Semitropic Water Storage District

Combined Financial Statements

December 31, 2012 and 2011

C O N T E N T S

BARBICH HOOPER KING
DILL HOFFMAN
ACCOUNTANCY CORPORATION

Independent Auditors' Report

Board of Directors
Semitropic Water Storage District
Wasco, California

Report on the Financial Statements

We have audited the accompanying combined financial statements of Semitropic Water Storage District as of and for the years ended December 31, 2012 and 2011, which collectively comprise the District's basic financial statements as listed in the table of contents, and the related notes to the combined financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these combined financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 combined financial statements. The procedures selected depend on the auditors' 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 combined 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 combined 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 combined financial statements referred to above present fairly, in all material respects, the financial position of Semitropic Water Storage District as of December 31, 2012 and 2011, and the respective changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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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 3 through 11 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 audits 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 Information

Our audits were conducted for the purpose of forming opinions on the combined financial statements that collectively comprise the District's combined financial statements as a whole. The schedules of operating expenses and insurance coverage are presented for purposes of additional analysis and are not a required part of the combined financial statements. The schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audits of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards,* we have also issued our report dated May 17, 2013, 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* and should be considered in assessing the results of our audits.

BARBICH HOOPER KING
DILL HOFFMAN
Accountancy Corporation

Barbich Hooper King

Bakersfield, California
May 17, 2013

Management's Discussion and Analysis

The following discussion and analysis of Semitropic Water Storage District financial performance provides an overview of the financial activities for the fiscal years ended December 31, 2012 and 2011. This information is presented in conjunction with the basic audited financial statements and accompanying notes, which follow this section.

Financial Highlights

The District's total net position decreased $4 million or 2% over the course of the year's operations.

The District's total revenues experienced a net decrease of $6.5 million or 14% during the year ended December 31, 2012. The primary reason for the net decrease in total revenues was the combined decrease of $6.6 million in contract and noncontract water revenue. During 2012, the State water allocation was 65%, a decrease of 15% from 2011. This meant that there was less water available for purchase by the District's landowners and also less water available for groundwater banking partners to potentially bank within the District.

The District's total expenses increased $12.7 million, or 41%. The primary reason for the increase was due to an increase in source of supply, or water costs, by $10.1 million and an increase in transmission and distribution expense of $2.1 million. Due to the high amount of water available in 2011, the District was able to bank most of its annual water allocation from the State for future use, thereby moving the cost of 2011's state allocation from expense to banked water asset. During 2012, the District did not bank any water; therefore, its 2012 state allocation cost was included in source of supply expense. Transmission and distribution costs increased due to the increase in electricity costs for delivering water and also from the fees incurred for recovering banked water for use in 2012.

The District's gross capital assets increased $3.5 million, or 1%, during the year ended December 31, 2012 due to the purchase of land and the completion of construction projects during the year.

Overview of the Financial Statements

This annual report includes this management's discussion and analysis report, the independent auditors' report, the basic financial statements of the District and selected additional information. The combined financial statements also include notes that explain in more detail some of the information contained in the combined financial statements.

Required Financial Statements

The combined financial statements of the District report information of the District using accounting methods similar to those used by private sector companies. The combined financial statements conform to accounting principles which are generally accepted in the United States of America and utilize the accrual basis of accounting.

The combined statement of net position includes all of the District's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to District creditors (liabilities), with the difference between the two reported as net position. This statement will indicate which assets are restricted due to contractual, Board action, or other commitments. This statement also provides the basis for assessing the liquidity, capital structure and financial flexibility of the District.

Revenues and expenses for each of the last two fiscal years are accounted for in the combined statement of revenues and expenses and changes in net position. These statements measure the success of the District's operations and can be used to determine profitability, credit worthiness and whether the District has successfully recovered all its costs through user fees and other charges.

The combined statement of cash flows reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities. From this statement, information related to sources and uses of cash, and the change in cash balances can be compared for each of the last two fiscal years.

Financial Analysis of the District

The required financial statements, discussed above, assist the reader in making an assessment of whether its financial health is improving or deteriorating. However, one will need to consider other non-financial factors such as changes in economic conditions, population growth, and new or changed government legislation.

To begin our analysis, a summary of the District's statements of net position is presented in Table A.

Table A
Condensed Statements of Net Position
December 31, 2012 and 2011
(in millions)

	2012	*2011*	*Dollar Change*	*Percentage Change*
Current assets	$ 18.6	$ 21.4	$ (2.8)	-13%
Noncurrent capital assets	238.8	242.0	(3.2)	-1%
Noncurrent other assets	73.3	71.2	2.1	3%
Total assets	330.7	334.6	(3.9)	-1%
Deferred outflows of resources	17.4	15.7	1.7	11%
	$ 348.1	$ 350.3	$ (2.2)	-1%
Current liabilities	$ 9.4	$ 7.4	$ 2.0	27%
Long-term liabilities	161.2	161.4	(0.2)	0%
Total liabilities	170.6	168.8	1.8	1%
Invested in capital assets, net of related debt	89.5	91.4	(1.9)	-2%
Restricted	12.0	12.2	(0.2)	-2%
Unrestricted	76.0	77.9	(1.9)	-2%
Total net position	177.5	181.5	(4.0)	-2%
	$ 348.1	$ 350.3	$ (2.2)	-1%

As the net asset table above indicates, total assets decreased by $2.2 million to $348.1 million at December 31, 2012, down from $350.3 million at December 31, 2011. The decrease in the total assets of the District was primarily due to a decrease in accounts receivable and net capital assets.

Total liabilities increased by $1.8 million to $170.6 million at December 31, 2012, from $168.8 million at December 31, 2011. The increase is due to a combination of the issuance of the 2012 bonds to refund the 2006 and 2008 bonds, and the 2011 Warrants, and deferred revenues.

Table B
Condensed Statements of Revenues and Expenses and Changes in Net Position
For the Years Ended December 31, 2012 and 2011
(in millions)

	2012	*2011*	*Dollar Change*	*Percentage Change*
Operating revenue:				
Contract water	$ 7.3	$ 8.2	$ (0.9)	-11%
Noncontract water	6.7	12.4	(5.7)	-46%
Groundwater banking	14.0	14.9	(0.9)	-6%
Electrical transfer & hookup	1.7	0.6	1.1	183%
Other charges	3.0	0.7	2.3	329%
	32.7	36.8	(4.1)	-11%
Nonoperating income:				
Grant revenue	-	0.2	(0.2)	-100%
Interest income	1.0	1.0	-	0%
GA & GP service charges	4.8	4.1	0.7	17%
Prior year income, net	(0.2)	3.6	(3.8)	-106%
Earnings from investments	1.2	0.3	0.9	300%
	6.8	9.2	(2.4)	-26%
Total revenues	39.5	46.0	(6.5)	-14%
Operating expenses:				
Transmission & distribution	14.1	12.0	2.1	18%
Well operations	0.2	0.2	-	0%
Source of supply	12.3	2.2	10.1	459%
General and administration	3.2	2.9	0.3	10%
Depreciation expense	6.8	6.2	0.6	10%
	36.6	23.5	13.1	56%
Nonoperating expenses:				
Interest expense	6.8	6.7	0.1	1%
Other expenses	0.1	0.6	(0.5)	-83%
	6.9	7.3	(0.4)	-5%
Total expenses	43.5	30.8	12.7	41%
Change in net position	(4.0)	15.2	(19.2)	-126%
Net position, beginning of year	181.5	166.3	15.2	9%
Net position, end of year	$ 177.5	$ 181.5	$ (4.0)	-2%

While the Statement of Net Assets shows the change in financial position of the District, the Statements of Revenues and Expenses and Changes in Net Position provides answers as to the nature and source of these changes.

The District's total revenues decreased by $6.5 million to $39.5 million during the year ended December 31, 2012, from $46.0 million during the year ended December 31, 2011. As mentioned before, 2011 was a water delivery, or wet year. A wet year means there is water available other than the District's allocation from the State Water Project (SWP). It also means that the District's groundwater banking partners may also have additional water that may need to be stored, or banked, within the District. In 2012, the allocation from the SWP decreased to 65%, from 80% in 2011. This decrease in allocation led to a decrease in contract water revenue by $0.9 million, or 11%, and a decrease in noncontract water revenue by $5.7 million, or 46%. Groundwater banking revenues decreased by $0.9 million from 2011, which would have been larger, if not for a new banking agreement entered into during 2012. GA and GP service charges were higher due a rate increase of $5.90 per acre in the General Project Service Charge.

Total expenses increased $12.7 million to $43.5 million during the year ended December 31, 2012 from $30.8 million during the year ended December 31, 2011. This increase was primarily due to the increase in source of supply, or water costs, by $10.1 million. Part of this increase was due to in 2011 the District's state water allocation cost being moved to banked water inventory, as it was a wet year and the District did not need to use its state allocation, and was able to bank the water. In 2012 the District did need to use its state allocation; therefore the cost was included in source of supply expense on the Statement of Revenues and Expenses. Another reason for the increase in total expenses was the increase in transmission and distribution expenses (increase of $2.1 million from 2011) due to the costs incurred to recover previously banked water with the Kern Water Bank Authority.

As of December 31, 2012, the District had invested $319 million in capital assets as shown in Table C.

Table C
Capital Assets
December 31, 2012 and 2011
(in millions)

	2012	2011	Dollar Change	Percentage Change
Land	$ 33.4	$ 32.5	$ 0.9	3%
Source of supply	13.1	13.1	-	0%
Transmission and distribution	244.9	243.2	1.7	1%
General plant and equipment	3.1	3.1	-	0%
Communication equipment	0.02	0.02	-	0%
Autos and trucks	1.5	1.5	-	0%
Office equipment	0.5	0.5	-	0%
Field and miscellaneous equipment	0.4	0.4	-	0%
Well drilling equipment	2.9	3.0	(0.1)	-3%
Wells	1.7	1.7	-	0%
Capacity rights	4.5	4.3	0.2	5%
Construction in progress	13.0	12.2	0.8	7%
Total capital assets	319.0	315.5	3.5	1%
Less accumulated depreciation	80.2	73.5	6.7	9%
Total net capital assets	$ 238.8	$ 242.0	$ (3.2)	-1%

As can be seen from the table above, total capital assets increased $3.5 million to $319 million at December 31, 2012, from $315.5 million at December 31, 2011. The increase is due to the purchase of land and construction of capital projects during the year.

Table D
Debt
December 31, 2012 and 2011
(in millions)

	2012	2011	Dollar Change	Percentage Change
Revenue bonds	$ 140.5	$ 126.5	$ 14.0	11%
Swap	17.4	15.7	1.7	11%
Other debt	8.9	24.2	(15.3)	-63%
Total debt	$ 166.8	$ 166.4	$ 0.4	0%

Revenue bonds are legally secured by a portion of the District's water banking revenues and/or the District's general administrative and general project service charges. If the water banking revenue streams pledged to specific revenue bonds are not sufficient to repay the debt, for only the 2007 and 2009 bonds, the District is not legally obligated to appropriate other funds for debt service payments.

Other debt represents District obligations paid out of its general fund. The District has no general obligation bonds at this time.

Total debt increased $0.4 million to $166.8 million during the year ended December 31, 2012 from $166.4 million during the year ended December 31, 2011. The increase is due to the issuance of the 2012 bonds, which refunded the 2006 and 2008 bonds and the 2011 Warrants.

The District received a AA- rating by Standard & Poor's for the 2009 fixed rate debt issued to replace variable debt.

The District received an A+ rating by Standard & Poor's for both the 2012A and 2012B water banking revenue refunding bonds issued to replace variable debt.

The District received an AA- rating by Fitch Ratings for both the 2012A and 2012B water banking revenue refunding bonds issued to replace variable debt.

Budgetary Comparison

The following table is a comparison of the Board approved budget for 2012 against actual.

Table E
Budget vs. Actual Comparison
For the Year Ended December 31, 2012
(in millions)

	Actual	*Budget*	*Change*	*Percentage Change*
Operating revenues:				
Contract water	$ 7.3	$ 6.9	$ 0.4	6%
Noncontract water	6.7	5.3	1.4	26%
Groundwater banking	14.0	7.3	6.7	92%
Electrical transfer & hookup	1.7	1.5	0.2	13%
Other revenue	3.0	5.6	(2.6)	-46%
	32.7	26.6	6.1	23%
Nonoperating income:				
Interest income	1.0	0.2	0.8	400%
GA & GP service charges	4.8	4.0	0.8	20%
Prior year income, net	(0.2)	0.7	(0.9)	-129%
Earnings from investments	1.2	0.1	1.1	100%
	6.8	5.0	1.8	36%
Total revenue	39.5	31.6	7.9	0.2
Operating expenses:				
Source of supply	12.3	14.8	(2.5)	-17%
Well operations	0.2	-	0.2	100%
Transmission & distribution	14.1	7.6	6.5	86%
General and administration	3.2	8.2	(5.0)	-61%
Depreciation and amortization	6.8	6.2	0.6	10%
	36.6	36.8	(0.2)	-1%
Nonoperating expenses:				
Interest expense	6.8	6.7	0.1	1%
Other expenses	0.1	-	0.1	0%
	6.9	6.7	0.2	3%
Total expenses	43.5	43.5	-	0%
Change in net position	$ (4.0)	$ (11.9)	$ 7.9	-66%

Total revenue was above budgeted revenues for 2012 mainly due to the increased amount of groundwater banking revenues. Groundwater banking revenues were higher than budget due to an new banking agreement of $6.5 million. GA and GP service charges were higher than budgeted due a rate increase of $5.90 per acre in the General Project Service Charge.

Total expenses came out equal to budgeted operating expenses. This was due to the differences in source of supply, transmission and distribution and general and administration expenses. Source of supply was lower due to prior year credits received on the annual water bill. Transmission and distribution expenses were higher due to the costs of recovering water out of the Kern Water Bank.

The annual budget is presented and approved by the District's Board of Directors each October. An updated budget is presented and approved in June, if necessary.

Contacting the District Management

This financial report is designed to provide our customers and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District at P.O. Box 8043, Wasco, CA 93280.

Semitropic Water Storage District

Combined Statements of Net Position
December 31, 2012 and 2011

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	***2012***	***2011***
Current Assets		
Cash and cash equivalents	$ 11,850,148	$ 11,315,208
Receivables		
Current portion of notes receivable	2,720,419	684,441
Accounts receivable, trade	1,748,205	6,274,343
Other receivables, related party	-	1,161,497
General administrative and general project service charges receivable	2,157,485	1,850,135
Other prepaid expenses and deposits	109,126	100,765
	6,735,235	10,071,181
Total current assets	18,585,383	21,386,389
Noncurrent Assets		
Restricted assets		
Cash	4,442,816	4,685,720
Investments	7,586,678	7,494,715
Total restricted assets	12,029,494	12,180,435
Capital assets, net of accumulated depreciation	238,814,034	242,031,182
Other noncurrent assets		
Notes receivable, less current portion	18,152,765	14,373,184
Banked water inventory	11,641,427	13,925,343
Investment in Semitropic-Rosamond Water Bank Authority	28,869,546	27,666,660
Investment in Kern Water Bank Authority	2,601,955	3,009,618
Total other noncurrent assets	61,265,693	58,974,805
Total noncurrent assets	312,109,221	313,186,422
Total Assets	330,694,604	334,572,811
Deferred Outflows of Resources		
Deferred outflow of interest rate swaps	17,446,468	15,722,362
	$ 348,141,072	$ 350,295,173

See Notes to Combined Financial Statements.

LIABILITIES AND NET POSITION	***2012***	***2011***
Current Liabilities		
Current maturities of long-term debt	$ 5,582,504	$ 4,956,448
Trade accounts payable	579,264	53,430
Customer deposits	1,586,369	1,453,237
Accrued liabilities	1,067,619	956,793
Deferred revenue	582,756	-
Total current liabilities	9,398,512	7,419,908
Long-Term Liabilities		
Long-term debt, less current maturities	143,722,454	145,694,791
Obligations under interest rate swap	17,446,468	15,722,362
	161,168,922	161,417,153
Total Liabilities	170,567,434	168,837,061
Net Position		
Invested in capital assets, net of related debt	89,509,076	91,379,943
Restricted for:		
Debt service	12,002,014	12,120,617
Cafeteria plan	27,480	59,818
Unrestricted	76,035,068	77,897,734
	177,573,638	181,458,112
	$ 348,141,072	$ 350,295,173

Semitropic Water Storage District

Combined Statements of Revenues and Expenses
For the Years Ended December 31, 2012 and 2011

	2012	2011
Operating revenue:		
Contract water	$ 7,303,398	$ 8,242,779
Noncontract water	6,685,486	12,354,414
Groundwater banking	13,955,189	14,893,056
Electrical transfer and hookup charges	1,738,351	633,362
Other charges	3,002,384	673,976
	32,684,808	36,797,587
Operating expenses:		
Transmission and distribution	14,063,323	12,023,692
Well operations	209,396	228,723
Source of supply	12,275,489	2,161,130
General and administrative	3,197,784	2,923,921
Depreciation and amortization expense	6,806,656	6,190,554
	36,552,648	23,528,020
Operating income (loss)	(3,867,840)	13,269,567
Nonoperating income (expense):		
Grant revenue	-	226,363
Interest income	959,887	1,025,913
General administrative and general project service income	4,810,742	4,059,095
Interest expense	(6,766,822)	(6,674,112)
Equity in income from investments	1,199,990	322,466
Other income (expense)	(938)	258,498
Prior year income (expense), net	(150,203)	3,598,249
Rental income	73,662	114,080
Loss on disposal of assets	(142,952)	(1,067,232)
Loss on sale of investments	-	(20,648)
	(16,634)	1,842,672
Change in net position	$ (3,884,474)	$ 15,112,239

See Notes to Combined Financial Statements.

Semitropic Water Storage District

Combined Statements of Changes in Net Position
For the Years Ended December 31, 2012 and 2011

Balance, December 31, 2010	$ 166,345,873
Change in net position	15,112,239
Balance, December 31, 2011	181,458,112
Change in net position	(3,884,474)
Balance, December 31, 2012	$ 177,573,638

See Notes to Combined Financial Statements.

Semitropic Water Storage District

Combined Statements of Cash Flows
For the Years Ended December 31, 2012 and 2011

	2012	***2011***
Cash flows from operating activities:		
Receipts from customers	$ 37,419,011	$ 46,223,247
Payments to suppliers for goods and services	(22,711,215)	(25,326,083)
Payments to employees for services	(4,102,456)	(3,684,395)
Net cash provided by operating activities	10,605,340	17,212,769
Cash flows from capital and related financing activities:		
Payment for acquisition and construction of property, plant and equipment	(3,737,460)	(1,249,447)
Cash paid for interest on bonds and construction loans	(6,786,928)	(6,715,020)
Receipts from grants	-	1,243,432
Proceeds from sale of property, plant and equipment	5,000	3,037
Proceeds from issuance of long term debt	1,925,638	-
Payments on long-term debt	(3,271,919)	(4,452,395)
Net cash used in capital and related financing activities	(11,865,669)	(11,170,393)
Cash flows from investing activities:		
Net purchase of investments	(91,963)	(6,111,990)
Proceeds from sale of investments	-	218,721
Proceeds from payments on note receivable	684,441	650,259
Interest income	959,887	1,025,913
Net cash provided by (used in) investing activities	1,552,365	(4,217,097)
Net increase in cash and cash equivalents	292,036	1,825,279
Cash and cash equivalents at beginning of the year	16,000,928	14,175,649
Cash and cash equivalents at the end of the year	$ 16,292,964	$ 16,000,928

See Notes to Combined Financial Statements.

	2012	2011
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating income (loss)	$ (3,867,840)	$ 13,269,567
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation and amortization	6,806,656	6,190,554
General administrative and general project service charges	4,810,742	4,059,095
Groundwater banking revenue earned in exchange for note receivable	(6,500,000)	-
Prior year income (expense), net	(150,203)	3,598,249
Other income	477,491	372,578
Changes in operating assets and liabilities:		
Receivables and general administrative and general project service charges receivable	5,380,285	1,325,757
Other prepaid expenses and deposits	(8,361)	(18,471)
Banked water inventory	2,283,916	(9,603,871)
Accounts payable and accrued liabilities	789,898	(1,980,689)
Deferred revenue	582,756	-
Net cash provided by operating activities	$ 10,605,340	$ 17,212,769
Reconciliation of cash and cash equivalents		
Cash and cash equivalents	$ 11,850,148	$ 11,315,208
Restricted cash	4,442,816	4,685,720
	$ 16,292,964	$ 16,000,928
Noncash investing and investing activities:		
Issuance of long-term debt for purchase of land	$ -	$ 8,400,000
Change in fair value of interest rate swaps	$ 1,724,106	$ 8,131,710
Refinance of 2004 and 2006 bonds and 2011 warrants in exchange for 2012 bonds	$ 81,555,000	$ -

Note 1. Nature of Activities and Summary of Significant Accounting Policies

Principles of combination:

The combined financial statements include the accounts of Semitropic Water Storage District, Buttonwillow Improvement District of the Semitropic Water Storage District, Pond-Poso Improvement District of the Semitropic Water Storage District, Semitropic Wildlife Improvement District of the Semitropic Water Storage District and Semitropic Improvement District of the Semitropic Water Storage District. Inter-district accounts have been eliminated.

Nature of District's activities:

Semitropic Water Storage District (the District) was formed on August 27, 1958. It began as an irrigation district for the purpose of securing State Water Project supplies to reduce groundwater overdraft. The District, a special district of the State of California, is one of eight water storage districts in California and is the largest in Kern County. The District is governed by a Board of Directors consisting of seven members who are elected by rate payers to serve four-year terms. Semitropic Improvement District has been appointed as agent to administer contracts on behalf of Buttonwillow Improvement District, Pond-Poso Improvement District, Semitropic Wildlife Improvement District and Semitropic Water Storage District.

The District’s service area is comprised of approximately 221,000 acres or 345 square miles in the northwestern portion of Kern County. Since its inception, Buttonwillow Improvement District, Pond-Poso Improvement District, Semitropic Improvement District and Semitropic Wildlife Improvement District were created to help administer and manage the course of action and policies of Semitropic Water Storage District.

Although Buttonwillow Improvement District, Pond-Poso Improvement District, Semitropic Improvement District and Semitropic Wildlife Improvement District are a part of the Semitropic Water Storage District, they are operated and reported on as Semitropic Improvement District. As such, Semitropic Water Storage District is generally not liable for any contracts entered into or commitments made by them.

Significant accounting policies are as follows:

Basis of accounting and financial reporting:

The accompanying combined financial statements have been prepared on the accrual basis of accounting, in conformity with the uniform system of accounts prescribed for water districts by the Controller of the State of California. Under the accrual basis, revenues are recognized when earned and expenses are recognized when incurred regardless of the timing of cash payments or receipts.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. Revenues and expenses not meeting this definition are reported as nonoperating.

When the District has both unrestricted and restricted resources available for District purposes, it is the District's practice to first expend restricted resources, subsequently utilizing unrestricted resources as needed.

The District utilizes a net position presentation in accordance with GASB Statement 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended by GASB 63, *Financial reporting of Deferred Outflows or Resources, Deferred Inflows of Resources, and Net Position*. Net position is categorized as invested in capital assets, net of related debt, restricted components of net position and unrestricted components of net position. These categories are defined as follows.

> *Invested in capital assets, net of related debt* - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.
>
> *Restricted components of net position* - This component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported.
>
> *Unrestricted components of net position* - This component of net position is the net amount of 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.

Fund accounting:

The District utilizes accounting for enterprise entities that account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or, (b) where the governing body has decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Use of estimates:

The preparation of combined financial statements in conformity with accounting principles generally accepted in the United States of America 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 combined financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue recognition:

The District has three primary sources of revenue. From its inception, the District has recognized revenue from the sale of surface irrigation water to water users located within the District for the purpose of halting the groundwater overdraft. The District's water rates are supported by an annual applied water cost analysis and are approved by the District's board on an annual basis. Water rates are not subject to regulation by the California Public Utilities Commission or by any other local, state or federal agency. Revenue from these sales is recognized on the accrual basis as water is delivered.

Beginning in 1995, the District entered into several groundwater banking relationships with its Banking Partners, customers who are water districts located in California, using available space within the District's groundwater basin to store water during wet years (years when there is abundant rainfall and surplus water available), and pumping it back to the Banking Partners during dry years (years with little rainfall and no surplus water). The District primarily stores Banking Partners' water using in-lieu recharge, which stores water by utilizing surface water "in-lieu" of pumping groundwater, thereby storing an equal amount in the groundwater basin. The District is paid an annual fee for operating and maintaining the project and earns revenue on a per acre-foot basis at the time water is stored and when water is returned to the respective banking partner. The District also receives revenue toward energy reimbursement when water is returned. Revenue for groundwater banking is recognized in the period when annual fees are billed and when water is stored or returned for each respective Banking Partner. At December 31, 2012 and 2011, the District held 979,775 and 924,091 acre-feet (AF), respectively, of water in storage for future delivery to banking partners.

Finally, the District receives revenue from general administrative and general project service charges for landowners receiving benefit from District services. These charges are established by the Board of Directors for the period January through December of each year and are levied to landowners within the District on their county property tax statements based on uniform rates per acre. For the years ended December 31, 2012 and 2011, $4,810,742 and $4,059,095, respectively, was earned by the District for general administrative and general project service charges. If available from District funds, the Board may authorize an end of the year discretionary payment in proportion to the general project service charge to the same district landowners. For the years ended December 31, 2012 and 2011, there was no end of the year discretionary payment authorized by the District. The net of these items is reported as nonoperating revenue to the District for the same January through December period.

Other sources of revenue include interest income and miscellaneous revenue which is comprised of water wheeling income, materials sales and electrical services.

Allowance for delinquency provision:

In prior years, the allowance for delinquency provision for general administrative and general project service charges has been based on a percentage of assessments levied. The percentage is determined by collections from previous years. As of December 31, 2012, the District's management decided an allowance for delinquency provision for general administrative and general project service charges was not necessary.

Accounts receivable, trade:

Trade accounts receivable are stated at the amount management expects to collect from balances outstanding at year end. Based on management's assessment of the credit history with customers having outstanding balances and current relationships with them, it has concluded that realization of losses on balances outstanding at year end will be immaterial; accordingly, no allowance for doubtful accounts is required.

Concentration of credit risk:

Credit is extended, in the form of accounts receivable, to landowners who are located in the District's service area and groundwater banking partners.

Capital assets:

The District's property, plant and equipment are recorded at cost. Assets are capitalized when the cost is greater than $5,000 and the asset has a useful life greater than two years. Depreciation is computed using the straight-line method over the following estimated useful lives:

	Years
Source of supply	15-60
Transmission and distribution	15-60
General plant and equipment	3-60
Communication equipment	5-60
Autos and trucks	5
Office equipment	3-10
Field and miscellaneous equipment	5-10
Well drilling equipment	15-60
Wells	15-20

Maintenance and repairs of property, plant and equipment are charged to operations and major improvements are capitalized. Upon retirement, sale or other disposition of property, plant and equipment, the cost and accumulated depreciation are eliminated from the accounts and gain or loss is included in operations.

Cash and cash equivalents:

The District considers cash equivalents to be all highly liquid debt instruments purchased with a maturity of three months or less. At December 31, 2012 and 2011, cash and cash equivalents include cash on hand and amounts deposited with banks, the County of Kern Treasurer and the State Treasurer's office.

The District invests any excess funds not needed for immediate needs into State of California managed Local Agency Investment Fund (LAIF), which is a permitted investment by both State law and the District's investment policy. Created by state statute, the LAIF is a component of a pooled money program that is administered by the State Treasurer's Office. The fund has regulatory oversight from the Local Investment Advisory Board, which is comprised of the State Treasurer as chair, the State Controller, and the Director of Finance. As the LAIF does not make share-value adjustments due to immaterial differences between fair value and cost, the District's cost basis in the fund is reflected in cash and cash equivalents on the combined statements of net position as of December 31, 2012 and 2011.

Custodial credit risk:

Custodial credit risk of deposits is the risk that in the event of a bank failure, the District's deposits may not be returned. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits and investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. At December 31, 2012, the District had no risk associated with custodial assets.

Deposits with financial institutions:

Cash funds deposited with the State Treasurer's office are in a pooled money fund. Funds are pooled with other agencies throughout California. Investments are made in accordance with Government Code Sections 16430 and 16480. Cash funds are also deposited with the County of Kern's Local Agency Investment Fund (LAIF) and are appropriately collateralized by cash, investments and securities.

Pooled funds may be invested in: (1) direct obligations of the United States government, the payment of which the full faith and credit of the United States government is pledged, (2) certificates of deposit at savings and loan associations and federally insured banks when secured by acceptable collateral and, (3) savings accounts at savings and loan associations and banks, to the extent fully insured.

As a government agency, the California Government Code dictates guidelines toward the District's investments in addition to the District's investment policy, which has been approved by the Board of Directors. This policy provides the District's treasurer with investment authority, summarizes authorized investments, and describes the District's procedures and other limitations. The objective of the District's investment policy is to maximize the yield of invested funds while assuring that investments are safe from loss, utilizing the "prudent person" policy of safety, legality and yield.

Below is a summary of the District's cash and investment policies, credit risk and description of the District's cash and investments. Separate internal accounts or funds have been created by the District to provide for specific events in accordance with bond covenants, trust agreements or certain regulations. These "restricted" accounts may have minimum balance requirements. The primary restrictions for these accounts are due to construction of capital assets and reserves for principal and interest on outstanding. All remaining cash and investments are unrestricted.

Cash and investments as of December 31, 2012 and 2011 are classified in the accompanying combined financial statements as follows:

	2012	2011
Current assets - cash and cash equivalents	$ 11,850,148	$ 11,315,208
Noncurrent assets - restricted cash	4,442,816	4,685,720
Noncurrent assets - restricted investments	7,586,678	7,494,715
	$ 23,879,642	$ 23,495,643

Cash and investments as of December 31, 2012 and 2011 consisted of the following:

	2012	2011
Cash deposits	$ 7,305,610	$ 10,697,953
Deposits with Kern County	803,286	1,457,096
Deposits with LAIF	8,184,068	3,845,879
Investments	7,586,678	7,494,715
	$ 23,879,642	$ 23,495,643

Investments:

The District is permitted by both Board policy and State law to invest in various authorized investments, subject to a variety of limits and controls, including State of California bonds, U.S. Government Agency securities (Treasury and other federal agencies) and other securities (bankers' acceptances, negotiable certificates of deposit, etc.). The District investment portfolio is primarily comprised of holdings in certificates of deposits and Federal agency securities.

Disclosures relating to interest rate risk and credit risk:

Interest 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. One of the ways that the District manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Generally, credit risk is the risk that an issuer of 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. Presented below is the minimum rating required by the California Government Code, the District's investment policy, or debt agreement and the actual rating as of year-end for each investment type.

There is no minimum legal rating for U.S. Government Agency Securities and certificates of deposit.

As of December 31, 2012, the District had the following investments and maturities:

		Investment maturities		
	Fair Value	Less Than 1 Year	1 Year to 5 Years	6 Years to 10 Years
Certificates of deposit	$ 6,907,103	$ 2,894,927	$ 4,012,176	$ -
U.S. Govt. Agency Securities	679,575	-	-	679,575
	$ 7,586,678	$ 2,894,927	$ 4,012,176	$ 679,575

As of December 31, 2011, the District had the following investments and maturities:

		Investment maturities		
	Fair Value	Less Than 1 Year	1 Year to 5 Years	6 Years to 10 Years
Certificates of deposit	$ 5,715,000	$ 3,808,000	$ 1,907,000	$ -
U.S. Govt. Agency Securities	1,779,715	-	-	1,779,715
	$ 7,494,715	$ 3,808,000	$ 1,907,000	$ 1,779,715

Cash flows:

GASB Statement 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting,* states for purposes of preparing the statements of cash flows, all transactions that are not classified as capital and related financing activities, noncapital financing activities or investing activities are classified as operating activities. The adjustments to reconcile operating income to net cash provided by operating activities includes other income which consists primarily of general administrative and general project service charges and water contract income from prior years.

Reclassifications:

Certain reclassifications have been made to the December 31, 2011 financial statements in order to conform to the December 31, 2012 presentation.

Recently adopted accounting pronouncements:

In December 2010, the GASB issued Statement 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. GASB 62 incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the American

Institute of Certified Public Accountants Committee on Accounting Procedure. This statement is effective for periods beginning after December 15, 2011. The adoption of GASB 62 did not have any impact on the District's financial statements.

In June 2011, the GASB issued Statement 63, *Financial Reporting on Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Positions*. GASB 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources and net position in a statement of financial position and related disclosures. The statement of net assets is renamed the statement of net position and includes four components: assets, deferred outflows of resources, liabilities and deferred inflows of resources. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2011. The adoption of GASB 63 resulted in $17,446,468 and $15,722,362 being reclassified from total assets to deferred outflow of resources at December 31, 2012 and 2011, respectively.

Note 2. Water Received and Delivered

Detailed below is the water received and delivered by the District. This information does not include water that is solely pumped and utilized by farmers. Rather, water information provided below represents water that is utilized by the District.

Water Received	***2012 (acre feet)***	***2011 (acre feet)***
Purchased from Kern County Water Agency		
Entitlement		
Current year allocation (65% and 80%)	96,779	124,000
Add borrowing (carryover) to next year	(3,971)	(7,396)
Add carryover from prior year	7,396	23,390
Agency adjustment to carryover	-	12,409
Subtotal	100,204	152,403
Article 21	-	42,935
Other	349	2,731
Total Water Received - Kern County Water Agency	100,553	198,069
Total Water Received from Banking Partners	72,407	261,694
Total Water Received from Other Water Agencies	3,018	26,717
Out of District Ground Water		
Kern Water Bank	50,045	-
Total Water Received	226,023	486,480

	2012 (acre feet)	2011 (acre feet)
Water Delivered		
Delivered In-District		
Contract	89,706	109,269
Non-contract	94,147	205,452
In-District spreading and overdraft correction	212	18,953
Supplemental Ag water	4,594	1,394
Other	367	-
Total Water Delivered - In-District	189,026	335,068
Recharge to Kern Fan Projects	-	148,761
Returned to Other Water Agencies	5,601	40
Returned to Landowners	3,329	-
Returned to Banking Partners exchange	17,000	-
	20,329	-
Losses	11,067	2,611
Total Water Delivered	226,023	486,480

Note 3. Restricted Assets

Reserve funds:

The District maintains several reserve funds under provisions of loan contracts and bond issuances and other restrictions. The amounts required for each fund are as follows:

	2012		2011	
	Amount Required	Amount on Deposit	Amount Required	Amount on Deposit
Bond and loan reserve fund	$ 12,002,014	$ 12,002,014	$ 12,120,617	$ 12,120,617
Cafeteria plan	27,480	27,480	59,818	59,818
	$ 12,029,494	$ 12,029,494	$ 12,180,435	$ 12,180,435

The provisions of the various loan contracts and reserve funds are as follows:

Bond and loan reserve fund:

The provisions of the District's various bond issuances and loans from the State of California, Department of Water Resources require the District to maintain reserves until the bonds have been redeemed, certain loan requirements are satisfied or until bond proceeds are exhausted.

Cafeteria plan:

The District has a cafeteria plan whereby employees may elect to defer a portion of their current salary to be reimbursed for future medical expenses.

Note 4. Investments

Investment in Kern Water Bank Authority:

Upon adoption of the Monterey Agreement in 1997, the District obtained a 6.67% interest in Kern Water Bank Authority (KWBA) by reducing the District's annual entitlement water from 158,000 acre-feet to 155,000 acre-feet. The District is able to store water at the KWBA in wet years and draw water in dry years. The District's investment in Kern Water Bank Authority is accounted for using the equity method. Under this method, the District recognizes its share of the Authority's accrual basis income or loss. The District's equity in the earnings from this investment for the years ended December 31, 2012 and 2011 was ($2,896) and ($34,502), respectively. The earnings from this investment are included in equity in income from investments on the combined statements of revenue and expenses.

Investment in Semitropic-Rosamond Water Bank Authority:

On July 28, 2008, the District entered into a Joint Powers Agreement with Valley Mutual Water Company, LLC, and Rosamond Community Service District to create the Semitropic-Rosamond Water Bank Authority (SRWBA).

Initially, the SRWBA is to consist of a "First Priority Right" to the following interests in the District's Stored Water Recovery Unit (SWRU) banking project that will provide: (1) 33,333 AF/year of SWRU Delivery Capacity, (2) 300,000 AF of SWRU Storage Capacity, and (3) 100,000 AF/year of SWRU Recovery and Return Capacity, together with rights to certain unused capacities in the SWRU and other elements of the Semitropic Water Bank, and the following rights in the Antelope Valley Water Bank (AVWB): (1) 100,000 AF/year of AVWB Delivery Capacity, (2) 500,000 AF of AVWB Storage Capacity, and (3) 100,000 AF/year of AVWB Recovery and Return Capacity.

As part of the agreement, the District recorded an investment in the amount of $20,000,000, which represents the District's equity ownership in the SWRBA. The District's investment in the SRWBA is accounted for using the equity method. Under this method, the District recognizes its share of the SRWBA's accrual basis income or loss. The District's equity in income from this investment for the years ended December 31, 2012 and 2011 was $1,202,886 and $356,968, respectively. The earnings from this investment are included in equity in income from investments on the combined statements of revenue and expenses.

Additionally, the District charges the Authority for various expenses related the Authority's operations and other various administrative services provided by the Distict. At December 31, 2012 and 2011, the District had $-0- and $1,161,497, respectively, owed from the Authority for these services in accounts receivable, related party. During the year ended December 31, 2012, the SRWBA joint powers agreement was amended and $1,144,944 owed to the District for expenses incurred on behalf of SRWBA was forgiven and recognized in prior year income, net, on the combined statement of revenues and expenses.

Note 5. Capital Assets

The following is a summary of changes in the District's property, plant and equipment for the years ended December 31, 2012 and 2011:

	Assets-At Cost				
	Balance 12/31/11	***Acquisitions***	***Retirements***	***Reclass/ Transfers***	***Balance 12/31/12***
Capital Assets not being depreciated:					
Land	$ 32,532,834	$ 843,888	$ (5,000)	$ -	$ 33,371,722
Construction in progress	12,191,906	2,158,855	(75,233)	(1,307,269)	12,968,259
Capital Assets being depreciated:					
Source of supply	13,141,743	-	-	-	13,141,743
Transmission and distribution	243,203,619	353,362	-	1,307,269	244,864,250
Communication equipment	19,976	-	-	-	19,976
Autos and trucks	1,440,103	-	-	-	1,440,103
Office equipment	512,069	140,704	(107,469)	-	545,304
Field and misc. equip.	404,079	-	-	-	404,079
Well drilling equipment	2,992,979	14,946	(63,489)	-	2,944,436
Wells	1,670,694	-	-	-	1,670,694
General plant and equipment	3,132,999	-	-	-	3,132,999
Capacity rights	4,255,101	225,705	-	-	4,480,806
	$ 315,498,102	$ 3,737,460	$ (251,191)	$ -	$ 318,984,371

	Accumulated Depreciation				
	Balance 12/31/11	***Depreciation Expense***	***Retirements***	***Reclass/ Transfers***	***Balance 12/31/12***
Source of supply	$ 6,600,368	$ 333,629	$ -	$ -	$ 6,933,997
Transmission and distribution	62,895,059	5,820,331	-	-	68,715,390
Communication equipment	19,850	-	-	-	19,850
Autos and trucks	1,249,355	53,457	-	-	1,302,812
Office equipment	460,228	21,600	(77,843)	-	403,985
Field and misc. equip.	382,752	7,254	-	-	390,006
Well drilling equipment	899,688	220,104	(25,396)	-	1,094,396
Wells	62,683	69,961	-	-	132,644
General plant and equipment	896,937	86,320	-	-	983,257
Capacity rights	-	194,000	-	-	194,000
	$ 73,466,920	$ 6,806,656	$ (103,239)	$ -	$ 80,170,337

	Assets-At Cost				
	Balance 12/31/10	***Acquisitions***	***Retirements***	***Reclass/ Transfers***	***Balance 12/31/11***
Capital Assets not being depreciated:					
Land	$ 23,954,036	$ 8,578,798	$ -	$ -	$ 32,532,834
Construction in progress	18,764,979	1,070,650	(1,069,751)	(6,573,972)	12,191,906
Capital Assets being depreciated:					
Source of supply	13,121,062	-	-	20,681	13,141,743
Transmission and distribution	238,343,809	-	-	4,859,810	243,203,619
Communication equipment	19,976	-	-	-	19,976
Autos and trucks	1,461,683	-	(21,580)	-	1,440,103
Office equipment	671,109	-	(159,040)	-	512,069
Field and misc. equip.	405,661	-	(1,582)	-	404,079
Well drilling equipment	2,992,979	-	-	-	2,992,979
Wells	313,413	-	-	1,357,281	1,670,694
General plant and equipment	2,796,799	-	-	336,200	3,132,999
Capacity rights	4,255,101	-	-	-	4,255,101
	$ 307,100,607	$ 9,649,448	$ (1,251,953)	$ -	$ 315,498,102

	Accumulated Depreciation				
	Balance 12/31/10	***Depreciation Expense***	***Retirements***	***Reclass/ Transfers***	***Balance 12/31/11***
Source of supply	$ 6,267,774	$ 332,594	$ -	$ -	$ 6,600,368
Transmission and distribution	57,445,148	5,449,911	-	-	62,895,059
Communication equipment	19,850	-	-	-	19,850
Autos and trucks	1,204,467	66,468	(21,580)	-	1,249,355
Office equipment	596,795	21,954	(158,521)	-	460,228
Field and misc. equip.	377,080	7,254	(1,582)	-	382,752
Well drilling equipment	673,424	226,264	-	-	899,688
Wells	47,012	15,671	-	-	62,683
General plant and equipment	826,499	70,438	-	-	896,937
Capacity rights	-	-	-	-	-
	$ 67,458,049	$ 6,190,554	$ (181,683)	$ -	$ 73,466,920

Note 6. Notes Receivable

Notes receivable consist of the following at December 31, 2012 and 2011:

	2012	2011
Note receivable, Poso Creek Water Company, LLC., 5.19%, secured by letter of credit in favor of the District for 18% of outstanding balance and 20,000 AF of water in storage, semiannual principal and interest payments of $728,523, due December 2026	$ 14,373,184	$ 15,057,625
Note receivable, Homer, LLC., 5.5%, secured by letter of credit in favor of the District for 30% of outstanding balance and 8,625 AF of water in storage, $2,000,000 due in 2013 with graduated principal and interest payments due annually beginning January 1, 2014, due January 2023	6,500,000	-
	20,873,184	15,057,625
Less current portion	(2,720,419)	(684,441)
	$ 18,152,765	$ 14,373,184

Note 7. 2012 Tax and Revenue Anticipation Notes

During the year ended December 31, 2012, in anticipation of the receipt of taxes, revenues and other monies to be received by the District allocable to fiscal year 2012, the District issued through Wells Fargo Bank the 2012 Tax and Revenue Anticipation Notes (TRAN), for an amount not to exceed $4,300,000. Interest is at daily one-month LIBOR plus 3%, due monthly. The TRAN is collateralized by amounts on deposit in investment accounts. The outstanding balance on these notes at December 31, 2012 was $-0-. The TRAN was not renewed for 2013.

Note 8. Long-Term Debt

Long-term debt at December 31, 2012 and 2011 was as follows:

	2012	*2011*
Contract payable, State of California, 3.03%, unsecured, payable $167,545 semiannually including interest, due October 1, 2016 (proceeds were used for construction of the Water Conservation Element)	$ 1,253,771	$ 1,544,317
Contract payable, State of California, 2.8%, unsecured, payable $45,059 semiannually including interest, due October 1, 2015 (proceeds were used for construction of the Interconnection Pipeline)	259,632	341,004
Contract payable, State of California, 2.8%, unsecured, payable $124,725 semiannually including interest, due October 1, 2013 (proceeds were used to finance certain construction projects)	123,053	364,066
2006A Water Banking Revenue Bonds, 4.25-4.78%, collateralized by future groundwater banking revenue, principal payable annually, interest payable semiannually, refunded in full with proceeds from the 2012 bonds (proceeds were used to refund 2003 bonds and fund a portion of second phase of Stored Water Recovery Unit)	-	29,640,000
2004A Revenue Bonds, 2% - 5.5%, collateralized by future groundwater banking revenue, principal payable annually, interest payable semiannually, refunded in full with proceeds from the 2012 bonds (proceeds used to finance certain improvements of water banking project and fund reserve for the bonds)	-	44,355,000
Contract payable, State of California, 2.4%, unsecured, payable $135,321 semiannually including interest, due May 2023 (proceeds used for construction of groundwater recharge project)	2,603,281	2,807,744

Contract payable, State of California, 2.6%, unsecured, payable $55,052 semiannually including interest, due August 15, 2023 (proceeds used for construction of groundwater recharge project)	1,047,637	1,128,907
Contract payable, State of California, 2.6%, unsecured, payable $161,076 semiannually including interest, due December 31, 2025 (proceeds used for construction of a water distribution system)	3,442,794	3,673,077
Contract payable, State of California, 2.4%, unsecured, payable $159,792 semiannually including interest, due April 1, 2025 (proceeds used for construction of a water distribution system)	3,863,206	4,085,986
2007 Revenue Bonds, 3.586%, collateralized by rights to deposits in investment accounts, principal payable semiannually, interest payable monthly, due May 15, 2017 (proceeds used for District's share of construction costs of CVC project)	2,414,847	2,940,040
2009A Refunding Revenue Bonds, interest rates vary over life of bonds between 2.5%-5.25%, collateralized by the District's general project service charges, principal payable annually, interest payable semi-annually, due December 1, 2038 (proceeds were used to refund 2008 bonds, fund a reserve for the bonds, and pay for cost of issuance of bonds)	48,570,000	49,545,000
2011 Warrants, LIBOR multiplied by .87672 plus 2.47%, semiannual principal payment of $420,000 plus interest, paid in full with proceeds from the 2012 bonds (proceeds were used to purchase land)	-	7,980,000

2012A Revenue Bonds, interest rates vary over life of bonds between 2%- 5%, collateralized by future groundwater banking revenue, principal payable annually, interest payable semi-annually, due December 1, 2035 (proceeds were used to refund 2004 and 2006 bonds, refund 2011 warrants, fund a reserve for the bonds, and pay for cost of issuance of bonds)	77,460,000	-
2012B Revenue Bonds, 2.8%, collateralized by future groundwater banking revenue, principal payable annually, interest payable semi-annually, due December 1, 2022 (proceeds were used to refund 2004 and 2006 bonds, refund 2011 warrants, fund a reserve for the bonds, and pay for cost of issuance of bonds)	12,020,000	-
	153,058,221	148,405,141
2005 Interest Rate Swap, at cost (See Note 8)	3,327,000	3,327,000
Less deferred amount on advance refunding of 2003, 2004, 2005 and 2006 bonds, net of accumulated amortization 2012, $239,606; 2011, $74,919	(12,331,321)	(1,907,384)
Plus premium, discount, and costs of issuance on bonds, net of accumulated amortization 2012, $103,979; 2011, $115,827	5,251,058	826,482
Less current maturities	(5,582,504)	(4,956,448)
Long term debt, less discount and current maturities	$ 143,722,454	$ 145,694,791

The following is a summary of the long-term debt transactions for the years ended December 31, 2012 and 2011:

	Payable 12/31/11	***Additions***	***Deletions***	***Payable 12/31/12***	***Due within One Year***
Bonds principal	$ 126,480,040	$ 89,480,000	$ (75,495,193)	$ 140,464,847	$ 4,319,236
Warrants	7,980,000	-	(7,980,000)	-	-
Loans, State of California	13,945,101	-	(1,351,727)	12,593,374	1,263,268
	148,405,141	89,480,000	(84,826,920)	153,058,221	$ 5,582,504
Fair Value of interest rate swap	15,722,362	1,724,106	-	17,446,468	
	$ 164,127,503	$ 91,204,106	$ (84,826,920)	$ 170,504,689	

	Payable 12/31/10	***Additions***	***Deletions***	***Payable 12/31/11***	***Due within One Year***
Bond principal	$ 129,130,228	$ -	$ (2,650,188)	$ 126,480,040	$ 2,765,193
Warrants	-	8,400,000	(420,000)	7,980,000	840,000
Loans, State of California	15,327,309	-	(1,382,208)	13,945,101	1,351,255
	144,457,537	8,400,000	(4,452,396)	148,405,141	$ 4,956,448
Fair Value of interest rate swap	7,590,651	8,131,711	-	15,722,362	
	$ 152,048,188	$ 16,531,711	$ (4,452,396)	$ 164,127,503	

The annual requirements to amortize all debt outstanding as of December 31, 2012 are as follows:

Years Ending December 31,	***Principal***	***Interest***	***Interest Rate Swaps, net***	***Total Debt Service***
2013	$ 5,582,504	$ 6,474,114	$ 77,333	$ 12,133,951
2014	5,108,812	6,325,312	942,602	12,376,726
2015	3,816,515	6,169,660	2,606,165	12,592,340
2016	4,084,638	6,031,679	2,529,656	12,645,973
2017	3,849,330	5,886,549	2,452,460	12,188,339
2018-2022	23,213,986	27,325,561	11,077,500	61,617,047
2023-2027	30,042,436	22,121,693	8,603,542	60,767,671
2028-2032	38,390,000	14,838,000	5,162,763	58,390,763
2033-2037	35,765,000	4,974,400	1,052,611	41,792,011
2038	3,205,000	160,250	-	3,365,250
	$ 153,058,221	$ 100,307,218	$ 34,504,632	$ 287,870,071

Note 9. Derivatives

The District accounts for derivatives under GASB No. 53, *Accounting and Financial Reporting for Derivative Instruments*. The objectives and terms of the District's hedging derivative instruments outstanding at December 31, 2012 are listed below:

Type	*Objective*	*Notional Amount*	*Effective Date*	*Maturity Date*	*Terms*	*Fair Value*
Pay-fixed interest rate swap	Hedge of changes in interest rates of future bond issuances	$45,093,885	9/1/2014	12/1/2035	Pay 5.12%, receive 69% of LIBOR	$ (17,251,826)
Pay-fixed interest rate swap	Hedge of changes in interest rates of the 2007 Revenue Bonds	$ 2,413,851	11/15/2007	5/15/2017	Pay 3.586%, receive LIBOR	(194,642)
						$ (17,446,468)

The objectives and terms of the District's hedging derivatives instruments at December 31, 2011 are listed below:

Type	*Objective*	*Notional Amount*	*Effective Date*	*Maturity Date*	*Terms*	*Fair Value*
Pay-fixed interest rate swap	Hedge of changes in interest rates of future bond issuances	$45,093,885	9/1/2014	12/1/2035	Pay 5.12%, receive 69% of LIBOR	$ (15,463,270)
Pay-fixed interest rate swap	Hedge of changes in interest rates of the 2007 Revenue Bonds	$ 2,939,044	11/15/2007	5/15/2017	Pay 3.586%, receive LIBOR	(259,092)
						$ (15,722,362)

On October 27, 2005, the District entered into an off-market forward starting swap (2005 swap). The swap will commence September 1, 2014, and is based on an initial notional amount of $53,895,000. The pay-fixed, receive-variable swap generated debt service savings in the form of an upfront payment in the amount of $3,927,850, from the counterparty, SunTrust Bank (SunTrust). This amount is recorded in the Combined Statement of Net Position as long-term debt and is not adjusted to the fair value at each reporting date. During the year ended December 31, 2006, $600,850 of the swap upfront payment was paid back as part of the advance refunding of the 2003 Revenue Bonds of the District, leaving $3,327,000 to be amortized when the swap agreement commences.

On April 24, 2007, the District entered into an off-market swap with Wells Fargo Bank (Wells Fargo) in anticipation of a projected future issuance of variable rate bonds to synthetically advance refund the District's 2007 Bonds. The swap commenced November 15, 2007, and is based on an initial notional amount of $5,000,000.

The fair values of the interest rate swaps were estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swaps. The total balance reported on the December 31, 2012 and 2011 combined statements of net position for the above swaps was $17,446,468 and $15,722,362. The total change in fair value for the years ended December 31, 2012 and 2011 was $1,724,106 and $8,131,710, respectively.

Risks

Credit Risk - Credit risk is the risk that Wells Fargo Bank or Sun Trust Bank cannot fulfill the terms and obligations specified in the swaps agreements. Because the swap had a negative fair value as of December 31, 2012, the District did not have exposure related to credit risk on its swaps with either bank. However, the District would have exposure related to credit risk in the amount of the swaps' positive fair value if interest rates increased to cause the fair value of the swaps to become positive. The credit ratings of Wells Fargo and SunTrust are A+ and BBB by Standard & Poors, respectively.

Basis Risk - The District is exposed to basis risk on its 2007 pay-fixed interest rate swap because the variable rate payments received are based on an index other than the interest rates the District pays on its 2007 Revenue bonds. As of December 31, 2012, the interest rate on the District's hedged bond was 3.586%, while the rate being received was LIBOR, which was .21%.

The District is exposed to basis risk on its 2005 pay-fixed interest rate swap because the variable rate payments received are equal to 69% of LIBOR, which could be lower than the actual variable bond rate the District pays on its projected future variable rate bonid issuance. Based on the significance and extent of any basis risk exposure, the purpose of the swap to generate debt service savings may not be realized.

Termination Risk - Under certain terms of the respective contracts, either the District or Wells Fargo/ SunTrust may terminate the swap from nonperformance from the other party. If the swap is terminated, the projected future issuance of variable rate bonds would no longer be hedged to a fixed rate. If the swap is terminated and the swap has a negative fair value, the District would be liable to Wells Fargo/ SunTrust for a payment equal to the fair value of the swap. The additional termination events in the agreement are limited to credit related events only and the ratings triggers are substantially below the current credit rating of SunTrust and the District.

Market Access Risk - The District will likely need to issue variable rate debt to coincide with the commencement date of September 1, 2014. Market access risk addresses whether the District has the ability to efficiently issue variable rate debt at the time of commencement.

Rollover Risk - The District is exposed to rollover risk on swaps that mature or may be terminated prior to the maturity of the associated financings. When these swaps terminate, or in the case of termination option, if the counterparty exercises its option, the District will not realize the synthetic rate offered by the swaps on the underlying issues. The District is exposed to rollover risk on the 2007 swap should it be terminated prior to the maturity of the associated debt.

Foreign Currency Risk - All derivatives are denominated in U.S. dollars and therefore, the District is not exposed to foreign currency risk.

Note 10. Self-Insurance

The District is a member of the Association of California Water Agencies, Joint Powers Insurance Authority (JPIA). JPIA is a group of California Water Districts who have pooled funds to provide self-insurance coverage as follows:

Type of Coverage	Limits per Occurrence Self-Insurance	Limits per Occurrence Excess Insurance
General liability/ automobile liability/ public officials liability	$2,000,000	$2,000,000-$60,000,000
Fidelity insurance	$ 100,000	$100,000-$500,000
Property insurance	$ 50,000	$50,000-$100,000,000

The District is in a group with a $0 retention level (deductible) per occurrence for auto and general liability, $5,000 per occurrence for buildings, personal property, fixed equipment and mobile equipment, $500 per occurrence on licensed vehicles, $1,000 per occurrence for fidelity claims and $10,000 - $25,000 for machinery. Claims over the retention levels are insured by the group up to the self-insurance limits (see above) and by policies purchased by JPIA from Starr Indemnity and Liability Company, Ironshore Specialty Insurance Co, Allied World National Assurance Co., Great American Assurance Company, Federal Insurance Co. and Hartford Fire Insurance Co. for the excess.

JPIA bills the District a deposit premium at the beginning of each policy year, which is placed in a reserve fund to cover the self-insurance portion of any claim. Settlements and/or expenses related to claims during the year are charged against the reserve. If the balance of the reserve at the end of the year is deemed too low in relation to the amount of outstanding claims, the District is billed for additional premiums. When the claims are fully settled, any amounts remaining in the reserve are refunded to the District.

Note 11. Commitments and Contingencies

Water Supply Contract with Kern County Water Agency:

The District obtained its surface water supply in accordance with certain contracts signed between 1969 and 1974 with the Kern County Water Agency (Agency), amended to its current annual amount of 155,000 acre feet of entitlement surface water, through the year 2039. The Agency, in turn, obtained its surface water supply in 1963 when it signed a contract with the State of California, Department of Water Resources (DWR), to purchase annual surface water, currently contracted at 998,731 acre feet, through the State Water Project (SWP) through the year 2035.

The District's contract with the Agency provides for various separate charges, all of which are included in "source of supply" in operating expenses of the District's combined statement of revenue and expenses. The "fixed charge" component of the contract is not necessarily reduced by annual water supply deficiencies as the District is obligated to pay 100% of the annual fixed costs billed by the Agency. Under certain circumstances, fixed charges could be reduced by the DWR when the District receives less than its full entitlement in years of low water supply. Source of supply costs attributable to this contract were $12,906,852 and $10,135,669 for the years ended December 31, 2012 and 2011, respectively.

On March 13, 2008, Judge Wanger of the Fresno Federal Court, ordered DWR to reduce the amount of SWP water exported by the Delta pumps.

On May 25, 2010, Judge Wanger of the Fresno Federal Court eased pumping restrictions that were set in place on March 13, 2008. The federal court granted a preliminary injunction on the biological opinion for salmon, stating that the federal agencies responsible for drafting the biological opinion must take in account human impacts and also demonstrate why certain water exports restriction were called for in the opinion.

Because of the continuing possibility of state water allocations being maintained at reduced levels for water users due to the 2008 and 2010 decisions, the District has developed several programs to augment the District's available water supply among which are, the utilization of wells, banking programs and the transfer of water from sources outside the District. Additionally, the District continues to work on the financial aspect of the problems in an attempt to reduce charges and increase the reliability of the water supply to water users, wherever possible.

During the year ending December 31, 2012, the DWR allocated 65% of entitlement to state water contractors, due to the lower snow pack and rain in the winter of 2011-2012. However, due to the pumping restrictions and extremely dry winter of 2012-2013, the District is projecting a 35% allocation for the 2013 water year.

Uncalled assessments:

The Improvement Districts have levied assessments in prior years which have not been called. The uncalled assessments in the Improvement Districts serve as security on construction financing for Project Unit One in the Pond-Poso Improvement District and the Project Units One and Two in the Buttonwillow Improvement District. Uncalled assessments at December 31, 2012 and 2011 were $4,059,411.

As part of the Energy Development Element project approval vote on November 26, 1991, an assessment was authorized in the amount of $119 per acre on approximately 125,947 acres, for a total adjusted assessment of $14,987,729. These assessments will collateralize the bonds until paid. It is anticipated these assessments, which were levied in February 1992, will remain uncalled and that bond obligations will be paid from operations.

Although the assessments have been levied, they are uncalled and are not reflected as an asset and related liability in the combined financial statements. These assessments will not be recognized until such time as they are called by the District.

Note 12. Retirement Plan

The District administers the Semitropic Water Storage District 401(k) Plan, which is a 401(k) plan covering all eligible employees, and can amend the Plan or its contributions at any time. The Plan consists of investments in mutual funds with John Hancock, Principal Financial and Invesco. The District contributes an amount equal to 10% of the employees' base salary each month to the employees' pension plan. Employees are required to contribute 4% of base salary each month to receive District contributions, but can contribute up to the statutory IRS limits. To determine the base salary for the plan year, the rates applicable on January 1 are used throughout the plan year and adjusted during the year if a pay increase is given. An employee is eligible for participation in the retirement plan after six months of service. The District's contributions for each employee are 20% vested after two years of employment with vesting increasing 20% for each additional year of employment up to six years. The District's contributions are 100% vested after six years of employment. Unvested contributions and interest forfeited by employees who leave before six years of service are used to reduce the District's current-period contribution requirement.

The District's payroll and contributions for the years ended December 31, 2012 and 2011 were as follows:

	2012	***2011***
Total payroll	$ 3,035,136	$ 2,949,299
Base salary for computing contributions	$ 2,776,726	$ 2,751,788
District contributions	$ 277,461	$ 268,470
Employee contributions	$ 144,616	$ 133,707

BARBICH HOOPER KING
DILL HOFFMAN
ACCOUNTANCY CORPORATION

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
Semitropic Water Storage District
Wasco, California

We have audited, in accordance with 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 accompanying combined statements of net position of Semitropic Water Storage District as of and for the years ended December 31, 2012 and 2011, and the related notes to the combined financial statements, which collectively comprise Semitropic Water Storage District's basic financial statements, and have issued our report thereon dated May 17, 2013.

Internal Control over Financial Reporting

In planning and performing our audits of the combined financial statements, we considered the Semitropic Water Storage 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 combined financial statements, but not for the purpose of expressing an opinion on the effectiveness of Semitropic Water Storage District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Semitropic Water Storage 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 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.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether Semitropic Water Storage District's combined financial statements are free from 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 audits, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of 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.

BARBICH HOOPER KING
DILL HOFFMAN
Accountancy Corporation

Barbich Hooper King

Bakersfield, California
May 17, 2013

Semitropic Water Storage District

Combined Schedules of Operating Expenses
For the Years Ended December 31, 2012 and 2011

	2012	2011	Increase (Decrease)
Transmission and distribution:			
Kern Water Bank and Pioneer Expenses	$ 5,215,629	$ 2,556,857	$ 2,658,772
Power	4,789,967	5,696,183	(906,216)
Salaries and wages	1,456,144	1,452,227	3,917
Repairs and maintenance	1,327,949	1,038,715	289,234
Employee benefits	817,490	751,278	66,212
Fuel and oil	209,904	251,260	(41,356)
Payroll taxes	152,689	146,247	6,442
Operating supplies	43,662	43,408	254
Utilities	20,335	24,072	(3,737)
Equipment rent	18,062	27,772	(9,710)
Equipment maintenance	7,933	32,157	(24,224)
Miscellaneous	2,402	2,701	(299)
Licenses and fees	1,157	815	342
	$ 14,063,323	$ 12,023,692	$ 2,039,631
Well operations:			
Employee benefits	$ 90,191	$ 102,932	$ (12,741)
Salaries	78,242	76,624	1,618
Payroll taxes	26,676	25,609	1,067
Repairs and maintenance	6,721	9,049	(2,328)
Insurance	4,510	4,258	252
Equipment rent	3,056	9,953	(6,897)
Supplies	-	298	(298)
	$ 209,396	$ 228,723	$ (19,327)

	2012	2011	Increase (Decrease)
Source of supply:			
Water	$ 12,275,489	$ 2,161,130	$ 10,114,359
General and administrative:			
Salaries and wages	$ 1,173,428	$ 1,109,793	$ 63,635
Consulting	464,981	287,061	177,920
Employee benefits	438,530	401,717	36,813
Dues	196,853	74,988	121,865
Legal	170,093	166,916	3,177
Public relations	155,500	155,000	500
Insurance	145,266	138,720	6,546
Engineering	70,271	87,806	(17,535)
Office	52,672	50,354	2,318
Payroll taxes	51,444	48,227	3,217
Utilities	50,025	45,751	4,274
Repairs and maintenance	49,578	62,768	(13,190)
Accounting and auditing	40,600	43,375	(2,775)
Equipment rent	29,128	28,910	218
Travel	28,501	28,775	(274)
Financing and administration	24,831	77,910	(53,079)
Building services	19,270	14,649	4,621
Bank fees	13,976	12,760	1,216
Directors' fees and expense	9,142	11,275	(2,133)
Property taxes	6,268	237	6,031
Damage claim cost	4,887	71,598	(66,711)
Marketing	2,540	5,331	(2,791)
	$ 3,197,784	$ 2,923,921	$ 273,863
Depreciation and amortization expense	$ 6,806,656	$ 6,190,554	$ 616,102

Semitropic Water Storage District

Combined Schedule of Insurance Coverage
December 31, 2012

	Policy No.	Effective Date	Expiration Date
Joint Powers Insurance Authority - Association of California Water Agencies Property, Fidelity	Self-Insured	4/1/2012	4/1/2013
Joint Powers Insurance Authority - Association of California Water Agencies General, Auto, Public Officials Liability	Self-Insured	10/1/2012	10/1/2013
Bonds			
Western Surety	22185935	4/1/2009	4/1/2013
Great American	7909111	4/12/2009	4/12/2013
Western Surety	69311183	4/17/2011	4/17/2015
Western Surety	14558205	9/23/2011	9/23/2015
Western Surety	69485775	4/17/2011	4/17/2015
Great American	150683301	4/11/2011	4/11/2013
Western Surety	24916412	2/14/2011	2/14/2014
Western Surety	24916405	2/14/2011	2/14/2014

Annual Premium		*Coverage*
$	55,903	Property Insurance - all risk coverage $1,000 - $10,000 - combined single limit for each occurrence $50,000 - $100,000,000 - excess comprehensive liability - total insurable value $33,513,866 basic property and equipment ($5,000 deductible) - auto physical damage ($500 deductible) $100,000 - $500,000 - employee fidelity bond ($1,000 deductible)
$	95,371	Comprehensive Liability Insurance $ 10,000 - $500,000 - combined single limit for each occurrence $ 500,000 - $60,000,000 - excess comprehensive liability ($10,000 deductible) includes prior year retrospective premiums
$	340	$5,000 - public official bond - Frederick Wegis
$	313	$5,000 - public official bond - Philip W. Portwood
$	340	$5,000 - public official bond - Jeff Fabbri
$	340	$5,000 - public official bond - Todd Tracy
$	1,094	$5,000 - public official bond - Daniel Waterhouse
$	340	$50,000 - treasurer bond - Daniel Waterhouse
$	255	$5,000 - public official bond - Robert McCarthy
$	255	$5,000 - public official bond - Courtney Howard