



Financial Statements
and
Independent Auditor's Reports
2016

BROWNS VALLEY IRRIGATION DISTRICT

Financial Statements

December 31, 2016

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BROWNS VALLEY IRRIGATION DISTRICT

Management's Discussion and Analysis

December 31, 2016

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, 2016, based on currently known facts, decisions or conditions.

After several years of sever drought conditions, a much wetter 2016 brought relief to the District and in March of that year, Collins Lake recovered from a near record low to filling to 100% of capacity. While incredibly beneficial for local water supplies, one of BVID's major revenue resources tends to diminish during wetter years and as a result, 2016 yielded no Conserved Water Transfer. The absence of the Conserved Water Transfer is apparent in this report, especially when compared to the increases of cash-on-hand in both 2014 and 2015. However, despite the reduction in revenue, the District's ability to draw from reserves built in prior years ensures it remains in a financially sound position, especially when coupled with proposed rate increase to account for those lost, or otherwise uncertain revenues in 2017 and beyond.

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, 2016

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>12/31/16</u>	<u>12/31/15</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Current Assets	\$ 4,870,220	\$ 5,636,486	\$ (766,266)	-13.59%
Capital Assets	7,570,550	7,428,879	141,671	1.91%
Construction in Progress	1,721,148	1,768,951	(47,803)	-2.70%
Other Assets	<u>24,045</u>	<u>43,436</u>	<u>(19,391)</u>	<u>0%</u>
Total Assets	<u>\$ 14,185,963</u>	<u>\$ 14,877,752</u>	<u>\$ (691,789)</u>	<u>-4.65%</u>
Liabilities	\$ 1,428,701	\$ 1,387,593	\$ 41,108	2.96%
Net Position:				
Contributed Capital	540,440	540,440	-	0.00%
Invested in Capital Assets	9,291,698	9,197,830	93,868	1.02%
Unrestricted/Unassigned	<u>2,925,124</u>	<u>3,751,889</u>	<u>(826,765)</u>	<u>-22.04%</u>
Total Liabilities and Net Position	<u>\$ 14,185,963</u>	<u>\$ 14,877,752</u>	<u>\$ (691,789)</u>	<u>-4.65%</u>

BROWNS VALLEY IRRIGATION DISTRICT

Management's Discussion and Analysis

December 31, 2016

District Financial Statements (Continued)

Condensed Statement of Activities and Changes in Net Position

	<u>12/31/16</u>	<u>12/31/15</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Operating Revenues	\$ 1,557,251	\$ 4,193,643	\$ (2,636,392)	-62.87%
Less Operating Expenses	(1,501,035)	(1,264,647)	236,388	18.69%
Less Administrative Expenses	(742,783)	(821,803)	(79,020)	9.62%
Less Depreciation	(239,277)	(244,928)	(5,651)	2.31%
Add Non-Operating Revenues (Expenses)	<u>192,947</u>	<u>204,567</u>	<u>(11,620)</u>	<u>5.68%</u>
Increase (Decrease) in Net Position	(732,897)	2,066,832	(2,799,729)	135.46%
Net Position - Beginning of year	<u>13,490,159</u>	<u>12,425,345</u>	<u>1,064,814</u>	<u>8.57%</u>
Prior Period Adjustment - GASB 68	<u>-</u>	<u>(1,002,018)</u>	<u>1,002,018</u>	<u>-100.00%</u>
Net Position - End of year	<u>\$ 12,757,262</u>	<u>\$ 13,490,159</u>	<u>\$ (732,897)</u>	<u>-5.43%</u>

During the year ended December 31, 2016 the District's operating revenues decreased by 62.87% due to decrease in the District's water sales to other water districts and decreased power sales.

Financial Highlights

- The assets of the District exceeded its liabilities at the close of the year ended December 31, 2016 by \$12,757,262. Of this amount, \$2,925,124 is in *Unrestricted/Unassigned Net Position*.
- The District's total net position decreased by \$732,897 from the previous year.
- The District's operating expenses totaled \$2,243,818 for the current year an increase of \$157,368 over previous year.
- The District's current year total revenues decreased compared to the prior year by \$2,648,012 to a total of \$1,750,198 for the year ended December 31, 2016. Total revenue for the prior year was \$4,398,210. *Out of District Water Sales* decreased by \$2,044,738 in 2016 compared to the prior year. Grant revenues received during 2016 were \$50,777.
- The cash and investment balance available at the end of the current year was \$4,750,426, a decrease of \$731,532 from the prior period.

BROWNS VALLEY IRRIGATION DISTRICT

Management's Discussion and Analysis

December 31, 2016

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

- 2016 revenues of the District were less than the budgeted revenues by \$2,060,611 mainly due to out of District water sales.
- Management and General Expenses were over budgeted amounts by \$11,795.
- Operations Expenses were lower than the budgeted amounts by \$946,374 primarily due to lower capital project expenses.

BROWNS VALLEY IRRIGATION DISTRICT

Management's Discussion and Analysis

December 31, 2016

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 are 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 Bobcat Brush Mower, spray trailer, 2012 Firefighter Dump Truck. Construction in progress additions for 2016 included expense for Peoria pipeline of \$75,236, Sicard Ditch of \$12,150 and Tennessee Ditch Hydro Project of \$139,030. The District has transferred cost of Saddleback Lift Project to Distribution System as a completed project of \$264,540.

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, 2016</u>	<u>Balance December 31, 2015</u>		
Property and Equipment:				
Distribution System	\$ 11,611,091	\$ 11,346,551	\$ 264,540	2.33%
Building/Equipment	1,924,068	1,822,417	101,651	5.58%
Recreation Property	11,508	11,508	-	0.00%
Fish Screens	204,819	204,819	-	0.00%
Construction in Progress	1,721,148	1,768,951	(47,803)	-2.70%
Accumulated Depreciation	<u>(6,180,937)</u>	<u>(5,956,416)</u>	<u>(224,521)</u>	<u>3.77%</u>
Total Property, Plant and Equipment - Net	<u>\$ 9,291,697</u>	<u>\$ 9,197,830</u>	<u>\$ 93,867</u>	<u>1.02%</u>

Capital Debt:

At December 31, 2016, the District had no bonds outstanding. The District has no expected need for future capital debt.

Economic Factors:

The District shows a net position decrease of \$732,897 for the calendar year ended December 31, 2016, exclusive of decrease in revenue of \$2,648,012.

Debt Administration

BROWNS VALLEY IRRIGATION DISTRICT

Management's Discussion and Analysis

December 31, 2016

Long-term debt: There was no new debt incurred during the current year.

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, 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's ended December 31, 2016 and 2015 and the related notes to the financial statements, which collectively comprise the District'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 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, 2016 and 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year's 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 and schedule of required supplementary information- Miscellaneous pension plan (page 23) to 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 May 11, 2017, 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.

Blomberg & Griffin A.C.
Stockton, CA
May 11, 2017

BROWNS VALLEY IRRIGATION DISTRICT

Statement of Net Position

December 31, 2016 and 2015

	ASSETS	2016	2015
CURRENT ASSETS			
Cash & Investments (Note 2)		\$ 4,750,426	\$ 5,481,958
Accounts Receivable		29,056	24,132
Interest Receivable		11,733	11,760
Inventory		36,475	76,183
Prepaid Insurance		42,530	42,453
Total Current Assets		<u>4,870,220</u>	<u>5,636,486</u>
Property and Equipment - Net of Accumulated			
Depreciation (Note 3)		9,291,698	9,197,830
Sources of Deferred Outflows of Resources			
Pension Contributions		24,045	43,436
Total Assets		<u>\$ 14,185,963</u>	<u>\$ 14,877,752</u>
LIABILITIES AND NET POSITION			
CURRENT LIABILITIES			
Accounts Payable & Accrued Payroll		\$ 89,410	\$ 40,228
Accord Conjunctive Liability (Note 4)		97,783	97,783
Compensated Absences		284,917	244,873
Total Current Liabilities		<u>472,110</u>	<u>382,884</u>
LONG TERM LIABILITIES			
Net Pension Liability		770,619	848,071
Sources of Deferred Inflows of Resources			
Pension Plan Deferred (GASB 68)		185,972	156,638
Total Long-Term Liability		<u>956,591</u>	<u>1,004,709</u>
NET POSITION			
Contributed Capital (Note 7)		540,440	540,440
Invested in Capital Assets, (Note 7)		9,291,698	9,197,830
Unrestricted/Unassigned		2,925,124	3,751,889
Total Net Position		<u>12,757,262</u>	<u>13,490,159</u>
Total Liabilities and Net Position		<u>\$ 14,185,963</u>	<u>\$ 14,877,752</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, 2016 and 2015

	2016	2015
OPERATING REVENUES:		
Water Sales:		
Other Water Agencies	\$ 20,543	\$ 2,065,281
Accord Conjunctive Use	10,230	147,913
Landowners	800,205	774,881
Hydro-electric Sales	652,565	1,165,231
Standby Charges	3,851	4,851
Pipeline Income	69,857	35,486
Total Operating Revenues	1,557,251	4,193,643
 Operating Expenses	 2,243,818	 2,086,450
Operating Income (Loss) Before Depreciation	(686,567)	2,107,193
Depreciation	(239,277)	(244,928)
Total Operating Income (Loss)	(925,844)	1,862,265
 NON-OPERATING REVENUE AND EXPENSE		
Grant Income	50,777	103,285
Interest Income	40,452	28,217
Taxes and Assessments	17	(5)
Rental Income	11,235	10,840
Miscellaneous Income	212	689
Refunds	7,064	-
Recreation	73,734	63,354
Sale of Assets	9,456	(1,813)
Net Non-Operating Revenue and Expenses	192,947	204,567
Net Income	(732,897)	2,066,832
Net Position - Beginning of Year	13,490,159	12,425,345
Prior Period Adjustment - GASB 68 Note 5	-	(1,002,018)
Net Position - End of Year	\$ 12,757,262	\$ 13,490,159

See accompanying notes to financial statements.

BROWNS VALLEY IRRIGATION DISTRICT

Statement of Cash Flow

December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Operating Income (Loss)	\$ (925,844)	\$ (954,573)
Non-Cash Items Included in Operating Income:		
Depreciation	239,277	244,928
Changes in Current Assets and Liabilities:		
(Increase) Decrease in Receivables	(4,897)	8,824
(Increase) Decrease in Prepaid Insurance	(77)	(5,157)
(Increase) Decrease in Inventory	39,708	11,826
Increase (Decrease) in Pension Liability	(28,729)	-
Increase (Decrease) in Accounts and Payroll Payables	49,182	11,922
Increase (Decrease) in Accord Groundwater Liability	-	-
Increase (Decrease) in Compensated Absences	40,044	(97,230)
	<u>(591,336)</u>	<u>(779,460)</u>
Net Cash Provided (Used) by Operating Activities		
CASH FLOWS FROM NON-CAPITAL ACTIVITIES:		
Interest Income	<u>40,452</u>	<u>23,162</u>
Cash Flows From Non-Capital Financing Activities:		
Grant Income	50,776	103,285
Taxes and Assessments	17	(5)
Rental Income	11,235	10,840
Miscellaneous Income	212	689
Refunds	7,064	-
Recreation Property Income	<u>73,734</u>	<u>63,354</u>
Net Cash Flows Provided by Non-Capital Financing Activities	<u>143,038</u>	<u>178,163</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:		
Purchases of Fixed Assets	(336,886)	(542,203)
Proceeds from the Sale of Assets	<u>13,200</u>	<u>19,000</u>
Net Cash Provided by (Used in) Capital Financing Activities	(323,686)	(523,203)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Pension Plan Adjustments (GASB 68)	<u>-</u>	<u>(40,747)</u>
Increase (Decrease) in Cash and Cash Equivalents	(731,532)	1,674,753
Cash and Cash Equivalent at Beginning of Year	<u>5,481,958</u>	<u>3,807,205</u>
Cash and Cash Equivalent at End of Year	<u><u>\$ 4,750,426</u></u>	<u><u>\$ 5,481,958</u></u>

See accompanying notes to financial statements.

BROWNS VALLEY IRRIGATION DISTRICT

Notes to Financial Statements

December 31, 2016 and 2015

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, 2016 and 2015

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 is 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 commit or 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, 2016 and 2015

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>2016</u>	<u>2015</u>
Petty Cash	\$ 200	\$ 200
General Checking	138,296	60,291
County Treasurer Savings	4,347,011	4,507,176
Money Market Accounts	<u>264,918</u>	<u>914,291</u>
Unrestricted Cash and Investments	<u>\$ 4,750,425</u>	<u>\$ 5,481,958</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, 2016.

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, 2016 and 2015

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, 2016 follows:

	<u>12/31/2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>12/31/2016</u>
Distribution System	\$ 11,346,551	\$ 264,540	\$ -	\$ 11,611,091
Building/Equipment	1,822,416	120,152	(18,500)	1,924,068
Recreation Property	11,508	-	-	11,508
Fish Screens	204,819	-	-	204,819
Construction in Progress	<u>1,768,951</u>	<u>216,737</u>	<u>264,540</u>	<u>1,721,148</u>
Total	15,154,245	601,429	246,040	15,472,634
Less Accumulated Depreciation	<u>(5,956,415)</u>	<u>(239,277)</u>	<u>14,756</u>	<u>(6,180,936)</u>
Net Capital Assets	<u>\$ 9,197,830</u>	<u>\$ 362,152</u>	<u>\$ 260,796</u>	<u>\$ 9,291,698</u>

Depreciation in the amount of \$239,277 was charged to operating expense for the year ended December 31, 2016

BROWNS VALLEY IRRIGATION DISTRICT

Notes to Financial Statements

December 31, 2016 and 2015

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 - DISTRICT EMPLOYEES RETIREMENT PLAN (DEFINED BENEFIT PENSION PLAN)

The District provides eligible employee's pension plans benefits through the Brown Valley Irrigation District – Miscellaneous Plan (The Plan).

Plan Description, Benefits Provided and Employees Covered

The plan is a cost-sharing multiple-employer defined benefit pension plan administered by the California Public Employees; Retirement System (CalPERS). A full description of the pension plan benefit provisions, assumptions for funding purposes but not accounting purposes, and membership information is listed in the June 30, 2015 Annual Actuarial Valuation Report. Details of the benefits provided can be obtained in Appendix B of the June 30, 2015 actuarial valuation report. This report is a publically available valuation report that can be obtained at CalPERS' website under Forms and Publications.

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 the CalPERS' annual actuarial valuation process. For public agency cost-sharing plans covered by either the Miscellaneous or Safety risk pools, the Plan's actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs of benefits earned by employees during the year, and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and contribution rate of employees. For the measurement period ended June 30, 2016 (the measurement date); the active employee contribution rate is 6.891 percent of annual pay, and the average employer's contribution rate is 9.353 percent of annual payroll. Employer contributions rates may change if plan contracts are amended. It is the responsibility of the employer to make necessary accounting adjustments to reflect the impact due to any Employer Paid Member Contributions or situations where members are paying a portion of the employer contribution

BROWNS VALLEY IRRIGATION DISTRICT

Notes to Financial Statements

December 31, 2016 and 2015

NOTE 5 - DISTRICT EMPLOYEES RETIREMENT PLAN (DEFINED BENEFIT PENSION PLAN) (Continued)

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

For the measurement period ending June 30, 2016 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2015 total pension liability. Both the June 30, 2016 total pension liability and the June 30, 2015 total pension liability were based on the following actuarial methods and assumptions.

Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial Assumptions	
Discount Rate	7.50%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.50% Net of Pension Plan Investment and Administrative Expenses; includes Inflation
Mortality Rate Table	Delivered 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.

Discount Rate

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

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

BROWNS VALLEY IRRIGATION DISTRICT

Notes to Financial Statements

December 31, 2016 and 2015

NOTE 5 - DISTRICT EMPLOYEES RETIREMENT PLAN (DEFINED BENEFIT PENSION PLAN) (Continued)

The following presents the net pension liability/(assets) of the Plan as of the measurement date, calculated using the discount rate of 7.50 percent, as well as what the net pension liability/(asset) would be if it were calculated using a discount rate that is 1 percentage-point lower (6.50 percent) or 1 percentage-point higher (8.50 percent) than the current rate:

	Discount Rate - 1 % (6.50 %)	Current Discount Rate (7.50 %)	Discount Rate + 1 % (8.50 %)
Plan's Net Pension Liability/(Asset)	\$ 1,292,383	\$ 770,619	\$ 339,844

Subsequent Events

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

PENSION EXPENSE AND DEFERRED OUTFLOWS AND DEFERRED INFLOWS

For the fiscal year ended December 31, 2016, pension expense recognized is as follows:

	<u>2016</u>	<u>2015</u>
Service Cost	\$ 96,400	\$ 118,906
Interest on Total Pension Liability	290,888	346,718
Changes of Benefit Terms	302	172
Recognized Changes of Assumption	(17,942)	(22,594)
Recognized Differences b/w Projected and Actual Experience	1,607	2,388
Net Plan to Plan Resource Movement	(6,713)	(23,215)
Employee Contribution	(45,272)	(54,661)
Projected Earnings on Pension Plan Investments	(233,822)	(288,023)
Recognized Differences b/w Projected and Actual Earnings on Plan Investment	24,411	(24,084)
Administrative Expenses	<u>1,900</u>	<u>4,338</u>
Pension Expense (Income)	<u>\$ 111,759</u>	<u>\$ 59,946</u>

As of December 31, 2016, Browns Valley Irrigation District reports other amounts for the Plan as deferred outflows and deferred inflows of resources related to pensions as follows:

BROWNS VALLEY IRRIGATION DISTRICT

Notes to Financial Statements

December 31, 2016 and 2015

DEFINED BENEFITS PENSION PLANS – Miscellaneous Plan (Continued)

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net Difference between Projected and Actual Earnings on Pension Plan Investments	\$ -	\$ -
Adjustments due to Difference in Contributions	<u>24,045</u>	<u>(185,970)</u>
Total	<u>\$ 24,045</u>	<u>\$ (185,970)</u>

Amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in future pension expense as follows:

<u>Measurement Period Ended June 30,</u>	<u>Deferred Outflows/(Inflows) of Resources</u>
2017	(42,612)
2018	(42,612)
2019	(42,612)
2020	(34,089)

In accordance with GASB 68, a prior period adjustment was reported to record the pension related adjustments.

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, 2016 and 2015

NOTE 7: NET POSITION (FUND BALANCES)**Fund Equity - 2016**

Fund equity was segregated as follows for the year ended December 31, 2016:

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	-	9,291,698	-	9,291,698
Remaining Unreserved Balance	-	-	2,925,124	2,925,124
Total Fund Equity	\$ 540,440	\$ 9,291,698	\$ 2,925,124	\$ 12,757,262

Fund Equity—2015

Fund equity was segregated as follows for the year ended December 31, 2015:

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	-	9,197,830	-	9,197,830
Remaining Unreserved Balance	-	-	3,751,889	3,751,889
Total Fund Equity	\$ 540,440	\$ 9,197,830	\$ 3,751,889	\$ 13,490,159

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, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Management and General:		
Management and Administrative Payroll	\$ 287,250	\$ 390,278
Payroll Burden	159,844	130,628
Consulting	13,524	19,707
Dues and Memberships	69,434	62,996
Annexation/LAFCO	3,038	5,437
Insurance	69,084	66,793
Legal and Accounting	46,662	30,785
Miscellaneous Employee Expense	12,291	12,386
Office Maintenance	7,634	2,104
Office Supplies	27,587	23,068
Office Utilities	2,477	7,777
Other Fees	43,958	69,844
	<u>742,783</u>	<u>821,803</u>
Operations:		
Operations Payroll	564,674	573,336
Payroll Burden	282,864	187,978
Water Sales Costs	4,710	2,920
Purchased Water	23,750	20,140
Delta Expense	41,397	14,030
Hydro Expense	119,995	69,196
Fuel and Oil	31,775	58,803
Repairs and Maintenance	248,572	136,277
Small Tools	2,724	3,093
Utilities	177,539	198,367
Radio Expense	3,035	507
	<u>1,501,035</u>	<u>1,264,647</u>
Total Operating Expenses (Excluding Depreciation)	<u>\$ 2,243,818</u>	<u>\$ 2,086,450</u>

See independent auditor's report

BROWNS VALLEY IRRIGATION DISTRICT
Statement of Revenue and Expenditures-Budget vs Actual
2016

	<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
REVENUES:			
Water Sales-In District	\$ 761,919	\$ 800,205	\$ 38,286
Water sales-Out of District	3,366	20,543	17,177
Accord Conjunction Use	25,000	10,230	(14,770)
Hydro-Electric Sales	440,000	652,565	212,565
Standby Charges	3,800	3,851	51
Pipeline Income	38,000	69,857	31,857
Interest Income	18,000	40,452	22,452
Rental Income	10,800	11,235	435
Miscellaneous Income/Refunds	10,000	7,276	(2,724)
Recreation	60,000	73,734	13,734
Grant Income	56,200	50,777	(5,423)
Taxes and Assessments	-	17	17
Sale of Assets	10,000	19,000	9,000
Trust Funds	252,813	-	(252,813)
Reserves	372,152	-	(372,152)
Conserved Water Transfer	300,000	-	-
Prior Year Carryover	1,458,303	-	(1,458,303)
	<u>3,820,353</u>	<u>1,759,742</u>	<u>(2,060,611)</u>
EXPENDITURES: Management & General:			
Management and Administrative Payroll	285,800	287,250	1,450
Payroll Burden	186,000	188,576	2,576
Consulting	22,000	13,524	(8,476)
Dues and Memberships	68,920	69,434	514
Annexation/LAFCO	35,000	3,038	(31,962)
Insurance	62,000	69,084	7,084
Legal and Accounting	40,000	46,662	6,662
Miscellaneous Employee Expense	16,000	12,291	(3,709)
Office Maintenance	3,000	7,634	4,634
Office Supplies	31,000	27,587	(3,413)
Office Utilities	10,000	2,477	(7,523)
Other Fees (Includes History Book)	-	43,958	43,958
	<u>759,720</u>	<u>771,515</u>	<u>11,795</u>
Operations:			
Operational Payroll	618,320	564,674	(53,646)
Payroll Burden	240,000	282,864	42,864
Maintenance-Equipment	10,000	28,192	18,192
Maintenance-Pumps	3,000	191	(2,809)
Maintenance-Trucks	10,000	15,182	5,182
Distribution Maintenance	60,000	93,601	33,601
Hydro Expense	240,000	119,995	(120,005)
Utilities - Electric Pumps	205,000	177,539	(27,461)
Fuel and Oil	65,000	31,775	(33,225)
Small Tools	3,000	2,724	(276)
Radio Expense	600	3,035	2,435
Water Purchases	25,000	23,750	(1,250)
Delta Issues	22,500	41,397	18,897
Water Sales Out of District	10,000	4,710	(5,290)
Contingency	150,000	-	(150,000)
Capital Projects	1,398,213	712,835	(685,378)
	<u>3,060,633</u>	<u>2,102,464</u>	<u>(958,169)</u>
	<u>3,820,353</u>	<u>2,873,979</u>	<u>(946,374)</u>
Excess of Revenue Over (Under) Expenditures	<u>\$ -</u>	<u>\$ (1,114,237)</u>	<u>\$ (1,114,237)</u>

BROWNS VALLEY IRRIGATION DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION- MISCELLANEOUS PLAN
 December 31, 2016

Schedule of the Plan's Proportionate Share of the Net Pension Liability and Related Ratios as of the Measurement Date in Relation to PERF C

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Plan's Proportion of the Net Pension Liability/(Asset)	0.00587%	0.00646%
Plan's Proportionate Share of the Net Pension Liability/(Asset)	\$ 770,619	\$ 848,071
Plan's Covered-Employee Payroll	\$ 612,290	\$ 669,004
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered-Employee Payroll	125.86%	126.77%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	0.00%	0.00%
Plan's Proportionate Share of Aggregate Employer Contributions	\$ -	\$ -

Schedule of Plan Contributions

	<u>Fiscal Year 2015-16</u>	<u>Fiscal Year 2014-15</u>
Actuarially Determined Contribution	\$ 63,451	\$ 57,018
Contributions in Relation to the Actuarially Determined Contribution	<u>(63,451)</u>	<u>(57,018)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>
Covered-Employee Payroll	\$ 612,290	\$ 669,004
Contributions as a Percentage of Covered-Employee Payroll	10.36%	8.52%

Notes to Schedule

Change in Benefit Terms: The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2014 as they have minimal cost impact.

Change in Assumptions: None



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's ended December 31, 2016 and 2015, which collectively comprise the District's basic financial statements and have issued our report thereon dated May 11, 2017. 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.

Blomberg & Griffin A.C.
Stockton, CA
May 11, 2017