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Byron-Bethany
Irrigation District

**BYRON BETHANY
IRRIGATION DISTRICT**

**FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT
for the year ended December 31, 2018**

ROBERT W. JOHNSON
Certified Public Accountant

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Robert W. Johnson

an accountancy corporation

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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, 2018, 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.

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, 2018, 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

Required Supplementary Information

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

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, A Accountant Capricorn

Citrus Heights, California
June 10, 2019

BYRON BETHANY IRRIGATION DISTRICT
STATEMENT OF NET POSITION
December 31, 2018

ASSETS AND DEFERRED OUTFLOWS

Current assets:

Cash (Note 3) - operating		\$ 660,088
- 2018 Bonds Proceeds Fund (Note 3)		4,913,000
Receivables - water		120,014
- other		129,719
Prepaid expenses		<u>31,419</u>
Total current assets		5,854,240

Capital assets, at cost (Notes 4 and 5)	\$43,681,415	
Less accumulated depreciation	<u>14,371,307</u>	
	29,310,108	
Work in progress	<u>834,242</u>	30,144,350
Restricted assets (Note 3):		
Cash	9,916,210	
LAIF	<u>1,621,125</u>	11,537,335
Deferred outflows (Notes 6 and 9):		
Pension related amounts	166,004	
OPEB related amounts	<u>25,479</u>	<u>191,483</u>
		<u>\$47,727,408</u>

See notes to financial statements

LIABILITIES, DEFERRED INFLOWS AND NET POSITION

Current liabilities:

Current portion of long-term debt (Note 5)	\$ 464,000
Accounts payable and accrued liabilities	184,896
Compensated absences	73,659
Construction and customer deposits	<u>45,000</u>
Total current liabilities	767,555

Long-term debt, net of current portion (Note 5)	\$ 9,600,720	
Net pension liability (Note 6)	501,864	
Net OPEB liability (Note 9)	<u>22,590</u>	<u>10,125,174</u>
Total liabilities		10,892,729

Deferred inflows related to pensions (Note 6)	131,294
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Net position (Note 7):

Net investment in capital assets	20,079,630	
Restricted	2,600,000	
Unrestricted	<u>14,023,755</u>	<u>36,703,385</u>
		<u>\$47,727,408</u>

BYRON BETHANY IRRIGATION DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
for the year ended December 31, 2018

Operating revenues:		
Water sales		\$ 2,443,551
Stand-by charges		126,202
Water transfers		685,664
O & M charges		247,741
Customer finance charges		-
Other		<u>32,583</u>
Total operating revenues		3,535,741
Operating expenses:		
Source of supply	\$1,077,575	
Pumping	269,417	
Transmission and distribution	1,666,200	
Administrative	1,460,555	
Depreciation	<u>1,128,711</u>	
Total operating expenses		<u>5,602,458</u>
Operating loss		(2,066,717)
Non-operating income (expense):		
Property tax revenue	3,635,845	
Investment income	129,833	
Loan issuance costs	(88,250)	
Reimbursements	378,215	
Bureau (cost)/recovery	358,340	
State/Federal representation expense	(113,624)	
Interest expense	(55,860)	
Gain on sale of assets	<u>3,509</u>	<u>4,248,008</u>
Income before contributions		2,181,291
Capital contributions		<u>-</u>
Change in net position (carried forward)		2,181,291

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, 2018

Change in net position (brought forward)	\$ 2,181,291
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Total net position:

Beginning of year	\$35,452,540
Prior period adjustment to record OPEB liability pursuant to GASB 75 (Note 13)	(787,155)
Prior period adjustment to adjust account receivable (Note 13)	(<u>143,291</u>)
Beginning, as restated	<u>34,522,094</u>
End of year	<u>\$36,703,385</u>

See notes to financial statements

BYRON BETHANY IRRIGATION DISTRICT
STATEMENT OF CASH FLOWS
for the year ended December 31, 2018

Cash flows from operating activities:		
Receipts from customers and others		\$ 3,609,203
Payments to suppliers		(3,675,289)
Payments to employees		<u>(1,170,077)</u>
Net cash provided to operating activities		(1,236,163)
Cash flows from noncapital financing activities:		
Receipts from property taxes and other nonoperating income		4,014,060
Cash flows from capital and related financing activities:		
Purchase of capital assets	\$(2,417,343)	
Bureau service contract	358,340	
Principal reduction on long-term debt	(572,340)	
Interest paid on capital debt	(55,860)	
Proceeds from long-term debt	5,000,000	
Other expense	(113,624)	
Loan issuance costs	(88,250)	
Proceeds from sale of equipment	<u>20,886</u>	2,131,809
Cash flows from investing activities:		
Investment income		<u>129,833</u>
Net increase in cash and cash equivalents		5,039,539
Cash and cash equivalents:		
Beginning of year		<u>12,070,884</u>
End of year		<u>\$17,110,423</u>
Reconciliation of cash and cash equivalents:		
Cash - operations		\$ 660,088
- 2018 Bond Proceeds Fund		4,913,000
Restricted		<u>11,537,335</u>
		<u>\$17,110,423</u>

See notes to financial statements

BYRON BETHANY IRRIGATION DISTRICT
STATEMENT OF CASH FLOWS, continued
for the year ended December 31, 2018

Reconciliation of operating income (loss) to net cash provided to operating activities:	
Operating loss	\$(2,066,717)

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

Depreciation expense	\$1,128,711	
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Changes in operating assets, liabilities, deferred
inflows and deferred outflows:

Receivables	73,462	
Prepays	(4,225)	
Accounts payable	(330,768)	
Compensated absences	9,763	
Net OPEB liability and related deferreds	(29,211)	
Net pension liability and related deferreds	(<u>17,178</u>)	

Total adjustments		<u>830,554</u>
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Net cash provided to operating activities		<u><u>\$(1,236,163)</u></u>
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Supplementary information:

Cash paid for interest		<u><u>\$ 55,860</u></u>
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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 serving parts of Alameda, Contra Costa and San Joaquin Counties across 47 square miles and 30,000 acres. The District was formed 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) and various bank savings accounts. Investments are stated at fair value. 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:

Cash and Cash Equivalents

For purposes of the statement of cash flows, the District considers all highly liquid debt instruments purchased with an initial maturity of three months or less to be cash equivalents, including restricted assets. Cash in banks, deposits in the State of California Local Agency Investment Fund (LAIF) and deposits with fiscal agents are considered to be cash and 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. Sick pay is not vested.

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

2. Summary of Significant Accounting Policies, continued:

Other Postemployment Benefits ("OPEB")

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the net position of the District's OPEB plan and additions to/deductions from the OPEB plan's net position have been determined on the same basis as they are reported by the plan. For this purpose, the OPEB plan recognizes benefit payments when due and payable in accordance with the benefit terms.

Gains and losses related to changes in total OPEB liability and net position are recognized in OPEB expense systematically over time. The amortized amounts are recognized in OPEB expense for the year gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense.

Deferred Outflows of Resources

A deferred outflow of resources represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense) until that future time.

Deferred Inflows of Resources

A deferred inflow of resources represents an acquisition of net position that applies to a future period and therefore will not be recognized as an inflow of resources (revenue) until that future time.

BYRON BETHANY IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued

2. Summary of Significant Accounting Policies, continued:

Net Position

Net position is classified in the following categories:

Net Investment in capital assets – groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of these assets reduce this category.

Restricted – presents external restrictions imposed by creditors, grantors, contributors or laws and regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted – represents the net position of the District, which are not restricted or invested in capital assets net of related debt.

3. Cash and Cash Equivalents:

At year-end the carrying amount of the District's deposits was \$15,489,298 and the bank balance was \$15,523,761. 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>2018</u>
Checking accounts	\$10,576,098
Petty cash	200
2018 Bond Proceeds Fund – Restricted	<u>4,913,000</u>
	<u>\$15,489,298</u>

BYRON BETHANY IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued

3. Cash and Investments, continued:

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, 2018 consist of:

	<u>Carrying Amount</u>	<u>Maturity - 12 Months or Less</u>
LAIF	<u>\$1,621,125</u>	<u>\$ 1,621,125</u>
Cash		\$15,489,298
LAIF		<u>1,621,125</u>
		<u>\$17,110,423</u>
Operations		\$ 660,088
2018 Bond Proceeds Fund – Restricted		4,913,000
Restricted reserves	\$1,600,000	
Board designated reserves	<u>9,937,335</u>	
		<u>11,537,335</u>
		<u>\$17,110,423</u>

BYRON BETHANY IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued

4. Capital Assets:

Changes in capital assets for the year ended December 31, 2018 are as follows:

	<u>Balance</u> <u>1/1/18</u>	<u>Additions/</u> <u>Transfers</u>	<u>Disposals</u>	<u>Balance</u> <u>12/31/18</u>
Land	\$ 1,837,509	\$ -	\$ -	\$ 1,837,509
Canal system	17,271,895	271,859	-	17,543,754
Pumping plants	12,183,535	1,561,567	-	13,745,102
Office equipment	144,243	-	-	144,243
Autos	1,005,893	25,672	41,484	990,081
Tools	1,505,905	-	-	1,505,905
PL-984 project	2,166,723	-	-	2,166,723
CVPSA distribution system	775,524	-	-	775,524
Telemetry	256,420	-	-	256,420
Mariposa Energy Plant	<u>4,716,154</u>	<u>-</u>	<u>-</u>	<u>4,716,154</u>
	<u>\$41,863,801</u>	<u>\$1,859,098</u>	<u>\$ 41,484</u>	<u>\$43,681,415</u>
	<u>Balance</u> <u>1/1/18</u>	<u>Additions</u>	<u>Transfers</u>	<u>Balance</u> <u>12/31/18</u>
Work in progress	<u>\$ 275,997</u>	<u>\$ 834,391</u>	<u>\$ 276,146</u>	<u>\$ 834,242</u>

BYRON BETHANY IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued

5. Long-term Debt:

Long-term debt activities for year ended December 31, 2018 are as follows:

	<u>Balance</u> <u>1/1/18</u>	<u>Increase</u>	<u>Debt</u> <u>Retired</u>	<u>Balance</u> <u>12/31/18</u>	<u>Current</u> <u>Portion</u>
Revenue Bonds	\$ -	\$5,000,000	\$ -	\$ 5,000,000	\$245,000
Bureau:					
Construction costs	3,070,117	-	304,194	2,765,923	-
Intertie	189,943	-	54,146	135,797	-
Series 2017 Revenue Refunding Bonds	<u>2,377,000</u>	<u>-</u>	<u>214,000</u>	<u>2,163,000</u>	<u>219,000</u>
	<u>\$5,637,060</u>	<u>\$5,000,000</u>	<u>\$ 572,340</u>	<u>\$10,064,720</u>	<u>\$464,000</u>

Revenue Bonds

On October 30, 2018 the District (through the entity known as the "Byron Bethany Joint Powers Authority") issued \$5,000,000 in Series 2018 Enterprise Revenue Bonds. The Bonds were issued to provide permanent long-term financing for the acquisition and construction of certain new pump station and water line improvements. The Bonds bear interest at the rate of 3.260% and principal on the bonds is due each October 1.

Bureau of Reclamation

The total liability of \$2,901,720 (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.

BYRON BETHANY IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued

5. Long-term Debt, continued:

Refunding Bonds:

On February 9, 2017 the District issued \$2,606,000 in series 2017 Revenue Refunding Bonds. The bonds were issued to provide financing for the refunding and defeasance of Prior Obligations. The bonds bear interest at 2.35% and principal is due each October 1 through 2027.

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.

These loans mature as follows:

<u>Payment Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
4/1/19	\$ -	\$ 93,785	\$ 93,785
10/1/19	464,000	106,915	570,915
4/1/20	-	100,349	100,349
10/1/20	500,000	100,348	600,348
4/1/21	-	93,222	93,222
10/1/21	510,000	93,222	603,222
4/1/22	-	85,956	85,956
10/1/22	525,000	85,956	610,956
4/1/23	-	78,468	78,468
10/1/23	539,000	78,467	617,467
2024-2028	2,670,000	544,528	3,214,528
2029-2033	1,955,000	195,274	2,150,274
Post 2033	<u>2,901,720</u>	<u>-</u>	<u>2,901,720</u>
	<u>\$10,064,720</u>	<u>\$1,656,490</u>	<u>\$11,721,210</u>

BYRON BETHANY IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued

6. 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

6. Defined Benefit Retirement Plan, continued:

Funding Policy

The Plan's provisions in effect at December 31, 2018 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	6.912%/6.250%
Required employer contribution rates	7.634%/13.092%

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, 2018, the contributions recognized as part of pension expense were as follows:

	<u>Miscellaneous</u>
Contributions – employer	\$ <u>57,232</u>

BYRON BETHANY IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued

6. Defined Benefit Retirement Plan, continued:

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

As of December 31, 2018, the District reported net pension liability as follows:

Net pension liability	\$ <u>501,864</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, 2018, 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, 2017 rolled forward to June 30, 2018 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.

At December 31, 2018, 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	\$ 81,703	\$ -
Differences between expected and actual experiences	24,029	-
Net differences between projected and actual earnings on pension plan investment	4,693	-
Difference between actual and proportionate share	-	131,294
Changes in proportion	24,552	-
Pension contributions subsequent to measurement date	<u>31,027</u>	<u>-</u>
	<u>\$ 166,004</u>	<u>\$ 131,294</u>

BYRON BETHANY IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued

6. Defined Benefit Retirement Plan, continued:

\$31,027 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, 2019. 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>	
2019	\$ 30,383
2020	16,655
2021	(34,815)
2022	(8,539)
2023	-
Thereafter	-

Actuarial Assumptions – The total pension liabilities in the June 30, 2018 actuarial valuations were determined using the following actuarial assumptions:

	<u>Miscellaneous</u>
Valuation date	June 30, 2017
Measurement date	June 30, 2018
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount rate	7.15%
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

6. Defined Benefit Retirement Plan, continued:

Discount Rate – The discount rate used to measure the total pension liability was 7.15% 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 7.15 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.15 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

6. 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

6. 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	6.15%
Net Pension Liability	\$806,132
Current Discount Rate	7.15%
Net Pension Liability	\$501,864
1% Increase	8.15%
Net Pension Liability	\$250,695

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

7. Net Position:

Components of net position as of December 31, 2018 are analyzed as follows:

Net investment in capital assets	\$20,079,630
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Restricted:

2017 series debt payment	\$1,600,000	
2018 revenue bonds debt payment	<u>1,000,000</u>	2,600,000

Unrestricted:

Board designated:

Capital improvement project plan	1,476,086
Insurance/SIR	105,000
Rolling stock repl't.	100,000
Construction eq. repl't.	100,000
Groundwater mgt.	200,000
RWSA infrastructure repl.	2,000,000
SLDMWA-DHCCP reserve	1,000,000
CVP Service Area Cap. Imp.	50,000
PERS contribution	500,000
OME & GA reserve	3,406,250
Legal reserve	<u>1,000,000</u>
	9,937,336

Undesignated	<u>4,086,419</u>	<u>14,023,755</u>
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\$36,703,385

8. 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 2018 fiscal year, the District purchased certain commercial insurance coverages to provide for these risks.

BYRON BETHANY IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued

9. Other Post Employment Benefits (OPEB):

Plan Description

OPEB provided: The District provides medical coverage to qualified retirees, subject to certain conditions.

Access to Coverage and Benefits: Healthcare benefits are currently provided through ACWA Joint Powers Insurance Authority. A full-time District employee may become eligible for those benefits after meeting one of the following conditions:

1. A regular employee hired by the District prior to January 1, 1992 covered by an approved District health plan retires from the District at or after age 55 with no less than fifteen (15) years of continuous District service.
2. A regular employee hired by the District on or after January 1, 1992 covered by an approved District health plan retires from the District at or after age 60 with no less than twenty (20) years of continuous District service.
3. If a retiree reaches age 65 and becomes eligible for Medicare or otherwise becomes entitled to governmentally provided or mandated health benefits, the District may replace its then existing approved healthcare plan with supplemental health insurance of a type and amount to be determined by the District.
4. No insurance will be provided to a Director whose term in office that begins on or after January 1, 1995 unless the retiree participates on a self-pay basis.

The District pays 100% of medical premiums for the covered retiree only. The District does not contribute toward medical premiums for spouses and/or dependents. There is no fixed cap on the District's contribution toward retiree medical coverage. The District allows retirees to retain medical coverage until their death. Coverage ends for the spouse and/or other dependents at the retiree's death. No survivor coverage is available other than as required by COBRA.

Retirement from the District is a condition of eligibility; the District must be the last employer prior to retirement. An employee who retires from the District but does not meet the age and service requirements for the District-paid health benefits cannot continue the coverage (beyond COBRA) by paying the full premium. The District does not waive the standard age or service requirement for eligibility for retiree medical benefits if an employee were to qualify for a disability retirement.

BYRON BETHANY IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued

9. Other Post Employment Benefits (OPEB), continued:

The District does not provide any medical subsidies to an otherwise qualified retiree who does not elect medical coverage through the District. In addition, no time lapse is permitted in enrolling in the District health benefits after retirement. If an otherwise eligible retiree does not take the District coverage at the time of retirement, future retiree medical coverage and benefits are forfeited.

A qualified pre-Medicare spouse may enroll in the District health benefits if the full premiums are paid by the retiree.

The contribution requirements of Plan members and the District are established and may be amended by the Board of Directors.

Net OPEB Liability

The District's net OPEB liability was measured as of December 31, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2018.

Actuarial Assumptions

The total OPEB liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions:

Discount rate	7.05%
Inflation	3.00%
Payroll Increase	N/A
Healthcare Trend	7.50%

Discount Rate

The discount rate used to measure the total OPEB liability was 7.05%. The discount rate is based on the expected long-term rate of return on the invested assets.

BYRON BETHANY IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued

9. Other Post Employment Benefits (OPEB), continued:

Change in Net OPEB Liability as of December 31, 2018

	<u>Total OPEB Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net OPEB Liability</u>
Rollback balance at December 31, 2018	\$1,114,264	\$1,087,942	\$ 26,322
Changes recognized for the measurement period:			
Service cost	24,527	-	24,527
Interest on total OPEB liability	78,044	-	78,044
Employer contributions	-	63,556	(63,556)
Net investment income	-	76,628	(76,628)
Benefit payments	(63,556)	(63,556)	-
Administrative and other expenses	-	(2,032)	2,032
Investment experience	<u>-</u>	<u>(31,849)</u>	<u>31,849</u>
Net changes during January 1 to December 31, 2018	<u>39,015</u>	<u>42,747</u>	<u>(3,732)</u>
Balance at December 31, 2018 (Measurement Date)	<u>\$1,153,279</u>	<u>\$1,130,689</u>	<u>\$ 22,590</u>

Sensitivity of the Net OPEB liability to changes in the discount rate

The following presents the net OPEB liability with a discount rate 1% higher and 1% lower than assumed in the valuation:

	<u>Discount Rate 1% Lower 6.05%</u>	<u>Valuation Discount Rate 7.05%</u>	<u>Discount Rate 1% Higher 8.05%</u>
Net OPEB liability	\$ <u>177,245</u>	\$ <u>22,590</u>	\$ <u>(104,649)</u>

BYRON BETHANY IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued

9. Other Post Employment Benefits (OPEB), continued:

Sensitivity of the Total OPEB liability to changes in healthcare cost trend rates

The following presents the total OPEB liability with a healthcare cost trend rate 1% higher and 1% lower than assumed in the valuation:

	1% Decrease <u>6.50%</u>	Current Trend <u>7.50%</u>	1% Increase <u>8.50%</u>
Total OPEB liability	\$(<u>130,045</u>)	\$ <u>22,590</u>	\$ <u>230,046</u>

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the fiscal year ended December 31, 2018 the District recognized OPEB expense of \$34,345. The values of deferred outflows and inflows of resources related to OPEB as of December 31, 2018 are:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on OPEB plan investments	25,479	-
District contributions subsequent to the measurement date	<u>-</u>	<u>-</u>
	\$ <u>25,479</u>	\$ <u>-</u>

BYRON BETHANY IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued

9. Other Post Employment Benefits (OPEB), continued:

Amounts reported as deferred outflows and inflows of resources related to OPEB as of December 31, 2018 will be recognized in OPEB expense as follows:

<u>Year Ended</u> <u>December 30</u>	
2019	\$6,370
2020	6,370
2021	6,370
2022	6,370
2023	-
Thereafter	-

Funding Policy

The District's funding policy affects the calculation of liabilities by impacting the discount rate that is used to develop the plan liability and expense. "Prefunding" is the term used when an agency consistently contributes an amount based on an actuarially determined contribution (ADC) each year. GASB 75 allows prefunded plans to use a discount rate that reflects the expected earnings on trust assets. Pay-as-you-go, or "PAYGO", is the term used when an agency only contributes the required retiree benefits when due. When an agency finances retiree benefits on a pay-as-you-go basis, GASB 75 requires the use of a discount rate equal to a 20-year high grade municipal bond rate.

The District has been and continues to prefund its OPEB liability, contributing 100% or more of the Actuarially Determined Contributions each year. The discount rate was developed consistent with the expected rates of return published by CERBT for its assets allocation Strategy 1 investments, reflecting the projected benefit cash flows under the District's retiree health program. With the District's approval, the discount rate used in this valuation is 7.05%, the expected return on OPEB trust assets.

10. Subsequent Events:

Management has evaluated subsequent events through June 10, 2019, the date these December 31, 2018 financial statements were available to be issued.

BYRON BETHANY IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued

11. 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.

12. Consolidation:

In 2016, the District, along with The West Side Irrigation District, adopted concurrent resolutions to consolidate the two districts. In December 2016, the Board of Directors approved an agreement to provide administrative and operational support to The West Side Irrigation District during the consolidation phase. The District anticipates the consolidation will be approved by San Joaquin LAFCO in 2019.

13. Restatements:

The District's net position at January 1, 2018 was restated by \$787,155 to reflect the OPEB beginning balance in accordance with the implementation of *GASB 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

The District's net position at January 1, 2018 was restated by \$143,291 to correct overstatement of accounts receivable resulting from implementation of software to reorganize accounting.

SUPPLEMENTAL DATA

BYRON BETHANY IRRIGATION DISTRICT
PRINCIPAL OFFICIALS
December 31, 2018

BOARD OF DIRECTORS

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

OPERATIONS

Rick Gilmore	General Manager
Kelley Geyer	Acting Assistant General Manager/ Director of Administration

BYRON BETHANY IRRIGATION DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET
PENSION LIABILITY
As of December 31, 2018
Last 10 years (1)

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Proportion of the net pension liability	.00608%	.01147%	.01338%	.00521%
Proportionate share of the net pension Liability	\$ 166,938	\$ 398,459	\$ 527,590	\$ 501,864
Covered – employee payroll	\$ 275,182	\$ 670,080	\$ 780,034	\$1,100,282
Proportionate Share of the net pension liability as percentage of covered-employee payroll	60.664%	59.464%	67.637%	45.612%
Plan's fiduciary net position	\$3,277,310	\$3,226,795	\$3,534,206	\$3,753,018
Plan fiduciary net position as a percentage of the total pension liability	95.15%	89.01%	87.01%	88.20%

Notes to Schedule:

Changes in assumptions: None

(1) GASB Statement No. 68 was implemented during the year ended December 31, 2015. No information was available prior to this date.

BYRON BETHANY IRRIGATION DISTRICT
SCHEDULE OF CONTRIBUTIONS FOR PENSIONS
As of December 31, 2018
Last 10 years (1)

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Contractually required contribution (actuarially determined)	\$ 56,967	\$ 13,078	\$ 13,153	\$ 57,232
Contributions in relation to the actuarially determined contributions	<u>69,986</u>	<u>13,078</u>	<u>13,153</u>	<u>57,232</u>
Contribution deficiency (excess)	\$ <u>13,019</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
Covered – employee payroll	\$275,182	\$670,080	\$780,034	\$1,100,282
Contributions as a percentage of covered employee payroll	25.43%	2.0%	1.69%	5.20%

Notes to Schedule:

Valuation date:	6/30/2014	6/30/2015	6/30/2016	6/30/2017
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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) GASB Statement No. 68 was implemented during the year ended December 31, 2015.
No information was available prior to this date.

BYRON BETHANY IRRIGATION DISTRICT
SCHEDULE OF CONTRIBUTIONS FOR OPEB
As of December 31, 2018
Last 10 years (1)

	<u>2018</u>
Contractually required contribution (actuarially determined)	\$ 30,707
Contributions in relation to the actuarially determined contributions	<u>63,556</u>
Contribution deficiency (excess)	\$(<u>32,849</u>)
Covered – employee payroll	1,568,957
Contributions as a percentage of covered employee payroll	4.05%
Notes to Schedule:	
Valuation date:	12/31/18

(1) Historical information is required only for measurement periods for which GASB 75 is applicable. Future years' information will be displayed up to 10 years s information becomes available.

BYRON BETHANY IRRIGATION DISTRICT
SCHEDULE OF CHANGES IN NET OPEB LIABILITY
As of December 31, 2018

	<u>2018</u>
Total OPEB liability:	
Service cost	\$ 24,527
Interest on total OPEB liability	78,044
Benefit payments	<u>(63,556)</u>
Net change in total OPEB liability	39,015
Total OPEB liability, beginning	<u>1,114,264</u>
Total OPEB liability, ending	<u>\$1,153,279</u>
Plan fiduciary net position	
Contributions - employer	\$ 63,556
Net investment income	44,779
Benefits paid to retirees	(63,556)
Administrative and other expense	<u>(2,032)</u>
Net change in plan fiduciary net position	42,747
Plan fiduciary net position - beginning	<u>1,087,942</u>
Plan fiduciary net position - ending	<u>\$1,130,689</u>
Net OPEB liability - ending	<u>\$ 22,590</u>
Plan fiduciary net position as a percentage of Total OPEB liability	<u>\$1,130,689</u>
Covered-employee payroll	\$1,568,957
Net OPEB liability as a percentage of covered-employee payroll	1.44%

Notes to Schedule:

Changes in assumptions: none

Historical information is required only for measurement periods for which GASB 75 is applicable. Future years' information will be displayed up to 10 years as information becomes available.