

**BEAR VALLEY
WATER DISTRICT**

**FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT
for the year ended June 30, 2020**

ROBERT W. JOHNSON
Certified Public Accountant

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Bear Valley Water District
Bear Valley, California

Report on the Financial Statements

We have audited the accompanying financial statements of Bear Valley Water District, as of and for the year ended June 30, 2020, 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 an opinion on these 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 State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Bear Valley Water District as of June 30, 2020, and the results of its operations, and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America, as well as the accounting systems prescribed by the State Controller's Office and State Regulations governing Special Districts.

Other-Matters

Required Supplementary Information

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by the missing information.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements.

The information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Robert W. Johnson, An Accountancy Corporation

Citrus Heights, California
March 10, 2021

BEAR VALLEY WATER DISTRICT
STATEMENT OF NET POSITION
June 30, 2020

ASSETS

Current assets:

Cash and cash equivalents (Note 3)	\$ 660,108
Accounts receivable	51,500
Prepaid expenses	<u>21,994</u>
Total current assets	733,602

Capital assets, at cost (Notes 4 and 5):	\$ 4,997,230	
Less accumulated depreciation	<u>2,791,522</u>	
	2,205,708	
Work in progress	<u>10,665</u>	2,216,373
Restricted cash (Note 3)		<u>21,656</u>
		<u>\$2,971,631</u>

See notes to financial statements

LIABILITIES AND NET POSITION

Current liabilities:

Current portion of long-term debt (Note 5)	\$ 42,326
Prepaid revenue	68,640
Accounts payable	13,084
Accrued liabilities	18,516
Compensated absences	<u>17,044</u>

Total current liabilities 159,610

Long-term debt, net of current portion (Note 5) 333,455

Total liabilities 493,065

Net position (Note 9):

Net investment in capital assets	\$1,840,592
Restricted	21,656
Unrestricted	<u>616,318</u>
	<u>2,478,566</u>

\$2,971,631

BEAR VALLEY WATER DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
for the year ended June 30, 2020

Operating revenues:		
Service charges		\$ 788,747
Other		<u>286</u>
Total operating revenues		789,033
Operating expenses:		
Collection	\$ 122,525	
Treatment and disposal	217,172	
Administrative and general	304,365	
Depreciation	<u>116,622</u>	
Total operating expenses		<u>760,684</u>
Operating income		28,349
Non-operating revenues (expenses):		
Interest income (LAIF)	6,502	
Penalties and interest	7,295	
Other revenue	271	
Lien fees	(10)	
Interest expense	<u>(15,675)</u>	
		<u>(1,617)</u>
Income before contributions		26,732
Capital contributions		<u>-</u>
Change in net position		26,732
Total net position:		
Beginning		<u>2,451,834</u>
Ending		<u>\$2,478,566</u>

See notes to financial statements

BEAR VALLEY WATER DISTRICT
STATEMENT OF CASH FLOWS
for the year ended June 30, 2020

Cash flows from operating activities		
Receipts from customers		\$ 793,723
Payments to suppliers		(358,558)
Payments to employees		<u>(263,736)</u>
Net cash provided by operating activities		171,429
Cash flows from noncapital financing activities:		
Nonoperating income	\$ 7,567	
Other nonoperating expenses	<u>(10)</u>	
		7,557
Cash flows from capital and related financing activities:		
Purchase of capital assets		
including work in progress	(216,088)	
Principal paid on capital debt	(40,662)	
Interest paid on capital debt	<u>(15,675)</u>	
		(272,425)
Cash flows from investing activities:		
Interest income		<u>6,502</u>
Net decrease in cash and cash equivalents		(86,937)
Cash and cash equivalents:		
Beginning of year		<u>768,701</u>
End of year		<u>\$ 681,764</u>
Reconciliation of cash and cash equivalents to statement of net position:		
Cash and cash equivalents		\$ 660,108
Restricted – cash and cash equivalents		<u>21,656</u>
		<u>\$ 681,764</u>

See notes to financial statements

BEAR VALLEY WATER DISTRICT
STATEMENT OF CASH FLOWS, continued
for the year ended June 30, 2020

Reconciliation of operating income to net cash provided by operating activities:		
Operating income		\$ 28,349
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	\$ 116,622	
Changes in operating assets and liabilities:		
Receivables	4,690	
Prepaid expenses	2,330	
Accounts payable and accrued charges	21,579	
Prepaid revenue	<u>(2,141)</u>	
		<u>143,080</u>
Net cash provided by operating activities		\$ <u>171,429</u>
Supplementary information:		
Cash paid for interest		\$ <u>15,675</u>

See notes to financial statements

BEAR VALLEY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
for the year ended June 30, 2020

1. Organization:

Bear Valley Water District (the “District”) was formed in 1968 and provides sewer service to residents of the District. The District is governed by a Board of Directors which is elected by the landowners of the District.

2. Summary of Significant Accounting Policies:

The basic financial statements of Bear Valley Water District have been prepared in conformity with generally accepted accounting principles as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the District’s accounting policies are described below.

Fund Accounting

The District is an enterprise fund. All operations are accounted for as an enterprise fund.

Enterprise Fund – The enterprise fund is used to account for sewer operations that are financed and operated in a manner similar to private business enterprises. The intent of the District is that the costs (expenses, including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges.

Basis of Accounting

The basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of measurement made, regardless of the measurement focus applied.

The District’s books and accounts are based upon the Uniform System of Accounts for Public Utilities as prescribed by the Division of Local Government Fiscal Affairs of the State of California. The records are maintained and the accompanying financial statements are presented on the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

BEAR VALLEY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
for the year ended June 30, 2020

2. Summary of Significant Accounting Policies, continued:

Basis of Accounting, continued

Operating revenues and expenses, such as sewer sales along with sewer expenses, result from exchange transactions associated with the principal activity of the District. Exchange transactions are those in which each part 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 are reported as non-operating revenues and expenses. Non-operating revenues and expenses, such as grant funding, investment income and interest expense, result from non-exchange transactions, in which, the District gives (receives) value without directly receiving (giving) value in exchange.

Depreciation

Utility plant and equipment is recorded on the basis of purchase cost. Assets acquired by contribution are recorded at estimated cost or fair market value at the time of acquisition.

Depreciation is calculated by the straight-line method over the estimated useful lives of the respective assets.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the District considers all highly liquid debt instruments purchased with an initial maturity of three months or less to be cash equivalents, including restricted assets. Cash in banks and deposits in the State of California Local Agency Investment Fund (LAIF) are considered to be cash and cash equivalents.

Compensated Absences

Vested or accumulated vacation that is expected to be liquidated with expendable available financial resources is reported as a current liability. Sick pay is not vested.

BEAR VALLEY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
for the year ended June 30, 2020

2. Summary of Significant Accounting Policies, continued:

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

Budget and Budgetary Accounting

The Board of Directors annually adopts an operating budget. The operating budget is prepared on the accrual basis to match the operating statements.

Investments

Investments consist of funds deposited in the Local Agency Investment Fund (LAIF) which is a Pooled Money Investment Account held with the State of California. Investments are stated at fair value. Such investment is within the State statutes and the District's investment policy.

Net Position

Net position is classified in the following categories:

Net Investment in capital assets – groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of these assets reduce this category.

Restricted – presents external restrictions imposed by creditors, grantors, contributors or laws and regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted – represents the net position of the District, which are not restricted or invested in capital assets net of related debt.

BEAR VALLEY WATER DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 for the year ended June 30, 2020

3. Cash and Cash Equivalents:

Cash and investments consist of the following at June 30, 2020:

Unrestricted	\$ 660,108
Restricted	<u>21,656</u>
Total cash and investments	<u>\$ 681,764</u>

Deposits:

At year-end the carrying amount of the District's deposits was \$363,910 and the bank balance was \$379,044. The bank balance was covered by Federal depository insurance and by collateral as required by State Law (Government Code Section 53630), by the pledging financial institution with assets held in a common pool for the District and other agencies, but not in the name of the District.

	Balance June 30, <u>2020</u>
Petty cash	\$ 50
Cash in bank – checking (operating account)	342,204
Cash in bank – checking (capacity fees)	<u>21,656</u>
Total deposits	<u>\$ 363,910</u>

BEAR VALLEY WATER DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 for the year ended June 30, 2020

3. Cash and Cash Equivalents, continued:

Investments:

California statutes authorize the District to invest in a variety of credit instruments as provided for in the California Government Code Section 53600, Chapter 4 – Financial Affairs. The Government Code allows investments in obligations of the U.S. Treasury, agencies, and instrumentalities, commercial paper rated A-1 by Standard & Poor's or P-1 by Moody's Commercial Paper Record, bankers' acceptances, repurchase agreements, medium-term corporate notes, mutual funds and the State Treasurer's Local Agency Investment Fund (LAIF). The investments at June 30, 2020 consist of:

	<u>Carrying Amount</u>	<u>Maturity - 12 Months or Less</u>
Balance, June 30, 2020		
Local Agency Investment Fund	\$ <u>317,854</u>	\$ <u>317,854</u>

Pursuant to Government Accounting Standards Board Statement 3, the investment in LAIF is not classified in categories of credit risk. The District's funds in LAIF are invested in a diversified portfolio (of underlying investments e.g. U.S. Treasury obligations) such that it considers the risk of material loss to be minimal. The funds held in LAIF can be withdrawn on demand. The investment in LAIF is reported at fair value.

Restricted Cash and Investments:

The District sets aside funds from receipt of connection fees pursuant to legal restrictions. At June 30, 2020, the District had set aside the following in cash for special purposes:

	<u>Balance June 30, 2020</u>
Capacity fees	\$ <u>21,656</u>

BEAR VALLEY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
for the year ended June 30, 2020

4. Capital Assets:

Changes in capital assets for the year ended June 30, 2020 are as follows:

	<u>Balance,</u> <u>July 1, 2019</u>	<u>Additions</u>	<u>Transfers</u>	<u>Balance,</u> <u>June 30, 2020</u>
Land	\$ 25,805	\$ -	\$ -	\$ 25,805
Subsurface lines	1,196,893	-	-	1,196,893
Sewage collection	652,014	-	-	652,014
Sewage treatment	1,127,133	-	225,760	1,352,893
Sewage disposal	1,244,788	-	42,718	1,287,506
General plant	<u>482,119</u>	<u>-</u>	<u>-</u>	<u>482,119</u>
	4,728,752	-	268,478	4,997,230
 Add, work in progress	 <u>63,055</u>	 <u>216,088</u>	 <u>268,478</u>	 <u>10,665</u>
	<u>\$4,791,807</u>	<u>\$216,088</u>	<u>\$ -</u>	<u>\$5,007,895</u>

5. Long-Term Debt:

In 2013 the District refinanced a \$617,572 note payable to a bank to a fifteen year term loan. The District incurred an \$18,000 prepayment penalty and a \$3,250 loan fee to refinance. After the refinance, the new loan balance was \$636,373. Payments of \$4,695 including interest of 3.88% are payable monthly through March 2028. The bank loan is collateralized by the District's accounts receivable, contract rights and general intangibles.

BEAR VALLEY WATER DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 for the year ended June 30, 2020

5. Long-Term Debt, continued:

The following is a summary of the long-term debt activities for the year ended June 30, 2020:

	<u>2019</u>	New Debt <u>Issued</u>	Debt <u>Retired</u>	<u>2020</u>	Current <u>Portion</u>
Bank loan	\$ <u>416,443</u>	\$ <u>-</u>	\$ <u>40,662</u>	\$ <u>375,781</u>	\$ <u>42,326</u>

Long-term debt matures as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Payment</u>
2021	\$ 42,326	\$ 14,012	\$ 56,338
2022	44,019	12,319	56,338
2023	45,780	10,558	56,338
2024	47,589	8,749	56,338
2025	49,515	6,823	56,338
2026-2028	<u>146,552</u>	<u>8,308</u>	<u>154,860</u>
	<u>\$ 375,781</u>	<u>\$ 60,769</u>	<u>\$ 436,550</u>

6. Risk of Loss:

Bear Valley Water District is exposed to various risks of loss related to theft of, damage to, and destruction of assets; and injuries to employees. During the 2020 fiscal year, the District purchased certain commercial insurance coverages to provide for these risks.

BEAR VALLEY WATER DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 for the year ended June 30, 2020

7. Retirement Plans:

In January 2018, the District implemented an enhanced defined contribution program comprised of both a Section 401(a) qualified retirement plan and a Section 457(b) eligible deferred compensation plan for state and local governments for the benefit of its employees. These plans replace the former Simple IRA plan that limited employer contribution rates. To be eligible for the plan, employees must be employed by the District for one year. The Section 401(a) plan provides for an employer defined contribution of 3% of the employee's gross wages to the retirement plan. The Section 457(b) plan provides for a match of up to an additional 3% of the employee's gross wages if the employee makes a contribution on his/her behalf. At June 30, 2020, the District's portion of these two plans was \$15,196.

8. Subsequent Events:

Management has evaluated subsequent events through March 10, 2021, the date these June 30, 2020 financial statements were available to be issued.

9. Net Position:

Investment in capital assets		\$1,840,592
Restricted:		
Capacity fees		21,656
Unrestricted:		
Board designated:		
O&M Emergency reserve	\$ 150,000	
Capital improvement replacement reserve	<u>425,000</u>	
	575,000	
Undesignated	<u>41,318</u>	
		<u>616,318</u>
		<u>\$2,478,566</u>

BEAR VALLEY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
for the year ended June 30, 2020

10. COVID-19:

In March 2020, the World Health Organization declared a global health pandemic of the Coronavirus Disease COVID-19. The District is committed to maintaining essential services to the community of Bear Valley. To date the adverse effect on the District's financial position is unknown. There is potential for much less commercial usage as Lake Alpine Resort, USFS Lake Alpine Campground, USFS Campground Concessionaire, Bear Valley Adventure Company, Bear Valley Lodge (restaurants, Creekside Dining, the pizza company, and the pub and bistro, as well as all lodging) were closed from March 19 forward. Bear Valley Ski Resort also closed on March 19, 2020.

Currently, the Bear Valley Adventure Company is using (5) porta potties versus the indoor bathroom at the shop and at the warming hut.

Bear Valley Vacation Rentals closed all vacation rentals from March 19 until just recently.

Potentially, the residential income may be elevated due to the fact that a lot of second home owners came up to the mountain to shelter in place. Also, many young city dwellers moved to the mountain and purchased homes and condos to be able to have their children go to school in Bear Valley or because their children were schooling remotely, they were now able to leave the city and move to the mountains.

SUPPLEMENTAL DATA

BEAR VALLEY WATER DISTRICT
PRINCIPAL OFFICIALS
for the year ended June 30, 2020

BOARD OF DIRECTORS
as of March 1, 2021

James Bissell	President
Gunnar Thordarson	Vice President
John Boyle	Treasurer
Ken Brown	Director
Diane Lundquist	Director

OPERATIONS

Jeffrey Gouveia	General Manager
Judi Silber	Office Manager/Board Secretary
Guy West	Chief Plant Operator
Steve Mikesell	Operator Grade II
Robin Murphy	Operator Grade 1

BEAR VALLEY WATER DISTRICT
 OPERATING EXPENSES
 for the year ended June 30, 2020

Collection:

Salaries, wages and employee benefits	\$ 53,136	
Repairs and maintenance	40,150	
Utilities	8,284	
Propane	1,689	
Telephone	1,117	
Insurance	8,673	
Gasoline and oil	959	
Supplies	8,404	
Rentals	<u>113</u>	
		\$122,525

Treatment and disposal:

Salaries, wages and employee benefits	113,540	
Insurance	6,600	
Utilities	37,495	
Propane	232	
Telephone	94	
Repairs and maintenance	26,429	
Supplies	17,704	
Monitoring and reporting	12,727	
Gasoline and oil	2,238	
Rentals	<u>113</u>	
		217,172

BEAR VALLEY WATER DISTRICT
OPERATING EXPENSES, continued
for the year ended June 30, 2020

Administrative and general:

Salaries, wages and employee benefits	\$194,452	
Legal and audit	15,515	
Directors fees and expenses	1,869	
Insurance	3,968	
Utilities	6,064	
Propane	2,491	
Telephone	6,049	
Repairs and maintenance	8,673	
Office	10,068	
Memberships	6,350	
Taxes and assessments	39,870	
Licenses & fees	568	
Regulatory reporting	6,330	
Other	429	
Vehicle storage	990	
Engineering	315	
Continuing education	<u>364</u>	
		\$304,365

Depreciation 116,622

\$760,684