

BEAR VALLEY SPRINGS ASSOCIATION

**Auditors' Report
Financial Statements
and
Supplementary Information
for the year ending**

June 30, 2013

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Certified Public Accountant

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Bear Valley Springs Association
Tehachapi, CA

I have audited the accompanying balance sheet of Bear Valley Springs Association as of June 30, 2013, and the related statements of revenues, expenses and changes in fund balances, and cash flows for the year then ended and the related notes to 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 my audit in accordance with auditing standards generally accepted in the United States of America. 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 Bear Valley Springs Association as of June 30, 2013, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Report of Summarized Comparative Information

I have previously audited the Bear Valley Springs Association's June 30, 2012 financial statements, and I expressed an unmodified opinion on those financial statements in the report dated July 26, 2012, while a member of SBH and Associates, LLP. In my opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived. For additional information on the presentation of comparative data see the Notes to the Financial Statements disclosure related to *Accounting Method*.

Disclaimer of Opinion on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that *Supplementary Information on Future Major Repairs and Replacements* on page 11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Financial 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. 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.

Report on Other Supplementary Information

My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The *Other Supplementary information* listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of the Association's management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



San Bernardino, CA
September 23, 2013

Bear Valley Springs Association
Balance Sheet
As of June 30, 2013
With Comparative Totals for 2012

	2013			Total Funds	2012 Totals Comparative Purposes Only
	Operating Fund	Property Fund	Replacement Fund		
ASSETS					
Cash	\$ 1,505,565	\$ -	\$ 101,453	\$ 1,607,018	\$ 1,741,794
Investments	883,580	-	2,086,247	2,969,827	2,605,040
Assessments receivable (net)	119,205	-	-	119,205	91,406
Other receivables	72,264	-	-	72,264	36,218
Inventory	68,042	-	-	68,042	71,742
Prepaid insurance	40,907	-	-	40,907	38,430
Other prepaid expenses	19,051	-	-	19,051	-
Capital assets:					
Non-depreciable assets	-	95,656	-	95,656	-
Depreciable capital assets	-	780,431	-	780,431	759,745
TOTAL ASSETS	\$ 2,708,614	\$ 876,087	\$ 2,187,700	\$ 5,772,401	\$ 5,344,375
LIABILITIES AND FUND BALANCES					
Accounts payable	\$ 140,372	\$ -	\$ -	\$ 140,372	\$ 66,564
Prepaid assessments	1,556,336	-	-	1,556,336	1,472,648
Deferred special assessment revenue	26,319	-	-	26,319	21,416
Accrued payroll and related items	164,498	-	-	164,498	167,871
Other liabilities	85,765	-	-	85,765	105,918
TOTAL LIABILITIES	1,973,290	-	-	1,973,290	1,834,417
Fund balances	735,324	876,087	2,187,700	3,799,111	3,509,958
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,708,614	\$ 876,087	\$ 2,187,700	\$ 5,772,401	\$ 5,344,375

See the accompanying notes to financial statements.

Bear Valley Springs Association
Statement of Revenues, Expenses and Changes in Fund Balances
For the Year Ended June 30, 2013
With Comparative Totals for 2012

	2013			Total Funds	2012 Totals Comparative Purposes Only
	Operating Fund	Property Fund	Replacement Fund		
REVENUES					
Assessments	\$ 3,730,674	\$ -	\$ 819,037	\$ 4,549,711	\$ 4,635,108
Special assessments	19,600	-	-	19,600	9,541
Interest income	461	-	307	768	1,360
Food and beverage	1,662,751	-	-	1,662,751	1,677,016
Administration fees	212,409	-	-	212,409	174,720
Recreation	408,490	-	-	408,490	388,016
Ground maintenance income	13,785	-	-	13,785	13,545
Project reimbursements	123,276	-	-	123,276	113,232
July 4th contributions	10,122	-	-	10,122	1,895
TOTAL REVENUES	6,181,568	-	819,344	7,000,912	7,014,433
EXPENSES					
General and administrative	866,007			866,007	875,741
Salaries and related	3,215,641			3,215,641	3,178,231
Food, beverage and recreation purchases	787,761	-	-	787,761	779,584
Recreation services	110,694	-	-	110,694	114,544
Utilities	476,002	-	-	476,002	450,204
Insurance	158,010	-	-	158,010	171,747
Outside services	101,320	-	-	101,320	53,342
Repairs and maintenance	204,342	-	-	204,342	184,888
Operating supplies	57,253	-	-	57,253	56,332
Equipment rental	25,243	-	-	25,243	23,114
Mileage and auto expenses	45,651	-	-	45,651	46,698
Property taxes	56,787	-	-	56,787	62,267
Project expenses	22,414	-	-	22,414	91,681
Special assessment related expenses	19,600			19,600	3,656
Major repairs and replacements	-		192,899	192,899	426,146
Depreciation expense	-	270,761	-	270,761	215,171
Bad debt expense	101,374	-	-	101,374	80,653
TOTAL EXPENSES	6,248,099	270,761	192,899	6,711,759	6,813,999
EXCESS (DEFICIENCY) OF					
REVENUES	(66,531)	(270,761)	626,445	289,153	200,434
TRANSFERS	(22,690)	387,103	(364,413)	-	-
CHANGE IN FUND BALANCES	(89,221)	116,342	262,032	289,153	200,434
FUND BALANCES,					
BEGINNING OF YEAR	824,545	759,745	1,925,668	3,509,958	3,309,524
FUND BALANCES, END OF YEAR	\$ 735,324	\$ 876,087	\$ 2,187,700	\$ 3,799,111	\$ 3,509,958

See the accompanying notes to financial statements.

Bear Valley Springs Association
Statement of Cash Flows
For the Year Ended June 30, 2013
With Comparative Totals for 2012

	2013			2012 Totals	
	Operating Fund	Property Fund	Replacement Fund	Total Funds	Comparative Purposes Only
CASH FLOWS FROM OPERATING ACTIVITIES					
Excess (Deficiency) of Revenues Over Expenses	\$ (66,531)	\$ (270,761)	\$ 626,445	\$ 289,153	\$ 200,434
Depreciation	-	270,761	-	270,761	215,171
Bad debt expense	101,556	-	-	101,556	80,708
(Increase) Decrease in current assets:					
Assessments receivable	(129,355)	-	-	(129,355)	(110,200)
Other receivables	(36,055)	-	9	(36,046)	6,727
Inventory	3,700	-	-	3,700	8,782
Prepaid expenses	(2,477)	-	-	(2,477)	(4,714)
Prepaid income taxes	-	-	-	-	3,273
Other prepaid expenses	(19,051)	-	-	(19,051)	12,500
Increase (Decrease) in current liabilities:					
Accounts payable	73,808	-	-	73,808	(26,264)
Accrued payroll and related items	(3,373)	-	-	(3,373)	22,746
Prepaid assessments	83,688	-	-	83,688	5,381
Deferred special assessments	4,903	-	-	4,903	(9,541)
Other liabilities	(20,153)	-	-	(20,153)	(5,714)
Net Cash Flows from Operating Activities	(9,340)	-	626,454	617,114	399,289
CASH FLOWS FROM INVESTING ACTIVITIES					
Sale of investments	(112,327)	-	(252,460)	(364,787)	(113,474)
Net increase in fixed assets	-	(387,103)	-	(387,103)	(300,579)
Net Cash Flows from Investing Activities	(112,327)	(387,103)	(252,460)	(751,890)	(414,053)
CASH FLOWS FROM FINANCING ACTIVITIES					
Transfers between funds	(22,690)	387,103	(364,413)	-	-
Net Cash Flows from Financing Activities	(22,690)	387,103	(364,413)	-	-
CHANGE IN CASH AND CASH EQUIVALENTS	(144,357)	-	9,581	(134,776)	(14,764)
CASH, BEGINNING OF YEAR	1,649,922	-	91,872	1,741,794	1,756,558
CASH, END OF YEAR	\$ 1,505,565	\$ -	\$ 101,453	\$ 1,607,018	\$ 1,741,794

See the accompanying notes to financial statements.

Bear Valley Springs Association
Notes to Financial Statements
For the Year Ended June 30, 2013

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

Organizational Data

Bear Valley Springs Association (the Association), is a California non-profit corporation formed August 17, 1970. The Association is responsible for recreational and community facilities in the Bear Valley Springs development for the use and enjoyment of its approximate 3,582 properties as of June 30, 2013. The Bear Valley Springs development encompasses approximately 25,000 acres and is located in the southern part of the Sierra Nevada mountain range near the City of Tehachapi, California.

Accounting Method

The Association maintains its books of account on the accrual basis of accounting. Under this method of accounting, revenue is recognized when assessments are earned, or billed, and expenses are recognized when goods or services are received, whether paid or not. The financial statements are presented with comparative totals. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Association's previously issued 2012 financial statements.

Fund Accounting

The Association's governing documents require that the Association establish two funds; the operating fund and the development fund. The development fund is intended to account for the development of new recreational facilities within the Association. The development fund is not used at this time. The operating fund, as envisioned by the governing documents, is intended to provide for all association operations except for the development of new recreational facilities. Accordingly, for purposes of generally accepted accounting principles, this has been recognized in the financial statements as three separate funds; the operating fund, the property fund and the replacement fund. The operating fund accounts for all current operating transactions of the Association. The property fund accounts for all transactions regarding capitalized personal property. The replacement fund accounts for member capital contributions, which are accumulated in separate bank accounts to provide for the future major repair and replacement of the Association's common areas.

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents include cash on hand, funds on deposit with financial institutions, and investments with original maturities of three months or less.

Fair Value of Financial Instruments

The carrying value of the Association's financial instruments is considered to approximate the fair value. Cash, accounts payable, and other accrued liabilities are settled close to the balance sheet date such that the fair value does not differ significantly from the stated amounts. Accounts receivable is recorded net of an estimate of uncollectable balances.

Assessments Receivable

The Association has the right to levy liens on a member's property to ensure payment of an assessment due the Association. Assessments receivable as reflected in the financial statements are from members whose units are located within Kern County in an unincorporated area known as Bear Valley Springs.

Inventories

Inventories at the golf pro shop, restaurant, bar, and snack bar are stated at the lower of cost or market with cost using the first-in, first-out (FIFO) method.

Capital Assets

The majority of real property common areas are owned by the Bear Valley Community Services District, but maintained and operated by the Association under a lease agreement discussed in further detail under "operating leases." The common areas consist of two lakes (10 and 35 acres), a nine-hole golf course, pro shop, restaurant, country club restaurant, recreation center, equestrian center, 51 miles of equestrian trails, swimming pool, four tennis courts, two campgrounds and a rifle range.

Replacements and improvements to the real property common areas are not capitalized. Personal property is capitalized at cost and depreciated over the estimated useful lives of the items purchased, using the straight line method of depreciation. Common areas are restricted to use by Association members, their tenants, and guests. The Association is responsible for the preservation and maintenance of the common areas.

See independent auditors' report.

Bear Valley Springs Association
Notes to Financial Statements
For the Year Ended June 30, 2013

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Special Assessments

Special assessments are revenues for specific projects, approved by the membership. Funding is recognized in the period when the funding is spent for its intended purpose. At year end, unspent funding is deferred as unearned revenue.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates included in the preparation of these financial statements include estimated bad debts, and estimates of replacement fund components relating to useful life, replacement cost, inflation rates, and tax rates. Actual results could differ from those estimates.

Lines of Business

The Association conducts only one line of business, which is the providing of management services to its members. This consists primarily of maintenance of the common areas and related recreational and administrative functions.

NOTE 2 – INVESTMENTS

Investments consisted of U.S. Treasury Obligations. Investments are recorded at fair value.

<u>Account name</u>	<u>Amount</u>	<u>Annual Yield</u>	<u>Estimated Annual Income</u>
Federated Treasury OBL - CAB Reserve	\$ 2,086,247	0.01%	208.62
Federated Treasury OBL - Operating	883,580	0.01%	89.03
Total Investments	<u>\$ 2,969,827</u>		

NOTE 3 – ASSESSMENTS RECEIVABLE

Assessments Receivable consisted of:

<u>Description</u>	<u>2013</u>	<u>2012</u>
Assessments receivables	\$ 599,506	\$ 487,283
Penalties, fees and interest receivable	40,801	23,669
Allowance for doubtful accounts	(521,102)	(419,546)
Total	<u>\$ 119,205</u>	<u>\$ 91,406</u>

NOTE 4 – CAPITAL ASSETS

Capital assets consisted of:

<u>Description</u>	<u>2013</u>	<u>2012</u>
Non-depreciable capital assets		
Computer platform project	<u>\$ 95,656</u>	<u>\$ -</u>
Depreciable capital assets:		
Furniture, fixtures and equipment	\$ 1,854,134	\$ 1,721,628
Autos and trucks	556,432	401,352
Golf carts	112,059	112,059
Total cost	<u>\$ 2,522,625</u>	<u>\$ 2,235,039</u>
Less: accumulated depreciation	<u>(1,742,194)</u>	<u>(1,475,294)</u>
Total	<u>\$ 780,431</u>	<u>\$ 759,745</u>

See independent auditors' report.

Bear Valley Springs Association
Notes to Financial Statements
For the Year Ended June 30, 2013

NOTE 5 – DEFERRED SPECIAL ASSESSMENT

Deferred Special Assessments is the cumulative balance related to special assessments of 2010-2013 as follows:

<u>Description</u>	<u>Amounts</u>
Special assessment income 2010	\$ 232,765
Special assessment expenses (solar project)	(111,702)
Deferred assessment 2010	<u>\$ 121,063</u>
Special assessment 2011	42,984
Special assessment expenses (lighting project)	(133,090)
Deferred assessment 2011	<u>\$ 30,957</u>
Adjusted special assessment expenses 2012	<u>(9,541)</u>
Deferred assessment 2012	<u>\$ 21,416</u>
Special assessment returned to members (WP 542)	(14,899)
Special Assessment 2013	39,402
Special assessment Expenses (Lighting project)	(19,600)
Deferred assessment 2013	<u>\$ 26,319</u>

NOTE 6 - REPLACEMENT FUND RESTRICTED CASH

While the Association's governing documents do not require funds to be accumulated for the replacement of its amenities and assets for general operations, California Civil Statutes require a study to be performed, and common industry practice is to accumulate funds for such replacements. Such funds are intended to provide for the cost of future replacement, repairs and maintenance when it is estimated that such items are needed.

It is the Association's policy to fund its reserves on an annual basis. The Association annually reviews its reserve funding program. The last review was performed as part of the budget process for the prior year. California Civil Code Section 1365 et.seq. mandates certain requirements for disclosure of the reserve funding program by the Association to its members. The Association believes that it has complied in all material respects with these requirements.

Actual expenditures may vary from estimated amounts and variations may be material. Therefore, amounts accumulated in the replacement fund may not be adequate to meet future needs. The Association updates cost data annually.

Cash balances in amounts equal to the designated capital reserves represent cash restricted for this purpose only.

NOTE 6 - INCOME TAXES

Bear Valley Springs Association is exempt from federal income tax under Section 501(c)(4) of the Internal Revenue Code. Unrelated business income is taxed at the regular corporate income tax rates by the Federal Government for exempt organization business income. Non exempt income, including interest income, is taxed at 8.84% by the State of California. The Association's federal and state tax liabilities for the year ended 2013 and 2012 are \$0 and \$0, respectively.

The Association believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. Federal income tax returns are subject to examination by the IRS, generally for three years after they were filed.

See independent auditors' report.

Bear Valley Springs Association
Notes to Financial Statements
For the Year Ended June 30, 2013

NOTE 7 - SIGNIFICANT GROUP CONCENTRATIONS OF CREDIT RISK

As scheduled, the unlimited insurance coverage for noninterest-bearing transaction accounts provided under the Dodd-Frank Wall Street Reform and Consumer Protection Act expired on December 31, 2012. Deposits held in noninterest-bearing transaction account are now aggregated with any interest-bearing deposits the owner may hold in the same ownership category, and the combined total insured up to at least \$250,000. The Association receives a significant portion of its annual membership dues close to the end of the fiscal year as prepayments for the beginning of the next fiscal year. At June 30, 2013, a balance of approximately \$1.2 million was held in an interest bearing account subject to the \$250,000 FDIC limit. The Association manages risk by maintaining balances in multiple financial institutions and by purchasing treasury obligations.

NOTE 8 – RELATED PARTY TRANSACTIONS

The Bear Valley Community Services District (CSD) owns the real property common areas that are maintained by the Association under a lease agreement. In addition, the CSD occupies approximately the same geographic area as the Association, and provides the following municipal type services for Association residents; water, sewer, roads maintenance, trash service and police service. See transactions listed in Note 10 below and the Supplementary Schedule of Special Revenues and Reimbursements.

NOTE 9 – ECC DEPOSITS

The Association's Environmental Control Committee (ECC), an appointed body, must inspect and approve all new construction and improvements to existing structures by property owners in Bear Valley. Varying fees and deposits are collected for each proposed project. Deposits are refunded upon completion of the project and passing of all ECC inspections. Interest is calculated using the current passbook rate of Bank of the Sierra in Tehachapi, California. As of June 30, 2013, ECC deposits are \$44,475 and are reported in the balance sheet within the balance of Other Liabilities.

NOTE 10 – COMMITMENTS AND CONTINGENCIES

Possessory Interest Tax

Kern County has assessed the Association for prior year property taxes. The Association entered into an installment agreement to pay the taxes. Under this agreement, the County bills the Association.. The Association is paying the Possessory Interest Tax for current years.

Operating Leases

Bear Valley Community Services District Lease

In 2007, the Bear Valley Community Services District and Bear Valley Springs Association executed a lease agreement commencing on January 20, 2007, which extends to January 29, 2047. The lease may be terminated earlier in the event of a default by the Association. The terms and conditions of this lease are reviewed every five years, and the lease automatically extends if the parties agree. The annual lease payment under this agreement is \$1.

Under the agreement, the Association is to operate and maintain amenities, handle the collection and disbursement of all money, employ all staff, purchase and sell food, beverages, merchandise, supplies, and services, purchase insurance coverage, handle disputes with third parties, collect and pay appropriate taxes, obtain all appropriate permits, and otherwise comply with the terms and conditions of this lease agreement and the Covenants and Restrictions for Bear Valley Springs and the Articles of Incorporation and Bylaws of the Association. The Association may not remove any District improvements without prior authorization. The Association is responsible for obtaining insurance coverage as required by the new lease agreement. Instead of amending their current policy, the Association has elected to exercise its option to reimburse the District for the costs of the required coverage.

See independent auditors' report.

Bear Valley Springs Association
Notes to Financial Statements
For the Year Ended June 30, 2013

NOTE 10 – COMMITMENTS AND CONTINGENCIES (CONTINUED)

Other Operating Leases

The Association has individual operating leases on four copiers, two scanners and a postage machine totaling approximately \$2,300 per month which includes related sales tax and property tax on the equipment. Future commitments on these leases are:

<u>Year Ended June 30,</u>	<u>Amount</u>
2013	\$ 12,439
2014	27,775
2015	27,775
2016	27,775
2017	27,775
Thereafter	22,280
Total lease payments	<u>\$ 145,819</u>

Contingencies

From time to time, the Association is involved in actions pending in Kern County Superior court in which they are the party plaintiff. These actions are brought by BVSA against various the Associations' property owners/members seeking injunctive and declaratory relief, money damages and attorney fees with respect to the enforcement of the Association's governing documents. In accordance with Statement of Financial Accounting Standards No. 5, the amount of gain, if any, may be ultimately realized is reflected in the accompanying financial statements when realized. Management and counsel believe it is improbable that any of the defendants will assert cross claims against the Association in the above actions.

The Association is involved in various legal matters arising in the normal course of business. In the opinion of management, the Association has adequate insurance and legal defenses, and it is not anticipated that such matters will have a material impact upon the financial condition of the Association.

NOTE 11 – PENSION PLAN

The Association has a 401(k) plan. The plan covers substantially all qualified employees who meet the plan's eligibility requirements and provides for a tax deferred contribution by the Association and an employee elective contribution, with an Association matching provision of 50% percent of the employee's contribution up to 10% of the employee's salary. The employee becomes 20% vested in the first year, 50% on the second year and fully vested by the third year. For the year ended June 30, 2013, the Association contributed \$44,947 to the plan.

NOTE 12 – SUBSEQUENT EVENTS

The Association has evaluated subsequent events through September 23, 2013, the date which the financial statements were available to be issued.

See independent auditors' report.

Bear Valley Springs Association
Supplementary Information on Future Major Repairs and Replacement
For the Year Ended June 30, 2013,

The Board of Directors, through a reserve committee, determines the need for a reserve study. The Association contracted a Professional Reserve Study Analysis in 2010 to estimate the remaining useful lives and the replacement costs of the components of common property. No new update to the study was conducted during 2013. Civil Code section 1365 (a) states that at least once every three years, the Board of Directors should cause to be conducted a reasonable competent and diligent inspection of accessible areas of the major components that the association is obligated to repair, replace, restore or maintain as part of its reserve study. Management plans to recommend that a new study be commissioned during 2013/14 fiscal year. The Association has assessed the present condition of common area components; estimated replacement costs relying upon published data, contractor's or engineer's estimates, and previously paid amounts; and estimated remaining lives, relying upon consultants or published data. Funding has been provided using a pooled calculation with provisions for inflation of 3% and before-tax interest of 2%.

The following table is based on the study and presents significant information about the components of common property.

Component	Remaining Useful Lives	Future Replacement Cost	6/30/2013 Balance *	2013 Annual Funding
Asphalt & Concrete	0-28 Yrs.	\$ 1,777,139	\$ -	\$ -
Bldgs- Decks	12-23 Yrs.	158,120	-	-
Bldgs- Doors, Flooring & Mech	0-29 Yrs.	1,006,368	-	-
Bldgs- Out Structure	0-24 Yrs.	427,906	-	-
Bldgs- Renovation	10-22 Yrs.	14,688	-	-
Bldgs- Roof	1-24 Yrs.	577,379	-	-
Bldgs- Windows & Wood Siding	0-29 Yrs.	753,255	-	-
Electrical	0-20 Yrs.	161,832	-	-
Equip- Kitchen and Bar	0-19 Yrs.	613,052	-	-
Equip- Office	0-8 Yrs.	140,207	-	-
Equipment	0-24 Yrs.	1,402,822	-	-
Fence/Gates/Rail	0-24 Yrs.	490,920	-	-
Fire Safety	0-6 Yrs.	29,605	-	-
Furniture	0-21 Yrs.	362,858	-	-
Golf Carts	3 Yrs.	93,595	-	-
Golf Course Amenities	0-10 Yrs.	625,363	-	-
Irrigation and Drainage	0-27 Yrs.	4,077,278	-	-
Paint	1-4 Yrs.	122,711	-	-
Park Amenities and Courts	0-29 Yrs.	753,158	-	-
Pool and Spa	0-20 Yrs.	463,565	-	-
Restrooms	0-23 Yrs.	576,628	-	-
Septic Systems	2-29 Yrs.	232,549	-	-
Signage	0-18 Yrs.	61,028	-	-
Vehicles	1-10 Yrs.	406,149	-	-
Totals		\$ 15,328,175	\$ 2,187,700	\$ 819,037

*Information not provided in the study.

Note: Individual amounts are not shown, as the Association is funding for reserve components on a pooled funding concept.

See independent auditors' report.

**OTHER
SUPPLEMENTARY INFORMATION
SECTION**

Bear Valley Springs Association
Schedule of General and Administrative Expenses
For the Year Ended June 30, 2013,
With Comparative Totals for 2012

	<u>2013</u>	<u>2012</u>
Professional Fees:		
Legal fees	\$ 34,662	\$ 16,499
Audit services	16,810	17,928
Payroll services	19,936	20,051
Consulting fees	2,200	2,299
Disaster planning	-	435
Total Professional Fees	<u>73,608</u>	<u>57,212</u>
Administrative Supplies:		
Office supplies	14,496	12,940
Software supplies and services	520	-
Software and upgrades	8,797	7,003
Total Administrative Supplies:	<u>23,813</u>	<u>19,943</u>
Community/Employee Relations:		
Community relations	39,206	37,372
Employee relations	15,887	18,654
Total Community/Employee Relations	<u>55,093</u>	<u>56,026</u>
Linens, uniforms and mats	<u>34,940</u>	<u>35,709</u>
Golf course management fees	<u>499,653</u>	<u>499,653</u>
Other General and Administrative:		
First aid	2,383	2,221
Drug testing	4,395	3,438
Elections	10,750	16,634
Banking and billing supplies	2,846	2,531
Licenses, fees and subs	30,564	34,497
Postage and shipping	6,851	7,386
Committee fees	4,463	4,675
Contingency fund expense	10,955	21,403
Travel	2,991	3,675
Federal and State filing fees	1,119	1,002
Advertising and promotion	1,997	1,202
Collection expense	1,041	1,721
Newsletter	7,245	6,312
401k plan administration fees	3,207	3,820
Miscellaneous expense	-	15,737
Janitorial supplies	24,187	24,787
Bank fees and credit card charges	5,528	2,877
Refreshments	-	41
Cash over/short	667	32
Credit card commission	57,602	53,189
Theft loss	-	5
Late charge - paying invoices	45	13
Reconciliation discrepancies	64	-
Total Other General and Administrative	<u>178,900</u>	<u>207,198</u>
Total General and Administrative Expenses	<u>\$ 866,007</u>	<u>\$ 875,741</u>

See independent auditors' report.

Bear Valley Springs Association
Schedule of Salaries and Related Expenses
For the Year Ended June 30, 2013,
With Comparative Totals for 2012

	<u>2013</u>	<u>2012</u>
Salaries:		
Payroll expense - hourly	\$ 1,607,543	\$ 1,653,362
Payroll expense - salaried	687,346	644,121
Payroll expense - overtime	26,664	28,160
Vacations benefits	101,602	114,525
Employee meals	25,783	25,156
Total Salaries	<u>2,448,938</u>	<u>2,465,324</u>
Payroll Taxes:		
Social security	159,195	157,803
Medicare	37,846	37,437
Federal unemployment insurance	11,129	8,225
California unemployment insurance	47,303	50,583
Total Payroll Taxes	<u>255,473</u>	<u>254,048</u>
Retirement contributions	<u>44,947</u>	<u>44,397</u>
Employee Benefits:		
Workers compensation	252,962	182,106
Group health insurance	175,819	199,767
Employee incentive programs	27,712	24,092
Uniform allowance	4,249	4,722
Total Employee Benefits	<u>460,742</u>	<u>410,687</u>
Conference, seminars and training	<u>5,541</u>	<u>3,775</u>
Total Salaries and Related Benefits	<u>\$ 3,215,641</u>	<u>\$ 3,178,231</u>

See independent auditors' report.

Bear Valley Springs Association
Schedule of Special Funding Reimbursements and Expenses
For the Year Ended June 30, 2013

Reimbursement revenues:	
Park and recreation funds (Detachment funds)	\$ 118,785
Bear Valley Springs Community Recreational Facilities Foundation (BVSCRFF)	<u>4,491</u>
TOTAL	<u>\$ 123,276</u>
Project expenses:	
Park and recreation - project expenses	\$ 18,341
Bear Valley Springs Community Recreational Facilities Foundation (BVSCRFF)	<u>4,073</u>
Total of projects expense	22,414
Park and recreation - capital contributions/additions	<u>100,444</u>
TOTAL	<u>\$ 122,858</u>

See independent auditors' report.