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Independent Auditor's Report

To the Board of Directors  
Byron Bethany Irrigation District  
Byron, California

**Report on the Financial Statements**

We have audited the accompanying financial statements of Byron Bethany Irrigation District, as of and for the year ended December 31, 2015, as listed in the table of contents, and the related notes to the financial statements.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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.

**BYRON BETHANY  
IRRIGATION DISTRICT**

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**FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITOR'S REPORT  
for the year ended December 31, 2015**

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Byron Bethany Irrigation District as of December 31, 2015, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America, as well as the accounting systems prescribed by the State Controller's Office and State Regulations governing Special Districts.

### **Other Matters**

The Management's Discussion and Analysis is not a required part of the financial statements but is supplemental information required by the Government Auditing Standards Board. Management has elected to omit the Management's Discussion and Analysis.

The supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of Byron Bethany Irrigation District. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Robert W. Johnson, An Accountancy Corporation*

Citrus Heights, California

July 26, 2016

BYRON BETHANY IRRIGATION DISTRICT  
STATEMENT OF NET POSITION  
December 31, 2015

ASSETS AND DEFERRED OUTFLOWS

Current assets:		
Cash (Note 3)		\$ 4,193,981
Receivables – water		751,456
– other		31,208
Construction trust account		416,297
Prepaid expenses		<u>63,171</u>
Total current assets		5,456,113
Capital assets, at cost (Notes 4, 5 and 6)	\$39,182,745	
Less accumulated depreciation	<u>11,144,159</u>	
	28,038,586	
Work in progress	<u>62,875</u>	28,101,461
Other post employment benefits asset (Note 11)		706,872
Restricted assets (Note 3):		
Cash	6,173,249	
LAIF	1,564,475	
Cash with Trustee (Note 5)	<u>319,510</u>	
		8,057,234
Deferred outflows (Note 8)		<u>64,122</u>
		<u>\$42,385,802</u>

See notes to financial statements

## LIABILITIES, DEFERRED INFLOWS AND NET POSITION

### Current liabilities:

Current portion of long-term debt (Note 5)	\$ 185,000
Accounts payable and accrued liabilities	400,886
Compensated absences	35,444
Construction and customer deposits	<u>45,000</u>

Total current liabilities	666,330
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Long-term debt, net of current portion (Note 5)	5,930,202
Net pension liability (Note 8)	166,938
Line of credit (Note 7)	<u>-</u>

Total liabilities	6,763,470
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Deferred inflows (Note 8)	59,440
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### Net position (Note 9):

Net investment in capital assets	\$25,201,461	
Restricted	1,919,510	
Unrestricted	<u>8,441,921</u>	<u>35,562,892</u>

	<u>\$42,385,802</u>
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BYRON BETHANY IRRIGATION DISTRICT  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
for the year ended December 31, 2015

Operating revenues:		
Water sales		\$ 1,212,040
Stand-by charges		160,353
Water transfers		1,274,432
O & M charges		296,254
Customer finance charges		31,502
Other		<u>44,560</u>
Total operating revenues		3,019,141
Operating expenses:		
Source of supply	\$1,582,979	
Pumping	379,117	
Transmission and distribution	1,574,747	
Administrative	1,865,822	
Depreciation	<u>1,004,993</u>	
Total operating expenses		<u>6,407,658</u>
Operating loss		(3,388,517)
Non-operating income (expense):		
Property tax revenue	3,811,774	
Investment income	36,861	
Farm income	-	
Reimbursements	101,311	
Bureau cost recovery	444,375	
Sale/disposal of fixed assets	5,800	
Interest expense	<u>( 142,953)</u>	<u>4,257,168</u>
Income before contributions		868,651
Capital contributions		<u>-</u>
Change in net position (carried forward)		868,651

See notes to financial statements

BYRON BETHANY IRRIGATION DISTRICT  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION, continued  
for the year ended December 31, 2015

Change in net position (brought forward)	\$ 868,651
Total net position:	
Beginning	34,793,953
Prior period adjustment to record net pension liability (Note 15)	( <u>99,712</u> )
Ending	<u>\$35,562,892</u>

See notes to financial statements

BYRON BETHANY IRRIGATION DISTRICT  
STATEMENT OF CASH FLOWS  
for the year ended December 31, 2015

Cash flows from operating activities:		
Receipts from customers and others		\$ 6,852,912
Payments to suppliers		( 8,110,891)
Payments to employees		<u>( 1,166,865)</u>
Net cash provided to operating activities		( 2,424,844)
Cash flows from noncapital financing activities:		
Receipts from property taxes and other nonoperating income		3,913,085
Cash flows from capital and related financing activities:		
Purchase of capital assets	\$( 1,160,259)	
Bureau construction relief	444,375	
Principal reduction on long-term debt	( 624,375)	
Interest paid on capital debt	( 142,953)	
Payment of capital lease	( 99,162)	
Proceeds from sale of assets	<u>5,800</u>	( 1,576,574)
Cash flows from investing activities:		
Investment income		<u>36,861</u>
Net decrease in cash and cash equivalents		( 51,472)
Cash and cash equivalents:		
Beginning of year		<u>12,302,687</u>
End of year		<u>\$12,251,215</u>

See notes to financial statements

BYRON BETHANY IRRIGATION DISTRICT  
STATEMENT OF CASH FLOWS, continued  
for the year ended December 31, 2015

Reconciliation of operating income (loss) to net cash provided to operating activities:	
Operating loss	\$(3,388,517)

Adjustments to reconcile operating loss  
to net cash provided to operating activities:

Depreciation expense	\$1,004,993	
Prior period entry	( 99,712)	

Changes in operating assets, liabilities, deferred  
inflows and deferred outflows:

Receivables	( 566,350)	
Prepays	251,486	
Accounts payable	229,625	
Other payables and deposits	2,229	
OPEB	( 31,359)	
Trust account	10,505	
Net pension liability	166,938	
Deferred inflows	59,440	
Deferred outflows	<u>( 64,122)</u>	

Total adjustments	<u>963,673</u>
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Net cash provided to operating activities	<u><u>\$(2,424,844)</u></u>
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Supplementary information:  
Cash paid for interest

\$ 142,953

See notes to financial statements

BYRON BETHANY IRRIGATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS

1. Organization:

Byron Bethany Irrigation District (the "District") is a multi-county special district operating under and by virtue of Division 11 of the California Water Code and was organized in 1919.

2. Summary of Significant Accounting Policies:

Method of Accounting

The basic financial statements of Byron Bethany Irrigation District have been prepared in conformity with generally accepted accounting principles as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

Basis of Accounting

District accounting is accounted for using the accrual basis of accounting. Revenues are recognized when they are earned, and expenses when incurred.

Property Taxes

The District receives property taxes from Alameda, Contra Costa and San Joaquin Counties. Property tax revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The District considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period.

BYRON BETHANY IRRIGATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued

2. Summary of Significant Accounting Policies, continued:

Depreciation

Utility plant and equipment are recorded on the basis of purchase cost. Assets acquired by contributions are recorded at estimated cost or fair market value at the date of acquisition.

Depreciation is calculated by the straight-line method over the estimated useful lives of the respective assets as follows:

General properties	5 – 100 years
Pumping plant	5 – 50 years
Equipment	5 – 40 years
Autos	5 – 10 years
PL 984 project	30 – 100 years
CVPSA distribution system	5 – 50 years

Investments

Investments consist of LAIF (State of California pooled investment fund), Federal Government Obligation and an interest bearing checking account with a bank. Investments are stated at cost which approximates market. Such investments are within the State statutes and the District's investment policy.

Budget and Budgetary Accounting

The Board of Directors annually adopts an operating budget. The operating budget is prepared on the accrual basis to match the operating statements.

BYRON BETHANY IRRIGATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued

2. Summary of Significant Accounting Policies, continued:

Statement of Cash Flows

All highly liquid investments with a maturity of three months or less when purchased, are considered to be cash equivalents.

Compensated Absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as a current liability.

Capitalized Interest

Loan interest costs associated with the funding for construction of capital assets are capitalized during the construction period.

Use of Estimates

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

Pensions

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

BYRON BETHANY IRRIGATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued

3. Cash and Investments:

At year-end the carrying amount of the District's deposits was \$10,686,740 and the bank balance was \$9,755,076. The bank balance was covered by Federal depository insurance and was covered by collateral held in the pledging bank's trust department as mandated by state law.

	Balance, December 31, <u>2015</u>
Checking accounts	\$ 9,066,630
Petty cash	600
Certificate of deposit	1,300,000
Cash with Trustee	<u>319,510</u>
	<u>\$10,686,740</u>

Investments:

California statutes authorize the District to invest in a variety of credit instruments as provided for in the California Government Code Section 53600, Chapter 4 – Financial Affairs. The Government Code allows investments in obligations of the U.S. Treasury, agencies, and instrumentalities, commercial paper rated A-1 by Standard & Poor's or P-1 by Moody's Commercial Paper Record, bankers' acceptances, repurchase agreements, medium-term corporate notes, mutual funds and the State Treasurer's Local Agency Investment Fund (LAIF). The investments at December 31, 2015 consist of:

	<u>Carrying Amount</u>	<u>Market Value</u>
LAIF	\$ <u>1,564,475</u>	\$ <u>1,564,475</u>

Pursuant to Government Accounting Standards Board Statement 3, the investment in LAIF is not classified in categories of credit risk. The District's funds in LAIF are invested in a diversified portfolio (of underlying investment e.g. U.S. Treasury obligations) such that it considers the risk of material loss to be minimal. The funds held in LAIF can be withdrawn on demand.

BYRON BETHANY IRRIGATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued

3. Cash and Investments, continued:

Cash		\$10,686,740
LAIF		<u>1,564,475</u>
		<u>\$12,251,215</u>
Operations		\$ 4,193,981
Restricted reserves	\$1,919,510	
Board designated reserves	<u>6,137,724</u>	<u>8,057,234</u>
		<u>\$12,251,215</u>

BYRON BETHANY IRRIGATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued

4. Capital Assets:

Changes in capital assets for the year ended December 31, 2015 are as follows:

	<u>Balance</u> <u>1/1/15</u>	<u>Additions/</u> <u>Transfers</u>	<u>Disposals</u>	<u>Balance</u> <u>12/31/15</u>
Land	\$ 1,837,509	\$ -	\$ -	\$ 1,837,509
Canal system	15,950,410	457,608	-	16,408,018
Pumping plants	10,625,777	223,412	-	10,849,189
Office equipment	144,243	-	-	144,243
Autos	676,068	90,869	-	766,937
Tools	1,124,384	200,141	-	1,324,525
PL-984 project	2,166,723	-	-	2,166,723
CVPSA distribution system	745,245	-	-	745,245
Telemetry	45,422	178,780	-	224,202
Mariposa Energy Plant	<u>4,716,154</u>	<u>-</u>	<u>-</u>	<u>4,716,154</u>
	<u>\$38,031,935</u>	<u>\$1,150,810</u>	<u>\$ -</u>	<u>\$39,182,745</u>
	<u>Balance</u> <u>1/1/15</u>			
Work in progress	\$ <u>53,426</u>	\$ <u>828,209</u>	\$ <u>818,760</u>	\$ <u>62,875</u>

BYRON BETHANY IRRIGATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued

5. Long-term Debt:

Long-term debt activities for year ended December 31, 2015 are as follows:

	<u>Balance</u> <u>1/1/15</u>	<u>Increase</u>	<u>Debt</u> <u>Retired</u>	<u>Balance</u> <u>12/31/15</u>	<u>Current</u> <u>Portion</u>
Revenue Bonds	\$3,080,000	\$ -	\$ 180,000	\$2,900,000	\$ 185,000
Bureau- Service Contract	<u>3,659,577</u>	<u>-</u>	<u>444,375</u>	<u>3,215,202</u>	<u>-</u>
	<u>\$6,739,577</u>	<u>\$</u>	<u>\$ 624,375</u>	<u>\$6,115,202</u>	<u>\$ 185,000</u>

**Revenue Bonds**

On October 11, 2007, the District (through the entity known as the "Byron Bethany Joint Powers Authority") issued \$5,750,000 in series 2007A Lease Revenue Bonds. The bonds were issued to provide financing for acquisition and construction of the District's administration building. The bonds bear interest at rates from 4.5% to 4.625%, and principal on the bonds is due each October 1.

The bonds consisted of two components – Term bonds maturing through 2027 at 4.5% and Term bonds maturing through 2032 at 4.625%.

Pursuant to Resolution 2010-12, the Board of Directors authorized the purchase and cancellation of \$515,000 principal on the Series 2007A Lease Revenue 4.625% 2032 Term Bonds.

BYRON BETHANY IRRIGATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued

5. Long-term Debt, continued:

**Revenue Bonds, continued**

The bond indenture requires amounts to be on deposit with a Trustee. This cash held with trustee consists of FDRT Treasury Obligation Instruments. Market value for these mutual funds approximates purchase cost. At December 31, 2014 cash held with a Trustee is as follows:

Bond reserve	\$ <u>319,510</u>
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The bonds are secured by and payable solely from revenues of the District. The Term Bonds are subject to redemption prior to maturity as specified in the bond resolution.

Bureau of Reclamation

The total liability of \$3,215,202 (District's share of constructing Central Valley Project plus share of construction of Delta-Mendota Canal/California Aqueduct Intertie). Payments are to be made through future deliveries (50 years) of water. No interest is being charged on this liability.

These loans mature as follows:

<u>Payment Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
4/1/16	\$ -	\$ 65,250	\$ 65,250
10/1/16	185,000	65,250	250,250
4/1/17	-	61,087	61,087
10/1/17	195,000	61,087	256,087
4/1/18	-	56,700	56,700
10/1/18	205,000	56,700	261,700
4/1/19	-	52,087	52,087
10/1/19	215,000	52,087	267,087
4/1/20	-	47,250	47,250
10/1/20	225,000	47,250	272,250
2021-2025	1,280,000	311,625	1,591,625
2026-2027	595,000	40,500	635,500
Post 2027	<u>3,215,202</u>	<u>-</u>	<u>3,215,202</u>
	<u>\$6,115,202</u>	<u>\$ 916,873</u>	<u>\$7,032,075</u>

BYRON BETHANY IRRIGATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued

6. Capital Lease:

The District entered into a capital lease agreement to lease a 550K crawler dozer. The lease was payable through April 2017 in annual installments of \$35,085 including interest. The assets are depreciated over their estimated productive lives. Depreciation of assets under capital leases is included in depreciation expense. The capitalized value of the equipment subject to the capital lease is \$134,247. In 2015, the District paid off the capital lease.

7. Line of Credit:

On November 14, 2012, the District obtained a \$1,300,000 line of credit, all of which was unused at December 31, 2015. The line of credit matures on November 17, 2018 and carries an interest rate of 3.05%. The credit line is secured by a certificate of deposit with a balance of \$1,300,000 as collateral. The District opened the line of credit to obtain financing for construction of capital improvements projects.

8. Defined Benefit Retirement Plan:

Plan Description

The District contributes to the California Public Employees Retirement System (CalPERS), a cost sharing multiple-employer defined benefit pension plan. The District participates in the miscellaneous 2% at 60 pool. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public employers within the State of California. CalPERS require agencies with less than 100 active members in the plan to participate in the risk pool. All District full-time employees are eligible to participate in the System. Benefits vest after five years of service. District employees who retire at age 50 to 63 and with over 5 years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1.426 to 2.418 percent of their average salary during their last 36 months of employment. A menu of benefits provision as well as other requirements is established by State Statutes within the Public Employees Retirement Law. The plan selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through District resolution. CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS' annual financial report may be obtained from the CalPERS executive Office, 400 P Street, Sacramento, California, 95814.

BYRON BETHANY IRRIGATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued

8. Defined Benefit Retirement Plan, continued:

Funding Policy

The Plan's provisions in effect at December 31, 2015 are summarized as follows:

Benefit formula	2.0% at 60
Benefit vesting schedule	5 years of service
Benefit payments	monthly for life
Retirement age	60
Required employee contribution rates	3.5%
Required employer contribution rates	3.5%

**Contributions** – Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended December 31, 2015, the contributions recognized as part of pension expense were as follows:

	<u>Miscellaneous</u>
Contributions – employer	\$ 25,092
Contributions – employee (paid by employer)	\$ 25,092

BYRON BETHANY IRRIGATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued

8. Defined Benefit Retirement Plan, continued:

*A. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions:*

As of December 31, 2015, the District reported net pension liability as follows:

Net pension liability	\$ <u>166,938</u>
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The District's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2015, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014 rolled forward to June 30, 2015 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined.

For the year ended December 31, 2015, the District recognized pension expense of \$62,544. At December 31, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in assumption	\$ -	\$ 14,624
Differences between expected and Actual experiences	1,546	-
Net differences between projected and actual earnings on pension plan investment	37,484	44,816
Pension contributions subsequent to measurement date	<u>25,092</u>	<u>-</u>
	<u>\$ 64,122</u>	<u>\$ 59,440</u>

BYRON BETHANY IRRIGATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued

8. Defined Benefit Retirement Plan, continued:

\$25,092 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Year Ended</u> <u>December 31</u>	
2016	\$( 10,238)
2017	( 10,238)
2018	( 9,304)
2019	9,371
2020	-
Thereafter	-

**Actuarial Assumptions** – The total pension liabilities in the June 30, 2015 actuarial valuations were determined using the following actuarial assumptions:

	<u>Miscellaneous</u>
Valuation date	June 30, 2014
Measurement date	June 30, 2015
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount rate	7.65%
Inflation	2.75%
Payroll Growth	3.0%
Projected Salary Increase	3.3%-14.2%
Investment Rate of Return	7.5%

BYRON BETHANY IRRIGATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued

8. Defined Benefit Retirement Plan, continued:

**Discount Rate** – The discount rate used to measure the total pension liability was 7.65% for each Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.65 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.65 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

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

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

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

BYRON BETHANY IRRIGATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued

8. Defined Benefit Retirement Plan, continued:

The table below reflects the 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 rates of return are net of administrative expenses.

<u>Asset Class</u>	<u>New Strategic Allocation</u>	<u>Real Return Years 1-10(a)</u>	<u>Real Return Years 11+(b)</u>
Global Equity	47.0%	5.25%	5.71%
Global Fixed Income	19.0%	0.99%	2.43%
Inflation Sensitive	6.0%	0.45%	3.36%
Private Equity	12.0%	6.83%	6.95%
Real Estate	11.0%	4.50%	5.13%
Infrastructure and Forestland	3.0%	4.50%	5.09%
Liquidity	<u>2.0%</u>	-0.55%	-1.05%
Total	<u>100%</u>		

(a) An expected inflation of 2.5% used for this period.

(b) An expected inflation of 3.0% used for this period.

BYRON BETHANY IRRIGATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued

8. Defined Benefit Retirement Plan, continued:

***Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate*** – The following presents the District's proportionate share of the net pension liability for each Plan, calculated using the discount rate for each Plan, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	<u>Miscellaneous</u>
1% Decrease	6.65%
Net Pension Liability	\$279,966
Current Discount Rate	7.65%
Net Pension Liability	\$166,938
1% Increase	8.65%
Net Pension Liability	\$ 73,620

***Pension Plan Fiduciary Net Position*** – Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

BYRON BETHANY IRRIGATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued

9. Net Position:

Components of net position as of December 31, 2015 are analyzed as follows:

Net investment in capital assets		\$25,201,461
Restricted:		
Bond reserve	\$ 319,510	
2007 Series Debt Payment	<u>1,600,000</u>	1,919,510
Unrestricted:		
Board designated:		
Capital improvement project plan	1,000,000	
Insurance/SIR	105,000	
Rolling stock repl't.	100,000	
Construction eq. repl't.	100,000	
Groundwater mgt.	100,000	
RWSA infrastructure repl.	1,000,000	
SLDMWA-DHCCP reserve	1,000,000	
CVP Service Area Cap. Imp.	50,000	
PERS contribution	200,000	
OME & GA reserve	<u>2,482,724</u>	
	6,137,724	
Undesignated	<u>2,304,197</u>	<u>8,441,921</u>
		<u>\$35,562,892</u>

10. Risk of Loss:

Byron Bethany Irrigation District is exposed to various risks of loss related to theft of, damage to, and destruction of assets; and injuries to employees. During the 2015 fiscal year, the District purchased certain commercial insurance coverages to provide for these risks.

BYRON BETHANY IRRIGATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued

11. Post Employment Benefits:

**Plan Description**

During the fiscal year ended December 31, 2009, the District implemented GASB Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions" (GASB 45), which changed the accounting and financial reporting used by local government employers for post employment benefits. Previously, the costs of such benefits were generally recognized as expenses of the District on a pay-as-you-go basis. The new reporting requirements for these benefit programs as they pertain to the District are set forth below.

In addition to pension benefits, the District provides certain healthcare benefits through ACWA Health Benefits Authority for retired employees and their survivor dependents, subject to certain conditions. Substantially all of the District's full-time employees may become eligible for those benefits after age sixty, and after working for the District for fifteen years. Retirement from the District is also a condition of eligibility (the District must be the last employer prior to retirement). At June 30, 2013, 4 retired employees/survivor dependents met those eligibility requirements. Covered employees are not required to make contributions to receive the benefits. The contribution requirements of Plan members and the District are established and may be amended by the Board of Directors. The overfunded actuarially accrued liability (AAL) at June 30, 2013 was \$87,209.

**Funding Policy**

The District's current funding policy is to fund 100% of the annual required contribution as determined under GASB Statement No. 45 through California Employers' Retiree Benefit Trust (CERBT). The market value of assets in CERBT as of December 31, 2015 was \$707,387.

An actuarial valuation was done as of June 30, 2013. A contribution of \$38,884 was made to the CERBT in 2015.

The District's ARC was \$18,697 for the year ended June 30, 2015. This includes the normal cost of \$24,039, and \$(5,342) to amortize the Unfunded Actuarial Accrued Liability (UAAL).

The liability was determined using the Entry Age Normal Cost method. The actuarial assumptions included a discount rate of 7.36 percent.

BYRON BETHANY IRRIGATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued

11. Post Employment Benefits, continued:

**Funding Policy, continued**

The following table shows the components of the District's annual OPEB cost for the year, the amounts actually contributed to the plan, and changes in the District's Net OPEB obligation for the year ended December 31, 2015:

	<u>2015</u>
Annual required contribution (ARC)	\$ 18,697
Interest on net OPEB obligation	( 49,718)
Adjustment to annual required contribution	<u>38,546</u>
Annual OPEB cost (expense)	7,525
CERBT contribution	( 38,884)
(Increase) decrease in net asset	( 31,359)
Net OPEB obligation (asset) – beginning of year	<u>(675,513)</u>
Net OPEB obligation (asset) – end of year	<u>\$(706,872)</u>

**Funded Status and Funding Progress of the Plan**

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Plan Assets</u>	<u>Actuarial Accrued Liability</u>	<u>UAAL</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a % of Covered Payroll</u>
1/1/09	\$0	\$479,986	\$479,986	0.00%	\$611,596	78.48%
6/30/11	\$519,266	\$651,156	\$131,890	79.75%	\$608,368	21.68%
6/30/13	\$707,387	\$620,178	\$(87,209)	114%	\$625,000	(14.0)%

BYRON BETHANY IRRIGATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued

11. Post Employment Benefits, continued:

**Actuarial Methods and Assumptions**

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and the pattern of sharing of costs between the employer and plan members to that point. Consistent with the long-term perspective of actuarial calculations, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities for benefits.

12. Subsequent Events:

Management has evaluated subsequent events through July 26, 2016, the date these December 31, 2015 financial statements were available to be issued.

BYRON BETHANY IRRIGATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued

13. Litigation:

Certain claims, suits and complaints arising in the ordinary course of operations have been filed or are pending against the District. The District's management estimate that any potential claims against the District from such litigation would not materially affect the operations or financial condition of the District.

14. Consolidation:

The Boards of Directors of Byron Bethany Irrigation and West Side Irrigation District have developed a concurrent resolution for the consolidation of the two Districts.

The Districts wish to accomplish the Consolidation by uniting the territory of WSID with the territory of BBID and creating BBID as the single successor district. The reason for the consolidation is to enhance the services provided to the territories of both BBID and WSID.

15. Prior Period Adjustment:

Pursuant to the requirements of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, the District was required to recognize long-term obligation for pension benefits as a liability on the statement of net position. At December 31, 2015 a prior period adjustment of \$99,712 was made to recognize the District's pension obligation.

## **SUPPLEMENTAL DATA**

BYRON BETHANY IRRIGATION DISTRICT  
PRINCIPAL OFFICIALS  
December 31, 2015

BOARD OF DIRECTORS

Russell Kagehiro	President
Tim Maggiore	Vice President
Jeffrey Brown, Sr.	
Charles Tusso	
Mark Maggiore	
Felix Musco	
Larry Enos, Jr.	

OPERATIONS

Rick Gilmore	General Manager
Seth Harris	Assistant General Manager
Kelley Geyer	Director of Administration – Information Technology

BYRON BETHANY IRRIGATION DISTRICT  
SCHEDULE OF FUNDING PROGRESS –  
Other Post-Employment Benefits (OPEB)  
For the year ended December 31, 2015

The table below shows an analysis of the actuarial value of assets as a percentage of the actuarial accrued liability and the unfunded actuarial accrued liability as a percentage of the annual covered payroll as of June 30:

<u>Actuarial Valuation Date</u>	<u>(1) Actuarial Value of Plan Assets</u>	<u>(2) Actuarial Accrued Liability (AAL)</u>	<u>(3) Funded Ratio</u>	<u>(4) Unfunded Actuarial Accrued Liability (UAAL) (2) – (1)</u>	<u>(5) Annual Covered Payroll</u>	<u>(6) UAAL as a % of Covered Payroll (4) / (5)</u>
1/1/09	\$ -	\$ 479,986	0.00%	\$ 479,986	\$ 611,596	78.48%
6/30/11	\$519,266	\$ 651,156	79.75%	\$ 131,890	\$ 608,368	21.68%
7/1/13	\$620,178	\$ 707,387	114%	\$ ( 87,209)	\$ 625,000	(14.0 )%

BYRON BETHANY IRRIGATION DISTRICT  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET  
PENSION LIABILITY  
As of December 31, 2015  
Last 10 years (1)

	<u>2015</u>
Proportion of the net pension liability	.00608%
Proportionate share of the net pension liability	\$ 166,938
Covered – employee payroll	\$ 275,182
Proportionate Share of the net pension liability as percentage of covered-employee payroll	60.664%
Plan's fiduciary net position	3,277,310
Plan fiduciary net position as a percentage of the total pension liability	95.15%

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. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes). Employers that have done so may need to report this information as a separate liability in their financial statement as CalPERS considers such amounts to be separately financed employer-specific liabilities. These employers should consult with their auditors.

Changes in assumptions: None

(1) Fiscal year 2015 was the 1<sup>st</sup> year of implementation, therefore only one year is shown.

BYRON BETHANY IRRIGATION DISTRICT  
SCHEDULE OF CONTRIBUTIONS FOR PENSIONS  
As of December 31, 2015  
Last 10 years (1)

	<u>2015</u>
Contractually required contribution (actuarially determined)	\$ 56,967
Contributions in relation to the actuarially determined contributions	<u>69,986</u>
Contribution deficiency (excess)	<u>\$ 13,019</u>
Covered – employee payroll	\$275,182
Contributions as a percentage of covered employee payroll	25.43%
Notes to Schedule:	
Valuation date:	6/30/2014

Methods and assumptions used to determine contribution rates:

Amortization method	Entry Age Normal Cost Method
Remaining amortization period	15 years
Asset valuation method	Market Value
Inflation	2.75%
Salary increases	Varies by Entry Age and Service
Investment rate of return	7.5% Net of Pension Plan Investment and Admin. Expenses

(1) Fiscal year 2015 was the 1<sup>st</sup> year of implementation, therefore only one year is shown.