**

**BALANCE SHEET**

As of June 30, 2011

(with comparative information for June 30, 2010)

	<u>2011</u>	<u>2010</u>
<b>A S S E T S</b>		
Current assets:		
Cash and cash equivalents (note 2)	\$ 762,219	704,401
Accounts receivable - water services	164,140	173,813
Accounts receivable - customer projects	2,790	-
Accounts receivable-unbilled	40,251	46,631
Grants receivable	28,673	-
Property tax receivable	22,707	30,310
Interest receivable	1,955	1,032
Inventory	61,100	75,500
Prepaid expenses	-	6,804
	<u>1,083,835</u>	<u>1,038,491</u>
TOTAL CURRENT ASSETS		
Non-current assets:		
Debt issuance costs, net	-	2,011
Long term receivables	28,068	-
Capital assets not being depreciated (note 3)	805,494	384,010
Capital assets being depreciated, net (note 3)	<u>3,515,094</u>	<u>3,789,468</u>
TOTAL NON-CURRENT ASSETS	<u>4,348,656</u>	<u>4,175,489</u>
TOTAL ASSETS	<u>\$ 5,432,491</u>	<u>5,213,980</u>

(Continued)

**BIGHORN-DESERT VIEW WATER AGENCY**

**BALANCE SHEET**

As of June 30, 2011

(continued)

(with comparative information for June 30, 2010)

	<u>2011</u>	<u>2010</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Accounts payable	\$ 20,144	33,990
Current portion of long-term debt (note 4)	100,000	95,000
Current portion of capital lease	-	2,346
Payroll liabilities	18,930	13,904
Customer deposits - Water	50,904	65,734
Customer deposits - Projects	7,388	-
Interest payable	5,347	8,237
Deferred revenue	-	128,209
	<u>202,713</u>	<u>347,420</u>
Non-current liabilities (note 4):		
Bonds payable	890,977	990,977
Compensated absences	25,229	21,619
	<u>916,206</u>	<u>1,012,596</u>
TOTAL LIABILITIES		
	<u>1,118,919</u>	<u>1,360,016</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	3,331,173	3,087,501
Restricted	982,399	766,463
	<u>4,313,572</u>	<u>3,853,964</u>
TOTAL NET ASSETS		
	<u>4,313,572</u>	<u>3,853,964</u>
TOTAL LIABILITIES AND NET ASSETS		
	<u>\$ 5,432,491</u>	<u>5,213,980</u>

See Notes to Financial Statements

**BIGHORN-DESERT VIEW WATER AGENCY**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**

For the Year Ended June 30, 2011

(with comparative information for June 30, 2010)

	<u>2011</u>	<u>2010</u>
OPERATING REVENUES		
Water sales	\$ 457,078	513,026
Water services	50,253	33,881
Basic surcharge	<u>595,583</u>	<u>597,680</u>
 TOTAL OPERATING REVENUES	 1,102,914	 1,144,587
 OPERATING EXPENSES		
Transmission and distribution	351,065	406,370
General and administrative	605,733	535,884
Depreciation	<u>239,342</u>	<u>229,766</u>
 TOTAL OPERATING EXPENSES	 <u>1,196,140</u>	 <u>1,172,020</u>
 OPERATING INCOME ( LOSS)	 (93,226)	 (27,433)
 NON-OPERATING REVENUES (EXPENSES)		
Interest income	4,472	3,266
Tax levy	223,764	237,111
Desert View debt surcharge	50,206	50,345
Gain/loss on disposal of asset	(38,832)	(1,170)
Other income/expense	9,036	(4,099)
Interest expense	(51,309)	(50,461)
Mojave Water Agency pipeline interest (note 6)	(73,097)	(73,254)
Amortization of debt issuance costs	<u>(2,011)</u>	<u>-</u>
 TOTAL NON-OPERATING REVENUES (EXPENSES)	 122,229	 161,738
 INCOME BEFORE CAPITAL CONTRIBUTIONS	 29,003	 134,305
 CAPITAL GRANTS	 <u>430,605</u>	 <u>232,343</u>
 CHANGE IN NET ASSETS	 459,608	 366,648
 NET ASSETS BEGINNING, JULY 1	 <u>3,853,964</u>	 <u>3,487,316</u>
 NET ASSETS ENDING, JUNE 30	 <u>\$ 4,313,572</u>	 <u>3,853,964</u>

See Notes to Financial Statements

**BIGHORN-DESERT VIEW WATER AGENCY**

**STATEMENT OF CASH FLOWS**

For the Year ended June 30, 2011

(with comparative information for June 30, 2010)

	<u>2011</u>	<u>2010</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from customers	\$ 1,059,597	1,137,079
Cash payments to suppliers for goods and services	(343,707)	(360,292)
Cash payments to employees and directors for services	<u>(597,097)</u>	<u>(530,380)</u>
 <b>NET CASH PROVIDED BY (USED IN)</b>	 <u>118,793</u>	 <u>246,407</u>
<b>OPERATING ACTIVITIES</b>		
 <b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>		
Property taxes received	<u>95,783</u>	<u>113,732</u>
 <b>NET CASH PROVIDED BY NON-CAPITAL</b>	 <u>95,783</u>	 <u>113,732</u>
<b>FINANCING ACTIVITIES</b>		
 <b>CASH FLOWS FROM CAPITAL AND RELATED</b>		
<b>FINANCING ACTIVITIES:</b>		
Property taxes received in support of long-term debt	127,981	123,379
Other revenue received in support of long-term debt	50,206	50,345
Acquisition of capital assets	(425,284)	(343,605)
Principal paid on long-term debt	(95,000)	(90,000)
Interest paid on long-term debt	(54,199)	(58,699)
Principal paid on capital leases	(2,346)	(14,087)
Mojave Water Agency pipeline support paid	(73,097)	(73,254)
Other income/expense	9,036	(4,099)
Grant revenue received	<u>302,396</u>	<u>360,552</u>
 <b>NET CASH USED IN CAPITAL AND RELATED</b>	 <u>(160,307)</u>	 <u>(49,468)</u>
<b>FINANCING ACTIVITIES</b>		
 <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Interest received	<u>3,549</u>	<u>4,234</u>
 <b>NET DECREASE IN CASH</b>	 57,818	 314,905
 <b>CASH AND CASH EQUIVALENTS BEGINNING, JULY 1</b>	 <u>704,401</u>	 <u>389,496</u>
 <b>CASH AND CASH EQUIVALENTS ENDING, JUNE 30</b>	 <u>\$ 762,219</u>	 <u>704,401</u>

(Continued)

See Notes to Financial Statements

**BIGHORN-DESERT VIEW WATER AGENCY**

**STATEMENTS OF CASH FLOWS**

(continued)

For the Years ended June 30, 2011

(with comparative information for June 30, 2010)

	<u>2011</u>	<u>2010</u>
Reconciliation of cash and cash equivalents to the statement of net assets:		
Cash and investments	\$ 762,219	704,401
	<u>762,219</u>	<u>704,401</u>
Reconciliation of operating income (loss) to cash used in operating activities:		
Operating income (loss)	(93,226)	(27,433)
Depreciation	239,342	229,766
Changes in assets liabilities:		
Accounts receivable and other receivables	(35,875)	(6,668)
Inventory	14,400	38,483
Prepaid expenses	6,804	5,043
Accounts payable and other liabilities	(5,210)	8,056
Customer deposits	<u>(7,442)</u>	<u>(840)</u>
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<b>\$ <u>118,793</u></b>	<b><u>246,407</u></b>

There were no noncash capital, financing, or investing activities for the years ended June 30, 2011 and 2010

## BIGHORN-DESERT VIEW WATER AGENCY

### NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2011

(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 follows all applicable Governmental Accounting Standards Board (GASB) pronouncements, and all Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB) issued on or before November 30, 1989 unless they conflict with or contradict GASB pronouncements. After November 30, 1989, the Agency applies only GASB pronouncements.

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.

**BIGHORN-DESERT VIEW WATER AGENCY**

**NOTES TO FINANCIAL STATEMENTS**

Year Ended June 30, 2011

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

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

**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, 2011 was \$239,331. 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. Therefore the agency does not deem it necessary to record an allowance for uncollectible accounts, although 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, 2011 was \$28,068.

**Debt issuance costs** - Debt issuance costs are deferred and amortized over the term of the debt.

**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:	July1 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

Year Ended June 30, 2011

(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 assets and as capital grant contribution or operating grant revenue, as appropriate, on the statement of revenues, expenses and changes in net assets.

**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 \$31,534 at June 30, 2011. Bank balances before reconciling items were \$113,210 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 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).

**BIGHORN-DESERT VIEW WATER AGENCY**

**NOTES TO FINANCIAL STATEMENTS**

Year Ended June 30, 2011

(2) **Cash and investments, (Continued)**

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, 2011:

Cash and investments	\$762,219
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At June 30, 2011, cash and investments were composed of the following:

	Credit Quality <u>Ratings</u>	<u>Fair Value</u>
Deposits	Not Rated	\$ 31,534
Local Agency Investment Funds	Not Rated	<u>730,685</u>
		<u>\$762,219</u>

**BIGHORN-DESERT VIEW WATER AGENCY**

**NOTES TO FINANCIAL STATEMENTS**

Year Ended June 30, 2011

(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, 2011 is shown below:

Maturity:	
Current to one year	\$730,685
Two to three years	-
Four to five years	<u>-</u>
Total	<u>\$730,685</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**

Year Ended June 30, 2011

(3) **Utility plant in service**

A summary of changes in utility plant in service for the year ended June 30, 2011:

<u>Assets at Cost</u>	<u>Balance July 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2011</u>
Capital assets, not being depreciated:				
Land	\$ 64,103	-	-	64,103
Construction in Progress	<u>319,907</u>	<u>421,484</u>	<u>-</u>	<u>741,391</u>
Total capital assets, not being depreciated	<u>384,010</u>	<u>421,484</u>	<u>-</u>	<u>805,494</u>
Capital assets, being depreciated:				
Fuel station	16,604	-	-	16,604
Motor vehicles	444,998	-	(499)	444,499
Office building	234,354	-	(3,802)	230,552
Office equipment	139,079	-	(9,366)	129,713
Organization	336,271	-	-	336,271
Shop equipment	99,213	-	(56,138)	43,075
Water system	7,635,120	-	(101,247)	7,533,873
Yards	<u>57,935</u>	<u>-</u>	<u>(4,977)</u>	<u>52,958</u>
Total capital assets, being depreciated	<u>8,963,574</u>	<u>-</u>	<u>(176,029)</u>	<u>8,787,545</u>
Total assets at cost	<u>9,347,584</u>	<u>421,484</u>	<u>(176,029)</u>	<u>9,593,039</u>
Accumulated depreciation				
Fuel station	(10,182)	(664)	-	(10,846)
Motor vehicles	(321,712)	(33,838)	498	(355,052)
Office building	(204,125)	(5,053)	3,738	(205,440)
Office equipment	(131,950)	(3,626)	9,277	(126,299)
Organization	(42,805)	(13,451)	-	(56,256)
Shop equipment	(91,641)	(2,250)	55,905	(37,986)
Water system	(4,313,756)	(180,460)	66,602	(4,427,614)
Yards	<u>(57,935)</u>	<u>-</u>	<u>4,977</u>	<u>(52,958)</u>
Total accumulated depreciation	<u>(5,174,106)</u>	<u>(239,342)</u>	<u>140,997</u>	<u>(5,272,451)</u>
Total capital assets being depreciated, net	<u>3,789,468</u>	<u>(239,342)</u>	<u>(35,032)</u>	<u>3,515,094</u>
Capital assets, net book value	<u>\$ 4,173,478</u>	<u>182,142</u>	<u>(35,032)</u>	<u>4,320,588</u>

**BIGHORN-DESERT VIEW WATER AGENCY**

**NOTES TO FINANCIAL STATEMENTS**

Year Ended June 30, 2011

**(4) Long-term debt**

Bonds Payable:

	<u>June 30, 2011</u>
General obligation bonds:	
Original issue \$1,875,000, 5%, maturing in 2019; secured by tax levy revenues	\$ 702,000
Water revenue bonds:	
Original issue \$700,000, 5%, maturing in 2019; secured by a pledge of all revenues	286,977
Improvement District 71-2 bonds:	
Original issued \$275,000; 7%; matured July 2, 1988	<u>2,000</u>
Total bonds payable	990,977
Less portion due within one year	<u>(100,000)</u>
	<u>\$ 890,977</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	\$ 772,000	-	(70,000)	702,000	74,000
Desert View Water Revenue Bonds	311,977	-	(25,000)	286,977	26,000
Improvement District 71-2 Bonds	2,000	-	-	2,000	-
Compensated Absences	<u>21,619</u>	<u>26,457</u>	<u>(22,847)</u>	<u>25,229</u>	<u>25,229</u>
Total	<u>\$ 1,107,596</u>	<u>26,457</u>	<u>(117,847)</u>	<u>1,016,206</u>	<u>125,229</u>

**BIGHORN-DESERT VIEW WATER AGENCY**

**NOTES TO FINANCIAL STATEMENTS**

Year Ended June 30, 2011

**(4) Long-term debt (Continued)**

Future long-term debt maturities (except for the 71-2 bonds) are as follows:

Year Ending June 30	<u>General Obligation Bonds</u>		<u>Water Revenue Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 74,000	35,100	26,000	14,530
2013	77,000	31,400	28,000	13,250
2014	81,000	27,550	29,000	11,850
2015	85,000	23,500	31,000	10,400
2016	89,000	19,250	32,000	8,850
2017	94,000	14,800	34,000	7,250
2018	98,000	10,100	35,000	5,550
2019	104,000	5,200	37,000	3,800
2020	-	-	34,977	1,950
Total	<u>\$ 702,000</u>	<u>166,900</u>	<u>286,977</u>	<u>77,430</u>

**(5) Joint ventures**

The Agency participates in two joint ventures under joint powers agreements (JPAs): the Special District Risk Management Authority (SDRMA) and the Special Districts Workers' Compensation Authority (SDWCA). The relationships between the Agency and the JPAs are such that the JPAs are not component units of the Agency for financial reporting purposes.

These entities have budgeting and financial reporting requirements independent of member units and their financial statements are not presented in these financial statements; however, fund transactions between the entities and the Agency are included in these statements. Effective July 1, 2003, SDRMA signed an agreement with SDWCA to provide the administrative services for the SDWCA program. Per that agreement, both Organizations approved merging the workers compensation program into SDRMA.

**BIGHORN-DESERT VIEW WATER AGENCY**

**NOTES TO FINANCIAL STATEMENTS**

Year Ended June 30, 2011

(5) **Joint ventures (Continued)**

	<u>Special Districts Risk Management Authority (SDRMA)</u>	<u>Special Districts Workers' Compensation Authority (SDWCA)</u>
Purpose	To purchase property and liability insurance for member districts	Provide a program of self-insurance for workers' compensation
Participants	Special Districts in California	Special Districts in California
Governing board	Two directors selected by the California Special Districts Association and five elected from membership	Certain members from the Special Districts

(6) **Commitments**

On March 15, 1991, the Agency entered into an agreement with the Mojave Water Agency to become a participant in the Morongo Basin Pipeline project. Under the agreement, the Agency was obligated to pay its project allotment percentage of the estimated fixed project cost commencing July 1, 1991. The payment made to Mojave Water Agency for the current year was \$73,097. The payments commencing June, 1996, and thereafter will be determined by Mojave Water Agency based upon various factors.

(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.

**BIGHORN-DESERT VIEW WATER AGENCY**

**NOTES TO FINANCIAL STATEMENTS**

Year Ended June 30, 2011

**(8) Defined benefit pension plan**

**Plan description** - The Agency contributes to the California Public Employees Retirement System (PERS), an agent multiple-employer public employee 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, 2011, the Agency was required to contribute an actuarially determined rate of 8.749% 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, 2011</u>	<u>June 30, 2010</u>	<u>June 30, 2009</u>
CalPERS contributions	\$ 27,995	32,677	34,185

For the year ended June 30, 2011, 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, 2008 actuarial valuation using the entry age normal cost method. The actuarial assumptions included: (a) 7.75% investment rate of return (net of administrative expenses); (b) projected annual salary increases of 3.25% 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.

**BIGHORN-DESERT VIEW WATER AGENCY**

**NOTES TO FINANCIAL STATEMENTS**

Year Ended June 30, 2011

**(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. The Agency has also entered into an agreement with Mojave Water Agency for Construction, Operation and Financing of the Morongo Basin Pipeline Project as detailed in Note 6. Each of these bond issues and the agreement with Mojave Water Agency 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 of 20% over the annual principal and interest payment, while the agreement with Mojave Water Agency requires additional coverage of 25% over the annual principal and interest payment.

For the year ended June 30, 2011, the aggregate debt service coverage of the Agency was approximately 127%. Future debt service of the Agency through 2020 is \$990,977. The Agency expects debt service coverage to be comparable to that of the current year throughout the period to which the coverage requirement applies.

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 \$40,939. At June 30, 2011 the reserve was fully funded and had a balance of \$730,685.

**(10) Net Assets**

Prior to fiscal year 2011, the Agency took the position that property tax assessments associated with each predecessor district were restricted solely for the payment of principal and interest associated with the debt of that predecessor district.

**BIGHORN-DESERT VIEW WATER AGENCY**

**NOTES TO FINANCIAL STATEMENTS**

Year Ended June 30, 2011

**(10) Net Assets (Continued)**

However, legal research conducted in fiscal year 2010, disclosed the following:

Section 9 of the Resolution No. 174 of the Bighorn Mountains Water Agency dated June 21, 1977 states: "The Board of Directors, so far as practicable, shall fix such rate or rates for water in Improvement District No. 1 as will result in revenues which will pay the operating expenses of the improvement district, which provide for the operating expenses of the improvement district, provide for repairs and depreciation of works, provide a reasonable surplus for improvements, extensions, and enlargements, pay the interest on the bonded debt, and provide a sinking or other fund for the payment of the principal of such debt as it may become due.

If the revenues of the improvement district will be inadequate for any cause to pay the expenses set forth above, the Agency must provide for the levy and collection of a tax sufficient to raise the amount of money determined by such Board of Directors to be necessary for the purpose of paying such charges and expenses as set forth above and the principal and the interest on the bonds as the same become due."

Similarly, Section 5.11 of Resolution No. 304 of the Desert View Water District provides that revenues of the Agency will be used to pay "any reasonable and necessary maintenance and operation costs of the Enterprise."

Section 33305 of the Desert View Water District-Bighorn Mountains Water Agency Consolidation Law and Section 31012 of the County Water District Law provide as follows:

- (a) All funds derived from the operation of the former district system shall be separately accounted for and used exclusively for the purposes of maintenance, operation, betterments, and bond debt service of the acquired system.
- (b) No funds derived from the former district system shall be used for any other such purpose until all debt of that former system has been paid in full or until a former system has authorized such other expenditures

The above restrictions remain in effect until a vote of the electorate of each predecessor district authorizes differently.

Based on the language above, legal counsel has concluded that all revenues (not just property tax levies) of each predecessor district are restricted for the expenditures of that district. It was also determined that qualified uses of such restricted revenues include the operating expenses (not just principal and interest payments) associated with that district.

**BIGHORN-DESERT VIEW WATER AGENCY**

**NOTES TO FINANCIAL STATEMENTS**

Year Ended June 30, 2011

**(10) Net Assets (Continued)**

As of June 30, 2011, the portion of net assets associated with this restriction are as follows:

Bighorn Mountains Water Agency ("Bighorn"):	
Invested in capital assets, net of related debt	\$ 2,302,548
Resources restricted for Bighorn	<u>(182,214)</u>
Total Bighorn Mountains Water Agency	\$ 2,120,334
Desert View Water District ("Desert View")	
Invested in capital assets, net of related debt	\$ 1,028,625
Resources restricted for Desert View	<u>1,164,613</u>
Total Desert View Water District	\$ 2,193,238

## 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 Assets by Component
- Changes in Net Assets/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

NET ASSETS BY COMPONENT  
LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Invested in capital assets, net of related debt	2,350,985	2,233,537	2,146,035	2,100,217	2,285,266	2,691,161	2,816,559	2,546,637	3,087,501	3,331,173
Restricted for debt service/covenants	378,446	380,978	383,003	408,227	413,889	----	----	----	766,463	982,399
Unrestricted	208,698	224,522	329,612	501,402	492,707	845,948	453,169	940,679	----	----
Total net assets	<u>2,938,129</u>	<u>2,839,037</u>	<u>2,858,650</u>	<u>3,009,846</u>	<u>3,191,862</u>	<u>3,537,109</u>	<u>3,269,728</u>	<u>3,487,316</u>	<u>3,853,964</u>	<u>4,313,572</u>
% Increase	-7.90%	-3.37%	0.69%	5.29%	6.05%	10.82%	-7.56%	6.65%	10.51%	11.93%

Source: Annual Financial Statements

**CHANGES IN NETS ASSETS  
LAST TEN FISCAL YEARS**

Fiscal Year	Operating Water Service Charges	Expenses - Water Operations	Operating Loss	Nonoperating Revenues/Expenses	Capital Contributions	Change in Net Assets
2002	\$493,489	\$846,597	-\$353,108	\$101,148		-\$251,960
2003	\$624,840	\$857,361	-\$232,521	\$133,429		-\$99,092
2004	\$749,537	\$893,426	-\$143,889	\$163,502		\$19,613
2005	\$793,862	\$918,655	-\$124,793	\$275,989		\$151,196
2006	\$957,729	\$878,861	\$78,868	\$103,148		\$182,016
2007	\$1,028,163	\$1,078,584	-\$50,421	\$117,286	\$278,378	\$345,243
2008	\$901,719	\$1,337,090	-\$435,371	\$167,994		-\$267,377
2009	\$1,066,200	\$1,107,924	-\$41,724	\$210,507		\$168,783
2010	\$1,144,587	\$1,172,020	-\$27,433	\$161,738	\$232,343	\$366,648
2011	\$1,102,914	\$1,196,140	-\$93,226	\$122,229	\$430,605	\$459,608

The Agency provides services for a single government function (water services).

BIGHORN DESERTVIEW WATER AGENCY  
Water Sold  
Last Ten Fiscal Years

(cubic feet)  
(acre feet)

Fiscal Year

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Residential 1-6 plus bulk accounts 30,31 & 33	8,816,856 202	8,635,437 198	13,706,781 315	6,151,317 141	6,342,070 146	9,182,709 211	8,018,498 184	7,410,980 170	6,714,996 154	9,939,052 228
Residential 7-11 plus bulk account 32	9,294,872 213	8,650,599 199	8,754,520 201	8,227,880 189	7,053,992 162	9,499,609 218	8,623,442 198	8,295,352 190	8,239,072 189	7,779,814 179
Total Sales in Cubic Feet	18,111,728	17,286,036	22,461,301	14,379,197	13,396,062	18,682,318	16,641,940	15,706,332	14,954,068	17,718,866
Total Sales in Acre Feet	415	397	516	330	308	429	382	360	343	407

Bulk accounts are for individuals that haul their own water and water hauler.  
Closed accounts are included with billing cycle regardless of route.  
Year 2002 - some bulk amounts are estimated.

**WATER RATES  
LAST TEN FISCAL YEARS**

<b>Fiscal Year</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
<b>Accounts 01-06</b>										
Usage Rate	\$2.30	\$4.00	\$4.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00
Basic Rate	\$14.37	\$17.92	\$17.72	\$20.00	\$20.00	\$20.00	\$20.00	\$26.18	\$27.50	\$27.50
<b>Accounts 07-11</b>										
Usage Rate	\$2.30	\$4.00	\$4.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00
Basic Rate	\$14.31	\$17.72	\$17.72	\$20.00	\$20.00	\$20.00	\$20.00	\$27.50	\$27.50	\$27.50
FMHA	\$8.74	\$9.30	\$9.30	\$9.30	\$9.30	\$9.30	\$9.30	\$9.30	\$9.30	\$9.30
<b>Accounts 30-33</b>										
Usage Rate	\$2.30	\$4.00	\$4.00	\$3.00	\$3.00	\$7.00	\$7.00	\$7.00	\$8.50	\$8.50
Basic	\$11.31	\$13.62	\$13.62	\$20.00	\$20.00	None	None	None	None	None

**LARGEST WATER CUSTOMER  
AS OF JUNE 30, 2010**

	<b>Sales in Cubic Feet</b>	<b>Annual Revenues</b>	<b>Percentage</b>
1 Commercial Water Hauler*	147,060	\$ 12,500	0.03%
2 Landers Elementary School	139,870	4,196	0.01%
3 Commercial Water Hauler*	82,340	6,999	0.01%
4 Commercial Water Hauler*	70,880	6,025	0.01%
5 Residential Customer	63,686	1,911	0.00%
6 Residential Customer	50,958	1,529	0.00%
7 Residential Customer	50,201	1,529	0.00%
8 Mojave Market	50,119	1,504	0.00%
9 White Rock Horse Rescue	49,323	1,480	0.00%
10 Residential Customer	48,036	1,441	0.00%
	752,473	39,112	
<b>Total Water Sales</b>	14,549,284	\$ 47,329,772	

Only potable water is sold.

Customers with leaks causing large water usage are not been included.

\* Bulk Water Rates are different than Residential rates (\$8.50 per ccf w/\$0 Basic Service Charge)

All other customers pay \$3.00 per ccf w/\$27.50 monthly Basic Service Charge

**Ratio of Outstanding Debt by Type  
Last Ten Fiscal Years**

Fiscal Year	BH Bond	DV Bond	Totals	Percent of Personal Income	Debt per Capita
2001	\$44,000.00	\$15,000.00	\$59,000.00	0.12%	\$23.99
2002	\$45,000.00	\$16,000.00	\$61,000.00	0.13%	\$24.44
2003	\$46,000.00	\$17,000.00	\$63,000.00	0.13%	\$25.58
2004	\$48,000.00	\$18,000.00	\$66,000.00	0.12%	\$26.66
2005	\$50,000.00	\$19,000.00	\$69,000.00	0.12%	\$27.22
2006	\$52,000.00	\$20,000.00	\$72,000.00	0.11%	\$27.89
2007	\$55,000.00	\$21,000.00	\$76,000.00	0.11%	\$29.02
2008	\$58,000.00	\$22,000.00	\$80,000.00	0.12%	\$31.08
2009	\$62,000.00	\$23,000.00	\$85,000.00	0.13%	\$33.01
2010	\$66,000.00	\$24,000.00	\$90,000.00	0.15%	\$35.83
2011	\$70,000.00	\$25,000.00	\$95,000.00	0.12%	\$37.45

[http://www.bea.gov/newsreleases/regional/mpi/mpi\\_highlights.pdf](http://www.bea.gov/newsreleases/regional/mpi/mpi_highlights.pdf)  
 2010 and 2011 income was estimated by using the Yucca Valley income  
 found in the financial report and taking the same % of inc/dec.

**Ratio of General Bonded Debt Outstanding  
Last Ten Fiscal Years**

<b>Fiscal Year</b>	<b>Obligation Bonds</b>	<b>Assessed Value</b>	<b>Percentage of Assessed Value</b>	<b>Debt per Capita</b>
2002	\$61,000.00	\$1,790,250.00	3.41%	\$24.44
2003	\$63,000.00	\$1,725,150.00	3.65%	\$25.58
2004	\$66,000.00	\$1,656,900.00	3.98%	\$26.66
2005	\$69,000.00	\$1,585,500.00	4.35%	\$27.22
2006	\$72,000.00	\$1,510,950.00	4.77%	\$27.89
2007	\$76,000.00	\$1,432,200.00	5.31%	\$29.02
2008	\$80,000.00	\$1,349,250.00	5.93%	\$31.08
2009	\$85,000.00	\$1,261,050.00	6.74%	\$33.01
2010	\$90,000.00	\$1,167,600.00	7.71%	\$35.83
2011	\$95,000.00	\$1,068,900.00	8.89%	\$37.45

**BIGHORN DESERT VIEW WATER AGENCY**  
**Pledged-Revenue Coverage**  
**Last Ten Fiscal Years**

**Desert View Water Revenue Bonds**

Fiscal Year Ended June 30	FMHA Surcharge	Debt		Coverage
		Principal	Interest	
2002	\$42,185	\$16,000	\$24,800	103%
2003	\$42,408	\$17,000	\$24,000	103%
2004	\$41,738	\$18,000	\$23,150	101%
2005	\$42,631	\$19,000	\$22,250	103%
2006	\$42,964	\$20,000	\$20,586	106%
2007	\$43,665	\$21,000	\$19,899	107%
2008	\$43,640	\$22,000	\$18,181	109%
2009	\$47,744	\$23,000	\$22,436	105%
2010	\$50,345	\$24,000	\$12,311	139%
2011	\$50,206	\$25,000	\$13,534	130%

2002 - 2005 are estimated from service connections multiplied by the FHMA surcharge

**DEMOGRAPHIC AND ECONOMIC STATISTICS  
LAST TEN CALENDAR YEARS**

<b>Calendar Year</b>	<b>Population</b>	<b>Personal Income</b>	<b>Unemployment Rate</b>
2001	2459	\$19,799.50	N/A
2002	2496	\$19,003.68	N/A
2003	2463	\$20,198.39	N/A
2004	2476	\$21,718.48	N/A
2005	2535	\$23,103.60	5.30%
2006	2582	\$24,424.62	5%
2007	2619	\$25,644.70	5.60%
2008	2574	\$26,177.77	8.20%
2009	2575	\$25,837.00	13%
2010	2512	\$24,051.66	13%
2011	2537	\$31,026.64	14%

1. Population estimated from \_\_\_\_\_
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. Unemployment was taken from Hi-Desert Water District Annual Report

<b>Employer</b>	<b>No. of Employees</b>	<b>Percentage of Total Labor Force</b>
Post Office	1	0.001149425
Mojave Liquor	2	0.002298851
Loyal Order/Moose Lander	2	0.002298851
Castle Inn	3	0.003448276
Heros	4	0.004597701
Western Coffee Pot	4	0.004597701
Diversified Tools	4	0.004597701
Gubler's Orchid	6	0.006896552
Bighorn Desert View Water Agency	8	0.009195402
Landers Elementary School	27	0.031034483
Halliday's	1	0.001149425

Total Labor Force 870

Total Labor Force was estimated by using the Yucca Valley Labor Force found on [www.Labormarketinfo.edd.ca.gov](http://www.Labormarketinfo.edd.ca.gov) and reducing according to the population.

**District Employees by Function  
Last 10 Years**

<b>Water Operations</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
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	1	1	1	0
<b>Administration</b>										
Executive & Administration	2	2	2	2	2	2	2	2	2	2
Billing/Customer Service	1	1	1	1	1	1	1	1	1	1
Accounting/Customer Service	1	1	1	1	1	1	1	1	1	1
<b>Total Positions</b>	<b>8</b>	<b>7</b>								

No vacant positions as of June 30, 2011.

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

**OPERATING AND CAPITAL INDICATORS  
LAST TEN YEARS**

**POTABLE WATER SYSTEM**

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Miles of pipeline:	120	120	120	120	120	120	120	120	120	120
Number of storage tanks	9	9	9	9	9	9	9	9	9	9
Maximum storage capacity (million gallons)	2,302,000	2,302,000	2,302,000	2,302,000	2,302,000	2,302,000	2,302,000	2,302,000	2,302,000	2,302,000
Number of active pumping plants	2	2	2	2	2	2	2	2	2	2
Number of active wells:										
domestic	7	7	7	7	7	7	7	7	7	7
Domestic well production capacity: Calendar yr acre feet per year	511	504	494	452	474	530	487	469	432	412
Number of service connections:										
Bighorn Mountains	769	775	779	787	804	776	761	960	956	957
Desert View	756	760	748	764	780	790	793	912	907	904

**GENERAL INFORMATION**

Service area (annexed property):										
acres	28160	28160	28160	28190	28190	28190	28190	28190	28190	28190
square miles	44	44	44	44	44	44	44	44	44	44

1. 2002 to 2008 figures include open meters in use only. 2009 the count was changed to include all meters active and inactive.

EXHIBIT "A"



2011/2012

OPERATING BUDGET

Resolution 11R-05

Adopted May 31, 2011

# 2011/2012 OPERATING BUDGET EXHIBIT "A"

## SUMMARY

	revenue	expenses
<b>REVENUE - OPERATING</b>	1,176,128	
<i>ADMINISTRATION EXPENSE</i>		709,198
<i>OPERATION EXPENSE</i>		378,095
<i>CAPITAL LEASE - Equipment</i>		-
<b>TOTAL REVENUE (NON-OPERATING)</b>	230,915	
<i>DEBT EXPENSE (BH, DV, &amp; MWA)*</i>		222,750
<b>CAPITAL IMPROVEMENT/ REPLACEMENT/REFURBISHMENT</b>		
<i>FY2011/2012 portion from BFC &amp; Meter Install</i>		5353
<b><i>Op. and non-Op Revenue Available to allocate</i></b>		<b>91,647</b>
<b>Verification of Totals</b>	<b>1,407,043</b>	<b>1,407,043</b>

\* MWA Debt Participation is funded by Operating Revenues

# 2011/2012 BUDGET EXHIBIT "A"

## REVENUE SUMMARY

Description	Amount
OPERATING INCOME	
Metered Water Sales	439,848
Basic Service Charge	594,000
General Tax Income (1%) BH GA02	52,100
General Tax Income (1%) DV GA01	52,100
Other Operating Income	34,480
Interest Income Unrestricted	3,600
* Subtotal	1,176,128
NON-OPERATING INCOME	
BH Debt Income BH FMHA DA01	175,900
DV FMHA Surcharge	49,662
Interest Income Bonds	-
Other Non Operating Income	-
** Subtotal	225,562
NON-OPERATING INCOME - New Services	
Meter Connect Fees (SL Install Fees)	1,255
Basic Facilities Charge (Buy In)	4,098
Subtotal	5,353
<b>Total Revenue</b>	<b>1,407,043</b>

MWA debt participation (\$73K) will be transferred from Operating Revenue to Non-Operating expense.

\*\* Following adjustment for MWA debt participation, Non-Op Subtotal will be \$253,109

# 2011/2012 BUDGET EXHIBIT "A"

## ADMINISTRATIVE EXPENSE

<b>Account</b>	<b>Description</b>	<b>Amount</b>
56001	Directors Fees	20,000
56002	Director Meeting Expense	11,000
56003	Administrative Compensation	260,000
56005	Administrative Meeting Expenses	1,000
56006	Contractual Services- Auditor	29,418
56007	Contractual Services- Legal	80,000
56008	PERS	40,450
56009	Payroll Tax	9,375
56011	Telephone & Fax	7,420
56012	Mailing Expenses	7,550
56014	Contractual Services- Other	38,660
56016	Property/Liability Insurance	30,000
56017	Workers Comp. Insurance	14,500
56018	Dues & Subscriptions	7,725
56020	Power- Office & Yards	5,200
56022	Bad Debt Expense	43,000
56025	Propane	1,800
56030	Office Supplies	5,000
56100	Employee Benefits Insurance	70,850
56110	Employee Education	3,300
56200	Office Equipment Expense	4,950
56300	Customer Relations	3,000
56400	Other Administrative Expenses	3,000
58100	Elections Costs	12,000
	<b>Total Administrative Expense</b>	<b>709,198</b>

# 2011/2012 BUDGET EXHIBIT "A"

## OPERATIONS EXPENSE

<b>Account</b>	<b>Description</b>	<b>Amount</b>
54102	Operations Compensation	145,000
54103	Uniforms	2,525
54105	Auto Controls	2,640
54106	Vehicle/Tractor/Equip Expense	9,000
54107	Vehicle Expense- Fuel	18,000
54109	Field Materials and Supplies	25,000
54111	Water Testing	5,000
54112	Contractual Services- Engineering	52,000
54114	Water System Repairs	25,000
54115	Building Maintenance/Repair	11,680
54117	Ames Basin Monitoring	-
54119	Communications Expense	1,680
54121	Disinfection Expense	4,000
54125	Power- Wells/Booster Pumps	59,570
54130	Other Operations Expense	17,000
55001	Bulk Pumping Plant Expense	8,935
55002	Bulk Operations and Maintenance	5,000
	<b>Total Operations Expense</b>	<b>378,095</b>

# 2011/2012 BUDGET EXHIBIT "A"

## DEBT EXPENSE

Account	Description	Payment Amount	Paid from Revenue	Paid from LAIF
22300	BH Debt Principal	74,000	74,000	-
57000	BH Debt Interest Payment	35,000	35,000	-
21101	DV Debt Principal	26,000	26,000	-
59100	DV Debt Interest Payment	14,750	14,750	-
57350	MWA Pipeline Debt	73,000	73,000	-
	<b>Total Debt Expense</b>	<b>222,750</b>		- *

\*Assumes no debt service payments from LAIF reserves  
MWA Pipeline debt is paid from general revenue stream. It is not a part of any dedicated payment like BH or DV.

# 2011/2012 BUDGET EXHIBIT "A"

## CAPITAL LEASE

<b>Account</b>	<b>Description</b>	<b>Payment Amount</b>
22400	Capital Lease	- *
	<b>Total Debt Expense</b>	-

\* August 2010 is final payment

**2011/2012 BUDGET - REVENUE ACCOUNTS  
EXHIBIT "A"**

REVENUE	ACCOUNTS	ADDITIONAL INFORMATION	FY09/10 Actual Expenditures	FY10/11 Approved Budget	FY11/12 Budget
41000	SERVICE LINE INSTALLATION FEE- Revenues to cover the actual cost of customer ordered service line installation.	Estimate 1 service line installations with 3/4-in meter @ \$1255 ea			1,255
41001	BASIC FACILITIES CHARGE- This fee is charged to brand new service line customers as a buy in to the system already partially funded by previous and current customers.	Estimate 1 service line installations @ \$4098			4,098
41100	WATER SALES CHARGES- Total revenues from the sales of water to metered customers through BH, DV and Bulk.				439,848
41300	BASIC SERVICE CHARGE- Bi monthly billing to cover fixed O&M costs plus capital projects (non-specified funds)				594,000
41600	FMHA SURCHARGE-Revenues generated via the bi-monthly billing of the Desert View customers to fund the debt service for the FMHA Revenue Bond. Issued in 1979 for \$700,000 for the purpose of constructing a water system. Term is 40 years at 5%. Annual Payment is approximately \$40,750. Payments due September (Interest approx. \$7,375) and April (Interest approx \$7,375 and principal \$26,000). Extra revenue collected is used for replacement & refurbishment and is tagged as available "restricted" revenue.	Based on \$9.30 per customer per billing cycle. Projection is based on accumulation of \$6,959 for Replacement & Refurbishment of DV water system.			49,662
41700	INCOME OTHER- Delinquent water billing revenues, unlock charges, non sufficient funds check charges, clean and show charges, scrap metal sales, customer PIR fee, account setup charges.	Delinquent Charges \$24,300 year, Account set-up fee \$5700, Miscellaneous \$3000 year, UL&NSF \$ 1480. Budget based on FY2010/11 actual			34,480
49100	INCOME GENERAL TAX ID BH 1%- This revenue is the portion of the County 1% tax which is passed on to special districts for general operating expenses. Monies are first earmarked for Agency-wide MWA Debt Participation. Coded on the property tax apportionment schedule as GA02.	General tax projection, property valuation expected to be flat			52,100
49101	INCOME BOND DEBT BH FMHA- This revenue is generated through the issuance of an annual advalorem tax and assessed to all properties within the Bighorn (north side of the Agency). Issued in 1979 for \$1,875,000 for the purpose of constructing and maintaining a water system. Term is 40 years, at 5%. Annual payment is approximately \$109,000. Payments are due December (Interest approx. \$17,500) and June (Interest \$17,500 and principal \$74,000). Extra revenue collected is used for replacement & refurbishment and is tagged as available "restricted" revenue.	Projection is based on accumulation of an additional \$70,000 for Replacement & Refurbishment of BH water system			175,900
49102	INCOME GENERAL TAX ID DV 1%- This revenue is the portion of the County 1% General tax which is passed on to special districts for general operating expenses. Monies are first earmarked for Agency-wide MWA Debt Participation. Coded on the property tax apportionment schedule as GA01.	General tax projection, property valuation expected to be flat			52,100
49200	INTEREST INCOME- Interest revenue from our Local Agency Investment Fund account. Interest posted to this account is earned on the non-specific or non-bond monies.	Interest income Anticipate <1% interest			3,600
49201	INTEREST INCOME BOND FUNDS- Interest revenue from our Local Agency Investment Fund Account. Interest earned on the restricted bond revenues variance is posted to this account.	Interest income Anticipate <1% interest			-
49600	OTHER NON OPERATING INCOME- Revenues from delinquent property tax payments. Ames testing reimbursement. Misc other non operating revenues	Miscellaneous outstanding standby fee penalties.			-
<b>TOTAL</b>					<b>\$1,407,043</b>

**2011/2012 BUDGET - EXPENSE ACCOUNTS  
EXHIBIT "A"**

EXPENSE	ACCOUNTS	PROJECTED BUDGET	PROJECTED BUDGET			STAFF NOTES
			FY2009/10 Actual Expenditures	FY2010/11 Approved Budget	FY2011/12 Draft Budget	
54102	OPERATIONS COMPENSATION*	Three field employees with additional overtime and standby hours				projected 0% COLA and 1 step increase merit for all eligible employees. Includes standby and OT (\$30,000). 1 vacancy not funded in this budget
			\$ 110,974	\$ 200,000	\$ 145,000	
54103	UNIFORMS	Shoes \$450, Uniform Lease Service \$1700; jackets \$375	\$ 1,939	\$ 2,650	\$ 2,525	
54105	VERIZON-TELEMETRY	220 X 12 months-36 month fixed lease	\$ 3,040	\$ 4,500	\$ 2,640	Inactive lines have been removed from billing
54106	VEHICLE/TRACTOR/ EQUIP EXPENSE*	Includes new tires for fleet, routine maintaince, large equipment repairs, vehicle decals. Fuel tank vapor compliance testing \$500	\$ 8,905	\$ 9,000	\$ 9,000	
54107	VEHICLE EXPENSE- FUEL	Projections based on prior 7 month trend.	\$ 19,564	\$ 20,000	\$ 18,000	Fuel usage down w/ 1 vacancy
54109	FIELD MATERIAL & SUPPLIES*	All materials and supplies used in the maintenance of the water distribution system, safety/traffic control and small tools.	\$ 64,233	\$ 25,000	\$ 25,000	
54111	WATER TESTING	BacT \$2200, Nitrates all wells '12 \$280, General Phy at SS and Wells \$900, Pb/Cu testing cycle in 2011/12 \$0, T22 \$0, GA/Ur \$1120, contingency	\$ 5,178	\$ 9,000	\$ 5,000	Some costs moved to Bulk 55001
54112	ENGINEERING	Engineering consultant services	\$ 1,500	\$ 50,000	\$ 52,000	Chief Engineer Krieger and drafting assistance Drodz
54114	SYSTEM REPAIRS (NON-OPERATING EXPENSE)	Routine repairs/maintenance for wells, pumps, boosters, pressure reducing stations, reservoirs, pipelines, airvac valves, etc.	\$ 4,004	\$ 30,000	\$ 25,000	some costs moved to Bulk 55002
54115	BUILDING REPAIR AND MAINT	Trash \$900, Security \$500, Shop Sec. \$480, Fire extinguisher maintenance \$600, Miscellaneous repairs \$2000, cleaning service \$2200, Security upgrades to office building \$5000	\$ 11,830	\$ 8,680	\$ 11,680	Increases to all line items. Increased building maintenance for needed improvements such as additional security.
54117	AMES BASIN MONITORING	MWA to take over program	\$ 10,875	\$ 9,500	\$ -	If Ames/Reche MOU signed, MWA will take over basinwide monitoring.
54119	COMMUNICATIONS EXP	AT&T Cell phones	\$ 3,110	\$ 2,150	\$ 1,680	3 field employees, 1 on-call phone, 1 vacant position
54121	DISINFECTION EXPENSE	Chlorine \$3500, Misc \$500	\$ 4,523	\$ 4,000	\$ 4,000	
54125	POWER WELLS & BOOSTER	Based on prior 12 months usage	\$ 57,307	\$ 67,000	\$ 59,570	5% decrease for Year 2011, 7% increase Jan. 2012. Some power costs moved to Bulk 55001
54130	OTHER OPER EXPENSES	Dump charges \$500, misc petty cash \$500, misc. visa expenses \$500, SWRCB \$400, bee service \$650, DPH (DHS) - \$8000, LAFCO 2011-2012 Budget Allocation thru. Co of SB Treasurer \$500, BLM rent for ID 1 system \$3200, AQMD \$250, AWAC \$2500	\$ 14,309	\$ 10,800	\$ 17,000	DPH based on actual billings 2010/11, BLM BHM rent increases imposed. Increase AWAC for Landers Elem. School Water Conservation Awareness program and Workshops.
55001	BULK PUMPING PLANT EXPENSE	3% of telemetry expense \$85, JV Well 10 power plus 3% of all other power expense \$7450, sampling for bacti, Gen. Phy., Plate Count and contingency \$1400		YTD Expense \$8,316	\$ 8,935	FY2010/11 was first year we evaluated costs associated with the Bulk delivery system.
55002	BULK OPERATIONS AND MAINTENANCE	Routine repairs/maintenance for bulk delivery systems (four locations)		YTD Expense \$1,352	\$ 5,000	FY2010/11 was first year we evaluated costs associated with the Bulk delivery system
56001	DIRECTORS FEES	Regular Meeting \$7000, Committee Meetings \$3000, Misc. meetings \$2000, Seminars per diem \$3000	\$ 12,792	\$ 15,000	\$ 20,000	Per Diem increased from \$50 to \$100 for Committee and other assignments.
56002	DIRECTOR MEETING EXPENSE	Registration fees for meetings and educational seminars, associated	\$ 5,706	\$ 5,000	\$ 11,000	Based on FY 2010/11 actual
56003	ADMINISTRATION COMP*	Three full time office staff & General Manager	\$ 216,355	\$ 225,000	\$ 260,000	Projected 0% COLA and step merit increases. GM increase approved by BOD 2011 projected to start Jan 2012. 1 Temp. staff assisting during turnover. 20% OT for Exec. Sec.
56005	ADMIN MEETING EXPENSE	Miscellaneous meetings with DWR, MWA, etc.	\$ 1,128	\$ 1,000	\$ 1,000	
56006	CONTRACTUAL SERVICES- AUDITOR	Auditor	\$ 28,000	\$ 28,000	\$ 29,418	Auditor yr. 3 of 3 year engagement

**2011/2012 BUDGET - EXPENSE ACCOUNTS  
EXHIBIT "A"**

EXPENSE	ACCOUNTS	PROJECTED BUDGET	PROJECTED BUDGET			STAFF NOTES
			FY2009/10 Actual Expenditures	FY2010/11 Approved Budget	FY2011/12 Draft Budget	
56007	CONTRACTUAL SERV- LEGAL	Legal Fees	\$ 58,406	\$ 80,000	\$ 80,000	Continue need to obtain legal support on general administrative policy, procedure, operational issues as well as Ames/Reche GWMP and CEQA issues and start-up costs with new atty.
56008	PERS	All Full Time Equivalent (FTE) Employees.	\$ 32,677	\$ 34,675	\$ 40,450	FY2011/12 Employer contribution rate is 11.168% up from 8.861% last FY. Does not include vacant position.
56009	PAYROLL TAXES*	Unemployment \$3500, Medicare match \$5875	\$ 9,475	\$ 10,000	\$ 9,375	
56011	PHONE, FAX LINES, INTERNET	Main office phones \$4200, Internet access \$720; website maint. \$2500	\$ 5,922	\$ 8,500	\$ 7,420	
56012	MAILING EXPENSE	Routine metered postage \$430 per month (\$5200), Pitney Bowes equip rental \$940 pd quarterly, UPS-FedEx \$400, CCR mailing \$1000	\$ 7,440	\$ 8,800	\$ 7,550	
56014	CONTRACTUAL SERV- OTHER	Copier maintenance agreement plus misc. service \$2000, UBOC \$3060, Credit Card Processing \$2250, Datastream software maintenance contract \$2,600, Datastream Special Programming \$4500; Admin/Accounting/Auditing temp labor \$15,000, Safety Training Consultant \$2,500	\$ 37,616	\$ 37,400	\$ 38,660	Inc. Cristi Bush continuing w/AP & AR training/oversight and Audit prep assistance. Assumes 3 months of CC fees until Official Payments is approved (savings = \$6,750)
56016	PROPERTY/LIABILITY EXPENSE	Property and Liability	\$ 31,394	\$ 30,600	\$ 30,000	5% decrease from FY2010/11
56017	WORKERS COMP INS	All Employees	\$ 21,131	\$ 15,000	\$ 14,500	5% decrease from FY2010/11, one vacancy
56018	DUES & SUBSCRIPTIONS and ANNUAL FEES	AWWA \$400, ACWA \$4300, DigAlert \$375, Hi Desert Star \$33, CRWA \$550, Weinhoff \$250, CSDA \$1715, Misc \$100	\$ 9,286	\$ 8,000	\$ 7,725	
56020	POWER OFFICE & YARDS	Based on prior 12 months usage	\$ 4,805	\$ 5,200	\$ 5,200	
56022	BAD DEBT EXPENSE/WATER RELIEF	Bad debt and water bill relief	\$ 9,269	\$ 6,000	\$ 43,000	This is the est. debt to be placed on property taxes as a lien for 2011/2012 tax year
56025	PROPANE	Office and Shop	\$ 1,909	\$ 1,500	\$ 1,800	
56030	OFFICE SUPPLIES	Printed items such as water bills, delinquent bills, envelopes, business cards, checks, for toner refills, printer ribbons, inks for printer supplies, consumable office supplies and Boardroom supplies	\$ 4,877	\$ 4,000	\$ 5,000	
56100	EMPLOYEE BENEFITS INS*	\$5905 x 12 months (7 employees) excludes copays. Assumes 10% premium increases in Jan. 2012.	\$ 69,194	\$ 77,500	\$ 70,850	Does not include vacant position
56110	EMPLOYEE EDUCATION	Miscellaneous employee education training	\$ 4,592	\$ 6,000	\$ 3,300	\$2000 staff education, \$1300 GM MPA program
56200	OFFICE EQUIPMENT EXPENSE	Computer repairs \$1000, Misc office equipment, furniture & software \$3500, Printer and postage ink \$450	\$ 3,146	\$ 3,450	\$ 4,950	
56300	CUSTOMER RELATIONS	Misc customer relations expense: Notices (CCR, etc), Orchid Festival Expenses, ABC's, Agenda Posting Sign Board	\$ 2,747	\$ 3,000	\$ 3,000	
56400	OTHER ADMIN EXPENSES	County charges for property tax collection, employment advertising including bid recruitment and legal advertising, employee drug testing, BOD Advertising	\$ 2,630	\$ 3,000	\$ 3,000	
58100	ELECTION COSTS	Regular election in FY2011/12	\$ 10,490	\$ -	\$ 12,000	Estimated costs
<b>TOTAL EXPENSES</b>			<b>\$ 912,279</b>	<b>\$ 1,068,905</b>	<b>\$ 1,101,228</b>	

\* A portion of these expenses are allocated to capitalized projects (main extensions, SL installs).

**2011/2012 REVENUE PROJECTED  
EXHIBIT "A"**

Account	Description	JUL 11	AUG 11	SEP 11	OCT 11	NOV 11	DEC 11	JAN 12	FEB 12	MAR 12	APR 12	MAY 12	JUN 12	TOTAL
	<b>METERED WATER SALES</b>													
	Percentage vs previous 12 months BIGHORN 01-06		0.93		0.93		0.93		0.93		0.93		0.93	
	Consumption previous 12 mo.	1,419,557	1,362,439	1,862,922	1,348,472	1,199,027	911,978	1,004,520	1,073,087	844,340	692,185	1,189,993	964,815	
01-41100	<b>Metered Water @ 95% of prior 12 mo.</b>	<b>39,606</b>	<b>38,012</b>	<b>51,976</b>	<b>37,622</b>	<b>33,453</b>	<b>25,444</b>		<b>29,939</b>	<b>23,557</b>	<b>19,312</b>	<b>33,201</b>	<b>26,918</b>	<b>\$177,248</b>
	<b>BASIC SERVICE CHARGE</b>													
	no of meters - BIGHORN 01-06		910		910		910		910		910		910	
01-41300	<b>Basic Svs Charge @ \$55/ meter per cycle</b>		<b>50,050</b>	<b>\$300,300</b>										
	no of meters - DESERT VIEW 07-11	890		890		890		890		890		890		
01-41300	<b>Basic Svs Charge @ \$55/ meter per cycle</b>	<b>48,950</b>		<b>\$293,700</b>										
	<b>BULK WATER</b>													
	percentage of previous 12 months consumption previous 12 mos.	68,238	101,408	79,859	61,133	47,233	38,588	35,814	42,873	45,320	41,131	48,298	43,756	
01-41100	<b>Bulk Water @95% of prior 12 mo.</b>	<b>5,510</b>	<b>8,189</b>	<b>6,449</b>	<b>4,936</b>	<b>3,814</b>	<b>3,116</b>	<b>2,892</b>	<b>3,462</b>	<b>3,660</b>	<b>3,321</b>	<b>3,900</b>	<b>3,533</b>	<b>\$52,782</b>
	<b>DEBT REVENUE</b>													
	# of Desert View Accounts	890		890		890		890		890		890		
01-41600	<b>FHMA Desert View Revenue Bond @ 9.30</b>	<b>8,277</b>	<b>0</b>	<b>\$49,662</b>										
01-49101	PT Advalorem Bighorn	-	-	-	-	24,250	36,250	12,250	22,250	12,750	24,250	22,650	21,250	\$175,900
01-49201	LAIF Interest Income (Bonds)	-	-	-	-	-	-	-	-	-	-	-	-	\$0
	<b>GENERAL PROPERTY TAX REVENUE</b>													
01-49102	PT Desert View 1% GA01	-	-	-	-	-	22,000	4,100	500	3,000	6,500	11,500	4,500	\$52,100
01-49100	PT Bighorn 1% GA02	-	-	-	-	-	22,000	4,100	500	3,000	6,500	11,500	4,500	\$52,100
	<b>OTHER OPERATION REVENUE</b>													
01-41700	Income Other (Operating)	2,875	2,875	2,875	2,875	2,875	2,875	2,875	2,875	2,875	2,875	2,875	2,875	\$34,500
01-49200	LAIF Interest Income (Unrestricted)	900	-	-	900	-	-	900	-	-	900	-	-	\$3,600
01-49600	Income Other (Non Op) DQ Standbys	-	-	-	-	-	-	-	-	-	-	-	-	\$0
	<b>METER SALES AND INSTALLATION</b>													
	Estimated # SL Installs			0			1		0		0		0	
01-41000	<b>Service Line Installation Fees</b>	-	-	-	-	-	1,255	-	-	-	-	-	-	\$1,255
01-41001	Basic Facilities Charge (Buy In)	-	-	-	-	-	4,098	-	-	-	-	-	-	\$4,098
	<b>TOTAL REVENUE</b>													<b>\$1,407,063</b>