

**BEAR VALLEY
WATER DISTRICT**

**FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT
for the year ended June 30, 2021**

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, 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 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 District'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 District'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, 2021, and the respective changes in financial position and cash flows thereof for the year then ended, in accordance 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

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, and other required supplementary information as listed in the Table of Contents 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 other required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, 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 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 basic 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 basic financial statements.

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



Citrus Heights, California
November 5, 2021

Management Discussion and Analysis For year end June 30, 2021

Fiscal Year 2020 – 21 Revenue Discussion

Residential service fee revenue is generally a fixed source of income due to the District's flat rate billing structure. The current rate of new home construction at approximately (1) new home per year adds roughly \$1156 or less than 1% to year-over-year residential revenue. The District received one application and related capacity, application and inspection charges (\$7370 to Sewer System Capacity Fee Reserve Fund) for a new residential connection during the fiscal cycle. The fiscal impact of this customer's service fees will take effect upon issuance of a final certificate of occupancy from Alpine County anticipated in FY22-23.

Commercial service fee revenue is volumetric. With the Board's adoption of the FY 19 – 20 mid-cycle 6.2 % CPI sewer service rate increase which became effective January 1, 2020, commercial customers are now charged \$0.068 per gallon of water (previously \$0.064) metered at the commercial location and sent to the District for treatment and disposal.

Due to the statewide shelter in place (SIP) order which began in March 2020 and directly impacted commercial water use over the past year, total service fee revenue decreased \$7,849 on June 30, 2021 when compared to the previous fiscal year. This revenue decrease was a consequence of a reduction of -403,017 fewer gallons or nearly – 19 % less water from commercial sources when compared to the previous fiscal cycle bolstered only by the District's minimum monthly billing for all commercial customers (\$85.81/month).

Condensed Financial Statements

Statement of Net Position

	2021	2020
Assets:		
Cash	\$ 1,106,509	\$ 681,764
Accounts receivable	37,831	51,500
Prepaid expenses	20,634	21,994
Capital assets, less accumulated depreciation	2,140,908	2,216,373
Total Assets	\$ 3,305,882	\$ 2,971,631
Liabilities and net position:		
Current liabilities	\$ 458,762	\$ 159,610
Long-term liabilities	289,430	333,455
Total liabilities	748,192	493,065
Total net position	2,557,690	2,478,566
Total liabilities and net position	\$ 3,305,882	\$ 2,971,631

Statement of Activities

	2021	2020
Operating revenue	\$ 806,431	\$ 789,033
Operating expenses	720,543	760,684
Operational income/(loss)	85,888	28,349
Non-operating revenues (expenses)	(6,764)	(1,617)
Change in net position	79,124	26,732
Beginning net position	2,478,566	2,451,834
Ending net position	\$ 2,557,690	\$ 2,478,566

Fiscal Year 2020 – 21 Highlights

- At June 30, 2021, the District's liabilities and net position reported an ending balance of \$3,305,882, an increase of \$ 334,251 from the prior year. This includes a \$300,000 grant the District received from the California Office of Emergency Services (Cal OES) to broadly support energy resiliency for District facilities during power outages. The grant at 6/30/21 was unearned revenue, as the monies have been received, but the grant expenditures will be expensed in the next fiscal year.
- The District's net cash position as of June 30, 2021 was \$ 1,106,500 including the following restricted fund allocations: Sewer System Capacity Fee Reserve Fund (\$29,026), Sewer Operations and Maintenance (O&M) Emergency Reserve Fund (\$150,000), and the Sewer Capital Improvement & Replacement Program (CIP) Reserve Fund (\$425,000). Of this balance, \$319,642 was invested in the State Treasurer's Local Agency Investment Fund (LAIF) program as of June 30, 2021.
- The District collected \$780,898 in service fee revenue from residential property owners and commercial customers in the District during the fiscal year, representing a net decrease of approximately 1% from the previous fiscal cycle.
- The District's net operating expenses (excluding depreciation) were \$606,765 during the year, a decrease of \$30,419 or 5 % from the previous fiscal cycle.

Net Income and Net Cash Flow

The District's fiscal year net income as June 30, 2021 was \$79,124, an increase of \$52,392 or 196% over the previous fiscal cycle. This increase can largely be attributed to decreased operating expenses, particularly reductions in the cost of utilities, repairs, maintenance and insurance.

The District's fiscal year operational net cash flow as of June 30, 2021 was \$101,271 an increase of \$205,872 or 203% over the previous fiscal cycle. This increase was a result of a decrease in capital expenditures committed during this fiscal cycle compared to the previous cycle and completion of the District's treatment lagoon upgrade project at a total cost of \$221,096.

Operating Expenses

Operating expenses as of June 30, 2021 reflect a decrease of \$30,419 or 5 % from the previous fiscal cycle. This decrease is largely confined to three specific areas including repairs and maintenance (-58 %), utilities (-20 %), and insurance (-18 %).

- Repairs and Maintenance: The primary factors affecting the District's R&M budget include fewer anticipated major repairs as a result of a decade of focused effort to address long term deferred maintenance, fewer expenses related to infrequent surface discharging as well as fewer collection system and manhole repairs discovered during cleaning and inspection of the collection system.
- Utilities: The District's aggregate energy use declined significantly during the fiscal cycle as a result of reduced water use in the service area as a consequence of COVID19 and the impact on recreation in the area.
- Insurance: Staff worked diligently to pursue reduced premiums for the District's worker's compensation and package policy which includes coverages for property, commercial crime, general liability, commercial excess liability, public officials and management liability as well as business auto coverage. Informed they were competing for our business, several proposals were received from various carriers which ultimately yielded an 18% net decrease in aggregate insurance costs compared to the previous fiscal cycle.

Capital Assets and Long Term Liabilities

At the end of this fiscal year, the District invested \$38,465 in a broad range of capital assets, including additional consulting fees committed toward the renewal of the District's 5 -Year NPDES discharge permit (\$25,000 previously invested in FY19-20), safety equipment related to COVID-19 to protect the District's collection maintenance crew and legal and engineering expenses related to an energy resiliency project at the District's treatment plant. Table 1 below details the capital expenditures for the past year. This amount represents a net decrease of \$172,115 when compared to the previous year when the District completed its ambitious treatment lagoon upgrade project at a total cost of \$221,096.

Table 1 - Schedule of Capital Improvements as of June 30, 2021

Backup Energy Solution - Treatment Plant	\$23,251
Pathogen Defense System - Collection System Maintenance	\$11,463
5-Year NPDES Permit Renewal - Discharge	\$3,751
Total	\$38,465

Regulatory Compliance, Service Performance & Result of Operations

The District submitted a Report of Waste Discharge (ROWD) to the Central Valley Regional Water on June 19, 2020 in support of renewing surface discharge Order R5-2016-0045 for another 5 years. On March 18, 2021, the Regional Board acknowledged receipt of the District's renewal application and provided an administrative extension of the Order which was set to expire on July 31, 2021 until the order to renew is adopted by the Central Valley Water Board. The District remains in negotiations with the Central Valley Water Board concerning effluent limitations for certain constituents proposed for the renewal permit.

The District consistently remains in full compliance with all discharge and regulatory permits and fiscal year 2020-21 was no exception. All monitoring, reporting, discharge and collection system maintenance requirements were satisfied over the course of the year. This includes all monthly, tri-annual and annual WDR and NPDES monitoring and reporting. For all permits issued to the District, no certified violations were identified during the fiscal year.

The District experienced no sewer system overflows (SSOs) during the fiscal period and ongoing inspection and maintenance of the District's collection system seeks to ensure overflows are avoided in the future.

During the 2020 water year (October 2019 to September 2020) total annual influent flow was approximately 18.55 million gallons (MG). WY 2020 total influent flows were approximately 6.65 MG less than WY 2019 total influent flows of 25.20 MG.

Land discharge at the Bear Valley Water District WWTF is required to be maximized in order to minimize the potential for a surface water discharge to Bloods Creek. Effluent land disposal began on June 2, 2020. The District discharged 30.6 million gallons to land when land application was completed on September 16, 2020. No surface water discharge was required as of June 30, 2021.

Economic Factors and Next Year's Budget

Persistent Drought: While measuring the snowpack in April 2021, the Department of Water Resources revealed the winter corresponding with fiscal year 2020-21 to be the 3rd driest year on record and the second consecutive dry winter only several years after a five-year dry spell. The District relies significantly on the health and success of commercial customers tied to both summer and winter recreation dependent on normal levels of precipitation and the impact of continued anemic snow fall may have significant fiscal impacts on the District's volumetric commercial revenue in FY21-22.

COVID-19: Due to the statewide shelter in place (SIP) order which began in March 2020 and directly impacted commercial water use over the year ending June 30, 2021, the FY21-22 budget approved by the Board at its August 2, 2021 meeting projects commercial revenue to fall nearly -26 % or - \$30,886 when compared to the previous fiscal year. FY21-22 projects a reduction of -264,220 fewer gallons or - 14 % less water from commercial sources when compared to the previous fiscal cycle. This is as a consequence of reduced commercial water consumption exacerbated by the broad but temporary use of portable toilets during the pandemic. The final approved budget projects total service rate revenue for FY 21-22 to be \$750,000, down - 4.12 % or - \$30,898 less than the previous fiscal cycle.

Wildland Fire: Wildland fires in California appear to have an increasing impact on economies dependent on outdoor summer recreation. The impacts of smoke from nearby wildfires leads to reduced air quality which threatens public health and leads recreational enthusiasts to visit less often, shorten their trips or cancel plans altogether. Poor air quality has now combined with preemptive statewide forest closures to reduce fire risk to form an economically devastating confluence of events for rural communities throughout California. While hard to measure the precise fiscal impact of these events, it is undeniable that the District has experienced reduced flows from commercial sources as a result of poor air quality and forest closures that will be reflected in FY 21-22 revenue.

Commercial Disconnects: As one of the District's largest commercial customers, any reduced flow from the US Forest Service can greatly impact the District's commercial revenue and the District's budget more broadly. The USFS initially elected to remove all its flush toilets at the east end of Lake Alpine and replace them with vault toilets in the spring of 2019 permanently reducing annual volumetric revenue from this customer by approximately \$22,000. On August 2, 2021 the USFS informed the District that it intends to continue this work and is planning to replace (3) additional flush toilets in the Lake Alpine Basin in the spring of 2022 which has the potential to reduce future annual revenue by an additional \$7000 – 10,000.

Future Projects, Goals and Objectives

NPDES Permit: The District has committed substantial resources to the renewal of its NPDES permit for another 5-years. Significant attention will be dedicated during the upcoming year to ensure renewal of this permit with favorable effluent limits such that the discharge capacity provided by this permit remains available.

Energy Resiliency: The District remains dedicated to its mission to provide safe, efficient and reliable wastewater services to its customers even during power outages. To this end, several projects have been approved and are scheduled to be completed in FY21-22 to enhance and harden the District's energy resiliency during electricity outages.

Equipment Upgrades: The District continues to upgrade equipment that has reached the end of its useful life. For FY21-22, this include the replacement of a grinder at its headworks facility as well as replacement of the upstream dam drain valve in the District's storage reservoir.

Rate Analysis: The District is soliciting proposals for a rate study and may likely perform a rate analysis during FY21-22. Current multi-year budget forecasts suggest that declining commercial revenue may in the years to come necessitate a rate increase for both residential and commercial customers to ensure the District can continue to provide safe, efficient and reliable wastewater service in the service area.

Contacting the District

This financial report is designed to provide our citizens, customers and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need additional information, contact General Manager Jeff Gouveia at the Bear Valley Water District, PO Box 5027, Bear Valley, CA 95223 or Jeff.Gouveia@bvwd.ca.gov or 209.753.2112.

BEAR VALLEY WATER DISTRICT
STATEMENT OF NET POSITION
June 30, 2021

ASSETS

Current assets:

Cash and cash equivalents (Note 3)	\$1,077,483
Accounts receivable	37,831
Prepaid expenses	<u>20,634</u>

Total current assets	1,135,948
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Capital assets, at cost (Notes 4 and 5):

Less accumulated depreciation	\$ 4,991,532
	<u>2,905,300</u>
	2,086,232
Work in progress	<u>54,676</u>

2,140,908

Restricted cash (Note 3)

29,026

\$3,305,882

See notes to financial statements

LIABILITIES AND NET POSITION

Current liabilities:

Current portion of long-term debt (Note 5)	\$ 44,019
Prepaid revenue	57,983
Accounts payable	21,707
Accrued liabilities	15,592
Compensated absences	19,461
Unearned grant	<u>300,000</u>

Total current liabilities	458,762
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Long-term debt, net of current portion (Note 5)	<u>289,430</u>
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Total liabilities	748,192
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Net position (Note 7):

Net investment in capital assets	\$1,807,459
Restricted	29,026
Unrestricted	<u>721,205</u>
	<u>2,557,690</u>

	<u>\$3,305,882</u>
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BEAR VALLEY WATER DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
for the year ended June 30, 2021

Operating revenues:

Service charges	\$ 780,898
Connection fees	7,816
Other	<u>17,717</u>

Total operating revenues	806,431
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Operating expenses:

Collection	\$ 117,951
Treatment and disposal	180,938
Administrative and general	307,876
Depreciation	<u>113,778</u>

Total operating expenses	<u>720,543</u>
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Operating income	85,888
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Non-operating revenues (expenses):

Interest income (LAIF)	1,844	
Penalties and interest	2,624	
Other revenue	2,774	
Lien fees	-	
Interest expense	<u>(14,006)</u>	<u>(6,764)</u>

Income before contributions	79,124
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Capital contributions	<u>-</u>
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Change in net position	79,124
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Total net position:

Beginning	<u>2,478,566</u>
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Ending	<u>\$2,557,690</u>
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See notes to financial statements

BEAR VALLEY WATER DISTRICT
STATEMENT OF CASH FLOWS
for the year ended June 30, 2021

Cash flows from operating activities		
Receipts from customers		\$ 809,443
Payments to suppliers		(314,250)
Payments to employees		(283,039)
Net cash provided by operating activities		212,154
Cash flows from noncapital financing activities:		
Nonoperating income	\$ 5,398	
Other nonoperating expenses	-	
Unearned grant	<u>300,000</u>	
		305,398
Cash flows from capital and related financing activities:		
Purchase of capital assets		
including work in progress	(38,313)	
Principal paid on capital debt	(42,332)	
Interest paid on capital debt	(14,006)	
		(94,651)
Cash flows from investing activities:		
Interest income		<u>1,844</u>
Net increase in cash and cash equivalents		424,745
Cash and cash equivalents:		
Beginning of year		<u>681,764</u>
End of year		<u>\$ 1,106,509</u>
Reconciliation of cash and cash equivalents to statement of net position:		
Cash and cash equivalents		\$ 1,077,483
Restricted – cash and cash equivalents		<u>29,026</u>
		<u>\$ 1,106,509</u>

See notes to financial statements

BEAR VALLEY WATER DISTRICT
STATEMENT OF CASH FLOWS, continued
for the year ended June 30, 2021

Reconciliation of operating income to net cash provided by operating activities:		
Operating income		\$ 85,888
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	\$ 113,778	
Changes in operating assets and liabilities:		
Receivables	13,669	
Prepaid expenses	1,360	
Accounts payable and accrued charges	8,116	
Prepaid revenue	(10,657)	
		<u>126,266</u>
Net cash provided by operating activities		\$ <u>212,154</u>
Supplementary information:		
Cash paid for interest		\$ <u>14,006</u>

See notes to financial statements

BEAR VALLEY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
for the year ended June 30, 2021

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, 2021

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, 2021

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.

Unearned Revenue

Revenue that has been received, but the earnings process is not complete, or in the case of grants not yet expensed.

BEAR VALLEY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
for the year ended June 30, 2021

2. Summary of Significant Accounting Policies, continued:

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.

3. Cash and Cash Equivalents:

Cash and investments consist of the following at June 30, 2021:

Unrestricted	\$1,077,483
Restricted	<u>29,026</u>
Total cash and investments	<u>\$1,106,509</u>

BEAR VALLEY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
for the year ended June 30, 2021

3. Cash and Cash Equivalents, continued:

Deposits:

At year-end the carrying amount of the District's deposits was \$786,867 and the bank balance was \$822,054. 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.

Petty cash	\$ 50
Cash in bank – checking (operating account)	757,791
Cash in bank – checking (capacity fees)	<u>29,026</u>
Total deposits	<u>\$ 786,867</u>

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, 2021 consist of:

	<u>Carrying Amount</u>	<u>Maturity - 12 Months or Less</u>
Balance, June 30, 2021		
Local Agency Investment Fund	\$ <u>319,642</u>	\$ <u>319,642</u>

BEAR VALLEY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
for the year ended June 30, 2021

3. Cash and Cash Equivalents, continued:

Investments, continued:

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, 2021, the District had set aside the following in cash for special purposes:

	Balance June 30, 2021
Capacity fees	\$ <u>29,026</u>

BEAR VALLEY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
for the year ended June 30, 2021

4. Capital Assets:

Changes in capital assets for the year ended June 30, 2021 are as follows:

	Balance, <u>July 1, 2020</u>	<u>Additions</u>	<u>Transfers</u>	Balance, <u>June 30, 2021</u>
Land	\$ 25,805	\$ -	\$ -	\$ 25,805
Subsurface lines	1,196,893	-	-	1,196,893
Sewage collection	652,014	11,463	-	663,477
Sewage treatment	1,352,893	5,943	-	1,358,836
Sewage disposal	1,287,506	-	23,104	1,264,402
General plant	<u>482,119</u>	<u>-</u>	<u>-</u>	<u>482,119</u>
	4,997,230	17,406	23,104	4,991,532
 Add, work in progress	 <u>10,665</u>	 <u>62,918</u>	 <u>18,907</u>	 <u>54,676</u>
	<u>\$5,007,895</u>	<u>\$ 80,324</u>	<u>\$ 42,011</u>	<u>\$5,046,208</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, 2021

5. Long-Term Debt, continued:

The following is a summary of the long-term debt activities for the year ended June 30, 2021:

	<u>2020</u>	<u>New Debt Issued</u>	<u>Debt Retired</u>	<u>2021</u>	<u>Current Portion</u>
Bank loan	\$ <u>375,781</u>	\$ <u>-</u>	\$ <u>42,332</u>	\$ <u>333,449</u>	\$ <u>44,019</u>

Long-term debt matures as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Payment</u>
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	51,496	4,842	56,338
2027-2028	<u>95,050</u>	<u>3,542</u>	<u>98,592</u>
	\$ <u>333,449</u>	\$ <u>46,833</u>	\$ <u>380,282</u>

6. 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, 2021, the District's portion of these two plans was \$15,746.

BEAR VALLEY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
for the year ended June 30, 2021

7. Net Position:

Investment in capital assets		\$1,807,459
Restricted:		
Capacity fees		29,026
Unrestricted:		
Board designated:		
O&M Emergency reserve	\$ 150,000	
Capital improvement replacement reserve	<u>425,000</u>	
	575,000	
Undesignated	<u>146,205</u>	
		<u>721,205</u>
		<u>\$2,557,690</u>

8. 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 2021 fiscal year, the District purchased certain commercial insurance coverages to provide for these risks.

9. Subsequent Events:

Management has evaluated subsequent events through November 5, 2021, the date these June 30, 2021 financial statements were available to be issued.

BEAR VALLEY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
for the year ended June 30, 2021

10. COVID-19:

In March 2020, the World Health Organization declared a global health pandemic of the Coronavirus Disease COVID-19. The pandemic impacted the District as commercial water use declined. The District is committed to maintaining essential service to the community of Bear Valley Water District. Although there was a decline in commercial use, to date there has been a minimal effect on the District's overall financial position given the necessity of providing sewer service to the community.

SUPPLEMENTAL DATA

BEAR VALLEY WATER DISTRICT
PRINCIPAL OFFICIALS
for the year ended June 30, 2021

BOARD OF DIRECTORS

James Bissell	President
Gunnar Thordarson	Vice President
Ken Brown	Treasurer
John Boyle	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 I

BEAR VALLEY WATER DISTRICT
OPERATING EXPENSES
for the year ended June 30, 2021

Collection:

Salaries, wages and employee benefits	\$ 52,518	
Repairs and maintenance	39,981	
Utilities	8,447	
Propane	4,912	
Telephone	1,613	
Insurance	7,013	
Gasoline and oil	808	
Supplies	2,659	
Rentals	<u>-</u>	\$117,951

Treatment and disposal:

Salaries, wages and employee benefits	115,920	
Insurance	6,545	
Utilities	21,991	
Propane	496	
Telephone	109	
Repairs and maintenance	3,080	
Supplies	16,694	
Monitoring and reporting	13,439	
Gasoline and oil	1,886	
Rentals	<u>778</u>	180,938

BEAR VALLEY WATER DISTRICT
OPERATING EXPENSES, continued
for the year ended June 30, 2021

Administrative and general:

Salaries, wages and employee benefits	\$193,570	
Legal and audit	9,780	
Directors fees and expenses	2,000	
Insurance	3,085	
Utilities	4,153	
Propane	3,691	
Telephone	7,143	
Repairs and maintenance	7,296	
Office	9,267	
Memberships	5,487	
Taxes and assessments	44,826	
Licenses & fees	245	
Regulatory reporting	6,242	
Other	-	
Vehicle storage	1,020	
Engineering	9,621	
Continuing education	<u>450</u>	
		\$307,876
Depreciation		<u>113,778</u>
		<u>\$720,543</u>

