

**BEAR VALLEY  
WATER DISTRICT**

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**FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITOR'S REPORT  
for the year ended June 30, 2022**

**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 Audit of the Financial Statements**

**Opinion**

We have audited the financial statements of the business-type activities of Bear Valley Water District, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Bear Valley Water District as of June 30, 2022, 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 accounting systems prescribed by the California State Controller's Office and State Regulations governing Special Districts.

**Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the State Controller's Minimum Audit Requirements for California Special Districts. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Bear Valley Water District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Bear Valley Water District's ability to continue as a going concern for twelve months after the date that financial statements are issued.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- exercise professional judgement and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit 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 Bear Valley Water District's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Bear Valley Water District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

## **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, as listed in the Table of Contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 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.

## **Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Bear Valley Water District's basic financial statements. The accompanying supplementary information are presented for purposes of additional analysis and are 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. The 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 GAAS. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Robert W. Johnson, An Actuary Corp.*

Citrus Heights, California  
October 12, 2022

## Management Discussion and Analysis For year end June 30, 2022

### Fiscal Year 2021 – 22 Revenue Discussion

For the fiscal year ending June 30, 2022, residential customers were charged \$96.35 per month, invoiced quarterly at \$289.05. Total annual residential service fee revenue was \$628,852 which included the addition of one new service fee customer who applied for and paid their respective capacity fees for the system in the previous fiscal cycle. Residential service fee revenue is generally a fixed source of income due to the District's flat rate billing structure. No new residential construction was initiated in FY21-22 and no new connection applications were received during this cycle.

Commercial service fee revenue is volumetric. Commercial customers are charged \$0.068 per gallon of water metered at the commercial location and sent to the District for treatment and disposal. Commercial wastewater flows to the District decreased by more than -283,000 billable gallons than FY20-21. The District collected only 1.843 MG total gallons from commercial sources for the year ending June 30, 2022 compared to 2.128 MG for the year ending June 30, 2021.

Consequently, commercial revenues declined -\$19,852 or -13% from the previous fiscal cycle due to a combination of factors including ongoing pandemic related reduced water use as well as anticipated system disconnections by some of the District's commercial customers.

In summary, total service fee revenue as of June 30, 2022 was \$759,866, a decrease of -\$21,032 or -2.7% when compared to the previous fiscal year. This revenue decrease was largely a consequence of a reduction of 283,000 fewer gallons or -13 % 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

	<u>2022</u>	<u>2021</u>
Assets:		
Cash	\$ 1,009,673	\$ 1,106,509
Accounts receivable	47,932	37,831
Prepaid expenses	32,645	20,634
Capital assets, less accumulated depreciation	2,256,012	2,140,908
Total Assets	<u>\$ 3,346,262</u>	<u>\$ 3,305,882</u>
Liabilities and net position:		
Current liabilities	\$ 495,969	\$ 458,762
Long-term liabilities	243,622	289,430
Total liabilities	<u>739,591</u>	<u>748,192</u>
Total net position	<u>2,606,671</u>	<u>2,557,690</u>
Total liabilities and net position	<u>\$ 3,346,262</u>	<u>\$ 3,305,882</u>

#### Statement of Activities

	<u>2022</u>	<u>2021</u>
Operating revenue	\$ 768,501	\$ 806,431
Operating expenses	<u>756,242</u>	<u>720,543</u>
Operational income/(loss)	<u>12,259</u>	<u>85,888</u>
Non-operating revenues (expenses)	<u>36,722</u>	<u>(6,764)</u>
Change in net position	48,981	79,124
Beginning net position	<u>2,557,690</u>	<u>2,478,566</u>
Ending net position	<u>\$ 2,606,671</u>	<u>\$ 2,557,690</u>

### Fiscal Year 2021 – 22 Highlights

- At June 30, 2022, the District's liabilities and net position reported an ending balance of \$3,346,262, an increase of \$40,380 from the prior year.
- The District's net position at June 30, 2022 includes remaining California Office of Emergency Services (Cal OES) grant funds of \$254,544 (total Cal OES grant funds were \$300,000) for yet to be completed Board approved projects supporting energy resiliency for District facilities during power outages. These funds are anticipated to be fully expended during FY22-23.
- The District received a \$95,675 unrestricted grant from the California Special Districts Association (CSDA) intended to help mitigate the effects of revenue losses or unanticipated costs incurred due to the COVID-19 public health emergency.
- The District's net cash position as of June 30, 2022 was \$ 1,009,673, a decrease of -\$96,836 from the end of the previous fiscal cycle, and includes the following restricted and board designated fund allocations:
  - Sewer System Capacity Fee Reserve Fund: \$29,026
  - Sewer Operations and Maintenance (O&M) Emergency Reserve Fund: \$150,000
  - Sewer Capital Improvement & Replacement Program (CIP) Reserve Fund: \$425,000
- As of June 30, 2022, \$320,273 was invested in the State Treasurer's Local Agency Investment Fund (LAIF) program with a 12 month total yield of 4.21 %. The annual average monthly yield during the fiscal term was 0.351 %, with a low of 0.203 % in October 2021 and a high of 0.861 % in June 2022.
- The District collected a total of \$759,866 in service fee revenue from both residential property owners and commercial customers in the District during the fiscal year, representing a net decrease of approximately -2.7 % from the previous fiscal cycle.
- The District's expenses (excluding depreciation) were \$649,039 during the year, an increase of \$28,286 or approximately 4.6 % from the previous fiscal cycle.

### Net Income and Net Cash Flow

The District's fiscal year net income as June 30, 2022 was \$48,981, a decrease of - \$30,143 or - 38 % compared to the previous fiscal cycle. This decrease can largely be attributed to diminished income and increased expenses, particularly in the cost of utilities, repairs and maintenance and field equipment and supplies.

The District's fiscal year operational net cash flow as of June 30, 2022 was \$275,543 an increase of \$158,042 or 235% over the previous fiscal cycle. This increase was a result of a various grant funds received during this fiscal cycle compared to the previous cycle which have temporarily inflated the District's net cash position until approved projects are completed. Actual operational net cash flow, excluding Cal OES grant funds, is - \$74,676 and the actual unrestricted net cash flow, including the CSDA grant, is \$21,001. Operational net cash flow was impacted most significantly by \$133,365 in additional capital expenses than was budgeted for the term.

### Operating Expenses

- Operating expenses as of June 30, 2022 reflect an increase of \$35,699 or 5.0 % from the previous fiscal cycle. This increase is largely confined to three specific areas including the cost of utilities (+ 22%), repairs, maintenance (+ 8%) and field equipment and supplies (+ 33%).
- Utilities: The District's utility costs increased largely as a result of the increased cost of electricity as well as a billing issue with utility provider Pacific Gas & Electric (PG&E). The cost of electricity for the District increased 30% per kWh, with peak rates increasing from .296/kWh to .388/kWh. In addition, PG&E experienced issues with its Smart Meter remote metering system in the spring of 2021 and ultimately invoiced \$9,100 of energy consumed in FY20-21 in FY21-22 leading to significantly higher utility costs as of June 30, 2022.

- **Repairs and Maintenance:** The primary factors affecting the District's R&M budget include unanticipated costs surrounding removal of hazard trees at the District's administration office, unanticipated repairs on one of the District's irrigation pumps and over budget collection system repair projects.
- **Field equipment and supplies:** Field equipment and supplies for the year ending June 30, 2022 exceeded budget for this expense account by 33%. Factors leading to this increase included a 13% increase in the cost of chlorine gas used during the wastewater disinfection process as well as unanticipated costs for components required for one of the District's pH analyzers.

#### Capital Assets and Long Term Liabilities

At the end of this fiscal year, the District invested in a broad range of capital assets, including a new structure to house three (3) Tesla Powerpacks intended to energize the District's treatment facility during power outages, a new grinder at the District's headworks, additional consulting fees to advance renewal of the District's 5 -Year NPDES discharge permit, a new sewer camera to improve collection system maintenance efforts and consulting fees for a rate study of the District's service fee rate structure.

Table 1 below details the major capital expenditures for the past year. Total capital expenditures for the year were \$234,596. Capital expenditures increased of \$196,319 when compared to the previous year total of \$38,313.

**Table 1 - Schedule of Capital Improvements as of June 30, 2022**

Backup Energy Solution - Treatment Plant	\$94,555
5-Year NPDES Permit Renewal - Discharge	\$20,474
New Grinder - Collection System	\$33,855
New Sewer Camera - Collection System	\$11,851
5-Year Service Fee Rate Study - Administration	\$12,870
Radio Telemetry Project (Cal OES Grant Funded) – Collections (Incomplete)	\$5,803
Revise District Design and Improvement Standards – Collections (Incomplete)	\$10,956
<b>Total</b>	<b>\$190,364</b>

#### 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 June 10, 2022, the Central Valley Regional Water Quality Board adopted Order R5-2022-0037 which became effective August 1, 2022 and authorizes surface water discharges through July 31, 2027. The renewed order provides more restrictive effluent limitations for copper and lead but reduces the monitoring frequency for a number of constituents which will help reduce annual laboratory, fuel and vehicle expenses in years the District needs to discharge under this permit.

The District consistently remains in full compliance with all discharge and regulatory permits and fiscal year 2021-22 was no exception. All monitoring, reporting, discharge, collection system and dam maintenance requirements were satisfied over the course of the year. This includes all monthly, tri-annual and annual WDR and NPDES monitoring and reporting requirements. 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 2021 water year (October 2020 to September 2021) total annual influent flow was approximately 14.52 million gallons (MG). WY 2021 total influent flows were approximately -4.03 MG less than WY 2020 total influent flows of 18.55 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 May 24, 2021. The District discharged 23.79 million gallons to land when land application was completed on August 26, 2021. No surface water discharge was required as of June 30, 2022.

#### Economic Factors and Next Year's Budget

Service Fee Rate Increase: On November 11, 2021, the District contracted with Bartle Wells Associates (BWA), independent public finance advisors, working in partnership with the California Rural Water Association (CRWA), to develop a comprehensive wastewater rate study for the District. The Study evaluated the District's 5-year budget projection and analyzed the District's capacity to implement its capital improvement and replacement (CIP/CRP) plan while maintaining debt service and reserve requirements. The Study recommended increasing sewer service rates to meet the revenue requirements of the District and addresses forecasts for increasing expenditures. The District's Board of Directors formally accepted this Study at a regularly scheduled meeting of the Board on March 22, 2022.

On June 25, 2022, the Board held a Proposition 218 public hearing on the proposed new rates and insufficient objections were received to stop the service fee increase. Effective July 1, 2022, wastewater service rates increased 6 % with a new monthly residential rate of \$102.13 and a new commercial volumetric rate of \$0.072 per gallon. Each year hereafter for the following four years, from July 1, 2023, to July 1, 2027, the Board may adjust rates by percentage increase annually as necessary based on the United States Department of Labor All Item Consumer Price Index for All Urban Consumers (CPI-U) – (1982-84 Base 100) published in January each year for the preceding reference year ending in December, but in no case will any annual increase in the wastewater service rate exceed 6 % per year irrespective of the actual annual CPI-U increase.

Residential Revenue: With the successful adoption of the 6 % service fee rate increase, aggregate annual residential revenue is expected to grow 6 % or \$38,948 over the FY21-22 for a total of \$667,800 in estimated residential service rate revenue in FY22-23.

Commercial Revenue: With the successful adoption of the 6 % service fee rate increase, the cost per gallon for commercial customers increased to \$0.072 per gallon with the minimum monthly rate for commercial customers increasing to \$102.13 per month. For the year ending June 30, 2022, commercial wastewater volume collected by the District appears to have increased over 18 % compared to the previous fiscal cycle which was impacted by COVID related business closures, reductions in visitors to the area and the widespread use of portable toilets. Current estimates suggest increased commercial wastewater flows will be in excess of 415,000 more billable gallons than FY21-22 or more than 2.2 MG total gallons for the year ending June 30, 2022 compared to just 1.8 MG for the year ending June 30, 2021. Commercial revenue for FY22-23 is expected to increase approximately \$36,000 to an estimated total of nearly \$167,000.

Total Service Fee Revenue: Total service rate revenue for FY 22-23 is forecasted to be \$834,800, an increase of roughly 9 % or \$ 74,934 from the year end revenue in the current fiscal cycle.

Persistent Drought: Following a January and February that will enter record books as the driest documented in state history, on April 1 the California Department of Water Resources (DWR) conducted the fourth and final snow survey of the season. The manual survey recorded 2.5 inches of snow depth and a snow water equivalent of 1 inch, which is 4% of the April 1 average. As of April 1, the statewide snowpack average was 38% of average. The peak of the statewide snowpack was around March 8 at about 57% of average. 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 FY22-23.

**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. On February 3, 2022, the USFS notified the District that it intends to complete replacement of the remaining flush toilets with vault toilets in the Lake Alpine Basin after September 5, 2022, Labor Day. While FY22-23 revenue for this customer will not be implicated due to the District's arrears billing method for commercial customers, projections for FY23-24 suggest commercial revenues may fall -27% or nearly -\$45,000 due in combination to the final phase of replacement of existing flush toilets for vault toilets by the USFS in the Lake Alpine basin combined with anticipated changes in business practices related to the pool at the Bear Valley Lodge. Current projections indicate flows from the Lake Alpine basin will decrease nearly 90,000 gallons in FY22-23 with FY-23-24 invoicing to the USFS decreasing approximately -\$6,500. Moreover, with ongoing meter and supply line failure issues at the Lodge pool water meter together with a different approach to managing how the pool is filled, the 5-year budget conservatively projects FY23-24 billing for the this customer to decrease as much as -\$45,000.

#### **Future Projects, Goals and Objectives**

**Capital Improvement and Replacement Program (CRP):** Total proposed capital improvement and replacement projects for FY 22-23 are \$357,953, of which \$249,751 will be funded with grant funds previously received and \$108,202 to be funded with cash from operating revenue. The FY 22-23 CIP/CRP budget includes the purchase of a new service vehicle, new service snowmobile, required once in a permit term priority pollutant testing, painting of the District's administration office, two new generators at District collection facilities, new batteries for backup power at several locations and revisions to the District's design and improvement standards.

**Wastewater Reserve Funds:** The District maintains two unrestricted reserve funds with a current total unrestricted cash fund balance of \$575,000. Pursuant to the District's 2017 Reserve Policy, the O&M Emergency Reserve fund, with a current balance of \$150,000, requires a target balance of 3 months of O&M expenses. FY22-23 projected monthly expenses are anticipated to be \$53,741 or \$161,222 for 3 months. As forecasted, the O&M Emergency Reserve Fund is projected to be under funded by - \$11,222 in FY22-23.

The Sewer Capital Improvement Reserve Fund (CIP/CRP), with a current balance of \$425,000, requires a minimum balance "to be determined by the Board of Directors tied to the District's current aggregate total asset value with consideration of the District's 5-Year Capital Improvement Plan." The current aggregate total asset value as of June 30, 2022 is \$3,297,530 and the 5-year average CIP budget projection is \$404,202.

The FY21-22 fiscal year end net cash flow projection is \$21,001. Pursuant to the final fiscal year budget adopted by the Board on July 25, 2022, if these funds are directed into reserves, the total FY22-23 reserve fund balance would increase \$21,001 from \$575,000 to \$596,001, remaining well in excess of the minimum target reserve fund balance of \$586,222. For FY 22-23, the final approved budget projects year end net cash flow as of June 30, 2023 to be \$12,850. The projected total reserve fund balance on June 30, 2023, if funds are directed into reserves, would increase \$12,850 from \$596,001 to \$608,851.

Staff has recommended that, following completion of the District's annual audit each year, the Board consider reviewing the reserve fund policy and target balances and determine whether positive year end net cash flow funds should be moved into reserves, applied toward debt service as loan allowance payments or left in the general operating fund.

**Future Service Fee Increases:** With the approval of a 6% service rate increase effective July 1, 2022, total service rate revenue for FY 22-23 is forecasted to be \$834,800, an increase of roughly 9 % or \$ 74,934 from the year ending July 30, 2021. To achieve acceptable net income and net cash flow projections, years 2 – 3 (FY 23-24 and 24-25) of the final adopted 5-year budget include annual CPI-U revenue increases of 6 % each year. As proposed, years 4 and 5 (FY 25-26 and 26-27) of the 5-Year projection recommend 3 % service rate increases balancing anticipated increasing expenditures with acceptable net income and net cash flows needs. Ultimately, the Board will review the CPI-U in each year following publishing in January for the year ending December and determine what if any CPI-U related service rate increase it believes is warranted to become effective on July 1 in any given year.

### 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](mailto:Jeff.Gouveia@bvwd.ca.gov) or 209.753.2112.

BEAR VALLEY WATER DISTRICT  
STATEMENT OF NET POSITION  
June 30, 2022

ASSETS

Current assets:

Cash and cash equivalents (Note 3)	\$ 980,647
Accounts receivable	47,932
Prepaid expenses	<u>32,645</u>
Total current assets	1,061,224

Capital assets, at cost (Notes 4 and 5):	\$ 5,187,441	
Less accumulated depreciation	<u>3,008,764</u>	
	2,178,677	
Work in progress	<u>77,335</u>	2,256,012
Restricted cash (Note 3)		<u>29,026</u>
		<u><u>\$3,346,262</u></u>

See notes to financial statements

## LIABILITIES AND NET POSITION

### Current liabilities:

Current portion of long-term debt (Note 5)	\$ 45,780
Prepaid revenue	56,893
Accounts payable	8,869
Accrued liabilities	16,761
Compensated absences	15,751
Unearned grant	<u>351,915</u>

Total current liabilities	495,969
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Long-term debt, net of current portion (Note 5)	<u>243,622</u>
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Total liabilities	739,591
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### Net position (Note 7):

Net investment in capital assets	\$1,966,610	
Restricted	29,026	
Unrestricted	<u>611,035</u>	
		<u>2,606,671</u>
		<u>\$3,346,262</u>

BEAR VALLEY WATER DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
for the year ended June 30, 2022

Operating revenues:

Service charges	\$ 759,866
Connection fees	-
Other	<u>8,635</u>
Total operating revenues	768,501

Operating expenses:

Collection	\$ 110,998
Treatment and disposal	212,648
Administrative and general	313,103
Depreciation	<u>119,493</u>
Total operating expenses	<u>756,242</u>
Operating income	12,259

Non-operating revenues (expenses):

Interest income (LAIF)	1,299
Penalties and interest	1,951
Other revenue	45,762
Lien fees	-
Interest expense	<u>( 12,290)</u>
	<u>36,722</u>
Income before contributions	48,981

Capital contributions	<u>-</u>
Change in net position	48,981

Total net position:

Beginning	<u>2,557,690</u>
Ending	<u>\$2,606,671</u>

See notes to financial statements

BEAR VALLEY WATER DISTRICT  
STATEMENT OF CASH FLOWS  
for the year ended June 30, 2022

Cash flows from operating activities		
Receipts from customers		\$ 757,310
Payments to suppliers		( 389,475)
Payments to employees		<u>( 274,665)</u>
Net cash provided by operating activities		93,170
Cash flows from noncapital financing activities:		
Nonoperating income	\$ 45,762	
Other nonoperating expenses	-	
Unearned grant	<u>51,915</u>	97,677
Cash flows from capital and related financing activities:		
Purchase of capital assets		
including work in progress	( 234,596)	
Principal paid on capital debt	( 44,047)	
Interest paid on capital debt	<u>( 12,290)</u>	( 290,933)
Cash flows from investing activities:		
Interest income		<u>3,250</u>
Net decrease in cash and cash equivalents		( 96,836)
Cash and cash equivalents:		
Beginning of year		<u>1,106,509</u>
End of year		<u>\$ 1,009,673</u>
Reconciliation of cash and cash equivalents to statement of net position:		
Cash and cash equivalents		\$ 980,647
Restricted – cash and cash equivalents		<u>29,026</u>
		<u>\$ 1,009,673</u>

See notes to financial statements

BEAR VALLEY WATER DISTRICT  
STATEMENT OF CASH FLOWS, continued  
for the year ended June 30, 2022

Reconciliation of operating income to net cash provided by operating activities:		
Operating income		\$ 12,259
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	\$ 119,493	
Changes in operating assets and liabilities:		
Receivables	( 10,101)	
Prepaid expenses	( 12,011)	
Accounts payable and accrued charges	( 15,380)	
Prepaid revenue	( 1,090)	
		<u>80,911</u>
Net cash provided by operating activities		\$ <u>93,170</u>
Supplementary information:		
Cash paid for interest		\$ <u>12,290</u>

See notes to financial statements



BEAR VALLEY WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
for the year ended June 30, 2022

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.

Basis of Presentation - Fund Accounting

The District’s resources are allocated to and accounted for in these basic financial statements as an enterprise fund type of the proprietary fund group. The enterprise fund is used to account for sewer operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other policies. Net position for the enterprise fund represents the amount available for future operations.

Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The enterprise fund type is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets, deferred outflows, liabilities, and deferred inflows associated with the operation of this fund are included on the balance sheet. Net position is segregated into amounts invested in capital assets, net of related debt, amounts restricted and amounts unrestricted. Enterprise fund type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total position.

BEAR VALLEY WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
for the year ended June 30, 2022

2. Summary of Significant Accounting Policies, continued:

Basis of Accounting, continued

The District uses the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

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, 2022

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, 2022

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, 2022:

Unrestricted	\$ 980,647
Restricted	<u>29,026</u>
Total cash and investments	<u>\$1,009,673</u>

BEAR VALLEY WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
for the year ended June 30, 2022

3. Cash and Cash Equivalents, continued:

Deposits:

At year-end the carrying amount of the District's deposits was \$688,800 and the bank balance was \$696,614. Of the bank balance in the financial institutions, \$250,000 was covered by Federal depository insurance and \$438,800 was collateralized 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)	659,724
Cash in bank – checking (capacity fees)	<u>29,026</u>
Total deposits	<u>\$ 688,800</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, 2022 consist of:

	<u>Carrying Amount</u>	<u>Maturity - 12 Months or Less</u>
Balance, June 30, 2022		
Local Agency Investment Fund	<u>\$ 320,873</u>	<u>\$ 320,873</u>

BEAR VALLEY WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
for the year ended June 30, 2022

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, 2022, the District had set aside the following in cash for special purposes:

	Balance June 30, 2022
Capacity fees	\$ <u>29,026</u>

BEAR VALLEY WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
for the year ended June 30, 2022

4. Capital Assets:

Changes in capital assets for the year ended June 30, 2022 are as follows:

	Balance, <u>July 1, 2021</u>	<u>Additions</u>	<u>Transfers</u>	Balance, <u>June 30, 2022</u>
Land	\$ 25,805	\$ -	\$ -	\$ 25,805
Subsurface lines	1,196,893	-	-	1,196,893
Sewage collection	663,477	45,707	-	709,184
Sewage treatment	1,358,836	104,090	-	1,462,926
Sewage disposal	1,264,402	-	-	1,264,402
General plant	<u>482,119</u>	<u>62,140</u>	<u>16,029</u>	<u>528,230</u>
	4,991,532	211,937	16,029	5,187,440
 Add, work in progress	 <u>54,676</u>	 <u>174,418</u>	 <u>151,759</u>	 <u>77,335</u>
	<u>\$5,046,208</u>	<u>\$ 386,355</u>	<u>\$ 167,788</u>	<u>\$5,264,775</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, 2022

5. Long-Term Debt, continued:

The following is a summary of the long-term debt activities for the year ended June 30, 2022:

	<u>2021</u>	<u>New Debt Issued</u>	<u>Debt Retired</u>	<u>2022</u>	<u>Current Portion</u>
Bank loan	\$ <u>333,449</u>	\$ <u>-</u>	\$ <u>44,047</u>	\$ <u>289,402</u>	\$ <u>45,780</u>

Long-term debt matures as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Payment</u>
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	53,556	2,782	56,338
2028	<u>41,466</u>	<u>785</u>	<u>42,251</u>
	\$ <u>289,402</u>	\$ <u>34,539</u>	\$ <u>323,941</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, 2022, the District's portion of these two plans was \$15,541.



BEAR VALLEY WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
for the year ended June 30, 2022

7. Net Position:

Investment in capital assets		\$1,966,610
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>36,035</u>	<u>611,035</u>
		<u>\$2,606,671</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 2022 fiscal year, the District purchased certain commercial insurance coverages to provide for these risks.

9. Subsequent Events:

Management has evaluated subsequent events through October 12, 2022, the date these June 30, 2022 financial statements were available to be issued.

BEAR VALLEY WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
for the year ended June 30, 2022

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, 2022

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 1

BEAR VALLEY WATER DISTRICT  
OPERATING EXPENSES  
for the year ended June 30, 2022

Collection:

Salaries, wages and employee benefits	\$ 52,669	
Repairs and maintenance	34,648	
Utilities	12,975	
Propane	1,528	
Telephone	( 1,883)	
Insurance	7,716	
Gasoline and oil	1,033	
Supplies	2,312	
Rentals	<u>-</u>	\$ 110,998

Treatment and disposal:

Salaries, wages and employee benefits	102,715	
Insurance	7,479	
Utilities	43,651	
Propane	-	
Telephone	137	
Repairs and maintenance	20,001	
Supplies	24,290	
Monitoring and reporting	11,145	
Gasoline and oil	2,410	
Rentals	<u>820</u>	212,648

BEAR VALLEY WATER DISTRICT  
OPERATING EXPENSES, continued  
for the year ended June 30, 2022

Administrative and general:

Salaries, wages and employee benefits	\$ 205,401	
Legal and audit	7,974	
Directors fees and expenses	3,500	
Insurance	3,620	
Utilities	3,823	
Propane	3,184	
Telephone	5,643	
Repairs and maintenance	11,769	
Office	8,595	
Memberships	4,681	
Taxes and assessments	46,530	
Licenses & fees	168	
Regulatory reporting	6,321	
Other	3	
Vehicle storage	990	
Engineering	626	
Continuing education	<u>275</u>	
		\$ 313,103

Depreciation	<u>119,493</u>
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\$ 756,242

