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Local Agency Formation Commission

BOMBAY BEACH COMMUNITY
SERVICES DISTRICT

FINANCIAL STATEMENTS
(WITH INDEPENDENT AUDITOR'S REPORT)

AS OF AND FOR THE YEAR ENDED JUNE 30, 2014



George J. Woo
Certified Public Accountant

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Bombay Beach Community Services District
Niland, California 92257

I have audited the accompanying financial statements of Bombay Beach Community Services District, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively compromise the 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 District. 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 governmental and business type activities of Bombay Beach Community Services District as of June 30, 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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 9 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 I 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.

November 10, 2014

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

**BOMBAY BEACH COMMUNITY SERVICES DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014**

The discussion and analysis of the financial performance of the Bombay Beach Community Services District (the "District") provides an overview of the District's financial activities for the year ended June 30, 2014. The intent of this discussion and analysis is to look at the District's financial performance as a whole; users of these financial statements should read this discussion.

Financial Highlights

- The assets of the District exceeded its liabilities at the close of the 2013-2014 fiscal year \$ 207,015 (Net Assets) and \$ 203,815 in Unrestricted Net Assets.
- The District's net assets from governmental activities decreased by \$ 1,100, net assets from proprietary activities increased by \$ 19,416 during the current fiscal year.
- As of June 30, 2014, the District's governmental funds reported total ending fund balance of \$ 1,395, a decrease of 44% in comparison with the prior year. \$ 1,395 is available for spending.

Overview of the Financial Statements

The Discussion and analysis is intended to serve as an introduction to the District's basic financial statements. These statements are organized so that readers can understand the District as a financial whole or as an entire operating entity. The District's basic financial statements are comprised of three components: 1) Government-wide financial statements 2) Fund financial statements and 3) Notes to the financial statements. This report also contains other supplementary information in addition to the financial statements themselves.

1. Government-wide Financial Statements

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

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

BOMBAY BEACH COMMUNITY SERVICES DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014

The statement of activities presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event takes place regardless of when cash is received or paid. Thus, some revenues and expenses are reported in this statement that will only result in cash inflows and outflows in future fiscal years.

Both the Statement of Net Assets and the Statement of Activities distinguishes between activities that are primarily financed with taxes and revenues (governmental activities). These financial statements are presented on pages 10 and 11 on this report.

2. Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds – not the District as a whole. A fund is a fiscal and accounting entity designated to report information about groupings of related accounts which are used to maintain control over resources that have been segregated for specific activities or attaining certain objectives in accordance with specific regulations, restrictions or limitations. All of the District's funds can be divided into two categories: governmental funds and proprietary funds.

Governmental funds are used to account for activities that are similar in nature to the governmental activities in the government-wide financial statements. However, unlike the government wide financial statements, the governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resource available at the end of the fiscal year. Such information may be used in evaluating the District near-term financing requirements and available resources.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. This will allow readers to get a better understanding of the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The basic governmental fund financial statements and the government-wide financial statements are presented on pages 10 through 14 of this report.

Proprietary funds are reported as enterprise funds. Enterprise funds are reported as functions presented as business-type activities in the government-wide financial statements. The district used enterprise funds to account for the Community Fund

BOMBAY BEACH COMMUNITY SERVICES DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014

(lease), Community Center (pancake breakfast) and Bombay North (savings and rentals).

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Community Fund (lease), Community Center (pancake breakfast) and Bombay North (savings and rentals).

The basic proprietary fund financial statements are presented on pages 15 through 17 of this report.

3. Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in both government-wide and fund financial statements. The notes to the financial statements are presented on pages 18 through 23 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities \$ 267,037 (see table 1) at the close of the current fiscal year.

A portion of the District's net assets, \$ 61,827, reflects its investments in capital assets (e.g. land, structures and improvements, vehicles, furniture and equipment), less any related outstanding debt used to acquire those assets. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. The remaining balance of total net assets is comprised of unrestricted net assets of \$ 205,210 and restricted net assets for impress cash in the amount of \$ 100.

At the end of the current fiscal year, the District as a whole and for its governmental activities reported positive balances in net assets.

BOMBAY BEACH COMMUNITY SERVICES DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014

**Table 1 – District's Net Assets
Governmental Activities
For the Years Ended June 30, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
Current Assets and Other Assets	\$ 1,395	\$ 2,495
Non current assets	<u>58,627</u>	<u>58,627</u>
Total Assets	<u>60,022</u>	<u>61,122</u>
Current and Other Liabilities	<u>-0-</u>	<u>-0-</u>
Total Liabilities	<u>-0-</u>	<u>-0-</u>
Net Assets		
Invested in Capital Assets, Net of accumulated depreciation	58,627	58,627
Restricted	100	100
Unrestricted	<u>1,295</u>	<u>2,395</u>
Total Net Assets	<u>\$ 60,022</u>	<u>\$ 61,122</u>

**Table 1 – District's Net Assets
Business Type Activities
For the Years Ended June 30, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
Current Assets and Other Assets	\$ 205,840	\$ 179,774
Non current assets	<u>3,200</u>	<u>8,375</u>
Total Assets	<u>209,040</u>	<u>188,149</u>
Current and Other Liabilities	<u>2,025</u>	<u>550</u>
Total Liabilities	<u>2,025</u>	<u>550</u>
Net Assets		
Invested in Capital Assets, Net of accumulated depreciation	3,200	8,000
Restricted	-0-	-0-
Unrestricted	<u>203,815</u>	<u>179,599</u>
Total Net Assets	<u>\$ 207,015</u>	<u>\$ 187,599</u>

BOMBAY BEACH COMMUNITY SERVICES DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014

As shown in Table 2, the District's net assets increased by \$ 18,316 during the current fiscal year.

**Table 2 – District's Changes in Net Assets
Governmental Activities
For the Years Ended June 30, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
Revenues		
Program Revenues		
Charges for Services	\$ -0-	\$ -0-
General Revenues		
Property Taxes	3,622	3,996
Interest	10	14
Total Revenue	<u>3,632</u>	<u>4,010</u>
Expenses		
Other administration	331	-0-
Utilities	4,401	4,189
Total Expenses	<u>4,732</u>	<u>4,189</u>
Increase (decrease) in Net Assets	<u>\$ (1,100)</u>	<u>\$ (179)</u>

**District's Changes in Net Assets
Business Type Activities
For the Years Ended June 30, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
Revenues		
Program Revenues		
Charges for Services	\$ 47,829	\$ 51,475
General Revenues		
Interest	400	663
Donations	1,362	1,000
Total Revenue	<u>49,591</u>	<u>53,138</u>
Expenses		
Material and Supplies	25,375	24,387
Depreciation	4,800	4,800
Total Expenses	<u>30,175</u>	<u>29,187</u>
Increase in Net Assets	<u>\$ 19,416</u>	<u>\$ 23,951</u>

BOMBAY BEACH COMMUNITY SERVICES DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014

Governmental Activities

Governmental activities decreased the District's net assets by \$ 1,100 for the fiscal year ended June 30, 2014.

Business Activities

Business activities increased the District's net assets by \$ 19,416 for the fiscal year ended June 30, 2014.

Budgetary Analysis

Budget to actual analysis provides the reader with useful information regarding the District's use of budgets and a sense of what management was attempting to achieve during the year. Budget to actual comparisons can be found on page 26.

Table 3
District's Capital Assets (Net of Accumulated Depreciation)
Governmental Activities
For the Years Ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Building and structures	\$ -0-	\$ -0-
Land	<u>58,627</u>	<u>58,627</u>
Total	<u>\$ 58,627</u>	<u>\$ 58,627</u>

District's Capital Assets (Net of Accumulated Depreciation)
Business Type Activities
For the Years Ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Building and structures	\$ 3,200	\$ 8,000
Land	<u>-0-</u>	<u>-0-</u>
Total	<u>\$ 3,200</u>	<u>\$ 8,000</u>

**BOMBAY BEACH COMMUNITY SERVICES DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014**

Requests for Information

This financial report is designed to provide our citizens, taxpayers, creditors and investors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives.

If you have any questions about this report or need additional financial information, you may contact Mr. Frank Raymond at (760) 354-1351. Written requests for information should be addressed to the Office of the Secretary, 9590 Avenue "C", Niland, CA 92257.

FINANCIAL SECTION

BOMBAY BEACH COMMUNITY SERVICES DISTRICT

STATEMENT OF NET ASSETS

AS OF JUNE 30, 2014

	Governmental Activities	Business Type Activities	Total
<u>ASSETS</u>			
Cash	\$ 1,395	\$ 205,840	\$ 207,235
Accounts receivable	-0-	-0-	-0-
Inventory	-0-	-0-	-0-
Capital assets, net of accumulated depreciation	58,627	3,200	61,827
Total Assets	\$ 60,022	\$ 209,040	\$ 269,062
<u>LIABILITIES AND NET ASSETS</u>			
LIABILITIES			
Accounts payable	\$ -0-	\$ 2,025	\$ 2,025
Total Liabilities	\$ -0-	\$ 2,025	\$ 2,025
NET ASSETS			
Investments in capital assets net of related debt and accumulated depreciation	\$ 58,627	\$ 3,200	\$ 61,827
Unrestricted	1,395	203,815	205,210
Total net assets	\$ 60,022	\$ 207,015	\$ 267,037

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

BOMBAY BEACH COMMUNITY SERVICES DISTRICT

STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	<u>Expenses</u>	<u>Charges for Services</u>	<u>Governmental Activities</u>	<u>Business - Type Activities</u>	<u>Total</u>
Governmental Activities					
Materials and Supplies	\$ 4,732	\$ -0-	\$ (4,732)	\$ -0-	\$ (4,732)
Total Governmental activities	<u>4,732</u>	<u>-0-</u>	<u>(4,732)</u>	<u>-0-</u>	<u>(4,732)</u>
Business Activities					
Community Fund	26,941	43,446	-0-	16,505	16,505
Community Center	3,234	1,083	-0-	(2,151)	(2,151)
Bombay Beach North	-0-	3,300	-0-	3,300	3,300
Total Business Activities	<u>30,175</u>	<u>47,829</u>	<u>-0-</u>	<u>17,654</u>	<u>17,654</u>
Total primary government	<u>\$ 34,907</u>	<u>\$ 47,829</u>	<u>\$ (4,732)</u>	<u>\$ 17,654</u>	<u>\$ 12,922</u>
General Revenues					
Donations			-0-	1,362	1,362
Property Taxes			3,622	-0-	3,622
Interest income			10	400	410
Total general revenues			<u>3,632</u>	<u>1,762</u>	<u>5,394</u>
Change in Net Assets			<u>(1,100)</u>	<u>19,416</u>	<u>18,316</u>
Fund Balance July 1, 2013			<u>61,122</u>	<u>187,599</u>	<u>248,721</u>
Fund Balance June 30, 2014			<u>\$ 60,022</u>	<u>\$ 207,015</u>	<u>\$ 267,037</u>

The notes to financial statements are an integral part of these statements

BOMBAY BEACH COMMUNITY SERVICES DISTRICT

BALANCE SHEET
GOVERNMENTAL FUND

AS OF JUNE 30, 2014

ASSETS

Cash	\$ 1,395
Total assets	<u>\$ 1,395</u>

LIABILITIES AND FUND BALANCE

Liabilities	
Accounts Payable	\$ -0-
Total Liabilities	<u>-0-</u>
Fund Balances	
Reserve for imprest cash	100
Fund balance - unreserved	<u>1,295</u>
Total fund balances	<u>1,395</u>
Total Liabilities and Fund Balances	<u>\$ 1,395</u>

The notes to financial statements are an integral part of these statements

BOMBAY BEACH COMMUNITY SERVICES DISTRICT
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL
FUND TO THE STATEMENT OF NET ASSETS

AS OF JUNE 30, 2014

Amounts reported for Governmental Activities in the Statements of Net Assets
are different because:

Total Fund Balance - Governmental Fund	\$ 1,395
Capital assets used in governmental activities are not financial resources and, therefore are not reported in the funds. The cost of assets is \$ 494,046 and accumulated depreciation is \$ 435,419.	<u>58,627</u>
Total Net Assets - Governmental Activities	<u><u>\$ 60,022</u></u>

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

BOMBAY BEACH COMMUNITY SERVICES DISTRICT
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES

FOR THE YEAR ENDED JUNE 30, 2014

	<u>General Fund</u>
REVENUES	
Property Taxes	\$ 3,622
Interest Earnings	10
Total Revenues	<u>3,632</u>
EXPENDITURES	
Other administration	331
Utilities	<u>4,401</u>
Total Expenditures	<u>4,732</u>
Excess of revenue over (under) expenditures	(1,100)
Fund Balance July 1, 2013	<u>2,495</u>
Fund Balance June 30, 2014	<u><u>\$ 1,395</u></u>

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

BOMBAY BEACH COMMUNITY SERVICES DISTRICT
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCES - BUDGET AND ACTUAL - GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2014

	<u>Budget</u>	<u>General Fund</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues			
Property taxes	\$ 5,350	\$ 3,622	\$ (1,728)
Interest	50	10	(40)
	<u>5,400</u>	<u>3,632</u>	<u>(1,768)</u>
Expenditures			
Other administration	1,000	331	669
Utilities	4,400	4,401	(1)
	<u>5,400</u>	<u>4,732</u>	<u>668</u>
Excess of revenue over expenditures	-0-	(1,110)	(1,110)
Fund Balance July 1, 2013	<u>2,495</u>	<u>2,495</u>	<u>-0-</u>
Fund Balance June 30, 2014	<u><u>\$ 2,495</u></u>	<u><u>\$ 1,385</u></u>	<u><u>\$ (1,110)</u></u>

The notes to financial statements are an integral part of these statements

BOMBAY BEACH COMMUNITY SERVICES DISTRICT
STATEMENT OF ACTIVITIES - PROPRIETARY FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	<u>Community Fund</u>	<u>Bombay Beach North</u>	<u>Total</u>
ASSETS			
Current Assets			
Cash	\$ 152,282	\$ 53,558	\$ 205,840
Accounts receivable	-0-	-0-	-0-
Inventory	-0-	-0-	-0-
Total Current Assets	<u>152,282</u>	<u>53,558</u>	<u>205,840</u>
Non Current Assets			
Capital Assets	24,000	-0-	24,000
Accumulated depreciation	<u>(20,800)</u>	<u>-0-</u>	<u>(20,800)</u>
Total Non Current Assets	<u>3,200</u>	<u>-0-</u>	<u>3,200</u>
Total Assest	<u>\$ 155,482</u>	<u>\$ 53,558</u>	<u>\$ 209,040</u>
LIABILITIES			
Accounts payable	<u>\$ 1,475</u>	<u>\$ 550</u>	<u>\$ 2,025</u>
NET ASSETS			
Investments in capital assets net of accumulated depreciation	3,200	-0-	3,200
Unrestricted	<u>150,807</u>	<u>53,008</u>	<u>203,815</u>
Total net assets	<u>\$ 154,007</u>	<u>\$ 53,008</u>	<u>\$ 207,015</u>

The notes to financial statements are an integral part of these statements

BOMBAY BEACH COMMUNITY SERVICES DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN NET ASSETS - PROPRIETARY FUND TYPES

FOR THE YEAR ENDED JUNE 30, 2014

	Community Fund	Community Center	Bombay Beach North	TOTAL
Operating Revenues				
Charges for services	\$ 43,446	\$ 1,083	\$ 3,300	\$ 47,829
Total Operating revenues	<u>43,446</u>	<u>1,083</u>	<u>3,300</u>	<u>47,829</u>
Operating Expenditures				
Donations	1,780	862	-0-	2,642
Dues	120	-0-	-0-	120
Utilities	5,135	-0-	-0-	5,135
Office Expense	773	-0-	-0-	773
Insurance	3,005	-0-	-0-	3,005
Legal & Accounting	7,650	-0-	-0-	7,650
Repairs and Maintenance	3,605	992	-0-	4,597
Community Breakfast	15	1,380	-0-	1,395
Supplies	58	-0-	-0-	58
Depreciation	4,800	-0-	-0-	4,800
Total operating expenses	<u>26,941</u>	<u>3,234</u>	<u>-0-</u>	<u>30,175</u>
Operating income	16,505	(2,151)	3,300	17,654
Non Operating Revenues				
Donations	862	500	-0-	1,362
Interest income	164	-0-	236	400
Total non operating revenue	<u>1,026</u>	<u>500</u>	<u>236</u>	<u>1,762</u>
Change in net assets	<u>17,531</u>	<u>(1,651)</u>	<u>3,536</u>	<u>19,416</u>
Net Assets July 1, 2013	<u>136,476</u>	<u>1,651</u>	<u>49,472</u>	<u>187,599</u>
Net Assets June 30, 2014	<u>\$ 154,007</u>	<u>\$ -0-</u>	<u>\$ 53,008</u>	<u>\$ 207,015</u>

The notes to financial statements are an integral part of these statements

BOMBAY BEACH COMMUNITY SERVICES DISTRICT
STATEMENT OF CASH FLOWS - PROPRIETARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2014

Cash Flows from Operating Activities

Cash received from users	\$ 753
Cash received from leases	47,076
Cash received from donations	1,362
Cash paid to suppliers	<u>(23,525)</u>
Net Cash Provided by Operating Activities	<u>25,666</u>

Cash Flows from Investing Activities

Interest payments received	<u>\$ 400</u>
Net cash provided by investing activities	400

Cash Flows from Capital and Related Financing Activities

Equipment Purchase	<u>-0-</u>
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Increase in Cash and Cash Equivalents	26,066
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Cash and Cash Equivalents - Beginning of Year	<u>179,774</u>
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Cash and Cash Equivalents - End of Year	<u><u>\$ 205,840</u></u>
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Cash Flows from Operating Activities

Operating Income	\$ 19,416
Adjustments to Reconcile Net Income to Net Cash Activities:	
Depreciation	4,800
Increase (decrease) in:	
Accounts receivable	-0-
Accounts payable	1475
Inventory	<u>375</u>
Net Cash Provided by Operating Activities	<u><u>\$ 26,066</u></u>

The notes to financial statements are an integral part of these statements

BOMBAY BEACH COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

General

The Bombay Beach Community Services District (the District) was formed August 11, 1961. The District was formed to provide services for the Bombay Beach Community. The District is governed by a Board of Directors consisting of five members who are elected or appointed for a four year term.

Government-wide Financial Statements

The statement of net assets and statement of activities display information about the primary government (the District). These statements include the financial activities of the overall government.

The statement of activities presents a comparison between direct expenses and program revenues for the District's proprietary activities. Direct expenses are those that are specifically associated with a program or function and; therefore, are clearly identifiable to a particular function. Program revenues include 1) charges paid by the recipients of goods or services offered by the programs and 2) contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented instead as general revenues.

When both restricted and unrestricted net assets are available, restricted resources are used only after the unrestricted resources are depleted.

Fund Accounting

The accounts of the District are organized on the basis of funds.

Governmental Fund

The General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

Proprietary Funds

Proprietary Funds are used to account for operations which are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

BOMBAY BEACH COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Proprietary Funds (Continued)

The District has two proprietary funds whose net asset balances as of June 30, 2014, were:

The Community Fund	\$ 154,007
Bombay Beach North	<u>53,008</u>
	<u>\$ 207,015</u>

The Community Fund accounts for the income and expenses of the community building and cellular tower. The Community Fund also accounts for the Memorial Fund and Park.

The Community Center Fund accounted for the income and expenses of the monthly pancake breakfast. Income from the breakfast was used to support the cost of maintaining the community building in part. This community service was transferred to the community fund during the current fiscal year.

The Bombay Beach North Fund accounts for the income and expenses of Bombay Beach North. Income from rent on a sign located on this land and rent from a building is used to support the cost of the land.

Basis of Accounting

The accounting records are maintained on the modified accrual basis of accounting. Revenues are recognized when they become measurable and available as net current assets. Expenditures are recognized when the related fund liability is incurred.

Cash

Cash is considered to be cash on hand and cash in bank. All short-term investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the day of purchase have an original maturity of three months or less.

Cash in the treasury is held by the District at the Imperial County Treasurer's office. Demands are required to draw money to pay accounts payable. The District treasury pays interest on funds held.

BOMBAY BEACH COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgets

The District prepares a budget for the General Fund. Upon adoption by the Board of Directors, the budget is filed with the Board of Supervisors of the County of Imperial. Budgets are not prepared for the Proprietary Funds. All appropriations lapse at year end.

Principles Determining Scope of Reporting Entity

The financial statements consist only of the funds of the District. The District has not oversight responsibility for any other governmental entity since no other entities are considered to be controlled or dependent on the District.

Capital Assets

Capital assets, including infrastructure, are recorded at historical costs or at estimated historical cost if historical cost is not available. Contributed fixed assets are valued at their estimated fair market value on the date contributed. Capital assets include public domain (infrastructure) general fixed assets, which consist of certain improvement including roads, bridges, pavements in progress, and right of way. The District defines capital assets as assets with initial, individual costs of more than \$ 2,500 and an estimated useful life in excess of one year. Capital assets used in operations are depreciated or amortized (assets under capital leases) using the straight-line method over the lesser of the capital lease period or their estimated useful lives in the government-wide statements and proprietary funds.

Maintenance and repairs are charged to operations when incurred. Betterments and major improvements which significantly increase values, change capacities or extend useful lives are capitalized. Upon sale or retirement of fixed assets, the cost and related accumulated depreciation are removed from the respective accounts and any resulting gain or loss is included in the results of operations.

The estimated useful lives are as follows:

Buildings	40 years
Equipment	5-15 years
Office furniture	5 years
Property Improvements	7 years

BOMBAY BEACH COMMUNITY SERVICES DISTRICT
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JUNE 30, 2014

NOTE 2. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the District carries commercial insurance.

NOTE 3. DEPOSITS AND INVESTMENTS

California Government Code 53601 authorizes the District to invest in obligations of the U.S. Treasury or its agencies, obligations of the State of California and any local agency, corporate bonds rated AAA by Standard and Poor, certificates of deposit or other interest bearing deposits of insured financial institutions and other investments as may be allowed by law.

Deposits – At year-end, the carrying amount of the District's deposits was \$ 205,840 and the bank balance was \$ 208,303. The bank balance is classified into three categories of credit risk:

1. Insured or collateralized with securities held by the District or by its agent in the District's name.
2. Collateralized with securities held by the pledging financial institution's trust department or agent in the District's name.
3. Uncollateralized. (This includes any bank balance that is collateralized with securities held by their pledging financial institution, or by its trust department or agent but not in the District's name.)

Classification of Bank Balance by Credit Risk:

	<u>Categories</u>			
	<u>1</u>	<u>2</u>	<u>3</u>	<u>Total</u>
Deposits	<u>\$ 208,303</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 208,303</u>

Investments – The District's investments are classified into three categories of credit risk:

1. Insured or registered, or securities held by the District or its agent in the District's name.
2. Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the District's name.

BOMBAY BEACH COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
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NOTE 3 DEPOSITS AND INVESTMENTS (Continued)

3. Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the District's name.

Classification of investments by credit risk:

	<u>Categories</u>			<u>Carrying Amount</u>	<u>Fair Value</u>
	<u>1</u>	<u>2</u>	<u>3</u>		
District Investment Pool (uncategorized)	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 1,295</u>	<u>\$ 1,295</u>

NOTE 4. EXTERNAL INVESTMENT POOLS

The District is considered a member of an external investment pool. The Treasurer of Imperial County received funds from the District and pools them with other funds and invests these funds in a variety of instruments including Certificates of Deposit and Government Agency Funds. The funds are recorded at fair value. Interest is allocated to the District based on their pro rata share of the total amount invested in the pool.

NOTE 5. CAPITAL ASSETS

Capital assets for the Governmental Fund, for the year ended June 30, 2014 is summarized as follows:

Land	\$ 58,627
Building and Improvements	418,614
Equipment	<u>16,785</u>
	<u>\$ 494,026</u>
Less Accumulated Depreciation	<u>(435,399)</u>
Total Capital Assets	<u>\$ 58,627</u>

Structures and improvements for the Proprietary Funds, for the year ended June 30, 2014, is summarized as follows:

Equipment	\$ 24,000
Structures and improvements	<u>3,037</u>
	<u>27,037</u>
Less accumulated depreciation	<u>(23,837)</u>
Total capital assets	<u>\$ 3,200</u>

BOMBAY BEACH COMMUNITY SERVICES DISTRICT
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NOTE 6. SUBSEQUENT EVENTS

The management of the district have reviewed the results of operations for the period of time from its year end June 30, 2014 through November 10, 2014 the date the combined financial statements were available to be issued, and have determined that no adjustments are necessary to the amounts reported in the accompanying combined financial statements nor have any subsequent events occurred, the nature of which would require disclosure.