



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

Annual Financial Report

**For the Fiscal Year Ended
June 30, 2023**



BEAR VALLEY COMMUNITY SERVICES DISTRICT

List of Elected and Appointed Officials

June 30, 2023

Elected Officials

BOARD OF DIRECTORS

| | |
|-----------------------|-------------------------|
| President | John Grace |
| Vice-President | Charles Jensen |
| Director | Geva Frevert |
| Director | Terry Quinn |
| Director | Martin Hernandez |

District Management

| | |
|---|-----------------------|
| Interim General Manager | Wesley Shyrock |
| Finance Director | Perla Fikter |
| Chief of Police | Daniel Suttles |
| Public Works Director | Vacant |
| Assistant to the General Manager | Kristy McEwen |

**Bear Valley Community Services District
28999 S. Lower Valley Road
Tehachapi, California 93561
(661) 821-4428 www.bvcsd.com**



Bear Valley Community Services District
Annual Financial Report
For the Fiscal Year Ended June 30, 2023

Prepared by:
Finance Department

**Bear Valley Community Services District
Annual Financial Report
For the Fiscal Year Ended June 30, 2023**

Table of Contents

| | <u>Page No.</u> |
|---|------------------------|
| Table of Contents | i-ii |
| Financial Section | |
| Independent Auditor’s Report | 1-3 |
| Management’s Discussion and Analysis | 4-13 |
| Basic Financial Statements: | |
| Government-wide Financial Statements: | |
| Statement of Net Position | 14-15 |
| Statement of Activities | 16 |
| Fund Financial Statements: | |
| Balance Sheets – Governmental Funds | 17 |
| Reconciliation of the Balance Sheets of Governmental Funds to the Statement of Net Position | 18 |
| Statements of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds | 19 |
| Reconciliation of the Statements of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities | 20 |
| Statements of Net Position – Enterprise Funds | 21 |
| Statements of Revenues, Expenses, and Changes in Fund Net Position – Enterprise Funds | 22 |
| Statements of Cash Flows – Enterprise Funds | 23-24 |
| Notes to the Basic Financial Statements | 25-61 |
| Required Supplementary Information | |
| Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund – Major Fund | 62 |
| Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Streets and Roads Fund – Major Fund | 63 |
| Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Bond Redemption Fund – Debt Service Fund | 64 |
| Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Supplemental Law Enforcement Fund – Major Fund | 65 |
| Schedules of the District’s Proportionate Share of the Net Pension Liability | 66 |
| Schedules of Pension Plan Contributions | 67 |
| Supplementary Information | |
| Schedule of Revenues, Expenses, and Changes in Net Position – Budget and Actual – Water Fund | 68 |
| Schedule of Revenues, Expenses, and Changes in Net Position – Budget and Actual – Wastewater Fund | 69 |
| Schedule of Revenues, Expenses, and Changes in Net Position – Budget and Actual – Solid Waste Fund | 70 |

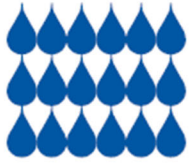
**Bear Valley Community Services District
Annual Financial Report
For the Fiscal Year Ended June 30, 2023**

Table of Contents

| | <u>Page No.</u> |
|--|------------------------|
| Report on Internal Controls and Compliance | |
| 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 <i>Government Auditing Standards</i> | 71-72 |
| Schedule of Finding and Response | 73 |
| Schedule of Prior Year Finding and Response | 74 |

< Page Intentionally Left Blank >

Financial Section



C.J. Brown & Company CPAs

An Accountancy Corporation

Christopher J. Brown, CPA, CGMA
Jonathan Abadesco, CPA
Jeffrey Palmer

Cypress Office:
10805 Holder Street, Suite 150
Cypress, California 90630
(657) 214-2307

Riverside Office:
5051 Canyon Crest Drive, Suite 203
Riverside, California 92507
(657) 214-2307

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 of the Bear Valley Community Services District (District) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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, and each major fund of the District, as of June 30, 2023, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State Controller's Minimum Audit Requirements 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 from material misstatement. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibility of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Independent Auditor's Report, continued

Auditor's Responsibilities for the Audits of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Independent Auditor's Report, continued

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 13, budgetary comparison information on pages 62 through 65, and the required supplementary information on pages 66 and 67 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 Information

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 68 through 70 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 12, 2026, 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 71 and 72.

C.J. Brown & Company, CPAs

C.J. Brown & Company CPAs

Cypress, California

February 12, 2026

**Bear Valley Community Services District
Management’s Discussion and Analysis
For the Year Ended June 30, 2023**

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, 2023. 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

- In 2023, the District’s net position increased 6.8%, or \$1,497,775 from \$22,132,494 to \$23,630,269, as a result of ongoing operations.
- In 2023, the District’s total revenues from all sources decreased 0.4%, or \$44,662 to \$11,528,897.
- In 2023, the District’s total expenses for all uses decreased 3.2%, or \$333,264 to \$10,031,122.

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), 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 – assets and 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 14 through 16 of this report.

**Bear Valley Community Services District
Management's Discussion and Analysis
For the Year Ended June 30, 2023**

Fund Financial Statements

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.

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

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. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

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 balance 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 62 through 65 of this report.

The basic governmental fund financial statements can be found on pages 17 through 20 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 68 through 70 of this report.

**Bear Valley Community Services District
Management's Discussion and Analysis
For the Year Ended June 30, 2023**

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

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 funds (water enterprise, water development, and water reserve funds) are reported together as Water Enterprise; four funds (wastewater enterprise, wastewater development, and wastewater reserve 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 21 through 24 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 25 through 61 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 62 through 67 of this report.

Government-wide Financial Analysis

Statements of Net Position

| | Condensed Statements of Net Position | | | | | | |
|---------------------------------------|--------------------------------------|-------------------|--------------------------|-------------------|-------------------|-------------------|--------------------|
| | Governmental Activities | | Business-type Activities | | Total District | | |
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | Change |
| Assets: | | | | | | | |
| Current and other assets | \$ 5,923,389 | 5,858,175 | 6,946,072 | 5,345,589 | 12,869,461 | 11,203,764 | 1,665,697 |
| Non-current assets | 562,354 | 733,989 | - | 54,846 | 562,354 | 788,835 | (226,481) |
| Capital assets, net | 10,653,739 | 11,217,441 | 9,107,949 | 9,280,901 | 19,761,688 | 20,498,342 | (736,654) |
| Total assets | 17,139,482 | 17,809,605 | 16,054,021 | 14,681,336 | 33,193,503 | 32,490,941 | 702,562 |
| Deferred outflows of resources | 1,407,752 | 686,668 | 958,049 | 441,385 | 2,365,801 | 1,128,053 | 1,237,748 |
| Liabilities: | | | | | | | |
| Current liabilities | 818,793 | 626,545 | 1,021,209 | 724,257 | 1,840,002 | 1,350,802 | 489,200 |
| Non-current liabilities | 5,088,799 | 3,720,247 | 4,066,997 | 3,102,229 | 9,155,796 | 6,822,476 | 2,333,320 |
| Total liabilities | 5,907,592 | 4,346,792 | 5,088,206 | 3,826,486 | 10,995,798 | 8,173,278 | 2,822,520 |
| Deferred inflows of resources | 830,455 | 2,260,036 | 102,782 | 1,053,186 | 933,237 | 3,313,222 | (2,379,985) |
| Net position: | | | | | | | |
| Net investment in capital assets | 9,997,202 | 10,446,640 | 7,181,353 | 7,124,824 | 17,178,555 | 17,571,464 | (392,909) |
| Restricted | 2,529,997 | 2,837,968 | - | - | 2,529,997 | 2,837,968 | (307,971) |
| Unrestricted | (718,012) | (1,395,163) | 4,639,729 | 3,118,225 | 3,921,717 | 1,723,062 | 2,198,655 |
| Total net position | \$ 11,809,187 | 11,889,445 | 11,821,082 | 10,243,049 | 23,630,269 | 22,132,494 | 1,497,775 |

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 exceeded liabilities and deferred inflows by \$23,630,269 as of June 30, 2023, an increase of \$1,497,775 as a result of ongoing operations.

**Bear Valley Community Services District
Management's Discussion and Analysis
For the Year Ended June 30, 2023**

Government-wide Financial Analysis, continued

Statements of Net Position, continued

By far the largest portion of the District's net position (72.7%) 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 balance of restricted net position is \$2,529,997 and unrestricted net position of \$3,921,717 is available to meet the government's ongoing obligations. See notes 12 and 13 for further discussion.

Governmental activities. Governmental activities decreased the District's net position by \$80,258 from \$11,889,445 to \$11,809,187 as a result of current-year operations.

Business-type activities. Business-type activities increased the District's net position by \$1,578,033 from \$10,243,049 to \$11,821,082 as a result of current-year operations.

Statements of Activities

| | Condensed Statements of Activities | | | | | | |
|--|------------------------------------|-------------------|--------------------------|-------------------|-------------------|-------------------|------------------|
| | Governmental Activities | | Business-type Activities | | Total District | | |
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | Change |
| Revenues: | | | | | | | |
| Program revenues: | | | | | | | |
| Charges for services | \$ 1,415,248 | 1,603,720 | 6,558,814 | 6,401,947 | 7,974,062 | 8,005,667 | (31,605) |
| Operating grants and contrib. | 300,882 | 657,176 | - | - | 300,882 | 657,176 | (356,294) |
| Capital grants and contrib. | - | - | 116,092 | 144,392 | 116,092 | 144,392 | (28,300) |
| General revenues: | | | | | | | |
| Property taxes | 2,148,693 | 2,007,457 | - | - | 2,148,693 | 2,007,457 | 141,236 |
| Voter approved taxes | 784,616 | 709,815 | - | - | 784,616 | 709,815 | 74,801 |
| Investment earnings | 106,418 | 36,643 | 98,134 | 12,409 | 204,552 | 49,052 | 155,500 |
| Total revenues | <u>4,755,857</u> | <u>5,014,811</u> | <u>6,773,040</u> | <u>6,558,748</u> | <u>11,528,897</u> | <u>11,573,559</u> | <u>(44,662)</u> |
| Expenses: | | | | | | | |
| General government | 801,877 | 1,504,509 | - | - | 801,877 | 1,504,509 | (702,632) |
| Public safety | 2,014,473 | 1,743,917 | - | - | 2,014,473 | 1,743,917 | 270,556 |
| Streets and roads | 1,665,084 | 1,894,998 | - | - | 1,665,084 | 1,894,998 | (229,914) |
| Legal settlement | 80,128 | - | - | - | 80,128 | - | 80,128 |
| Interest on long-term debt | 29,783 | 24,318 | - | - | 29,783 | 24,318 | 5,465 |
| Water | - | - | 3,867,436 | 3,522,798 | 3,867,436 | 3,522,798 | 344,638 |
| Wastewater | - | - | 783,630 | 878,796 | 783,630 | 878,796 | (95,166) |
| Solid waste | - | - | 788,711 | 795,050 | 788,711 | 795,050 | (6,339) |
| Total expenses | <u>4,591,345</u> | <u>5,167,742</u> | <u>5,439,777</u> | <u>5,196,644</u> | <u>10,031,122</u> | <u>10,364,386</u> | <u>(333,264)</u> |
| Transfers from(to) other funds | (244,770) | 30,000 | 244,770 | (30,000) | - | - | - |
| Change in net position | (80,258) | (122,931) | 1,578,033 | 1,332,104 | 1,497,775 | 1,209,173 | 288,602 |
| Net position, beginning of year, as previously stated | <u>11,889,445</u> | <u>12,012,376</u> | <u>10,243,049</u> | <u>8,910,945</u> | <u>22,132,494</u> | <u>20,923,321</u> | <u>1,209,173</u> |
| Net position, end of year | <u>\$ 11,809,187</u> | <u>11,889,445</u> | <u>11,821,082</u> | <u>10,243,049</u> | <u>23,630,269</u> | <u>22,132,494</u> | <u>1,497,775</u> |

Compared to the prior year, net position of the District increased 6.8%, or \$1,497,775 from \$22,132,494 to \$23,630,269 as a result of current year operations.

Total revenues from all sources decreased 0.4%, or \$44,662 to \$11,528,897.

**Bear Valley Community Services District
Management’s Discussion and Analysis
For the Year Ended June 30, 2023**

**Government-wide Financial Analysis, continued
Statements of Activities, continued**

Revenue from charges for services in the governmental-type activities decreased by 9.5%, or \$148,472 from \$1,603,720 to \$1,415,248 due primarily to decreases of \$117,965 in rental income and \$59,824 sourcing from prior year GASB 87 lease implementation adjustments in general government as compared to the prior year.

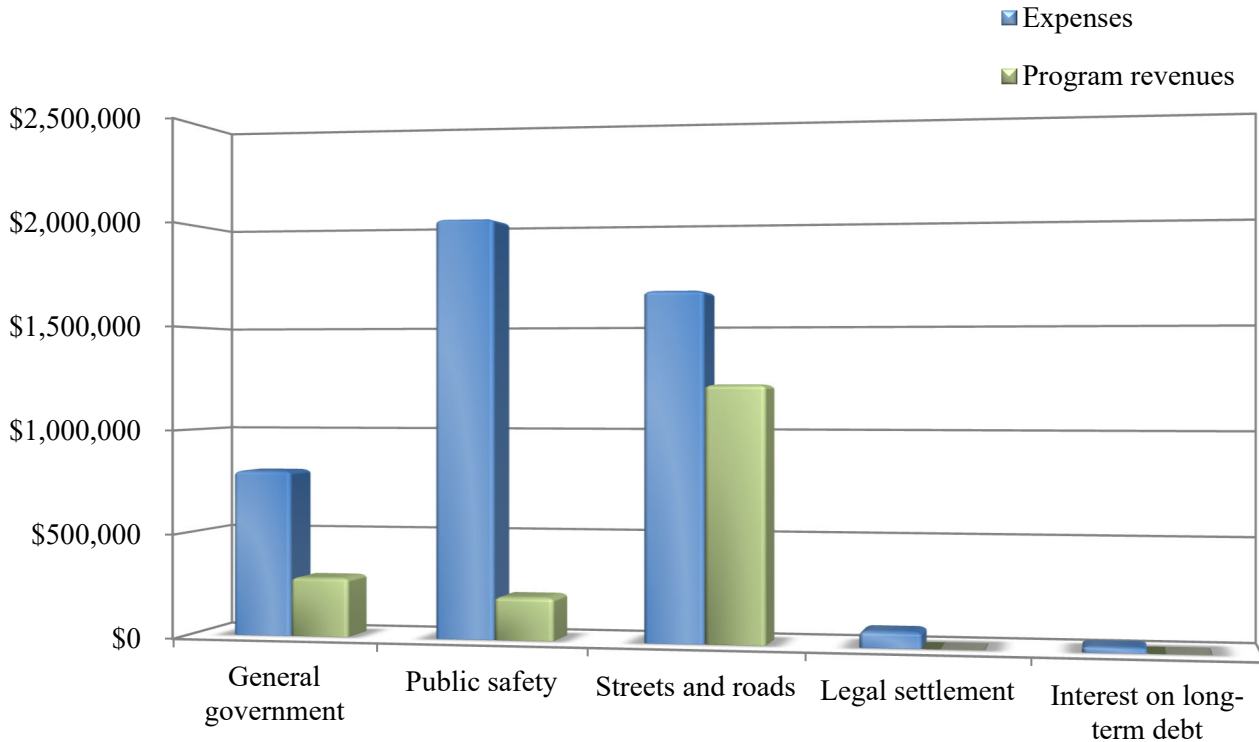
Revenue from charges for services in the business-type activities increased by 2.5%, or \$156,867 from \$6,401,947 to \$6,558,814 due to increases of \$100,413 in solid waste collection charges and \$64,568 in wastewater service charges as compared to the prior year.

Property taxes increased by 7.0%, or \$141,236 from \$2,007,457 to \$2,148,693 due to an overall increase in assessed property valuations.

Voter approved taxes increased by 10.5%, or \$74,801 from \$709,815 to \$784,616.

Total expenses decreased by 3.0%, or \$309,571 from \$10,340,693 to \$10,031,122 primarily due to decreases of \$702,632 in general government, \$229,914 in streets and roads, \$95,166 in wastewater, which were offset by increases of \$344,638 in water, \$294,249 in public safety, and \$80,128 in legal settlement expense related to a roads construction project as compared to the prior year.

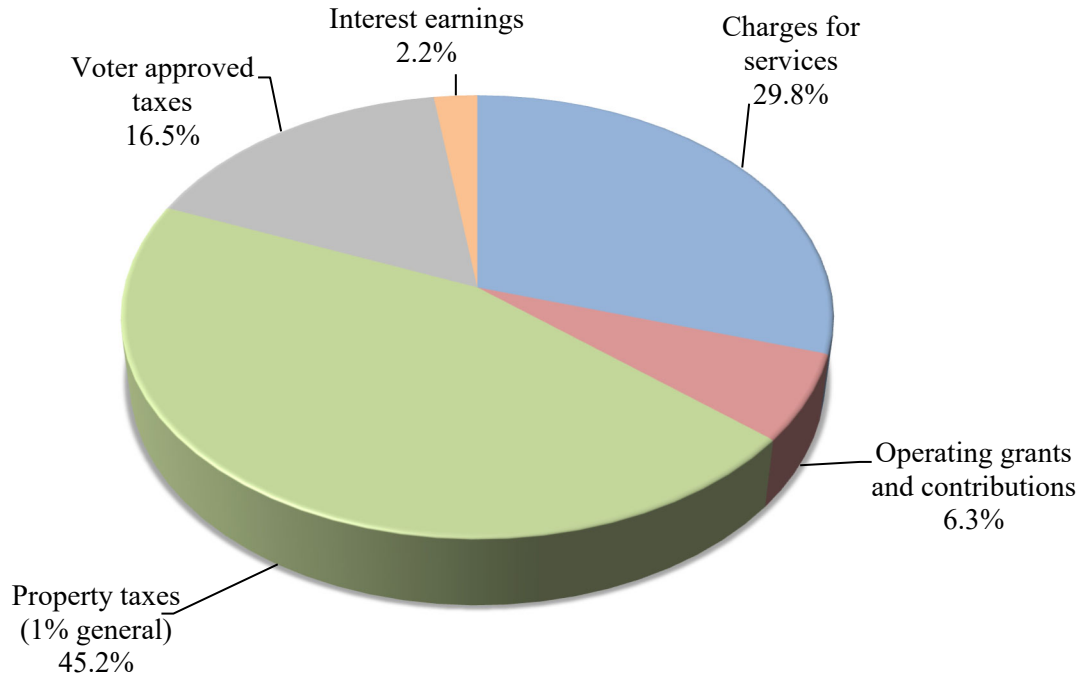
Expenses and Program Revenues – Governmental Activities



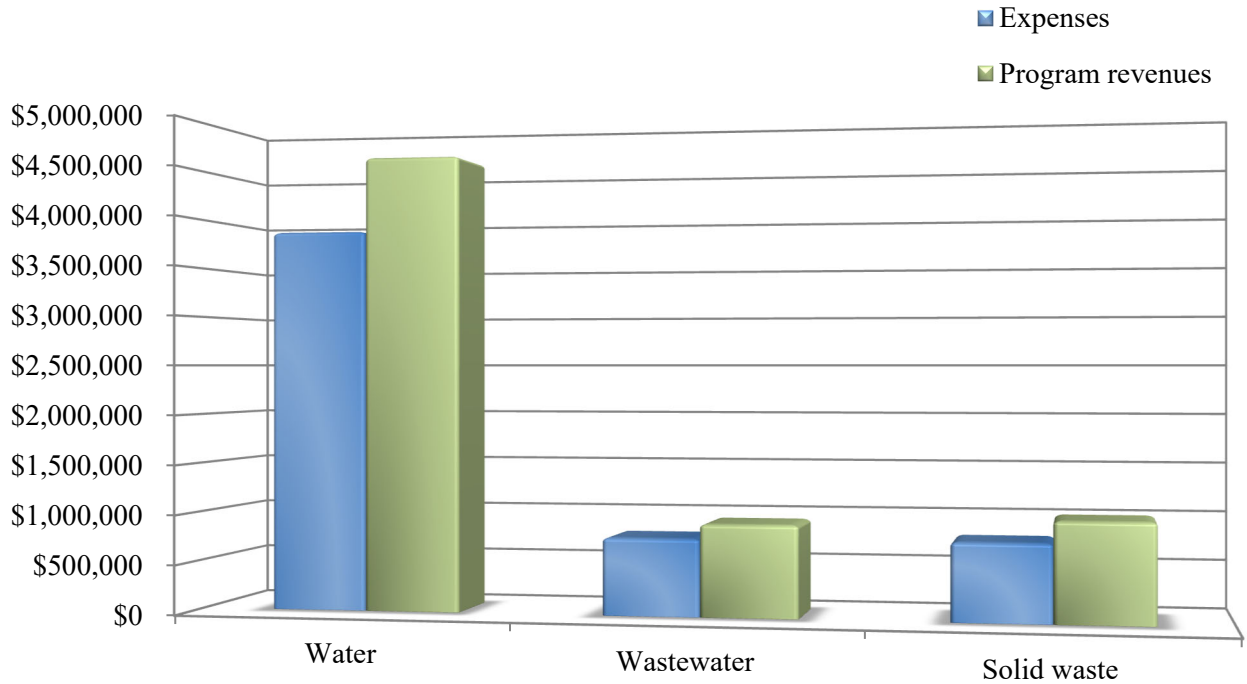
The table above does not include governmental activity general revenues which include property taxes, voter approved taxes, interest earnings, and transfers out. Please see page 19 for further detail.

**Bear Valley Community Services District
Management's Discussion and Analysis
For the Year Ended June 30, 2023**

Revenues by Source – Governmental Activities

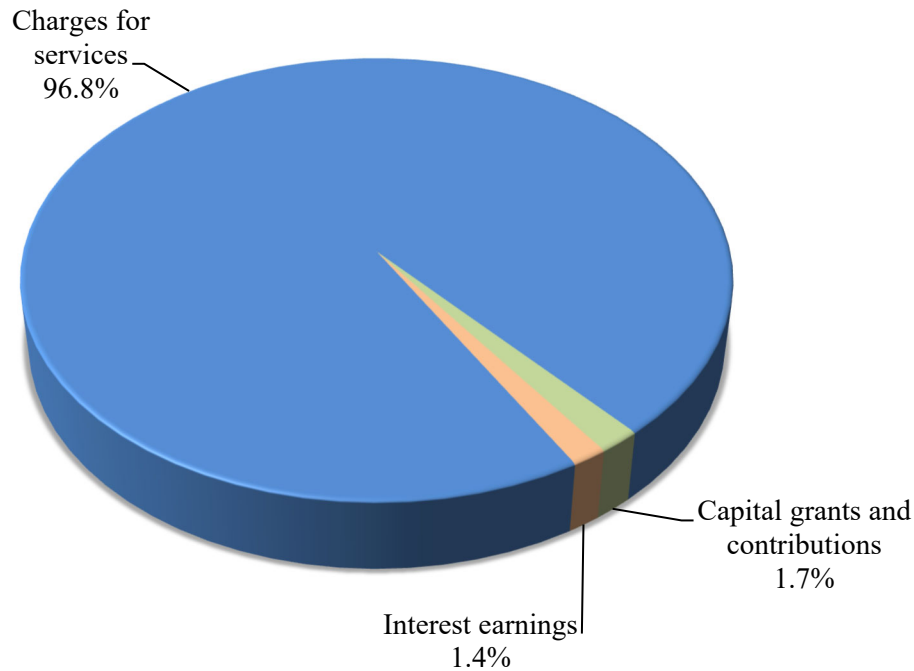


Expenses and Program Revenues – Business-type Activities



**Bear Valley Community Services District
Management's Discussion and Analysis
For the Year Ended June 30, 2023**

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 17.

As of June 30, 2023, the Bear Valley Community Services District's governmental funds reported combined ending fund balance of \$5,152,247, a decrease of \$183,795 in comparison with the prior year. Of this total fund balance, \$2,492,708 or 48.4% 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 \$3,701,696 of which \$1,086,084 is restricted for an employee contract payable, \$10,021 is non-spendable for prepaid costs, \$112,882 is assigned for compensated absences, and \$2,492,709 is unassigned. Of the unassigned fund balance, the Board has a deficit unfunded reserve of \$711,436. 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 48.4% of total general fund expenditures, while total fund balance represents 129.4% of that same amount.

**Bear Valley Community Services District
Management's Discussion and Analysis
For the Year Ended June 30, 2023**

Financial Analysis of the Government's Funds, continued

Governmental funds, continued

The following discussion is correlated to the change in fund balance on the Statements of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds can be found on page 19 and the discussion of fund balance make-up on the Balance Sheets – Governmental Funds can be found on page 17.

The fund balance of the District's general fund increased \$130,753 as a result of current year operations which included a transfer of \$244,770 to the water and wastewater fund for the purpose of well rehabilitation and for creating a Rate Stabilization fund, respectively. The amount unassigned for six-month operating reserve increased by \$215,439 from \$2,277,270 to \$2,492,709 in the current year as compared to the prior year operations.

The fund balance of the District's streets and roads fund decreased \$472,616 as a result of current year operations. The streets and roads fund has a restricted fund balance of \$553,179 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. In addition, restricted fund balance of \$300,000 will be used for future debt service costs. The assigned fund balance amount is \$16,745 for compensated absences.

The fund balance of the District's debt service fund increased \$163,810 as a result of current year operations. The debt service fund has a restricted fund balance of \$573,212 which will be used for the payment for future debt service.

The fund balance of the District's supplemental law enforcement fund decreased \$5,741 as a result of current year operations. The supplemental law enforcement fund has a restricted fund balance of \$7,416 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 net position on the Statements of Revenues, Expenses, and Changes in Fund Net Position – Enterprise Funds found on page 22.

Net position for all enterprise funds increased \$1,578,033 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 \$996,357; wastewater enterprise increased by \$360,296; and solid waste enterprise increased by \$221,380 as a result of the current year operations.

Budgetary Highlights

Governmental funds. For the year ended June 30, 2023, the final actual expenditures were less than budgeted for the general fund by \$118,420, primarily due to general government, public safety, and capital outlay; more than budgeted for the streets and roads fund by \$190,229; equaled budgeted for the debt service fund; and less than budgeted for the supplemental law enforcement fund by \$4,476. For the year ended June 30, 2023, final actual revenues were more than budgeted for the general fund by \$2,266,760, primarily due to higher budgeted than actual property and voter approved tax revenue; greater than budgeted for the streets and roads fund by \$830,048, primarily due to higher than budgeted special assessment revenue; greater than budgeted for the debt service fund by \$1,932; and higher than budgeted for the supplemental law enforcement fund by \$702.

At June 30, 2022, there were differences between the original and final amended budgets for the general fund of \$1,705,320, streets and roads fund of \$954,245, debt service fund of \$108,416, and supplemental law enforcement fund of \$10,672. Please see the governmental fund budgets reported on pages 62 through 65.

**Bear Valley Community Services District
Management's Discussion and Analysis
For the Year Ended June 30, 2023**

Budgetary Highlights, continued

Enterprise funds. For the year ended June 30, 2023, the final actual expenditures (before depreciation) were less than budgeted for the water fund by \$406,166; less than budgeted for the wastewater fund by \$92,980; and less than budgeted for the solid waste fund by \$20,613. The decreases in actual to budget in the salaries and benefits category for the water, wastewater, and solid waste enterprise funds were affected by the required adjustments for GASB 68 pension amounts. 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, 2023, final actual operating revenues were greater than budgeted for the water fund by \$4,280,200; greater than budgeted for the wastewater fund by \$859,006; and greater than budgeted for the solid waste fund by \$919,145.

At June 30, 2023, there were differences between the original and final amended budgets for the water fund of \$6,076,285, the wastewater fund of \$1,040,250, and the solid waste fund of \$844,589. Please see the enterprise fund budgets reported on pages 68 through 70.

Capital Asset Administration

| | Capital Assets | | | | | |
|---|-------------------------|--------------|--------------------------|--------------|----------------|--------------|
| | Governmental Activities | | Business-type Activities | | Total District | |
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| Capital assets: | | | | | | |
| Non-depreciable assets | \$ 4,820,357 | 4,983,752 | 3,662,053 | 3,662,053 | 8,482,410 | 8,645,805 |
| Depreciable and amortizable assets | 37,134,306 | 36,909,767 | 22,911,903 | 22,667,263 | 60,046,209 | 59,577,030 |
| Total capital assets | 41,954,663 | 41,893,519 | 26,573,956 | 26,329,316 | 68,528,619 | 68,222,835 |
| Accumulated depreciation and amortization | (31,300,924) | (30,676,078) | (17,466,007) | (17,048,415) | (48,766,931) | (47,724,493) |
| Total capital assets, net | \$ 10,653,739 | 11,217,441 | 9,107,949 | 9,280,901 | 19,761,688 | 20,498,342 |

The Bear Valley Community Services District's capital assets, net of accumulated depreciation for its governmental and business-type activities as of June 30, 2023, amount to \$19,761,688. This investment in capital assets includes land, buildings, improvements, machinery and equipment, leased equipment, and park facilities and infrastructure.

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

- \$163,395 in the completed gate development and improvement project in construction-in-progress was transferred to infrastructure, streets, and roads for the general fund.
- \$114,581 for additions to vehicles and equipment in the general fund.
- \$53,437 for disposals of vehicles and equipment in the general fund.

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

- \$286,737 for additions to water transmission and distribution in the water fund.
- \$6,603 for additions to vehicles and equipment in the wastewater fund.
- \$15,767 in transfers between vehicles and equipment and solid waste collection categories.
- \$48,700 for deletions to water transmission and distribution in the water fund.

**Bear Valley Community Services District
Management's Discussion and Analysis
For the Year Ended June 30, 2023**

Capital Asset Administration, continued

Additional information on the District's capital assets can be found in Note 6 on pages 42 through 45 of this report.

Long-Term Debt Administration

| | | Long-term Debt | | | | | |
|-----------------------------|-----------|--------------------------------|----------------|---------------------------------|------------------|------------------|------------------|
| | | <u>Governmental Activities</u> | | <u>Business-Type Activities</u> | | <u>Total</u> | |
| | | <u>2023</u> | <u>2022</u> | <u>2023</u> | <u>2022</u> | <u>2023</u> | <u>2022</u> |
| Long-term debt: | | | | | | | |
| General obligation bonds | \$ | 393,000 | 463,000 | - | - | 393,000 | 463,000 |
| Lease payable | | 3,166 | 7,801 | - | - | 3,166 | 7,801 |
| MFC loan | | 260,371 | 300,000 | - | - | 260,371 | 300,000 |
| CIEDB loan | | - | - | 1,637,957 | 1,777,217 | 1,637,957 | 1,777,217 |
| MFC loan | | - | - | 288,639 | 378,860 | 288,639 | 378,860 |
| Total long-term debt | \$ | 656,537 | 770,801 | 1,926,596 | 2,156,077 | 2,583,133 | 2,926,878 |

At the end of the current fiscal year, the Bear Valley Community Services District had total debt outstanding of \$2,583,133. Of this amount, \$393,000 is the remaining balance of the general obligation bond debt backed by the full faith and credit of the Bear Valley Community Services District, \$3,166 is the remaining balance of the lease payable for the District's copier lease, \$260,371 is the remaining balance due to the Municipal Finance Corporation (MFC) installment sales agreement for the purpose of financing snow plow equipment, \$1,637,957 is the remaining balance due to the California Infrastructure and Economic Development Bank (CIEDB) for water and wastewater system improvements and \$288,639 is the remaining balance due to the Municipal Finance Corporation (MFC) installment sales agreement for the purpose of financing generators to support the District's water system.

Additional information on the District's long-term debt can be found in Note 9 on pages 46 through 49 of this report.

Conditions Affecting Current Financial Position

Management is unaware of any 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 Bear Valley Community Services District, 28999 South Lower Valley Road, Tehachapi, CA 93561, (661) 821-4428.

Basic Financial Statements

Bear Valley Community Services District
Statement of Net Position
June 30, 2023

| | <u>Governmental Activities</u> | <u>Business-type Activities</u> | <u>Total</u> |
|--|------------------------------------|-------------------------------------|-------------------|
| Current assets: | | | |
| Cash and cash equivalents (note 2) | \$ 5,468,267 | 5,298,616 | 10,766,883 |
| Cash and cash equivalents – restricted (note 2) | 10,106 | - | 10,106 |
| Accrued interest receivable | 3,137 | 2,930 | 6,067 |
| Accounts receivable – utilities (note 3) | - | 1,082,526 | 1,082,526 |
| Accounts receivable – other | 10,223 | - | 10,223 |
| Leases receivable (note 4) | 171,635 | - | 171,635 |
| Due from other funds (note 5) | 250,000 | - | 250,000 |
| Prepays | 10,021 | 562,000 | 572,021 |
| Total current assets | <u>5,923,389</u> | <u>6,946,072</u> | <u>12,869,461</u> |
| Non-current assets: | | | |
| Leases receivable (note 4) | 562,354 | - | 562,354 |
| Capital assets – not being depreciated (note 6) | 4,820,357 | 3,662,053 | 8,482,410 |
| Capital assets – being depreciated, net (note 6) | 5,833,382 | 5,445,896 | 11,279,278 |
| Total non-current assets | <u>11,216,093</u> | <u>9,107,949</u> | <u>20,324,042</u> |
| Total assets | <u>17,139,482</u> | <u>16,054,021</u> | <u>33,193,503</u> |
| Deferred outflows of resources: | | | |
| Deferred pension outflows (note 10) | 1,407,752 | 958,049 | 2,365,801 |
| Total deferred outflows of resources | <u>\$ 1,407,752</u> | <u>958,049</u> | <u>2,365,801</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, 2023

| | <u>Governmental Activities</u> | <u>Business-type Activities</u> | <u>Total</u> |
|--|------------------------------------|-------------------------------------|-------------------|
| Current liabilities: | | | |
| Accounts payable and accrued expenses | \$ 470,160 | 400,843 | 871,003 |
| Accrued wages and related payables | 129,347 | 65,778 | 195,125 |
| Accrued interest on long-term debt | 8,929 | 28,429 | 37,358 |
| Deposits | - | 16,009 | 16,009 |
| Due to other funds (note 5) | - | 250,000 | 250,000 |
| Long-term liabilities – due within one year: | | | |
| Compensated absences (note 7) | 34,166 | 23,656 | 57,822 |
| Employee contract payable (note 8) | 58,366 | - | 58,366 |
| Bond, loans, and lease payable (note 9) | 117,825 | 236,494 | 354,319 |
| Total current liabilities | <u>818,793</u> | <u>1,021,209</u> | <u>1,840,002</u> |
| Non-current liabilities: | | | |
| Long-term liabilities – due in more than one year: | | | |
| Compensated absences (note 7) | 95,461 | 70,968 | 166,429 |
| Employee contract payable (note 8) | 1,027,718 | - | 1,027,718 |
| Bond, loans, and lease payable (note 9) | 538,712 | 1,690,102 | 2,228,814 |
| Net pension liability (note 10) | 3,426,908 | 2,305,927 | 5,732,835 |
| Total non-current liabilities | <u>5,088,799</u> | <u>4,066,997</u> | <u>9,155,796</u> |
| Total liabilities | <u>5,907,592</u> | <u>5,088,206</u> | <u>10,995,798</u> |
| Deferred inflows of resources: | | | |
| Deferred lease inflows (note 4) | 632,331 | - | 632,331 |
| Deferred pension inflows (note 10) | 198,124 | 102,782 | 300,906 |
| Total deferred inflows of resources | <u>830,455</u> | <u>102,782</u> | <u>933,237</u> |
| Net position: | | | |
| Net investment in capital assets (note 11) | 9,997,202 | 7,181,353 | 17,178,555 |
| Restricted (note 12) | 2,529,997 | - | 2,529,997 |
| Unrestricted (note 13) | (718,012) | 4,639,729 | 3,921,717 |
| Total net position | <u>\$ 11,809,187</u> | <u>11,821,082</u> | <u>23,630,269</u> |

See accompanying notes to the basic financial statements.

**Bear Valley Community Services District
Statement of Activities
For the Year Ended June 30, 2023**

| Functions/Programs | Expenses | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position | | |
|--|----------------------|----------------------|------------------------------------|----------------------------------|---|--------------------------|--------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-type Activities | Total |
| Governmental activities: | | | | | | | |
| General government | \$ 801,877 | 150,471 | 135,611 | - | (515,795) | - | (515,795) |
| Public safety | 2,014,473 | 43,276 | 165,271 | - | (1,805,926) | - | (1,805,926) |
| Streets and roads | 1,665,084 | 1,221,501 | - | - | (443,583) | - | (443,583) |
| Legal settlement (note 17) | 80,128 | - | - | - | (80,128) | - | (80,128) |
| Interest on long-term debt | 29,783 | - | - | - | (29,783) | - | (29,783) |
| Total governmental activities | 4,591,345 | 1,415,248 | 300,882 | - | (2,875,215) | - | (2,875,215) |
| Business-type activities: | | | | | | | |
| Water | 3,867,436 | 4,620,932 | - | 109,563 | - | 863,059 | 863,059 |
| Wastewater | 783,630 | 931,911 | - | 6,529 | - | 154,810 | 154,810 |
| Solid waste | 788,711 | 1,005,971 | - | - | - | 217,260 | 217,260 |
| Total business-type activities | 5,439,777 | 6,558,814 | - | 116,092 | - | 1,235,129 | 1,235,129 |
| Total | \$ 10,031,122 | 7,974,062 | 300,882 | 116,092 | (2,875,215) | 1,235,129 | (1,640,086) |
| General revenues: | | | | | | | |
| Property taxes | | | | | \$ 2,148,693 | - | 2,148,693 |
| Voter approved taxes | | | | | 784,616 | - | 784,616 |
| Interest earnings | | | | | 106,418 | 98,134 | 204,552 |
| Total general revenues | | | | | 3,039,727 | 98,134 | 3,137,861 |
| Transfers (from)to other funds (note 5) | | | | | (244,770) | 244,770 | - |
| Change in net position | | | | | (80,258) | 1,578,033 | 1,497,775 |
| Net position, beginning of year, as previously stated | | | | | 11,889,445 | 10,243,049 | 22,132,494 |
| Net position, end of year | | | | | \$ 11,809,187 | 11,821,082 | 23,630,269 |

See accompanying notes to the basic financial statements.

Bear Valley Community Services District
Balance Sheets – Governmental Funds
June 30, 2023

| | <u>General</u> | <u>Streets and Roads</u> | <u>Debt Service</u> | <u>Supplemental Law Enforcement</u> | <u>Total Governmental Funds</u> |
|---|---------------------|----------------------------------|-------------------------|---|---|
| Assets: | | | | | |
| Cash and cash equivalents | \$ 3,717,548 | 1,163,294 | 572,897 | 14,528 | 5,468,267 |
| Cash and cash equivalents – restricted | - | 10,106 | - | - | 10,106 |
| Accrued interest receivable | 2,079 | 740 | 315 | 3 | 3,137 |
| Accounts receivable – other | 10,134 | 89 | - | - | 10,223 |
| Due from other funds | 250,000 | - | - | - | 250,000 |
| Prepays | 10,021 | - | - | - | 10,021 |
| Total assets | \$ 3,989,782 | 1,174,229 | 573,212 | 14,531 | 5,751,754 |
| Liabilities: | | | | | |
| Accounts payable and accrued expenses | \$ 177,454 | 292,706 | - | - | 470,160 |
| Accrued wages and related payables | 110,633 | 11,599 | - | 7,115 | 129,347 |
| Total liabilities | 288,087 | 304,305 | - | 7,115 | 599,507 |
| Fund balance: | | | | | |
| Restricted: | | | | | |
| Street and road improvements | - | 553,179 | - | - | 553,179 |
| Employee contract payable | 1,086,084 | - | - | - | 1,086,084 |
| Debt service | - | 300,000 | 573,212 | - | 873,212 |
| Public safety | - | - | - | 7,416 | 7,416 |
| Nonspendable: | | | | | |
| Prepays | 10,021 | - | - | - | 10,021 |
| Assigned: | | | | | |
| Compensated absences | 112,882 | 16,745 | - | - | 129,627 |
| Unassigned: | | | | | |
| Six-month operating reserve | 2,492,708 | - | - | - | 2,492,708 |
| Total fund balance | 3,701,695 | 869,924 | 573,212 | 7,416 | 5,152,247 |
| Total liabilities and fund balance | \$ 3,989,782 | 1,174,229 | 573,212 | 14,531 | 5,751,754 |

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, 2023

Reconciliation:

| | | |
|--|-----------------|-------------------|
| Fund balance of total governmental funds | \$ | 5,152,247 |
| Amounts reported for governmental activities in the statement of net position is different because: | | |
| Certain assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheets. All the assets both current and non-current are reported in the Statement of Net Position as follows: | | |
| Leases receivable | | 733,989 |
| Capital assets | | 10,653,739 |
| 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. | \$ 409,404 | |
| Recognized changes in assumptions are reported as deferred inflows of resources in the government-wide financial statements. | | 348,058 |
| Recognized differences between the expected and actual experience are reported as deferred outflows of resources in the government-wide financial statements. | | 67,880 |
| Recognized portion due to net difference in proportions are reported as deferred outflows of resources in the government-wide financial statements. | | 2,420 |
| 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. | <u>579,990</u> | <u>1,407,752</u> |
| 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 | | (129,627) |
| Employee contract payable | | (1,086,084) |
| Lease payable | | (3,166) |
| Bonds and loans payable | | (653,371) |
| Net pension liability | | (3,426,908) |
| 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. | (167,597) | |
| Recognized portion due to net difference in proportions are reported as deferred outflows of resources in the government-wide financial statements. | <u>(30,527)</u> | <u>(198,124)</u> |
| Recognized portion due to lessor receivables are reported as deferred inflows of resources in the government-wide financial statements. | | <u>(632,331)</u> |
| Interest on long-term debt is not accrued as a governmental fund liability, but rather is recognized as an expenditure when due. | | <u>(8,929)</u> |
| Total adjustments | | <u>6,656,940</u> |
| See accompanying notes to the basic financial statements. | \$ | <u>11,809,187</u> |

Bear Valley Community Services District
Statements of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
For the Year Ended June 30, 2023

| | <u>General</u> | <u>Streets and Roads</u> | <u>Debt Service</u> | <u>Supplemental Law Enforcement</u> | <u>Total Governmental Funds</u> |
|---|---------------------|----------------------------------|-------------------------|---|---|
| Revenues: | | | | | |
| Property taxes | \$ 2,148,693 | - | - | - | 2,148,693 |
| Voter approved taxes | 547,778 | - | 236,838 | - | 784,616 |
| Special assessments | - | 1,205,588 | - | - | 1,205,588 |
| Federal and state aid | 135,611 | - | - | 165,271 | 300,882 |
| Interest earnings | 68,014 | 28,146 | 9,554 | 704 | 106,418 |
| Rents and royalties | 161,781 | - | - | - | 161,781 |
| Other | 174,625 | 15,913 | - | - | 190,538 |
| Total revenues | <u>3,236,502</u> | <u>1,249,647</u> | <u>246,392</u> | <u>165,975</u> | <u>4,898,516</u> |
| Expenditures: | | | | | |
| General government | 899,007 | - | 685 | - | 899,692 |
| Public safety | 1,842,757 | - | - | 171,716 | 2,014,473 |
| Streets and roads | - | 1,665,084 | - | - | 1,665,084 |
| Capital outlay | 114,581 | - | - | - | 114,581 |
| Debt service: | | | | | |
| Lease payments | 4,635 | - | - | - | 4,635 |
| Debt payments | - | 39,629 | 70,000 | - | 109,629 |
| Interest paid | - | 17,550 | 11,897 | - | 29,447 |
| Total expenditures | <u>2,860,980</u> | <u>1,722,263</u> | <u>82,582</u> | <u>171,716</u> | <u>4,837,541</u> |
| Excess(deficiency) of revenues over expenditures | <u>375,522</u> | <u>(472,616)</u> | <u>163,810</u> | <u>(5,741)</u> | <u>60,975</u> |
| Other financing uses: | | | | | |
| Operating transfers out | (244,770) | - | - | - | (244,770) |
| Net change in fund balance | 130,752 | (472,616) | 163,810 | (5,741) | (183,795) |
| Fund balance, beginning of year | <u>3,570,943</u> | <u>1,342,540</u> | <u>409,402</u> | <u>13,157</u> | <u>5,336,042</u> |
| Fund balance, end of year | <u>\$ 3,701,695</u> | <u>869,924</u> | <u>573,212</u> | <u>7,416</u> | <u>5,152,247</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, 2023

Reconciliation:

| | | |
|---|----|-----------|
| Net change in fund balance of total governmental funds | \$ | (183,795) |
| <p>Amounts reported for governmental activities in the statement of activities are different because:</p> <p>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:</p> | | |
| Capital outlay | | 114,581 |
| Depreciation expense | | (671,674) |
| Amortization expense | | (4,635) |
| <p>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.</p> | | |
| Lease payable | | 4,503 |
| Bonds and loans payable | | 109,629 |
| <p>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:</p> | | |
| Net change in accrued interest for the current period | | 1,458 |
| Net change in compensated absences for the current period | | 68,045 |
| Net change in pension obligations for the current period | | 481,630 |
| | | 481,630 |
| Change in net position of governmental activities | \$ | (80,258) |

See accompanying notes to the basic financial statements.

Bear Valley Community Services District
Statements of Net Position – Enterprise Funds
June 30, 2023

| | <u>Water</u> | <u>Wastewater</u> | <u>Solid Waste</u> | <u>Total Business-type Activities</u> |
|--|----------------------|-------------------|--------------------|---------------------------------------|
| Current assets: | | | | |
| Cash and cash equivalents | \$ 4,520,822 | 468,372 | 309,422 | 5,298,616 |
| Accrued interest receivable | 2,516 | 249 | 165 | 2,930 |
| Accounts receivable – utilities, net | 822,994 | 124,479 | 135,053 | 1,082,526 |
| Prepays | 562,000 | - | - | 562,000 |
| Total current assets | <u>5,908,332</u> | <u>593,100</u> | <u>444,640</u> | <u>6,946,072</u> |
| Non-current assets: | | | | |
| Capital assets – not being depreciated | 3,647,319 | 14,734 | - | 3,662,053 |
| Capital assets, net – being depreciated | 4,823,160 | 348,227 | 274,509 | 5,445,896 |
| Total non-current assets | <u>8,470,479</u> | <u>362,961</u> | <u>274,509</u> | <u>9,107,949</u> |
| Total assets | <u>14,378,811</u> | <u>956,061</u> | <u>719,149</u> | <u>16,054,021</u> |
| Deferred outflows of resources: | | | | |
| Deferred pension outflows | 558,861 | 271,449 | 127,739 | 958,049 |
| Total deferred outflows of resources | <u>558,861</u> | <u>271,449</u> | <u>127,739</u> | <u>958,049</u> |
| Current liabilities: | | | | |
| Accounts payable and accrued expenses | 348,574 | 17,415 | 34,854 | 400,843 |
| Accrued wages and related payables | 43,364 | 15,840 | 6,574 | 65,778 |
| Accrued interest on long-term debt | 24,972 | 3,457 | - | 28,429 |
| Deposits | 9,841 | 2,797 | 3,371 | 16,009 |
| Due to other funds | 181,843 | 68,157 | - | 250,000 |
| Long-term liabilities – due within one year: | | | | |
| Compensated absences | 15,581 | 4,626 | 3,449 | 23,656 |
| Loans payable | 211,711 | 24,783 | - | 236,494 |
| Total current liabilities | <u>835,886</u> | <u>137,075</u> | <u>48,248</u> | <u>1,021,209</u> |
| Non-current liabilities: | | | | |
| Long-term liabilities – due in more than one year: | | | | |
| Compensated absences | 46,741 | 13,879 | 10,348 | 70,968 |
| Loans payable | 1,431,693 | 258,409 | - | 1,690,102 |
| Net pension liability | 1,345,123 | 653,347 | 307,457 | 2,305,927 |
| Total non-current liabilities | <u>2,823,557</u> | <u>925,635</u> | <u>317,805</u> | <u>4,066,997</u> |
| Total liabilities | <u>3,659,443</u> | <u>1,062,710</u> | <u>366,053</u> | <u>5,088,206</u> |
| Deferred inflows of resources: | | | | |
| Deferred pension inflows | 59,956 | 29,121 | 13,705 | 102,782 |
| Total deferred inflows of resources | <u>59,956</u> | <u>29,121</u> | <u>13,705</u> | <u>102,782</u> |
| Net position: | | | | |
| Net investment in capital assets | 6,827,075 | 79,769 | 274,509 | 7,181,353 |
| Unrestricted | 4,391,198 | 55,910 | 192,621 | 4,639,729 |
| Total net position | <u>\$ 11,218,273</u> | <u>135,679</u> | <u>467,130</u> | <u>11,821,082</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, 2023

| | <u>Water</u> | <u>Wastewater</u> | <u>Solid Waste</u> | <u>Total Business-type Activities</u> |
|---|----------------------|-------------------|--------------------|---------------------------------------|
| Operating revenues: | | | | |
| Water consumption sales | \$ 4,482,531 | - | - | 4,482,531 |
| Wastewater service charges | - | 931,437 | - | 931,437 |
| Solid waste collection charges | - | - | 1,004,154 | 1,004,154 |
| Other charges for services | 138,401 | 474 | 1,817 | 140,692 |
| Total operating revenues | <u>4,620,932</u> | <u>931,911</u> | <u>1,005,971</u> | <u>6,558,814</u> |
| Operating expenses: | | | | |
| Salaries and benefits | 1,537,424 | 472,489 | 390,264 | 2,400,177 |
| Operations | 1,880,455 | 266,737 | 378,654 | 2,525,846 |
| Total operating expenses | <u>3,417,879</u> | <u>739,226</u> | <u>768,918</u> | <u>4,926,023</u> |
| Operating income before depreciation | 1,203,053 | 192,685 | 237,053 | 1,632,791 |
| Depreciation expense | (395,308) | (39,505) | (19,793) | (454,606) |
| Operating income | <u>807,745</u> | <u>153,180</u> | <u>217,260</u> | <u>1,178,185</u> |
| Non-operating revenue (expense): | | | | |
| Interest earnings | 87,028 | 6,986 | 4,120 | 98,134 |
| Legal settlement (note 17) | (12,615) | - | - | (12,615) |
| Interest expense | (41,634) | (4,899) | - | (46,533) |
| Total non-operating, net | <u>32,779</u> | <u>2,087</u> | <u>4,120</u> | <u>38,986</u> |
| Transfers in | | | | |
| Operating transfers in | 46,270 | 198,500 | - | 244,770 |
| Capital contributions: | | | | |
| Standby charges | 26,458 | - | - | 26,458 |
| Capacity charges | 83,105 | 6,529 | - | 89,634 |
| Total capital contributions | <u>109,563</u> | <u>6,529</u> | <u>-</u> | <u>116,092</u> |
| Change in net position | 996,357 | 360,296 | 221,380 | 1,578,033 |
| Net position, beginning of year | <u>10,221,916</u> | <u>(224,617)</u> | <u>245,750</u> | <u>10,243,049</u> |
| Net position, end of year | <u>\$ 11,218,273</u> | <u>135,679</u> | <u>467,130</u> | <u>11,821,082</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, 2023**

| | Water | Wastewater | Solid Waste | Business-type Activities |
|---|---------------------|-------------------|------------------------|-------------------------------------|
| Cash flows from operating activities: | | | | |
| Cash receipts from customers | \$ 4,625,829 | 943,830 | 1,019,811 | 6,589,470 |
| Cash paid to employees for salaries and benefits | (1,685,405) | (530,169) | (406,962) | (2,622,536) |
| Cash paid to vendors and suppliers | (1,634,413) | (277,337) | (352,128) | (2,263,878) |
| Net cash provided by operating activities | 1,306,011 | 136,324 | 260,721 | 1,703,056 |
| Cash flows from non-capital financing activities: | | | | |
| Operating transfers out | 46,270 | 198,500 | - | 244,770 |
| Proceeds from operating grants | 87,028 | 6,986 | 4,120 | 98,134 |
| Net cash provided by non-capital financing activities | 133,298 | 205,486 | 4,120 | 342,904 |
| Cash flows from capital and related financing activities: | | | | |
| Acquisition and construction of capital assets | (275,051) | (6,603) | - | (281,654) |
| Proceeds from capital contributions | 109,563 | 6,529 | - | 116,092 |
| Principal payments on loans payable | (205,404) | (24,077) | - | (229,481) |
| Interest payments on loans payable | (45,895) | (5,193) | - | (51,088) |
| Net cash used in capital and financing activities | (416,787) | (29,344) | - | (446,131) |
| Cash flows from investing activities: | | | | |
| Interest earnings | (7,375) | 86 | (69) | (7,358) |
| Net cash (used in)provided by investing activities | (7,375) | 86 | (69) | (7,358) |
| Net increase in cash | 1,015,147 | 312,552 | 264,772 | 1,592,471 |
| Cash and cash equivalents, beginning of year | 3,505,675 | 155,820 | 44,650 | 3,706,145 |
| Cash and cash equivalents, end of year | \$ 4,520,822 | 468,372 | 309,422 | 5,298,616 |
| Reconciliation of cash and cash equivalents to the statements of net position: | | | | |
| Cash and cash equivalents | \$ 4,520,822 | 468,372 | 309,422 | 5,298,616 |
| Total cash and cash equivalents | \$ 4,520,822 | 468,372 | 309,422 | 5,298,616 |

Continued on next page

See accompanying notes to the basic financial statements.

Bear Valley Community Services District
Statements of Cash Flows – Enterprise Funds, continued
For the Year Ended June 30, 2023

Reconciliation of operating income (loss) to net cash provided by operating activities:

| | | | | |
|---|----------------------------|-----------------------|-----------------------|-------------------------|
| Operating income | \$ <u>807,745</u> | <u>153,180</u> | <u>217,260</u> | <u>1,178,185</u> |
| Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities: | | | | |
| Depreciation expense | 395,308 | 39,505 | 19,793 | 454,606 |
| Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources | | | | |
| (Increase) decrease in assets and deferred outflows: | | | | |
| Accounts receivable – utilities, net | 14,740 | 12,212 | 13,920 | 40,872 |
| Property assessments receivable | 705 | - | - | 705 |
| Deferred outflows of resources: | (301,387) | (146,389) | (68,888) | (516,664) |
| Increase (decrease) in liabilities and deferred inflows: | | | | |
| Accounts payable and accrued expenses | 246,042 | (10,600) | 26,526 | 261,968 |
| Accrued wages and related payables | 29,765 | 13,252 | 4,590 | 47,607 |
| Deposits and unearned revenue | (10,548) | (293) | (80) | (10,921) |
| Compensated absences | (29,971) | 845 | 12,488 | (16,638) |
| Net pension liability | 708,015 | 343,893 | 161,832 | 1,213,740 |
| Deferred inflows of resources: | <u>(554,403)</u> | <u>(269,281)</u> | <u>(126,720)</u> | <u>(950,404)</u> |
| Total adjustments | <u>498,266</u> | <u>(16,856)</u> | <u>43,461</u> | <u>524,871</u> |
| Net cash provided by operating activities | <u>\$ <u>1,306,011</u></u> | <u><u>136,324</u></u> | <u><u>260,721</u></u> | <u><u>1,703,056</u></u> |

See accompanying notes to the basic financial statements.

Bear Valley Community Services District
Notes to the Basic Financial Statements
June 30, 2023

(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 the Kern County Board of Supervisors on May 4, 1970, for the purpose of providing infrastructure services for the 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 Standards Board 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-type activities. Accordingly, all of the District's assets (including capital assets), deferred outflows of resources, liabilities, and deferred inflows of resources 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 used, such as unbilled but utilized utility services which are recorded at year end. The Statement of Activities demonstrates the degree to which the expenses of a given function are offset by program revenues. Program expenses are those that are clearly identifiable with a specific function. The types of transactions reported as program 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.

Bear Valley Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2023

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

B. Basis of Accounting and Measurement Focus, continued

Fund Financial Statements

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 Balance presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the 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.

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

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 which 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. 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.

Bear Valley Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2023

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

B. Basis of Accounting and Measurement Focus, continued

Governmental Funds

The funds of the financial reporting entity are described below:

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.

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. 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, 2023

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

C. Financial Reporting, continued

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, 2023

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

C. Financial Reporting, continued

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*.

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position/Fund Balance

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, and deferred inflows of resources and disclosures of contingent assets, deferred outflows of resources, liabilities, and deferred inflows of resources 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. 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, 2023

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

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position/Fund Balance, continued

3. 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.

4. 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 |

5. Lease Receivables

Lease receivables are measured at the present value of payments expected to be received during the lease term.

6. Restricted Assets

Restricted assets are financial resources generated for a specific purpose such as capital projects or debt service. These assets are for the benefit of a specified purpose and are legally or contractually restricted by an external third-party agreement.

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

Bear Valley Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2023

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

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position/Fund Balance, continued

8. Capital Assets, continued

Business-Type Activities

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

Leased “right-to-use” asset equipment is amortized on straight-line basis over the life of the lease term.

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

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 current and 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.

Bear Valley Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2023

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

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position/Fund Balance, continued

10. Compensated Absences, continued

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 | As of Nov. 30th 50% of hours >480 10 years = 100% of hours >480 |
| 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 | 240 hours | Capped at 240 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 |
| Administrative Leave | 12 days-management | No minimum time required | 56 hours | Capped at 56 hours |

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, 2021
- Measurement Date: June 30, 2022
- Measurement Period: July 1, 2021 to June 30, 2022

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 actual and proportionate share of employer contribution 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, 2023

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

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position/Fund Balance, continued

12. Deferred Inflows of Resources, continued

- Deferred inflow 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.

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, reduced by any debt outstanding against the acquisition, construction, or improvement of those assets.
- **Restricted** – 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** – consists of net position that do not meet the definition of *restricted* or *net investment in capital assets*.

Governmental Funds

During the fiscal year ended June 30, 2023, the District shows a negative unrestricted net position balance of \$718,012. The deficit was caused by current year operating costs exceeding operating revenue for governmental activities. The District intends to reduce the negative unrestricted net position through the collection of general revenue and charges for services revenue in addition to improving the allocation of expenditures between its general fund across all funds in future periods.

14. Fund Balance

The governmental fund financial statements report fund balance as non-spendable, 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** – 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** – 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** – 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.
- **Assigned** – 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.

Bear Valley Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2023

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

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position/Fund Balance, continued

14. Fund Balance, continued

- **Unassigned** – consists of the residual classification for the District’s general fund that includes amounts not contained in 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.

The purpose of the District’s fund balance policy is to maintain a prudent level of financial resources to protect against reducing service levels or raising taxes and fees because of temporary revenue shortfalls or unpredicted one-time expenditures.

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.

Bear Valley Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2023

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

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position/Fund Balance, continued

17. Budget, continued

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 2022-2023 board approved adjustments were made as part of the fiscal year 2023-2024 budget adoption.

(2) Cash and Cash Equivalents

Cash and cash equivalents as of June 30, 2023 are classified as follows:

| | Unrestricted | Restricted | Total |
|---------------------------------|---------------------|-------------------|--------------|
| Governmental activity: | | | |
| General fund | \$ 3,717,548 | - | 3,717,548 |
| Streets and roads fund | 1,163,294 | 10,106 | 1,173,400 |
| Bond redemption fund | 572,897 | - | 572,897 |
| Supplemental law enforcement | 14,528 | - | 14,528 |
| Total | 5,468,267 | 10,106 | 5,478,373 |
| Business-type activity: | | | |
| Water fund | 4,520,822 | - | 4,520,822 |
| Wastewater fund | 468,372 | - | 468,372 |
| Solid waste fund | 309,422 | - | 309,422 |
| Total | 5,298,616 | - | 5,298,616 |
| Total cash and cash equivalents | \$ 10,766,883 | 10,106 | 10,776,989 |

Cash and cash equivalents as of June 30, 2023 consisted of the following:

| | |
|---|---------------|
| Cash on hand | \$ 1,300 |
| Deposits held with financial institutions | 236,100 |
| Deposits held with the County of Kern Treasurer's Pooled Cash Portfolio | 100,000 |
| Deposits held with the California Asset Management Program | 9,678,219 |
| Deposits held with the California Local Agency Investment Fund (LAIF) | 761,370 |
| Total | \$ 10,776,989 |

As of June 30, 2023, the District's authorized deposits had the following average days to maturity:

| | |
|---|----------|
| Deposits held with the County of Kern Treasurer's Pooled Cash Portfolio | 606 days |
| Deposits held with the California Local Agency Investment Fund (LAIF) | 260 days |

Bear Valley Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2023

(2) Cash and Cash Equivalents, continued

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.

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 any time 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"), 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 CAMP Pool 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 CAMP Pool 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, 2023

(2) Cash and Cash Equivalents, continued

Custodial Credit Risk

The custodial credit risk for *deposits* is the risk that, in the event of 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 custodial credit risk for *investments* is the risk that, in the event of 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).

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, 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 public agencies. Of the bank balance, up to \$250,000 is federally insured. The remaining balance is to be collateralized by the bank.

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. The CAMP Pool is rated at AAA.

Concentration of Credit Risk

The District's investment policy does not contain any 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 0.93%, CAMP is 89.80% and LAIF is 7.06% as of June 30, 2023, of the District's total depository and investment portfolio.

Bear Valley Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2023

(3) Accounts Receivable – Utilities

During the fiscal year 2023, the District performed analysis of its long outstanding receivable balances. As a result, the District forwarded these balances to the County as property tax liens to be added to the County tax roll. As a result, the allowance for doubtful accounts was eliminated.

The accounts receivable – utilities consists of the following as of June 30, 2023:

| | <u>Water</u> | <u>Wastewater</u> | <u>Solid Waste</u> | <u>Total</u> |
|--|-------------------|-------------------|--------------------|------------------|
| Accounts receivable – utilities | \$ 822,994 | 124,479 | 135,053 | 1,082,526 |
| Accounts receivable – utilities, long term | - | - | - | - |
| Total accounts receivable – utilities | <u>\$ 822,994</u> | <u>124,479</u> | <u>135,053</u> | <u>1,082,526</u> |

(4) Lease Receivables

Changes in lease receivables for the year ended June 30, were as follows:

| | <u>Balance 2022</u> | <u>Additions</u> | <u>Principal Payments</u> | <u>Balance 2023</u> | <u>Deferred Inflows</u> |
|--------------------------------|-------------------------|------------------|-------------------------------|-------------------------|-----------------------------|
| Governmental Activities | | | | | |
| General fund: | | | | | |
| Verizon | \$ 29,008 | - | (12,193) | 16,815 | (15,960) |
| Grimmway Farms Agriculture | 660,204 | - | (70,992) | 589,212 | (498,617) |
| Valley Sod | 98,982 | - | (48,774) | 50,208 | (47,421) |
| Milano | <u>97,510</u> | <u>-</u> | <u>(19,756)</u> | <u>77,754</u> | <u>(70,333)</u> |
| Total lease receivables | 885,704 | <u>-</u> | <u>(151,715)</u> | 733,989 | <u>(632,331)</u> |
| Less: current portion | <u>(151,715)</u> | | | <u>(171,635)</u> | |
| Total non-current portion | <u>\$ 733,989</u> | | | <u>562,354</u> | |

Verizon

On November 1, 1994, the District entered into a lease agreement with Fresno MSA Limited Partnership d/b/a Verizon Wireless (Verizon). On November 1, 2019, the District extended the lease term through October 31, 2024. Verizon has agreed to pay the District for the purpose of communication site space at the District's tank site 6B. The terms of the agreement require Verizon to pay the District in annual installments through October 2024.

Following the provisions set forth by *GASB Statement No. 87*, the District recorded a lease receivable and a deferred inflow at present value using a discount rate of 2.90%. The deferred inflow is amortized on a straight-line basis over the term of the lease. As of June 30, 2023, deferred inflows amounted to \$15,960.

Bear Valley Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2023

(4) Lease Receivables, continued

Verizon, continued

Future payments to be received and deferred inflows as of June 30, 2023, are as follows:

| <u>Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> | <u>Deferred Inflows</u> |
|-------------------|------------------|-----------------|---------------|-------------------------|
| 2024 | \$ 12,551 | 322 | 12,873 | (11,970) |
| 2025 | 4,264 | 26 | 4,290 | (3,990) |
| Totals | 16,815 | <u>348</u> | <u>17,163</u> | <u>(15,960)</u> |
| Current portion | <u>(12,551)</u> | | | |
| Long-term portion | \$ <u>4,264</u> | | | |

Grimmway Farms Agriculture

On January 1, 2019, the District entered into a lease agreement with Grimmway Enterprises, Inc. (Grimmway), whereby Grimmway has agreed to pay the District for approximately 297.33 acres of real property located south of Cummings Valley Road between Bear Valley Road and Bailey Road for the purpose of agriculture farming. The terms of the agreement require Grimmway to pay the District in one installment before June 15 annually. Annual installments are \$89,196 for 2019 through 2023 and \$118,932 for 2024 through 2028.

Following the guidelines of *GASB Statement No. 87*, the District recorded a lease receivable and a deferred inflow at present value using a discount rate of 2.90%. The deferred lease inflow is amortized on a straight-line basis over the term of the lease. As of June 30, 2023, deferred lease inflows amounted to \$498,617.

Future payments to be received and deferred inflows as of June 30, 2023, are as follows:

| <u>Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> | <u>Deferred Inflows</u> |
|-------------------|-------------------|-----------------|----------------|-------------------------|
| 2024 | \$ 88,035 | 16,031 | 104,066 | (90,657) |
| 2025 | 105,797 | 13,135 | 118,932 | (90,658) |
| 2026 | 108,907 | 10,026 | 118,933 | (90,657) |
| 2027 | 112,106 | 6,825 | 118,931 | (90,658) |
| 2028 | 115,401 | 3,531 | 118,932 | (90,658) |
| 2029 | 58,966 | 500 | 59,466 | (45,329) |
| Totals | 589,212 | <u>50,048</u> | <u>639,260</u> | <u>(498,617)</u> |
| Current portion | <u>(88,035)</u> | | | |
| Long-term portion | \$ <u>501,177</u> | | | |

Bear Valley Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2023

(4) Lease Receivables, continued

Valley Sod

On July 1, 1996, the District entered into a lease agreement with Rob Armstrong Turf, Inc. dba Tehachapi Turf (Valley Sod), whereby Valley Sod has agreed to pay the District for the use of real property located along Cummings Valley Road, in the Cummings Valley for the purpose of agriculture farming. The terms of the agreement require Valley Sod to pay the District in monthly installments through June 2024.

Following the guidelines of *GASB Statement No. 87*, the District recorded a lease receivable and a deferred inflow at present value using a discount rate of 2.90%. The deferred lease inflow is amortized on a straight-line basis over the term of the lease. As of June 30, 2023, deferred lease inflows amounted to \$47,421.

Future payments to be received and deferred inflows as of June 30, 2023, are as follows:

| <u>Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> | <u>Deferred Inflows</u> |
|-------------------|------------------|-----------------|--------------|-------------------------|
| 2024 | \$ 50,208 | 792 | 51,000 | (47,421) |
| Totals | 50,208 | 792 | 51,000 | (47,421) |
| Current portion | (50,208) | | | |
| Long-term portion | \$ - | | | |

Milano

On September 1, 2021, the District entered into a lease agreement with Milano Land and Cattle Company, LLC (Milano), whereby Milano has agreed to pay the District for approximately 5,311 acres of real property in Kern County for the purpose of using the land for livestock grazing. The terms of the agreement require Milano to pay the District in bi-annual installments through December 31, 2026. Bi-annual installments are adjusted annually following the consumer price index for the Los Angeles-Long Beach-Anaheim area not to exceed 4.00% at the anniversary of the lease commencement date.

Following the guidelines of *GASB Statement No. 87*, the District recorded a lease receivable and a deferred inflow at present value using a discount rate of 2.90%. The deferred lease inflow is amortized on a straight-line basis over the term of the lease. As of June 30, 2023, deferred lease inflows were reported at \$70,333.

Future payments to be received and deferred inflows as of June 30, 2023, are as follows:

| <u>Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> | <u>Deferred Inflows</u> |
|-------------------|------------------|-----------------|--------------|-------------------------|
| 2024 | \$ 20,841 | 1,980 | 22,821 | (20,095) |
| 2025 | 21,915 | 1,361 | 23,276 | (20,095) |
| 2026 | 23,031 | 711 | 23,742 | (20,095) |
| 2027 | 11,967 | 102 | 12,069 | (10,048) |
| Totals | 77,754 | 4,154 | 81,908 | (70,333) |
| Current portion | (20,841) | | | |
| Long-term portion | \$ 56,913 | | | |

Bear Valley Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2023

(5) Internal Balances

Due To/From Other Funds

Internal balances consist of the following as of June 30, 2023:

| Purpose | Receivable Fund | Payable Fund | Amount |
|-----------------------------|----------------------------|-------------------------|---------------|
| Advancement | General | Water | \$ 181,843 |
| Advancement | General | Wastewater | 68,157 |
| Total internal balances: \$ | | | 250,000 |

In 2023, 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 2023.

Interfund Operational Transfers

Interfund transfers consist of the following for the year ended June 30, 2023:

| Transfer from | Transfer to | Amount |
|--------------------------|------------------------|---------------|
| General | Water | \$ 46,270 |
| General | Wastewater | 198,500 |
| Total | | \$ 244,770 |

Interfund transfers are authorized by the Board of Director for the purpose of transferring resources between funds to cover the District's ongoing operations. The interfund transfer from the General (Parks and Recreation) fund to the Water fund of \$46,270 was for the purpose of the well rehabilitation associated with lake fill. The interfund transfer from the General (Parks and Recreation) fund to the Wastewater fund of \$198,500 for the purpose of creating the Rate Stabilization fund.

Bear Valley Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2023

(6) Capital Assets

Governmental Activities

Changes in capital assets for the year were as follows:

| | Balance 2022 | Transfers / Additions | Deletions/ Transfers | Balance 2023 |
|--|-------------------------|----------------------------------|---------------------------------|-------------------------|
| Non-depreciable assets: | | | | |
| Land | \$ 4,820,357 | - | - | 4,820,357 |
| Construction-in-process | 163,395 | - | (163,395) | - |
| Total non-depreciable assets | <u>4,983,752</u> | <u>-</u> | <u>(163,395)</u> | <u>4,820,357</u> |
| Depreciable assets: | | | | |
| Buildings and improvements | 6,072,891 | - | - | 6,072,891 |
| Infrastructure, streets, and roads | 28,356,271 | 163,395 | - | 28,519,666 |
| Vehicles and equipment | 2,458,289 | 114,581 | (53,437) | 2,519,433 |
| Leased equipment | 22,316 | - | - | 22,316 |
| Total depreciable assets | <u>36,909,767</u> | <u>277,976</u> | <u>(53,437)</u> | <u>37,134,306</u> |
| Accumulated depreciation: and amortization: | | | | |
| Buildings and improvements | (4,695,458) | (67,177) | - | (4,762,635) |
| Infrastructure, streets, and roads | (24,315,883) | (382,809) | - | (24,698,692) |
| Vehicles and equipment | (1,649,862) | (221,688) | 51,463 | (1,820,087) |
| Leased equipment | (14,875) | (4,635) | - | (19,510) |
| Total accumulated depreciation and amortization | <u>(30,676,078)</u> | <u>(676,309)</u> | <u>51,463</u> | <u>(31,300,924)</u> |
| Total depreciable and amortizable assets, net | <u>6,233,689</u> | <u>(398,333)</u> | <u>(1,974)</u> | <u>5,833,382</u> |
| Total capital assets, net | <u>\$ 11,217,441</u> | | | <u>10,653,739</u> |

Major capital asset additions for governmental activities include the acquisition of building and improvements, and vehicles and equipment. The District reported no deletions for governmental activities.

Depreciation expense under governmental activities was allotted as follows for the year ended June 30, 2023:

| | Depreciation Expense |
|--------------------|---------------------------------|
| General government | \$ 89,924 |
| Public safety | 101,122 |
| Streets and roads | <u>485,263</u> |
| Total | <u>\$ 676,309</u> |

Bear Valley Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2023

(6) Capital Assets, continued

Business-Type Activities

Changes in capital assets for the year were as follows:

| | Balance 2022 | Transfers / Additions | Deletions/ Transfers | Balance 2023 |
|-------------------------------------|-------------------------|----------------------------------|---------------------------------|-------------------------|
| Non-depreciable assets: | | | | |
| Land | \$ 3,662,053 | - | - | 3,662,053 |
| Total non-depreciable assets | <u>3,662,053</u> | <u>-</u> | <u>-</u> | <u>3,662,053</u> |
| Depreciable assets: | | | | |
| Water transmission and distribution | 16,548,879 | 286,737 | (48,700) | 16,786,916 |
| Wastewater collection | 4,714,448 | - | - | 4,714,448 |
| Solid waste collection | 421,434 | 15,767 | - | 437,201 |
| Vehicles and equipment | 982,502 | (9,164) | - | 973,338 |
| Total depreciable assets | <u>22,667,263</u> | <u>293,340</u> | <u>(48,700)</u> | <u>22,911,903</u> |
| Accumulated depreciation: | | | | |
| Water transmission and distribution | (11,648,688) | (388,769) | 37,014 | (12,000,443) |
| Wastewater collection | (4,397,842) | (26,601) | - | (4,424,443) |
| Solid waste collection | (160,512) | (2,180) | - | (162,692) |
| Vehicles and equipment | (841,373) | (37,056) | - | (878,429) |
| Total accumulated depreciation | <u>(17,048,415)</u> | <u>(454,606)</u> | <u>37,014</u> | <u>(17,466,007)</u> |
| Total depreciable assets, net | <u>5,618,848</u> | <u>(161,266)</u> | <u>(11,686)</u> | <u>5,445,896</u> |
| Total capital assets, net | <u>\$ 9,280,901</u> | | | <u>9,107,949</u> |

Major capital asset additions for business-type activities include the acquisition of water transmission and distribution equipment for the water enterprise fund and vehicles and equipment in the wastewater fund. The District reported no deletions for business-type activities.

Bear Valley Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2023

(6) Capital Assets, continued

Business-Type Activities, continued

Changes in capital assets for the Water Enterprise Fund are as follows:

| <u>Water Enterprise</u> | <u>Balance 2022</u> | <u>Transfers / Additions</u> | <u>Deletions/ Transfers</u> | <u>Balance 2023</u> |
|-------------------------------------|-------------------------|----------------------------------|---------------------------------|-------------------------|
| Non-depreciable assets: | | | | |
| Land | \$ 3,647,319 | - | - | 3,647,319 |
| Total non-depreciable assets | <u>3,647,319</u> | <u>-</u> | <u>-</u> | <u>3,647,319</u> |
| Depreciable assets: | | | | |
| Water transmission and distribution | 16,548,879 | 286,737 | (48,700) | 16,786,916 |
| Vehicles and equipment | <u>580,564</u> | <u>-</u> | <u>-</u> | <u>580,564</u> |
| Total depreciable assets | <u>17,129,443</u> | <u>286,737</u> | <u>(48,700)</u> | <u>17,367,480</u> |
| Accumulated depreciation: | | | | |
| Water transmission and distribution | (11,648,688) | (388,769) | 37,014 | (12,000,443) |
| Vehicles and equipment | <u>(537,338)</u> | <u>(6,539)</u> | <u>-</u> | <u>(543,877)</u> |
| Total accumulated depreciation | <u>(12,186,026)</u> | <u>(395,308)</u> | <u>37,014</u> | <u>(12,544,320)</u> |
| Total depreciable assets, net | <u>4,943,417</u> | <u>(108,571)</u> | <u>(11,686)</u> | <u>4,823,160</u> |
| Total capital assets, net | <u>\$ 8,590,736</u> | | | <u>8,470,479</u> |

Changes in capital assets for the Wastewater Enterprise Fund are as follows:

| <u>Wastewater Enterprise</u> | <u>Balance 2022</u> | <u>Transfers / Additions</u> | <u>Deletions/ Transfers</u> | <u>Balance 2023</u> |
|--------------------------------|-------------------------|----------------------------------|---------------------------------|-------------------------|
| Non-depreciable assets: | | | | |
| Land | \$ 14,734 | - | - | 14,734 |
| Total non-depreciable assets | <u>14,734</u> | <u>-</u> | <u>-</u> | <u>14,734</u> |
| Depreciable assets: | | | | |
| Wastewater collection | 4,714,448 | - | - | 4,714,448 |
| Vehicles and equipment | <u>235,290</u> | <u>6,603</u> | <u>-</u> | <u>241,893</u> |
| Total depreciable assets | <u>4,949,738</u> | <u>6,603</u> | <u>-</u> | <u>4,956,341</u> |
| Accumulated depreciation: | | | | |
| Wastewater collection | (4,397,842) | (26,601) | - | (4,424,443) |
| Vehicles and equipment | <u>(170,767)</u> | <u>(12,904)</u> | <u>-</u> | <u>(183,671)</u> |
| Total accumulated depreciation | <u>(4,568,609)</u> | <u>(39,505)</u> | <u>-</u> | <u>(4,608,114)</u> |
| Total depreciable assets, net | <u>381,129</u> | <u>(32,902)</u> | <u>-</u> | <u>348,227</u> |
| Total capital assets, net | <u>\$ 395,863</u> | | | <u>362,961</u> |

Bear Valley Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2023

(6) Capital Assets, continued

Business-Type Activities, continued

Changes in capital assets for the Solid Waste Enterprise Fund are as follows:

| <u>Solid Waste Enterprise</u> | <u>Balance 2022</u> | <u>Additions</u> | <u>Deletions/ Transfers</u> | <u>Balance 2023</u> |
|--------------------------------|-------------------------|------------------|---------------------------------|-------------------------|
| Non-depreciable assets: | | | | |
| Construction in progress | \$ - | - | - | - |
| Total non-depreciable assets | - | - | - | - |
| Depreciable assets: | | | | |
| Solid waste collection | 421,434 | 15,767 | - | 437,201 |
| Vehicles and equipment | 166,648 | (15,767) | - | 150,881 |
| Total depreciable assets | 588,082 | - | - | 588,082 |
| Accumulated depreciation: | | | | |
| Solid waste collection | (160,512) | (2,180) | - | (162,692) |
| Vehicles and equipment | (133,268) | (17,613) | - | (150,881) |
| Total accumulated depreciation | (293,780) | (19,793) | - | (313,573) |
| Total depreciable assets, net | 294,302 | (19,793) | - | 274,509 |
| Total capital assets, net | \$ 294,302 | | | 274,509 |

(7) Compensated Absences

The District's policy relating to compensated absences is described in Note 1. The following liability at June 30, 2023, 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, 2023, were as follows:

| | <u>Governmental Activities</u> | <u>Business-type Activities</u> |
|---------------------------------|------------------------------------|-------------------------------------|
| Compensated absences, beginning | \$ 197,672 | 111,262 |
| Current year employee earnings | 54,965 | 68,239 |
| Employee time taken | (123,010) | (84,877) |
| Compensated absences, ending | 129,627 | 94,624 |
| Less: current portion payable | (34,166) | (23,656) |
| Long-term portion payable | \$ 95,461 | 70,968 |

(8) 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 2044. The District has discounted the liability using the 10 year U.S. Treasury note rate of 2.85% at June 2018.

Bear Valley Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2023

(8) Employee Contract Payable, continued

During the fiscal year ended June 30, 2020, the District determined that certain conditions existed during the prior-employee's employment which may cause revision to all or part of this long-term liability. At June 30, 2023, there has been no change to the employee contract payable. Please see note 18 for subsequent event details related to the contract payable.

The following schedule has been adjusted one year forward.

| <u>Year</u> | <u>Amount</u> | <u>Amortized Discount</u> | <u>Total</u> |
|---------------------------|---------------------|-------------------------------|------------------|
| 2024 | \$ 58,366 | (36,534) | 21,832 |
| 2025 | 77,821 | (47,241) | 30,580 |
| 2026 | 77,821 | (45,513) | 32,308 |
| 2027 | 77,821 | (43,734) | 34,087 |
| 2028 | 77,821 | (41,902) | 35,919 |
| 2029-2033 | 389,106 | (180,054) | 209,052 |
| 2034-2038 | 389,106 | (125,315) | 263,791 |
| 2039-2043 | 389,106 | (61,906) | 327,200 |
| 2044-2045 | 136,188 | (4,873) | 131,315 |
| Totals | 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> | | |

(9) Bond, Loans, and Lease Payable

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

| | <u>Balance 2022</u> | <u>Additions</u> | <u>Payments/ Retirements</u> | <u>Balance 2023</u> | <u>Current Portion</u> | <u>Long-term Portion</u> |
|-----------------------------------|-------------------------|------------------|----------------------------------|-------------------------|----------------------------|------------------------------|
| Governmental Activities | | | | | | |
| General fund: | | | | | | |
| General obligation bonds – 2016 | \$ 463,000 | - | (70,000) | 393,000 | 74,000 | 319,000 |
| Lease payable – Lanier | 7,801 | - | (4,635) | 3,166 | 3,166 | - |
| Roads fund: | | | | | | |
| Installment Sale Agreement – 2016 | - | - | - | - | - | - |
| MFC – Loan | 300,000 | - | (39,629) | 260,371 | 40,659 | 219,712 |
| Total governmental activity debt | <u>770,801</u> | <u>-</u> | <u>(114,264)</u> | <u>656,537</u> | <u>117,825</u> | <u>538,712</u> |
| Enterprise Activities | | | | | | |
| Water fund: | | | | | | |
| CIEBD – Loan | 1,469,948 | - | (115,183) | 1,354,765 | 118,558 | 1,236,207 |
| MFC – Loan | 378,860 | - | (90,221) | 288,639 | 93,153 | 195,486 |
| Wastewater fund: | | | | | | |
| CIEBD – Loan | 307,269 | - | (24,077) | 283,192 | 24,783 | 258,409 |
| Total enterprise activity debt | <u>2,156,077</u> | <u>-</u> | <u>(229,481)</u> | <u>1,926,596</u> | <u>236,494</u> | <u>1,690,102</u> |
| Total long-term debt | \$ <u>2,926,878</u> | <u>-</u> | <u>(343,745)</u> | <u>2,583,133</u> | <u>354,319</u> | <u>2,228,814</u> |

Bear Valley Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2023

(9) Bond, Loans, and Lease Payable, continued

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.

Annual debt service requirements on the bonds are as follows:

| <u>Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-------------------|------------------|-----------------|--------------|
| 2024 | \$ 74,000 | 10,466 | 84,466 |
| 2025 | 78,000 | 8,232 | 86,232 |
| 2026 | 77,000 | 5,954 | 82,954 |
| 2027 | 80,000 | 3,646 | 83,646 |
| 2028 | 84,000 | 1,235 | 85,235 |
| Totals | 393,000 | 29,533 | 422,533 |
| Current portion | (74,000) | | |
| Long-term portion | \$ 319,000 | | |

Lease Payable – Lanier

In February 2019, the District entered into an agreement with Lanier, to lease copier equipment for use in the District’s administrative office. Terms of the agreement commenced on March 4, 2019, for a period of 60 months, with rent due monthly at \$400 per month for the entire lease term.

Following the guidelines set forth by GASB Statement No. 87, the Project has recorded a right-to-use asset and a lease payable at present value with an implicit rate of 2.90%. The right-to-use asset is amortized on a straight-line basis over the term of the lease.

Annual lease principal and interest obligations on the lease as of June 30, are as follows:

| <u>Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-------------------|------------------|-----------------|--------------|
| 2024 | \$ 3,166 | 35 | 3,201 |
| Totals | 3,166 | 35 | 3,201 |
| Current portion | (3,166) | | |
| Long-term portion | \$ - | | |

Bear Valley Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2023

(9) Bond, Loans, and Lease Payable, continued

Governmental – Streets and Roads Fund

Municipal Finance Corporation (MFC) Loan

In fiscal year 2022, the District entered into an installment sale agreement with the Municipal Finance Corporation (MFC) in the amount of \$300,000. The purpose of the loan is to finance the acquisition of three (3) snowplow vehicles for the purpose of maintaining District’s roads. Under terms of this agreement, the loan bears an interest of 2.70% payable annually on October 5th and matures in fiscal year 2029.

Annual debt service requirements on the loan are as follows:

| <u>Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-------------------|-------------------|-----------------|----------------|
| 2024 | \$ 40,659 | 6,770 | 47,429 |
| 2025 | 41,716 | 5,712 | 47,428 |
| 2026 | 42,801 | 4,628 | 47,429 |
| 2027 | 43,914 | 3,515 | 47,429 |
| 2028 | 45,055 | 2,373 | 47,428 |
| 2029 | 46,226 | 1,202 | 47,428 |
| Totals | 260,371 | <u>24,200</u> | <u>284,571</u> |
| Current portion | <u>(40,659)</u> | | |
| Long-term portion | \$ <u>219,712</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. These proceeds were used for water and wastewater system improvements.

The 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.

Annual debt service requirements on the loan are as follows:

| <u>Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-------------------|---------------------|-----------------|------------------|
| 2024 | \$ 143,341 | 45,892 | 189,233 |
| 2025 | 147,541 | 41,631 | 189,172 |
| 2026 | 151,864 | 37,244 | 189,108 |
| 2027 | 156,313 | 32,730 | 189,043 |
| 2028 | 160,893 | 28,083 | 188,976 |
| 2029-2033 | 878,005 | 65,799 | 943,804 |
| Total | 1,637,957 | <u>251,379</u> | <u>1,889,336</u> |
| Current portion | <u>(143,341)</u> | | |
| Long-term portion | \$ <u>1,494,616</u> | | |

Bear Valley Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2023

(9) Bond, Loans, and Lease Payable, continued

Municipal Finance Corporation (MFC) Loan

In fiscal year 2021, the District entered into an installment sale agreement with the Municipal Finance Corporation (MFC) in the amount of \$466,241. The purpose of the loan is to finance the acquisition of generators for the District’s water system facilities. Under terms of this agreement, the loan bears an interest of 3.25% payable annually on July 31st, and matures in fiscal year 2026.

Annual debt service requirements on the loan are as follows:

| Year | Principal | Interest | Total |
|-------------------|------------------|-----------------|--------------|
| 2024 | \$ 93,153 | 9,381 | 102,534 |
| 2025 | 96,180 | 6,353 | 102,533 |
| 2026 | 99,306 | 3,227 | 102,533 |
| Totals | 288,639 | 18,961 | 307,600 |
| Current portion | (93,153) | | |
| Long-term portion | \$ 195,486 | | |

(10) Defined Benefit Pension Plans

Plan Description

All qualified permanent and probationary employees are eligible to participate in the District’s cost-sharing multiple employer defined benefit pension plan 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.

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. 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 Pools Retirement Plan 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 Risk Pool or the Miscellaneous 2.0% at 62 Risk Pool under PEPRA.

Bear Valley Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2023

(10) Defined Benefit Pension Plans, continued

Benefits Provided

The District's Safety and Miscellaneous Plan Risk Pools' provisions and benefits in effect at June 30, 2023, are summarized as follows:

| | Miscellaneous Plan | | Safety Plan | |
|--|--------------------------------|-----------------------------------|--------------------------------|-----------------------------------|
| | Tier 1 | Tier 2 | Tier 1 | Tier 2 |
| | Prior to January 1, 2013 | On or after January 1, 2013 | Prior to January 1, 2013 | On or after January 1, 2013 |
| Hire date | | | | |
| 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 | 45 - 50 | 52 - 62 | 50 - 55 | 47 - 57 |
| 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 | 6.920% | 6.750% | 8.950% | 13.000% |
| Required employer contribution rates | 10.320% | 7.470% | 18.170% | 12.780% |

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, 2023, the contributions for the Plan were as follows:

| <u>Contribution Source</u> | <u>Miscellaneous Plan 2023</u> |
|-----------------------------------|---|
| Contributions – employer | \$ <u>467,411</u> |

Bear Valley Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2023

(10) Defined Benefit Pension Plans, continued

Net Pension Liability

As of the fiscal year ended June 30, 2023, 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 2023 |
|------------------------------------|--|
| Miscellaneous Plan | \$ 3,843,214 |
| Safety Plan | 1,889,621 |
| Total Safety & Miscellaneous Plans | \$ 5,732,835 |

The District's net pension liability is measured as the proportionate share of the Plan's net pension liability. The net pension liability of the Plan is measured as of June 30, 2022 (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, 2021 (the valuation date), rolled forward to June 30, 2022, 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, 2023, was as follows:

| | Miscellaneous Plan | Safety Plan | District's Misc & Safety Plans |
|--|-------------------------------|------------------------|---|
| Proportional share – beginning of year | 0.07613% | 0.02495% | 0.04479% |
| Proportional share – end of year | 0.09587% | 0.03304% | 0.05510% |
| Change – Increase (Decrease) | 0.01974% | 0.00809% | 0.01031% |

Bear Valley Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2023

(10) Defined Benefit Pension Plans, continued

Deferred Pension Outflows (Inflows) of Resources

For the fiscal year ended June 30, 2023, the District recognized pension income of \$4,826.

At June 30, 2023, 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 | \$ 467,411 | 222,439 | 689,850 | - | - | - |
| Net difference between actual and expected experience | 25,488 | 57,685 | 83,173 | - | - | - |
| Net change in assumptions | 393,820 | 190,530 | 584,350 | - | - | - |
| Net difference between projected and actual earnings on plan investments | 703,980 | 298,397 | 1,002,377 | - | - | - |
| Net difference between actual contribution and proportionate share of contribution | - | - | - | (171,301) | (99,078) | (270,379) |
| Net adjustment due to differences in proportions of the net pension liability | 6,051 | - | 6,051 | - | (30,527) | (30,527) |
| Total | \$ 1,596,750 | 769,051 | 2,365,801 | (171,301) | (129,605) | (300,906) |

As of June 30, 2023, employer pension contributions reported as deferred outflows of resources related to contributions subsequent to the measurement date of \$689,850 will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2024.

As of June 30, 2023, 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 |
| 2024 | \$ 203,450 | 104,268 | 307,718 |
| 2025 | 186,419 | 77,190 | 263,609 |
| 2026 | 95,412 | 31,982 | 127,394 |
| 2027 | 472,756 | 203,568 | 676,324 |
| 2028 | - | - | - |
| Thereafter | - | - | - |

Bear Valley Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2023

(10) Defined Benefit Pension Plans, continued

Actuarial Assumptions

The total pension liability in the June 30, 2021, actuarial valuation report was determined using the following actuarial assumptions:

| | |
|---------------------------|--|
| Valuation Date | June 30, 2021 |
| Measurement Date | June 30, 2022 |
| Actuarial cost method | Entry Age Normal in accordance with the requirements of GASB Statement No. 68 |
| Actuarial assumptions: | |
| Discount rate | 2023 - 6.90% |
| | 2022 - 7.15% |
| Inflation | 2023 - 2.30% |
| | 2022 - 2.50% |
| Salary increases | Varies by Entry Age and Service |
| Investment Rate of Return | 7.00 % 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 2.30% until purchasing power protection allowance floor on purchasing power applies, |

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

Discount Rate

The discount rate used to measure the total pension asset was 6.90% 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.

Bear Valley Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2023

(10) Defined Benefit Pension Plans, continued

Discount Rate, continued

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.

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> |
|----------------------------------|-------------------------------------|------------------------------------|
| Global Equity - Cap-weighted | 30.0% | 4.45% |
| Global Equity - Non-Cap-weighted | 12.0% | 3.84% |
| Private Equity | 13.0% | 7.28% |
| Treasury | 5.0% | 27.00% |
| Mortgage-backed Securities | 5.0% | 50.00% |
| Investment Grade Corporates | 10.0% | 1.56% |
| High Yield | 5.0% | 2.27% |
| Emerging Market Debt | 5.0% | 2.48% |
| Private Debt | 5.0% | 6.57% |
| Leverage | -5.0% | -0.59% |
| Total | <u>100.0%</u> | |

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 pension 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, 2023, the discount rate comparison was as follows:

| | <u>Discount Rate – 1% (5.90%)</u> | <u>Current Discount Rate (6.90%)</u> | <u>Discount Rate + 1% 7.90%</u> |
|---|---|--|---|
| District's net pension liability – Miscellaneous Plan | \$ 5,860,195 | 3,843,214 | 2,183,740 |
| District's net pension liability – Safety Plan | 2,720,130 | 1,889,621 | 1,210,867 |
| Total Miscellaneous and Safety Plans | <u>\$ 8,580,325</u> | <u>5,732,835</u> | <u>3,394,607</u> |

Bear Valley Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2023

(10) Defined Benefit Pension Plans, continued

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 66 and 67 for the Required Supplementary Information.

Payable to the Pension Plan

At June 30, 2023, there were no payables of contribution to the pension plan.

(11) Net Investment in Capital Assets

The calculation of net investment in capital assets is as follows:

| | Governmental Activities | Business-type Activities | Total |
|--|------------------------------------|-------------------------------------|-------------------|
| Capital assets – not being depreciated | \$ 4,820,357 | 3,662,053 | 8,482,410 |
| Capital assets – being depreciated, net | 5,833,382 | 5,445,896 | 11,279,278 |
| Bond and loans payable – current portion | (117,825) | (236,494) | (354,319) |
| Bond and loans payable – long-term portion | (538,712) | (1,690,102) | (2,228,814) |
| Total | <u>\$ 9,997,202</u> | <u>7,181,353</u> | <u>17,178,555</u> |

(12) Restricted

The calculation of restricted net position is as follows:

| | Governmental Activities | Business-type Activities | Total |
|--|------------------------------------|-------------------------------------|------------------|
| Street and road improvements | \$ 553,179 | - | 553,179 |
| Employee contract payable | 1,086,084 | - | 1,086,084 |
| Cash and cash equivalents – restricted | 10,106 | - | 10,106 |
| Debt service | 873,212 | - | 873,212 |
| Public safety (COPS Program) | 7,416 | - | 7,416 |
| Total | <u>\$ 2,529,997</u> | <u>-</u> | <u>2,529,997</u> |

(13) Unrestricted

The District's Board of Directors has designated the use of the District's June 30, 2023, unrestricted net position as follows:

| | Governmental Activities | Business-type Activities | Total |
|---------------------------------|------------------------------------|-------------------------------------|------------------|
| Unfunded reserves (deficit) | \$ (718,012) | - | (718,012) |
| Prepaid expenses | - | 562,000 | 562,000 |
| Water operations | - | 3,829,199 | 3,829,199 |
| Wastewater operations | - | 55,909 | 55,909 |
| Solid waste operations | - | 43,899 | 43,899 |
| Solid waste contingency reserve | - | 148,722 | 148,722 |
| Total | <u>\$ (718,012)</u> | <u>4,639,729</u> | <u>3,921,717</u> |

Bear Valley Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2023

(13) Unrestricted, continued

Six-Month Operating Reserve

The District's general government and public safety activities receive 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.

(14) 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 as of June 30, 2023, was \$1,411,021.

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.

(15) 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, 2023, 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.

Bear Valley Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2023

(15) Risk Management, continued

- Workers' compensation insurance per statutory requirements and Employer's Liability Coverage up to \$5 million.

Settled claims have not exceeded any of the coverage amounts in any of the last three fiscal years. There were no reductions in insurance coverage in fiscal years 2023, 2022, and 2021. 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, 2023, 2022, and 2021.

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

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to June 30, 2023, that have effective dates that may impact future financial presentations.

Governmental Accounting Standards Board Statement No. 99

In April 2022, the GASB issued Statement No. 99 – *Omnibus 2022*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees.

The requirements of this Statement will enhance comparability in the application of accounting and financial reporting requirements and will improve the consistency of authoritative literature. Consistent authoritative literature enables governments and other stakeholders to locate and apply the correct accounting and financial reporting provisions, which improves the consistency with which such provisions are applied. The comparability of financial statements also will improve as a result of this Statement. Better consistency and comparability improve the usefulness of information for users of state and local government financial statements.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 100

In June 2022, the GASB issued Statement No. 100 – *Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62*. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.

This Statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. As part of those descriptions, for (1) certain changes in accounting principles and (2) certain changes in accounting estimates that result from a change in measurement methodology, a new principle or methodology should be justified on the basis that it is preferable to the principle or methodology used before the change. That preferability should be based on the qualitative characteristics of financial reporting—understandability, reliability, relevance, timeliness, consistency, and comparability. This Statement also addresses corrections of errors in previously issued financial statements.

Bear Valley Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2023

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

Governmental Accounting Standards Board Statement No. 100, continued

The requirements of this Statement will improve the clarity of the accounting and financial reporting requirements for accounting changes and error corrections, which will result in greater consistency in application in practice. In turn, more understandable, reliable, relevant, consistent, and comparable information will be provided to financial statement users for making decisions or assessing accountability. In addition, the display and note disclosure requirements will result in more consistent, decision useful, understandable, and comprehensive information for users about accounting changes and error corrections.

The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 101

In June 2022, the GASB issued Statement No. 101 – *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.

This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave. Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. However, leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences.

The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 102

In December 2023, the GASB issued Statement No. 102 – *Certain Risk Disclosures*. The primary objective of this Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact to have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter. Earlier application is encouraged.

Bear Valley Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2023

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

Governmental Accounting Standards Board Statement No. 103

In April 2024, the GASB issued Statement No. 103 – *Financial Reporting Model Improvements*. The primary objective of this Statement is to improve key components of the financial reporting model to enhance effectiveness in providing information that is essential for decision making and assessing a government’s accountability. Also, this Statement: (1) continues the requirement that the basic financial statements be preceded by management’s discussion and analysis (MD&A), which is presented as required supplementary information (RSI); (2) describes unusual or infrequent items as transactions and other events that are either unusual in nature or infrequent in occurrence; (3) requires that the proprietary fund statement of revenues, expenses, and changes in fund net position continue to distinguish between operating and nonoperating revenues and expenses; (4) requires governments to present each major component unit separately in the reporting entity’s statement of net position and statement of activities if it does not reduce the readability of the statements; and (5) requires governments to present budgetary comparison information using a single method of communication—RSI.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 104

In September 2024, the GASB issued Statement No. 104 – *Disclosure of Certain Capital Assets*. The primary objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets. This Statement establishes requirements for certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement No. 34, Basic Financial Statements and Management Discussion and Analysis for State and Local Governments. Also, this Statement establishes requirements for capital assets held for sale, including additional disclosures for those capital assets. The requirements of this Statement apply to the financial statements of all state and local governments.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 105

In December 2025, the GASB issued Statement No. 105 – *Subsequent Events*. The primary objective of this Statement is to improve the financial reporting requirements for subsequent events, thereby enhancing consistency in their application and better meeting the information needs of financial statement users. This Statement defines subsequent events as transactions or other events that occur after the date of the financial statements but before the date the financial statements are available to be issued. This Statement describes the date the financial statements are available to be issued as the date at which (1) the financial statements are complete in a form and format that complies with generally accepted accounting principles and (2) approvals necessary for issuance have been obtained. That definition modifies the subsequent events time frame throughout the GASB literature. This Statement also requires the date through which subsequent events have been evaluated to be disclosed. This Statement clarifies the subsequent events that constitute recognized and non-recognized events and establishes specific note disclosure requirements for non-recognized events.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2026, and all reporting periods thereafter. Earlier application is encouraged.

Bear Valley Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2023

(17) Commitments and Contingencies

Community Facilities Lease – Bear Valley Springs Association

On January 30, 2007, the District entered into a Community Facilities Lease (the “Lease”) with Bear Valley Springs Association (“BVSA”). The Lease commenced on March 31, 2007, and includes a 40-year term. Terms and conditions of the lease include review every five years and if acceptable it is automatically extended an additional five years, If the terms and conditions are not acceptable to the parties, they may amend the Lease as provided in Section 20(a) of the agreement. As consideration for this Lease BVSA will pay the District its actual costs for the annual premiums for the commercial property insurance required under Section 11 of the Lease and the sum of \$1 per year.

Under terms of the lease agreement services performed by BVSA include, operating, managing, maintain, repair, replace, restore, improve and develop the Facilities as required. BVSA is responsible for any and all bills accruing from the use of nonpotable water used for lake-fill and golf course irrigation.

On December 1, 2020, the District executed its 7th Addendum (the “Addendum”) to the Lease with the BVSA. Under this agreement the District agreed to lease additional facilities and real property and to amend Section 6 of the agreement addressing lakefill and irrigation water.

Financial statements of the Bear Valley Springs Association can be found on the Associations’ website at <https://bvsa.org/>.

Legal Settlement – Roads and Water funds

During the fiscal year ended June 30, 2023, the District settled litigation related to a road repair construction project. On November 22, 2022, a legal settlement of \$300,000 was approved by the District to be paid on or before November 22, 2023. As a result, a legal liability was recorded and allocated following the Roads and Water fund retention payable balances. The legal liability recorded \$259,195 and \$40,805 to the roads fund and water fund, respectively. As a result, the Roads fund and Water fund retention payable balances of \$179,068 and \$28,190 were written off, respectively.

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

(18) Subsequent Events

Employee Contract Payable – Settlement Agreement

During the fiscal year ended June 30, 2018, the District incurred a long-term disability contract payable sourcing from a prior employee. The contract’s original maturation date was April 2044. 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-employee’s employment which may cause revision to all or part of this long-term liability. At June 30, 2023, there has been no change to the employee contract payable.

On May 9, 2024, the District’s Board of Directors approved a settlement in the amount \$300,000 as part of the executed Settlement Agreement. On August 22, 2024, the settlement balance was paid-in-full.

Bear Valley Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2023

(18) Subsequent Events (continued)

Other Events

Events occurring after June 30, 2023 have been evaluated for possible adjustment to the financial statements or disclosure as of February 12, 2026, 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

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, 2023

| | Adopted Original Budget | Board Approved Changes | Revised Final Budget | Actual Budgetary Basis | Variance Positive (Negative) |
|---|--|---------------------------------------|-------------------------------------|---------------------------------------|---|
| Revenues: | | | | | |
| Property taxes | \$ 1,963,000 | (1,194,242) | 768,758 | 2,148,693 | 1,379,935 |
| Voter approved taxes | 542,500 | (351,378) | 191,122 | 547,778 | 356,656 |
| Federal and state aid | 8,000 | (8,000) | - | 135,611 | 135,611 |
| Interest earnings | 21,000 | (20,653) | 347 | 68,014 | 67,667 |
| Rents and royalties | 225,000 | (220,750) | 4,250 | 161,781 | 157,531 |
| Other | 75,400 | (70,135) | 5,265 | 174,625 | 169,360 |
| Total revenues | 2,834,900 | (1,865,158) | 969,742 | 3,236,502 | 2,266,760 |
| Expenditures: | | | | | |
| General government | 1,499,012 | 16,077 | 1,515,089 | 899,007 | 616,082 |
| Public safety | 1,452,605 | (45,592) | 1,407,013 | 1,842,757 | (435,744) |
| Capital outlay | 270,000 | (212,702) | 57,298 | 114,581 | (57,283) |
| Lease payments | - | - | - | 4,635 | (4,635) |
| Total expenditures | 3,221,617 | (242,217) | 2,979,400 | 2,860,980 | 118,420 |
| Excess(deficiency) of revenues over expenditures | (386,717) | (1,622,941) | (2,009,658) | 375,522 | 2,385,180 |
| Other financing sources(uses): | | | | | |
| Operating transfers | 132,421 | (82,379) | 50,042 | (244,770) | (294,812) |
| Net change in fund balance | (254,296) | (1,705,320) | (1,959,616) | 130,752 | 2,090,368 |
| Fund balance, beginning of year | 3,570,943 | - | 3,570,943 | 3,570,943 | |
| Prior period adjustment (note 14) | - | - | - | - | |
| Fund balance, end of year | \$ 3,316,647 | (1,705,320) | 1,611,327 | 3,701,695 | |

(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, 2023

| | Adopted Original Budget | Board Approved Changes | Revised Final Budget | Actual Budgetary Basis | Variance Positive (Negative) |
|---|--|---------------------------------------|-------------------------------------|---------------------------------------|---|
| Revenues: | | | | | |
| Special assessments | \$ 1,190,000 | (770,765) | 419,235 | 1,205,588 | 786,353 |
| Interest earnings | 10,000 | (9,872) | 128 | 28,146 | 28,018 |
| Other | 3,000 | (2,764) | 236 | 15,913 | 15,677 |
| Total revenues | 1,203,000 | (783,401) | 419,599 | 1,249,647 | 830,048 |
| Expenditures: | | | | | |
| Streets and roads | 1,227,761 | 256,844 | 1,484,605 | 1,665,084 | (180,479) |
| Capital outlay | 86,000 | (86,000) | - | - | - |
| Debt service: | | | | | |
| Debt payments | 39,629 | - | 39,629 | 39,629 | - |
| Interest paid | 7,800 | - | 7,800 | 17,550 | (9,750) |
| Total expenditures | 1,361,190 | 170,844 | 1,532,034 | 1,722,263 | (190,229) |
| Excess(deficiency) of revenues over expenditures | (158,190) | (954,245) | (1,112,435) | (472,616) | 639,819 |
| Other financing sources(uses): | | | | | |
| Operating transfers | - | - | - | - | - |
| Net change in fund balance | (158,190) | (954,245) | (1,112,435) | (472,616) | 639,819 |
| Fund balance, beginning of year | 1,342,540 | - | 1,342,540 | 1,342,540 | |
| Fund balance, end of year | \$ 1,184,350 | (954,245) | 230,105 | 869,924 | |

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, 2023

| | Adopted Original Budget | Board Approved Changes | Revised Final Budget | Actual Budgetary Basis | Variance Positive (Negative) |
|--|--|---------------------------------------|-------------------------------------|---------------------------------------|---|
| Revenues: | | | | | |
| Voter approved taxes | \$ 137,002 | 99,836 | 236,838 | 236,838 | - |
| Interest earnings | <u>2,115</u> | <u>5,507</u> | <u>7,622</u> | <u>9,554</u> | <u>1,932</u> |
| Total revenues | <u>139,117</u> | <u>105,343</u> | <u>244,460</u> | <u>246,392</u> | <u>1,932</u> |
| Expenditures: | | | | | |
| Debt service: | | | | | |
| General government | - | - | - | 685 | (685) |
| Bond payments | 71,000 | 5,806 | 76,806 | 70,000 | 6,806 |
| Interest paid | <u>14,656</u> | <u>(8,879)</u> | <u>5,777</u> | <u>11,897</u> | <u>(6,120)</u> |
| Total expenditures | <u>85,656</u> | <u>(3,073)</u> | <u>82,583</u> | <u>82,582</u> | <u>1</u> |
| Net change in fund balance | 53,461 | 108,416 | 161,877 | 163,810 | <u>1,933</u> |
| Fund balance, beginning of year | <u>409,402</u> | <u>-</u> | <u>409,402</u> | <u>409,402</u> | |
| Fund balance, end of year | <u>\$ 462,863</u> | <u>108,416</u> | <u>571,279</u> | <u>573,212</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, 2023

| | <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 | \$ 160,000 | 5,271 | 165,271 | 165,271 | - |
| Interest earnings | <u>549</u> | <u>(547)</u> | <u>2</u> | <u>704</u> | <u>702</u> |
| Total revenues | <u>160,549</u> | <u>4,724</u> | <u>165,273</u> | <u>165,975</u> | <u>702</u> |
| Expenditures: | | | | | |
| Public safety | <u>182,140</u> | <u>(5,948)</u> | <u>176,192</u> | <u>171,716</u> | <u>4,476</u> |
| Total expenditures | <u>182,140</u> | <u>(5,948)</u> | <u>176,192</u> | <u>171,716</u> | <u>4,476</u> |
| Net change in fund balance | <u>(21,591)</u> | <u>10,672</u> | <u>(10,919)</u> | <u>(5,741)</u> | <u>5,178</u> |
| Fund balance, beginning of year | <u>13,157</u> | <u>-</u> | <u>13,157</u> | <u>13,157</u> | |
| Fund balance, end of year | <u><u>\$ (8,434)</u></u> | <u><u>10,672</u></u> | <u><u>2,238</u></u> | <u><u>7,416</u></u> | |

Bear Valley Community Services District
Schedules of the District's Proportionate Share of the Net Pension Liability
As of June 30, 2023
Last Ten Years*

| Description | Measurement Date 6/30/2022 | | | Measurement Date | Measurement Date | Measurement Date | Measurement Date | Measurement Date | Measurement Date | Measurement Date | Measurement Date |
|--|----------------------------|-------------|-----------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| | Miscellaneous Plan | Safety Plan | Total | June 30, 2021 | June 30, 2020 | June 30, 2019 | June 30, 2018 | June 30, 2017 | June 30, 2016 | June 30, 2015 | June 30, 2014 |
| District's proportion of the net pension liability | 0.08213% | 0.02750% | 0.04963% | 0.05510% | 0.04479% | 0.04221% | 0.04221% | 0.04122% | 0.04040% | 0.03812% | 0.39690% |
| District's proportionate share of the net pension liability | \$ 3,843,214 | 1,889,621 | 5,732,835 | 5,732,835 | 4,873,715 | 4,463,107 | 4,067,514 | 4,087,640 | 3,495,772 | 2,616,040 | 2,469,727 |
| District's covered payroll | \$ 2,227,224 | 326,972 | 2,554,196 | 2,725,806 | 2,380,442 | 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 | 57.95% | 17.30% | 44.55% | 47.55% | 48.84% | 42.78% | 43.57% | 55.48% | 52.67% | 80.23% | 95.96% |
| District's fiduciary net position as a percentage of the plan's total pension liability | 86.66% | 78.07% | 84.26% | 73.36% | 73.36% | 74.55% | 76.01% | 75.02% | 76.67% | 81.98% | 82.50% |

Notes to Schedule

There were no changes in benefits.

Changes in Assumptions:

From Fiscal Year June 30, 2015 to June 30, 2016:

GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.50% used for the June 30, 2014 measurement date was net of administrative expenses.

The discount rate of 7.65% used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense.

From Fiscal Year June 30, 2016 to June 30, 2017:

There were no changes in assumptions.

From Fiscal Year June 30, 2017 to June 30, 2018:

The discount rate was reduced from 7.65% to 7.15%.

From Fiscal Year June 30, 2018 to June 30, 2019:

The inflation rate was reduced from 2.75% to 2.50%.

From Fiscal Year June 30, 2019 to June 30, 2020:

There were no changes in assumptions.

From Fiscal Year June 30, 2020 to June 30, 2021:

There were no changes in assumptions.

From Fiscal Year June 30, 2021 to June 30, 2022:

There were no changes in assumptions.

From Fiscal Year June 30, 2022 to June 30, 2023:

The discount rate was reduced from 7.15% to 6.90%.

The inflation rate was reduced from 2.50% to 2.30%.

* 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
Schedules of Pension Plan Contributions
As of June 30, 2023
Last Ten Fiscal Years***

| Schedule of Pension Plan Contributions: | Miscellaneous Plan | Safety Plan | Fiscal Year June 30, 2023 | Fiscal Year June 30, 2022 | Fiscal Year June 30, 2021 | Fiscal Year June 30, 2020 | Fiscal Year June 30, 2019 | Fiscal Year June 30, 2018 | Fiscal Year June 30, 2017 | Fiscal Year June 30, 2016 | Fiscal Year June 30, 2015 |
|--|---------------------------|--------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|
| Actuarially determined contribution | \$ 486,798 | 216,679 | 703,477 | 623,377 | 523,321 | 453,768 | 438,806 | 347,050 | 336,262 | 264,183 | 266,841 |
| Contributions in relation to the actuarially determined contribution | <u>(486,798)</u> | <u>(216,679)</u> | <u>(703,477)</u> | <u>(623,377)</u> | <u>(523,321)</u> | <u>(453,768)</u> | <u>(438,806)</u> | <u>(347,050)</u> | <u>(336,262)</u> | <u>(264,183)</u> | <u>(266,841)</u> |
| Contribution deficiency (excess) | - | - | - | - | - | - | - | - | - | - | - |
| Covered payroll | \$ 2,227,224 | 326,972 | 2,554,196 | 2,725,806 | 2,725,806 | 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 | <u>21.86%</u> | <u>66.27%</u> | <u>27.54%</u> | <u>22.87%</u> | <u>19.20%</u> | <u>23.77%</u> | <u>24.76%</u> | <u>15.30%</u> | <u>18.26%</u> | <u>12.59%</u> | <u>11.26%</u> |

Notes to schedule:

| | | | | | | | | | | | |
|----------------|--|--|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Valuation date | | | <u>June 30, 2021</u> | <u>June 30, 2020</u> | <u>June 30, 2019</u> | <u>June 30, 2018</u> | <u>June 30, 2017</u> | <u>June 30, 2016</u> | <u>June 30, 2015</u> | <u>June 30, 2014</u> | <u>June 30, 2013</u> |
|----------------|--|--|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|

Methods and assumptions used to determine contribution rates:

| | | | | | | | | | | | |
|---------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------------------------|
| Actuarial cost method | Entry Age | Entry Age | Entry Age | Entry Age | Entry Age | Entry Age | Entry Age | Entry Age | Entry Age | Entry Age | Entry Age |
| Amortization method | '(1) | '(1) | '(1) | '(1) | '(1) | '(1) | '(1) | '(1) | '(1) | '(1) | '(1) |
| Asset valuation method | Market Value | Market Value | Market Value | Market Value | Market Value | Market Value | Market Value | Market Value | Market Value | Market Value | 15 Year Smoothed Market Method |
| Inflation | 2.30% | 2.50% | 2.50% | 2.63% | 2.75% | 2.75% | 2.75% | 2.75% | 2.75% | 2.75% | 2.75% |
| Salary increases | (2) | (2) | (2) | (2) | (2) | (2) | (2) | (2) | (2) | (2) | (2) |
| Investment rate of return | 6.90% (3) | 7.00% (3) | 7.00% (3) | 7.25% (3) | 7.375% (3) | 7.50% (3) | 7.50% (3) | 7.50% (3) | 7.50% (3) | 7.50% (3) | 7.50% (3) |
| Retirement age | (4) | (4) | (4) | (4) | (4) | (4) | (4) | (4) | (4) | (4) | (4) |
| Mortality | (5) | (5) | (5) | (5) | (5) | (5) | (5) | (5) | (5) | (5) | (5) |

'(1) Level of percentage payroll, closed

'(2) Depending on age, service, and type of employment

'(3) Net of pension plan investment expense, including inflation

'(4) 50 for all plans with exception of 52 for Miscellaneous 2% @ 62

'(5) Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study

' adopted by the CalPERS Board.

* 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, 2023

| | <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: | | | | | |
| Water consumption sales | \$ 4,760,651 | (4,433,246) | 327,405 | 4,482,531 | 4,155,126 |
| Other charges for services | <u>50,000</u> | <u>(36,673)</u> | <u>13,327</u> | <u>138,401</u> | <u>125,074</u> |
| Total operating revenues | <u>4,810,651</u> | <u>(4,469,919)</u> | <u>340,732</u> | <u>4,620,932</u> | <u>4,280,200</u> |
| Operating expenses: | | | | | |
| Salaries and benefits | 1,869,087 | (15,528) | 1,853,559 | 1,537,424 | 316,135 |
| Operations | <u>2,034,863</u> | <u>(64,377)</u> | <u>1,970,486</u> | <u>1,880,455</u> | <u>90,031</u> |
| Total operating expenses | <u>3,903,950</u> | <u>(79,905)</u> | <u>3,824,045</u> | <u>3,417,879</u> | <u>406,166</u> |
| Operating income(loss) before capital | 906,701 | (4,390,014) | (3,483,313) | 1,203,053 | 4,686,366 |
| Depreciation expense | <u>-</u> | <u>-</u> | <u>-</u> | <u>(395,308)</u> | <u>395,308</u> |
| Operating income(loss) | <u>906,701</u> | <u>(4,390,014)</u> | <u>(3,483,313)</u> | <u>807,745</u> | <u>4,291,058</u> |
| Non-operating revenue(expense): | | | | | |
| Interest earnings | 10,447 | 13,099 | 23,546 | 87,028 | 63,482 |
| Legal settlement | - | - | - | (12,615) | (12,615) |
| Interest expense | <u>(59,862)</u> | <u>(1,625)</u> | <u>(61,487)</u> | <u>(41,634)</u> | <u>19,853</u> |
| Total non-operating, net | <u>(49,415)</u> | <u>11,474</u> | <u>(37,941)</u> | <u>32,779</u> | <u>70,720</u> |
| Other financing sources(uses): | | | | | |
| Operating transfers | <u>15,938</u> | <u>30,336</u> | <u>46,274</u> | <u>46,270</u> | <u>(4)</u> |
| Capital contributions and purchases: | | | | | |
| Capital outlay | 1,802,657 | (1,708,788) | 93,869 | - | 93,869 |
| Standby charges | 24,000 | (19,293) | 4,707 | 26,458 | 21,751 |
| Capacity charges | <u>83,105</u> | <u>-</u> | <u>83,105</u> | <u>83,105</u> | <u>-</u> |
| Total capital contributions | <u>1,909,762</u> | <u>(1,728,081)</u> | <u>181,681</u> | <u>109,563</u> | <u>115,620</u> |
| Change in net position | <u>2,782,986</u> | <u>(6,076,285)</u> | <u>(3,293,299)</u> | <u>996,357</u> | <u>4,477,394</u> |
| Net position, beginning of year | <u>10,221,916</u> | <u>-</u> | <u>10,221,916</u> | <u>10,221,916</u> | |
| Net position, end of year | <u>\$ 13,004,902</u> | <u>(6,076,285)</u> | <u>6,928,617</u> | <u>11,218,273</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, 2023

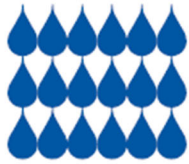
| | <u>Adopted Original Budget</u> | <u>Board Approved Changes</u> | <u>Revised Final Budget</u> | <u>Actual Basis</u> | <u>Variance Positive (Negative)</u> |
|---|--|---------------------------------------|-------------------------------------|-------------------------|---|
| Operating revenues: | | | | | |
| Wastewater service charges | \$ 929,400 | (856,575) | 72,825 | 931,437 | 858,612 |
| Other charges for services | <u>500</u> | <u>(480)</u> | <u>20</u> | <u>474</u> | <u>454</u> |
| Total operating revenues | <u>929,900</u> | <u>(857,055)</u> | <u>72,845</u> | <u>931,911</u> | <u>859,066</u> |
| Operating expenses: | | | | | |
| Salaries and benefits | 599,024 | (47,098) | 551,926 | 472,489 | 79,437 |
| Operations | <u>244,475</u> | <u>35,805</u> | <u>280,280</u> | <u>266,737</u> | <u>13,543</u> |
| Total operating expenses | <u>843,499</u> | <u>(11,293)</u> | <u>832,206</u> | <u>739,226</u> | <u>92,980</u> |
| Operating income(loss) before capital | 86,401 | (845,762) | (759,361) | 192,685 | 952,046 |
| Depreciation expense | <u>-</u> | <u>-</u> | <u>-</u> | <u>(39,505)</u> | <u>39,505</u> |
| Operating income(loss) | <u>86,401</u> | <u>(845,762)</u> | <u>(759,361)</u> | <u>153,180</u> | <u>912,541</u> |
| Non-operating revenue(expense): | | | | | |
| Interest earnings | 824 | 1,291 | 2,115 | 6,986 | 4,871 |
| Interest expense | <u>(14,190)</u> | <u>5,540</u> | <u>(8,650)</u> | <u>(4,899)</u> | <u>3,751</u> |
| Total non-operating, net | <u>(22,712)</u> | <u>7,485</u> | <u>(15,227)</u> | <u>2,087</u> | <u>17,314</u> |
| Other financing sources(uses): | | | | | |
| Operating transfers | <u>-</u> | <u>-</u> | <u>-</u> | <u>198,500</u> | <u>198,500</u> |
| Capital contributions and purchases: | | | | | |
| Capital outlay | 132,000 | (125,397) | 6,603 | - | 6,603 |
| Capacity charges | <u>83,105</u> | <u>(76,576)</u> | <u>6,529</u> | <u>6,529</u> | <u>-</u> |
| Total capital contributions | <u>215,105</u> | <u>(201,973)</u> | <u>13,132</u> | <u>6,529</u> | <u>6,603</u> |
| Change in net position | 278,794 | (1,040,250) | (761,456) | 360,296 | <u>1,134,958</u> |
| Net position, beginning of year | <u>(224,617)</u> | <u>-</u> | <u>(224,617)</u> | <u>(224,617)</u> | |
| Net position, end of year | <u>\$ 54,177</u> | <u>(1,040,250)</u> | <u>(986,073)</u> | <u>135,679</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, 2023

| | <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 | \$ 939,600 | (852,774) | 86,826 | 1,004,154 | 917,328 |
| Other charges for services | <u>500</u> | <u>(500)</u> | <u>-</u> | <u>1,817</u> | <u>1,817</u> |
| Total operating revenues | <u>940,100</u> | <u>(853,274)</u> | <u>86,826</u> | <u>1,005,971</u> | <u>919,145</u> |
| Operating expenses: | | | | | |
| Salaries and benefits | 415,016 | (17,445) | 397,571 | 390,264 | 7,307 |
| Operations | <u>430,377</u> | <u>(38,417)</u> | <u>391,960</u> | <u>378,654</u> | <u>13,306</u> |
| Total operating expenses | <u>845,393</u> | <u>(55,862)</u> | <u>789,531</u> | <u>768,918</u> | <u>20,613</u> |
| Operating loss before capital | 94,707 | (797,412) | (702,705) | 237,053 | 939,758 |
| Depreciation expense | <u>-</u> | <u>-</u> | <u>-</u> | <u>(19,793)</u> | <u>(19,793)</u> |
| Operating loss | <u>94,707</u> | <u>(797,412)</u> | <u>(702,705)</u> | <u>217,260</u> | <u>959,551</u> |
| Non-operating revenue: | | | | | |
| Interest earnings | <u>-</u> | <u>23</u> | <u>23</u> | <u>4,120</u> | <u>(4,097)</u> |
| Total non-operating, net | <u>-</u> | <u>23</u> | <u>23</u> | <u>4,120</u> | <u>4,097</u> |
| Other financing sources(uses): | | | | | |
| Operating transfers | <u>1,200</u> | <u>(1,200)</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Capital contributions and purchases: | | | | | |
| Capital outlay | <u>46,000</u> | <u>(46,000)</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total capital contributions | <u>46,000</u> | <u>(46,000)</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Change in net position | 141,907 | (844,589) | (702,682) | 221,380 | <u>963,648</u> |
| Net position, beginning of year | <u>245,750</u> | <u>-</u> | <u>245,750</u> | <u>245,750</u> | |
| Net position, end of year | <u>\$ 387,657</u> | <u>(844,589)</u> | <u>(456,932)</u> | <u>467,130</u> | |

< Page Intentionally Left Blank >

Report on Internal Controls and Compliance



C.J. Brown & Company CPAs
An Accountancy Corporation

Christopher J. Brown, CPA, CGMA
Jonathan Abadesco, CPA
Jeffrey Palmer

Cypress Office:
10805 Holder Street, Suite 150
Cypress, California 90630
(657) 214-2307

Riverside Office:
5051 Canyon Crest Drive, Suite 203
Riverside, California 92507
(657) 214-2307

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

Board of Directors
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, 2023, 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 12, 2026.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2023-001 that we consider to be a material weakness. In 2022, we identified a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2022-001 that we consider to be a material weakness.

**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**

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*.

District’s Response to Findings

The District’s response to the finding identified in our audit is described in the accompanying schedule of finding and recommendation. The District’s responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

C.J. Brown & Company, CPAs

C.J. Brown & Company CPAs
Cypress, California
February 12, 2026

**Bear Valley Community Services District
Schedule of Finding and Response
For the Year Ended June 30, 2023**

| <u>Finding Number</u> | <u>Finding and Recommendation</u> |
|--------------------------------------|---|
| <i>Material Weakness</i> | |
| 2023-001 | <u>Audit Preparation and Reconciliation of District's Books and Records</u> |
| Criteria | The State Controller's Minimum Audit Requirements for California Special Districts require an annual audit is required by a public accounting firm. A primary component of this requirement is that the auditor is independent and not part of management's decision making or controls. As part of annual engagement communication, the auditor assumes prior to the start of our audit fieldwork: that accounts have been properly reconciled, that prepared year-end schedules and accounting records are accurate, and that the accounts and records have been reviewed by a member of management with suitable skill, knowledge, and experience. |
| Condition | During our audit, we noted account balances which lacked supporting audit schedules that accurately agreed the District's activities to the final trial balances. As a result, adjustments of a material nature were required to correct the District's account balances at year-end. |
| Cause | The District's year-end closing processes and controls did not reasonably ensure that balances are properly reconciled at year-end. |
| Effect | The District's financial statements contained material misstatements. |
| Recommendation | The District implement year-end closing processes and controls to reasonably ensure that balances are properly reconciled at year-end. |
| View of Responsible Officials | Management agrees with the audit finding. The District will review and amend its existing policies and procedures to ensure it has effective internal controls over the preparation and review of the District's year-end close of its books and records. |

**Bear Valley Community Services District
Schedule of Prior Year Finding and Response
For the Year Ended June 30, 2022**

| <u>Finding Number</u> | <u>Finding and Recommendation</u> |
|--------------------------------------|---|
| <i>Material Weakness</i> | |
| 2022-001 | <u>Audit Preparation and Reconciliation of District's Books and Records</u> |
| Criteria | The State Controller's Minimum Audit Requirements for California Special Districts require an annual audit is required by a public accounting firm. A primary component of this requirement is that the auditor is independent and not part of management's decision making or controls. As part of annual engagement communication, the auditor assumes prior to the start of our audit fieldwork: that accounts have been properly reconciled, that prepared year-end schedules and accounting records are accurate, and that the accounts and records have been reviewed by a member of management with suitable skill, knowledge, and experience. |
| Condition | During our audit, we noted account balances which lacked supporting audit schedules that accurately agreed the District's activities to the final trial balances. As a result, adjustments of a material nature were required to correct the District's account balances at year-end. |
| Cause | The District's year-end closing processes and controls did not reasonably ensure that balances are properly reconciled at year-end. |
| Effect | The District's financial statements contained material misstatements. |
| Recommendation | The District implement year-end closing processes and controls to reasonably ensure that balances are properly reconciled at year-end. |
| View of Responsible Officials | Management agrees with the audit finding. The District will review and amend its existing policies and procedures to ensure it has effective internal controls over the preparation and review of the District's year-end close of its books and records. |