

**BYRON BETHANY
IRRIGATION DISTRICT**

**FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT
for the year ended December 31, 2014**

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An Accountancy Corporation

Certified Public Accountant

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Independent Auditor's Report

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

We have audited the accompanying financial statements of Byron Bethany Irrigation District, as of and for the year ended December 31, 2014, as listed in the table of contents, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Byron Bethany Irrigation District as of December 31, 2014, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America, as well as the accounting systems prescribed by the State Controller's Office and State Regulations governing Special Districts.

Other Matters

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

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

Robert W. Johnson, An Accounting Corporation

Citrus Heights, California

May 4, 2015

**BYRON BETHANY IRRIGATION DISTRICT
STATEMENT OF NET POSITION
December 31, 2014**

ASSETS

Current assets:		
Cash (Note 3)		\$ 4,245,450
Receivables – water		203,901
– other		12,413
Construction trust account		426,802
Prepaid expenses		<u>314,657</u>
Total current assets		5,203,223
Capital assets, at cost (Notes 4, 5 and 6)	\$38,031,935	
Less accumulated depreciation	<u>10,139,166</u>	
	27,892,769	
Work in progress	<u>53,426</u>	27,946,195
Other post employment benefits asset (Note 11)		675,513
Restricted assets:		
Cash (Note 3)	6,179,056	
LAIF	1,558,668	
Cash with Trustee (Note 5)	<u>319,513</u>	
		<u>8,057,237</u>
		<u>\$41,882,168</u>

See notes to financial statements

LIABILITIES AND NET POSITION

Current liabilities:		
Current portion of long-term debt (Note 5)		\$ 180,000
Current portion of capital lease (Note 6)		32,069
Accounts payable and accrued liabilities		171,261
Compensated absences		33,215
Construction and customer deposits		<u>45,000</u>
Total current liabilities		461,545
Long-term debt, net of current portion (Note 5)	\$ 6,559,577	
Long-term debt, net of current portion (Note 6)	<u>67,093</u>	
		6,626,670
Line of credit (Note 7)		<u>-</u>
Total liabilities		7,088,215
Net position (Note 9):		
Net investment in capital assets	\$24,767,033	
Restricted	2,802,237	
Unrestricted	<u>7,224,683</u>	
		<u>34,793,953</u>
		<u>\$41,882,168</u>

BYRON BETHANY IRRIGATION DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
for the year ended December 31, 2014

Operating revenues:		
Water sales		\$ 2,512,469
Stand-by charges		168,574
Water transfers		2,411,234
O & M charges		350,084
Customer finance charges		23,138
Other		<u>62,063</u>
Total operating revenues		5,527,562
Operating expenses:		
Source of supply	\$1,132,554	
Pumping	554,171	
Transmission and distribution	1,410,840	
Administrative	922,759	
Depreciation	<u>965,389</u>	
Total operating expenses		<u>4,985,713</u>
Operating income		541,849
Non-operating income (expense):		
Property tax revenue	4,166,852	
Investment income	20,938	
Farm income	8,000	
Reimbursements	428,174	
Bureau cost recovery	7,676	
Bond issuance costs	(225,005)	
Sale/disposal of fixed assets	(10,655)	
Interest expense	<u>(146,250)</u>	
Income before contributions		4,791,579
Capital contributions		<u>-</u>
Change in net position (carried forward)		4,791,579

See notes to financial statements

BYRON BETHANY IRRIGATION DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION, continued
for the year ended December 31, 2014

Change in net position (brought forward)	\$ 4,791,579
Total net position:	
Beginning	<u>30,002,374</u>
Ending	<u>\$34,793,953</u>

See notes to financial statements

**BYRON BETHANY IRRIGATION DISTRICT
STATEMENT OF CASH FLOWS
for the year ended December 31, 2014**

Cash flows from operating activities:		
Receipts from customers and others		\$ 5,583,270
Payments to suppliers		(5,395,149)
Payments to employees		<u>(1,126,805)</u>
Net cash provided to operating activities		(938,684)
Cash flows from noncapital financing activities:		
Receipts from property taxes and other nonoperating income		4,603,026
Cash flows from capital and related financing activities:		
Purchase of capital assets	\$(1,423,847)	
Bureau construction relief	7,676	
Principal reduction on long-term debt	(177,676)	
Interest paid on capital debt	(146,250)	
Proceeds from capital lease	99,162	
Proceeds from sale of assets	<u>10,000</u>	(1,630,935)
Cash flows from investing activities:		
Investment income		<u>20,938</u>
Net increase in cash and cash equivalents		2,054,345
Cash and cash equivalents:		
Beginning of year		<u>10,248,342</u>
End of year		<u>\$12,302,687</u>
Allocated:		
Operating	\$ 4,245,450	
Restricted	<u>8,057,237</u>	<u>\$12,302,687</u>

See notes to financial statements

BYRON BETHANY IRRIGATION DISTRICT
STATEMENT OF CASH FLOWS, continued
for the year ended December 31, 2014

Reconciliation of operating income (loss) to net cash provided to operating activities:		
Operating income		\$ 541,849
Adjustments to reconcile operating loss to net cash provided to operating activities:		
Depreciation expense	\$ 965,389	
Changes in operating assets and liabilities:		
Receivables	144,235	
Prepays	(158,651)	
Accounts payable	(33,127)	
Other payables and deposits	(5,655)	
OPEB	(28,684)	
Trust account	<u>(2,364,040)</u>	
Total adjustments		<u>(1,480,533)</u>
Net cash provided to operating activities		<u>\$ (938,684)</u>
Supplementary information:		
Cash paid for interest		<u>\$ 146,250</u>

See notes to financial statements

BYRON BETHANY IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS

1. Organization:

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

2. Summary of Significant Accounting Policies:

Method of Accounting

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

Basis of Accounting

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

Property Taxes

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

BYRON BETHANY IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued

2. Summary of Significant Accounting Policies, continued:

Depreciation

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

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

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

Investments

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

Budget and Budgetary Accounting

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

BYRON BETHANY IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued

2. Summary of Significant Accounting Policies, continued:

Statement of Cash Flows

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

Compensated Absences

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

Capitalized Interest

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

Use of Estimates

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

BYRON BETHANY IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued

3. Cash and Investments:

At year-end the carrying amount of the District's deposits was \$10,744,019 and the bank balance was \$10,032,750. The bank balance was covered by Federal depository insurance and was covered by collateral held in the pledging bank's trust department as mandated by state law.

	Balance, December 31, <u>2014</u>
Checking account (interest-bearing)	\$ 9,105,794
Petty cash	400
Certificate of deposit	1,318,312
Cash with Trustee	<u>319,513</u>
	<u>\$10,744,019</u>

Investments:

California statutes authorize the District to invest in a variety of credit instruments as provided for in the California Government Code Section 53600, Chapter 4 – Financial Affairs. The Government Code allows investments in obligations of the U.S. Treasury, agencies, and instrumentalities, commercial paper rated A-1 by Standard & Poor's or P-1 by Moody's Commercial Paper Record, bankers' acceptances, repurchase agreements, medium-term corporate notes, mutual funds and the State Treasurer's Local Agency Investment Fund (LAIF). The investments at December 31, 2014 consist of:

	<u>Carrying Amount</u>	<u>Market Value</u>
LAIF	<u>\$1,558,668</u>	<u>\$ 1,558,668</u>

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

BYRON BETHANY IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued

4. Capital Assets:

Changes in capital assets for the year ended December 31, 2014 are as follows:

	<u>Balance</u> <u>1/1/14</u>	<u>Additions/</u> <u>Transfers</u>	<u>Disposals</u>	<u>Balance</u> <u>12/31/14</u>
Land	\$ 1,835,050	\$ 2,459	\$ -	\$ 1,837,509
General properties	15,306,223	644,187	-	15,950,410
Pumping plant	10,280,096	345,681	-	10,625,777
Office equipment	144,243	-	-	144,243
Autos	654,193	57,287	35,412	676,068
Tools	803,578	320,806	-	1,124,384
PL-984 project	2,166,723	-	-	2,166,723
CVPSA distribution system	745,245	-	-	745,245
Radio equipment	45,422	-	-	45,422
Mariposa Energy Plant	<u>4,716,154</u>	<u>-</u>	<u>-</u>	<u>4,716,154</u>
	<u>\$36,696,927</u>	<u>\$1,370,420</u>	<u>\$ 35,412</u>	<u>\$38,031,935</u>
	<u>Balance</u> <u>1/1/14</u>	<u>Additions</u>	<u>Transfers</u>	<u>Balance</u> <u>12/31/14</u>
Work in progress	<u>\$ -</u>	<u>\$ 53,426</u>	<u>\$ -</u>	<u>\$ 53,426</u>

BYRON BETHANY IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued

5. Long-term Debt:

Long-term debt activities for year ended December 31, 2014 are as follows:

	<u>Balance</u> <u>1/1/14</u>	<u>Increase</u>	<u>Debt</u> <u>Retired</u>	<u>Balance</u> <u>12/31/14</u>	<u>Current</u> <u>Portion</u>
Revenue Bonds	\$3,250,000	\$ -	\$ 170,000	\$3,080,000	\$ 180,000
Bureau- Service Contract	<u>3,667,253</u>	<u>-</u>	<u>7,676</u>	<u>3,659,577</u>	<u>-</u>
	<u>\$6,917,253</u>	<u>\$</u>	<u>\$ 177,676</u>	<u>\$6,739,577</u>	<u>\$ 180,000</u>

Revenue Bonds

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

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

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

BYRON BETHANY IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued

5. Long-term Debt, continued:

Revenue Bonds, continued

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

Bond reserve \$ 319,513

The bonds are secured by and payable solely from revenues of the District. The Term Bonds are subject to redemption prior to maturity as specified in the bond resolution.

Bureau of Reclamation

The total liability of \$3,659,577 (District's share of constructing Central Valley Project plus share of construction of Delta-Mendota Canal/California Aqueduct Intertie). Payments are to be made through future deliveries (50 years) of water. No interest is being charged on this liability.

These loans mature as follows:

<u>Payment Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
4/1/15	\$ -	\$ 69,300	\$ 69,300
10/1/15	180,000	69,300	249,300
4/1/16	-	65,250	65,250
10/1/16	185,000	65,250	250,250
4/1/17	-	61,087	61,087
10/1/17	195,000	61,087	256,087
4/1/18	-	56,700	56,700
10/1/18	205,000	56,700	261,700
4/1/19	-	52,087	52,087
10/1/19	215,000	52,087	267,087
2020-2024	1,225,000	366,750	1,591,750
2025-2027	875,000	79,875	954,875
Post 2027	<u>3,659,577</u>	<u>-</u>	<u>3,659,577</u>
	<u>\$6,739,577</u>	<u>\$1,055,473</u>	<u>\$7,795,050</u>

BYRON BETHANY IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued

6. Capital Lease:

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

Future minimum payments for the lease are as follows:

<u>Date</u>	
2015	\$ 35,085
2016	35,085
2017	<u>35,084</u>
Total minimum lease payments	105,254
Less amount representing interest	<u>6,092</u>
Present value of net minimum lease payments	99,162
Less, current portion	<u>32,069</u>
Long-term portion	\$ <u>67,093</u>

7. Line of Credit:

On November 14, 2012, the District obtained a \$1,300,000 line of credit, all of which was unused at December 31, 2014. The line of credit matures on November 17, 2015 and carries an interest rate of 3.2%. The credit line is secured by a certificate of deposit with a balance of \$1,300,000 as collateral. The District opened the line of credit to obtain financing for construction of capital improvements projects.

BYRON BETHANY IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued

8. Defined Benefit Retirement Plan:

Plan Description

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

Funding Policy

Covered employees are required by statute to contribute 7 percent of their salary to the plan after a formula to coordinate with Social Security. The District is required by the same statute to contribute the remaining amounts necessary to pay benefits when due; however, the District also pays the employees' share. The District is required to contribute at an actuarially determined rate. The required employer contribution rate for 2012/13 was 4.971%, for 2013/14 was 6.786%, and for 2014/15 was 6.652%. The contribution requirements of the plan members and the District are established and may be amended by CalPERS. The District's contributions for the years ended December 31, 2014, 2013 and 2012 were \$54,402, \$47,915, and \$45,094 respectively, which were equal to the required contributions each year.

BYRON BETHANY IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued

9. Net Position:

Components of net position as of December 31, 2014 are analyzed as follows:

Net investment in capital assets		\$24,767,033
Restricted:		
Bond reserve	\$ 319,513	
OHE & GA reserve	<u>2,482,724</u>	2,802,237
Unrestricted:		
Board designated:		
Ten year CIP	1,000,000	
Insurance/SIR	105,000	
Rolling stock repl't.	100,000	
Construction eq. repl't.	100,000	
Groundwater mgt.	100,000	
RWSA infrastructure repl.	1,000,000	
SLDMWA-DHCCP reserve	1,000,000	
CVP Service Area Cap. Imp.	50,000	
PERS contribution	200,000	
2007 Series Debt Payment	<u>1,600,000</u>	
	5,255,000	
Undesignated (deficit)	<u>1,969,683</u>	<u>7,224,683</u>
		<u>\$34,793,953</u>

10. Risk of Loss:

Byron Bethany Irrigation District is exposed to various risks of loss related to theft of, damage to, and destruction of assets; and injuries to employees. During the 2014 fiscal year, the District purchased certain commercial insurance coverages to provide for these risks.

BYRON BETHANY IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued

11. Post Employment Benefits:

Plan Description

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

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

Funding Policy

The District's current funding policy is to fund 100% of the annual required contribution as determined under GASB Statement No. 45 through California Employers' Retiree Benefit Trust (CERBT). The market value of assets in CERBT as of December 31, 2014 was \$889,427.

An actuarial valuation was done as of June 30, 2013. A contribution of \$36,684 was made to the CERBT in 2014.

The District's ARC was \$18,697 for the year ended June 30, 2014. This includes the normal cost of \$24,039, and \$(5,342) to amortize the Unfunded Actuarial Accrued Liability (UAAL).

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

BYRON BETHANY IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued

11. Post Employment Benefits, continued:

Funding Policy, continued

The following table shows the components of the District's annual OPEB cost for the year, the amounts actually contributed to the plan, and changes in the District's Net OPEB obligation for the year ended December 31, 2014:

	<u>2014</u>
Annual required contribution (ARC)	\$ 18,697
Interest on net OPEB obligation	(47,607)
Adjustment to annual required contribution	<u>36,910</u>
Annual OPEB cost (expense)	8,000
CERBT contribution	<u>(36,684)</u>
(Increase) decrease in net asset	<u>(28,684)</u>
Net OPEB obligation (asset) – beginning of year	<u>(646,829)</u>
Net OPEB obligation (asset) – end of year	<u>\$(675,513)</u>

Funded Status and Funding Progress of the Plan

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

BYRON BETHANY IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued

11. Post Employment Benefits, continued:

Actuarial Methods and Assumptions

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

12. Subsequent Events:

Management has evaluated subsequent events through May 4, 2015, the date these December 31, 2014 financial statements were available to be issued.

13. 2015 Dry Year Outlook:

Due to record dry conditions in California through 2013 and into 2015, the Bureau of Reclamation has announced a “zero” allocation of irrigation water and 25% of historical use for Municipal and Industrial (M&I) water to meet health and safety needs within the District’s Central Valley Project (CVP) Contract Service Area.

On March 23, 2015, the District advised its water users within the Byron and Bethany Service Areas of the possibility of a curtailment of water diversions and the availability of water during the 2015 irrigation season. While the information provided to the water users is subject to revision and further analysis, current water supply and availability projections compiled by the State Water Resources Control Board indicate that curtailment orders could be issued to senior pre-1914 water right diverters as early as mid-June, 2015.

BYRON BETHANY IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued

13. 2015 Dry Year Outlook, continued:

These conditions will likely result in increased fiscal pressure for water users while these drought conditions persist. It is possible that the District will draw from reserve funds and potentially make reductions to its 2015 budget to offset the impacts of the loss of funding through rates.

The District continues to monitor the water supply/availability situation and will continue to update its water users as new information becomes available.

14. New Pronouncements:

In June 2012, the GASB approved Statement No. 68, *Accounting and Financial Reporting for Pensions*. The Statement requires governments providing defined benefit pension plans to recognize their long-term obligation for pension benefits as a liability on the statement of net position and to more comprehensively and comparably measure the annual costs of pension benefits. This Statement also requires revised and new note disclosures and required supplementary information (RSI) to be reported by employers. The implementation of this GASB Statement will have a significant impact on the District's financial statements and is effective for the District's December 31, 2015 financial statements.

15. Central Valley Project Reported Liabilities:

The District's Central Valley Project Service Area (CVPSA) receives its water supply under "Long-Term Contract No. 14-06-200-785LTR1 Between the United States and Byron Bethany Irrigation District Providing for Project Water Service from the Delta Division-Central Valley Project". The District has a financial obligation to pay its proportional share of the capital cost of constructing the Central Valley Project, which as of December, 2014 was \$3,404,879. Additionally, the District is required to reimburse the United States for the construction of the Delta-Mendota Canal/California Aqueduct Intertie. As of September, 2014, the District's share of unpaid Intertie construction costs was \$254,698.

The total costs of \$3,659,577 have been reported as prior year operating costs.

BYRON BETHANY IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued

16. Litigation:

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

SUPPLEMENTAL DATA

**BYRON BETHANY IRRIGATION DISTRICT
PRINCIPAL OFFICIALS
December 31, 2014**

BOARD OF DIRECTORS

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

OPERATIONS

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

**BYRON BETHANY IRRIGATION DISTRICT
SCHEDULE OF FUNDING PROGRESS –
Other Post-Employment Benefits (OPEB)
For the year ended December 31, 2014**

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

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