



**Comprehensive Annual Financial Report
For the Fiscal Years Ended
June 30, 2017 and 2016**

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

**Prepared by:
*Marina D. West, PG, General Manager/Treasurer***





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, 2017

Member	Office	Term Expires*
Michael McBride	President	2020
J. Dennis Staley	V. President	2018
Judy Corl-Lorono	Secretary	2018
Terry Burkhart	Director	2018
J. Larry Coulombe	Director	2020

*Per SB415 elections consolidated with state general election of even numbered years

Bighorn-Desert View Water Agency
Marina D. West, PG, General Manager
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Yucca Valley, California 92284
(760) 364-2315
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BIGHORN-DESERT VIEW WATER AGENCY
COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year Ended June 30, 2017
(with comparative information for June 30, 2016)

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INTRODUCTORY SECTION

Bighorn-Desert View Water Agency

Board of Directors

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



Agency Office

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Marina D West, P.G., General Manager

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A Public Agency

October 3, 2017

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, 2017 and 2016, 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" (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 "special district" type 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 eight (8) full-time employees and one (1) part-time employee 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 encompasses the unincorporated communities in the county known as Flamingo Heights, Landers, and Johnson Valley. Water service is provided to approximately 2,000 active residential customers, 460 inactive customers, and 102 bulk-hauling customers within its fifty-two (52) square-mile service area, located in the eastern desert area of San Bernardino County.

As of July 1, 2015 the Agency annexed a neighboring water system which remains isolated from the Bighorn-Desert View water system. Therefore, the Agency operates under two permits issued by State Water Resources Control Board - Division of Drinking Water.

Agency Services

Residential customers represent nearly 100% of the Agency's customer base and therefore consume a majority of the water produced annually with the remainder utilized for construction projects, system flushing, fire suppression or lost to leaks. The combined water systems utilize a total of nine (9) active groundwater wells with a total system production capacity of 3,864 gallons per minute. In fiscal year 2016/17, the Agency produced approximately 500 acre-feet of groundwater with 130 acre-feet of that production serving the ID GM system demand. This represents an increase in production and corresponding increase in consumption of about 10% over the prior year.

The Agency purchased 70 acre-feet of imported State Project Water from the Mojave Water Agency in FY2016/17 for recharge at the newly completed Ames/Reche Groundwater Storage site for a total of 240 acre-feet of "pre-stored" water.

Economic Condition and Outlook for the Local Economy

According to *Sperling's Best Places* the cost of living in the Landers area is 15.3% lower than the U.S. average. This is primarily attributed to lower housing costs. However, all other cost of living factors are greater than the U.S. average with groceries, utilities and transportation at least 7 to 13% higher. The unemployment rate is currently approximately 6.4% which is a little lower than 2015/16. Using U.S. Census Block

group data, all census blocks within the Agency boundaries are classified as a “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.

The Agency serves only a small number of commercial businesses and institutions. The largest employer is the local elementary school. Many local residents will 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”. In Fiscal Year 2016/17 the Agency focused on the following major initiatives:

1. Adopt a balanced budget with a projected 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 groundwater wells, water storage tanks, pressure reducing stations, fire hydrants, isolation valves, air vacuum valves and emergency power connections. Minimize water lost to leaks. Work with civil engineers 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. Annual Desert-Wise Living Series Landscape Tour and Lecture Series in conjunction with the Morongo Basin Conservation Association, Water Education Festival (8th Grade), Homestead Valley Park 3rd of July and the Gubler Orchid Festival).
4. Continue purchases of State Water Project water for long-term storage and negotiate water transfers from the Agency’s Ames/Reche Groundwater Storage Account to Hi-Desert Water District.
5. Continue to pursue grant opportunities for capital, replacement and refurbishment via the Mojave Water Agency Integrated Regional Water Management Plan (IRWMP) and their Small Water Systems Assistance Program.

Using the Agency's Hazard Mitigation Plan seek grants for emergency and disaster preparedness and hazard mitigation projects.

6. Obtain the *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.
7. Maintain our 2-year *Certificate of Excellence in District Transparency* from the Special Districts Risk Management Authority.
8. Submit application to Special District Leadership Foundation for the *District of Distinction Accreditation* following completion of requirements.

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

Accomplishments

To assist the Board of Directors in meeting their mission, staff achieved the following initiatives in fiscal year 2016/17:

1. In May 2016 the Board adopted a balance budget projecting forward four years. Staff demonstrated a rate increase would be necessary to remain committed to the Board's goal of building a "replacement/refurbishment" fund at a pace of at least 10% revenues exceeding expenses per year.

On July 26, 2016 the Board of Directors held a public hearing, received two letters of protest and unanimously approved a 4-year rate increase plan which adjusts the water consumption rate by 3% (flat rate) and 5% increase to the Basic Service Charge. The rate increase was implemented effective October 2016 and each budget cycle the need for the subsequent annual increase will be further evaluated prior to implementation. See Statistical Section Table "Water Rates and Charges" for a 10-year history of charges by service type.

The fiscally sound practice of collecting delinquent water charges by placing liens on the secured property tax rolls has resulted in eventual collection of a majority of these receivables over time that might otherwise be written off as bad debt.

Also occurring in fiscal year 2016/17 was the refinancing by Mojave Water Agency (MWA) of the Morongo Basin Pipeline bond debt to achieve a lower interest rate. The term of the refinance was 5-years. The Agency is very optimistic that its annual payment of approximately \$83,000 to MWA will end at least two and possibly three years early thus relieving both the Agency from this annual payment and the property owners within the Agency from their associated Ad Valorem tax collected for the bond payments.

2. In late 2015, the Bureau of Land Management raised the lease fees for the public utilities by some 400% to an annual cost of nearly \$15,000. Staff appealed to the Department of the Interior for relief from the bill but received none. Further negotiations did result in a reduction on the lease area by 75% but the Agency was still faced with a high cost and annual inflationary adjustments. In order to minimize the financial impact the Agency decided to pay forward the remaining 22 years of the lease term saving the Agency a projected \$203,000.
3. Water system preventative maintenance in 2016/17 included maintenance and valve exercising of all fire hydrants and proactive replacement of 160 service lines and meters throughout the Agency. Approximately 750 feet of old steel mainline was replaced in the Flamingo Heights area due to continued leaks. These measures have resulted in a measurable reduction in “lost water”. An engineering study on motor efficiencies was completed as was a technical memorandum outlining the value of proposed water transfer operating costs. The later was used to negotiate a cost to deliver potable water to Hi-Desert Water District through an existing intertie in the Flamingo Heights area. Large capital projects included a new pump at Goat Mtn. Well No. 3 and an emergency generator and transfer switches for the A Booster Station and the Administration Building.
4. During fiscal year 2016/17, negotiations continued with Hi-Desert Water District to sell surplus native groundwater from the Agency’s storage account to generate revenues from outside the area. To date, the intertie has been reestablished and the flow meter calibrated. The entities have signed a memorandum of understanding guiding execution of physical water transfers through an existing inter-tie. A price of \$440 per acre-foot has been established and effective through calendar year 2017. At fiscal year-end Hi-Desert Water District was in communication with the State Water Resources Control Board – Division of Drinking Water for a permit amendment to accept potable water through the intertie.
5. The Agency 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 and lecture series. News and events were provided in the water bill as well as through an Agency-wide newsletter. The Agency along with Hi-Desert Water District created and executed the 2nd Annual Children’s Water Education Festival at the local middle school funded by a grant from the Mojave Water Agency.
6. The Agency Board of Directors updated the Board of Directors Handbook for purposes of providing a comprehensive desktop reference for current and future Board Members.
7. The Agency accepted proposals and awarded a contract to Pacific Western Bank replacing Union Bank for all routine banking services effective July 1, 2016. The new banking arrangement has increased the efficiency of banking transactions and a significant amount of “earnings credits” have been utilized to pay actual bank fees and invoices related to the execution of financial transactions such as water bill printing and postage costs. In fiscal year 2016/17, the Agency did not pay any bank

fees for a total savings of approximately \$7,000 and saved an additional \$4,300 in other payables. More savings are anticipated in fiscal year 2017/18.

8. In July 2016, the Board of Directors received and filed its final Multi-Hazard Mitigation Plan (HMP) approved by California Office of Emergency Services and the Federal Emergency Management Agency. In June 2017, the Agency filed two Notices of Intent (NOI) under the HMP and at year-end was awaiting invitation to submit applications for funding under the NOI's. The Agency also accepted a grant from the Mojave Water Agency for the second annual middle school Water Education Festival which was held in May 2017. The Agency is still awaiting a response concerning a \$500,000 planning grant application to integrate ID GM into the existing system and provide for emergency and water transfer interties with Hi-Desert Water District.
9. The Agency was awarded the *Certificate of Achievement for Excellence in Financial Reporting* for our Comprehensive Financial Report in fiscal year 2015/16 from the Government Finance Officers Association of the United States and Canada.
10. In 2016 the Agency received the renewed 2-year *Certificate of Excellence in District Transparency* from the Special Districts Risk Management Authority.
11. The Agency was awarded the *District of Distinction Accreditation* from the California Special Districts Association (CSDA) in early 2017.

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 financial reporting treatment applied to the Agency is consistent with the accrual basis of accounting and the financial statement basis. The goal of the Board is to adopt a budget which projects that revenues will exceed expenses by at least 10% so that sufficient reserves can be

raised to fund the long term capital construction plan as well as replacement and refurbishment of existing infrastructure due to normal wear over time.

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 (Pacific Western Bank). 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 have been no rate increases imposed since 2008. However, the Board of Directors adopted the Fiscal Year 2016/17 Budget with a four-year projection of revenues and expenses. It was unanimously agreed that in order to maintain the accepted budget strategy of revenues exceeding expenses by at least 10% that a rate increase would be necessary. In accordance with Proposition 218 the Board held a Public Hearing on July 26, 2016 and with just two letters of protest a four-year rate increase program was approved.

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. The Agency also distributes materials to encourage water conservation. In accordance with Governor Jerry Brown's April 1, 2015 Executive Order requiring water suppliers to reduce usage, the Agency adopted *Ordinance No. 15O-03 Amending and Restating the Agency's Water Conservation Plan*.

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.

In fiscal year 2016/17 there were no Workers Compensation claims or general liability claims against the Agency.

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 and via Automated Clearinghouse (ACH) through their bank account, with a major credit card via phone, Agency website link or internet.

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 website includes a link to email addresses of each member of the Board of Directors as well as an email address for general inquiries.

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, 2016. This was the seventh 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 only one year. 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 for fiscal year 2016/17.

In 2016 the agency was awarded the 2-year *Certificate of Excellence in District Transparency* and the District of Distinction Accreditation from the Special Districts Risk Management Authority.

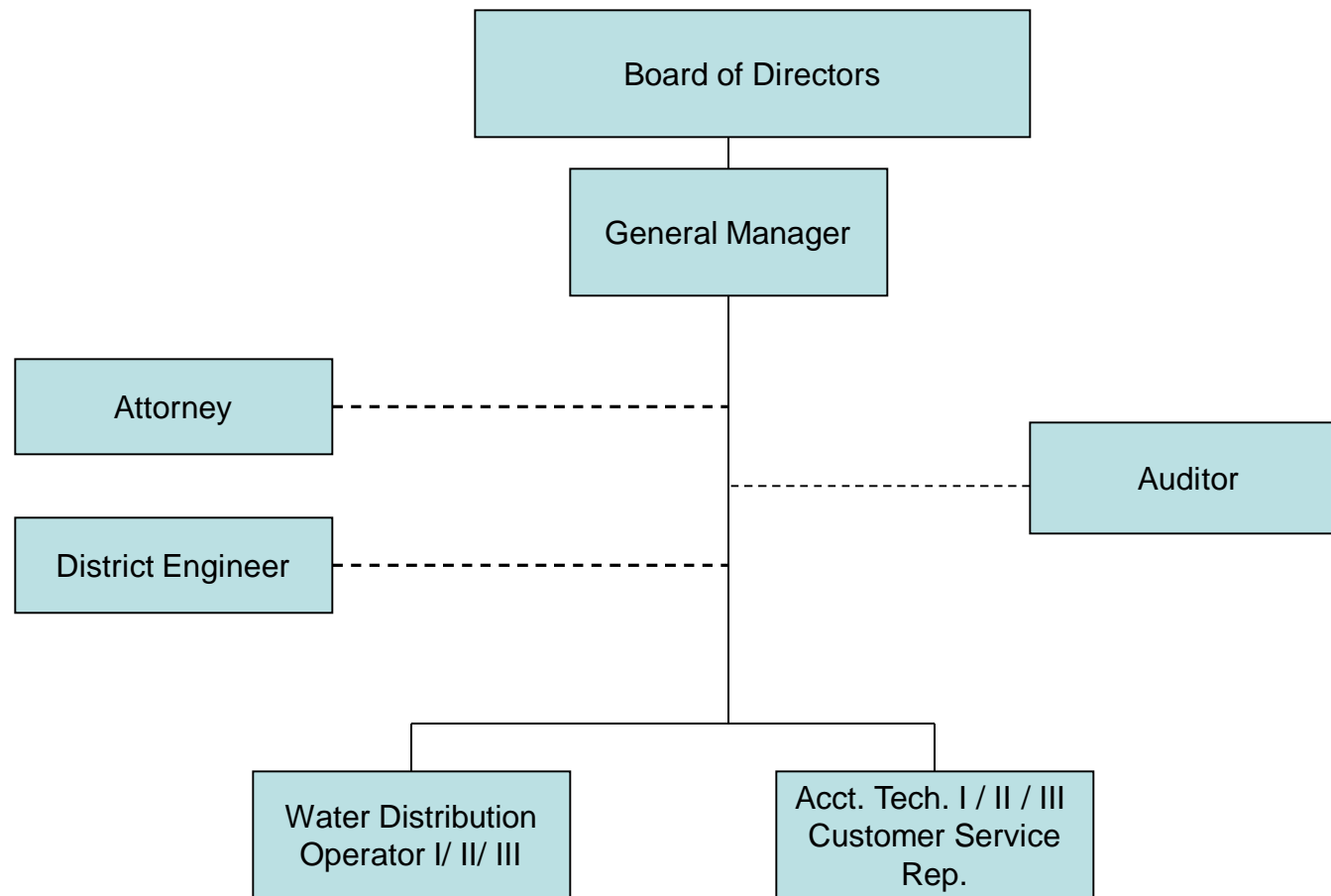
Following a more comprehensive application process, the Agency was awarded the *District of Distinction Accreditation* from the California Special Districts Association (CSDA) in early 2017.

Preparation of this report was accomplished by the combined efforts of Agency staff. I truly appreciate the dedicated efforts and professionalism that our staff members bring to the Agency. I 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

Marina D. West, PG
General Manager/Treasurer



Total positions authorized = 5

~Total allowable Level II = 5

~Total allowable Level III = 5

Total positions authorized = 3

~Total allowable Level II = 3

~Total allowable Level III = 3

Resolution No. 15R-08

(Budget Included W-1 Plan of
Service Recommendation to add
2 FTE Operations staff)

Adopted May 26, 2015

Appendix C



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, 2016

Executive Director/CEO

FINANCIAL SECTION

Board of Directors
Bighorn-Desert View Water Agency
Yucca Valley, CA

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, 2017, 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, 2017, 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.

Report on Summarized Comparative Information

We have previously audited the Agency's 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 17, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 3, 2017 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 3, 2017

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, 2017. 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>2017</u>	<u>2016</u>	<u>Change</u>
Current and Other Assets	\$ 3,493,252	\$ 3,083,797	409,455
Capital Assets	<u>4,532,426</u>	<u>4,714,827</u>	(182,401)
Total Assets	\$ 8,025,678	\$ 7,798,624	227,054
Deferred Outflow of Resources	\$ 177,052	\$ 72,560	104,492
Current Liabilities	\$ 290,141	\$ 255,199	34,942
Non-Current Liabilities	<u>790,045</u>	<u>799,871</u>	(9,826)
Total Liabilities	\$ 1,080,186	\$ 1,055,070	25,116
Net Investment in capital			
Assets	\$4,223,449	\$ 4,277,850	(54,401)
Unrestricted	2,443,849	2,050,307	393,542
Restricted	418,582	449,082	(30,500)
Total Net Position	<u>\$7,085,880</u>	<u>\$ 6,777,239</u>	308,641

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>2017</u>	<u>2016</u>	<u>Change</u>
Operating Revenues			
Water Sales	\$ 626,267	\$ 545,931	80,336
Other revenues & Grants	<u>1,002,110</u>	<u>984,562</u>	17,548
Total Operating Revenues	\$ 1,628,377	\$ 1,530,493	97,884
Operating Expenses			
Transmission and Distribution	\$ 705,507	\$ 726,110	(20,603)
General and Administrative	720,191	673,824	46,367
Depreciation	<u>341,677</u>	<u>362,372</u>	(20,695)
Total Operating Expenses	\$ 1,767,375	\$ 1,762,306	5,069
Operating Income (Loss)	(138,998)	(231,813)	92,815
Non-Operating Revenues (Expenses):			
Interest revenue	6,021	3,892	2,129
Tax Levy & Surcharges	388,380	328,939	59,441
Desert View Debt Surcharge	50,169	49,983	186
Gain/(loss) on sale of assets	0	11,190	(11,190)
Interest expense	(21,059)	(28,182)	7,123
Cont. from CoSB Annexation	19,042	1,333,598	(1,314,556)
Other expense	<u>5,086</u>	<u>(2,062)</u>	7,148
Total Non-Operating Revenues (Expenses)	\$ 447,639	\$ 1,697,358	(1,249,719)
Capital Contributions	0	1,125,015	(1,125,015)
Change in Net Position	308,641	2,590,560	(2,281,919)
Net Position at Beginning of Year	<u>6,777,239</u>	<u>4,186,679</u>	2,590,560
Net Position at End of Year	<u>\$ 7,085,880</u>	<u>\$ 6,777,239</u>	308,641

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 Bighorn-Desert View Water Agency (Agency) increased by approximately 4.5% (\$6.78 million compared to \$7.09 million). The increase is primarily attributed to an increase in “current and other assets”. 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:

TABLE 1

- The financial summary presented as Table 1-*Net Position* shows a total increase in net position of approximately \$309,000. A significant portion is cash with an additional component related to an increase in the value of the Agency’s pre-stored water obtained from the State Water Project water through the Mojave Water Agency.

See Audited Financial Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position for further clarification and details on Net Position.

- The change in Total Assets as presented in Table 1-*Net Position* includes a small distribution from the County of San Bernardino which completes the transfer of all assets to BDVWA following a comprehensive audit of the dissolved County Service Area 70/Zone W-1 (Goat Mountain) by the San Bernardino County Auditor/Controller following the completion of the Agency’s Fiscal Year End Audit for 2015/16.

The dissolution of Goat Mountain was through action by the Local Agency Formation Commission (LAFCO) effective July 1, 2015. Formalized in LAFCO Resolution No. 3197: LAFCO 3181-Reorganization to Include Annexations to the Bighorn-Desert View Water Agency; Dissolution of Zone W-1 of County Service Area 70 and Formation of an Improvement District of the Bighorn-Desert View Water Agency, effective July 1, 2015.

The Agency Board of Directors received and filed the report of the County Auditor/Controller on April 25, 2017 (Motion No. 17-023 *Receive and file final correspondence from County of San Bernardino Special Districts Department Concluding Dissolution of CSA 70W-1 (Goat Mountain)*).

See Audited Financial Statement of Revenues, Expenses and Changes in Net Position for further clarification of the contributions from the County of San Bernardino.

- The remaining variance in Net Position can be attributed to the continued but varied (from prior year) investment (ie. expense) in new capital (or disposal) and other purchases for which reserves have been accrued in anticipation of their need.

This year an emergency generator was installed for the administration building and Booster Station A, a new pump was installed at Goat Mtn. Well No. 3, several new water meter services were installed, equipment and system upgrades occurred, the Agency pre-paid the Bureau of Land Management lease fees on the Improvement District 1 (i.e. previously known as the Bighorn Mountains Water Agency) water system and a host of assets were disposed of due to their obsolescence.

See Note 3 of the audited financial statements for more information concerning capital assets.

- The increase in overall net position includes a \$53,000 increase in inventory. Most of the increase is attributed to purchased water (\$37,000) from the State Water Project placed into groundwater storage through surface recharge and not yet utilized. A total of 70-Acre Feet were purchased in FY2016/17. The total amount of water pre-stored at the Ames/Reche facility for future use is 240 AF. The remaining variance represents inventory pre-purchased for the on-going service line and meter replacement program.
- Table 1 includes “deferred outflow of resources” which has increased by approximately \$105,000. This wide variance from the prior year is due to the manner in which California Public Employees’ Retirement System (CalPERS) calculates the unfunded liability and the rate of return. This year the plans asset earnings were less than projected, causing an increase to the deferred inflows of \$105,000.

See Note 8 of the financial statements for more information on the Pension Plan.

- The variance in current liabilities is relatively small but reflects differences in payables at year-end; continued reduction of long-term debt; increases in customer deposits; the current portion of compensated absences and bond debt principal payments as the bonds approach full term.

See Note 4 of the audited financial statements for further clarification of long-term liabilities.

- The variance in non-current liabilities reported negligible. Notable however is the large increase in the unfunded pension liability offset by long-term debt. The former is driven by the Government Accounting Standards Board Statement No. 68 (GASB68-Accounting and Financial Reporting for Pensions) while the latter is due large principal payments on bond debt instruments nearing the end of their 30-year term.

See Note 8 - "Allocation of Net Pension Liability and Pension Expense to Individual Employers" of the audited financial statements for further clarification.

Overall, non-current liabilities decrease as a result of large principal payments on bond debt instruments nearing the end of their 30-year term.

See Note 4 of the financial statements for further clarification on long-term debt.

- Net investment in capital assets reported in Table 1 represents the net decrease in capital assets related to the disposal of obsolete assets.
- The Agency's unrestricted assets increased over the prior year due to reimbursements from the restricted account for capital assets related to Improvement District Goat Mtn. and revenues exceeding expenses. See Notes 2 and 10 of the financial statements for further clarification.

TABLE 2

- Table 2-*Changes in Net Position* reveals that Operating Revenues increased by about 6%. Notable variances in the Net Position include: an overall increase in water sales and basic surcharge revenue resulting from both an increase in water consumption over prior year and a rate increase effective October 2016; operating expenses nearly unchanged from prior year; better than anticipated tax receipts (i.e. decrease in property tax delinquency); and an increase in net pension liability offset by a decrease in long-term debt.
- Regarding operating expenses, Table 2 presents that Operating Expenses were essentially unchanged from the prior year.
- The non-operating revenues differ significantly from prior year due to the one-time \$1.33M cash (capital) contributions received in FY2015/16 from the County of San Bernardino Special Districts Department originating from the dissolution of County Service Area 70/Zone W-1 (Goat Mountain) and subsequent annexation by BDVWA effective July 1, 2015.

However, the Agency still realized a net increase in non-operating revenues for the year of approximately \$60,000 attributed to better than anticipated tax levy collection in the Agency's Improvement District 1 General Obligation Bond (Bighorn Mountains territory of the Agency) collected as an ad valorem tax as well as an increase in stand-by assessments from Improvement District Goat Mountain. Other revenues that contributed to the net positive non-operating revenues includes a final cash distribution from the County of San Bernardino dissolution/annexation alongside increasing investment interest earnings and decreased bond debt interest expense.

- The change in net position reported on Table 2 above shows that at year-end the Agency's revenues exceeded expenses by approximately \$309,000. As stated

previously, this is mostly attributed to an increase in cash from water sales, an increase in State Water Project water purchased and stored in inventory and better than anticipated tax levy collections.

See Note 2 of the financial statements for more information concerning cash and investments.

LONG-TERM DEBT

At the end of the 2016/17 fiscal year, the Agency had bonded debt outstanding of \$308,977 less the portion (\$133,000) 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
June 30, 2017
(with comparative information for June 30, 2016)

Assets	2017	2016
Current assets:		
Cash and cash equivalents (note 2)	\$ 2,708,061	2,326,828
Accounts receivable - water services	291,778	301,601
Accounts receivable - other	1,114	11,457
Property tax receivable	38,608	30,400
Inventory	192,777	139,994
Prepaid expenses	-	12,944
Total current assets	<u>3,232,338</u>	<u>2,823,224</u>
Non-current assets:		
Long term receivables, net	83,818	83,477
Idle assets (note 3)	177,096	177,096
Capital assets not being depreciated (note 3)	120,240	105,988
Capital assets being depreciated, net (note 3)	4,412,186	4,608,839
Total non-current assets	<u>4,793,340</u>	<u>4,975,400</u>
Total assets	<u>8,025,678</u>	<u>7,798,624</u>
Deferred outflow of resources (note 8)		
Deferred pension contributions	62,323	52,457
Deferred outflow of resources - actuarial	114,729	20,103
	<u>177,052</u>	<u>72,560</u>
Liabilities		
Current liabilities:		
Accounts payable	30,790	17,853
Accrued liabilities	14,415	13,664
Customer deposits - water	88,942	74,527
Interest payable	2,990	3,761
Current portion of bonds payable (note 4)	133,000	128,000
Current portion of compensated absences (note 4)	20,004	17,394
Total current liabilities	<u>290,141</u>	<u>255,199</u>
Non-current liabilities:		
Bonds payable (note 4)	175,977	308,977
Net pension liability (note 8)	567,392	450,309
Compensated absences (note 4)	46,676	40,585
Total non-current liabilities	<u>790,045</u>	<u>799,871</u>
Total liabilities	<u>1,080,186</u>	<u>1,055,070</u>
Deferred inflow of resources (note 8)		
Deferred inflow of resources - actuarial	24,739	32,106
Deferred inflow of resources - additional deferral	11,925	6,769
	<u>36,664</u>	<u>38,875</u>
Net Position		
Net investment in capital assets	4,223,449	4,277,850
Restricted for:		
Goat Mountain capital assets	418,582	449,082
Unrestricted	2,443,849	2,050,307
Total net position	<u>\$ 7,085,880</u>	<u>6,777,239</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, 2017
(w ith comparative information for June 30, 2016)

	2017	2016
Operating revenues		
Water sales	\$ 626,267	545,931
Water services	148,785	170,783
Basic surcharge	848,325	806,279
Grant revenue	5,000	7,500
Total operating revenues	<u>1,628,377</u>	<u>1,530,493</u>
Operating expenses		
Transmission and distribution	705,507	726,110
General and administrative	720,191	673,824
Depreciation	341,677	362,372
Total operating expenses	<u>1,767,375</u>	<u>1,762,306</u>
Operating income (loss)	<u>(138,998)</u>	<u>(231,813)</u>
Non-operating revenues (expenses)		
Interest income	6,021	3,892
Tax levy	388,380	328,939
Desert View debt surcharge	50,169	49,983
Gain/(loss) on sale of assets	-	11,190
Interest expense	(21,059)	(28,182)
Contribution from County of San Bernardino	19,042	1,333,598
Other income/(expense)	5,086	(2,062)
Total non-operating revenues (expenses)	<u>447,639</u>	<u>1,697,358</u>
Income before capital contributions	<u>308,641</u>	<u>1,465,545</u>
Capital contributions	<u>-</u>	<u>1,125,015</u>
Change in net position	308,641	2,590,560
Net position at beginning of year	<u>6,777,239</u>	<u>4,186,679</u>
Net position at end of year	<u>\$ 7,085,880</u>	<u>6,777,239</u>

See Notes to Financial Statements

BIGHORN-DESERT VIEW WATER AGENCY
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2017
(with comparative information for June 30, 2016)

	2017	2016
Cash flows from operating activities:		
Cash received from customers	\$ 1,593,567	1,369,316
Cash received for grants	15,343	4,197
Cash payments to suppliers for goods and services	(658,772)	(710,402)
Cash payments to employees and directors for services	(695,752)	(757,707)
Nonoperating miscellaneous revenue (expenses)	5,086	(2,060)
Net cash provided by (used in) operating activities	<u>259,472</u>	<u>(96,656)</u>
Cash flows from non-capital financing activities:		
Property taxes received	160,770	132,598
Contributions from County of San Bernardino	19,042	1,326,550
Net cash provided by non-capital financing activities	<u>179,812</u>	<u>1,459,148</u>
Cash flows from capital and related financing activities:		
Property taxes received in support of long-term debt	219,402	197,770
Other revenue received in support of long-term debt	50,169	49,983
Acquisition of capital assets	(183,813)	(162,565)
Principal paid on long-term debt	(128,000)	(121,000)
Interest paid on long-term debt	(21,830)	(27,881)
Net cash used in capital and related financing activities	<u>(64,072)</u>	<u>(63,693)</u>
Cash flows from investing activities:		
Interest received	6,021	3,892
Net cash used in investing activities	<u>6,021</u>	<u>3,892</u>
Net increase (decrease) in cash and cash equivalents	381,233	1,302,691
Cash and cash equivalents beginning, July 1	2,326,828	1,024,137
Cash and cash equivalents ending, June 30	<u>\$ 2,708,061</u>	<u>2,326,828</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:		
Operating income (loss)	\$ (138,998)	(231,813)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation	341,677	362,372
Other non-operating income (expense)	29,623	(2,060)
(Increase) decrease in accounts receivable - water	9,823	(112,116)
(Increase) decrease in accounts receivable - other	10,343	(3,425)
(Increase) decrease in due from other governments	-	1,462
(Increase) decrease in long term receivables	(341)	(21,932)
(Increase) decrease in inventories	(52,783)	(45,199)
(Increase) decrease in prepaid expenses	12,944	(12,944)
(Increase) decrease in deferred outflow of resources	(104,492)	(11,573)
(Decrease) increase in accounts payable	12,937	12,617
(Decrease) increase in accrued liabilities	9,452	(10,947)
(Decrease) increase in customer deposits	14,415	8,144
(Decrease) increase in net pension liability	117,083	41,425
(Decrease) increase in deferred inflow of resources	(2,211)	(70,667)
Total adjustments	<u>398,470</u>	<u>135,157</u>
Net cash provided by (used for) operating activity	<u>\$ 259,472</u>	<u>(96,656)</u>
Non cash capital and related financing activities:		
Capital assets received from annexed territory	<u>\$ -</u>	<u>1,125,015</u>

See Notes to Financial Statements

BIGHORN-DESERT VIEW WATER AGENCY

NOTES TO FINANCIAL STATEMENTS

For Year Ended June 30, 2017

(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.

Net position - In the Statement of Net Position, net position is classified in the following categories:

- Net Investment in Capital Assets - This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction, or improvement of the assets.
- Restricted net position - This amount is restricted by external creditors, grantors, contributors, or laws or regulations of other governments.
- Unrestricted net position - This amount is all net positions that do not meet the definition of "net investment in capital assets" or "restricted net position".

When both restricted and unrestricted resources are available for use, the District may use restricted resources or unrestricted resources based on the Board's discretion.

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.

BIGHORN-DESERT VIEW WATER AGENCY

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

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, 2017 was \$341,677. The Agency 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 \$5,000 or more.

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, 2017, 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, 2017 were \$83,818.

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

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.

Fair value measurements - Certain assets and liabilities are required to be reported at fair value. The fair value framework provides a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of fair value hierarchy are described as follows:

- Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

BIGHORN-DESERT VIEW WATER AGENCY

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly and fair value is determined through the use of models or other valuation methodologies including:
 - Quoted prices for similar assets or liabilities in active markets;
 - Quoted prices for identical or similar assets or liabilities in markets that are inactive;
 - Inputs other than quoted prices that are observable for the asset or liability;
 - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement. These unobservable input reflect the Agency's own assumptions about the inputs market participants would use in pricing the asset or liability (including assumptions about risk). These unobservable inputs are developed based on the best information available in the circumstances and may include the Agency's own data.

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

Lien date:	March 1
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.

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.

BIGHORN-DESERT VIEW WATER AGENCY

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

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, 2015
Measurement Date (MD)	June 30, 2016
Measurement Period (MP)	June 30, 2015 to June 30, 2016

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 has two items that qualify for reporting in this category, additional deferrals of resources and 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.

(2) Cash and investments

Cash deposits - The carrying amounts of the Agency's cash deposits were \$1,775,719 at June 30, 2017. Bank balances before reconciling items were \$1,883,597 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.

BIGHORN-DESERT VIEW WATER AGENCY

NOTES TO FINANCIAL STATEMENTS

(Continued)

(2) Cash and investments, (Continued)

The 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 23701 of the Revenue Taxation Code

At June 30, 2017, cash and investments were composed of the following:

	Credit Quality	Fair Value
	<u>Ratings</u>	
Deposits	Not Rated	\$ 1,775,719
Local Agency Investment Funds	Not Rated	930,542
Petty Cash	Not Rated	<u>1,800</u>
		<u>\$2,708,061</u>

BIGHORN-DESERT VIEW WATER AGENCY

NOTES TO FINANCIAL STATEMENTS

(Continued)

(2) Cash and investments, (Continued)

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, 2017, is shown below:

Maturity:	
Current to one year	\$ 930,542
Two to three years	-
Four to five years	-
Total	<u>\$ 930,542</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.

Fair value measurement – The Agency has no investments that require disclosure within the fair value hierarchy.

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, 2017:

<u>Assets at Cost</u>	<u>Balance July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2017</u>
Capital assets, not being depreciated:				
Land	\$ 80,979	-	-	80,979
Construction in progress	25,009	38,736	(24,484)	39,261
Total capital assets, not being depreciated	105,988	38,736	(24,484)	120,240
Capital assets, being depreciated:				
Fuel station	18,942	-	-	18,942
Mobile equipment	713,343	-	(17,591)	695,752
Office building	237,605	5,700	-	243,305
Office equipment	264,147	-	(67,912)	196,235
Organization	336,272	-	-	336,272
Shop equipment	41,328	-	(14,981)	26,347
Water system	9,365,009	54,775	(32,468)	9,387,316
Yards	61,488	-	(5,158)	56,330
Right of way	-	84,603	-	84,603
Total capital assets, being depreciated	11,038,134	145,078	(138,110)	11,045,102
Total assets at cost	11,144,122	183,814	(162,594)	11,165,342
Accumulated depreciation:				
Fuel station	(14,641)	(819)	-	(15,460)
Mobile equipment	(380,586)	(55,590)	17,591	(418,585)
Office building	(231,067)	(2,426)	-	(233,493)
Office equipment	(110,214)	(17,717)	67,912	(60,019)
Organization	(123,173)	(13,177)	-	(136,350)
Shop equipment	(41,186)	(142)	14,981	(26,347)
Water system	(5,474,703)	(251,612)	32,468	(5,693,847)
Yards	(53,725)	(248)	5,158	(48,815)
Total accumulated depreciation	(6,429,295)	(341,731)	138,110	(6,632,916)
Total capital assets being depreciated, net	4,608,839	(196,653)	-	4,412,186
Capital assets, net	\$4,714,827	(157,917)	(24,484)	4,532,426

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 Liabilities

Change in Long Term Liabilities:

	Beginning <u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	Ending <u>Balance</u>	Due Within <u>1 Year</u>
Bighorn General Obligation Bonds	\$296,000	-	(94,000)	202,000	98,000
Desert View Water Revenue Bonds	140,977	-	(34,000)	106,977	35,000
Compensated Absences	57,979	47,961	(39,260)	66,680	20,004
Total	<u>\$494,956</u>	<u>47,961</u>	<u>(167,260)</u>	<u>375,657</u>	<u>153,004</u>

Bonds Payable:

June 30, 2017

Bighorn General obligation bonds:

Original issue \$1,875,000, 5%, maturing in 2019;
secured by tax levy revenues

\$ 202,000

Desert View Water revenue bonds:

Original issue \$700,000, 5%, maturing in 2020;
secured by a pledge of all revenues

106,977

Total bonds payable

308,977

Less portion due within one year

(133,000)

\$ 175,977

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
2018	\$ 98,000	10,100	35,000	3,972
2019	104,000	5,200	37,000	2,122
2020	-	-	34,977	172
Total	<u>\$ 202,000</u>	<u>15,300</u>	<u>106,977</u>	<u>6,266</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, 2017 are \$73,300 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, 2017, are summarized as follows:

	Miscellaneous	PEPRA
Benefit formula	3.0%@60	2.0%@60
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50-60	52-60
Monthly benefits, as a % of eligible compensation	2.0% to 3.0%	2.0% to 2.5%
Required employee contribution rates	13.326%	6.25%
Required employer contribution rates	6.35%	6.23%

Contribution Description - Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers are 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 CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Employer contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements are classified as plan member contributions.

BIGHORN-DESERT VIEW WATER AGENCY

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

Actuarial Methods and Assumptions Used to Determine Total Pension Liability -

The June 30, 2015 valuation was rolled forward to determine the June 30, 2016 total pension liability, based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial Assumptions	
Discount Rate	7.65%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table ¹	Derived using CalPERS' Membership Data for all funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

¹The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report

All other actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report may be accessed on the CalPERS website at www.calpers.ca.gov under Forms and Publications.

Change of Assumption - There were no changes of assumptions for the year ended June 30, 2017

Discount Rate - The discount rate used to measure the total pension liability was 7.65 percent. To determine whether the municipal bond rate should be used in the calculation of the 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. The tests revealed the assets would not run out. Therefore, the current 7.65 percent discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 7.65 percent is applied to all plans in the Public Employees' Retirement Fund (PERF). The cash flows used in the testing were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. 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.

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

BIGHORN-DESERT VIEW WATER AGENCY

NOTES TO FINANCIAL STATEMENTS

(Continued)

(8) Pension plan, (Continued)

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 (PERF) cash flows. Taking into account historical returns of all the Public Employees Retirement Funds' asset classes (which includes the agent plan and two cost-sharing plans or PERF A, B, and C funds), 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 PERF 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 equal 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. The target allocation shown was adopted by the Board effective on July 1, 2015.

Asset Class	Current Target Allocation	Real Return Years 1 - 10¹	Real Return Years 11+²
Global Equity	51.0%	5.25%	5.71%
Global Fixed Income	20.0	0.99	2.43
Inflation Sensitive	6.0	0.45	3.36
Private Equity	10.0	6.83	6.95
Real Estate	10.0	4.50	5.13
Infrastructure and Forestland	2.0	4.50	5.09
Liquidity	1.0	(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 –

The following table shows the Agency'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: 6/30/2015 (VD)	\$ 2,121,761	1,671,452	450,309
Balance at: 6/30/2016 (MD)	2,279,101	1,711,709	567,392
Net Changes during 2015-16	(157,340)	(40,257)	(117,083)

The Agency's net pension liability for the plan is measured as the proportionate share of the net pension liability. The net pension liability of the plan is measured as of June 30, 2016, and the total pension liability for the plan used to calculate the net pension liability was determined by an actuarial valuation of June 30, 2015 rolled forward to June 30, 2016 using standard update procedures. The Agency's proportion of the net pension liability was based on a projection of the Agency's long term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The Agency's proportionate share of the net pension liability for the plan as of June 30, 2015 and 2016 was as follows:

	Miscellaneous Plan
Proportion – June 30, 2015	0.016%
Proportion – June 30, 2016	0.016%
Change – Increase (Decrease)	(0.000%)

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 7.65 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 (6.65 percent) or 1 percentage-point higher (8.65 percent) than the current rate:

	Discount Rate – 1% (6.65%)	Current Discount Rate (7.65%)	Discount Rate + 1% (8.65%)
Plan's Net Pension Liability	\$874,230	567,392	313,806

Subsequent Events – In December 2016, the CalPERS Board of Administration voted to lower the discount rate from 7.5 percent to 7.0 percent over the next three years. For public agencies, the discount rate changes approved by the Board for the next three fiscal years ending June 30, 2019, 2020, and 2021 are 7.375%, 7.25%, and 7.00%, respectively.

BIGHORN-DESERT VIEW WATER AGENCY

NOTES TO FINANCIAL STATEMENTS

(Continued)

(8) Pension plan, (Continued)

Amortization of Deferred Outflows and Deferred Inflows of Resources – Under GASB 68, actuarial gains and losses related to changes in total pension liability and fiduciary net position 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.

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

Net difference between projected and actual earnings on pension plan investments	5 year straight-line amortization
All other amounts	Straight-line amortization over the expected average remaining service lifetime (EARSL of all members that are provided with pensions (active, inactive, and retired) as of the beginning of the measurement period

The Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments is amortized over a five-year period on a straight-line basis. One-fifth is recognized in pension expense during the measurement period, and the remaining Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments at the measurement date is to be amortized over the remaining four-year period. The Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments in the Schedule of Collective Pension Amounts represents the unamortized balance relating to the current measurement period and the prior measurement period on a net basis.

Deferred outflows of resources and deferred inflows of resources relating to Differences Between Expected and Actual Experience, Changes of Assumptions and employer-specific amounts should be amortized over the EARSL of members provided with pensions through the Plan. The EARSL for the Plan for the June 30, 2016 measurement date is 3.7 years, which was obtained by dividing the total services years by the total number of participants (active, inactive, and retired) in the Plan. Inactive employees and retirees have remaining service lifetimes equal to 0. Total future service is based on the members' probability of decrementing due to an event other than receiving a cash refund.

BIGHORN-DESERT VIEW WATER AGENCY

NOTES TO FINANCIAL STATEMENTS

(Continued)

(8) Pension plan, (Continued)

Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions –For the year ended June 30, 2017, the Agency recognized pension expense of \$72,703.

As of June 30, 2017, the Bighorn-Desert View Water Agency reports 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	\$ 2,182	\$ 428
Changes in Assumptions	0	20,639
Differences between Projected and Actual Investment Earnings	102,228	0
Adjustment due to Differences in Proportions	750	0
Change in Employer's Proportion	9,570	3,672
Differences between Employer's Contributions and Proportionate Share of Contributions	0	11,925
Pension Contributions Made Subsequent to Measurement Date	62,323	0
Total	\$ 177,053	\$ 36,664

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
2017	\$ 5,541
2018	7,509
2019	41,195
2020	23,821

(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

BIGHORN-DESERT VIEW WATER AGENCY

NOTES TO FINANCIAL STATEMENTS

(Continued)

(9) Debt covenants, (Continued)

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, 2017, pledged revenues were \$642,814, principal and interest expenses totaled \$39,722. This requirement has been met.

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 \$37,748. At June 30, 2017, the reserve was fully funded and had a balance of \$930,542.

(10) Net Position

The Net Position reported as net investment in capital assets consists of capital assets reduced by related debt. Restricted Net Position consists of amounts legally restricted for CSA 70 Zone W-1 Annexation, capital replacement and expansion of former CSA 70 Zone W-1 at June 30, 2017 of \$418,582.

REQUIRED SUPPLEMENTARY INFORMATION

BIGHORN-DESERT VIEW WATER AGENCY

REQUIRED SUPPLEMENTARY INFORMATION

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

	Measurement Date 6/30/2016	Measurement Date 6/30/2015	Measurement Date 6/30/2014
Proportion of the Collective Net Pension Liability	0.00016%	0.00016%	0.00657%
Proportionate Share of the Collective Net Pension Liability	\$567,392	\$450,309	\$408,884
Covered Payroll	\$461,455	\$328,557	\$361,687
Proportionate Share of the Collective Net Pension Liability as percentage of covered payroll	122.96%	137.06%	113.05%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.11%	78.78%	79.59%

Notes to Schedule:

Benefit changes. There were no changes to benefit terms that applied to all members of the Public Agency Pool. However, individual employers in the Plan may have provided a benefit improvement to their employees by granting Two Years Additional Service Credit to member retiring during a specified time period (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. These employers should consult with their auditors.

Changes of assumptions. In 2015, the discount rate was changed from 7.5 percent (net of administrative expense) to 7.65 percent to correct for an adjustment to exclude administrative expense. There were no changes of assumptions in 2016.

**Fiscal year 2015 was the first year of implementation, therefore only three years are shown.*

BIGHORN-DESERT VIEW WATER AGENCY

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Plan Contributions

*Last 10 Fiscal Years **

	Fiscal Year 2016-17	Fiscal Year 2015-16	Fiscal Year 2014-15
Actuarially Determined Contribution	\$ 62,323	\$ 52,457	\$ 53,164
Contributions in Relation to the			
Actuarially Determined Contribution	(62,323)	(52,457)	(53,164)
Contribution Deficiency (Excess)	\$ 0	\$ 0	\$ 0
Covered Payroll	\$521,941	\$461,455	\$328,557
Contributions as a Percentage of			
Covered Payroll	11.94%	11.37%	16.18%

Notes to Schedule

Valuation Date: 6/30/2014

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry Age
Amortization Method	Level Percent of Payroll
Asset Valuation Method	Market Value
Discount Rate	7.50%
Projected Salary Increase	3.30% to 14.20% depending on Age, Service, and type of employment
Inflation	2.75%
Payroll Growth	3.00%
Individual Salary Growth	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 2.75% and an annual production growth of 0.25%.

**Fiscal year 2015 was the first year of implementation; therefore, only three years are shown.*

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

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

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

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

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

<u>Fiscal Year</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>	<u>2016</u>	<u>2017</u>
Invested in capital assets, net of related debt	2,816,559	2,546,637	3,087,501	3,331,173	3,286,244	3,130,527	3,003,491	3,220,454	4,277,850	4,223,449
Restricted Bighorn/Desert View	-	-	766,463	-	-	-	-	-	-	-
Restricted for Bighorn	-	-	-	(182,214)	96,880	197,943	-	-	-	-
Restricted for Desert View	-	-	-	1,164,613	1,233,465	1,106,580	-	-	-	-
Restricted for ID Goat Mountain*	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	449,082	418,582
Unrestricted	453,169	940,679	-	-	-	-	1,535,444	966,225	2,050,307	2,443,849
Total net position	3,269,728	3,487,316	3,853,964	4,313,572	4,616,589	4,435,050	4,538,935	4,186,679	6,777,239	7,085,880
% Increase	-7.56%	6.65%	10.51%	11.93%	7.02%	-3.93%	2.34%	-7.76%	61.88%	4.55%

* ID Goat Mountain was annexed to BDVWA effective July 1, 2015

Source: Audited financial statements

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

Fiscal Year	Water Operating Revenues Expenses		Operating Loss	Total Nonoperating Revenues/Expenses	Grant Income	Change in Net Position
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	\$ 21,026	\$ 121,215
2015/2016 **	\$ 1,522,993	\$ 1,762,306	\$ (231,813)	\$ 1,697,358	\$ 7,500	\$ 2,590,560
2016/2017	\$ 1,628,377	\$ 1,767,375	\$ (138,998)	\$ 447,639	\$ 5,000	\$ 308,641

*Prior period adjustment to fiscal year 2013/2014 water operating revenues (see page 9 of that audited financial statement for further clarification)

** on July 1, 2015 BDVWA annexed ID Goat Mountain increasing customer base by 650 connections

Source: Audited financial statements

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

Fiscal Year	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
READ CYCLE EVEN MONTHS										
routes 1-6, 15, 16 and bulk accts 30 thru 35 and 40										
Cubic Feet	8,018,498	7,410,980	6,714,996	6,542,481	6,307,928	6,313,798	6,452,122	6,384,904	7,231,125	8194345
Acre Feet	184.1	170.1	154.2	150.2	144.8	144.9	148.1	146.6	166.0	188.1
READ CYCLE ODD MONTHS										
Routes 7-14 and bulk accts 35 & 40										
Cubic Feet	8,623,442	8,295,352	8,239,072	7,779,814	7,559,768	7,589,015	7,348,915	7,282,630	9,320,813	10324766
Acre Feet	198.0	190.4	189.1	178.6	173.5	174.2	168.7	167.2	214.0	237.0
Total Sales in Cubic Feet	16,641,940	15,706,332	14,954,068	14,322,295	13,867,696	13,902,813	13,801,037	13,667,534	16,551,938	18,519,111
Total Sales in Acre Feet	382.0	360.6	343.3	328.8	318.4	319.2	316.8	313.8	380.0	425.1
Total All Production in Acre Feet	486.56	469.11	432.16	412.31	411.89	426.78	393.3	355.82	452.74	499.67

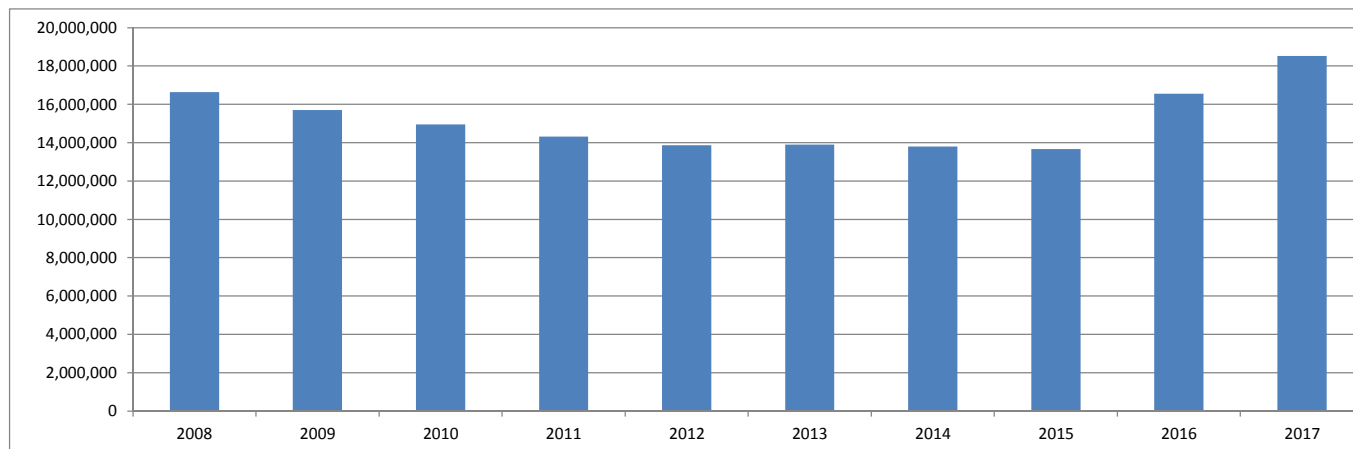
Bulk accounts are for individuals that haul their own water (30-34) and commercial water haulers (route 35).

Closed accounts are included with billing cycle regardless of route.

Construction water use varies from year to year and is billed every month (Route 40)

Water sales have increased in FY2015/16 due to annexation of the Improvement District Goat Mountain w/650 accounts

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	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
BIGHORN MOUNTAINS										
Account Routes 01-06										
Consumption Rate (flat only)	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.09
Basic Service Charge (all sizes)	\$20.00	\$27.50	\$27.50	\$27.50	\$27.50	\$27.50	\$27.50	\$27.50	\$27.50	\$28.88
DESERT VIEW										
Account Routes 07-11										
Consumption Rate (flat only)	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.09
Basic Service Charge (all sizes)	\$20.00	\$27.50	\$27.50	\$27.50	\$27.50	\$27.50	\$27.50	\$27.50	\$27.50	\$28.88
DV Revenue Bond Charge	\$4.65	\$4.65	\$4.65	\$4.65	\$4.65	\$4.65	\$4.65	\$4.65	\$4.65	\$4.65
ID GOAT MOUNTAIN *										
Account Routes 12-15										
Consumption Rate - Tier 1 (0-14 HCF **)	\$3.32	\$3.41	\$3.55	\$3.76	\$3.87	\$3.98	\$4.77	\$4.77	\$3.00	\$3.09
Consumption Rate - Tier 2 (>14 - < 80 HCF)	\$3.69	\$3.79	\$3.94	\$4.18	\$4.31	\$4.44	\$5.49	\$5.49	N/A	NA
Consumption Rate - Tier 3 (> 80 HCF)	\$4.76	\$4.88	\$5.08	\$5.38	\$5.54	\$5.71	\$6.31	\$6.31	N/A	N/A
Basic Service Charge 3/4-inch	\$20.50	\$21.02	\$21.86	\$23.17	\$23.87	\$24.59	\$29.36	\$29.36	\$27.50	\$28.88
Basic Service Charge 1-inch	\$29.74	\$30.49	\$31.71	\$33.61	\$34.62	\$35.66	\$48.93	\$48.93	\$27.50	\$28.88
Residential Fire Sprinkler Meter ***	unknown	unknown	unknown	unknown	unknown	\$16.00	\$16.00	\$16.00	\$16.00	\$16.00
Account Routes 30-33 (1-in. Metered Water Haulers)										
Consumption Rate	\$7.00	\$7.00	\$8.50	\$8.50	\$8.50	\$8.50	\$8.50	\$8.50	\$8.50	\$8.76
Basic Service Charge	None	None	None	None	None	None	None	None	None	None
Account Route 35 and 40 (2-in. Metered Water Haulers and Temporary Construction)										
Consumption Rate	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$8.50	\$8.50	\$8.76
Basic Service Charge	None	None	None	None	None	None	None	None	None	\$28.88

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

"Consumption" is rate imposed per 100 cubic feet metered Agency bills.

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

* ID Goat Mountain annexed to BDVWA on July 1, 2015 with same rate structure as BDVWA

** HCF = 100 Cubic Feet of water or 1 billing unit

*** ID Goat Mountain Accounts were annexed July 1, 2015. Unclear when Residential Fire Meter charge instituted for historical data range

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

**BIGHORN-DESERT VIEW WATER AGENCY
LARGEST WATER USERS 2016-2017**

	Customer	Sales in Cubic Ft	Annual Revenues	Percent of Sales
1	CALTRANS CONTRACTOR HWY 247 (CONST. METER)	313,260	\$27,442	4.38%
2	COMMERCIAL WATER HAULER	134,100	\$11,747	1.88%
3	LANDFILL (CONST. METER)	120,920	\$10,593	1.69%
4	COMMERCIAL WATER HAULER	117,270	\$10,273	1.64%
5	RESIDENTIAL CUSTOMER A	89,208	\$2,757	0.44%
6	RESIDENTIAL CUSTOMER B	82,866	\$2,561	0.41%
7	RESIDENTIAL CUSTOMER C	75,761	\$2,341	0.37%
8	RESIDENTIAL CUSTOMER D	65,750	\$2,032	0.32%
9	RESIDENTIAL CUSTOMER E	64,682	\$1,999	0.32%
10	RESIDENTIAL CUSTOMER G	61,685	\$1,906	0.30%

Water Sold in 2016-2017

18,519,111 \$ 626,267

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)
High usage contributed to "water leaks" have been excluded

**LARGEST WATER USERS 2007-2008
(9 YEARS PRIOR)**

	Customer	Sales in Cubic Ft	Annual Revenues	Percent of Sales
1	MUSD LANDERS ELEMENTARY SCHOOL	242,930	\$7,288	1.35%
2	COMMERCIAL WATER HAULER	165,330	\$4,960	0.92%
3	COMMERCIAL WATER HAULER	162,300	\$4,869	0.90%
4	RESIDENTIAL CUSTOMER A	138,800	\$4,164	0.77%
5	COMMERCIAL WATER HAULER	100,860	\$3,026	0.56%
6	RESIDENTIAL CUSTOMER B	100,276	\$3,008	0.56%
7	RESIDENTIAL CUSTOMER C	85,236	\$2,557	0.47%
8	COMMERCIAL WATER HAULER	85,110	\$2,553	0.47%
9	RESIDENTIAL CUSTOMER D	79,023	\$2,371	0.44%
10	RESIDENTIAL CUSTOMER E	77,500	\$2,325	0.43%

Water Sold in 2007-2008

18,003,682 \$ 540,110

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>
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	0.49%	\$183
2015/2016	\$296,000	\$140,977	\$436,977	0.51%	\$143
2016/2017	\$202,000	\$106,977	\$308,977	0.42%	\$101

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.

Debt per Capita excludes the population of the Improvement District Goat Mtn. since it has no debt

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

Fiscal Year	Obligation Bonds	Assessed Value	Debt per Capita
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
2015/2016	\$296,000	\$296,000	\$97
2016/2017	\$202,000	\$202,000	\$66

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	
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
2015/2016	49,983	32,000	8,630	1.23
2016/2017	50,169	34,000	7,250	1.22

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
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%
2015*	3,968	\$21,330	8.3%
2016	3,972	\$23,944	8.3%
2017	3,978	\$29,362	6.4%

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/landers/92285>

* On July 1, 2015 the Agency annexed a neighboring water agency and population increased accordingly.

Employer	Historical Employment	Current Employment	
	No. of EE's 2010/2011	No. of EE's 2016/17	2017 % of Labor Force
Post Office	1	1	0.07%
Western Coffee Pot Café	4	N/A	N/A
Dollar General	N/A	5	0.35%
Halliday's Liquor	1	N/A	N/A
Mojave Liquor	2	3	0.21%
Loyal Order/Moose Landers	2	2	0.14%
Landers Brew & Pub (Castle Inn)	3	1	0.07%
Diversified Tools	4	2	0.14%
Hero Market	4	5	0.35%
Bighorn Desert View Water Agency	8	9.5	0.67%
La Copine	N/A	10	0.70%
MUSD (Landers Elementary School)	27	25	1.76%

2016/17 Total Labor Force for BDV Service Area

1420

Employment information from 2007/08 (ie. fiscal period ended 9-years prior) is not available. Utilized 2010/2011 which is oldest data on file. 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.

La Copine opened in 2016/17

Dollar General opened in 2016/17

Mojave Liquor acquired Halliday's Liquor in 2012/13

Total Labor Force was estimated as percentage of calculated population.

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

Water Operations	2008	2009	2010	2011	2012	2013	2014	2015	2015	2016	2017
Water Distribution Operator (Water Quality)	1	1	1	1	1	1	1	1	1	1	1
Water Distribution Operator ¹	2	2	2	2	2	2	2	2	4	4	4
Field Supervisor ²	1	1	1	0	0	0	0	0	0	0	0
Chief of Operations ³	1	0	0	0	0	0	0	0	0	0	0
Administration											
Administration ⁴ / General Manager	2	2	2	2	2	1	1	1	1	1	1
Accounting I, II, III/Customer Service	2	2	2	2	2	3	3	3	3	3.5	3.5
Total Positions	9	8	8	7	7	7	7	7	9	9.5	9.5

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

- 1) WDO III, and WDO I
- 2) 6/30/12: Supervisor Field eliminated
- 3) 6/30/08 Chief of Operations position eliminated
- 4) 07/01/13: Exec. Sec/Personnel eliminated

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

POTABLE WATER SYSTEM^{1,4}	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Miles of pipeline:	120	120	120	120	120	120	120	120	170	170
Number of storage tanks	10	10	10	10	10	10	10	10	13	13
Maximum storage capacity (million gallons)	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	3.0	3.0
Number of active pumping plants	2	2	2	2	2	2	2	2	3	3
Number of active wells ² :										
domestic	8	8	8	7	7	7	6	6	9	9
Domestic well production capacity:										
acre feet per fiscal year ⁴	487	469	432	412	412	427	393	356	453	500
Number of service connections ³ :										
Bighorn Mountains	809	1012	1008	1008	1007	1007	1009	1010	1012	1013
Desert View	773	900	894	892	889	888	886	886	887	888
ID Goat Mountain ⁴	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	650	651
<u>GENERAL INFORMATION</u>										
Service area (annexed property): ⁴										
acres	27,353	27,353	27,353	27,353	27,353	27,353	27,353	27,353	33,280	33,280
square miles	43	43	43	43	43	43	43	43	52	52

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.

4. ID Goat Mountain annexed to BDVWA effective July 1, 2015 which affects all statistics shown