



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

Annual Financial Report

**For the Fiscal Year Ended
June 30, 2017**



BEAR VALLEY COMMUNITY SERVICES DISTRICT

List of Elected and Appointed Officials

June 30, 2017

Elected Officials

BOARD OF DIRECTORS

President	Jay Carlyn
Vice-President	Gil Grace
Director	Jane Baron
Director	Larry Muell
Director	Steve Roberts

Appointed Officials

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

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



Bear Valley Community Services District
Annual Financial Report
For the Fiscal Year Ended June 30, 2017

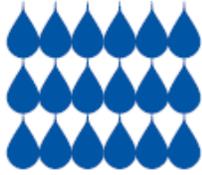
Prepared by:
Finance Department

**Bear Valley Community Services District
Annual Financial Report
For the Fiscal Year Ended June 30, 2017**

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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, 2017, 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 respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Independent Auditor's Report, continued

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 12, budgetary comparison information on pages 51 through 58, and the required supplementary information on pages 59 and 60 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated February 22, 2018, 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 61 and 62.

Fedak & Brown LLP

Fedak & Brown LLP
Cypress, California
February 22, 2018

**Bear Valley Community Services District
Management's Discussion and Analysis
For the Year Ended June 30, 2017**

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, 2017. 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 increased 0.3%, or \$70,109 from \$21,679,354 to \$21,749,463 as a result of current year operations.
- Total revenues from all sources decreased 2.2%, or \$161,830 from \$7,269,741 to \$7,107,911, from the prior year, primarily due to a decrease of \$257,227 in program revenues, which were offset by an increase of \$95,397 in general revenues.
- Total expenses for District operations decreased 0.6%, or \$38,714 from \$6,999,088 to \$7,037,802, from the prior year, primarily due to decreases of \$361,906 in public safety and \$26,741 in post office expenses, which were offset, by increases of \$208,845 in streets and roads, \$105,856 in general government, \$64,613 in wastewater, and \$21,543 in water 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 four components: 1) government-wide financial statements, 2) fund financial statements, 3) enterprise fund financial statements, and 4) 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 using the full accrual method of accounting.

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 13 through 15 of this report.

**Bear Valley Community Services District
Management's Discussion and Analysis
For the Year Ended June 30, 2017**

Fund Financial Statements

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

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

Governmental Funds

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

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

The Bear Valley Community Services District maintains four individual governmental funds: general (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. See page 51 of this report.

The basic governmental fund financial statements can be found on pages 16 through 22 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, budgetary comparison schedules are provided on pages 51 through 58 of this report.

**Bear Valley Community Services District
Management's Discussion and Analysis
For the Year Ended June 30, 2017**

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

Enterprise Funds, continued

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

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

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 13 on page 47 of this report.

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 23 through 50 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 51 through 60 of this report.

Government-wide Financial Analysis

Bear Valley Community Services District's Net Position

Condensed Statement of Net Position

	Governmental Activities		Business-type Activities		Total District	
	2017	2016	2017	2016	2017	2016
Assets:						
Current and other assets	\$ 8,065,371	6,961,661	3,875,882	4,319,650	11,941,253	11,281,311
Non-current assets	-	-	-	-	-	-
Capital assets, net	11,504,794	8,377,400	9,723,293	9,421,416	21,228,087	17,798,816
Total assets	19,570,165	15,339,061	13,599,175	13,741,066	33,169,340	29,080,127
Deferred outflows of resources:	555,724	191,993	212,863	53,436	768,587	245,429
Liabilities:						
Current liabilities	2,872,104	604,869	615,918	453,164	3,488,022	1,058,033
Non-current liabilities	5,045,532	2,927,418	3,277,316	3,095,677	8,322,848	6,023,095
Total liabilities	7,917,636	3,532,287	3,893,234	3,548,841	11,810,870	7,081,128
Deferred inflows of resources:	260,445	625,191	117,149	193,704	377,594	818,895
Net position:						
Net investment in capital assets	10,712,794	7,582,400	7,307,027	6,882,015	18,019,821	14,464,415
Restricted	2,934,468	3,974,621	-	-	2,934,468	3,974,621
Unrestricted	(1,699,454)	6,225	2,494,628	3,234,093	795,174	3,240,318
Total net position	\$ 11,947,808	11,563,246	9,801,655	10,116,108	21,749,463	21,679,354

**Bear Valley Community Services District
Management's Discussion and Analysis
For the Year Ended June 30, 2017**

Government-wide Financial Analysis, continued

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 \$21,749,463 at June 30, 2017, an increase of \$70,109 as the result of current year operations.

By far the largest portion of the Bear Valley Community Services District's net position (82.9%) reflects its investment in capital assets (e.g. land, water/wastewater infrastructure and equipment). The Bear Valley Community Services District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

The remaining balance of restricted and unrestricted net position of \$2,934,468 and \$795,174, respectively may be used to meet the government's ongoing obligations.

Governmental activities. Governmental activities increased the District's net position by \$384,562 from \$11,563,246 to \$11,947,808 as a result of current-year operations.

Business-type activities. Business-type activities decreased the District's net position by \$314,453 from \$10,116,108 to \$9,801,655 as a result of current-year operations.

Bear Valley Community Services District's Statement of Activities

Condensed Statement of Activities							
		<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total District</u>	
		<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Revenues:							
Program revenues:							
Charges for services	\$	1,397,466	1,786,040	3,179,985	3,044,009	4,577,451	4,830,049
Operating grants and contrib.		138,211	135,285	-	-	138,211	135,285
Capital grants and contrib.		-	-	59,414	66,969	59,414	66,969
General revenues:							
Property taxes		1,616,777	1,543,741	-	-	1,616,777	1,543,741
Voter approved taxes		623,642	639,586	-	-	623,642	639,586
Investment earnings		62,289	31,415	30,127	22,696	92,416	54,111
Total revenues		<u>3,838,385</u>	<u>4,136,067</u>	<u>3,269,526</u>	<u>3,133,674</u>	<u>7,107,911</u>	<u>7,269,741</u>
Expenses:							
General government		332,345	226,489	-	-	332,345	226,489
Public safety		2,064,742	2,426,648	-	-	2,064,742	2,426,648
Streets and roads		966,872	758,027	-	-	966,872	758,027
Interest on long-term debt		51,901	39,945	-	-	51,901	39,945
Water		-	-	2,501,914	2,480,371	2,501,914	2,480,371
Wastewater		-	-	544,531	479,918	544,531	479,918
Solid waste		-	-	521,390	506,842	521,390	506,842
Post office		-	-	54,107	80,848	54,107	80,848
Total expenses		<u>3,415,860</u>	<u>3,451,109</u>	<u>3,621,942</u>	<u>3,547,979</u>	<u>7,037,802</u>	<u>6,999,088</u>
Change in net position		422,525	684,958	(352,416)	(414,305)	70,109	270,653
Transfers		(37,963)	(43,501)	37,963	43,501	-	-
Change in net position		384,562	641,457	(314,453)	(370,804)	70,109	270,653
Net position, beginning of year		<u>11,563,246</u>	<u>10,921,789</u>	<u>10,116,108</u>	<u>10,486,912</u>	<u>21,679,354</u>	<u>21,408,701</u>
Net position, end of year	\$	<u><u>11,947,808</u></u>	<u><u>11,563,246</u></u>	<u><u>9,801,655</u></u>	<u><u>10,116,108</u></u>	<u><u>21,749,463</u></u>	<u><u>21,679,354</u></u>

- Revenue from charges for services in the governmental-type activities decreased by 21.8%, or \$388,575 from \$1,786,040 to \$1,397,466 due primarily to reductions of \$401,338 in public safety charges with the termination of dispatch services and \$61,315 on interest on long-term debt charges, which were offset by increases of \$108,783 in general government charges as compared to the prior year.

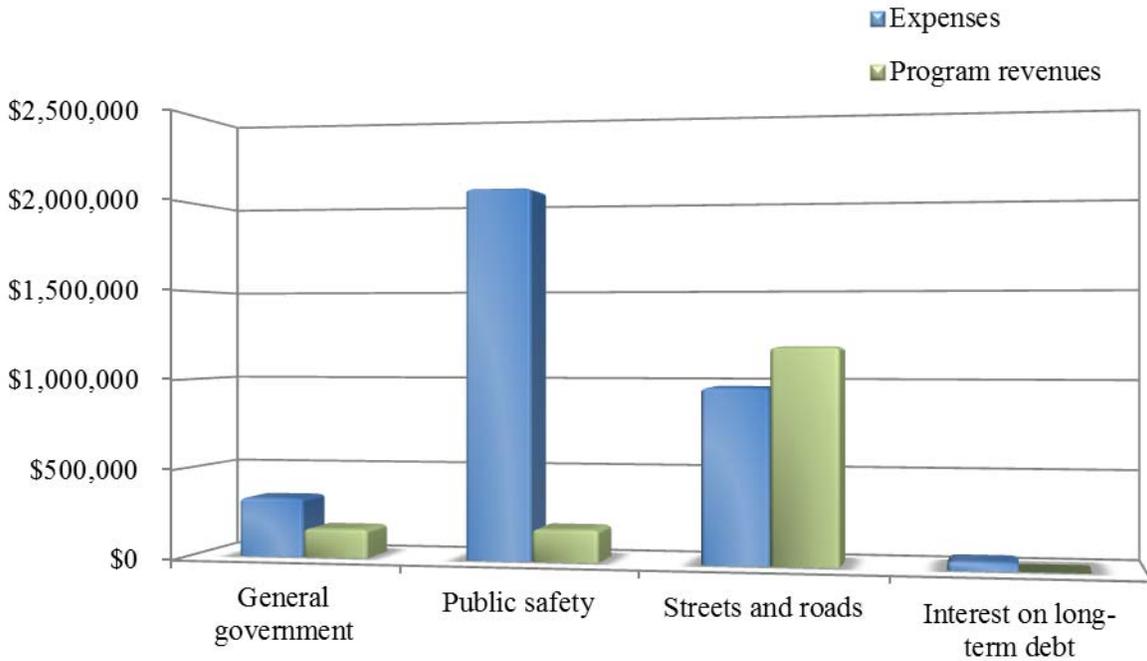
**Bear Valley Community Services District
Management's Discussion and Analysis
For the Year Ended June 30, 2017**

Government-wide Financial Analysis, continued

Bear Valley Community Services District's Statement of Activities, continued

- Revenue from charges for services in the business-type activities increased by 4.5%, or \$135,976 from \$3,004,009 to \$3,179,985 due primarily to an increase in water consumption as a result of State imposed water restrictions being lifted. The change was primarily sourced to an increase of \$161,439 in water consumption sales, which was offset by decreases of \$24,521 in solid waste collection charges and \$10,235 in other charges and services as compared to the prior year.
- Revenue from operating grants and contributions increased by 2.2%, or \$2,926 from \$135,285 to \$138,211.
- Property taxes increased by 4.7%, or \$73,036 from \$1,543,741 to \$1,616,777 due to an overall increase in assessed property valuations.
- Voter approved taxes decreased by 2.5%, or \$15,944 from \$639,586 to \$623,642.
- Total expenses increased by 0.6%, or \$38,714 from \$6,999,088 to \$7,037,802 primarily due to increases of \$208,845 in streets and roads, \$105,856 in general government, \$64,613 in wastewater, and \$21,543 in water expenses, which were offset by decreases of \$361,906 in public safety, and \$26,741 in post office expenses.

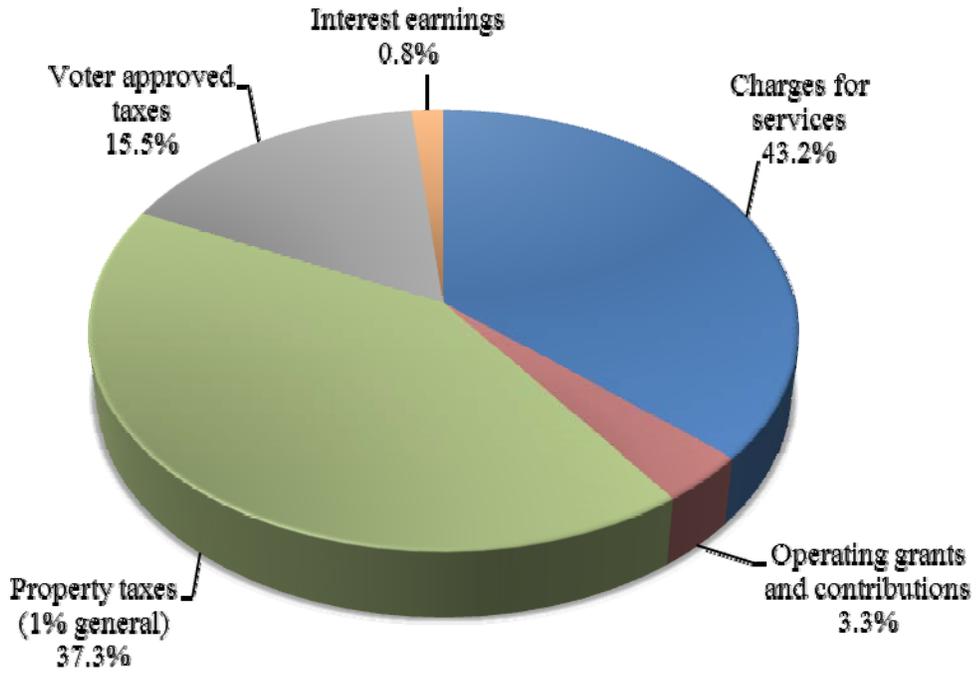
Expenses and Program Revenues – Governmental Activities



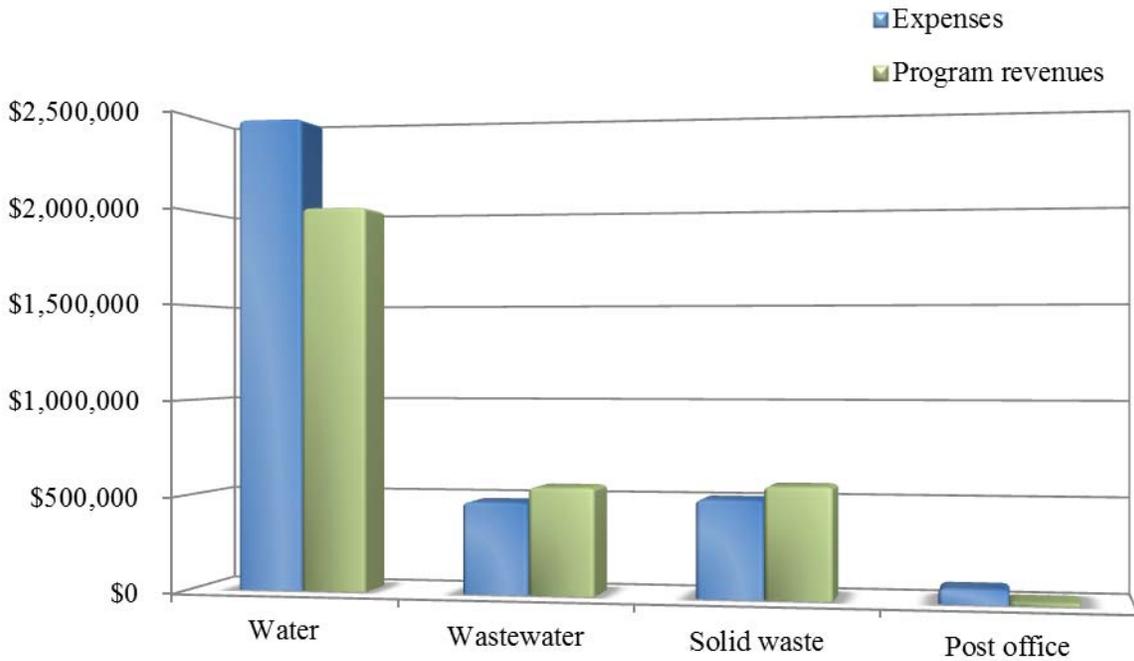
The table above does not include governmental activity general revenues which include property taxes, voter approved taxes, interest earnings, and transfers out. Please see page 15 for further detail.

**Bear Valley Community Services District
Management's Discussion and Analysis
For the Year Ended June 30, 2017**

Revenues by Source – Governmental Activities

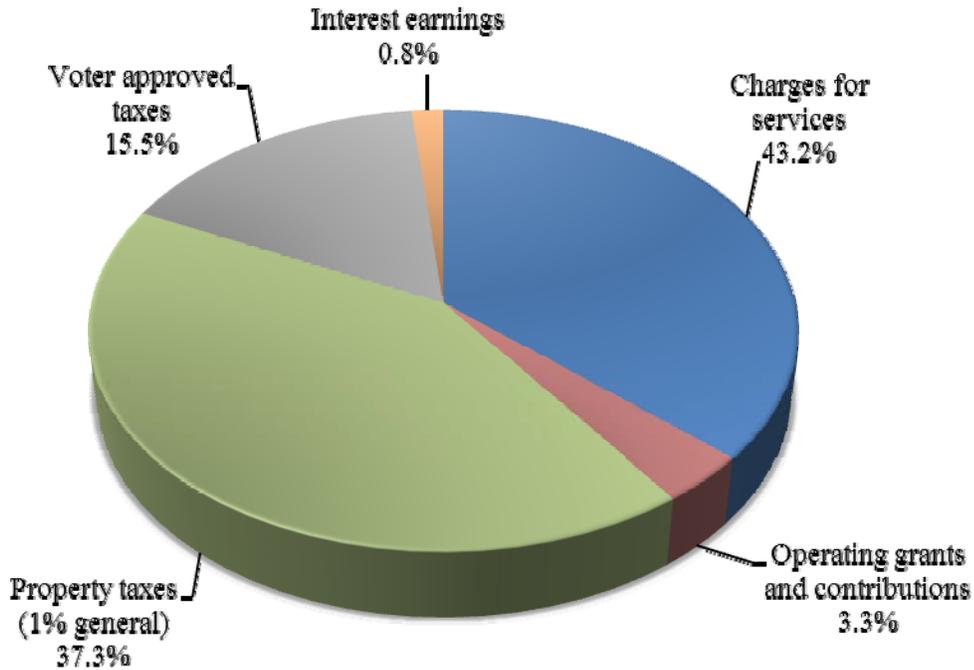


Expense and Program Revenues – Business-type Activities



**Bear Valley Community Services District
Management's Discussion and Analysis
For the Year Ended June 30, 2017**

Revenues by Source – Business-type Activities



Financial Analysis of the Government's Funds

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

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

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

As of June 30, 2017, the Bear Valley Community Services District's governmental funds reported combined ending fund balance of \$5,704,879, a decrease of \$767,517 in comparison with the prior year. Of this total fund balance, \$2,588,635 or (45.4%) 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 amounted to \$2,726,910 of which \$33,426 is nonspendable for prepaid costs, \$104,849 is assigned for compensated absences, and \$2,588,635 is unassigned. Of the unassigned fund balance, the Board has unfunded reserves of \$1,699,454. 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 122.4% of total general fund expenditures, while total fund balance represents 128.9% of that same amount.

**Bear Valley Community Services District
Management's Discussion and Analysis
For the Year Ended June 30, 2017**

Financial Analysis of the Government's Funds, continued

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

The fund balance of the District's general fund increased \$263,878 as a result of the current year's operations. The nonspendable fund balance amount includes \$33,426 in prepaid costs. The amount assigned for unemployment compensation decreased \$31,773. The amount unassigned for emergency response increased by \$1,411,179. The amount unassigned for six-month operating reserve decreased by \$1,051,185 from prior year.

The fund balance of the District's streets and roads fund decreased \$1,047,244 as a result of the current year's operations. The streets and roads fund has a restricted fund balance of \$2,435,484 which will be used for the ongoing maintenance and improvement of streets and roads, including drainage ways and rights of way. The nonspendable fund balance amount includes \$3,413 in prepaid costs. The assigned fund balance amount is \$40,088 for compensated absences.

The fund balance of the District's debt service fund increased \$3,488 as a result of the current year's operations. The debt service fund has a restricted fund balance of \$222,235 which will be used for the payment for future debt service.

The fund balance of the District's supplemental law enforcement fund increased \$12,361 as a result of the current year's operations. The supplemental law enforcement fund has a restricted fund balance of \$276,749 which will be used to fund law enforcement activity.

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

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

Net position for all enterprise funds decreased \$314,453 as a result of current-year operations. Changes in total net position from last year are as a result of current year operations as follows: water enterprise decreased by \$322,320; wastewater enterprise decreased by \$31,855; solid waste enterprise increased by \$40,885; and post office enterprise decreased by \$1,163.

At June 30, 2017, the post office enterprise fund had a negative unrestricted net position of \$14,135. 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.

General Fund Budgetary Highlights

At June 30, 2017, there were no differences between the original and final amended budgets.

**Bear Valley Community Services District
Management's Discussion and Analysis
For the Year Ended June 30, 2017**

Bear Valley Community Services District's Capital Assets

	Capital Assets					
	Governmental Activities		Business-type Activities		Total District	
	2017	2016	2017	2016	2017	2016
Capital assets:						
Non-depreciable assets	\$ 8,295,636	4,832,757	3,662,053	3,662,053	11,957,689	8,494,810
Depreciable assets	<u>32,084,690</u>	<u>32,084,690</u>	<u>20,882,713</u>	<u>20,133,858</u>	<u>52,967,403</u>	<u>52,218,548</u>
Total capital assets	40,380,326	36,917,447	24,544,766	23,795,911	64,925,092	60,713,358
Accumulated depreciation	<u>(28,875,532)</u>	<u>(28,540,047)</u>	<u>(14,821,473)</u>	<u>(14,374,495)</u>	<u>(43,697,005)</u>	<u>(42,914,542)</u>
Total capital assets, net	<u>\$ 11,504,794</u>	<u>8,377,400</u>	<u>9,723,293</u>	<u>9,421,416</u>	<u>21,228,087</u>	<u>17,798,816</u>

Capital Asset Administration

The Bear Valley Community Services District's investment in capital assets for its governmental and business type activities as of June 30, 2017, amounts to \$21,228,087 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, park facilities and infrastructure.

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

- \$3,462,879 for construction-in-progress for the road and street rehabilitation project in the governmental funds.

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

- \$654,610 for the acquisition of water transmission and distribution equipment.
- \$25,200 for the acquisition of wastewater collection equipment.
- \$69,045 for the acquisition of wastewater vehicles.

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

Bear Valley Community Services District's Outstanding Debt

	Long-term Debt					
	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Long-term debt:						
General obligation bonds	\$ 792,000	795,000	-	-	792,000	795,000
Installment sale agreement	2,000,000	-	-	-	2,000,000	-
CIEDB loan	-	-	<u>2,416,266</u>	<u>2,539,398</u>	<u>2,416,266</u>	<u>2,539,398</u>
Total long-term debt	<u>\$ 2,792,000</u>	<u>795,000</u>	<u>2,416,266</u>	<u>2,539,398</u>	<u>5,208,266</u>	<u>3,334,398</u>

Debt Administration

At the end of the current fiscal year, the Bear Valley Community Services District had total debt outstanding of \$5,208,266. Of this amount, \$792,000 comprises the remaining balance of the general obligation bond debt backed by the full faith and credit of the Bear Valley Community Services District, \$2,416,266 is the remaining outstanding balance due to the California Infrastructure and Economic Development Bank (CIEDB) for water and wastewater system improvements. At June 30, 2017, the District entered into an installment sale loan agreement in the amount of \$2,000,000 for the purpose of rehabilitating the District's roads infrastructure.

Additional information on the Bear Valley Community Services District's long-term debt can be found in Notes 7 and 8 on pages 38 through 41 of this report.

**Bear Valley Community Services District
Management's Discussion and Analysis
For the Year Ended June 30, 2017**

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, 2017

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Current assets:			
Cash and cash equivalents (note 2)	\$ 7,719,998	3,592,084	11,312,082
Accrued interest receivable	21,667	9,687	31,354
Accounts receivable – utilities, net (note 3)	-	512,071	512,071
Accounts receivable – other	12,805	680	13,485
Property taxes and assessments receivable	24,062	827	24,889
Due from other funds (note 4)	250,000	-	250,000
Prepays	36,839	10,533	47,372
Total current assets	<u>8,065,371</u>	<u>4,125,882</u>	<u>12,191,253</u>
Non-current assets:			
Capital assets – not being depreciated (note 5)	8,295,636	3,662,053	11,957,689
Capital assets – being depreciated, net (note 5)	3,209,158	6,061,240	9,270,398
Total non-current assets	<u>11,504,794</u>	<u>9,723,293</u>	<u>21,228,087</u>
Total assets	<u>19,570,165</u>	<u>13,849,175</u>	<u>33,419,340</u>
Deferred outflows of resources:			
Deferred pension outflows (note 9)	555,724	212,863	768,587
Total deferred outflows of resources	<u>\$ 555,724</u>	<u>212,863</u>	<u>768,587</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, 2017

	Governmental Activities	Business-type Activities	Total
Current liabilities:			
Accounts payable and accrued expenses	\$ 2,257,770	375,216	2,632,986
Accrued wages and related payables	60,297	45,215	105,512
Accrued interest on long-term debt	31,595	29,498	61,093
Deposits	42,425	20,644	63,069
Due to other funds (note 4)	-	250,000	250,000
Long-term liabilities – due within one year:			
Compensated absences (note 6)	36,234	24,809	61,043
Bond payable (note 7)	61,000	-	61,000
Loans payable (note 8)	382,783	120,536	503,319
Total current liabilities	2,872,104	865,918	3,738,022
Non-current liabilities:			
Long-term liabilities – due in more than one year:			
Compensated absences (note 6)	108,703	74,426	183,129
Bond payable (note 7)	731,000	-	731,000
Loans payable (note 8)	1,617,217	2,295,730	3,912,947
Net pension liability (note 9)	2,588,612	907,160	3,495,772
Total non-current liabilities	5,045,532	3,277,316	8,322,848
Total liabilities	7,917,636	4,143,234	12,060,870
Deferred inflows of resources:			
Deferred pension inflows (note 9)	260,445	117,149	377,594
Total deferred inflows of resources	260,445	117,149	377,594
Net position:			
Net investment in capital assets (note 10)	10,712,794	7,307,027	18,019,821
Restricted (note 11)	2,934,468	-	2,934,468
Unrestricted (note 12)	(1,699,454)	2,494,628	795,174
Total net position	\$ 11,947,808	9,801,655	21,749,463

See accompanying notes to the basic financial statements

Bear Valley Community Services District
Statement of Activities
For the Year Ended June 30, 2017

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ 332,345	163,764	-	-	(168,581)	-	(168,581)
Public safety	2,064,742	45,060	138,211	-	(1,881,471)	-	(1,881,471)
Streets and roads	966,872	1,188,642	-	-	221,770	-	221,770
Interest on long-term debt	51,901	-	-	-	(51,901)	-	(51,901)
Total governmental activities	3,415,860	1,397,466	138,211	-	(1,880,183)	-	(1,880,183)
Business-type activities:							
Water	2,501,914	2,107,501	-	52,885	-	(341,528)	(341,528)
Wastewater	544,531	498,213	-	6,529	-	(39,789)	(39,789)
Solid waste	521,390	553,949	-	-	-	32,559	32,559
Post office	54,107	20,322	-	-	-	(33,785)	(33,785)
Total business-type activities	3,621,942	3,179,985	-	59,414	-	(382,543)	(382,543)
Total	\$ 7,037,802	4,577,451	138,211	59,414	(1,880,183)	(382,543)	(2,262,726)
General revenues:							
Property taxes					\$ 1,616,777	-	1,616,777
Voter approved taxes					623,642	-	623,642
Interest earnings					62,289	30,127	92,416
Transfers in/(out) (note 4)					(37,963)	37,963	-
Total general revenues					2,264,745	68,090	2,332,835
Change in net position					384,562	(314,453)	70,109
Net position, beginning of year					11,563,246	10,116,108	21,679,354
Net position, end of year					\$ 11,947,808	9,801,655	21,749,463

Bear Valley Community Services District
Balance Sheets – Governmental Funds
June 30, 2017

	<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	\$ 2,617,037	4,596,977	221,407	284,577	7,719,998
Accrued interest receivable	6,943	13,305	620	799	21,667
Accounts receivable – other	12,805	-	-	-	12,805
Property taxes and assessments receivable	15,478	8,376	208	-	24,062
Due from other funds	250,000	-	-	-	250,000
Prepays	33,426	3,413	-	-	36,839
Total assets	\$ 2,935,689	4,622,071	222,235	285,376	8,065,371
Liabilities:					
Accounts payable and accrued expenses	\$ 143,475	2,108,982	-	5,313	2,257,770
Accrued wages and related payables	46,659	10,324	-	3,314	60,297
Deposits	18,645	23,780	-	-	42,425
Total liabilities	208,779	2,143,086	-	8,627	2,360,492
Fund balance:					
Restricted:					
Street and road improvements	-	2,435,484	-	-	2,435,484
Debt service	-	-	222,235	-	222,235
Public safety	-	-	-	276,749	276,749
Nonspendable:					
Prepays	33,426	3,413	-	-	36,839
Assigned:					
Compensated absences	104,849	40,088	-	-	144,937
Unassigned:					
Emergency reserve	1,568,529	-	-	-	1,568,529
Six-month operating reserve	1,020,106	-	-	-	1,020,106
Total fund balance	2,726,910	2,478,985	222,235	276,749	5,704,879
Total liabilities and fund balance	\$ 2,935,689	4,622,071	222,235	285,376	8,065,371

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, 2017

Reconciliation:

Total Fund Balances of Governmental Funds		\$ 5,704,879
Amounts reported for governmental activities in the statement of net position is different because:		
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet. However, the statement of net position includes those capital position among the assets of the District as a whole.		11,504,794
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.	\$ 213,388	
Recognized differences between the expected and actual experience for the Miscellaneous Plan are reported as deferred outflows of resources in the government-wide financial statements.	3,065	
Recognized net difference between projected and actual earnings on pension plan investments are reported as deferred outflows of resources in the government-wide financial statements.	<u>339,271</u>	<u>555,724</u>
Long-term liabilities applicable to the District are not due and payable in the current period and accordingly are not reported as governmental fund liabilities. All liabilities both current and long-term, are reported in the statement of net position as follows:		
Compensated absences		(144,936)
Bonds payable		(792,000)
Loan payable		(2,000,000)
Net pension liability		(2,588,612)
Recognized changes in assumptions are reported as deferred inflows of resources in the government-wide financial statements.	(66,715)	
Recognized differences between the expected and actual experience for the Safety Plan are reported as deferred inflows of resources in the government-wide financial statements.	(6,666)	
Recognized portion due to differences between the actual employer contribution and the proportionate share of contribution are reported as deferred inflows of resources in the government-wide financial statements.	(116,233)	
Recognized portion due to net differences in proportions are reported as deferred inflows of resources in the government-wide financial statements.	(70,832)	<u>(260,446)</u>
Interest on long-term debt is not accrued as a governmental fund liability, but rather is recognized as an expenditure when due.		<u>(31,595)</u>
Total adjustments		<u>6,242,929</u>
Net Position of Governmental Activities		<u>\$ 11,947,808</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, 2017

	<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	\$ 1,616,777	-	-	-	1,616,777
Voter approved taxes	538,851	-	84,491	-	623,342
Special assessments	-	1,181,572	-	-	1,181,572
Federal and state aid	8,887	-	-	129,324	138,211
Interest earnings	17,588	40,740	1,585	2,376	62,289
Rents and royalties	160,552	-	-	-	160,552
Other	48,272	7,070	-	-	55,342
Debt service:					
Debt proceeds	-	2,000,000	792,000	-	2,792,000
Total revenues	<u>2,390,927</u>	<u>3,229,382</u>	<u>878,076</u>	<u>131,700</u>	<u>6,630,085</u>
Expenditures:					
General government	138,559	-	4,521	-	143,080
Public safety	1,945,402	-	-	119,339	2,064,741
Streets and roads	-	605,207	-	-	605,207
Capital outlay	-	3,652,711	-	-	3,652,711
Debt service:					
Debt payments	-	-	795,000	-	795,000
Debt issuance	-	-	47,000	-	47,000
Interest paid	-	23,833	28,067	-	51,900
Total expenditures	<u>2,083,961</u>	<u>4,281,751</u>	<u>874,588</u>	<u>119,339</u>	<u>7,359,639</u>
Excess(deficiency) of revenues over expenditures	<u>306,966</u>	<u>(1,052,369)</u>	<u>3,488</u>	<u>12,361</u>	<u>(729,554)</u>
Other financing sources(uses):					
Operating transfers in	-	5,125	-	-	5,125
Operating transfers out	(43,088)	-	-	-	(43,088)
Net change in fund balance	263,878	(1,047,244)	3,488	12,361	(767,517)
Fund balance, beginning of year	<u>2,463,032</u>	<u>3,526,229</u>	<u>218,747</u>	<u>264,388</u>	<u>6,472,396</u>
Fund balance, end of year	<u>\$ 2,726,910</u>	<u>2,478,985</u>	<u>222,235</u>	<u>276,749</u>	<u>5,704,879</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, 2017

Reconciliation:

Net Changes in Fund Balances – Total Governmental Funds \$ (767,517)

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

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

Capital outlay	3,652,712
Depreciation expense	(335,485)

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.

795,000

Proceeds of long-term debt

(2,792,000)

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

Net change in accrued interest for the current period	(19,312)
Net change in compensated absences for the current period	68,347
Net change in pension obligations for the current period	<u>(217,183)</u>

Change in Net Position of Governmental Activities \$ 384,562

See accompanying notes to the basic financial statements

Bear Valley Community Services District
Statements of Net Position – Enterprise Funds
June 30, 2017

	<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	\$ 1,870,623	787,319	930,423	3,719	3,592,084
Accrued interest receivable	4,851	2,185	2,651	-	9,687
Accounts receivable – utilities, net	324,151	93,310	94,610	-	512,071
Accounts receivable – other	680	-	-	-	680
Property assessments receivable	419	408	-	-	827
Prepays	6,165	3,490	711	167	10,533
Total current assets	<u>2,206,889</u>	<u>886,712</u>	<u>1,028,395</u>	<u>3,886</u>	<u>4,125,882</u>
Non-current assets:					
Capital assets – not being depreciated	3,647,319	14,734	-	-	3,662,053
Capital assets, net – being depreciated	5,474,451	557,994	28,795	-	6,061,240
Total non-current assets	<u>9,121,770</u>	<u>572,728</u>	<u>28,795</u>	<u>-</u>	<u>9,723,293</u>
Total assets	<u>11,328,659</u>	<u>1,459,440</u>	<u>1,057,190</u>	<u>3,886</u>	<u>13,849,175</u>
Deferred outflows of resources:					
Deferred pension outflows	159,680	21,071	32,044	68	212,863
Total deferred outflows of resources	<u>159,680</u>	<u>21,071</u>	<u>32,044</u>	<u>68</u>	<u>212,863</u>
Current liabilities:					
Accounts payable and accrued expenses	278,808	40,830	55,487	91	375,216
Accrued wages and related payables	24,549	10,493	5,517	4,656	45,215
Accrued interest on long-term debt	24,398	5,100	-	-	29,498
Due to other funds	181,843	68,157	-	-	250,000
Deposits	9,806	4,806	6,032	-	20,644
Long-term liabilities – due within one year:					
Compensated absences	15,681	4,769	4,359	-	24,809
Loans payable	99,696	20,840	-	-	120,536
Total current liabilities	<u>634,781</u>	<u>154,995</u>	<u>71,395</u>	<u>4,747</u>	<u>865,918</u>
Non-current liabilities:					
Long-term liabilities – due in more than one year:					
Compensated absences	47,043	14,307	13,076	-	74,426
Loans payable	1,898,814	396,916	-	-	2,295,730
Net pension liability	665,830	99,514	131,377	10,439	907,160
Total non-current liabilities	<u>2,611,687</u>	<u>510,737</u>	<u>144,453</u>	<u>10,439</u>	<u>3,277,316</u>
Total liabilities	<u>3,246,468</u>	<u>665,732</u>	<u>215,848</u>	<u>15,186</u>	<u>4,143,234</u>
Deferred inflows of resources:					
Deferred pension inflows	83,820	14,161	16,266	2,902	117,149
Total deferred inflows of resources	<u>83,820</u>	<u>14,161</u>	<u>16,266</u>	<u>2,902</u>	<u>117,149</u>
Net position:					
Net investment in capital assets	7,123,260	154,972	28,795	-	7,307,027
Unrestricted	1,034,791	645,646	828,325	(14,134)	2,494,628
Total net position	<u>\$ 8,158,051</u>	<u>800,618</u>	<u>857,120</u>	<u>(14,134)</u>	<u>9,801,655</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, 2017

	<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	\$ 2,075,969	-	-	-	2,075,969
Wastewater service charges	-	497,775	-	-	497,775
Solid waste collection charges	-	-	553,547	-	553,547
Post office box charges	-	-	-	19,808	19,808
Other charges for services	31,532	438	402	514	32,886
Total operating revenues	<u>2,107,501</u>	<u>498,213</u>	<u>553,949</u>	<u>20,322</u>	<u>3,179,985</u>
Operating expenses:					
Salaries and benefits	878,739	360,090	160,462	45,121	1,444,412
Operations	1,155,509	137,368	357,607	8,986	1,659,470
Total operating expenses	<u>2,034,248</u>	<u>497,458</u>	<u>518,069</u>	<u>54,107</u>	<u>3,103,882</u>
Operating income(loss) before depreciation	73,253	755	35,880	(33,785)	76,103
Depreciation expense	(408,876)	(34,781)	(3,321)	-	(446,978)
Operating income(loss)	<u>(335,623)</u>	<u>(34,026)</u>	<u>32,559</u>	<u>(33,785)</u>	<u>(370,875)</u>
Non-operating revenue(expense):					
Interest earnings	15,948	6,623	7,556	-	30,127
Interest expense	(58,792)	(12,290)	-	-	(71,082)
Total non-operating, net	(42,844)	(5,667)	7,556	-	(40,955)
Operating transfers in(out)	<u>3,262</u>	<u>1,309</u>	<u>770</u>	<u>32,622</u>	<u>37,963</u>
Capital contributions:					
Capacity charges	52,885	6,529	-	-	59,414
Total capital contributions	52,885	6,529	-	-	59,414
Change in net position	<u>(322,320)</u>	<u>(31,855)</u>	<u>40,885</u>	<u>(1,163)</u>	<u>(314,453)</u>
Net position, beginning of year	<u>8,480,371</u>	<u>832,473</u>	<u>816,235</u>	<u>(12,971)</u>	<u>10,116,108</u>
Net position, end of year	<u>\$ 8,158,051</u>	<u>800,618</u>	<u>857,120</u>	<u>(14,134)</u>	<u>9,801,655</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, 2017

	<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	\$ 2,150,578	502,265	553,414	20,322	3,226,579
Cash paid to employees for salaries and benefits	(760,406)	(336,735)	(168,024)	(38,606)	(1,303,771)
Cash paid to vendors and suppliers	<u>(1,024,512)</u>	<u>(115,280)</u>	<u>(365,240)</u>	<u>(11,130)</u>	<u>(1,516,162)</u>
Net cash provided by(used in) operating activities	<u>365,660</u>	<u>50,250</u>	<u>20,150</u>	<u>(29,414)</u>	<u>406,646</u>
Cash flows from non-capital financing activities:					
Operating transfers in	<u>3,262</u>	<u>1,309</u>	<u>770</u>	<u>32,622</u>	<u>37,963</u>
Cash flows from capital and related financing activities:					
Proceeds from capital contributions	52,885	6,529	-	-	59,414
Principal payments on loans payable	(104,842)	(18,292)	-	-	(123,134)
Interest payments on loans payable	<u>(59,975)</u>	<u>(12,537)</u>	<u>-</u>	<u>-</u>	<u>(72,512)</u>
Net cash used in capital and financing activities	<u>(766,542)</u>	<u>(118,545)</u>	<u>-</u>	<u>-</u>	<u>(885,087)</u>
Cash flows from investing activities:					
Interest earnings	<u>14,422</u>	<u>5,701</u>	<u>6,265</u>	<u>-</u>	<u>26,388</u>
Net cash provided by investing activities	<u>14,422</u>	<u>5,701</u>	<u>6,265</u>	<u>-</u>	<u>26,388</u>
Net (decrease)increase in cash	(383,198)	(61,285)	27,185	3,208	(414,090)
Cash and cash equivalents, beginning of year	<u>2,253,821</u>	<u>848,604</u>	<u>903,238</u>	<u>511</u>	<u>4,006,174</u>
Cash and cash equivalents, end of year	<u>\$ 1,870,623</u>	<u>787,319</u>	<u>930,423</u>	<u>3,719</u>	<u>3,592,084</u>
Reconciliation of operating income to net cash provided by(used in) operating activities:					
Operating income(loss)	<u>\$ (335,623)</u>	<u>(34,026)</u>	<u>32,559</u>	<u>(33,785)</u>	<u>(370,875)</u>
Adjustments to reconcile operating income to net cash provided by(used in) operating activities:					
Depreciation expense	408,876	34,781	3,321	-	446,978
Changes in assets and liabilities:					
(Increase)decrease in assets:					
Accounts receivable – utilities, net	36,128	2,574	(1,587)	-	37,115
Accounts receivable – other	6,154	-	-	-	6,154
Property assessments receivable	40	640	-	-	680
Prepaid expenses and other deposits	(6,165)	(3,490)	(711)	(167)	(10,533)
(Increase)decrease in deferred outflows of resources:	(102,714)	(12,066)	(20,885)	1,302	(134,363)
Increase(decrease) in liabilities:					
Accounts payable and accrued expenses	137,162	25,578	(6,922)	(1,977)	153,841
Accrued wages and related payables	(44)	1,148	2,156	2,797	6,057
Deposits and unearned revenue	755	838	1,052	-	2,645
Compensated absences	(19,572)	10,861	1,551	-	(7,160)
Net pension liability	259,675	28,211	24,065	1,624	313,575
Increase(decrease) in deferred inflows of resources:	<u>(19,012)</u>	<u>(4,799)</u>	<u>(14,449)</u>	<u>792</u>	<u>(37,468)</u>
Total adjustments	<u>701,283</u>	<u>84,276</u>	<u>(12,409)</u>	<u>4,371</u>	<u>777,521</u>
Net cash provided by(used in) operating activities	<u>\$ 365,660</u>	<u>50,250</u>	<u>20,150</u>	<u>(29,414)</u>	<u>406,646</u>

See accompanying notes to the basic financial statements

Bear Valley Community Services District
Notes to the Basic Financial Statements
June 30, 2017

(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, 2017

(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, 2017

(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:

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*.

The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2016. There currently is no impact of the implementation of this Statement to the District’s financial statements at this time.

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.

Bear Valley Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2017

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

C. Financial Reporting, continued

In December 2015, the GASB issued Statement No. 78 – *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. This Statement amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that meet certain criteria.

In January 2016, the GASB issued Statement No. 80 – *Blending Requirements for Certain Component Units – An Amendment of GASB Statement No. 14*. The objective of this Statement is to improve financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*.

In March 2016, the GASB issued Statement No. 82 – *Pension Issues-an amendment of GASB Statements No. 67, No. 68, and No.73*. This Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

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. Fair Value Measurements

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

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

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

Bear Valley Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2017

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

D. Financial Statement Elements, continued

2. Fair Value Measurements, continued

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

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

3. 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.

4. Property Taxes and Assessments

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

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

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

5. Prepaids

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

6. 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, 2017

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

D. Financial Statement Elements, continued

7. Deferred Outflows of Resources

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

- Deferred outflow which is equal to the employer contributions made after the measurement date of the net pension liability. This amount will be amortized-in-full against the net pension liability in the next fiscal year.
- Deferred outflow for the net differences between the actual and expected experience which will be amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the Plan.
- Deferred outflow for the net difference in projected and actual earnings on investments of the pension plans fiduciary net position. This amount is amortized over a 5 year period.

8. 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.

9. Compensated Absences

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

The 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, 2017

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

D. Financial Statement Elements, continued

10. 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, 2015
- Measurement Date: June 30, 2016
- Measurement Period: July 1, 2015 to June 30, 2016

11. Deferred Inflows of Resources

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

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

12. 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.

Bear Valley Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2017

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

D. Financial Statement Elements, continued

12. Net Position/Fund Balances

- **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, 2017, the District has incurred a negative unrestricted net position balance in the Districts Enterprise Post Office fund of \$14,135 due to a current year operating costs exceeding operating revenue and transfers in from the General fund. The District intends to reduce the negative unrestricted net position balance through the collection of property taxes and service revenue in future periods.

13. 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.

Bear Valley Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2017

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

D. Financial Statement Elements, continued

14. 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.

15. 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.

16. Use of Estimates

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

(2) Cash and Cash Equivalents

Cash and cash equivalents as of June 30, 2017, are classified as follows:

Governmental activity funds:	
General fund	\$ 2,617,037
Streets and roads fund	4,596,977
Bond redemption fund	221,407
Supplemental law enforcement	<u>284,577</u>
Total	<u>7,719,998</u>
Business-type activity funds:	
Water fund	1,870,623
Wastewater fund	787,319
Solid waste fund	930,423
Post office fund	<u>3,719</u>
Total	<u>3,592,084</u>
Total cash and cash equivalents	<u><u>\$ 11,312,082</u></u>

Cash and cash equivalents as of June 30, 2017, consisted of the following:

Cash on hand	\$ 1,300
Deposits held with financial institutions	1,150,414
Deposits held with the County of Kern Treasurer's Pooled Cash Portfolio	9,705,025
Deposits held with the California Local Agency Investment Fund (LAIF)	<u>455,343</u>
Total	<u><u>\$ 11,312,082</u></u>

As of June 30, 2017, the District's authorized deposits had the following maturities:

Deposits held with the County of Kern Treasurer's Pooled Cash Portfolio	573 days
Deposits held with the California Local Agency Investment Fund (LAIF)	<u>194 days</u>

Bear Valley Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2017

(2) Cash and Cash Equivalents, continued

Authorized Deposits and Investments

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

Kern County Treasurer Fund

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

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

The District's deposit and withdrawal restrictions and limitations are as follows:

- Withdrawals of up to \$10,000,000 require 24 hour advance notice.
- Withdrawals of \$10,000,001 and greater require 72 hour advance notice.

Investment in the California State Investment Pool

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

The District's deposit and withdrawal restrictions and limitations are as follows:

- Each agency in the fund may invest up to \$40 million and may invest without limitation in special bond proceeds accounts.
- Same day transaction processing occurs for orders received before 10:00 a.m.
- Next day transactions processing occurs for orders received after 10:00 a.m.
- Maximum limit of 15 transactions (combination of deposits and withdrawals) per month.
- Minimum transaction amount requirement of \$5,000, in increments of a \$1,000 dollars.
- Withdrawals of \$10,000,000 or more require 24 hour advance notice.
- Prior to a funds transfer, an authorized person must call LAIF to do a verbal transaction.

Bear Valley Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2017

(2) Cash and Cash Equivalents, continued

Custodial Credit Risk

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

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

Interest Rate Risk

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

Credit Risk

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

Concentration of Credit Risk

The District's investment policy does not contain various limitations on the amounts that can be invested in any one governmental agency or non-governmental issuer as stipulated by the California Government Code. The District's deposit portfolio with governmental agencies, Kern County is 86% and LAIF is 4% as of June 30, 2017, 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, 2017:

	<u>Water</u>	<u>Wastewater</u>	<u>Solid Waste</u>	<u>Total</u>
Accounts receivable – utilities	\$ 370,789	93,310	94,610	558,709
Allowance for uncollectible receivables	(46,638)	-	-	(46,638)
Accounts receivable – utilities, net	<u>\$ 324,151</u>	<u>93,310</u>	<u>94,610</u>	<u>512,071</u>

Bear Valley Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2017

(4) Internal Balances

Due To/From Other Funds

Internal balances consist of the following as of June 30, 2017:

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

In 2017, the General fund advanced the Water and Wastewater Funds of \$181,843 and \$68,157, respectively, due to negative cash position in these funds. The advancement bears interest at the current LAIF interest earned rate per quarter and is expected to be repaid in fiscal year 2018.

Interfund Operational Transfers

Interfund transfers consist of the following for the year ended June 30, 2017:

Fund	Fund	Amount
General	Water	\$ 181,843
General	Wastewater	68,157
Total internal balances:		\$ 250,000

Transfer from	Transfer to	Amount In/(Out)
General	Post Office	\$ (31,763)
SUI Reserve	General	19,529
SUI Reserve	All Funds	(30,854)
SUI Reserve	Roads	5,125
Total Governmental Funds		\$ (37,963)

Interfund transfers are used to move revenues received in the General fund of \$31,763 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. During the fiscal year 2017, the District closed the Supplemental Employment Insurance (SUI) Fund and distributed the fund balance of \$30,854 between the governmental and business-type funds. Other transfers were for operating transfers between funds.

Bear Valley Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2017

(5) Capital Assets

Governmental Activities

Changes in capital assets for the year were as follows:

	<u>Balance 2016</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>Balance 2017</u>
Non-depreciable assets:				
Land	\$ 4,820,357	-	-	4,820,357
Construction-in-process	12,400	3,462,879	-	3,475,279
Total non-depreciable assets	<u>4,832,757</u>	<u>3,462,879</u>	<u>-</u>	<u>8,295,636</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	1,923,148	-	-	1,923,148
Total depreciable assets	<u>32,084,690</u>	<u>-</u>	<u>-</u>	<u>32,084,690</u>
Accumulated depreciation:				
Buildings and improvements	(4,232,610)	(83,135)	-	(4,315,745)
Infrastructure, streets and roads	(22,723,357)	(186,398)	-	(22,909,755)
Vehicles and equipment	(1,584,080)	(65,952)	-	(1,650,032)
Total accumulated depreciation	<u>(28,540,047)</u>	<u>(335,485)</u>	<u>-</u>	<u>(28,875,532)</u>
Total depreciable assets, net	<u>3,544,643</u>	<u>(335,485)</u>	<u>-</u>	<u>3,209,158</u>
Total capital assets, net	<u>\$ 8,377,400</u>			<u>11,504,794</u>

Major capital asset additions in the governmental activities area include the acquisition of vehicles and equipment for the governmental general fund. Major capital asset deletions in the governmental activities area include the disposal of vehicles and equipment for the governmental general fund.

Depreciation expense under governmental activities was allotted as follows for the year ended June 30, 2017:

	<u>Depreciation Expense</u>
General government	\$ 55,098
Public safety	43,275
Streets and roads	<u>237,112</u>
Total	<u>\$ 335,485</u>

Bear Valley Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2017

(5) Capital Assets, continued

Business-Type Activities

Changes in capital assets for the year were as follows:

	<u>Balance 2016</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>Balance 2017</u>
Non-depreciable assets:				
Land	\$ 3,662,053	-	-	3,662,053
Total non-depreciable assets	<u>3,662,053</u>	<u>-</u>	<u>-</u>	<u>3,662,053</u>
Depreciable assets:				
Water transmission and distribution	14,395,271	654,610	-	15,049,881
Wastewater collection	4,689,248	25,200	-	4,714,448
Solid waste collection	156,231	-	-	156,231
Vehicles and equipment	893,108	69,045	-	962,153
Total depreciable assets	<u>20,133,858</u>	<u>748,855</u>	<u>-</u>	<u>20,882,713</u>
Accumulated depreciation:				
Water transmission and distribution	(9,359,786)	(375,510)	-	(9,735,296)
Wastewater collection	(4,196,856)	(31,467)	-	(4,228,323)
Solid waste collection	(124,114)	(3,321)	-	(127,435)
Vehicles and equipment	(693,739)	(36,680)	-	(730,419)
Total accumulated depreciation	<u>(14,374,495)</u>	<u>(446,978)</u>	<u>-</u>	<u>(14,821,473)</u>
Total depreciable assets, net	<u>5,759,363</u>	<u>301,877</u>	<u>-</u>	<u>6,061,240</u>
Total capital assets, net	<u>\$ 9,421,416</u>			<u>9,723,293</u>

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

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

<u>Water Enterprise</u>	<u>Balance 2016</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>Balance 2017</u>
Non-depreciable assets:				
Land	\$ 3,647,319	-	-	3,647,319
Total non-depreciable assets	<u>3,647,319</u>	<u>-</u>	<u>-</u>	<u>3,647,319</u>
Depreciable assets:				
Water transmission and distribution	14,395,271	654,610	-	15,049,881
Vehicles and equipment	639,936	-	-	639,936
Total depreciable assets	<u>15,035,207</u>	<u>654,610</u>	<u>-</u>	<u>15,689,817</u>
Accumulated depreciation:				
Water transmission and distribution	(9,359,786)	(375,510)	-	(9,735,296)
Vehicles and equipment	(446,704)	(33,366)	-	(480,070)
Total accumulated depreciation	<u>(9,806,490)</u>	<u>(408,876)</u>	<u>-</u>	<u>(10,215,366)</u>
Total depreciable assets, net	<u>5,228,717</u>	<u>245,734</u>	<u>-</u>	<u>5,474,451</u>
Total capital assets, net	<u>\$ 8,876,036</u>			<u>9,121,770</u>

Bear Valley Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2017

(5) Capital Assets, continued

Business-Type Activities, continued

Wastewater Enterprise	Balance 2016	Additions	Deletions/ Transfers	Balance 2017
Non-depreciable assets:				
Land	\$ 14,734	-	-	14,734
Total non-depreciable assets	14,734	-	-	14,734
Depreciable assets:				
Wastewater collection	4,689,248	25,200	-	4,714,448
Vehicles and equipment	102,291	69,045	-	171,336
Total depreciable assets	4,791,539	94,245	-	4,885,784
Accumulated depreciation:				
Wastewater collection	(4,196,856)	(31,467)	-	(4,228,323)
Vehicles and equipment	(96,153)	(3,314)	-	(99,467)
Total accumulated depreciation	(4,293,009)	(34,781)	-	(4,327,790)
Total depreciable assets, net	498,530	59,464	-	557,994
Total capital assets, net	\$ 513,264			572,728

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

Solid Waste Enterprise	Balance 2016	Additions	Deletions/ Transfers	Balance 2017
Depreciable assets:				
Solid waste collection	\$ 156,231	-	-	156,231
Vehicles and equipment	150,881	-	-	150,881
Total depreciable assets	307,112	-	-	307,112
Accumulated depreciation:				
Solid waste collection	(124,114)	(3,321)	-	(127,435)
Vehicles and equipment	(150,881)	-	-	(150,881)
Total accumulated depreciation	(274,995)	(3,321)	-	(278,316)
Total depreciable assets, net	32,117	(3,321)	-	28,796
Total capital assets, net	\$ 32,117			28,796

Bear Valley Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2017

(6) Compensated Absences

The District's policy relating to compensated absences is described in note 1. The following liability at June 30, 2017, 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, 2017, were as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Compensated absences, beginning	\$ 213,284	106,395
Current year employee earnings	153,559	82,200
Employee time taken	<u>(221,906)</u>	<u>(89,360)</u>
Compensated absences, ending	144,937	99,235
Less: current portion payable	<u>(36,234)</u>	<u>(24,809)</u>
Long-term portion payable	<u>\$ 108,703</u>	<u>74,426</u>

(7) Bond Payable

Changes in bond payable for the year ended June 30, 2017, is as follows:

	<u>Balance 2016</u>	<u>Additions</u>	<u>Payments/ Retirements</u>	<u>Balance 2017</u>
General obligation bonds – 2002A	\$ 795,000	-	(795,000)	-
General obligation bonds – 2016	<u>-</u>	<u>792,000</u>	<u>-</u>	<u>792,000</u>
Total bonds payable	<u>795,000</u>	<u>792,000</u>	<u>(795,000)</u>	<u>792,000</u>
Less: current portion due	<u>(50,000)</u>			<u>(61,000)</u>
Long-term portion due	<u>\$ 745,000</u>			<u>731,000</u>

2016 Refunding General Obligation Bond

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

Bear Valley Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2017

(7) Bond Payable, continued

2016 Refunding General Obligation Bond, continued

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 61,000	22,388	83,388
2019	63,000	20,565	83,565
2020	67,000	18,654	85,654
2021	67,000	16,685	83,685
2022	71,000	14,656	85,656
2022-2026	379,000	35,681	414,681
2027	<u>84,000</u>	<u>1,235</u>	<u>85,235</u>
Totals	792,000	<u>129,864</u>	<u>921,864</u>
Current portion due	<u>(61,000)</u>		
Long-term portion	<u>\$ 731,000</u>		

(8) Loans Payable

Streets and Roads Fund - Governmental

Changes in government fund loans payable for the year ended June 30, 2017, are as follows:

Roads fund:	<u>Balance</u> <u>2016</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance</u> <u>2017</u>
Installment Sale Agreement - 2016	\$ -	<u>2,000,000</u>	<u>-</u>	2,000,000
Less: current portion due	<u>-</u>			<u>(382,783)</u>
Long-term portion due	<u>\$ -</u>			<u>1,617,217</u>

Installment Sale Agreement Loan – 2016

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

Bear Valley Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2017

(8) Loans Payable, continued

Installment Sale Agreement Loan – 2016, continued

Annual debt service requirements on the loan are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 382,783	44,000	426,783
2019	391,204	35,579	426,783
2020	399,811	26,972	426,783
2021	408,606	18,176	426,782
2022	417,596	9,187	426,783
Totals	2,000,000	<u>133,914</u>	<u>2,133,914</u>
Current portion due	<u>(382,783)</u>		
Long-term portion	<u>\$ 1,617,217</u>		

Water and Wastewater Funds

	<u>Balance 2016</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance 2017</u>
Water fund:				
CIEBD - Loan	\$ 2,103,352	-	(104,842)	1,998,510
Wastewater fund:				
CIEBD - Loan	436,048	-	(18,292)	417,756
Total loans payable	2,539,400	<u>-</u>	<u>(123,134)</u>	2,416,266
Less: current portion	<u>(222,369)</u>			<u>(120,536)</u>
Long-term portion	<u>\$ 2,317,031</u>			<u>2,295,730</u>

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.

Bear Valley Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2017

(8) Loans Payable, continued

California Infrastructure and Economic Development Bank (CIEDB) Loan

Annual debt service requirements on the loan are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 120,536	69,031	189,567
2019	124,068	65,447	189,515
2020	127,703	61,759	189,462
2021	131,445	57,962	189,407
2022	135,296	54,055	189,351
2023-2027	738,320	207,529	945,849
2028-2032	853,010	91,158	944,168
2033	185,889	2,723	188,612
Total	2,416,267	609,664	3,025,931
Current portion due	(120,536)		
Long-term portion	\$ 2,295,731		

(9) Defined Benefit Pension Plans

Plans' Description

All qualified permanent and probationary employees are eligible to participate in the District's separate Safety and Miscellaneous Employee Pension Plans, cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plan 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.

Bear Valley Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2017

(9) Defined Benefit Pension Plans, continued

Benefits Provided, continued

The District's Safety and Miscellaneous Plans' provisions and benefits in effect at June 30, 2017, are summarized as follows:

	<u>Miscellaneous Plan</u>		<u>Safety Plan</u>	
	<u>Tier 1</u>	<u>Tier 2</u>	<u>Tier 1</u>	<u>Tier 2</u>
Hire date	Prior to January 1, 2013	On or after January 1, 2013	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2.0% @ 55	2.0% @ 62	2.0% @ 50	2.7% @ 57
Benefit vesting schedule	5 years of service	5 years of service	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life	monthly for life	monthly for life
Retirement age	55 - 65	52 - 67	50 - 55	52 - 67
Monthly benefits, as a % of eligible compensation	2.0% to 2.5%	1.0% to 2.5%	2.0% to 2.5%	2.7% to 3.5%
Required employee contribution rates	6.886%	6.250%	8.925%	11.500%
Required employer contribution rates	8.377%	6.555%	14.785%	12.082%

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, 2017, the contributions for the Plan were as follows:

<u>Contribution Source</u>	<u>Miscellaneous Plan 2017</u>	<u>Safety Plan 2017</u>
Contributions – employer	\$ 199,728	93,551
Total employer paid contributions	\$ 199,728	93,551

Net Pension Liability

As of the fiscal year ended June 30, 2017, the District reported net pension liabilities for its proportionate shares of the net pension liability of the Plan as follows:

<u>Plan Description</u>	<u>Proportionate Share of Pension Liability 2017</u>
Miscellaneous Plan	\$ 2,264,172
Safety Plan	1,231,600
Total Safety & Miscellaneous Plans	\$ 3,495,772

Bear Valley Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2017

(9) Defined Benefit Pension Plans, continued

Net Pension Liability, continued

The District's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2016 (the measurement date), and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015 (the valuation date), rolled forward to June 30, 2016, using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

The District's proportionate share of the pension liability for the Plan as of June 30, 2015 and 2016 was as follows:

	<u>Miscellaneous Plan</u>	<u>Safety Plan</u>	<u>District's Misc & Safety Plans</u>
Proportional share – June 30, 2015	0.02444%	0.01368%	0.03812%
Proportional share – June 30, 2016	0.02617%	0.01423%	0.04040%
Change – Increase (Decrease)	<u>0.00173%</u>	<u>0.00055%</u>	<u>0.00228%</u>

Deferred Pension Outflows (Inflows) of Resources

For the fiscal year ended June 30, 2017, the District recognized pension expense of \$1,173,008.

At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>			<u>Deferred Inflows of Resources</u>		
	<u>Miscellaneous Plan</u>	<u>Safety Plan</u>	<u>Misc & Safety Total</u>	<u>Miscellaneous Plan</u>	<u>Safety Plan</u>	<u>Misc & Safety Total</u>
Pension contributions subsequent to the measurement date	\$ 199,728	93,551	293,279	-	-	-
Differences between actual and expected experience	5,125	-	5,125	-	(6,666)	(6,666)
Net differences between projected and actual earnings on plan investments	327,395	142,788	470,183	-	-	-
Changes in assumptions	-	-	-	(62,904)	(29,064)	(91,968)
Differences between actual contribution and proportionate share of contribution	-	-	-	(141,440)	(31,464)	(172,904)
Adjustment due to differences in proportions of the net pension liability	-	-	-	(87,493)	(18,563)	(106,056)
Total	<u>\$ 532,248</u>	<u>236,339</u>	<u>768,587</u>	<u>(291,837)</u>	<u>(85,757)</u>	<u>(377,594)</u>

As of June 30, 2017, employer pension contributions reported as deferred outflows of resources related to contributions subsequent to the measurement date of \$293,279 will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2018.

Bear Valley Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2017

(9) Defined Benefit Pension Plans, continued

Deferred Pension Outflows (Inflows) of Resources, continued

At June 30, 2017, the District recognized other amounts reported as deferred outflows of resources and deferred inflows of resources related to the pension liability, which will be recognized as pension expense as follows.

Fiscal Year Ending June 30:	Deferred Outflows/(Inflows) of Resources		
	Miscellaneous Plan	Safety Plan	Misc & Safety Total
2017	\$ (119,319)	(31,547)	(150,866)
2018	(87,000)	(23,199)	(110,199)
2019	165,004	74,926	239,930
2020	81,998	36,851	118,849
2021	-	-	-
Thereafter	-	-	-

Actuarial Assumptions

The total pension liability in the June 30, 2016, actuarial valuation report was determined using the following actuarial assumptions:

Valuation Date	June 30, 2015
Measurement Date	June 30, 2016
Actuarial cost method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial assumptions:	
Discount rate	7.50% Net of Administrative Expenses for 2015
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 7.65% for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the Plan, the amortization and smoothing periods recently adopted by CalPERS were utilized. The crossover test was performed for a miscellaneous agent plan and a safety agent plan selected as being more at risk of failing the crossover test and resulting in a discount rate that would be different from the long-term expected rate of return on pension investments.

Based on the testing of the plans, the tests revealed the assets would not run out. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the Plan.

Bear Valley Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2017

(9) Defined Benefit Pension Plans, continued

Discount Rate, continued

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

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

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	51.0%	5.25%	5.71%
Global Fixed Income	20.0	0.99	2.43
Inflation Sensitive	6.0	0.45	3.36
Private Equity	10.0	6.83	6.95
Real Estate	10.0	4.50	5.13
Infrastructure and Forestland	2.0	4.50	5.09
Liquidity	1.0	(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.

At June 30, 2017, the discount rate comparison was the following:

	<u>Discount Rate – 1% (6.65%)</u>	<u>Current Discount Rate (7.65%)</u>	<u>Discount Rate + 1% (8.65%)</u>
District's Net Pension Liability – Miscellaneous Plan	\$ 3,638,449	2,264,172	1,128,399
District's Net Pension Liability – Safety Plan	1,879,959	1,231,600	699,364
Total Miscellaneous and Safety Plans	<u>\$ 5,518,408</u>	<u>3,495,772</u>	<u>1,827,764</u>

Bear Valley Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2017

(9) Defined Benefit Pension Plans, continued

Pension Plan Fiduciary Net Position

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

Payable to the Pension Plan

At June 30, 2017, the District reported \$0 in payables for the outstanding amount of contribution to the pension plan.

(10) Net Investment in Capital Assets

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

The balance consists of the following:	Governmental Activities	Business-type Activities	Total
Capital assets – not being depreciated	\$ 8,295,636	3,662,053	\$ 11,957,689
Capital assets – being depreciated, net	3,209,158	6,061,240	9,270,398
Bond payable – current portion	(61,000)	-	(61,000)
Loans payable – current portion	-	(120,536)	(120,536)
Bond payable – long-term portion	(731,000)	-	(731,000)
Loans payable – long-term portion	-	(2,295,730)	(2,295,730)
Total	<u>\$ 10,712,794</u>	<u>7,307,027</u>	<u>\$ 18,019,821</u>

(11) Restricted Net Position

Net position are restricted as follows:	Governmental Activities	Business-type Activities	Total
Street and road improvements	\$ 2,435,484	-	\$ 2,435,484
Debt service	222,235	-	222,235
Public safety (COPS Program)	276,749	-	276,749
	<u>\$ 2,934,468</u>	<u>-</u>	<u>\$ 2,934,468</u>

(12) Unrestricted Net Position

The District's Board of Directors has designated the use of the District's June 30, 2017, unrestricted net position as follows:

Net position are designated as follows:	Governmental Activities	Business-type Activities	Total
Unfunded reserves	\$ (1,699,454)	-	\$ (1,699,454)
Prepaid expenses	-	10,533	10,533
Water operations	-	728,445	728,445
Water capital replacement	-	306,347	306,347
Wastewater operations	-	171,501	171,501
Wastewater capital replacement	-	463,612	463,612
Solid waste operations	-	441,379	441,379
Solid waste capital replacement	-	386,946	386,946
Post office operations	-	(14,135)	(14,135)
Total	<u>\$ (1,699,454)</u>	<u>2,494,628</u>	<u>\$ 1,755,650</u>

Bear Valley Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2017

(12) Unrestricted Net Position, continued

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.

(13) Deferred Compensation Savings Plan

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

Federal law requires deferred compensation assets to be held in trust for the exclusive benefit of the participants. Accordingly, the District is in compliance with this legislation. Therefore, these assets are not the legal property of the District, and are not subject to claims of the District's general creditors. Market value of all plan assets held in trust by CalPERS at June 30, 2017, was \$607,585.

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

(14) Risk Management

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

At June 30, 2017, 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 for the SDRMA pool in the amount of \$1.0 billion per occurrence, subject to a \$1,000 deductible per occurrence.
- Boiler and machinery coverage for scheduled items, the replacement cost up to \$100 million (SDRMA pool limit) per occurrence, subject to a \$1,000 deductible per occurrence.

Bear Valley Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2017

(14) Risk Management, continued

- 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 2017, 2016 and 2015. 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, 2017, 2016 and 2015.

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

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to June 30, 2017, that have effective dates that may impact future financial presentations.

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 June 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. 81

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

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

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

Bear Valley Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2017

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

Governmental Accounting Standards Board Statement No. 83

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

The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 84

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

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

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

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 85

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

The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 86

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

Bear Valley Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2017

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

Governmental Accounting Standards Board Statement No. 86, continued

The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 87

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

The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged.

(16) Commitments and Contingencies

Litigation

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

Grant Awards

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

(17) Subsequent Events

Other Events

Management is not aware of any other events occurring after June 30, 2017, have been evaluated for possible adjustment to the financial statements or disclosure as of February 22, 2018, which is the date the financial statements were available to be issued. The District is not aware of any subsequent events that would require recognition or disclosure in the financial statements.

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Required Supplementary Information

Bear Valley Community Services District
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual – General Fund – Major Fund
For the Year Ended June 30, 2017

	<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	\$ 1,619,045	-	1,619,045	1,616,777	(2,268)
Voter approved taxes	553,745	-	553,745	538,851	(14,894)
Federal and state aid	38,000	-	38,000	8,887	(29,113)
Interest earnings	5,000	-	5,000	17,588	12,588
Rents and royalties	147,825	-	147,825	160,552	12,727
Other	23,900	-	23,900	48,272	24,372
Total revenues	<u>2,387,515</u>	<u>-</u>	<u>2,387,515</u>	<u>2,390,927</u>	<u>3,412</u>
Expenditures:					
General government	389,450	-	389,450	138,559	250,891
Public safety	2,196,807	-	2,196,807	1,945,402	251,405
Capital outlay	540,000	-	540,000	-	540,000
Total expenditures	<u>3,126,257</u>	<u>-</u>	<u>3,126,257</u>	<u>2,083,961</u>	<u>1,042,296</u>
Excess(deficiency) of revenues over expenditures	<u>(738,742)</u>	<u>-</u>	<u>(738,742)</u>	<u>306,966</u>	<u>1,045,708</u>
Other financing sources(uses):					
Operating transfers	<u>(65,941)</u>	<u>-</u>	<u>(65,941)</u>	<u>(43,088)</u>	<u>22,853</u>
Net change in fund balance	<u>(804,683)</u>	<u>-</u>	<u>(804,683)</u>	<u>263,878</u>	<u>1,068,561</u>
Fund balance, beginning of year	<u>468,108</u>	<u>-</u>	<u>468,108</u>	<u>2,463,032</u>	
Fund balance, end of year	<u>\$ (336,575)</u>	<u>-</u>	<u>(336,575)</u>	<u>2,726,910</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, 2017

	<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	\$ 1,210,000	-	1,210,000	1,181,572	(28,428)
Interest earnings	-	-	-	40,740	40,740
Other	1,000	-	1,000	7,070	6,070
Debt service:					
Debt proceeds	<u>2,000,000</u>	<u>-</u>	<u>2,000,000</u>	<u>2,000,000</u>	<u>-</u>
Total revenues	<u>3,211,000</u>	<u>-</u>	<u>3,211,000</u>	<u>3,229,382</u>	<u>18,382</u>
Expenditures:					
Streets and roads	995,517	-	995,517	605,207	390,310
Capital outlay	4,749,389	-	4,749,389	3,652,711	1,096,678
Debt service:					
Interest paid	<u>-</u>	<u>-</u>	<u>-</u>	<u>23,833</u>	<u>(23,833)</u>
Total expenditures	<u>5,744,906</u>	<u>-</u>	<u>5,744,906</u>	<u>4,281,751</u>	<u>1,463,155</u>
Excess(deficiency) of revenues over expenditures	<u>(2,533,906)</u>	<u>-</u>	<u>(2,533,906)</u>	<u>(1,052,369)</u>	<u>1,481,537</u>
Other financing sources(uses):					
Operating transfers	<u>3,719</u>	<u>-</u>	<u>3,719</u>	<u>5,125</u>	<u>1,406</u>
Net change in fund balance	<u>(2,530,187)</u>	<u>-</u>	<u>(2,530,187)</u>	<u>(1,047,244)</u>	<u>1,482,943</u>
Fund balance, beginning of year	<u>(2,528,644)</u>	<u>-</u>	<u>(2,528,644)</u>	<u>3,526,229</u>	
Fund balance, end of year	<u>\$ (5,058,831)</u>	<u>-</u>	<u>(5,058,831)</u>	<u>2,478,985</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, 2017

	<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	\$ 24,824	-	24,824	84,491	59,667
Interest earnings	250	-	250	1,585	1,335
Rents and royalties	-	-	-	-	-
Debt service:					
Debt proceeds	-	-	-	792,000	792,000
Total revenues	<u>25,074</u>	<u>-</u>	<u>25,074</u>	<u>878,076</u>	<u>853,002</u>
Expenditures:					
Debt service:					
General government	800	-	800	4,521	(3,721)
Bond payments	50,000	-	50,000	795,000	(745,000)
Debt issuance	-	-	-	47,000	(47,000)
Interest paid	32,590	-	32,590	28,067	4,523
Total expenditures	<u>83,390</u>	<u>-</u>	<u>83,390</u>	<u>874,588</u>	<u>(791,198)</u>
Net change in fund balance	(58,316)	-	(58,316)	3,488	<u>61,804</u>
Fund balance, beginning of year	<u>9,256</u>	<u>-</u>	<u>9,256</u>	<u>218,747</u>	
Fund balance, end of year	<u>\$ (49,060)</u>	<u>-</u>	<u>(49,060)</u>	<u>222,235</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, 2017

	<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	\$ 110,000	-	110,000	129,324	19,324
Interest earnings	750	-	750	2,376	1,626
Total revenues	<u>110,750</u>	<u>-</u>	<u>110,750</u>	<u>131,700</u>	<u>20,950</u>
Expenditures:					
Public safety	193,850	-	193,850	119,339	74,511
Capital outlay	180,000	-	180,000	-	180,000
Total expenditures	<u>373,850</u>	<u>-</u>	<u>373,850</u>	<u>119,339</u>	<u>254,511</u>
Excess(deficiency) of revenues over expenditures	<u>(263,100)</u>	<u>-</u>	<u>(263,100)</u>	<u>12,361</u>	<u>275,461</u>
Net change in fund balance	<u>(263,100)</u>	<u>-</u>	<u>(263,100)</u>	<u>12,361</u>	<u>275,461</u>
Fund balance, beginning of year	<u>109,974</u>	<u>-</u>	<u>109,974</u>	<u>264,388</u>	
Fund balance, end of year	<u>\$ (153,126)</u>	<u>-</u>	<u>(153,126)</u>	<u>276,749</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, 2017

	<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	\$ 1,925,000	-	1,925,000	2,075,969	150,969
Other charges for services	42,500	-	42,500	31,532	(10,968)
Total operating revenues	<u>1,967,500</u>	<u>-</u>	<u>1,967,500</u>	<u>2,107,501</u>	<u>140,001</u>
Operating expenses:					
Salaries and benefits	1,201,408	-	1,201,408	878,739	322,669
Operations	1,668,493	-	1,668,493	1,155,509	512,984
Total operating expenses	<u>2,869,901</u>	<u>-</u>	<u>2,869,901</u>	<u>2,034,248</u>	<u>835,653</u>
Operating income(loss) before capital	(902,401)	-	(902,401)	73,253	975,654
Depreciation expense	-	-	-	(408,876)	408,876
Operating income(loss)	<u>(902,401)</u>	<u>-</u>	<u>(902,401)</u>	<u>(335,623)</u>	<u>566,778</u>
Non-operating revenue(expense):					
Interest earnings	-	-	-	15,948	15,948
Interest expense	(59,975)	-	(59,975)	(58,792)	1,183
Total non-operating, net	<u>(59,975)</u>	<u>-</u>	<u>(59,975)</u>	<u>(42,844)</u>	<u>17,131</u>
Other financing sources(uses):					
Operating transfers	2,647	-	2,647	3,262	615
Capital contributions and purchases:					
Capital outlay	(965,000)	-	(965,000)	-	(965,000)
Standby charges	25,000	-	25,000	-	(25,000)
Capacity charges	37,775	-	37,775	52,885	15,110
Total capital contributions	<u>(902,225)</u>	<u>-</u>	<u>(902,225)</u>	<u>52,885</u>	<u>(955,110)</u>
Change in net position	<u>(1,861,954)</u>	<u>-</u>	<u>(1,861,954)</u>	<u>(322,320)</u>	<u>(370,586)</u>
Net position, beginning of year	<u>7,291,110</u>	<u>-</u>	<u>7,291,110</u>	<u>8,480,371</u>	
Fund balance, end of year	<u>\$ 5,429,156</u>	<u>-</u>	<u>5,429,156</u>	<u>8,158,051</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, 2017

	<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	\$ 487,742	-	487,742	497,775	10,033
Other charges for services	<u>2,500</u>	<u>-</u>	<u>2,500</u>	<u>438</u>	<u>(2,062)</u>
Total operating revenues	<u>490,242</u>	<u>-</u>	<u>490,242</u>	<u>498,213</u>	<u>7,971</u>
Operating expenses:					
Salaries and benefits	384,382	-	384,382	360,090	24,292
Operations	<u>266,237</u>	<u>-</u>	<u>266,237</u>	<u>137,368</u>	<u>128,869</u>
Total operating expenses	<u>650,619</u>	<u>-</u>	<u>650,619</u>	<u>497,458</u>	<u>153,161</u>
Operating income(loss) before capital	(160,377)	-	(160,377)	755	161,132
Depreciation expense	<u>-</u>	<u>-</u>	<u>-</u>	<u>(34,781)</u>	<u>34,781</u>
Operating income(loss)	<u>(160,377)</u>	<u>-</u>	<u>(160,377)</u>	<u>(34,026)</u>	<u>126,351</u>
Non-operating revenue(expense):					
Interest earnings	-	-	-	6,623	6,623
Interest expense	<u>(12,537)</u>	<u>-</u>	<u>(12,537)</u>	<u>(12,290)</u>	<u>247</u>
Total non-operating, net	<u>(12,537)</u>	<u>-</u>	<u>(12,537)</u>	<u>(5,667)</u>	<u>6,870</u>
Other financing sources(uses):					
Operating transfers	<u>1,119</u>	<u>-</u>	<u>1,119</u>	<u>1,309</u>	<u>190</u>
Capital contributions and purchases:					
Capital outlay	(245,000)	-	(245,000)	-	(245,000)
Capacity charges	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,529</u>	<u>6,529</u>
Total capital contributions	<u>(245,000)</u>	<u>-</u>	<u>(245,000)</u>	<u>6,529</u>	<u>(251,529)</u>
Change in net position	<u>(416,795)</u>	<u>-</u>	<u>(416,795)</u>	<u>(31,855)</u>	<u>(118,118)</u>
Net position, beginning of year	<u>809,952</u>	<u>-</u>	<u>809,952</u>	<u>832,473</u>	
Fund balance, end of year	<u>\$ 393,157</u>	<u>-</u>	<u>393,157</u>	<u>801,927</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, 2017

	<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	\$ 550,000	-	550,000	553,547	3,547
Other charges for services	1,000	-	1,000	402	(598)
Total operating revenues	<u>551,000</u>	<u>-</u>	<u>551,000</u>	<u>553,949</u>	<u>2,949</u>
Operating expenses:					
Salaries and benefits	217,176	-	217,176	160,462	56,714
Operations	547,938	-	547,938	357,607	190,331
Total operating expenses	<u>765,114</u>	<u>-</u>	<u>765,114</u>	<u>518,069</u>	<u>247,045</u>
Operating income(loss) before capital	(214,114)	-	(214,114)	35,880	249,994
Depreciation expense	-	-	-	(3,321)	(3,321)
Operating income(loss)	<u>(214,114)</u>	<u>-</u>	<u>(214,114)</u>	<u>32,559</u>	<u>253,315</u>
Non-operating revenue(expense):					
Interest earnings	-	-	-	7,556	7,556
Total non-operating, net	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,556</u>	<u>(7,556)</u>
Other financing sources(uses):					
Operating transfers	619	-	619	770	151
Capital contributions and purchases:					
Capital outlay	250,000	-	250,000	-	(250,000)
Total capital contributions	<u>250,000</u>	<u>-</u>	<u>250,000</u>	<u>-</u>	<u>(250,000)</u>
Change in net position	<u>36,505</u>	<u>-</u>	<u>36,505</u>	<u>40,885</u>	<u>(4,090)</u>
Net position, beginning of year	<u>407,251</u>	<u>-</u>	<u>407,251</u>	<u>816,235</u>	
Fund balance, end of year	<u>\$ 443,756</u>	<u>-</u>	<u>443,756</u>	<u>857,120</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, 2017

	<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	\$ 17,500	-	17,500	19,808	2,308
Other charges for services	<u>750</u>	<u>-</u>	<u>750</u>	<u>514</u>	<u>(236)</u>
Total operating revenues	<u>18,250</u>	<u>-</u>	<u>18,250</u>	<u>20,322</u>	<u>2,072</u>
Operating expenses:					
Salaries and benefits	60,642	-	60,642	45,121	15,521
Operations	<u>22,719</u>	<u>-</u>	<u>22,719</u>	<u>8,986</u>	<u>13,733</u>
Total operating expenses	<u>83,361</u>	<u>-</u>	<u>83,361</u>	<u>54,107</u>	<u>29,254</u>
Operating income(loss) before capital	(65,111)	-	(65,111)	(33,785)	31,326
Other financing sources(uses):					
Operating transfers	<u>66,681</u>	<u>-</u>	<u>66,681</u>	<u>32,622</u>	<u>(34,059)</u>
Change in net position	<u>1,570</u>	<u>-</u>	<u>1,570</u>	<u>(1,163)</u>	<u>31,326</u>
Net position, beginning of year	<u>15,603</u>	<u>-</u>	<u>15,603</u>	<u>(12,971)</u>	
Fund balance, end of year	<u>\$ 17,173</u>	<u>-</u>	<u>17,173</u>	<u>(14,134)</u>	

Bear Valley Community Services District
District's Proportionate Share of the Net Pension Liability – Last Ten Years*
As of June 30, 2017

<u>Description</u>	<u>Miscellaneous Plan</u>	<u>Safety Plan</u>	<u>Fiscal Year 2016-2017</u>	<u>Fiscal Year 2015-2016</u>	<u>Fiscal Year 2014-2015</u>
District's Proportion of the Net Pension Liability	0.02444%	0.01368%	0.03812%	0.03812%	0.03969%
District's Proportionate Share of the Net Pension Liability	\$ 2,264,172	1,231,600	\$ 3,495,772	2,616,040	\$ 2,469,727
District's Covered-Employee Payroll	\$ 1,442,689	398,464	\$ 1,841,153	2,098,786	\$ 2,369,855
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	63.72%	32.35%	52.67%	80.23%	95.96%
Plan's Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	77.82%	74.21%	76.67%	81.98%	82.50%

Notes:

Changes in Benefit Terms – For the measurement date June 30, 2016, there were no changes in the benefit terms.

Changes of Assumptions – For the measurement date June 30, 2016, there were no changes in the assumptions.

* Historical information presented above follows the measurement periods for which GASB 68 & 71 were applicable. The fiscal year ended June 30, 2015, was the first year of implementation required by GASB 68 & 71, therefore, only three years are shown.

**Bear Valley Community Services District
Pension Plan Contributions – Last Ten Years*
As of June 30, 2017**

<u>Schedule of Pension Plan Contributions:</u>	<u>Miscellaneous Plan</u>	<u>Safety Plan</u>	<u>Fiscal Year 2016-2017</u>	<u>Fiscal Year 2015-2016</u>	<u>Fiscal Year 2014-2015</u>
Actuarially Determined Contribution	\$ 224,325	111,937	\$ 336,262	\$ 264,183	\$ 266,841
Contributions in Relation to the Actuarially Determined Contribution	<u>(199,728)</u>	<u>(93,551)</u>	<u>(293,279)</u>	<u>(272,528)</u>	<u>(266,841)</u>
Contribution Deficiency (Excess)	\$ 24,597	18,386	\$ 42,983	\$ (8,345)	\$ -
Covered Payroll	<u>\$ 1,442,689</u>	<u>398,464</u>	<u>\$ 1,841,153</u>	<u>\$ 2,098,786</u>	<u>\$ 2,369,855</u>
Contribution's as a percentage of Covered-employee Payroll	<u>15.55%</u>	<u>28.09%</u>	<u>18.26%</u>	<u>12.59%</u>	<u>11.26%</u>

Notes:

- * Historical information presented above follows the measurement periods for which GASB 68 & 71 were applicable. The fiscal year ended June 30, 2015, was the first year of implementation required by GASB 68 & 71, therefore, only four years are 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, 2017, and the related notes to the financial statements, which collectively comprises the District's basic financial statements, and have issued our report thereon dated February 22, 2018.

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.

A handwritten signature in black ink that reads "Fedak & Brown LLP". The signature is written in a cursive, slightly slanted style.

Fedak & Brown LLP
Cypress, California
February 22, 2018