

# EXHIBIT A

**BARD WATER DISTRICT**  
**Financial Statements**  
**With Independent Auditor's Report**

**As of December 31, 2014**  
**and for the year then ended**



George J. Woo  
Certified Public Accountant

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Bard Water District  
Bard, California

I have audited the accompanying financial statements of the Bard Water District (the "District"), as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively compromise the District's basic financial statements.

### 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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted the audit in accordance with auditing standards generally accepted in the United States of America and the State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that I 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 I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

**Opinion**

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of December 31, 2014, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America as well as accounting systems prescribed by the State Controller's Office and state regulations governing special districts.

**Other Matters**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 7 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I 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 my inquiries, the basic financial statements, and other knowledge we obtained during my audit of the basic financial statements. I 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.

A handwritten signature in black ink, appearing to read "James J. [unclear]", is written in a cursive style.

July 15, 2015

**Bard Water District  
Management's Discussion and Analysis  
For the year ended December 31, 2014**

This section of the Bard Water District's (District) financial statements presents an analysis of the District's financial performance during the year ended December 31, 2014. This information is presented in conjunction with the basic financial statements, which follow this section.

**Financial Highlights for year**

- Total Assets decreased \$ 24,845.
- Operating revenues increased \$ 243,323.
- Unrestricted Net Assets increased \$ 82,945.

**Overview of the financial statements**

The financial statements consist of the following two parts: Management's Discussion and Analysis, and Financial Statements. The financial statements include notes to the financial statements that provide additional information that is essential to a full understanding of the data in the financial statements. The notes are an integral part of the financial statements.

**Required Financial Statements**

The financial statements of the District report information utilizing the full accrual basis of accounting. The financial statements conform to accounting principles which are generally accepted in the United States of America.

The statements of Net Assets include information of the District's assets and liabilities and provide information about the nature and amounts of investments in resources (assets) and the obligations to District creditors (liabilities).

The Statements of Activities and Changes in Net Assets identify the District's revenues and expenses for the year ended December 31, 2014. This statement provides information on the District's operation over the past year and can be used to determine whether the District has recovered all of its actual and projected costs through user fees and other charges.

The third financial statement is the Statement of Cash Flows. This statement provides information on the District's cash receipts, cash payments and changes in cash resulting from operations, investments and financing activities. From the Statement of Cash Flows, the reader can obtain information on the source and use of cash and the change in the cash and cash equivalents balance for the year ended December 31, 2014.

**Bard Water District  
Management's Discussion and Analysis  
For the year ended December 31, 2014**

**Financial Analysis of the District**

The Statement of Net Assets and the Statement of Activities and Changes in Net Assets provide an indication of the District's financial condition and also indicate whether the financial condition of the District improved during the previous year. The District's net assets reflect the difference between assets and liabilities. An increase in net assets over time typically indicates and improvement in financial condition.

**Net Assets**

A summary of the District's Statements of Net Assets is presented below.

Table 1  
Condensed Statement of Net Assets

	<u>2013</u>	<u>2014</u>	<u>Increase (Decrease)</u>
Current and Other Assets	\$ 2,211,557	\$ 2,224,561	\$ 13,004
Capital Assets	<u>6,813,918</u>	<u>6,776,069</u>	<u>( 37,849)</u>
<b>Total Assets</b>	<b><u>9,025,475</u></b>	<b><u>9,000,630</u></b>	<b><u>( 24,845)</u></b>
Long-term Debt	1,051,000	957,133	(93,867)
Other Liabilities	<u>43,063</u>	<u>162,462</u>	<u>119,399</u>
<b>Total Liabilities</b>	<b><u>1,094,063</u></b>	<b><u>1,119,595</u></b>	<b><u>25,532</u></b>
Net Assets invested in capital			
Assets, net of related debt	5,762,918	5,698,498	(64,420)
Restricted Reserves	381,049	312,147	(68,902)
Unrestricted Reserves	<u>1,787,445</u>	<u>1,870,390</u>	<u>82,945</u>
<b>Total Net Assets</b>	<b><u>\$ 7,931,412</u></b>	<b><u>\$ 7,881,035</u></b>	<b><u>\$ (50,377)</u></b>

As the above table indicates, total assets decreased \$ 24,845 from \$ 9,025,475 to \$ 9,000,630 during the year ended December 31, 2014. This is comprised of a increase of \$ 13,004 in current and other assets and a decrease of \$ 37,849 in capital assets. The decrease in current and other assets and the decrease in capital assets reflect a period of moderate Capital Expenditures and an increase in accumulated depreciation by the current year depreciation expense.

Total liabilities reflect an increase of \$ 25,532.

**Bard Water District  
Management's Discussion and Analysis  
For the Year Ended December 31, 2014**

**Net Assets (Continued)**

Table 1 also indicates the total net assets decreased \$ 50,377 from \$ 7,931,412 to \$ 7,881,035. This decrease is due to an decrease of \$ 64,420 in net assets invested in capital assets, net of related debt; a decrease of \$ 68,902 in net assets restricted and a increase of \$ 82,945 in unrestricted net assets. These amounts reflect the effect of the current year results from the operation of its resources on the District's Total Net Assets.

Table 2  
Condensed Statement of Activities

	<u>2013</u>	<u>2014</u>	<u>Increase (Decrease)</u>
Operating Revenue	\$ 1,379,823	\$ 1,623,146	\$ 243,323
Nonoperating Revenues	<u>123,081</u>	<u>119,849</u>	<u>(3,232)</u>
<b>Total Revenues</b>	<b><u>1,502,904</u></b>	<b><u>1,742,995</u></b>	<b><u>240,091</u></b>
Depreciation Expense	158,290	165,289	6,999
Other Operating Expenses	1,322,118	1,562,280	240,162
Nonoperating Expenses	<u>134,517</u>	<u>65,803</u>	<u>68,714</u>
<b>Total Expenses</b>	<b><u>1,614,925</u></b>	<b><u>1,793,372</u></b>	<b><u>178,447</u></b>
Change in Net Assets	<b><u>\$ (112,021)</u></b>	<b><u>\$ (50,377)</u></b>	<b><u>\$ 61,644</u></b>

The Statement of Activities and Changes in Net Assets identify the various revenue and expense items that impact the change in net assets. As the information in Table 2 indicates, Total Revenue increased \$ 240,091 between the year ended December 31, 2013 and the year ended December 31, 2014.

Table 2 indicates that the District's total revenues increased \$ 240,091 to \$ 1,742,995 in the year ended December 31, 2014 from \$ 1,502,904 from the year ended December 31, 2013. Total expenses increased \$ 178,447 during the year ended December 31, 2014 and the year ended December 31, 2013.

**Bard Water District  
Management's Discussion and Analysis  
For the year ended December 31, 2014**

**Capital Assets**

A summary of the District's Capital Assets is presented below.

**Table 3  
Capital Assets**

	<u>2013</u>	<u>2014</u>	<u>Increase (Decrease)</u>
Buildings	\$ 136,843	\$ 136,843	\$ -0-
Heavy Equipment	1,127,978	1,255,418	127,440
Office Equipment and Fixtures	35,420	35,420	-0-
Vehicles	231,179	231,179	-0-
Canals & Delivery Systems	<u>7,932,854</u>	<u>7,932,854</u>	<u>-0-</u>
Subtotal	9,464,274	9,591,714	127,440
Less Accumulated Depreciation	<u>(2,650,356)</u>	<u>(2,815,645)</u>	<u>(165,289)</u>
<b>Total Capital Assets</b>	<b><u>\$ 6,813,918</u></b>	<b><u>\$ 6,776,069</u></b>	<b><u>\$ (37,849)</u></b>

As of December 31, 2014, the District's investment in capital assets totaled \$ 9,591,714. This is an increase of \$ 127,440 over the capital asset balance of \$ 9,464,274 as of December 31, 2013. Capital assets include all of the District's major capital assets, including infrastructure assets, water mains, pipes and District headquarters and other structures, as well as vehicles and other equipment with a value of \$ 5,000 or more. A comparison of the District's capital assets over the past two fiscal years is presented in Table 3.

**Long – Term Debt**

Revenue Certificates of Participation (Series 2004) in the amount of \$ 1,800,000 issued in April 2004 to fund costs associated with the upgrade and replacement of the Reservation Main Canal Improvement Project. This debt was to be paid in annual installments through the year 2024. The District has covenanted that it will fix, prescribe and collect rates, fees and charges for use of the District's water system during each fiscal year which are at least sufficient to yield in each fiscal year net revenues equal to 125% of the debt service for such fiscal year, plus any amount necessary to restore the bond reserve fund to the reserve requirement.



**Bard Water District  
Management's Discussion and Analysis  
For the year ended December 31, 2014**

On December 17, 2013 the District legally defeased \$ 1,145,000 of the 2004 COPs. As of December 31, 2014, the outstanding debt was \$ 955,000 compared to \$ 1,051,000 as of December 31, 2013. The reduction of debt service with the defeasance is approximately \$ 13,000 annually through 2024.

**Request for Information**

This financial report is designed to provide a general overview of the Bard Water District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Administrative Assistant, Bard Water District, 1473 Ross Road, Winterhaven California, 92283.

**Bard Water District  
Statement of Net Assets  
As of December 31, 2014**

ASSETS

Current assets:	
Cash and investments	\$ 126,876
Accounts receivables	253,897
Inventory	33,146
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Total current assets	413,919
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Cash and Investments - restricted	312,147
Noncurrent assets:	
Property and equipment	9,591,715
Less accumulated for depreciation	(2,815,646)
	<hr/>
Net Capital Assets	6,776,069
Other Non-Current assets:	
Investment in Siphon Drop Project	1,474,375
Unamortized bond issuance costs	11,045
Refundable deposits	13,075
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Total Other Assets	1,498,495
	<hr/>
TOTAL ASSETS	<u>\$ 9,000,630</u>

LIABILITIES AND NET ASSETS

Current Liabilities:	
Accounts payable	\$ 35,977
Current portion of long-term debt	120,437
Accrued expenses	6,048
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Total Current Liabilities	162,462
Non-Current Liabilities:	
Bonds Payable, net of current portion	\$ 862,000
Contract payable, net of current portion	95,133
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Total Non-Current Liabilities	957,133
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TOTAL LIABILITIES	<u>1,119,595</u>
Net Assets:	
Invested in capital assets, net of related debt	5,698,498
Restricted net assets	312,147
Unrestricted net assets	1,870,390
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TOTAL NET ASSETS	<u>\$ 7,881,035</u>

The accompanying notes are an integral part of these financial statements.

**Bard Water District**  
**Statement of Revenue, Expenses and Changes in Net Assets**  
**For the year ended December 31, 2014**

<b>OPERATING REVENUES</b>	
Indian unit assessments	\$ 624,846
Agricultural water fees	578,467
RMIP agricultural water fees	131,403
Excess water fees	271,977
Reimbursable work	<u>16,453</u>
<b>TOTAL REVENUE</b>	<u><b>1,623,146</b></u>
<b>OPERATING EXPENSES</b>	
Payroll expenses	533,336
Insurance	215,024
Fees & dues	209,540
Legal Fees	218,209
Depreciation expense	165,289
Concrete lining	854
Employee drug testing	350
Office supplies	12,025
Payroll taxes	38,582
Rentals	14,015
Other expenses	11,689
Safety equipment	954
Light equipment repair	14,066
Irrigation structure improvements	49,725
Parts & supplies	7,802
Freight & shipping charges	291
Operational supplies	21,228
Telephone & communication	8,095
Large equipment repair	28,577
System maintenance	13,644
Weed control	43,057
Wood gate material	2,574
Metal gate material	8,265
Fuel & oil	74,939
Employee & cCustomer supplies	8,405
Utilities	4,957
Bank charges	278
Multi Species LCR MSCP	20,035
Building maintenance	972
Medical employee deductible	757
Dept. of Toxic Substance	<u>35</u>
<b>TOTAL OPERATING EXPENSES</b>	<u><b>1,727,569</b></u>
<b>OPERATING NET INCOME (LOSS)</b>	<u><b>(104,423)</b></u>

The accompanying notes are an integral part of these financial statements.

**Bard Water District**  
**Statement of Revenue, Expenses and Changes in Net Assets (Continued)**  
**For the year ended December 31, 2014**

**NON-OPERATING REVENUE (EXPENSE)**

Property taxes	14,828
Other income	21,957
Siphon drop power	83,006
Interest earned	58
Interest expense / bond costs	<u>(65,803)</u>
Total Non-Operating Revenue, Net	<u>54,046</u>
Change in Net Assets	(50,377)
Total Net Assets, Beginning of Year	<u>7,931,412</u>
Total Net Assets, End of Year	<u><u>\$ 7,881,035</u></u>

The accompanying notes are an integral part of these financial statements.

**Bard Water District**  
**Statement of Cash Flows**  
**For the year ended December 31, 2014**

Reconciliation of Change In Net Assets to Net  
Cash Provided by Operating Activities:

Operating income (Loss)	<u>\$ (104,423)</u>
Adjustments to Reconcile Change In Net Assets to Net Cash Provided by Operating Activities:	
Depreciation Expense	165,290
(Increase) Decrease in accounts receivables	(107,517)
(Increase) Decrease in prepaid expenses	21,075
(Increase) Decrease in investments restricted	68,902
(Increase) Decrease Investment in Siphon Drop	(21,216)
(Increase) Decrease in other assets	1,233
Increase (Decrease) in accounts payable	(2,495)
Increase (Decrease) in accrued expenses	<u>1,456</u>
Net Cash Provided by Operating Activities	<u>22,305</u>
Cash Flows from Non - Capital Financing Activities:	
Proceeds from property taxes	14,828
Other Income	<u>21,957</u>
Net Cash Provided by Non-Capital Financing Activities	<u>36,785</u>
Cash Flows from Capital and Related Financing Activities:	
Proceeds from contract payable	127,440
Equipment & Property Improvements	(127,441)
Principal payments - Certificates of Participation	(96,000)
Interest payments / Bond Costs	(65,803)
Principal payments - Contract payable	<u>(4,869)</u>
Net Cash Provided by (Used) Capital and Related Financing Activities	<u>(166,673)</u>
Cash Flows from Investing Activities:	
Interest received on investments	58
Siphon Drop Power - Net Earnings	<u>83,006</u>
Net Cash provided by Investing activities	<u>83,064</u>
Net Change in Cash and Cash Equivalentents	<u>(24,519)</u>
Cash and Cash Equivalentents, Beginning	<u>151,395</u>
Cash and Cash Equivalentents, Ending	<u><u>\$ 126,876</u></u>

Supplemental information : Interest expense paid in current fiscal  
year was \$ 61,518.

The accompanying notes are an integral part of these financial statements.

**Bard Water District**  
**Notes to Financial Statements**  
**For the year ended December 31, 2014**

**Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Reporting Entity**

The Bard Irrigation District (The District) is a public entity established in 1927 pursuant to the Irrigation District Act of the California Water Code (Section 34000 et seq.) for the purpose of providing water services to the properties in the District. The District was reorganized into the "Bard Water District" the 29<sup>th</sup> day of November, 1973 as a Political Corporation of the State of California in accordance with Government Code (Section 56452).

The District has the power under the law to among other things, provide irrigation within its geographic boundaries. In connection therewith, the District has the power of eminent domain to contract, to construct works, to fix rates and charges for commodities or services furnished, and to incur indebtedness. The District elected by the owners of irrigable land residing within the District's boundaries.

The District's service area lies within the Bard Valley of southeastern California encompassing 14,676 acres. The District operates and maintains the Reservation Division of the U.S. Bureau of Reclamation's Yuma Project. The water for the project is diverted from the All-American Canal to the fore bay of the Siphon Drop Power-Plant on the Yuma Main Canal. Some Reservation Division lands are served directly from turnouts on the All-American Canal above Siphon Drop.

**Basis of Presentation**

The accounting records of the District are maintained on the accrual basis of accounting. Under this method, revenues are recognized when earned, regardless of when received, and expenses are recognized when incurred, regardless of when paid.

These basic financial statements present the District and its component units, entities for which the District is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the District's operations and data from these units are combined with data of the District. Each blended component unit has a December 31 year end. The District had no discretely presented component units.

**Bard Water District  
Notes to Financial Statements  
For the year ended December 31, 2014**

**Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Blended Component Units**

The Bard Water District Financing Corporation, a non-profit public benefit corporation was established on April 1, 2004 for the purpose of providing assistance to the District in financing the acquisition, construction and improvement of the Reservation Main Canal for the District. Although legally separate from the District, the Corporation is reported as if it were part of the primary government because its sole purpose is to provide financing to the District under the debt issuance documents of the District. The District has continuing oversight responsibility or control over the corporation because the members of the Board of Directors of the Corporation are also members of the District's Board of Directors.

**Revenues**

Each landowner pays an annual water availability fee, based on acreage held within the District. Water revenues are recorded on a calendar year basis. The water availability fee is billed on a calendar year basis. Bard Water District landowners and lessees may pay the full amount of the annual charges due on or before January 10 or divide the annual charges into two equal installments.

The first installment must be paid by January 10 of the current year and the second installment by July 10. The principal operation of the District is the sale of untreated canal water.

**Non-Operating Revenues and Expenses**

Non-Operating revenues and expenses consist of net income from the joint ventures, property taxes, interest income, and interest expense.

**Income Tax**

The Bard Irrigation District ("The District") is a public entity established in 1927 pursuant to the Irrigation District Act of the California Water Code (Section 34000 et seq. ) for the purpose of providing water services to the properties in the District. The District was reorganized into the "Bard Water District" on November 29, 1973 as a Political Sub Division of the State of California in accordance with Government Code (Section 56452). It is, therefore, exempt from the filing of Federal and State of California income tax returns.

**Bard Water District  
Notes to Financial Statements  
For the year ended December 31, 2014**

**Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Restricted Assets**

Restricted assets represents investments relating to the Indian Unit Emergency Reserve Fund and the Indian Unit O & M Reserve Fund. The contract with the United States Government stipulates that a Reserve Fund is to be maintained by the District, and is to be used only in the event of an emergency. Withdrawals from this reserve fund may be made only upon receipt of approval by U.S. BOR. Investments are stated at cost. Interest earned on each fund is credited annually.

Emergency Reserve Fund	\$ 107,203
O & M Reserve Fund	<u>204,944</u>
Balance as of December 31, 2014	<u>\$ 312,147</u>

**Compensated Absences**

Accrued vacation is payable upon retirement or termination. Accrued sick leave may be taken during employment but is not vested and is lost upon retirement or termination. The amount of vacation payable at year end was immaterial.

**Net Assets**

The differences between assets and liabilities are reported as net assets. Net assets are classified as either invested in capital assets, net of related debt, restricted, or unrestricted. Net assets that are invested in plant, net of related debt, consist of capital assets, net of accumulated depreciation and amortization. The District's capital assets include property, plant, and equipment. Restricted net assets are those net assets that have external constraints placed on them by creditors, grantors, contributors or laws or regulations of other governments, or imposed by law through constitutional provision of enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of "restricted" or invested in capital assets, net of related debt. Unlike the restricted net assets, the Board has discretion in determining the use and establishing minimum/maximum balance requirements for the unrestricted cash and investment portion of net assets. The board may, at any time, change or eliminate amounts established for these purposes.



**Bard Water District  
Notes to Financial Statements  
For the year ended December 31, 2014**

**Note 2. CASH**

Cash equivalents have been defined as short term, highly liquid investment which are readily convertible to known amounts of cash and have maturity dates within 90 days of the statement date.

Cash balances are classified as to credit risk as uncollateralized. Cash reported on the balance sheet as of December 31, 2014:

	<u>Book Balance</u>	<u>Bank Balance</u>
Wells Fargo Bank	\$ 116,168	\$ 152,816
National Bank of Arizona	10,358	10,358
Petty Cash	<u>350</u>	<u>-0-</u>
Total	<u>\$ 126,876</u>	<u>\$ 163,174</u>

**Note 3. ACCOUNTS & OTHER RECEIVABLES**

The majority of the accounts receivable of the District are generated by assessing its customers an annual fee per irrigable acre of land. The receivables are considered to be fully collectible by management of the District because the balances represent a perfected lien against the property that will ultimately be collected when the land is sold. No allowance for doubtful accounts is considered necessary.

**Note 4. INVESTMENTS / RESTRICTED INVESTMENTS**

Authorized deposits and investments of the District are governed by the California Government Code as well as policies set forth by the District's Board of Directors. All investments consist of money market accounts. Carrying amounts for all investments approximate fair value. Carrying amount of investments as of December 31, 2014, including restricted investments, is \$ 439,023.

**Note 5. BUSINESS AND CREDIT CONCENTRATION**

The District's financial instrument that is exposed to concentration of credit risk is primarily cash. The District places its cash with a institution insured by the Federal Deposit Insurance Corporation (FDIC).

**Bard Water District**  
**Notes to Financial Statements**  
**For the year ended December 31, 2014**

**Note 5. BUSINESS AND CREDIT CONCENTRATION (CONTINUED)**

The District's revenues are generated from owners and lessees of irrigable land residing within the District's boundaries of Bard Valley. Therefore, the District's customer base is geographically limited and concentrated within approximately 14,676 acres in Bard Valley. Certain of the Board members are customers of the District. These Board members are charged the same rates as all other customers.

**Note 6. PROPERTY AND EQUIPMENT**

The cost of additions to the utility plant and major replacements of retired units of property is capitalized. The cost and accumulated depreciation of property sold or retired is deducted from capital assets, and any profit or loss resulting from the disposal is credited or charged in the non-operation section of the statements of revenues, expenses and changes in net assets. The cost of current repairs, maintenance, and minor replacements is charged to expense. Construction in progress primarily relates to upgrades of existing facilities.

Depreciation has been provided over estimated useful lives of the assets using the straight-line method. The estimated useful lives are as follows:

	Estimated Useful Lives
Canals & Ancillary Systems	20 – 65 years
Office furniture, fixtures and equipment	3 – 7 years
Heavy Equipment	7 – 15 years
Trucks & Utility Vehicles	5 – 10 years

Additions for the fiscal year ended December 31, 2014 were \$ 127,440. Depreciation expense amounted to \$ 165,289. Asset groupings, at cost, are as follows:

Classifications	Balance January 1, 2014	Additions	Retirements	Balance December 31, 2014
Buildings	\$ 136,843	\$ -0-	\$ -0-	\$ 136,843
Heavy Equipment	1,127,978	127,440	-0-	1,255,418
Office Equipment & Fixtures	35,420	-0-	-0-	35,420
Trucks & Utility vehicles	231,179	-0-	-0-	231,179
Canals & Ancillary Systems	7,932,854	-0-	-0-	7,932,854
	9,464,274	127,440	-0-	9,591,714
Less Accumulated Depreciation	(2,650,356)	(165,289)	-0-	(2,815,645)
Totals	\$ 6,813,918	\$ (37,849)	\$ -0-	\$ 6,776,069

**Bard Water District**  
**Notes to Financial Statements**  
**For the year ended December 31, 2014**

**Note 7 . INVESTMENT IN SIPHON DROP PROJECT**

The District has an undivided 11.49% interest in the Siphon Drop Power Plant (energy generation stations and transmission systems). The Project is operated by the Yuma County Water Users located in Somerton Arizona generated at the plant is interconnected with the Parker-Davis power system for distribution and sale. The Association does not capitalize certain property and equipment and does not provide for depreciation expense. The District's share of current net earnings was \$ 83,006.

The following is a condensed Statement of Financial Position and a condensed Statement of Activities:

	<u>Project Total</u>	<u>Bard Water District Undivided Interest</u>
<b><u>Statement of Financial Position</u></b>		
<b><u>Assets</u></b>		
Total current assets	\$ 1,734,604	\$ 199,3056
Operational reserves	382,211	43,916
Replacement reserve fund	233,971	26,883
Property and equipment, net	<u>11,240,973</u>	<u>1,291,588</u>
Total assets	<u>13,591,759</u>	<u>1,561,693</u>
<b><u>Liabilities and Net Assets</u></b>		
Total current liabilities	<u>1,368,846</u>	<u>157,280</u>
Total net assets	<u>\$ 12,222,913</u>	<u>\$ 1,404,413</u>
<b><u>Statement of Activities</u></b>		
Total revenue	1,487,176	170,877
Total operating expenses	<u>764,758</u>	<u>113,949</u>
Change in net assets before		
Distribution	722,418	83,006
Distribution of excess revenue	<u>(608,893)</u>	<u>(69,962)</u>
Change in net assets	<u>113,525</u>	<u>13,044</u>
Net assets, beginning of year	12,109,388	1,391,369
Net assets, end of year	<u>12,222,913</u>	<u>1,404,413</u>
Add accrued distribution	<u>608,893</u>	<u>69,962</u>
Net assets, end of year - Adjusted	<u>\$ 12,831,806</u>	<u>\$ 1,474,375</u>

**Bard Water District  
Notes to Financial Statements  
For the year ended December 31, 2014**

**Note 8 . LONG-TERM LIABILITES**

Long-Term debt and related costs

Long-term debt is reported at face value, net of applicable premium, discounts and deferred loss on refunding. Cost related to the issuance of debt are deferred and amortized over the lives of the various debt issues and are shown as a Other Non-Current Assets on the Statement of Net Assets.

Certificates of Participation (Series 2004)

On April 1, 2004, District issued \$ 1,800,000 of Revenue Certificates of Participation (series 2004). The District used the net proceeds and reimbursed itself for these and related capital cost. The certificates had variable interest rates and were payable in installments of \$ 75,000 payable solely from and secured by the revenues received from the operation of the District's water system.

The District covenanted to fix, prescribe and collect rates, fees and charges for use of the District's water system during each fiscal year which are at least sufficient to yield in each fiscal year net revenues equal to 125% of the debt service for such fiscal year, plus any amount necessary to restore the bond reserve fund to the reserve requirement.

2014 Refunding of Series 2004 Certificates of Participation

On December 17, 2014 the District issued \$ 1,051,000 of 2014 refunding of Series 2004 COP's.

The District legally defeased \$ 1,145,000 of the 2004 COP's comprised of serial certificates maturing from May 1, 2014 through 2024. The proceeds were placed in an irrevocable trust to prepay all outstanding 2004 COP's as of May 1, 2014. These COP's are considered defeased and the liability has been removed from the accompanying Statements of Net Position. The reduction in debt service with the defeasance is approximately \$ 13,000 annually through 2024.

The certificates have variable interest rates and are payable in installments ranging from \$ 96,000 to \$ 120,000 payable solely from and secured by the revenues received from the operation of the District's water system.

**Bard Water District**  
**Notes to Financial Statements**  
**For the year ended December 31, 2014**

**Note 8 . LONG-TERM LIABILITES (CONTINUED)**

The debt service requirements for the bonds as of December 31, 2014 were as follows:

<u>Outstanding Bonds</u>			
<u>Years</u>	<u>Principal Amounts</u>	<u>Interest</u>	<u>Total Debt Service</u>
2015	\$ 93,000	\$ 34,523	\$ 127,523
2016	97,000	30,913	127,913
2017	96,000	27,246	123,246
2018	100,000	23,522	123,522
2019	104,000	19,646	123,646
2021- 2023	<u>465,000</u>	<u>35,853</u>	<u>500,853</u>
Total debt payments	<u>\$ 955,000</u>	<u>\$ 171,703</u>	<u>\$ 1,126,703</u>

<u>Contract Payable</u>			
	<u>Current Portion</u>	<u>Long-Term Portion</u>	<u>Total</u>
Note payable to the John Deere Credit, secured by equipment in monthly payments of \$ 2,904 including interest at adjusted rate of 4.458% per annum on the unpaid balance. The original amount of the loan was \$ 127,440. The loan matures on November 5, 2018.	<u>\$ 27,437</u>	<u>\$ 95,133</u>	<u>\$ 122,570</u>

Principal payments due on the note payable for the fiscal year ending June 30 are as follows:

	<u>Principal Amounts</u>	<u>Interest Amount</u>	<u>Total Debt Service</u>
2015	\$ 27,437	\$ 4,503	\$ 31,940
2016	31,236	3,608	34,844
2017	32,651	2,187	34,844
2018	<u>31,240</u>	<u>700</u>	<u>31,940</u>
Total debt payments	<u>\$ 122,570</u>	<u>\$ 10,998</u>	<u>\$ 133,568</u>

**Bard Water District  
Notes to Financial Statements  
For the year ended December 31, 2014**

**Note 8 . LONG-TERM LIABILITES (CONTINUED)**

The combined aggregate maturity of all long-term debt obligations is detailed as of December 31, 2014 by the fiscal year of maturity as follows:

	<u>Principal Amounts</u>	<u>Interest Amount</u>	<u>Total Debt Service</u>
2015	\$ 120,437	\$ 39,026	\$ 159,463
2016	128,236	34,521	162,757
2017	128,657	29,433	158,090
2018	131,240	24,222	155,462
2019	104,000	19,646	123,646
2021-2023	<u>465,000</u>	<u>35,853</u>	<u>500,853</u>
Total debt payments	<u>\$1,077,570</u>	<u>\$ 182,701</u>	<u>\$ 1,260,271</u>

**Note 9 . RETIREMENT PLAN**

The District contributes to the California Public Employees Retirement System (CalPERS), an agent multiple-employer defined benefit pension plan. CalPERS provides retirement and disability benefits, annual cost-of-living adjustment, and death benefits to plan members and beneficiaries. CalPERS 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 District resolution.

For 2014, the District's annual pension cost for CalPERS was equal to the District's required and actual contributions, which were determined as part of the December 31, 2009 actuarial valuations, respectively, using the entry age actuarial cost method.

**Note 10 . RISK OF LOSS**

The District is exposed to various risks of loss related to torts of, damages to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The District is a member of the Association of California Water Agencies Joint Powers Insurance Authority ( ACWA JPIA). The ACWA JPIA is a risk-pooling self-insurance authority, created under provision of the California Government Code Sections 6500 et. seq. The purpose of self-insured losses and to purchase excess insurance coverage.

**Bard Water District  
Notes to Financial Statements  
For the year ended December 31, 2014**

**Note 10 . RISK OF LOSS (CONTINUED)**

The District pays an annual premium to ACWA JPIA for its liability, property, and workers compensation insurance coverage. The ACWA JPIA purchases specific occurrence excess insurance from commercial excess, reinsurance carriers, or other pooling agencies for the ACWA JPIA's liability, property, and workers compensation programs. The arrangement with ACWA JPIA is in substance a transfer of pooling (sharing) of risks among the participants in the ACWA JPIA's programs.

For ACWA JPIA's public liability and workers compensation programs, premiums for coverage are based upon the experience of participating members. District liabilities for claims not covered by ACWA JPIA programs are reported when it is probably that a loss has occurred and the amount of the loss can be reasonably estimated. Because actual claim liabilities depend on complex factors such as changes in legal doctrines, damage, awards, and other factors, the process used in computing claim liabilities does not necessarily result in an exact amount. Such uncovered claim liabilities are reevaluated periodically to take into account recently settled claims, claim frequency, and other economic and social factors.

**Note 11 . COMMITMENTS AND CONTINGENCIES**

*Bonded Debt*

The debt issued December 17, 2013 in the amount of \$ 1,051,000 of 2014 Refunding of Series 2004 Certificates of Participation as noted in Note 8.

*Budget and Budgeting*

Budget integration is employed as a management control device. Budgets are formally adopted by the Board of Directors and take effect the following January 1, the budgets are used as a management tool and are not a legal requirement.

*Contract with the United States Government – Bureau of Reclamation*

The Bard Water District ("District") entered into a contract with the United States of America-Bureau of Reclamation ("U.S. BOR") on March 10, 1981. A supplemental contract was made on January 19, 1983. This contract provides for the District to operate and maintain the Indian Unit works on behalf of the U.S. BOR.

As stated in the contract, the District is to care for, operate, and maintain the Indian Unit works on behalf the U.S. BOR in full compliance with the terms of this Contract, and in such manner that the works will remain in good and efficient condition to perform the carriage and distribution of water.

**Bard Water District**  
**Notes to Financial Statements**  
**For the year ended December 31, 2014**

**Note 11 . COMMITMENTS AND CONTINGENCIES (CONTINUED)**

On or before October 1 of each year, the District is to submit to the U.S. BOR for approval a proposed operation and maintenance program for the Indian Unit works for the following calendar year. The proposal is to be writing and shall include the estimated cost of the proposed operating and maintenance program. Following approval of the proposal and cost estimate by the U.S. BOR, the U.S. BOR shall pay the District one-half of the amount on or before December 31, with the remaining one-half to be paid on or before June 30. Due to the continuous late payments by the Bureau of Reclamation to Bard Water District the Operation and Maintenance Reserve was established. These funds may be used due to the late receipt of biannual payments and or for unforeseen normal operation or maintenance work on the Indian Unit.

Operation and maintenance costs for the Indian Unit joint works used to deliver water to the lands of the District and the Indian Unit are to be allocated between the District and the U.S. BOR as specified in the contract.

The agreement renews automatically each year and is in effect until cancelled by either party. The cancellation requires 1 year's advance written notice by the party requesting cancellation.

If in the opinion of the District and the U.S. BOR the amounts advanced for any year are likely to be insufficient to pay the costs of operation and maintenance during the year, the District is to submit to the U.S. BOR a bill for additional sums of money to cover the insufficiency, and the U.S. BOR is to release said amounts within 60 days from the O & M Reserve Fund. The amount of the insufficiency has not been agreed upon and continues to be subject to negotiation.

The operating budget for the year was \$ 624,846, or 39% of the District's total revenues.

**Note 12 . SUBSEQUENT EVENTS**

The management of The Bard Water District has reviewed the results of operations for the period of time from its year end December 31, 2014 through July 15, 2015, the date the financial statements were available to be issued, and has determined that no adjustments are necessary to the amounts reported in the accompanying financial statements nor have any subsequent events occurred, the nature of which would require disclosure.



**BARD WATER DISTRICT**

**Financial Statements  
With Independent Auditor's Report**

**As of December 31, 2013  
and for the year then ended**



George J. Woo  
Certified Public Accountant

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Bard Water District  
Bard, California

I have audited the accompanying financial statements of the Bard Water District (the "District"), as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively compromise the District's basic financial statements.

### 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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted the audit in accordance with auditing standards generally accepted in the United States of America and the State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that I 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 I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

**Opinion**

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of December 31, 2013, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America as well as accounting systems prescribed by the State Controller's Office and state regulations governing special districts.

**Other Matters**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 7 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I 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 my inquiries, the basic financial statements, and other knowledge we obtained during my audit of the basic financial statements. I 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.

A handwritten signature in black ink, appearing to read "James J. Wood", is located in the lower right quadrant of the page.

July 18, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

**Bard Water District  
Management's Discussion and Analysis  
For the year ended December 31, 2013**

This section of the Bard Water District's (District) financial statements presents an analysis of the District's financial performance during the year ended December 31, 2013. This information is presented in conjunction with the basic financial statements, which follow this section.

**Financial Highlights for year**

- Total Assets decreased \$ 273,968.
- Operating revenues decreased \$ 561,108.
- Unrestricted Net Assets increased \$ 192,093.

**Overview of the financial statements**

The financial statements consist of the following two parts: Management's Discussion and Analysis, and Financial Statements. The financial statements include notes to the financial statements that provide additional information that is essential to a full understanding of the data in the financial statements. The notes are an integral part of the financial statements.

**Required Financial Statements**

The financial statements of the District report information utilizing the full accrual basis of accounting. The financial statements conform to accounting principles which are generally accepted in the United States of America.

The statements of Net Assets include information of the District's assets and liabilities and provide information about the nature and amounts of investments in resources (assets) and the obligations to District creditors (liabilities).

The Statements of Activities and Changes in Net Assets identify the District's revenues and expenses for the year ended December 31, 2013. This statement provides information on the District's operation over the past year and can be used to determine whether the District has recovered all of its actual and projected costs through user fees and other charges.

The third financial statement is the Statement of Cash Flows. This statement provides information on the District's cash receipts, cash payments and changes in cash resulting from operations, investments and financing activities. From the Statement of Cash Flows, the reader can obtain information on the source and use of cash and the change in the cash and cash equivalents balance for the year ended December 31, 2013.

**Bard Water District  
Management's Discussion and Analysis  
For the year ended December 31, 2013**

**Financial Analysis of the District**

The Statement of Net Assets and the Statement of Activities and Changes in Net Assets provide an indication of the District's financial condition and also indicate whether the financial condition of the District improved during the previous year. The District's net assets reflect the difference between assets and liabilities. An increase in net assets over time typically indicates and improvement in financial condition.

**Net Assets**

A summary of the District's Statements of Net Assets is presented below.

**Table 1  
Condensed Statement of Net Assets**

	<u>2012</u>	<u>2013</u>	<u>Dollar Change</u>
Current and Other Assets	\$ 2,370,511	\$ 2,211,557	\$(158,954)
Capital Assets	<u>6,928,932</u>	<u>6,813,918</u>	<u>( 115,014)</u>
<b>Total Assets</b>	<b><u>9,299,443</u></b>	<b><u>9,025,475</u></b>	<b><u>( 273,968)</u></b>
Long-term Debt	1,145,000	1,051,000	(94,000)
Other Liabilities	<u>111,010</u>	<u>43,063</u>	<u>(67,947)</u>
<b>Total Liabilities</b>	<b><u>1,256,010</u></b>	<b><u>1,094,063</u></b>	<b><u>(161,947)</u></b>
Net Assets invested in capital Assets, net of related debt	5,708,932	5,762,918	53,986
Restricted Reserves	739,149	381,049	(358,100)
Unrestricted Reserves	<u>1,595,352</u>	<u>1,787,445</u>	<u>192,093</u>
<b>Total Net Assets</b>	<b><u>\$ 8,043,433</u></b>	<b><u>\$ 7,931,412</u></b>	<b><u>\$(112,021)</u></b>

As the above table indicates, total assets decreased by \$ 273,968 from \$ 9,299,443 to \$ 9,025,475 during the year ended December 31, 2013. This is comprised of a decrease of \$ 158,954 in current and other assets and a decrease of \$ 115,014 in capital assets. The decrease in current and other assets and the decrease in capital assets reflect a period of moderate Capital Expenditures and an increase in accumulated depreciation by the current year depreciation expense.

Total liabilities reflect a decrease of \$ 161,947. This is mainly due to the refunding of the series 2004 certificates of participation and the scheduled principal payment of the existing debt.

**Bard Water District  
Management's Discussion and Analysis  
For the Year Ended December 31, 2013**

**Net Assets (Continued)**

Table 1 also indicates the total net assets decreased \$ 112,021 from \$ 8,043,433 to \$ 7,931,412. This increase is due to an increase of \$ 53,986 in net assets invested in capital assets, net of related debt; a decrease of \$ 358,100 in net assets restricted and a increase of \$ 192,093 in unrestricted net assets. These amounts reflect the affect of the current year results from the operation of its resources on the District's Total Net Assets.

**Table 2  
Condensed Statement of Activities**

	Six months Ended December 31, <u>2012</u>	Twelve months Ended December 31, <u>2013</u>
Operating Revenue	\$ 818,715	\$ 1,379,823
Nonoperating Revenues	104,893	123,081
<b>Total Revenues</b>	<b><u>923,608</u></b>	<b><u>1,502,904</u></b>
Depreciation Expense	76,612	158,290
Other Operating Expenses	715,953	1,322,118
Nonoperating Expenses	47,370	134,517
<b>Total Expenses</b>	<b><u>839,935</u></b>	<b><u>1,614,925</u></b>
<b>Change in Net Assets</b>	<b><u>\$ 83,673</u></b>	<b><u>\$ (112,021)</u></b>

The Statement of Activities and Changes in Net Assets identify the various revenue and expense items that impact the change in net assets. As the information in Table 2 indicates, Total Revenue increased \$ 579,296 between the six month period ended December 31, 2012 and the year ended December 31, 2013.

Table 2 indicates that the District's total revenues increased by \$ 579,296 to \$ 1,502,904 in the year ended December 31, 2013 from \$ 923,608 from the six month period ended December 31, 2012. Total expenses increased \$ 774,990 during the year ended December 31, 2013 and six months ended December 31, 2012.

**Bard Water District  
Management's Discussion and Analysis  
For the year ended December 31, 2013**

**Capital Assets**

A summary of the District's Capital Assets is presented below.

Table 3  
Capital Assets

	<u>2012</u>	<u>2013</u>	<u>Increase (Decrease)</u>
Buildings	\$ 133,743	\$ 136,843	\$ 3,100
Heavy Equipment	1,127,978	1,127,978	-0-
Office Equipment and Fixtures	27,920	35,420	7,500
Vehicles	198,504	231,179	32,675
Canals & Delivery Systems	<u>7,932,854</u>	<u>7,932,854</u>	<u>-0-</u>
Subtotal	9,420,999	9,464,274	43,275
Less Accumulated Depreciation	<u>(2,415,455)</u>	<u>(2,650,356)</u>	<u>(158,289)</u>
<b>Total Capital Assets</b>	<b><u>\$ 6,928,932</u></b>	<b><u>\$ 6,813,918</u></b>	<b><u>\$(115,014)</u></b>

As of December 31, 2013, the District's investment in capital assets totaled \$ 9,464,274 increased \$ 43,275 over the capital asset balance of \$ 9,420,999 as of December 31, 2012. Capital assets include all of the District's major capital assets, including infrastructure assets, water mains, pipes and District headquarters and other structures, as well as vehicles and other equipment with a value of \$ 5,000 or more. A comparison of the District's capital assets over the past two fiscal years is presented in Table 3.

**Long – Term Debt**

Revenue Certificates of Participation (Series 2004) in the amount of \$ 1,800,000 issued in April 2004 to fund costs associated with the upgrade and replacement of the Reservation Main Canal Improvement Project. This debt was to be paid in annual installments through the year 2024. The District has covenanted that it will fix, prescribe and collect rates, fees and charges for use of the District's water system during each fiscal year which are at least sufficient to yield in each fiscal year net revenues equal to 125% of the debt service for such fiscal year, plus any amount necessary to restore the bond reserve fund to the reserve requirement.



**Bard Water District  
Management's Discussion and Analysis  
For the year ended December 31, 2013**

On December 17, 2013 the District legally defeased \$ 1,145,000 of the 2004 COPs. As of December 31, 2013, the District had \$ 1,051,000 in outstanding debt compared to \$ 1,220,000 as of December 31, 2012. The reduction of debt service with the defeasance is approximately \$ 13,000 annually through 2024.

**Request for Information**

This financial report is designed to provide a general overview of the Bard Water District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Administrative Assistant, Bard Water District, 1473 Ross Road, Winterhaven California, 92283.

FINANCIAL STATEMENTS

BARD WATER DISTRICT  
Statement of Net Assets  
As of December 31, 2013

ASSETS

Current assets:	
Cash and investments	\$ 151,395
Accounts receivables	146,380
Inventory	33,146
Prepaid interest	<u>21,075</u>
Total current assets	<u>351,996</u>
Investments - restricted	381,049
Noncurrent assets:	
Property and equipment	9,464,274
Less allowance for depreciation	<u>(2,650,356)</u>
Net Capital Assets	<u>6,813,918</u>
Other Non-Current assets:	
Investment in Siphon Drop Project	1,453,159
Unamortized bond issuance costs	12,278
Refundable deposits	<u>13,075</u>
Total Other Assets	<u>1,478,512</u>
TOTAL ASSETS	<u>\$ 9,025,475</u>

LIABILITIES AND NET ASSETS

Current Liabilities:	
Accounts payable	\$ 38,471
Current portion of long-term debt	96,000
Accrued expenses	<u>4,592</u>
Total Current Liabilities	<u>139,063</u>
Non-Current Liabilities:	
Bonds Payable, net of current portion	<u>955,000</u>
Total Non-Current Liabilities	<u>955,000</u>
TOTAL LIABILITIES	<u>1,094,063</u>
Net Assets:	
Invested in capital assets, net of related debt	5,762,918
Restricted net assets	381,049
Unrestricted net assets	<u>1,787,445</u>
TOTAL NET ASSETS	<u>\$ 7,931,412</u>

The accompanying notes are an integral part of these financial statements.

BARD WATER DISTRICT  
Statement of Revenue, Expenses and Changes in Net Assets  
For the year ended December 31, 2013

<b>OPERATING REVENUES</b>	
Indian Unit Assessments	\$ 586,130
Agricultural water fees	416,090
RMIP agricultural water fees	133,936
Excess water fees	166,221
Reimbursable work	<u>77,446</u>
<b>TOTAL REVENUE</b>	<u>1,379,823</u>
<b>OPERATING EXPENSES</b>	
Payroll Expenses	480,155
Insurance	176,241
Fees & Dues	165,453
Depreciation Expense	158,290
Concrete lining	18,695
Office structure improvements	5,246
Employee Drug Testing	130
Office Supplies	9,504
Payroll Taxes	34,429
Rentals	3,206
Other Expenses	24,976
Safety Equipment	992
Light Equipment Repair	16,779
Irrigation Structure Improvements	52,108
Parts & Supplies	6,236
Freight & Shipping Charges	844
Operational Supplies	17,984
Telephone & Communication	7,412
Large Equipment Repair	21,940
System Maintenance	25,283
Weed Control	48,287
Wood Gate Material	3,256
Metal Gate Material	9,411
Fuel & Oil	77,556
Employee & Customer Supplies	1,889
Utilities	4,886
Bank Charges	2,823
Water Conservation Cost	137
Multi Species LCR MSCP	18,191
Legal Fees	80,003
Building maintenance	6,759
Medical employee deductible	250
Dept. of Toxic Substance	<u>1,057</u>
<b>TOTAL OPERATING EXPENSES</b>	<u>1,480,408</u>
<b>OPERATING NET INCOME (LOSS)</b>	<u>(100,585)</u>

The accompanying notes are an integral part of these financial statements.

BARD WATER DISTRICT  
Statement of Revenue, Expenses and Changes in Net Assets (Continued)  
For the year Ended December 31, 2013

NON-OPERATING REVENUE (EXPENSE)

Property Taxes	13,831
Other Income	34,706
Siphon Drop Power	74,436
Interest Earned	108
Interest Expense / Bond Costs	<u>(134,517)</u>
Total Non-Operating Revenue, Net	<u>(11,436)</u>
Change in Net Assets	(112,021)
Total Net Assets, Beginning of Year	<u>8,043,433</u>
Total Net Assets, End of Year	<u><u>\$ 7,931,412</u></u>

The accompanying notes are an integral part of these financial statements.

BARD WATER DISTRICT  
Statement of Cash Flows - (Continued)  
For the year Ended December 31, 2013

Reconciliation of Change In Net Assets to Net  
Cash Provided by Operating Activities:

Operating income (Loss)	<u>\$ (100,585)</u>
Adjustments to Reconcile Change In Net Assets to Net Cash Provided by Operating Activities:	
Depreciation Expense	158,290
(Increase) Decrease in receivables	51,290
(Increase) Decrease in prepaid expenses	(21,075)
(Increase) Decrease in investments restricted	13,248
(Increase) Decrease Investment in Siphon Drop	7,463
(Increase) Decrease in other assets	46,561
Increase (Decrease) in accounts payable	24,749
Increase (Decrease) in accrued expenses	<u>(17,696)</u>
Net Cash Provided by Operating Activities	<u>162,245</u>
Cash Flows from Non - Capital Financing Activities:	
Proceeds from property taxes	13,831
Other Income	<u>34,706</u>
Net Cash Provided by Non-Capital Financing Activities	<u>48,537</u>
Cash Flows from Capital and Related Financing Activities:	
Equipment & Property Improvements	(43,276)
Principal payments - Certificates of Participation	(169,000)
Interest payments / Bond Costs	<u>(134,517)</u>
Net Cash Provided by (Used) Capital and Related Financing Activities	<u>(346,793)</u>
Cash Flows from Investing Activities:	
Interest received on investments	108
Siphon Drop Power - Net Earnings	<u>74,436</u>
Net Cash provided by Investing activities	<u>74,544</u>
Net Change in Cash and Cash Equivalents	<u>(61,467)</u>
Cash and Cash Equivalents, Beginning	<u>212,862</u>
Cash and Cash Equivalents, Ending	<u>\$ 151,395</u>

Supplemental information : Interest expense paid in current fiscal  
year was \$59,234.

The accompanying notes are an integral part of these financial statements.

**Bard Water District**  
**Notes to Financial Statements**  
**For the year ended December 31, 2013**

**Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Reporting Entity**

The Bard Irrigation District (The District) is a public entity established in 1927 pursuant to the Irrigation District Act of the California Water Code (Section 34000 et seq.) for the purpose of providing water services to the properties in the District. The District was reorganized into the "Bard Water District" the 29<sup>th</sup> day of November, 1973 as a Political Corporation of the State of California in accordance with Government Code (Section 56452).

The District has the power under the law to among other things, provide irrigation within its geographic boundaries. In connection therewith, the District has the power of eminent domain to contract, to construct works, to fix rates and charges for commodities or services furnished, and to incur indebtedness. The District elected by the owners of irrigable land residing within the District's boundaries.

The District's service area lies within the Bard Valley of southeastern California encompassing 14,676 acres. The District operates and maintains the Reservation Division of the U.S. Bureau of Reclamation's Yuma Project. The water for the project is diverted from the All-American Canal to the fore bay of the Siphon Drop Power-Plant on the Yuma Main Canal. Some Reservation Division lands are served directly from turnouts on the All-American Canal above Siphon Drop.

**Basis of Presentation**

The accounting records of the District are maintained on the accrual basis of accounting. Under this method, revenues are recognized when earned, regardless of when received, and expenses are recognized when incurred, regardless of when paid.

These basic financial statements present the District and its component units, entities for which the District is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the District's operations and data from these units are combined with data of the District. Each blended component unit has a December 31 year end. The District had no discretely presented component units.

**Bard Water District  
Notes to Financial Statements  
For the year ended December 31, 2013**

**Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Blended Component Units**

The Bard Water District Financing Corporation, a non-profit public benefit corporation was established on April 1, 2004 for the purpose of providing assistance to the District in financing the acquisition, construction and improvement of the Reservation Main Canal for the District. Although legally separate from the District, the Corporation is reported as if it were part of the primary government because its sole purpose is to provide financing to the District under the debt issuance documents of the District. The District has continuing oversight responsibility or control over the corporation because the members of the Board of Directors of the Corporation are also members of the District's Board of Directors.

**Revenues**

Each landowner pays an annual water availability fee, based on acreage held within the District. Water revenues are recorded on a calendar year basis. The water availability fee is billed on a calendar year basis. Bard Water District landowners and lessees may pay the full amount of the annual charges due on or before January 10 or divide the annual charges into two equal installments.

The first installment must be paid by January 10 of the current year and the second installment by July 10. The principal operation of the District is the sale of untreated canal water.

**Non-Operating Revenues and Expenses**

Non-Operating revenues and expenses consist of net income from the joint ventures, property taxes, interest income, and interest expense.

**Income Tax**

The Bard Irrigation District ("The District") is a public entity established in 1927 pursuant to the Irrigation District Act of the California Water Code (Section 34000 et seq. ) for the purpose of providing water services to the properties in the District. The District was reorganized into the "Bard Water District" on November 29, 1973 as a Political Sub Division of the State of California in accordance with Government Code (Section 56452). It is, therefore, exempt from the filing of Federal and State of California income tax returns.



**Bard Water District**  
**Notes to Financial Statements**  
**For the year ended December 31, 2013**

**Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Restricted Assets**

Restricted assets represents investments relating to the Indian Unit Emergency Reserve Fund and the Indian Unit O & M Reserve Fund. The contract with the United States Government stipulates that a Reserve Fund is to be maintained by the District, and is to be used only in the event of an emergency. Withdrawals from this reserve fund may be made only upon receipt of approval by U.S. BOR. Investments are stated at cost. Interest earned on each fund is credited annually.

Emergency Reserve Fund	\$ 150,088
O & M Reserve Fund	<u>230,961</u>
Balance December 31, 2013	<u>\$ 381,049</u>

**Compensated Absences**

Accrued vacation is payable upon retirement or termination. Accrued sick leave may be taken during employment but is not vested and is lost upon retirement or termination. The amount of vacation payable at year end was immaterial.

**Net Assets**

The differences between assets and liabilities are reported as net assets. Net assets are classified as either invested in capital assets, net of related debt, restricted, or unrestricted. Net assets that are invested in plant, net of related debt, consist of capital assets, net of accumulated depreciation and amortization. The District's capital assets include property, plant, and equipment. Restricted net assets are those net assets that have external constraints placed on them by creditors, grantors, contributors or laws or regulations of other governments, or imposed by law through constitutional provision of enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of "restricted" or invested in capital assets, net of related debt. Unlike the restricted net assets, the Board has discretion in determining the use and establishing minimum/maximum balance requirements for the unrestricted cash and investment portion of net assets. The board may, at any time, change or eliminate amounts established for these purposes.

**Bard Water District  
Notes to Financial Statements  
For the year ended December 31, 2013**

**Note 2. CASH**

Cash equivalents have been defined as short term, highly liquid investment which are readily convertible to known amounts of cash and have maturity dates within 90 days of the statement date.

Cash balances are classified as to credit risk as uncollateralized. Cash reported on the balance sheet as of December 31, 2013:

	<u>Book Balance</u>	<u>Bank Balance</u>
National Bank of Arizona	\$ 125,018	\$ 135,719
National Bank of Arizona	26,027	26,027
Petty Cash	<u>350</u>	<u>-0-</u>
Total	<u>\$ 151,395</u>	<u>\$ 161,746</u>

**Note 3. ACCOUNTS & OTHER RECEIVABLES**

The majority of the accounts receivable of the District are generated by assessing its customers an annual fee per irrigable acre of land. The receivables are considered to be fully collectible by management of the District because the balances represent a perfected lien against the property that will ultimately be collected when the land is sold. No allowance for doubtful accounts is considered necessary.

**Note 4. INVESTMENTS / RESTRICTED INVESTMENTS**

Authorized deposits and investments of the District are governed by the California Government Code as well as policies set forth by the District's Board of Directors. All investments consist of money market accounts. Carrying amounts for all investments approximate fair value. Carrying amount of investments as of December 31, 2013, including restricted investments, is \$ 532,444.

**Note 5. BUSINESS AND CREDI CONCENTRATION**

The District's financial instrument that is exposed to concentration of credit risk is primarily cash. The District places its cash with a institution insured by the Federal Deposit Insurance Corporation ( FDIC).

**Bard Water District  
Notes to Financial Statements  
For the year ended December 31, 2013**

**Note 5. BUSINESS AND CREDIT CONCENTRATION (CONTINUED)**

The District's revenues are generated from owners of irrigable land residing within the District's boundaries of Bard Valley. Therefore, the District's customer base is geographically limited and concentrated within approximately 14,676 acres in Bard Valley. Certain of the Board members are customers of the District. These Board members are charged the same rates as all other customers.

**Note 6. PROPERTY AND EQUIPMENT**

The cost of additions to the utility plant and major replacements of retired units of property is capitalized. The cost and accumulated depreciation of property sold or retired is deducted from capital assets, and any profit or loss resulting from the disposal is credited or charged in the non-operation section of the statements of revenues, expenses and changes in net assets. The cost of current repairs, maintenance, and minor replacements is charged to expense. Construction in progress primarily relates to upgrades of existing facilities.

Depreciation has been provided over estimated useful lives of the assets using the straight-line method. The estimated useful lives are as follows:

	Estimated Useful Lives
Canals & Ancillary Systems	20 – 65 years
Office furniture, fixtures and equipment	3 – 7 years
Heavy Equipment	7 – 15 years
Trucks & Utility Vehicles	5 – 10 years

Additions for the fiscal year ended December 31, 2013 were \$ 43,275. Depreciation expense amounted to \$ 158,289. Asset groupings, at cost, are as follows:

Classifications	Balance January 1, 2013	Additions	Retirements	Balance December 31, 2013
Buildings	\$ 133,743	\$ 3,100	\$ -0-	\$ 136,843
Heavy Equipment	1,127,978	-0-	-0-	1,127,978
Office Equipment & Fixtures	27,920	7,500	-0-	35,420
Trucks & Utility vehicles	198,504	32,675	-0-	231,179
Canals & Ancillary Systems	7,932,854	-0-	-0-	7,932,854
	9,420,999	43,275	-0-	9,464,274
Less Accumulated Depreciation	(2,492,067)	(158,289)	-0-	(2,650,356)
<b>Totals</b>	<b>\$ 6,928,932</b>	<b>\$ (115,014)</b>	<b>\$ -0-</b>	<b>\$ 6,813,918</b>

**Bard Water District**  
**Notes to Financial Statements**  
**For the year ended December 31, 2013**

**Note 7 . INVESTMENT IN SIPHON DROP PROJECT**

The District has an undivided 11.49% interest in the Siphon Drop Power Plant (energy generation stations and transmission systems). The Project is operated by the Yuma County Water Users located in Somerton Arizona generated at the plant is interconnected with the Parker-Davis power system for distribution and sale. The Association does not capitalize certain property and equipment and does not provide for depreciation expense. The District's share of current net earnings was \$ 74,436.

The following is a condensed Statement of Financial Position and a condensed Statement of Activities:

	<u>Project Total</u>	<u>Bard Water District Undivided Interest</u>
<b><u>Statement of Financial Position</u></b>		
<b><u>Assets</u></b>		
Total current assets	\$ 1,778,420	\$ 204,340
Operational reserves	269,843	31,005
Replacement reserve fund	231,615	26,613
Property and equipment, net	<u>11,240,973</u>	<u>1,291,588</u>
Total assets	<u>13,520,851</u>	<u>1,553,546</u>
<b><u>Liabilities and Net Assets</u></b>		
Total current liabilities	<u>1,411,462</u>	<u>162,177</u>
Total net assets	<u>\$ 12,109,389</u>	<u>\$ 1,391,369</u>
<b><u>Statement of Activities</u></b>		
Total revenue	1,459,376	167,682
Total operating expenses	<u>811,542</u>	<u>93,246</u>
Change in net assets before Distribution	647,174	74,436
Distribution of excess revenue	<u>537,775</u>	<u>(61,790)</u>
Change in net assets	<u>110,059</u>	<u>12,646</u>
Net assets, beginning of year	11,999,330	1,378,723
Net assets, end of year	<u>12,109,389</u>	<u>1,391,369</u>
Add accrued distribution	<u>537,775</u>	<u>61,790</u>
Net assets, end of year - Adjusted	<u>\$ 12,647,164</u>	<u>\$ 1,453,159</u>

**Bard Water District  
Notes to Financial Statements  
For the year ended December 31, 2013**

**Note 8 . LONG-TERM LIABILITES**

Long-Term debt and related costs

Long-term debt is reported at face value, net of applicable premium, discounts and deferred loss on refunding. Cost related to the issuance of debt are deferred and amortized over the lives of the various debt issues and are shown as a Other Non-Current Assets on the Statement of Net Assets.

Certificates of Participation (Series 2004)

On April 1, 2004, District issued \$ 1,800,000 of Revenue Certificates of Participation (series 2004). The District used the net proceeds and reimbursed itself for these and related capital cost. The certificates had variable interest rates and were payable in installments of \$ 75,000 payable solely from and secured by the revenues received from the operation of the District's water system.

The District covenanted to fix, prescribe and collect rates, fees and charges for use of the District's water system during each fiscal year which are at least sufficient to yield in each fiscal year net revenues equal to 125% of the debt service for such fiscal year, plus any amount necessary to restore the bond reserve fund to the reserve requirement.

2013 Refunding of Series 2004 Certificates of Participation

On December 17, 2013 the District issued \$ 1,051,000 of 2013 refunding of Series 2004 COP's.

The District legally defeased \$ 1,145,000 of the 2004 COP's comprised of serial certificates maturing from May 1, 2014 through 2024. The proceeds were placed in an irrevocable trust to prepay all outstanding 2004 COP's as of May 1, 2014. These COP's are considered defeased and the liability has been removed from the accompanying Statements of Net Position. The reduction in debt service with the defeasance is approximately \$ 13,000 annually through 2024.

The certificates have variable interest rates and are payable in installments ranging from \$ 96,000 to \$ 120,000 payable solely from and secured by the revenues received from the operation of the District's water system.

**Bard Water District  
Notes to Financial Statements  
For the year ended December 31, 2013**

**Note 8 . LONG-TERM LIABILITES (CONTINUED)**

The debt service requirements for the bonds as of December 31, 2013 were as follows:

<u>Years</u>	<u>Principal Amounts</u>	<u>Interest</u>	<u>Total Debt Service</u>
2014	\$ 96,000	\$ 33,011	\$ 129,011
2015	93,000	34,523	127,523
2016	97,000	30,913	127,913
2017	96,000	27,246	123,246
2018	100,000	23,522	123,522
2019- 2023	<u>569,000</u>	<u>55,499</u>	<u>624,499</u>
Total debt payments	<u>\$1,051,000</u>	<u>\$ 204,714</u>	<u>\$ 1,255,714</u>

**Note 9 . RETIREMENT PLAN**

The District contributes to the California Public Employees Retirement System (CalPERS), an agent multiple-employer defined benefit pension plan. CalPERS provides retirement and disability benefits, annual cost-of-living adjustment, and death benefits to plan members and beneficiaries. CalPERS 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 District resolution.

For 2013, the District's annual pension cost for CalPERS was equal to the District's required and actual contributions, which were determined as part of the December 31, 2009 actuarial valuations, respectively, using the entry age actuarial cost method.

**Note 10 . RISK OF LOSS**

The District is exposed to various risks of loss related to torts of, damages to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The District is a member of the Association of California Water Agencies Joint Powers Insurance Authority ( ACWA JPIA). The ACWA JPIA is a risk-pooling self-insurance authority, created under provision of the California Government Code Sections 6500 et. seq. The purpose of self-insured losses and to purchase excess insurance coverage.

**Bard Water District  
Notes to Financial Statements  
For the year ended December 31, 2013**

**Note 10 . RISK OF LOSS (CONTINUED)**

The District pays an annual premium to ACWA JPIA for its liability, property, and workers compensation insurance coverage. The ACWA JPIA purchases specific occurrence excess insurance from commercial excess, reinsurance carriers, or other pooling agencies for the ACWA JPIA's liability, property, and workers compensation programs. The arrangement with ACWA JPIA is in substance a transfer of pooling (sharing) of risks among the participants in the ACWA JPIA's programs.

For ACWA JPIA's public liability and workers compensation programs, premiums for coverage are based upon the experience of participating members. District liabilities for claims not covered by ACWA JPIA programs are reported when it is probably that a loss has occurred and the amount of the loss can be reasonably estimated. Because actual claim liabilities depend on complex factors such as changes in legal doctrines, damage, awards, and other factors, the process used in computing claim liabilities does not necessarily result in an exact amount. Such uncovered claim liabilities are reevaluated periodically to take into account recently settled claims, claim frequency, and other economic and social factors.

**Note 11 . COMMITMENTS AND CONTINGENCIES**

*Bonded Debt*

The debt issued December 17, 2013 in the amount of \$ 1,051,000 of 2013 Refunding of Series 2004 Certificates of Participation as noted in Note 7.

*Budget and Budgeting*

Budget integration is employed as a management control device. Budgets are formally adopted by the Board of Directors and take effect the following January 1, the budgets are used as a management tool and are not a legal requirement.

*Contract with the United States Government – Bureau of Reclamation*

The Bard Water District ("District") entered into a contract with the United States of America-Bureau of Reclamation ("U.S. BOR") on March 10, 1981. A supplemental contract was made on January 19, 1983. This contract provides for the District to operate and maintain the Indian Unit works on behalf of the U.S. BOR.

**Bard Water District  
Notes to Financial Statements  
For the year ended December 31, 2013**

**Note 11 . COMMITMENTS AND CONTINGENCIES (CONTINUED)**

As stated in the contract, the District is to care for, operate, and maintain the Indian Unit works on behalf the U.S. BOR in full compliance with the terms of this contract, and in such manner that the works will remain in good and efficient condition to perform the carriage and distribution of water.

On or before October 1 of each year, the District is to submit to the U.S. BOR for approval a proposed operation and maintenance program for the Indian Unit works for the following calendar year. The proposal is to be writing and shall include the estimated cost of the proposed operating and maintenance program. Following approval of the proposal and cost estimate by the U.S. BOR, the U.S. BOR shall pay the District one-half of the amount on or before December 31, with the remaining one-half to be paid on or before June 30.

Operation and maintenance costs for the Indian Unit joint works used to deliver water to the lands of the District and the Indian Unit are to be allocated between the District and the U.S. BOR as specified in the contract.

The agreement renews automatically each year and is in effect until cancelled by either party. The cancellation requires 1 year's advance written notice by the party requesting cancellation.

If in the opinion of the District and the U.S. BOR the amounts advanced for any year are likely to be insufficient to pay the costs of operation and maintenance during the year, the District is to submit to the U.S. BOR a bill for additional sums of money to cover the insufficiency, and the U.S. BOR is to pay said amounts within 60 days, an amount has not been finalized as of July 7, 2014. The amount of the insufficiency has not been agreed upon and continues to be subject to negotiation.

The operating budget for the year was \$ 586,130, or 42% of the District's total revenues.

**Note 12 . SUBSEQUENT EVENTS**

The management of The Bard Water District has reviewed the results of operations for the period of time from its year end December 31, 2013 through July 18, 2014, the date the financial statements were available to be issued, and has determined that no adjustments are necessary to the amounts reported in the accompanying financial statements nor have any subsequent events occurred, the nature of which would require disclosure.



**BARD WATER DISTRICT**

**Financial Statements  
With Independent Auditor's Report**

**As of December 31, 2012  
and for the six months then ended**



George J. Woo  
Certified Public Accountant

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## INDEPENDENT AUDITORS'S REPORT

To the Board of Directors  
Bard Water District  
Bard, California

I have audited the accompanying financial statements of the Bard Water District (the "District"), as of and for the six months ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the District's basic financial statements.

### 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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted the audit in accordance with auditing standards generally accepted in the United States of America and the State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that I 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 I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of December 31, 2012, and the changes in financial position and cash flows thereof for the six months then ended in accordance with accounting principles generally accepted in the United States of America as well as accounting systems prescribed by the State Controller's Office and state regulations governing special districts.

### Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 7 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I 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 my inquiries, the basic financial statements, and other knowledge we obtained during my audit of the basic financial statements. I 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.

My audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information included on pages 21 through 23 is presented for purposes of additional analysis and is not a required part of the basic financial statements of the District. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

July 2, 2013

A handwritten signature in black ink, appearing to read "James J. [unclear]", is written over the date.

MANAGEMENT'S DISCUSSION AND ANALYSIS

**Bard Water District  
Management's Discussion and Analysis  
For the six months ended December 31, 2012**

This section of the Bard Water District's (District) financial statements presents an analysis of the District's financial performance during the six months ended December 31, 2012. This information is presented in conjunction with the basic financial statements, which follow this section.

**Financial Highlights for Fiscal year 2011/2012**

- Total Assets increased by \$ 83,673 or 1%.
- Operating revenues decreased by \$ 89,061 or 10%.
- Unrestricted Net Assets increased \$ 130,288 or 9%.

**Overview of the financial statements**

The financial statements consist of the following three parts: Management's Discussion and Analysis, Financial Statements and other required supplementary information. The financial statements include notes that explain in detail some of the information included in the financial statements.

**Required Financial Statements**

The financial statements of the District report information utilizing the full accrual basis of accounting. The financial statements conform to accounting principles which are generally accepted in the United States of America.

The statements of Net Assets include information of the District's assets and liabilities and provide information about the nature and amounts of investments in resources (assets) and the obligations to District creditors (liabilities).

The Statements of Activities and Changes in Net Assets identify the District's revenues and expenses for the six months ended December 31, 2012. This statement provides information on the District's operation over the past fiscal year and can be used to determine whether the District has recovered all of its actual and projected costs through user fees and other charges.

The third financial statement is the Statement of Cash Flows. This statement provides information on the District's cash receipts, cash payments and changes in cash resulting from operations, investments and financing activities. From the Statement of Cash Flows, the reader can obtain information on the source and use of cash and the change in the cash and cash equivalents balance for the six month period ended December 31, 2012.

**Bard Water District  
Management's Discussion and Analysis  
For the six months ended December 31, 2012**

**Financial Analysis of the District**

The Statement of Net Assets and the Statement of Activities and Changes in Net Assets provide an indication of the District's financial condition and also indicate whether the financial condition of the District improved during the previous six months. The District's net assets reflect the difference between assets and liabilities. An increase in net assets over time typically indicates and improvement in financial condition.

**Net Assets**

A summary of the District's Statements of Net Assets is presented below.

Table 1  
Condensed Statement of Net Assets

	June 30, 2012 <u>(restated)</u>	December 31 2012	Dollar Change	Percent Change
Current and Other Assets	\$ 2,523,352	\$ 2,370,511	\$(152,841)	(.06%)
Capital Assets	<u>6,996,045</u>	<u>6,928,932</u>	<u>(67,113)</u>	<u>(1%)</u>
<b>Total Assets</b>	<b><u>9,519,397</u></b>	<b><u>9,299,443</u></b>	<b><u>(219,954)</u></b>	<b><u>(2%)</u></b>
Long-term Debt	1,145,000	1,145,000	-0-	-0-
Other Liabilities	<u>414,637</u>	<u>111,010</u>	<u>(303,627)</u>	<u>(73%)</u>
<b>Total Liabilities</b>	<b><u>1,559,637</u></b>	<b><u>1,256,010</u></b>	<b><u>(303,627)</u></b>	<b><u>19%</u></b>
Net Assets invested in capital				
Assets, net of related debt	5,776,045	5,708,932	(67,113)	1%
Restricted Reserves	718,651	739,149	20,498	3%
Unrestricted Reserves	<u>1,465,064</u>	<u>1,595,352</u>	<u>130,288</u>	<u>9%</u>
<b>Total Net Assets</b>	<b><u>\$ 7,959,760</u></b>	<b><u>\$ 8,043,433</u></b>	<b><u>\$ 83,673</u></b>	<b><u>1%</u></b>

As the above table indicates, total assets decreased by \$ 219,954 or 2% from \$ 9,519,397 to \$ 9,299,443 during the six months ended December 31, 2012. This is comprised of a decrease of \$ 152,841 in current and other assets and a decrease of \$ 67,113 in capital assets. The decrease in current and other assets and the decrease in capital assets reflect a period of moderate Capital Expenditures and an increase in accumulated depreciation by the current year depreciation expense.

Total liabilities reflect a decrease of \$ 303,627 or 73% due mainly to a decrease in deferred revenue.

**Bard Water District  
Management's Discussion and Analysis  
For the Year Ended December 31, 2012**

**Net Assets (Continued)**

Table 1 also indicates the total net assets increased \$ 83,673 from \$ 7,959,760 to \$ 8,043,433. This increase is due to a decrease of \$ 67,113 in net assets invested in capital assets, net of related debt; an increase of \$ 20,498 in net assets restricted and a increase of \$ 130,288 in unrestricted net assets. These amounts reflect the affect of the current six month period results from the operation of its resources on the District's Total Net Assets.

**Table 2  
Condensed Statement of Activities  
And changes in Net Assets**

	<u>June 30 2012</u>	<u>December 31, 2012</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Operating Revenue	\$ 907,776	\$ 818,715	\$ (89,061)	(10%)
Nonoperating Revenues	126,208	104,893	(21,315)	(17%)
<b>Total Revenues</b>	<b><u>1,033,984</u></b>	<b><u>923,608</u></b>	<b><u>(110,376)</u></b>	<b><u>11%</u></b>
Depreciation Expense	154,945	76,612	(78,333)	(51%)
Other Operating Expenses	1,160,812	715,953	(444,859)	(38%)
Nonoperating Expenses	77,416	47,370	(30,046)	39%
<b>Total Expenses</b>	<b><u>1,393,173</u></b>	<b><u>839,935</u></b>	<b><u>(553,238)</u></b>	<b><u>(40%)</u></b>
Changes in Net Assets	(359,189)	83,673	442,862	123%
Beginning Net Assets	<u>8,318,949</u>	<u>7,959,760</u>	<u>359,189</u>	<u>4%</u>
<b>Ending Net Assets</b>	<b><u>\$ 7,959,760</u></b>	<b><u>\$ 8,043,433</u></b>	<b><u>\$ 83,673</u></b>	<b><u>1%</u></b>

The Statement of Activities and Changes in Net Assets identify the various revenue and expense items that impact the change in net assets. As the information in Table 2 indicates, Total Revenue decreased \$ 110,376 which was a factor relating to the increase of \$ 83,673 in net assets by the end of the six month period ended December 31, 2012..

Table 2 indicates that the District's total revenues decreased by \$ 110,376 or 11% to \$ 923,608 in the six months ended December 31, 2012 from \$ 1,033,984 the prior year. This decrease in total revenues was due primarily to a decrease of Siphon Drop Distributions. Total expenses decreased \$ 553,238 or 40% during the six month period ended December 31, 2012. The majority of the increase relates to a decrease in legal expenses.

**Bard Water District  
Management's Discussion and Analysis  
For the six months ended December 31, 2012**

**Capital Assets**

A summary of the District's Capital Assets is presented below.

**Table 3  
Capital Assets**

	Balance June 30 <u>2012</u>	Balance December 31 <u>2012</u>	Dollar Change
Buildings	\$ 133,743	\$ 133,743	\$ -0-
Heavy Equipment	1,127,978	1,127,978	-0-
Office Equipment and Fixtures	27,920	27,920	-0-
Vehicles	189,005	189,504	9,499
Canals & Delivery Systems	<u>7,932,854</u>	<u>7,932,854</u>	<u>-0-</u>
Subtotal	9,411,500	9,420,999	9,499
Less Accumulated Depreciation	<u>(2,415,455)</u>	<u>(2,492,067)</u>	<u>(76,612)</u>
<b>Total Capital Assets</b>	<b><u>\$ 6,996,045</u></b>	<b><u>\$ 6,928,932</u></b>	<b><u>\$ (67,113)</u></b>

As of December 31, 2012, the District's investment in capital assets totaled \$ 9,420,999 increased \$ 9,499 over the capital asset balance of \$ 9,411,500 as of December 31, 2012. Capital assets include all of the District's major capital assets, including infrastructure assets, water mains, pipes and District headquarters and other structures, as well as vehicles and other equipment with a value of \$ 5,000 or more. A comparison of the District's capital assets over the past two fiscal years is presented in Table 3.

**Long - Term Debt**

Revenues Certificates of Participation (Series 2004) in the amount of \$ 1,800,000 issued in April 2004 to fund costs associated with the upgrade and replacement of the Reservation Main Canal Improvement Project. This debt will be paid in annual installments through the year 2024. The District's has covenanted that it will fix, prescribe and collect rates, fees and charges for use of the District's water system during each fiscal year which are at least sufficient to yield in each fiscal year net revenues equal to 125% of the debt service for such fiscal year, plus any amount necessary to restore the bond reserve fund to the reserve requirement.



**Bard Water District  
Management's Discussion and Analysis  
For the six months ended December 31, 2012**

As of December 31, 2012, the District had \$ 1,220,000 in outstanding bond debt compared to \$ 1,220,000 as of June 30, 2012.

**Request for Information**

This financial report is designed to provide a general overview of the Bard Water District's finances for all those with an interest in the district's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Administrative Assistant, Bard Water District, 1473 Ross Road, Winterhaven California, 92283.

BARD WATER DISTRICT  
Statement of Net Assets  
As of December 31, 2012

ASSETS

Current assets:	
Cash and investments	\$ 212,862
Accounts receivables	197,670
Inventory	<u>33,146</u>
Total current assets	<u>443,678</u>
Investments - restricted	394,297
Noncurrent assets:	
Property, plant and equipment	9,420,999
Less allowance for depreciation	<u>(2,492,067)</u>
Net Capital Assets	<u>6,928,932</u>
Other Non-Current assets:	
Investment in Siphon Drop Project	1,460,622
Unamortized bond issuance costs	58,839
Refundable deposits	<u>13,075</u>
Total Other Assets	<u>1,532,536</u>
TOTAL ASSETS	<u><u>\$ 9,299,443</u></u>

LIABILITIES AND NET ASSETS

Current Liabilities:	
Accounts payable	\$ 13,722
Current portion of long-term debt	75,000
Accrued expenses	<u>22,288</u>
Total Current Liabilities	<u>111,010</u>
Non-Current Liabilities:	
Bonds Payable, net of current portion	<u>1,145,000</u>
Total Non-Current Liabilities	<u>1,145,000</u>
TOTAL LIABILITIES	<u><u>1,256,010</u></u>
Net Assets:	
Invested in capital assets, net of related debt	5,708,932
Restricted net assets	739,149
Unrestricted net assets	<u>1,595,352</u>
TOTAL NET ASSETS	<u><u>\$ 8,043,433</u></u>

The accompanying notes are an integral part of these financial statements.

BARD WATER DISTRICT  
Statement of Revenue, Expenses and Changes in Net Assets  
For the six months ended December 31, 2012

<b>OPERATING REVENUES</b>	
Indian Unit Assessments	\$ 277,555
Agricultural water fees	270,468
RMIP agricultural water fees	65,930
Excess water fees	147,956
Reimbursable work	<u>56,806</u>
<b>TOTAL REVENUE</b>	<u>818,715</u>
<b>OPERATING EXPENSES</b>	
Payroll Expenses	245,252
Employee Drug Testing	25
Office Supplies	6,306
Insurance	107,436
Payroll Taxes	17,939
Rentals	783
Other Expenses	12,199
Fees / Dues / Finance Charges	109,225
Safety Equipment	636
Light Equipment Repair	4,004
Irrigation Structure Improve	42,806
Parts & Supplies	4,758
Freight / Shipping Charges	387
Operational Supplies	11,383
Telephone / Communication	3,780
Large Equipment Repair	23,317
System Maintenance	4,310
Weed Control	21,452
Wood Gate Material	199
Metal Gate Material	2,574
Fuel & Oil	45,407
Employee/ Customer Supplies	1,907
Utilities	2,870
Bank Charges	651
Water Conservation Cost	52
Multi Species LCR MSCP	13,245
Depreciation Expense	76,612
Legal Fees	<u>33,050</u>
<b>TOTAL OPERATING EXPENSES</b>	<u>792,565</u>
<b>OPERATING NET INCOME</b>	<u>26,150</u>

The accompanying notes are an integral part of these financial statements.

BARD WATER DISTRICT  
Statement of Revenue, Expenses and Changes in Net Assets (Continued)  
For the six months Ended December 31, 2012

NON-OPERATING REVENUE (EXPENSE)

Property Taxes	8,121
Other Income	2,450
Siphon Drop Power	94,263
Interest Earned	59
Interest Expense / Bond Costs	<u>(47,370)</u>
Total Non-Operating Revenue, Net	<u>57,523</u>
Change in Net Assets	83,673
Total Net Assets, Beginning of Year - as previously reported	8,237,314
Prior period Adjustment (Note 11)	<u>(277,554)</u>
Total Net Assets, Beginning of Year - Restated	<u>7,959,760</u>
Total Net Assets, End of Year	<u><u>\$ 8,043,433</u></u>

The accompanying notes are an integral part of these financial statements.

BARD WATER DISTRICT  
Statement of Cash Flows - (Continued)  
For the six months Ended December 31, 2012

Reconciliation of Change In Net Assets to Net  
Cash Provided by Operating Activities:

Operating income	<u>\$ 26,150</u>
Adjustments to Reconcile Change In Net Assets to Net Cash Provided by Operating Activities:	
Depreciation Expense	76,612
(Increase) Decrease in receivables	39,495
(Increase) Decrease in prepaid expenses	6,403
(Increase) Decrease in investments	13,790
(Increase) Decrease Investment in Siphon Drop	(94,263)
(Increase) Decrease in other assets	2,802
Increase (Decrease) in accounts payable	(25,027)
Increase (Decrease) in accrued expenses	6,250
Increase (Decrease) in deferred Income	<u>(284,850)</u>
Net Cash Provided by Operating Activities	<u>(232,638)</u>
Cash Flows from Non - Capital Financing Activities:	
Proceeds from property taxes	8,121
Other Income	<u>2,450</u>
Net Cash Provided by Non-Capital Financing Activities	<u>10,571</u>
Cash Flows from Capital and Related Financing Activities:	
Equipment & Property Improvements	(9,499)
Principal payments - Certificates of Participation	-
Interest payments / Bond Costs	<u>(47,370)</u>
Net Cash Provided by (Used) Capital and Related Financing Activities	<u>(56,869)</u>
Cash Flows from Investing Activities:	
Interest received on investments	59
Siphon Drop Power - Net Earnings	<u>94,263</u>
Net Cash provided by Investing activities	<u>94,322</u>
Net Change in Cash and Cash Equivalents	<u>(184,614)</u>
Cash and Cash Equivalents, Beginning	397,476
Cash and Cash Equivalents, Ending	<u>\$ 212,862</u>

Supplemental information : Interest expense paid in current fiscal  
year was \$47,370.

The accompanying notes are an integral part of these financial statements.

FINANCIAL STATEMENTS

**Bard Water District**  
**Notes to Financial Statements**  
**For the six months ended December 31, 2012**

**Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Reporting Entity**

The Bard Irrigation District (The District) is a public entity established in 1927 pursuant to the Irrigation District Act of the California Water Code (Section 34000 et seq.) for the purpose of providing water services to the properties in the District. The District was reorganized into the "Bard Water District" the 29<sup>th</sup> day of November, 1973 as a Political Corporation of the State of California in accordance with Government Code (Section 56452).

The District has the power under the law to among other things, provide irrigation within its geographic boundaries. In connection therewith, the District has the power of eminent domain to contract, to construct works, to fix rates and charges for commodities or services furnished, and to incur indebtedness. The District elected by the owners of irrigable land residing within the District's boundaries.

The District's service area lies within the Bard Valley of southeastern California encompassing 14,676 acres. The District operates and maintains the Reservation Division of the U.S. Bureau of Reclamation's Yuma Project. The water for the project is diverted from the All-American Canal to the fore bay of the Siphon Drop Power-Plant on the Yuma Main Canal. Some Reservation Division lands are served directly from turnouts on the All-American Canal above Siphon Drop.

**Basis of Presentation**

The accounting records of the District are maintained on the accrual basis of accounting. Under this method, revenues are recognized when earned, regardless of when received, and expenses are recognized when incurred, regardless of when paid.

These basic financial statements present the District and its component units, entities for which the District is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the District's operations and data from these units are combined with data of the District. Each blended component unit has a December 31 year end. The District had no discretely presented component units.

**Bard Water District  
Notes to Financial Statements  
For the six months ended December 31, 2012**

**Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Blended Component Units**

The Bard Water District Financing Corporation, a non-profit public benefit corporation was established on April 1, 2004 for the purpose of providing assistance to the District in financing the acquisition, construction and improvement of the Reservation Main Canal for the District. Although legally separate from the District, the Corporation is reported as if it were part of the primary government because its sole purpose is to provide financing to the District under the debt issuance documents of the District. The District has continuing oversight responsibility or control over the corporation because the members of the Board of Directors of the Corporation are also members of the District's Board of Directors.

**Revenues**

Each landowner pays an annual water availability fee, based on acreage held within the District. Water revenues are recorded on a calendar year basis. The water availability fee is billed on a calendar year basis. Bard Water District landowners and lessees may pay the full amount of the annual charges due on or before January 10 or divide the annual charges into two equal installments.

The first installment must be paid by January 10 of the current year and the second installment by July 10. The principal operation of the District is the sale of untreated canal water.

**Non-Operating Revenues and Expenses**

Non-Operating revenues and expenses consist of net income from the joint ventures, property taxes, interest income, and interest expense.

**Income Tax**

The Bard Irrigation District ( The District) is a public entity established in 1927 pursuant to the Irrigation District Act of the California Water Code (Section 34000 et seq. ) for the purpose of providing water services to the properties in the District. The District was reorganized into the "Bard Water District" the 29<sup>th</sup> day of November, 1973 as a Political Sub Division of the State of California in accordance with Government Code (Section 56452). It is, therefore, exempt from the filing of Federal and State of California income tax returns.



**Bard Water District**  
**Notes to Financial Statements**  
**For the six months ended December 31, 2012**

**Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Restricted Assets**

Restricted assets represents investments relating to the Bard Unit Reserve Fund, the Indian Unit Reserve Fund, the Indian Unit Special Reserve Fund, and the Siphon Drop Reserve Fund. Investments are stated at cost. Interest earned on each fund is credited annually. (Refer to additional financial details for Restricted Assets in the supplementary information.)

**Compensated Absences**

Accrued vacation is payable upon retirement or termination. Accrued sick leave may be taken during employment but is not vested and is lost upon retirement or termination. The amount of vacation payable at year end was immaterial.

**Net Assets**

The differences between assets and liabilities are reported as net assets. Net assets are classified as either invested in capital assets, net of related debt, restricted, or unrestricted. Net assets that are invested in plant, net of related debt, consist of capital assets, net of accumulated depreciation and amortization. The District's capital assets include property, plant, and equipment. Restricted net assets are those net assets that have external constraints placed on them by creditors, grantors, contributors or laws or regulations of other governments, or imposed by law through constitutional provision of enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of "restricted" or invested in capital assets, net of related debt. Unlike the restricted net assets, the Board has discretion in determining the use and establishing minimum/maximum balance requirements for the unrestricted cash and investment portion of net assets. The board may, at any time, change or eliminate amounts established for these purposes.

**Bard Water District  
Notes to Financial Statements  
For the six months ended December 31, 2012**

**Note 2. CASH**

Cash equivalents have been defined as short term, highly liquid investment which are readily convertible to known amounts of cash and have maturity dates within 90 days of the statement date.

Cash balances are classified as to credit risk as uncollateralized. Cash reported on the balance sheet as of December 31, 2012:

National Bank of Arizona General	\$ 30,044
National Bank of Arizona Money Mkt	168,667
Wells Fargo – Money Market	13,801
Petty Cash	<u>350</u>
Total	<u>\$ 212,862</u>

**Note 3. ACCOUNTS & OTHER RECEIVABLES**

Accounts receivable are not written off as all water billings will be collected, if only when the land is sold.

**Note 4. INVESTMENTS / RESTRICTED INVESTMENTS**

Authorized deposits and investments of the District are governed by the California Government Code as well as policies set forth by the District's Board of Directors. All investments consist of money market accounts. Carrying amounts for all investments approximate fair value and are considered uninsured with securities held by the counterparty's trust department or agent in the entity's name. Carrying amount of investments as of December 31, 2012, including restricted investments, is \$ 607,159 invested entirely in Money Market Accounts.

**Bard Water District  
Notes to Financial Statements  
For the six months ended December 31, 2012**

**Note 5. PROPERTY AND EQUIPMENT**

The cost of additions to the utility plant and major replacements of retired units of property is capitalized. The cost and accumulated depreciation of property sold or retired is deducted from capital assets, and any profit or loss resulting from the disposal is credited or charged in the non-operation section of the statements of revenues, expenses and changes in net assets. The cost of current repairs, maintenance, and minor replacements is charged to expense. Construction in progress primarily relates to upgrades of existing facilities.

Depreciation has been provided over estimated useful lives of the assets using the straight-line method. The estimated useful lives are as follows:

	Estimated Useful Lives
Canals & Ancillary Systems	20 – 65 years
Office furniture, fixtures and equipment	3 – 7 years
Heavy Equipment	7 – 15 years
Trucks & Utility Vehicles	5 – 10 years

Additions for the fiscal year ended December 31, 2012 were \$ 9,499. Depreciation expense amounted to \$ 76,612. Asset groupings, at cost, are as follows:

Classifications	Balance July 1, 2012	Additions	Retirements	Balance December 31, 2012
Buildings	\$ 133,743	\$ -0-	\$ -0-	\$ 133,743
Heavy Equipment	1,127,978	-0-	-0-	1,127,978
Office Equipment & Fixtures	27,920	-0-	-0-	27,920
Trucks & Utility vehicles	189,005	9,499	-0-	189,504
Canals & Ancillary Systems	7,932,854	-0-	-0-	7,932,854
	9,411,500	9,499	-0-	9,420,999
Less Accumulated Depreciation	(2,415,455)	(76,612)	-0-	(2,492,067)
<b>Totals</b>	<b>\$ 6,996,045</b>	<b>\$ (67,113)</b>	<b>\$ -0-</b>	<b>\$ 6,928,932</b>

**Bard Water District  
Notes to Financial Statements  
For the six months ended December 31, 2012**

**Note 6 . INVESTMENT IN SIPHON DROP PROJECT**

The District has an undivided 11.49% interest in the Siphon Drop Power Plant (energy generation stations and transmission systems). The Project is operated by the Yuma County Water Users located in Somerton Arizona. Generated at the plant is interconnected with the Parker-Davis power system for distribution and sale. The District's share of current net earnings was \$ 94,263. (see financial information for the Siphon Drop Power Plant in supplementary information.)

**Note 7 . LONG-TERM LIABILITES**

Long-Term debt and related costs

Long-term debt is reported at face value, net of applicable premium, discounts and deferred loss on refunding. Cost related to the issuance of debt are deferred and amortized over the lives of the various debt issues and are shown as a Other Non-Current Assets on the Statement of Net Assets.

Certificates of Participation (Series 2004)

In April 1, 2004, District issued \$ 1,800,000 of Revenue Certificates of Participation (2204 series). The District has used the net proceeds and reimbursed itself for these and related capital cost. The certificates have variable interest rates and they are payable in installments of \$ 75,000 payable solely form and secured by the revenues received from the operation of the District's water system. As of December 31, 2012 the District has outstanding revenue bonds in the amount of \$ 1,220,000. (see Note 10 for details).

**Bard Water District  
Notes to Financial Statements  
For the six months ended December 31, 2012**

The debt service requirements for the bonds as of December 31, 2012 were as follows:

<u>Outstanding Bonds</u>	<u>Principal Amounts</u>	<u>Interest</u>	<u>Total Debt Service</u>
<u>Payment Date</u>			
December 31, 2013	\$ 75,000	\$ 66,863	\$ 141,863
December 31, 2014	80,000	63,225	143,225
December 31, 2015	85,000	59,225	144,225
December 31, 2016	90,000	54,847	144,847
December 31, 2017	90,000	50,257	140,257
December 31, 2018- 2022	540,000	172,280	712,280
December 31, 2023- 2024	<u>260,000</u>	<u>23,243</u>	<u>283,243</u>
Total debt payments	<u>\$ 1,220,000</u>	<u>\$ 489,940</u>	<u>\$ 1,709,940</u>

**Note 8 . RETIREMENT PLAN**

The District contributes to the California Public Employees Retirement System (CalPERS), an agent multiple-employer defined benefit pension plan. CalPERS provides retirement and disability benefits, annual cost-of-living adjustment, and death benefits to plan members and beneficiaries. CalPERS 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 District resolution.

For 2012, the District's annual pension cost for CalPERS was equal to the District's required and actual contributions, which were determined as part of the December 31, 2009 actuarial valuations, respectively, using the entry age actuarial cost method.

**Note 9 . RISK OF LOSS**

The District is exposed to various risks of loss related to torts of, damages to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The District is a member of the Association of California Water Agencies Joint Powers Insurance Authority ( ACWA JPIA). The ACWA JPIA is a risk-pooling self-insurance authority, created under provision of the California Government Code Sections 6500 et. seq. The purpose of self-insured losses and to purchase excess insurance coverage.

**Bard Water District**  
**Notes to Financial Statements**  
**For the six months ended December 31, 2012**

**Note 9 . RISK OF LOSS (CONTINUED)**

The District pays an annual premium to ACWA JPIA for its liability, property, and workers compensation insurance coverage. The ACWA JPIA purchases specific occurrence excess insurance from commercial excess, reinsurance carriers, or other pooling agencies for the ACWA JPIA's liability, property, and workers compensation programs. The arrangement with ACWA JPIA is in substance a transfer of pooling (sharing) of risks among the participants in the ACWA JPIA's programs.

For ACWA JPIA's public liability and workers compensation programs, premiums for coverage are based upon the experience of participating members. District liabilities for claims not covered by ACWA JPIA programs are reported when it is probably that a loss has occurred and the amount of the loss can be reasonably estimated. Because actual claim liabilities depend on complex factors such as changes in legal doctrines, damage, awards, and other factors, the process used in computing claim liabilities does not necessarily result in an exact amount. Such uncovered claim liabilities are reevaluated periodically to take into account recently settled claims, claim frequency, and other economic and social factors.

**Note 10 . COMMITMENTS AND CONTINGENCIES**

*Bonded Debt*

The bonded debt issued in April 1, 2004 Certificates of participation (Reservation Main Canal Improvements Project) Series 2004 in the amount of \$ 1,735,000 consisting of Bond Discounts of \$ 8,737, Underwriter's Discount and Insurance Costs of \$ 80,949, Reserves of \$ 145,312 and Construction Costs of \$ 1,500,000.

*Budget and Budgeting*

Budget integration is employed as a management control device. Budgets are formally adopted by the Board of Directors and take effect the following January 1, the budgets are used as a management tool and are not a legal requirement.

**Bard Water District**  
**Notes to Financial Statements**  
**For the six months ended December 31, 2012**

**Note 11 . PRIOR PERIOD ADJUSTMENT**

To correct the amount of income from Indian Unit assessments reported in the prior year. Revenue was overstated \$ 277,554. This increases net assets at the beginning of the period.

**Note 12 . CHANGE IN ACCOUNTING PERIOD**

On August 2, 2012 the Board of the Bard Water District elected to change the accounting period from a fiscal year ended June 30 to a calendar year ended December 31. These financial statements are prepared as of December 31, 2012 and for the six months then ended.

**Note 13 . SUBSEQUENT EVENTS**

The management of The Bard Water District has reviewed the results of operations for the period of time from its year end December 31, 2012 through July 2, 2013, the date the financial statements were available to be issued, and has determined that no adjustments are necessary to the amounts reported in the accompanying financial statements nor have any subsequent events occurred, the nature of which would require disclosure.

SUPPLEMENTARY INFORMATION



BARD WATER DISTRICT  
 Statements of Changes Selected Reserve Funds  
 As of December 31, 2012

THE BARD UNIT RESERVE FUND

Fund Balance - Beginning of Year		\$	205,493
Interest Earned and Transferred			<u>1,027</u>
Fund Balance - End of Year		\$	<u><u>206,520</u></u>

THE INDIAN UNIT RESERVE FUND

Fund Balance - Beginning of Year		\$	182,378
Interest Earned and Transferred			<u>912</u>
Fund Balance - End of Year		\$	<u><u>183,290</u></u>

THE INDIAN UNIT RESERVE FUND

Fund Balance - Beginning of Year		\$	330,780
Additions to Reserve Fund			16,905
Interest Earned and Transferred			<u>1,654</u>
Fund Balance - End of Year		\$	<u><u>349,339</u></u>

<u>BALANCE - END OF YEAR FOR ALL RESERVE FUNDS</u>		\$	<u><u>739,149</u></u>
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BARD WATER DISTRICT  
SIPHON DROP STATEMENT OF FINANCIAL POSITION  
As of December 31, 2012

ASSETS

	Project Total	Bard Water District Undivided Interest
Current assets:		
Cash and cash investments	\$ 1,483,821	\$ 170,491
Accounts receivables	257,462	29,582
Other Current Assets	79,434	9,127
Inventory	89,896	10,329
Total current assets	1,910,613	219,529
Other Assets		
Operational Reserves	160,445	18,435
Restricted Funds		
Replacement Reserve Fund	229,755	26,399
Property and Equipment, Net	11,240,973	1,291,588
TOTAL ASSETS	\$ 13,541,786	\$ 1,555,951

LIABILITIES AND NET ASSETS

Current Liabilities:		
Distribution Payable	\$ 828,495	\$ 95,194
Accounts payable	712,785	81,899
Accrued expenses	1,176	135
Total Current Liabilities	1,542,456	177,228
Net Assets:		
Unrestricted	10,430,986	1,198,520
Operational Reserves	160,445	18,435
Permanently Restricted		
Restricted	229,755	26,399
Net Investment in Plant	1,178,144	135,369
Total Net Assets	11,999,330	1,378,723
TOTAL LIABILITIES AND NET ASSETS	\$ 13,541,786	\$ 1,555,951

BARD WATER DISTRICT  
SIPHON DROP STATEMENT OF ACTIVITIES  
As of December 31, 2012

	Project Total	Bard Water District Undivided Interest
<b>REVENUES</b>		
Public Authorities	\$ 45,813	\$ 5,264
Power Sales	1,500,172	172,370
Reimbursable Work	49,097	5,641
Interest	3,807	437
Miscellaneous income	34	4
<b>TOTAL REVENUE</b>	<b>1,598,923</b>	<b>183,716</b>
<b>EXPENSES</b>		
Materials	192,123	22,075
Salaries and Wages	175,785	20,198
Administrative & General Expenses	137,963	15,852
San Luis Rey Agreement	78,224	8,988
Salaries and Wages - Additives	81,375	9,350
Equipment Expense	60,000	6,894
Insurance	14,178	1,629
Miscellaneous Fees & Licenses	12,785	1,469
Contract Services	13,108	1,506
Wages - Vacation and Sick	3,062	352
Utilities	2,402	276
Operational Supplies	1,392	160
Miscellaneous Expenses	6,130	704
<b>TOTAL OPERATING EXPENSES</b>	<b>778,527</b>	<b>89,453</b>
<b>CHANGE IN NET ASSETS BEFORE OPERATING TRANSFERS &amp; DISTRIBUTIONS</b>	<b>820,396</b>	<b>94,263</b>
<b>OPERATING TRANSFERS &amp; DISTRIBUTIONS</b>		
Distribution of Excess Revenue	(712,785)	(81,899)
<b>CHANGE IN NET ASSETS</b>	<b>107,611</b>	<b>12,364</b>
<b>NET ASSETS, JANUARY 1</b>	<b>11,891,719</b>	<b>1,366,359</b>
<b>NET ASSETS, DECEMBER 31</b>	<b>\$ 11,999,330</b>	<b>1,378,723</b>
Add accrued distribution of excess revenue		81,899
<b>Net assets December 31 - Adjusted</b>		<b>\$ 1,460,622</b>

See Accountant's Report on Supplementary Information