

Bella Vista Water District

Redding, California

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
WITH INDEPENDENT AUDITORS' REPORTS

June 30, 2015



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Bella Vista Water District

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Bella Vista Water District
Redding, California

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Bella Vista Water District (the District) as of and for the year ended June 30, 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

The District's 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 as well as the accounting systems prescribed by the State Controller's Office and state regulations governing special districts; 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.

Auditors' 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, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the State Controller's *Minimum Audit Requirements and Reporting Guidelines for California Special Districts*. Those standards require that we plan and perform the audits 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 auditors' 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 District'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 District'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.

INDEPENDENT AUDITORS' REPORT

(Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the District, as of June 30, 2015, and the changes in financial position and cash flows thereof for the year then ended in accordance 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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information listed on the table of contents 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 October 16, 2015, on our consideration of the 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 the District's internal control over financial reporting and compliance.

KCoe Team, LLP

October 16, 2015
Redding, California

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Required Supplementary Information)

Bella Vista Water District

MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

As management of the Bella Vista Water District, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for fiscal years ending June 30, 2015 and 2014. The management's discussion and analysis is designed to: 1) assist the reader in focusing on significant financial issues, (2) provide an overview of the District's financial activity, and 3) identify changes in the District's financial position. Please read and review it in conjunction with the District's financial statements and accompanying notes.

FINANCIAL HIGHLIGHTS

The net position of the District at the close of the fiscal years 2015 and 2014 total \$23,269,030 and \$22,890,647, respectively. Of this amount, \$3,116,342 and \$2,801,133, respectively (unrestricted net position), may be used or were used to meet the District's ongoing obligations. The large decrease in this position is a result of the new GASB 68 reporting requirements.

Total operating revenue reached \$5,416,784 in fiscal year 2015 and \$5,920,962 in fiscal year 2014. Total operating expenses were \$5,994,069 in fiscal year 2015 and \$6,396,883 in fiscal year 2014.

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 annual financial report is comprised of three components: 1) management's discussion and analysis (this section), 2) financial statements, and 3) notes to the financial statements.

The financial statements provide both long-term and short-term information about the District's overall financial status along with providing the readers with a broad overview in a manner similar to a private-sector business. The financial statements also include notes that are essential to fully understand the data provided in the financial statements. The notes to the financial statements can be found in this report and explain some of the information in the financial statements and provide more detailed data.

The District maintains an Enterprise Fund which is used to account for its water funds. Various accounts are established within the Fund. These accounts are utilized as the accounting device for allocations.

The District's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units on an accrual basis. Under this basis, revenues are recognized in the period in which they are earned, expenses are recognized in the period in which they are incurred, and depreciation of assets is recognized in the statement of revenues, expenses, and changes in net position. All assets and liabilities associated with the operation of the District are included in the statement of net position.

The statement of net position presents the financial position of the District on a full accrual historical cost basis and provides information about the nature and amount of resources and obligations at year-end.

Bella Vista Water District
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

Net Position

The following table summarizes the changes between June 30, 2015 and 2014:

	2015	* (As Restated) 2014	Percentage Change
ASSETS			
Current assets	\$ 7,931,050	\$ 7,384,889	7.40%
Restricted assets	1,413,110	1,598,597	-11.60%
Capital assets	26,159,162	26,692,410	-2.00%
Other assets	147,663	151,663	-2.64%
Total Assets	35,650,985	35,827,559	-0.49%
Deferred Outflows of Resources	136,772	175,973	-22.28%
TOTAL ASSETS AND DEFERRED OUTFLOWS	\$ 35,787,757	\$ 36,003,532	-0.60%
LIABILITIES			
Current liabilities	\$ 1,049,120	\$ 1,357,504	-22.72%
Net other postemployment benefits	2,598,283	2,284,679	13.73%
Net pension liability	1,330,145	1,817,456	-26.81%
Long-term debt	7,094,189	7,653,246	-7.30%
Total Liabilities	12,071,737	13,112,885	-7.94%
Deferred Inflows of Resources	446,990	-	100.00%
NET POSITION			
Net investment in capital assets	18,739,578	18,490,917	1.34%
Restricted net position	1,413,110	1,598,597	-11.60%
Unrestricted net position	3,116,342	2,801,133	11.25%
Total Net Position	23,269,030	22,890,647	1.65%
TOTAL LIABILITIES, DEFERRED INFLOWS, AND NET POSITION	\$ 35,787,757	\$ 36,003,532	-0.60%

The net position increased at June 30, 2015, in the amount of \$378,383 or approximately 1.65% more than at June 30, 2014. By far, the largest portion of the District's net assets (80.5%) reflects the District's investment in capital assets (e.g., land, building, machinery and equipment); less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

*The 2014 statement of net position was restated herein for GASB 68. See footnote 1.

Bella Vista Water District
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

Change in Net Position

The following table summarizes the changes between June 30, 2015 and 2014:

	2015	** 2014	Percentage Change
OPERATING REVENUES	\$ 5,416,784	\$ 5,920,962	-8.52%
Operating Costs and Expenses			
Operating expenses	5,016,134	5,429,599	-7.62%
Depreciation	977,935	967,284	1.10%
Total Operating Expenses	5,994,069	6,396,883	-6.30%
Operating income (loss)	(577,285)	(475,921)	21.30%
Net nonoperating revenue (expenses)	753,063	525,371	43.34%
Capital contributions	202,605	322,254	-37.13%
Change in Net Position	378,383	371,704	1.80%
Total Net Position - Beginning of Year (As Restated)	22,890,647	24,160,426	-5.26%
Total Net Position - End of Year	\$ 23,269,030	\$ 24,532,130	-5.15%

At the end of the current fiscal year, the District is able to report a positive balance in its net position. As stated previously, the net position increased at June 30, 2015, by \$378,383 or 1.7% more than at June 30, 2014. The major factor attributable to the change of net position was an increase in nonoperating revenues at June 30, 2015, by \$227,692 or 43% less than at June 30, 2014, due to additional O&M municipal and industrial surplus received.

**The 2014 change in net position was NOT restated herein for GASB 68 as the information was not available.

CAPITAL ASSETS AND LONG-TERM DEBT ADMINISTRATION

The following table summarizes the changes between June 30, 2015 and 2014:

	2015	2014	Percentage Change
Land	\$ 95,064	\$ 95,064	0.00%
Land improvements	369,104	369,104	0.00%
Buildings	2,364,915	2,364,915	0.00%
Water system	39,261,590	38,621,829	1.66%
General plant equipment	1,624,895	1,586,607	2.41%
Office furniture and equipment	156,135	156,135	0.00%
Lease improvements	483,003	483,003	0.00%
Construction in progress	119,150	352,512	-66.20%
Less: Accumulated depreciation	(18,314,694)	(17,336,759)	5.64%
Total Capital Assets	\$ 26,159,162	\$ 26,692,410	-2.00%

Bella Vista Water District

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Continued)

The major Capital asset event that occurred during the current fiscal year was the CalTrans Bella Diddy project, however, that did not exceed the depreciation. As of June 30, 2015, the District's investment in capital assets was \$26,159,162 (net of accumulated depreciation). This amount represents a net decrease of \$533,248 or -2.00% from June 30, 2014. As of June 30, 2014, the District's investment in capital assets was \$26,692,410 (net of accumulated depreciation).

Long-Term Debt Administration

Long-term debt includes the repayment of the following obligations: United States Department of the Interior Repayment Contract, the 1915 Act Special Assessment Bonds (96-1 Assessment), and State of California Department of Water Resources SDWSRF loan repayment. More detailed information about the long-term debt of the District is set forth in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The assessed valuation within the District increased \$11,499,467 million or 1.15% in the 2014-2015 fiscal year or in the current tax year (total assessed valuation for 2014-2015 was \$439,441,998 and \$434,451,703 for 2013-2014). The District assessed valuation has continued to show growth and has taken that into account along with the inflationary trends, the water sales (including the drought) and the unemployment rate for the County of Shasta in preparing the District's budget for the fiscal year 2015-2016. The District continues to maintain and budget using a 20-year Extraordinary Operations Maintenance and Replacement (EOMR) schedule that assists in planning for long-term costs. The costs for these projects continue to be a bench mark and the District estimates for reserve placement for these costs annually by averaging the 20-year estimates from the EOMR schedule. The 2015-2016 fiscal year operating budget includes a total of \$6,230,142 in revenue which consists of water sales, county taxes and other funds available for use. The operating budget includes expenses in the amount of \$6,230,142, an increase from the 2014-2015 mid-year fiscal year budget (6,206,347) of \$23,795 or approximately 0.38%. The District continues to budget for all Capital Improvements under the General Operating Budget at this time. The District's 2015-2016 Debt Service Schedule was adopted in the amount of \$639,755. The Water Treatment Improvement fees are collected on every active account in the amount of \$14.00 bi-monthly which is used to repay the SDWSRF obligation created by the necessary and required Water Treatment Improvements. The District is now in the planning phases of a new five-year rate study to continue to stabilize the cash flow in relationship to operating expenses.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

The 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 questions for additional financial information should be addressed to the Office Manager, Bella Vista Water District, 11368 E. Stillwater Way, Redding, California 96003 or by calling (530) 241-1085.

FINANCIAL SECTION

Bella Vista Water District
STATEMENT OF NET POSITION

June 30, 2015

ASSETS AND DEFERRED OUTFLOWS

Current Assets

Cash and cash equivalents	\$ 7,363,761
Cash in Shasta County Treasury	34,297
Trade accounts receivable - net	433,268
1915 Act Special Assessment Bonds receivable - current	4,000
Inventories	59,980
Deposits and prepaid expenses	35,744

Total Current Assets 7,931,050

Restricted Assets

Cash and cash equivalents:

Department of Interior note reserve	75,219
Capital improvement funds	522,727
Water treatment plant improvement funds	610,488
Palo Cedro special projects	172,880
1996 Redemption Fund	31,796

Total Restricted Assets 1,413,110

Capital Assets

Nondepreciable land and construction in progress	214,214
Depreciable capital assets - net	25,944,948

Total Capital Assets 26,159,162

Other Assets

1915 Act Special Assessment Bonds receivable - noncurrent	147,663
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Total Assets 35,650,985

Deferred Outflows of Resources

Deferred outflows from pensions	136,772
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TOTAL ASSETS AND DEFERRED OUTFLOWS \$ 35,787,757

The accompanying notes are an integral part of these financial statements.

Bella Vista Water District
STATEMENT OF NET POSITION
(Continued)

June 30, 2015

LIABILITIES, DEFERRED INFLOWS, AND NET POSITION

Current Liabilities

Accounts payable	\$	180,895
Deposits held		192,336
Accrued wages		50,173
Accrued interest		2,421
Accrued benefits and compensated absences		297,900
Current maturities of long-term debt		325,395

Total Current Liabilities 1,049,120

Other Liabilities

Long-term debt - net of current maturities		7,094,189
Net other postemployment benefits obligation		2,598,283
Net pension liability		1,330,145

Total Other Liabilities 11,022,617

Total Liabilities 12,071,737

Deferred Inflows of Resources

Deferred inflows from pension		446,990
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Net Position

Net investment in capital assets		18,739,578
Restricted net position		1,413,110
Unrestricted net position		3,116,342

Total Net Position 23,269,030

TOTAL LIABILITIES, DEFERRED INFLOWS, AND NET POSITION \$ 35,787,757

The accompanying notes are an integral part of these financial statements.

Bella Vista Water District

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Year Ended June 30, 2015

Operating Revenues

Sale of water:

Municipal and industrial	\$ 2,914,211
Agricultural and aquaculture	58,994
New meters	20,958
New services	9,965
Cross connections	25,811
Special assessment	1,497,626
Capital and water treatment improvement fees	826,197
Other charges	63,022

Total Operating Revenues	5,416,784
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Operating Expenses

Wages and salaries	1,734,301
Depreciation	977,935
Payroll taxes and benefits	819,515
Water purchases and other water costs	521,673
Repairs and maintenance	491,205
Postretirement benefits	437,261
Utilities and communications	362,445
Legal and professional	182,312
General and administrative expenses	135,797
Chemicals and lab services	104,902
Insurance	73,683
Transportation	49,986
Tools and supplies	41,022
Office supplies	21,665
Memberships and dues	18,005
Education and training	9,876
Janitorial	5,945
Directors' fees	3,330
Equipment rental	3,211

Total Operating Expenses	5,994,069
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Income (Loss) From Operations	\$ (577,285)
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The accompanying notes are an integral part of these financial statements.

Bella Vista Water District

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

(Continued)

Year Ended June 30, 2015

Nonoperating Revenues (Expenses)	
County tax allocation	\$ 666,579
O&M municipal and industrial 2013 surplus	250,585
Interest income	22,346
Interest expense	(186,592)
Gain on disposal of capital assets	145
Total Nonoperating Revenues (Expenses)	753,063
Capital Contributions	202,605
Change in Net Position	378,383
Net Position - Beginning of Year (As Previously Reported)	24,532,130
Cumulative Effect of Change in Accounting Principle	(1,641,483)
Net Position - Beginning of Year (As Restated)	22,890,647
Net Position - End of Year	\$ 23,269,030

The accompanying notes are an integral part of these financial statements.

Bella Vista Water District
STATEMENT OF CASH FLOWS

Year Ended June 30, 2015

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from customers	\$	4,045,686
Cash received from special assessment		1,501,126
Cash paid to suppliers		(2,026,536)
Cash paid to employees		(2,650,402)

NET CASH PROVIDED BY OPERATING ACTIVITIES 869,874

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Cash received from county tax allocation		666,579
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CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Acquisition and construction of capital assets		8,503
Principal payments on long-term debt		(781,909)
Interest paid on long-term debt		(278,247)
Proceeds from disposal of capital assets		145

NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES (1,051,508)

CASH FLOWS FROM INVESTING ACTIVITIES

Interest received		22,346
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Net Change in Cash and Cash Equivalents 507,291

Cash and Cash Equivalents - Beginning of Year 8,303,877

Cash and Cash Equivalents - End of Year \$ 8,811,168

**SUPPLEMENTAL DISCLOSURES OF NONCASH
INVESTING AND FINANCING ACTIVITIES**

Developers' Contributions - Contributed Capital \$ 202,605

The accompanying notes are an integral part of these financial statements.

Bella Vista Water District
STATEMENT OF CASH FLOWS
(Continued)

Year Ended June 30, 2015

COMPONENTS OF CASH AND CASH EQUIVALENTS

Cash and cash equivalents	\$ 7,363,761
Cash in Shasta County Treasury	34,297
Restricted cash and cash equivalents:	
Department of Interior note reserve	75,219
Capital improvement funds	522,727
Water treatment plant improvement funds	610,488
Palo Cedro special projects	172,880
1996 Redemption Fund	31,796

TOTAL CASH AND CASH EQUIVALENTS \$ 8,811,168

**RECONCILIATION OF INCOME (LOSS) FROM OPERATIONS TO
NET CASH PROVIDED BY OPERATING ACTIVITIES**

Income (loss) from operations	\$ (577,285)
Adjustments to reconcile loss from operations to net cash provided by operating activities:	
Depreciation	977,935
Amortization of deferred inflows from pension	(109,828)
Net changes in assets and liabilities:	
Trade accounts receivable	101,244
1915 Act Special Assessment Bonds receivable	3,500
Inventories	17,970
Deposits and prepaid expenses	27,903
Deferred outflows from pension	(131,395)
Accounts payable	(50,682)
Deposits held	25,284
Accrued wages	7,979
Accrued benefits and compensated absences	23,542
Net pension liability	240,103
Net other postemployment benefits obligation	313,604

TOTAL ADJUSTMENTS 1,447,159

NET CASH PROVIDED BY OPERATING ACTIVITIES \$ 869,874

The accompanying notes are an integral part of these financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity The District, a California water district, was formed on June 17, 1957, and was organized as a water district under Division 13 of the *California Water Code*. The District's purposes are limited to "produce, store, and distribute water for irrigation, domestic, industrial, and municipal purposes and reclaim lands incidental thereto or connected therewith."

The District operates under an elected Board of Directors. The accounting methods and procedures adopted by the District conform to generally accepted accounting principles (GAAP) as applied to government entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. These financial statements present the District and its component units, entities for which the government is considered to be financially accountable under the criteria described in the GASB Codification of Government Accounting and Financial Reporting Standards, Sections 2100 and 2600.

Reporting for component units on the District's financial statements can be blended or discretely presented. Blended component units, although legally separate entities are, in substance, part of the District's operations. Blended component units are an extension of the District so data from these units are combined with data of the District. Discretely presented component units, on the other hand, are reported in a separate column in the financial statements to emphasize they are legally separate from the District.

The Bella Vista Capital Improvement Authority is governed by the District's Board of Directors, hence, the authority is presented by blending it with the District. There are no discretely presented component units of the District.

In accordance with generally accepted accounting principles, the financial statements of the District include the transactions of the 96-1 Special Assessment District.

Basis of Accounting The District's activities are accounted for as an enterprise fund (a business-type activity) and the accounting records are maintained on the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

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.

Cash and cash equivalents Cash includes amounts in demand deposits as well as short-term investments with a maturity date from three months to one year of the date acquired by the District.

State statutes authorize the District to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, and repurchase agreements.

Bella Vista Water District

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

The District reports its investments in external investment pools at market value and the related realized and unrealized gains and losses in the statement of revenues and expenses. Investments in certificates of deposits and investments with remaining maturities of 90 days or less at the date of the financial statements are reported at amortized cost. The fair market value of investments are determined based on quoted market values, or on fair value as provided by the investment trustee, except time deposits, repurchase agreements, reverse repurchase agreements, and AB 55 and General Fund loans, which are valued at amortized cost.

Accounts Receivable Receivables represent revenues earned but not collected. Receivables are uncollateralized and are valued at cost. Any losses on uncollectible accounts receivable are recognized when such losses become known or indicated. All receivables are adjusted to net realizable value when they are determined to be delinquent based on historical experience.

The allowance for doubtful accounts totaled \$5,000 at June 30, 2015. The allowance is estimated based on the analysis of specific customers, taking into consideration the amount of past due accounts and an assessment of the customers' ability to pay.

Inventories Inventories are valued at cost, which approximates market, using the average cost method. The District inventories of meters are valued under a pooled average basis.

Deposits and Prepaid Expenses Payments made to vendors for services that will benefit periods beyond the fiscal year-end are recorded as prepaid assets.

Restricted Assets Certain loan proceeds as well as certain resources set aside for their repayment are classified as restricted assets because their use is limited by applicable loan covenants. In addition, funds have been reserved for capital improvements, repairs, and maintenance.

Capital Assets The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related assets, as applicable.

Interest expense that relates to the cost of acquiring or constructing capital assets is capitalized. Interest expense incurred in connection with construction of capital assets has been reduced by interest earned on the investment of funds borrowed for construction in accordance with FASB Statement No. 62, *Capitalization of Interest Cost in Situations Involving Certain Tax-Exempt Borrowings and Certain Gifts and Grants*.

Capitalized interest consisted of the following:

June 30, 2015	
Interest incurred	\$ 186,592
Less: Amount expensed	(186,592)
Amount to be Capitalized	-
Reduced by interest earned	-
Capitalized Interest - Net	\$ -

Bella Vista Water District
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

All purchased capital assets are valued at cost based upon purchasing records, when available, and at an estimated historical cost where no historical records exist. Donated capital assets are valued at estimated fair market value on the date received.

Accumulated depreciation is reported on the accompanying statements of net position. Depreciation has been provided over the estimated useful lives of the assets using the straight-line method. The estimated useful lives are as follows:

June 30, 2015

Buildings	40 years
Land improvements	10 years
Water system - constructed	50 years
Water system - contributed	50 years
Office furniture and equipment	10 years
Plant equipment	15 years

Compensated Absences Vested or accumulated sick leave, comp time and floater holiday pay, and vacation pay is recorded as an expense and liability as the benefits accrue to employees. In accordance with the provisions of GASB Statement No. 16, *Accounting for Compensated Absences*, no liability is recorded for nonvesting accumulating rights to receive sick pay benefits.

Deferred Outflows/Inflows of Resources In addition to assets, the statement of net position includes a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period which will only be recognized as an outflow of resources (expense) in the future. The District only has one item that qualifies for reporting in this category, which is the deferred outflows of resources related to pension which represents a reclassification of current year's pension contributions, all of which will be amortized during fiscal year 2015-16, per accounting pronouncement GASB Statement No. 71.

In addition to liabilities, the statement of net position includes a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and would only be recognized as an inflow of resources (revenue) at that time. The District only has one item that qualifies for reporting in this category, related to pension, which is the difference between the projected and actual earnings on the pension plan investments.

Net Pension Liability 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) plan (the Plan) and additions to/deductions from the Plan's 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.

Bella Vista Water District

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

Net Position Net position represents the difference between assets and liabilities. The District's net position is classified as follows:

Net Investment in Capital Assets: This represents the District's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of net investment in capital asset.

Restricted Net Position: Restricted net position represents resources which are legally or contractually obligated to be spent in accordance with restrictions imposed by external third parties.

Unrestricted Net Position: Unrestricted net position represents resources available for transactions relating to the general operations of the District, and may be used at the discretion of the governing board to meet current expenses for any purpose.

Operating Revenue and Expense The District distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the District's principal ongoing operations. The principal operating revenues of the District are charges to customers for sales and services. Operating expenses for the District include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Tax Revenues The County of Shasta (the County) assesses, bills, and collects property taxes for the District.

The County property tax is levied each year on November 1 on the assessed valuation of land located in the County as of the preceding lien date (March 1). Taxes are receivable in two equal installments, which become delinquent the first working day after December 10 and April 10.

The County adopted the alternative method of tax apportionment ("Teeter Plan"). The District determined they would participate in this plan. Under the plan, the County remits all property taxes and special assessments due to the District without regard to their current or delinquent status.

Water System Special Assessment Section 37203 of the *California Water Code*, upon a vote of the affected property owners, allows a California Water District to compel the county in which it is located to levy and collect ad valorem assessments on all lands located within the District, sufficient to raise monies to provide for the operations and debt service of the District. The assessment was authorized by the voters in March 1964.

Use of Estimates The preparation of financial statements in conformity 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 could differ from those estimates.

Bella Vista Water District

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

Budget The District's budget is adopted on a modified accrual basis, which is a comprehensive basis of accounting other than generally accepted accounting principles. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The annual appropriations lapse at fiscal year-end.

Change in Accounting Principle Net position as of July 1, 2014, has been restated as follows for the implementation of GASB Statement No. 68, as amended by GASB Statement No. 71.

June 30, 2015

Net Position as Previously Reported - June 30, 2014	\$ 24,532,130
Cumulative Effect of Change in Accounting Principle	
Net pension liability (measurement date as of June 30, 2013)	(1,817,456)
Deferred Outflows of Resources	
District contributions made during fiscal year 2014	175,973
Total Cumulative Effect of Change in Accounting Principle	(1,641,483)
Net Position as Restated - July 1, 2014	\$ 22,890,647

2. CASH AND CASH EQUIVALENTS

Deposits

All of the District's deposits in financial institutions are entirely insured or collateralized. The *California Government Code* requires California banks and savings and loan associations to secure local agency deposits by pledging government securities as collateral. The market value of pledged securities must equal at least 110% of a local agency's deposits.

Custodial Credit Risk

The District's deposits were as follows:

June 30, 2015

Carrying Amount	\$ 8,322,496
Bank balance	\$ 8,380,405
Amount covered by federal depository insurance	250,000
Amount Covered by Collateral Held By Agents of Pledging Bank	\$ 8,130,405

Collateral was not held in the District's name. (There is no government code requirement that collateral be held in the District's name.)

Bella Vista Water District
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Equity in Pooled Cash and Investments

The District also maintains cash equivalents in pools managed by others. The pooled investment funds are both unrated.

June 30, 2015

Pooled investment funds:	
Cash in Shasta County Treasury	\$ 34,297
Local Agency Investment Fund (LAIF)	\$ 454,375

The District invests funds in the State Treasurer’s Pooled Money Investment Account (PMIA) through the LAIF, a voluntary program created by statute in 1977. The PMIA has regulatory oversight from the Pooled Money Investment Board and an in-house Investment Committee. The Local Agency Investment Advisory Board has oversight of LAIF. The fair value of the District’s position in the pool is materially equivalent to the value of pool shares.

In accordance with authorized investment laws, the State Treasurer’s Investment Pool (LAIF) invests in various structured notes and mortgage-backed securities, such as collateralized mortgage obligations. As of June 30, 2015, 2.08% of LAIF’s investment portfolio was invested in structured notes and other asset-backed securities. Copies can be obtained from the Local Agency Investment Fund, P.O. Box 942809, Sacramento, CA 94209. PMIA’s weighted average maturities were 293.57 days at June 30, 2015.

The District also invests funds with the County Treasury’s Pooled Money Investment Account.

The *California Government Code* and investment policy of the County authorize the County to invest in obligations, participations, or other investments of the U.S. Government or its agencies, state and municipal bonds, commercial paper of “prime” quality of the highest ranking or of the highest letter and numerical rating as provided by Standard & Poor’s Corporation or Moody’s Investor Service, Inc., bankers’ acceptances, repurchase agreements, and the State Treasurer’s Investment Pool (LAIF). The 2015 audited financial statements of the County are not yet available. Copies can be obtained from the County of Shasta, 1450 Court Street, Redding, CA 96001. As provided in the 2014 audited financial statements for the County, cost and fair value are materially equivalent. Accordingly, the District has reported its position in the County Treasury at cost, which approximates fair value as of June 30, 2015. The County Treasury’s Pooled Money Investment Account’s weighted average maturities were 475.29 days at June 30, 2015.

The pooled treasury has oversight from the County Treasury Oversight Committee in accordance with *California Government Code* requirements.

The District is unable to determine whether the County has invested directly or indirectly in any derivative instruments.

Bella Vista Water District
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Interest Rate Risk

In accordance with its investment policy, the District manages its exposure to declines in fair value by limiting all debt securities to a final maturity of no more than five years.

Credit Risk

The District has a formal investment policy on managing credit risk; the District's policy and the *California Government Code* authorize the District to invest in obligations, participations, or other investments of the U.S. Government or its agencies, state and municipal bonds, commercial paper of "prime" quality of the highest ranking or of the highest letter and numerical rating as provided by Standard & Poor's Corporation or Moody's Investor Service, Inc., bankers' acceptances, repurchase agreements, and the State Treasurer's Investment Pool (LAIF).

Concentration of Credit Risk

The District's policy limits the amount that may be invested in any one permissible investment type.

3. CAPITAL ASSETS

A summary of changes in capital assets is as follows:

	Balance July 1, 2014	Additions	Transfers/ Deletions	Balance June 30, 2015
Nondepreciable Capital Assets				
Land	\$ 95,064	\$ -	\$ -	\$ 95,064
Construction in progress	352,512	43,292	(276,654)	119,150
Total Nondepreciable Capital Assets	447,576	43,292	(276,654)	214,214
Depreciable Capital Assets				
Building	2,364,915	-	-	2,364,915
Land improvements	369,104	-	-	369,104
Water system	38,621,829	363,107	276,654	39,261,590
Equipment	1,586,607	38,288	-	1,624,895
Office furniture and equipment	156,135	-	-	156,135
Filter plant improvements	483,003	-	-	483,003
Total Depreciable Capital Assets	43,581,593	401,395	276,654	44,259,642
Less: Accumulated depreciation	17,336,759	977,935	-	18,314,694
Depreciable Capital Assets - Net	26,244,834	(576,540)	276,654	25,944,948
Capital Assets - Net	\$ 26,692,410	\$ (533,248)	\$ -	\$ 26,159,162

Bella Vista Water District
 NOTES TO THE FINANCIAL STATEMENTS
 (Continued)

4. ACCRUED BENEFITS AND COMPENSATED ABSENCES

A summary of the liabilities for accrued benefits and compensated absences is as follows:

June 30, 2015	
Vacation	\$ 107,066
Sick leave	153,109
Comp time and floater holidays	37,725
Total	\$ 297,900

5. LONG-TERM DEBT

A summary of long-term debt is as follows:

	Balance July 1, 2014	Additions	Reductions	Balance June 30, 2015
Note payable - U.S. Department of the Interior	\$ 217,656	-	\$ 85,000	\$ 132,656
1915 Act Special Assessment Bonds	155,663	-	4,000	151,663
State of California Department of Water Resources	7,828,174	-	692,909	7,135,265
Subtotal	\$ 8,201,493	\$ -	\$ 781,909	7,419,584
Less: Current maturities				325,395
Long-Term Debt - Net of Current Maturities				\$ 7,094,189

Note Payable – U.S. Department of the Interior

This note is secured by the distribution system of the District. Interest at 3.046% is payable only on the portion of the unpaid balance of the loan allocated to municipal, industrial, and domestic water supply (M & I) for the prior calendar year. Interest calculations through the year 2017 are based on an estimated M & I usage. The note is payable through the year 2017 in annual principal installments of \$80,000 to \$85,000 plus interest.

The Department of Interior note agreement requires funds to be set aside in a reserve fund. The agreement requires \$5,000 each year to be deposited into a separate account until at least \$50,000 has been accumulated. The District has currently set aside sufficient funds to satisfy this requirement.

1915 Act Special Assessment Bonds

The District issued Limited Obligation Improvement Bonds (1915 Act), Series A, for \$201,470 on August 7, 1997, in order to provide the matching funding required to complete the Logan Road Water Project. The bonds call for semi-annual interest payments at 5% on March 2 and September 2 of each year. Principal payments are due on September 2 of each year through the year 2036, and the principal payment amount ranges from \$3,000 to \$10,200. The bonds are secured by special assessment taxes to be collected by the County of Shasta.

Bella Vista Water District

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

State of California Department of Water Resources

On September 16, 2004, the District entered into a funding agreement with the State of California Department of Water Resources for a construction loan under the Safe Drinking Water State Revolving Fund Law of 1997 to upgrade the District's water treatment plant. The amount of the loan was not to exceed \$10,399,538. Interest is charged at a rate of 2.34% annually. Interest during the construction period was due semi-annually. Principal payments commenced one year from the project completion date. The project was completed in August 2008 and the first semi-annual principal payment for this loan was due July 1, 2009. The entire amount of the loan plus interest is due and payable within 20 years from the date of the first payment. The loan is collateralized by the revenues from the water treatment plant improvement fees.

The annual debt service requirements to amortize all long-term debt, including interest, are as follows:

Year Ending June 30	United States Department of the Interior	1915 Act Special Assessment Bond (96-1 Logan Road)	State Loan Fund (SDWSTR)	Total
2016	\$ 86,010	\$ 11,483	\$ 319,878	\$ 417,371
2017	48,020	11,283	639,755	699,058
2018	-	11,571	639,755	651,326
2019	-	11,346	639,755	651,101
2020	-	11,608	639,755	651,363
2021-2025	-	57,528	3,198,777	3,256,305
2026-2030	-	57,403	2,235,445	2,292,848
2031-2035	-	55,228	-	55,228
2036-2040	-	21,175	-	21,175
Total	134,030	248,625	8,313,120	8,695,775
Less: Interest	1,374	96,962	1,177,855	1,276,191
Net Principal	\$ 132,656	\$ 151,663	\$ 7,135,265	\$ 7,419,584

Bella Vista Water District

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

6. PENSION OBLIGATION INCLUDING GASB STATEMENT NO. 68 (IMPLEMENTATION EFFECTIVE FOR YEAR ENDED JUNE 30, 2015)

Qualified employees are covered under a cost-sharing, multiple-employer defined benefit pension plan maintained by the California Public Employees' Retirement System (CalPERS).

Plan Descriptions and Provisions

All full-time employees participate in CalPERS, a cost-sharing, multiple-employer contributory public employee retirement system that acts as a common investment and administrative agent for participating public entities within the State of California. The District is part of a "cost-sharing" pool within CalPERS. Employees are eligible for retirement as early as age 50 with five years of service. At age 60, the employee is entitled to a monthly benefit of 2.0% of the highest three years of compensation for each year of service.

Retirement after age 60 will increase the percentage rate to a maximum of 2.418% at age 63. The plan also provides death and disability benefits. Retirement benefits fully vest after five years of credited service. Upon separation from CalPERS, members' accumulated contributions are refundable with interest credited through the date of separation.

The Public Employees' Retirement Law (Part 3 of the *California Government Code*, Section 20000 et seq.) establishes benefit provisions for CalPERS. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from CalPERS, 400 Q Street, Sacramento, California 95811.

Funding Policy

Active plan members are required to contribute 7.0% of their salary (7.0% of monthly salary over \$133.33 if the member participates in Social Security), which is currently paid by the District. Also, the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for the fiscal year ended June 30, 2015, was 8.005% of annual payroll. The contribution requirements of the plan members are established by state statutes. The District's contributions to CalPERS for the fiscal years ended June 30, 2015, 2014, and 2013, were \$245,243, \$237,846, and \$214,496, respectively, and equaled 100% of the required contribution for each year.

Employees Covered

The following employees were covered by the benefit terms of the plan:

June 30, 2015	
Inactive employees or beneficiaries currently receiving benefits	7
Active employees	30
Total	37

Bella Vista Water District

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the District reported a net pension liability of \$1,330,145 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013, rolled forward to June 30, 2014, 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 plan relative to the projected contributions of all participating districts and the State, actuarially determined. At June 30, 2013, the District's proportion was 0.02138%.

Pension Expense and Deferred Outflows/Inflows of Resources Related to Pensions

For the year ended June 30, 2015, the District recognized pension expense of \$130,275. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

		Deferred Outflows Resources	Deferred Inflows Resources
June 30, 2015			
Differences between expected and actual experience	\$	-	\$ -
Net difference due to differences in proportions		5,377	-
Net difference between projected and actual earnings on pension plan investments		-	446,990
District contributions subsequent to the measurement date		131,395	-
Total	\$	136,772	\$ 446,990

An amount of \$131,395 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 June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized as pension expense as follows:

Year Ending June 30,		
2016	\$	109,828
2017		109,828
2018		110,211
2019		111,746
2020		-
Thereafter		-
Total	\$	441,613

Discount Rate

The discount rate used to measure the total pension liability was 7.50%. The amortization and smoothing periods recently adopted by the Board were utilized to determine whether the municipal bond rate should be used in the calculation of a discount rate. A projection of expected benefit payments and contributions was performed to determine if the assets would run out. The test revealed the assets would not run out. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The stress test results are presented in a detailed report entitled, "GASB Crossover Testing Report" that can be obtained on the CalPERS' website.

According to Paragraph 30 of GASB Statement No. 68, the long-term discount rate should be determined with reduction for pension plan administrative expense. The 7.50% investment return assumption used in the accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return, excluding administrative expenses, would have been 7.65%. Using this lower discount rate has resulted in a slightly higher total pension liability and net pension liability. CalPERS checked the materiality threshold for the difference in the calculation and did not find it to be a material difference.

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 stake holder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB Statement No. 67 and GASB Statement No. 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in the calculation until the methodology is changed.

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, staff 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 of the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11 to 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.

Bella Vista Water District
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

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.

Asset Class	Target	Rate of Return	
	Allocation	Years 1-10*	Years 11+**
Global equity	47%	5.25%	5.71%
Global fixed income	19%	0.99%	2.43%
Inflation sensitive	6%	0.45%	3.36%
Private equity	12%	6.83%	6.95%
Real estate	11%	4.50%	5.13%
Infrastructure and forestland	3%	4.50%	5.09%
Liquidity	2%	-0.55%	-1.05%
Total	100%		

*An expected inflation of 2.5% used for this period.

**An expected inflation of 3.0% used for this period.

Sensitivity of the Net Pension Liability to the Changes in the Discount Rate

The following presents the net pension liability of the Plan, calculated using the discount rate of 7.50%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50%) or one percentage point higher (8.50%) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Plan's Net Pension Liability	\$ 2,369,907	\$ 1,330,145	\$ 467,241

Pension Plan Fiduciary Net Position

Detailed information about the Plan's fiduciary net position is available in the separately issued CalPERS financial report.

Actuarial Assumptions

The total pension liability in the June 30, 2013, actuarial valuation for CalPERS was determined using the following actuarial assumptions, applied to all periods included in the measurement:

June 30, 2015

Valuation date	June 30, 2013
Measurement date	June 30, 2014
Actuarial cost method	Entry Age Normal
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

CalPERS uses custom mortality tables to best fit the patterns of mortality among its members. The mortality table used was developed based on CalPERS specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.

The actuarial assumptions used in the June 30, 2013, valuation were based on the results of an actuarial experience study for the period July 1, 1997, through June 30, 2011.

7. DEFERRED COMPENSATION PLAN

The District also offers its employees a deferred compensation plan created in accordance with *Internal Revenue Code*, Section 457. The plan, available to all District employees, permits them to defer a portion of their salary up to the legal limit until future years. Participation in the plan is optional. The District currently has two options employees can voluntarily defer to: VALIC or CalPERS. The deferred compensation balance is not available to employees until termination, retirement, death, or unforeseeable emergency. All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights, are held in trust for the "exclusive benefit of governmental plan participants." Consistent with this, the District has no rights to these monies and, therefore, plan assets and liabilities are not reported on the District's financial statements.

Bella Vista Water District
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

8. OTHER POSTEMPLOYMENT BENEFITS PLAN

Plan Description

The District contracts for healthcare for its active and retired employees under the Public Employees' Medical and Hospital Care Act (PEMHCA) (the Plan). The Plan provides lifetime healthcare insurance for eligible employees and their eligible family members through the District's group insurance plan, which covers both active and retired members. Benefit provisions are established and may be amended by the District's Board of Directors as authorized by bylaws. The Plan provides for the District to contribute 100% of the cost of health insurance premiums for retirees and their eligible family members. The Plan does not issue a publicly available report.

Annual OPEB Cost and Net OPEB Obligation

The District's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution (ARC). The District has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement No. 45 for employers with plans that have fewer than 100 total members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the District's net OPEB obligation to the Plan:

June 30	2015	2014
Annual required contribution	\$ 471,649	\$ 549,403
Interest on net OPEB obligation	114,234	104,122
Adjustment to annual required contribution	(148,622)	(130,257)
Annual OPEB Cost	437,261	523,268
Contributions made	123,657	131,710
Increase in Net OPEB Obligation	313,604	391,558
Net OPEB Obligation - Beginning of Year	2,284,679	1,893,121
Net OPEB Obligation - End of Year	\$ 2,598,283	\$ 2,284,679

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation were as follows:

Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	\$ 528,917	22.65%	\$ 1,893,121
2014	\$ 523,268	25.17%	\$ 2,284,679
2015	\$ 437,261	28.28%	\$ 2,598,283

Funding Policy, Funded Status, and Funding Progress

The District contributes 100% of the cost of current-year premiums for eligible retired plan members and their eligible family members depending on the date of hire. For the fiscal years ended June 30, 2015 and 2014, the District contributed \$123,657 and \$131,710 respectively, to the Plan.

As of June 30, 2015, the most recent actuarial valuation date, the plan was unfunded. The actuarial accrued liability for benefits was \$5,090,374, and the actuarial value of assets was \$-0-, resulting in an unfunded actuarial accrued liability of \$5,090,374. The covered payroll (annual payroll of active employees covered by the plan) was \$1,734,301, and the ratio of the overfunded actuarial accrued liability to the covered payroll was 234.41%.

The projection of future benefits for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of future events far into the future. Amounts determined regarding the funded status of a plan and the employer's annual required contributions are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The following simplifying assumptions were made:

Assumptions About Employees and Members: Based on the historical average retirement age of the covered group, active plan members were assumed to retire at age 60 or the first year thereafter in which the member would qualify for benefits. Marital status as of the calculation date was assumed to continue throughout retirement. Life expectancy was based on mortality tables published by the National Center for Health Statistics. The probability of remaining employed until the assumed retirement age and employees' expected future working lifetimes were developed using non-group-specific, age-based turnover data from GASB Statement No. 45.

Assumptions About Healthcare Costs: The 2014 health insurance premiums for retirees were used to calculate the present value of total benefits to be paid. The expected rate of increase in health insurance premiums initially used a select rate of 9%, with reduction to the ultimate rate of 5% after four years.

Other Assumptions and Methods: The inflation rate was assumed to be 2%. A simplified version of the entry age actuarial cost method was used in the actuarial valuation. The UAAL is amortized over the remaining 30-year period as a level percent of projected payroll on an open basis. Payroll was assumed to grow over the long-term at the same rate as inflation.

Bella Vista Water District

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

9. SPECIAL ASSESSMENT BONDS

Special assessment bonds are used for the provision and financing of public improvements, which primarily benefit the particular taxpayers against whose properties special assessments are levied. Property owners are given the option of paying their special assessments in a lump sum or in interest-bearing annual installments over a number of years. Special assessment bonds issued to finance initial construction costs are secured by liens on the property of those taxpayers electing to pay their assessments in annual installments.

The GASB issued Statement No. 6, *Accounting and Financial Reporting for Special Assessments*, in January 1989. Reporting requirements for governments vary under this statement, dependent on whether or not the government is obligated in some manner for special assessment debt.

In accordance with legal requirements pertaining to the sale of 1915 Act Special Assessment Bonds, a reserve fund was established out of the proceeds of the bond sale and is utilized to cover delinquencies by property owners.

Delinquencies, if any, at June 30, 2015, are immaterial and are covered by the Teeter Plan.

The liability for the payment of the outstanding 1915 Act Special Assessment Bonds are reported and disclosed in note 5.

10. SELF-INSURANCE

The District is a member of the Association of California Water Agencies Joint Powers Insurance Authority (JPIA). The JPIA provides joint protection coverage for losses in excess of the District's self-insurance retention levels. Claims in excess of specified levels are covered by excess insurance policies purchased from commercial insurance carriers. There has been no significant reduction in coverage over the last three years.

The District has an agreement with the JPIA to provide auto and general liability insurance and property insurance. Under the agreement, the District has no self-insured retention for auto and general liability insurance and excess insurance coverage to \$40,000,000. The property insurance fund provides for a self-insured retention of \$10,000, except for \$2,500 for auto and for mobile equipment and excess insurance coverage to \$50,000,000.

The District has an agreement with the JPIA to provide error and omissions insurance of \$1,000,000 per incident with a \$100,000 deductible.

The District also participates in the JPIA workers' compensation insurance program. Under the agreement, the District has no self-insured retention and insurance coverage to statutory limits.

The premiums billed by the JPIA to member districts are planned to match the expenses of the self-insurance as well as the cost of providing the excess layer coverage and the cost of administering the plans.

Bella Vista Water District
 NOTES TO THE FINANCIAL STATEMENTS
 (Continued)

11. RESTRICTED NET POSITION

Restricted net position consisted of the following:

June 30, 2015

<i>Department of Interior Note Reserve</i> The purpose of these funds is to ensure that the District maintains adequate financial capability to meet unusual and unforeseen extraordinary operation and maintenance costs as per the Bureau contracts.	\$ 75,219
<i>Capital Improvement Fund</i> This fund was established to deposit capital improvement fees charged for use towards the construction and improvement of District facilities and to maintain adequate facilities as growth in the District occurs. The fees collected are currently obligated to service the 1996 Sales Agreement.	522,727
<i>Water Treatment Plant Improvements</i> This fund was established to deposit fees charged for the water treatment plant improvements required by the California Department of Health Services, and to service the debt established.	610,488
<i>Palo Cedro Special Projects</i> Pursuant to Resolution 87-38, the purpose of this reservation was to reduce the initial construction cost of the Palo Cedro South Project. Agreement by the property owners was made whereby a capital facilities charge would be levied upon property owners at such time as they choose to connect to the system. The funds are specifically allocated to the construction of improvements at such time as it becomes necessary.	172,880
<i>1996 Redemption Fund</i> This fund was established to deposit the revenues collected by the County of Shasta for the 96-1 Assessments and repay the obligation with the USDA.	31,796
Total	\$ 1,413,110

Bella Vista Water District
 NOTES TO THE FINANCIAL STATEMENTS
 (Continued)

12. DESIGNATED UNRESTRICTED NET POSITION

Designated unrestricted net position consisted of the following:

June 30, 2015

Contingency Fund This fund was established as an appropriation and interfund transfer account, as needed, for cash flow purposes.	\$ 2,857,245
Irrigation Users These funds were received from a rebate for the CVPIA Restoration funds previously paid by agricultural users. A large portion of the funds was refunded to the customers. The balance of the funds was deposited to maintain rate stabilization and to keep the O&M deficit at a zero balance.	9,718
Municipal and Industrial Deficit This fund was established to fund current year M&I operating deficit charged by the Department of the Interior.	1,147,482
Extraordinary Operations Maintenance Replacement This fund was established to assist the District in long-term planning and budgeting for extraordinary major maintenance and replacement costs the District is going to be faced with for its aging facilities and infrastructure. In addition, a separate allocation under this fund was created to assist the District in the purchase of vehicles and large equipment items. It is the goal of the District to smooth the impact of these significant costs over many years rather than a significant impact to any one year.	2,139,978
Total	\$ 6,154,423

The above amount of designated unrestricted net position exceeds the unrestricted net position balance in the statement of net position on page 10 due to a difference in accounting method between the two statements. The District designates net assets using the modified accrual accounting method which is the accounting method used for internal budgeting purposes. This accounting method does not take into account the net investment in capital assets as a component of net position. Therefore, it results in the District designating more unrestricted net position than is reported in the statement of net position. The full amounts of designated net position have been included in the table above to reflect the actual amounts approved by the District's board of directors as designated, however, only \$3,116,342 is actually available to be designated.

Bella Vista Water District

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

13. COMMITMENTS AND CONTINGENCIES

Proposition 218

Proposition 218, which was approved by the voters in November 1996, and amended Article 13 of the State Constitution, regulates the District's ability to impose, increase, and extend taxes, assessments, and fees. New, increased, or extended taxes, assessments, and fees are subject to the provisions of Proposition 218. This decision was upheld and broadly interpreted to include water rates and charges in the recent court decision of *Bighorn-Desert View Water Agency vs. Virjil* which states "an agency may not adopt a rate increase if written protests against the proposed fee or charge are presented by a majority" of the affected property owners. In addition, Proposition 218 states that these rates will be fair, equitable, and cost based. Therefore, the District's ability to finance the services for which the taxes, assessments, and fees are imposed in the future may be impaired. However, management believes it will be able to maintain the current level of revenue it now receives. Subsequent legislation (AB 1260 CABELLERO) clarifies the process required to revise fees and rates.

REQUIRED SUPPLEMENTARY INFORMATION SECTION

Bella Vista Water District**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY – CALPERS**

Year Ended June 30, 2015

District's proportion of the net pension liability (asset)		0.02138%
District's proportionate share of the net pension liability (asset)	\$	1,330,145
District's covered-employee payroll	\$	1,483,341
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll		89.67%
Plan fiduciary net position as a percentage of the total pension liability		83.03%

See the accompanying notes to the required supplementary information.

Bella Vista Water District
SCHEDULE OF DISTRICT CONTRIBUTIONS – CALPERS

Year Ended June 30, 2015

Contractually required contribution	\$	125,721
Contributions in relation to the contractually required contribution		(125,721)
Contribution deficiency (excess)	\$	-
District's covered-employee payroll	\$	1,483,341
Contributions as a percentage of covered-employee payroll		8.48%

See the accompanying notes to the required supplementary information.

Bella Vista Water District

SCHEDULE OF FUNDING PROGRESS FOR OTHER POSTEMPLOYMENT BENEFITS

Actuarial Valuation Dates	June 30		
	2015	2012	2008
Actuarial accrued liability (AAL)	\$ 5,090,374	\$ 6,110,299	\$ 3,758,378
Actuarial value of plan assets	-	-	-
Unfunded Actuarial Accrued Liability (UAAL)	\$ 5,090,374	\$ 6,110,299	\$ 3,758,378
Funded ratio (actuarial value of plan assets/AAL)	0.00%	0.00%	0.00%
Covered payroll (active members)	\$ 1,734,301	\$ 1,785,198	\$ 1,464,337
UAAL as a percentage of covered payroll	234.41%	264.69%	256.66%

Bella Vista Water District

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2015

Changes of Benefit Terms

Public agencies who participate in CalPERS can make changes to their plan provisions, and such changes occur on an ongoing basis. A summary of the plan provisions that were used for a specific plan can be found in the plan's annual valuation report.

Changes of Assumptions

In February 2014, the CalPERS Board adopted new actuarial assumptions. The most significant change to the actuarial assumptions that the Board adopted was the inclusion of future mortality improvement. The actuarial assumptions adopted by the Board are designed to ensure greater sustainability and soundness of the defined benefit pension plans, and will be better at predicting future experience resulting in more secure retirement benefits in the decades to come. The current experience study was based on demographic CalPERS data for years 1997 to 2011. The study focused on recent patterns of termination, death, disability, retirement, and salary increases. These new assumptions were reflected in the total pension liabilities as of June 30, 2013. The 2013 liabilities were rolled forward to the measurement date of June 30, 2014, using standard update procedures.

OTHER REPORT SECTION

**INDEPENDENT AUDITORS' 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**

To the Board of Directors
Bella Vista Water District
Redding, California

We have audited, 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, the financial statements of the business-type activities of Bella Vista Water District (the District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 16, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *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, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**INDEPENDENT AUDITORS' 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**

(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's 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 which 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 matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KCoe Team, LLP

October 16, 2015
Redding, California