

**BEAR VALLEY
WATER DISTRICT**

**FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT
for the year ended June 30, 2015**

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



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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, 2015, 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, 2015, 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
September 3, 2015

BEAR VALLEY WATER DISTRICT
STATEMENT OF NET POSITION
June 30, 2015

ASSETS

Current assets:

Cash in bank (Note 3)	\$ 338,246
LAIF	296,231
Accounts receivable	23,551
Prepaid insurance	<u>-</u>

Total current assets 658,028

Capital assets, at cost (Notes 4 and 5):	\$ 4,342,767	
Less accumulated depreciation	<u>2,276,495</u>	
	2,066,272	
Work in progress	<u>31,775</u>	
		2,098,047

Restricted cash (Note 3) 21,656

\$2,777,731

See notes to financial statements

LIABILITIES AND NET POSITION

Current liabilities:

Current portion of long-term debt (Note 5)	\$	34,733
Prepaid revenue		28,772
Accounts payable and accrued charges		32,445
Unclaimed bond coupons		-
Deposits		<u>-</u>
Total current liabilities		95,950
Long-term debt, net of current portion (Note 5)		<u>529,406</u>
Total liabilities		625,356

Net position:

Net investment in capital assets	\$1,533,908	
Unrestricted	<u>618,467</u>	
		<u>2,152,375</u>
		<u>\$2,777,731</u>

BEAR VALLEY WATER DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
for the year ended June 30, 2015

Operating revenues:

Service charges	\$ 730,228
Fees	336
Other	<u>24</u>

Total operating revenues 730,588

Operating expenses:

Collection	\$ 68,464
Treatment and disposal	194,925
Administrative and general	228,434
Depreciation	<u>113,219</u>

Total operating expenses 605,042

Operating income 125,546

Non-operating revenues (expenses):

Interest income and penalties	6,291
Interest expense	(22,880)
Other revenue	33,236
Compliance	(11,263)
Other expenses	(12,438)
Connection fee refunds	(78,033)
Connection fee study	<u>(7,946)</u>
	<u>(93,033)</u>

Income before contributions 32,513

Capital contributions -

Change in net position 32,513

Total net position:

Beginning 2,119,862

Ending \$2,152,375

See notes to financial statements

BEAR VALLEY WATER DISTRICT
STATEMENT OF CASH FLOWS
for the year ended June 30, 2015

Cash flows from operating activities		
Receipts from customers		\$ 793,120
Payments to suppliers		(309,572)
Payments to employees		<u>(184,409)</u>
Net cash provided by operating activities		299,139
Cash flows from noncapital financing activities:		
Nonoperating income	\$ 33,236	
Connection fee refunds	(78,033)	
Other nonoperating expenses	<u>(31,647)</u>	
		(76,444)
Cash flows from capital and related financing activities:		
Purchase of capital assets		
including work in progress	(148,200)	
Principal paid on capital debt	(33,458)	
Interest paid on capital debt	<u>(22,880)</u>	
		(204,538)
Cash flows from investing activities:		
Interest income		<u>6,291</u>
Net increase in cash and cash equivalents		24,448
Cash and cash equivalents:		
Beginning of year		<u>631,685</u>
End of year		<u>\$ 656,133</u>

See notes to financial statements

BEAR VALLEY WATER DISTRICT
STATEMENT OF CASH FLOWS, continued
for the year ended June 30, 2015

Reconciliation of operating income to net cash provided by operating activities:		
Operating income		\$ 125,546
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	\$ 113,219	
Changes in operating assets and liabilities:		
Receivables	55,795	
Prepaid expenses	-	
Accounts payable and accrued charges	(2,158)	
Prepaid revenue	<u>6,737</u>	
		<u>173,593</u>
Net cash provided by operating activities		\$ <u>299,139</u>
Supplementary information:		
Cash paid for interest		\$ <u>22,880</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.

Collection facilities	10-100 years
Treatment facilities	10-40 years
Disposal facilities	10-40 years
General equipment	3-10 years

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, 2015:

Unrestricted	\$ 338,246
Restricted	<u>21,656</u>
Total cash and investments	<u>\$ 359,902</u>

Deposits:

At year-end the carrying amount of the District's deposits was \$359,902 and the bank balance was \$356,677. The bank balance was covered by Federal depository insurance and by collateral held in the pledging banks' trust department as mandated by state law.

	Balance June 30, <u>2015</u>
Petty cash	\$ 50
Cash in bank – checking (operating account)	338,196
Cash in bank – checking (connection fees)	<u>21,656</u>
Total deposits	<u>\$ 359,902</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, 2015		
Local Agency Investment Fund	<u>\$ 296,231</u>	<u>\$ 296,231</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, 2015, the District had set aside the following in cash for special purposes:

	Balance June 30, <u>2015</u>
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, 2015 are as follows:

	<u>Balance, July 1, 2014</u>	<u>Additions</u>	<u>Transfers/ Disposals</u>	<u>Balance, June 30, 2015</u>
Land	\$ 25,805	\$ -	\$ -	\$ 25,805
Subsurface lines	1,196,893	-	-	1,196,893
Sewage collection	510,053	-	-	510,053
Sewage treatment	944,795	51,538	-	996,333
Sewage disposal	1,101,942	64,887	-	1,166,829
Chlorine tank project	108,145	-	-	108,145
General plant	<u>338,709</u>	<u>-</u>	<u>-</u>	<u>338,709</u>
	4,226,342	116,425	-	4,342,767
 Add, work in progress	 <u>-</u>	 <u>31,775</u>	 <u>-</u>	 <u>31,775</u>
	<u>\$4,226,342</u>	<u>\$ 148,200</u>	<u>\$ -</u>	<u>\$4,374,542</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, 2015:

	<u>2014</u>	<u>New Debt Issued</u>	<u>Debt Retired</u>	<u>2015</u>	<u>Current Portion</u>
Bank loan	\$ <u>597,597</u>	\$ <u>-</u>	\$ <u>33,458</u>	\$ <u>564,139</u>	\$ <u>34,733</u>

Long-term debt matures as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Payment</u>
2016	\$ 34,733	\$ 21,605	\$ 56,338
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
2021-2025	229,230	52,460	281,690
2026-2028	<u>146,575</u>	<u>8,308</u>	<u>154,883</u>
	<u>\$ 564,139</u>	<u>\$ 154,124</u>	<u>\$ 718,263</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 2015 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, 2015, the District's portion of the Simple IRA contribution was \$3,223.

8. Subsequent Events:

Management has evaluated subsequent events through September 3, 2015, the date these June 30, 2015 financial statements were available to be issued.

SUPPLEMENTAL DATA

**BEAR VALLEY WATER DISTRICT
PRINCIPAL OFFICIALS
June 30, 2015**

BOARD OF DIRECTORS

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

OPERATIONS

Jeffrey Gouveia	General Manager
Judi Silber	Office Manager
Guy West	Plant Operator
Steve Mikesell	Field Supervisor
Robin Murphy	Operator Grade 1

BEAR VALLEY WATER DISTRICT
OPERATING EXPENSES
for the year ended June 30, 2015

Collection:

Salaries, wages and employee benefits	\$ 29,956	
Repairs and maintenance	20,443	
Utilities	3,016	
Telephone	2,342	
Insurance	10,281	
Gasoline and oil	1,180	
Supplies	1,246	
Monitoring and reporting	<u>-</u>	\$ 68,464

Treatment and disposal:

Salaries, wages and employee benefits	81,757	
Insurance	7,398	
Utilities	28,669	
Telephone	534	
Repairs and maintenance	46,309	
Supplies	9,108	
Monitoring and reporting	18,256	
Gasoline and oil	2,754	
Rentals	<u>140</u>	194,925

BEAR VALLEY WATER DISTRICT
OPERATING EXPENSES, continued
for the year ended June 30, 2015

Administrative and general:		
Salaries, wages and employee benefits	\$113,159	
Legal	10,631	
Directors fees and expenses	4,336	
Insurance	4,717	
Utilities	4,871	
Telephone	2,071	
Repairs and maintenance	7,839	
Office	9,050	
Memberships	4,680	
Taxes and assessments	29,495	
Licenses & fees	186	
Printing and publishing	-	
Monitoring and reporting	13,900	
Other	6,272	
Contractual services	-	
Engineering	15,674	
Continuing education	<u>1,553</u>	
		\$228,434
Depreciation		<u>113,219</u>
		<u>\$605,042</u>