

**BEAR VALLEY  
WATER DISTRICT**

---

**FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITOR'S REPORT  
for the year ended June 30, 2016**

**ROBERT W. JOHNSON**  
Certified Public Accountant

## TABLE OF CONTENTS

	<u>Pages</u>
Independent Auditor's Report	1-2
Financial Statements:	
Statement of Net Position	3
Statement of Revenues, Expenses and Changes in Net Position	4
Statement of Cash Flows	5-6
Notes to Financial Statements	7-14
Supplemental Information:	
Principal Officials	16
Operating Expenses	17-18



**Robert W. Johnson**  
*an accountancy corporation*

6234 Birdcage Street, Citrus Heights, California 95610 | robertwjohncpagroup@gmail.com | 916.723.2555  
www.bob-johnson-cpa.com

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Bear Valley Water District  
Bear Valley, California

**Report on the Financial Statements**

We have audited the accompanying financial statements of Bear Valley Water District, as of and for the year ended June 30, 2016, as listed in the table of contents, 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**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Bear Valley Water District as of June 30, 2016, 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, as well as the accounting systems prescribed by the State Controller's Office and State Regulations governing Special Districts.

## **Other-Matters**

### *Required Supplementary Information*

The Management's Discussion and Analysis is not a required part of the financial statements but is supplemental information required by the Government Auditing Standards Board. Management has elected to omit the Management's Discussion and Analysis.

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental 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 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, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Robert W. Johnson, An Accountancy Corporation*

Citrus Heights, California  
August 30, 2016

BEAR VALLEY WATER DISTRICT  
STATEMENT OF NET POSITION  
June 30, 2016

ASSETS

Current assets:		
Cash in bank (Note 3)	\$	392,373
LAIF		297,490
Accounts receivable		15,558
Prepaid insurance		<u>          -</u>
Total current assets		705,421
Capital assets, at cost (Notes 4 and 5):	\$ 4,362,148	
Less accumulated depreciation	<u>2,373,032</u>	
	1,989,116	
Work in progress	<u>81,821</u>	
		2,070,937
Restricted cash (Note 3)		<u>21,656</u>
		<u>\$2,798,014</u>

See notes to financial statements

## LIABILITIES AND NET POSITION

### Current liabilities:

Current portion of long-term debt (Note 5)	\$ 36,181
Prepaid revenue	25,154
Accounts payable	36,657
Accrued liabilities	12,249
Compensated absences	<u>12,454</u>

Total current liabilities 122,695

Long-term debt, net of current portion (Note 5) 493,221

Total liabilities 615,916

### Net position:

Net investment in capital assets	\$1,541,535
Unrestricted	<u>640,563</u>
	<u>2,182,098</u>

\$2,798,014

**BEAR VALLEY WATER DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
for the year ended June 30, 2016

Operating revenues:

	Service charges	\$ 742,583
	Fees	144
	Other	<u>12</u>
	<b>Total operating revenues</b>	<b>742,739</b>

Operating expenses:

	Collection	\$ 100,565	
	Treatment and disposal	225,213	
	Administrative and general	259,148	
	Depreciation	<u>96,537</u>	
	<b>Total operating expenses</b>		<u><b>681,463</b></u>
	<b>Operating income</b>		<b>61,276</b>

Non-operating revenues (expenses):

	Interest income and penalties	14,083	
	Interest expense	( 21,601)	
	Other revenue	12,658	
	Compliance	( 36,693)	
	Other expenses	<u>-</u>	
			<u>( 31,553)</u>

Income before contributions	29,723
-----------------------------	--------

Capital contributions	<u>-</u>
-----------------------	----------

Change in net position	29,723
------------------------	--------

Total net position:	
Beginning	<u>2,152,375</u>

Ending	<u><b>\$2,182,098</b></u>
--------	---------------------------

See notes to financial statements

**BEAR VALLEY WATER DISTRICT**  
**STATEMENT OF CASH FLOWS**  
for the year ended June 30, 2016

Cash flows from operating activities		\$ 746,958
Receipts from customers		( 351,813)
Payments to suppliers		<u>( 204,042)</u>
Payments to employees		
Net cash provided by operating activities		191,103
Cash flows from noncapital financing activities:		
Nonoperating income	\$ 12,658	
Connection fee refunds	-	
Other nonoperating expenses	<u>( 36,693)</u>	( 24,035)
Cash flows from capital and related financing activities:		
Purchase of capital assets		
including work in progress	( 69,427)	
Principal paid on capital debt	( 34,736)	
Interest paid on capital debt	<u>( 21,601)</u>	( 125,764)
Cash flows from investing activities:		
Interest income		<u>14,083</u>
Net increase in cash and cash equivalents		55,387
Cash and cash equivalents:		
Beginning of year		<u>656,132</u>
End of year		<u>\$ 711,519</u>

See notes to financial statements

**BEAR VALLEY WATER DISTRICT**  
**STATEMENT OF CASH FLOWS, continued**  
for the year ended June 30, 2016

Reconciliation of operating income to net cash provided by operating activities:		
Operating income		\$ 61,276
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	\$ 96,537	
Changes in operating assets and liabilities:		
Receivables	7,993	
Prepaid expenses	-	
Accounts payable and accrued charges	28,915	
Prepaid revenue	<u>( 3,618)</u>	
		<u>129,827</u>
Net cash provided by operating activities		\$ <u>191,103</u>
Supplementary information:		
Cash paid for interest		\$ <u>21,601</u>

See notes to financial statements

## **BEAR VALLEY WATER DISTRICT NOTES TO FINANCIAL STATEMENTS**

### 1. Organization:

Bear Valley Water District (the “District”) was formed in 1968 and provides sewer service to residents of the District. The District is governed by a Board of Directors which is elected by the landowners of the District.

### 2. Summary of Significant Accounting Policies:

The basic financial statements of Bear Valley Water District have been prepared in conformity with generally accepted accounting principles as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the District’s accounting policies are described below.

#### Fund Accounting

The District is an enterprise fund. All operations are accounted for as an enterprise fund.

Enterprise Fund – The enterprise fund is used to account for sewer operations that are financed and operated in a manner similar to private business enterprises. The intent of the District is that the costs (expenses, including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges.

#### Basis of Accounting

The basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of measurement made, regardless of the measurement focus applied.

The District’s books and accounts are based upon the Uniform System of Accounts for Public Utilities as prescribed by the Division of Local Government Fiscal Affairs of the State of California. The records are maintained and the accompanying financial statements are presented on the accrual basis of accounting.

**BEAR VALLEY WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**

2. Summary of Significant Accounting Policies, continued:

Basis of Accounting, continued

Operating revenues and expenses, such as sewer sales along with sewer expenses, result from exchange transactions associated with the principal activity of the District. Exchange transactions are those in which each part receives and gives up essentially equal values. Management, administration and depreciation expenses are also considered operating expenses. Other revenues and expenses not included in the above categories are reported as non-operating revenues and expenses. Non-operating revenues and expenses, such as grant funding, investment income and interest expense, result from non-exchange transactions, in which, the District gives (receives) value without directly receiving (giving) value in exchange.

Depreciation

Utility plant and equipment is recorded on the basis of purchase cost. Assets acquired by contribution are recorded at estimated cost or fair market value at the time of acquisition.

Depreciation is calculated by the straight-line method over the estimated useful lives of the respective assets.

Statement of Cash Flows

All highly liquid investments with a maturity of three months or less when purchased, are considered to be cash equivalents. The investment with the State Treasurer's Local Agency Investment Fund (LAIF) is also considered to be the equivalent of cash.

Compensated Absences

Vested or accumulated vacation that is expected to be liquidated with expendable available financial resources is reported as a current liability.

**BEAR VALLEY WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**

2. Summary of Significant Accounting Policies, continued:

Use of Estimates

The preparation of 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

Budget and Budgetary Accounting

The Board of Directors annually adopts an operating budget. The operating budget is prepared on the accrual basis to match the operating statements.

Investments

Investments consist of funds deposited in the Local Agency Investment Fund (LAIF) which is a Pooled Money Investment Account held with the State of California. Investments are stated at market value. Such investment is within the State statutes and the District's investment policy.

**BEAR VALLEY WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued**

3. Cash and Investments:

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

Unrestricted	\$ 392,373
Restricted	<u>21,656</u>
Total cash and investments	<u>\$ 414,029</u>

Deposits:

At year-end the carrying amount of the District's deposits was \$414,029 and the bank balance was \$415,270. The bank balance was covered by Federal depository insurance and by collateral held in the pledging banks' trust department as mandated by state law.

	<u>Balance June 30, 2016</u>
Petty cash	\$ 50
Cash in bank – checking (operating account)	392,323
Cash in bank – checking (connection fees)	<u>21,656</u>
Total deposits	<u>\$ 414,029</u>

Investments:

California statutes authorize the District to invest in a variety of credit instruments as provided for in the California Government Code Section 53600, Chapter 4 – Financial Affairs. The Government Code allows investments in obligations of the U.S. Treasury, agencies, and instrumentalities, commercial paper rated A-1 by Standard & Poor's or P-1 by Moody's Commercial Paper Record, bankers' acceptances, repurchase agreements, medium-term corporate notes, mutual funds and the State Treasurer's Local Agency Investment Fund (LAIF). The investment in LAIF is reported at fair value.

	<u>Carrying Amount</u>	<u>Market Value</u>
Balance, June 30, 2016		
Local Agency Investment Fund	<u>\$ 297,490</u>	<u>\$ 297,490</u>

**BEAR VALLEY WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued**

3. Cash and Investments, continued:

Investments, continued:

Pursuant to Government Accounting Standards Board Statement 3, the investment in LAIF is not classified in categories of credit risk. The District's funds in LAIF are invested in a diversified portfolio (of underlying investments e.g. U.S. Treasury obligations) such that it considers the risk of material loss to be minimal. The funds held in LAIF can be withdrawn on demand.

Restricted Cash and Investments:

The District sets aside funds from receipt of connection fees pursuant to legal restrictions. At June 30, 2016, the District had set aside the following in cash for special purposes:

	Balance June 30, 2016
Connection fees	\$ <u>21,656</u>

**BEAR VALLEY WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued**

4. Capital Assets:

Changes in capital assets for the year ended June 30, 2016 are as follows:

	<u>Balance, July 1, 2015</u>	<u>Additions</u>	<u>Transfers</u>	<u>Balance, June 30, 2016</u>
Land	\$ 25,805	\$ -	\$ -	\$ 25,805
Subsurface lines	1,196,893	-	-	1,196,893
Sewage collection	510,053	-	-	510,053
Sewage treatment	996,333	17,826	108,145	1,122,304
Sewage disposal	1,166,829	-	-	1,166,829
Chlorine tank project	108,145	-	(108,145)	-
General plant	<u>338,709</u>	<u>1,555</u>	<u>-</u>	<u>340,264</u>
	4,342,767	19,381	-	4,362,148
 Add, work in progress	 <u>31,775</u>	 <u>50,046</u>	 <u>-</u>	 <u>81,821</u>
	<u>\$4,374,542</u>	<u>\$ 69,427</u>	<u>\$ -</u>	<u>\$4,443,969</u>

5. Long-Term Debt:

In 2013 the District refinanced a \$617,572 note payable to a bank to a fifteen year term loan. The District incurred an \$18,000 prepayment penalty and a \$3,250 loan fee to refinance. After the refinance, the new loan balance was \$636,373. Payments of \$4,695 including interest of 3.88% are payable monthly through March 2028. The bank loan is secured by the District's accounts receivable, contract rights and general intangibles.

**BEAR VALLEY WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**

5. Long-Term Debt, continued:

The following is a summary of the long-term debt activities for the year ended June 30, 2016:

	<u>2015</u>	New Debt <u>Issued</u>	Debt <u>Retired</u>	<u>2016</u>	Current <u>Portion</u>
Bank loan	\$ <u>564,139</u>	\$ <u>-</u>	\$ <u>34,736</u>	\$ <u>529,402</u>	\$ <u>36,181</u>

Long-term debt matures as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Payment</u>
2017	\$ 36,181	\$ 20,157	\$ 56,338
2018	37,629	18,709	56,338
2019	39,134	17,204	56,338
2020	40,657	15,681	56,338
2021	42,326	14,012	56,338
2022-2026	238,400	43,290	281,690
2027-2028	<u>95,075</u>	<u>3,462</u>	<u>98,537</u>
	<u>\$ 529,402</u>	<u>\$ 132,515</u>	<u>\$ 661,917</u>

6. Risk of Loss:

Bear Valley Water District is exposed to various risks of loss related to theft of, damage to, and destruction of assets; and injuries to employees. During the 2016 fiscal year, the District purchased certain commercial insurance coverages to provide for these risks.

**BEAR VALLEY WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**

7. Simple IRA Plan:

In September 2002 the District implemented a Simple IRA plan for the benefit of its employees. To be eligible for the plan, the employees must be employed by the District for one year. If the employee makes a contribution on his/her own behalf, then the District contributes 3% of the employee's gross wages. At June 30, 2016, the District's portion of the Simple IRA contribution was \$4,520.

8. Subsequent Events:

Management has evaluated subsequent events through August 30, 2016, the date these June 30, 2016 financial statements were available to be issued.

**SUPPLEMENTAL DATA**

**BEAR VALLEY WATER DISTRICT  
PRINCIPAL OFFICIALS  
June 30, 2016**

**BOARD OF DIRECTORS**

James Bissell	President
Stefaniya Becking	Vice President/Secretary
John Boyle	Treasurer
Ken Brown	Director
Gunnar Thordarson	Secretary

**OPERATIONS**

Jeffrey Gouveia	General Manager
Judi Silber	Office Manager
Guy West	Interim Chief Plant Operator
Steve Mikesell	Operator Grade II
Robin Murphy	Operator Grade I

**BEAR VALLEY WATER DISTRICT**  
**OPERATING EXPENSES**  
for the year ended June 30, 2016

Collection:		
Salaries, wages and employee benefits	\$ 32,514	
Repairs and maintenance	45,799	
Utilities	4,309	
Telephone	3,533	
Insurance	10,630	
Gasoline and oil	1,407	
Supplies	2,373	
Monitoring and reporting	<u>-</u>	
		\$100,565
Treatment and disposal:		
Salaries, wages and employee benefits	87,143	
Insurance	7,768	
Utilities	32,076	
Telephone	795	
Repairs and maintenance	40,068	
Supplies	16,005	
Monitoring and reporting	31,360	
Gasoline and oil	3,283	
Rentals	<u>6,715</u>	
		225,213

**BEAR VALLEY WATER DISTRICT**  
**OPERATING EXPENSES, continued**  
for the year ended June 30, 2016

Administrative and general:		
Salaries, wages and employee benefits	\$133,042	
Legal and audit	9,537	
Directors fees and expenses	2,698	
Insurance	4,766	
Utilities	4,568	
Telephone	2,549	
Repairs and maintenance	4,805	
Office	12,962	
Memberships	4,382	
Taxes and assessments	29,040	
Licenses & fees	247	
Bad debt	3,884	
Monitoring and reporting	28,827	
Other	955	
Contractual services	-	
Engineering	16,087	
Continuing education	<u>799</u>	
		\$259,148
Depreciation		<u>96,537</u>
		<u>\$681,463</u>