



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

Annual Financial Report

**For the Fiscal Year Ended
June 30, 2021**



BEAR VALLEY COMMUNITY SERVICES DISTRICT

List of Elected and Appointed Officials

June 30, 2021

Elected Officials

BOARD OF DIRECTORS

President	Gregory Hahn
Vice-President	Terry Quinn
Director	John Grace
Director	Charles Jensen
Director	Jay Carlyn

District Management

General Manager	William Malinen
Administrative Services Director	Hamed Jones
Chief of Police (Interim)	Jeffery J. Kermode
Public Works Director	Vacant
Assistant to the General Manager	Kristy McEwen

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



Bear Valley Community Services District
Annual Financial Report
For the Fiscal Year Ended June 30, 2021

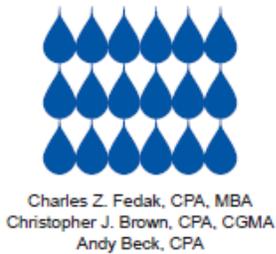
Prepared by:
Finance Department
Hamed Jones, Administrative Services Director / Treasurer

**Bear Valley Community Services District
Annual Financial Report
For the Fiscal Year Ended June 30, 2021**

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Financial Section



Fedak & Brown LLP

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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 of the Bear Valley Community Services District (District) as of and for the year ended June 30, 2021, 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 control 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 opinions on these basic financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the District as of June 30, 2021, 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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 12, budgetary comparison information on pages 56 through 59, and the required supplementary information on pages 60 through 62 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The supplementary information on pages 63 through 65 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated January 13, 2022, 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 66 and 67.

Fedak & Brown LLP

Fedak & Brown LLP
Cypress, California
January 13, 2022

**Bear Valley Community Services District
Management’s Discussion and Analysis
For the Year Ended June 30, 2021**

The following Management’s Discussion and Analysis (MD&A) of activities and financial performance of the Bear Valley Community Services District (District) provides an introduction to the financial statements of the District for the fiscal year ended June 30, 2021. We encourage readers to consider the information presented here in conjunction with the accompanying basic financial statements and related notes, which follow this section.

Financial Highlights

- In 2021, the District’s net position increased 4.6%, or \$910,533 from \$19,953,362 to \$20,863,895, as a result of ongoing operations.
- In 2021, the District’s total revenues from all sources increased 24.6%, or \$2,207,725 to \$11,195,021.
- In 2021, the District’s total expenses for all uses increased 8.6%, or \$811,011 to \$10,284,488.

Using This Financial Report

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

The Statement of Net Position includes all of the District’s investments in resources (assets), deferred outflows of resources, obligations to creditors (liabilities), and deferred inflows of resources. It also provides the basis for computing a rate of return, evaluating the capital structure of the District, and assessing the liquidity and financial flexibility of the District. All of the current year’s revenue and expenses are accounted for in the Statement of Activities. This statement measures the success of the District’s operations over the past year and can be used to determine the District’s profitability and credit worthiness.

Government-wide Financial Statements

Statement of Net Position and Statement of Activities

One of the most important questions asked about the District’s finances is, “Is the District better off or worse off as a result of this year’s activities?” The Statement of Net Position and the Statement of Activities report information about the District in a way that helps answer this question. These statements include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the *accrual basis of accounting*, which is similar to the accounting used by most private sector companies. All of the current year’s revenues and expenses are taken into account regardless of when the cash is received or paid.

These two statements report the District’s *net position* and changes in it. Think of the District’s net position – assets and deferred outflows of resources less liabilities and deferred inflows of resources – as one way to measure the District’s financial health, or *financial position*. Over time, *increases or decreases* in the District’s net position is one indicator of whether its *financial health* is improving or deteriorating. However, one will need to consider other non-financial factors such as changes in the District’s property tax base and the types of grants the District applies for to assess the *overall financial health* of the District.

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

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

**Bear Valley Community Services District
Management's Discussion and Analysis
For the Year Ended June 30, 2021**

Fund Financial Statements

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

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

Governmental Funds

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

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

The Bear Valley Community Services District adopts an annual appropriated budget for its general, streets and roads, bond redemption, and supplemental law enforcement funds. A budgetary comparison statement has been provided for each fund to demonstrate compliance with the budget. See pages 56 through 59 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 63 through 65 of this report.

**Bear Valley Community Services District
Management's Discussion and Analysis
For the Year Ended June 30, 2021**

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

Enterprise Funds, continued

The Government Finance Officers Association recommends that a government use the smallest number of individual funds consistent with legal and operating requirements. For the purposes of this report, three funds (water enterprise, water development, and water reserve funds) are reported together as Water Enterprise; four funds (wastewater enterprise, wastewater development, 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 23 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 24 through 55 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 56 through 62 of this report.

Government-wide Financial Analysis

Statements of Net Position

	Condensed Statements of Net Position						
	Governmental Activities		Business-type Activities		Total District		
	2021	2020	2021	2020	2021	2020	Change
Assets:							
Current and other assets	\$ 5,743,523	5,949,766	4,186,069	3,262,759	9,929,592	9,212,525	717,067
Capital assets, net	11,301,755	11,669,615	9,379,257	8,759,937	20,681,012	20,429,552	251,460
Total assets	17,045,278	17,619,381	13,662,653	12,022,696	30,707,931	29,642,077	1,065,854
Deferred outflows of resources	691,587	555,066	481,665	390,775	1,173,252	945,841	227,411
Liabilities:							
Current liabilities	1,041,360	1,050,214	917,632	671,286	1,958,992	1,721,500	237,492
Non-current liabilities	4,578,129	4,863,496	4,165,601	3,750,900	8,743,730	8,614,396	129,334
Total liabilities	5,619,489	5,913,710	5,083,233	4,422,186	10,702,722	10,335,896	366,826
Deferred inflows of resources	164,426	156,175	150,140	142,485	314,566	298,660	15,906
Net position:							
Net investment in capital assets	10,350,159	10,242,413	7,000,503	6,715,979	17,350,662	16,958,392	392,270
Restricted	2,052,548	2,014,053	102,621	-	2,155,169	2,014,053	141,116
Unrestricted	(449,757)	(151,904)	1,807,821	1,132,821	1,358,064	980,917	377,147
Total net position	\$ 11,952,950	12,104,562	8,910,945	7,848,800	20,863,895	19,953,362	910,533

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows exceeded liabilities and deferred inflows by \$20,863,895 as of June 30, 2021, an increase of \$910,533 as a result of ongoing operations.

**Bear Valley Community Services District
Management's Discussion and Analysis
For the Year Ended June 30, 2021**

Government-wide Financial Analysis, continued

Statements of Net Position, continued

By far the largest portion of the District's net position (83.2%) reflects its investment in capital assets (e.g. land, water/wastewater infrastructure, and equipment). The Bear Valley Community Services District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

The balance of restricted net position of \$2,155,169 and unrestricted net position of \$1,358,064 is available to meet the government's ongoing obligations. See note 11 and 12 for further discussion.

Governmental activities. Governmental activities decreased the District's net position by \$151,612 from \$12,104,562 to \$11,952,950 as a result of current-year operations.

Business-type activities. Business-type activities increased the District's net position by \$1,062,145 from \$7,848,800 to \$8,910,945 as a result of current-year operations.

Statements of Activities

	Condensed Statements of Activities						
	Governmental Activities		Business-type Activities		Total District		
	2021	2020	2021	2020	2021	2020	Change
Revenues:							
Program revenues:							
Charges for services	\$ 1,541,320	1,519,459	5,979,795	4,621,805	7,521,115	6,141,264	1,379,851
Operating grants and contrib.	751,475	155,948	58,964	-	810,439	155,948	654,491
Capital grants and contrib.	-	-	238,724	132,978	238,724	132,978	105,746
General revenues:							
Property taxes	1,899,194	1,742,156	-	-	1,899,194	1,742,156	157,038
Voter approved taxes	694,713	648,598	-	-	694,713	648,598	46,115
Investment earnings	18,295	120,740	12,541	45,612	30,836	166,352	(135,516)
Total revenues	4,904,997	4,186,901	6,290,024	4,800,395	11,195,021	8,987,296	2,207,725
Expenses:							
General government	1,624,641	1,201,450	-	-	1,624,641	1,201,450	423,191
Public safety	1,614,254	1,672,860	-	-	1,614,254	1,672,860	(58,606)
Streets and roads	1,800,116	1,568,769	-	-	1,800,116	1,568,769	231,347
Interest on long-term debt	29,335	40,206	-	-	29,335	40,206	(10,871)
Water	-	-	3,517,920	3,269,199	3,517,920	3,269,199	248,721
Wastewater	-	-	878,594	880,599	878,594	880,599	(2,005)
Solid waste	-	-	819,628	840,394	819,628	840,394	(20,766)
Total expenses	5,068,346	4,483,285	5,216,142	4,990,192	10,284,488	9,473,477	811,011
Transfers from(to) other funds	11,737	(51,271)	(11,737)	51,271	-	-	-
Change in net position	(151,612)	(347,655)	1,062,145	(138,526)	910,533	(486,181)	1,396,714
Net position, beginning of year	12,104,562	12,452,217	7,848,800	7,987,326	19,953,362	20,439,543	(486,181)
Net position, end of year	\$ 11,952,950	12,104,562	8,910,945	7,848,800	20,863,895	19,953,362	910,533

Compared to prior year, net position of the District increased 4.6%, or \$910,533 from \$19,953,362 to \$20,863,895 as a result of current year operations.

Total revenues from all sources increased 24.6%, or \$2,207,725 from \$8,987,296 to \$11,195,021.

Revenue from charges for services in the governmental-type activities increased by 1.4%, or \$21,861 from \$1,519,459 to \$1,541,320 due primarily to increases of \$30,435 in general government and \$26,684 in streets and roads charges, which were offset by a decrease of \$35,258 in public safety charges as compared to the prior year.

**Bear Valley Community Services District
Management’s Discussion and Analysis
For the Year Ended June 30, 2021**

Government-wide Financial Analysis, continued

Statements of Activities, continued

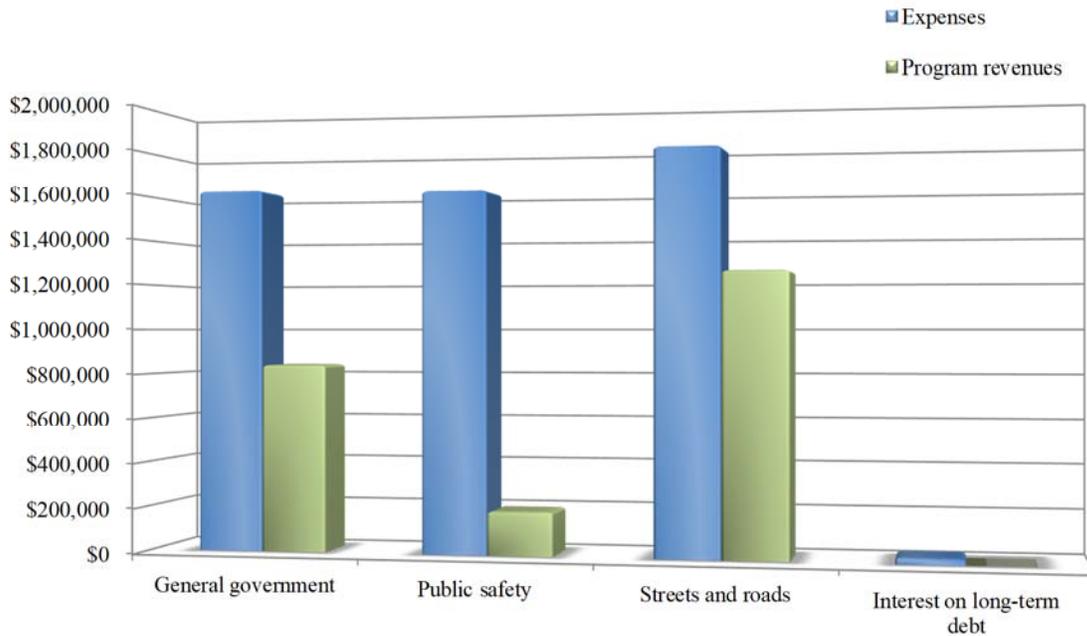
Revenue from charges for services in the business-type activities increased by 29.4%, or \$1,357,990 from \$4,621,805 to \$5,979,795 due primarily to increases of \$1,208,354 in water consumption sales, \$121,652 in wastewater service charges, and \$23,396 on other charges for services as compared to the prior year.

Property taxes increased by 9.0%, or \$157,038 from \$1,742,156 to \$1,899,194 due to an overall increase in assessed property valuations.

Voter approved taxes increased by 7.1%, or \$46,115 from \$648,598 to \$694,713.

Total expenses increased by 8.6%, or \$811,011 from \$9,473,477 to \$10,284,488 primarily due to increases of \$423,191 in general government, \$231,347 in streets and roads, and \$248,721 in water expenses, which were offset by decreases of \$58,606 in public safety, \$20,766 in solid waste, and \$10,871 in interest on long-term debt as compared to the prior year.

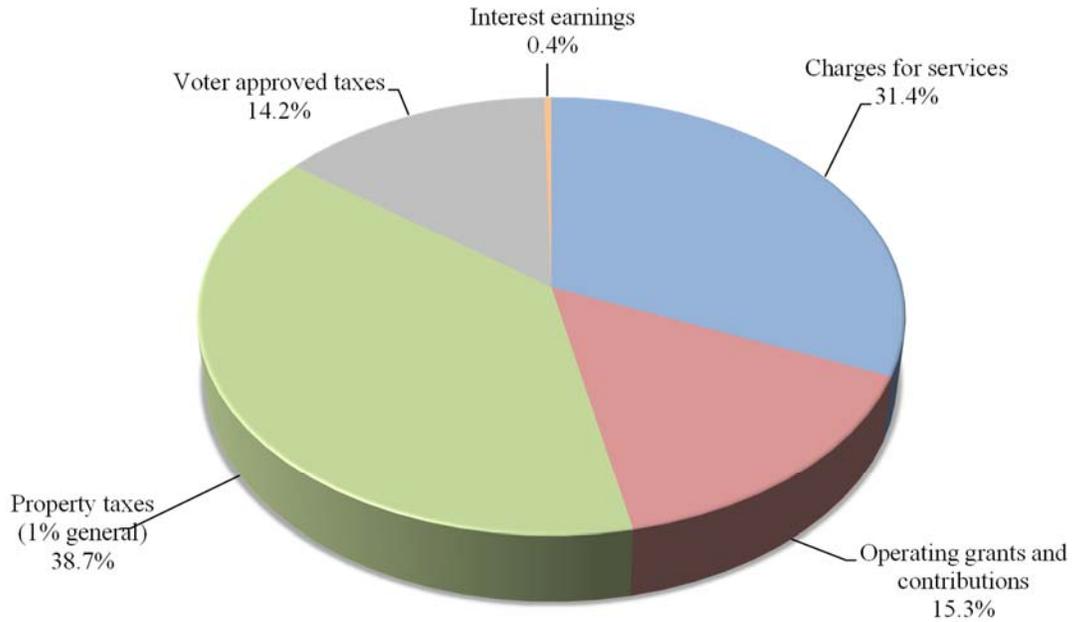
Expenses and Program Revenues – Governmental Activities



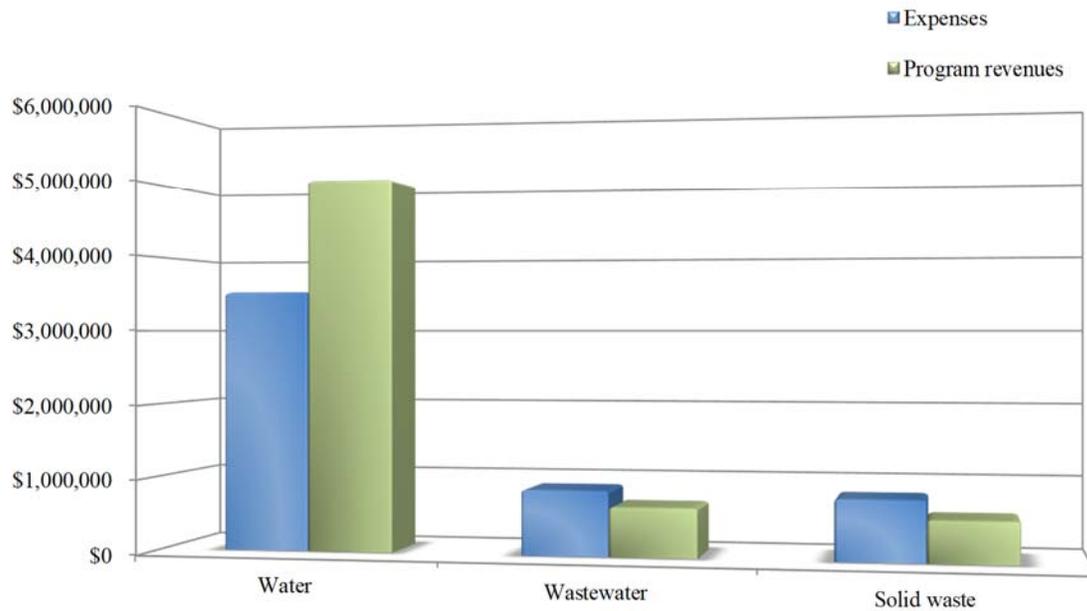
The table above does not include governmental activity general revenues which include property taxes, voter approved taxes, interest earnings, and transfers out. Please see page 15 for further detail.

**Bear Valley Community Services District
Management's Discussion and Analysis
For the Year Ended June 30, 2021**

Revenues by Source – Governmental Activities

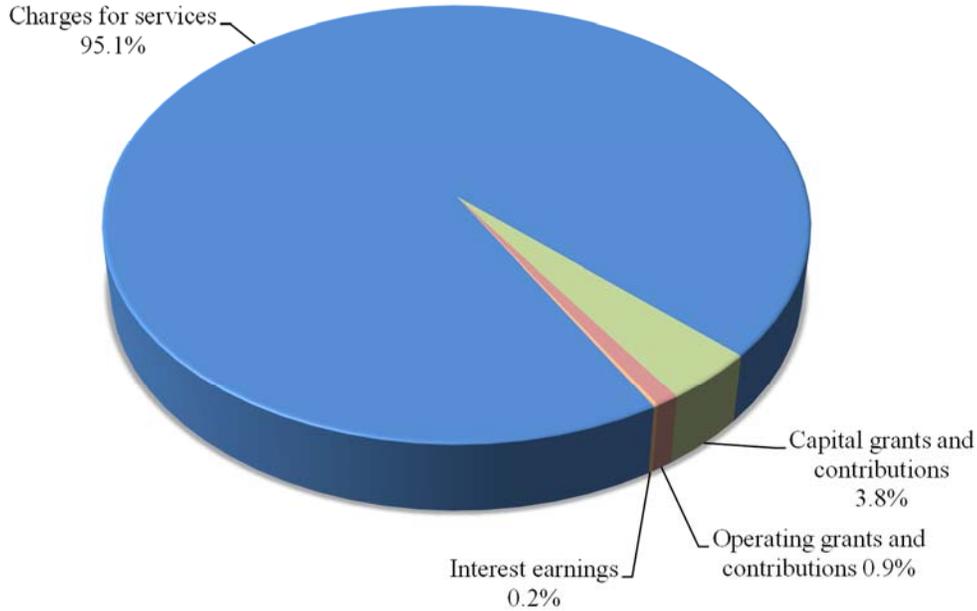


Expenses and Program Revenues – Business-type Activities



**Bear Valley Community Services District
Management’s Discussion and Analysis
For the Year Ended June 30, 2021**

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, 2021, the Bear Valley Community Services District’s governmental funds reported combined ending fund balance of \$5,306,158, a decrease of \$202,864 in comparison with the prior year. Of this total fund balance, \$1,926,132 or 36.3% 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 \$3,209,708 of which \$1,086,084 is restricted for an employee contract payable, \$33,079 is non-spendable for prepaid costs, \$164,413 is assigned for compensated absences, and \$1,926,132 is unassigned. Of the unassigned fund balance, the Board has a deficit unfunded reserve of \$449,757. 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 65.4% of total general fund expenditures, while total fund balance represents 109.0% of that same amount.

**Bear Valley Community Services District
Management's Discussion and Analysis
For the Year Ended June 30, 2021**

Financial Analysis of the Government's Funds, continued

Governmental funds, continued

The following discussion is correlated to the change in fund balance on the Statements of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds can be found on page 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 decreased \$259,494 as a result of current year operations and a transfer of \$689,634 to the streets and roads fund for prior years debt service. The amount unassigned for six-month operating reserve decreased by \$201,146 from \$2,127,278 to \$1,926,132 due to current year as compared to the prior year operations.

The fund balance of the District's streets and roads fund increased \$2,921 as a result of current year operations. The streets and roads fund has a restricted fund balance of \$1,682,709 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 \$21,021 in prepaid costs. The assigned fund balance amount is \$22,881 for compensated absences.

The fund balance of the District's debt service fund increased \$53,398 as a result of current year operations. The debt service fund has a restricted fund balance of \$352,863 which will be used for the payment for future debt service.

The fund balance of the District's supplemental law enforcement fund increased \$311 as a result of current year operations. The supplemental law enforcement fund has a restricted fund balance of \$16,976 which will be used to fund law enforcement activity.

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

The following discussion is correlated to the change in fund net position on the Statements of Revenues, Expenses, and Changes in Fund Net Position – Enterprise Funds found on page 21.

Net position for all enterprise funds increased \$1,062,145 as a result of current-year operations. Changes in total net position from last year are as a result of current year's operations as follows: water enterprise increased by \$1,527,627; wastewater enterprise decreased by \$211,781; and solid waste enterprise decreased by \$253,701 as a result of the current year operations.

Budgetary Highlights

Governmental funds. For the year ended June 30, 2021, the final actual expenditures were less than budgeted for the general fund by \$220,390, primarily due to general government; less than budgeted for the streets and roads fund by \$22,374; equaled budgeted for the debt service fund; and less than budgeted for the supplemental law enforcement fund by \$120. For the year ended June 30, 2021, final actual revenues were less than budgeted for the general fund by \$415,219, primarily due to higher budgeted than actual federal and state aid; greater than budgeted for the streets and roads fund by \$31,879; greater than budgeted for the debt service fund by \$4,083; and less than budgeted for the supplemental law enforcement fund by \$73.

At June 30, 2021, there were differences between the original and final amended budgets for the general fund of \$332,731, streets and roads fund of \$944,270, debt service fund of \$115,726, and supplemental law enforcement fund of \$17,189. Please see the governmental fund budgets reported on pages 56 through 59.

**Bear Valley Community Services District
Management's Discussion and Analysis
For the Year Ended June 30, 2021**

Budgetary Highlights, continued

Enterprise funds. For the year ended June 30, 2021, the final actual expenditures (before depreciation) were less than budgeted for the water fund by \$170,630; greater than budgeted for the wastewater fund by \$17,898; and greater than budgeted for the solid waste fund by \$9,817. 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 GASB 68. 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, 2021, final actual operating revenues were greater than budgeted for the water fund by \$383,897; greater than budgeted for the wastewater fund by \$26,913; and greater than budgeted for the solid waste fund by \$3,855.

At June 30, 2021, there were differences between the original and final amended budgets for the water fund of \$1,548,616, the wastewater fund of \$116,879, and the solid waste fund of \$83,878. Please see the enterprise fund budgets reported on pages 63 through 65.

Capital Asset Administration

	Capital Assets					
	Governmental Activities		Business-type Activities		Total District	
	2021	2020	2021	2020	2021	2020
Capital assets:						
Non-depreciable assets	\$ 4,945,892	4,987,766	3,662,053	3,932,395	8,607,945	8,920,161
Depreciable assets	36,425,142	36,494,939	22,288,980	21,008,530	58,714,122	57,503,469
Total capital assets	41,371,034	41,482,705	25,951,033	24,940,925	67,322,067	66,423,630
Accumulated depreciation	(30,069,279)	(29,813,090)	(16,571,776)	(16,180,988)	(46,641,055)	(45,994,078)
Total capital assets, net	\$ 11,301,755	11,669,615	9,379,257	8,759,937	20,681,012	20,429,552

The Bear Valley Community Services District's capital assets, net of accumulated depreciation for its governmental and business-type activities as of June 30, 2021, amounts to \$20,681,012. This investment in capital assets includes land, buildings, improvements, machinery and equipment, and park facilities and infrastructure.

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

- \$187,294 for construction-in-progress for the gate drainage project in the roads fund.
- \$27,976 for additions to buildings and improvements in the parks fund.
- \$74,467 for additions to vehicles and equipment in the roads fund.
- \$401,407 for disposals of vehicles and equipment in the general and roads funds.

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

- \$28,241 for construction-in-progress for the transfer station project in the solid waste fund.
- \$1,024,898 for additions to water transmission and distribution in the water fund.
- \$33,380 for additions to vehicles and equipment in the solid waste fund.
- \$59,372, \$18,457, and \$17,613 for disposals of vehicles and equipment in the water, wastewater, and solid waste funds, respectively.
- \$11,453 and \$40,958 in vehicles and equipment asset transfers to the wastewater fund from the general fund and water fund, respectively.

Additional information on the District's capital assets can be found in Note 5 on pages 37 through 40 of this report.

**Bear Valley Community Services District
Management’s Discussion and Analysis
For the Year Ended June 30, 2021**

Long-Term Debt Administration

		Long-term Debt					
		Governmental Activities		Business-Type Activities		Total	
		2021	2020	2021	2020	2021	2020
Long-term debt:							
General obligation bonds	\$	534,000	601,000	-	-	534,000	601,000
Installment sale agreement		417,596	826,202	-	-	417,596	826,202
CIEDB loan		-	-	1,912,513	2,043,958	1,912,513	2,043,958
MFC loan		-	-	466,241	-	466,241	-
Total long-term debt	\$	951,596	1,427,202	2,378,754	2,043,958	3,330,350	3,471,160

At the end of the current fiscal year, the Bear Valley Community Services District had total debt outstanding of \$3,330,350. Of this amount, \$534,000 is the remaining balance of the general obligation bond debt backed by the full faith and credit of the Bear Valley Community Services District, \$417,596 is the remaining balance due to the City National Bank (Installment Sales Agreement) utilized for the rehabilitation of the District’s roads infrastructure, \$1,912,513 is the remaining balance due to the California Infrastructure and Economic Development Bank (CIEDB) for water and wastewater system improvements and \$466,241 is the remaining balance due to the Municipal Finance Corporation (MFC) installment sales agreement for the purpose of financing generators to support the District’s water system.

Additional information on the District’s long-term debt can be found in Note 8 on pages 41 through 43 of this report.

Conditions Affecting Current Financial Position

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

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

Requests for Information

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

Basic Financial Statements

Bear Valley Community Services District
Statement of Net Position
June 30, 2021

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Current assets:			
Cash and cash equivalents (note 2)	\$ 5,152,808	2,720,950	7,873,758
Cash and cash equivalents – restricted (note 2)	-	102,621	102,621
Accrued interest receivable	11,554	6,101	17,655
Accounts receivable – utilities (note 3)	-	992,853	992,853
Accounts receivable – grants	210,800	-	210,800
Accounts receivable – other	8,370	-	8,370
Property taxes and assessments receivable	55,891	1,799	57,690
Due from other funds (note 4)	250,000	-	250,000
Prepays	54,100	361,745	415,845
Total current assets	<u>5,743,523</u>	<u>4,186,069</u>	<u>9,929,592</u>
Non-current assets:			
Accounts receivable – utilities (note 3)	-	97,327	97,327
Capital assets – not being depreciated (note 5)	4,945,892	3,662,053	8,607,945
Capital assets – being depreciated, net (note 5)	6,355,863	5,717,204	12,073,067
Total non-current assets	<u>11,301,755</u>	<u>9,476,584</u>	<u>20,778,339</u>
Total assets	<u>17,045,278</u>	<u>13,662,653</u>	<u>30,707,931</u>
Deferred outflows of resources:			
Deferred pension outflows (note 9)	691,587	481,665	1,173,252
Total deferred outflows of resources	<u>\$ 691,587</u>	<u>481,665</u>	<u>1,173,252</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, 2021

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
Current liabilities:			
Accounts payable and accrued expenses	\$ 291,206	301,522	592,728
Accrued wages and related payables	142,583	57,369	199,952
Accrued interest on long-term debt	10,209	35,976	46,185
Deposits	-	21,537	21,537
Unearned revenue	3,576	968	4,544
Due to other funds (note 4)	-	250,000	250,000
Long-term liabilities – due within one year:			
Compensated absences (note 6)	46,824	27,583	74,407
Employee contract payable (note 7)	58,366	-	58,366
Bond and loans payable (note 8)	488,596	222,677	711,273
Total current liabilities	<u>1,041,360</u>	<u>917,632</u>	<u>1,958,992</u>
Non-current liabilities:			
Long-term liabilities – due in more than one year:			
Compensated absences (note 6)	140,470	82,750	223,220
Employee contract payable (note 7)	1,027,718	-	1,027,718
Bond and loans payable (note 8)	463,000	2,156,077	2,619,077
Net pension liability (note 9)	2,946,941	1,926,774	4,873,715
Total non-current liabilities	<u>4,578,129</u>	<u>4,165,601</u>	<u>8,743,730</u>
Total liabilities	<u>5,619,489</u>	<u>5,083,233</u>	<u>10,702,722</u>
Deferred inflows of resources:			
Deferred pension inflows (note 9)	164,426	150,140	314,566
Total deferred inflows of resources	<u>164,426</u>	<u>150,140</u>	<u>314,566</u>
Net position:			
Net investment in capital assets (note 10)	10,350,159	7,000,503	17,350,662
Restricted (note 11)	2,052,548	102,621	2,155,169
Unrestricted (note 12)	(449,757)	1,807,821	1,358,064
Total net position	<u>\$ 11,952,950</u>	<u>8,910,945</u>	<u>20,863,895</u>

See accompanying notes to the basic financial statements

Bear Valley Community Services District
Statement of Activities
For the Year Ended June 30, 2021

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Governmental activities:							
General government	\$ 1,624,641	261,834	579,653	-	(783,154)	-	(783,154)
Public safety	1,614,254	39,248	156,726	-	(1,418,280)	-	(1,418,280)
Streets and roads	1,800,116	1,240,238	15,096	-	(544,782)	-	(544,782)
Interest on long-term debt	29,335	-	-	-	(29,335)	-	(29,335)
Total governmental activities	5,068,346	1,541,320	751,475	-	(2,775,551)	-	(2,775,551)
Business-type activities:							
Water	3,517,920	4,777,531	35,017	232,195	-	1,526,823	1,526,823
Wastewater	878,594	641,909	18,375	6,529	-	(211,781)	(211,781)
Solid waste	819,628	560,355	5,572	-	-	(253,701)	(253,701)
Total business-type activities	5,216,142	5,979,795	58,964	238,724	-	1,061,341	1,061,341
Total	\$ 10,284,488	7,521,115	810,439	238,724	(2,775,551)	1,061,341	(1,714,210)
General revenues:							
					\$ 1,899,194	-	1,899,194
					694,713	-	694,713
					18,295	12,541	30,836
					<u>2,612,202</u>	<u>12,541</u>	<u>2,624,743</u>
					<u>11,737</u>	<u>(11,737)</u>	<u>-</u>
					(151,612)	1,062,145	910,533
					<u>12,104,562</u>	<u>7,848,800</u>	<u>19,953,362</u>
					\$ <u>11,952,950</u>	<u>8,910,945</u>	<u>20,863,895</u>

See accompanying notes to the basic financial statements

Bear Valley Community Services District
Balance Sheets – Governmental Funds
June 30, 2021

	<u>General</u>	<u>Streets and Roads</u>	<u>Debt Service</u>	<u>Supplemental Law Enforcement</u>	<u>Total Governmental Funds</u>
Assets:					
Cash and cash equivalents	\$ 2,905,745	1,877,521	347,608	21,934	5,152,808
Accrued interest receivable	6,516	4,210	779	49	11,554
Accounts receivable – grants	210,800	-	-	-	210,800
Accounts receivable – other	7,881	-	-	489	8,370
Property taxes and assessments receivable	38,930	12,485	4,476	-	55,891
Due from other funds	250,000	-	-	-	250,000
Prepays	33,079	21,021	-	-	54,100
Total assets	\$ 3,452,951	1,915,237	352,863	22,472	5,743,523
Liabilities:					
Accounts payable and accrued expenses	\$ 115,298	175,908	-	-	291,206
Accrued wages and related payables	124,369	12,718	-	5,496	142,583
Unearned revenue	3,576	-	-	-	3,576
Total liabilities	243,243	188,626	-	5,496	437,365
Fund balance:					
Restricted:					
Street and road improvements	-	1,682,709	-	-	1,682,709
Employee contract payable	1,086,084	-	-	-	1,086,084
Debt service	-	-	352,863	-	352,863
Public safety	-	-	-	16,976	16,976
Nonspendable:					
Prepays	33,079	21,021	-	-	54,100
Assigned:					
Compensated absences	164,413	22,881	-	-	187,294
Unassigned:					
Six-month operating reserve	1,926,132	-	-	-	1,926,132
Total fund balance	3,209,708	1,726,611	352,863	16,976	5,306,158
Total liabilities and fund balance	\$ 3,452,951	1,915,237	352,863	22,472	5,743,523

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, 2021

Reconciliation:

Fund balance of total governmental funds	\$	5,306,158
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 sheets. However, the statement of net position includes those capital position among the assets of the District as a whole.		11,301,755
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.	\$ 330,265	
Recognized differences between the expected and actual experience are reported as deferred outflows of resources in the government-wide financial statements.	195,105	
Recognized portion due to net difference in proportions are reported as deferred outflows of resources in the government-wide financial statements.	91,926	
Recognized net difference between projected and actual earnings on pension plan investments are reported as deferred outflows of resources in the government-wide financial statements.	<u>74,291</u>	<u>691,587</u>
Long-term liabilities applicable to the District are not due and payable in the current period, and accordingly, are not reported as governmental fund liabilities. All liabilities, both current and long-term, are reported in the statement of net position as follows:		
Compensated absences		(187,294)
Employee contract payable		(1,086,084)
Bonds and loans payable		(951,596)
Net pension liability		(2,946,941)
Recognized changes in assumptions are reported as deferred inflows of resources in the government-wide financial statements.	(14,698)	
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.	<u>(149,728)</u>	<u>(164,426)</u>
Interest on long-term debt is not accrued as a governmental fund liability, but rather is recognized as an expenditure when due.		<u>(10,209)</u>
Total adjustments		<u>6,646,792</u>
Net position of governmental activities	\$	<u>11,952,950</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, 2021

	<u>General</u>	<u>Streets and Roads</u>	<u>Debt Service</u>	<u>Supplemental Law Enforcement</u>	<u>Total Governmental Funds</u>
Revenues:					
Property taxes	\$ 1,899,194	-	-	-	1,899,194
Voter approved taxes	558,871	-	135,842	-	694,713
Special assessments	-	1,229,361	-	-	1,229,361
Federal and state aid	579,653	15,096	-	156,726	751,475
Interest earnings	12,282	4,545	1,241	227	18,295
Rents and royalties	174,477	-	-	-	174,477
Other	126,605	10,877	-	-	137,482
Total revenues	<u>3,351,082</u>	<u>1,259,879</u>	<u>137,083</u>	<u>156,953</u>	<u>4,904,997</u>
Expenditures:					
General government	1,407,220	-	657	-	1,407,877
Public safety	1,476,630	-	-	156,642	1,633,272
Streets and roads	-	1,283,772	-	-	1,283,772
Capital outlay	60,568	229,168	-	-	289,736
Debt service:					
Debt payments	-	408,606	67,000	-	475,606
Interest paid	-	13,307	16,028	-	29,335
Total expenditures	<u>2,944,418</u>	<u>1,934,853</u>	<u>83,685</u>	<u>156,642</u>	<u>5,119,598</u>
Excess(deficiency) of revenues over expenditures	<u>406,664</u>	<u>(674,974)</u>	<u>53,398</u>	<u>311</u>	<u>(214,601)</u>
Other financing sources(uses):					
Operating transfers (out)in	(666,158)	677,895	-	-	11,737
Net change in fund balance	(259,494)	2,921	53,398	311	(202,864)
Fund balance, beginning of year	<u>3,469,202</u>	<u>1,723,690</u>	<u>299,465</u>	<u>16,665</u>	<u>5,509,022</u>
Fund balance, end of year	<u>\$ 3,209,708</u>	<u>1,726,611</u>	<u>352,863</u>	<u>16,976</u>	<u>5,306,158</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, 2021

Reconciliation:

Net change in fund balance of total governmental funds	\$	(202,864)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense as follows:		
Capital outlay		289,736
Depreciation expense		(650,916)
Loss on disposal of assets		(6,680)
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.		
		475,606
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenses in governmental funds as follows:		
Net change in accrued interest for the current period		5,530
Net change in compensated absences for the current period		51,742
Net change in pension obligations for the current period		(113,766)
		(113,766)
Change in net position of governmental activities	\$	(151,612)
See accompanying notes to the basic financial statements		

See accompanying notes to the basic financial statements

Bear Valley Community Services District
Statements of Net Position – Enterprise Funds
June 30, 2021

	<u>Water</u>	<u>Wastewater</u>	<u>Solid Waste</u>	<u>Total Business-type Activities</u>
Current assets:				
Cash and cash equivalents	\$ 2,523,465	147,728	49,757	2,720,950
Cash and cash equivalents – restricted	102,621	-	-	102,621
Accrued interest receivable	5,659	331	111	6,101
Accounts receivable – utilities, net	788,495	116,675	87,683	992,853
Property assessments receivable	1,078	721	-	1,799
Prepays	356,846	4,623	276	361,745
Total current assets	<u>3,778,164</u>	<u>270,078</u>	<u>137,827</u>	<u>4,186,069</u>
Non-current assets:				
Accounts receivable – utilities, net	86,445	6,898	3,984	97,327
Capital assets – not being depreciated	3,647,319	14,734	-	3,662,053
Capital assets, net – being depreciated	5,011,501	391,608	314,095	5,717,204
Total non-current assets	<u>8,745,265</u>	<u>413,240</u>	<u>318,079</u>	<u>9,476,584</u>
Total assets	<u>12,523,429</u>	<u>683,318</u>	<u>455,906</u>	<u>13,662,653</u>
Deferred outflows of resources:				
Deferred pension outflows	280,970	136,473	64,222	481,665
Total deferred outflows of resources	<u>280,970</u>	<u>136,473</u>	<u>64,222</u>	<u>481,665</u>
Current liabilities:				
Accounts payable and accrued expenses	196,520	5,700	99,302	301,522
Accrued wages and related payables	38,943	13,517	4,909	57,369
Accrued interest on long-term debt	31,939	4,037	-	35,976
Deposits	16,214	2,741	2,582	21,537
Unearned revenue	968	-	-	968
Due to other funds	181,843	68,157	-	250,000
Long-term liabilities – due within one year:				
Compensated absences	23,289	3,876	418	27,583
Loans payable	199,286	23,391	-	222,677
Total current liabilities	<u>689,002</u>	<u>121,419</u>	<u>107,211</u>	<u>917,632</u>
Non-current liabilities:				
Long-term liabilities – due in more than one year:				
Compensated absences	69,868	11,629	1,253	82,750
Loans payable	1,848,808	307,269	-	2,156,077
Net pension liability	1,123,951	545,920	256,903	1,926,774
Total non-current liabilities	<u>3,042,627</u>	<u>864,818</u>	<u>258,156</u>	<u>4,165,601</u>
Total liabilities	<u>3,731,629</u>	<u>986,237</u>	<u>365,367</u>	<u>5,083,233</u>
Deferred inflows of resources:				
Deferred pension inflows	87,581	42,540	20,019	150,140
Total deferred inflows of resources	<u>87,581</u>	<u>42,540</u>	<u>20,019</u>	<u>150,140</u>
Net position:				
Net investment in capital assets	6,610,726	75,682	314,095	7,000,503
Restricted	102,621	-	-	102,621
Unrestricted	2,271,842	(284,668)	(179,353)	1,807,821
Total net position	<u>\$ 8,985,189</u>	<u>(208,986)</u>	<u>134,742</u>	<u>8,910,945</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, 2021

	<u>Water</u>	<u>Wastewater</u>	<u>Solid Waste</u>	<u>Total Business-type Activities</u>
Operating revenues:				
Water consumption sales	\$ 4,722,417	-	-	4,722,417
Wastewater service charges	-	640,786	-	640,786
Solid waste collection charges	-	-	558,904	558,904
Other charges for services	55,114	1,123	1,451	57,688
Total operating revenues	<u>4,777,531</u>	<u>641,909</u>	<u>560,355</u>	<u>5,979,795</u>
Operating expenses:				
Salaries and benefits	1,473,448	576,555	373,179	2,423,182
Operations	1,595,623	251,404	443,128	2,290,155
Total operating expenses	<u>3,069,071</u>	<u>827,959</u>	<u>816,307</u>	<u>4,713,337</u>
Operating income (loss) before depreciation	1,708,460	(186,050)	(255,952)	1,266,458
Depreciation expense	(389,608)	(40,891)	(3,321)	(433,820)
Operating income (loss)	<u>1,318,852</u>	<u>(226,941)</u>	<u>(259,273)</u>	<u>832,638</u>
Non-operating revenue (expense):				
Operating grants – CARES	35,017	18,375	5,572	58,964
Interest earnings	12,541	-	-	12,541
Interest expense	(59,241)	(9,744)	-	(68,985)
Total non-operating, net	<u>(11,683)</u>	<u>8,631</u>	<u>5,572</u>	<u>2,520</u>
Transfers out				
Operating transfers out	(11,737)	-	-	(11,737)
Capital contributions:				
Capital grants	91,299	-	-	91,299
Standby charges	27,459	-	-	27,459
Capacity charges	113,437	6,529	-	119,966
Total capital contributions	<u>232,195</u>	<u>6,529</u>	<u>-</u>	<u>238,724</u>
Change in net position	1,527,627	(211,781)	(253,701)	1,062,145
Net position, beginning of year	7,457,562	2,795	388,443	7,848,800
Net position, end of year	\$ <u>8,985,189</u>	<u>(208,986)</u>	<u>134,742</u>	<u>8,910,945</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, 2021**

	<u>Water</u>	<u>Wastewater</u>	<u>Solid Waste</u>	<u>Business-type Activities</u>
Cash flows from operating activities:				
Cash receipts from customers	\$ 4,667,071	613,637	565,717	5,846,425
Cash paid to employees for salaries and benefits	(1,413,522)	(551,801)	(363,299)	(2,328,622)
Cash paid to vendors and suppliers	(1,508,982)	(260,385)	(386,643)	(2,156,010)
Net cash provided by (used in) operating activities	<u>1,744,567</u>	<u>(198,549)</u>	<u>(184,225)</u>	<u>1,361,793</u>
Cash flows from non-capital financing activities:				
Operating transfers out	(11,737)	-	-	(11,737)
Proceeds from operating grants	35,017	18,375	5,572	58,964
Net cash provided by non-capital financing activities	<u>23,280</u>	<u>18,375</u>	<u>5,572</u>	<u>47,227</u>
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	(1,024,897)	-	(28,241)	(1,053,138)
Proceeds from capital contributions	232,195	6,529	-	238,724
Proceeds from debt	466,241	-	-	466,241
Principal payments on loans payable	(108,719)	(22,726)	-	(131,445)
Interest payments on loans payable	(47,942)	(10,020)	-	(57,962)
Net cash used in capital and financing activities	<u>(483,122)</u>	<u>(26,217)</u>	<u>(28,241)</u>	<u>(537,580)</u>
Cash flows from investing activities:				
Interest earnings	11,074	780	696	12,550
Net cash provided by investing activities	<u>11,074</u>	<u>780</u>	<u>696</u>	<u>12,550</u>
Net increase (decrease) in cash	1,295,799	(205,611)	(206,198)	883,990
Cash and cash equivalents, beginning of year	<u>1,330,287</u>	<u>353,339</u>	<u>255,955</u>	<u>1,939,581</u>
Cash and cash equivalents, end of year	<u>\$ 2,626,086</u>	<u>147,728</u>	<u>49,757</u>	<u>2,823,571</u>
Reconciliation of cash and cash equivalents to the statements of net position:				
Cash and cash equivalents	\$ 2,523,465	147,728	49,757	2,720,950
Restricted assets – cash and cash equivalents	102,621	-	-	102,621
Total cash and cash equivalents	<u>\$ 2,626,086</u>	<u>147,728</u>	<u>49,757</u>	<u>2,823,571</u>

Continued on next page

See accompanying notes to the basic financial statements

Bear Valley Community Services District
Statements of Cash Flows – Enterprise Funds, continued
For the Year Ended June 30, 2021

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

Operating income (loss)	\$ <u>1,318,852</u>	<u>(226,941)</u>	<u>(259,273)</u>	<u>832,638</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation expense	389,608	40,891	3,321	433,820
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources				
(Increase) decrease in assets and deferred outflows:				
Accounts receivable – utilities, net	(115,925)	(28,916)	4,770	(140,071)
Property assessments receivable	(62)	(532)	-	(594)
Prepaid expenses and other deposits	2,241	443	1,323	4,007
Deferred outflows of resources:	(53,020)	(25,752)	(12,118)	(90,890)
Increase (decrease) in liabilities and deferred inflows:				
Accounts payable and accrued expenses	84,400	(9,424)	55,162	130,138
Accrued wages and related payables	8,864	110	(3,170)	5,804
Deposits and unearned revenue	5,527	1,176	592	7,295
Compensated absences	1,283	465	1,671	3,419
Net pension liability	98,334	47,762	22,476	168,572
Deferred inflows of resources:	<u>4,465</u>	<u>2,169</u>	<u>1,021</u>	<u>7,655</u>
Total adjustments	<u>425,715</u>	<u>28,392</u>	<u>75,048</u>	<u>529,155</u>
Net cash provided by (used in) operating activities	\$ <u>1,744,567</u>	<u>(198,549)</u>	<u>(184,225)</u>	<u>1,361,793</u>

See accompanying notes to the basic financial statements

Bear Valley Community Services District
Notes to the Basic Financial Statements
June 30, 2021

(1) Reporting Entity and Summary of Significant Accounting Policies

A. Organization and Operations of the Reporting Entity

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

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

B. Basis of Accounting and Measurement Focus

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

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

Government-wide Financial Statements

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

Bear Valley Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2021

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

B. Basis of Accounting and Measurement Focus, continued

Fund Financial Statements

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

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

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

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

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

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

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

Bear Valley Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2021

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

B. Basis of Accounting and Measurement Focus, continued

Governmental Funds

The funds of the financial reporting entity are described below:

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

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

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

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

Enterprise Funds

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

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

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

C. Financial Reporting

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

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

Governmental Accounting Standards Board Statement No. 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.

Bear Valley Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2021

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

C. Financial Reporting, continued

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.

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

1. Use of Estimates

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

2. Uncertainty

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

3. Cash and Cash Equivalents

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

4. 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, 2021

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

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

5. 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

6. Restricted Assets

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

7. Prepaids

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

8. Capital Assets

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

Governmental Activities

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

Business-Type Activities

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

9. Deferred Outflows of Resources

The statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents **the** consumption of resources applicable to future periods and, therefore, will *not* be recognized as an outflow of resources (expenditure) until that time.

Bear Valley Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2021

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

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

9. Deferred Outflows of Resources, continued

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

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

10. Compensated Absences

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

The District’s 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	As of Nov. 30th 50% of hours >480 10 years = 100% of hours >480
Vacation	10 days (years 2-5) 15 days (years 6-15) 20 days (years 16-20) 25 days (years 21+)	1 year = 100% on departure	240 hours	Capped at 240 hours
Comp time	1.5 hours off for each 1 hour OT worked (employee's choice)	No minimum time required	120 hours	District may buy excess of 40 hours in June each year
Administrative Leave	12 days-management	No minimum time required	56 hours	Capped at 56 hours

Bear Valley Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2021

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

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

11. Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions and pension expense, information about the fiduciary net position of the District's California Public Employees' Retirement System (CalPERS) plans (Plans) and addition to/deduction from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

GASB 68 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

- Valuation Date: June 30, 2019
- Measurement Date: June 30, 2020
- Measurement Period: July 1, 2019 to June 30, 2020

12. Deferred Inflows of Resources

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

- Deferred inflow for the net change in assumptions which will be amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the Plan.
- Deferred inflow for the net difference in actual and proportionate share of employer contribution which will be amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the Plan.

13. Net Position

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

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

Bear Valley Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2021

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

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

13. Net Position, continued

Governmental Funds

During the fiscal year ended June 30, 2021, the District shows a negative unrestricted net position balance of \$449,757. The deficit was caused by current year operating costs exceeding operating revenue for governmental activities. The District intends to reduce the negative unrestricted net position through the collection of general revenue and charges for services revenue in addition to improving the allocation of expenditures between its general fund across all funds in future periods.

Enterprise Funds

During the fiscal year ended June 30, 2021, the District shows a negative unrestricted net position balance of \$208,986 in its wastewater fund. The deficit was caused by current year operating costs exceeding operating revenue for wastewater operations. The District intends to reduce the negative unrestricted net position through the collection of increased wastewater service charges.

14. Fund Balance

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

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

The Board of Directors establishes, modifies, or rescinds fund balance commitments and assignments by passage of an ordinance or resolution. This is done through adoption of the budget and subsequent budget amendments that occur throughout the year.

Bear Valley Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2021

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

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

14. Fund Balance, continued

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, followed by the unrestricted, committed, assigned, and unassigned resources as they are needed.

Fund Balance Policy

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

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

15. Utility Sales

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

16. Capital Contributions

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

17. Budget

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

The District presents a comparison of the annual budget to actual results for the Governmental and Enterprise Funds at the functional expenditure-type major object level for financial reporting purposes. The budgeted expenditure amounts represent the adopted budget. The fiscal year 2020-2021 board approved adjustments were made as part of the fiscal year 2021-2022 budget adoption.

Bear Valley Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2021

(2) Cash and Cash Equivalents

Cash and cash equivalents as of June 30, 2021 are classified as follows:

	Unrestricted	Restricted	Total
Governmental activity:			
General fund	\$ 2,905,745	-	2,905,745
Streets and roads fund	1,877,521	-	1,877,521
Bond redemption fund	347,608	-	347,608
Supplemental law enforcement	21,934	-	21,934
Total	5,152,808	-	5,152,808
Business-type activity:			
Water fund	2,523,465	102,621	2,626,086
Wastewater fund	147,728	-	147,728
Solid waste fund	49,757	-	49,757
Total	2,720,950	102,621	2,823,571
Total cash and cash equivalents	\$ 7,873,758	102,621	7,976,379

Cash and cash equivalents as of June 30, 2021 consisted of the following:

Cash on hand	\$ 1,300
Deposits held with financial institutions	369,582
Deposits held with the County of Kern Treasurer's Pooled Cash Portfolio	7,045,604
Deposits held with the California Asset Management Program	9
Deposits held with the California Local Agency Investment Fund (LAIF)	559,884
Total	\$ 7,976,379

As of June 30, 2021, the District's authorized deposits had the following average days to maturity:

Deposits held with the County of Kern Treasurer's Pooled Cash Portfolio	639 days
Deposits held with the California Asset Management Program	52 days
Deposits held with the California Local Agency Investment Fund (LAIF)	291 days

Authorized Deposits and Investments

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

Kern County Treasurer Fund

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

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

Bear Valley Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2021

(2) Cash and Cash Equivalents, continued

Kern County Treasurer Fund, continued

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

California Asset Management Program

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

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

Investment in the California State Investment Pool

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

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

Custodial Credit Risk

The custodial credit risk for *deposits* is the risk that, in the event of failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party.

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

Bear Valley Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2021

(2) Cash and Cash Equivalents, continued

Custodial Credit Risk

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

Interest Rate Risk

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

Credit Risk

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

Concentration of Credit Risk

The District’s investment policy does not contain any limitations on the amounts that can be invested in any one governmental agency or non-governmental issuer as stipulated by the California Government Code. The District’s deposit portfolio with governmental agencies, Kern County is 88.33% and LAIF is 7.02% as of June 30, 2021, of the District’s total depository and investment portfolio.

(3) Accounts Receivable – Utilities

During the fiscal year 2021, the District performed analysis of its long outstanding receivable balances. As a result, the District forwarded these balances to the County as property tax liens to be added to the County tax roll. As a result, the allowance for doubtful accounts was eliminated.

The accounts receivable – utilities consists of the following as of June 30, 2021:

	<u>Water</u>	<u>Wastewater</u>	<u>Solid Waste</u>	<u>Total</u>
Accounts receivable – utilities	\$ 788,495	116,675	87,683	992,853
Accounts receivable – utilities, long term	86,445	6,898	3,984	97,327
Total accounts receivable – utilities	<u>\$ 874,940</u>	<u>123,573</u>	<u>91,667</u>	<u>1,090,180</u>

Bear Valley Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2021

(4) Internal Balances

Due To/From Other Funds

Internal balances consist of the following as of June 30, 2021:

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

In 2021, the General fund reported advances to the Water and Wastewater Funds of \$181,843 and \$68,157, respectively, due to a negative cash position in these funds occurring in prior periods. The advancement bears interest at the current LAIF interest earned rate per quarter and is expected to be repaid in fiscal year 2022.

Interfund Operational Transfers

Interfund transfers consist of the following for the year ended June 30, 2021:

Transfer from	Transfer to	Amount
General	Roads	\$ 677,895
Water	General	(11,737)
Total		666,158

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

Bear Valley Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2021

(5) Capital Assets

Governmental Activities

Changes in capital assets for the year were as follows:

	<u>Balance 2020</u>	<u>Transfers / Additions</u>	<u>Deletions/ Transfers</u>	<u>Balance 2021</u>
Non-depreciable assets:				
Land	\$ 4,820,357	-	-	4,820,357
Construction-in-process	167,409	187,293	(229,167)	125,535
Total non-depreciable assets	<u>4,987,766</u>	<u>187,293</u>	<u>(229,167)</u>	<u>4,945,892</u>
Depreciable assets:				
Buildings and improvements	6,015,655	27,976	-	6,043,631
Infrastructure, streets, and roads	28,127,104	229,167	-	28,356,271
Vehicles and equipment	2,352,180	74,467	(401,407)	2,025,240
Total depreciable assets	<u>36,494,939</u>	<u>331,610</u>	<u>(401,407)</u>	<u>36,425,142</u>
Accumulated depreciation:				
Buildings and improvements	(4,551,106)	(72,344)	-	(4,623,450)
Infrastructure, streets, and roads	(23,468,948)	(448,533)	-	(23,917,481)
Vehicles and equipment	(1,793,036)	(130,039)	394,727	(1,528,348)
Total accumulated depreciation	<u>(29,813,090)</u>	<u>(650,916)</u>	<u>394,727</u>	<u>(30,069,279)</u>
Total depreciable assets, net	<u>6,681,849</u>	<u>(319,306)</u>	<u>(6,680)</u>	<u>6,355,863</u>
Total capital assets, net	<u>\$ 11,669,615</u>			<u>11,301,755</u>

Major capital asset additions for governmental activities include the acquisition of building and improvements, infrastructure for streets and roads, and vehicles and equipment. Major deletions for governmental activities include disposals of vehicles and equipment.

Depreciation expense under governmental activities was allotted as follows for the year ended June 30, 2021:

	<u>Depreciation Expense</u>
General government	\$ 66,960
Public safety	83,807
Streets and roads	<u>500,149</u>
Total	<u>\$ 650,916</u>

Bear Valley Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2021

(5) Capital Assets, continued

Business-Type Activities

Changes in capital assets for the year were as follows:

	<u>Balance 2020</u>	<u>Transfers / Additions</u>	<u>Deletions/ Transfers</u>	<u>Balance 2021</u>
Non-depreciable assets:				
Land	\$ 3,662,053	-	-	3,662,053
Construction in progress	270,342	28,241	(298,583)	-
Total non-depreciable assets	<u>3,932,395</u>	<u>28,241</u>	<u>(298,583)</u>	<u>3,662,053</u>
Depreciable assets:				
Water transmission and distribution	15,175,698	1,024,898	-	16,200,596
Wastewater collection	4,714,448	-	-	4,714,448
Solid waste collection	156,231	265,203	-	421,434
Vehicles and equipment	962,153	85,791	(95,442)	952,502
Total depreciable assets	<u>21,008,530</u>	<u>1,375,892</u>	<u>(95,442)</u>	<u>22,288,980</u>
Accumulated depreciation:				
Water transmission and distribution	(10,870,937)	(367,924)	-	(11,238,861)
Wastewater collection	(4,330,281)	(33,986)	-	(4,364,267)
Solid waste collection	(137,398)	(3,321)	-	(140,719)
Vehicles and equipment	(842,372)	(80,999)	95,442	(827,929)
Total accumulated depreciation	<u>(16,180,988)</u>	<u>(486,230)</u>	<u>95,442</u>	<u>(16,571,776)</u>
Total depreciable assets, net	<u>4,827,542</u>	<u>889,662</u>	<u>-</u>	<u>5,717,204</u>
Total capital assets, net	<u>\$ 8,759,937</u>			<u>9,379,257</u>

Major capital asset additions for business-type activities include the acquisition of water transmission and distribution equipment for the water enterprise fund, solid waste collection equipment for the solid waste fund, and vehicles and equipment in the solid waste fund. Major capital asset deletions for business-type activities include disposals in the water, wastewater, and solid waste funds. Asset transfers consisted of vehicles and equipment from the general and water funds to the wastewater fund.

Bear Valley Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2021

(5) Capital Assets, continued

Business-Type Activities, continued

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

<u>Water Enterprise</u>	<u>Balance 2020</u>	<u>Transfers / Additions</u>	<u>Deletions/ Transfers</u>	<u>Balance 2021</u>
Non-depreciable assets:				
Land	\$ 3,647,319	-	-	3,647,319
Total non-depreciable assets	3,647,319	-	-	3,647,319
Depreciable assets:				
Water transmission and distribution	15,175,698	1,024,898	-	16,200,596
Vehicles and equipment	639,936	-	(59,372)	580,564
Total depreciable assets	15,815,634	1,024,898	(59,372)	16,781,160
Accumulated depreciation:				
Water transmission and distribution	(10,870,937)	(367,924)	-	(11,238,861)
Vehicles and equipment	(568,486)	(21,684)	59,372	(530,798)
Total accumulated depreciation	(11,439,423)	(389,608)	59,372	(11,769,659)
Total depreciable assets, net	4,376,211	635,290	-	5,011,501
Total capital assets, net	\$ 8,023,530			8,658,820

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

<u>Wastewater Enterprise</u>	<u>Balance 2020</u>	<u>Transfers / Additions</u>	<u>Deletions/ Transfers</u>	<u>Balance 2021</u>
Non-depreciable assets:				
Land	\$ 14,734	-	-	14,734
Total non-depreciable assets	14,734	-	-	14,734
Depreciable assets:				
Wastewater collection	4,714,448	-	-	4,714,448
Vehicles and equipment	171,336	52,411	(18,457)	205,290
Total depreciable assets	4,885,784	52,411	(18,457)	4,919,738
Accumulated depreciation:				
Wastewater collection	(4,330,281)	(33,986)	-	(4,364,267)
Vehicles and equipment	(123,005)	(59,315)	18,457	(163,863)
Total accumulated depreciation	(4,453,286)	(93,301)	18,457	(4,528,130)
Total depreciable assets, net	432,498	(40,890)	-	391,608
Total capital assets, net	\$ 447,232			406,342

Bear Valley Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2021

(5) Capital Assets, continued

Business-Type Activities, continued

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

<u>Solid Waste Enterprise</u>	<u>Balance 2020</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>Balance 2021</u>
Non-depreciable assets:				
Construction in progress	\$ 270,342	28,241	(298,583)	-
Total non-depreciable assets	<u>270,342</u>	<u>28,241</u>	<u>(298,583)</u>	<u>-</u>
Depreciable assets:				
Solid waste collection	156,231	265,203	-	421,434
Vehicles and equipment	<u>150,881</u>	<u>33,380</u>	<u>(17,613)</u>	<u>166,648</u>
Total depreciable assets	<u>307,112</u>	<u>298,583</u>	<u>(17,613)</u>	<u>588,082</u>
Accumulated depreciation:				
Solid waste collection	(137,398)	(3,321)	-	(140,719)
Vehicles and equipment	<u>(150,881)</u>	<u>-</u>	<u>17,613</u>	<u>(133,268)</u>
Total accumulated depreciation	<u>(288,279)</u>	<u>(3,321)</u>	<u>17,613</u>	<u>(273,987)</u>
Total depreciable assets, net	<u>18,833</u>	<u>295,262</u>	<u>-</u>	<u>314,095</u>
Total capital assets, net	<u>\$ 289,175</u>			<u>314,095</u>

(6) Compensated Absences

The District's policy relating to compensated absences is described in Note 1. The following liability at June 30, 2021, 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, 2021, were as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Compensated absences, beginning	\$ 239,036	106,914
Current year employee earnings	164,103	81,566
Employee time taken	<u>(215,845)</u>	<u>(78,147)</u>
Compensated absences, ending	187,294	110,333
Less: current portion payable	<u>(46,824)</u>	<u>(27,583)</u>
Long-term portion payable	<u>\$ 140,470</u>	<u>82,750</u>

Bear Valley Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2021

(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 2043. The District has discounted the liability using the 10 year U.S. Treasury note rate of 2.85% at June 2018.

During the fiscal year ended June 30, 2020, the District determined that certain conditions existed during the prior-employee's employment which may cause revision to all or part of this long-term liability. At June 30, 2021, 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>
2022	\$ 58,366	(36,534)	21,832
2023	77,821	(47,241)	30,580
2024	77,821	(45,513)	32,308
2025	77,821	(43,734)	34,087
2026	77,821	(41,902)	35,919
2027-2031	389,106	(180,054)	209,052
2032-2036	389,106	(125,315)	263,791
2037-2041	389,106	(61,906)	327,200
2042-2043	136,188	(4,873)	131,315
Totals	1,673,156	<u>(587,072)</u>	<u>1,086,084</u>
Less current	(58,366)		
Less unamortized discount	<u>(587,072)</u>		
Total non-current	\$ <u>1,027,718</u>		

(8) Bond and Loans Payable

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

	<u>Balance 2020</u>	<u>Additions</u>	<u>Payments/ Retirements</u>	<u>Balance 2021</u>	<u>Current Portion</u>	<u>Long-term Portion</u>
<i>Governmental Activities</i>						
General fund:						
General obligation bonds – 2016	\$ 601,000	-	(67,000)	534,000	71,000	463,000
Roads fund:						
Installment Sale Agreement – 2016	826,202	-	(408,606)	417,596	417,596	-
Total governmental activity debt	<u>1,427,202</u>	<u>-</u>	<u>(475,606)</u>	<u>951,596</u>	<u>488,596</u>	<u>463,000</u>
<i>Enterprise Activities</i>						
Water fund:						
CIEBD – Loan	1,690,572	-	(108,719)	1,581,853	111,905	1,469,948
MFC – Loan	-	466,241	-	466,241	87,381	378,860
Wastewater fund:						
CIEBD – Loan	353,386	-	(22,726)	330,660	23,391	307,269
Total enterprise activity debt	<u>2,043,958</u>	<u>466,241</u>	<u>(131,445)</u>	<u>2,378,754</u>	<u>222,677</u>	<u>2,156,077</u>
Total long-term debt	\$ <u>3,471,160</u>	<u>466,241</u>	<u>(607,051)</u>	<u>3,330,350</u>	<u>711,273</u>	<u>2,619,077</u>

Bear Valley Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2021

(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.

Annual debt service requirements on the bonds are as follows:

Year	Principal	Interest	Total
2022	\$ 71,000	14,656	85,656
2023	70,000	12,583	82,583
2024	74,000	10,466	84,466
2025	78,000	8,232	86,232
2026	77,000	5,954	82,954
2027-2028	164,000	10,834	174,834
Totals	534,000	62,725	596,725
Current portion	(71,000)		
Long-term portion	\$ 463,000		

Governmental – Streets and Roads Fund

Installment Sale Agreement Loan – 2016

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

Annual debt service requirements on the loan are as follows:

Year	Principal	Interest	Total
2022	\$ 417,596	9,187	426,783
Totals	417,596	9,187	426,783
Current portion	(417,596)		
Long-term portion	\$ -		

Bear Valley Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2021

(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. These proceeds were used for water and wastewater system improvements.

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

Annual debt service requirements on the loan are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 135,296	54,055	189,351
2023	139,261	50,032	189,293
2024	143,341	45,892	189,233
2025	147,541	41,631	189,172
2026	151,864	37,244	189,108
2027-2031	798,394	115,796	914,190
2032-2033	396,816	10,815	407,631
Total	1,912,513	<u>355,465</u>	<u>2,267,978</u>
Current portion	<u>(135,296)</u>		
Long-term portion	\$ <u>1,777,217</u>		

Municipal Finance Corporation (MFC) Loan

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

Annual debt service requirements on the loan are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 87,381	15,153	102,534
2023	90,221	12,313	102,534
2024	93,153	9,381	102,534
2025	96,180	6,353	102,533
2026	99,306	3,227	102,533
Totals	466,241	<u>46,427</u>	<u>512,668</u>
Current portion	<u>(87,381)</u>		
Long-term portion	\$ <u>378,860</u>		

Bear Valley Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2021

(9) Defined Benefit Pension Plans

Plan Description

All qualified permanent and probationary employees are eligible to participate in the District's cost-sharing multiple employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plan are established by State statute and Local Government resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions, and membership information that can be found on the CalPERS website.

Benefits Provided

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

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

The District's Safety and Miscellaneous Plan Risk Pools' provisions and benefits in effect at June 30, 2021, are summarized as follows:

	Miscellaneous Plan		Safety Plan	
	Tier 1	Tier 2	Tier 1	Tier 2
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	45 - 50	52 - 62	50 - 55	47 - 57
Monthly benefits, as a % of eligible compensation	2.0% to 2.5%	1.0% to 2.5%	2.0% to 2.5%	2.7% to 3.5%
Required employee contribution rates	6.908%	6.750%	8.942%	13.000%
Required employer contribution rates	10.484%	7.732%	18.152%	13.044%

Bear Valley Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2021

(9) Defined Benefit Pension Plans, continued

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates, for all public employers, be determined on an annual basis by the actuary and shall be effective on July 1 following notice of the change in rate. Funding contributions for the Plan is determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

As of the fiscal year ended June 30, 2021, the contributions for the Plan were as follows:

Contribution Source	Miscellaneous Plan 2021	Safety Plan 2021
Contributions – employer	\$ 394,649	172,405

Net Pension Liability

As of the fiscal year ended June 30, 2021, 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 2021
Miscellaneous Plan	\$ 3,211,293
Safety Plan	1,662,422
Total Safety & Miscellaneous Plans	\$ 4,873,715

The District's net pension liability is measured as the proportionate share of the Plan's net pension liability. The net pension liability of the Plan is measured as of June 30, 2020 (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, 2019 (the valuation date), rolled forward to June 30, 2020, 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, 2021, was as follows:

	Miscellaneous Plan	Safety Plan	District's Misc & Safety Plans
Proportional share – beginning of year	0.07318%	0.02455%	0.04356%
Proportional share – end of year	0.07613%	0.02495%	0.04479%
Change – Increase (Decrease)	0.00295%	0.00040%	0.00123%

Bear Valley Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2021

(9) Defined Benefit Pension Plans, continued

Deferred Pension Outflows (Inflows) of Resources

For the fiscal year ended June 30, 2021, the District recognized pension expense of \$766,157.

At June 30, 2021, 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	\$ 394,649	172,405	567,054	-	-	-
Net difference between actual and expected experience	165,488	128,910	294,398	-	-	-
Net change in assumptions	-	-	-	(22,904)	(5,537)	(28,441)
Net difference between projected and actual earnings on plan investments	95,397	36,131	131,528	-	-	-
Net difference between actual contribution and proportionate share of contribution	-	-	-	(227,326)	(58,799)	(286,125)
Net adjustment due to differences in proportions of the net pension liability	147,243	33,029	180,272	-	-	-
Total	\$ 802,777	370,475	1,173,252	(250,230)	(64,336)	(314,566)

As of June 30, 2021, employer pension contributions reported as deferred outflows of resources related to contributions subsequent to the measurement date of \$567,054 will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2022.

As of June 30, 2021, 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
2022	\$ 14,614	34,073	48,687
2023	55,455	49,296	104,751
2024	46,323	33,765	80,088
2025	41,506	16,600	58,106

Bear Valley Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2021

(9) Defined Benefit Pension Plans, continued

Actuarial Assumptions

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

Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
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 above was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 Experience Study report. Further details of the Experience Study can be found on the CalPERS website.

Discount Rate

The discount rate used to measure the total pension asset was 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, 2021

(9) Defined Benefit Pension Plans, continued

Discount Rate, continued

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

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

* An expected inflation of 2.5% used for this period

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

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

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

At June 30, 2021, the discount rate comparison was as follows:

	<u>Discount Rate – 1% (6.15%)</u>	<u>Current Discount Rate (7.15%)</u>	<u>Discount Rate + 1% (8.15%)</u>
District's net pension liability – Miscellaneous Plan	\$ 4,267,370	3,211,293	1,307,196
District's net pension liability – Safety Plan	<u>2,106,390</u>	<u>1,662,422</u>	<u>860,768</u>
Total Miscellaneous and Safety Plans	<u>\$ 6,373,760</u>	<u>4,873,715</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 60 through 62 for the Required Supplementary Information.

Payable to the Pension Plan

At June 30, 2021, there were no payables of contribution to the pension plan.

Bear Valley Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2021

(10) Net Investment in Capital Assets

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

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Capital assets – not being depreciated	\$ 4,945,892	3,662,053	8,607,945
Capital assets – being depreciated, net	6,355,863	5,717,204	12,073,067
Bond and loans payable – current portion	(488,596)	(222,677)	(711,273)
Bond and loans payable – long-term portion	<u>(463,000)</u>	<u>(2,156,077)</u>	<u>(2,619,077)</u>
Total	<u>\$ 10,350,159</u>	<u>7,000,503</u>	<u>17,350,662</u>

(11) Restricted

The calculation of restricted net position is as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Street and road improvements	\$ 1,682,709	-	1,682,709
Cash and cash equivalents – restricted	-	102,621	102,621
Debt service	352,863	-	352,863
Public safety (COPS Program)	<u>16,976</u>	<u>-</u>	<u>16,976</u>
Total	<u>\$ 2,052,548</u>	<u>102,621</u>	<u>2,155,169</u>

(12) Unrestricted

The District’s Board of Directors has designated the use of the District’s June 30, 2021, unrestricted net position as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Unfunded reserves (deficit)	\$ (449,757)	-	(449,757)
Prepaid expenses	-	361,745	361,745
Water operations	-	2,271,843	2,271,843
Wastewater operations	-	(646,414)	(646,414)
Solid waste operations	-	(347,527)	(347,527)
Solid waste contingency reserve	<u>-</u>	<u>168,174</u>	<u>168,174</u>
Total	<u>\$ (449,757)</u>	<u>1,807,821</u>	<u>1,358,064</u>

Six-Month Operating Reserve

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

Bear Valley Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2021

(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 as of June 30, 2021, were \$1,192,903.

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, 2021, 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, 2021

(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 years 2021, 2020, and 2019. 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, 2021, 2020, and 2019.

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

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to June 30, 2021, that have effective dates that may impact future financial presentations.

Governmental Accounting Standards Board Statement No. 87

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

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

Governmental Accounting Standards Board Statement No. 89

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

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

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

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

Bear Valley Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2021

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

Governmental Accounting Standards Board Statement No. 91

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

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

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

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

Governmental Accounting Standards Board Statement No. 92

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

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

Bear Valley Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2021

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

Governmental Accounting Standards Board Statement No. 93

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

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

Governmental Accounting Standards Board Statement No. 94

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

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

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

Bear Valley Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2021

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

Governmental Accounting Standards Board Statement No. 96

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

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

Governmental Accounting Standards Board Statement No. 97

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

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

Bear Valley Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2021

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

(17) Subsequent Events

Other Events

Events occurring after June 30, 2021 have been evaluated for possible adjustment to the financial statements or disclosure as of January 13, 2022, 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, 2021

	<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	\$ 1,746,000	72,000	1,818,000	1,899,194	81,194
Voter approved taxes	542,500	-	542,500	558,871	16,371
Federal and state aid	3,000	1,103,964	1,106,964	579,653	(527,311)
Interest earnings	30,000	(6,700)	23,300	12,282	(11,018)
Rents and royalties	174,117	360	174,477	174,477	-
Other	77,340	23,720	101,060	126,605	25,545
Total revenues	<u>2,572,957</u>	<u>1,193,344</u>	<u>3,766,301</u>	<u>3,351,082</u>	<u>(415,219)</u>
Expenditures:					
General government	625,399	1,003,404	1,628,803	1,407,220	221,583
Public safety	1,539,612	(72,077)	1,467,535	1,476,630	(9,095)
Capital outlay	275,500	(207,030)	68,470	60,568	7,902
Total expenditures	<u>2,440,511</u>	<u>724,297</u>	<u>3,164,808</u>	<u>2,944,418</u>	<u>220,390</u>
Excess(deficiency) of revenues over expenditures	<u>132,446</u>	<u>469,047</u>	<u>601,493</u>	<u>406,664</u>	<u>(194,829)</u>
Other financing sources(uses):					
Operating transfers	135,624	(801,778)	(666,154)	(666,158)	(4)
Net change in fund balance	268,070	(332,731)	(64,661)	(259,494)	<u>(194,833)</u>
Fund balance, beginning of year	<u>3,469,202</u>	<u>-</u>	<u>3,469,202</u>	<u>3,469,202</u>	
Fund balance, end of year	<u>\$ 3,737,272</u>	<u>(332,731)</u>	<u>3,404,541</u>	<u>3,209,708</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, 2021

	<u>Adopted Original Budget</u>	<u>Board Approved Changes</u>	<u>Revised Final Budget</u>	<u>Actual Budgetary Basis</u>	<u>Variance Positive (Negative)</u>
Revenues:					
Special assessments	\$ 1,200,000	-	1,200,000	1,229,361	29,361
Federal and state aid	-	15,000	15,000	15,096	96
Interest earnings	20,000	(10,000)	10,000	4,545	(5,455)
Other	1,200	1,800	3,000	10,877	7,877
Total revenues	<u>1,221,200</u>	<u>6,800</u>	<u>1,228,000</u>	<u>1,259,879</u>	<u>31,879</u>
Expenditures:					
Streets and roads	1,287,728	(34,583)	1,253,145	1,283,772	(30,627)
Capital outlay	450,200	(172,900)	277,300	229,168	48,132
Debt service:					
Debt payments	408,606	-	408,606	408,606	-
Interest paid	18,176	-	18,176	13,307	4,869
Total expenditures	<u>2,164,710</u>	<u>(207,483)</u>	<u>1,957,227</u>	<u>1,934,853</u>	<u>22,374</u>
Excess(deficiency) of revenues over expenditures	<u>(943,510)</u>	<u>214,283</u>	<u>(729,227)</u>	<u>(674,974)</u>	<u>54,253</u>
Other financing sources(uses):					
Operating transfers	(52,092)	729,987	677,895	677,895	-
Net change in fund balance	(95,602)	944,270	(51,332)	2,921	<u>54,253</u>
Fund balance, beginning of year	<u>1,723,690</u>	<u>-</u>	<u>1,723,690</u>	<u>1,723,690</u>	
Fund balance, end of year	<u>\$ 728,088</u>	<u>944,270</u>	<u>1,672,358</u>	<u>1,726,611</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, 2021

	<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	\$ 15,274	115,726	131,000	135,842	4,842
Interest earnings	<u>2,000</u>	<u>-</u>	<u>2,000</u>	<u>1,241</u>	<u>(759)</u>
Total revenues	<u>17,274</u>	<u>115,726</u>	<u>133,000</u>	<u>137,083</u>	<u>4,083</u>
Expenditures:					
Debt service:					
General government	-	-	-	657	(657)
Bond payments	67,000	-	67,000	67,000	-
Interest paid	<u>16,685</u>	<u>-</u>	<u>16,685</u>	<u>16,028</u>	<u>657</u>
Total expenditures	<u>83,685</u>	<u>-</u>	<u>83,685</u>	<u>83,685</u>	<u>-</u>
Net change in fund balance	(66,411)	115,726	49,315	53,398	<u>4,083</u>
Fund balance, beginning of year	<u>299,465</u>	<u>-</u>	<u>299,465</u>	<u>299,465</u>	
Fund balance, end of year	\$ <u>233,054</u>	<u>115,726</u>	<u>348,780</u>	<u>352,863</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, 2021

	<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	\$ 156,000	726	156,726	156,726	-
Interest earnings	<u>500</u>	<u>(200)</u>	<u>300</u>	<u>227</u>	<u>(73)</u>
Total revenues	<u>156,500</u>	<u>526</u>	<u>157,026</u>	<u>156,953</u>	<u>(73)</u>
Expenditures:					
Public safety	<u>173,425</u>	<u>(16,663)</u>	<u>156,762</u>	<u>156,642</u>	<u>120</u>
Total expenditures	<u>173,425</u>	<u>(16,663)</u>	<u>156,762</u>	<u>156,642</u>	<u>120</u>
Net change in fund balance	(16,925)	17,189	264	311	<u>47</u>
Fund balance, beginning of year	<u>16,665</u>	<u>-</u>	<u>16,665</u>	<u>16,665</u>	
Fund balance, end of year	<u>\$ (260)</u>	<u>17,189</u>	<u>16,929</u>	<u>16,976</u>	

Bear Valley Community Services District
Schedules of the District's Proportionate Share of the Net Pension Liability
As of June 30, 2021
Last Ten Years*

Description	Measurement Date 6/30/2020			Measurement Date					
	Miscellaneous Plan	Safety Plan	Total	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015	2013-2014
District's proportion of the net pension liability	0.07613%	0.02495%	0.04479%	0.04221%	0.04221%	0.04122%	0.04040%	0.03812%	0.39690%
District's proportionate share of the net pension liability	\$ 3,211,293	1,662,422	\$ 4,873,715	\$ 4,463,107	4,067,514	4,087,640	3,495,772	2,616,040	2,469,727
District's covered payroll	\$ 1,890,617	420,492	\$ 2,311,109	\$ 1,909,181	1,772,211	2,267,670	1,841,153	2,098,786	2,369,855
District's proportionate share of the net pension liability as a percentage of its covered payroll	58.87%	25.29%	47.42%	42.78%	43.57%	55.48%	52.67%	80.23%	95.96%
District's fiduciary net position as a percentage of the plan's total pension liability	75.51%	67.90%	73.36%	74.55%	76.01%	75.02%	76.67%	81.98%	82.50%

Notes to the Schedules of the Project's Proportionate Share of the Net Pension Liability

Changes in Benefit Terms – Public agencies can make changes to their plan provisions, and such changes occur on an ongoing basis. A summary of the plan provisions that were used for a specific plan can be found in the plan's annual valuation report.

Changes of Assumptions – The CalPERS Board of Administration adopted a new amortization policy effective with the June 30, 2019, actuarial valuation. The new policy shortens the period over which actuarial gains and losses are amortized from 30 years to 20 years with the payments computed as a level dollar amount. In addition, the new policy does not utilize a five-year ramp-up and ramp-down on UAL bases attributable to assumption changes and non-investment gains/losses. The new policy also does not utilize a five-year ramp-down on investment gains/losses. These changes will apply only to new UAL bases established on or after June 30, 2019. In fiscal year 2020, no changes have occurred to the actuarial assumptions in relation to financial reporting.

In fiscal year 2020, CalPERS implemented a new actuarial valuation software system for the June 30, 2018 valuation. This new system has refined and improved calculation methodology.

In December 2017, the CalPERS Board adopted new mortality assumptions for plans participating in the PERF. The new mortality table was developed from the December 2017 experience study and includes 15 years of projected ongoing mortality improvement using 90% of scale MP 2016 published by the Society of Actuaries. The inflation assumption is reduced from 2.75% to 2.50%.

Bear Valley Community Services District
Schedules of the District's Proportionate Share of the Net Pension Liability, continued
As of June 30, 2021
Last Ten Years*

Notes to the Schedules of the Project's Proportionate Share of the Net Pension Liability, continued

Changes of Assumptions, continued

The assumptions for individual salary increases and overall payroll growth are reduced from 3.00% to 2.75%. These changes will be implemented in two steps commencing in the June 30, 2017 funding valuation. However, for financial reporting purposes, these assumption changes are fully reflected in the results for fiscal year 2018.

In fiscal year 2017, the financial reporting discount rate for the PERF C was lowered from 7.65% to 7.15%. In December 2016, the CalPERS Board approved lowering the funding discount rate used in the PERF C from 7.50% to 7.00%, which is to be phased in over a three-year period (7.50% to 7.375%, 7.375% to 7.25%, and 7.25% to 7.00%) beginning with the June 30, 2016, valuation reports. The funding discount rate includes a 15 basis-point reduction for administrative expenses, and the remaining decrease is consistent with the change in the financial reporting discount rate.

In fiscal year 2015, the financial reporting discount rate was increased from 7.50% to 7.65% resulting from eliminating the 15 basis-point reduction for administrative expenses. The funding discount rate remained at 7.50% during this period, and remained adjusted for administrative expenses.

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

**Bear Valley Community Services District
Schedules of Pension Plan Contributions
As of June 30, 2021
Last Ten Fiscal Years***

<u>Schedule of Pension Plan Contributions:</u>	<u>Miscellaneous Plan</u>	<u>Safety Plan</u>	<u>Fiscal Year 6/30/2021</u>	<u>Fiscal Year 6/30/2020</u>	<u>Fiscal Year 6/30/2019</u>	<u>Fiscal Year 6/30/2018</u>	<u>Fiscal Year 6/30/2017</u>	<u>Fiscal Year 6/30/2016</u>	<u>Fiscal Year 6/30/2015</u>
Actuarially determined contribution	\$ 356,545	166,776	523,321	453,768	438,806	347,050	336,262	264,183	266,841
Contributions in relation to the actuarially determined contribution	<u>(356,545)</u>	<u>(166,776)</u>	<u>(523,321)</u>	<u>(453,768)</u>	<u>(438,806)</u>	<u>(347,050)</u>	<u>(336,262)</u>	<u>(264,183)</u>	<u>(266,841)</u>
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-	-	-
Covered payroll	\$ 1,947,336	433,107	2,380,442	1,909,181	1,772,211	2,267,670	1,841,153	2,098,786	2,369,855
Contribution's as a percentage of covered payroll	<u>18.31%</u>	<u>38.51%</u>	<u>21.98%</u>	<u>23.77%</u>	<u>24.76%</u>	<u>15.30%</u>	<u>18.26%</u>	<u>12.59%</u>	<u>11.26%</u>

Notes:

- * 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 seven years are shown.

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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, 2021

	Adopted Original Budget	Board Approved Changes	Revised Final Budget	Actual Basis	Variance Positive (Negative)
Operating revenues:					
Water consumption sales	\$ 4,359,411	(25,777)	4,333,634	4,722,417	388,783
Other charges for services	35,000	25,000	60,000	55,114	(4,886)
Total operating revenues	4,394,411	(777)	4,393,634	4,777,531	383,897
Operating expenses:					
Salaries and benefits	1,538,668	(107,124)	1,431,544	1,473,448	(41,904)
Operations	1,737,728	70,429	1,808,157	1,595,623	212,534
Total operating expenses	3,276,396	(36,695)	3,239,701	3,069,071	170,630
Operating income(loss) before capital	1,118,015	35,918	1,153,933	1,708,460	554,527
Depreciation expense	-	-	-	(389,608)	389,608
Operating income(loss)	1,118,015	35,918	1,153,933	1,318,852	164,919
Non-operating revenue(expense):					
Operating grants – CARES	-	35,000	35,000	35,017	17
Interest earnings	6,000	5,500	11,500	12,541	1,041
Interest expense	(53,013)	-	(53,013)	(59,241)	(6,228)
Total non-operating, net	(47,013)	40,500	(6,513)	(11,683)	(5,170)
Other financing sources(uses):					
Operating transfers	(54,708)	117,968	63,260	(11,737)	(74,997)
Capital contributions and purchases:					
Capital outlay	754,000	1,324,010	2,078,010	-	2,078,010
Capital grants	-	-	-	91,299	(91,299)
Standby charges	25,000	-	25,000	27,459	2,459
Capacity charges	37,775	30,220	67,995	113,437	45,442
Total capital contributions	816,775	1,354,230	2,171,005	232,195	2,034,612
Change in net position	1,833,069	1,548,616	3,381,685	1,527,627	2,119,364
Net position, beginning of year	7,457,562	-	7,457,562	7,457,562	
Net position, end of year	\$ 9,290,631	1,548,616	10,839,247	8,985,189	

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, 2021

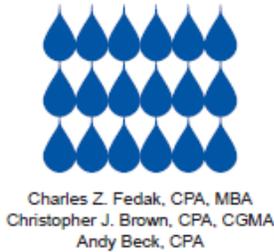
	<u>Adopted Original Budget</u>	<u>Board Approved Changes</u>	<u>Revised Final Budget</u>	<u>Actual Basis</u>	<u>Variance Positive (Negative)</u>
Operating revenues:					
Wastewater service charges	\$ 514,996	97,000	611,996	640,786	28,790
Other charges for services	3,000	-	3,000	1,123	(1,877)
Total operating revenues	<u>517,996</u>	<u>97,000</u>	<u>614,996</u>	<u>641,909</u>	<u>26,913</u>
Operating expenses:					
Salaries and benefits	570,839	(15,344)	555,495	576,555	(21,060)
Operations	227,305	27,261	254,566	251,404	3,162
Total operating expenses	<u>798,144</u>	<u>11,917</u>	<u>810,061</u>	<u>827,959</u>	<u>(17,898)</u>
Operating income(loss) before capital	(280,148)	85,083	(195,065)	(186,050)	9,015
Depreciation expense	-	-	-	(40,891)	40,891
Operating income(loss)	<u>(280,148)</u>	<u>85,083</u>	<u>(195,065)</u>	<u>(226,941)</u>	<u>(31,876)</u>
Non-operating revenue(expense):					
Operating grants – CARES	-	18,370	18,370	18,375	5
Interest earnings	1,000	250	1,250	-	(1,250)
Interest expense	(10,021)	-	(10,021)	(9,744)	277
Total non-operating, net	<u>(9,021)</u>	<u>18,620</u>	<u>9,599</u>	<u>8,631</u>	<u>(968)</u>
Other financing sources(uses):					
Operating transfers	(46,982)	13,176	(33,806)	-	33,806
Capital contributions and purchases:					
Capital outlay	13,092	-	13,092	-	13,092
Capacity charges	6,529	-	6,529	6,529	-
Total capital contributions	<u>19,621</u>	<u>-</u>	<u>19,621</u>	<u>6,529</u>	<u>13,092</u>
Change in net position	<u>(316,530)</u>	<u>116,879</u>	<u>(199,651)</u>	<u>(211,781)</u>	<u>14,054</u>
Net position, beginning of year	<u>2,795</u>	<u>-</u>	<u>2,795</u>	<u>2,795</u>	
Net position, end of year	<u>\$ (313,735)</u>	<u>116,879</u>	<u>(196,856)</u>	<u>(208,986)</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, 2021

	<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	558,904	3,904
Other charges for services	500	1,000	1,500	1,451	(49)
Total operating revenues	<u>555,500</u>	<u>1,000</u>	<u>556,500</u>	<u>560,355</u>	<u>3,855</u>
Operating expenses:					
Salaries and benefits	410,403	(45,469)	364,934	373,179	(8,245)
Operations	424,924	16,632	441,556	443,128	(1,572)
Total operating expenses	<u>835,327</u>	<u>(28,837)</u>	<u>806,490</u>	<u>816,307</u>	<u>(9,817)</u>
Operating loss before capital	(279,827)	29,837	(249,990)	(255,952)	(5,962)
Depreciation expense	-	-	-	(3,321)	(3,321)
Operating loss	<u>(279,827)</u>	<u>29,837</u>	<u>(249,990)</u>	<u>(259,273)</u>	<u>(2,641)</u>
Non-operating revenue:					
Operating grants – CARES	-	5,570	5,570	5,572	2
Interest earnings	1,000	(500)	500	-	(500)
Total non-operating, net	<u>1,000</u>	<u>5,070</u>	<u>6,070</u>	<u>5,572</u>	<u>500</u>
Other financing sources(uses):					
Operating transfers	(18,971)	18,971	-	-	-
Capital contributions and purchases:					
Capital outlay	-	30,000	30,000	-	(30,000)
Total capital contributions	<u>-</u>	<u>30,000</u>	<u>30,000</u>	<u>-</u>	<u>(30,000)</u>
Change in net position	<u>(297,798)</u>	<u>83,878</u>	<u>(213,920)</u>	<u>(253,701)</u>	<u>(32,141)</u>
Net position, beginning of year	<u>388,443</u>	<u>-</u>	<u>388,443</u>	<u>388,443</u>	
Net position, end of year	<u>\$ 90,645</u>	<u>83,878</u>	<u>174,523</u>	<u>134,742</u>	

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Report on Internal Controls and Compliance



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

Board of Directors
Bear Valley Community Services District
Tehachapi, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Bear Valley Community Services District (District) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprises the District's basic financial statements, and have issued our report thereon dated January 13, 2022.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

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

Purpose of this Report

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

Fedak & Brown LLP

Fedak & Brown LLP
Cypress, California
January 13, 2022