



**Bear Valley Community Services District
Tehachapi, California**

Annual Financial Report

**For the Fiscal Year Ended
June 30, 2020**



BEAR VALLEY COMMUNITY SERVICES DISTRICT

List of Elected and Appointed Officials

June 30, 2020

Elected Officials

BOARD OF DIRECTORS

President	Steve Roberts
Vice-President	Terry Quinn
Director	Jane Baron
Director	Gregory Hahn
Director	Jay Carlyn

District Management

General Manager	William Malinen
Administrative Services Director	Hamed Jones
Chief of Police	Tim Melanson
Public Works Director	Dave Van Wagoner

**Bear Valley Community Services District
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Tehachapi, California 93561
(661) 821-4428 www.bvcsd.com**



Bear Valley Community Services District
Annual Financial Report
For the Fiscal Year Ended June 30, 2020

Prepared by:
Finance Department
Hamed Jones, Administrative Services Director / Treasurer

**Bear Valley Community Services District
Annual Financial Report
For the Fiscal Year Ended June 30, 2020**

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Financial Section



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Independent Auditors' Report

Board of Directors
Bear Valley Community Services District
Tehachapi, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Bear Valley Community Services District (District) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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 controls 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 basic 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 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2020, and the respective changes in financial 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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 12, budgetary comparison information on pages 55 through 58, and the required supplementary information on pages 59 and 60 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, 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 Matters

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements.

The supplementary information on pages 61 through 63 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information is the responsibility of management and was derived from and relates 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 taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated February 11, 2021, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance. This report can be found on pages 64 and 65.

Fedak & Brown LLP

Fedak & Brown LLP
Cypress, California
February 11, 2021

**Bear Valley Community Services District
Management's Discussion and Analysis
For the Year Ended June 30, 2020**

The following Management's Discussion and Analysis (MD&A) of activities and financial performance of the Bear Valley Community Services District (District) provides an introduction to the financial statements of the District for the fiscal year ended June 30, 2020. We encourage readers to consider the information presented here in conjunction with the accompanying basic financial statements and related notes, which follow this section.

Financial Highlights

- The District's net position decreased 2.4%, or \$486,181 from \$20,439,543 to \$19,953,362 as a result of current year operations.
- Total revenues from all sources increased 21.0%, or \$1,562,576 from \$7,424,720 to \$8,987,296.
- Total expenses for District operations increased 20.2%, or \$1,589,975 from \$7,883,502 to \$9,473,477.

Using This Financial Report

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provides information about the activities and performance of the District using accounting methods similar to those used by private sector companies.

The Statement of Net Position includes all of the District's investments in resources (assets) and 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 District and assessing the liquidity and financial flexibility of the District. All of the current year's revenue and expenses are accounted for in the Statement of Activities. This statement measures the success of the District's operations over the past year and can be used to determine the District's profitability and credit worthiness.

Government-wide Financial Statements

Statement of Net Position and Statement of Activities

One of the most important questions asked about the District's finances is, "Is the District better off or worse off as a result of this year's activities?" The Statement of Net Position and the Statement of Activities report information about the District 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.

These two statements report the District's *net position* and changes in it. Think of the District'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 District's financial health, or *financial position*. Over time, *increases or decreases* in the District'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 the District's property tax base and the types of grants the District applies for to assess the *overall financial health* of the District.

Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes, assessments and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the District include general government, streets and roads, and public safety. The business-type activities of the District include operations for water, wastewater (sewer), and solid waste (trash).

The government-wide financial statements can be found on pages 13 through 15 of this report.

**Bear Valley Community Services District
Management's Discussion and Analysis
For the Year Ended June 30, 2020**

Fund Financial Statements

Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balance

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Bear Valley Community Services District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and enterprise funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions.

The Bear Valley Community Services District maintains four individual governmental funds: general, roads, bond redemption and supplemental law enforcement services. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund, roads fund, bond redemption fund and supplemental law enforcement services fund, which are considered major funds. The District maintains no non-major governmental funds.

The Bear Valley Community Services District adopts an annual appropriated budget for its general, streets and roads, bond redemption, and supplemental law enforcement funds. A budgetary comparison statement has been provided for each fund to demonstrate compliance with the budget. See pages 55 through 58 of this report.

The basic governmental fund financial statements can be found on pages 16 through 19 of this report.

Statement of Net Position and Statement of Revenues, Expenditures and Changes in Fund Balance

Enterprise Funds

Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Bear Valley Community Services District uses three enterprise funds to account for its water, wastewater, and solid waste activities.

Enterprise funds provide the same type of information as the government-wide financial statements, only in more detail. The enterprise fund financial statements provide separate information for all three enterprise funds.

A budgetary comparison statement to demonstrate compliance with the budget is not required for enterprise funds; nonetheless, budgetary comparison schedules are provided on pages 61 through 63 of this report.

**Bear Valley Community Services District
Management's Discussion and Analysis
For the Year Ended June 30, 2020**

Statement of Net Position and Statement of Revenues, Expenditures and Changes in Fund Balance

Enterprise Funds, continued

The Government Finance Officers Association recommends that a government use the smallest number of individual funds consistent with legal and operating requirements. For the purposes of this report, three individual funds (water enterprise, water development and water reserve funds) are reported together as Water Enterprise; four funds (wastewater enterprise, wastewater development, wastewater reserve and assessment district 95-1 funds) are reported together as Wastewater Enterprise; and two funds (solid waste enterprise and solid waste reserve funds) are reported together as Solid Waste Enterprise. The individual funds are maintained for internal purposes but are properly aggregated in this report for financial reporting purposes.

The basic enterprise fund financial statements can be found on pages 20 through 22 of this report.

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 23 through 54 of this report.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information, which can be found on pages 55 through 60 of this report.

Government-wide Financial Analysis

Statements of Net Position

	Condensed Statements of Net Position						
	Governmental Activities		Business-type Activities		Total District		
	2020	2019	2020	2019	2020	2019	Change
Assets:							
Current and other assets	\$ 5,949,766	6,282,284	3,262,759	3,279,516	9,212,525	9,561,800	(349,275)
Capital assets, net	11,669,615	11,898,999	8,759,937	8,939,926	20,429,552	20,838,925	(409,373)
Total assets	<u>17,619,381</u>	<u>18,181,283</u>	<u>12,022,696</u>	<u>12,219,442</u>	<u>29,642,077</u>	<u>30,400,725</u>	<u>(758,648)</u>
Deferred outflows of resources:	<u>555,066</u>	<u>567,113</u>	<u>390,775</u>	<u>408,603</u>	<u>945,841</u>	<u>975,716</u>	<u>(29,875)</u>
Liabilities:							
Current liabilities	1,050,214	1,122,727	671,286	782,337	1,721,500	1,905,064	(183,564)
Non-current liabilities	4,863,496	5,045,340	3,750,900	3,741,039	8,614,396	8,786,379	(171,983)
Total liabilities	<u>5,913,710</u>	<u>6,168,067</u>	<u>4,422,186</u>	<u>4,523,376</u>	<u>10,335,896</u>	<u>10,691,443</u>	<u>(355,547)</u>
Deferred inflows of resources:	<u>156,175</u>	<u>128,112</u>	<u>142,485</u>	<u>117,343</u>	<u>298,660</u>	<u>245,455</u>	<u>53,205</u>
Net position:							
Net investment in capital assets	10,242,413	10,004,986	6,715,979	6,768,265	16,958,392	16,773,251	185,141
Restricted	2,014,053	2,453,250	-	-	2,014,053	2,453,250	(439,197)
Unrestricted	(151,904)	(6,019)	1,132,821	1,219,061	980,917	1,213,042	(232,125)
Total net position	<u>\$ 12,104,562</u>	<u>12,452,217</u>	<u>7,848,800</u>	<u>7,987,326</u>	<u>19,953,362</u>	<u>20,439,543</u>	<u>(486,181)</u>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows exceed liabilities and deferred inflows by \$19,953,362 at June 30, 2020, a decrease of \$486,181 as the result of current year operations.

**Bear Valley Community Services District
Management's Discussion and Analysis
For the Year Ended June 30, 2020**

Government-wide Financial Analysis, continued

Statements of Net Position, continued

By far the largest portion of the District's net position (85.0%) reflects its investment in capital assets (e.g. land, water/wastewater infrastructure and equipment). The Bear Valley Community Services District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

The remaining balance of restricted net position of \$2,014,053 and unrestricted net position of \$980,917 is available to meet the government's ongoing obligations. See note 12 for further discussion.

Governmental activities. Governmental activities decreased the District's net position by \$347,655 from \$12,452,217 to \$12,104,562 as a result of current-year operations.

Business-type activities. Business-type activities decreased the District's net position by \$138,526 from \$7,987,326 to \$7,848,800 as a result of current-year operations.

Statements of Activities

	Condensed Statements of Activities						
	Governmental Activities		Business-type Activities		Total District		
	2020	2019	2020	2019	2020	2019	Change
Revenues:							
Program revenues:							
Charges for services	\$ 1,519,459	1,372,575	4,621,805	3,265,748	6,141,264	4,638,323	1,502,941
Operating grants and contrib.	155,948	148,747	-	-	155,948	148,747	7,201
Capital grants and contrib.	-	-	132,978	76,352	132,978	76,352	56,626
General revenues:							
Property taxes	1,742,156	1,724,594	-	-	1,742,156	1,724,594	17,562
Voter approved taxes	648,598	657,558	-	-	648,598	657,558	(8,960)
Investment earnings	120,740	120,873	45,612	58,273	166,352	179,146	(12,794)
Total revenues	<u>4,186,901</u>	<u>4,024,347</u>	<u>4,800,395</u>	<u>3,400,373</u>	<u>8,987,296</u>	<u>7,424,720</u>	<u>1,562,576</u>
Expenses:							
General government	1,201,450	414,519	-	-	1,201,450	414,519	786,931
Public safety	1,672,860	1,448,228	-	-	1,672,860	1,448,228	224,632
Streets and roads	1,568,769	1,190,203	-	-	1,568,769	1,190,203	378,566
Interest on long-term debt	40,206	50,866	-	-	40,206	50,866	(10,660)
Water	-	-	3,269,199	3,149,248	3,269,199	3,149,248	119,951
Wastewater	-	-	880,599	922,922	880,599	922,922	(42,323)
Solid waste	-	-	840,394	707,516	840,394	707,516	132,878
Total expenses	<u>4,483,285</u>	<u>3,103,816</u>	<u>4,990,192</u>	<u>4,779,686</u>	<u>9,473,477</u>	<u>7,883,502</u>	<u>1,589,975</u>
Transfers from(to) other funds	(51,271)	(87,190)	51,271	87,190	-	-	-
Change in net position	(347,655)	833,341	(138,526)	(1,292,123)	(486,181)	(458,782)	(27,399)
Net position, beginning of year	<u>12,452,217</u>	<u>11,618,876</u>	<u>7,987,326</u>	<u>9,279,449</u>	<u>20,439,543</u>	<u>20,898,325</u>	<u>(458,782)</u>
Net position, end of year	<u>\$ 12,104,562</u>	<u>12,452,217</u>	<u>7,848,800</u>	<u>7,987,326</u>	<u>19,953,362</u>	<u>20,439,543</u>	<u>(486,181)</u>

Compared to prior year, net position of the District decreased 2.4%, or \$486,181 from \$20,439,543 to \$19,953,362 as a result of current year operations.

Total revenues from all sources increased 21.0%, or \$1,562,576 from \$7,424,720 to \$8,987,296.

Revenue from charges for services in the governmental-type activities increased by 10.7%, or \$146,884 from \$1,372,575 to \$1,519,459 due primarily to increases of \$63,218 in general government, \$60,380 in public safety charges, and \$23,286 in streets and roads charges as compared to the prior year.

**Bear Valley Community Services District
Management’s Discussion and Analysis
For the Year Ended June 30, 2020**

Government-wide Financial Analysis, continued

Statements of Activities, continued

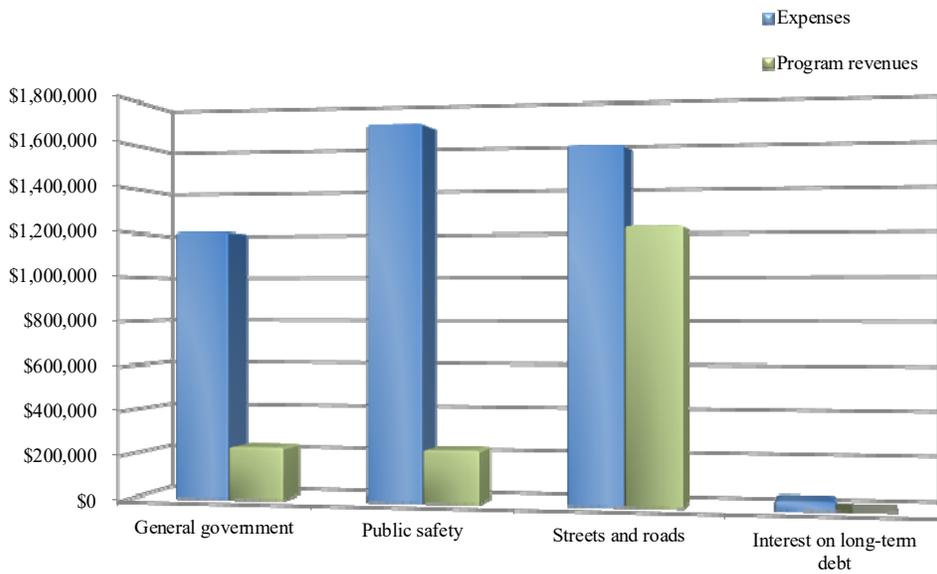
Revenue from charges for services in the business-type activities increased by 41.5%, or \$1,356,057 from \$3,265,748 to \$4,621,805 due primarily to increases of \$1,324,194 in water consumption sales and \$24,127 in wastewater service charges as compared to the prior year.

Property taxes increased by 1.0%, or \$17,562 from \$1,724,594 to \$1,742,156 due to an overall increase in assessed property valuations.

Voter approved taxes decreased by 1.4%, or \$8,960 from \$657,558 to \$648,598.

Total expenses increased by 20.2%, or \$1,589,975 from \$7,883,502 to \$9,473,477 primarily due to increases of \$786,931 in general government and \$224,632 in public safety, \$378,566 in streets and roads, \$119,951 in water expenses, and \$132,878 in solid waste expenses.

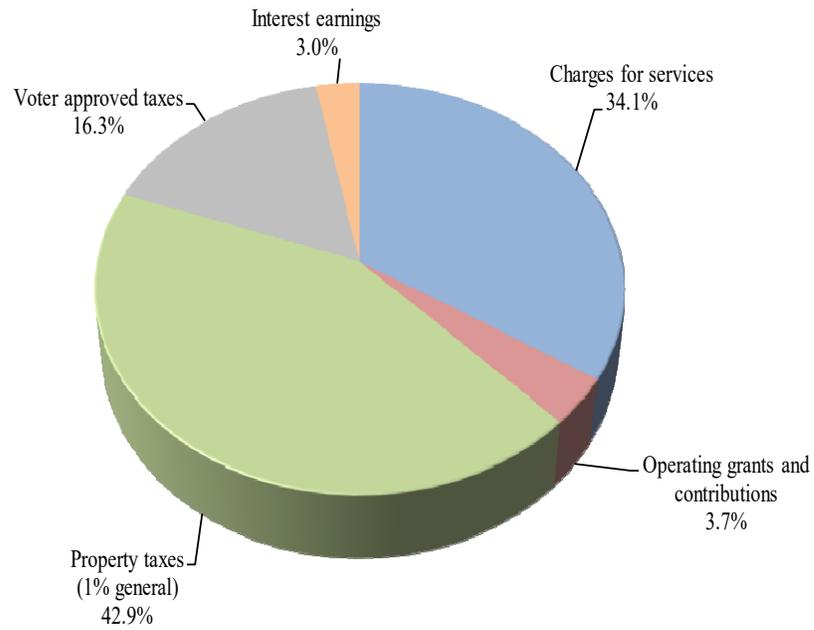
Expenses and Program Revenues – Governmental Activities



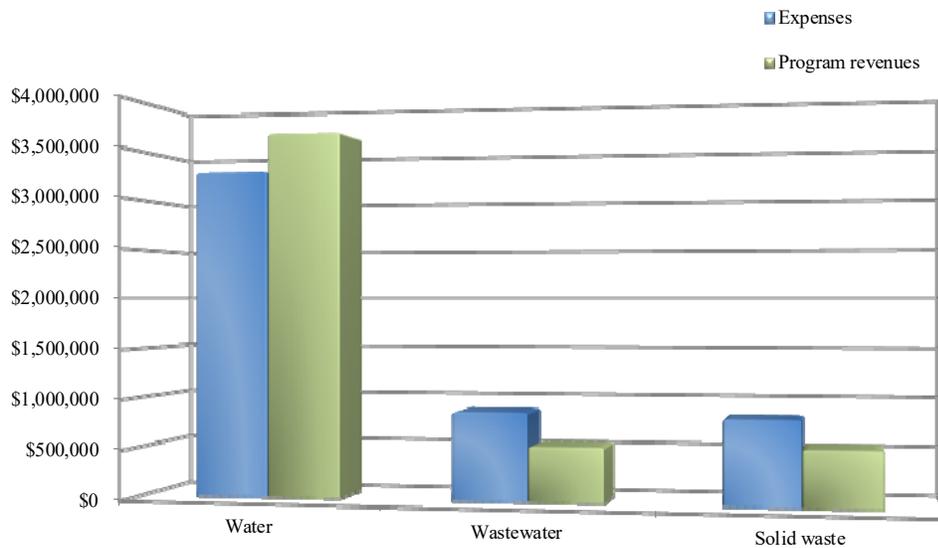
The table above does not include governmental activity general revenues which include property taxes, voter approved taxes, interest earnings, and transfers out. Please see page 15 for further detail.

**Bear Valley Community Services District
Management's Discussion and Analysis
For the Year Ended June 30, 2020**

Revenues by Source – Governmental Activities

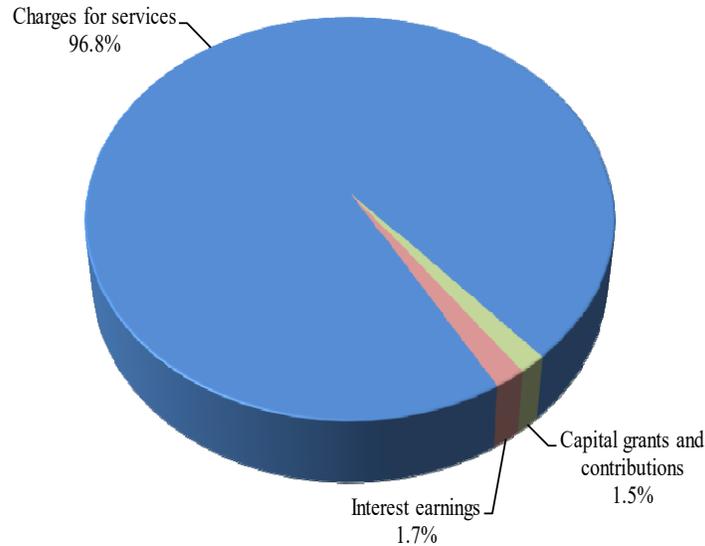


Expenses and Program Revenues – Business-type Activities



**Bear Valley Community Services District
Management's Discussion and Analysis
For the Year Ended June 30, 2020**

Revenues by Source – Business-type Activities



Financial Analysis of the Government's Funds

As noted earlier, the Bear Valley Community Services District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the Bear Valley Community Services District's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the Bear Valley Community Services District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The following discussion is correlated to the Balance Sheets – Governmental Funds found on page 16.

As of June 30, 2020, the Bear Valley Community Services District's governmental funds reported combined ending fund balance of \$5,509,022, a decrease of \$233,661 in comparison with the prior year. Of this total fund balance, \$2,127,278 or (38.6%) constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is restricted and assigned to indicate that it is not available for general spending because it has already been committed to 1) future road maintenance and improvement, 2) bond debt service, 3) public safety grant-related expenditures, and 4) prepaid expenditures.

The general fund is the chief operating fund of the Bear Valley Community Services District. At the end of the current fiscal year, the fund balance of the general fund amounted to \$3,469,202 of which \$1,086,084 is restricted for an employee contract payable, \$39,985 is non-spendable for prepaid costs, \$215,855 is assigned for compensated absences, and \$2,127,278 is unassigned. Of the unassigned fund balance, the Board has a deficit unfunded reserve of \$151,904. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 89.4% of total general fund expenditures, while total fund balance represents 145.9% of that same amount.

**Bear Valley Community Services District
Management's Discussion and Analysis
For the Year Ended June 30, 2020**

Financial Analysis of the Government's Funds, continued

Governmental funds, continued

The following discussion is correlated to the change in fund balance on the Statement of Revenues, Expenditures and Changes in Net Position – Governmental Funds can be found on page 18 and the discussion of fund balance make-up on the Balance Sheets – Governmental Funds can be found on page 16.

The fund balance of the District's general fund increased \$231,565 as a result of the current year's operations. The amount unassigned for six-month operating reserve decreased by \$934,643 from \$3,061,921 to \$2,127,278 primarily due to the restricted fund balance as compared to the prior year.

The fund balance of the District's streets and roads fund decreased \$490,675 as a result of the current year's operations. The streets and roads fund has a restricted fund balance of \$1,697,923 which will be used for the ongoing maintenance and improvement of streets and roads, including drainage ways and rights of way, and to repay the installment sales agreement. The non-spendable fund balance amount includes \$2,586 in prepaid costs. The assigned fund balance amount is \$23,181 for compensated absences.

The fund balance of the District's debt service fund increased \$25,853 as a result of the current year's operations. The debt service fund has a restricted fund balance of \$299,465 which will be used for the payment for future debt service.

The fund balance of the District's supplemental law enforcement fund decreased \$404 as a result of the current year's operations. The supplemental law enforcement fund has a restricted fund balance of \$16,665 which will be used to fund law enforcement activity.

Enterprise funds. The Bear Valley Community Services District's enterprise funds provide the same type of information found in the government-wide financial statements, but in more detail.

The following discussion is correlated to the change in fund balance on the Statement of Revenues, Expenditures and Changes in Net Position – Enterprise Funds can be found on page 21.

Net position for all enterprise funds decreased \$138,526 as a result of current-year operations. Changes in total net position from last year are as a result of current year's operations as follows: water enterprise increased by \$405,515; wastewater enterprise decreased by \$270,099; and solid waste enterprise decreased by \$273,942 as a result of the current years ongoing operations.

Budgetary Highlights

Governmental funds. For the year ended June 30, 2020, the final actual expenditures were less than budgeted for the general fund by \$1,428,693; greater than budgeted for the streets and roads fund by \$37,948; equaled budgeted for the debt service fund; and greater than budgeted for the supplemental law enforcement fund by \$361. For the year ended June 30, 2020, final actual revenues were greater than budgeted for the general fund by \$84,357; greater than budgeted for the streets and roads fund by \$40,429; greater than budgeted for the debt service fund by \$3,286; and greater than budgeted for the supplemental law enforcement fund by \$99.

At June 30, 2020, there were differences between the original and final amended budgets for the general fund of \$697,371, streets and roads fund of \$992,987, debt service fund of \$92,637, and supplemental law enforcement fund of \$16,784. Please see the budgets on pages 55 through 58.

**Bear Valley Community Services District
Management's Discussion and Analysis
For the Year Ended June 30, 2020**

Budgetary Highlights, continued

Enterprise funds. For the year ended June 30, 2020, the final actual expenditures (before depreciation) were less than budgeted for the water fund by \$85,060; greater than budgeted for the wastewater fund by \$74,817; and greater than budgeted for the solid waste fund by \$9,762. The increases in actual to budget in the salaries and benefits category for the water, wastewater and solid waste enterprise funds were primarily due to the required adjustments for current year GASB 68 implementation. GASB 68 adjustments are not budgeted for as they are changes in estimates only and do not affect cash resources.

For the year ended June 30, 2020, final actual operating revenues were greater than budgeted for the water fund by \$416,790; greater than budgeted for the wastewater fund by \$13,909; and less than budgeted for the solid waste fund by \$514.

At June 30, 2020, there were differences between the original and final amended budgets for the water fund of \$253,391, the wastewater fund of \$70,863, and the solid waste fund of \$308,083. Please see the budgets on pages 61 through 63.

Capital Asset Administration

	Capital Assets					
	Governmental Activities		Business-type Activities		Total District	
	2020	2019	2020	2019	2020	2019
Capital assets:						
Non-depreciable assets	\$ 4,987,766	9,086,343	3,932,395	3,663,790	8,920,161	12,750,133
Depreciable assets	36,494,939	32,366,124	21,008,530	21,008,530	57,503,469	53,374,654
Total capital assets	41,482,705	41,452,467	24,940,925	24,672,320	66,423,630	66,124,787
Accumulated depreciation	(29,813,090)	(29,553,468)	(16,180,988)	(15,732,394)	(45,994,078)	(45,285,862)
Total capital assets, net	\$ 11,669,615	11,898,999	8,759,937	8,939,926	20,429,552	20,838,925

The Bear Valley Community Services District's investment in capital assets for its governmental and business type activities as of June 30, 2020, amounts to \$20,429,552 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, park facilities and infrastructure.

Major governmental capital asset activity during the current fiscal year included the following:

- \$95,271 for construction-in-progress for the gate house software and police department HVAC upgrade projects in the governmental funds.
- \$30,175 for construction-in-progress for the gate project in the roads fund.

Major enterprise capital asset activity during the current fiscal year included the following:

- \$270,342 for construction-in-progress for the transfer station project in the solid waste fund.

Additional information on the Bear Valley Community Services District's capital assets can be found in Note 5 on pages 35 through 37 of this report.

**Bear Valley Community Services District
Management’s Discussion and Analysis
For the Year Ended June 30, 2020**

Long-Term Debt Administration

		Long-term Debt					
		Governmental Activities		Business-Type Activities		Total	
		2020	2019	2020	2019	2020	2019
Long-term debt:							
General obligation bonds	\$	601,000	668,000	-	-	601,000	668,000
Installment sale agreement		826,202	1,226,013	-	-	826,202	1,226,013
CIEDB loan		-	-	2,043,958	2,171,661	2,043,958	2,171,661
Total long-term debt	\$	1,427,202	1,894,013	2,043,958	2,171,661	3,471,160	4,065,674

At the end of the current fiscal year, the Bear Valley Community Services District had total debt outstanding of \$3,471,160. Of this amount, \$601,000 comprises the remaining balance of the general obligation bond debt backed by the full faith and credit of the Bear Valley Community Services District, \$826,202 is the remaining outstanding balance due to the City National Bank (Installment Sales Agreement) utilized for the rehabilitation of the District’s roads infrastructure. \$2,043,958 is the remaining outstanding balance due to the California Infrastructure and Economic Development Bank (CIEDB) for water and wastewater system improvements.

Additional information on the Bear Valley Community Services District’s long-term debt can be found in Note 8 on pages 39 and 40 of this report.

Conditions Affecting Current Financial Position

The COVID-19 pandemic in the United States has caused business disruption through mandated and voluntary closings of businesses. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings. However, the related financial impact on the District and the duration cannot be estimated at this time.

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

Requests for Information

This financial report is designed to provide a general overview of the Bear Valley Community Services District’s finances for all those with an interest in the government’s finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the District’s Administrative Services Director, Hamed Jones at Bear Valley Community Services District, 28999 South Lower Valley Road, Tehachapi, CA 93561, (661) 821-4428, hjones@bvcsd.org.

Basic Financial Statements

Bear Valley Community Services District
Statement of Net Position
June 30, 2020

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Current assets:			
Cash and cash equivalents (note 2)	\$ 5,602,513	1,939,581	7,542,094
Accrued interest receivable	17,653	6,112	23,765
Accounts receivable – utilities, net (note 3)	-	950,109	950,109
Accounts receivable – other	8,392	-	8,392
Property taxes and assessments receivable	28,637	1,205	29,842
Due from other funds (note 4)	250,000	-	250,000
Prepays	42,571	365,752	408,323
Total current assets	<u>5,949,766</u>	<u>3,262,759</u>	<u>9,212,525</u>
Non-current assets:			
Capital assets – not being depreciated (note 5)	4,987,766	3,932,395	8,920,161
Capital assets – being depreciated, net (note 5)	6,681,849	4,827,542	11,509,391
Total non-current assets	<u>11,669,615</u>	<u>8,759,937</u>	<u>20,429,552</u>
Total assets	<u>17,619,381</u>	<u>12,022,696</u>	<u>29,642,077</u>
Deferred outflows of resources:			
Deferred pension outflows (note 9)	555,066	390,775	945,841
Total deferred outflows of resources	<u>\$ 555,066</u>	<u>390,775</u>	<u>945,841</u>

Continued on next page

See accompanying notes to the basic financial statements.

Bear Valley Community Services District
Statement of Net Position, continued
June 30, 2020

	Governmental Activities	Business-type Activities	Total
Current liabilities:			
Accounts payable and accrued expenses	\$ 300,204	171,384	471,588
Accrued wages and related payables	137,014	51,565	188,579
Accrued interest on long-term debt	15,739	24,953	40,692
Deposits	-	15,210	15,210
Unearned revenue	3,526	-	3,526
Due to other funds (note 4)	-	250,000	250,000
Long-term liabilities – due within one year:			
Compensated absences (note 6)	59,759	26,729	86,488
Employee contract payable (note 7)	58,366	-	58,366
Bond and loans payable (note 8)	475,606	131,445	607,051
Total current liabilities	1,050,214	671,286	1,721,500
Non-current liabilities:			
Long-term liabilities – due in more than one year:			
Compensated absences (note 6)	179,277	80,185	259,462
Employee contract payable (note 7)	1,027,718	-	1,027,718
Bond and loans payable (note 8)	951,596	1,912,513	2,864,109
Net pension liability (note 9)	2,704,905	1,758,202	4,463,107
Total non-current liabilities	4,863,496	3,750,900	8,614,396
Total liabilities	5,913,710	4,422,186	10,335,896
Deferred inflows of resources:			
Deferred pension inflows (note 9)	156,175	142,485	298,660
Total deferred inflows of resources	156,175	142,485	298,660
Net position:			
Net investment in capital assets (note 10)	10,242,413	6,715,979	16,958,392
Restricted (note 11)	2,014,053	-	2,014,053
Unrestricted (note 12)	(151,904)	1,132,821	980,917
Total net position	\$ 12,104,562	7,848,800	19,953,362

See accompanying notes to the basic financial statements

Bear Valley Community Services District
Statement of Activities
For the Year Ended June 30, 2020

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Governmental activities:							
General government	\$ 1,201,450	231,399	-	-	(970,051)	-	(970,051)
Public safety	1,672,860	74,506	155,948	-	(1,442,406)	-	(1,442,406)
Streets and roads	1,568,769	1,213,554	-	-	(355,215)	-	(355,215)
Interest on long-term debt	40,206	-	-	-	(40,206)	-	(40,206)
Total governmental activities	4,483,285	1,519,459	155,948	-	(2,807,878)	-	(2,807,878)
Business-type activities:							
Water	3,269,199	3,546,790	-	106,862	-	384,453	384,453
Wastewater	880,599	519,909	-	26,116	-	(334,574)	(334,574)
Solid waste	840,394	555,106	-	-	-	(285,288)	(285,288)
Total business-type activities	4,990,192	4,621,805	-	132,978	-	(235,409)	(235,409)
Total	\$ 9,473,477	6,141,264	155,948	132,978	(2,807,878)	(235,409)	(3,043,287)
General revenues:							
Property taxes					\$ 1,742,156	-	1,742,156
Voter approved taxes					648,598	-	648,598
Interest earnings					120,740	45,612	166,352
Total general revenues					2,511,494	45,612	2,557,106
Transfers in/(out) (note 4)					(51,271)	51,271	-
Change in net position					(347,655)	(138,526)	(486,181)
Net position, beginning of year					12,452,217	7,987,326	20,439,543
Net position, end of year					\$ 12,104,562	7,848,800	19,953,362

See accompanying notes to the basic financial statements

Bear Valley Community Services District
Balance Sheets – Governmental Funds
June 30, 2020

	<u>General</u>	<u>Streets and Roads</u>	<u>Debt Service</u>	<u>Supplemental Law Enforcement</u>	<u>Total Governmental Activities</u>
Assets:					
Cash and cash equivalents	\$ 3,344,909	1,934,407	298,344	24,853	5,602,513
Accrued interest receivable	10,540	6,092	943	78	17,653
Accounts receivable – other	8,380	12	-	-	8,392
Property taxes and assessments receivable	17,558	10,901	178	-	28,637
Due from other funds	250,000	-	-	-	250,000
Prepays	39,985	2,586	-	-	42,571
Total assets	<u>\$ 3,671,372</u>	<u>1,953,998</u>	<u>299,465</u>	<u>24,931</u>	<u>5,949,766</u>
Liabilities:					
Accounts payable and accrued expenses	\$ 78,474	218,465	-	3,265	300,204
Accrued wages and related payables	120,170	11,843	-	5,001	137,014
Unearned revenue	3,526	-	-	-	3,526
Total liabilities	<u>202,170</u>	<u>230,308</u>	<u>-</u>	<u>8,266</u>	<u>440,744</u>
Fund balance:					
Restricted:					
Street and road improvements	-	1,697,923	-	-	1,697,923
Employee contract payable	1,086,084	-	-	-	1,086,084
Debt service	-	-	299,465	-	299,465
Public safety	-	-	-	16,665	16,665
Nonspendable:					
Prepays	39,985	2,586	-	-	42,571
Assigned:					
Compensated absences	215,855	23,181	-	-	239,036
Unassigned:					
Six-month operating reserve	2,127,278	-	-	-	2,127,278
Total fund balance	<u>3,469,202</u>	<u>1,723,690</u>	<u>299,465</u>	<u>16,665</u>	<u>5,509,022</u>
Total liabilities and fund balance	<u>\$ 3,671,372</u>	<u>1,953,998</u>	<u>299,465</u>	<u>24,931</u>	<u>5,949,766</u>

Continued on next page

See accompanying notes to the basic financial statements.

Bear Valley Community Services District
Reconciliation of the Balance Sheets of Governmental Funds to the Statement of Net Position
June 30, 2020

Reconciliation:

Total Fund Balances of Governmental Funds	\$	5,509,022
Amounts reported for governmental activities in the statement of net position is different because:		
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet. However, the statement of net position includes those capital position among the assets of the District as a whole.		11,669,615
Pension contributions made during the fiscal year after the measurement date are reported as expenditures in governmental funds and as deferred outflows of resources in the government-wide financial statements.	\$ 228,197	
Recognized differences between the expected and actual experience are reported as deferred outflows of resources in the government-wide financial statements.	175,167	
Recognized changes in assumptions are reported as deferred outflows of resources in the government-wide financial statements.	86,639	
Recognized portion due to net differences in proportions are reported as deferred outflows of resources in the government-wide financial statements.	65,063	555,066
Long-term liabilities applicable to the District are not due and payable in the current period and accordingly are not reported as governmental fund liabilities. All liabilities both current and long-term, are reported in the statement of net position as follows:		
Compensated absences		(239,036)
Employee contract payable		(1,086,084)
Bonds and loans payable		(1,427,202)
Net pension liability		(2,704,905)
Recognized net difference between projected and actual earnings on pension plan investments are reported as deferred outflows of resources in the government-wide financial statements.	(41,576)	
Recognized portion due to differences between the actual employer contribution and the proportionate share of contribution are reported as deferred inflows of resources in the government-wide financial statements.	(114,599)	(156,175)
Interest on long-term debt is not accrued as a governmental fund liability, but rather is recognized as an expenditure when due.		(15,739)
Total adjustments		6,595,540
Net Position of Governmental Activities	\$	12,104,562

Bear Valley Community Services District
Statements of Revenues, Expenditures and Changes in Fund Balances– Governmental Funds
For the Year Ended June 30, 2020

	<u>General</u>	<u>Streets and Roads</u>	<u>Debt Service</u>	<u>Supplemental Law Enforcement</u>	<u>Total Governmental Activities</u>
Revenues:					
Property taxes	\$ 1,742,156	-	-	-	1,742,156
Voter approved taxes	542,090	-	106,508	-	648,598
Special assessments	-	1,185,227	-	-	1,185,227
Federal and state aid	-	-	-	155,948	155,948
Interest earnings	68,018	46,875	4,999	848	120,740
Rents and royalties	174,117	-	-	-	174,117
Other	131,788	28,327	-	-	160,115
Total revenues	<u>2,658,169</u>	<u>1,260,429</u>	<u>111,507</u>	<u>156,796</u>	<u>4,186,901</u>
Expenditures:					
General government	834,883	-	656	-	835,539
Public safety	1,448,228	-	-	157,200	1,605,428
Streets and roads	-	1,295,862	-	-	1,295,862
Capital outlay	95,270	30,175	-	-	125,445
Debt service:					
Debt payments	-	399,811	67,000	-	466,811
Interest paid	-	22,208	17,998	-	40,206
Total expenditures	<u>2,378,381</u>	<u>1,748,056</u>	<u>85,654</u>	<u>157,200</u>	<u>4,369,291</u>
Excess(deficiency) of revenues over expenditures	<u>279,788</u>	<u>(487,627)</u>	<u>25,853</u>	<u>(404)</u>	<u>(182,390)</u>
Other financing sources(uses):					
Operating transfers out	<u>(48,223)</u>	<u>(3,048)</u>	<u>-</u>	<u>-</u>	<u>(51,271)</u>
Net change in fund balance	231,565	(490,675)	25,853	(404)	(233,661)
Fund balance, beginning of year	<u>3,237,637</u>	<u>2,214,365</u>	<u>273,612</u>	<u>17,069</u>	<u>5,742,683</u>
Fund balance, end of year	<u>\$ 3,469,202</u>	<u>1,723,690</u>	<u>299,465</u>	<u>16,665</u>	<u>5,509,022</u>

Continued on next page

See accompanying notes to the basic financial statements.

Bear Valley Community Services District
Reconciliation of the Statements of Revenues, Expenditures and Changes in Fund Balance of
Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2020

Reconciliation:

Net Changes in Fund Balances – Total Governmental Funds \$ (233,661)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense as follows:

Capital outlay	125,445
Depreciation expense	(354,829)

Repayment of long-term debt is reported as expenditures in governmental funds, and thus, has the effect of reducing fund balance because current financial resources have been used. For the District as a whole, however, the principal payments reduce the liabilities in the statement of net position and do not result in an expense in the statement of activities.

466,811

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenses in governmental funds as follows:

Net change in accrued interest for the current period	5,417
Net change in compensated absences for the current period	(91,865)
Net change in pension obligations for the current period	<u>(213,702)</u>

Change in Net Position of Governmental Activities \$ (296,384)

See accompanying notes to the basic financial statements

Bear Valley Community Services District
Statements of Net Position – Enterprise Funds
June 30, 2020

	<u>Water</u>	<u>Waste water</u>	<u>Solid Waste</u>	<u>Total Business-type Activities</u>
Current assets:				
Cash and cash equivalents	\$ 1,330,287	353,339	255,955	1,939,581
Accrued interest receivable	4,192	1,113	807	6,112
Accounts receivable – utilities, net	759,015	94,657	96,437	950,109
Property assessments receivable	1,016	189	-	1,205
Prepays	<u>359,087</u>	<u>5,066</u>	<u>1,599</u>	<u>365,752</u>
Total current assets	<u>2,453,597</u>	<u>454,364</u>	<u>354,798</u>	<u>3,262,759</u>
Non-current assets:				
Capital assets – not being depreciated	3,647,319	14,734	270,342	3,932,395
Capital assets, net – being depreciated	<u>4,376,211</u>	<u>432,498</u>	<u>18,833</u>	<u>4,827,542</u>
Total non-current assets	<u>8,023,530</u>	<u>447,232</u>	<u>289,175</u>	<u>8,759,937</u>
Total assets	<u>10,477,127</u>	<u>901,596</u>	<u>643,973</u>	<u>12,022,696</u>
Deferred outflows of resources:				
Deferred pension outflows	<u>227,950</u>	<u>110,721</u>	<u>52,104</u>	<u>390,775</u>
Total deferred outflows of resources	<u>227,950</u>	<u>110,721</u>	<u>52,104</u>	<u>390,775</u>
Current liabilities:				
Accounts payable and accrued expenses	112,120	15,124	44,140	171,384
Accrued wages and related payables	30,079	13,407	8,079	51,565
Accrued interest on long-term debt	20,639	4,314	-	24,953
Deposits	11,655	1,565	1,990	15,210
Due to other funds	181,843	68,157	-	250,000
Long-term liabilities – due within one year:				
Compensated absences	22,969	3,760	-	26,729
Loans payable	<u>108,719</u>	<u>22,726</u>	<u>-</u>	<u>131,445</u>
Total current liabilities	<u>488,024</u>	<u>129,053</u>	<u>54,209</u>	<u>671,286</u>
Non-current liabilities:				
Long-term liabilities – due in more than one year:				
Compensated absences	68,905	11,280	-	80,185
Loans payable	1,581,853	330,660	-	1,912,513
Net pension liability	<u>1,025,617</u>	<u>498,158</u>	<u>234,427</u>	<u>1,758,202</u>
Total non-current liabilities	<u>2,676,375</u>	<u>840,098</u>	<u>234,427</u>	<u>3,750,900</u>
Total liabilities	<u>3,164,399</u>	<u>969,151</u>	<u>288,636</u>	<u>4,422,186</u>
Deferred inflows of resources:				
Deferred pension inflows	<u>83,116</u>	<u>40,371</u>	<u>18,998</u>	<u>142,485</u>
Total deferred inflows of resources	<u>83,116</u>	<u>40,371</u>	<u>18,998</u>	<u>142,485</u>
Net position:				
Net investment in capital assets	6,332,958	93,846	289,175	6,715,979
Unrestricted	<u>1,124,604</u>	<u>(91,051)</u>	<u>99,268</u>	<u>1,132,821</u>
Total net position	<u>\$ 7,457,562</u>	<u>2,795</u>	<u>388,443</u>	<u>7,848,800</u>

See accompanying notes to the basic financial statements

Bear Valley Community Services District
Statements of Revenues, Expenses and Changes in Fund Net Position – Enterprise Funds
For the Year Ended June 30, 2020

	<u>Water</u>	<u>Wastewater</u>	<u>Solid Waste</u>	<u>Total Business-type Activities</u>
Operating revenues:				
Water consumption sales	\$ 3,514,063	-	-	3,514,063
Wastewater service charges	-	519,134	-	519,134
Solid waste collection charges	-	-	554,316	554,316
Other charges for services	32,727	775	790	34,292
Total operating revenues	<u>3,546,790</u>	<u>519,909</u>	<u>555,106</u>	<u>4,621,805</u>
Operating expenses:				
Salaries and benefits	1,388,987	580,511	390,874	2,360,372
Operations	1,426,038	248,789	446,199	2,121,026
Total operating expenses	<u>2,815,025</u>	<u>829,300</u>	<u>837,073</u>	<u>4,481,398</u>
Operating income (loss) before depreciation	731,765	(309,391)	(281,967)	140,407
Depreciation expense	(404,383)	(40,891)	(3,321)	(448,595)
Operating income (loss)	<u>327,382</u>	<u>(350,282)</u>	<u>(285,288)</u>	<u>(308,188)</u>
Non-operating revenue (expense):				
Interest earnings	24,092	9,119	12,401	45,612
Interest expense	(49,791)	(10,408)	-	(60,199)
Total non-operating, net	<u>(25,699)</u>	<u>(1,289)</u>	<u>12,401</u>	<u>(14,587)</u>
Transfers in (out)				
Operating transfers in (out)	<u>(3,030)</u>	<u>55,356</u>	<u>(1,055)</u>	<u>51,271</u>
Capital contributions:				
Standby charges	23,757	-	-	23,757
Capacity charges	83,105	26,116	-	109,221
Total capital contributions	<u>106,862</u>	<u>26,116</u>	<u>-</u>	<u>132,978</u>
Change in net position	405,515	(270,099)	(273,942)	(138,526)
Net position, beginning of year	<u>7,052,047</u>	<u>272,894</u>	<u>662,385</u>	<u>7,987,326</u>
Net position, end of year	<u>\$ 7,457,562</u>	<u>2,795</u>	<u>388,443</u>	<u>7,848,800</u>

See accompanying notes to the basic financial statements

Bear Valley Community Services District
Statements of Cash Flows – Enterprise Funds
For the Year Ended June 30, 2020

	<u>Water</u>	<u>Waste water</u>	<u>Solid Waste</u>	<u>Business-type Activities</u>
Cash flows from operating activities:				
Cash receipts from customers	\$ 3,205,949	513,133	550,938	4,270,020
Cash paid to employees for salaries and benefits	(1,304,007)	(507,660)	(382,336)	(2,194,003)
Cash paid to vendors and suppliers	<u>(1,651,343)</u>	<u>(241,596)</u>	<u>(452,464)</u>	<u>(2,345,403)</u>
Net cash provided by (used in) operating activities	<u>250,599</u>	<u>(236,123)</u>	<u>(283,862)</u>	<u>(269,386)</u>
Cash flows from non-capital financing activities:				
Operating transfers in (out)	<u>(3,030)</u>	<u>55,356</u>	<u>(1,055)</u>	<u>51,271</u>
Total transfers in (out)	<u>(3,030)</u>	<u>55,356</u>	<u>(1,055)</u>	<u>51,271</u>
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	1,738	-	(270,342)	(268,604)
Proceeds from capital contributions	106,862	26,116	-	132,978
Principal payments on loans payable	(105,624)	(22,079)	-	(127,703)
Interest payments on loans payable	<u>(51,081)</u>	<u>(10,677)</u>	<u>-</u>	<u>(61,758)</u>
Net cash used in capital and financing activities	<u>(48,105)</u>	<u>(6,641)</u>	<u>(270,342)</u>	<u>(325,088)</u>
Cash flows from investing activities:				
Interest earnings	<u>21,407</u>	<u>8,720</u>	<u>12,644</u>	<u>42,771</u>
Net cash provided by investing activities	<u>21,407</u>	<u>8,720</u>	<u>12,644</u>	<u>42,771</u>
Net increase (decrease) in cash	220,871	(178,688)	(542,615)	(500,432)
Cash and cash equivalents, beginning of year	<u>1,109,416</u>	<u>532,027</u>	<u>798,570</u>	<u>2,440,013</u>
Cash and cash equivalents, end of year	<u>\$ 1,330,287</u>	<u>353,339</u>	<u>255,955</u>	<u>1,939,581</u>
Reconciliation of operating income to net cash provided by (used in) operating activities:				
Operating income (loss)	<u>\$ 327,382</u>	<u>(350,282)</u>	<u>(285,288)</u>	<u>(308,188)</u>
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:				
Depreciation expense	404,383	40,891	3,321	448,595
Changes in assets and liabilities:				
(Increase) decrease in assets:				
Accounts receivable – utilities, net	(343,673)	(5,941)	(3,129)	(352,743)
Property assessments receivable	264	14	-	278
Prepaid expenses and other deposits	(126,942)	(508)	(1,599)	(129,049)
(Increase) decrease in deferred outflows of resources:	10,402	5,050	2,376	17,828
Increase (decrease) in liabilities:				
Accounts payable and accrued expenses	(98,363)	7,701	(4,666)	(95,328)
Accrued wages and related payables	(8,098)	411	(412)	(8,099)
Deposits and unearned revenue	1,888	(849)	(1,039)	-
Compensated absences	(31,582)	11,892	(19,542)	(39,232)
Net pension liability	99,592	48,374	22,764	170,730
Increase (decrease) in deferred inflows of resources:	<u>14,666</u>	<u>7,124</u>	<u>3,352</u>	<u>25,142</u>
Total adjustments	<u>(76,783)</u>	<u>114,159</u>	<u>1,426</u>	<u>38,802</u>
Net cash provided by (used in) operating activities	<u>\$ 250,599</u>	<u>(236,123)</u>	<u>(283,862)</u>	<u>(269,386)</u>

See accompanying notes to the basic financial statements

Bear Valley Community Services District
Notes to the Basic Financial Statements
June 30, 2020

(1) Reporting Entity and Summary of Significant Accounting Policies

A. Organization and Operations of the Reporting Entity

The Bear Valley Community Services District (District) serves as the local government for Bear Valley Springs. The District is similar to a city government, supplying such services as police protection, parks and recreation, potable water, road maintenance, wastewater treatment, and solid waste disposal. The District exists under California State law governing special districts (Government Code, Sec 61000 et. seq.). The District was established by resolution of Kern County Board of Supervisors on May 4, 1970, for the purpose of providing infrastructure services for the newly developing community of Bear Valley Springs. The District is governed by a five-member Board of Directors who serve four-year terms and are elected at large. The directors entrust the responsibility for the efficient execution of District policies to their designated representative, the General Manager.

The criteria used in determining the scope of the financial reporting entity is based on the provisions of Governmental Accounting Statement No. 61, *The Financial Reporting Entity*. The District 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 District 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. The District has no blended or discretely-presented component units.

B. Basis of Accounting and Measurement Focus

The *basic financial statements* of the District are composed of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to the basic financial statements

Government-wide Financial Statements

These statements are presented on an *economic resources* measurement focus and the accrual basis of accounting for both governmental and business-like activities. Accordingly, all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, including capital assets, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset is used, such as, unbilled but utilized utility services are recorded at year end. The Statement of Activities demonstrates the degree to which the operating expenses of a given function are offset by operating revenues. Operating expenses are those that are clearly identifiable with a specific function. The types of transactions reported as operating revenues for the District are charges for services directly related to the operations of the District. Charges for services include revenues from customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by the District. Taxes, operating grants and other items not properly included among operating revenues are reported instead as non-operating revenues. Contributed capital and capital grants are included as capital contributions.

Fund Financial Statements

These statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds. Accompanying these statements is a schedule to reconcile and explain the differences in fund balances as presented in these statements to the net position presented in the Government-wide Financial Statements.

Bear Valley Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2020

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

B. Basis of Accounting and Measurement Focus, continued

Governmental funds are accounted for on a spending or *current financial resources* measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and liabilities are included on the Balance Sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under modified accrual basis of accounting, revenues are recognized in the accounting period in which they become measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 60-days after year-end) are recognized when due. The primary sources susceptible to accrual for the District are property tax, interest earnings, investment revenue and operating and capital grant revenues. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. However, exceptions to this rule include principal and interest on debt, which are recognized when due.

The accrual basis of accounting is followed by the proprietary enterprise funds. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, such as, unbilled but utilized utility services are recorded at year end.

Proprietary funds distinguish operating revenues and expenses from non-operating items. 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, wastewater service, solid waste collection and purchases of water, result from exchange transactions associated with the principal activity of the District. 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, such as interest income and interest expense, are reported as non-operating revenues and expenses.

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity with a self-balancing set of accounts established for the purpose of carrying out specific activities, or attaining certain objectives in accordance with specific regulations, restrictions or limitations.

Funds are organized into two major categories: governmental and proprietary categories. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operation fund of the District, or meets the following criteria:

- a) Total assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues, or expenditures/expenses of that individual governmental or proprietary fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b) Total assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues, or expenditures/expenses of the individual governmental fund or proprietary fund are at least 5 percent of the corresponding total for all governmental and proprietary funds combined.
- c) The entity has determined that a fund is important to the financial statement user.

The funds of the financial reporting entity are described below:

Governmental Funds

General – This fund acts as the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

Streets and Roads – This fund is used to account for the revenues received from special assessments for road maintenance and operations.

Bear Valley Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2020

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

B. Basis of Accounting and Measurement Focus, continued

Governmental Funds, continued

Bond Redemption/Debt Service – This fund is used to account for the receipts received from the voter-approved tax levied on the property parcels within the District’s service area to provide principal and interest payments on the general obligation bonds issued in 2002 and refinanced in 2016.

Supplemental Law Enforcement – This fund is used to account for specific funds appropriated to the District by the State of California under the *Citizens Option for Public Safety (COPS)* program.

Enterprise Funds

Water – This fund accounts for the water transmission and distribution operations of the District.

Wastewater – This fund accounts for the wastewater service operations of the District.

Solid Waste – This fund accounts for the solid waste collection and disposal operations of the District.

C. Financial Reporting

The District’s basic financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP), as applied to governmental funds. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The District has adopted the following GASB pronouncement in the current year:

Governmental Accounting Standards Board Statement No. 95

In May 2020, the GASB issued Statement No. 95 – Postponement of the Effective Dates of Certain Authoritative Guidance. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

D. Financial Statement Elements

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, deferred outflows of resources, liabilities, deferred inflows of resources and disclosures of contingent assets and liabilities at the date of the financial statements and the reported changes in District net position during the reporting period. Actual results could differ from those estimates.

2. Uncertainty

The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of businesses. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings. However, the related financial impact on District and the duration cannot be estimated at this time.

3. Cash and Cash Equivalents

Substantially, all of the District’s cash is invested in interest bearing accounts. The District considers all highly-liquid investments with a maturity of three months or less to be cash equivalents.

Bear Valley Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2020

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

D. Financial Statement Elements, continued

4. Fair Value Measurements

The District 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** – Valuation is based on quoted prices in active markets for identical assets.
- **Level 2** – Valuation 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** – Valuation 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.

The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques attempt to maximize the use of observable inputs and minimize the use of unobservable inputs.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the District believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in different fair value measurement at the reporting date.

The District does not currently hold any investments which require the treatment of fair value measurements.

5. Accounts Receivable and Allowance for Uncollectible Receivables

The District extends credit to customers in the normal course of operations. Management deems all accounts receivable as collectible at year-end. When management deems customer accounts uncollectible, the District uses the allowance method for the reservations and write-off of those accounts.

6. Property Taxes and Assessments

The Kern County Assessor's Office assesses all real and personal property within the County each year. The Kern County Tax Collector's Office bills and collects the District's share of property taxes and/or tax assessments. The Kern County Treasurer's Office remits current and delinquent property tax collections to the District 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 and assessments receivable at year-end are related to property taxes and special assessments collected by the Kern County, which have not been credited to the District'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 February 1
Collection dates	December 10 and April 10

Bear Valley Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2020

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

D. Financial Statement Elements, continued

7. Prepaids

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

8. Capital Assets

Capital assets acquired and/or constructed are capitalized at historical cost. District 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 and/or historical cost. 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:

Governmental Activities

- Buildings and improvements – 20 to 30 years
- Infrastructure, streets and roads – 20 to 40 years
- Vehicles and equipment – 3 to 10 years

Business-Type Activities

- Transmission and distribution systems – 10 to 50 years
- Collection systems – 10 to 50 Years
- Vehicles and equipment – 3 to 10 years

9. 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 District 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 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 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.
- 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.

Bear Valley Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2020

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

D. Financial Statement Elements, continued

10. Compensated Absences

It is the District's policy to allow employees to accumulate earned but unused vacation, compensatory time, and sick leave benefits. The vesting method is used to calculate the liability. Depending on the years of service, an employee will be paid 0%, 50%, or 100% of earned sick leave benefits, 100% of earned vacation and compensatory time upon separation. All vacation pay, compensatory time and sick leave is accrued when incurred in the government-wide and enterprise fund financial statements. The current portion of the liability is estimated from prior year payment and adjusted for material expected variances. The non-current portion of the liability will be recorded as fund expenditures in the year in which they are paid or become due on demand to terminated employees. The General and Enterprise Funds are used to liquidate compensated absences, respective to each funds' liability.

The District's compensated absence benefits are as follows:

<u>Description</u>	<u>Benefit per year</u>	<u>Vesting</u>	<u>Maximum</u>	<u>Excess payment</u>
Sick leave	12 days-classified 14 days-management	5 years = 50% on departure 10 years = 100% on departure	480 hours	Capped at 480 hours
Vacation	10 days (years 2-5) 15 days (years 6-15) 20 days (years 16-20) 25 days (years 21+)	1 year = 100% on departure	320 hours	Capped at 320 hours
Comp time	1.5 hours off for each 1 hour OT worked (employee's choice)	No minimum time required	120 hours	District may buy excess of 40 hours in June each year

11. Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the District's California Public Employees' Retirement System (CalPERS) plans (Plans) and 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, 2018
- Measurement Date: June 30, 2019
- Measurement Period: July 1, 2018 to June 30, 2019

Bear Valley Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2020

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

D. Financial Statement Elements, continued

12. 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 District has the following pension related items that qualify for reporting in this category:

- Deferred inflow 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 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.

13. Net Position

The government-wide financial statements utilize a net position presentation. Net position categories are as follows:

- **Net investment in capital assets** – consists of capital assets, net of accumulated depreciation and reduced by any outstanding debt outstanding against the acquisition, construction or improvement of those assets.
- **Restricted net position** – consists of constraints placed on net position use through external constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted net position** – consists of net position that do not meet the definition of *restricted* or *net investment in capital assets*.

14. Fund Balance

The financial statements for governmental funds reports fund balance as nonspendable, restricted, committed, assigned or unassigned based primarily on the extent to which the District is bound to honor constraints on how specific amounts can be spent.

- **Nonspendable fund balance** – consists of amounts that cannot be spent because they are either (a) not spendable in form, or (b) legally or contractually required to be maintained intact.
- **Restricted fund balance** – consists of amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions enabling legislation.
- **Committed fund balance** – consists of amounts that can only be used for specific purposes determined by formal action of the District's highest level of decision-making authority (the Board of Directors) and that remain binding unless removed in the same manner. The underlying action that imposed the limitation needs to occur no later than the close of the reporting period.

Bear Valley Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2020

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

D. Financial Statement Elements, continued

14. Fund Balance, continued

- **Assigned fund balance** – consists of amounts that are constrained by the District’s intent to be used for specific purposes. The intent can be established at either the highest level of decision-making, or by a body or an official designated for that purpose. This is also the classification for residual funds in the District’s special revenue funds.
- **Unassigned fund balance** – consists of the residual classification for the District’s general fund that includes amounts not contained in the other classifications. In other funds, the unassigned classification is used only if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes.

The Board of Directors establishes, modifies or rescinds fund balance commitments and assignments by passage of an ordinance or resolution. This is done through adoption of the budget and subsequent budget amendments that occur throughout the year. When both restricted and unrestricted resources are available for use, it is the District’s policy to use restricted resources first, followed by the unrestricted, committed, assigned and unassigned resources as they are needed.

Fund Balance Policy

The District believes that sound financial management principles require that sufficient funds be retained by the District to provide a stable financial base at all times. To retain this stable financial base, the District needs to maintain an unrestricted fund balance in its funds sufficient to fund cash flows of the District and to provide financial reserves for unanticipated expenditures and/or revenue shortfalls of an emergency nature. Committed, assigned and unassigned fund balances are considered unrestricted.

15. Utility Sales

Utility sales are billed on a monthly basis. Estimated unbilled utility revenue through June 30 has been accrued at year-end for the enterprise funds.

16. Capital Contributions

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

17. Budget

The District follows specific procedures in establishing the budgetary data reflected in the financial statements. Each year, the District’s General Manager prepares and submits an operating budget to the Board for the Governmental and Enterprise Funds no later than June of each year. The basis used to prepare the budget does not differ substantially from the modified accrual basis of accounting. The adopted budget becomes operative on July 1. The Board must approve all supplemental appropriations to the budget and transfers between major accounts. The District’s annual budget is presented as a balanced budget (inflows and reserves equal outflows and reserves) adopted for the Governmental and Enterprise Funds at the detailed expenditure-type level.

The District presents a comparison of the annual budget to actual results for the Governmental and Enterprise Funds at the functional expenditure-type major object level for financial reporting purposes. The budgeted expenditure amounts represent the adopted budget. The fiscal year 2019-2020 board approved adjustments were made as part of the fiscal year 2020-2021 budget adoption.

Bear Valley Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2020

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

D. Financial Statement Elements, continued

18. Reclassification

The District 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, 2020, are classified as follows:

Governmental activity funds:	
General fund	\$ 3,344,909
Streets and roads fund	1,934,407
Bond redemption fund	298,344
Supplemental law enforcement	<u>24,853</u>
Total	<u>5,602,513</u>
Business-type activity funds:	
Water fund	1,330,287
Wastewater fund	353,339
Solid waste fund	<u>255,955</u>
Total	<u>1,939,581</u>
Total cash and cash equivalents	<u>\$ 7,542,094</u>

Cash and cash equivalents as of June 30, 2020, consisted of the following:

Cash on hand	\$ 1,300
Deposits held with financial institutions	227,641
Deposits held with the County of Kern Treasurer's Pooled Cash Portfolio	15,331
Deposits held with the California Asset Management Program	508,714
Deposits held with the California Local Agency Investment Fund (LAIF)	<u>6,789,108</u>
Total	<u>\$ 7,542,094</u>

As of June 30, 2020, the District's authorized deposits had the following maturities:

Deposits held with the County of Kern Treasurer's Pooled Cash Portfolio	529 days
Deposits held with the California Asset Management Program	53 days
Deposits held with the California Local Agency Investment Fund (LAIF)	<u>191 days</u>

Authorized Deposits and Investments

The District's investment policy authorizes investments in the County of Kern Treasurer's Pooled Cash Portfolio, California Asset Management Program (CAMP), and the California Local Agency Investment Fund (LAIF). The District's investment policy does contain specific provisions intended to limit its exposure to interest rate risk, credit risk, custodial risk, and concentration of credit risk.

Bear Valley Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2020

(2) Cash and Cash Equivalents, continued

Kern County Treasurer Fund

The Kern County Treasurer's Pooled Cash Portfolio (Pool) is a pooled investment fund program governed by the Kern County Board of Supervisors, and administered by the Kern County Treasurer and Tax Collector. Investments in the Pool are highly liquid as deposits and withdrawals can be made at anytime without penalty. The Pool does not impose a maximum investment limit.

The Kern County's bank deposits are either Federally insured or collateralized in accordance with the California Government Code. Pool detail may be obtained from the Kern County Treasurer and Tax Collector's website at www.kcttc.co.kern.ca.us.

The pool portfolio is invested in a manner that meets the maturity, quality, diversification and liquidity requirements set forth by GASB 79 for external investments pools that elect to measure, for financial reporting purposes, investments at amortized cost.

California Asset Management Program

The District is a voluntary participant in the California Asset Management Program ("CAMP" or the "Program") is a California Joint Powers Authority ("JPA") established in 1989 to provide California public agencies with professional investment services. The CAMP Pool is a permitted investment for all local agencies under California Government Code Section 53601(p). The Trust currently provides one short-term investment portfolio, the Cash Reserve Portfolio (the Portfolio), which includes a Participant Series of shares and an Investor Series of shares.

In accordance with the authoritative guidance on fair value measurements and disclosures under GASB Statement No. 72, the Portfolio discloses the fair value of its investments in a hierarchy that prioritizes the inputs to valuation techniques used to measure the fair value. In accordance with GASB Statement No. 79, the Portfolio's securities are valued at amortized cost, which approximates fair value.

Investment in the California State Investment Pool

The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District'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. Amounts held with LAIF are highly liquid, as deposits can be converted to cash within a twenty-four hour period without loss of accrued interest. Credit and market risk is unknown. LAIF detail may be obtained from the State of California Treasurer's website at www.treasurer.ca.gov/pmia-laif/index.asp.

The pool portfolio is invested in a manner that meets the maturity, quality, diversification and liquidity requirements set forth by GASB 79 for external investment pools that elect to measure, for financial reporting purposes, investments at amortized cost. LAIF does not have any legally binding guarantees of share values. LAIF does not impose liquidity fees or redemption gates on participant withdrawals.

Bear Valley Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2020

(2) Cash and Cash Equivalents, continued

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 District'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 balance, up to \$250,000 is federally insured. The remaining balance is to be collateralized by the bank.

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 District's investment policy contains 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 the Kern County Pool, CAMP or LAIF).

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. The longer the maturity an investment has the greater its fair value has sensitivity to changes in market interest rates. The District's investment policy follows the Code as it relates to limits on investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates.

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; however, the Kern County Pool and LAIF are not rated.

Concentration of Credit Risk

The District's investment policy does not contain various limitations on the amounts that can be invested in any one governmental agency or non-governmental issuer as stipulated by the California Government Code. The District's deposit portfolio with governmental agencies, Kern County is 0.20%, California Asset Management Program (CAMP) is 6.74% and LAIF is 90.02% as of June 30, 2020, of the District's total depository and investment portfolio.

(3) Accounts Receivable – Utilities, net

The accounts receivable – utilities, net balance consists of the following balances as of June 30, 2020:

	<u>Water</u>	<u>Wastewater</u>	<u>Solid Waste</u>	<u>Total</u>
Accounts receivable – utilities	\$ 807,135	94,657	96,437	998,229
Allowance for uncollectible receivables	<u>(48,120)</u>	<u>-</u>	<u>-</u>	<u>(48,120)</u>
Accounts receivable – utilities, net	<u>\$ 759,015</u>	<u>94,657</u>	<u>96,437</u>	<u>950,109</u>

Bear Valley Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2020

(4) Internal Balances

Due To/From Other Funds

Internal balances consist of the following as of June 30, 2020:

Purpose	Receivable Fund	Payable Fund	Amount
Advancement	General	Water	\$ <u>181,843</u>
Advancement	General	Wastewater	<u>68,157</u>
Total internal balances: \$			<u><u>250,000</u></u>

In 2020, the General fund reported advances to the Water and Wastewater Funds of \$181,843 and \$68,157, respectively, due to a negative cash position in these funds occurring in prior periods. The advancement bears interest at the current LAIF interest earned rate per quarter and is expected to be repaid in fiscal year 2021.

Interfund Operational Transfers

Interfund transfers consist of the following for the year ended June 30, 2020:

Transfer from	Transfer to	Amount
Roads	General	\$ 3,048
Water	General	3,030
General	Sewer	55,356
Refuse	General	1,055

Interfund transfers are used to resources between funds to cover the District's ongoing operations.

Bear Valley Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2020

(5) Capital Assets

Governmental Activities

Changes in capital assets for the year were as follows:

	<u>Balance 2019</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>Balance 2020</u>
Non-depreciable assets:				
Land	\$ 4,820,357	-	-	4,820,357
Construction-in-process	4,265,986	125,445	(4,224,022)	167,409
Total non-depreciable assets	<u>9,086,343</u>	<u>125,445</u>	<u>(4,224,022)</u>	<u>4,987,766</u>
Depreciable assets:				
Buildings and improvements	6,015,655	-	-	6,015,655
Infrastructure, streets and roads	24,179,347	3,947,757	-	28,127,104
Vehicles and equipment	2,171,122	276,265	(95,207)	2,352,180
Total depreciable assets	<u>32,366,124</u>	<u>4,224,022</u>	<u>(95,207)</u>	<u>36,494,939</u>
Accumulated depreciation:				
Buildings and improvements	(4,477,495)	(73,611)	-	(4,551,106)
Infrastructure, streets and roads	(23,282,550)	(186,398)	-	(23,468,948)
Vehicles and equipment	(1,793,423)	(94,820)	95,207	(1,793,036)
Total accumulated depreciation	<u>(29,553,468)</u>	<u>(354,829)</u>	<u>95,207</u>	<u>(29,813,090)</u>
Total depreciable assets, net	<u>2,812,656</u>	<u>3,869,193</u>	<u>-</u>	<u>6,681,849</u>
Total capital assets, net	<u>\$ 11,898,999</u>			<u>11,669,615</u>

Major capital asset additions in the governmental activities area include the acquisition of vehicles and equipment and the completion of street and roads infrastructure for the governmental general and roads funds.

Depreciation expense under governmental activities was allotted as follows for the year ended June 30, 2020:

	<u>Depreciation Expense</u>
General government	\$ 45,104
Public safety	66,089
Streets and roads	<u>243,636</u>
Total	<u>\$ 354,829</u>

Bear Valley Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2020

(5) Capital Assets, continued

Business-Type Activities

Changes in capital assets for the year were as follows:

	<u>Balance 2019</u>	<u>Transfers / Additions</u>	<u>Deletions/ Transfers</u>	<u>Balance 2020</u>
Non-depreciable assets:				
Land	\$ 3,662,053	-	-	3,662,053
Construction in progress	1,737	270,342	(1,737)	270,342
Total non-depreciable assets	<u>3,663,790</u>	<u>270,342</u>	<u>(1,737)</u>	<u>3,932,395</u>
Depreciable assets:				
Water transmission and distribution	15,175,698	-	-	15,175,698
Wastewater collection	4,714,448	-	-	4,714,448
Solid waste collection	156,231	-	-	156,231
Vehicles and equipment	962,153	-	-	962,153
Total depreciable assets	<u>21,008,530</u>	<u>-</u>	<u>-</u>	<u>21,008,530</u>
Accumulated depreciation:				
Water transmission and distribution	(10,488,238)	(382,699)	-	(10,870,937)
Wastewater collection	(4,296,295)	(33,986)	-	(4,330,281)
Solid waste collection	(134,077)	(3,321)	-	(137,398)
Vehicles and equipment	(813,784)	(28,588)	-	(842,372)
Total accumulated depreciation	<u>(15,732,394)</u>	<u>(448,594)</u>	<u>-</u>	<u>(16,180,988)</u>
Total depreciable assets, net	<u>5,276,136</u>	<u>(448,594)</u>	<u>-</u>	<u>4,827,542</u>
Total capital assets, net	<u>\$ 8,939,926</u>			<u>8,759,937</u>

Major capital asset additions in the business-type activities area include the acquisition of water transmission and distribution equipment for the water enterprise fund.

A summary of changes of capital assets per Enterprise Funds are as follows:

<u>Water Enterprise</u>	<u>Balance 2019</u>	<u>Transfers / Additions</u>	<u>Deletions/ Transfers</u>	<u>Balance 2020</u>
Non-depreciable assets:				
Land	\$ 3,647,319	-	-	3,647,319
Construction in progress	1,737	-	(1,737)	-
Total non-depreciable assets	<u>3,649,056</u>	<u>-</u>	<u>(1,737)</u>	<u>3,647,319</u>
Depreciable assets:				
Water transmission and distribution	15,175,698	-	-	15,175,698
Vehicles and equipment	639,936	-	-	639,936
Total depreciable assets	<u>15,815,634</u>	<u>-</u>	<u>-</u>	<u>15,815,634</u>
Accumulated depreciation:				
Water transmission and distribution	(10,488,238)	(382,699)	-	(10,870,937)
Vehicles and equipment	(546,802)	(21,684)	-	(568,486)
Total accumulated depreciation	<u>(11,035,040)</u>	<u>(404,383)</u>	<u>-</u>	<u>(11,439,423)</u>
Total depreciable assets, net	<u>4,780,594</u>	<u>(404,383)</u>	<u>-</u>	<u>4,376,211</u>
Total capital assets, net	<u>\$ 8,429,650</u>			<u>8,023,530</u>

Bear Valley Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2020

(5) Capital Assets, continued

Business-Type Activities, continued

A summary of changes of capital assets per Enterprise Funds are as follows:

Wastewater Enterprise	Balance 2019	Additions	Deletions/ Transfers	Balance 2020
Non-depreciable assets:				
Land	\$ 14,734	-	-	14,734
Construction in progress	-	-	-	-
Total non-depreciable assets	14,734	-	-	14,734
Depreciable assets:				
Wastewater collection	4,714,448	-	-	4,714,448
Vehicles and equipment	171,336	-	-	171,336
Total depreciable assets	4,885,784	-	-	4,885,784
Accumulated depreciation:				
Wastewater collection	(4,296,295)	(33,986)	-	(4,330,281)
Vehicles and equipment	(116,101)	(6,904)	-	(123,005)
Total accumulated depreciation	(4,412,396)	(40,890)	-	(4,453,286)
Total depreciable assets, net	473,388	(40,890)	-	432,498
Total capital assets, net	\$ 488,122			447,232

Solid Waste Enterprise	Balance 2019	Additions	Deletions/ Transfers	Balance 2020
Non-depreciable assets:				
Construction in progress	\$ -	270,342	-	270,342
Total non-depreciable assets	-	270,342	-	270,342
Depreciable assets:				
Solid waste collection	\$ 156,231	-	-	156,231
Vehicles and equipment	150,881	-	-	150,881
Total depreciable assets	307,112	-	-	307,112
Accumulated depreciation:				
Solid waste collection	(134,077)	(3,321)	-	(137,398)
Vehicles and equipment	(150,881)	-	-	(150,881)
Total accumulated depreciation	(284,958)	(3,321)	-	(288,279)
Total depreciable assets, net	22,154	(3,321)	-	18,833
Total capital assets, net	\$ 22,154			18,833

Bear Valley Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2020

(6) Compensated Absences

The District's policy relating to compensated absences is described in Note 1. The following liability at June 30, 2020, is expected to be paid by the governmental and enterprise funds in future years, consistent with prior year treatment.

Changes in compensated absence as of June 30, 2020, were as follows:

	Governmental Activities	Business-type Activities
Compensated absences, beginning	\$ 147,171	146,146
Current year employee earnings	241,366	37,201
Employee time taken	<u>(149,501)</u>	<u>(76,433)</u>
Compensated absences, ending	239,036	106,914
Less: current portion payable	<u>(59,759)</u>	<u>(26,729)</u>
Long-term portion payable	<u>\$ 179,277</u>	<u>80,185</u>

(7) Employee Contract Payable

During the fiscal year ended June 30, 2018, the District incurred a long-term disability contract payable sourcing from a prior employee. The contract matures April 2040. The District has discounted the liability using the 10 year U.S. Treasury note rate of 2.85% at June 2018.

During the fiscal year ended June 30, 2020, the District determined that certain conditions existed during the prior-employees employment which may cause revision all or part of this long-term liability. At June 30, 2020, there has been no change to the employee contract payable. The following schedule has been adjusted one year forward.

<u>Year</u>	<u>Amount</u>	<u>Amortized Discount</u>	<u>Total</u>
2021	\$ 58,366	(36,534)	21,832
2022	77,821	(47,241)	30,580
2023	77,821	(45,513)	32,308
2024	77,821	(43,734)	34,087
2025	77,821	(41,902)	35,919
2026-2030	389,106	(180,054)	209,052
2031-2035	389,106	(125,315)	263,791
2036-2040	389,106	(61,906)	327,200
2041-2042	<u>136,188</u>	<u>(4,873)</u>	<u>131,315</u>
Total	1,673,156	<u>(587,072)</u>	<u>1,086,084</u>
Less current	(58,366)		
Less unamortized discount	<u>(587,072)</u>		
Total non-current	<u>\$ 1,027,718</u>		

Bear Valley Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2020

(8) Bond and Loans Payable

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

	<u>Balance 2019</u>	<u>Additions</u>	<u>Payments/ Retirements</u>	<u>Balance 2020</u>	<u>Current Portion</u>	<u>Long-term Portion</u>
<i>Governmental Activities</i>						
General fund:						
General obligation bonds – 2016	\$ 668,000	-	(67,000)	601,000	67,000	534,000
Roads fund:						
Installment Sale Agreement – 2016	1,226,013	-	(399,811)	826,202	408,606	417,596
Total governmental activity debt	<u>\$ 1,894,013</u>	<u>-</u>	<u>(466,811)</u>	<u>1,427,202</u>	<u>475,606</u>	<u>951,596</u>
<i>Enterprise Activities</i>						
Water fund:						
CIEBD – Loan	\$ 1,796,196	-	(105,624)	1,690,572	108,719	1,581,853
Wastewater fund:						
CIEBD – Loan	375,465	-	(22,079)	353,386	22,726	330,660
Total enterprise activity debt	<u>\$ 2,171,661</u>	<u>-</u>	<u>(127,703)</u>	<u>2,043,958</u>	<u>131,445</u>	<u>1,912,513</u>
Total long-term debt	<u>\$ 4,065,674</u>	<u>-</u>	<u>(594,514)</u>	<u>3,471,160</u>	<u>607,051</u>	<u>2,864,109</u>

Governmental – General Fund

2016 Refunding General Obligation Bond

In fiscal year 2003, the District issued \$4,530,000 in Bear Valley Community Services District Improvement District No. 2 General Obligation Bonds, 2002 Series A. The proceeds of the 2002 Bonds were used to finance certain water system improvements and refund the District’s 1995 Bonds. The 2002 Bonds are general obligation bonds of the District.

On July 14, 2016, \$792,000 of 2016 Refunding General Obligation Bonds, were issued for the purpose of refinancing the General Obligation Bonds, 2002 Series A. The bonds are scheduled to mature on September 1, 2027. Principal is payable annually on September 1st and bears interest of 2.940%, payable semi-annually on September 1st and March 1st at an interest rate of 2.940%.

Annual debt service requirements on the bonds are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 67,000	16,685	83,685
2022	71,000	14,656	85,656
2023	70,000	12,583	82,583
2024	74,000	10,466	84,466
2025	78,000	8,232	86,232
2026-2028	<u>241,000</u>	<u>10,834</u>	<u>251,834</u>
Totals	601,000	<u>73,455</u>	<u>674,455</u>
Current portion due	<u>(67,000)</u>		
Long-term portion	<u>\$ 534,000</u>		

Bear Valley Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2020

(8) Bond and Loans Payable, continued

Governmental – Streets and Roads Fund

Installment Sale Agreement Loan – 2016

In fiscal year 2017, the District entered into an installment sale agreement with the City National Bank in the amount of \$2,000,000. The purpose of the loan is to finance the construction of the Districts roads system rehabilitation project. Under terms of this agreement, the loan bears interest at 2.20%, payable annually on December 13th, maturing in fiscal year 2022.

Annual debt service requirements on the loan are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 408,606	18,176	426,782
2022	417,596	9,187	426,783
Totals	826,202	<u>27,363</u>	<u>853,565</u>
Current portion due	<u>(408,606)</u>		
Long-term portion	\$ <u>417,596</u>		

Enterprise – Water and Wastewater Funds

California Infrastructure and Economic Development Bank (CIEDB) Loan

In fiscal year 2004, the District entered into financing agreements with the California Infrastructure and Economic Development Bank (CIEDB). Under terms of these agreements, CIEDB issued tax-exempt bonds with proceeds in the amount of \$5,048,600 to be provided to the District. These proceeds were used for water and wastewater system improvements.

The CIEDB – Loan is scheduled to mature in fiscal year 2033. Interest is payable semi-annually on August 1st and February 1st each year at a rate of 2.93%, while escalating principal installments ranging from \$90,302 to \$188,857 are payable each year on August 1st.

California Infrastructure and Economic Development Bank (CIEDB) Loan

Annual debt service requirements on the loan are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 131,445	57,962	189,407
2022	135,296	54,055	189,351
2023	139,261	50,032	189,293
2024	143,341	45,892	189,233
2025	147,541	41,631	189,172
2026-2030	775,667	139,732	915,399
2031-2033	<u>571,407</u>	<u>24,124</u>	<u>595,531</u>
Total	2,043,958	<u>413,428</u>	<u>2,457,386</u>
Current portion due	<u>(131,445)</u>		
Long-term portion	\$ <u>1,912,513</u>		

Bear Valley Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2020

(9) Defined Benefit Pension Plans

Plans' Description

All qualified permanent and probationary employees are eligible to participate in the District's separate Safety and Miscellaneous Employee Pension Plans, 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 Local Government 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 or may be obtained from their executive office: 400 P Street, Sacramento, CA, 95814.

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. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: The Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death 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 District's CalPERS Safety 2.0% at 50 and Miscellaneous 2.0% at 55, Risk Pool Retirement Plans to new employee entrants, not previously employed by an agency under CalPERS, effective December 31, 2012. All employees hired after January 1, 2013, are eligible for the District's CalPERS Safety 2.7% at 57 Retirement Plan or the Miscellaneous 2.0% at 62 Retirement Plan under PEPRA.

The District's Safety and Miscellaneous Plans' provisions and benefits in effect at June 30, 2020, are summarized as follows:

	<u>Miscellaneous Plan</u>		<u>Safety Plan</u>	
	<u>Tier 1</u>	<u>Tier 2</u>	<u>Tier 1</u>	<u>Tier 2</u>
Hire date	Prior to January 1, 2013	On or after January 1, 2013	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2.0% @ 55	2.0% @ 62	2.0% @ 50	2.7% @ 57
Benefit vesting schedule	5 years of service	5 years of service	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life	monthly for life	monthly for life
Retirement age	55 - 65	52 - 67	50 - 55	52 - 67
Monthly benefits, as a % of eligible compensation	2.0% to 2.5%	1.0% to 2.5%	2.0% to 2.5%	2.7% to 3.5%
Required employee contribution rates	6.906%	6.750%	8.939%	12.000%
Required employer contribution rates	9.680%	6.985%	16.636%	13.034%

Bear Valley Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2020

(9) Defined Benefit Pension Plans, continued

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 District 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, 2020, the contributions for the Plan were as follows:

Contribution Source	Miscellaneous Plan 2020	Safety Plan 2020
Contributions – employer	\$ 252,333	127,263

Net Pension Liability

As of the fiscal year ended June 30, 2020, the District reported net pension liabilities for its proportionate shares of the net pension liability of the Plan as follows:

Plan Description	Proportionate Share of Pension Liability 2020
Miscellaneous Plan	\$ 2,930,337
Safety Plan	1,532,770
Total Safety & Miscellaneous Plans	\$ 4,463,107

The District's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2019 (the measurement date), and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018 (the valuation date), rolled forward to June 30, 2019, using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

The District's proportionate share of the pension liability for the Plan as of the fiscal year ended June 30, 2018 and 2019, was as follows:

	Miscellaneous Plan	Safety Plan	District's Misc & Safety Plans
Proportional share – beginning of year	0.07020%	0.02423%	0.04221%
Proportional share – end of year	0.07318%	0.02455%	0.04356%
Change – Increase (Decrease)	0.00298%	0.00032%	0.00135%

Bear Valley Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2020

(9) Defined Benefit Pension Plans, continued

Deferred Pension Outflows (Inflows) of Resources

For the fiscal year ended June 30, 2020, the District recognized pension expense of \$858,269.

At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources			Deferred Inflows of Resources		
	Miscellaneous Plan	Safety Plan	Misc & Safety Total	Miscellaneous Plan	Safety Plan	Misc & Safety Total
Pension contributions subsequent to the measurement date	\$ 252,333	127,263	379,596	-	-	-
Differences between actual and expected experience	187,765	100,061	287,826	-	-	-
Changes in assumptions	90,203	50,558	140,761	-	-	-
Net differences between projected and actual earnings on plan investments	-	-	-	(51,234)	(21,083)	(72,317)
Differences between actual contribution and proportionate share of contribution	-	-	-	(186,239)	(40,104)	(226,343)
Adjustment due to differences in proportions of the net pension liability	120,990	16,668	137,658	-	-	-
Total	\$ 651,291	294,550	945,841	(237,473)	(61,187)	(298,660)

As of June 30, 2020, employer pension contributions reported as deferred outflows of resources related to contributions subsequent to the measurement date of \$379,596 will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2021.

As of June 30, 2020, the District recognized other amounts reported as deferred outflows of resources and deferred inflows of resources related to the pension liability, which will be recognized as pension expense as follows.

Fiscal Year Ending June 30:	Deferred Outflows/(Inflows) of Resources		
	Miscellaneous Plan	Safety Plan	Misc & Safety Total
2021	\$ 154,691	84,936	239,627
2022	(21,564)	983	(20,581)
2023	19,277	16,206	35,483
2024	9,081	3,975	13,056
2025	-	-	-
Thereafter	-	-	-

Bear Valley Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2020

(9) Defined Benefit Pension Plans, continued

Actuarial Assumptions

The total pension liability in the June 30, 2019, actuarial valuation report was determined using the following actuarial assumptions:

Valuation Date	June 30, 2018
Measurement Date	June 30, 2019
Actuarial cost method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial assumptions:	
Discount rate	7.15%
Inflation	2.50%
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 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.50% thereafter

* The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. 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.

Discount Rate

The discount rate used to measure the total pension liability was 7.15% for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the Plan, the amortization and smoothing periods recently adopted by CalPERS were utilized. The crossover test was performed for a miscellaneous agent plan and a safety agent plan 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 the Plan.

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

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

Bear Valley Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2020

(9) Defined Benefit Pension Plans, continued

Discount Rate, continued

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation.

<u>Asset Class</u>	<u>New Strategic Allocation</u>	<u>Real Return Years 1–10*</u>	<u>Real Return Year 11+**</u>
Global Equity	50.00%	4.80%	5.98%
Global Fixed Income	28.00%	1.00%	2.62%
Inflation Sensitive	0.00%	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Estate	13.00%	3.75%	4.93%
Infrastructure and Forestland	0.00%	0.00%	0.00%
Liquidity	1.00%	0.00%	-0.92%
Total	<u>100.00%</u>		

* An expected inflation of 2.5% used for this period

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

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

The following table presents the District’s proportionate share of the net position liability for the Plan, calculated using the discount rate, as well as what the District’s proportional 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.

At June 30, 2020, the discount rate comparison was the following:

	<u>Discount Rate – 1% (6.15%)</u>	<u>Current Discount Rate (7.15%)</u>	<u>Discount Rate + 1% (8.15%)</u>
District's Net Pension Liability – Miscellaneous Plan	\$ 4,267,370	2,930,337	1,307,196
District's Net Pension Liability – Safety Plan	2,106,390	1,532,770	860,768
Total Miscellaneous and Safety Plans	<u>\$ 6,373,760</u>	<u>4,463,107</u>	<u>2,167,964</u>

Pension Plan Fiduciary Net Position

Detailed information about the pension plan’s fiduciary net position is available in separately issued CalPERS financial reports. See pages 59 and 60 for the Required Supplementary Schedules.

Payable to the Pension Plan

At June 30, 2020, the District reported \$0 in payables for the outstanding amount of contribution to the pension plan.

Bear Valley Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2020

(10) Net Investment in Capital Assets

The calculations of net investment in capital assets are as follows:

The balance consists of the following:	Governmental Activities	Business-type Activities	Total
Capital assets – not being depreciated	\$ 4,987,766	3,932,395	8,920,161
Capital assets – being depreciated, net	6,681,849	4,827,542	11,509,391
Bond and loans payable – current portion	(475,606)	(131,445)	(607,051)
Bond and loans payable – long-term portion	(951,596)	(1,912,513)	(2,864,109)
Total	<u>\$ 10,242,413</u>	<u>6,715,979</u>	<u>16,958,392</u>

(11) Restricted Net Position

Net position are restricted as follows:	Governmental Activities	Business-type Activities	Total
Street and road improvements	\$ 1,697,923	-	1,697,923
Debt service	299,465	-	299,465
Public safety (COPS Program)	16,665	-	16,665
	<u>\$ 2,014,053</u>	<u>-</u>	<u>2,014,053</u>

(12) Unrestricted Net Position

The District’s Board of Directors has designated the use of the District’s June 30, 2020, unrestricted net position as follows:

Net position are designated as follows:	Governmental Activities	Business-type Activities	Total
Unfunded reserves	\$ (151,904)	-	(151,904)
Prepaid expenses	-	365,752	365,752
Water operations	-	1,124,605	1,124,605
Wastewater operations	-	(456,804)	(456,804)
Solid waste operations	-	(68,337)	(68,337)
Solid waste contingency reserve	-	167,605	167,605
Total	<u>\$ (151,904)</u>	<u>1,132,821</u>	<u>980,917</u>

Six-Month Operating Reserve

The District’s general government and public safety activities receives the bulk of its funding from the Kern County Tax Collector at the end of the months of December and April, which coincides with the property tax payment dates of December 10 and April 10 each year. Each fiscal year, the District will need to utilize its six-month operating reserve until this funding is received.

Bear Valley Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2020

(13) Deferred Compensation Savings Plan

For the benefit of its employees, the District participates in a 457 Deferred Compensation Program (Program). The purpose of this Program is to provide deferred compensation for public employees that elect to participate in the Program. Generally, eligible employees may defer receipt of a portion of their salary until termination, retirement, death or unforeseeable emergency. Until the funds are paid or otherwise made available to the employee, the employee is not obligated to report the deferred salary for income tax purposes.

Federal law requires deferred compensation assets to be held in trust for the exclusive benefit of the participants. Accordingly, the District is in compliance with this legislation. Therefore, these assets are not the legal property of the District, and are not subject to claims of the District's general creditors. Market value of all plan assets held in trust by CalPERS at June 30, 2020, was \$812,113.

The District has implemented GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. Since the District has little administrative involvement and does not perform the investing function for this plan, the assets and related liabilities are not shown on the statement of net position.

(14) Risk Management

The District 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 District 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, 2020, the District 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. The District purchased additional excess coverage layers: \$10,000,000 for general, auto and public officials' errors and omissions, which increases the limits on the insurance coverage noted above.

In addition to the above, the District 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 three years after the loss, otherwise paid on an actual cash value basis, to a combined total for the SDRMA pool in the amount of \$1.0 billion per occurrence, subject to a \$1,000 deductible per occurrence.
- Boiler and machinery coverage for scheduled items, the replacement cost up to \$100 million (SDRMA pool limit) per occurrence, subject to a \$1,000 deductible per occurrence.
- 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.
- Workers' compensation insurance per statutory requirements and Employer's Liability Coverage up to \$5 million.

Bear Valley Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2020

(14) 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 year 2020, 2019 and 2018. 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, 2020, 2019 and 2018.

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

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to June 30, 2020, that have effective dates that may impact future financial presentations.

The following pronouncement implementation dates have been delayed due to the COVID-19 pandemic.

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 requirements of this Statement were effective for reporting periods beginning after December 15, 2018; however, in light of the COVID-19 pandemic, the effective date has been postponed by one year. Earlier application is encouraged.

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 requirements of this Statement were effective for reporting periods beginning after December 15, 2019; however, in light of the COVID-19 pandemic, the effective date has been postponed by 18 months. Earlier application is encouraged.

Bear Valley Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2020

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

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 were effective for reporting periods beginning after December 15, 2019; however, in light of the COVID-19 pandemic, the effective date has been postponed by one year. Earlier application is encouraged. The requirements of this Statement should be applied prospectively.

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.

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.

Bear Valley Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2020

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

Governmental Accounting Standards Board Statement No. 90, continued

The requirements of this Statement were effective for reporting periods beginning after December 15, 2018; however, in light of the COVID-19 pandemic, the effective date has been postponed by one year.

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.

Governmental Accounting Standards Board Statement No. 91

In May 2019, the GASB issued Statement No. 91 – *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. In those arrangements, capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by third-party obligors in the course of their activities. Payments from third-party obligors are intended to cover and coincide with debt service payments. During those arrangements, issuers retain the titles to the capital assets. Those titles may or may not pass to the obligors at the end of the arrangements.

This Statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period.

The requirements of this Statement were effective for reporting periods beginning after December 15, 2020; however, in light of the COVID-19 pandemic, the effective date has been postponed by one year. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 92

In January 2020, the GASB issued Statement No. 92 – *Omnibus 2020*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements.

Bear Valley Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2020

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

Governmental Accounting Standards Board Statement No. 92, continued

The requirements of this Statement were as follows: (1) The requirements related to the effective date of Statement 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance; (2) The requirements related to intra-entity transfers of assets and those related to the applicability of Statements 73 and 74 are effective for fiscal years beginning after June 15, 2020; (3) The requirements related to application of Statement 84 to postemployment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities are effective for reporting periods beginning after June 15, 2020; and (4) The requirements related to the measurement of liabilities (and assets, if any) associated with AROs in a government acquisition are effective for government acquisitions occurring in reporting periods beginning after June 15, 2020; however, in light of the COVID-19 pandemic, the effective date has been postponed by one year. Earlier application is encouraged and is permitted by topic.

Governmental Accounting Standards Board Statement No. 93

In March 2020, the GASB issued Statement No. 93 – *Replacement of Interbank Offered Rates*. The objective of this Statement is to address accounting and financial reporting implications that result from the replacement of an IBOR. This Statement achieves that objective by: (1) Providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment; (2) Clarifying the hedge accounting termination provisions when a hedged item is amended to replace the reference rate; (3) Clarifying that the uncertainty related to the continued availability of IBORs does not, by itself, affect the assessment of whether the occurrence of a hedged expected transaction is probable; (4) Removing LIBOR as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap; (5) Identifying a Secured Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap; (6) Clarifying the definition of reference rate, as it is used in Statement 53, as amended; and (7) Providing an exception to the lease modifications guidance in Statement 87, as amended, for certain lease contracts that are amended solely to replace an IBOR as the rate upon which variable payments depend.

The requirements of this Statement were effective as follows: (1) The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021; and (2) All other requirements of this Statement are effective for reporting periods beginning after June 15, 2020; however, in light of the COVID-19 pandemic, the effective dates have been postponed by one year. Earlier application is encouraged.

Bear Valley Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2020

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

Governmental Accounting Standards Board Statement No. 94

In March 2020, the GASB issued Statement No. 94 – *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement.

This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 96

In May 2020, the GASB issued Statement No. 96 – *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

Bear Valley Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2020

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

Governmental Accounting Standards Board Statement No. 97

In June 2020, the GASB issued Statement No. 97 – *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 41 and No. 84, and a supersession of GASB Statement No. 32*. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

The requirements of this Statement that (1) exempt primary governments that perform the duties that a governing board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans and (2) limit the applicability of the financial burden criterion in paragraph 7 of Statement 84 to defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively, are effective immediately. The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. For purposes of determining whether a primary government is financially accountable for a potential component unit, the requirements of this Statement that provide that for all other arrangements, the absence of a governing board be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform, are effective for reporting periods beginning after June 15, 2021. Earlier application of those requirements is encouraged and permitted by requirement as specified within this Statement. The Board considered the effective dates for the requirements of this Statement in light of the COVID-19 pandemic and in concert with Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance.

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to June 30, 2019 that have effective dates that may impact future financial presentations.

(16) Commitments and Contingencies

Litigation

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

Grant Awards

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

Bear Valley Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2020

(16) Commitments and Contingencies, continued

COVID-19 Pandemic

In December 2019, a novel strain of coronavirus has spread around the world resulting in business and social disruption. The coronavirus was declared a Public Health Emergency of International Concern by the World Health Organization on January 30, 2020. The operations and business results of the District could potentially be adversely affected by this global pandemic. The extent to which the coronavirus may impact business activity or investment results will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and the actions required to contain the coronavirus. The District has not included any contingencies in the financial statements specific to this issue.

(17) Subsequent Events

Other Events

Management is not aware of any other events occurring after June 30, 2020, have been evaluated for possible adjustment to the financial statements or disclosure as of February 11, 2021, which is the date the financial statements were available to be issued. The District is not aware of any subsequent events that would require recognition or disclosure in the financial statements.

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Required Supplementary Information

Bear Valley Community Services District
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual – General Fund – Major Fund
For the Year Ended June 30, 2020

	<u>Adopted Original Budget</u>	<u>Board Approved Changes</u>	<u>Revised Final Budget</u>	<u>Actual Budgetary Basis</u>	<u>Variance Positive (Negative)</u>
Revenues:					
Property taxes	\$ 1,718,000	(10,000)	1,708,000	1,742,156	34,156
Voter approved taxes	542,500	(10,000)	532,500	542,090	9,590
Federal and state aid	3,000	(3,000)	-	-	-
Interest earnings	50,000	-	50,000	68,018	18,018
Rents and royalties	173,554	563	174,117	174,117	-
Other	11,800	97,395	109,195	131,788	22,593
Total revenues	<u>2,498,854</u>	<u>74,958</u>	<u>2,573,812</u>	<u>2,658,169</u>	<u>84,357</u>
Expenditures:					
General government	2,299,618	(59,389)	2,240,229	834,883	1,405,346
Public safety	1,445,496	(50,691)	1,394,805	1,448,228	(53,423)
Capital outlay	615,355	(443,315)	172,040	95,270	76,770
Total expenditures	<u>4,360,469</u>	<u>(553,395)</u>	<u>3,807,074</u>	<u>2,378,381</u>	<u>1,428,693</u>
Excess(deficiency) of revenues over expenditures	<u>(1,861,615)</u>	<u>628,353</u>	<u>(1,233,262)</u>	<u>279,788</u>	<u>1,513,050</u>
Other financing sources(uses):					
Operating transfers	<u>(113,418)</u>	<u>69,018</u>	<u>(44,400)</u>	<u>(48,223)</u>	<u>(3,823)</u>
Net change in fund balance	<u>(1,975,033)</u>	<u>697,371</u>	<u>(1,277,662)</u>	<u>231,565</u>	<u>1,509,227</u>
Fund balance, beginning of year	<u>3,237,637</u>	<u>-</u>	<u>3,237,637</u>	<u>3,237,637</u>	
Fund balance, end of year	<u>\$ 1,262,604</u>	<u>697,371</u>	<u>1,959,975</u>	<u>3,469,202</u>	

(1) Budgets and Budgetary Data

The District follows specific procedures in establishing the budgetary data reflected in the financial statements. Each year the District's General Manager prepares and submits an operating and capital budget to the Board of Directors no later than June. The basis used to prepare the budget does not differ substantially from the modified accrual basis of accounting. The adopted budget becomes operative on July 1. The Board of Directors must approve all supplemental appropriations to the budget and transfers between major accounts.

Bear Valley Community Services District
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual – Streets and Roads Fund – Major Fund
For the Year Ended June 30, 2020

	<u>Adopted Original Budget</u>	<u>Board Approved Changes</u>	<u>Revised Final Budget</u>	<u>Actual Budgetary Basis</u>	<u>Variance Positive (Negative)</u>
Revenues:					
Special assessments	\$ 1,200,000	(32,000)	1,168,000	1,185,227	17,227
Interest earnings	36,000	(6,000)	30,000	46,875	16,875
Other	-	22,000	22,000	28,327	6,327
Total revenues	<u>1,236,000</u>	<u>(16,000)</u>	<u>1,220,000</u>	<u>1,260,429</u>	<u>40,429</u>
Expenditures:					
Streets and roads	1,287,728	(34,583)	1,253,145	1,295,862	(42,717)
Capital outlay	967,407	(937,227)	30,180	30,175	5
Debt service:					
Debt payments	399,811	-	399,811	399,811	-
Interest paid	26,972	-	26,972	22,208	4,764
Total expenditures	<u>2,681,918</u>	<u>(971,810)</u>	<u>1,710,108</u>	<u>1,748,056</u>	<u>(37,948)</u>
Excess(deficiency) of revenues over expenditures	<u>(1,445,918)</u>	<u>955,810</u>	<u>(490,108)</u>	<u>(487,627)</u>	<u>2,481</u>
Other financing sources(uses):					
Operating transfers	<u>(40,226)</u>	<u>37,177</u>	<u>(3,049)</u>	<u>(3,048)</u>	<u>1</u>
Net change in fund balance	<u>(1,486,144)</u>	<u>992,987</u>	<u>(493,157)</u>	<u>(490,675)</u>	<u>2,482</u>
Fund balance, beginning of year	<u>2,214,365</u>	<u>-</u>	<u>2,214,365</u>	<u>2,214,365</u>	
Fund balance, end of year	<u>\$ 728,221</u>	<u>992,987</u>	<u>1,721,208</u>	<u>1,723,690</u>	

Bear Valley Community Services District
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual – Bond Redemption Fund – Debt Service Fund
For the Year Ended June 30, 2020

	<u>Adopted Original Budget</u>	<u>Board Approved Changes</u>	<u>Revised Final Budget</u>	<u>Actual Budgetary Basis</u>	<u>Variance Positive (Negative)</u>
Revenues:					
Voter approved taxes	\$ 11,363	92,637	104,000	106,508	2,508
Interest earnings	<u>4,221</u>	<u>-</u>	<u>4,221</u>	<u>4,999</u>	<u>778</u>
Total revenues	<u>15,584</u>	<u>92,637</u>	<u>108,221</u>	<u>111,507</u>	<u>3,286</u>
Expenditures:					
Debt service:					
General government	-	-	-	656	(656)
Bond payments	67,000	-	67,000	67,000	-
Interest paid	<u>18,654</u>	<u>-</u>	<u>18,654</u>	<u>17,998</u>	<u>656</u>
Total expenditures	<u>85,654</u>	<u>-</u>	<u>85,654</u>	<u>85,654</u>	<u>-</u>
Net change in fund balance	<u>(70,070)</u>	<u>92,637</u>	<u>22,567</u>	<u>25,853</u>	<u>3,286</u>
Fund balance, beginning of year	<u>273,612</u>	<u>-</u>	<u>273,612</u>	<u>273,612</u>	
Fund balance, end of year	<u>\$ 203,542</u>	<u>92,637</u>	<u>296,179</u>	<u>299,465</u>	

Bear Valley Community Services District
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual – Supplemental Law Enforcement Fund – Major Fund
For the Year Ended June 30, 2020

	<u>Adopted Original Budget</u>	<u>Board Approved Changes</u>	<u>Revised Final Budget</u>	<u>Actual Budgetary Basis</u>	<u>Variance Positive (Negative)</u>
Revenues:					
Federal and state aid	\$ 140,000	15,947	155,947	155,948	1
Interest earnings	750	-	750	848	98
Total revenues	<u>140,750</u>	<u>15,947</u>	<u>156,697</u>	<u>156,796</u>	<u>99</u>
Expenditures:					
Public safety	157,676	(837)	156,839	157,200	(361)
Total expenditures	<u>157,676</u>	<u>(837)</u>	<u>156,839</u>	<u>157,200</u>	<u>(361)</u>
Excess(deficiency) of revenues over expenditures	<u>(16,926)</u>	<u>16,784</u>	<u>(142)</u>	<u>(404)</u>	<u>(262)</u>
Net change in fund balance	<u>(16,926)</u>	<u>16,784</u>	<u>(142)</u>	<u>(404)</u>	<u>(262)</u>
Fund balance, beginning of year	<u>17,069</u>	<u>-</u>	<u>17,069</u>	<u>17,069</u>	
Fund balance, end of year	<u>\$ 143</u>	<u>16,784</u>	<u>16,927</u>	<u>16,665</u>	

Bear Valley Community Services District
District's Proportionate Share of the Net Pension Liability – Last Ten Fiscal Years*
As of June 30, 2020

Description	Measurement Date 2018-2019			Measurement Date				
	Miscellaneous Plan	Safety Plan	Total	2017-2018	2016-2017	2015-2016	2014-2015	2013-2014
District's Proportion of the Net Pension Liability	0.07318%	0.02455%	0.04356%	0.04221%	0.04122%	0.04040%	0.03812%	0.39690%
District's Proportionate Share of the Net Pension Liability	\$ 2,930,337	1,532,770	\$ 4,463,107	\$ 4,067,514	4,087,640	3,495,772	2,616,040	2,469,727
District's Covered Payroll	\$ 1,568,841	340,340	\$ 1,909,181	\$ 1,772,211	2,267,670	1,841,153	2,098,786	2,369,855
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	53.54%	22.20%	42.78%	43.57%	55.48%	52.67%	80.23%	95.96%
Plan's Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	76.63%	69.35%	74.55%	76.01%	75.02%	76.67%	81.98%	82.50%

Notes:

Changes in Benefit Terms – For the measurement date June 30, 2019, there were no changes in the benefit terms.

Changes of Assumptions – For the measurement date June 30, 2019, there were no changes in the discount rate.

For the measurement date June 30, 2019, the discount rate was reduced from 7.65% percent to 7.15% percent.

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

Bear Valley Community Services District
Pension Plan Contributions – Last Ten Fiscal Years*
As of June 30, 2020

Schedule of Pension Plan Contributions:	Miscellaneous Plan	Safety Plan	Fiscal Year 2019-2020	Fiscal Year 2018-2019	Fiscal Year 2017-2018	Fiscal Year 2016-2017	Fiscal Year 2015-2016	Fiscal Year 2014-2015
Actuarially Determined Contribution	\$ 299,571	154,197	453,768	438,806	347,050	336,262	264,183	266,841
Contributions in Relation to the Actuarially Determined Contribution	(252,333)	(127,263)	(379,596)	(412,707)	(312,467)	(293,279)	(312,467)	(242,540)
Contribution Deficiency (Excess)	\$ 47,238	26,934	74,172	26,099	34,583	42,983	(48,284)	24,301
Covered Payroll	\$ 1,568,841	340,340	1,909,181	1,772,211	2,267,670	1,841,153	2,098,786	2,369,855
Contribution's as a percentage of Covered Payroll	19.10%	45.31%	23.77%	24.76%	15.30%	18.26%	12.59%	11.26%

Notes:

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

Supplementary Information

Bear Valley Community Services District
Schedule of Revenues, Expenditures and Changes in Net Position
Budget and Actual – Water Fund
For the Year Ended June 30, 2020

	Adopted Original Budget	Board Approved Changes	Revised Final Budget	Actual Basis	Variance Positive (Negative)
Operating revenues:					
Water consumption sales	\$ 3,623,551	(528,551)	3,095,000	3,514,063	419,063
Other charges for services	<u>25,500</u>	<u>9,500</u>	<u>35,000</u>	<u>32,727</u>	<u>(2,273)</u>
Total operating revenues	<u>3,649,051</u>	<u>(519,051)</u>	<u>3,130,000</u>	<u>3,546,790</u>	<u>416,790</u>
Operating expenses:					
Salaries and benefits	1,490,853	(157,956)	1,332,897	1,388,987	(56,090)
Operations	<u>1,735,028</u>	<u>(167,840)</u>	<u>1,567,188</u>	<u>1,426,038</u>	<u>141,150</u>
Total operating expenses	<u>3,225,881</u>	<u>(325,796)</u>	<u>2,900,085</u>	<u>2,815,025</u>	<u>85,060</u>
Operating income(loss) before capital	423,170	(193,255)	229,915	731,765	501,850
Depreciation expense	<u>-</u>	<u>-</u>	<u>-</u>	<u>(404,383)</u>	<u>404,383</u>
Operating income(loss)	<u>423,170</u>	<u>(193,255)</u>	<u>229,915</u>	<u>327,382</u>	<u>97,467</u>
Non-operating revenue(expense):					
Interest earnings	24,500	(8,500)	16,000	24,092	8,092
Interest expense	<u>(51,081)</u>	<u>-</u>	<u>(51,081)</u>	<u>(49,791)</u>	<u>1,290</u>
Total non-operating, net	<u>(26,581)</u>	<u>(8,500)</u>	<u>(35,081)</u>	<u>(25,699)</u>	<u>9,382</u>
Other financing sources(uses):					
Operating transfers	<u>92,436</u>	<u>(95,466)</u>	<u>(3,030)</u>	<u>(3,030)</u>	<u>-</u>
Capital contributions and purchases:					
Capital outlay	748,145	6,055	754,200	-	754,200
Standby charges	25,000	-	25,000	23,757	(1,243)
Capacity charges	<u>37,775</u>	<u>37,775</u>	<u>75,550</u>	<u>83,105</u>	<u>7,555</u>
Total capital contributions	<u>810,920</u>	<u>43,830</u>	<u>854,750</u>	<u>106,862</u>	<u>747,888</u>
Change in net position	1,299,945	(253,391)	1,046,554	405,515	<u>854,737</u>
Net position, beginning of year	<u>7,052,047</u>	<u>-</u>	<u>7,052,047</u>	<u>7,052,047</u>	
Fund balance, end of year	<u>\$ 8,351,992</u>	<u>(253,391)</u>	<u>8,098,601</u>	<u>7,457,562</u>	

Bear Valley Community Services District
Schedule of Revenues, Expenditures and Changes in Net Position
Budget and Actual – Wastewater Fund
For the Year Ended June 30, 2020

	<u>Adopted Original Budget</u>	<u>Board Approved Changes</u>	<u>Revised Final Budget</u>	<u>Actual Basis</u>	<u>Variance Positive (Negative)</u>
Operating revenues:					
Wastewater service charges	\$ 506,552	(3,552)	503,000	519,134	16,134
Other charges for services	<u>1,250</u>	<u>1,750</u>	<u>3,000</u>	<u>775</u>	<u>(2,225)</u>
Total operating revenues	<u>507,802</u>	<u>(1,802)</u>	<u>506,000</u>	<u>519,909</u>	<u>13,909</u>
Operating expenses:					
Salaries and benefits	514,016	9,063	523,079	580,511	(57,432)
Operations	<u>287,733</u>	<u>(56,329)</u>	<u>231,404</u>	<u>248,789</u>	<u>(17,385)</u>
Total operating expenses	<u>801,749</u>	<u>(47,266)</u>	<u>754,483</u>	<u>829,300</u>	<u>(74,817)</u>
Operating income(loss) before capital	(293,947)	45,464	(248,483)	(309,391)	(60,908)
Depreciation expense	<u>-</u>	<u>-</u>	<u>-</u>	<u>(40,891)</u>	<u>40,891</u>
Operating income(loss)	<u>(293,947)</u>	<u>45,464</u>	<u>(248,483)</u>	<u>(350,282)</u>	<u>(101,799)</u>
Non-operating revenue(expense):					
Interest earnings	8,750	(1,760)	6,990	9,119	2,129
Interest expense	<u>(10,678)</u>	<u>-</u>	<u>(10,678)</u>	<u>(10,408)</u>	<u>270</u>
Total non-operating, net	<u>(1,928)</u>	<u>(1,760)</u>	<u>(3,688)</u>	<u>(1,289)</u>	<u>2,399</u>
Other financing sources(uses):					
Operating transfers	<u>71,073</u>	<u>(19,533)</u>	<u>51,540</u>	<u>55,356</u>	<u>3,816</u>
Capital contributions and purchases:					
Capital outlay	160,092	(108,092)	52,000	-	52,000
Capacity charges	<u>6,529</u>	<u>13,058</u>	<u>19,587</u>	<u>26,116</u>	<u>6,529</u>
Total capital contributions	<u>166,621</u>	<u>(95,034)</u>	<u>71,587</u>	<u>26,116</u>	<u>45,471</u>
Change in net position	<u>(58,181)</u>	<u>(70,863)</u>	<u>(129,044)</u>	<u>(270,099)</u>	<u>(50,113)</u>
Net position, beginning of year	<u>272,894</u>	<u>-</u>	<u>272,894</u>	<u>272,894</u>	
Fund balance, end of year	<u>\$ 214,713</u>	<u>(70,863)</u>	<u>143,850</u>	<u>2,795</u>	

Bear Valley Community Services District
Schedule of Revenues, Expenditures and Changes in Net Position
Budget and Actual – Solid Waste Fund
For the Year Ended June 30, 2020

	<u>Adopted Original Budget</u>	<u>Board Approved Changes</u>	<u>Revised Final Budget</u>	<u>Actual Basis</u>	<u>Variance Positive (Negative)</u>
Operating revenues:					
Solid waste collection charges	\$ 555,000	-	555,000	554,316	(684)
Other charges for services	500	120	620	790	170
Total operating revenues	<u>555,500</u>	<u>120</u>	<u>555,620</u>	<u>555,106</u>	<u>(514)</u>
Operating expenses:					
Salaries and benefits	242,071	143,657	385,728	390,874	(5,146)
Operations	398,954	42,629	441,583	446,199	(4,616)
Total operating expenses	<u>641,025</u>	<u>186,286</u>	<u>827,311</u>	<u>837,073</u>	<u>(9,762)</u>
Operating loss before capital	(85,525)	(186,166)	(271,691)	(281,967)	(10,276)
Depreciation expense	-	-	-	(3,321)	(3,321)
Operating loss	<u>(85,525)</u>	<u>(186,166)</u>	<u>(271,691)</u>	<u>(285,288)</u>	<u>(6,955)</u>
Non-operating revenue:					
Interest earnings	16,712	(5,722)	10,990	12,401	1,411
Total non-operating, net	<u>16,712</u>	<u>(5,722)</u>	<u>10,990</u>	<u>12,401</u>	<u>(1,411)</u>
Other financing sources(uses):					
Operating transfers	(9,865)	8,805	(1,060)	(1,055)	5
Capital contributions and purchases:					
Capital outlay	325,000	(125,000)	200,000	-	(200,000)
Total capital contributions	<u>325,000</u>	<u>(125,000)</u>	<u>200,000</u>	<u>-</u>	<u>(200,000)</u>
Change in net position	246,322	(308,083)	(61,761)	(273,942)	(208,361)
Net position, beginning of year	<u>662,385</u>	<u>-</u>	<u>662,385</u>	<u>662,385</u>	
Fund balance, end of year	<u>\$ 908,707</u>	<u>(308,083)</u>	<u>600,624</u>	<u>388,443</u>	

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Report on Compliance and Internal Controls



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

Board of Directors
Bear Valley Community Services District
Tehachapi, 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 Bear Valley Community Services District (District) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprises the District's basic financial statements, and have issued our report thereon dated February 11, 2021.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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 District'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 audits, 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 Controls 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 District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Fedak & Brown LLP

Fedak & Brown LLP
Cypress, California
February 11, 2021