



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

Annual Financial Report

**For the Fiscal Year Ended
June 30, 2015**



BEAR VALLEY COMMUNITY SERVICES DISTRICT

List of Elected and Appointed Officials

June 30, 2015

Elected Officials

BOARD OF DIRECTORS

President	Rick Zanutto
Vice-President	Gil Grace
Director	Jane Baron
Director	Charlene LaClaire
Director	Walt Ritchie

Appointed Officials

General Manager	David Edmonds
Administrative Services Director	Vacant
Chief of Police	Jeff Kermode
Public Works Director	Vacant

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



Bear Valley Community Services District
Annual Financial Report
For the Fiscal Year Ended June 30, 2015

Prepared by:
Finance Department

**Bear Valley Community Services District
Annual Financial Report
For the Fiscal Year Ended June 30, 2015**

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Independent Auditors' Report

Board of Directors
Bear Valley Community Services District
Tehachapi, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Bear Valley Community Services District (District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Bear Valley Community Services District, as of June 30, 2015, and the respective changes in its net position and, where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Independent Auditor's Report, continued

Emphasis of Matter

As described in Note 1 to the basic financial statements, the District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pension Plans-an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68*, for the year ended June 30, 2015. The adoption of these statements requires retrospective application of previously reported net position at July 1, 2014 as described in Note 14 to the basic financial statements. In addition, the Net Pension Liability is reported in the Statement of Net Position as of June 30, 2014, the measurement date. The Net Pension Liability is calculated by actuaries using estimates and actuarial techniques from an actuarial valuation as of June 30, 2014, the measurement date. Our opinion is not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 11, budgetary comparison information on pages 49 through 56, and the required supplementary information on pages 57 through 58 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated May 12, 2016, 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 59 and 60.

Fedak & Brown LLP

Fedak & Brown LLP

Cypress, California

May 12, 2016

**Bear Valley Community Services District
Management's Discussion and Analysis
For the Year Ended June 30, 2015**

As management of the Bear Valley Community Services District, we offer readers of the Bear Valley Community Services District's financial statements this narrative overview and analysis of the financial activities of the Bear Valley Community Services District for the fiscal year ended June 30, 2015. We encourage readers to consider the information presented here in conjunction with the accompanying basic financial statements and related notes, which follow this section. All amounts, unless otherwise indicated, are expressed in whole dollars.

Financial Highlights

- The District's net position decreased 11.7%, or \$2,846,748 to \$21,408,701, as a result of a \$172,078 increase from current year operations that was offset by a \$3,018,826 decrease due to the implementation of GASB No. 68 and 71 to record the District's net pension liability on the statement of net position. Please see Note 14 for further information.
- Total revenues from all sources decreased 4.4%, or \$363,368 from \$8,232,471 to \$7,869,103, from the prior year, primarily due to a decrease of \$388,598 in program revenues which was offset by an increase of \$25,230 in general revenues.
- Total expenses for District operations decreased 4.5%, or \$362,795 from \$8,059,820 to \$7,697,025, from the prior year, primarily due to decreases of \$400,588 in water, \$100,829 in streets and roads, \$64,022 in solid waste, and \$37,445 in wastewater expenses which were offset by increases of \$106,388 in general government and \$151,940 in public safety expenses.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Bear Valley Community Services District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

Statement of Net Position and Statement of Activities

The government-wide financial statements are designed to provide readers with a broad overview of the Bear Valley Community Services District's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the District's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

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, public safety, streets and roads, and parks & recreation. The business-type activities of the District include operations for water, wastewater (sewer), solid waste (trash) and post office.

The government-wide financial statements can be found on pages 12-14 of this report.

**Bear Valley Community Services District
Management's Discussion and Analysis
For the Year Ended June 30, 2015**

Fund Financial Statements

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

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

Governmental Funds

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

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

The Bear Valley Community Services District maintains four individual governmental funds: general (including emergency and state unemployment insurance reserves), roads, bond redemption and supplemental law enforcement services. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund, roads fund, bond redemption fund and supplemental law enforcement services fund, which are considered major funds. The District maintains no non-major governmental funds. The emergency fund, although maintained separately during the year to account for monies set aside for emergency and disaster response, is combined with the general fund in this report. The state unemployment insurance reserve fund, although maintained separately during the year to account for monies set aside to cover unemployment insurance claims, is combined with the general fund in this report.

The Bear Valley Community Services District adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 15-21 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 four enterprise funds to account for its water, wastewater, solid waste and post office enterprises.

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 four enterprise funds.

A budgetary comparison statement to demonstrate compliance with the budget is not required for enterprise funds; nonetheless, we provide such a comparison on pages 49-56 of this report.

**Bear Valley Community Services District
Management's Discussion and Analysis
For the Year Ended June 30, 2015**

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

Enterprise Funds, continued

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

The basic enterprise fund financial statements can be found on pages 19-21 of this report.

Fiduciary funds. The Bear Valley Community Services District maintains no fiduciary funds; however, for the benefit of its employees, the District does participate in the CalPERS 457 deferred compensation program, which assets are held by CalPERS for the exclusive benefit of the plan participants. Additional information about this program can be found in Note 15 on pages 44-45 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 22-48 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 49-58 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Bear Valley Community Services District, assets and deferred outflows exceed liabilities and deferred inflows by \$21,408,701 at June 30, 2015, with an increase of \$172,078 as the result of operations that was offset by a \$3,018,826 decrease as the result of the implementation of GASB No. 68 and 71.

By far the largest portion of the Bear Valley Community Services District's net position (66.7%) 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.

**Bear Valley Community Services District
Management's Discussion and Analysis
For the Year Ended June 30, 2015**

Government-wide Financial Analysis, continued

Bear Valley Community Services District's Net Position

	Condensed Statement of Net Position					
	Governmental Activities		Business-type Activities		Total District	
	2015	2014	2015	2014	2015	2014
Assets:						
Current and other assets	\$ 6,366,100	6,325,059	4,466,596	3,980,395	10,832,696	10,305,454
Non-current assets	-	-	130,000	260,000	130,000	260,000
Capital assets, net	8,512,201	8,850,088	9,670,336	10,221,970	18,182,537	19,072,058
Total assets	<u>14,878,301</u>	<u>15,175,147</u>	<u>14,266,932</u>	<u>14,619,540</u>	<u>29,145,233</u>	<u>29,637,512</u>
Deferred outflows of resources:	191,993	-	53,436	-	245,429	-
Liabilities:						
Current liabilities	675,215	718,697	510,777	545,289	1,185,992	1,263,986
Non-current liabilities	2,848,099	1,306,096	3,128,975	2,811,981	5,977,074	4,118,077
Total liabilities	<u>3,523,314</u>	<u>2,024,793</u>	<u>3,639,752</u>	<u>3,482,879</u>	<u>7,163,066</u>	<u>5,382,063</u>
Deferred inflows of resources:	625,191	-	193,704	-	818,895	-
Net position:						
Net investment in capital assets	7,372,201	7,375,088	6,908,569	7,241,072	14,280,770	14,616,160
Restricted	3,639,032	3,264,200	130,000	260,000	3,769,032	3,524,200
Unrestricted	(89,444)	2,511,066	3,448,343	3,604,023	3,358,899	6,115,089
Total net position	<u>\$ 10,921,789</u>	<u>13,150,354</u>	<u>10,486,912</u>	<u>11,105,095</u>	<u>21,408,701</u>	<u>24,255,449</u>

The remaining balance of restricted/unrestricted net position of \$7,127,931 may be used to meet the government's ongoing obligations.

At the end of the current fiscal year, the Bear Valley Community Services District reported positive balances in all three categories of net position for the government as a whole. The District's governmental fund reported two of the three categories of net position as positive while the unrestricted category showed a negative balance of \$89,444. Business-type activities fund balances were positive for all three categories.

Governmental activities. Governmental activities decreased the Bear Valley Community Services District's net position by \$2,228,568 as a result of a \$98,095 increase from current-year operations that was offset by a \$2,326,663 decrease relating to the implementation of GASB No. 68 and 71 to record the District's net pension liability on the statement of net position. Please see Note 14 for further information.

Business-type activities. Business-type activities decreased the Bear Valley Community Services District's net position by \$618,183 as a result of a \$73,983 increase as a result of current-year operations that was offset by a \$692,163 due to the implementation of GASB No. 68 and 71 to record the District's net pension liability on the statement of net position. Please see Note 14 for further information.

**Bear Valley Community Services District
Management's Discussion and Analysis
For the Year Ended June 30, 2015**

Government-wide Financial Analysis, continued

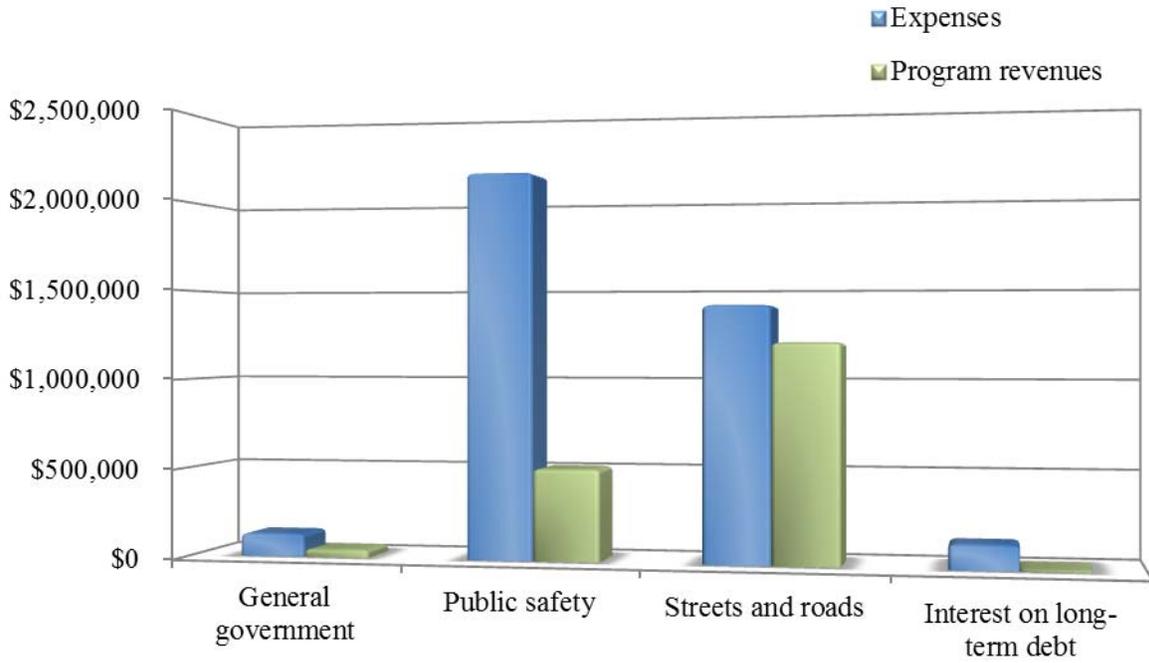
Bear Valley Community Services District's Statement of Activities

	Condensed Statement of Activities					
	Governmental Activities		Business-type Activities		Total District	
	2015	2014	2015	2014	2015	2014
Revenues:						
Program revenues:						
Charges for services	\$ 1,829,030	1,808,390	3,329,317	3,693,437	5,158,347	5,501,827
Operating grants and contrib.	147,896	144,675	-	-	147,896	144,675
Capital grants and contrib.	-	-	60,440	108,779	60,440	108,779
General revenues:						
Property taxes	1,495,384	1,481,607	-	-	1,495,384	1,481,607
Voter approved taxes	976,078	965,703	-	-	976,078	965,703
Investment earnings	18,801	21,865	12,157	8,015	30,958	29,880
Total revenues	<u>4,467,189</u>	<u>4,422,240</u>	<u>3,401,914</u>	<u>3,810,231</u>	<u>7,869,103</u>	<u>8,232,471</u>
Expenses:						
General government	464,700	358,315	-	-	464,700	358,315
Public safety	2,703,372	2,551,432	-	-	2,703,372	2,551,432
Streets and roads	1,125,004	1,225,833	-	-	1,125,004	1,225,833
Interest on long-term debt	53,623	66,330	-	-	53,623	66,330
Water	-	-	2,298,378	2,698,963	2,298,378	2,698,963
Wastewater	-	-	540,760	578,205	540,760	578,205
Solid waste	-	-	467,352	531,374	467,352	531,374
Post office	-	-	43,836	49,368	43,836	49,368
Total expenses	<u>4,346,699</u>	<u>4,201,910</u>	<u>3,350,326</u>	<u>3,857,910</u>	<u>7,697,025</u>	<u>8,059,820</u>
Change in net position	120,490	220,330	51,588	(47,679)	172,078	172,651
Transfers	(22,392)	(16,113)	22,392	16,113	-	-
Change in net position	<u>98,098</u>	<u>204,217</u>	<u>73,980</u>	<u>(31,566)</u>	<u>172,078</u>	<u>172,651</u>
Net position, beginning of year	13,150,354	12,946,137	11,105,095	11,136,661	24,255,449	24,082,798
Prior period adjustment	(2,326,663)	-	(692,163)	-	(3,018,826)	-
Net position – beg of year, as restated	<u>10,823,691</u>	<u>12,946,137</u>	<u>10,412,932</u>	<u>11,136,661</u>	<u>21,236,623</u>	<u>24,082,798</u>
Net position, end of year	<u>\$ 10,921,789</u>	<u>13,150,354</u>	<u>10,486,912</u>	<u>11,105,095</u>	<u>21,408,701</u>	<u>24,255,449</u>

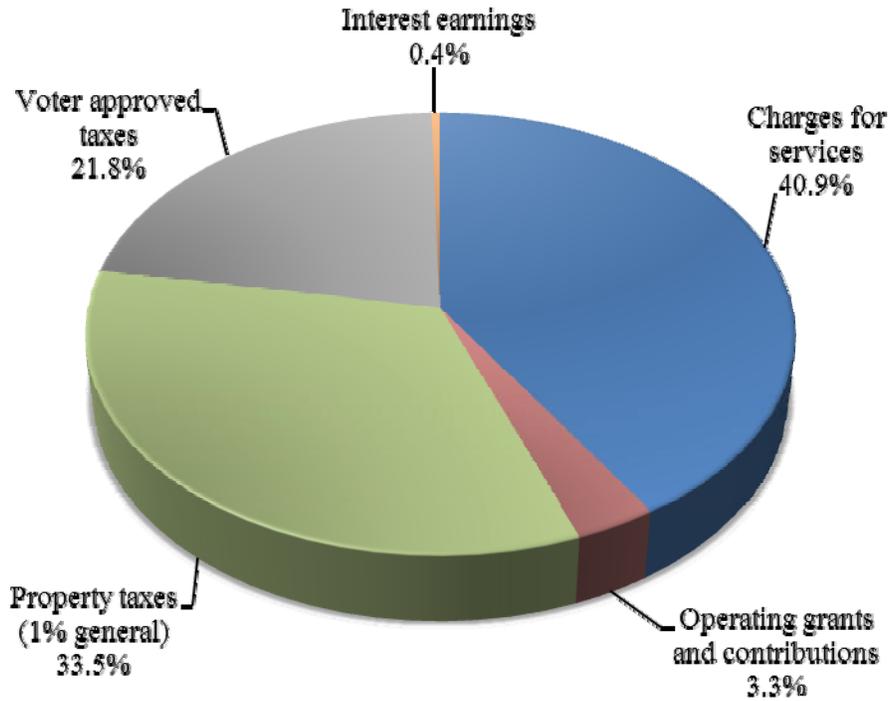
- Revenue from charges for services in the business-type activities decreased \$364,120 or 9.9%, due primarily to a reduction in water consumption as a result of State imposed water restrictions. The decrease was primarily sourced to water consumption sales of \$329,403 and other charges of \$40,604 across all business-type activity funds as compared to the prior year.
- Revenue from grants and contributions decreased \$45,118 or 17.8% from the prior year. This decrease was primarily due to a decrease in water and wastewater development fees collected in the current fiscal year as compared to prior year.
- Property taxes increased \$13,777 or 0.9% due to an overall increase in assessed property valuations.
- Total expenses decreased \$362,795 or 4.5%, primarily due to decreases in expenses for water of \$400,585, as a result of a decrease in purchased water related to State drought imposed water restrictions, streets and roads of \$100,829, solid waste of \$64,022, which were offset by an increase in expenses for general government of \$106,385.

**Bear Valley Community Services District
Management's Discussion and Analysis
For the Year Ended June 30, 2015**

Expenses and Program Revenues – Governmental Activities

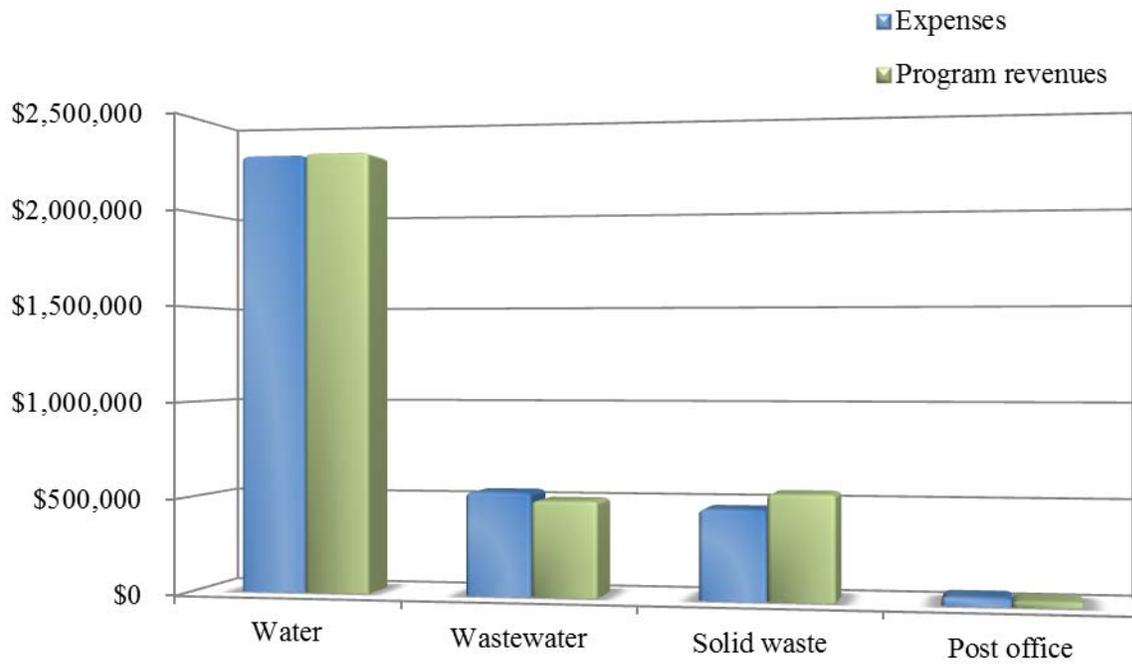


Revenues by Source – Governmental Activities

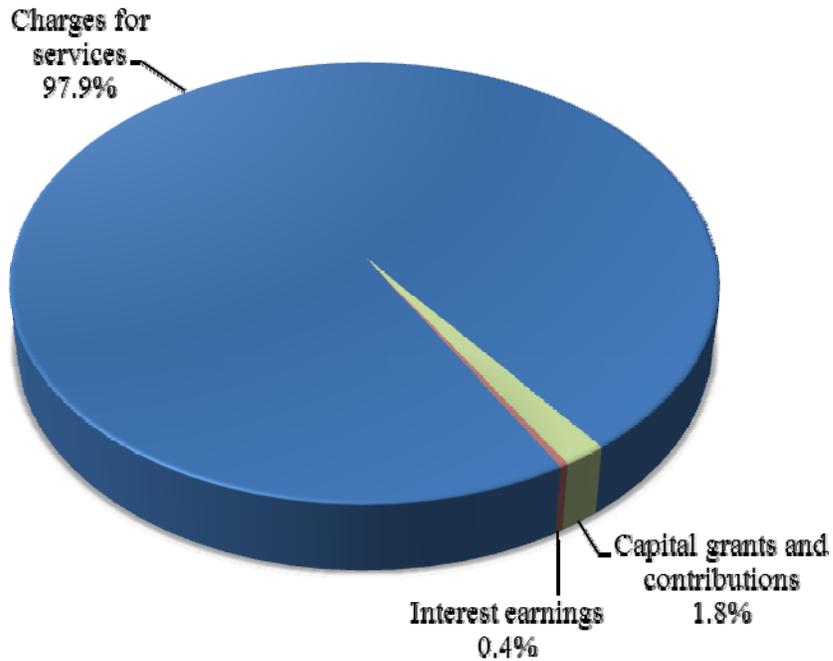


**Bear Valley Community Services District
Management's Discussion and Analysis
For the Year Ended June 30, 2015**

Expense and Program Revenues – Business-type Activities



Revenues by Source – Business-type Activities



**Bear Valley Community Services District
Management's Discussion and Analysis
For the Year Ended June 30, 2015**

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 15.

As of June 30, 2015, the Bear Valley Community Services District's governmental funds reported combined ending fund balance of \$6,100,853, an increase of \$82,889 in comparison with the prior year. Of this total fund balance, \$2,222,696 or (36.4%) 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, 4) unemployment compensation and 5) 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 was \$2,417,492 of which \$148,010 is assigned for compensated absences and \$46,786 is assigned for unemployment compensation. In addition, \$159,121 of the fund balance is unassigned by the Board for emergencies and disaster response and \$2,063,575 is unassigned for six-month operating reserve. 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 73.2% of total general fund expenditures, while total fund balance represents 79.6% of that same amount.

The fund balance of the Bear Valley Community Services District's general fund decreased \$385,443 as a result of the current year's operations. The amount assigned for unemployment compensation decreased \$10,256. The amount unassigned for emergency response increased \$1,056. The amount unassigned for six-month operating reserve decreased by \$253,621 from prior year.

The roads fund has a restricted fund balance of \$3,024,124 which will be used for the ongoing maintenance and improvement of streets and roads, including drainage ways and rights of way and \$44,329 for compensated absences. The increase in fund balance during the year was \$327,938.

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.

Net position for all enterprise funds decreased \$618,183 from the prior year primarily due to the implementation of GASB No. 68 and 71. Changes in total net position from last year are as follows: water enterprise decreased by \$452,009 of which \$468,757 related to GASB No. 68 and 71, offset by an increase of \$16,748 as a result of current year operations; wastewater enterprise decreased by \$122,828 of which \$83,778 related to GASB No. 68 and 71 and \$39,050 as a result of current year operations; solid waste enterprise decreased by \$46,135 of which \$129,655 related to GASB No. 68 and 71, offset by an increase of \$83,520 as a result of current year operations; post office enterprise decreased by \$2,789 of which \$9,973 related to GASB No. 68 and 71, offset by an increase of \$12,762 as a result of current year operations.

The post office enterprise fund had an unrestricted net position of \$3,041 on June 30, 2015. Revenues to this fund cover less than the cost to provide this service, with the remaining balance being subsidized by the general fund. Each year the general fund backfills the post office enterprise fund's financial needs.

**Bear Valley Community Services District
Management's Discussion and Analysis
For the Year Ended June 30, 2015**

General Fund Budgetary Highlights

At June 30, 2015, there were no differences between the original and final amended budgets.

Capital Asset and Debt Administration

Capital assets. The Bear Valley Community Services District's investment in capital assets for its governmental and business type activities as of June 30, 2015, amounts to \$18,182,537 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, park facilities and infrastructure.

Major capital asset events during the current fiscal year included the following:

- \$15,942 for the acquisition of land for the governmental general funds.

Bear Valley Community Services District's Capital Assets

	Capital Assets					
	Governmental Activities		Business-type Activities		Total District	
	2015	2014	2015	2014	2015	2014
Capital assets:						
Non-depreciable assets	\$ 4,832,757	4,816,815	3,662,053	3,662,053	8,494,810	8,478,868
Depreciable assets	<u>32,112,211</u>	<u>32,112,211</u>	<u>19,980,825</u>	<u>19,980,825</u>	<u>52,093,036</u>	<u>52,093,036</u>
Total capital assets	36,944,968	36,929,026	23,642,878	23,642,878	60,587,846	60,571,904
Accumulated depreciation	<u>(28,432,767)</u>	<u>(28,078,938)</u>	<u>(13,972,542)</u>	<u>(13,420,908)</u>	<u>(42,405,309)</u>	<u>(41,499,846)</u>
Total capital assets, net	<u>\$ 8,512,201</u>	<u>8,850,088</u>	<u>9,670,336</u>	<u>10,221,970</u>	<u>18,182,537</u>	<u>19,072,058</u>

Additional information on the Bear Valley Community Services District's capital assets can be found in Note 6 on pages 32-35 of this report.

Bear Valley Community Services District's Outstanding Debt

Long-term debt. At the end of the current fiscal year, the Bear Valley Community Services District had total debt outstanding of \$3,901,767. Of this amount, \$1,140,000 comprises debt backed by the full faith and credit of the Bear Valley Community Services District, \$108,597 is the remaining outstanding balance due to the State Water Resources Control Board (SWRCB) for wastewater plant improvements and \$2,653,170 is the remaining outstanding balance due to the California Infrastructure and Economic Development Bank (CIEDB) for water and wastewater system improvements.

	Long-term Debt					
	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Long-term debt:						
General obligation bonds	\$ 1,140,000	1,475,000	-	-	1,140,000	1,475,000
SWRCB revolving fund loan	-	-	108,597	217,195	108,597	217,195
CIEDB loan	-	-	2,653,170	2,763,703	2,653,170	2,763,703
Total long-term debt	<u>\$ 1,140,000</u>	<u>1,795,000</u>	<u>2,761,767</u>	<u>3,196,882</u>	<u>3,901,767</u>	<u>4,455,898</u>

Additional information on the Bear Valley Community Services District's capital assets can be found in Notes 8 and 9 on pages 35-38 of this report.

Requests for Information

This financial report is designed to provide a general overview of the Bear Valley Community Services District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Bear Valley Community Services District, 28999 South Lower Valley Road, Tehachapi, CA 93561.

Basic Financial Statements

Bear Valley Community Services District
Statement of Net Position
June 30, 2015

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Current assets:			
Cash and cash equivalents (note 2)	\$ 6,063,394	4,144,370	10,207,764
Accrued interest receivable	4,292	3,110	7,402
Accounts receivable – utilities, net (note 3)	-	557,133	557,133
Accounts receivable – other	31,502	120	31,622
Property taxes and assessments receivable	16,912	1,179	18,091
Internal balances (note 4)	250,000	(250,000)	-
Prepaid interest (note 9)	-	10,684	10,684
Total current assets	<u>6,366,100</u>	<u>4,466,596</u>	<u>10,832,696</u>
Non-current assets:			
Improvement district bonds receivable (note 5)	-	130,000	130,000
Capital assets – not being depreciated (note 6)	4,832,757	3,662,053	8,494,810
Capital assets – being depreciated, net (note 6)	3,679,444	6,008,283	9,687,727
Total non-current assets	<u>8,512,201</u>	<u>9,800,336</u>	<u>18,312,537</u>
Total assets	<u>14,878,301</u>	<u>14,266,932</u>	<u>29,145,233</u>
Deferred outflows of resources:			
Deferred pension outflows (note 10)	191,993	53,436	245,429
Total deferred outflows of resources	<u>\$ 191,993</u>	<u>53,436</u>	<u>245,429</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, 2015

	Governmental Activities	Business-type Activities	Total
Current liabilities:			
Accounts payable and accrued expenses	\$ 154,661	209,176	363,837
Accrued wages and related payables	71,256	16,121	87,377
Accrued interest on long-term debt	16,883	32,317	49,200
Deposits and deferred revenue	39,330	21,229	60,559
Long-term liabilities – due within one year:			
Compensated absences (note 7)	48,085	9,565	57,650
Bond payable (note 8)	345,000	-	345,000
Loans payable (note 9)	-	222,369	222,369
	675,215	510,777	1,185,992
Non-current liabilities:			
Long-term liabilities – due in more than one year:			
Compensated absences (note 7)	144,254	28,695	172,949
Bond payable (note 8)	795,000	-	795,000
Loans payable (note 9)	-	2,539,398	2,539,398
Net pension liability (note 10)	1,908,845	560,882	2,469,727
	2,848,099	3,128,975	5,977,074
	3,523,314	3,639,752	7,163,066
Deferred inflows of resources:			
Deferred pension inflows (note 10)	625,191	193,704	818,895
	625,191	193,704	818,895
Net position: (note 14)			
Net investment in capital assets (note 11)	7,372,201	6,908,569	14,280,770
Restricted (note 12)	3,639,032	130,000	3,769,032
Unrestricted (note 13)	(89,444)	3,448,343	3,358,899
	10,921,789	10,486,912	21,408,701

See accompanying notes to the basic financial statements

**Bear Valley Community Services District
Statement of Activities
For the Year Ended June 30, 2015**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Governmental activities:							
General government	\$ 464,700	110,201	-	-	(354,499)	-	(354,499)
Public safety	2,703,372	460,416	147,896	-	(2,095,060)	-	(2,095,060)
Streets and roads	1,125,004	1,227,433	-	-	102,429	-	102,429
Interest on long-term debt	53,623	30,980	-	-	(22,643)	-	(22,643)
Total governmental activities	4,346,699	1,829,030	147,896	-	(2,369,773)	-	(2,369,773)
Business-type activities:							
Water	2,298,378	2,246,906	-	60,440	-	8,968	8,968
Wastewater	540,760	499,530	-	-	-	(41,230)	(41,230)
Solid waste	467,352	548,675	-	-	-	81,323	81,323
Post office	43,836	34,206	-	-	-	(9,630)	(9,630)
Total business-type activities	3,350,326	3,329,317	-	60,440	-	39,431	39,431
Total	\$ 7,697,025	5,158,347	147,896	60,440	(2,369,773)	39,431	(2,330,342)
General revenues:							
Property taxes					\$ 1,495,384	-	1,495,384
Voter approved taxes					976,078	-	976,078
Interest earnings					18,801	12,157	30,958
Transfers in/(out) (note 4)					(22,392)	22,392	-
Total general revenues					2,467,871	34,549	2,502,420
Change in net position					98,098	73,980	172,078
Net position, beginning of year					13,150,354	11,105,095	24,255,449
Prior period adjustment (note 14)					(2,326,663)	(692,163)	(3,018,826)
Net position, beginning of year, as restated					10,823,691	10,412,932	21,236,623
Net position, end of year					\$ 10,921,789	10,486,912	21,408,701

See accompanying notes to the basic financial statements

Bear Valley Community Services District
Balance Sheets – Governmental Funds
June 30, 2015

	<u>General</u>	<u>Streets and Roads</u>	<u>Debt Service</u>	<u>Supplemental Law Enforcement</u>	<u>Total Governmental Activities</u>
Assets:					
Cash and cash equivalents	\$ 2,332,413	3,117,773	454,287	158,921	6,063,394
Accrued interest receivable	1,510	2,308	342	132	4,292
Accounts receivable – other	31,502	-	-	-	31,502
Property taxes and assessments receivable	9,192	6,494	1,226	-	16,912
Due from other funds	250,000	-	-	-	250,000
Total assets	\$ 2,624,617	3,126,575	455,855	159,053	6,366,100
Liabilities:					
Accounts payable and accrued expenses	\$ 130,755	23,906	-	-	154,661
Accrued wages and related payables	60,820	10,436	-	-	71,256
Deposits and deferred revenue	15,550	23,780	-	-	39,330
Total liabilities	207,125	58,122	-	-	265,247
Fund balance:					
Restricted:					
Street and road improvements	-	3,024,124	-	-	3,024,124
Debt service	-	-	455,855	-	455,855
Public safety	-	-	-	159,053	159,053
Assigned:					
Compensated absences	148,010	44,329	-	-	192,339
Unemployment compensation	46,786	-	-	-	46,786
Unassigned:					
Emergency reserve	159,121	-	-	-	159,121
Six-month operating reserve	2,063,575	-	-	-	2,063,575
Total fund balance	2,417,492	3,068,453	455,855	159,053	6,100,853
Total liabilities and fund balance	\$ 2,624,617	3,126,575	455,855	159,053	6,366,100

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, 2015

Reconciliation:

Total Fund Balances of Governmental Funds	\$	6,100,853
Amounts reported for governmental activities in the statement of net position is different because:		
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet. However, the statement of net position includes those capital position among the assets of the District as a whole.		8,512,201
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.		189,396
Changes in employer contribution and differences between the proportionate share of pension expense reported as deferred outflows of resources in the government-wide financial statements.		2,597
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		(192,339)
Bonds payable		(1,140,000)
Net pension liability		(1,908,845)
Recognized net difference between projected and actual earnings on pension plan investments are reported as deferred inflows of resources in the government-wide financial statements.		(612,348)
Recognized portion due to differences in proportions are reported as deferred inflows of resources in the government-wide financial statements.		(12,843)
Interest on long-term debt is not accrued as a governmental fund liability, but rather is recognized as an expenditure when due.		(16,883)
Total adjustments		<u>4,820,936</u>
Net Position of Governmental Activities	\$	<u><u>10,921,789</u></u>

See accompanying notes to the basic financial statements

Bear Valley Community Services District
Statements of Revenues, Expenditures and Changes in Fund Balances– Governmental Funds
For the Year Ended June 30, 2015

	<u>General</u>	<u>Streets and Roads</u>	<u>Debt Service</u>	<u>Supplemental Law Enforcement</u>	<u>Total Governmental Activities</u>
Revenues:					
Property taxes	\$ 1,495,384	-	-	-	1,495,384
Voter approved taxes	558,306	-	417,772	-	976,078
Special assessments	-	1,225,563	-	-	1,225,563
Charges for services	424,583	-	-	-	424,583
Federal and state aid	41,666	-	-	106,230	147,896
Interest earnings	7,525	9,617	1,350	309	18,801
Rents and royalties	-	-	30,980	-	30,980
Other	146,034	1,870	-	-	147,904
Total revenues	<u>2,673,498</u>	<u>1,237,050</u>	<u>450,102</u>	<u>106,539</u>	<u>4,467,189</u>
Expenditures:					
General government	293,304	-	5,149	-	298,453
Public safety	2,727,303	-	-	23,270	2,750,573
Streets and roads	-	909,112	-	-	909,112
Capital outlay	15,942	-	-	-	15,942
Debt service:					
Bond payments	-	-	335,000	-	335,000
Interest paid	-	-	52,828	-	52,828
Total expenditures	<u>3,036,549</u>	<u>909,112</u>	<u>392,977</u>	<u>23,270</u>	<u>4,361,908</u>
Excess(deficiency) of revenues over expenditures	<u>(363,051)</u>	<u>327,938</u>	<u>57,125</u>	<u>83,269</u>	<u>105,281</u>
Other financing sources(uses):					
Operating transfers in(out)	<u>(22,392)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(22,392)</u>
Net change in fund balance	(385,443)	327,938	57,125	83,269	82,889
Fund balance, beginning of year, as restated	<u>2,802,935</u>	<u>2,740,515</u>	<u>398,730</u>	<u>75,784</u>	<u>6,017,964</u>
Fund balance, end of year	<u>\$ 2,417,492</u>	<u>3,068,453</u>	<u>455,855</u>	<u>159,053</u>	<u>6,100,853</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, 2015

Reconciliation:

Net Changes in Fund Balances – Total Governmental Funds	\$	82,889
<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		15,942
Depreciation expense		(353,829)
<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>		
		335,000
<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		4,354
Net change in compensated absences for the current period		29,122
Net change in pension obligations for the current period		(15,380)
		98,098
Change in Net Position of Governmental Activities	\$	98,098

See accompanying notes to the basic financial statements

Bear Valley Community Services District
Statements of Net Position – Enterprise Funds
June 30, 2015

	<u>Water</u>	<u>Wastewater</u>	<u>Solid Waste</u>	<u>Post Office</u>	<u>Total Business-type Activities</u>
Current assets:					
Cash and cash equivalents	\$ 2,598,328	709,241	822,194	14,607	4,144,370
Accrued interest receivable	1,948	543	619	-	3,110
Accounts receivable – utilities, net	400,721	90,328	66,084	-	557,133
Accounts receivable – other	120	-	-	-	120
Property assessments receivable	585	594	-	-	1,179
Prepaid interest	-	10,684	-	-	10,684
Total current assets	<u>3,001,702</u>	<u>811,390</u>	<u>888,897</u>	<u>14,607</u>	<u>4,716,596</u>
Non-current assets:					
Improvement district bonds receivable	-	130,000	-	-	130,000
Capital assets – not being depreciated	3,647,319	14,734	-	-	3,662,053
Capital assets, net – being depreciated	<u>5,376,579</u>	<u>596,044</u>	<u>35,660</u>	<u>-</u>	<u>6,008,283</u>
Total non-current assets	<u>9,023,898</u>	<u>740,778</u>	<u>35,660</u>	<u>-</u>	<u>9,800,336</u>
Total assets	<u>12,025,600</u>	<u>1,552,168</u>	<u>924,557</u>	<u>14,607</u>	<u>14,516,932</u>
Deferred outflows of resources:					
Deferred pension outflows	<u>36,189</u>	<u>6,468</u>	<u>10,009</u>	<u>770</u>	<u>53,436</u>
Total deferred outflows of resources	<u>36,189</u>	<u>6,468</u>	<u>10,009</u>	<u>770</u>	<u>53,436</u>
Current liabilities:					
Accounts payable and accrued expenses	158,172	13,140	37,120	744	209,176
Accrued wages and related payables	10,467	3,084	1,851	719	16,121
Accrued interest on long-term debt	26,730	5,587	-	-	32,317
Due to other funds	181,843	68,157	-	-	250,000
Deposits and deferred revenue	15,962	2,554	2,713	-	21,229
Long-term liabilities – due within one year:					
Compensated absences	6,019	633	2,913	-	9,565
Loans payable	<u>91,018</u>	<u>131,351</u>	<u>-</u>	<u>-</u>	<u>222,369</u>
Total current liabilities	<u>490,211</u>	<u>224,506</u>	<u>44,597</u>	<u>1,463</u>	<u>760,777</u>
Non-current liabilities:					
Long-term liabilities – due in more than one year:					
Compensated absences	18,057	1,900	8,738	-	28,695
Loans payable	2,106,433	432,965	-	-	2,539,398
Net pension liability	<u>379,848</u>	<u>67,888</u>	<u>105,064</u>	<u>8,082</u>	<u>560,882</u>
Total non-current liabilities	<u>2,504,338</u>	<u>502,753</u>	<u>113,802</u>	<u>8,082</u>	<u>3,128,975</u>
Total liabilities	<u>2,994,549</u>	<u>727,259</u>	<u>158,399</u>	<u>9,545</u>	<u>3,889,752</u>
Deferred inflows of resources:					
Deferred pension inflows	<u>131,183</u>	<u>23,445</u>	<u>36,285</u>	<u>2,791</u>	<u>193,704</u>
Total deferred inflows of resources	<u>131,183</u>	<u>23,445</u>	<u>36,285</u>	<u>2,791</u>	<u>193,704</u>
Net position:					
Net investment in capital assets	6,826,447	46,462	35,660	-	6,908,569
Restricted	-	130,000	-	-	130,000
Unrestricted	<u>2,109,610</u>	<u>631,470</u>	<u>704,222</u>	<u>3,041</u>	<u>3,448,343</u>
Total net position	<u>\$ 8,936,057</u>	<u>807,932</u>	<u>739,882</u>	<u>3,041</u>	<u>10,486,912</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, 2015

	<u>Water</u>	<u>Wastewater</u>	<u>Solid Waste</u>	<u>Post Office</u>	<u>Total Business-type Activities</u>
Operating revenues:					
Water consumption sales	\$ 2,207,138	-	-	-	2,207,138
Wastewater service charges	-	499,490	-	-	499,490
Solid waste collection charges	-	-	548,273	-	548,273
Post office box charges	-	-	-	33,390	33,390
Other charges for services	39,768	40	402	816	41,026
Total operating revenues	<u>2,246,906</u>	<u>499,530</u>	<u>548,675</u>	<u>34,206</u>	<u>3,329,317</u>
Operating expenses:					
Salaries and benefits	532,368	198,494	127,124	31,722	889,708
Operations	1,326,260	148,960	325,893	12,114	1,813,227
Total operating expenses	<u>1,858,628</u>	<u>347,454</u>	<u>453,017</u>	<u>43,836</u>	<u>2,702,935</u>
Operating income(loss) before depreciation	388,278	152,076	95,658	(9,630)	626,382
Depreciation expense	(377,221)	(160,077)	(14,335)	-	(551,633)
Operating income(loss)	<u>11,057</u>	<u>(8,001)</u>	<u>81,323</u>	<u>(9,630)</u>	<u>74,749</u>
Non-operating revenue(expense):					
Interest earnings	7,779	2,181	2,197	-	12,157
Interest expense	(62,528)	(33,230)	-	-	(95,758)
Total non-operating, net	<u>(54,749)</u>	<u>(31,049)</u>	<u>2,197</u>	<u>-</u>	<u>(83,601)</u>
Operating transfers in(out)	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,392</u>	<u>22,392</u>
Capital contributions:					
Capacity charges	60,440	-	-	-	60,440
Total capital contributions	<u>60,440</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>60,440</u>
Change in net position	<u>16,748</u>	<u>(39,050)</u>	<u>83,520</u>	<u>12,762</u>	<u>73,980</u>
Net position, beginning of year	9,388,066	930,760	786,017	252	11,105,095
Prior period adjustment (note 14)	(468,757)	(83,778)	(129,655)	(9,973)	(692,163)
Net position, beg of year, as restated	<u>8,919,309</u>	<u>846,982</u>	<u>656,362</u>	<u>(9,721)</u>	<u>10,412,932</u>
Net position, end of year	<u>\$ 8,936,057</u>	<u>807,932</u>	<u>739,882</u>	<u>3,041</u>	<u>10,486,912</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, 2015

	<u>Water</u>	<u>Wastewater</u>	<u>Solid Waste</u>	<u>Post Office</u>	<u>Total Business-type Activities</u>
Cash flows from operating activities:					
Cash receipts from customers	\$ 2,452,454	498,408	546,748	34,206	3,531,816
Cash paid to employees for salaries and benefits	(544,130)	(200,821)	(138,860)	(30,873)	(914,684)
Cash paid to vendors and suppliers	<u>(1,355,470)</u>	<u>(135,553)</u>	<u>(313,001)</u>	<u>(11,635)</u>	<u>(1,815,659)</u>
Net cash provided(used) by operating activities	<u>552,854</u>	<u>162,034</u>	<u>94,887</u>	<u>(8,302)</u>	<u>801,473</u>
Cash flows from non-capital financing activities:					
Operating transfers in	-	-	-	22,392	22,392
Cash flows from capital and related financing activities:					
Acquisition and construction of capital assets	-	-	-	-	-
Proceeds from capital contributions	60,440	-	-	-	60,440
Principal payments on loans payable	(88,426)	(130,705)	-	-	(219,131)
Interest payments on loans payable	<u>(63,345)</u>	<u>(33,688)</u>	<u>-</u>	<u>-</u>	<u>(97,033)</u>
Net cash used in capital and financing activities	<u>(91,331)</u>	<u>(164,393)</u>	<u>-</u>	<u>-</u>	<u>(255,724)</u>
Cash flows from investing activities:					
Proceeds from bonds receivable	-	130,000	-	-	130,000
Interest earnings	6,923	1,638	1,578	-	10,139
Net cash provided by investing activities	<u>6,923</u>	<u>131,638</u>	<u>1,578</u>	<u>-</u>	<u>140,139</u>
Net increase in cash	468,446	129,279	96,465	14,090	708,280
Cash and cash equivalents, beginning of year	<u>2,129,882</u>	<u>579,962</u>	<u>725,729</u>	<u>517</u>	<u>3,436,090</u>
Cash and cash equivalents, end of year	<u>\$ 2,598,328</u>	<u>709,241</u>	<u>822,194</u>	<u>14,607</u>	<u>4,144,370</u>
Reconciliation of operating income to net cash provided(used) by operating activities:					
Operating income(loss)	<u>\$ 11,057</u>	<u>(8,001)</u>	<u>81,323</u>	<u>(9,630)</u>	<u>74,749</u>
Adjustments to reconcile operating income to net cash provided(used) by operating activities:					
Depreciation expense	377,221	160,077	14,335	-	551,633
Changes in assets and liabilities:					
(Increase)decrease in assets:					
Accounts receivable – utilities, net	210,298	(3,112)	(4,640)	-	202,546
Accounts receivable – other	(120)	-	-	-	(120)
Property assessments receivable	639	(564)	-	-	75
Prepaid expenses and other deposits	3,216	18,065	315	-	21,596
(Increase)decrease in deferred outflows of resources:	<u>(36,189)</u>	<u>(6,468)</u>	<u>(10,009)</u>	<u>(770)</u>	<u>(53,436)</u>
Increase(decrease) in liabilities:					
Accounts payable and accrued expenses	(32,426)	(4,658)	12,577	479	(24,028)
Accrued wages and related payables	(3,782)	(1,765)	(444)	719	(5,272)
Deposits and deferred revenue	(5,269)	2,554	2,713	-	(2)
Compensated absences	(14,065)	(1,650)	(12,977)	-	(28,692)
Net pension liability	(88,909)	(15,889)	(24,591)	(1,891)	(131,280)
Increase(decrease) in deferred inflows of resources:	<u>131,183</u>	<u>23,445</u>	<u>36,285</u>	<u>2,791</u>	<u>193,704</u>
Total adjustments	<u>541,797</u>	<u>170,035</u>	<u>13,564</u>	<u>1,328</u>	<u>726,724</u>
Net cash provided(used) by operating activities	<u>\$ 552,854</u>	<u>162,034</u>	<u>94,887</u>	<u>(8,302)</u>	<u>801,473</u>

See accompanying notes to the basic financial statements

Bear Valley Community Services District
Notes to the Basic Financial Statements
June 30, 2015

(1) Reporting Entity and Summary of Significant Accounting Policies

A. Organization and Operations of the Reporting Entity

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

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

B. Basis of Accounting and Measurement Focus

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

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

Government-wide Financial Statements

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

Fund Financial Statements

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

Bear Valley Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2015

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

B. Basis of Accounting and Measurement Focus, continued

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred, regardless of when the related cash flows take place. Operating revenues and expenses, such as water sales, wastewater service, solid waste collection and purchases of water, result from exchange transactions associated with the principal activity of the District. Exchange transactions are those in which each party receives and gives up essentially equal values. Management, administration and depreciation expenses are also considered operating expenses. Other revenues and expenses not included in the above categories, such as interest income and interest expense, are reported as non-operating revenues and expenses.

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

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

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

The funds of the financial reporting entity are described below:

Governmental Funds

General – This fund acts as the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund. This fund also includes all activity and assets of the emergency and unemployment compensation funds.

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

Bear Valley Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2015

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

B. Basis of Accounting and Measurement Focus, continued

Governmental Funds, continued

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

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.

Post Office – This fund accounts for the activities involved in the operation of the post office.

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 pronouncements in the current year:

Governmental Accounting Standards Board Statement No. 68 – Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

Governmental Accounting Standards Board Statement No. 69 – Government Combinations and Disposals of Government Operations. The objective of this Statement is to provide new accounting and financial reporting standards for government mergers and acquisitions and for government operations that have been transferred or sold. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2013. The impact of the implementation of this Statement to the District’s financial statements has not been assessed at this time.

Governmental Accounting Standards Board Statement No. 71 – Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment to GASB Statement No. 68. The objective of this statement is to address an issue regarding application of the transition provisions of Statement No. 68, Accounting and Financial Reporting for Pensions. The issue relates to amounts associated with contributions, if any, made by state or local government employer or non-employer contributing entity to a defined benefit pension plan after the measurement date of the government’s beginning net pension liability. The requirements of this Statement will eliminate the source of a potential significant understatement of restated beginning net position and expense in the first year of implementation of Statement No. 68 in the accrual-basis financial statements of employers and non-employer contributing entities. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement No. 68.

Bear Valley Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2015

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

D. Financial Statement Elements

1. 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.

2. Accounts Receivable

The District extends credit to customers in the normal course of operations. Management deems all accounts receivable as collectible at year-end. Accordingly, an allowance for doubtful accounts has not been recorded.

3. 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

4. Prepaid Expenses

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

5. Capital Assets

Capital assets acquired and/or constructed are capitalized at historical cost. District policy has set the capitalization threshold for reporting capital assets at \$5,000. Donated assets are recorded at estimated fair market value at the date of donation and/or historical cost. Upon retirement or other disposition of capital assets, the cost and related accumulated depreciation are removed from the respective balances and any gains or losses are recognized. Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

Governmental Activities

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

Business-Type Activities

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

Bear Valley Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2015

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

D. Financial Statement Elements, continued

6. Deferred Outflows of Resources

The statement of net position and the governmental funds balance sheet will sometimes report a separate section for deferred outflows of resources. This financial statement element, *deferred outflows of resources*, represents a consumption of resources applicable to future periods and therefore will *not* be recognized as an outflow of resources (expenditure) until that time. The District has two items which qualify for reporting in this category. The first item is a deferred outflow related to pensions. This amount 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. The second item is a deferred outflow related to pensions for the changes in proportion and differences between the employer contributions and the proportionate share of contributions. This amount 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 Plans determined as of the measurement date June 30, 2014, which is a 3.8 year period.

7. Gate pass/device deposits

The District collects a deposit for gate passes and automatic gate openers from citizens who request to utilize these devices to gain automatic access through the District's front gate. The District has begun the practice of selling these devices to citizens instead of accepting deposits for their use. The balance in this account is comprised of the remaining balance of the deposits on these devices.

8. Compensated Absences

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

The Districts 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	320 hours	Capped at 320 hours
Comp time	1.5 hours off for each 1 hour OT worked (employee's choice)	No minimum time required	120 hours	District may buy excess of 40 hours in June each year

Bear Valley Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2015

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

D. Financial Statement Elements, continued

9. 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, 2013
- Measurement Date: June 30, 2014
- Measurement Period: July 1, 2013 to June 30, 2014

10. Deferred Inflows of Resources

The statement of net position and the governmental funds balance sheet 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 two items which qualify for reporting in this category. The first item is a deferred inflow related to pensions for the changes in proportion and differences between the employer contributions and the proportionate share of contributions. This amount 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 Plans determined as of the measurement date June 30, 2014, which is 3.8 year period. The second item is a deferred inflow related to pensions for the difference in projected and actual earnings on investments of the pension plans fiduciary net position. This amount is amortized over a 5 year period.

11. Net Position/Fund Balances

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

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

During the fiscal year ended June 30, 2015, the District has incurred a negative unrestricted net position balance of \$89,444 due to the implementation of GASB Nos. 68 and 71. The District intends to reduce the negative unrestricted net position balance through the collection of property taxes and service revenue in future periods.

Bear Valley Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2015

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

D. Financial Statement Elements, continued

12. Fund Equity

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

- **Nonspendable fund balance** – amounts that cannot be spent because they are either (a) not spendable in form, or (b) legally or contractually required to be maintained intact.
- **Restricted fund balance** – amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions enabling legislation.
- **Committed fund balance** – 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 fund balance** – amounts that are constrained by the District’s intent to be used for specific purposes. The intent can be established at either the highest level of decision-making, or by a body or an official designated for that purpose. This is also the classification for residual funds in the District’s special revenue funds.
- **Unassigned fund balance** – the residual classification for the District’s general fund that includes amounts not contained in the other classifications. In other funds, the unassigned classification is used only if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes.

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

Fund Balance Policy

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

13. 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.

14. 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.

Bear Valley Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2015

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

D. Financial Statement Elements, continued

15. Use of Estimates

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

16. Reclassification

The District has reclassified certain prior year information to conform to current year presentation.

(2) Cash and Cash Equivalents

Cash and cash equivalents as of June 30, 2015, are classified as follows:

Governmental activity funds:	
General fund	\$ 2,332,413
Streets and roads fund	3,117,773
Debt service fund	454,287
Supplemental law enforcement	<u>158,921</u>
Total	<u>6,063,394</u>
Business-type activity funds:	
Water fund	2,598,328
Wastewater fund	709,241
Solid waste fund	822,194
Post office fund	<u>14,607</u>
Total	<u>4,144,370</u>
Total cash and cash equivalents	<u>\$ 10,207,764</u>

Cash and cash equivalents as of June 30, 2015, consisted of the following:

Cash on hand	\$ 1,300
Deposits held with financial institutions	2,668,672
Deposits held with the County of Kern Treasurer's Pooled Cash Portfolio	7,087,016
Deposits held with the California Local Agency Investment Fund (LAIF)	<u>450,776</u>
Total	<u>\$ 10,207,764</u>

As of June 30, 2015, the District's authorized deposits had the following maturities:

Deposits held with the County of Kern Treasurer's Pooled Cash Portfolio	474 days
Deposits held with the California Local Agency Investment Fund (LAIF)	239 days

Authorized Deposits and Investments

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

Bear Valley Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2015

(2) Cash and Cash Equivalents, continued

Kern County Treasurer Fund

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

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

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 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. LAIF detail may be obtained from the State of California Treasurer's website at www.treasurer.ca.gov/pmia-laif/index.asp.

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the District's investment policy does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. Of the bank balance, up to \$250,000 is federally insured. The remaining balance is to be collateralized by the bank.

Custodial Credit Risk, continued

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

Interest Rate Risk

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

Bear Valley Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2015

(2) Cash and Cash Equivalents, continued

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization; however, the Kern County Pool and LAIF are not rated.

Concentration of Credit Risk

The District's investment policy does not contain various limitations on the amounts that can be invested in any one governmental agency or non-governmental issuer as stipulated by the California Government Code. The District's deposit portfolio with governmental agencies, Kern County is 69% and LAIF is 4% as of June 30, 2015, of the District's total depository and investment portfolio.

(3) Accounts Receivable – Utilities, net

The accounts receivable – utilities, net balance consists of the following balances as of June 30, 2015:

	<u>Water</u>	<u>Wastewater</u>	<u>Solid Waste</u>	<u>Total</u>
Accounts receivable – utilities	\$ 421,357	90,328	66,084	577,769
Allowance for uncollectible receivables	<u>(20,636)</u>	<u>-</u>	<u>-</u>	<u>(20,636)</u>
Accounts receivable – utilities, net	<u>\$ 400,721</u>	<u>90,328</u>	<u>66,084</u>	<u>557,133</u>

(4) Internal Balances

Due To/From Other Funds

Internal balances consist of the following as of June 30, 2015:

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

The General fund advanced the Water fund \$250,000 in 2015 due to a negative cash position in that fund. The advancement bears interest at the current LAIF interest earned rate per quarter and is expected to be repaid in fiscal year 2015.

Interfund Operational Transfers

Interfund transfers consist of the following for the year ended June 30, 2015:

<u>Transfer from</u>	<u>Transfer to</u>	<u>Amount</u>
General	Post Office	\$ <u>22,392</u>

Interfund transfers are used to move revenues received in the General fund to the Post Office fund to absorb the Post Office fund's operating deficit, to repay the General Fund for purchases made for the Supplemental Law Enforcement Fund prior to the fund receiving its annual funding and for the Wastewater fund to repay the Water fund. Other transfers were for operating transfers between funds.

Bear Valley Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2015

(5) Improvement District Bonds Receivable

The District maintains the records for Improvement District No. 95-1. The Improvement District was established under the Municipal Improvement Act of 1913 and the improvement bonds that were issued were partially financed with 1915 Improvement Act Bonds. The District accounts for the Improvement District No. 95-1 under GASB No. 6, *Accounting and Financial Reporting for Special Assessments*. The Improvement District has levied a special assessment amongst the property owners to repay the improvement bonds that were issued. Since the District is not directly liable for the for the improvement district debt and it is expected that all such debt will be repaid from the property owners via the special assessment and not the District's general revenues, the improvement district debt is not included on the District's financial statements. The District acts solely as an agent for the bondholders in collecting and forwarding the special assessments to pay off the debt. As of June 30, 2015, the Improvement District No. 95-1 bonds outstanding totaled \$130,000.

The District had elected to hold the Improvement District No. 95-1 Bonds rather than to sell them on the open market. Since the District has elected to hold these bonds, the District is entitled to receive the special assessment payments from the property owners to pay-down these bonds. The Improvement District bonds receivable principal balance totaled \$130,000 as of June 30, 2015. The principal balance of \$130,000 is due and payable to the District each year until 2016.

(6) Capital Assets

Governmental Activities

Changes in capital assets for the year were as follows:

	<u>Balance 2014</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>Balance 2015</u>
Non-depreciable assets:				
Land	\$ 4,804,415	15,942	-	4,820,357
Construction-in-process	12,400	-	-	12,400
Total non-depreciable assets	<u>4,816,815</u>	<u>15,942</u>	<u>-</u>	<u>4,832,757</u>
Depreciable assets:				
Buildings and improvements	5,982,195	-	-	5,982,195
Infrastructure, streets and roads	24,179,347	-	-	24,179,347
Vehicles and equipment	1,950,669	-	-	1,950,669
Total depreciable assets	<u>32,112,211</u>	<u>-</u>	<u>-</u>	<u>32,112,211</u>
Accumulated depreciation:				
Buildings and improvements	(4,064,958)	(84,517)	-	(4,149,475)
Infrastructure, streets and roads	(22,350,561)	(186,398)	-	(22,536,959)
Vehicles and equipment	(1,663,419)	(82,914)	-	(1,746,333)
Total accumulated depreciation	<u>(28,078,938)</u>	<u>(353,829)</u>	<u>-</u>	<u>(28,432,767)</u>
Total depreciable assets, net	<u>4,033,273</u>	<u>(353,829)</u>	<u>-</u>	<u>3,679,444</u>
Total capital assets, net	<u>\$ 8,850,088</u>			<u>8,512,201</u>

Major capital asset additions in the governmental activities area include the acquisition of land for the governmental general fund.

Bear Valley Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2015

(6) Capital Assets, continued

Depreciation expense under governmental activities was allotted as follows for the year ended June 30, 2015:

	Depreciation Expense
General government	\$ 56,569
Public safety	80,795
Streets and roads	216,465
Total	\$ 353,829

Business-Type Activities

Changes in capital assets for the year were as follows:

Changes in capital assets for the year were as follows:

	Balance 2014	Additions	Deletions/ Transfers	Balance 2015
Non-depreciable assets:				
Land	\$ 3,662,053	-	-	3,662,053
Construction in progress	-	-	-	-
Total non-depreciable assets	3,662,053	-	-	3,662,053
Depreciable assets:				
Water transmission and distribution	14,279,531	-	-	14,279,531
Wastewater collection	4,689,248	-	-	4,689,248
Solid waste collection	156,231	-	-	156,231
Vehicles and equipment	855,815	-	-	855,815
Total depreciable assets	19,980,825	-	-	19,980,825
Accumulated depreciation:				
Water transmission and distribution	(8,615,781)	(372,002)	-	(8,987,783)
Wastewater collection	(3,947,911)	(155,033)	-	(4,102,944)
Solid waste collection	(115,293)	(5,501)	-	(120,794)
Vehicles and equipment	(741,923)	(19,098)	-	(761,021)
Total accumulated depreciation	(13,420,908)	(551,634)	-	(13,972,542)
Total depreciable assets, net	6,559,917	(551,634)	-	6,008,283
Total capital assets, net	\$ 10,221,970			9,670,336

There were no major capital asset additions in the business-type activities funds for the year ended June 30, 2015.

Bear Valley Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2015

(6) Capital Assets, continued

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

<u>Water Enterprise</u>	<u>Balance 2014</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>Balance 2015</u>
Non-depreciable assets:				
Land	\$ 3,647,319	-	-	3,647,319
Construction in progress	-	-	-	-
Total non-depreciable assets	<u>3,647,319</u>	<u>-</u>	<u>-</u>	<u>3,647,319</u>
Depreciable assets:				
Water transmission and distribution	14,279,531	-	-	14,279,531
Vehicles and equipment	602,643	-	-	602,643
Total depreciable assets	<u>14,882,174</u>	<u>-</u>	<u>-</u>	<u>14,882,174</u>
Accumulated depreciation:				
Water transmission and distribution	(8,615,781)	(372,002)	-	(8,987,783)
Vehicles and equipment	(512,593)	(5,219)	-	(517,812)
Total accumulated depreciation	<u>(9,128,374)</u>	<u>(377,221)</u>	<u>-</u>	<u>(9,505,595)</u>
Total depreciable assets, net	<u>5,753,800</u>	<u>(377,221)</u>	<u>-</u>	<u>5,376,579</u>
Total capital assets, net	<u>\$ 9,401,119</u>			<u>9,023,898</u>
<u>Wastewater Enterprise</u>	<u>Balance 2014</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>Balance 2015</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	4,689,248	-	-	4,689,248
Vehicles and equipment	102,291	-	-	102,291
Total depreciable assets	<u>4,791,539</u>	<u>-</u>	<u>-</u>	<u>4,791,539</u>
Accumulated depreciation:				
Wastewater collection	(3,947,911)	(155,033)	-	(4,102,944)
Vehicles and equipment	(87,506)	(5,045)	-	(92,551)
Total accumulated depreciation	<u>(4,035,417)</u>	<u>(160,078)</u>	<u>-</u>	<u>(4,195,495)</u>
Total depreciable assets, net	<u>756,122</u>	<u>(160,078)</u>	<u>-</u>	<u>596,044</u>
Total capital assets, net	<u>\$ 770,856</u>			<u>610,778</u>

Bear Valley Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2015

(6) Capital Assets, continued

A summary of changes of capital assets per Enterprise Funds, continued:

<u>Solid Waste Enterprise</u>	<u>Balance 2014</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>Balance 2015</u>
Depreciable assets:				
Solid waste collection	\$ 156,231	-	-	156,231
Vehicles and equipment	150,881	-	-	150,881
Total depreciable assets	<u>307,112</u>	<u>-</u>	<u>-</u>	<u>307,112</u>
Accumulated depreciation:				
Solid waste collection	(115,293)	(5,501)	-	(120,794)
Vehicles and equipment	(141,824)	(8,834)	-	(150,658)
Total accumulated depreciation	<u>(257,117)</u>	<u>(14,335)</u>	<u>-</u>	<u>(271,452)</u>
Total depreciable assets, net	<u>49,995</u>	<u>(14,335)</u>	<u>-</u>	<u>35,660</u>
Total capital assets, net	<u>\$ 49,995</u>			<u>35,660</u>

(7) Compensated Absences

The District's policy relating to compensated absences is described in note 1. The following liability at June 30, 2015, is expected to be paid by the general fund in future years, consistent with prior year treatment.

Changes in compensated absence as of June 30, 2015, were as follows:

Changes in compensated absences as of June 30, 2015, were as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Compensated absences, beginning	\$ 221,461	66,952
Current year employee earnings	190,934	77,191
Employee time taken	<u>(220,056)</u>	<u>(105,883)</u>
Compensated absences, ending	192,339	38,260
Less: current portion payable	<u>(48,085)</u>	<u>(9,565)</u>
Long-term portion payable	<u>\$ 144,254</u>	<u>28,695</u>

(8) Bond Payable

Changes in bond payable for the year ended June 30, 2015, is as follows:

	<u>Balance 2014</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance 2015</u>
General obligation bonds	\$ 1,475,000	<u>-</u>	<u>(335,000)</u>	1,140,000
Less: current portion due	<u>(335,000)</u>			<u>(345,000)</u>
Long-term portion due	<u>\$ 1,140,000</u>			<u>795,000</u>

Bear Valley Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2015

(8) Bond Payable, continued

General Obligation Bonds

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 and the Board of Directors of the District has the power and is obligated to levy an annual ad valorem tax for payment of the 2002 Bonds and the interest thereon upon all property within the Improvement District subject to taxation by the District (except certain personal property which is taxable at limited rates) without limitation as to the rate amount.

The bonds are scheduled to mature in fiscal year 2031. Interest is payable semi-annually on September 1st and March 1st each year at an escalating rate from 1.75% to 4.75%, while principal installments ranging from \$50,000 to \$345,000 are payable each year on September 1st. Annual debt service requirements on the bonds are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 345,000	43,750	388,750
2017	50,000	35,788	85,788
2018	55,000	33,487	88,487
2019	55,000	31,013	86,013
2020	60,000	28,425	88,425
2021-2025	335,000	98,081	433,081
2026-2028	240,000	17,576	257,576
Totals	<u>1,140,000</u>	<u>288,120</u>	<u>1,428,120</u>
Current portion due	<u>(345,000)</u>		
Long-term portion	<u>\$ 795,000</u>		

(9) Loans Payable

Changes in loans payable for the year ended June 30, 2015, are as follows:

	<u>Balance 2014</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance 2015</u>
Water fund:				
CIEBD - Loan	\$ 2,285,878	-	(88,426)	2,197,452
Wastewater fund:				
SWRCB - Loan	217,195	-	(108,598)	108,597
CIEBD - Loan	477,825	-	(22,107)	455,718
Total loans payable	2,980,898	-	(219,131)	2,761,767
Less: current portion	<u>(219,131)</u>			<u>(222,369)</u>
Long-term portion	<u>\$ 2,761,767</u>			<u>2,539,398</u>

Bear Valley Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2015

(9) Loans Payable, continued

Water and Wastewater Funds

California Infrastructure and Economic Development Bank (CIEDB) Loan

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

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 113,772	75,894	189,666
2017	117,105	72,512	189,617
2018	120,536	69,031	189,567
2019	124,068	65,447	189,515
2020	127,704	61,759	189,463
2021-2025	696,884	253,595	950,479
2026-2030	805,139	139,733	944,872
2031-2033	547,962	24,123	572,085
Total	2,653,170	<u>762,094</u>	<u>3,415,264</u>
Current portion due	<u>(113,772)</u>		
Long-term portion	\$ <u>2,539,398</u>		

State Water Resources Control Board (SWRCB) Loan

In fiscal year 1995, the District entered into a loan financing agreement with the State Water Resources Control Board (SWRCB). The SWRCB issued the District \$2,171,950 under the State Revolving Fund Loan Contract. In fiscal year 1996, the District paid the SWRCB \$361,999 in exchange for reducing the existing 3.10% interest rate loan to a zero interest loan. The \$361,999 has been recorded as a prepaid expense in the Wastewater Fund's statement of net position and is being amortized to interest expense over the twenty-year loan payment period. As of June 30, 2015, the remaining unamortized interest balance is as follows:

	<u>Amount</u>
Prepaid interest	\$ 361,999
Accumulated amortization	<u>(351,315)</u>
Prepaid interest, net	<u>\$ 10,684</u>

Bear Valley Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2015

(9) Loans Payable, continued

The SWRCB – Loan is scheduled to mature in fiscal year 2016. Principal installments are payable each year on January 13th. Annual principal installments on the loan are as follows:

Year	Principal
2016	\$ 108,597
Total	108,597
Current portion due	\$ <u><u>(108,597)</u></u>

(10) Defined Benefit Pension Plans

Plans' Description

All qualified permanent and probationary employees are eligible to participate in the District's separate Safety and Miscellaneous Employee Pension Plans, cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plan is established by State statute and Local Government resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website or may be obtained from their executive office: 400 P Street, Sacramento, CA, 95814.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: The Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

On September 12, 2012, the California Governor signed the California Public Employees' Pension Reform Act of 2013 (PEPRA) into law. PEPRA took effect January 1, 2013. The new legislation closed the District's CalPERS Safety 2.0% at 50 and Miscellaneous 2.0% at 55, Risk Pool Retirement Plans to new employee entrants, not previously employed by an agency under CalPERS, effective December 31, 2013. All employees hired after January 1, 2013 are eligible for the District's CalPERS Safety 2.7% at 57 Retirement Plan or the Miscellaneous 2.0% at 62 Retirement Plan under PEPRA.

The District's Safety and Miscellaneous Plans' provisions and benefits in effect at June 30, 2015 are summarized as follows:

	Safety Plan		Miscellaneous 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% @ 50	2.7% @ 57	2.0% @ 55	2.0% @ 62
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	50 - 55	52 - 67	55 - 65	52 - 67
Monthly benefits, as a % of eligible compensation	2.0% to 2.5%	2.7% to 3.5%	2.0% to 2.5%	1.0% to 2.5%
Required employee contribution rates	9.00%	11.50%	7.00%	6.25%
Required employer contribution rates	20.083%	11.50%	11.032%	6.25%

Bear Valley Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2015

(10) Defined Benefit Pension Plans, continued

Benefits Provided, continued

As of June 30, 2015, an actuarial report was not prepared by CalPERS for the District's Safety and Miscellaneous PEPRA tiers. CalPERS made this determination as a result of the District not having PEPRA eligible employees between the period January 1, 2013 and June 30, 2013, the valuation date of the actuarial report provided.

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, the contributions recognized as part of pension expense for the Plans were as follows:

Contribution Source	Safety Plan 2015	Safety PEPRA Plan 2015	Miscellaneous Plan 2015	Miscellaneous PEPRA Plan 2015
Contributions – employer	\$ 79,652	9,734	128,652	24,502
Contributions – employee (paid by employer)	-	-	84,178	-
Total employer paid contributions	<u>\$ 79,652</u>	<u>9,734</u>	<u>212,830</u>	<u>24,502</u>

Net Pension Liability

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

Plan Description	Proportionate Share of Pension Liability 2015
Safety Plan	\$ 853,288
Safety Plan - PEPRA	63
Miscellaneous Plan	1,615,804
Miscellaneous Plan - PEPRA	<u>572</u>
Total Safety & Miscellaneous Plans	<u>\$ 2,469,727</u>

The District's net pension liability for the Plans' is measured as the proportionate share of the net pension liability. The net pension liability of the Plans' is measured as of June 30, 2014, and the total pension liability for the Plans used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013, rolled forward to June 30, 2014, using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plans' relative to the projected contributions of all participating employers, actuarially determined.

Bear Valley Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2015

(10) Defined Benefit Pension Plans, continued

The District's proportionate share of the pension liability for the District's Plans as of the June 30, 2013 and June 30, 2014, was as follows:

	District's Safety & Misc Plans
Proportional share – June 30, 2013	0.04142%
Proportional share – June 30, 2014	0.03969%
Change – Increase (Decrease)	-0.00173%

As a result of the implementation of the GASB 68 pronouncement, the District recognized pension expense of \$266,906 at June 30, 2015.

Deferred Pension Outflows (Inflows) of Resources

As of the fiscal year ended June 30, 2015, 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
Pension contributions subsequent to measurement date	\$ 242,540	-
Net differences between projected and actual earnings on plan investments of the net pension liability	-	800,831
Adjustment due to differences in proportions of the net pension liability	2,889	18,064
Total	\$ 245,429	818,895

As of June 30 2015, employer pension contributions reported as deferred outflows of resources related to contributions subsequent to the measurement date of \$242,540 will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2016.

As a result of the implementation of the GASB 68 at June 30, 2015, the District recognized other amounts reported by the Plan actuarial as deferred outflows of resources and deferred inflows of resources related to the pension liability. Pension related amounts will be recognized as pension expense as follows.

Fiscal Year Ending June 30:	Deferred Outflows/ (Inflows) of Resources
2016	\$ (205,629)
2017	(205,629)
2018	(204,541)
2019	(200,207)
2020	-
Thereafter	-

Bear Valley Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2015

(10) Defined Benefit Pension Plans, continued

Actuarial Assumptions

The total pension liability in the June 30, 2013 actuarial valuation report was determined using the following actuarial assumptions:

Actuarial cost method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial assumptions:	
Discount rate	7.50%
Inflation	2.75%
Salary increases	Varies by Entry Age and Service
Investment Rate of Return	7.50 % Net of Pension Plan Investment and Administrative Expenses; includes inflation
Mortality Rate Table*	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

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

Discount Rate

The Discount rate used to measure the total pension liability was 7.50% for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.50% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.50% will be applied to all plans in the Public Employees' Retirement Fund (PERF). The stress test results are presented in a detailed report which can be obtained from the CalPERS website.

Discount Rate, continued

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50% investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65%. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalPERS confirmed the materiality threshold for the difference in the calculation and did not find it to be a material difference.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the Discount rate will require CalPERS Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the fiscal year ended 2017-2018. CalPERS will continue to check the materiality of the difference in the calculation until such time as it has changed its methodology.

The long-term expected rate of return on pension plan investments was determine 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, 2015

(10) Defined Benefit Pension Plans, 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 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>	<u>Real Return Year 11+**</u>
Global Equity	47.0%	5.25%	5.71%
Global Fixed Income	19.0	0.99	2.43
Inflation Sensitive	6.0	0.45	3.36
Private Equity	12.0	6.83	6.95
Real Estate	11.0	4.50	5.13
Infrastructure and Forestland	3.0	4.50	5.09
Liquidity	2.0	(0.55)	(1.05)
Total	<u>100.0%</u>		

* An expected inflation of 2.5% used for this period

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

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

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

	<u>Discount Rate - 1% (6.50%)</u>	<u>Current Discount Rate (7.50%)</u>	<u>Discount Rate + 1% (8.50%)</u>
District's Net Pension Liability \$	<u>4,348,389</u>	<u>2,469,727</u>	<u>914,275</u>

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in separately issued CalPERS financial reports. See pages 57-58 for the Required Supplementary Schedules.

Bear Valley Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2015

(11) Net Investment in Capital Assets

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

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
The balance consists of the following:		
Capital assets – not being depreciated	\$ 4,832,757	3,662,053
Capital assets – being depreciated, net	3,679,444	6,008,283
Bond payable – current portion	(345,000)	-
Loans payable – current portion	-	(222,369)
Bond payable – long-term portion	(795,000)	-
Loans payable – long-term portion	-	(2,539,398)
Total	<u>\$ 7,372,201</u>	<u>6,908,569</u>

(12) Restricted Net Position

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Net position are restricted as follows:		
Street and road improvements	\$ 3,024,124	-
Debt service	455,855	-
Public safety (COPS Program)	159,053	-
Improvement bond	-	130,000
	<u>\$ 3,639,032</u>	<u>130,000</u>

(13) Unrestricted Net Position

The District's Board of Directors has designated the use of the District's June 30, 2015, unrestricted net position as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Net position are designated as follows:		
Unemployment compensation	\$ 46,786	-
Emergency reserve	159,121	-
Police contingencies	415,858	-
Six-month operating reserve	(711,209)	-
Prepaid expenses	-	10,684
Water operations	-	2,007,482
Water capital replacement	-	102,128
Wastewater operations	-	523,562
Wastewater capital replacement	-	97,224
Solid waste operations	-	182,941
Solid waste capital replacement	-	521,281
Post office operations	-	3,041
Total	<u>\$ (89,444)</u>	<u>3,448,343</u>

Six-Month Operating Reserve

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

Bear Valley Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2015

(14) Adjustment to Net Position

Net Pension Liability – GASB 68 Implementation

In fiscal year 2015, the District implemented GASB pronouncements 68 and 71 to recognize its proportionate share of the net pension liability. As a result of the implementation, the District recognized the pension liability and recorded a prior period adjustment, a decrease to net position, of \$3,338,527 at July 1, 2014. The District recorded a prior period adjustment, increase to net position, to reclassify from expense to deferred outflows of resources, the prior year's proportionate share of employer pension of \$319,701 at July 1, 2014.

The adjustment to net position is as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Net position at June 30, 2014, as previously stated	\$ 13,150,354	11,105,095	24,255,449
Effect of adjustment to record net pension liability	(2,572,161)	(766,366)	(3,338,527)
Effect of adjustment to record deferred pension outflows	245,498	74,203	319,701
Total adjustment to net position	<u>(2,326,663)</u>	<u>(692,163)</u>	<u>(3,018,826)</u>
Net position at July 1, 2014, as restated	<u>\$ 10,823,691</u>	<u>10,412,932</u>	<u>21,236,623</u>

Restatement of Fund Balance – General Fund and Supplemental Law Enforcement Fund

In fiscal year 2015, the District determined that it had not appropriately classified public safety overtime expense between the General Fund and the Supplemental Law Enforcement Fund. As a requirement of the State of California Public Safety COPS Program, the District's public safety employee overtime labor expenses should have been recorded in the Supplemental Law Enforcement Grant Fund instead of the General Fund, offsetting the grant funding received. The District identified public safety employee overtime labor expenses of \$65,580 and \$34,345 for fiscal years ended June 30, 2013 and 2014, respectively. Therefore a prior period adjustment reclassification of fund equity between the funds is as follows:

	<u>General Fund</u>	<u>Supplemental Law Enforcement Fund</u>
Net position at June 30, 2012, as previously stated	\$ 2,991,796	44,984
Effect of adjustment to reclassify safety labor expense	65,580	(65,580)
Change in net position as of June 30, 2013, as previously stated	<u>(11,935)</u>	<u>23,389</u>
Net position at June 30, 2013, as restated	<u>3,045,441</u>	<u>2,793</u>
Effect of adjustment to reclassify safety labor expense	34,345	(34,345)
Change in net position as of June 30, 2014, as previously stated	<u>(276,851)</u>	<u>107,336</u>
Net position at June 30, 2014, as restated	<u>\$ 2,802,935</u>	<u>75,784</u>

(15) 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.

Bear Valley Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2015

(15) Deferred Compensation Savings Plan, continued

Federal law requires deferred compensation assets to be held in trust for the exclusive benefit of the participants. Accordingly, the District is in compliance with this legislation. Therefore, these assets are not the legal property of the District, and are not subject to claims of the District's general creditors. Market value of all plan assets held in trust by CalPERS at June 30, 2015, was \$588,235.

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.

(16) 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, 2015, 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 liability, 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 of \$1.0 billion per occurrence, subject to a \$1,000 deductible per occurrence.
- Boiler and machinery coverage for the replacement cost up to \$100 million per occurrence, subject to a \$1,000 deductible per occurrence.
- Public officials personal liability up to \$500,000 each occurrence, with an annual aggregate of \$500,000 per each elected/appointed official to which this coverage applies, subject to the terms, with a deductible of \$500 per claim.
- Workers' compensation insurance per statutory requirements and Employer's Liability Coverage up to \$5 million.

Settled claims have not exceeded any of the coverage amounts in any of the last three fiscal years. There were no reductions in insurance coverage in fiscal year 2015, 2014 and 2013. 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, 2015, 2014 and 2013.

Bear Valley Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2015

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

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to June 30, 2015, that have effective dates that may impact future financial presentations.

Governmental Accounting Standards Board Statement No. 72

In February 2015, the GASB issued Statement No. 72 – *Fair Value Measurement and Application*. The objective of this Statement is to enhance comparability of financial statements among governments by measurement of certain assets and liabilities at their fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2015. The impact of the implementation of this Statement to the District’s financial statements has not been assessed at this time.

Governmental Accounting Standards Board Statement No. 73

In June 2015, the GASB issued Statement No. 73 – *Accounting and Financial Reporting for Pensions*. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement establishes requirements for defined benefit pensions that are not within the Scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement No. 68. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement No. 68 for pension plans as pensions that are within their respective scopes.

The requirements of this statement that address accounting and financial reporting by employers and governmental non-employer contributing entities for pensions that are not within the scope of Statement 68 are effective for financial statements for fiscal years beginning after June 15, 2016, and the requirements of this statement that address financial reporting for assets accumulated for purposes of providing those pensions are effective for fiscal years beginning after December 15, 2015. The requirements of this Statement for pension plans that are within the scope of Statement No. 67 or for pensions that are within the scope of Statement 68 are effective for fiscal years beginning after June 15, 2015. The impact of the implementation of this Statement to the District’s financial statements has not been assessed at this time.

Governmental Accounting Standards Board Statement No. 74

In June 2015, the GASB issued Statement No. 74 – *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this Statement is to improve the usefulness or information about postemployment benefits other than pensions (other postemployment benefits of OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability.

This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement 43, and Statement No.50, *Pension Disclosures*.

Bear Valley Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2015

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

Governmental Accounting Standards Board Statement No. 74, continued

The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2016. The impact of the implementation of this Statement to the District's financial statements has not been assessed at this time.

Governmental Accounting Standards Board Statement No. 75

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

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

Governmental Accounting Standards Board Statement No. 76

In June 2015, the GASB issued Statement No. 76 – *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify – in the context of the current governmental financial reporting environment – the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within the source of authoritative GAAP.

This Statement replaces the requirements of Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2015, and should be applied retroactively.

Governmental Accounting Standards Board Statement No. 77

In August 2015, the GASB issued Statement No. 77 – *Tax Abatement Disclosures*. The objective of this Statement is to improve financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. Financial statement users need information about certain limitations on a government's ability to raise resources. This includes limitations on revenue-raising capacity resulting from governmental programs that use tax abatements to induce behavior by individuals and entities that is beneficial to the government or its citizens. Tax abatements are widely used by state and local governments, particularly to encourage economic development. This Statement is effective for financial statements for periods beginning after December 15, 2015. It is believed that the implementation of this Statement will not have a material effect to the District's financial statements.

Bear Valley Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2015

(18) Commitments and Contingencies

Litigation

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

Grant Awards

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

(19) Subsequent Events

Events occurring after June 30, 2015, have been evaluated for possible adjustment to the financial statements or disclosure as of May 12, 2016, 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, 2015

	<u>Adopted Original Budget</u>	<u>Board Approved Changes</u>	<u>Revised Final Budget</u>	<u>Actual Budgetary Basis</u>	<u>Variance Positive (Negative)</u>
Revenues:					
Property taxes	\$ 1,467,165	-	1,467,165	1,495,384	28,219
Voter approved taxes	529,230	-	529,230	558,306	29,076
Charges for services	425,000	-	425,000	424,583	(417)
Federal and state aid	9,135	-	9,135	41,666	32,531
Interest earnings	17,155	-	17,155	7,525	(9,630)
Rents and royalties	29,020	-	29,020	-	(29,020)
Other	90,110	-	90,110	146,034	55,924
Total revenues	<u>2,566,815</u>	<u>-</u>	<u>2,566,815</u>	<u>2,673,498</u>	<u>106,683</u>
Expenditures:					
General government	972,215	-	972,215	293,304	678,911
Public safety	2,123,111	-	2,123,111	2,727,303	(604,192)
Capital outlay	315,953	-	315,953	15,942	300,011
Total expenditures	<u>3,411,279</u>	<u>-</u>	<u>3,411,279</u>	<u>3,036,549</u>	<u>374,730</u>
Excess(deficiency) of revenues over expenditures	<u>(844,464)</u>	<u>-</u>	<u>(844,464)</u>	<u>(363,051)</u>	<u>481,413</u>
Other financing sources(uses):					
Operating transfers	<u>(15,603)</u>	<u>-</u>	<u>(15,603)</u>	<u>(22,392)</u>	<u>(6,789)</u>
Net change in fund balance	<u>(860,067)</u>	<u>-</u>	<u>(860,067)</u>	<u>(385,443)</u>	<u>474,624</u>
Fund balance, beg of year, as restated	<u>2,307,506</u>	<u>-</u>	<u>2,307,506</u>	<u>2,802,935</u>	
Fund balance, end of year	<u>\$ 1,447,439</u>	<u>-</u>	<u>1,447,439</u>	<u>2,417,492</u>	

(1) Budgets and Budgetary Data

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

Bear Valley Community Services District
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual – Streets and Roads Fund – Major Fund
For the Year Ended June 30, 2015

	<u>Adopted Original Budget</u>	<u>Board Approved Changes</u>	<u>Revised Final Budget</u>	<u>Actual Budgetary Basis</u>	<u>Variance Positive (Negative)</u>
Revenues:					
Special assessments	\$ 1,209,861	-	1,209,861	1,225,563	15,702
Interest earnings	13,225	-	13,225	9,617	(3,608)
Other	<u>18,235</u>	<u>-</u>	<u>18,235</u>	<u>1,870</u>	<u>(16,365)</u>
Total revenues	<u>1,241,321</u>	<u>-</u>	<u>1,241,321</u>	<u>1,237,050</u>	<u>(4,271)</u>
Expenditures:					
Streets and roads	903,928	-	903,928	909,112	(5,184)
Capital outlay	<u>2,268,559</u>	<u>-</u>	<u>2,268,559</u>	<u>-</u>	<u>2,268,559</u>
Total expenditures	<u>3,172,487</u>	<u>-</u>	<u>3,172,487</u>	<u>909,112</u>	<u>2,263,375</u>
Excess(deficiency) of revenues over expenditures	<u>(1,931,166)</u>	<u>-</u>	<u>(1,931,166)</u>	<u>327,938</u>	<u>2,259,104</u>
Other financing sources(uses):					
Operating transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>(1,931,166)</u>	<u>-</u>	<u>(1,931,166)</u>	<u>327,938</u>	<u>2,259,104</u>
Fund balance, beginning of year	<u>1,836,973</u>	<u>-</u>	<u>1,836,973</u>	<u>2,740,515</u>	
Fund balance, end of year	<u>\$ (94,193)</u>	<u>-</u>	<u>(94,193)</u>	<u>3,068,453</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, 2015

	<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	\$ 100,000	-	100,000	106,230	6,230
Total revenues	<u>100,000</u>	<u>-</u>	<u>100,000</u>	<u>106,230</u>	<u>6,230</u>
Expenditures:					
Public safety	-	-	-	23,270	(23,270)
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>23,270</u>	<u>(23,270)</u>
Excess(deficiency) of revenues over expenditures	<u>100,000</u>	<u>-</u>	<u>100,000</u>	<u>82,960</u>	<u>(17,040)</u>
Net change in fund balance	100,000	-	100,000	82,960	<u>(17,040)</u>
Other financing sources(uses):					
Operating transfers	-	-	-	-	-
Net change in fund balance	100,000	-	100,000	82,960	<u>(17,040)</u>
Fund balance, beg of year, as restated	<u>9,974</u>	<u>-</u>	<u>9,974</u>	<u>175,709</u>	
Fund balance, end of year	<u>\$ 109,974</u>	<u>-</u>	<u>109,974</u>	<u>258,669</u>	

Bear Valley Community Services District
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual – Bond Redemption Fund – Debt Service Fund
For the Year Ended June 30, 2015

	<u>Adopted Original Budget</u>	<u>Board Approved Changes</u>	<u>Revised Final Budget</u>	<u>Actual Budgetary Basis</u>	<u>Variance Positive (Negative)</u>
Revenues:					
Voter approved taxes	\$ 358,681	-	358,681	417,772	59,091
Interest earnings	1,365	-	1,365	1,350	(15)
Rents and royalties	24,000	-	24,000	30,980	6,980
Total revenues	<u>384,046</u>	<u>-</u>	<u>384,046</u>	<u>450,102</u>	<u>66,056</u>
Expenditures:					
Debt service:					
General government	-	-	-	5,149	-
Bond payments	320,000	-	320,000	335,000	(15,000)
Interest paid	70,000	-	70,000	52,828	17,172
Total expenditures	<u>390,000</u>	<u>-</u>	<u>390,000</u>	<u>392,977</u>	<u>2,172</u>
Excess(deficiency) of revenues over expenditures	<u>(5,954)</u>	<u>-</u>	<u>(5,954)</u>	<u>57,125</u>	<u>68,228</u>
Other financing sources(uses):					
Operating transfers	-	-	-	-	-
Net change in fund balance	<u>(5,954)</u>	<u>-</u>	<u>(5,954)</u>	<u>57,125</u>	<u>68,228</u>
Fund balance, beginning of year	<u>347,110</u>	<u>-</u>	<u>346,131</u>	<u>398,730</u>	
Fund balance, end of year	<u>\$ 341,156</u>	<u>-</u>	<u>340,177</u>	<u>455,855</u>	

Bear Valley Community Services District
Schedule of Revenues, Expenses and Changes in Net Position
Budget and Actual – Water Fund
For the Year Ended June 30, 2015

	<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	\$ 2,595,000	-	2,595,000	2,207,138	(387,862)
Other charges for services	54,355	-	54,355	39,768	(14,587)
Total operating revenues	<u>2,649,355</u>	<u>-</u>	<u>2,649,355</u>	<u>2,246,906</u>	<u>(402,449)</u>
Operating expenses:					
Salaries and benefits	835,607	-	835,607	532,368	303,239
Operations	1,406,354	-	1,406,354	1,326,260	80,094
Total operating expenses	<u>2,241,961</u>	<u>-</u>	<u>2,241,961</u>	<u>1,858,628</u>	<u>383,333</u>
Operating income(loss) before capital	407,394	-	407,394	388,278	(19,116)
Depreciation expense	-	-	-	(377,221)	377,221
Operating income(loss)	<u>407,394</u>	<u>-</u>	<u>407,394</u>	<u>11,057</u>	<u>(396,337)</u>
Non-operating revenue(expense):					
Interest earnings	10,635	-	10,635	7,779	(2,856)
Interest expense	(75,000)	-	(75,000)	(62,528)	12,472
Total non-operating, net	<u>(64,365)</u>	<u>-</u>	<u>(64,365)</u>	<u>(54,749)</u>	<u>9,616</u>
Capital contributions and purchases:					
Capital outlay	(1,816,833)	-	(1,816,833)	-	(1,816,833)
Standby charges	30,000	-	30,000	-	(30,000)
Capacity charges	45,000	-	45,000	60,440	15,440
Total capital contributions	<u>(1,741,833)</u>	<u>-</u>	<u>(1,741,833)</u>	<u>60,440</u>	<u>(1,802,273)</u>
Change in net position	<u>(1,398,804)</u>	<u>-</u>	<u>(1,398,804)</u>	<u>16,748</u>	<u>(2,188,994)</u>
Other financing sources(uses):					
Operating transfers	-	-	-	-	-
Net position, beginning of year	9,816,072	-	9,816,072	9,388,066	
Prior period adjustment	-	-	-	(468,757)	
Fund balance, beg of year, as restated	<u>9,816,072</u>	<u>-</u>	<u>9,816,072</u>	<u>8,919,309</u>	
Fund balance, end of year	<u>\$ 9,816,072</u>	<u>-</u>	<u>9,816,072</u>	<u>8,936,057</u>	

Bear Valley Community Services District
Schedule of Revenues, Expenses and Changes in Net Position
Budget and Actual – Wastewater Fund
For the Year Ended June 30, 2015

	<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	\$ 493,000	-	493,000	499,490	6,490
Other charges for services	8,550	-	8,550	40	(8,510)
Total operating revenues	<u>501,550</u>	<u>-</u>	<u>501,550</u>	<u>499,530</u>	<u>(2,020)</u>
Operating expenses:					
Salaries and benefits	280,798	-	280,798	198,494	82,304
Operations	177,265	-	177,265	148,960	28,305
Total operating expenses	<u>458,063</u>	<u>-</u>	<u>458,063</u>	<u>347,454</u>	<u>110,609</u>
Operating income(loss) before capital	43,487	-	43,487	152,076	108,589
Depreciation expense	-	-	-	(160,077)	160,077
Operating income(loss)	<u>43,487</u>	<u>-</u>	<u>43,487</u>	<u>(8,001)</u>	<u>(51,488)</u>
Non-operating revenue(expense):					
Interest earnings	1,300	-	1,300	2,181	881
Interest expense	(15,728)	-	(15,728)	(33,230)	(17,502)
Total non-operating, net	<u>(14,428)</u>	<u>-</u>	<u>(14,428)</u>	<u>(31,049)</u>	<u>(16,621)</u>
Capital contributions and purchases:					
Capital outlay	(194,866)	-	(194,866)	-	(194,866)
Standby charges	2,500	-	2,500	-	2,500
Total capital contributions	<u>(192,366)</u>	<u>-</u>	<u>(192,366)</u>	<u>-</u>	<u>(194,866)</u>
Change in net position	<u>(163,307)</u>	<u>-</u>	<u>(163,307)</u>	<u>(39,050)</u>	<u>(262,975)</u>
Other financing sources(uses):					
Operating transfers	-	-	-	-	-
Net position, beginning of year	<u>1,276,020</u>	<u>-</u>	<u>1,276,020</u>	<u>930,760</u>	
Prior period adjustment	<u>-</u>	<u>-</u>	<u>-</u>	<u>(83,778)</u>	
Fund balance, beg of year, as restated	<u>1,276,020</u>	<u>-</u>	<u>1,276,020</u>	<u>846,982</u>	
Fund balance, end of year	<u>\$ 1,276,020</u>	<u>-</u>	<u>1,276,020</u>	<u>807,932</u>	

Bear Valley Community Services District
Schedule of Revenues, Expenses and Changes in Net Position
Budget and Actual – Solid Waste Fund
For the Year Ended June 30, 2015

	<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	\$ 554,832	-	554,832	548,273	(6,559)
Other charges for services	-	-	-	402	402
Total operating revenues	<u>554,832</u>	<u>-</u>	<u>554,832</u>	<u>548,675</u>	<u>(6,157)</u>
Operating expenses:					
Salaries and benefits	174,791	-	174,791	127,124	47,667
Operations	333,500	-	333,500	325,893	7,607
Total operating expenses	<u>508,291</u>	<u>-</u>	<u>508,291</u>	<u>453,017</u>	<u>55,274</u>
Operating income(loss) before capital	46,541	-	46,541	95,658	49,117
Depreciation expense	-	-	-	(14,335)	(14,335)
Operating income(loss)	<u>46,541</u>	<u>-</u>	<u>46,541</u>	<u>81,323</u>	<u>63,452</u>
Non-operating revenue(expense):					
Interest earnings	3,000	-	3,000	2,197	(803)
Total non-operating, net	<u>3,000</u>	<u>-</u>	<u>3,000</u>	<u>2,197</u>	<u>803</u>
Capital contributions and purchases:					
Capital outlay	(99,753)	-	(99,753)	-	99,753
Total capital contributions	<u>(99,753)</u>	<u>-</u>	<u>(99,753)</u>	<u>-</u>	<u>99,753</u>
Change in net position	<u>(50,212)</u>	<u>-</u>	<u>(50,212)</u>	<u>83,520</u>	<u>164,008</u>
Net position, beginning of year	549,130	-	549,130	786,017	
Prior period adjustment	-	-	-	(129,655)	
Fund balance, beg of year, as restated	<u>549,130</u>	<u>-</u>	<u>549,130</u>	<u>656,362</u>	
Fund balance, end of year	<u>\$ 498,918</u>	<u>-</u>	<u>498,918</u>	<u>739,882</u>	

Bear Valley Community Services District
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual – Post Office Fund
For the Year Ended June 30, 2015

	<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:					
Post office box charges	\$ 34,000	-	34,000	33,390	(610)
Other charges for services	-	-	-	816	816
Total operating revenues	<u>34,000</u>	<u>-</u>	<u>34,000</u>	<u>34,206</u>	<u>206</u>
Operating expenses:					
Salaries and benefits	38,586	-	38,586	31,722	6,864
Operations	6,268	-	6,268	12,114	(5,846)
Total operating expenses	<u>44,854</u>	<u>-</u>	<u>44,854</u>	<u>43,836</u>	<u>1,018</u>
Operating income(loss) before capital	(10,854)	-	(10,854)	(9,630)	1,224
Depreciation expense	-	-	-	-	-
Change in net position	<u>(10,854)</u>	<u>-</u>	<u>(10,854)</u>	<u>(9,630)</u>	<u>1,224</u>
Other financing sources(uses):					
Operating transfers	15,603	-	15,603	22,392	
Net position, beginning of year	-	-	-	252	
Prior period adjustment	<u>-</u>	<u>-</u>	<u>-</u>	<u>(9,973)</u>	
Fund balance, beg of year, as restated	<u>-</u>	<u>-</u>	<u>-</u>	<u>(9,721)</u>	
Fund balance, end of year	<u>\$ 15,603</u>	<u>-</u>	<u>15,603</u>	<u>3,041</u>	

Bear Valley Community Services District
Schedule of the District's Proportionate Share of the Net Pension Liability
For the Year Ended June 30, 2015
Last Ten Years*

Description	Measurement Date 6/30/2014 (a)
District's Proportion of the Net Pension Liability	0.05815%
District's Proportionate Share of the Net Pension Liability	\$ 3,617,758
District's Covered-Employee Payroll (b)	\$ 654,442
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	340.2600%
Plan's Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	79.82%

Notes:

- (a) Historical information is required only for measurement periods for which GASB 68 is applicable.
- (b) Covered-Employee Payroll represented above is based on pensionable earnings provided by the employer. However, GASB 68 defines covered-employee payroll as the total payroll of employees that are provided pensions through the pension plan. Accordingly, if pensionable earnings are different than total earnings for covered-employees, the employer should display in the disclosure footnotes the payroll based on total earnings for the covered group and recalculate the required payroll related ratios.
- * Fiscal Year 2015 was the first year of implementation, therefore only one year is shown.

Bear Valley Community Services District
Schedule of Pension Plan Contributions
As of June 30, 2015
Last Ten Years*

Schedule of Pension Plan Contributions (a):	Fiscal Year 2013-2014
Actuarially Determined Contribution (b)	\$ 266,841
Contributions in Relation to the Actuarially Determined Contribution (b)	<u>(266,841)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>
Covered Payroll (c), (d)	<u>\$ 2,369,855</u>
Contribution's as a percentage of Covered-employee Payroll (c)	<u>11.26%</u>

Notes:

- (a) Historical information is required only for measurement periods for which GASB 68 is applicable.
 - (b) Employers are assumed to make contributions equal to the actuarially determined contributions (which is the actuarially determined contribution). However, some employer's may choose to make additional contributions towards their side fund or unfunded liability. Employer contributions for such plans exceed the actuarially determined contributions. CalPERS has determined that employer obligations referred to as "side funds" do not conform to the circumstances described in paragraph 120 of GASB 68, therefore are not considered separately financed specific liabilities.
 - (c) Covered-Employee Payroll represented above is based on pensionable earnings provided by the employer. However, GASB 68 defines covered-employee payroll as the total payroll of employees that are provided pensions through the pension plan. Accordingly, if pensionable earnings are different than total earnings for covered-employees, the employer should display in the disclosure footnotes the payroll based on total earnings for the covered group and recalculate the required payroll-related ratios.
 - (d) Payroll from prior year (\$651,021) was assumed to increase by the 3.00 % payroll growth assumption.
- * Fiscal Year 2015 was the first year of implementation, therefore only one year is shown.

Report on Compliance and Internal Controls



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

Board of Directors
Bear Valley Community Services District
Tehachapi, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Bear Valley Community Services District (District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprises the District's basic financial statements, and have issued our report thereon dated May 12, 2016.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

Purpose of this Report

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

Fedak & Brown LLP

Fedak & Brown LLP
Cypress, California
May 12, 2016