

**BELL CANYON COMMUNITY
SERVICES DISTRICT**

**Independent Auditor's Report and
Basic Financial Statements**

For the Year Ended June 30, 2016

BELL CANYON COMMUNITY SERVICES DISTRICT

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June 30, 2016

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**DIRECTORY
OF
DISTRICT OFFICIALS**

**BELL CANYON COMMUNITY SERVICES DISTRICT
ORGANIZATION
June 30, 2016**

GOVERNING BOARD OF DIRECTORS

<u>NAME</u>	<u>OFFICE</u>
Richard Levy	President
Clarence Speer	Vice President
Eric Wolf	Director
Dennis Roy	Director
Judith Lantz	Director
Dennis Zine	General Manager, Treasurer and Secretary to Board of Directors

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

LICHTER, YU AND ASSOCIATES, INC.
CERTIFIED PUBLIC ACCOUNTANTS

21031 VENTURA BLVD., SUITE 316
WOODLAND HILLS, CALIFORNIA 91364
TEL (818)789-0265 FAX (818) 789-3949

Independent Auditor's Report

Board of Directors and Members
Bell Canyon Community Services District
Bell Canyon, CA

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bell Canyon Community Services District (the "District"), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the government activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 9 through 11 and 32 respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2016, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



September 29, 2016
Woodland Hills, CA

MANAGEMENT'S DISCUSSION AND ANALYSIS

*Bell Canyon Community Services District
30 Hackamore Lane, Suite 5
Bell Canyon, CA 91307*

Management's Discussion and Analysis

As management of the Bell Canyon Community Services District (the "District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2016.

Financial Highlights

Government – Wide

- On June 30, 2016, District assets exceeded its liabilities by \$1,393,716 (net position). This amount is unrestricted. The District's net position increased by \$41,019 during the fiscal year.
- The District's total net position increased by \$41,019, the increase was due to increase in revenue but also through efficient management of the District's resources. Revenues and other sources increased by \$28,155 compared to June 30, 2015. Expenses and other uses increased by \$86,442 compared to June 30, 2015. The increase in expenses was mainly due to increase in public safety and community development (security guardhouse) expenses during the fiscal year ended June 30, 2016.

Fund Budget to Actual

The General fund budget and actual report can be found on page 33.

- At the close of the fiscal year 2015-2016, the fund budget to actual report shows an increase in appropriations of \$36,169 and a decrease of expenditures of \$16,807. Actual revenues were higher and expenditures were less than budgeted. The actual overall fund balance increased by \$42,863.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components:

1) Government-Wide Financial Statements: designed to provide readers with a broad overview of the District's finances.

- The statement of net position presents information on all the District's assets and liabilities, with the difference between the two reported as net position.
- The statement of activities presents information showing how the District's net position changed during the fiscal year showing the current year's revenues and expenses regardless of when cash is received or paid.

2) Fund Financial Statements: designed to report information about groupings of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The district only has one fund type – government.

- The **Balance Sheet** is intended to disclose the financial position of the District at a specific point in time, June 30, 2016. It reflects the assets of the District, the liabilities, and fund balance (equity). Assets and liabilities are listed in order of their estimated liquidity. Cash and other unrestricted assets readily convertible to cash are listed first. Property, plant and equipment are listed near the bottom of assets because they are highly illiquid. Further, property, plant and equipment are reduced by the depreciation. This is the estimated diminution of value attributable to the wear and tear of assets caused by usage and the passage of time.

- The **Statement of Revenues and Expenditures** is intended to disclose the results of operations over a period of time, the fiscal year ended June 30, 2016. This statement reflects revenues earned (whether collected or not), and expenses incurred (whether paid or not) during the year. This statement differs significantly from the balance sheet, yet coordinates well with that statement. The net earnings of the District flows into the fund balance of the District as reflected on the balance sheet.

3) Notes to the Basic Financial Statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes provide a narrative description of certain items contained in the financial statements to enhance the understanding of those items.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain *supplementary information* concerning the organization of the District.

Statement of Net Position

	<u>June 2016</u>	<u>June 2015</u>	<u>Change</u>
ASSETS			
Cash and investments	\$ 1,387,237	\$ 1,342,647	\$ 44,590
Tax receivable	8,366	10,792	(2,426)
Prepaid expenses	<u>4,834</u>	<u>4,819</u>	<u>15</u>
Total Current Assets	1,400,437	1,358,258	42,179
Capital assets, net	<u>4,328</u>	<u>6,172</u>	<u>(1,844)</u>
Total Assets	<u>\$ 1,404,765</u>	<u>\$ 1,364,430</u>	<u>\$ 40,335</u>
LIABILITIES			
Accounts payable and accrued expenses	\$ <u>11,049</u>	\$ <u>11,733</u>	\$ <u>(684)</u>
Total Liabilities	<u>11,049</u>	<u>11,733</u>	<u>(684)</u>
NET POSITION			
Unrestricted	<u>1,393,716</u>	<u>1,352,697</u>	<u>41,019</u>
Total Net Position	<u>\$ 1,393,716</u>	<u>\$ 1,352,697</u>	<u>\$ 41,019</u>

**Total Current Asset Exceeds Total Liabilities
June 30,**

	<u>2016</u>	<u>2015</u>
Total Current Assets	\$ 1,400,437	\$ 1,358,258
Total Liabilities	<u>11,049</u>	<u>11,733</u>
Total Current Asset Exceeds Total Liabilities	<u>\$ 1,389,388</u>	<u>\$ 1,346,525</u>

Statement of Activities

	<u>June 2016</u>	<u>June 2015</u>	<u>Change</u>
Expenses:			
Governmental Activities:			
General government	\$ 62,568	\$ 41,160	\$ 21,408
Public safety	916	1,359	(443)
Public works	365,581	359,913	5,668
Community development	<u>61,634</u>	<u>1,825</u>	<u>59,809</u>
Total Governmental Activities	<u>490,699</u>	<u>404,257</u>	<u>86,442</u>
Revenue:			
Property taxes	528,761	503,313	25,448
Interest income	<u>2,957</u>	<u>250</u>	<u>2,707</u>
Total Revenue	<u>531,718</u>	<u>503,563</u>	<u>28,155</u>
Changes in NET POSITION	41,019	99,306	<u>\$ 58,287</u>
NET POSITION - Beg. of year	<u>1,352,697</u>	<u>1,253,391</u>	
NET POSITION - End of year	<u>\$ 1,393,716</u>	<u>\$ 1,352,697</u>	

Analysis of variations between original and final budget amounts

The District adopts its budget in accordance with California law. It is District policy to modify the budget as needed. No significant budget transfers were made during the year ended June 30, 2016. The budget is adopted on a projected cash flow basis. Consequently, it reflects items such as repayment of debt principal and projected capital expenditures as cash outflows that are not recognized as expenses under Generally Accepted Accounting Principles.

Budget variances are reviewed by District management on an ongoing basis as part of the financial management of the District. There were significant budget variances during the year ended June 30, 2016 for community expenditures and traffic enforcement. The main reason for the variance was due to stoppage in the planned development by Bell Canyon Association that included expenditures for the District and due to the termination of services previously provided by the California Highway Patrol ("CHP").

Capital Asset and Debt Administration**Capital Assets**

The District's investment in capital assets consist of \$25,971 for furniture, an automobile, and a generator and light tower, with accumulated depreciation of \$21,643 and \$19,799 as of June 30, 2016 and June 30, 2015 respectfully.

Infrastructure assets

The District has adopted the recommended approach of GASB Statement 34 with regard to infrastructure assets. All identifiable infrastructure assets have been capitalized at their purchase cost, estimated value for contributed or donated assets, or estimated cost for those items expensed in prior years and not previously capitalized.

Economic Factors and Next Year's Rates

While the District has the authority to levy an assessment on all property and homeowners within Bell Canyon, it has never exercised that authority, and has no plans to do so in the foreseeable future.

The District's sole source of revenue is a percentage of the property taxes levied on homes and property within the District. This amount varies from year to year based upon the assessed valuation of said properties, and the applicable percentage as determined by the County of Ventura. These factors were considered in preparing the District's budget for the 2016 fiscal year.

During the current fiscal year, unrestricted net position increased to \$1,393,716. The district is required to adopt a budget by California law. It is anticipated that positive unrestricted net assets will avoid the need to raise taxes or charges during the 2016-17 fiscal year.

Requests for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Bell Canyon Community Service District -- Treasurer; 30 Hackamore Lane, Suite 5; Bell Canyon, CA 91307.

Basic Financial Statements

Government-Wide Financial Statements

Bell Canyon Community Services District
Statement of Net Position
June 30, 2016

ASSETS

Cash and investments	\$ 1,387,237
Tax receivable	8,366
Prepaid expenses	<u>4,834</u>
Total Current Assets	1,400,437
Capital assets	
Depreciable, net	<u>4,328</u>
Total Assets	\$ <u><u>1,404,765</u></u>

LIABILITIES

Accounts payable and accrued expenses	\$ <u>11,049</u>
Total Liabilities	<u>11,049</u>

NET POSITION

Unrestricted	<u>1,393,716</u>
Total Net Position	\$ <u><u>1,393,716</u></u>

See Accompanying Notes to Basic Financial Statements

Bell Canyon Community Services District
Statement of Activities
For the Year Ended June 30, 2016

	<u>Expenses</u>	<u>Program Revenues</u>	<u>Governmental Activities</u>	<u>2016 Total</u>
Governmental Activities:				
General government	\$ 62,568	\$ -	\$ 62,568	\$ 62,568
Public safety	916	-	916	916
Public works	365,581	-	365,581	365,581
Community development	<u>61,634</u>	<u>-</u>	<u>61,634</u>	<u>61,634</u>
Total Governmental Activities	\$ <u>490,699</u>	\$ <u>-</u>	<u>490,699</u>	<u>490,699</u>
Revenue:				
Property taxes			528,761	528,761
Interest income			<u>2,957</u>	<u>2,957</u>
Total Revenue			<u>531,718</u>	<u>531,718</u>
Changes in NET POSITION			41,019	41,019
NET POSITION - Beginning of year			<u>1,352,697</u>	<u>1,352,697</u>
NET POSITION - End of year			\$ <u>1,393,716</u>	\$ <u>1,393,716</u>

See Accompanying Notes to Basic Financial Statements

Governmental Fund Financial Statements

**Bell Canyon Community Services District
Balance Sheet
Governmental Fund
June 30, 2016**

ASSETS

Cash	\$ 1,387,237
Tax receivable	8,366
Prepaid expenses	<u>4,834</u>
Total Assets	\$ <u>1,400,437</u>

LIABILITIES AND FUND BALANCES

Accounts payable and accrued expenses	\$ <u>11,049</u>
Total Liabilities	<u>11,049</u>

FUND BALANCE

Fund Balance - Unreserved	<u>1,389,388</u>
Total Fund Balance	<u>1,389,388</u>

Total Liabilities and Fund Balance	\$ <u>1,400,437</u>
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See Accompanying Notes to Basic Financial Statements

Bell Canyon Community Services District
Reconciliation of the Governmental Fund Balance Sheet to
the Government-Wide Statement of Net Position
June 30, 2016

Total Fund Balance - Total Governmental Fund	\$	1,389,388
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Amount reported for governmental activities in the Government-Wide Statement of Net Position were different because:

In governmental funds, only current assets were reported. In the Statement of Net Position, all assets were reported, including capital assets and accumulated depreciation.

	25,971		
The cost of the asset is	25,971		
The accumulated depreciation is	<u>(21,643)</u>	<u>4,328</u>	
Net Position of Governmental Activities	\$	<u><u>1,393,716</u></u>	

See Accompanying Notes to Basic Financial Statements

Bell Canyon Community Services District
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Fund
For the Year Ended June 30, 2016

REVENUES	
Property taxes	\$ 528,761
Interest income	<u>2,957</u>
Total Revenue	<u>531,718</u>
 EXPENDITURES	
Rubbish Collection Services	365,581
Traffic Enforcement	464
Community Recreation	4,729
Emergency Broadcast	452
Trail Repair	9,790
Front Gate	50,000
General and Administrative Expenses	
Contract Services	22,824
Legal	3,809
Accounting	7,420
Insurance	4,818
Other Administrative Costs	<u>18,968</u>
Total Expenditures	<u>488,855</u>
 Net Change in Fund Balance	 <u>42,863</u>
 Fund Balance - Beginning of Year	 <u>1,346,525</u>
 Fund Balance - End of Year	 \$ <u><u>1,389,388</u></u>

See Accompanying Notes to Basic Financial Statements

Bell Canyon Community Services District
Reconciliation of the Governmental Fund Statement of Revenues, Expenditures,
and Changes in Fund Balance to the Government-Wide Statement of Activities
For the Fiscal Year Ended June 30, 2016

Net Change in Fund Balance - Total Governmental Funds	\$	42,863
<p>Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.</p>		
		<u>Current Year Depreciation</u> <u>(1,844)</u>
Change in Net Position of Governmental Activities	\$	<u><u>41,019</u></u>

See Accompanying Notes to Basic Financial Statements

NOTES TO BASIC FINANCIAL STATEMENTS

Bell Canyon Community Services District
Notes to Basic Financial Statements
For the Year Ended June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. Reporting Entity

The Bell Canyon Community Services District (the "District") is an independent, multi-service district formed in 1984, which currently provides enhanced traffic patrol, recreational services, and solid waste collection and recycling. Services granted but not currently being provided are paramedic services (which are not provided by the County of Ventura), roving patrol services and graffiti abatement. The District serves an area of approximately 1,700 acres with an estimated population of 2,700. The District was formed under the Community Services District Law (Government Code, Section 61000, et seq.) to provide a local public agency for the Bell Canyon community adjacent to the Los Angeles County boundary. The District serves a private, gated community that is geographically isolated from other communities within Ventura County. The District is governed by a five member Board of Directors, elected at-large to overlapping four year terms by the voters within the District boundaries. The District relies on property tax for all operating revenue; it does not charge any fees.

The District has defined its reporting entity in accordance with GASB Statement No.14, "The Financial Reporting Entity," which provides guidance for determining which governmental activities, organizations, and functions should be included in its reporting entity. The District's reporting entity includes all significant operation and revenue sources which the District Board of Directors exercises oversight responsibility. Oversight responsibility is determined on the basis of selection of the governing authority, designation of management, ability to significantly influence operations, accountability for fiscal matters, and the scope of public service.

B. Basis of Accounting and Measurement Focus

The District's financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

These Standards require that the financial statements described below be presented.

Government-Wide and Fund Financial Statement

The District's Government-Wide Financial Statements include a Statement of Net Position and a Statement of Activities.

In 2014, the District implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The Statement of Net Position reports separate sections of Deferred Outflows or Resources and Deferred Inflows of Resources, when applicable.

Deferred Outflows of Resources represents outflows of resources (consumption of net position) that apply to future periods and that, therefore, will not be recognized as an expense until that time.

Deferred Inflows of Resources represent inflows of resources (acquisition of net position) that apply to future periods and that, therefore, are not recognized as revenue until that time.

The government-wide fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of the related cash flows. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied.

The government-wide financial statements (i.e., the statement of net position and statement of activities) report information on all of the nonfiduciary activities of the primary government (the District and its blended component units, if applicable). For most parts, the effect of interfund activity has been removed from these statements and elimination has been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type* activities of the District. *Governmental activities*, which are generally financed through taxes, intergovernmental revenues, and other non-exchange transactions, are reported separately from *business-type activities*, which are financed, in whole or in part, by fees charged to external parties. The District has no business-type activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function, of the District's governmental activities, or segment, of the District's business-type activities, are offset by program revenues. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable with a particular function or segment. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs, (b) grants and contributions that are restricted to meeting the operations needs of a particular program and, (c) fees, grants and contributions that are restricted to financing the acquisition or construction of capital assets. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Governmental Fund Financial Statements

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balance. An accompanying schedule is presented to reconcile and explain differences in net position as presented in these statements to the net position presented in the Government-Wide Financial Statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after fiscal year-end. Expenditures generally are recorded when the liability is incurred, except for principal and interest on long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures when due. Capital asset acquisitions are reported as expenditures in governmental funds.

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

The reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements are provided to explain the differences.

Major Fund

Major funds are defined as funds that have either assets, liabilities, revenues or expenditures/expenses equal to ten percent of their fund-type total and five percent of the grand total. The General Fund is always a major fund. The District may also select other funds it believes should be presented as major funds.

The District only has the general fund in the accompanying financial statements:

The **General Fund** is the District's primary operating fund. The General Fund is used for all the general revenues of the District not specifically levied or collected for other District funds and the related expenditures. The general fund accounts for all financial resources of a governmental unit which are not accounted for in another fund. General operating expenditures that are not paid through other funds are paid from the General Fund.

C. Cash, Cash Equivalents and Investments

The District's cash and cash equivalent are considered to be cash on hand, demand deposits, and short term investments with original maturity of three months or less from the date of acquisition. Cash and cash equivalents are combined with investments and displayed as cash and investments.

Highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available.

D. Prepaid Expenses

Prepaid expenses are recorded as assets when paid and expensed as consumed.

E. Capital Assets

Capital assets for governmental fund types are not capitalized in the funds used to acquire or construct them. Capital acquisitions are reflected as expenditures in the governmental fund, and the related assets are reported in the government-wide financial statements. Capital assets, owned by the District, are stated at historical cost or estimated historical cost, if actual historical cost is not available.

F. Compensated Absences

The District and the Bell Canyon Association share the same office and management staff. The District contracts with the Association for management services, avoiding redundancy. There are no employees of the District, and, as such, there are no liabilities incurred for Compensated Absences as of June 30, 2016.

G. Property Taxes and Tax Receivable

The County of Ventura is responsible for the assessment, collection, and apportionment of the property taxes for all taxing jurisdictions, including the District. The District receives an allocation of the 1% maximum property tax rate allowed under California law. Property taxes are determined annually as of January 1 and attach as an enforceable lien on real property as of July 1. Taxes are due November 1 and February 1, and are delinquent if not paid by December 10 and April 10, respectively. Property tax revenue is recognized in the fiscal year for which the tax is levied, provided they become available and measurable. The District considers property tax as available if it is received within 60 days after fiscal year end.

As of June 30, 2016, the District had property tax receivable of \$8,366.

H. Net Position and Fund Balance

Government- Wide Financial Statements

Net position represents the difference between all other elements in the statement of net position and should be displayed in the following three components:

Net investment in Capital Assets – This component of net position consists of capital assets, net of accumulated depreciation, reduced by outstanding balances of debt that are attributable to the acquisition, construction, or improvement of those assets.

Restricted – This component of net position consists of restricted assets reduced by liabilities and deferred inflows or resources to those assets.

Unrestricted – This component of net position is the amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

Use of Restricted and Unrestricted Net Position

When expenses are incurred for purposes for which both restricted and unrestricted components of net position are available, the District's policy is to apply the restricted component of net position first, and then the unrestricted component of net position as needed.

Fund Balance Statements

Nonspendable Fund Balance – This amount indicated that portion of fund balance which cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact.

Restricted Fund Balance – This amount indicates that portion of fund balance which has been restricted to specific purposes by external parties, constitutional provisions, or enabling legislation.

Committed Fund Balance – This amount indicated that portion of fund balance which can only be used for specific purposes pursuant to formal action of the District's Board of Directors.

Assigned Fund Balance – This amount indicates that portion of fund balance which is constrained by the District’s intent to be used for specific purposes, but is neither restricted nor committed. The Board of Directors has designated the General Manager to assign fund balances.

Unassigned Fund Balance – This amount indicated the residual portion of fund balance.

Use of Restricted and Unrestricted Fund Balance

When expenditures are incurred for purposes for which both restricted and unrestricted fund balances are available, the District’s policy is to apply the restricted fund balances first, then the unrestricted fund balances as they are needed. When expenditures are incurred for purposes for which unrestricted fund balances are available, the District used the unrestricted resources in the following order: committed, assigned, and unassigned.

I. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

J. New Accounting Pronouncements

GASB Statement No. 72 – In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application*. This standard addresses accounting and financial reporting issues related to fair value measurements. The implementation of this statement did not have significant impact on the District’s financial statements.

GASB Statement No. 73 – In June 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This standard establishes requirements for defined benefit pensions that are not within the scope of GASB Statement 68 and amends certain provisions of GASB Statements 67 and 68. The Statement is effective for periods beginning after June 15, 2016. The implementation of this statement did not have significant impact on the District’s financial statements.

GASB Statement No. 75 – In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This standard’s primary objective is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions. The Statement is effective for periods beginning after June 15, 2017. The District has not yet determined the impact on the financial statements.

NOTE 2 – CASH and INVESTMENTS:

The District has adopted provisions of Governmental Accounting Standards Board (GASB) Statement No. 31, "Accounting and Financial Reporting for Certain Investments and External Investment Pools." GASB Statement No. 31 establishes accounting and financial standards for investments in interest-earning investment contracts, external investment pools, and mutual funds. The statement requires all applicable investments to be reported at fair value on the balance sheet. Fair value is the amount at which an investment could be exchanged in a current transaction between willing parties, other than in a forced sale. All investment income, including change in fair market value of investments, is recognized as revenue in the operating statement.

A. Custodial Credit Risk

California Law requires banks and savings and loan institutions to pledge government securities with a market value of 110% of the District's cash on deposit, or first trust deed mortgage notes with a market value of 150% of the deposit, as collateral for these deposits. Under California Law this collateral is held in a separate investment pool by another institution and places the District ahead of general creditors of the institution. Although not held specifically in the name of the District the collateral pool is held in the name of all governmental organizations with deposits at the institution. The District may waive collateral requirements for deposits which are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC). The District has not waived the collateralization requirements.

The District's investments are carried at fair value, as required by generally accepted accounting principles. The District adjusts the carrying value of its investments to reflect their fair value at each fiscal year end, and it includes the effects of these adjustments in income for that fiscal year.

Cash and investments are classified in the financial statements as shown below, at June 30, 2016:

Statement of Net Assets

Cash and Investments available for operations	\$	<u>1,387,237</u>
Total Cash and Investments	\$	<u><u>1,387,237</u></u>

Cash and investments as of June 30, 2016, consist of the following:

Cash on Hand

Demand Deposits	\$	453,429
Money Market Accounts		180,643
Certificate of Deposits		<u>753,165</u>
Total Cash and Investments	\$	<u><u>1,387,237</u></u>

B. Investments Authorized by Debt Agreements

Investments of debt proceeds held by bond trustees are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the District's investment policy. The District had no debt proceeds investments as of June 30, 2016.

C. Authorized Investments

The District's investment policy and the California statutes authorize the District to invest idle or surplus funds in a variety of credit instruments as provided for in California Government Code Section 53600, Chapter 4-Financial Affairs. The table below identifies these investment types, and also identifies certain provisions of the California Government Code that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustee.

Investment Types Authorized by State Law	Authorized by Investment Policy	Maximum Maturity*	Maximum Percentage of Portfolio	Maximum Investment in One Issuer*
Local Agency Bonds		5 years	None	None
U.S. Treasury Obligations		5 years	None	None
State Obligations - CA and Others		5 years	None	None
U.S. Agency Obligations		5 years	10%	None
Banker's Acceptances		180 days	40%	30%
Commercial Paper		270 days	25 to 40%	10%
Negotiable Certificate of Deposit		5 years	30%	None
Placement Service Deposits and CDs		5 years	30%	None
Repurchase Agreements		1	None	None
Reverse Repurchase Agreements and Securities Lending Agreements		92 days	20%	10%
Medium-Term Notes		5 years	30%	None
Mutual Funds and Money Market Funds	Yes	N/A	20%	10%
Collateralized Bank Deposits	Yes	5 years	None	None
Mortgage Pass-Through Securities		5 years	20%	None
Bank/Time Deposits	Yes	5 years	None	None
County Pooled Investment Funds	Yes	N/A	None	None
Joint Power Authority Pool		N/A	None	None
Local Agency Investment Fund (LAIF)	Yes	N/A	None	None
Voluntary Investment Program Fund		N/A	None	None

* Based on state law requirements or investment policy requirements, whichever is more restrictive.

D. Inherent Rate Risk

Inherent rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. As of fiscal year end, the bank certificates of deposits held by the District are all under one-year in maturity and are non-negotiable, and, thus, have a guaranteed face value.

As of year-end, the weighted average maturity of the money market mutual funds and certificate of deposits held by the District is twelve months or less.

E. Credit Risk

Generally, credit risk is the risk that an issuer or an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. While there is no minimum legal rating required by (where applicable) the California Government Code, the District’s investment policy, or debt agreements, for Money Market Mutual Funds, the actual ratings as of June 30, 2016 for Money Market Mutual Funds are AAAM as provided by Standard and Poor’s investment rating system.

F. Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. As of June 30, 2016, the District does have investments in one issuer that represents 5% or more of total District investments.

<u>Investments</u>	Amount Invested	Percentage of Investment
Demand Deposits	\$ 453,429	33%
Money Market Accounts	180,643	13%
Certificate of Deposits	252,701	18%
Certificate of Deposits	250,301	18%
Certificate of Deposits	250,163	18%
Total Cash and Investments	\$ 1,387,237	100%

NOTE 3 – CAPITAL ASSETS

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their estimated fair market value on the date contributed.

All capital assets with limited useful lives are depreciated over their estimated useful lives. The purpose of depreciation is to spread the cost of the capital assets equitably among all users over the life of these assets. The amount charged to depreciation expense each year represents that year’s pro rata share of the cost of the capital assets.

Depreciation Allocation:

Depreciation expense is charged to functions based on their usage of the related assets. Depreciation expense of \$1,844 was allocated among the functions of government for the current year end.

Depreciation is provided using the straight line method, which means the cost of the asset is divided by its expected useful live in years and the result is charged to expense each year until the asset is fully depreciated. The capitalization threshold for capital assets is \$1,000. The District assigned the useful lives listed below to capital assets:

- Useful Lives
- Furniture 3-7 years
- Equipment 5-10 years

A summary of changes in the District's capital assets is as follows:

<u>Description</u>	<u>6/30/2015</u>	<u>Additions</u>	<u>Disposal</u>	<u>6/30/2016</u>
Furniture	\$ 7,134	\$ -	\$ -	\$ 7,134
Equipment	18,837	-	-	18,837
Total Capital Assets	25,971	-	-	25,971
Less: Accumulated Depreciation	(19,799)	(1,844)	-	(21,643)
Net Capital Assets	<u>\$ 6,172</u>	<u>\$ (1,844)</u>	<u>\$ -</u>	<u>\$ 4,328</u>

NOTE 4 – GRANT DEED

The District was deeded property known as the “school bus stop” by the County of Ventura on March 21, 2008 to be used for the benefit of the District for a period of at least 25 years. If the property is not used for the benefits of the District for at least 25 years, the property shall revert to County of Ventura.

NOTE 5 – SUBSEQUENT EVENTS

The District has evaluated subsequent events through September 29, 2016 the date on which the financial statements were available to be issued. The District is not aware of any subsequent events that require recognition or disclosure in the financial statements.

**REQUIRED
SUPPLEMENTARY INFORMATION**

Note 1 – Budgets and Budgetary Accounting

The District is required by state law to adopt annual budgets for the General Fund. Budgets are presented and adopted on the modified accrual basis of accounting, consistent with generally accepted accounting principles (GAAP). Annual appropriated budgets are adopted and amended as required for the General Fund. For each legally adopted operating budget, expenditures may not exceed budgeted appropriations at the activity level. Once a budget is approved, it can be amended at the Function level by the Board of Directors. Each budget is controlled by the District Manager at the expenditure function level. The General Fund completed the year within its legally authorized budget.

Bell Canyon Community Services District
Required Supplementary Information (Unaudited)
For the Year Ended June 30, 2016

Budgetary Comparison Schedule, General Fund

	Budget Amounts		Actual Amounts	Variance Favorable (Unfavorable)
	Original	Final		
REVENUES				
Property taxes	\$ 492,592	\$ 492,592	\$ 528,761	\$ 36,169
Interest income	3,500	3,500	2,957	(543)
Total Revenue	496,092	496,092	531,718	35,626
EXPENDITURES				
Rubbish Collection Services	365,292	365,292	365,581	(289)
Traffic Enforcement	22,500	22,500	464	22,036
Community	20,000	20,000	4,729	15,271
Emergency Broadcast	690	690	452	238
Trail Repair	50,000	50,000	9,790	40,210
Front Gate	-	-	50,000	(50,000)
General and Administrative Expenses				
Contract Services	20,000	20,000	22,824	(2,824)
Legal	3,000	3,000	3,809	(809)
Accounting	7,500	7,500	7,420	80
Insurance	-	-	4,818	(4,818)
Other Administrative Costs	16,680	16,680	18,968	(2,288)
Total Expenditures	505,662	505,662	488,855	\$ 16,807
Net Change in Fund Balance	\$ (9,570)	\$ (9,570)	42,863	
Fund Balance - Beginning of Year			<u>1,346,525</u>	
Fund Balance - End of year			\$ <u>1,389,388</u>	

Independent Auditor's Report on Internal Control

LICHTER YU AND ASSOCIATES, INC.
CERTIFIED PUBLIC ACCOUNTANTS

21031 VENTURA BLVD., SUITE 316
WOODLAND HILLS, CALIFORNIA 91364
TEL (818)789-0265 FAX (818) 789-3949

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors and Members
Bell Canyon Community Services District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and the general fund of Bell Canyon Community Services District (the "District"), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 29, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

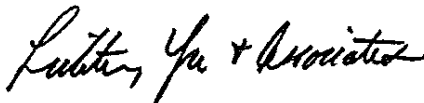
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Bell Canyon Community Services District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



September 29, 2016
Woodland Hills, CA