



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

Annual Financial Report

**For the Fiscal Year Ended
June 30, 2019**



BEAR VALLEY COMMUNITY SERVICES DISTRICT

List of Elected and Appointed Officials

June 30, 2019

Elected Officials

BOARD OF DIRECTORS

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

District Management

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

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Tehachapi, California 93561
(661) 821-4428 www.bvcsd.com**



Bear Valley Community Services District
Annual Financial Report
For the Fiscal Year Ended June 30, 2019

Prepared by:
Finance Department

**Bear Valley Community Services District
Annual Financial Report
For the Fiscal Year Ended June 30, 2019**

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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, 2019, 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, 2019, 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 52 through 55, and the required supplementary information on pages 56 and 57 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Matters

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

The supplementary information on pages 58 through 60 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated February 13, 2020, 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 13, 2020

**Bear Valley Community Services District
Management's Discussion and Analysis
For the Year Ended June 30, 2019**

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, 2019. We encourage readers to consider the information presented here in conjunction with the accompanying basic financial statements and related notes, which follow this section. All amounts, unless otherwise indicated, are expressed in whole dollars.

Financial Highlights

- The District's net position decreased 2.2%, or \$458,782 from \$20,898,325 to \$20,439,543 as a result of current year operations.
- Total revenues from all sources increased 2.2%, or \$158,842 from \$7,265,878 to \$7,424,720, from the prior year, primarily due to increases of \$158,848 in general revenues.
- Total expenses for District operations decreased 2.9%, or \$233,514 from \$8,117,016 to \$7,883,502, from the prior year, primarily due to decreases of \$979,178 in general government and \$294,013 in public safety, offset by increases of \$237,324 in streets and roads, \$507,264 in water expenses, \$271,807 in wastewater expenses, and \$90,933 in solid waste 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, streets and roads, and public safety. The business-type activities of the District include operations for water, wastewater (sewer), and solid waste (trash).

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

**Bear Valley Community Services District
Management's Discussion and Analysis
For the Year Ended June 30, 2019**

Fund Financial Statements

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

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

Governmental Funds

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

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

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

The Bear Valley Community Services District adopts an annual appropriated budget for its general, streets and roads, bond redemption, and supplemental law enforcement funds. A budgetary comparison statement has been provided for each fund to demonstrate compliance with the budget. See pages 52 through 55 of this report.

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

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

Enterprise Funds

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

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

A budgetary comparison statement to demonstrate compliance with the budget is not required for enterprise funds; nonetheless, budgetary comparison schedules are provided on pages 58 through 60 of this report.

**Bear Valley Community Services District
Management's Discussion and Analysis
For the Year Ended June 30, 2019**

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

Enterprise Funds, continued

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

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

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 23 through 51 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 52 through 57 of this report.

Government-wide Financial Analysis

Bear Valley Community Services District's Statements of Net Position

	Condensed Statements of Net Position						
	Governmental Activities		Business-type Activities		Total District		
	2019	2018	2019	2018	2019	2018	Change
Assets:							
Current and other assets	\$ 6,282,284	6,103,627	3,279,516	3,878,105	9,561,800	9,981,732	(419,932)
Capital assets, net	11,898,999	12,056,291	8,939,926	9,317,074	20,838,925	21,373,365	(534,440)
Total assets	18,181,283	18,159,918	12,219,442	13,195,179	30,400,725	31,355,097	(954,372)
Deferred outflows of resources:	567,113	707,331	408,603	402,547	975,716	1,109,878	(134,162)
Liabilities:							
Current liabilities	1,122,727	1,150,242	782,337	755,547	1,905,064	1,905,789	(725)
Non-current liabilities	5,045,340	5,428,195	3,741,039	3,462,388	8,786,379	8,890,583	(104,204)
Total liabilities	6,168,067	6,578,437	4,523,376	4,217,935	10,691,443	10,796,372	(104,929)
Deferred inflows of resources:	128,112	215,732	117,343	100,342	245,455	316,074	(70,619)
Net position:							
Net investment in capital assets	10,004,986	9,708,074	6,768,265	7,021,344	16,773,251	16,729,418	43,833
Restricted	2,453,250	2,558,326	-	-	2,453,250	2,558,326	(105,076)
Unrestricted	(6,019)	(647,524)	1,219,061	2,258,105	1,213,042	1,610,581	(397,539)
Total net position	\$ 12,452,217	11,618,876	7,987,326	9,279,449	20,439,543	20,898,325	(458,782)

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 \$20,439,543 at June 30, 2019, a decrease of \$458,782 as the result of current year operations.

**Bear Valley Community Services District
Management's Discussion and Analysis
For the Year Ended June 30, 2019**

Government-wide Financial Analysis, continued

By far the largest portion of the Bear Valley Community Services District's net position (82.1%) reflects its investment in capital assets (e.g. land, water/wastewater infrastructure and equipment). The Bear Valley Community Services District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

The remaining balance of restricted net position of \$2,453,250 and deficit unrestricted net position of \$6,019 is available to meet the government's ongoing obligations. See note 12 for further discussion.

Governmental activities. Governmental activities increased the District's net position by \$833,341 from \$11,618,876 to \$12,452,217 as a result of current-year operations.

Business-type activities. Business-type activities decreased the District's net position by \$1,292,123 from \$9,279,449 to \$7,987,326 as a result of current-year operations.

Bear Valley Community Services District's Statements of Activities

Condensed Statements of Activities

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total District</u>		
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>Change</u>
Revenues:							
Program revenues:							
Charges for services	\$ 1,372,575	1,403,200	3,291,267	3,254,869	4,663,842	4,658,069	5,773
Operating grants and contrib.	148,747	139,416	-	-	148,747	139,416	9,331
Capital grants and contrib.	-	-	50,833	65,943	50,833	65,943	(15,110)
General revenues:							
Property taxes	1,724,594	1,659,264	-	-	1,724,594	1,659,264	65,330
Voter approved taxes	657,558	642,764	-	-	657,558	642,764	14,794
Investment earnings	120,873	63,660	58,273	36,762	179,146	100,422	78,724
Total revenues	4,024,347	3,908,304	3,400,373	3,357,574	7,424,720	7,265,878	158,842
Expenses:							
General government	414,519	1,449,539	-	-	414,519	1,449,539	(1,035,020)
Public safety	1,448,228	1,742,241	-	-	1,448,228	1,742,241	(294,013)
Streets and roads	1,190,203	952,879	-	-	1,190,203	952,879	237,324
Interest on long-term debt	50,866	61,229	-	-	50,866	61,229	(10,363)
Water	-	-	3,149,248	2,641,984	3,149,248	2,641,984	507,264
Wastewater	-	-	922,922	651,115	922,922	651,115	271,807
Solid waste	-	-	707,516	616,583	707,516	616,583	90,933
Post office	-	-	-	1,446	-	1,446	(1,446)
Total expenses	3,103,816	4,205,888	4,779,686	3,911,128	7,883,502	8,117,016	(233,514)
Transfers from(to) other funds	(87,190)	(31,348)	87,190	31,348	-	-	-
Change in net position	833,341	(328,932)	(1,292,123)	(522,206)	(458,782)	(851,138)	392,356
Net position, beginning of year	11,618,876	11,947,808	9,279,449	9,801,655	20,898,325	21,749,463	(851,138)
Net position, end of year	\$ 12,452,217	11,618,876	7,987,326	9,279,449	20,439,543	20,898,325	(458,782)

- Revenue from charges for services in the governmental-type activities decreased by 2.2%, or \$30,625 from \$1,403,200 to \$1,372,575 due primarily to decreases of \$26,470 in streets and roads charges and \$8,827 in public safety charges, which were offset by an increase of \$4,672 in general government as compared to the prior year.
- Revenue from charges for services in the business-type activities increased by 1.1%, or \$36,398 from \$3,254,869 to \$3,291,267 due primarily to an increase of \$41,652 in water consumption sales.

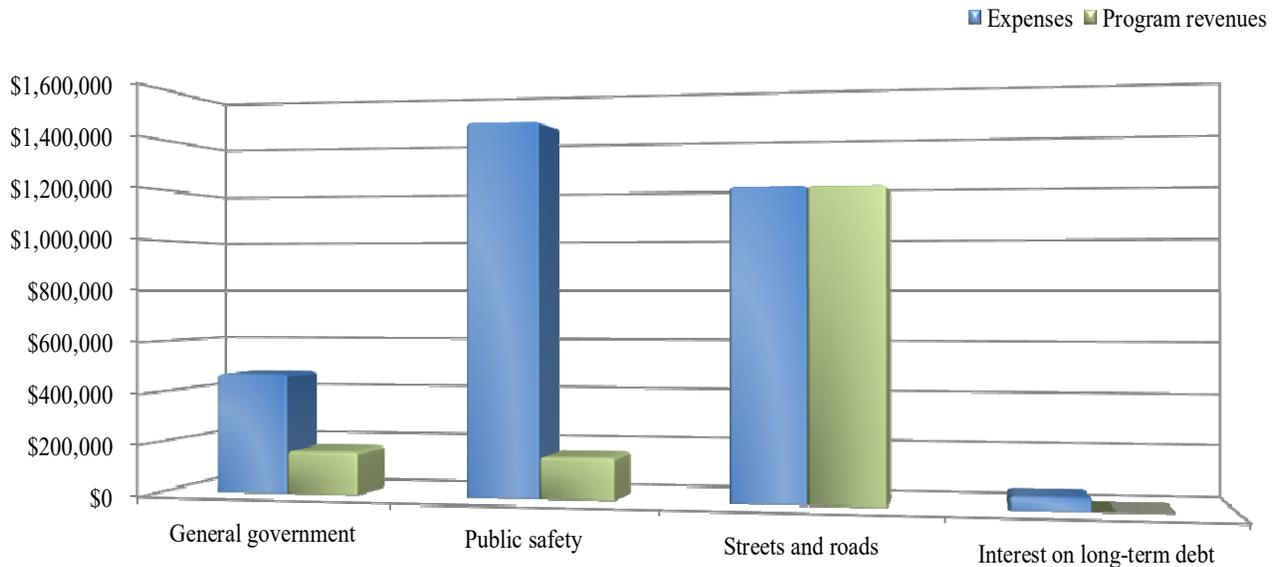
**Bear Valley Community Services District
Management’s Discussion and Analysis
For the Year Ended June 30, 2019**

Government-wide Financial Analysis, continued

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

- Property taxes increased by 3.9%, or \$65,330 from \$1,659,264 to \$1,724,594 due to an overall increase in assessed property valuations.
- Voter approved taxes increased by 2.3%, or \$14,794 from \$642,764 to \$657,558.
- Total expenses decreased by 2.19%, or \$177,672 from \$8,117,016 to \$7,939,344 primarily due to decreases of \$979,178 in general government and \$294,013 in public safety, offset by increases of \$237,324 in streets and roads, \$507,264 in water expenses, \$271,807 in wastewater expenses, and \$90,933 in solid waste expenses.

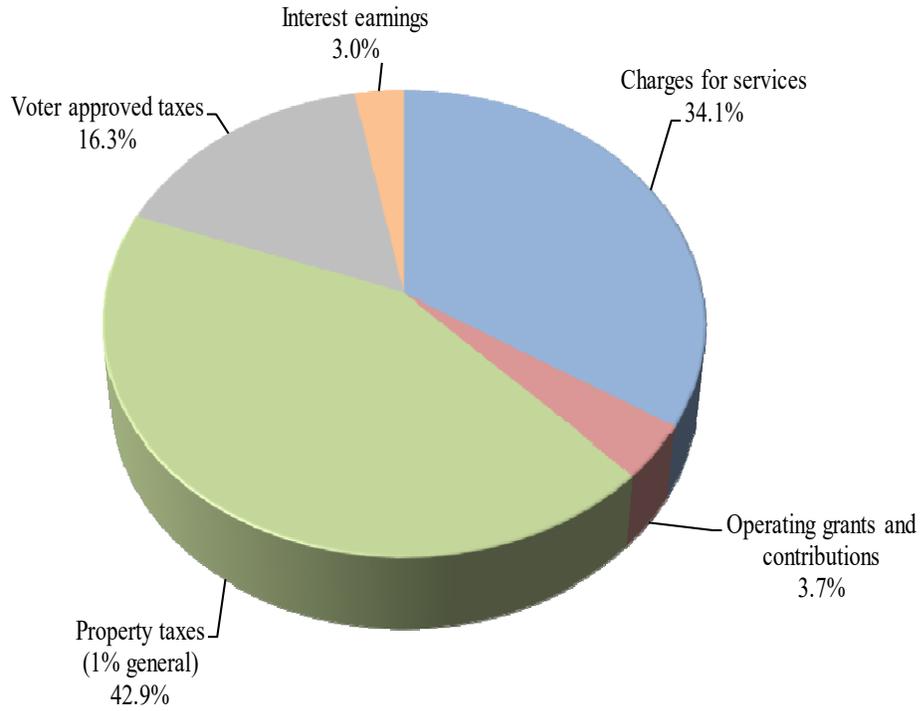
Expenses and Program Revenues – Governmental Activities



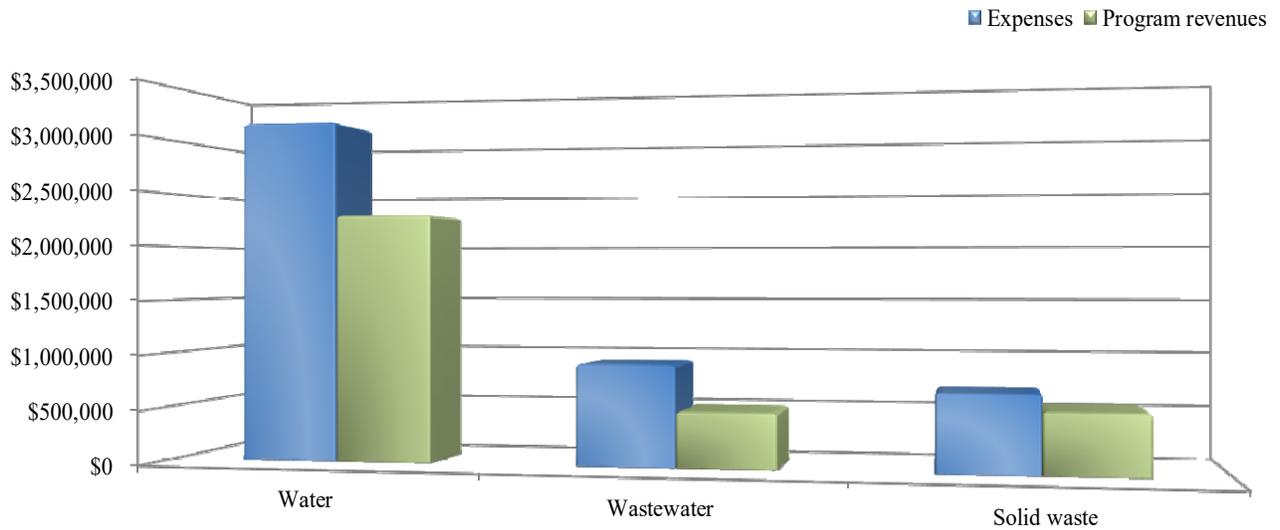
The table above does not include governmental activity general revenues which include property taxes, voter approved taxes, interest earnings, and transfers out. Please see page 15 for further detail.

**Bear Valley Community Services District
Management's Discussion and Analysis
For the Year Ended June 30, 2019**

Revenues by Source – Governmental Activities

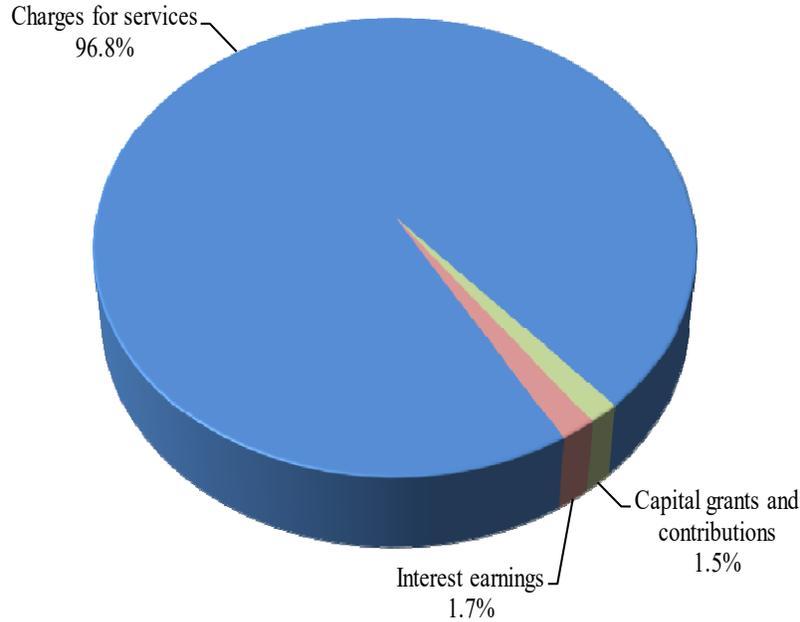


Expense and Program Revenues – Business-type Activities



**Bear Valley Community Services District
Management's Discussion and Analysis
For the Year Ended June 30, 2019**

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, 2019, the Bear Valley Community Services District's governmental funds reported combined ending fund balance of \$5,742,683, an increase of \$214,077 in comparison with the prior year. Of this total fund balance, \$3,061,921 or (53.3%) constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is restricted and assigned to indicate that it is not available for general spending because it has already been committed to 1) future road maintenance and improvement, 2) bond debt service, 3) public safety grant-related expenditures, and 4) prepaid expenditures.

The general fund is the chief operating fund of the Bear Valley Community Services District. At the end of the current fiscal year, the fund balance of the general fund amounted to \$3,237,637 of which \$78,242 is non-spendable for prepaid costs, \$97,474 is assigned for compensated absences, and \$3,061,921 is unassigned. Of the unassigned fund balance, the Board has a deficit unfunded reserve of \$6,019. 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 145.8% of total general fund expenditures, while total fund balance represents 154.1% of that same amount.

**Bear Valley Community Services District
Management's Discussion and Analysis
For the Year Ended June 30, 2019**

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 \$335,148 as a result of the current year's operations. The non-spendable fund balance amount includes \$78,242 in prepaid costs. The amount unassigned for six-month operating reserve increased by \$279,726 from prior year.

The fund balance of the District's streets and roads fund decreased \$158,635 as a result of the current year's operations. The streets and roads fund has a restricted fund balance of \$2,162,569 which will be used for the ongoing maintenance and improvement of streets and roads, including drainage ways and rights of way, and to repay the installment sales agreement. The non-spendable fund balance amount includes \$2,099 in prepaid costs. The assigned fund balance amount is \$49,697 for compensated absences.

The fund balance of the District's debt service fund increased \$37,420 as a result of the current year's operations. The debt service fund has a restricted fund balance of \$273,612 which will be used for the payment for future debt service.

The fund balance of the District's supplemental law enforcement fund increased \$144 as a result of the current year's operations. The supplemental law enforcement fund has a restricted fund balance of \$17,069 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 \$1,292,123 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 \$747,989; wastewater enterprise decreased by \$402,080; and solid waste enterprise decreased by \$142,054 as a result of the current years ongoing operations.

Budgetary Highlights

Governmental funds. For the year ended June 30, 2019, the final actual expenditures were less than budgeted for the general fund by \$575,048; less than budgeted for the streets and roads fund by \$299,273; greater than budgeted for the debt service fund by \$2; and greater than budgeted for the supplemental law enforcement fund by \$261. For the year ended June 30, 2019, final actual revenues were greater than budgeted for the general fund by \$24,432; less than budgeted for the streets and roads fund by \$5,230; greater than budgeted for the debt service fund by \$2,091; and greater than budgeted for the supplemental law enforcement fund by \$406.

At June 30, 2019, there were differences between the original and final amended budgets for the general fund of \$1,149,773, streets and roads fund of \$1,385,572, debt service fund of \$98,154, and supplemental law enforcement fund of \$16,925. Please see the budgets on pages 52 through 55.

Enterprise funds. For the year ended June 30, 2019, the final actual expenditures (before depreciation) were less than budgeted for the water fund by \$145,329; greater than budgeted for the wastewater fund by \$229,185; and greater than budgeted for the solid waste fund by \$3,385. The increases in actual to budget in the salaries and benefits category for the water, wastewater and solid waste enterprise funds were primarily due to the required adjustments for current year GASB 68 implementation.

**Bear Valley Community Services District
Management's Discussion and Analysis
For the Year Ended June 30, 2019**

Budgetary Highlights, continued

GASB 68 adjustments are not budgeted for as they are changes in estimates only and do not affect cash resources. For the year ended June 30, 2019, final actual operating revenues were greater than budgeted for the water fund by \$41,587; less than budgeted for the wastewater fund by \$728; and less than budgeted for the solid waste fund by \$534.

At June 30, 2019, there were differences between the original and final amended budgets for the water fund of \$809,158, the wastewater fund of \$488,836, and the solid waste fund of \$133,819. Please see the budgets on pages 58 through 60.

Bear Valley Community Services District's Capital Assets

		Capital Assets					
		Governmental Activities		Business-type Activities		Total District	
		2019	2018	2019	2018	2019	2018
Capital assets:							
Non-depreciable assets	\$	9,086,343	8,986,729	3,663,790	3,663,937	12,750,133	12,650,666
Depreciable assets		32,366,124	32,268,509	21,008,530	20,926,779	53,374,654	53,195,288
Total capital assets		41,452,467	41,255,238	24,672,320	24,590,716	66,124,787	65,845,954
Accumulated depreciation		(29,553,468)	(29,198,947)	(15,732,394)	(15,273,642)	(45,285,862)	(44,472,589)
Total capital assets, net	\$	11,898,999	12,056,291	8,939,926	9,317,074	20,838,925	21,373,365

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, 2019, amounts to \$20,838,925 (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:

- \$133,074 for construction-in-progress for the various general fund projects in the governmental funds.
- \$64,155 for the acquisition of roads fund equipment.

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

- \$86,317 for construction-in-progress for the various water fund and wastewater projects in the governmental funds.

Additional information on the Bear Valley Community Services District's capital assets can be found in Note 5 on pages 35 through 38 of this report.

Bear Valley Community Services District's Outstanding Debt

		Long-term Debt					
		Governmental Activities		Business-Type Activities		Total	
		2019	2018	2019	2018	2019	2018
Long-term debt:							
General obligation bonds	\$	668,000	731,000	-	-	668,000	731,000
Installment sale agreement		1,226,013	1,617,217	-	-	1,226,013	1,617,217
CIEDB loan		-	-	2,171,661	2,295,730	2,171,661	2,295,730
Total long-term debt	\$	1,894,013	2,348,217	2,171,661	2,295,730	4,065,674	4,643,947

**Bear Valley Community Services District
Management's Discussion and Analysis
For the Year Ended June 30, 2019**

Debt Administration

At the end of the current fiscal year, the Bear Valley Community Services District had total debt outstanding of \$4,065,674. Of this amount, \$668,000 comprises the remaining balance of the general obligation bond debt backed by the full faith and credit of the Bear Valley Community Services District, \$1,226,013 is the remaining outstanding balance due to the City National Bank (Installment Sales Agreement) utilized for the rehabilitation of the District's roads infrastructure. \$2,171,661 is the remaining outstanding balance due to the California Infrastructure and Economic Development Bank (CIEDB) for water and wastewater system improvements.

Additional information on the Bear Valley Community Services District's long-term debt can be found in Note 8 on pages 39 through 41 of this report.

Requests for Information

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

Basic Financial Statements

Bear Valley Community Services District
Statement of Net Position
June 30, 2019

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Current assets:			
Cash and cash equivalents (note 2)	\$ 5,895,677	2,440,013	8,335,690
Accrued interest receivable	7,398	3,271	10,669
Accounts receivable – utilities, net (note 3)	-	597,366	597,366
Accounts receivable – other	5,453	680	6,133
Property taxes and assessments receivable	43,415	1,483	44,898
Due from other funds (note 4)	250,000	-	250,000
Prepays	80,341	236,703	317,044
Total current assets	<u>6,282,284</u>	<u>3,279,516</u>	<u>9,561,800</u>
Non-current assets:			
Capital assets – not being depreciated (note 5)	9,086,343	3,663,790	12,750,133
Capital assets – being depreciated, net (note 5)	<u>2,812,656</u>	<u>5,276,136</u>	<u>8,088,792</u>
Total non-current assets	<u>11,898,999</u>	<u>8,939,926</u>	<u>20,838,925</u>
Total assets	<u>18,181,283</u>	<u>12,219,442</u>	<u>30,400,725</u>
Deferred outflows of resources:			
Deferred pension outflows (note 9)	<u>567,113</u>	<u>408,603</u>	<u>975,716</u>
Total deferred outflows of resources	<u>\$ 567,113</u>	<u>408,603</u>	<u>975,716</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, 2019

	Governmental Activities	Business-type Activities	Total
Current liabilities:			
Accounts payable and accrued expenses	\$ 408,669	266,711	675,380
Accrued wages and related payables	83,027	59,664	142,691
Accrued interest on long-term debt	21,156	26,512	47,668
Deposits	47,905	15,210	63,115
Due to other funds (note 4)	-	250,000	250,000
Long-term liabilities – due within one year:			
Compensated absences (note 6)	36,793	36,537	73,330
Employee contract payable (note 7)	58,366	-	58,366
Bond and loans payable (note 8)	466,811	127,703	594,514
Total current liabilities	1,122,727	782,337	1,905,064
Non-current liabilities:			
Long-term liabilities – due in more than one year:			
Compensated absences (note 6)	110,378	109,609	219,987
Employee contract payable (note 7)	1,027,718	-	1,027,718
Bond and loans payable (note 8)	1,427,202	2,043,958	3,471,160
Net pension liability (note 9)	2,480,042	1,587,472	4,067,514
Total non-current liabilities	5,045,340	3,741,039	8,786,379
Total liabilities	6,168,067	4,523,376	10,691,443
Deferred inflows of resources:			
Deferred pension inflows (note 9)	128,112	117,343	245,455
Total deferred inflows of resources	128,112	117,343	245,455
Net position:			
Net investment in capital assets (note 10)	10,004,986	6,768,265	16,773,251
Restricted (note 11)	2,453,250	-	2,453,250
Unrestricted (note 12)	(6,019)	1,219,061	1,213,042
Total net position	\$ 12,452,217	7,987,326	20,439,543

See accompanying notes to the basic financial statements

Bear Valley Community Services District
Statement of Activities
For the Year Ended June 30, 2019

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Governmental activities:							
General government	\$ 414,519	168,181	-	-	(246,338)	-	(246,338)
Public safety	1,448,228	14,126	148,747	-	(1,285,355)	-	(1,285,355)
Streets and roads	1,190,203	1,190,268	-	-	65	-	65
Interest on long-term debt	50,866	-	-	-	(50,866)	-	(50,866)
Total governmental activities	3,103,816	1,372,575	148,747	-	(1,582,494)	-	(1,582,494)
Business-type activities:							
Water	3,149,248	2,240,678	-	37,775	-	(870,795)	(870,795)
Wastewater	922,922	495,473	-	13,058	-	(414,391)	(414,391)
Solid waste	707,516	555,116	-	-	-	(152,400)	(152,400)
Total business-type activities	4,779,686	3,291,267	-	50,833	-	(1,437,586)	(1,437,586)
Total	\$ 7,883,502	4,663,842	148,747	50,833	(1,582,494)	(1,437,586)	(3,020,080)
General revenues:							
Property taxes					\$ 1,724,594	-	1,724,594
Voter approved taxes					657,558	-	657,558
Interest earnings					120,873	58,273	179,146
Total general revenues					2,503,025	58,273	2,561,298
Transfers in/(out) (note 4)					(87,190)	87,190	-
Change in net position					920,531	(1,379,313)	(458,782)
Net position, beginning of year					11,618,876	9,279,449	20,898,325
Net position, end of year					\$ 12,452,217	7,987,326	20,439,543

See accompanying notes to the basic financial statements

Bear Valley Community Services District
Balance Sheets – Governmental Funds
June 30, 2019

	General	Streets and Roads	Debt Service	Supplemental Law Enforcement	Total Governmental Activities
Assets:					
Cash and cash equivalents	\$ 3,085,127	2,516,029	272,293	22,228	5,895,677
Accrued interest receivable	3,848	3,165	326	59	7,398
Accounts receivable – other	5,453	-	-	-	5,453
Property taxes and assessments receivable	27,461	14,961	993	-	43,415
Due from other funds	250,000	-	-	-	250,000
Prepays	78,242	2,099	-	-	80,341
	Total assets	2,536,254	273,612	22,287	6,282,284
Liabilities:					
Accounts payable and accrued expenses	\$ 126,400	282,269	-	-	408,669
Accrued wages and related payables	61,969	15,840	-	5,218	83,027
Deposits	24,125	23,780	-	-	47,905
	Total liabilities	321,889	-	5,218	539,601
Fund balance:					
Restricted:					
Street and road improvements	-	2,162,569	-	-	2,162,569
Debt service	-	-	273,612	-	273,612
Public safety	-	-	-	17,069	17,069
Nonspendable:					
Prepays	78,242	2,099	-	-	80,341
Assigned:					
Compensated absences	97,474	49,697	-	-	147,171
Unassigned:					
Six-month operating reserve	3,061,921	-	-	-	3,061,921
	Total fund balance	2,214,365	273,612	17,069	5,742,683
	Total liabilities and fund balance	2,536,254	273,612	22,287	6,282,284

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, 2019

Reconciliation:

Total Fund Balances of Governmental Funds	\$	5,742,683
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.		11,898,999
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.	\$	244,316
Recognized differences between the expected and actual experience for the Safety Plan are reported as deferred outflows of resources in the government-wide financial statements.		57,218
Recognized changes in assumptions are reported as deferred outflows of resources in the government-wide financial statements.		211,750
Recognized portion due to net differences in proportions are reported as deferred outflows of resources in the government-wide financial statements.		38,972
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.		14,857
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		(147,171)
Employee contract payable		(1,086,084)
Bonds and loans payable		(1,894,013)
Net pension liability		(2,480,042)
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.		(128,112)
Interest on long-term debt is not accrued as a governmental fund liability, but rather is recognized as an expenditure when due.		(21,156)
Total adjustments		6,709,534
Net Position of Governmental Activities	\$	<u>12,452,217</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, 2019

	<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	\$ 1,724,594	-	-	-	1,724,594
Voter approved taxes	541,481	-	116,077	-	657,558
Special assessments	-	1,189,058	-	-	1,189,058
Federal and state aid	-	-	-	148,747	148,747
Interest earnings	61,430	53,377	4,910	1,156	120,873
Rents and royalties	163,233	-	-	-	163,233
Other	19,074	1,210	-	-	20,284
Total revenues	<u>2,509,812</u>	<u>1,243,645</u>	<u>120,987</u>	<u>149,903</u>	<u>4,024,347</u>
Expenditures:					
General government	527,096	-	618	-	527,714
Public safety	1,448,228	-	-	149,759	1,597,987
Streets and roads	-	895,080	-	-	895,080
Capital outlay	125,223	72,006	-	-	197,229
Debt service:					
Debt payments	-	391,204	63,000	-	454,204
Interest paid	-	30,917	19,949	-	50,866
Total expenditures	<u>2,100,547</u>	<u>1,389,207</u>	<u>83,567</u>	<u>149,759</u>	<u>3,723,080</u>
Excess(deficiency) of revenues over expenditures	<u>409,265</u>	<u>(145,562)</u>	<u>37,420</u>	<u>144</u>	<u>301,267</u>
Other financing sources(uses):					
Operating transfers out	<u>(74,117)</u>	<u>(13,073)</u>	<u>-</u>	<u>-</u>	<u>(87,190)</u>
Net change in fund balance	335,148	(158,635)	37,420	144	214,077
Fund balance, beginning of year	<u>2,902,489</u>	<u>2,373,000</u>	<u>236,192</u>	<u>16,925</u>	<u>5,528,606</u>
Fund balance, end of year	<u>\$ 3,237,637</u>	<u>2,214,365</u>	<u>273,612</u>	<u>17,069</u>	<u>5,742,683</u>

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, 2019

Reconciliation:

Net Changes in Fund Balances – Total Governmental Funds	\$	214,077
<p>Amounts reported for governmental activities in the statement of activities are different because:</p> <p>Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense as follows:</p>		
Capital outlay		197,229
Depreciation expense		(354,521)
<p>Repayment of long-term debt is reported as expenditures in governmental funds, and thus, has the effect of reducing fund balance because current financial resources have been used. For the District as a whole, however, the principal payments reduce the liabilities in the statement of net position and do not result in an expense in the statement of activities.</p>		
		454,204
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenses in governmental funds as follows:</p>		
Net change in accrued interest for the current period		5,280
Net change in compensated absences for the current period		(36,741)
Net change in pension obligations for the current period		441,003
		441,003
Change in Net Position of Governmental Activities	\$	920,531

See accompanying notes to the basic financial statements

Bear Valley Community Services District
Statements of Net Position – Enterprise Funds
June 30, 2019

	<u>Water</u>	<u>Wastewater</u>	<u>Solid Waste</u>	<u>Total Business-type Activities</u>
Current assets:				
Cash and cash equivalents	\$ 1,109,416	532,027	798,570	2,440,013
Accrued interest receivable	1,507	714	1,050	3,271
Accounts receivable – utilities, net	415,342	88,716	93,308	597,366
Accounts receivable – other	680	-	-	680
Property assessments receivable	1,280	203	-	1,483
Prepays	232,145	4,558	-	236,703
Total current assets	<u>1,760,370</u>	<u>626,218</u>	<u>892,928</u>	<u>3,279,516</u>
Non-current assets:				
Capital assets – not being depreciated	3,649,056	14,734	-	3,663,790
Capital assets, net – being depreciated	4,780,594	473,388	22,154	5,276,136
Total non-current assets	<u>8,429,650</u>	<u>488,122</u>	<u>22,154</u>	<u>8,939,926</u>
Total assets	<u>10,190,020</u>	<u>1,114,340</u>	<u>915,082</u>	<u>12,219,442</u>
Deferred outflows of resources:				
Deferred pension outflows	238,352	115,771	54,480	408,603
Total deferred outflows of resources	<u>238,352</u>	<u>115,771</u>	<u>54,480</u>	<u>408,603</u>
Current liabilities:				
Accounts payable and accrued expenses	210,483	7,422	48,806	266,711
Accrued wages and related payables	38,177	12,996	8,491	59,664
Accrued interest on long-term debt	21,928	4,584	-	26,512
Deposits	9,767	2,414	3,029	15,210
Due to other funds	181,843	68,157	-	250,000
Long-term liabilities – due within one year:				
Compensated absences	30,864	787	4,886	36,537
Loans payable	105,624	22,079	-	127,703
Total current liabilities	<u>598,686</u>	<u>118,439</u>	<u>65,212</u>	<u>782,337</u>
Non-current liabilities:				
Long-term liabilities – due in more than one year:				
Compensated absences	92,592	2,361	14,656	109,609
Loans payable	1,690,572	353,386	-	2,043,958
Net pension liability	926,025	449,784	211,663	1,587,472
Total non-current liabilities	<u>2,709,189</u>	<u>805,531</u>	<u>226,319</u>	<u>3,741,039</u>
Total liabilities	<u>3,307,875</u>	<u>923,970</u>	<u>291,531</u>	<u>4,523,376</u>
Deferred inflows of resources:				
Deferred pension inflows	68,450	33,247	15,646	117,343
Total deferred inflows of resources	<u>68,450</u>	<u>33,247</u>	<u>15,646</u>	<u>117,343</u>
Net position:				
Net investment in capital assets	6,633,454	112,657	22,154	6,768,265
Unrestricted	418,593	160,237	640,231	1,219,061
Total net position	<u>\$ 7,052,047</u>	<u>272,894</u>	<u>662,385</u>	<u>7,987,326</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, 2019

	<u>Water</u>	<u>Wastewater</u>	<u>Solid Waste</u>	<u>Total Business-type Activities</u>
Operating revenues:				
Water consumption sales	\$ 2,189,869	-	-	2,189,869
Wastewater service charges	-	495,007	-	495,007
Solid waste collection charges	-	-	554,592	554,592
Other charges for services	25,290	466	524	26,280
Total operating revenues	<u>2,215,159</u>	<u>495,473</u>	<u>555,116</u>	<u>3,265,748</u>
Operating expenses:				
Salaries and benefits	1,229,705	690,854	283,012	2,203,571
Operations	1,452,492	179,756	421,183	2,053,431
Total operating expenses	<u>2,682,197</u>	<u>870,610</u>	<u>704,195</u>	<u>4,257,002</u>
Operating loss before depreciation	(467,038)	(375,137)	(149,079)	(991,254)
Depreciation expense	(414,172)	(41,259)	(3,321)	(458,752)
Operating loss	<u>(881,210)</u>	<u>(416,396)</u>	<u>(152,400)</u>	<u>(1,450,006)</u>
Non-operating revenue(expense):				
Interest earnings	27,844	12,713	17,716	58,273
Interest expense	(52,879)	(11,053)	-	(63,932)
Total non-operating, net	<u>(25,035)</u>	<u>1,660</u>	<u>17,716</u>	<u>(5,659)</u>
Transfers in (out)				
Operating transfers in(out)	94,962	(402)	(7,370)	87,190
Capital contributions:				
Standby charges	25,519	-	-	25,519
Capacity charges	37,775	13,058	-	50,833
Total capital contributions	<u>63,294</u>	<u>13,058</u>	<u>-</u>	<u>76,352</u>
Change in net position	(747,989)	(402,080)	(142,054)	(1,292,123)
Net position, beginning of year	7,800,036	674,974	804,439	9,279,449
Net position, end of year	<u>\$ 7,052,047</u>	<u>272,894</u>	<u>662,385</u>	<u>7,987,326</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, 2019

	<u>Water</u>	<u>Waste water</u>	<u>Solid Waste</u>	<u>Business-type Activities</u>
Cash flows from operating activities:				
Cash receipts from customers	\$ 2,201,403	494,274	554,941	3,250,618
Cash paid to employees for salaries and benefits	(1,077,554)	(451,140)	(238,238)	(1,766,932)
Cash paid to vendors and suppliers	<u>(1,560,651)</u>	<u>(185,945)</u>	<u>(410,438)</u>	<u>(2,157,034)</u>
Net cash used in operating activities	<u>(436,802)</u>	<u>(142,811)</u>	<u>(93,735)</u>	<u>(673,348)</u>
Cash flows from non-capital financing activities:				
Operating transfers in(out)	<u>94,962</u>	<u>(402)</u>	<u>(7,370)</u>	<u>87,190</u>
Total transfers in(out)	<u>94,962</u>	<u>(402)</u>	<u>(7,370)</u>	<u>87,190</u>
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	(82,019)	415	-	(81,604)
Proceeds from capital contributions	63,294	13,058	-	76,352
Principal payments on loans payable	(102,618)	(21,451)	-	(124,069)
Interest payments on loans payable	<u>(54,133)</u>	<u>(11,314)</u>	<u>-</u>	<u>(65,447)</u>
Net cash used in capital and financing activities	<u>(175,476)</u>	<u>(19,292)</u>	<u>-</u>	<u>(194,768)</u>
Cash flows from investing activities:				
Interest earnings	<u>32,262</u>	<u>14,497</u>	<u>19,913</u>	<u>66,672</u>
Net cash provided by investing activities	<u>32,262</u>	<u>14,497</u>	<u>19,913</u>	<u>66,672</u>
Net decrease in cash	(485,054)	(148,008)	(81,192)	(714,254)
Cash and cash equivalents, beginning of year	<u>1,594,470</u>	<u>680,035</u>	<u>879,762</u>	<u>3,154,267</u>
Cash and cash equivalents, end of year	<u>\$ 1,109,416</u>	<u>532,027</u>	<u>798,570</u>	<u>2,440,013</u>
Reconciliation of operating income to net cash provided by operating activities:				
Operating loss	<u>\$ (881,210)</u>	<u>(416,396)</u>	<u>(152,400)</u>	<u>(1,450,006)</u>
Adjustments to reconcile operating income to net cash used in operating activities:				
Depreciation expense	414,172	41,259	3,321	458,752
Changes in assets and liabilities:				
(Increase)decrease in assets:				
Accounts receivable – utilities, net	(12,713)	765	2,111	(9,837)
Property assessments receivable	(1,159)	(143)	-	(1,302)
Prepaid expenses and other deposits	(116,109)	1,980	1,204	(112,925)
(Increase)decrease in deferred outflows of resources:	14,100	(21,112)	956	(6,056)
Increase(decrease) in liabilities:				
Accounts payable and accrued expenses	7,950	(8,169)	9,541	9,322
Accrued wages and related payables	10,238	(19)	2,430	12,649
Deposits and unearned revenue	116	(1,821)	(2,286)	(3,991)
Compensated absences	45,113	(21,224)	2,871	26,760
Net pension liability	87,703	260,840	37,742	386,285
Increase(decrease) in deferred inflows of resources:	<u>(5,003)</u>	<u>21,229</u>	<u>775</u>	<u>17,001</u>
Total adjustments	<u>444,408</u>	<u>273,585</u>	<u>58,665</u>	<u>776,658</u>
Net cash used in operating activities	<u>\$ (436,802)</u>	<u>(142,811)</u>	<u>(93,735)</u>	<u>(673,348)</u>

See accompanying notes to the basic financial statements

Bear Valley Community Services District
Notes to the Basic Financial Statements
June 30, 2019

(1) Reporting Entity and Summary of Significant Accounting Policies

A. Organization and Operations of the Reporting Entity

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

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

B. Basis of Accounting and Measurement Focus

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

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

Government-wide Financial Statements

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

Fund Financial Statements

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

Bear Valley Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2019

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

B. Basis of Accounting and Measurement Focus, continued

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

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

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

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

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

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

The funds of the financial reporting entity are described below:

Governmental Funds

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

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

Bear Valley Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2019

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

B. Basis of Accounting and Measurement Focus, continued

Governmental Funds, continued

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

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

Enterprise Funds

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

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

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

C. Financial Reporting

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

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

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) 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. 88

In April 2018, the GASB issued Statement No. 88 – Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established.

Bear Valley Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2019

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

C. Financial Reporting, continued

Governmental Accounting Standards Board Statement No. 88, continued

This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses.

For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

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

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.

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 and Allowance for Uncollectible Receivables

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

Bear Valley Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2019

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

D. Financial Statement Elements, continued

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. Prepays

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

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.

Bear Valley Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2019

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

D. Financial Statement Elements, continued

7. Deferred Outflows of Resources, continued

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

8. Gate pass/device deposits

The District collects a deposit for gate passes and previously collected a deposit for automatic gate openers from citizens who request to utilize these devices to gain automatic access through the District's front gate. The District currently sells 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:

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

Bear Valley Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2019

(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, 2017
- Measurement Date: June 30, 2018
- Measurement Period: July 1, 2017 to June 30, 2018

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 items that qualify for reporting in this category:

- 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.

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

Bear Valley Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2019

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

D. Financial Statement Elements, continued

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** – consists of amounts that cannot be spent because they are either (a) not spendable in form, or (b) legally or contractually required to be maintained intact.
- **Restricted fund balance** – consists of amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions enabling legislation.
- **Committed fund balance** – consists of amounts that can only be used for specific purposes determined by formal action of the District’s highest level of decision-making authority (the Board of Directors) and that remain binding unless removed in the same manner. The underlying action that imposed the limitation needs to occur no later than the close of the reporting period.
- **Assigned fund balance** – consists of amounts that are constrained by the District’s intent to be used for specific purposes. The intent can be established at either the highest level of decision-making, or by a body or an official designated for that purpose. This is also the classification for residual funds in the District’s special revenue funds.
- **Unassigned fund balance** – consists of the residual classification for the District’s general fund that includes amounts not contained in the other classifications. In other funds, the unassigned classification is used only if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes.

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

Fund Balance Policy

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

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.

Bear Valley Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2019

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

D. Financial Statement Elements, continued

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, 2019, are classified as follows:

Governmental activity funds:	
General fund	\$ 3,085,127
Streets and roads fund	2,516,029
Bond redemption fund	272,293
Supplemental law enforcement	<u>22,228</u>
Total	<u>5,895,677</u>
Business-type activity funds:	
Water fund	1,109,416
Wastewater fund	532,027
Solid waste fund	<u>798,570</u>
Total	<u>2,440,013</u>
Total cash and cash equivalents	<u>\$ 8,335,690</u>

Cash and cash equivalents as of June 30, 2019, consisted of the following:

Cash on hand	\$ 1,300
Deposits held with financial institutions	354,492
Deposits held with the County of Kern Treasurer's Pooled Cash Portfolio	14,181
Deposits held with the California Asset Management Program	6,951,734
Deposits held with the California Local Agency Investment Fund (LAIF)	<u>1,013,983</u>
Total	<u>\$ 8,335,690</u>

As of June 30, 2019, the District's authorized deposits had the following maturities:

Deposits held with the County of Kern Treasurer's Pooled Cash Portfolio	580 days
Deposits held with the California Asset Management Program	54 days
Deposits held with the California Local Agency Investment Fund (LAIF)	<u>173 days</u>

Authorized Deposits and Investments

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

Bear Valley Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2019

(2) Cash and Cash Equivalents, continued

Kern County Treasurer Fund

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

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

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

California Asset Management Program

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

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

Investment in the California State Investment Pool

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

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

Bear Valley Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2019

(2) Cash and Cash Equivalents, continued

Custodial Credit Risk

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

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

Interest Rate Risk

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

Credit Risk

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

Concentration of Credit Risk

The District's investment policy does not contain various limitations on the amounts that can be invested in any one governmental agency or non-governmental issuer as stipulated by the California Government Code. The District's deposit portfolio with governmental agencies, Kern County is 1%, California Asset Management Program (CAMP) is 83% and LAIF is 12% as of June 30, 2019, 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, 2019:

	Water	Wastewater	Solid Waste	Total
Accounts receivable – utilities	\$ 454,444	88,716	93,308	636,468
Allowance for uncollectible receivables	(39,102)	-	-	(39,102)
Accounts receivable – utilities, net	<u>\$ 415,342</u>	<u>88,716</u>	<u>93,308</u>	<u>597,366</u>

Bear Valley Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2019

(4) Internal Balances

Due To/From Other Funds

Internal balances consist of the following as of June 30, 2019:

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

In 2019, the General fund reported advances to the Water and Wastewater Funds of \$181,843 and \$68,157, respectively, due to negative cash position in these funds occurring in prior periods. The advancement bears interest at the current LAIF interest earned rate per quarter and is expected to be repaid in fiscal year 2020.

Interfund Operational Transfers

Interfund transfers consist of the following for the year ended June 30, 2019:

Transfer from	Transfer to	Amount
Roads	General	\$ 13,073
General	Water	94,962
Sewer	General	402
Refuse	General	7,370

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

Bear Valley Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2019

(5) Capital Assets

Governmental Activities

Changes in capital assets for the year were as follows:

	<u>Balance 2018</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>Balance 2019</u>
Non-depreciable assets:				
Land	\$ 4,820,357	-	-	4,820,357
Construction-in-process	4,166,372	133,074	(33,460)	4,265,986
Total non-depreciable assets	<u>8,986,729</u>	<u>133,074</u>	<u>(33,460)</u>	<u>9,086,343</u>
Depreciable assets:				
Buildings and improvements	5,982,195	33,460	-	6,015,655
Infrastructure, streets and roads	24,179,347	-	-	24,179,347
Vehicles and equipment	2,106,967	64,155	-	2,171,122
Total depreciable assets	<u>32,268,509</u>	<u>97,615</u>	<u>-</u>	<u>32,366,124</u>
Accumulated depreciation:				
Buildings and improvements	(4,398,855)	(78,640)	-	(4,477,495)
Infrastructure, streets and roads	(23,096,153)	(186,397)	-	(23,282,550)
Vehicles and equipment	(1,703,939)	(89,484)	-	(1,793,423)
Total accumulated depreciation	<u>(29,198,947)</u>	<u>(354,521)</u>	<u>-</u>	<u>(29,553,468)</u>
Total depreciable assets, net	<u>3,069,562</u>	<u>(256,906)</u>	<u>-</u>	<u>2,812,656</u>
Total capital assets, net	<u>\$ 12,056,291</u>			<u>11,898,999</u>

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

Bear Valley Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2019

(5) Capital Assets, continued

Depreciation expense under governmental activities was allotted as follows for the year ended June 30, 2019:

	Depreciation Expense
General government	\$ 50,133
Public safety	67,276
Streets and roads	237,112
Total	\$ 354,521

Business-Type Activities

Changes in capital assets for the year were as follows:

	Balance 2018	Transfers / Additions	Deletions/ Transfers	Balance 2019
Non-depreciable assets:				
Land	\$ 3,662,053	-	-	3,662,053
Construction in progress	1,884	86,317	(86,464)	1,737
Total non-depreciable assets	3,663,937	86,317	(86,464)	3,663,790
Depreciable assets:				
Water transmission and distribution	15,093,947	81,751	-	15,175,698
Wastewater collection	4,714,448	-	-	4,714,448
Solid waste collection	156,231	-	-	156,231
Vehicles and equipment	962,153	-	-	962,153
Total depreciable assets	20,926,779	81,751	-	21,008,530
Accumulated depreciation:				
Water transmission and distribution	(10,107,432)	(380,806)	-	(10,488,238)
Wastewater collection	(4,262,309)	(33,986)	-	(4,296,295)
Solid waste collection	(130,756)	(3,321)	-	(134,077)
Vehicles and equipment	(773,145)	(40,639)	-	(813,784)
Total accumulated depreciation	(15,273,642)	(458,752)	-	(15,732,394)
Total depreciable assets, net	5,653,137	(377,001)	-	5,276,136
Total capital assets, net	\$ 9,317,074			8,939,926

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

Bear Valley Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2019

(5) Capital Assets, continued

Business-Type Activities, continued

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

Water Enterprise	Balance 2018	Transfers / Additions	Deletions/ Transfers	Balance 2019
Non-depreciable assets:				
Land	\$ 3,647,319	-	-	3,647,319
Construction in progress	1,469	82,019	(81,751)	1,737
Total non-depreciable assets	<u>3,648,788</u>	<u>82,019</u>	<u>(81,751)</u>	<u>3,649,056</u>
Depreciable assets:				
Water transmission and distribution	15,093,947	81,751	-	15,175,698
Vehicles and equipment	639,936	-	-	639,936
Total depreciable assets	<u>15,733,883</u>	<u>81,751</u>	<u>-</u>	<u>15,815,634</u>
Accumulated depreciation:				
Water transmission and distribution	(10,107,432)	(380,806)	-	(10,488,238)
Vehicles and equipment	(513,436)	(33,366)	-	(546,802)
Total accumulated depreciation	<u>(10,620,868)</u>	<u>(414,172)</u>	<u>-</u>	<u>(11,035,040)</u>
Total depreciable assets, net	<u>5,113,015</u>	<u>(332,421)</u>	<u>-</u>	<u>4,780,594</u>
Total capital assets, net	<u>\$ 8,761,803</u>			<u>8,429,650</u>
Wastewater Enterprise	Balance 2018	Additions	Deletions/ Transfers	Balance 2019
Non-depreciable assets:				
Land	\$ 14,734	-	-	14,734
Construction in progress	415	4,298	(4,713)	-
Total non-depreciable assets	<u>15,149</u>	<u>4,298</u>	<u>(4,713)</u>	<u>14,734</u>
Depreciable assets:				
Wastewater collection	4,714,448	-	-	4,714,448
Vehicles and equipment	171,336	-	-	171,336
Total depreciable assets	<u>4,885,784</u>	<u>-</u>	<u>-</u>	<u>4,885,784</u>
Accumulated depreciation:				
Wastewater collection	(4,262,309)	(33,986)	-	(4,296,295)
Vehicles and equipment	(108,828)	(7,273)	-	(116,101)
Total accumulated depreciation	<u>(4,371,137)</u>	<u>(41,259)</u>	<u>-</u>	<u>(4,412,396)</u>
Total depreciable assets, net	<u>514,647</u>	<u>(41,259)</u>	<u>-</u>	<u>473,388</u>
Total capital assets, net	<u>\$ 529,796</u>			<u>488,122</u>

Bear Valley Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2019

(5) Capital Assets, continued

Business-Type Activities, continued

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

<u>Solid Waste Enterprise</u>	<u>Balance 2018</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>Balance 2019</u>
Depreciable assets:				
Solid waste collection	\$ 156,231	-	-	156,231
Vehicles and equipment	150,881	-	-	150,881
Total depreciable assets	<u>307,112</u>	<u>-</u>	<u>-</u>	<u>307,112</u>
Accumulated depreciation:				
Solid waste collection	(130,756)	(3,321)	-	(134,077)
Vehicles and equipment	(150,881)	-	-	(150,881)
Total accumulated depreciation	<u>(281,637)</u>	<u>(3,321)</u>	<u>-</u>	<u>(284,958)</u>
Total depreciable assets, net	<u>25,475</u>	<u>(3,321)</u>	<u>-</u>	<u>22,154</u>
Total capital assets, net	<u>\$ 25,475</u>			<u>22,154</u>

(6) Compensated Absences

The District's policy relating to compensated absences is described in Note 1. The following liability at June 30, 2019, is expected to be paid by the governmental and enterprise funds in future years, consistent with prior year treatment.

Changes in compensated absence as of June 30, 2019, were as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Compensated absences, beginning	\$ 110,430	119,386
Current year employee earnings	136,720	83,421
Employee time taken	<u>(99,979)</u>	<u>(56,661)</u>
Compensated absences, ending	147,171	146,146
Less: current portion payable	<u>(36,793)</u>	<u>(36,537)</u>
Long-term portion payable	<u>\$ 110,378</u>	<u>109,609</u>

Bear Valley Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2019

(7) Employee Contract Payable

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

During the fiscal year ended June 30, 2019, the District determined that certain conditions existed during the prior-employees employment which may cause revision all or part of this long-term liability. At June 30, 2019 there has been no change to the employee contract payable. The following schedule has been adjusted one year forward.

<u>Year</u>	<u>Amount</u>	<u>Amortized Discount</u>	<u>Total</u>
2020	\$ 58,366	(36,534)	21,832
2021	77,821	(47,241)	30,580
2022	77,821	(45,513)	32,308
2023	77,821	(43,734)	34,087
2024	77,821	(41,902)	35,919
2025-2029	389,106	(180,054)	209,052
2030-2034	389,106	(125,315)	263,791
2035-2039	389,106	(61,906)	327,200
2040-2041	136,188	(4,873)	131,315
Total	1,673,156	<u>(587,072)</u>	<u>1,086,084</u>
Less current	(58,366)		
Less unamortized discount	<u>(587,072)</u>		
Total non-current	\$ <u>1,027,718</u>		

(8) Bond and Loans Payable

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

	<u>Balance 2018</u>	<u>Additions</u>	<u>Payments/ Retirements</u>	<u>Balance 2019</u>	<u>Current Portion</u>	<u>Long-term Portion</u>
<i>Governmental Activities</i>						
General fund:						
General obligation bonds – 2016	\$ 731,000	-	(63,000)	668,000	67,000	601,000
Roads fund:						
Installment Sale Agreement – 2016	<u>1,617,217</u>	-	<u>(391,204)</u>	<u>1,226,013</u>	<u>399,811</u>	<u>826,202</u>
Total governmental activity debt	\$ <u>2,348,217</u>	-	<u>(454,204)</u>	<u>1,894,013</u>	<u>466,811</u>	<u>1,427,202</u>
<i>Enterprise Activities</i>						
Water fund:						
CIEBD – Loan	\$ 1,898,814	-	(102,618)	1,796,196	105,624	1,690,572
Wastewater fund:						
CIEBD – Loan	<u>396,916</u>	-	<u>(21,451)</u>	<u>375,465</u>	<u>22,079</u>	<u>353,386</u>
Total enterprise activity debt	\$ <u>2,295,730</u>	-	<u>(124,069)</u>	<u>2,171,661</u>	<u>127,703</u>	<u>2,043,958</u>
Total long-term debt	\$ <u>4,643,947</u>	-	<u>(578,273)</u>	<u>4,065,674</u>	<u>594,514</u>	<u>3,471,160</u>

Bear Valley Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2019

(8) Bond and Loans Payable, continued

Governmental – General Fund

2016 Refunding General Obligation Bond

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

On July 14, 2016, \$792,000 of 2016 Refunding General Obligation Bonds, were issued for the purpose of refinancing the General Obligation Bonds, 2002 Series A. The bonds are scheduled to mature on September 1, 2027. Principal is payable annually on September 1st and bears interest of 2.940%, payable semi-annually on September 1st and March 1st 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>
2020	\$ 67,000	18,654	85,654
2021	67,000	16,685	83,685
2022	71,000	14,656	85,656
2023	70,000	12,583	82,583
2024	74,000	10,466	84,466
2024-2028	<u>319,000</u>	<u>19,066</u>	<u>338,066</u>
Totals	668,000	<u>92,110</u>	<u>760,110</u>
Current portion due	<u>(67,000)</u>		
Long-term portion	<u>\$ 601,000</u>		

Governmental – Streets and Roads Fund

Installment Sale Agreement Loan – 2016

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

Annual debt service requirements on the loan are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 399,811	26,972	426,783
2021	408,606	18,176	426,782
2022	<u>417,596</u>	<u>9,187</u>	<u>426,783</u>
Totals	1,226,013	<u>54,335</u>	<u>1,280,348</u>
Current portion due	<u>(399,811)</u>		
Long-term portion	<u>\$ 826,202</u>		

Bear Valley Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2019

(8) Bond and Loans Payable, continued

Enterprise – Water and Wastewater Funds

California Infrastructure and Economic Development Bank (CIEDB) Loan

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

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

California Infrastructure and Economic Development Bank (CIEDB) Loan

Annual debt service requirements on the loan are as follows:

Year	Principal	Interest	Total
2020	\$ 127,703	61,759	189,462
2021	131,445	57,962	189,407
2022	135,296	54,055	189,351
2023	139,261	50,032	189,293
2024	143,341	45,892	189,233
2024-2028	753,587	162,987	916,574
2029-2033	741,028	42,500	783,528
Total	2,171,661	475,187	2,646,848
Current portion due	(127,703)		
Long-term portion	\$ 2,043,958		

(9) Defined Benefit Pension Plans

Plans' Description

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

Benefits Provided

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

Bear Valley Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2019

(9) Defined Benefit Pension Plans, continued

Benefits Provided, continued

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

The District's Safety and Miscellaneous Plans' provisions and benefits in effect at June 30, 2019, 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	6.902%	6.250%	8.936%	12.000%
Required employer contribution rates	8.892%	6.842%	15.719%	12.141%

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, 2019, the contributions for the Plan were as follows:

<u>Contribution Source</u>	<u>Miscellaneous Plan 2019</u>	<u>Safety Plan 2019</u>
Contributions – employer	\$ <u>280,654</u>	<u>132,053</u>

Bear Valley Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2019

(9) Defined Benefit Pension Plans, continued

Net Pension Liability

As of the fiscal year ended June 30, 2019, the District reported net pension liabilities for its proportionate shares of the net pension liability of the Plan as follows:

Plan Description	Proportionate Share of Pension Liability 2019
Miscellaneous Plan	\$ 2,645,787
Safety Plan	1,421,727
Total Safety & Miscellaneous Plans	\$ 4,067,514

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, 2018 (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, 2017 (the valuation date), rolled forward to June 30, 2018, using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

The District's proportionate share of the pension liability for the Plan as of the fiscal year ended June 30, 2017 and 2018, was as follows:

	Miscellaneous Plan	Safety Plan	District's Misc & Safety Plans
Proportional share – June 30, 2018	0.06824%	0.02339%	0.04122%
Proportional share – June 30, 2019	0.07020%	0.02423%	0.04221%
Change – Increase (Decrease)	0.00196%	0.00084%	0.00099%

Deferred Pension Outflows (Inflows) of Resources

For the fiscal year ended June 30, 2019, the District recognized pension expense of \$143,661.

Bear Valley Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2019

(9) Defined Benefit Pension Plans, continued

Deferred Pension Outflows (Inflows) of Resources, continued

At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources			Deferred Inflows of Resources		
	Miscellaneous Plan	Safety Plan	Misc & Safety Total	Miscellaneous Plan	Safety Plan	Misc & Safety Total
Pension contributions subsequent to the measurement date	\$ 280,654	132,053	412,707	-	-	-
Differences between actual and expected experience	66,966	30,432	97,398	-	-	-
Changes in assumptions	227,691	120,674	348,365	-	-	-
Net differences between projected and actual earnings on plan investments	13,079	9,625	22,704	-	-	-
Differences between actual contribution and proportionate share of contribution	-	-	-	(195,570)	(49,885)	(245,455)
Adjustment due to differences in proportions of the net pension liability	92,616	1,926	94,542	-	-	-
Total	\$ 681,006	294,710	975,716	(195,570)	(49,885)	(245,455)

As of June 30, 2019, employer pension contributions reported as deferred outflows of resources related to contributions subsequent to the measurement date of \$412,707 will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2020.

As of June 30, 2019, 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
2020	\$ 206,973	102,317	309,290
2021	100,128	52,480	152,608
2022	(76,127)	(31,473)	(107,600)
2023	(26,192)	(10,552)	(36,744)
2024	-	-	-
Thereafter	-	-	-

Bear Valley Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2019

(9) Defined Benefit Pension Plans, continued

Actuarial Assumptions

The total pension liability in the June 30, 2018, actuarial valuation report was determined using the following actuarial assumptions:

Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Actuarial cost method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial assumptions:	
Discount rate	7.15%
Inflation	2.50%
Salary increases	Varies by Entry Age and Service
Investment Rate of Return	7.50 % Net of Pension Plan Investment and Administrative Expenses; includes inflation
Mortality Rate Table*	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit	Contract COLA up to 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies,

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

Discount Rate

The discount rate used to measure the total pension liability was 7.15% for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the Plan, the amortization and smoothing periods recently adopted by CalPERS were utilized. The crossover test was performed for a miscellaneous agent plan and a safety agent plan selected as being more at risk of failing the crossover test and resulting in a discount rate that would be different from the long-term expected rate of return on pension investments.

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

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

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

Bear Valley Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2019

(9) Defined Benefit Pension Plans, continued

Discount Rate, continued

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

<u>Asset Class</u>	<u>New Strategic Allocation</u>	<u>Real Return Years 1–10*</u>	<u>Real Return Year 11+**</u>
Global Equity	50.0%	4.80%	2.98%
Global Fixed Income	28.0%	1.00%	2.62%
Inflation Sensitive	0.0%	77.00%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real Estate	13.0%	3.75%	4.93%
Infrastructure and Forestland	0.0%	0.00%	0.00%
Liquidity	1.0%	0.00%	-0.92%
Total	<u>100.0%</u>		

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

The following table presents the District’s proportionate share of the net 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, 2019, the discount rate comparison was the following:

	<u>Discount Rate – 1% (6.15%)</u>	<u>Discount Rate (7.15%)</u>	<u>Discount Rate + 1% (8.15%)</u>
District's Net Pension Liability – Miscellaneous Plan	\$ 4,267,370	2,645,787	1,307,196
District's Net Pension Liability – Safety Plan	<u>2,106,390</u>	<u>1,421,727</u>	<u>860,768</u>
Total Miscellaneous and Safety Plans	<u>\$ 6,373,760</u>	<u>4,067,514</u>	<u>2,167,964</u>

Pension Plan Fiduciary Net Position

Detailed information about the pension plan’s fiduciary net position is available in separately issued CalPERS financial reports. See pages 56 and 57 for the Required Supplementary Schedules.

Payable to the Pension Plan

At June 30, 2019, the District reported \$0 in payables for the outstanding amount of contribution to the pension plan.

Bear Valley Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2019

(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	\$ 9,086,343	3,663,790	12,750,133
Capital assets – being depreciated, net	2,812,656	5,276,136	8,088,792
Bond and loans payable – current portion	(466,811)	(127,703)	(594,514)
Bond and loans payable – long-term portion	(1,427,202)	(2,043,958)	(3,471,160)
Total	<u>\$ 10,004,986</u>	<u>6,768,265</u>	<u>16,773,251</u>

(11) Restricted Net Position

Net position are restricted as follows:	Governmental Activities	Business-type Activities	Total
Street and road improvements	\$ 2,162,569	-	2,162,569
Debt service	273,612	-	273,612
Public safety (COPS Program)	17,069	-	17,069
	<u>\$ 2,453,250</u>	<u>-</u>	<u>2,453,250</u>

(12) Unrestricted Net Position

The District’s Board of Directors has designated the use of the District’s June 30, 2019, unrestricted net position as follows:

Net position are designated as follows:	Governmental Activities	Business-type Activities	Total
Unfunded reserves	\$ (6,019)	-	(6,019)
Prepaid expenses	-	236,703	236,703
Water operations	-	418,594	418,594
Wastewater operations	-	(76,467)	(76,467)
Solid waste operations	-	512,026	512,026
Solid waste contingency reserve	-	128,205	128,205
Total	<u>\$ (6,019)</u>	<u>1,219,061</u>	<u>1,213,042</u>

Six-Month Operating Reserve

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

Bear Valley Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2019

(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, 2019, was \$807,760.

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, 2019, the District participated in the liability and property programs of the SDRMA as follows:

- General and auto liability, public officials and employees' errors and omissions: Total risk financing self-insurance limits of \$2,500,000, combined single limit at \$2,500,000 per occurrence. The District purchased additional excess coverage layers: \$10,000,000 for general, auto and public officials' errors and omissions, which increases the limits on the insurance coverage noted above.

In addition to the above, the District also has the following insurance coverage:

- Employee dishonesty coverage up to \$1,000,000 per loss includes public employee dishonesty, forgery or alteration and theft, disappearance and destruction coverages.
- Property loss is paid at the replacement cost for property on file, if replaced within three years after the loss, otherwise paid on an actual cash value basis, to a combined total for the SDRMA pool in the amount of \$1.0 billion per occurrence, subject to a \$1,000 deductible per occurrence.
- Boiler and machinery coverage for scheduled items, the replacement cost up to \$100 million (SDRMA pool limit) per occurrence, subject to a \$1,000 deductible per occurrence.
- Public officials personal liability up to \$500,000 each occurrence, with an annual aggregate of \$500,000 per each elected/appointed official to which this coverage applies, subject to the terms, with a deductible of \$500 per claim.
- Workers' compensation insurance per statutory requirements and Employer's Liability Coverage up to \$5 million.

Bear Valley Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2019

(14) Risk Management, continued

Settled claims have not exceeded any of the coverage amounts in any of the last three fiscal years. There were no reductions in insurance coverage in fiscal year 2019, 2018 and 2017. 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, 2019, 2018 and 2017.

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

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

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 provisions of this Statement are effective for reporting periods beginning after December 15, 2018. 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. 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 provisions of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. 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. 89

In June 2018, the GASB issued Statement No. 89 – *Accounting for Interest Cost Incurred before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

Bear Valley Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2019

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

Governmental Accounting Standards Board Statement No. 89, continued

This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The requirements of this Statement should be applied prospectively. 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. 90

In August 2018, the GASB issued Statement No. 90 – *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The requirements should be applied retroactively, except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest. Those provisions should be applied on a prospective basis. The impact of the implementation of this Statement to the District's financial statements has not been assessed at this time.

Bear Valley Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2019

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

Governmental Accounting Standards Board Statement No. 91

In August 2018, the GASB issued Statement No. 91 – Conduit Debt Obligations. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

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

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

The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. 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, 2019, have been evaluated for possible adjustment to the financial statements or disclosure as of February 13, 2020, which is the date the financial statements were available to be issued. The District is not aware of any subsequent events that would require recognition or disclosure in the financial statements.

Required Supplementary Information

Bear Valley Community Services District
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual – General Fund – Major Fund
For the Year Ended June 30, 2019

	<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	\$ 1,699,854	17,485	1,717,339	1,724,594	7,255
Voter approved taxes	542,500	-	542,500	541,481	(1,019)
Federal and state aid	3,000	-	3,000	-	(3,000)
Interest earnings	17,500	27,500	45,000	61,430	16,430
Rents and royalties	148,910	14,531	163,441	163,233	(208)
Other	15,650	(1,550)	14,100	19,074	4,974
Total revenues	<u>2,427,414</u>	<u>57,966</u>	<u>2,485,380</u>	<u>2,509,812</u>	<u>24,432</u>
Expenditures:					
General government	1,358,652	(207,693)	1,150,959	527,096	623,863
Public safety	1,444,384	(205,962)	1,238,422	1,448,228	(209,806)
Capital outlay	845,330	(559,116)	286,214	125,223	160,991
Total expenditures	<u>3,648,366</u>	<u>(972,771)</u>	<u>2,675,595</u>	<u>2,100,547</u>	<u>575,048</u>
Excess(deficiency) of revenues over expenditures	<u>(1,220,952)</u>	<u>1,030,737</u>	<u>(190,215)</u>	<u>409,265</u>	<u>599,480</u>
Other financing sources(uses):					
Operating transfers	(236,051)	119,036	(117,015)	(74,117)	42,898
Net change in fund balance	(1,457,003)	1,149,773	(307,230)	335,148	<u>642,378</u>
Fund balance, beginning of year	<u>2,902,489</u>	<u>-</u>	<u>2,902,489</u>	<u>2,902,489</u>	
Fund balance, end of year	<u>\$ 1,445,486</u>	<u>1,149,773</u>	<u>2,595,259</u>	<u>3,237,637</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, 2019

	<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	\$ 1,190,000	10,000	1,200,000	1,189,058	(10,942)
Interest earnings	21,000	26,885	47,885	53,377	5,492
Other	-	990	990	1,210	220
Total revenues	<u>1,211,000</u>	<u>37,875</u>	<u>1,248,875</u>	<u>1,243,645</u>	<u>(5,230)</u>
Expenditures:					
Streets and roads	1,276,228	(102,531)	1,173,697	895,080	278,617
Capital outlay	1,280,407	(1,192,407)	88,000	72,006	15,994
Debt service:					
Debt payments	391,204	-	391,204	391,204	-
Interest paid	35,579	-	35,579	30,917	4,662
Total expenditures	<u>2,983,418</u>	<u>(1,294,938)</u>	<u>1,688,480</u>	<u>1,389,207</u>	<u>299,273</u>
Excess(deficiency) of revenues over expenditures	<u>(1,772,418)</u>	<u>1,332,813</u>	<u>(439,605)</u>	<u>(145,562)</u>	<u>294,043</u>
Other financing sources(uses):					
Operating transfers	<u>(73,946)</u>	<u>52,759</u>	<u>(21,187)</u>	<u>(13,073)</u>	<u>8,114</u>
Net change in fund balance	<u>(1,846,364)</u>	<u>1,385,572</u>	<u>(460,792)</u>	<u>(158,635)</u>	<u>302,157</u>
Fund balance, beginning of year	<u>2,373,000</u>	<u>-</u>	<u>2,373,000</u>	<u>2,373,000</u>	
Fund balance, end of year	<u>\$ 526,636</u>	<u>1,385,572</u>	<u>1,912,208</u>	<u>2,214,365</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, 2019

	<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	\$ 19,542	95,458	115,000	116,077	1,077
Interest earnings	<u>1,200</u>	<u>2,696</u>	<u>3,896</u>	<u>4,910</u>	<u>1,014</u>
Total revenues	<u>20,742</u>	<u>98,154</u>	<u>118,896</u>	<u>120,987</u>	<u>2,091</u>
Expenditures:					
Debt service:					
General government	-	-	-	618	(618)
Bond payments	63,000	-	63,000	63,000	-
Interest paid	<u>20,565</u>	<u>-</u>	<u>20,565</u>	<u>19,949</u>	<u>616</u>
Total expenditures	<u>83,565</u>	<u>-</u>	<u>83,565</u>	<u>83,567</u>	<u>(2)</u>
Net change in fund balance	(62,823)	98,154	35,331	37,420	<u>2,089</u>
Fund balance, beginning of year	<u>236,192</u>	<u>-</u>	<u>236,192</u>	<u>236,192</u>	
Fund balance, end of year	<u>\$ 173,369</u>	<u>98,154</u>	<u>271,523</u>	<u>273,612</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, 2019

	<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	\$ 120,000	28,747	148,747	148,747	-
Interest earnings	<u>-</u>	<u>750</u>	<u>750</u>	<u>1,156</u>	<u>406</u>
Total revenues	<u>120,000</u>	<u>29,497</u>	<u>149,497</u>	<u>149,903</u>	<u>406</u>
Expenditures:					
Public safety	<u>136,926</u>	<u>12,572</u>	<u>149,498</u>	<u>149,759</u>	<u>(261)</u>
Total expenditures	<u>136,926</u>	<u>12,572</u>	<u>149,498</u>	<u>149,759</u>	<u>(261)</u>
Excess(deficiency) of revenues over expenditures	<u>(16,926)</u>	<u>16,925</u>	<u>(1)</u>	<u>144</u>	<u>145</u>
Net change in fund balance	<u>(16,926)</u>	<u>16,925</u>	<u>(1)</u>	<u>144</u>	<u>145</u>
Fund balance, beginning of year	<u>16,925</u>	<u>-</u>	<u>16,925</u>	<u>16,925</u>	
Fund balance, end of year	<u>\$ (1)</u>	<u>16,925</u>	<u>16,924</u>	<u>17,069</u>	

Bear Valley Community Services District
District's Proportionate Share of the Net Pension Liability – Last Ten Fiscal Years*
As of June 30, 2019

<u>Description</u>	<u>Miscellaneous Plan</u>	<u>Safety Plan</u>	<u>Measurement Date 2017-2018</u>	<u>Measurement Date 2016-2017</u>	<u>Measurement Date 2015-2016</u>	<u>Measurement Date 2014-2015</u>	<u>Measurement Date 2013-2014</u>
District's Proportion of the Net Pension Liability	0.07020%	0.02423%	0.04221%	0.04122%	0.04040%	0.03812%	0.39690%
District's Proportionate Share of the Net Pension Liability	\$ 2,645,787	1,421,727	\$ 4,067,514	4,087,640	3,495,772	2,616,040	2,469,727
District's Covered Payroll	\$ 1,414,711	357,500	\$ 1,772,211	2,267,670	1,841,153	2,098,786	2,369,855
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	53.47%	25.15%	43.57%	55.48%	52.67%	80.23%	95.96%
Plan's Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	77.93%	71.37%	76.01%	75.02%	76.67%	81.98%	82.50%

Notes:

Changes in Benefit Terms – For the measurement date June 30, 2018, there were no changes in the benefit terms.

Changes of Assumptions – For the measurement date June 30, 2018, the discount rate was reduced from 7.65% percent to 7.15% percent.

* 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 five years are shown.

Bear Valley Community Services District
Pension Plan Contributions – Last Ten Fiscal Years*
As of June 30, 2019

<u>Schedule of Pension Plan Contributions:</u>	<u>Miscellaneous Plan</u>	<u>Safety Plan</u>	<u>Fiscal Year 2018-2019</u>	<u>Fiscal Year 2017-2018</u>	<u>Fiscal Year 2016-2017</u>	<u>Fiscal Year 2015-2016</u>	<u>Fiscal Year 2014-2015</u>
Actuarially Determined Contribution	\$ 289,644	149,162	438,806	347,050	336,262	264,183	266,841
Contributions in Relation to the Actuarially Determined Contribution	<u>(280,654)</u>	<u>(132,053)</u>	<u>(412,707)</u>	<u>(312,467)</u>	<u>(293,279)</u>	<u>(272,528)</u>	<u>(242,540)</u>
Contribution Deficiency (Excess)	\$ <u>8,990</u>	<u>17,109</u>	<u>26,099</u>	<u>34,583</u>	<u>42,983</u>	<u>(8,345)</u>	<u>24,301</u>
Covered Payroll	\$ <u>1,414,711</u>	<u>357,500</u>	<u>1,772,211</u>	<u>1,772,211</u>	<u>1,841,153</u>	<u>2,098,786</u>	<u>2,369,855</u>
Contribution's as a percentage of Covered Payroll	<u>20.47%</u>	<u>41.72%</u>	<u>24.76%</u>	<u>19.58%</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 five years are shown.

Supplementary Information

Bear Valley Community Services District
Schedule of Revenues, Expenditures and Changes in Net Position
Budget and Actual – Water Fund
For the Year Ended June 30, 2019

	Adopted Original Budget	Board Approved Changes	Revised Final Budget	Actual Basis	Variance Positive (Negative)
Operating revenues:					
Water consumption sales	\$ 2,150,000	(1,928)	2,148,072	2,189,869	41,797
Other charges for services	<u>20,000</u>	<u>5,500</u>	<u>25,500</u>	<u>25,290</u>	<u>(210)</u>
Total operating revenues	<u>2,170,000</u>	<u>3,572</u>	<u>2,173,572</u>	<u>2,215,159</u>	<u>41,587</u>
Operating expenses:					
Salaries and benefits	1,420,403	(265,649)	1,154,754	1,229,705	(74,951)
Operations	<u>1,996,162</u>	<u>(323,390)</u>	<u>1,672,772</u>	<u>1,452,492</u>	<u>220,280</u>
Total operating expenses	<u>3,416,565</u>	<u>(589,039)</u>	<u>2,827,526</u>	<u>2,682,197</u>	<u>145,329</u>
Operating income(loss) before capital	(1,246,565)	592,611	(653,954)	(467,038)	186,916
Depreciation expense	<u>-</u>	<u>-</u>	<u>-</u>	<u>(414,172)</u>	<u>414,172</u>
Operating income(loss)	<u>(1,246,565)</u>	<u>592,611</u>	<u>(653,954)</u>	<u>(881,210)</u>	<u>(227,256)</u>
Non-operating revenue(expense):					
Interest earnings	7,000	17,500	24,500	27,844	3,344
Interest expense	<u>(54,132)</u>	<u>-</u>	<u>(54,132)</u>	<u>(52,879)</u>	<u>1,253</u>
Total non-operating, net	<u>(47,132)</u>	<u>17,500</u>	<u>(29,632)</u>	<u>(25,035)</u>	<u>4,597</u>
Other financing sources(uses):					
Operating transfers	<u>306,620</u>	<u>(169,598)</u>	<u>137,022</u>	<u>94,962</u>	<u>(42,060)</u>
Capital contributions and purchases:					
Capital outlay	(451,396)	368,645	(82,751)	-	(82,751)
Standby charges	25,000	-	25,000	25,519	519
Capacity charges	<u>37,775</u>	<u>-</u>	<u>37,775</u>	<u>37,775</u>	<u>-</u>
Total capital contributions	<u>(388,621)</u>	<u>368,645</u>	<u>(19,976)</u>	<u>63,294</u>	<u>(83,270)</u>
Change in net position	<u>(1,375,698)</u>	<u>809,158</u>	<u>(566,540)</u>	<u>(747,989)</u>	<u>(347,989)</u>
Net position, beginning of year	<u>7,800,036</u>	<u>-</u>	<u>7,800,036</u>	<u>7,800,036</u>	
Fund balance, end of year	<u>\$ 6,424,338</u>	<u>809,158</u>	<u>7,233,496</u>	<u>7,052,047</u>	

Bear Valley Community Services District
Schedule of Revenues, Expenditures and Changes in Net Position
Budget and Actual – Wastewater Fund
For the Year Ended June 30, 2019

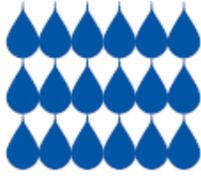
	<u>Adopted Original Budget</u>	<u>Board Approved Changes</u>	<u>Revised Final Budget</u>	<u>Actual Basis</u>	<u>Variance Positive (Negative)</u>
Operating revenues:					
Wastewater service charges	\$ 495,000	(1,299)	493,701	495,007	1,306
Other charges for services	-	2,500	2,500	466	(2,034)
Total operating revenues	<u>495,000</u>	<u>1,201</u>	<u>496,201</u>	<u>495,473</u>	<u>(728)</u>
Operating expenses:					
Salaries and benefits	492,416	(35,499)	456,917	690,854	(233,937)
Operations	309,225	(124,717)	184,508	179,756	4,752
Total operating expenses	<u>801,641</u>	<u>(160,216)</u>	<u>641,425</u>	<u>870,610</u>	<u>(229,185)</u>
Operating income(loss) before capital	(306,641)	161,417	(145,224)	(375,137)	(229,913)
Depreciation expense	-	-	-	(41,259)	41,259
Operating income(loss)	<u>(306,641)</u>	<u>161,417</u>	<u>(145,224)</u>	<u>(416,396)</u>	<u>(271,172)</u>
Non-operating revenue(expense):					
Interest earnings	4,500	5,500	10,000	12,713	2,713
Interest expense	(11,315)	-	(11,315)	(11,053)	262
Total non-operating, net	<u>(6,815)</u>	<u>5,500</u>	<u>(1,315)</u>	<u>1,660</u>	<u>2,975</u>
Other financing sources(uses):					
Operating transfers	24,294	(25,724)	(1,430)	(402)	1,028
Capital contributions and purchases:					
Capital outlay	(344,585)	334,585	(10,000)	-	(10,000)
Capacity charges	-	13,058	13,058	13,058	-
Total capital contributions	<u>(344,585)</u>	<u>347,643</u>	<u>3,058</u>	<u>13,058</u>	<u>(10,000)</u>
Change in net position	<u>(633,747)</u>	<u>488,836</u>	<u>(144,911)</u>	<u>(402,080)</u>	<u>(277,169)</u>
Net position, beginning of year	<u>674,974</u>	<u>-</u>	<u>674,974</u>	<u>674,974</u>	
Fund balance, end of year	<u>\$ 41,227</u>	<u>488,836</u>	<u>530,063</u>	<u>272,894</u>	

Bear Valley Community Services District
Schedule of Revenues, Expenditures and Changes in Net Position
Budget and Actual – Solid Waste Fund
For the Year Ended June 30, 2019

	<u>Adopted Original Budget</u>	<u>Board Approved Changes</u>	<u>Revised Final Budget</u>	<u>Actual Basis</u>	<u>Variance Positive (Negative)</u>
Operating revenues:					
Solid waste collection charges	\$ 555,000	-	555,000	554,592	(408)
Other charges for services	-	650	650	524	(126)
Total operating revenues	<u>555,000</u>	<u>650</u>	<u>555,650</u>	<u>555,116</u>	<u>(534)</u>
Operating expenses:					
Salaries and benefits	284,478	(42,574)	241,904	283,012	(41,108)
Operations	573,172	(114,266)	458,906	421,183	37,723
Total operating expenses	<u>857,650</u>	<u>(156,840)</u>	<u>700,810</u>	<u>704,195</u>	<u>(3,385)</u>
Operating income(loss) before capital	(302,650)	157,490	(145,160)	(149,079)	(3,919)
Depreciation expense	-	-	-	(3,321)	(3,321)
Operating income(loss)	<u>(302,650)</u>	<u>157,490</u>	<u>(145,160)</u>	<u>(152,400)</u>	<u>(598)</u>
Non-operating revenue(expense):					
Interest earnings	6,000	10,168	16,168	17,716	1,548
Total non-operating, net	<u>6,000</u>	<u>10,168</u>	<u>16,168</u>	<u>17,716</u>	<u>(1,548)</u>
Other financing sources(uses):					
Operating transfers	(20,913)	23,523	2,610	(7,370)	(9,980)
Capital contributions and purchases:					
Capital outlay	325,000	(325,000)	-	-	-
Total capital contributions	<u>325,000</u>	<u>(325,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in net position	7,437	(133,819)	(126,382)	(142,054)	(12,126)
Net position, beginning of year	<u>804,439</u>	<u>-</u>	<u>804,439</u>	<u>804,439</u>	
Fund balance, end of year	<u>\$ 811,876</u>	<u>(133,819)</u>	<u>678,057</u>	<u>662,385</u>	

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Report on Compliance and Internal Controls



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

Board of Directors
Bear Valley Community Services District
Tehachapi, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Bear Valley Community Services District (District) as of and for the year ended June 30, 2019, 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 13, 2020.

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 13, 2020