

Browns Valley Irrigation District

Financial Statements
and
Independent Auditor's Reports
2013



BROWNS VALLEY IRRIGATION DISTRICT

Financial Statements

December 31, 2013

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BROWNS VALLEY IRRIGATION DISTRICT

Management's Discussion and Analysis

December 31, 2013

This discussion and analysis is intended to be a summarized analysis and interpretation of the Browns Valley Irrigation District's financial activities for the year ended December 31, 2013, based on currently known facts, decisions or conditions.

Even though 2013 was a dry year, Collins Lake filled and BVID had a normal water season, ending the year with the Lake about 23% full. At the Board's request, we made major changes to the billing system in 2013 that, for the most part worked well. Those changes will remain in place for at least the next few years. The District remains financially sound with cash-on-hand on December 31st increasing by over \$400,000 as compared to the end of 2012 (due to an out-of-District water sale).

Basic Financial Statements:

The District's basic financial statements include four components:

- Statement of Net Position
- Statement of Activities, Expenses and Changes in Net Position
- Statement of Cash Flows
- Notes to the Financial Statements

The statement of net position includes all of the District's assets and liabilities, with the difference between the two reported as net position.

The statement of net position provides the basis for evaluating the capital structure of the District and assessing its liquidity and financial flexibility.

The statement of activities and changes in net position presents information, which shows how, the District's net position changed during each year. All of the year's revenues and expenses are recorded when the underlying transaction occurs, regardless of the timing of the related cash flows. The statement of activities and changes in net position measure the success of the District's operations during the year and determine whether the District has recovered its costs through user fees and other charges.

The statement of cash flows provides information regarding the District's cash receipts and cash disbursements during the year. This statement reports cash activity in four categories:

- Operating
- Non-capital financing
- Capital financing and related financing
- Investing

BROWNS VALLEY IRRIGATION DISTRICT
Management's Discussion and Analysis
December 31, 2013

Basic Financial Statement: (Continued)

This statement differentiates from the statement of activities and changes in net position by only accounting for transactions that result in cash receipts or cash disbursements.

The notes to the financial statements provide a description of the accounting policies used to prepare the financial statements and present material disclosures required by generally accepted accounting principles that are not otherwise present in the financial statements.

District Financial Statements:

The statement of net position includes all the District's assets and liabilities and provides information about the nature and amount of investments in resources and the obligation to creditors. This statement provides the basis for evaluating the capital structure and assessing the liquidity and the financial flexibility of the District.

A summary of the District's statement of net position is presented as follows:

	<u>Statement of Net Position</u>			
	<u>12/31/13</u>	<u>12/31/12</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Current Assets	\$ 2,943,128	\$ 2,483,982	\$ 459,146	18.48%
Capital Assets	7,429,578	7,607,471	(177,893)	-2.34%
Construction in Progress	<u>1,264,564</u>	<u>1,062,878</u>	<u>201,686</u>	<u>18.98%</u>
 Total Assets	 <u>\$ 11,637,270</u>	 <u>\$ 11,154,331</u>	 <u>\$ 482,939</u>	 <u>4.33%</u>
 Liabilities	 \$ 437,070	 \$ 387,791	 \$ 49,279	 12.71%
 Net Position:				
Invested in Capital Assets	8,694,142	8,670,349	23,793	0.27%
Unrestricted/Unassigned	<u>2,506,058</u>	<u>2,096,191</u>	<u>409,867</u>	<u>19.55%</u>
 Total Liabilities and Net Position	 <u>\$ 11,637,270</u>	 <u>\$ 11,154,331</u>	 <u>\$ 482,939</u>	 <u>4.33%</u>

A summary of the District's statement of activities is presented on page 3.

BROWNS VALLEY IRRIGATION DISTRICT

Management's Discussion and Analysis

December 31, 2013

District Financial Statements (Continued)

Condensed Statement of Activities and Changes in Net Position

	<u>12/31/13</u>	<u>12/31/12</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Operating Revenues	\$ 2,281,204	\$ 2,057,727	\$ 223,477	10.86%
Less Operating Expenses	(1,236,467)	(1,153,074)	83,393	7.23%
Less Administrative Expenses	(594,641)	(596,011)	1,370	0.23%
Less Depreciation	(226,801)	(227,809)	1,008	0.44%
Add Non-Operating Revenues (Expenses)	<u>210,465</u>	<u>462,034</u>	<u>(251,569)</u>	<u>54.45%</u>
Increase (Decrease) in Net Position	433,760	542,867	(109,107)	20.10%
Net Position - Beginning of year	<u>10,766,540</u>	<u>10,223,673</u>	<u>542,867</u>	<u>5.31%</u>
Prior Period Adjustment	(100)	-	-	
Net Position - End of year	<u>\$ 11,200,200</u>	<u>\$ 10,766,540</u>	<u>\$ 433,760</u>	<u>4.03%</u>

During the year ended December 31, 2013 the District's operating revenues increased by 10.86% due to an increase in District's water sales to other water districts and increased power sales.

Financial Highlights

- The assets of the District exceeded its liabilities at the close of the year ended December 31, 2013 by \$11,200,200. Of this amount, \$1,965,617. is in *Unrestricted/Unassigned Net Position*.
- The District's total net position increased by \$433,660 from the previous year.
- The District's operating expenses totaled \$1,831,108 for the current year an increase of \$82,023 over last year.
- The District's current year total revenues decreased compared to the prior year by \$33,598 to a total of \$2,491,669 for the year ended December 31, 2013. Total revenue for the prior year was \$2,525,267. *Out of District Water Sales* increased by \$146,628 in 2013 compared to the prior year. No grant revenues were received during 2013.
- The cash and investment balance available at the end of the current year was \$2,763,774, an increase of \$416,013 from the prior period.

BROWNS VALLEY IRRIGATION DISTRICT

Management's Discussion and Analysis

December 31, 2013

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of the following components: 1) Independent Auditor's Report, 2) Management's Discussion and Analysis, 3) Statement of Net Position, 4) Statement of Activities, 5) Statement of Cash Flows, and 6) Notes to the Financial Statements. This report also contains other supplementary information in addition to the basic financial statements. Items 3, 4, 5 and the supplemental statement of operating expenses are in comparative format, showing both the current year and the prior year.

Notes to the Financial Statements: The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 12-18 of this report.

Supplemental Information: In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information: 1) Schedule of Operating Expenses and 2) Statement of Revenue and Expenditures -Budget and Actual. These reports can be found on pages 19 and 20.

Budgetary Highlights

- Total revenues of the District were under the budgeted revenues by \$113,451 mainly due to not realizing grant revenues.
- Management and General Expense exceeded the budgeted expenses by \$3,344, due mainly to *Water Sales out of District Expense* exceeding the budgeted amount by \$49,840. Partially offset by decrease in other budget categories.
- Operations Expenses were lower than the budgeted expenses by \$425,180. Previously due to lower capital project expenses.

BROWNS VALLEY IRRIGATION DISTRICT
Management's Discussion and Analysis
December 31, 2013

Capital Assets

The District owns real property at its office and yard location on Browns Valley School Road. The District also owns the Collins Lake recreation area, including the dam and powerhouse. Also owned is a fish screen and a pumping facility on the Yuba River, miscellaneous booster pumps, a hydro powered lift pump, and an open ditch and pipeline delivery system. In addition, the District owns a considerable amount of vehicles and district maintenance equipment. These fixed assets, along with additions, deletions, and accumulated depreciation, are detailed in the Notes to the Financial Statements, Note 3.

Additions to the fixed assets during the year included the purchase of 2013 F-150 pickup \$16,945, 2014 Ford Escape \$24,975 and a hydraulic powered Angle Broom for \$6,988. Construction in progress additions for 2013 included expense for Peoria pipeline of \$47,347. Dry Creek of \$110,437 and Tennessee Ditch Hydro of \$43,902.

The Table below provides a comparative Summary.

Capital Asset Activity:

<u>Description</u>	<u>Capital Assets</u>		<u>Dollar Change</u>	<u>Percent Change</u>
	<u>Balance December 31, 2013</u>	<u>Balance December 31, 2012</u>		
Property and Equipment:				
Distribution System	\$ 11,046,078	\$ 11,046,078	\$ -	0.00%
Building/Equipment	1,674,542	1,625,634	48,908	3.01%
Recreation Property	11,508	11,508	-	0.00%
Fish Screens	204,819	204,819		
Construction in Progress	1,264,564	1,062,878	201,686	18.98%
Accumulated Depreciation	<u>(5,507,369)</u>	<u>(5,280,568)</u>	<u>(226,801)</u>	<u>4.30%</u>
Total Property, Plant and Equipment - Net	<u>\$ 8,694,142</u>	<u>\$ 8,670,349</u>	<u>\$ 23,793</u>	<u>0.27%</u>

Capital Debt:

At December 31, 2013, the District had no bonds outstanding. The District has no expected need for future capital debt.

Economic Factors:

The District shows a net position increase of \$433,660 for the calendar year ended December 31, 2013.

Debt Administration

Long-term debt: The final payment of \$100,000 was made on the Districts General Obligation Bonds during year 2012, bringing the balance to zero. There was no new debt incurred during the current year.

BROWNS VALLEY IRRIGATION DISTRICT

Management's Discussion and Analysis

December 31, 2013

Requests for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Browns Valley Irrigation District, Walter Cotter, General Manager at P.O. Box 6, Browns Valley, CA 95918.



Blomberg & Griffin Accountancy Corporation
Certified Public Accountant

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Browns Valley Irrigation District
Browns Valley, California

Report on the Financial Statements

We have audited the accompanying financial statements of Browns Valley Irrigation District as of and for the year ended December 31, 2013 and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents. The financial reports for the year ended December 31, 2012 are presented for comparative purposes only and are not covered by this audit report.

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 opinions 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 opinions.

Opinions

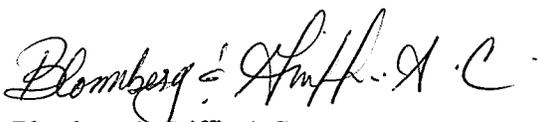
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Browns Valley Irrigation District, as of December 31, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America

**Other Matters
Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 1 through 6 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 Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated August 28, 2014, on our consideration of the Browns Valley Irrigation District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Browns Valley Irrigation District's internal control over financial reporting and compliance.



Blomberg & Griffin A.C.
Stockton, CA
August 28, 2014

BROWNS VALLEY IRRIGATION DISTRICTStatement of Net Position
December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
ASSETS		
CURRENT ASSETS		
Cash & Investments (Note 2)	\$ 2,763,774	\$ 2,347,761
Accounts Receivable	47,321	30,622
Interest Receivable	4,330	4,187
Inventory	91,456	60,860
Prepaid Insurance	36,247	40,552
Total Current Assets	<u>2,943,128</u>	<u>2,483,982</u>
Property and Equipment - Net of Accumulated		
Depreciation (Note 3)	<u>8,694,142</u>	<u>8,670,349</u>
Total Assets	<u><u>\$ 11,637,270</u></u>	<u><u>\$ 11,154,331</u></u>
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Accounts Payable & Accrued Payroll	\$ 49,797	\$ 59,021
Accord Conjunctive Liability (Note 4)	95,127	53,465
Compensated Absences	292,146	266,336
Deferred Compensation (Note 6)	-	8,969
Total Current Liabilities	<u>437,070</u>	<u>387,791</u>
NET POSITION		
Contributed Capital (Note 7)	540,440	540,440
Invested in Capital Assets, Net of Related Debt (Note 7)	8,694,143	8,670,349
Unrestricted/Unassigned	<u>1,965,617</u>	<u>1,555,751</u>
Total Net Position	<u>11,200,200</u>	<u>10,766,540</u>
Total Liabilities and Net Position	<u><u>\$ 11,637,270</u></u>	<u><u>\$ 11,154,331</u></u>

See accompanying notes to financial statements.

BROWNS VALLEY IRRIGATION DISTRICT
Statement of Activities and Changes in Net Position
For the Years Ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
OPERATING REVENUES:		
Water Sales:		
Other Water Agencies	\$ 726,505	\$ 579,879
Accord Conjunctive Use	7,980	7,980
Landowners	751,725	751,213
Hydro-electric Sales	740,751	681,584
Standby Charges	3,000	8,200
Pipeline Income	51,243	28,871
	<hr/>	<hr/>
Total Operating Revenues	2,281,204	2,057,727
Operating Expenses	<u>1,831,108</u>	<u>1,749,085</u>
Operating Income (Loss) Before Depreciation	<u>450,096</u>	<u>308,642</u>
Depreciation	<u>(226,801)</u>	<u>(227,809)</u>
Total Operating Income (Loss)	<u>223,295</u>	<u>80,833</u>
NON-OPERATING REVENUE AND EXPENSE		
Grant Income	-	155,652
Interest Income	19,573	18,946
Taxes and Assessments	99,665	199,094
Rental Income	9,745	10,120
Miscellaneous Income	6,178	6,428
Spring Valley Project	7,720	15,440
Recreation	65,884	61,860
Sale of Assets	1,700	-
Interest Expense	-	(5,506)
	<hr/>	<hr/>
Net Non-Operating Revenue and Expenses	210,465	462,034
Net Income	433,760	542,867
Net Position - Beginning of Year	<u>10,766,540</u>	<u>10,223,673</u>
Prior Period Adjustment	<u>(100)</u>	<u>-</u>
Net Position - End of Year	<u><u>\$ 11,200,200</u></u>	<u><u>\$ 10,766,540</u></u>

See accompanying notes to financial statements.

BROWNS VALLEY IRRIGATION DISTRICTStatement of Cash Flow
December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Operating Income (Loss)	\$ 223,295	\$ 80,833
Non-Cash Items Included in Operating Income:		
Depreciation	226,801	227,809
Changes in Current Assets and Liabilities:		
(Increase) Decrease in Receivables	(16,943)	(3,730)
(Increase) Decrease in Prepaid Insurance	4,306	(8,884)
(Increase) Decrease in Inventory	(30,596)	24,100
Increase (Decrease) in Accounts and Payroll Payables	(9,224)	25,348
Increase (Decrease) in Accord Groundwater Liability	41,662	1,485
Increase (Decrease) in Compensated Absences	25,810	17,804
Increase (Decrease) in Deferred Compensation	(8,969)	-
	<u>456,142</u>	<u>364,765</u>
Net Cash Provided (Used) by Operating Activities		
CASH FLOWS FROM NON-CAPITAL ACTIVITIES:		
Interest Income	<u>19,573</u>	<u>18,946</u>
Cash Flows From Non-Capital Financing Activities:		
Grant Income	-	155,652
Taxes and Assessments	99,665	199,094
Rental Income	9,745	10,120
Miscellaneous Income	6,178	6,428
Spring Valley Project	7,720	15,440
Recreation Property Income	<u>65,884</u>	<u>61,860</u>
	<u>189,192</u>	<u>448,594</u>
Net Cash Flows Provided by Non-Capital Financing Activities		
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:		
Payment on Long-Term Debt	-	(100,000)
Purchases of Fixed Assets	(250,594)	(157,296)
Interest Expense	-	(5,506)
Proceeds from the Sale of Assets	<u>1,700</u>	<u>-</u>
	<u>(248,894)</u>	<u>(262,802)</u>
Net Cash Provided by (Used in) Capital Financing Activities		
CASH FLOWS FROM INVESTING ACTIVITIES:		
Increase (Decrease) in Cash and Cash Equivalents	416,013	569,503
Cash and Cash Equivalent at Beginning of Year	<u>2,347,761</u>	<u>1,778,258</u>
Cash and Cash Equivalent at End of Year	<u><u>\$ 2,763,774</u></u>	<u><u>\$ 2,347,761</u></u>

See accompanying notes to financial statements.

BROWNS VALLEY IRRIGATION DISTRICT

Notes to Financial Statements

December 31, 2013 and 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the significant accounting policies of the Browns Valley Irrigation District (the District), all of which conform to generally accepted accounting principles as applicable to government units:

Reporting Entity: The District was established in 1888 to provide irrigation services in Yuba County, California. The District serves water to pasture and orchard lands as well as family orchards and gardens over an area of 55,000 acres, with 200 miles of open ditch and 70 miles of pipeline.

The financial reporting entity (the District) includes all funds of the District. As a Special District, Browns Valley Irrigation District is self-governed by an elected board of directors.

The State of California, The County of Yuba, the Public Employees Retirement System (PERS), and various school and other districts provide services within the District. Each of these agencies is dependent on an independently elected board other than the Board of Directors of the District. As a result, financial information for these agencies is not included within the scope of these financial statements.

Government-Wide Statements: The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information of the District's activities as a whole. The District only engages in enterprise activities, which are normally supported by sales revenue and supplemented by county tax revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers within the District or other districts/users who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirement of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Measurement Focus and Basis of Accounting: The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. All events and transactions that occurred during the fiscal period being reported that affect the economic condition of the entity are recorded in that fiscal period. Revenues are reported when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied.

BROWNS VALLEY IRRIGATION DISTRICT

Notes to Financial Statements
December 31, 2013 and 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Net position are reported as restricted when constraints placed on net position use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other government entities or imposed by law through enabling legislature. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

During the year 2013, the District adopted the provision of GASB statement number 45 and 63 in the reporting of net equity position (fund balance). The Governing Board has not delegated authority to either submit of assign fund balance.

Budgets and Budgetary Accounting: The District's Governing Board must adopt a final budget no later than April 30 of the current fiscal year. The budget is revised by the District during the year to give recognition to unanticipated income or expenditures.

Cash and Cash Equivalents: For purposes of the statement of cash flows, the District considers all temporary cash investments with a maturity of three months or less to be cash equivalents.

Accounts Receivable: The District uses the direct write-off method for bad debts. The method does not materially differ from the allowance method.

Capital Assets: Capital assets purchased by the District are recorded at historical cost or estimated historical cost when the original cost is not available. Donated capital assets are recorded at market value on the date donated. Repair and maintenance items that do not significantly extend the useful life of an asset are expensed when incurred.

Capital improvements to the distribution system can be under construction for multiple years. Improvements or additions to the distribution system that are partially completed at the end of the fiscal year are capitalized in Construction in Progress. When the project is completed, the total costs, minus any unused inventory, are removed from Construction in Progress, capitalized in the Distribution System account and depreciated over the life of the asset.

Depreciation of capital assets is computed and recorded on the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows:

Distribution System	30 - 100 Years
Buildings	10 - 40 Years
Equipment	7 - 15 Years
Vehicles	7 - 10 Years

BROWNS VALLEY IRRIGATION DISTRICT

Notes to Financial Statements

December 31, 2013 and 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventory: Inventory is valued at cost using the First in/First out (FIFO) method.

General Liability Insurance: The District is a member of Association of California Water Agencies (ACWA) under a Joint Powers Insurance Authority (JPIA). The authority provides general liability insurance under a self-insured program.

Workers Compensation Insurance: The District is covered as a member of ACWA-JPIA for workers compensation insurance. The authority provides a funding pool for self-insurance for workers compensation insurance for ACWA members.

Vacation and Sick Pay: Vacation pay is vested to the employees as it accrues and is payable upon retirement or termination. Sick leave does not vest to the employees until employed for ten years and is payable only when sick leave is taken. There is no maximum on sick leave. One half of any unused accumulated sick leave can be converted to additional service credit after retirement in PERS. The District pays 50% of accrued, but unpaid sick leave upon termination or retirement.

NOTE 2: CASH AND INVESTMENTS

At December 31, cash and investments consisted of the following:

	<u>2013</u>	<u>2012</u>
Petty Cash	\$ 200	\$ 200
General Checking	180,172	558,014
County Treasurer Savings	1,980,684	1,334,740
Investments in Certificates of Deposit	126,797	400,042
Deferred Compensation	-	8,969
Money Market Accounts	<u>475,921</u>	<u>45,796</u>
Unrestricted Cash and Investments	<u>\$ 2,763,774</u>	<u>\$ 2,347,761</u>

Funds of the District deposited in the general checking and savings are insured by federal depository insurance up to \$250,000, and collateralized for the remainder of the total deposits. The funds held by the Yuba County Treasurer consist of a pooled fund of diversified investments in accordance with investment policies complying with the California Government Code. Pooled funds are not required to be categorized by risk. There was no restricted cash as of December 31, 2013.

Collateral for Deposits

Under the provisions for the California Government Code, California banks and savings and loan associations are required to secure a District's deposits by pledging government securities as collateral. The market value of the pledged securities must equal at least 110% of a District's deposits. California law also allows financial institutions to secure deposits by pledging first trust deed mortgage notes having a value of 150% of a District's total deposits.

BROWNS VALLEY IRRIGATION DISTRICT

Notes to Financial Statements

December 31, 2013 and 2012

NOTE 2: CASH AND INVESTMENTS (Continued)

Authorized Investments

In accordance with California Government Code Section 53601, the District may invest in the following types of investments:

- Bonds issued by the State of California and/or any local agency within the State of California.
- Securities of the U.S. Government, or its agencies
- Certificates of Deposit (or Time Deposits) placed with commercial banks or savings and loan companies.
- Negotiable Certificates of Deposit
- Bankers Acceptance
- Commercial Acceptances
- Local Agency Investment Fund (State Pool) Demand Deposits
- Repurchase Agreements

NOTE 3: PROPERTY AND EQUIPMENT

A summary of changes in capital assets for the year ended December 31, 2013 follows:

	<u>12/31/2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>12/31/2013</u>
Distribution System	\$ 11,046,078	\$ -	\$ -	\$ 11,046,078
Building/Equipment	1,625,634	48,908	-	1,674,542
Recreation Property	11,508	-	-	11,508
Fish Screens	204,819	-	-	204,819
Construction in Progress	<u>1,062,878</u>	<u>201,686</u>	<u>-</u>	<u>1,264,564</u>
Total	13,950,917	250,594	-	14,201,511
Less Accumulated Depreciation	<u>(5,280,568)</u>	<u>(226,801)</u>	<u>-</u>	<u>(5,507,369)</u>
Net Capital Assets	<u>\$ 8,670,349</u>	<u>\$ 23,793</u>	<u>\$ -</u>	<u>\$ 8,694,142</u>

Depreciation in the amount of \$226,801 was charged to operating expense for the year ended December 31, 2013.

BROWNS VALLEY IRRIGATION DISTRICT

Notes to Financial Statements

December 31, 2013 and 2012

NOTE 4: ACCORD CONJUNCTIVE FUNDS RECEIVABLE/LIABILITY

The District entered into an agreement known as the Yuba Accord Conjunctive Use Agreement to implement the District's groundwater substitution water transfer program. The agreement also provides for groundwater pumping by Member Units of the District when required to implement the Sacramento Valley Water Management Agreement. Under the agreement, the District receives funds from the Yuba County Water Agency to distribute to landowners in the District who participate in the pumping program. The District also participates in the pumping program and receives income for the number of acre-feet of water it pumps and a fee based on the total water pumped for administering the program.

NOTE 5: PENSION PLAN

Plan Description

The District contributes to the California Public Employees' Retirement System (PERS), and agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for participating public entities within the state of California. All full-time employees of the District are eligible to participate in PERS. PERS is a defined benefit plan based on the member's age at retirement, service, and final compensation. Benefits vest after five years of service. The minimum retirement age is 50 years. PERS also provides disability, death, and health benefits. The benefit provisions and all other requirements are established by state statutes. California Government, Part 3, sections 20000-21600 governs PERS. PERS issues a separate comprehensive annual financial report. Copies of the PERS annual financial report may be obtained from the PERS Executive Office, 400 P Street, San Francisco, CA 95814.

Funding Policy

The rate of employee contribution is established by statute at 7% of employee compensation. The District is required to contribute the remaining amounts necessary to fund the benefits for its members, using the accrual basis adopted by the PERS board of Administration. The rate for the District was determined to be 14.922% for the year ended December 31, 2013.

Annual Pension Costs

Employer contributions are calculated in conformance with the provisions of GASB Statements No. 27 as a percentage of covered payrolls. Therefore, the contributions transmitted to the System are equal to the Annual Required Contribution (ARC), and there is no Net Pension Obligation (NPO) required. For the fiscal year ended December 31, 2013, the District's annual pension cost of \$ 110,542 was equal to the required and actual contributions of the District. The required contribution was determined as part of the June 30, 2012 actuarial valuation using the entry age actuarial cost method. Significant actuarial assumptions used in the valuation include an actuarially assumed investment return of 7.5% per annum, (B) salary increases based on a scale that assumes salary increases vary by length of service, (C) an assumed inflation rate of 2.75% in future years and (D) a 3.0% across the board increase and merit increases that vary by length of service.

BROWNS VALLEY IRRIGATION DISTRICT

Notes to Financial Statements
December 31, 2013 and 2012

NOTE 5: PENSION PLAN (Continued)

Five-Year Trend Information for PERS

<u>Year</u>	<u>Cost (APC)</u>	<u>APC Contributed</u>	<u>Obligation</u>
6/30/2009	80,399	100%	-
6/30/2010	90,702	100%	-
6/30/2011	98,996	100%	-
6/30/2012	95,797	100%	-
6/30/2013	110,542	100%	-

Required Supplementary Information
Funded Status of Plan Pool

<u>Valuation Date</u>	<u>Normal Accrued Liability (Per \$1,000)</u>	<u>Actuarial Value of Assets (Per \$1,000)</u>	<u>Unfunded Liability/ (Excess Assets) (Per \$1,000)</u>	<u>Funded Status</u>
6/30/2008	2,780,281	2,547,324	232,957	91.6%
6/30/2009	3,104,798	2,758,511	346,287	88.9%
6/30/2010	3,309,605	2,946,408	362,656	89.0%
6/30/2011	3,619,836	3,203,215	416,621	88.5%
6/30/2012	4,175,139	3,686,598	488,541	88.3%

NOTE 6: DEFERRED COMPENSATION

The District sponsors an IRS Code Section 457 Plan ("Plan") for all eligible employees. The Plan is administered by CalPERS. The District matches employee contributions by 10%.



BROWNS VALLEY IRRIGATION DISTRICT

Notes to Financial Statements

December 31, 2013 and 2012

NOTE 7: NET POSITION (FUND BALANCES)**Fund Equity - 2013**

Fund equity was segregated as follows for the year ended December 31, 2013:

Description Segregated Amounts	Contributed Capital	Invested In Capital Assets	Unrestricted	Total
Connection Fees	\$ 234,676	\$ -	\$ -	\$ 234,676
Grant for Mahle Ditch	305,764	-	-	305,764
Investment in Fixed Assets	-	8,694,143	-	8,694,143
Remaining Unreserved Balance	-	-	1,965,617	1,965,617
Total Fund Equity	<u>\$ 540,440</u>	<u>\$ 8,694,143</u>	<u>\$ 1,965,617</u>	<u>\$ 11,200,200</u>

Fund Equity—2012

Fund equity was segregated as follows for the year ended December 31, 2012:

Description Segregated Amounts	Contributed Capital	Invested In Capital Assets	Unrestricted	Total
Connection Fees	\$ 234,676	\$ -	\$ -	\$ 234,676
Grant for Mahle Ditch	305,764	-	-	305,764
Investment in Fixed Assets	-	8,670,349	-	8,670,349
Remaining Unreserved Balance	-	-	1,555,751	1,555,751
Total Fund Equity	<u>\$ 540,440</u>	<u>\$8,670,349</u>	<u>\$1,555,751</u>	<u>\$ 10,766,540</u>

Effective October 1, 1979, the District adopted a self-funded group liability property program administered by the Joint Power Insurance Authority (JPIA). The District also purchased workers compensation and unemployment coverage from JPIA. The District is insured by the pool for the first \$1,000,000 on each general liability, \$1,000,000 for each property claim and \$100,000 for fidelity coverage against the District. Amounts in excess of this are covered by other insurance carriers purchased by the pool up to a maximum amount of \$60,000,000 for liability, and \$60,000,000 for property. Workers Compensation coverage is provided up to \$2,000,000 by the pool and from \$2,000,000 to statutory limits by outside carriers. The District management has determined that there is no need for a reserve at year end for any potential liability of the District.

BROWNS VALLEY IRRIGATION DISTRICT
Schedules of Operating Expenses
For the Years Ended December 31, 2013 and 2012

	2013	2012
Management and General:		
Management and Administrative Payroll	\$ 241,983	\$ 247,247
Payroll Burden	144,178	143,457
Consulting	10,513	10,224
Directors Fee (1)	30,000	30,000
Dues and Memberships	57,377	53,189
Annexation	-	218
Insurance	41,362	27,350
Legal and Accounting	26,754	37,031
Miscellaneous Employee Expense	10,349	10,860
Office Maintenance	3,352	4,472
Office Supplies	18,562	19,074
Office Utilities	10,211	12,763
Yuba County Tax	-	126
	<u>594,641</u>	<u>596,011</u>
Operations:		
Operations Payroll	462,761	419,946
Payroll Burden	245,493	248,627
Water Sales Costs	53,840	33,081
Spring Valley Project	-	122
Purchased Water	18,335	18,335
Delta Expense	18,666	47,703
Hydro Expense	129,875	83,343
Fuel and Oil	54,095	58,667
Repairs and Maintenance	102,456	105,318
Small Tools	1,183	1,236
Utilities	149,216	136,472
Radio Expense	547	224
	<u>1,236,467</u>	<u>1,153,074</u>
Total Operations	<u>1,236,467</u>	<u>1,153,074</u>
Total Operating Expenses (Excluding Depreciation)	<u>\$ 1,831,108</u>	<u>\$ 1,749,085</u>

(1) Directors fee reclassified to payroll in 2013.

See independent auditor's report

BROWNS VALLEY IRRIGATION DISTRICT
Statement of Revenue and Expenditures-Budget vs Actual
2013

		<u>Budget</u>	<u>Actual</u>	<u>Over (Under)</u> <u>Budget</u>
REVENUES:	Water Sales-In District	\$ 744,700	\$ 751,725	\$ 7,025
	Water sales-Out of District	6,900	726,505	719,605
	Accord Conjunction Use	9,200	7,980	(1,220)
	Hydro-Electric Sales	772,100	740,751	(31,349)
	Standby Charges	4,200	3,000	(1,200)
	Pipeline Income	38,000	51,243	13,243
	Interest Income	14,800	19,573	4,773
	Taxes and Assessments	101,000	99,665	(1,335)
	Rental Income	10,800	9,745	(1,055)
	Miscellaneous Income/Refunds	14,900	6,178	(8,722)
	Recreation	62,800	65,884	3,084
	Spring Valley Project	7,720	7,720	-
	Grant Income	810,000	-	(810,000)
	Sale of Assets	8,000	1,700	(6,300)
		<u>8,000</u>	<u>1,700</u>	<u>(6,300)</u>
	Total Revenues	<u>\$ 2,605,120</u>	<u>\$ 2,491,669</u>	<u>\$ (113,451)</u>
EXPENSES:	Management & General:			
	Management and Administrative Payroll	\$ 247,565	\$ 271,983	\$ 24,418
	Payroll Burden	122,238	144,178	21,940
	Consulting	10,000	10,513	513
	Dues and Memberships	61,000	57,377	(3,623)
	Annexation/LAFCO	1,000	-	(1,000)
	Insurance	92,000	41,362	(50,638)
	Legal and Accounting	41,000	26,754	(14,246)
	Miscellaneous Employee Expense	11,000	10,349	(651)
	Office Maintenance	3,000	3,352	352
	Office Supplies	18,000	18,562	562
	Office Utilities	13,000	10,211	(2,789)
	Delta Issues	40,000	18,666	(21,334)
	Water Sales Out of District	4,000	53,840	49,840
		<u>663,803</u>	<u>667,147</u>	<u>3,344</u>
	Operations:			
	Operational Payroll	473,435	462,761	(10,674)
	Payroll Burden	233,762	245,493	11,731
	Maintenance-Equipment	5,000	10,259	5,259
	Maintenance-Pumps	2,000	6,454	4,454
	Maintenance-Trucks	7,000	7,021	21
	Distribution Maintenance	55,000	78,722	23,722
	Hydro Expense	81,000	129,875	48,875
	Utilities - Electric Pumps	145,000	149,216	4,216
	Fuel and Oil	55,000	102,456	47,456
	Small Tools	1,000	1,183	183
	Radio Expense	200	547	347
	Water Purchases	18,000	18,335	335
	Depreciation	-	226,801	226,801
	Capital Projects	1,038,500	250,594	(787,906)
		<u>2,114,897</u>	<u>1,689,717</u>	<u>(425,180)</u>
	Total Expense	<u>2,778,700</u>	<u>2,356,864</u>	<u>(421,836)</u>
	Excess of Revenue Over (Under) Expense	<u>\$ (173,580)</u>	<u>\$ 134,805</u>	<u>\$ 308,385</u>



Blomberg & Griffin Accountancy Corporation
Certified Public Accountant

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Board of Directors
Browns Valley Irrigation District
Browns Valley, CA

We have audited the business-type activities of the Browns Valley Irrigation District as of and for the year ended December 31, 2013, which collectively comprise the District's basic financial statements and have issued our report thereon dated August 28, 2014. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Browns Valley Irrigation District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Browns Valley Irrigation District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Browns Valley Irrigation District's internal control over financial reporting.

A control deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected and corrected by Browns Valley Irrigation District's internal controls on a timely basis.

Browns Valley Irrigation District-Report on Internal Controls-Page 2

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Browns Valley Irrigation District financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matter that is required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, Board of Directors, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Blomberg & Griffin A.C.
Stockton, CA
August 28, 2014