



**Comprehensive Annual Financial Report
For the Fiscal Year Ended
June 30, 2015**

**Bighorn-Desert View Water Agency
A Public Agency
622 S. Jemez Trail
Yucca Valley, California
92284**



Prepared by:
Marina D. West, PG, General Manager
Debbie Musser, Accounting Technician II



Our Mission, Vision and Values

"To provide a high quality supply of water and reliable service to all customers at a fair and reasonable rate.

To demonstrate accountability by taking economically and environmentally responsible action today to secure our water supply for tomorrow.

We pledge to use all available resources for maintaining our existing facilities as well as plan, design, finance, and construct our future infrastructure for benefit to our customers in our service area.

Staff and board are committed to a comprehensive evaluation of the most important issues while establishing a record of fairness to all customers"

Bighorn-Desert View Water Agency
Board of Directors as of June 30th, 2015

Member	Office	Term Expires
Judy Corl-Lorono	President	2017
J. Dennis Staley	V. President	2017
Terry Burkhart	Secretary	2017
Michael McBride	Director	2015
J. Larry Coulombe	Director	2015

Bighorn-Desert View Water Agency
Marina D. West, PG, General Manager/Chief Engineer
622 S. Jemez Trail
Yucca Valley, California 92284
(760) 364-2315
www.bdvwa.org



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BIGHORN-DESERT VIEW WATER AGENCY
COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year Ended June 30, 2015

(with comparative information for June 30, 2014)

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INTRODUCTORY SECTION

Bighorn-Desert View Water Agency

Board of Directors

Judy Corl-Lorono, President
J. Dennis Staley, V. President
Terry Burkhart, Secretary
Michael McBride, President
J. Larry Coulombe, Director



Agency Office

622 S. Jemez Trail
Yucca Valley, CA 92284-1440

760/364-2315 Phone
760/364-3412 Fax

Marina D West, P.G., General Manager

www.bdvwa.org

A Public Agency

October 27, 2015

Introduction

It is our pleasure to submit the Annual Financial Report for the Bighorn-Desert View Water Agency for the fiscal years ended June 30, 2015 and 2014, following guidelines set forth by the Governmental Accounting Standards Board. The Agency is ultimately responsible for both the accuracy of the data and the completeness and the fairness of presentation, including all disclosures in this financial report. We believe that the data presented is accurate in all material respects. This report is designed in a manner that we believe necessary to enhance your understanding of the Agency's financial position and activities.

Generally Accepted Accounting Principles (GAAP) requires that management provide a narrative introduction, overview and analysis to accompany the financial statements in the form of the Management's Discussion and Analysis (MD&A) section. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with the MD&A. The Agency's MD&A can be found immediately after the Independent Auditors' Report.

Agency Structure and Leadership

The Bighorn-Desert View Water Agency enabling Act, the "Bighorn Mountains Water Agency Law", is an Uncodified Act of the California Statutes of 1969, Chapter 1175, and effective August 31, 1969. The Law was amended in 1989 (Statutes of 1989, Chapter 570) through AB 1819 (Woodruff) to facilitate a proposed consolidation of the 1969 Bighorn Mountains Water Agency with the Desert View County Water District, which was completed in 1990 without further amendment to the Water Agency Law. In September 2013, Governor Jerry Brown signed into law SB 246 (Fuller) which is a complete modernization (re-write and re-organization) of the 1990 version of the Law.

The Bighorn-Desert View Water Agency is a public agency of the state of California organized and existing pursuant to the Bighorn-Desert View Water Agency Law at Deering's Water Code – Uncodified Acts, Act 90. The Agency is governed by a five-member Board of Directors, elected at-large from within the Agency's service area. The General Manager administers the day-to-

day operations of the Agency in accordance with policies and procedures established by the Board of Directors. In addition to the General Manager, the Agency staff consists of six (8) full-time employees organized in two departments: Administration and Operations.

The Agency's Board of Directors regularly scheduled meetings are on the fourth Tuesday of each month at 6 pm. Meetings are publically noticed and citizens are encouraged to attend.

The Agency provides water service to approximately 1,450 active residential customers, 340 infrequent/inactive customers, and 100 bulk-hauling customers within its forty-four (44) square-mile service area, located in the eastern desert area of San Bernardino County. The Agency encompasses the unincorporated communities in the county known as Flamingo Heights, (western) Landers, and Johnson Valley.

Agency Services

Residential customers represent nearly 100% of the Agency's customer base and therefore consume a majority of the water produced annually. A quantity of water is lost to system flushing, testing and leaks. The Agency currently has a total of six (6) active groundwater wells with a total system production capacity of 3,368 gallons per minute. In fiscal year 2014/15, the Agency produced approximately 356 acre-feet of groundwater, a decrease of approximately 10% from fiscal year 2013/14. The Agency purchased 50 acre-ft of imported State Project Water from the Mojave Water Agency in FY2014/15 for recharge at the newly completed Ames/Reche Groundwater Storage site.

Economic Condition and Outlook for the Local Economy

According to *Sperling's Best Places* the cost of living in the Landers area is 18.7% lower than the U.S. average. The unemployment rate is currently approximately 8.3% (unchanged from FY2013/14). Using U.S. Census Block group data, all census blocks within the Agency boundaries are classified as a "disadvantaged" or "severely disadvantaged" with an average household income reported at \$28,255 which is less than half of the U.S. average. The area is classified as rural unincorporated San Bernardino County with a planned residential zoning of 2.5 acre minimum lot size. The area is comprised of predominantly English and Spanish speaking residents.

Within the Agency are very few commercial businesses. The largest employer is the local elementary school. Many local residents commute to the Twenty-nine Palms Marine Corps Ground Combat Center, Town of Yucca Valley or 60 miles south to Palm Springs, CA area or a similar distance north to the Victorville area for employment.

Major Initiatives

The activities of the Board and staff of the Agency are driven by our mission statement: "To provide a high quality supply of water and reliable service to all customers at a fair and reasonable rate". At the February 2015 Board Workshop the following goals and objectives were confirmed for implementation over the next one to two years and beyond.

1. Balanced Budget and growth of reserve funds for replacement/refurbishment of infrastructure, emergency contingencies and capital improvement programs specifically highlighted in the 2014 Mojave Water Agency Integrated Regional Water Management Plan (IRWMP). Continue efforts to reduce costs where possible. Explore revenue enhancing measures such as water transfers to neighboring agencies.
2. Remain focused on preventative maintenance of the water distribution system appurtenances including pressure reducing stations, fire hydrants, isolation valves, air vacuum valves and emergency power connections. Work with engineer to prioritize and implement short-term capital or refurbishment projects.
3. Continue outreach to the community through various forms of communication including newsletters, annual calendar, revised utility bill format and participation in local community events (eg. Homestead Valley Park 3rd of July and the Gubler Orchid Festival).
4. Update administrative procedures as needed including development of a “Director Handbook”.
5. File *Amended and Restated Judgment for the Ames Valley Water Basin* on behalf of project participants following completion of the recharge facility in FY13/14. Initiate recharge purchases and seek water transfer opportunities in accordance with draft 5-year budget projections.
6. The Local Agency Formation Commission (LAFCO No. 3181) certified the annexation of the adjoining San Bernardino County Service Area 70/Zone W-1-Landers/Goat Mountain water system, encompassing approximately 9 square miles, into Bighorn-Desert View Water Agency. The annexation became effective July 1, 2015 (fiscal year 2015/16). The annexed territory is recognized by BDVWA as Improvement District Goat Mountain. The annexation increased the customer base by approximately 650 metered residences (approx. 1,500 properties) providing more efficient/effective service and local elected representation for customers residing in the community.
7. Address aging/obsolete financial and billing software as well as outdated computer server, office software and security programs.
8. Continue to pursue grant opportunities for capital, replacement and refurbishment. Following adoption of the Agency’s Hazard Mitigation Plan seek grants for emergency and disaster preparedness.
9. Obtain Certificate of Achievement for Excellence in Financial Reporting for our Comprehensive Financial Report for a minimum of five consecutive years from the Government Finance Officers Association of the United States and Canada. Fiscal year 2014/15 would be the 5th consecutive year.
10. Submit application to Special District Leadership Foundation for the District of Distinction following completion of requirements.

All programs and operations of the Agency are developed and performed to provide the highest level of services to its customers.

Accomplishments

To assist the Board of Directors in meeting their mission, staff achieved the following initiatives in fiscal year 2014/15:

1. Adopted a balance budget on time without reliance on cash reserves and with expectation of increased unrestricted reserves needed to fund planned capital projects and replaced aged vehicles. Placed liens on the secured property tax rolls for outstanding debt owed the Agency.
2. Completed motions and filings for the *Amended and Restated Judgment for the Ames Valley Water Basin* with the Riverside County Court on behalf of project participants on September 17, 2014. Recharged 50 Acre-ft at the Ames facility which represents approximately 14% of the FY2014/15 groundwater production from the Ames Basin.
3. Awarded 2015 Clair A. Hill Award of Water Agency Excellence by the California Association of Water Agencies for the Ames/Reche Groundwater Storage and Recovery Program. Initiated outreach for an Agency hosted \$5,000 student scholarship to be awarded by ACWA in 2016.
4. Completed and adopted a Hazard Mitigation Plan using grant funds received from California Office of Emergency Services. An approved Hazard Mitigation Plan qualifies the Agency for grants to complete projects which results in a reduction in hazard vulnerability.
5. On December 15, 2015, LAFCO completed the Certificate of Filing resulting in the annexation of a neighboring water agency (County Service Area 70/Zone W-1 – Landers/Goat Mountain) and its simultaneous dissolution from County of San Bernardino Special Districts Department. Operations and maintenance responsibilities became effective July 1, 2015.
6. Increased full-time equivalent staff by two (2) to accommodate the annexation of Improvement District Goat Mountain formed by the dissolution of CSA 70/W-1.
7. Participated in various outreach events including Homestead Valley Park 3rd of July event, Gubler's Orchid Festival and Morongo Basin Conservation Association Desert-Wise Landscape Home Tour. Staff also conducted outreach at the Landers Elementary School.
8. Preventative maintenance in 2014/15 included testing and refurbishment of several pressure reducing stations (PRV's), exercising approximately 1/3 of the pipeline isolation valves, continued replacement of air-vacuum valves, routine dead end flushing, as well as repair of 17 service line leaks and replacement of 49 service lines Overhaul and

modernization of Agency water system automated controls due to obsolescence of original telephone communications previously employed to operate well pumps and maintain reservoir storage.

9. Completed computer server hardware and software upgrades, including purchase and initial implementation of new financial and billing software. Financial and billing software implementation expected to be completed in FY2015/16.
10. There was one Worker's Compensation claim filed which resulted in an insignificant claim amount of less than \$1,000. There have been no property liability claims since 2008-09.
11. Agency Director Terry Burkhart continued her "elected" service to the Special Districts Risk Management Authority (SDRMA) Board of Directors. Agency Director Judy Corl-Lorono continued her "appointed" service to the Association of CA Water Agencies/Joint Power Insurance Authority (ACWA/JPIA) Health Benefits Board.
12. Awarded Certificate of Achievement for Excellence in Financial Reporting for our Comprehensive Financial Report in fiscal year 2014/15 from the Government Finance Officers Association of the United States and Canada.
13. Awarded the 2-year Certificate of Excellence in District Transparency from the SDRMA.
14. Board of Directors formed a Solar Ad Hoc Committee to look into renewable energy opportunities for the Agency.

Internal Control Structure

Agency management is responsible for the establishment and maintenance of the internal control structure that ensures the assets of the Agency are protected from loss, theft or misuse. The internal control structure also ensures adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The Agency's internal control structure is designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived, and (2) the valuation of costs and benefits requires estimates and judgments by management.

Budgetary Control

Each year the Agency Board of Directors has adopted an annual operating budget. The budget authorizes and provides the basis for reporting and control of financial operations and accountability for the Agency's operations. Extensive capital budgets have not always been presented with the budget, therefore projects are brought to the Board individually, as needed, for consideration. The budget and reporting treatment applied to the Agency is consistent with the accrual basis of accounting and the financial statement basis.

Investment Policy

The Board of Directors has adopted an investment policy that conforms to state law, Agency ordinance and resolutions, and prudent money management. The objective of the Investment Policy is safety, liquidity and yield. Although the policy covers a wide-variety of investment instruments the Agency's reserve funds are currently invested in the State Treasurer's Local Agency Investment Fund (LAIF) and an institutional checking account (Union Bank of California). The Board of Directors approved the current investment policy on January 22, 2013 (Resolution No. 13R-01)

Water Rates and Agency Revenues

Agency's current policy direction ensures that all revenues from user charges generated from Agency customers must support all Agency operations including capital project funding. Accordingly, water rates are regularly reviewed. Water rates are user charges imposed on customers for services and are the primary component of the Agency's revenue. Water rates are composed of a commodity (usage) charge and a fixed meter (readiness-to-serve) charge. There were no rate increases imposed in fiscal year 2014/15. The 5-year estimate of revenues and expenses projects 3% annual increases beginning fiscal year 2016/17, following prop. 218 notification/hearing requirements, in conjunction with water transfers (eg. Sales) to willing participants of the Ames/Reche storage program.

Water Conservation Programs

The Agency is an active member of the Morongo Basin Alliance for Water Awareness and Conservation (MB AWAC). Agency Board and staff participate in and sponsor a number of community events with a conservation component, such as the Desert-Wise Landscaping Home Tours and Workshops sponsored by the Morongo Basin Conservation Association and held throughout the year in the Morongo Basin. In fiscal year 2014/15 the Agency distributed 150 high efficiency toilets to qualifying customers. The Agency also distributes materials to encourage water conservation. The Agency has not found a need to implement a tiered water rate structure to enforce conservation as water production/usage in the service area has continued to decline over the past five years with average per capita use near 100 gallons per day.

Audit and Financial Reporting

State Law and Bond covenants require the Agency to obtain an annual audit of its financial statements by an independent certified public accountant. The accounting firm of Davis Farr, LLP; Certified Public Accountants has conducted the audit of the Agency's financial statements. Their unqualified Independent Auditor's Report appears in the Financial Section.

Risk Management

The Agency has been a member of the Special District Risk Management Authority (SDRMA) since 1983. The purpose of SDRMA is to arrange and administer programs of insurance for pooling of self-insured losses and to purchase excess insurance coverage.

Technology Advance in Customer Service (E-government initiatives)

The Agency customers have the option to pay their bills in person at the Agency office, on-line through their bank account, with a major credit card over the phone or through the Agency's website or the internet. The Agency implemented the Automated Clearing House (ACH) payment method for customers in fiscal year 2012/13.

Customers also have access to agency agenda's and agenda backup materials via email notifications immediately upon publication. The agenda materials as well as other reference material are also available on the Agency website (www.bdvwa.org). The Agency is in the process of updating the website to provide more historical documents and board actions to the public.

Other References

More information has been provided in both the Management's Discussion and Analysis and the Notes to the Basic Financial Statements which can be found in the Financial Section of this report.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Bighorn-Desert View Water Agency for its comprehensive annual financial report of the fiscal year ended June 30, 2014. This was the fourth year that the Agency has applied for and achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The Agency believes that the current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and the Agency intends to submit an application to the GFOA to determine our eligibility for certification.

Preparation of this report was accomplished by the combined efforts of Agency staff. We appreciate the dedicated efforts and professionalism that our staff members bring to the Agency. We would also like to thank the members of the Board of Directors for their continued support in the planning and implementation of the Bighorn-Desert View Water Agency's fiscal policies.

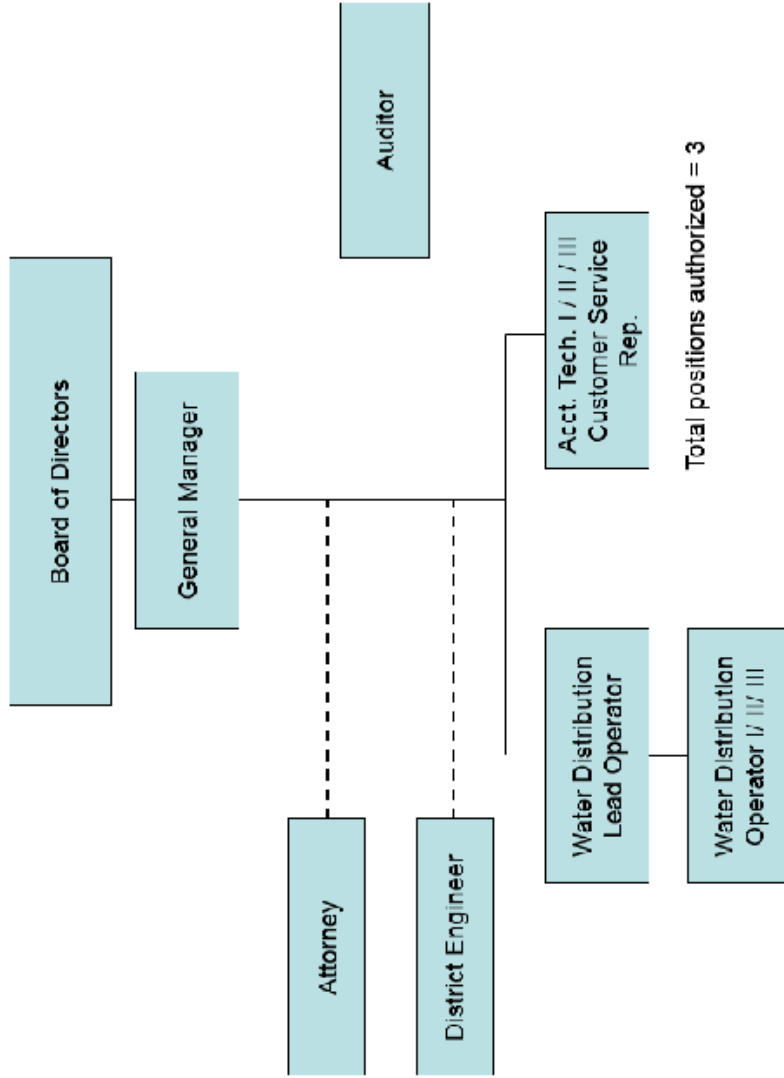
With Great Pleasure,



Marina D. West, PG
General Manager/Treasurer



Debbie Musser
Accounting Technician II



Total positions authorized = 5

•Existing positions = 3

•Authorized as part of
CSA70/W-1 Annex. = 2

Total positions authorized = 3

Adopted January 27, 2015

Motion No. 15-001



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Bighorn-Desert View
Water Agency, California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2014

Executive Director/CEO

FINANCIAL SECTION

Board of Directors
BIGHORN-DESERT VIEW WATER AGENCY

INDEPENDENT AUDITORS' REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the Bighorn-Desert View Water Agency (the Agency) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express 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 standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 the Bighorn-Desert View Water Agency, as of June 30, 2015, and the changes in its financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

BIGHORN-DESERT VIEW WATER AGENCY

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Emphasis of Matters

As described further in note 8 to the financial statements, during the year ended June 30, 2015 the entity implemented Governmental Accounting Standards Board (GASB) Statement No 68. Our opinion is not modified with respect to this matter.

Prior-Year Comparative Information

The financial statements of the Bighorn-Desert View Water Agency for the fiscal year ended June 30, 2014 were audited by other auditors whose report dated October 17, 2014 expressed an unmodified opinion on those statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that *Management's Discussion and Analysis, the Schedule of the Plan's Proportionate Share of the Net Pension Liability and Related Ratios as of the Measurement Date, and the Schedule of Plan Contributions* be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Bighorn-Desert View Water Agency's basic financial statements. The *introductory section* and the *statistical section* are presented for purposes of additional analysis and are not a required part of the basic financial statements. The *introductory section* and the *statistical section* have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

BIGHORN-DESERT VIEW WATER AGENCY

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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2015 on our consideration of Bighorn-Desert View Water Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Bighorn-Desert View Water Agency's internal control over financial reporting and compliance.



Irvine, California
October 27, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis of the financial performance of the Bighorn Desert View Water Agency ("Agency") provides an overview of the Agency's financial activities for the fiscal year ended June 30, 2015. Please read it in conjunction with the transmittal letter and financial statements identified in the accompanying table of contents.

INFORMATION REPORTED IN THE ACCOMPANYING FINANCIAL STATEMENTS

One of the most important questions asked about the Agency's finances is, "Is the Agency better off or worse off as a result of the year's activities?" The Statement of Net Position (previously a Statement of Net Assets) and the Statement of Revenues, Expenses, and Changes in Net Position report information about the Agency in a way that helps answer this question. These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The financial statements of the Agency report the Agency's net assets and changes in them. You can think of the Agency's net position – the difference between assets and liabilities – as one way to measure the Agency's financial health, or *financial position*. Over time, *increases and decreases* in the Agency's net assets are one indicator of whether its *financial health* is improving or deteriorating.

AGENCY FINANCIAL STATEMENTS

A summary of the Agency's *statement of net assets* follows:

Table 1
Net Position
Formally "Net Assets"
(in Actual Dollars)

	<u>2015</u>	<u>2014</u>	<u>Change</u>
Current and Other Assets	\$ 1,581,333	\$ 1,757,916	(176,583)
Capital Assets	<u>3,778,431</u>	<u>3,677,468</u>	100,963
Total Assets	\$ 5,359,764	\$ 5,435,384	(75,620)
 Deferred Outflow of Resources	 \$ 60,987	 \$ -	 60,987
 Current Liabilities	 \$ 238,119	 \$ 316,611	 (78,492)
Non-Current Liabilities	<u>886,411</u>	<u>579,838</u>	306,573
Total Liabilities	\$ 1,124,530	\$ 896,449	228,081
 Deferred Inflow of Resources	 \$ 109,542	 \$ -	 109,542
 Net Investment in capital assets	 \$ 3,220,454	 \$ 3,003,491	 216,963
Unrestricted	<u>966,225</u>	<u>1,535,444</u>	(569,219)
Total Net Position	<u>\$ 4,186,679</u>	<u>\$ 4,538,935</u>	(352,256)

A summary of the Agency's *statement of revenues, expenses, and changes in net assets* follows:

Table 2
Changes in Net Position
(in Actual Dollars)

	<u>2015</u>	<u>2014</u>	<u>Change</u>
Operating Revenues			
Water Sales	\$ 438,409	\$ 453,100	(14,691)
Other revenues & Grants	<u>679,690</u>	<u>739,141</u>	(59,451)
Total Operating Revenues	\$ 1,118,099	\$ 1,192,241	(74,142)
Operating Expenses			
Transmission and Distribution	\$ 496,019	\$ 512,501	(16,482)
General and Administrative	569,956	640,378	(70,422)
Depreciation	<u>245,697</u>	<u>233,053</u>	12,644
Total Operating Expenses	\$ 1,311,672	\$ 1,385,932	(74,260)
Operating Income (Loss)	(193,573)	(193,691)	(118)
Non-Operating Revenues (Expenses):			
Interest revenue	2,390	6,227	(3,837)
Tax Levy & Surcharges	292,261	281,726	10,535
Desert View Debt Surcharge	49,949	49,843	106
Interest expense	(32,637)	(38,486)	5,849
Other expense	<u>580</u>	<u>(1,734)</u>	2,314
Total Non-Operating Revenues (Expenses)	\$ 312,543	\$ 297,576	14,967
Income before Capital Contributions	\$ 118,970	\$ 103,885	15,085
Capital Contributions	2,245	---	2,245
Change in Net Position	121,215	103,885	17,330
Net Position at Beginning of Year	<u>4,065,464</u>	<u>4,435,050</u>	(369,586)
Net Position at End of Year	<u>\$ 4,186,679</u>	<u>\$ 4,538,935</u>	(352,256)

The increase or decrease in net position as shown on Table 1 can provide an indication as to whether the overall financial position of the Agency improved or deteriorated during the year. Net position of the Agency decreased by 8% (\$4.19 million compared to \$4.54) million. The decrease is 100% attributed to the requirement to initiate reporting of unfunded pension liability as calculated by California Public Employees Retirement System (CalPERS). The net assets (financial position) of the Agency changed as a result of the revenue and expense fluctuations described below.

The reasons for significant changes in the revenues and expenses of the Agency noted above are as follows:

- Change in total assets as presented in Table 1 Net Position above is primarily attributable to continued but varied (from prior year) investment (i.e. expense) in new capital and other purchases for which reserves have been accrued in anticipation of their need. This year two field trucks were replaced, two 5-acre properties were purchased for future facilities and the financial/billing software, computer server, and other equipment upgrades were approved. See Note 3 of the audited financial statements for more information concerning capital assets. Cash and cash equivalents were down approximately \$180,000 from the prior period. See Note 2 of the audited financial statements for more information concerning cash and investments.

Alternatively, inventory value increased by \$23,500 due to the first purchase of water from the State Water Project for storage (50-AF reside in “inventory”).

The amount due from other governments (i.e. reimbursement owed for expenses incurred) was reduced by \$16,000 as grant reimbursements checks were received.

The total amount reported also includes the value of all capital and idle assets, including new assets acquired during the reporting period, minus one year depreciation. See Note 3 of the financial statements for further clarification.

See Audited Financial Statements-Statement of Net Position (pg. 8) for further clarification.

- The variance in current liabilities primarily reflects an overall reduction due to the amount of outstanding payables at year-end which were simply less than that reported at the prior year-end. See Audited Financial Statements-State of Net Position (pg. 8) for further clarification.
- The variance in non-current liabilities reported are significantly different than the prior period due to the Government Accounting Standards Board Statement No. 68 (GASB68-Accounting and Financial Reporting for Pensions) requirement to report unfunded pension liability, equaling \$408,884, as reported by CalPERS for the June 30, 2014 measurement date See Note 8 and 10 of the audited financial statements for further clarification. See Note 4 of the audited financial statements for further clarification of long-term debt.

Removing the newly reported pension liability results in a refined view of the change in other non-current liabilities compared to last year reflecting the continued reduction of long-term debt as the bonds near maturity in a just few years (Note 4).

- Net investment in capital assets reported in Table 1 represents the net increase in capital assets.
- The Agency's unrestricted assets decreased over the prior year. This is primarily associated with the reporting of unfunded liability per GASB68. See Notes 8 and 10 of the financial statements for further clarification.
- Table 2 *Changes in Net Position* reveals that Operating Revenues decreased slightly (3%) over prior year due to lower water sales attributed to customer water conservation and confirmed by recorded decreases in well production for approximately the same period. Grant revenue was realized in FY2014/15 with the final payment received from Mojave Water Agency for the Ames/Reche Groundwater Storage and Recovery Program and most of the Hazard Mitigation Grant revenues booked as well. Grants closing during the reporting period explain the \$60,000 reduction over the prior year-end.
- Regarding operating expenses, Table 2 presents that Transmission and Distribution costs decreased by approximately \$16,500 which is primarily attributed to reduced costs for engineering services, field materials, fuel, and charges to the water system inspection and monitoring fees imposed by the California State Water Resources Control Board (formally Department of Public Health).
- General and Administrative costs decreased above the prior year by approximately \$70,000. The decrease is primarily attributed to items one-time expenses related to the annexation of the Improvement District Goat Mountain and an engineering study related to electrical facility safety. There were also savings over the prior year in legal costs and a partial employee vacancy due to retirement (i.e. one time, unanticipated savings over prior year).
- The Agency received approximately \$10,500 more in tax receipts from properties in the Improvement District 1 (Bighorn Mountain.) which is attributed to reduced rate of property tax payment delinquency.
- The reported operating loss is nearly equal to the prior year indicating no dramatic change in the Agency's operating revenue and expense patterns as authorized in the corresponding fiscal year budget.
- Regarding capital contributions, the financial statements and Table 2 reflect a change in reporting format for grant receipts. In the prior period, grant receipts were reported as "Capital Contributions", now they are reported as "Other Revenue & Grants" (operating revenue). The capital contributions reported in FY2014/15 represent investments made

by a private development (i.e. Dollar General Store) in infrastructure owned and maintained by the Agency.

- The change in net position reported on Table 2 above shows that at year end (not net position at year-end affected by presentation of the unfunded retirement liability) indicates the Agency's revenues exceeded expenses by approximately \$121,000 which is about \$8,000 more than projected in the FY2014/15 adopted Budget.

LONG-TERM DEBT

At the end of the 2014/15 fiscal year, the Agency had bonded debt outstanding of \$557,977 less the portion (\$121,000) due in less than one year. All debt payments were made on time and in full during the year. No new debt was issued during the fiscal year. The Desert View Water Revenue Bond matures in 2020. The Bighorn Mountains General Obligation Bond matures in 2019. For more detailed information on long-term debt activity see Note 4 of the enclosed financial statements.

Contacting the Agency's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the Agency's finances and to show the Agency's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the General Manager's Office, at Bighorn Desert View Water Agency, 622 S. Jemez Trail, Yucca Valley, CA 92284.

BIGHORN-DESERT VIEW WATER AGENCY
STATEMENT OF NET POSITION

As of June 30, 2015

(with comparative information for June 30, 2014)

Assets	<u>2015</u>	<u>2014</u>
Current assets:		
Cash and cash equivalents (note 2)	\$ 1,024,137	1,202,156
Accounts receivable - water services	189,485	191,979
Due from other governments	2,446	18,461
Property tax receivable	31,829	30,797
Inventory	94,795	70,100
Prepaid expenses	-	973
Total current assets	<u>1,342,692</u>	<u>1,514,466</u>
Non-current assets:		
Long term receivables		
(net of allowance for uncollectible amounts)	61,545	66,354
Idle Assets (note 3)	177,096	177,096
Capital assets not being depreciated (note 3)	118,621	98,010
Capital assets being depreciated, net (note 3)	<u>3,659,810</u>	<u>3,579,458</u>
Total non-current assets	<u>4,017,072</u>	<u>3,920,918</u>
Total assets	<u>5,359,764</u>	<u>5,435,384</u>
Deferred outflow of resources (note 8)		
Deferred pension contributions	53,164	-
Deferred outflow of resources - actuarial	<u>7,823</u>	<u>-</u>
	<u>60,987</u>	<u>-</u>
Liabilities		
Current liabilities:		
Accounts payable	5,236	90,199
Payroll liabilities	23,404	19,025
Customer deposits - water	66,383	58,831
Interest payable	3,460	4,502
Current portion of bonds payable (note 4)	121,000	116,000
Current portion of compensated absences (note 4)	<u>18,636</u>	<u>28,054</u>
Total current liabilities	<u>238,119</u>	<u>316,611</u>
Non-current liabilities:		
Bonds payable (note 4)	436,977	557,977
Net pension liability (note 8)	408,884	-
Compensated absences (note 4)	<u>40,550</u>	<u>21,861</u>
Total non-current liabilities	<u>886,411</u>	<u>579,838</u>
Total liabilities	<u>1,124,530</u>	<u>896,449</u>
Deferred inflow of resources (note 8)		
Deferred inflow of resources - actuarial	<u>109,542</u>	<u>-</u>
Net Position		
Net investment in capital assets	3,220,454	3,003,491
Unrestricted	<u>966,225</u>	<u>1,535,444</u>
Total net position	<u>\$ 4,186,679</u>	<u>4,538,935</u>

See Notes to Financial Statements

BIGHORN-DESERT VIEW WATER AGENCY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

For the Year Ended June 30, 2015
(with comparative information for June 30, 2014)

	2015	2014
Operating revenues		
Water sales	\$ 438,409	453,100
Water services	64,093	41,879
Basic surcharge	594,571	594,885
Grant revenue	21,026	102,377
Total operating revenues	1,118,099	1,192,241
Operating expenses		
Transmission and distribution	496,019	512,501
General and administrative	569,956	640,378
Depreciation	245,697	233,053
Total operating expenses	1,311,672	1,385,932
Operating income (loss)	(193,573)	(193,691)
Non-operating revenues (expenses)		
Interest income	2,390	1,828
Tax levy	292,261	281,726
Desert View debt surcharge	49,949	49,843
Other income/expense	580	2,665
Interest expense	(32,637)	(38,486)
Total non-operating revenues (expenses)	312,543	297,576
Income before capital contributions	118,970	103,885
Capital contributions	2,245	-
Change in net position	121,215	103,885
Net position at beginning of year, as restated (note 10)	4,065,464	4,435,050
Net position at end of year	\$ 4,186,679	4,538,935

See Notes to Financial Statements

BIGHORN-DESERT VIEW WATER AGENCY
STATEMENT OF CASH FLOWS
For the Year ended June 30, 2015
(with comparative information for June 30, 2014)

	2015	2014
Cash flows from operating activities:		
Cash received from customers	\$ 1,111,928	1,105,023
Cash received for grants	37,042	75,577
Cash payments to suppliers for goods and services	(585,882)	(567,812)
Cash payments to employees and directors for services	(590,581)	(539,881)
Net cash provided by (used in) operating activities	<u>(27,493)</u>	<u>72,907</u>
Cash flows from non-capital financing activities:		
Property taxes received	100,194	96,840
Net cash provided by non-capital financing activities	<u>100,194</u>	<u>96,840</u>
Cash flows from capital and related financing activities:		
Property taxes received in support of long-term debt	191,035	182,015
Other revenue received in support of long-term debt	49,949	49,843
Acquisition of capital assets	(346,660)	(17,221)
Principal paid on long-term debt	(116,000)	(110,000)
Interest paid on long-term debt	(33,679)	(39,180)
Capital contributions received	2,245	215,794
Net cash used in capital and related financing activities	<u>(253,110)</u>	<u>281,251</u>
Cash flows from investing activities:		
Interest received	2,390	6,227
Net cash used in investing activities	<u>2,390</u>	<u>6,227</u>
Net increase (decrease) in cash and cash equivalents	(178,019)	457,225
Cash and cash equivalents beginning, July 1	1,202,156	744,931
Cash and cash equivalents ending, June 30	<u>\$ 1,024,137</u>	<u>1,202,156</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:		
Operating income (loss)	\$ (193,573)	(193,691)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation	245,697	233,053
Other non-operating income (expense)	580	(1,734)
(Increase) decrease in accounts receivable	2,494	17,672
(Increase) decrease in due from other governments	16,015	-
(Increase) decrease in long term receivables	4,809	(6,566)
(Increase) decrease in inventories	(24,695)	(7,065)
(Increase) decrease in prepaid expenses	973	(90)
(Increase) decrease in other assets	-	21,203
(Increase) decrease in deferred outflow of resources	(10,807)	-
(Decrease) increase in accounts payable	(84,963)	(5,940)
(Decrease) increase in accrued liabilities	13,650	12,012
(Decrease) increase in customer deposits	7,552	4,053
(Decrease) increase in net pension liability	(114,767)	-
(Decrease) increase in deferred inflow of resources	109,542	-
Total adjustments	<u>166,080</u>	<u>266,598</u>
Net cash provided by (used for) operating activity	<u>\$ (27,493)</u>	<u>72,907</u>

There were no noncash capital, financing or investing activities for the year ended June 30, 2015

BIGHORN-DESERT VIEW WATER AGENCY

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2015

(1) Summary of significant accounting policies

Reporting entity - Bighorn-Desert View Water Agency (the “Agency”) is a special district that was formed in 1990 when the San Bernardino County Board of Supervisors approved the consolidation of Bighorn Mountains Water Agency (established 1969) and Desert View Water District (established 1964). It is the Agency’s mission to provide water and water related services to the population within the Agency’s boundaries. Accordingly, the Agency is authorized to finance, construct, operate and maintain a water transmission and distribution system to benefit this population. There are 1,923 user connections within the Agency’s boundaries which encompass approximately 44 square miles. The Agency is governed by a five-member Board of Directors, who are elected to staggered 4-year terms.

Basis of accounting - The Agency uses the flow of economic resources measurement focus. This measurement focus emphasizes the determination of net income. The accrual basis of accounting is used by the Agency. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

The Agency distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with water sales to customers. Non-operating revenues are those derived from support of long-term debt and the investment of cash reserves.

Use of restricted resources - When resources are combined, the Agency generally uses restricted resources, prior to using unrestricted resources, to pay expenditures meeting the criteria imposed on the use of restricted resources.

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

Inventory - Inventory of materials and supplies, consisting of parts used for utility plant construction are carried at the weighted-average cost. Water inventory consists of purchased water holdings in the Ames/Reche Groundwater Storage Facility. It is valued based upon purchase cost and weighted average cost of consumption.

Capital Assets - Capital assets acquired and/or constructed are capitalized at historical cost. Depreciation is provided on a straight-line basis over the estimated useful lives which range from five to fifty years. Depreciation expense for the year ended June 30, 2015 was \$245,697. The District capitalizes internal engineering and overhead costs applicable to self-constructed assets. It is the policy of the Agency to capitalize property, plant and equipment with a cost of \$1,000 or more.

BIGHORN-DESERT VIEW WATER AGENCY

NOTES TO FINANCIAL STATEMENTS

(Continued)

(1) **Summary of significant accounting policies (Continued)**

Allowance for uncollectible accounts - It is agency policy that for all water accounts delinquent for more than 90 days have a lien placed on their property. The agency believes that collection is certain as customers cannot sell their properties without remittance of their water payments. An allowance for uncollectible accounts of \$4,500 has been recorded for the year ended June 30, 2015, based on prior collection historical information, for amounts not collected when a property is sold through a Tax Levy sale. The amount placed on the tax rolls is recorded separately as a long term receivable on the balance sheet. Long Term receivables for the year ended June 30, 2015 were \$61,545.

Debt issuance costs - Debt issuance costs are expensed when incurred.

Other accounting policies - Customers are billed on a bi-monthly basis and the related revenues are recorded when customers are billed.

Income taxes - The Agency is exempt from Federal and State income taxes, as it is a public government agency.

Cash and cash equivalents - For purposes of the statement of cash flows, the Agency limits the term *cash and cash equivalents* to only currency on hand, demand deposits with banks or other financial institutions, and deposits in other kinds of accounts or cash management pools that have the general characteristics of demand deposit accounts in that the Agency may deposit additional cash at any time and effectively withdraw cash at any time without prior notice or penalty.

Property taxes - Property taxes are assessed and collected each fiscal year according to the following property tax calendar:

Lien date:	March
Levy date:	July 1 to June 30
Due date:	November 1 - first installment March 1 - second installment
Collection date:	December 10 - first installment April 10 - second installment

General property taxes are assessed and collected by the County of San Bernardino on a rate per \$100 of assessed value, plus other increases approved by the voters. The general property taxes are pooled and are then allocated to the districts based on formulas. Property taxes are recognized as revenue when received and/or become available. Property tax revenues are considered available when they become due or past due and receivable within the current period and those expected to be collected during a 60-day period subsequent to the balance sheet date when significant.

BIGHORN-DESERT VIEW WATER AGENCY

NOTES TO FINANCIAL STATEMENTS

(Continued)

(1) **Summary of significant accounting policies (Continued)**

Grants - When a grant agreement is approved and eligible expenditures are incurred, the amount is recorded as a federal capital or operating grant receivable on the statement of net position and as capital grant contribution or operating grant revenue, as appropriate, on the statement of revenues, expenses and changes in net position.

Pensions - For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position have been determined on the same basis as they are reported by the CalPERS Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

GASB 68 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date (VD) June 30, 2013

Measurement Date (MD) June 30, 2014

Measurement Period (MP) June 30, 2013 to June 30, 2014

Deferred outflows of resources – When applicable, the statement of net position and balance sheet will report a separate section for deferred outflows of resources. Deferred outflows of resources represent outflows of resources (consumption of net position) that apply to future periods and that, therefore, are not recognized as an expense or expenditure until that time. The Agency only has two items that qualify for reporting in this category, deferred pension contribution and actuarially determined pension items.

Deferred inflows of resources - When applicable, the statement of net position and the balance sheet will report a separate section for deferred inflows of resources. Deferred inflows of resources represent inflows of resources (acquisition of net position) that apply to future periods and that, therefore, are not recognized as an inflow of resources (revenue) until that time. The Agency only has one item that qualifies for reporting in this category related to actuarially determined pension items.

Prior year information - Certain data has been presented for the prior year. Such data does not represent a complete presentation in accordance with generally accepted accounting principles, but has been presented for comparative purposes only.

Reclassification - Certain amounts reported as of June 30, 2014 and the year then ended have been reclassified to allow for comparative balances.

BIGHORN-DESERT VIEW WATER AGENCY

NOTES TO FINANCIAL STATEMENTS

(Continued)

(2) **Cash and investments**

The Agency maintains a cash and investment pool that is available for all funds. Each fund type balance in the pool is reflected on the combined balance sheet as cash and investments.

Cash deposits - The carrying amounts of the Agency's cash deposits were \$101,490 at June 30, 2015. Bank balances before reconciling items were \$195,327 at that date, the total amount of which was collateralized or insured with securities held by pledging financial institutions in the Agency's name as discussed below.

The California Government Code requires California banks and savings and loan associations to secure the Agency's cash deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in the Agency's name.

The market value of the pledged securities must equal at least 110% of the Agency's deposits. California law also allows financial institutions to secure the Agency's deposits by pledging first trust deed mortgage notes having a value of 150% of the Agency's deposits. The Agency may waive collateral requirements for cash deposits, which are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC). The Agency follows the practice of pooling cash and investments of all funds, except for funds required to be held by fiscal agents under provisions of bond indentures. Interest income earned on pooled cash and investments is allocated on an accounting period basis to the various funds based on the period-end cash and investment balances; interest income from cash and investments with fiscal agents is credited directly to the related fund.

Investments - Under the provisions of the Agency's investment policy and in accordance with California Government Code, the following investments were authorized:

- Securities issued by the U.S. Treasury
- Securities issued and fully guaranteed as to payment by an agency of the U.S. Government
- Bankers' Acceptances
- Non-negotiable certificates of deposit
- Repurchase Agreements
- California Local Agency Investment Fund (State Pool)
- Corporate medium-term notes
- Mortgage-backed securities
- Diversified Management Companies, as defined by Section 23701m of the Revenue Taxation Code

Summary of cash and investments - The following is a summary of pooled cash and investments at June 30, 2015:

Cash and investments	\$1,024,137
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BIGHORN-DESERT VIEW WATER AGENCY

NOTES TO FINANCIAL STATEMENTS

(Continued)

(2) Cash and investments (Continued)

At June 30, 2015, cash and investments were composed of the following:

	Credit Quality Ratings	Fair Value
Deposits	Not Rated	\$ 101,490
Local Agency Investment Funds	Not Rated	921,097
Petty Cash	Not Rated	<u>1,550</u>
		<u>\$1,024,137</u>

Risk Disclosures

Interest rate risk - As a means of limiting its exposure to fair value losses arising from rising interest rates, the Agency's investment policy limits the Agency's investment portfolio to maturities not to exceed five years at time of purchase.

Credit risk - State law limits investments in commercial paper and corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations (NRSROs). It is the Agency's policy to limit its investments in these investment types to the top rating issued by NRSROs, including raters Standard & Poor's, Fitch Ratings, and Moody's Investors Service.

Summary of Investments to Maturity

The fair value of investments held by maturity at June 30, 2015, is shown below:

Maturity:	
Current to one year	\$ 921,097
Two to three years	-
Four to five years	<u>-</u>
Total	<u>\$ 921,097</u>

Investment in State Investment Pool - The Agency is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the Agency's investment in this pool is reported in the accompanying financial statements at amounts based upon the Agency's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. LAIF is not rated.

BIGHORN-DESERT VIEW WATER AGENCY

NOTES TO FINANCIAL STATEMENTS

(Continued)

(3) Capital Assets

A summary of changes in utility plant in service for the year ended June 30, 2015:

<u>Assets at Cost</u>	<u>Balance July 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2015</u>
Capital assets, not being depreciated:				
Land	\$ 76,611	13,497	-	90,108
Construction in progress	<u>21,399</u>	<u>7,114</u>	<u>-</u>	<u>28,513</u>
Total capital assets, not being depreciated	<u>98,010</u>	<u>20,611</u>	<u>-</u>	<u>118,621</u>
Capital assets, being depreciated:				
Fuel station	18,942	-	-	18,942
Mobile equipment	507,933	213,301	-	721,234
Office building	237,605	-	-	237,605
Office equipment	96,089	-	-	96,089
Software	-	109,702	-	109,702
Organization	336,272	-	-	336,272
Shop equipment	41,328	-	-	41,328
Water system	8,209,841	3,046	-	8,212,887
Yards	<u>61,488</u>	<u>-</u>	<u>-</u>	<u>61,488</u>
Total capital assets, being depreciated	<u>9,509,498</u>	<u>326,049</u>	<u>-</u>	<u>9,835,547</u>
Total assets at cost	<u>9,607,508</u>	<u>346,660</u>	<u>-</u>	<u>9,954,168</u>
Accumulated depreciation:				
Fuel station	(13,014)	(808)	-	(13,822)
Mobile equipment	(414,580)	(23,110)	-	(437,690)
Office building	(213,106)	(2,230)	-	(215,336)
Office equipment	(95,366)	(266)	-	(95,632)
Software	-	(2,921)	-	(2,921)
Organization	(96,608)	(13,402)	-	(110,010)
Shop equipment	(40,306)	(587)	-	(40,893)
Water system	(5,003,836)	(202,125)	-	(5,205,961)
Yards	<u>(53,224)</u>	<u>(248)</u>	<u>-</u>	<u>(53,472)</u>
Total accumulated depreciation	<u>(5,930,040)</u>	<u>(245,697)</u>	<u>-</u>	<u>(6,175,737)</u>
Total capital assets being depreciated, net	<u>3,579,458</u>	<u>80,352</u>	<u>-</u>	<u>3,659,810</u>
Capital assets, net book value	<u>\$ 3,677,468</u>	<u>100,963</u>	<u>-</u>	<u>3,778,431</u>

BIGHORN-DESERT VIEW WATER AGENCY

NOTES TO FINANCIAL STATEMENTS

(Continued)

(3) Capital Assets, (Continued)

Idle Assets - During fiscal year 2011/2012 the Agency conducted a feasibility study as to the existence of ground water in the Johnson Valley. In doing so, the Agency constructed a well which was to be used to pump water from the Johnson Valley. However, it was determined that at the drilling depth dictated by the feasibility study, the well would not produce water. While the Agency could continue to drill to further depths, in hopes of creating a producing well, this decision has not yet been made by management or the Board of Directors. As such, the value of the Johnson Valley Well, \$177,096, will be held on the balance sheet as an Idle Asset, not to be depreciated, until the Agency decides how to proceed regarding further drilling. Since the well has not experienced a permanent decline in the service utility of the asset, the well is not considered to be impaired based upon the criteria of GASB Statement No. 42.

(4) Long-term debt

Bonds Payable:

	<u>June 30, 2015</u>
Bighorn General obligation bonds:	
Original issue \$1,875,000, 5%, maturing in 2019; secured by tax levy revenues	\$ 385,000
Desert View Water revenue bonds:	
Original issue \$700,000, 5%, maturing in 2020; secured by a pledge of all revenues	<u>172,977</u>
Total bonds payable	557,977
Less portion due within one year	<u>(121,000)</u>
	<u>\$ 436,977</u>

Change in Long Term Liabilities:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within 1 Year</u>
Bighorn General Obligation Bonds	\$ 470,000	-	(85,000)	385,000	89,000
Desert View Water Revenue Bonds	203,977	-	(31,000)	172,977	32,000
Compensated Absences	<u>49,915</u>	<u>16,397</u>	<u>(7,126)</u>	<u>59,186</u>	<u>18,636</u>
Total	<u>\$ 723,892</u>	<u>16,397</u>	<u>(123,126)</u>	<u>617,163</u>	<u>139,636</u>

BIGHORN-DESERT VIEW WATER AGENCY

NOTES TO FINANCIAL STATEMENTS

(Continued)

(4) Long-term debt, (Continued)

Future long-term debt maturities are as follows:

Year Ending June 30	General Obligation Bonds		Water Revenue Bonds	
	Principal	Interest	Principal	Interest
2016	89,000	19,250	32,000	7,422
2017	94,000	14,800	34,000	5,722
2018	98,000	10,100	35,000	3,972
2019	104,000	5,200	37,000	2,122
2020	-	-	34,977	172
Total	<u>\$ 385,000</u>	<u>49,350</u>	<u>172,977</u>	<u>19,412</u>

(5) Joint powers authority

The Agency participates in a joint powers agreement (JPA), the Special District Risk Management Authority (SDRMA), in order to obtain workers compensation and property liability insurance coverage. The relationships between the Agency and the JPA are such that the JPA is not a component unit of the Agency for financial reporting purposes.

The JPA has budgeting and financial reporting requirements independent of member units and its financial statements are not presented in these financial statements; however, transactions between the JPA and the Agency are included in these statements.

Special Districts Risk Management Authority (SDRMA)

Purpose:	To purchase property, workers compensation, and liability insurance for member districts
Participants:	Special districts in California
Governing board:	Two directors selected by the California Special Districts Association and five elected from membership

(6) Morongo Basin pipeline water delivery costs

On March 15, 1991, the Agency entered into an agreement with the Mojave Water Agency ("MWA") to receive water delivered through MWA's Morongo Basin pipeline ("the Pipeline") that serves the area of Improvement District M. Included in the transmission and distribution expenses of the Agency for the year ended June 30, 2015 are \$73,193 of such costs paid to MWA for water delivered through MWA's Morongo Basin pipeline. Under the terms of the agreement, the cost of the water purchased takes into account both operating and capital costs associated with the pipeline.

BIGHORN-DESERT VIEW WATER AGENCY

NOTES TO FINANCIAL STATEMENTS

(Continued)

(7) **Litigation**

The Agency presently has no material action, suit or preceding that is expected to have a material adverse effect upon the financial condition of the Agency.

(8) **Pension plan**

Plan Description - All qualified permanent and probationary employees are eligible to participate in the Agency's Miscellaneous Employee Pension Plans, cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and Local Government resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided – CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. The Plans' provisions and benefits in effect at June 30, 2015, are summarized as follows:

	Miscellaneous
Benefit formula	3.0% @ 60
Benefit vesting schedule	5 years service
Benefit payments	monthly for life
Retirement age	50-60
Monthly benefits, as a % of eligible compensation	2.0% to 3.0%
Required employee contribution rates	13.326%
Required employer contribution rates	6.35%

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through the CalPERS' annual actuarial valuation process. For public agency cost-sharing plans covered by either the Miscellaneous or Safety risk pools, the Plan's actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs of benefits earned by employees during the year, and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the measurement period ended June 30, 2014 (the measurement date), the active employee contribution rate is 7.761 percent of annual pay, and the average employer's contribution rate is 17.620 percent of annual payroll. Employer contributions rates may change if plan contracts are amended. It is the responsibility of the employer to make necessary accounting adjustments to reflect the impact due to any Employer Paid Member Contributions or situations where members are paying a portion of the employer contribution.

BIGHORN-DESERT VIEW WATER AGENCY

NOTES TO FINANCIAL STATEMENTS

(Continued)

(8) **Pension plan, (Continued)**

For the measurement period ending June 30, 2014 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2013 total pension liability. The June 30, 2013 and June 30, 2014 total pension liability were based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Asset Valuation Method	Market Value of Assets
Actuarial Assumptions	
Discount Rate	7.50%
Inflation	2.75%
Payroll Growth	Varies by Entry Age and Service
Investment Rate of Return	7.50% Net of Pension Plan Investment and Administrative Expenses: includes Inflation

Discount Rate - The discount rate used to measure the total pension liability was 7.50 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.50 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.50 percent is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS' website under the GASB 68 section.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50 percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65 percent. Using this lower discount rate has resulted in a slightly higher total pension liability and net pension liability. This difference was deemed immaterial to the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan. However, employers may determine the impact at the plan level for their own financial reporting purposes. Refer to page 23 of this report, which provides information on the sensitivity of the net pension liability to changes in the discount rate.

BIGHORN-DESERT VIEW WATER AGENCY

NOTES TO FINANCIAL STATEMENTS

(Continued)

(8) Pension plan, (Continued)

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as we have changed our methodology.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, staff took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

Asset Class	New Strategic Allocation	Real Return Years 1 - 10 ¹	Real Return Years 11+ ²
Global Equity	47.0%	5.25%	5.71%
Global Fixed Income	19.0	0.99	2.43
Inflation Sensitive	6.0	0.45	3.36
Private Equity	12.0	6.83	6.95
Real Estate	11.0	4.50	5.13
Infrastructure and Forestland	3.0	4.50	5.09
Liquidity	2.0	(0.55)	(1.05)

¹An expected inflation of 2.5% used for this period

²An expected inflation of 3.0% used for this period

BIGHORN-DESERT VIEW WATER AGENCY

NOTES TO FINANCIAL STATEMENTS

(Continued)

(8) **Pension plan, (Continued)**

Allocation of Net Pension Liability and Pension Expense to Individual Employers –

A key aspect of GASB 68 pertaining to cost-sharing employers is the establishment of an approach to allocate the net pension liability and pension expense to the individual employers within the risk pool. Paragraph 49 of GASB 68 indicates that for pools where contribution rates within the pool are based on separate relationships, the proportional allocation should reflect those relationships. The allocation method utilized by CalPERS determines the employer's share by reflecting these relationships through the plans they sponsor within the risk pool. Plan liability and asset-related information are used where available, and proportional allocations of individual plan amounts as of the valuation date are used where not available.

- (1) In determining a cost-sharing plan's proportionate share, total amounts of liabilities and assets are first calculated for the Miscellaneous Risk Pool (risk pool) as a whole on the valuation date (June 30, 2013). The risk pool's fiduciary net position (FNP) subtracted from its total pension liability (TPL) determines the net pension liability (NPL) at the valuation date.
- (2) Using standard actuarial roll forward methods, the risk pool TPL is then computed at the measurement date (June 30, 2014). Risk pool FNP at the measurement date is then subtracted from this number to compute the NPL for the risk pool at the measurement date.

Note: for purposes of FNP in this step (2) and any later reference thereto, the risk pool's FNP at the measurement date denotes the aggregate risk pool's FNP at June 30, 2014 less the sum of all additional side fund (or unfunded liability) contributions made by all employers during the measurement period (2013-14).

- (3) The individual plan's TPL, FNP and NPL are also calculated at the valuation date.
- (4) Two ratios are created by dividing the plan's individual TPL and FNP as of the valuation date from (3) by the amounts in step (1), the risk pool's total TPL and FNP, respectively.
- (5) The plan's TPL as of the Measurement Date is equal to the risk pool TPL generated in (2) multiplied by the TPL ratio generated in (4).

The plan's FNP as of the Measurement Date is equal to the FNP generated in (2) multiplied by the FNP ratio generated in (4) plus any additional side fund (or unfunded liability) contributions made by the employer on behalf of the plan during the measurement period.

BIGHORN-DESERT VIEW WATER AGENCY

NOTES TO FINANCIAL STATEMENTS

(Continued)

(8) **Pension plan, (Continued)**

(6) The plan's NPL at the Measurement Date is the difference between the TPL and FNP calculated in (5).

(7) The following table shows the Plan's proportionate share of the net pension liability over the measurement period:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (c) = (a) - (b)
Balance at: 6/30/2013 (VD)	\$1,891,110	1,367,459	523,651
Balance at: 6/30/2014 (MD)	2,003,649	1,594,765	408,884
Net Changes during 2013-14	112,539	227,306	(114,767)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following presents the net pension liability of the Plan as of the Measurement Date, calculated using the discount rate of 7.50 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.50 percent) or 1 percentage-point higher (8.50 percent) than the current rate:

	Discount Rate – 1 % (6.5 %)	Current Discount Rate (7.5 %)	Discount Rate + 1 % (8.5 %)
Plan's Net Pension Liability	\$674,694	408,884	188,288

Subsequent Events – There were no subsequent events that would materially affect the results presented in this disclosure.

Recognition of Gains and Losses – Under GASB 68, deferred inflows and deferred outflows of resources related to pensions are recognized in pension expense systematically over time.

The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred inflows and deferred outflows to be recognized in future pension expense.

BIGHORN-DESERT VIEW WATER AGENCY

NOTES TO FINANCIAL STATEMENTS

(Continued)

(8) **Pension plan, (Continued)**

The amortization period differs depending on the source of the gain or loss:

Difference between projected and actual earnings	5 year straight-line amortization
All other amounts	Straight-line amortization over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired as of the beginning of the measurement period).

The expected average remaining service lifetime (EARSL) is calculated by dividing the total future service years by the total number of plan participants (active, inactive, and retired).

The EARSL for the Plan was 3.8 years, which was obtained by dividing the total service years of 460,700 (the sum of remaining service lifetimes of the active employees) by 122,789 (the total number of participants). Note that inactive employees entitled to but not receiving benefits and inactive employees receiving benefits have remaining service lifetimes equal to 0.

Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions – As of the start of the measurement period (June 30, 2013), the NPL is \$523,651.

For the measurement period ending June 30, 2014 (the measurement date), the Bighorn-Desert View Water Agency recognized a pension expense of \$37,132 for the Plan.

As of June 30, 2014, the Bighorn-Desert View Water Agency reports other amounts for the Plan as deferred outflow and deferred inflow of resources related to pensions as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	\$ 0	\$ 0
Changes of Assumptions	0	0
Net Difference between Projected and Actual Earnings on Pension Plan		
Investments	0	(109,542)
Adjustment due to Differences in Proportions	2,625	0
Total	\$2,625	(\$109,542)

BIGHORN-DESERT VIEW WATER AGENCY

NOTES TO FINANCIAL STATEMENTS

(Continued)

(8) Pension plan, (Continued)

In addition to the figures shown in the table above, each employer is required to recognize an employer-specific type of deferred inflows and deferred outflows. This is derived from the difference between actual contributions made by the employer and the employer's proportionate share of the risk pool's total contributions. This deferral and the corresponding amortization amount are calculated separately by each employer. The employer's pension expense is adjusted for the amortization of this additional deferral. This item is required to be amortized over the plan's Expected Average Remaining Service Lives (EARSL). Of 3.8 years. The balance of this deferred outflow of resources is \$5,198 at June 30, 2015.

Amounts reported as deferred outflows and deferred inflows of resources in the previous chart, including the employer-specific item, will be recognized in future pension expense as follows:

Measurement period Ended June 30:	Deferred Outflows/(Inflows) of Resources
2015	\$ (24,592)
2016	(24,592)
2017	(25,150)
2018	(27,384)

In addition to these amounts, \$53,164 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016.

(9) Debt covenants

The Agency is presently repaying two bond issues: (1) the 1979 Bighorn Mountains Water Agency General Obligation Bonds; and (2) the 1980 Desert View Water District Revenue Bonds. Each of these bonds were issued for the purpose of constructing improvements to the Agency's Water System the 1980 issue of which included a series of covenants to which the Agency, or its predecessors, has agreed. One of the covenants is that the Agency will, at a minimum set its rates in a manner to provide sufficient revenue to cover operating costs, pay the principal and interest due on the bond installments, pay the annual payment required by the agreement with Mojave Water Agency, and have a specified coverage. The 1980 Desert View bonds have a coverage requirement that net revenues, defined as gross revenues net of operating and incidental costs, be 20% over the annual principal and interest payment. For the year ended June 30, 2015, pledged revenues were \$49,949, principal and interest expenses totaled \$40,491 this requirement has been met.

BIGHORN-DESERT VIEW WATER AGENCY

NOTES TO FINANCIAL STATEMENTS

(Continued)

(9) **Debt covenants (continued)**

The Pledge of Revenues and Funds of the 1980 Desert View Water District Revenue Bonds (the “pledge”) requires that a Reserve Fund be established to further secure the payment of the principal of and interest on those bonds. Pursuant to the pledge, the balance of this Reserve Fund is to be maintained at the average of all future payments, or \$38,478. At June 30, 2015, the reserve was fully funded and had a balance of \$921,097.

(10) **Prior period adjustments**

The accompanying financial statements reflect certain prior period adjustments as set forth below:

	<u>Net Position at Beginning of year</u>
As previously reported	\$ 4,538,935
Implementation of GASB 68	<u>473,471</u>
As restated	\$ 4,065,464

During the year the Agency implemented GASB 68 resulting in recording a net pension liability and deferred outflow of resources as a prior period adjustment. It is not practical to restate the 2014 partial comparative financial information due to the unavailability of information.

(11) **Subsequent events**

The Company evaluated all events and transactions that occurred after June 30, 2015 up through the date these financial statements were available to be issued on October 27, 2015.

On July 1, 2015, the Agency annexed territory CSA 70 Zone W-1, which encompasses approximately 5,701 acres, from the County of San Bernardino. The annexation adds approximately 650 customers to the Agency’s service area. The Agency assumed all existing assets and liabilities of the former County Special District on July 1, 2015. The total assets of the special district are approximately \$2.8 million and total liabilities are approximately \$550,000. As part of the conditions, the Agency shall receive \$678,027 of reserves to be used on Capital Replacement and Expansion. All other cash on hand or reserve funds will transfer to the Agency for use in providing service to the ratepayers and property owners of the dissolved Special District.

BIGHORN-DESERT VIEW WATER AGENCY
REQUIRED SUPPLEMENTARY INFORMATION

***Schedule of the Agency's Proportionate Share of the Net Pension Liability as of the
Measurement Date
Last 10 Fiscal Years ****

	<u>6/30/2014</u>
Agency's Proportion of the Net Pension Liability (Asset)	0.00657%
Agency's Proportionate Share of the Net Pension Liability (Asset)	\$408,884
Agency's Covered-Employee Payroll	\$361,687
Agency's Proportionate Share of the Net Pension Liability (Asset) as a percentage of its Covered Payroll	113.05%
Agency's Proportionate Share of the Fiduciary Net Position as a percentage of the Plan's Total Pension Liability	79.59%

***Schedule of Plan Contributions
Last 10 Fiscal Years ****

	<u>Fiscal Year 2014-15</u>
Contractually Required Contribution	\$ 62,917
Contributions in Relation to the Contractually Required Contribution	(62,917)
Contribution Deficiency (Excess)	<u>\$ 0</u>
Covered-Employee Payroll	\$328,557
Contributions as a Percentage of Covered-Employee Payroll	19.15%

Notes to Schedule:

Benefit Changes: The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2013 as they have minimal cost impact. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a Golden Handshakes). Employers that have done so may need to report this information as a separate liability in their financial statement as CalPERS considers such amounts to be separately financed employer-specific liabilities.

Changes of Assumptions: None

* - Fiscal Year 2015 was the first year of implementation, therefore only one year is shown here

STATISTICAL SECTION

Financial Trends

These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time:

- Net Position by Component
- Changes in Net Position/Equity

Revenue Capacity

These schedules contain trend information to help the reader assess the government's most significant current local revenue source, the property tax:

- Water Sold
- Rates
- Largest Users

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place:

- Demographic

Debt Capacity Information

These schedules assist users in understanding and assessing a government's debt burden and its ability to issue additional debt:

- Ratio of Outstanding Debt
- Ratio of General Bond Outstanding
- Pledged – Revenue Coverage

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs:

- Employees
- Operating and Capital

**BIG HORN-DESERT VIEW WATER AGENCY
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS**

<u>Fiscal Year</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Invested in capital assets, net of related debt	\$2,285,266	2,691,161	2,816,559	2,546,637	3,087,501	3,331,173	3,286,244	3,130,527	3,003,491	3,220,454
Restricted Bighorn/Desert Vie	413,889	-	-	-	766,463	-	-	-	-	-
Restricted for Bighorn	-	-	-	-	-	(182,214)	96,880	197,943	-	-
Restricted for Desert View	-	-	-	-	-	1,164,613	1,233,465	1,106,580	-	-
Unrestricted	492,707	845,948	453,169	940,679	-	-	-	-	1,535,444	966,225
Total net position	<u>\$3,191,862</u>	<u>3,537,109</u>	<u>3,269,728</u>	<u>3,487,316</u>	<u>3,853,964</u>	<u>4,313,572</u>	<u>4,616,589</u>	<u>4,435,050</u>	<u>4,538,935</u>	<u>4,186,679</u>
% Increase	6.05%	10.82%	-7.56%	6.65%	10.51%	11.93%	7.02%	-3.93%	2.34%	-7.76%

Source: Audited financial statements

**BIGHORN-DESERT VIEW WATER AGENCY
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS**

Fiscal Year		Water Operating Revenues	Operating Expenses	Operating Loss	Total Nonoperating Revenues/Expenses	Grant Income	Change in Net Position
2005/2006	\$	957,729	878,861	78,868	103,148	200,000	182,016
2006/2007		1,028,163	1,078,584	(50,421)	117,286	278,378	345,243
2007/2008		901,719	1,337,090	(435,371)	167,994	11,077	(256,300)
2008/2009		1,066,200	1,107,924	(41,724)	210,507	42,855	211,638
2009/2010		1,144,587	1,172,020	(27,433)	161,738	232,343	366,648
2010/2011		1,102,914	1,196,140	(93,226)	122,229	430,605	459,608
2011/2012		1,102,119	1,222,486	(120,367)	295,167	128,217	303,017
2012/2013		1,106,858	1,294,049	(187,191)	288,509	193,000	294,318
2013/2014 *		1,192,241	1,385,932	(193,691)	297,576	102,377	206,262
2014/2015		1,118,099	1,311,672	(193,573)	312,543		118,970

*Prior period adjustment to fiscal year 2013/2014 water operating revenues (see page 9 of the audited financial statements for further clarification)
Source: Audited financial statements

**BIGHORN-DESERT VIEW WATER AGENCY
WATER SOLD
LAST TEN FISCAL YEARS**

Fiscal Year	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
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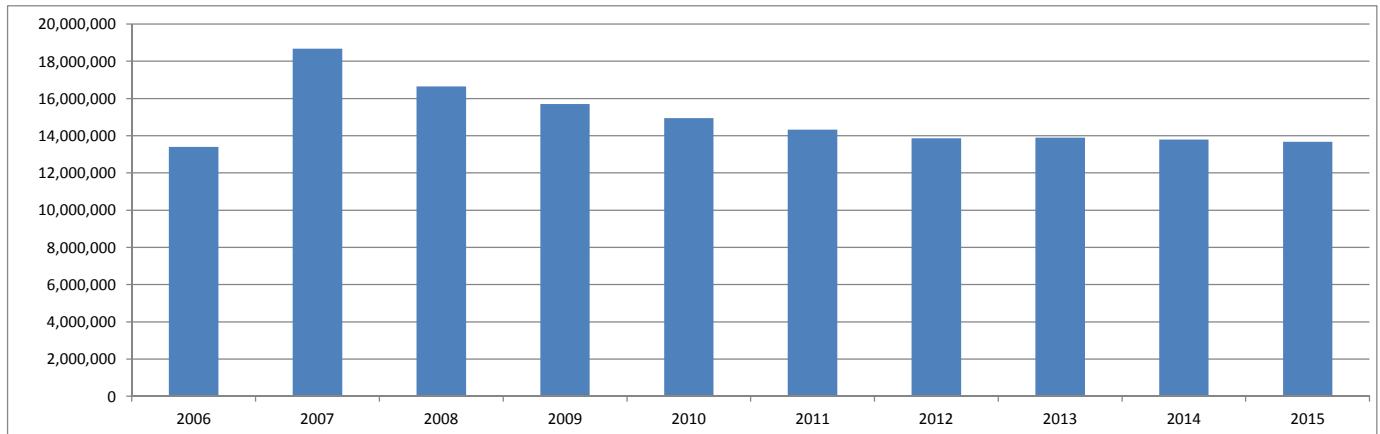
BIGHORN MOUNTAINS

Residential 1-6 plus bulk accounts 30, 31, 33 & 40										
Cubic Feet	6,342,070	9,182,709	8,018,498	7,410,980	6,714,996	6,542,481	6,307,928	6,313,798	6,452,122	6,384,904
Acre Feet	145.6	210.8	184.1	170.1	154.2	150.2	144.8	144.9	148.1	146.6
DESERT VIEW										
Residential 7-11 plus bulk account 32										
Cubic Feet	7,053,992	9,499,609	8,623,442	8,295,352	8,239,072	7,779,814	7,559,768	7,589,015	7,348,915	7,282,630
Acre Feet	161.9	218.1	198.0	190.4	189.1	178.6	173.5	174.2	168.7	167.2

Total Sales in Cubic Feet	13,396,062	18,682,318	16,641,940	15,706,332	14,954,068	14,322,295	13,867,696	13,902,813	13,801,037	13,667,534
Total Sales in Acre Feet	307.5	428.9	382.0	360.6	343.3	328.8	318.4	319.2	316.8	313.8

Bulk accounts are for individuals that haul their own water and water haulers.
 Closed accounts are included with billing cycle regardless of route.
 Construction water use varies from year to year and is included under Bighorn Mountains

WATER SOLD PER YEAR



Source: Bighorn-Desert View Water Agency Accounting Staff

**BIGHORN-DESERT VIEW WATER AGENCY
WATER RATES
LAST TEN FISCAL YEARS**

Fiscal Year	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
BIGHORN MOUNTAINS										
Accounts 01-06										
Consumption Rate	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00
Basic Service Charge	\$20.00	\$20.00	\$20.00	\$27.50	\$27.50	\$27.50	\$27.50	\$27.50	\$27.50	\$27.50
DESERT VIEW										
Accounts 07-11										
Consumption Rate	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00
Basic Service Charge	\$20.00	\$20.00	\$20.00	\$27.50	\$27.50	\$27.50	\$27.50	\$27.50	\$27.50	\$27.50
FMHA	\$4.65	\$4.65	\$4.65	\$4.65	\$4.65	\$4.65	\$4.65	\$4.65	\$4.65	\$4.65
Accounts 30-33 (water haulers)										
Consumption Rate	\$3.00	\$7.00	\$7.00	\$7.00	\$8.50	\$8.50	\$8.50	\$8.50	\$8.50	\$8.50
Basic Service Charge	\$20.00	None	None	None	None	None	None	None	None	None
Account 40 (construction)										
Consumption Rate	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$8.50
Basic Service Charge	None	None	None	None	None	None	None	None	None	\$27.50

"Basic Rate" is montly fixed basic service charge regardless of water consumption.

"Usage Rate" is rate imposed per 100 cubic feet metered Agency bills customers bi-monthly.

Basic Service Charge and Consumption Rate changes are subject to California Constitution limitations (aka: Proposition 218)

Construction rates were the same as Accounts 30-33 until modified in fy2014/15

Source: Bighorn-Desert View Water Agency Accounting Staff

**BIGHORN-DESERT VIEW WATER AGENCY
LARGEST WATER USERS 2014-2015**

	Customer	Sales in Cubic Ft	Annual Revenues	Percent of Sales
1	H2O2U (COMMERCIAL WATER HAULER)	155,010	\$ 13,176	3.01%
2	JS WATER (COMMERCIAL WATER HAULER)	121,310	\$ 10,311	2.35%
3	LANDERS ELEMENTARY SCHOOL	102,710	\$ 3,081	0.70%
4	RESIDENTIAL CUSTOMER A	97,108	\$ 2,913	0.66%
5	RESIDENTIAL CUSTOMER B	93,372	\$ 2,801	0.64%
6	RESIDENTIAL CUSTOMER C	76,344	\$ 2,290	0.52%
7	SKANSKA CIVI W (CONSTRUCTION METER)	67,220	\$ 5,714	1.30%
8	RESIDENTIAL CUSTOMER D	63,964	\$ 1,919	0.44%
9	RESIDENTIAL CUSTOMER E	63,254	\$ 1,898	0.43%
10	RESIDENTIAL CUSTOMER F	61,627	\$ 1,849	0.42%
Water Sold in 2014-2015		13,667,534	\$ 438,409	

Commercial water haulers deliver to individual residents without service connections.
Comm. water haulers & construction water users are charged a higher rate per unit than
domestic users (See Table "Water Rates" for trends)
Only potable water is distributed by BDVWA
High usage contributed to "water leaks" have been excluded

**LARGEST WATER USERS 2005-2006
(9 YEARS PRIOR)**

	Customer	Sales in Cubic Ft	Annual Revenues	Percent of Sales
1	L&S WATER DELIVERY (WATER HAULER)	267,720	\$ 8,032	1.60%
2	MATICH CORP (CONSTRUCTION METER)	254,420	\$ 7,633	1.52%
3	DON LINDBERG (WATER HAULER)	115,210	\$ 3,456	0.69%
4	LANDER ELEMENTARY SCHOOL	105,088	\$ 3,153	0.63%
5	RESIDENTIAL CUSTOMER	94,370	\$ 2,831	0.57%
6	SALAS, DAVID (WATER HAULER)	93,400	\$ 2,802	0.56%
7	RESIDENTIAL CUSTOMER 1	85,733	\$ 2,572	0.51%
8	RESIDENTIAL CUSTOMER 3	72,672	\$ 2,180	0.44%
9	RESIDENTIAL CUSTOMER	66,212	\$ 1,986	0.40%
10	RESIDENTIAL CUSTOMER 2	64,762	\$ 1,943	0.39%
Water Sold in 2005-2006		13,396,062	\$ 500,565	

Source: Bighorn-Desert View Water Agency Accounting Staff

**BIGHORN-DESERT VIEW WATER AGENCY
RATIO OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS**

<u>Fiscal Year</u>	<u>BH Bond</u>	<u>DV Bond</u>	<u>Total Outstanding Debt</u>	<u>Percent of Per Capita Personal Income</u>	<u>Debt per Capita</u>
2005/2006	\$1,111,000	\$438,977	\$1,549,977	2.88%	\$626
2006/2007	\$1,056,000	\$417,977	\$1,473,977	2.52%	\$581
2007/2008	\$998,000	\$395,977	\$1,393,977	2.21%	\$540
2008/2009	\$936,000	\$372,977	\$1,308,977	1.95%	\$500
2009/2010	\$870,000	\$348,977	\$1,218,977	1.81%	\$474
2010/2011	\$800,000	\$305,447	\$1,105,447	1.66%	\$429
2011/2012	\$726,000	\$297,978	\$1,023,978	1.40%	\$336
2012/2013	\$551,000	\$269,977	\$820,977	0.87%	\$269
2013/2014 *	\$470,000	\$203,594	\$673,594	0.59%	\$221
2014/2015	\$385,000	\$172,977	\$557,977	0.65%	\$183

Sources and footnotes:

Audited Financial Statements

Per Capita Personal Income obtained from

http://www.bestplaces.net/economy/zip-code/california/yucca_valley/92284

* 2013-2014 population for 2010-2013 was updated so Debt per Capita changed.

**BIGHORN-DESERT VIEW WATER AGENCY
RATIO OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS**

Fiscal Year	Obligation Bonds	Assessed Value	Debt per Capita
2005/2006	\$1,013,000	\$1,013,000	\$400
2006/2007	\$958,000	\$958,000	\$371
2007/2008	\$900,000	\$900,000	\$344
2008/2009	\$838,000	\$838,000	\$326
2009/2010	\$772,000	\$772,000	\$300
2010/2011	\$702,000	\$702,000	\$231
2011/2012	\$628,000	\$628,000	\$206
2012/2013	\$551,000	\$551,000	\$181
2013/2014 *	\$470,000	\$470,000	\$154
2014/2015	\$385,000	\$385,000	\$126

Source: Audited Financial Statements and BDVWA Accounting Staff

* 2013-2014 Population for 2010-2013 was updated so Debt per Capita has changed.

**BIGHORN-DESERT VIEW WATER AGENCY
PLEDGED-REVENUE COVERAGE
LAST TEN FISCAL YEARS**

Desert View Water Revenue Bonds

Fiscal Year Ended June 30	FMHA Surcharge	Debt		Coverage
		Principal	Interest	
2005/2006	42,964	20,000	20,586	1.06
2006/2007	43,665	21,000	19,899	1.07
2007/2008	43,640	22,000	18,181	1.09
2008/2009	47,744	23,000	22,436	1.05
2009/2010	50,345	24,000	12,311	1.39
2010/2011	50,206	25,000	13,534	1.30
2011/2012	50,006	26,000	13,442	1.27
2012/2013	49,967	28,000	12,324	1.24
2013/2014	49,843	29,000	11,274	1.24
2014/2015	49,949	31,000	9,491	1.23

Source: Audited Financial Statements and BDVWA Accounting Staff

**BIGHORN-DESERT VIEW WATER AGENCY
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN CALENDAR YEARS**

Calendar Year	Population	Per Capita Personal Income	Unemployment Rate
2005	2,535	\$23,104	5.30%
2006	2,582	\$24,425	5%
2007	2,619	\$25,645	5.60%
2008	2,574	\$26,178	8.20%
2009	2,575	\$25,837	13%
2010	3,045	\$24,052	13%
2011	3,047	\$31,027	14%
2012	3,049	\$37,293	12.7%
2013	3,053	\$37,293	14.0%
2014	3,055	\$28,255	8.3%

1. Population was recalibrated back to 2010 for the FY2013/14 CAFR based on analysis by Stanley Hoffman & Assoc. as part of an economic review for the Agency. In the future, population will be obtained from the Agency Appropriation Limit worksheet.

2. Per Capita Personal income & unemployment obtained from http://www.bestplaces.net/economy/zip-code/california/yucca_valley/92284

3. 2013-2014 Population for 2010-2013 was updated.

Employer	Number of Employees					2015 % of Labor Force
	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015	
Post Office	1	1	1	1	1	0.09%
Western Coffee Pot	4	1	2	0	0	0.00%
Mojave Liquor/ Hallidays	2	2	4	5	5	0.46%
Loyal Order/Moose Landers	2	2	2	2	2	0.18%
Halliday's	1	2	0	0	0	0.00%
Castle Inn	3	3	2	0	1	0.09%
Diversified Tools	4	4	4	2	2	0.18%
Heros	4	6	6	5	6	0.55%
Bighorn Desert View Water Agency	8	7	7	7	7	0.64%
Landers Elementary School	27	25	20	25	25	2.29%

Total Labor Force for BDV Service Area 1091

Employment information from 2003-2009 is not available.

Every known employer in the Bighorn-Desert View service area is included.

Changes from 2014-2015

Western Coffee Pot closed.

Castle Inn opened again in 2014-2015.

Changes from 2011-2012:

The owner of Mojave purchased Halliday's

Total Labor Force was estimated by using the
Yucca Valley Labor Force found on:
www.Labormarketinfo.edd.ca.gov
then reduced according to the population.

**BIGHORN-DESERT VIEW WATER AGENCY
DISTRICT EMPLOYEES BY FUNCTION
LAST TEN FISCAL YEARS**

Water Operations	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Water Quality & Maintenance	1	1	1	1	1	1	1	1	1	1
Water Distribution & Maintenance	2	2	2	2	2	2	2	2	2	2
Field Supervisor*	1	1	1	1	1	0	0	0	0	0
Chief of Operations**	0	1	1	0	0	0	0	0	0	0
Administration										
Administration***	2	2	2	2	2	2	2	1	1	1
Accounting I, II, III/Customer Service	2	2	2	2	2	2	2	3	3	3
Total Positions	8	9	9	8	8	7	7	7	7	7

Source: Bighorn-Desert View Water Agency Accounting Staff
General Manager is included in Administration
Board Members and Temporary employees are not included.

*6/30/12: Supervisor Field Vacant.

**6/30/08 Chief of Operations position eliminated

***6/30/12: Exec. Sec/Personnel Vacant

***07/01/13: Exec. Sec/Personnel eliminated

**BIGHORN-DESERT VIEW WATER AGENCY
WATER SYSTEM STATISTICS
LAST TEN FISCAL YEARS**

<u>POTABLE WATER SYSTEM</u> ¹	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Miles of pipeline:	120	120	120	120	120	120	120	120	120	120
Number of storage tanks	10	10	10	10	10	10	10	10	10	10
Maximum storage capacity (million gallons)	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4
Number of active pumping plants	2	2	2	2	2	2	2	2	2	2
Number of active wells ² :										
domestic	8	8	8	8	8	7	7	7	6	6
Domestic well production capacity:										
acre feet per calendar year	474	530	487	469	432	412	412	427	427	427
Number of service connections ³ :										
Bighorn Mountains	804	825	809	1012	1008	1008	1007	1007	1009	1010
Desert View	780	797	773	900	894	892	889	888	886	886
<u>GENERAL INFORMATION</u>										
Service area (annexed property):										
acres	27,353	27,353	27,353	27,353	27,353	27,353	27,353	27,353	27,353	27,353
square miles	43	43	43	43	43	43	43	43	43	43

Source: Bighorn-Desert View Water Agency Staff

1. Corrections have been from prior year statistics

2. Well 4 was inactivated in 2011 and Well 2 was inactivated in 2013

3. 2003 to 2008 figures include open meters in use only. 2009 the count was changed to include all meters active and inactive.