



**Bighorn Desert View Water Agency**  
Yucca Valley, California

**Comprehensive Annual Financial Report**  
**For the Fiscal Year Ended June 30, 2018**



## **Our Mission Statement**

*"To provide a high quality supply of water and reliable service to all customers at a reasonable rate"*

### **Bighorn Desert View Water Agency Board of Directors as of June 30, 2018**

<u>Name</u>	<u>Title</u>	<u>Elected/ Appointed</u>	<u>Current Term</u>
Michael McBride	President	Elected	12/16 - 12/20
Judy Corl-Lorono	Vice President	Elected	12/14 - 12/18
Terry Burkhart	Secretary	Elected	12/14 - 12/18
J. Dennis Staley	Director	Elected	12/14 - 12/18
J. Larry Coulombe	Director	Elected	12/16 - 12/20

**Bighorn Desert View Water Agency  
Marina D. West, PG, General Manager  
622 South Jemez Trail  
Yucca Valley, California 92284  
(760) 364-2315 – [www.bdvwa.org](http://www.bdvwa.org)**



# **Comprehensive Annual Financial Report**

**For the Fiscal Year Ended**

**June 30, 2018**

## **BIGHORN DESERT VIEW WATER AGENCY**

622 South Jemez Trail  
Yucca Valley, California 92284

Prepared by:

*Marina D. West, PG, General Manager/Treasurer*

**Bighorn Desert View Water Agency  
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# **Introductory Section**





October 23, 2018

Board of Directors  
Bighorn Desert View Water Agency

## **Introduction**

It is our pleasure to submit Bighorn-Desert View Water Agency's Annual Financial Report (the "Report") for the fiscal year ending June 30, 2018. Agency staff has prepared this report following guidelines set forth by the Governmental Accounting Standards Board. The Agency is responsible for the accuracy of the data included within this Report, as well as the completeness and fairness of its presentation and inclusion of all necessary disclosures. This Report is designed to enhance your understanding of the Agency's financial position and activities.

Generally Accepted Accounting Principles (GAAP) requires Agency management to provide a section within this Report that includes a narrative introduction with an overview and analysis referred to as the Management's Discussion and Analysis (MD&A) section. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The Agency's MD&A can be found immediately following the Independent Auditors' Report.

## **Agency Structure and Leadership**

The Bighorn-Desert View Water Agency is an independent special district, which operates under the authority of Division 12 of the California Water Code. The Agency was formed in 1990 upon approved consolidation of the Bighorn Mountains Water Agency (established in 1969) and the Desert View County Water District (established in 1964) by the San Bernardino County Board of Supervisors and is governed by a five-member Board of Directors elected at-large from within the Agency's service area. The Board of Directors convenes for regularly scheduled meetings on the fourth Tuesday of each month at 6:00 pm. These meetings are publicly noticed and citizens are encouraged to attend. The General Manager administers the day-to-day operations of the Agency in accordance with policies and procedures established by the Board of Directors. By the fiscal year ending June 30, 2018, the Agency employed nine (9) regular full-time employees that are organized into two (2) departments.

The Agency provides water service to approximately 2,570 connections within its fifty-two (52) square mile service area located in the eastern desert area of San Bernardino County which encompasses the unincorporated communities of Flamingo Heights, Landers and Johnson Valley.

As of July 1, 2015, the Agency annexed a neighboring water system which remains physically isolated from the Bighorn-Desert View water system. Therefore, the Agency operates under two Water Supply Permits issued by the State Water Resources Control Board – Division of Drinking Water.

## **Agency Services**

Residential customers represent nearly 100% of the Agency's customer base and, therefore, consume a majority of the water produced annually with the remainder utilized for construction projects, system flushing, fire suppression and/or lost to leaks. The combined water systems utilize a total of eight (8) active groundwater wells with a total system production capacity of 3,650 gallons per minute. In fiscal year 2017/18, the Agency produced approximately 560 acre-feet of groundwater with 134 acre-feet of that production serving the ID GM system demand.

In 2018, the Agency purchased 70 acre-feet of State Water Project water through the Mojave Water Agency, the Agency's State Water Project wholesaler. The Agency now has a total of 310 acre feet in storage with a current value of \$160,610.

### **Economic Condition and Outlook**

According to Sperling's Best Places the cost of living in the Landers area is 15.3% lower than the U.S. average. This is primarily attributed to lower housing costs. However, all other cost of living factors are greater than the U.S. average with groceries, utilities and transportation at least 7 to 13% higher. The unemployment rate is currently approximately 6.4% and remains unchanged from fiscal year 2016/17. Using U.S. Census Block group data, all census blocks within the Agency boundaries are classified as a "severely disadvantaged" with an average household income reported at \$29,362 which is less than half of the U.S. average. The area is classified as rural unincorporated San Bernardino County with a planned residential zoning of 2.5 acre minimum lot size. The area is comprised of predominantly English and Spanish speaking residents.

The Agency serves only a small number of commercial businesses and institutions. The largest employer is the local elementary school. Many local residents will commute to the Twenty-nine Palms Marine Corps Ground Combat Center, Town of Yucca Valley or 60 miles south to Palm Springs, CA area or a similar distance north to the Victorville area for employment.

### **Major Initiatives**

The activities of the Board and staff of the Agency are driven by our mission statement: "*To provide a high quality supply of water and reliable service to all customers at a fair and reasonable rate*". In Fiscal Year 2017/18 the Agency focused on the following major initiatives:

1. Adopt a balanced budget with a projected growth of reserve funds for replacement/refurbishment of infrastructure, emergency contingencies and capital improvement programs specifically highlighted in the 2014 Mojave Water Agency Integrated Regional Water Management Plan (IRWMP). Continue efforts to reduce costs where possible. Explore revenue enhancing measures such as water transfers to neighboring agencies.
2. Remain focused on preventative maintenance of the water distribution system appurtenances including groundwater wells, water storage tanks, pressure reducing stations, fire hydrants, isolation valves, air vacuum valves and emergency power connections. Minimize water lost to leaks. Work with civil engineers to prioritize and implement short-term capital or refurbishment projects.
3. Continue outreach to the community through various forms of communication including newsletters, annual calendar, revised utility bill format and participation in local community events (e.g. Annual Desert-Wise Living Series Landscape Tour and Lecture Series in conjunction with the Morongo Basin Conservation Association, Water Education Festival for the 8th grade class at La Contenta Middle School, Homestead Valley Park 3rd of July and the Gubler Orchid Festival).
4. Continue purchases of State Water Project water for long-term storage and negotiate water transfers from the Agency's Ames/Reche Groundwater Storage Account to Hi-Desert Water District.
5. Continue to pursue grant opportunities for capital, replacement and refurbishment via the Mojave Water Agency Integrated Regional Water Management Plan (IRWMP) and their Small Water Systems Assistance Program. Using the Agency's Hazard Mitigation Plan seek grants for emergency and disaster preparedness and hazard mitigation projects.



## **Major Initiatives, continued**

6. Obtain the Certificate of Achievement for Excellence in Financial Reporting for our Comprehensive Financial Report from the Government Finance Officers Association of the United States and Canada.
7. Maintain our 2-year Certificate of Excellence in District Transparency from the Special Districts Risk Management Authority.
8. Submit application to Special District Leadership Foundation for the District of Distinction Accreditation following completion of requirements.

All programs and operations of the Agency are developed and performed to provide the highest level of service and transparency to its customers.

## **Accomplishments**

To assist the Board of Directors in meeting their mission, staff achieved the following initiatives in fiscal year 2017/18:

1. In May 2017 the Board adopted a balance budget totaling \$1.95M. This budget included the rate increase to Basic Service Charge (5%) and Water Consumption Charge (3%) approved by the Board in 2016. The fiscal year 2017/18 budget projected revenues exceeding expenses by 11% keeping with the Board's goal of building a "replacement/refurbishment" fund at a pace of at least 10% revenues exceeding expenses per year. See Statistical Section Table "Water Rates ad Charges" for a 10-year history of charges by service type.
2. The Agency continues the fiscally sound practice of collecting delinquent water charges by placing liens on the secured property tax rolls. This has resulted in eventual collection of a majority of these receivables over time that might otherwise be written off as bad debt. The amount of tax lien sent to the tax roll for 2018 was approximately \$45,000 which was about the same as 2017, but significantly less (30%) than the 2016 secured lien amount.
3. Water system preventative maintenance in 2017/18 included collection of over 1,700 water quality samples, quarterly water level measurements, 6 mainline leak repairs, mainline and fire hydrant valve exercising (563 of 1,261). A total of 105 service lines were replaced and a total of 377 meters were replaced throughout the Agency. Approximately 3,420 feet of small diameter PVC mainline (aka Lookout Mainline), which had reached the end of its useful life (i.e. continuous leaks), was replaced. A "cash sales" water dispensing station was installed at the Johnson Valley hauling station which will allow an unlimited number of customers to access this water source. The Agency sold 10 new services in fiscal year 2017/18 up from 5 in the prior fiscal year. The Agency initiated a program to pull and replace four oversized well motors to reduce electrical costs. This project is expected to be completed in fiscal year 2018/19. A total of 6 water storage tanks were cleaned and inspected as well.
4. During fiscal year 2017/18, negotiations continued with Hi-Desert Water District to sell surplus native groundwater from the Agency's storage account to generate revenues from outside the area. To date, an intertie has been established, and Hi-Desert Water District has obtained a permit amendment from the State Water Resources Control Board – Division of Drinking Water for a permit amendment to accept potable water through the intertie. To date no water has been transferred, due to a continued impasse on the pricing structure. BDVWA will continue to pursue water sales in fiscal year 2018/19 as it can provide an outside source of income to the Agency.

### **Accomplishments, continued**

5. The Agency has participated in various outreach events, including Gubler's Orchid Festival and Morongo Basin Conservation Association Desert-Wise Landscape Home Tour and lecture series. News and events were provided in the water bill as well as through an Agency-wide newsletter. The Agency along with Hi-Desert Water District created and executed the 3rd Annual Children's Water Education Festival at the local middle school, funded by a grant from the Mojave Water Agency.
6. On October 2, 2017, the Agency executed an agreement with the State Water Resources Control Board for a Prop. 1 "Water Bond 2014" Planning Grant in the amount of \$500,000. A Preliminary Draft Engineering Report outlining numerous water system improvements was completed in May 2018. The proposed improvements are estimated at \$6.2M. Staff is currently working with the engineer to prioritize the projects to garner a higher score as the Agency seeks grant funding to build the proposed projects. As part of this effort, the Board authorized purchase of two vacant tax defaulted properties from the County of San Bernardino.
7. In July 2017, the Local Agency Formation Commission (LAFCO) completed a Service Review for the Bighorn-Desert View Water Agency. The review resulted in no changes to the Agency's Sphere of Influence.
8. The Agency was awarded the Certificate of Achievement for Excellence in Financial Reporting for its Comprehensive Financial Report in fiscal year 2016/17 from the Government Finance Officers Association of the United States and Canada.
9. In 2018 the Agency received the 3<sup>rd</sup> renewal of the Certificate of Excellence in District Transparency from the Special Districts Risk Management Authority. This accreditation will be renewed again in late 2019.
10. The Agency was awarded the District of Distinction Accreditation from the California Special Districts Association (CSDA) in early 2017. This accreditation will be renewed again in late 2019.

### **Internal Control Structure**

Agency management is responsible for the establishment and maintenance of the internal control structure that ensures the assets of the Agency are protected from loss, theft or misuse. The internal control structure also ensures that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The Agency's internal control structure is designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived, and (2) the valuation of costs and benefits requires estimates and judgments by management.

### **Budgetary Control**

The Agency Board of Directors annually adopts an operating budget prior to the new fiscal year. The budget authorizes and provides the basis for reporting and control of financial operations and accountability for the Agency's enterprise operations. Extensive capital budgets have not always been presented with the budget, therefore projects are brought to the Board individually, as needed, for consideration. The budget and reporting treatment applied to the Agency is consistent with the accrual basis of accounting and the financial statement basis. The goal of the Board is to adopt a budget which projects that revenues will exceed expenses by at least 10% so that sufficient reserves can be raised to fund the long term capital construction plan as well as replacement and refurbishment of existing infrastructure due to normal wear over time.

## **Investment Policy**

The Board of Directors has adopted an investment policy that conforms to state law, Agency ordinance and resolutions, and prudent money management. The objective of the Investment Policy is safety, liquidity and yield. Although the policy covers a wide variety of investment instruments, the Agency's reserve funds are currently invested in the State Treasurer's Local Agency Investment Fund (LAIF) and an institutional checking account (Pacific Western Bank). The Board of Directors approved the current investment policy on January 22, 2013 (Resolution No. 13R-01).

## **Water Rates and Agency Revenues**

Agency's current policy direction ensures that all revenues from user charges generated from Agency customers must support all Agency operations including capital project funding. Accordingly, water rates are regularly reviewed. Water rates are user charges imposed on customers for services and are the primary component of the Agency's revenue. Water rates are composed of a commodity (usage) charge and a fixed meter (readiness-to-serve) charge. There were no rate increases imposed between 2008 and 2016. However, the Board of Directors adopted the Fiscal Year 2016/17 Budget with a four year projection of revenues and expenses. It was unanimously agreed that in order to maintain the accepted budget strategy of revenues exceeding expenses by at least 10% that a rate increase would be necessary. In accordance with Proposition 218, the Board held a Public Hearing on July 26, 2016 and with just two letters of protest, a four-year rate increase program was approved.

## **Water Conservation Programs**

The Agency is an active member of the Hi Desert Alliance for Water Awareness and Conservation (HD AWAC). Agency Board and staff participate in and sponsor a number of community events with a conservation component, such as the Desert-Wise Landscaping Home Tours and Workshops sponsored by the Morongo Basin Conservation Association held throughout the year. The Agency also distributes materials to encourage water conservation. In 2013, a "water-wise" demonstration garden was installed in the community to highlight the types of plants and landscape that can be successfully maintained with little water. In accordance with Governor Jerry Brown's April 1, 2015 Executive Order requiring water suppliers to reduce usage, the Agency adopted Ordinance No. 15O-03 Amending and Restating the Agency's Water Conservation Plan.

## **Audit and Financial Reporting**

State Law and Bond covenants require the Agency to obtain an annual audit of its financial statements by an independent certified public accountant. The accounting firm of Fedak & Brown LLP has conducted the audit of the Agency's financial statements. Their unmodified Independent Auditor's Report appears in the Financial Section.

## **Risk Management**

The Agency has been a member of the Special District Risk Management Authority (SDRMA) since 1983. The purpose of SDRMA is to arrange and administer programs of insurance for pooling of self-insured losses and to purchase excess insurance coverage. In fiscal year 2017/18, there were no Workers Compensation claims filed and there was one general liability claim filed against the Agency.

## **Technology Advance in Customer Service (E-government initiatives)**

The Agency customers have the option to pay their bills in person at the Agency office, on-line, or via Automated Clearinghouse (ACH) through their bank account, with a major credit card via phone, Agency website link or internet. In 2018, the Agency enhanced execution of a process known as "check free". "Check free" applies to customers who go to their bank's website to request a bill be paid. If the bank utilizes "check free", then the payment is sent electronically. If the bank is not utilizing "check free", then the bank issues a paper check through the mail. The benefit of faster payment processing is realized by those customers whose bank participates. The processing time is overnight versus 5 to 7 business days. The Agency also activated the "lockbox" process for customers who mail their payment to the Agency.

## **Technology Advance in Customer Service (E-government initiatives), continued**

Now checks are processed by the bank at the time they are received. There is savings to the Agency in the physical time to process mail leaving that resource time to more complicated transactions. It benefits the customer by getting their payment deposited quicker than if the paper check was processed in the office, as the bank deposit occurs only one time per week.

Customers also have access to agency agenda's and agenda backup materials via email notifications immediately upon publication. The agenda materials as well as other reference material are also available on the Agency website ([www.bdvwa.org](http://www.bdvwa.org)). The website includes a link to email addresses of each member of the Board of Directors as well as an email address for general inquiries.

## **Other References**

More information has been provided in both the Management's Discussion and Analysis and the Notes to the Basic Financial Statements which can be found in the Financial Section of this report.

## **Awards and Acknowledgements**

The Agency is the recipient of the 2015 Association of California Water Agencies "*Clair A. Hill Agency Award for Excellence*".

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Bighorn-Desert View Water Agency for its comprehensive annual financial report of the fiscal year ended June 30, 2017. This was the seventh year that the Agency has applied for and achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of only one year. The Agency believes that the current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and the Agency intends to submit an application to the GFOA to determine our eligibility for certification for fiscal year 2017/18.

In 2017 the Agency was awarded the 2-year *Certificate of Excellence in District Transparency* and the District of Distinction Accreditation from the Special Districts Risk Management Authority.

Following a more comprehensive application process, the Agency was awarded the *District of Distinction Accreditation* from the California Special Districts Association (CSDA) in early 2017.

The renewal date for the *District of Distinction* and the *Certificate of Excellence in District Transparency* has been set for December 31, 2019, in an effort to streamline the renewal process.

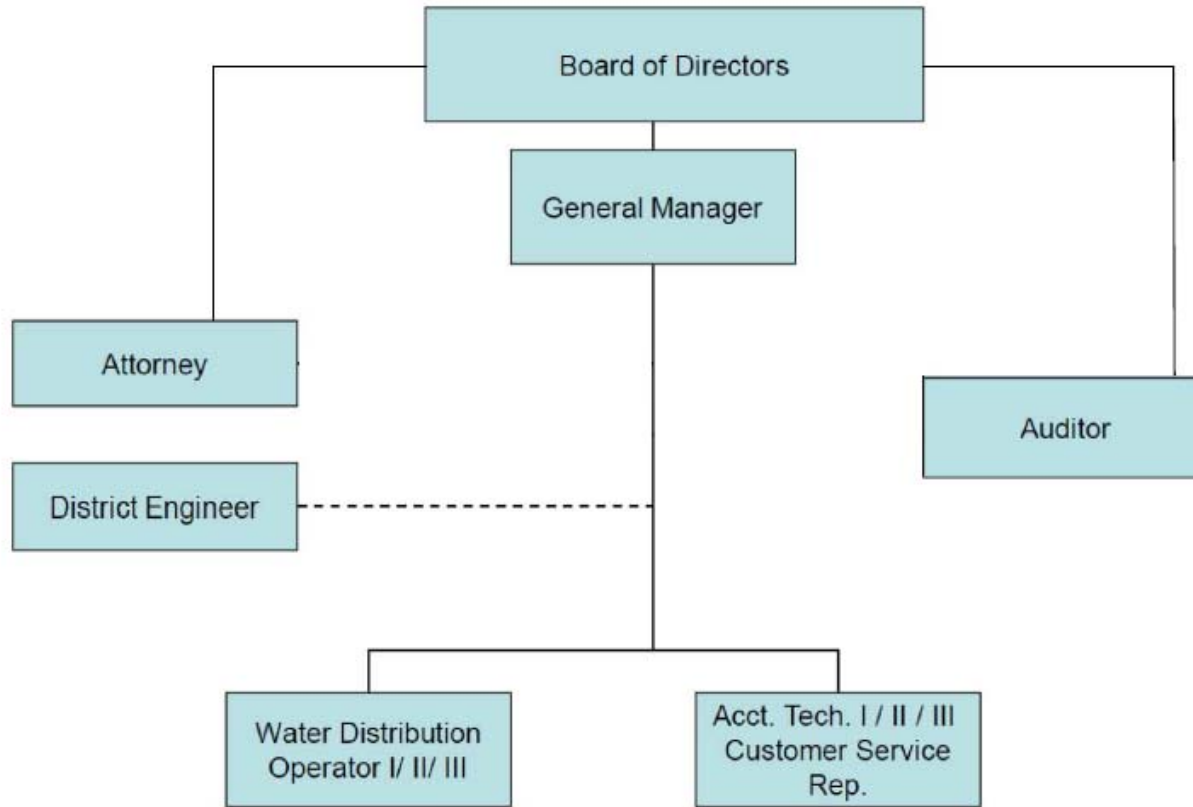
Preparation of this report was accomplished by the combined efforts of Agency staff. I truly appreciate the dedicated efforts and professionalism that our staff members bring to the Agency. I would also like to thank the members of the Board of Directors for their continued support in the planning and implementation of the Bighorn-Desert View Water Agency's fiscal policies.

With Great Pleasure,

*Marina D. West*

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Marina D. West, PG  
General Manager / Treasurer



Total positions authorized = 5

- Total allowable Level II = 5
- Total allowable Level III = 5

Total positions authorized = 3

- Total allowable Level II = 3
- Total allowable Level III = 3

Resolution No. 15R-08

(Budget Included W-1 Plan of  
Service Recommendation to add  
2 FTE Operations staff)

Adopted May 26, 2015

Appendix C



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**Bighorn-Desert View Water Agency**

**California**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2017**

*Christopher P. Morill*

Executive Director/CEO

# **Financial Section**







Charles Z. Fedak, CPA, MBA  
Christopher J. Brown, CPA, CGMA  
Jonathan P. Abadesco, CPA  
Andy Beck, CPA

# Fedak & Brown LLP

Certified Public Accountants

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## Independent Auditor's Report

Board of Directors  
Bighorn Desert View Water Agency  
Yucca Valley, California

### Report on the Financial Statements

We have audited the accompanying financial statements of the Bighorn Desert View Water Agency (Agency), which comprises the statement of net position as of June 30, 2018, and the related statement of revenues, expenses and changes in net position for the fiscal year then ended, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

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

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

#### *Auditor's Responsibility*

Our responsibility is to express 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 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 for California Special Agency's. 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 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 respective financial position of the Agency, as of June 30, 2018, and the respective changes in net position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Independent Auditor's Report, continued**

### ***Emphasis of Matter***

As described in note 11 to the financial statements, the Agency restated net position related to the overpayment of unitary tax receipts by the County of San Bernardino, for the year ended June 30, 2017. Our opinion is not modified with respect to this matter.

### ***Prior Period Restatement***

As part of our audit of the June 30, 2018 financial statements, we audited the adjustment described in note 11 that as applied to restate the June 30, 2017 financial statements. In our opinion, the adjustments appear appropriate and properly applied.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 12 through 17 and the required supplementary information on pages 47 and 48 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 Information***

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's basic financial statements. The introductory section on pages 1 through 6 and the statistical section on pages 49 through 63 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information of combining schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance.

## Independent Auditor's Report, continued

### Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 23, 2018, on our consideration of the Agency'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 Agency's internal control over financial reporting and compliance. This report can be found on pages 64 and 65.

*Fedak & Brown LLP*

**Fedak & Brown LLP**  
Cypress, California  
October 23, 2018



**Bighorn Desert View Water Agency**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2018**

The following Management's Discussion and Analysis (MD&A) of activities and financial performance of the Bighorn Desert View Water Agency (Agency) provides an introduction to the financial statements of the Agency for the fiscal year ended June 30, 2018. We encourage readers to consider the information presented here in conjunction with the transmittal letter in the Introductory Section and with the accompanying basic financial statements and related notes, which follow this section.

**Financial Highlights**

- The Agency's net position increased 4.32% or \$300,679 to \$7,256,376, as a result of ongoing operations and the effect of a prior period adjustment related to pension deferrals. See note 11 for further information.
- The Agency's total revenues increased 5.84% or \$122,550 to \$2,219,624.
- The Agency's total expenses increased 7.30% or \$130,512 to \$1,918,945.
- The Agency's capital contributions were \$43,345.

**Using This Financial Report**

This annual report consists of a series of financial statements. The Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position and Statement of Cash Flows provide information about the activities and performance of the Agency using accounting methods similar to those used by private sector companies.

The Statement of Net Position includes all of the Agency's investments in resources (assets), deferred outflows of resources, obligations to creditors (liabilities), and deferred inflows of resources. It also provides the basis for computing a rate of return, evaluating the capital structure of the Agency and assessing the liquidity and financial flexibility of the Agency. All of the current year's revenue and expenses are accounted for in the Statement of Revenues, Expenses and Changes in Net Position. This statement measures the success of the Agency's operations over the past year and can be used to determine if the Agency has successfully recovered all of its costs through its rates and other charges. This statement can also be used to evaluate profitability and credit worthiness. The final required financial statement is the Statement of Cash Flows, which provides information about the Agency's cash receipts and cash payments during the reporting period. The Statement of Cash Flows reports cash receipts, cash payments and net changes in cash resulting from operations, investing, non-capital financing, and capital and related financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period.

**Financial Analysis of the Agency**

One of the most important questions asked about the Agency's finances is, "Is the Agency better off or worse off as a result of this year's activities?" The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position report information about the Agency in a way that helps answer this question. These statements include all assets, deferred outflows of resources, liabilities and deferred inflows of resources using the *accrual basis of accounting*, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

**Bighorn Desert View Water Agency**  
**Management's Discussion and Analysis, continued**  
**For the Fiscal Year Ended June 30, 2018**

**Financial Analysis of the Agency, continued**

These two statements report the Agency's *net position* and changes in it. One can think of the Agency's net position – the difference between assets plus deferred outflows of resources, less liabilities and deferred inflows of resources – as one way to measure the Agency's financial health, or *financial position*. Over time, *increases* or *decreases* in the Agency's net position is one indicator of whether its *financial health* is improving or deteriorating. However, one will need to consider other non-financial factors such as changes in economic conditions, population growth, zoning and new or changed government legislation, such as changes in Federal and State water quality standards.

**Notes to the Basic Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the basic financial statements can be found on pages 23 through 46.

**Statements of Net Position**

**Condensed Statements of Net Position**

	<b>2018</b>	<b>As Restated 2017</b>	<b>Change</b>
<b>Assets:</b>			
Current assets	\$ 3,716,824	3,230,641	486,183
Non-current assets	98,733	99,115	(382)
Capital assets, net	4,505,594	4,709,522	(203,928)
<b>Total assets</b>	<b>8,321,151</b>	<b>8,039,278</b>	<b>281,873</b>
<b>Deferred outflows of resources</b>	<b>198,361</b>	<b>172,953</b>	<b>25,408</b>
<b>Liabilities:</b>			
Current liabilities	385,169	303,742	81,427
Non-current liabilities	852,722	920,228	(67,506)
<b>Total liabilities</b>	<b>1,237,891</b>	<b>1,223,970</b>	<b>13,921</b>
<b>Deferred inflows of resources</b>	<b>25,245</b>	<b>32,564</b>	<b>(7,319)</b>
<b>Net position:</b>			
Net investment in capital assets	4,152,521	4,223,449	(70,928)
Restricted – Goat Mountain capital assets	418,582	418,582	-
Unrestricted	2,685,273	2,313,666	371,607
<b>Total net position</b>	<b>\$ 7,256,376</b>	<b>6,955,697</b>	<b>300,679</b>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Agency, assets plus deferred outflows of resources of the Agency exceeded liabilities and deferred inflows of resources by \$7,256,376 as of June 30, 2018.

Compared to prior year, net position of the Agency increased 4.32% or \$300,679. The Agency's total net position is made-up of three components: (1) net investment in capital assets, (2) restricted net position – Goat Mountain capital assets, and (3) unrestricted net position.

By far the largest portion of the Agency's net position (57.2% as of June 30, 2018) reflects the Agency's investment in capital assets (net of accumulated depreciation) less any related debt used to acquire those assets that is still outstanding. The Agency uses these capital assets to provide services to customers within the Agency's service area; consequently, these assets are *not* available for future spending.

**Statements of Net Position, continued**

**Bighorn Desert View Water Agency**  
**Management's Discussion and Analysis, continued**  
**For the Fiscal Year Ended June 30, 2018**

At the end of fiscal year 2018, the Agency showed a positive balance in its unrestricted net position of \$2,685,273, which may be utilized in future years.

**Statements of Revenues, Expenses and Changes in Net Position**

**Condensed Statements of Revenues, Expenses and Changes in Net Position**

	<u>2018</u>	<u>As Restated 2017</u>	<u>Change</u>
<b>Operations:</b>			
Operating revenues	\$ 1,730,166	1,614,452	115,714
Operating expenses	<u>1,549,293</u>	<u>1,425,697</u>	<u>123,596</u>
Operating (loss) income before depreciation	<u>180,873</u>	<u>188,755</u>	<u>(7,882)</u>
Depreciation	<u>(355,039)</u>	<u>(341,677)</u>	<u>(13,362)</u>
<b>Operating loss</b>	<u>(174,166)</u>	<u>(152,922)</u>	<u>(21,244)</u>
<b>Non-operating revenue (expenses):</b>			
Property taxes	364,491	388,380	(23,889)
Interest earnings	15,464	6,021	9,443
Desert View debt surcharge	50,134	50,169	(35)
Interest expense – long-term debt	(14,613)	(21,059)	6,446
Other non-operating revenues (expense), net	<u>16,024</u>	<u>5,085</u>	<u>10,939</u>
Total non-operating revenues, net	<u>431,500</u>	<u>428,596</u>	<u>2,904</u>
<b>Net income before capital contributions</b>	<u>257,334</u>	<u>275,674</u>	<u>(18,340)</u>
<b>Capital contributions:</b>			
Meter sales and installations	17,850	8,925	8,925
Contribution from County	-	19,042	(19,042)
Grant revenue	<u>25,495</u>	<u>5,000</u>	<u>20,495</u>
Total capital contributions	<u>43,345</u>	<u>32,967</u>	<u>10,378</u>
<b>Change in net position</b>	<u>300,679</u>	<u>308,641</u>	<u>(7,962)</u>
<b>Net position, beginning of period – as restated</b>	<u>6,955,697</u>	<u>6,647,056</u>	<u>308,641</u>
<b>Net position, end of period – as restated</b>	<u>\$ 7,256,376</u>	<u>6,955,697</u>	<u>300,679</u>

The statements of revenues, expenses and changes in net position show how the Agency's net position changed during the fiscal year. During the fiscal year ended June 30, 2018, the Agency's net position increased 4.32% or \$300,679 to \$7,256,376, as a result of ongoing operations. In fiscal year 2018, the Agency was notified by the County of San Bernardino that it had overpaid the Agency in unitary tax payments. As a result, net position as previously reported decreased by \$130,183 from \$7,085,880 to \$6,955,697. See note 11 for further information.

A closer examination of the sources of changes in net position reveals that:

In fiscal year 2018, the Agency's operating revenues increased by 7.17% or \$115,714 to \$1,730,166, primarily due to increases in water sales of \$42,111, basic service charges of \$52,722, and other charges of \$20,881.

In fiscal year 2018, the Agency's operating expenses increased 8.67% or \$123,596, primarily due to increases in transmission and distribution of \$9,059 and general administrative of \$114,537.

**Bighorn Desert View Water Agency**  
**Management's Discussion and Analysis, continued**  
**For the Fiscal Year Ended June 30, 2018**

**Statements of Revenues, Expenses and Changes in Net Position, continued**

In fiscal year 2018, the Agency's non-operating revenues net of non-operating expenses increased by 0.68% or \$2,904, primarily due to increases in other non-operating revenues, net of \$10,939, interest earnings of \$9,443 and a decrease in interest expense of \$6,446, which were offset by a decrease in property taxes of \$23,889.

In fiscal year 2018, the Agency's capital contributions decreased by 31.48% or \$10,378 to \$43,345. Capital contributions were comprised of grant revenues of \$25,495 and meter sales and installations of \$17,850.

**Total Revenues**

	<u>2018</u>	<u>As Restated 2017</u>	<u>Change</u>
<b>Operating revenues:</b>			
Water consumption sales	\$ 659,453	617,342	42,111
Basic service charges	901,047	848,325	52,722
Other charges	<u>169,666</u>	<u>148,785</u>	<u>20,881</u>
Total operating revenues	<u>1,730,166</u>	<u>1,614,452</u>	<u>115,714</u>
<b>Non-operating revenues:</b>			
Property taxes	364,491	388,380	(23,889)
Interest earnings	15,464	6,021	9,443
Desert View debt surcharge	50,134	50,169	(35)
Other non-operating revenues, net	<u>16,024</u>	<u>5,085</u>	<u>10,939</u>
Total non-operating revenues	<u>446,113</u>	<u>449,655</u>	<u>(3,542)</u>
<b>Capital contributions:</b>			
Meter sales and installations	17,850	8,925	8,925
Contribution for County of San Bernardino	-	19,042	(19,042)
Grant revenue	<u>25,495</u>	<u>5,000</u>	<u>20,495</u>
Total capital contributions	<u>43,345</u>	<u>32,967</u>	<u>10,378</u>
<b>Total revenues</b>	<u>\$ 2,219,624</u>	<u>2,097,074</u>	<u>122,550</u>

In fiscal year 2018, the Agency's total revenue increased by 5.84% or \$122,550. Operating revenues increased by \$115,714 to \$1,730,166, primarily due to increases in water sales of \$42,111, basic service charges of \$52,722, and other charges of \$20,881.

Non-operating revenues decreased by \$3,542, primarily due to a decrease in property taxes of \$23,889, which was offset by increases in other non-operating revenues, net of \$10,939 and interest earnings of \$9,443.



**Bighorn Desert View Water Agency**  
**Management's Discussion and Analysis, continued**  
**For the Fiscal Year Ended June 30, 2018**

**Total Expenses**

	<u>2018</u>	<u>As Restated 2017</u>	<u>Change</u>
<b>Operating expenses including:</b>			
<b>depreciation expense</b>			
Transmission and distribution	\$ 819,563	810,504	9,059
General and administrative	729,730	615,193	114,537
Depreciation	<u>355,039</u>	<u>341,677</u>	<u>13,362</u>
<b>Total operating expenses including depreciation expense</b>	<u>1,904,332</u>	<u>1,767,374</u>	<u>136,958</u>
<b>Non-operating expenses:</b>			
Interest expense – long-term debt	<u>14,613</u>	<u>21,059</u>	<u>(6,446)</u>
<b>Total non-operating expenses</b>	<u>14,613</u>	<u>21,059</u>	<u>(6,446)</u>
<b>Total expenses</b>	<u>\$ 1,918,945</u>	<u>1,788,433</u>	<u>130,512</u>

In fiscal year 2018, the Agency's total expenses increased 7.30% or \$130,512. Operating expenses including depreciation expense increased by \$136,958, which was primarily due to increases of \$9,059 in transmission and distribution, \$114,537 in general administrative, and 13,362 in depreciation expense.

In fiscal year 2018, the Agency's non-operating expenses decreased by \$6,446, due to a decrease in interest expense from the prior year.

**Capital Asset Administration**

Changes in capital assets in 2018 were as follows:

	<u>Balance 2017</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>Balance 2018</u>
Capital assets:				
Non-depreciable assets	\$ 120,240	125,309	(135,169)	110,380
Depreciable assets	11,045,102	160,970	-	11,206,072
Accumulated depreciation	<u>(6,632,916)</u>	<u>(355,038)</u>	<u>-</u>	<u>(6,987,954)</u>
<b>Total capital assets</b>	<u>\$ 4,532,426</u>	<u>(68,759)</u>	<u>(135,169)</u>	<u>4,328,498</u>

At the end of fiscal year 2018, the Agency's investment in capital assets amounted to \$4,328,498 (net of accumulated depreciation). This investment in capital assets includes land, construction-in-process, water system, organization, office building, mobile equipment, office equipment, yards, fuel station, and shop equipment. See note 4 for further information.

**Bighorn Desert View Water Agency**  
**Management's Discussion and Analysis, continued**  
**For the Fiscal Year Ended June 30, 2018**

**Debt Administration**

Changes in long-term debt amounts for 2018 were as follows:

	<u>Balance 2017</u>	<u>Additions</u>	<u>Principal Payments/</u>	<u>Balance 2018</u>
Bonds payable:				
Bonds payable	\$ 308,977	-	(133,000)	175,977
Total long-term debt	\$ 308,977	-	(133,000)	175,977

See note 6 for further information.

**Conditions Affecting Current Financial Position**

Management is unaware of any conditions, which could have a significant impact on the Agency's current financial position, net position, or operating results in terms of past, present and future periods.

**Requests for Information**

This financial report is designed to provide the Agency's present users, including funding sources, customers, stakeholders, and other interested parties with a general overview of the Agency's finances and to demonstrate the Agency's accountability with an overview of the Agency's financial operations and financial condition. Should the reader have questions regarding the information included in this report or wish to request additional financial information, please contact the Agency's General Manager, Marina West at Bighorn Desert View Water Agency at 622 S. Jemez Trail, Yucca Valley, California 92284 or (760) 364-2315.

# **Basic Financial Statements**

**Bighorn Desert View Water Agency**  
**Statement of Net Position**  
**June 30, 2018**

	<b>2018</b>
<b>Current assets:</b>	
Cash and cash equivalents (note 2)	\$ 3,108,432
Accrued interest receivable	4,468
Accounts receivable – water sales and services	290,879
Grants receivable	23,660
Accounts receivable – other	7,331
Property taxes receivable	41,182
Water-in-storage inventory	160,610
Materials and supplies inventory	66,008
Prepaid expenses and other deposits	14,254
<b>Total current assets</b>	<b>3,716,824</b>
<b>Non-current assets:</b>	
Accounts receivable – long-term, net (note 3)	98,733
Idle assets (note 4)	177,096
Capital assets – not being depreciated (note 4)	110,380
Depreciable capital assets, net (note 4)	4,218,118
<b>Total non-current assets</b>	<b>4,604,327</b>
<b>Total assets</b>	<b>8,321,151</b>
<b>Deferred outflows of resources:</b>	
Deferred pension outflows (note 7)	198,361
<b>Total deferred outflows of resources</b>	<b>\$ 198,361</b>

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See accompanying notes to the basic financial statements

**Bighorn Desert View Water Agency**  
**Statement of Net Position, continued**  
**June 30, 2018**

	<b>2018</b>
<b>Current liabilities:</b>	
Accounts payable	\$ 62,338
Accrued expenses	15,836
Accrued interest on long-term debt	2,174
Unearned revenue	17,597
Deposits	96,372
Long-term liabilities – due within one year:	
Compensated absences (note 5)	23,815
Tax liability – County (note 11, 16)	26,037
Bonds payable (note 6)	141,000
<b>Total current liabilities</b>	<b>385,169</b>
<b>Non-current liabilities:</b>	
Long-term liabilities – due in more than one year:	
Compensated absences (note 5)	55,569
Tax liability – County (note 11, 16)	104,146
Bonds payable (note 6)	34,977
Net pension liability (note 7)	658,030
<b>Total non-current liabilities</b>	<b>852,722</b>
<b>Total liabilities</b>	<b>1,237,891</b>
<b>Deferred inflows of resources:</b>	
Deferred pension inflows (note 7)	25,245
<b>Total deferred inflows of resources</b>	<b>25,245</b>
<b>Net position:</b>	
Net investment in capital assets (note 8)	4,152,521
Restricted – Goat Mountain capital assets (note 9)	418,582
Unrestricted (note 10)	2,685,273
<b>Total net position</b>	<b>\$ 7,256,376</b>

See accompanying notes to the basic financial statements

**Bighorn Desert View Water Agency**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**For the Fiscal Year Ended June 30, 2018**

	<b>2018</b>
<b>Operating revenues:</b>	
Water consumption sales	\$ 659,453
Basic service charges	901,047
Other charges	169,666
Total operating revenues	1,730,166
<b>Operating expenses:</b>	
Transmission and distribution	819,563
General and administrative	729,730
Total operating expenses	1,549,293
Operating income before depreciation	180,873
Depreciation	(355,039)
<b>Operating loss</b>	(174,166)
<b>Non-operating revenue (expenses):</b>	
Property taxes	364,491
Interest earnings	15,464
Desert View debt surcharge	50,134
Interest expense – long-term debt	(14,613)
Other non-operating revenues, net	16,024
Total non-operating revenues, net	431,500
<b>Net income before capital contributions</b>	257,334
<b>Capital contributions:</b>	
Meter sales and installations	17,850
Grant revenue	25,495
Total capital contributions	43,345
<b>Change in net position</b>	300,679
<b>Net position, beginning of period – as restated (note 11)</b>	6,955,697
<b>Net position, end of period</b>	7,256,376

See accompanying notes to the basic financial statements

**Bighorn Desert View Water Agency  
Statement of Cash Flows  
For the Fiscal Year Ended June 30, 2018**

	<b>2018</b>
<b>Cash flows from operating activities:</b>	
Cash receipts from customers for water sales and services	\$ 1,768,452
Cash received for grants	25,495
Cash paid to employees for salaries and wages	(556,951)
Cash paid to vendors and suppliers for materials and services	(994,006)
<b>Net cash provided by operating activities</b>	<b>242,990</b>
<b>Cash flows from non-capital financing activities:</b>	
Proceeds from property taxes	173,033
<b>Net cash provided by non-capital financing activities</b>	<b>173,033</b>
<b>Cash flows from capital and related financing activities:</b>	
Acquisition and construction of capital assets	(117,237)
Property taxes received in support of long-term debt	188,884
Other revenue received in support of long-term debt	50,134
Principal paid on long-term debt	(133,000)
Interest paid on long-term debt	(15,429)
<b>Net cash used in capital and related financing activities</b>	<b>(26,648)</b>
<b>Cash flows from investing activities:</b>	
Interest earnings	10,996
<b>Net cash provided by investing activities</b>	<b>10,996</b>
<b>Net increase in cash and cash equivalents</b>	<b>400,371</b>
<b>Cash and cash equivalents – beginning of year</b>	<b>2,708,061</b>
<b>Cash and cash equivalents – end of year</b>	<b>\$ 3,108,432</b>

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See accompanying notes to the basic financial statements

**Bighorn Desert View Water Agency  
Statement of Cash Flows, continued  
For the Fiscal Year Ended June 30, 2018**

	<b>2018</b>
<b>Reconciliation of operating loss to net cash used in operating activities:</b>	
Operating loss	\$ <u>(174,166)</u>
<b>Adjustments to reconcile operating loss to net cash used in operating activities:</b>	
Depreciation	355,039
Grant revenue	25,495
<b>Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources:</b>	
(Increase) decrease in assets and deferred outflows of resources:	
Accounts receivable – water sales and services, net	(798)
Grants receivable	(23,660)
Accounts receivable – other	(6,217)
Water-in-storage inventory	(39,830)
Materials and supplies inventory	5,989
Prepaid expenses and other deposits	(14,254)
Accounts receivable – long-term, net	382
Deferred outflows of resources	(25,408)
Increase (decrease) in liabilities and deferred inflows of resources:	
Accounts payable	31,547
Accrued expenses	1,421
Unearned revenue	3,997
Deposits	7,430
Compensated absences	12,704
Net pension liability	90,638
Deferred inflows of resources	<u>(7,319)</u>
<b>Total adjustments</b>	<u>417,156</u>
<b>Net cash provided by operating activities</b>	<u>\$ <u>242,990</u></u>



**Bighorn Desert View Water Agency**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2018**

**(1) Reporting Entity and Summary of Significant Accounting Policies**

**A. Organization and Operations of the Reporting Entity**

The Bighorn Desert View Water Agency (Agency) was formed in 1990 upon approved consolidation of the Bighorn Mountains Water Agency (established in 1969) and the Desert View Water District (established in 1964) by the San Bernardino County Board of Supervisors. The Agency provides water and water related services to the population within the Agency's boundaries. Accordingly, the Agency is authorized to finance, construct, operate and maintain a water transmission and distribution system to benefit this population. There are 2,552 connections within the Agency's boundaries which encompass approximately fifty-two (52) square miles.

The criteria used in determining the scope of the financial reporting entity is based on the provisions of Governmental Accounting Statements No. 61, *The Financial Reporting Entity*. The Agency is the primary governmental unit based on the foundation of a separately elected governing board that is elected by the citizens in a general popular election. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The Agency is financially accountable if it appoints a voting majority of the organization's governing body and: 1) It is able to impose its will on that organization, or 2) There is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government.

**B. Basis of Accounting and Measurement Focus**

The Agency reports its activities as an enterprise fund, which is used to account for operations that are financed and operated in a manner similar to a private business enterprise, where the intent of the Agency is that the costs of providing water to its service area on a continuing basis be financed or recovered primarily through user charges (water sales), capital grants and similar funding. Revenues and expenses are recognized on the full accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred, regardless of when the related cash flows take place.

Operating revenues and expenses, such as water sales and water purchases, result from exchange transactions associated with the principal activity of the Agency. Exchange transactions are those in which each party receives and gives up essentially equal values. Management, administration, and depreciation expenses are also considered operating expenses. Other revenues and expenses not included in the above categories are reported as non-operating revenues and expenses.

**C. Financial Reporting**

The Agency's basic financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP), as applied to enterprise funds. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Agency solely operates as a special-purpose government which means it is only engaged in business-type activities; accordingly, activities are reported in the Agency's proprietary fund.

The Agency has adopted the following GASB pronouncements in the current year:

*Governmental Accounting Standards Board Statement No. 75*

In June 2015, the GASB issued Statement No. 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities.

**Bighorn Desert View Water Agency**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2018**

**(1) Reporting Entity and Summary of Significant Accounting Policies, continued**

**C. Financial Reporting, continued**

*Governmental Accounting Standards Board Statement No. 75, continued*

This Statement replaces the requirements of Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2017. The impact of the implementation of this Statement to the Agency's financial statements has not been assessed at this time.

*Governmental Accounting Standards Board Statement No. 81*

In March 2016, the GASB issued Statement No. 81 – *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period.

The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively.

*Governmental Accounting Standards Board Statement No. 85*

In March 2017, the GASB issued Statement No. 85 – *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits - OPEB).

The provisions of this Statement are effective for reporting periods beginning after June 15, 2017. The impact of the implementation of this Statement to the Agency's financial statements has not been assessed at this time.

**D. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position**

**1. Use of Estimates**

The preparation of the basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported changes in net position during the reporting period. Actual results could differ from those estimates.

**2. Cash and Cash Equivalents**

Substantially all of the Agency's cash is invested in interest bearing accounts. The Agency considers all highly liquid investments with maturities of three months or less at the time of purchase to be cash equivalents.

**Bighorn Desert View Water Agency**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Year Ended June 30, 2018**

**(1) Reporting Entity and Summary of Significant Accounting Policies, continued**

**D. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position, continued**

**3. Investments and Investment Policy**

The Agency has adopted an investment policy directing the General Manager to deposit and invest funds in financial institutions in accordance with California Government Code section 53600. The investment policy applies to all financial assets and investment activities of the Agency.

Changes in fair value that occur during a fiscal year are recognized as investment income reported for that fiscal year. Investment income includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation or sale of investments.

**4. Fair Value Measurements**

The Agency categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on valuation inputs used to measure the fair value of the asset, as follows:

- *Level 1* – This valuation level is based on quoted prices in active markets for identical assets.
- *Level 2* – This valuation level is based on directly observable and indirectly observable inputs. These inputs are derived principally from or corroborated by observable market data through correlation or market-corroborated inputs. The concept of market-corroborated inputs incorporates observable market data such as interest rates and yield curves that are observable at commonly quoted intervals.
- *Level 3* – This valuation level is based on unobservable inputs where assumptions are made based on factors such as prepayment rates, probability of defaults, loss severity and other assumptions that are internally generated and cannot be observed in the market.

**5. Accounts Receivable**

The Agency extends credit to customers in the normal course of operations. Management has evaluated the accounts and believes all accounts are collectible at June 30. When management deems customer accounts uncollectible, the Agency uses the direct write off method for the write-off those accounts to bad debt expense.

**6. Property Taxes and Assessments**

The County of San Bernardino Assessor's Office assesses all real and personal property within the County each year. The County of San Bernardino Tax Collector's Offices bills and collects the Agency's share of property taxes and assessments. The County of San Bernardino Treasurer's Office remits current and delinquent property tax collections to the Agency throughout the year. Property tax in California is levied in accordance with Article 13A of the State Constitution at one percent (1%) of countywide assessed valuations.

Property taxes receivable at year-end are related to property taxes collected by the County of San Bernardino, which have not been credited to the Agency's cash balance as of June 30. The property tax calendar is as follows:

Lien date	March 1
Levy date	July 1
Due dates	November 1 and March 1
Collection dates	December 10 and April 10

**Bighorn Desert View Water Agency**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Year Ended June 30, 2018**

**(1) Reporting Entity and Summary of Significant Accounting Policies, continued**

**D. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position, continued**

**7. Water-in-storage Inventory**

Water-in-storage inventory consists primarily of water purchased and held in storage with Mojave Water Agency (MWA), the Agency's State Water Project wholesaler. In 2018, the Agency purchased 70 acre-feet of State Water Project water through the MWA. At June 30, 2018, the Agency has a total of 310 acre feet in water-in-storage valued using an average cost of \$518.10 per acre foot..

**8. Materials and Supplies Inventory**

Materials and supplies inventory consists primarily of water meters, pipe and pipefittings for construction and repair to the Agency's water transmission and distribution system. Inventory is valued at cost using the first-in first-out method. Inventory items are charged to expense at the time that individual items are withdrawn from inventory or consumed.

**9. Prepaid Expenses**

Certain payments to vendors reflects costs or deposits applicable to future accounting periods and are recorded as prepaid items in the basic financial statements.

**10. Capital Assets**

Capital assets acquired and/or constructed are capitalized at historical cost. Agency policy has set the capitalization threshold for reporting capital assets at \$5,000. Donated assets are recorded at estimated fair market value at the date of donation. Upon retirement or other disposition of capital assets, the cost and related accumulated depreciation are removed from the respective balances and any gains or losses are recognized.

Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

- Water system – 10 to 50 years
- Organization – 50 years
- Office building – 5 to 50 years
- Mobile equipment – 5 to 10 years
- Office equipment – 5 to 10 years
- Yards – 10 to 50 years
- Fuel station – 10 to 50 years
- Shop equipment – 5 to 10 years

**11. Deferred Outflows of Resources**

The statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of resources applicable to future periods and therefore will *not* be recognized as an outflow of resources (expenditure) until that time. The Agency has the following pension related items that qualify for reporting in this category:

- Deferred outflow which is equal to the employer contributions made after the measurement date of the net pension liability. This amount will be amortized-in-full against the net pension liability in the next fiscal year.
- Deferred outflow for the net changes in assumptions which will be amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the Plan.

**Bighorn Desert View Water Agency**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Year Ended June 30, 2018**

**(1) Reporting Entity and Summary of Significant Accounting Policies, continued**

**D. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position, continued**

**11. Deferred Outflows of Resources, continued**

- Deferred outflow for the net difference in projected and actual earnings on investments of the pension plans fiduciary net position. This amount is amortized over a 5 year period.
- Deferred outflow for the net adjustment due to differences in the changes in proportions of the net pension liability which will be amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the Plan.

**12. Compensated Absences**

The Agency's policy is to permit employees to accumulate vacation and sick leave. No employee is allowed to accrue vacation leave hours in excess of: one hundred sixty (160) hours for years one (1) through four (4); two hundred forty (240) hours for years five (5) through ten (10); three hundred twenty (320) hours for years eleven (11) and greater. Payment of unused vacation shall not reduce the accrual balance to less than fifty percent (50%) of the accrued vacation balance hours. All employees are allowed unlimited sick leave accrual. Employees are entitled to 50% payment for any accrued but unused sick leave in excess of two hundred (200) hours.

**13. 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 Agency's California Public Employees' Retirement System (CalPERS) plans (Plans) and addition to/deduction 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.

GASB 68 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

- Valuation Date: June 30, 2016
- Measurement Date: June 30, 2017
- Measurement Period: July 1, 2016 to June 30, 2017

**14. Deferred Inflows of Resources**

The statement of net position will sometimes report a separate section for deferred inflows of resources. This financial statement element, *deferred inflows of resources*, represents an acquisition of resources applicable to future periods and therefore, will *not* be recognized as an inflow of resources (revenue) until that time. The Agency has the following pension related item that qualifies for reporting in this category:

- Deferred inflow for the net differences between the actual and expected experience which will be amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the Plan.
- Deferred inflow for the net differences in actual and proportionate share of employer contribution and net changes in proportion which will be amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the Plan.

**Bighorn Desert View Water Agency**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Year Ended June 30, 2018**

**(1) Reporting Entity and Summary of Significant Accounting Policies, continued**

**D. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position, continued**

**15. Net Position**

The financial statements utilize a net position presentation. Net position is categorized as follows:

- **Net Investment in Capital Assets** – Investment in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and amortization, and reduced by outstanding balances of any debt, or other long-term borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- **Restricted** – Restricted consists of assets that have restrictions placed upon their use by external constraints imposed either by creditors (debt covenants), grantors, contributors, or laws and regulations of other governments or constraints imposed by law through enabling legislation.
- **Unrestricted** – Unrestricted consists of the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of the net investment in capital assets or restricted component of net position.

**16. Water Sales**

Water sales are billed on a bi-monthly cyclical basis and recognize the respective revenues when they are earned.

**17. Capital Contributions**

Capital contributions represent cash and capital asset additions contributed to the Agency by property owners, granting agencies or real estate developers desiring services that require capital expenditures or capacity commitment.

**18. Capital Grants**

When a grant agreement is approved and eligible expenditures are incurred, the amount is recorded as a capital or operating grant receivable on the statement of net position and as capital grant contribution or operating grant revenue, as appropriate, on the statement of revenues, expenses and changes in net position.

**19. Budgetary Policies**

The Agency adopts an annual non-appropriated budget for planning, control, and evaluation purposes. Budgetary control and evaluation are affected by comparisons of actual revenues and expenses with planned revenues and expenses for the period. Encumbrance accounting is not used to account for commitments related to unperformed contracts for construction and services.

**20. Reclassification**

The Agency has reclassified certain prior year information to conform to current year presentations.

**(2) Cash and Cash Equivalents**

Cash and cash equivalents as of June 30, are classified in the accompanying financial statements as follows:

	<b>2018</b>
	<hr/>
Cash and cash equivalents	\$ <u><u>3,108,432</u></u>

**Bighorn Desert View Water Agency**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Year Ended June 30, 2018**

**(2) Cash and Cash Equivalents, continued**

Cash and cash equivalents as of June 30, consist of the following:

		<u>2018</u>
Cash on hand	\$	1,800
Deposits with financial institutions		2,165,094
Deposits in Local Agency Investment Fund (LAIF)		<u>941,538</u>
Total	\$	<u><u>3,108,432</u></u>

As of June 30, the Agency's authorized deposits had the following average maturities:

		<u>2018</u>
Deposits in Local Agency Investment Fund (LAIF)		193 days

***Investments Authorized by the California Government Code and the Agency's Investment Policy***

The table below identifies the investment types that are authorized by the Agency in accordance with the California Government Code (or the Agency's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the Agency's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage Of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
U.S. Treasury obligations	5 years	None	None
Federal agency and bank obligations	5 years	None	None
Certificates-of-deposit (negotiable or placed)	5 years	30%	10%
Commercial paper (prime)	270 days	10%	10%
Money market mutual funds	N/A	20%	None
State and local bonds, notes and warrants	N/A	None	None
California Local Agency Investment Fund (LAIF)	N/A	None	None

***Investment in State Investment Pool***

The Agency is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code Section 16429 and is under the management of the Treasurer of the State of California with oversight provided by the Local Agency Investment Advisory Board. The fair value of the Agency's investment in this pool is reported in the accompanying financial statements at amounts based upon the Agency's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Bank balances are secured by the pledging of a pool of eligible securities to collateralize the Agency's deposits with the bank in accordance with the Code.

**Bighorn Desert View Water Agency**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Year Ended June 30, 2018**

**(2) Cash and Cash Equivalents, continued**

***Investment in State Investment Pool, continued***

Agency's deposit and withdrawal restrictions and limitations are as follows:

- Same day transaction processing occurs for orders received before 10:00 a.m.
- Next day transactions processing occurs for orders received after 10:00 a.m.
- Maximum limit of 15 transactions (combination of deposits and withdrawals) per month.
- Minimum transaction amount requirement of \$5,000, in increments of \$1,000 dollars.
- Withdrawals of \$10,000,000 or more require 24 hours advance.
- Prior to funds transfer, an authorized person must call LAIF for verbal authorization.

***Custodial Credit Risk***

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the Agency's investment policy does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits.

The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. Of the bank balances, up to \$250,000 held at each institution were federally insured and the remaining balance is collateralized in accordance with the Code; however, the collateralized securities are not held in the Agency's name.

The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Code and the Agency's investment policy contain legal and policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF and the Pool).

***Interest Rate Risk***

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to change with market interest rates. One of the ways that the Agency manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments, and by timing cash flows from maturities so that a portion of the portfolio matures or comes close to maturity evenly over time as necessary to provide for cash flow requirements and liquidity needed for operations.

At June 30, 2018, the Agency's investments held to maturity were categorized as twelve months or less.

***Credit Risk***

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the Agency's investment policy, or debt agreements, and the actual rating as of year-end for each investment type.



**Bighorn Desert View Water Agency**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Year Ended June 30, 2018**

**(2) Cash and Cash Equivalents, continued**

*Concentration of Credit Risk*

The Agency's investment policy contains no limitations on the amounts that can be invested in any one issuer as beyond that stipulated by the California Government Code. There were no investments in any one issuer (other than for external investment pools) that represent 5% or more of total Agency's investments at June 30, 2018.

*Fair Value Measurements*

At June 30, 2018, the Agency did not hold any investments which require measurement at fair value on a recurring and non-recurring basis.

**(3) Accounts Receivable – Long-term, net**

The balance at June 30 consists of the following:

		<u><b>2018</b></u>
Accounts receivable – long-term, net	\$	103,933
Allowance for uncollectible accounts		<u>(5,200)</u>
Accounts receivable – water sales, net	\$	<u><u>98,733</u></u>

**(4) Capital Assets**

*Idle Assets*

During fiscal year 2011/2012, the Agency conducted a feasibility study as to the existence of ground water in the Johnson Valley. In doing so, the Agency constructed a well which was to be used to pump water from the Johnson Valley. However, it was determined that at the drilling depth dictated by the feasibility study, the well would not produce water. While the Agency could continue to drill to further depths, in hopes of creating a producing well, this decision has not yet been made by management or the Board of Directors. As such, the value of the Johnson Valley Well, \$177,096, will be held on the balance sheet as an Idle Asset, not to be depreciated, until the Agency decides how to proceed regarding further drilling. Since the well has not experienced a permanent decline in the service utility of the asset, the well is not considered to be impaired based upon the criteria of GASB Statement No. 42.

**Bighorn Desert View Water Agency**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Year Ended June 30, 2018**

**(4) Capital Assets, continued**

Changes in capital assets for 2018 were as follows:

	<u>Balance 2017</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>Balance 2018</u>
Non-depreciable assets:				
Land	\$ 80,979	-	-	80,979
Construction-in-process	39,261	125,309	(135,169)	29,401
Total non-depreciable assets	<u>120,240</u>	<u>125,309</u>	<u>(135,169)</u>	<u>110,380</u>
Depreciable assets:				
Water System	9,471,919	89,335	-	9,561,254
Organization	336,272	-	-	336,272
Office Building	243,305	44,889	-	288,194
Mobile Equipment	695,752	26,746	-	722,498
Office Equipment	196,235	-	-	196,235
Yards	56,330	-	-	56,330
Fuel Station	18,942	-	-	18,942
Shop Equipment	26,347	-	-	26,347
Total depreciable assets	<u>11,045,102</u>	<u>160,970</u>	<u>-</u>	<u>11,206,072</u>
Accumulated depreciation:				
Water System	(5,693,847)	(259,400)	-	(5,953,247)
Organization	(136,350)	(13,193)	-	(149,543)
Office Building	(233,493)	(6,689)	-	(240,182)
Mobile Equipment	(418,585)	(57,121)	-	(475,706)
Office Equipment	(60,019)	(17,569)	-	(77,588)
Yards	(48,815)	(248)	-	(49,063)
Fuel Station	(15,460)	(818)	-	(16,278)
Shop Equipment	(26,347)	-	-	(26,347)
Total accumulated depreciation	<u>(6,632,916)</u>	<u>(355,038)</u>	<u>-</u>	<u>(6,987,954)</u>
Total depreciable assets, net	<u>4,412,186</u>	<u>(194,068)</u>	<u>-</u>	<u>4,218,118</u>
Total capital assets, net	<u>\$ 4,532,426</u>			<u>4,328,498</u>

Major depreciable capital asset additions during fiscal year 2018 include additions to the water system, office building, and mobile equipment.

***Construction-In-Process***

The Agency has been involved in various construction projects throughout the year. The projects that comprise the construction-in-process balances at June 30, 2018, are as follows:

	<u>2018</u>
Asphalt project	\$ 25,800
Various small projects under \$25,000	<u>3,601</u>
Construction-in-process	<u>\$ 29,401</u>

**Bighorn Desert View Water Agency**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Year Ended June 30, 2018**

**(5) Compensated Absences**

Compensated absences comprise unpaid paid time off that accrues when benefits are fully vested and are determined annually. Compensated absences turn-over each year, therefore, the compensated absence balance of the Agency is recorded as a liability on the Statement of Net Position.

The changes to compensated absences balances at June 30 were as follows:

<u>Balance 2017</u>	<u>Earned</u>	<u>Taken</u>	<u>Balance 2018</u>	<u>Due Within One Year</u>	<u>Due in More Than One Year</u>
\$ 66,680	48,943	(36,239)	\$ 79,384	\$ 23,815	\$ 55,569

**(6) Long-term Debt**

Changes in long-term debt for the year ended June 30 are as follows:

	<u>Balance 2017</u>	<u>Additions</u>	<u>Payments/ Amortization</u>	<u>Balance 2018</u>
Bonds payable:				
Bighorn General Obligation Bonds	\$ 202,000	-	(98,000)	104,000
Desert View Water Revenue Bonds	106,977	-	(35,000)	71,977
Total bonds payable	308,977	-	(133,000)	175,977
Less: current portion due	(133,000)			(141,000)
Long-term portion due	\$ 175,977			\$ 34,977

***Bighorn General Obligation Bonds***

In September 1980, the Agency issued \$700,000 in General Obligation Bonds, to provide funds to pay for Agency water infrastructure improvement projects. The bonds and interest are payable from, and are secured by a pledge of net revenues and certain funds held under the indenture.

The bonds are scheduled to mature in 2019. Interest and principal payment are paid semi-annually on September 1st and April 1st each year at a rate of 5.00%.

Annual debt service requirements on the Bighorn General Obligation Bonds are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 104,000	5,200	109,200
Total	104,000	5,200	109,200
Less: current portion	(104,000)		
Long-term portion	\$ -		

***Desert View Water Revenue Bonds***

In September 1980, the Agency issued \$2,480,650 in Water Revenue Bonds, to provide funds to pay for Agency water infrastructure improvement projects. The bonds and interest are payable from, and are secured by a pledge of net revenues and certain funds held under the indenture.

The bonds are scheduled to mature in 2020. Interest is payable semi-annually on October 1st and April 1st each year at a rate of 5.00% while principal payments are made on April 1st each year.

**Bighorn Desert View Water Agency**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Year Ended June 30, 2018**

**(6) Long-term Debt, continued**

*Desert View Water Revenue Bonds, continued*

Annual debt service requirements on the Bighorn General Obligation Bonds are as follows:

Year	Principal	Interest	Total
2019	\$ 37,000	2,122	39,122
2020	34,977	172	35,149
Total	71,977	2,294	74,271
Less: current portion	(37,000)		
Long-term portion	\$ 34,977		

**(7) Defined Benefit Pension Plan**

*Plan Description*

All qualified permanent and probationary employees are eligible to participate in the Agency's Miscellaneous Employee Pension Plan, cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plan are established by State statute and the Agency's resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

*Benefits provided*

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. The death benefit is the 1957 Survivor Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

On September 12, 2012, the California Governor signed the California Public Employees' Pension Reform Act of 2013 (PEPRA) into law. PEPRA took effect January 1, 2013. The new legislation closed the Agency's CalPERS 3.0% at 60 Risk Pool Retirement Plan to new employee entrants effective December 31, 2012. All employees hired after January 1, 2013, are eligible for the Agency's CalPERS 2.0% at 62 Retirement Plan under PEPRA. New employees that have previously participated in the Classic Plan are eligible for the Agency's CalPERS 3.0% at 60 Retirement Plan.

**Bighorn Desert View Water Agency**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Year Ended June 30, 2018**

**(7) Defined Benefit Pension Plan, continued**

*Benefits provided, continued*

The Plans' provision and benefits in effect at June 30, 2018, are summarized as follows:

	<b>Miscellaneous Plan Pool</b>	
	<b>Classic</b>	<b>PEPRA</b>
	Prior to December 31, 2012	On or after January 1, 2013
Hire date		
Benefit formula	3.0% @ 60	2.0% @ 62
Benefit vesting schedule	5 service years	5 service years
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 60	52 - 67
Monthly benefits, as a % of eligible compensation	2.0% to 3.0%	2.0% to 2.5%
Required employer contribution rates	7.370%	6.533%
Required employee contribution rates	13.326%	6.250%

**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 July 1, following notice of the change in rate. Funding contributions for the Plan is 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 Agency is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

As of the fiscal year ended June 30, the contributions for the Plan were as follows:

	<b>2018</b>
Contributions – employer	\$ <u>65,651</u>

**Net Pension Liability**

As of June 30, 2018, the Agency reported net pension liabilities for its proportionate share of the net pension liability of the Plan as follows:

	<b>2018</b>
Proportionate share of net pension liability	\$ <u>658,030</u>

The Agency's net pension liability for the Plan is measured as the proportionate share of the net pension liability for the miscellaneous risk pool. As of the fiscal years ended June 30, 2018, the net pension liability of the Plan is measured as of June 30, 2017 (the measurement dates), respectively. The total pension liability for the Plan's miscellaneous risk pool used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016 (the valuation dates), rolled forward to June 30, 2017, respectively, using standard update procedures. The Agency's proportion of the net pension liability was based on a projection of the Agency's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

**Bighorn Desert View Water Agency**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Year Ended June 30, 2018**

**(7) Defined Benefit Pension Plan, continued**

*Net Pension Liability, continued*

The Agency's proportionate share of the net pension liability for the Plan's miscellaneous risk pool as of the measurement dates June 30, 2017, was as follows:

	<b>Miscellaneous Plan</b>
Proportion – June 30, 2017	0.00656%
Increase in proportion	0.00008%
Proportion – June 30, 2018	0.00664%

*Deferred Outflows/Inflows of Resources Related to Pensions*

For the year ended June 30, 2018, the Agency recognized pension expense of \$56,596.

As of June 30, 2018, the Agency reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>2018</b>	
<b>Description</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Pension contributions subsequent to the measurement date	\$ 65,651	-
Differences between actual and expected experience	-	(11,543)
Changes in assumptions	99,274	-
Net differences between projected and actual earnings on plan investments	24,305	-
Differences between actual contribution and proportionate share of contribution	-	(13,702)
Net adjustment due to differences in proportions of net pension liability	9,131	-
Total	\$ 198,361	(25,245)

As of June 30, 2018, the Agency reported \$65,651, as deferred outflows of resources related to pension contributions subsequent to the measurement date June 30, 2017, and will be recognized as a reduction of the net pension liability for the year ended June 30, 2019.

**Bighorn Desert View Water Agency**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Year Ended June 30, 2018**

**(7) Defined Benefit Pension Plan, continued**

*Deferred Outflows/Inflows of Resources Related to Pensions, continued*

As of June 30, other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<b>Fiscal Year Ending June 30,</b>	<b>Deferred Net Outflows/(Inflows) of Resources</b>
2019	\$ 24,992
2020	58,384
2021	37,647
2022	(13,558)
2023	-
Remaining	-

***Actuarial Assumptions***

The total pension liabilities in the June 30, 2016, actuarial valuations were determined using the following actuarial assumptions and methods:

Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Actuarial cost method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68

Actuarial assumptions:

Discount rate	7.15%
Inflation	2.75%
Salary increases	Varies by Entry Age and Service
Investment Rate of Return	7.50 % Net of Pension Plan Investment and Administrative Expenses; includes inflation
Mortality Rate Table*	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

\* The mortality table used above was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 Experience Study report. Further details of the Experience Study can be found on the CalPERS website.

**Bighorn Desert View Water Agency**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Year Ended June 30, 2018**

**(7) Defined Benefit Pension Plan, continued**

***Discount Rate***

At the measurement dates, June 30, 2018, the discount rate used to measure the total pension liability was lowered from 7.65% to 7.15% for the Plan. The discount rate reflects the long-term expected rate of return for the Plan net of investment expenses and without reduction for administrative expenses. For the Plan, the crossover test was performed for a miscellaneous agent plan and a safety agent plan was selected as being more at risk of failing the crossover test and resulting in a discount rate that would be different from the long-term expected rate of return on pension investments. Based on the testing of the plans, the tests 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 for PERF C. The crossover test results can be found on CalPERS' website.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which 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 of the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ 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 rounded 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 to equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

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.

As of June 30, 2018, the target allocation and the long-term expected real rate of return by asset class is as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Real Return Years 1-10</u>	<u>Real Return Year 11+</u>
Global Equity	47.0%	4.90%	5.38%
Global Fixed Income	19.0	0.80	2.27
Inflation Sensitive	6.0	0.60	1.39
Private Equity	12.0	6.60	6.63
Real Asset	11.0	2.80	5.21
Infrastructure and Forestland	3.0	3.90	5.36
Liquidity	2.0	(0.40)	(0.90)
Total	<u>100.0%</u>		



**Bighorn Desert View Water Agency**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Year Ended June 30, 2018**

**(7) Defined Benefit Pension Plan, continued**

*Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate*

The following presents the Agency's proportionate share of the net pension liability for the Plan, calculated using the discount rate for the Plan, as well as what the Agency's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage point lower or one-percentage point higher than the current rate.

As of June 30, 2018, the Agency's net pension liability at the current discount rate, using a discount rate that is one-percentage point lower, and using a discount rate that is one-percentage point higher, is as follows:

	<b>Discount Rate - 1% 6.15%</b>	<b>Current Discount Rate 7.15%</b>	<b>Discount Rate + 1% 8.15%</b>
Agency's Net Pension Liability	\$ 1,012,277	658,030	364,637

***Pension Plan Fiduciary Net Position***

Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial reports. See pages 47 and 48 for the Required Supplementary Information.

***Payable to the Pension Plan***

At June 30, 2018, the Agency reported \$0 in payables for the outstanding amount of contribution to the pension plan.

**(8) Net Investment in Capital Assets**

Calculation of net investment in capital assets as of June 30 were as follows:

Net investment in capital assets:

Capital assets, net	\$ 4,328,498
Bonds payable – current portion	(141,000)
Bonds payable – non-current portion	(34,977)
Total net investment in capital assets	\$ 4,152,521

**(9) Restricted Net Position**

On January 21, 2015, the Local Agency Formation Commission for San Bernardino County adopted Resolution No. 3194 which annexed the Goat Mountain (CSA 70 Zone W-1) water system to the Bighorn-Desert View water system. As part of this annexation, the Agency is required to maintain separate accounts and is therefore classified as restricted.

Calculation of restricted net position as of June 30 was as follows:

Restricted net position:

Goat Mountain capital assets	\$ 418,582
Total restricted net position	\$ 418,582

**Bighorn Desert View Water Agency**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Year Ended June 30, 2018**

**(10) Unrestricted Net Position**

Unrestricted net position as of June 30, were categorized as follows:

Unrestricted net position:	
Non-spendable net position:	
Water-in-storage inventory	\$ 160,610
Materials and supplies inventory	66,008
Prepaid expenses and other deposits	<u>14,254</u>
Total non-spendable net position	<u>240,872</u>
Spendable net position are as follows:	
Unrestricted	<u>2,444,401</u>
Total spendable net position	<u>2,444,401</u>
Total unrestricted net position	<u><u>\$ 2,685,273</u></u>

**(11) Adjustment to Net Position**

***Tax Liability – County of San Bernardino***

On August 20, 2018, the Agency received notification from the County of San Bernardino Auditor-Controller/Treasurer/Tax Collector’s office, (County) that the County had overpaid \$130,183 in unitary tax allocations to Bighorn-Desert View Water Agency Improvement Agency 1 (Bighorn Mountains). The error was a result of the manner in which the County calculated the distribution of the Unitary Tax Allocation. The error was discovered in an audit of the County by the State Controller’s Office which required fiscal year 2005 to be “restated” and which led to a subsequent correction in the fiscal years that followed. While the Agency was “overpaid”, other entities were “underpaid”. The County of San Bernardino is responsible to reallocate the monies correctly.

As a result, the Agency has adjusted net position as follows:

Net position at June 30, 2015, as previously stated	\$ 4,186,679
Effect of adjustment to tax liability – County:	
Tax liability due to the County of San Bernardino	<u>(130,183)</u>
Total adjustment to net position	<u>4,056,496</u>
Change in net position at June 30, 2016, as previously stated	<u>2,590,560</u>
Net position at June 30, 2016, as restated	<u>6,647,056</u>
Change in net position at June 30, 2017, as previously stated	<u>308,641</u>
Net position at June 30, 2017, as restated	<u><u>\$ 6,955,697</u></u>

**Bighorn Desert View Water Agency**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Year Ended June 30, 2018**

**(12) Morongo Basin pipeline water delivery costs**

The Agency is a project participant in the Mojave Water Agency's Improvement District M State Water Project (Morongo Basin Project). The Mojave Water Agency was authorized to issue \$66,500,000 of general obligation bonds to build a pipeline connection from the State Water Project's California Aqueduct in Hesperia to the Morongo Basin. The project was completed in June 1996, and to date \$51,780,000 in bonded debt has been issued to cover the costs of the construction.

The Agency and the other project participants have agreed to pay their proportional portion of the construction, operation and financing costs of the entire project. The Agency's proportional share of the project is 10%.

The agreement is being treated as a 25-year operating lease since title to the pipeline connection assets will not be transferred to the Agency. As part of the agreement, the Agency is required to pay its portion of the lease (debt service on the project) annually. For fiscal year 2017/18, the lease payment of the year ended June 30, 2018, is \$81,331.

**(13) Risk Management**

The Agency is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Agency is a member of the Special District Risk Management Authority (SDRMA), an intergovernmental risk sharing joint powers authority created to provide self-insurance programs for California special districts. The purpose of the SDRMA is to arrange and administer programs of self-insured losses and to purchase excess insurance coverage. At June 30, 2018, the Agency participated in the liability and property programs of the SDRMA as follows:

- General and auto liability, public officials and employees' errors and omissions: Total risk financing self-insurance limits of \$2,500,000, combined single limit at \$2,500,000 per occurrence. Deductibles: General Liability Property Damage- \$500, Auto Liability Property Damage - \$1,000

In addition, the Agency also has the following insurance coverage:

- Employee dishonesty coverage up to \$1,000,000 per loss includes public employee dishonesty, forgery or alteration and theft, disappearance and destruction coverages.
- Property loss is paid at the replacement cost for property on file, if replaced within two years after the loss, otherwise paid on an actual cash value basis. A combined total of \$1 billion per occurrence (pool limit), subject to a \$1,000 deductible per occurrence unless otherwise listed in declarations.
- Boiler and machinery coverage for the replacement cost up to \$100 million per occurrence (pool limit), subject to a \$1,000 deductible per occurrence, unless other specific object or peril as listed on the declaration.
- Public officials personal liability up to \$500,000 each occurrence, with an annual aggregate of \$500,000 per each elected/appointed official to which this coverage applies, subject to the terms, with a deductible of \$500 per claim, and an annual pool aggregate of \$8,500,000.
- Workers' compensation insurance up to statutory limits and Employer's Liability Coverage up to \$5 million.

**Bighorn Desert View Water Agency**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Year Ended June 30, 2018**

**(13) Risk Management, continued**

Settled claims have not exceeded any of the coverage amounts in any of the last three fiscal years. There were no reductions in insurance coverage in fiscal years 2018, 2017, and 2016. Liabilities are recorded when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated net of the respective insurance coverage. Liabilities include an amount for claims that have been incurred but not reported (IBNR). There were no IBNR claims payable as of June 30, 2018, 2017, and 2016.

**(14) Governmental Accounting Standards Board Statements Issued, Not Yet Effective**

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to June 30, 2018, that have effective dates that may impact future financial presentations.

***Governmental Accounting Standards Board Statement No. 83***

In November 2016, the GASB issued Statement No. 83 – *Certain Asset Retirement Obligations*. This Statement (1) addresses accounting and financial reporting for certain asset retirement obligations (AROs), (2) establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs, (3) requires that recognition occur when the liability is both incurred and reasonably estimable, (4) requires the measurement of an ARO to be based on the best estimate of the current value of outlays expected to be incurred, (5) requires the current value of a government's AROs to be adjusted for the effects of general inflation or deflation at least annually, and (6) and requires disclosure of information about the nature of a government's AROs, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets.

The provisions of this Statement are effective for reporting periods beginning after June 15, 2018. The impact of the implementation of this Statement to the Agency's financial statements has not been assessed at this time.

***Governmental Accounting Standards Board Statement No. 84***

In January 2017, the GASB issued Statement No. 84 – *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria.

The provisions of this Statement are effective for reporting periods beginning after December 15, 2018. The impact of the implementation of this Statement to the Agency's financial statements has not been assessed at this time.

**Bighorn Desert View Water Agency**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Year Ended June 30, 2018**

**(14) Governmental Accounting Standards Board Statements Issued, Not Yet Effective, continued**

***Governmental Accounting Standards Board Statement No. 86***

In May 2017, the GASB issued Statement No. 86 – *Certain Debt Extinguishment Issues*. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

The provisions of this Statement are effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged. The impact of the implementation of this Statement to the Agency’s financial statements has not been assessed at this time.

***Governmental Accounting Standards Board Statement No. 87***

In June 2017, the GASB issued Statement No. 87 – *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments’ financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments’ leasing activities.

The provisions of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The impact of the implementation of this Statement to the Agency’s financial statements has not been assessed at this time.

***Governmental Accounting Standards Board Statement No. 88***

In April 2018, the GASB issued Statement No. 88 – *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established.

This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses.

For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

**Bighorn Desert View Water Agency**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Year Ended June 30, 2018**

**(14) Governmental Accounting Standards Board Statements Issued, Not Yet Effective, continued**

***Governmental Accounting Standards Board Statement No. 88, continued***

The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged. The impact of the implementation of this Statement to the Agency's financial statements has not been assessed at this time.

***Governmental Accounting Standards Board Statement No. 89***

In June 2018, the GASB issued Statement No. 89 – *Accounting for Interest Cost Incurred before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The requirements of this Statement should be applied prospectively. The impact of the implementation of this Statement to the Agency's financial statements has not been assessed at this time.

***Governmental Accounting Standards Board Statement No. 90***

In August 2018, the GASB issued Statement No. 90 – *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

**Bighorn Desert View Water Agency**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Year Ended June 30, 2018**

**(14) Governmental Accounting Standards Board Statements Issued, Not Yet Effective, continued**

*Governmental Accounting Standards Board Statement No. 90, continued*

This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The requirements should be applied retroactively, except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest. Those provisions should be applied on a prospective basis. The impact of the implementation of this Statement to the Agency's financial statements has not been assessed at this time.

**(15) Commitments and Contingencies**

*Grant Awards*

Grant funds received by the Agency are subject to audit by the grantor agencies. Such an audit could lead to requests for reimbursements to the grantor agencies for expenditures disallowed under terms of the grant. Management of the Agency believes that such disallowances, if any, would not be significant.

*Litigation*

In the ordinary course of operations, the Agency is subject to claims and litigation from outside parties. After consultation with legal counsel, the Agency believes the ultimate outcome of such matters, if any, will not materially affect its financial condition.

**(16) Subsequent Events**

*Tax Liability – County of San Bernardino*

On August 20, 2018, the Agency received notification from the County of San Bernardino Auditor-Controller/Treasurer/Tax Collector's office, (County) that the County had overpaid \$130,183 in unitary tax allocations to Bighorn-Desert View Water Agency Improvement Agency 1 (Bighorn Mountains). The error was a result of the manner in which the County calculated the distribution of the Unitary Tax Allocation. The error was discovered in an audit of the County by the State Controller's Office which required fiscal year 2005 to be "restated" and which led to a subsequent correction in the fiscal years that followed. While the Agency was "overpaid", other entities were "underpaid". The County of San Bernardino is responsible to reallocate the monies correctly. As a result, the Agency has adjusted net position. See note 11 for further information.

The County agreed to provide the Agency a 5-year payment schedule beginning in fiscal year 2018/19. The first payment would be due to the County by January 31, 2019.

**Bighorn Desert View Water Agency**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Year Ended June 30, 2018**

**(16) Subsequent Events, continued**

*Tax Liability – County of San Bernardino, continued*

Annual payments are as follows:

<u>Fiscal Year</u>	<u>Liability</u>
2019	\$ 26,037
2020	26,036
2021	26,037
2022	26,036
2023	<u>26,037</u>
Total	130,183
Less current portion	<u>(26,037)</u>
Total non-current	<u><u>\$ 104,146</u></u>

Management is not aware of any other events or transactions, including estimates that provide additional evidence about conditions that existed at June 30, 2018, or arose subsequent to that date and are considered inherent in the process of preparing these financial statements.



**Bighorn Desert View Water Agency**  
**Schedule of the Agency's Proportionate Share of the Net Pension Liability**  
**As of June 30, 2018**  
**Last Ten Years\***

	<b>Measurement Dates</b>			
	<b>6/30/2017</b>	<b>6/30/2016</b>	<b>6/30/2015</b>	<b>6/30/2014</b>
Agency's Proportion of the Net Pension Liability	0.00664%	0.00656%	0.00656%	0.65700%
Agency's Proportionate Share of the Net Pension Liability \$	658,030	567,392	450,309	408,884
Agency's Covered-Employee Payroll \$	432,502	473,007	390,961	361,687
Agency's proportionate share of the net pension liability as a as a Percentage of its Covered-Employee Payroll	152.14%	119.95%	115.18%	113.05%
Plan's Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	69.36%	75.11%	78.78%	79.59%

**Notes:**

***Changes in Benefit Terms*** – There were no changes in benefit terms for the measurement date June 30, 2018.

***Changes of Assumptions*** – There were no changes of assumption for the measurement date June 30, 2018.

\* The Agency has presented information for those years for which information is available until a full 10-year trend is compiled.

**Bighorn Desert View Water Agency**  
**Schedule of Pension Plan Contributions**  
**As of June 30, 2018**  
**Last Ten Years\***

<u>Description</u>	<u>Fiscal Year</u>			
	<u>6/30/2018</u>	<u>6/30/2017</u>	<u>6/30/2016</u>	<u>6/30/2015</u>
Actuarially Determined Contribution	\$ 56,033	52,497	44,964	53,164
Contributions in Relation to the Actuarially Determined Contribution	<u>(65,651)</u>	<u>(62,323)</u>	<u>(52,457)</u>	<u>(53,164)</u>
Contribution Deficiency (Excess)	\$ <u>(9,618)</u>	<u>(9,826)</u>	<u>(7,493)</u>	<u>-</u>
Covered Payroll	\$ <u>432,502</u>	<u>473,007</u>	<u>390,961</u>	<u>361,687</u>
Contribution's as a percentage of Covered-employee Payroll	<u>15.18%</u>	<u>13.18%</u>	<u>13.42%</u>	<u>14.70%</u>

**Notes:**

\* The Agency has presented information for those years for which information is available until a full 10-year trend is compiled.

# **Statistical Information Section**



**Bighorn Desert View Water Agency  
Statistical Section**

This part of the Agency’s comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Agency’s overall financial health.

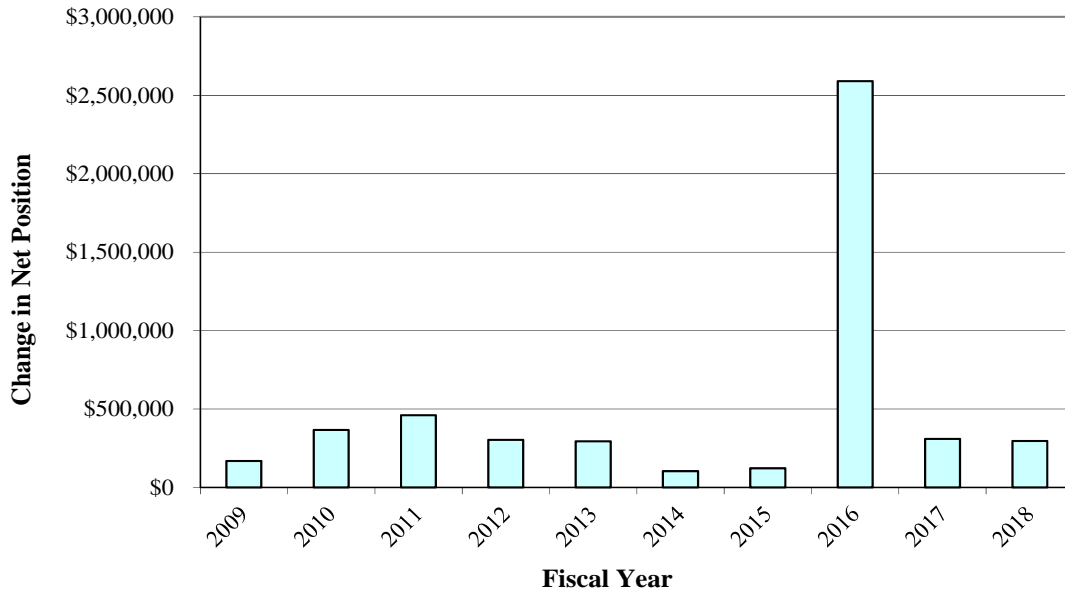
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Financial Trends These schedules contain information to help the reader understand how the Agency’s financial performance and well-being have changed over time.	50-53
Revenue Capacity These schedules contain information to help the reader assess the Agency’s most significant own-source revenue, water sales.	54-56
Debt Capacity These schedules present information to help the reader assess the affordability of the Agency’s current levels of outstanding debt and the Agency’s ability to issue additional debt in the future.	57-59
Demographic Information This schedule offers demographic indicators to help the reader understand the environment within which the Agency’s financial activities take place.	60-61
Operating Information This schedule contains service and infrastructure data to help the reader understand how the information in the Agency’s financial report relates to the service the Agency provides.	62-63

**Bighorn Desert View Water Agency  
Changes in Net Position by Component  
Last Ten Fiscal Years**

**Schedule 1**

	Fiscal Year				
	2009	2010	2011	2012	2013
Changes in net position:					
Operating revenues (see Schedule 2)	\$ 1,066,200	1,144,587	1,102,914	1,102,119	1,106,858
Operating expenses (see Schedule 3)	(888,317)	(942,254)	(956,798)	(974,156)	(1,064,484)
Depreciation and amortization	(219,607)	(229,766)	(239,342)	(248,330)	(229,565)
<b>Operating income(loss)</b>	<b>(41,724)</b>	<b>(27,433)</b>	<b>(93,226)</b>	<b>(120,367)</b>	<b>(187,191)</b>
Non-operating revenues(expenses):					
Property taxes	256,533	237,111	223,764	295,186	280,647
Interest earnings	9,537	3,266	4,472	2,326	3,142
Desert View debt surcharge	47,744	50,345	50,206	50,006	49,967
Gain (loss) on disposal of assets	-	(1,170)	(38,832)	1,644	(125)
Interest expense – long-term debt	(73,197)	(50,461)	(53,320)	(48,643)	(45,024)
Mojave Water Agency pipeline interest	(73,198)	(73,254)	(73,097)	-	-
Other non-operating revenues (expense), net	233	(4,099)	9,036	(5,352)	(98)
Total non-operating revenues, net	167,652	161,738	122,229	295,167	288,509
<b>Net income (loss) before capital contributions</b>	<b>125,928</b>	<b>134,305</b>	<b>29,003</b>	<b>174,800</b>	<b>101,318</b>
Capital contributions	42,855	232,343	430,605	128,217	193,000
<b>Changes in net position</b>	<b>\$ 168,783</b>	<b>366,648</b>	<b>459,608</b>	<b>303,017</b>	<b>294,318</b>
Net position by component:					
Net investment in capital assets	\$ 2,546,637	3,087,501	3,331,173	3,286,244	3,130,527
Restricted	-	766,463	982,399	1,330,345	1,304,523
Unrestricted	940,679	-	-	-	-
<b>Total net position</b>	<b>\$ 3,487,316</b>	<b>3,853,964</b>	<b>4,313,572</b>	<b>4,616,589</b>	<b>4,435,050</b>
% increase	-7.56%	10.51%	11.93%	7.02%	-3.93%

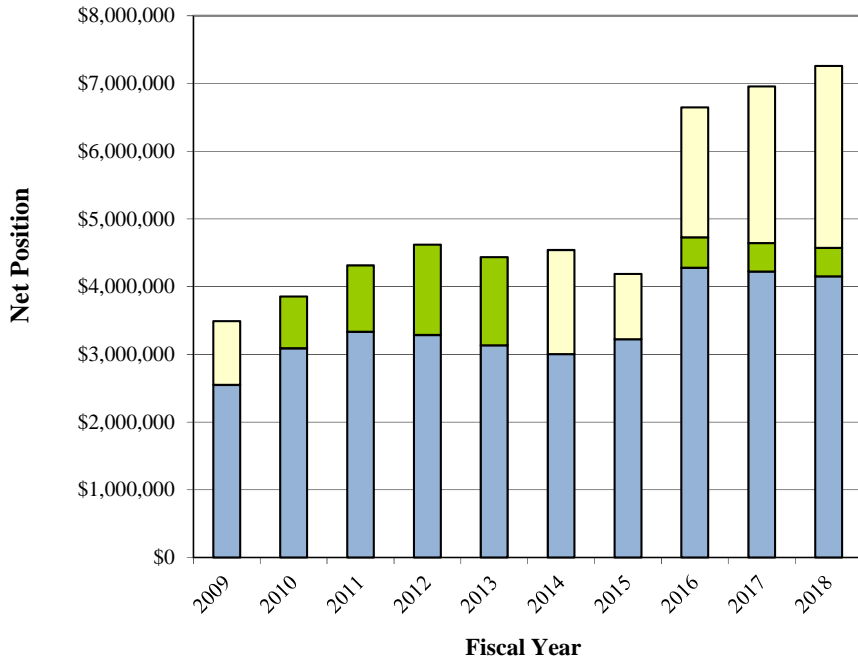


Source: Bighorn Desert View Water Agency Accounting Staff

**Bighorn Desert View Water Agency  
Changes in Net Position by Component  
Last Ten Fiscal Years**

**Schedule 1**

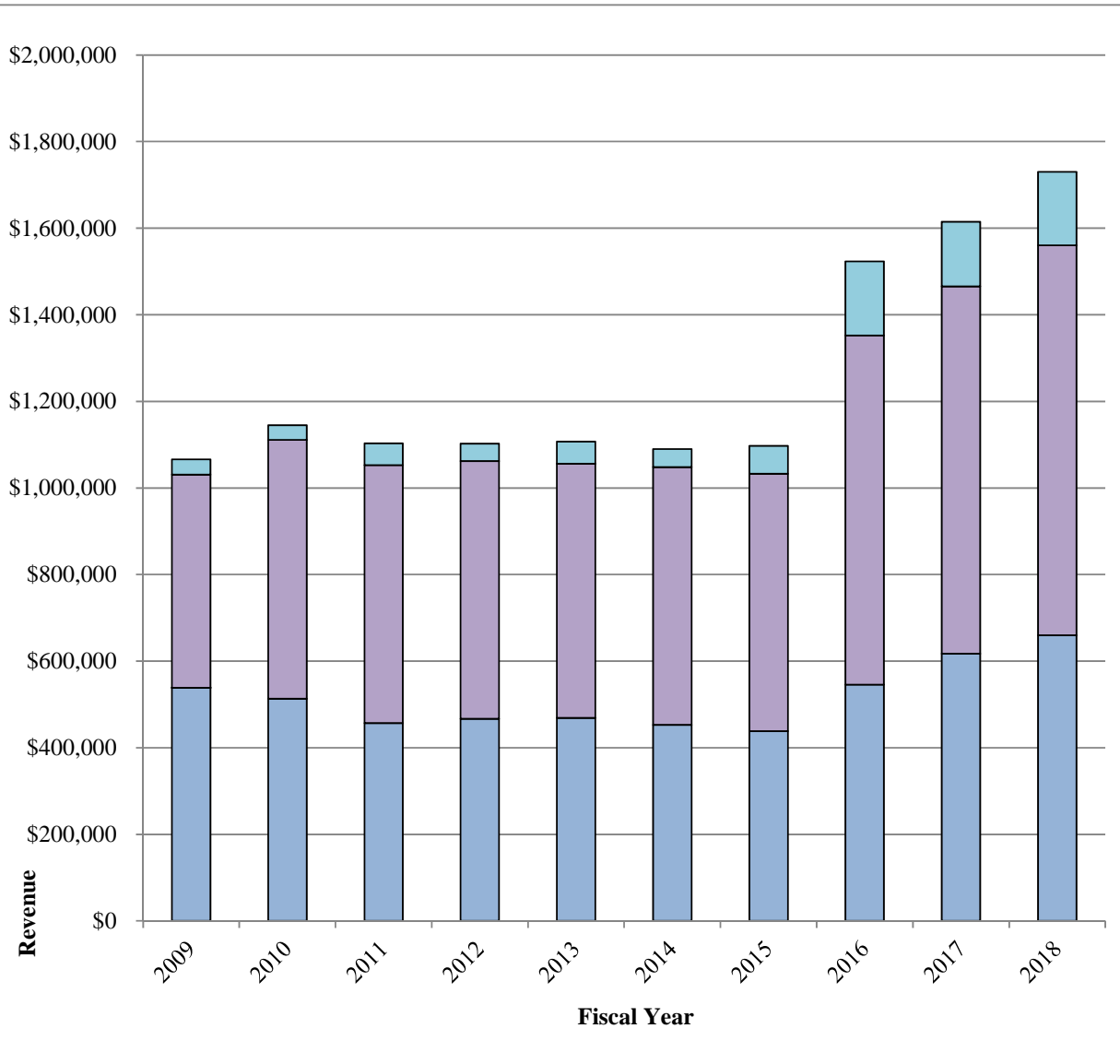
Fiscal Year				
2014	2015	2016	2017	2018
1,089,864	1,097,073	1,530,493	1,614,452	1,730,166
(1,152,879)	(1,065,975)	(1,399,934)	(1,425,697)	(1,549,293)
<u>(233,053)</u>	<u>(245,697)</u>	<u>(362,372)</u>	<u>(341,677)</u>	<u>(355,039)</u>
<u>(296,068)</u>	<u>(214,599)</u>	<u>(231,813)</u>	<u>(152,922)</u>	<u>(174,166)</u>
281,726	292,261	328,939	388,380	364,491
1,828	2,390	3,892	6,021	15,464
49,843	49,949	49,983	50,169	50,134
-	-	11,190	-	-
(38,486)	(32,637)	(28,182)	(21,059)	(14,613)
-	-	-	-	-
<u>2,665</u>	<u>580</u>	<u>(2,062)</u>	<u>5,085</u>	<u>16,024</u>
<u>297,576</u>	<u>312,543</u>	<u>363,760</u>	<u>428,596</u>	<u>431,500</u>
1,508	97,944	131,947	275,674	257,334
<u>102,377</u>	<u>23,271</u>	<u>2,458,613</u>	<u>32,967</u>	<u>43,345</u>
<u>103,885</u>	<u>121,215</u>	<u>2,590,560</u>	<u>308,641</u>	<u>300,679</u>
3,003,491	3,220,454	4,277,850	4,223,449	4,152,521
-	-	449,082	418,582	418,582
<u>1,535,444</u>	<u>966,225</u>	<u>1,920,124</u>	<u>2,313,666</u>	<u>2,685,273</u>
<u>4,538,935</u>	<u>4,186,679</u>	<u>6,647,056</u>	<u>6,955,697</u>	<u>7,256,376</u>
2.34%	-7.76%	58.77%	4.64%	4.32%



**Bighorn Desert View Water Agency  
Operating Revenues by Source  
Last Ten Fiscal Years**

**Schedule 2**

<b>Fiscal Year</b>	<b>Water Consumption Sales</b>	<b>Basic Service Charges</b>	<b>Other Charges</b>	<b>Total Operating Revenue</b>
2009	\$ 538,603	492,356	35,241	1,066,200
2010	513,026	597,680	33,881	1,144,587
2011	457,078	595,583	50,253	1,102,914
2012	466,610	595,375	40,134	1,102,119
2013	468,824	587,490	50,544	1,106,858
2014	453,100	594,885	41,879	1,089,864
2015	438,409	594,571	64,093	1,097,073
2016	545,931	806,279	170,783	1,522,993
2017	617,342	848,325	148,785	1,614,452
2018	659,453	901,047	169,666	1,730,166



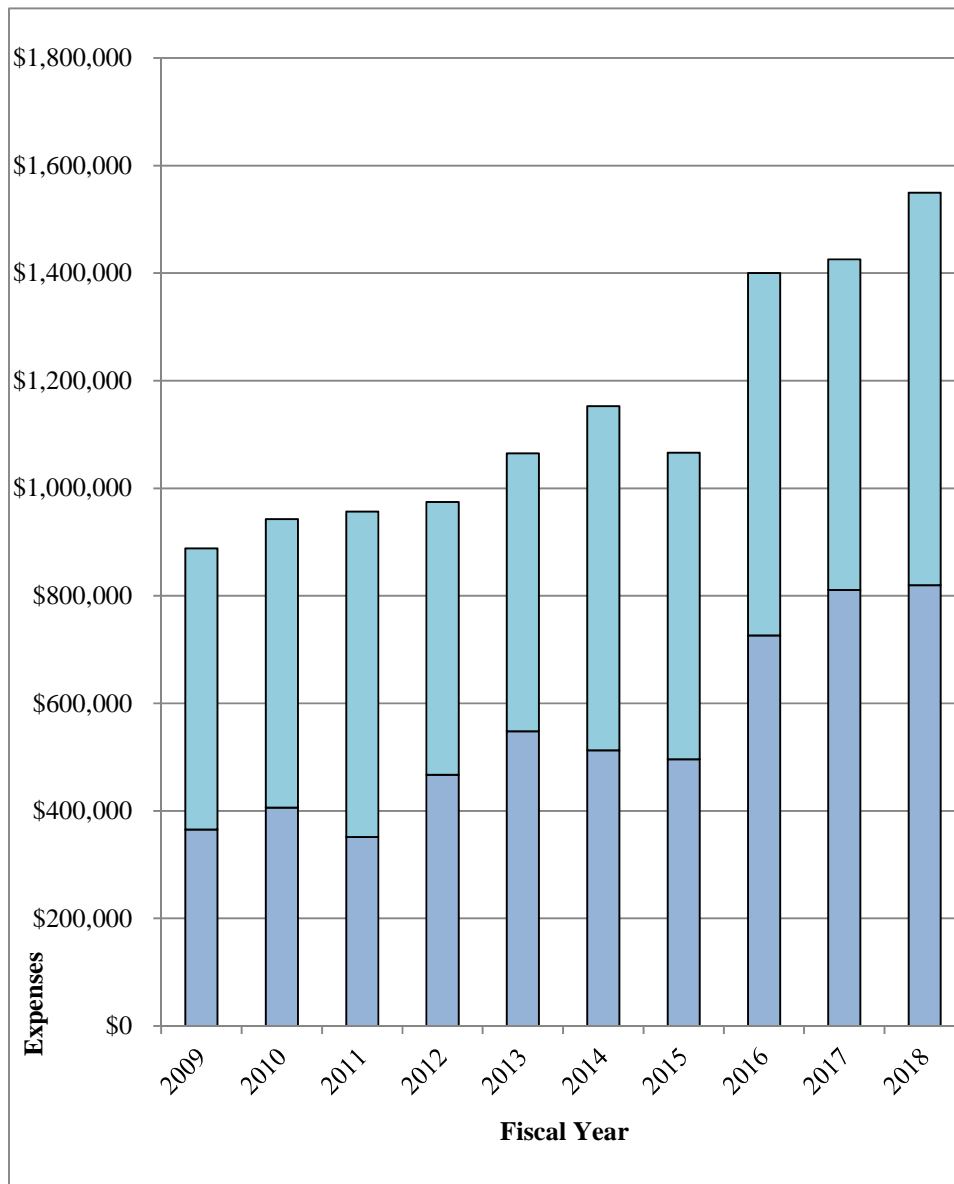
Source: Bighorn Desert View Water Agency Accounting Staff



**Bighorn Desert View Water Agency  
Operating Expenses by Activity  
Last Ten Fiscal Years**

**Schedule 3**

<b>Fiscal Year</b>	<b>Transmission and Distribution</b>	<b>General and Administrative</b>	<b>Total Operating Expenses</b>
2009	\$ 365,534	522,783	888,317
2010	406,370	535,884	942,254
2011	351,065	605,733	956,798
2012	466,815	507,341	974,156
2013	547,991	516,493	1,064,484
2014	512,501	640,378	1,152,879
2015	496,019	569,956	1,065,975
2016	726,110	673,824	1,399,934
2017	810,504	615,193	1,425,697
2018	819,563	729,730	1,549,293



Source: Bighorn Desert View Water Agency Accounting Staff

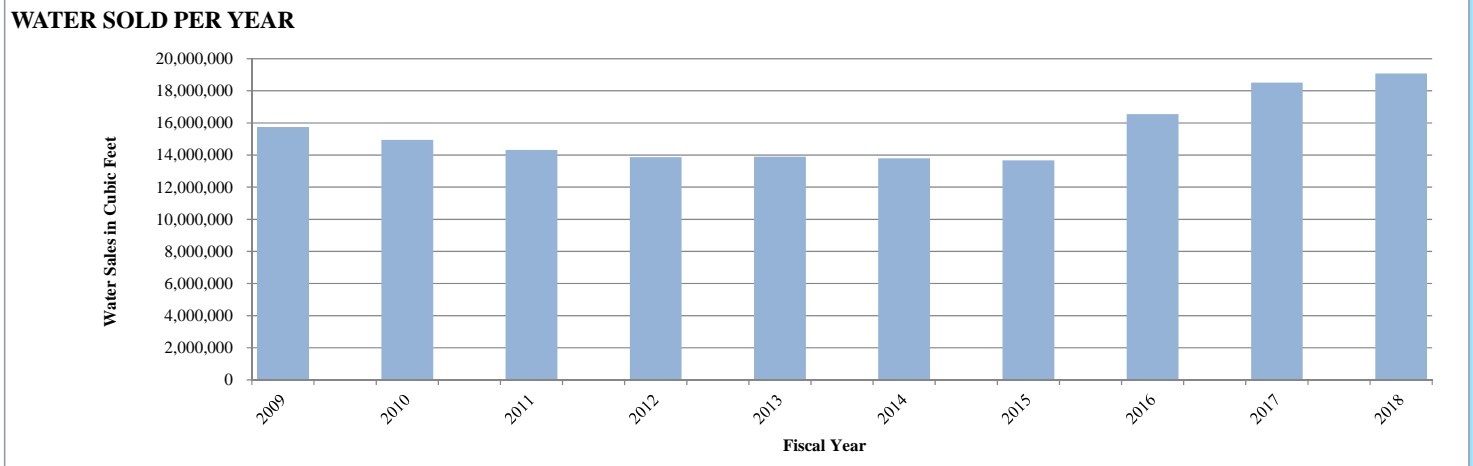
## Bighorn Desert View Water Agency Water Sold and Produced Last Ten Fiscal Years

## Schedule 4

### Water Sold and Produced

MONTHS	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Routes 1-6, 15, 16 and bulk accts 30 thru 35 and 40										
Cubic Feet	\$ 7,410,980	6,714,996	6,542,481	6,307,928	6,313,798	6,452,122	6,384,904	7,231,125	8,194,345	8,558,114
Acre Feet	170.10	154.20	150.20	144.80	144.90	148.10	146.60	166.00	188.10	196.48
MONTHS	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Routes 7-14 and bulk accts 35 and 40										
Cubic Feet	\$ 8,295,352	8,239,072	7,779,814	7,559,768	7,589,015	7,348,915	7,282,630	9,320,813	10,324,766	10,519,454
Acre Feet	190.40	189.10	178.60	173.50	174.20	168.70	167.20	214.00	237.00	241.49
Total Sales in Cubic Feet	<u>15,706,332</u>	<u>14,954,068</u>	<u>14,322,295</u>	<u>13,867,696</u>	<u>13,902,813</u>	<u>13,801,037</u>	<u>13,667,534</u>	<u>16,551,938</u>	<u>18,519,111</u>	<u>19,077,568</u>
Total Sales in Acre Feet	<u>360.50</u>	<u>343.30</u>	<u>328.80</u>	<u>318.30</u>	<u>319.10</u>	<u>316.80</u>	<u>313.80</u>	<u>380.00</u>	<u>425.10</u>	<u>437.97</u>
Total All Production in Acre Feet	<u>469.11</u>	<u>432.16</u>	<u>412.31</u>	<u>411.89</u>	<u>426.78</u>	<u>393.30</u>	<u>355.82</u>	<u>452.74</u>	<u>499.67</u>	<u>558.98</u>

Bulk accounts are for individual's that haul their own water (routes 30-34) and commercial water haulers (route 35)  
 Closed accounts are included with billing cycle regardless of route  
 Construction water use varies from year to year and is billed very month (route 40)  
 Water sales have increased in FY2015/16 due to annexation of the Improvement District Goat Mountain with 650 accounts.



Source: Bighorn Desert View Water Agency Accounting Staff

**Bighorn Desert View Water Agency  
Revenue Rates  
Last Ten Fiscal Years**

**Schedule 5**

**Revenue Rates**

<b>BIGHORN MOUNTAINS</b>										
<b>Account Routes 01-06</b>										
	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
Consumption Rate (flat only)	\$ 3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.09	3.18
Basic Service Charge (all sizes)	27.50	27.50	27.50	27.50	27.50	27.50	27.50	27.50	28.88	30.32
<b>DESERT VIEW</b>										
<b>Account Routes 07-11</b>										
	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
Consumption Rate (flat only)	\$ 3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.09	3.18
Basic Service Charge (all sizes)	27.50	27.50	27.50	27.50	27.50	27.50	27.50	27.50	28.88	30.32
DV Revenue Bond Charge	4.65	4.65	4.65	4.65	4.65	4.65	4.65	4.65	4.65	4.65
<b>ID GOAT MOUNTAIN*</b>										
<b>Account Routes 12-15</b>										
	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
Consumption Rate - Tier 1 (0-14 HCF**)	\$ 3.41	3.55	3.76	3.87	3.98	4.77	4.77	3.00	3.09	3.18
Consumption Rate - Tier 2 (>14 - <80 HCF)	3.79	3.94	4.18	4.31	4.44	5.49	5.49	N/A	N/A	N/A
Consumption Rate - Tier 3 (>80 HCF)	4.88	5.08	5.38	5.54	5.71	6.31	6.31	N/A	N/A	N/A
Basic Service Charge 3/4-inch	21.02	21.86	23.17	23.87	24.59	29.36	29.36	27.50	28.88	30.32
Basic Service Charge 1-inch	30.49	31.71	33.61	34.62	35.66	48.93	48.93	27.50	28.88	30.32
Residential Fire Sprinkler Meter***	unknown	unknown	unknown	unknown	16.00	16.00	16.00	16.00	16.00	16.00
<b>Account Routes 30-31 (1-inch Metered Water Haulers)</b>										
Consumption Rate (flat only)	\$ 7.00	8.50	8.50	8.50	8.50	8.50	8.50	8.50	8.76	9.02
Basic Service Charge (all sizes)	None	None	None	None	None	None	None	None	None	None
<b>Account Routes 35 and 40 (2-inch Metered Water Haulers and Temporary Construction)</b>										
Consumption Rate (flat only)	\$ 3.00	3.00	3.00	3.00	3.00	3.00	8.50	8.50	8.76	9.02
Basic Service Charge (all sizes)	None	None	None	None	None	None	None	None	28.88	30.32

**Notes:**

"Basic Rate" is monthly fixed basic service charge regardless of water consumption.

"Consumption" is rate imposed per 100 cubic feet metered Agency bills.

Basic Service Charge and Consumption Rate changes are subject to California Constitution limitations (aka: Proposition 218).

\* ID Goat Mountain annexed to BDVWA on July 1, 2015 with same rate structure as BDVWA.

\*\* HCF = 100 cubic feet of water or 1 billing unit.

\*\*\* ID Goat Mountain Accounts were annexed July 1, 2015. Unclear when Residential Fire Meter charge instituted for historical data range

Construction rates were same as Accounts 30-33 until modified in FY2014/15.

**Source:** Bighorn Desert View Water Agency Board of Directors approved rate ordinances and resolutions

**Bighorn Desert View Water Agency  
Principal Customers  
Current Fiscal Year and Nine Years Ago**

**Schedule 6**

Customer	2018			Customer	2009		
	Sales in Cubic Feet	Annual Revenues	Percentage of Total		Sales in Cubic Feet	Annual Revenues	Percentage of Total
COMMERCIAL WATER HAULER	148,750	\$ 14,310	2.17%	MUSD LANDERS ELEM	203,340	\$ 6,100	1.13%
RESIDENTIAL CUSTOMER A	140,396	4,465	0.68%	RESIDENTIAL CUSTOMER A	112,101	3,363	0.62%
COMMERCIAL WATER HAULER	129,210	12,430	1.88%	COMMERCIAL WATER HAULER	107,977	9,178	1.70%
LANDFILL (CONST. METER)	123,100	11,842	1.80%	RESIDENTIAL CUSTOMER B	100,620	3,019	0.56%
CALTRANS CONTRACTOR (HWY WOR	111,540	10,730	1.63%	RESIDENTIAL CUSTOMER C	82,315	2,469	0.46%
MUSD LANDERS ELEM. SCHOOL	101,530	3,229	0.49%	COMMERCIAL WATER HAULER	76,890	6,536	1.21%
RESIDENTIAL CUSTOMER B	95,470	3,036	0.46%	RESIDENTIAL CUSTOMER D	75,827	2,275	0.42%
RESIDENTIAL CUSTOMER C	91,175	2,899	0.44%	COMMERCIAL WATER HAULER	75,030	6,378	1.18%
RESIDENTIAL CUSTOMER D	89,778	2,855	0.43%	RESIDENTIAL CUSTOMER E	67,804	2,034	0.38%
RESIDENTIAL CUSTOMER E	82,661	2,629	0.40%	RESIDENTIAL CUSTOMER F	77,500	2,325	0.43%
Total	1,113,610		10.38%	Total	979,404		8.11%
Water Sold in 2017-2018	19,077,568	\$ 659,453		Water Sold in 2008-2009	15,706,332	\$ 538,603	

**Notes:**

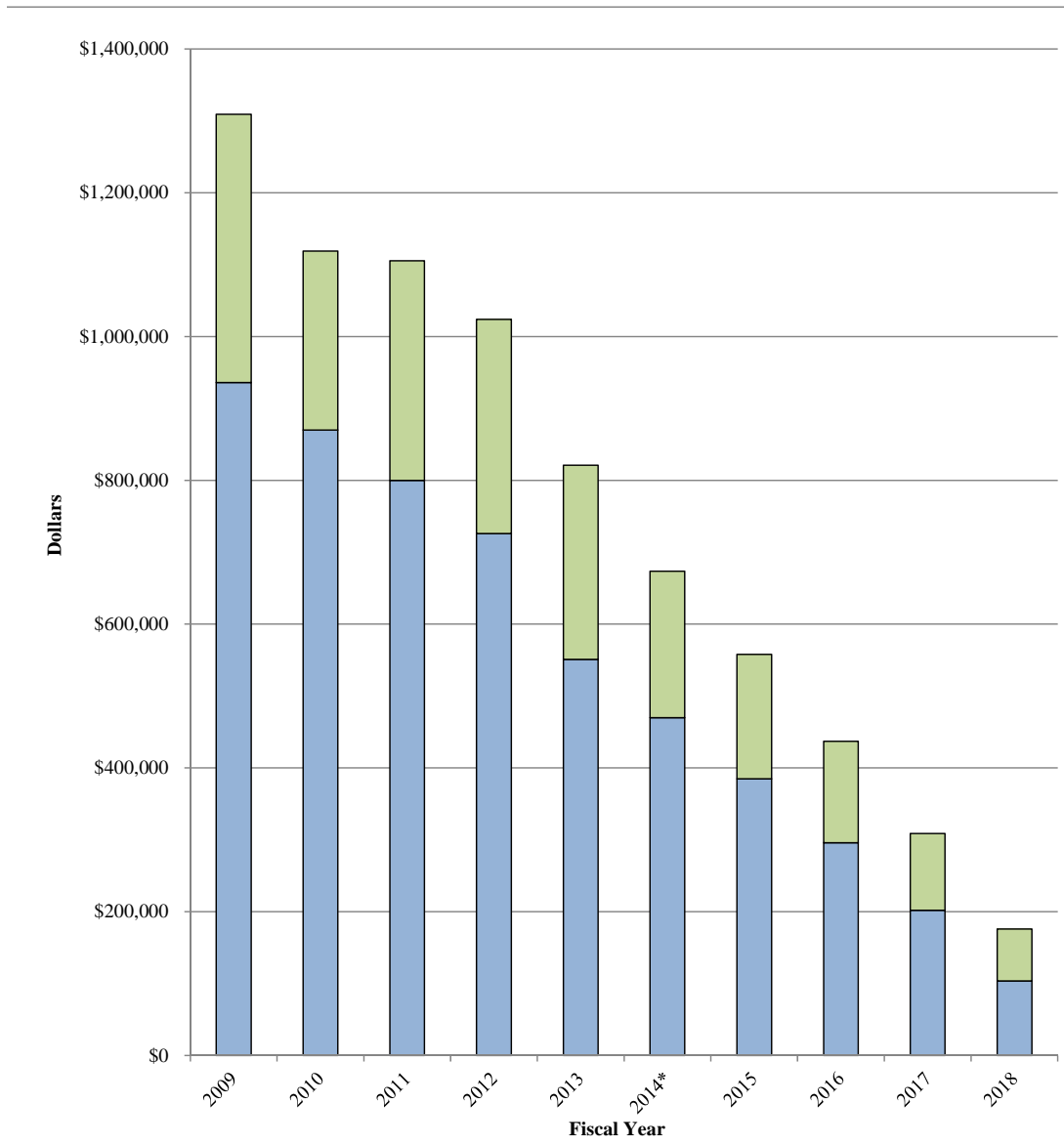
Commercial water haulers deliver to individual residents without service connections.  
Commercial water hauler's and Construction water users are charged a higher rate per unit than domestic users (See Table "Water Rates" for trends)  
High usage contributed to "water leaks" have been excluded

**Source:** Bighorn Desert View Water Agency Accounting Staff

**Bighorn Desert View Water Agency  
Ratio of Outstanding Debt by Type  
Last Ten Fiscal Years**

**Schedule 7**

Fiscal Year			Total		
	BH Bond	DV Bond	Debt	Per Capita	As a Share of Personal Income
2009	\$ 936,000	\$ 372,977	\$ 1,308,977	500.00	1.95%
2010	870,000	248,977	1,118,977	474.00	1.81%
2011	800,000	305,447	1,105,447	429.00	1.66%
2012	726,000	297,978	1,023,978	336.00	1.40%
2013	551,000	269,977	820,977	269.00	0.87%
2014*	470,000	203,594	673,594	221.00	0.59%
2015	385,000	172,977	557,977	183.00	0.49%
2016	296,000	140,977	436,977	143.00	0.51%
2017	202,000	106,977	308,977	101.00	0.42%
2018	104,000	71,977	175,977	57.30	0.19%



**Sources and Footnotes:**

Audited Financial Statements

Per Capita Personal Income obtained from:

[http://www.bestplaces.net/economy/zip-code/california/yucca\\_valley/92284](http://www.bestplaces.net/economy/zip-code/california/yucca_valley/92284)

\* 2013-2014 population for 2010-2013 was updated so Debt per Capita changed.

Debt per Capita excludes the population of the Improvement District Goat Mountain since it has no debt.

**Bighorn Desert View Water Agency  
Ratios of General Bonded Debt Outstanding  
Last Ten Fiscal Years**

**Schedule 8**

<u>Fiscal Year</u>	<u>Obligation Bonds</u>	<u>Assessed Value</u>	<u>Debt Per Capita</u>
2009	\$ 838,000	\$ 838,000	\$ 326
2010	772,000	772,000	300
2011	702,000	702,000	231
2012	628,000	628,000	206
2013	551,000	551,000	181
2014*	470,000	470,000	154
2015	385,000	385,000	126
2016	296,000	296,000	97
2017	202,000	202,000	66
2018	104,000	104,000	34

**Sources and Footnotes:**

Source: Audited Financial Statements & BDVWA Accounting Staff

\* 2013-2014 population for 2010-2013 was updated so Debt per Capita changed.

Debt per Capita excludes the population of the Improvement District Goat Mountain since it has no debt.

**Bighorn Desert View Water Agency  
Pledged-Revenue Coverage  
Last Ten Fiscal Years**

**Schedule 9**

<b>Fiscal Year</b>	<b>Net Revenues</b>	<b>Operating Expenses<sup>(1)</sup></b>	<b>Net Available Revenues</b>	<b>Debt Service</b>			<b>Coverage Ratio</b>	
				<b>FMHA Surcharge</b>	<b>Principal</b>	<b>Interest</b>		<b>Total</b>
2009	1,066,200	(888,317)	177,883	47,744	23,000	22,436	93,180	1.05
2010	1,144,587	(942,254)	202,333	50,345	24,000	12,311	86,656	1.39
2011	1,102,914	(956,798)	146,116	50,206	25,000	13,534	88,740	1.30
2012	1,102,119	(974,156)	127,963	50,006	26,000	13,442	89,448	1.27
2013	1,106,858	(1,064,484)	42,374	49,967	28,000	12,324	90,291	1.24
2014	1,089,864	(1,152,879)	(63,015)	49,843	29,000	11,274	90,117	1.24
2015	1,097,073	(1,065,975)	31,098	49,949	31,000	9,491	90,440	1.23
2016	1,522,993	(1,399,934)	123,059	49,983	32,000	8,630	90,613	1.23
2017	1,614,452	(1,425,697)	188,755	50,169	34,000	7,250	91,419	1.22
2018	1,730,166	(1,556,816)	173,350	50,134	35,000	5,550	90,684	1.24

**Notes:**

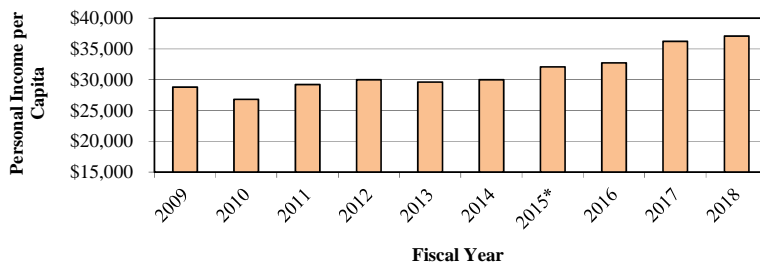
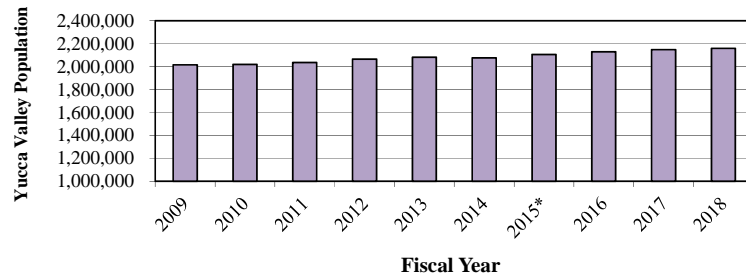
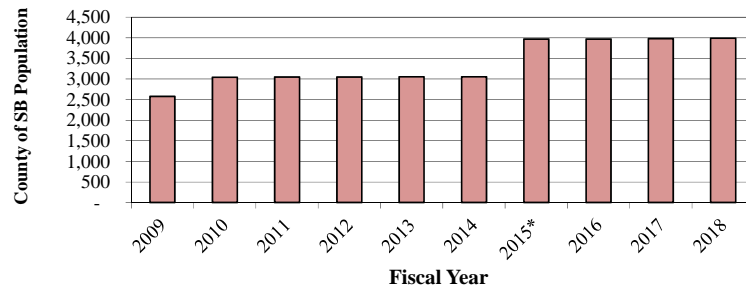
(1) Operating expenses exclude depreciation expense.

**Source:** Audited Financial Statements & BDVWA Accounting Staff

# Bighorn Desert View Water Agency Demographic and Economic Statistics Last Ten Fiscal Years

Schedule 10

County of San Bernardino <sup>(2)</sup>					
Year	Population <sup>(1)</sup>	Unemployment Rate	Population	Personal Income (thousands of dollars)	Personal Income per Capita
2009	2,575	13.0%	2,015,355	58,050,285	28,804
2010	3,045	13.0%	2,017,673	54,093,000	26,810
2011	3,047	16.0%	2,035,210	59,411,850	29,192
2012	3,049	16.0%	2,063,919	61,913,442	29,998
2013	3,053	12.0%	2,081,313	61,677,629	29,634
2014	3,055	10.3%	2,076,274	62,259,000	29,990
2015*	3,968	6.5%	2,104,291	67,488,821	32,072
2016	3,972	5.9%	2,128,133	69,689,971	32,747
2017	3,978	5.4%	2,147,933	77,823,908	36,232
2018	3,990	4.7%	2,157,404	80,020,272	37,091



**Notes:**

- (1) Population was recalibrated back in 2010 for the FY2013/14 CAFR based on analysis by Stanley Hoffman & Assoc. as part of an economic review for the Agency. In the future, population will be obtained from the Agency Appropriations Limit Worksheet.
- (2) Only County data is updated annually. Therefore, the District has chose to use its data since the District believes that the County data is representative of the conditions and experience of the District.

\* On July 1, 2015 the Agency annexed a neighboring water agency and population increased accordingly.

**Sources:**

Per Capita Personal Income and Unemployment obtained from  
<http://www.bestplaces.net/economy/zip-code/california/landers/92285>  
 California Department of Finance and California Labor Market Info  
 Unemployment obtained from:  
[https://www.bls.gov/eag/eag.ca\\_riverside\\_msa.htm](https://www.bls.gov/eag/eag.ca_riverside_msa.htm)  
 Population obtained from:  
<https://www.census.gov/quickfacts/fact/map/sanbernardinocountycalifornia/INC110216>  
 Personal income per capita obtained from:  
[http://www.dot.ca.gov/hq/tpp/offices/eab/socio\\_economic\\_files/2017/SanBernardino.pdf](http://www.dot.ca.gov/hq/tpp/offices/eab/socio_economic_files/2017/SanBernardino.pdf)



**Bighorn Desert View Water Agency  
Demographic and Economic Statistics  
Last Ten Fiscal Years**

**Schedule 10**

<u>Employer</u>	<u>Current Employment</u>		<u>Employer</u>	<u>Historical Employment</u>
	<u>No. of EE's 2017-2018</u>	<u>2018 % of Labor Force</u>		<u>No. of EE's 2010-2011</u>
Post Office	1	0.07%	Post Office	1
Western Coffee Pot Café	N/A	N/A	Western Coffee Pot Café	4
Dollar General	9	0.63%	Dollar General	N/A
Halliday's Liquor	1	N/A	Halliday's Liquor	1
Mojave Liquor	2	0.14%	Mojave Liquor	2
Loyal Order / Moose Landers	2	0.14%	Loyal Order / Moose Landers	2
Lander's Brew & Pub (Castle Inn)	1	0.07%	Lander's Brew & Pub (Castle Inn)	3
Diversified Tools	2	0.14%	Diversified Tools	4
Hero Market	7	0.49%	Hero Market	4
Bighorn Desert View Water Agency	9	0.63%	Bighorn Desert View Water Agency	8
La Copine	10	0.70%	La Copine	N/A
MUSD (Landers Elementary School)	30	2.11%	MUSD (Landers Elementary School)	27
<b>Total</b>	<b>74</b>	<b>5.13%</b>	<b>Total</b>	<b>\$ 56</b>
2017-2018 Total Labor Force for BDV Service Area		<b>1424</b>		

**Notes:**

Employment information from 2008-2009 (i.e., Fiscal period ended 9-years prior) is not available. Utilized 2010-2011 which is the oldest data on file. Every known employer in the Bighorn-Desert View service area is included

Changes from 2014-2015:

Western Coffee Pot closed.

Castle Inn opened again in 2014-2015

La Copine opened in 2016-2017

Dollar General opened in 2016-2017

Mojave Liquor acquired Halliday's Liquor in 2012-2013

Total Labor Force was estimated as a percentage of calculated population

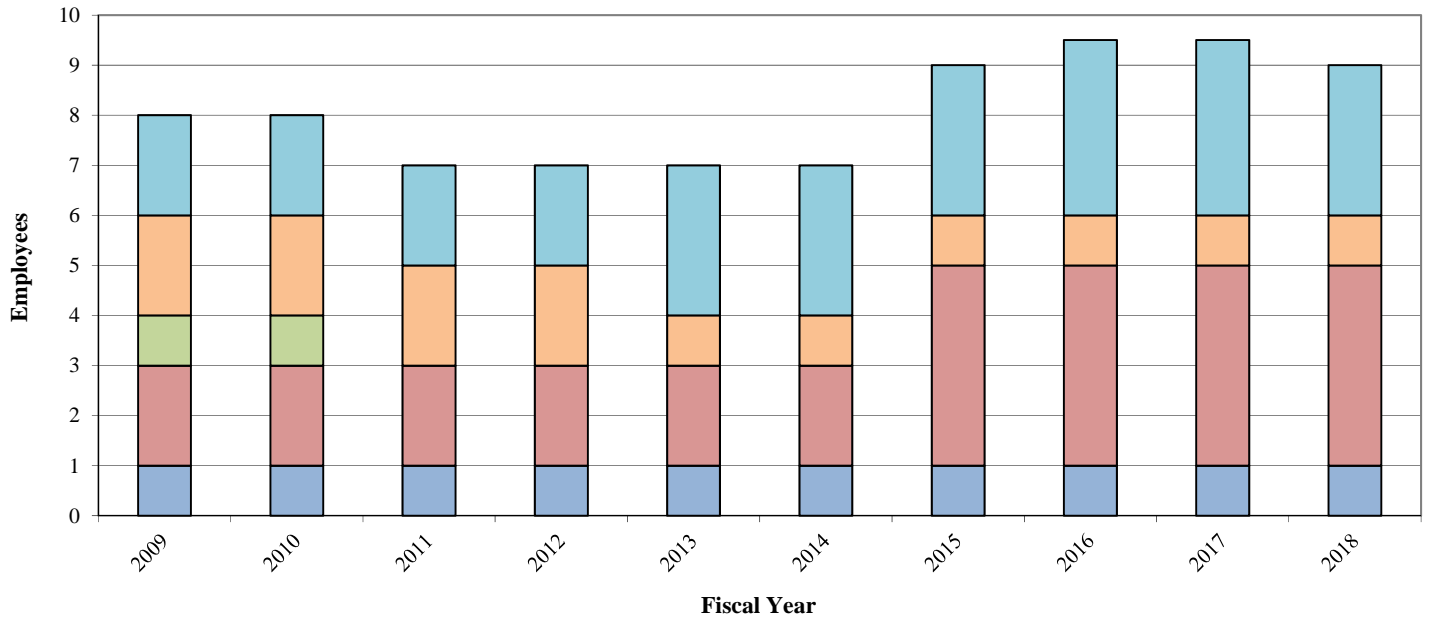
**Source:** Bighorn Desert View Water Agency Accounting Staff

**Bighorn Desert View Water Agency  
Full Time Equivalent Agency Employees by Department  
Last Ten Fiscal Years**

**Schedule 11**

Full-time Equivalent District Employees by Department

Fiscal Year	Water Operations				Administration		Total
	Water Distribution Operator (Water Quality)	Water Distribution Operator <sup>1</sup>	Field Supervisor <sup>2</sup>	Chief of Operations <sup>3</sup>	Administration <sup>4</sup> General Manager	Accounting I, II, III Customer Service	
2009	1	2	1	0	2	2	8
2010	1	2	1	0	2	2	8
2011	1	2	0	0	2	2	7
2012	1	2	0	0	2	2	7
2013	1	2	0	0	1	3	7
2014	1	2	0	0	1	3	7
2015	1	4	0	0	1	3	9
2016	1	4	0	0	1	3.5	9.5
2017	1	4	0	0	1	3.5	9.5
2018	1	4	0	0	1	3.0	9.0



Source: Bighorn Desert View Water Agency Accounting Staff

**Note:**

General Manager is included in Administration  
Board Members, Part-Time and Temporary employee's are not included

- 1) - WDO III, and WDO I
- 2) - 6/30/12: Field Supervisor position eliminated
- 3) - 6/30/08: Chief of Operations position eliminated
- 4) - 7/01/13: Exec. Secretary/Personnel positions eliminated

**Bighorn Desert View Water Agency  
Operating and Capacity Indicators  
Last Ten Fiscal Years**

**Schedule 12**

**Other Operating and Capacity Indicators - Potable Water System<sup>1,4</sup>**

Fiscal Year	Service Area		Miles of Pipeline	Storage Tanks	Storage Capacity (MG)	Active Pumping Plants	Active Wells <sup>2</sup> Domestic	Well Capacity (Acre Ft)	Service Connections		
	(annexed property): <sup>4</sup> (Acres)	(Square Miles)							Bighorn Mountains	Desert View	ID Goat Mountain
2009	27,353	43	120	10	2.40	2	8	469	1,012	900	N/A
2010	27,353	43	120	10	2.40	2	8	432	1,008	894	N/A
2011	27,353	43	120	10	2.40	2	7	412	1,008	892	N/A
2012	27,353	43	120	10	2.40	2	7	412	1,007	889	N/A
2013	27,353	43	120	10	2.40	2	7	427	1,007	888	N/A
2014	27,353	43	120	10	2.40	2	6	393	1,009	886	N/A
2015	27,353	43	120	10	2.40	2	6	356	1,010	886	N/A
2016	33,280	52	170	13	3.00	3	9	453	1,012	887	651
2017	33,280	52	170	13	3.00	3	9	500	1,013	888	651
2018	33,280	52	170	13	3.00	3	8	558	1,011	905	657

**Notes:**

MG - Millions of Gallons

1) - Corrections have been made to prior year statistics

2) - Well 4 was inactivated in 2011 and Well 2 was inactivated in 2013

3) - 2003 to 2008 figures include open meters in use only. In 2009 the count was changed to include all meters active and inactive.

4) - Effective July 1, 2015, ID Goat Mountain was annexed to BDVWA which affects all statistics shown.

Source: Bighorn Desert View Water Agency Staff



# **Report on Internal Controls and Compliance**





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### **Independent Auditor's Report on Internal Controls Over Financial Reporting And on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

Board of Directors  
Bighorn Desert View Water Agency  
Yucca Valley, California

We have audited, in accordance with the 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 Bighorn Desert View Water Agency (Agency) as of and for the fiscal year ended June 30, 2018, and the related notes to the financial statements, which collectively comprises the Agency's basic financial statements, and have issued our report thereon dated October 23, 2018.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Agency'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency'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 entity'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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

#### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Agency's financial statements are free from 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*.

**Independent Auditor's 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**

**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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Fedak & Brown LLP*

**Fedak & Brown LLP**

Cypress, California

October 23, 2018