



BEAR VALLEY BASIN GROUNDWATER SUSTAINABILITY AGENCY

YEAR ENDED JUNE 30, 2020

BASIC FINANCIAL STATEMENTS
AND INDEPENDENT ACCOUNTANTS' REPORT

Focused
on YOU



BEAR VALLEY BASIN
GROUNDWATER SUSTAINABILITY AGENCY

BASIC FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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GROUNDWATER SUSTAINABILITY AGENCY

BASIC FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Bear Valley Basin Groundwater Sustainability Agency
Big Bear Lake, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the general fund of the Bear Valley Basin Groundwater Sustainability Agency (the "Agency") as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 opinions.



To the Board of Directors
Bear Valley Basin Groundwater Sustainability Agency
Big Bear Lake, California

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and general fund of the Bear Valley Basin Groundwater Sustainability Agency as of June 30, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the budgetary comparison schedule for the general fund 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 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.

Prior Year Comparative Information

The financial statements include summarized prior-year comparative information. Such information does not include all of the information required or sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the government's financial statements for the year ended June 30, 2019, from which such partial information was derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 16, 2020 on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Agency's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Lance, Soll & Lughard, LLP". The signature is written in a cursive, flowing style.

Brea, California
October 16, 2020

Bear Valley Basin Groundwater Sustainability Agency

Management Discussion and Analysis

Fiscal Year Ending June 30, 2020

Overview

In 2017, the Bear Valley Basin Groundwater Sustainability Agency (the Agency, or BVBGSA) was formed through the adoption of a Joint Powers Agreement (JPA) between Big Bear Municipal Water District (BBMWD), Big Bear Regional Wastewater Agency (BBARWA), Big Bear City Community Services District (BCCSD), and the City of Big Bear Lake Department of Water and Power (DWP), (collectively, the Member Agencies). The Agency was formed primarily to satisfy the requirements of California's Sustainable Groundwater Management Act of 2014 (SGMA) that applies to the Bear Valley Basin, which is the unadjudicated water basin for the Member Agencies.

In 2014, the Bear Valley Basin was ranked as a medium priority basin and therefore in accordance with SGMA, a Groundwater Sustainability Agency (GSA) was required to be formed for the purpose of implementing sustainable groundwater management practices. Based upon its ranking the Agency was required to develop and adopt a Groundwater Sustainability Plan (GSP).

In September 2018, the Agency was awarded a grant in the amount of \$177,000 from the State of California, under Proposition 1 (2017) for the preparation of a GSP. In October 2019, the Agency entered into a contract with Thomas Harder & Co. Groundwater Consulting, to develop the Agency's GSP. Since its inception in 2017, BVBGSA has focused its attention on one critical deficiency in groundwater management within the Bear Valley Basin – the discharge of wastewater to a watershed outside the Bear Valley Basin. Currently, BBARWA discharges approximately 2,000 acre-feet of treated wastewater effluent to an alfalfa field in the Lucerne Valley. Addressing this deficiency is expected to be a critical element of the GSP.

In 2018, the Member Agencies entered into a Memorandum of Understanding to provide for support of a recycled water project in an effort to ensure adequate groundwater supplies for the future. Each Member Agency made an initial pledge of \$250,000 in support of the recycled water project, and also agreed that BVBGSA would be the pass-through entity for payments from the Member Agencies to BBARWA, as lead agency. BBARWA began a feasibility study for retaining, treating, and recycling the wastewater effluent for the benefit of stakeholders throughout most of the Bear Valley Basin. The project, known as Replenish Big Bear, if approved by regulators, would provide enhanced treatment capabilities and alternatives for treated wastewater discharge within the Bear Valley Basin. Replenish Big Bear is currently in the preliminary engineering phase. The Member Agencies each pledged an additional \$250,000 to continue moving the Replenish Big Bear project forward. Contingent upon regulatory approval and funding opportunities, the Member Agencies are expected to continue to support Replenish Big Bear as a means of ensuring adequate supplies of water for the Bear Valley Basin.

Fiscal Year Ending June 30, 2020 Budgetary Analysis – See Schedule A

For the year-ending June 30, 2020, total revenues were \$608,146, under budget by \$432,452 (42%). Member Contributions totaled \$520,757, under budget by \$342,841 (40%). Member Contributions were budgeted to include all remaining balances of the \$500,000 pledged by each member agency. Member Contributions are based upon actual spending of the Agency, which was less than the outstanding pledges. Grant Revenues from the Proposition 1 (2017) grant for development of the Groundwater Sustainability Plan totaled \$87,389, under budget by \$89,611. Substantial progress has been made on the GSP and it is expected to be finalized by June 30, 2021. Unused appropriations for the year ending June 30, 2020 will be carried forward to the budget for the year ending June 30, 2021.

For the year-ending June 30, 2020, total expenditures were \$608,146, under budget by \$432,452 (42%). Professional services totaled \$91,300, under budget by \$91,110 (50%). The budget for professional services included \$177,000 for costs associated with the development of the GSP, which is currently approximately 50% complete. Legal Fees totaled \$11,695 exceeding expectations by \$7,195. Approximately \$6,200 of this variance relates to additional services required for the regulatory review process for Replenish Big Bear. Contributions to Other Agencies totaled \$499,418, under budget by \$348,522 (41%). The budget included amounts encumbered for Replenish Big Bear that were not fully utilized in Fiscal Year 2019/20. These encumbrances will be carrying forward to the budget for the year ending June 30, 2021.

Fiscal Year Ending June 30, 2020 Prior Year Comparison – See Schedule A

Compared with the year ending June 30, 2019, total revenues increased \$296,530 (95%). Member contributions increased \$209,141 (67%), primarily in support of Replenish Big Bear. Grant revenues increased \$87,389 as the agency began to draw funding from its Proposition 1 (2017) grant for preparation on the GSP.

Compared with the year ending June 30, 2019, total expenditures increased \$296,530 (95%). Contributions to other agencies increased \$197,475 (65%) for professional services related to Replenish Big Bear. Professional services increased \$87,400 (2241%) primarily related to spending for development of the GSP. Legal fees increased \$9,419 (414%) as a result of additional services required for the regulatory review process for Replenish Big Bear.

Schedule A							
	June 30, 2020	Adopted and Final Budget	Variance	%	June 30, 2019	Change	%
Revenues:							
Member Contributions	\$ 520,757	\$ 863,598	\$342,841	40%	\$ 311,616	\$ 209,141	67%
Grants	87,389	177,000	89,611	51%	-	87,389	--
Total Revenues	\$ 608,146	\$ 1,040,598	\$432,452	42%	\$ 311,616	\$ 296,530	95%
Expenditures:							
Office Supplies	\$ -	\$ -	\$ -	--	\$ 254	\$ (254)	-100%
Professional Services	91,300	182,410	91,110	50%	3,900	87,400	2241%
Legal Fees	11,695	4,500	(7,195)	160%	2,276	9,419	414%
Other Expenses	4,053	4,148	95	2%	3,243	810	25%
Administrative Expenses	1,680	1,600	(80)	-5%	-	1,680	100%
Contributions to Other Agencies	499,418	847,940	348,522	41%	301,943	197,475	65%
Total Expenditures	\$ 608,146	\$ 1,040,598	\$ 432,452	42%	\$ 311,616	\$ 296,530	95%

BEAR VALLEY BASIN GROUNDWATER SUSTAINABILITY AGENCY

STATEMENT OF NET POSITION

JUNE 30, 2020

(With comparative totals for June 30, 2019)

	Governmental Activities	
	2020	2019
Assets:		
Cash	\$ 18,766	\$ 23,962
Grants receivable	47,652	-
Due from member agencies	29,911	140,140
Total Assets	96,329	164,102
Liabilities:		
Due to member agencies	49,225	-
Accounts payable	47,104	164,102
Total Liabilities	96,329	164,102
Net Position:		
Unrestricted	-	-
Total Net Position	\$ -	\$ -

The notes to financial statements are an integral part of this statement.

BEAR VALLEY BASIN GROUNDWATER SUSTAINABILITY AGENCY

STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2020
 (With comparative totals for June 30, 2019)

	Governmental Activities	
	2020	2019
Expenses:		
Office supplies	\$ -	\$ 254
Professional services	91,300	3,900
Legal fees	1,670	2,276
Other expenses	4,053	3,243
Administrative expenses	1,680	-
Contributions to other agencies	509,443	301,943
Total Program Expenses	608,146	311,616
Program Revenues:		
Operating Contributions and Grants	608,146	311,616
Total Program Revenues	608,146	311,616
Change in Net Position	-	-
Net Position at the Beginning of the Year	-	-
Net Position at the End of the Year	\$ -	\$ -

The notes to financial statements are an integral part of this statement.

BEAR VALLEY BASIN GROUNDWATER SUSTAINABILITY AGENCY

BALANCE SHEET
GOVERNMENTAL FUND
JUNE 30, 2020

(With comparative totals for June 30, 2019)

	General Fund	
	2020	2019
Assets:		
Cash	\$ 18,766	\$ 23,962
Grants receivable	47,652	-
Due from member agencies	29,911	140,140
Total Assets	\$ 96,329	\$ 164,102
Liabilities and Fund Balance:		
Liabilities:		
Due to member agencies	\$ 49,225	\$ -
Accounts payable	47,104	164,102
Total Liabilities	96,329	164,102
Fund Balance		
Unrestricted	-	-
Total Fund Balance	-	-
Total Liabilities and Fund Balance	\$ 96,329	\$ 164,102

The notes to financial statements are an integral part of this statement.

BEAR VALLEY BASIN GROUNDWATER SUSTAINABILITY AGENCY

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 GOVERNMENTAL FUND
 FOR THE YEAR ENDED JUNE 30, 2020
 (With comparative totals for June 30, 2019)

	General Fund	
	2020	2019
Revenues:		
Member contributions	\$ 520,757	\$ 311,616
Grants	87,389	-
Total Revenues	608,146	311,616
Expenditures:		
Current:		
Office supplies	-	254
Professional services	91,300	3,900
Legal fees	1,670	2,276
Other expenses	4,053	3,243
Administrative expenses	1,680	-
Contributions to other agencies	509,443	301,943
Total Expenditures	608,146	311,616
Net Change in Fund Balance	-	-
Fund Balance at the Beginning of the Year	-	-
Fund Balance at the End of the Year	\$ -	\$ -

The notes to financial statements are an integral part of this statement.

BEAR VALLEY BASIN GROUNDWATER SUSTAINABILITY AGENCY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020

Note 1: Summary of Significant Accounting Policies

a. Organization

In September 2017, the Big Bear City Community Services District (BBCCSD), Big Bear Municipal Water District (BBMWD), the Big Bear Regional Wastewater Agency (BBARWA) and the City of Big Bear Lake – Department of Water and Power (DWP) entered into a joint powers agreement to form the Bear Valley Basin Groundwater Sustainability Agency (the Agency). The Agency was created primarily to satisfy the requirements of the Sustainable Groundwater Management Act. The Agency is governed by one representative from BBCCSD, one representative from BBARWA, one elected representative from BBMWD and one appointed commissioner from DWP.

b. Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Amounts reported as program revenues include: 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues.

When both restricted and unrestricted resources are available for use, it is the Agency's policy to use restricted resources first, then unrestricted resources as they are needed.

c. Cash and Cash Equivalents

The Agency considers cash on hand, demand deposits at financial institutions to be cash and cash equivalents. At June 30, 2020 the Agency had \$18,766 in cash or cash equivalents.

BEAR VALLEY BASIN GROUNDWATER SUSTAINABILITY AGENCY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

Note 1: Summary of Significant Accounting Policies (Continued)

d. Capital Assets

Assets with an initial cost of more than \$5,000 are capitalized at cost. In the case of acquisition value at the time of acquisition. Land and construction in progress are not depreciated. Other tangible property, plant equipment of the Agency are depreciated using the straight line method over the following estimated useful lives:

<u>Capital Asset Classes</u>	<u>Lives</u>
Buildings	30-40
Improvements	15-40
Furniture, Fixtures, and Equipment	5-50
Vehicles	5-10

e. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

f. Due from Member Agencies

The Agency extends credit to its members in the normal course of operations. The Agency considers accounts receivable from its members to be fully collectible; accordingly, no allowance for doubtful accounts is required.

Note 2: Related Party Transactions

The member agencies, BBCCSD, BBMWD, BBARWA, and DWP are required by a memorandum of understanding to contribute certain amounts to the Agency to support operating expenses and in support of the Replenish Big Bear Project. The amounts contributed to the Agency during fiscal year 2019-20 were:

<u>Member</u>	<u>Amount Contributed</u>
BBCCSD	\$ 172,677
BBMWD	172,597
BBARWA	2,972
DWP	172,511
Total	<u>\$ 520,757</u>

Additionally, for the fiscal year ended June 30, 2020, the Agency contributed \$509,443 to BBARWA to reimburse BBARWA for costs associated with the Replenish Big Bear Project and for legal fees.

BEAR VALLEY BASIN GROUNDWATER SUSTAINABILITY AGENCY

BUDGETARY COMPARISON SCHEDULE
 GOVERNMENTAL FUND
 FOR THE YEAR ENDED JUNE 30, 2020
 (With comparative totals for June 30, 2019)

	2020			Variance with Final Budget Positive (Negative)	2019
	Original	Final	Actual Amounts		Actual Amounts
Revenues:					
Member contributions	\$ 863,598	\$ 863,598	\$ 520,757	\$ (342,841)	\$ 311,616
Grants	177,000	177,000	87,389	(89,611)	-
Total Revenues	1,040,598	1,040,598	608,146	(432,452)	311,616
Expenditures:					
Current:					
Office supplies	-	-	-	-	254
Professional services	182,410	182,410	91,300	91,110	3,900
Legal fees	4,500	4,500	1,670	2,830	2,276
Other expenses	4,148	4,148	4,053	95	3,243
Administrative expenses	1,600	1,600	1,680	(80)	-
Contributions to other agencies	847,940	847,940	509,443	338,497	301,943
Total Expenditures	1,040,598	1,040,598	608,146	432,452	311,616
Net Change in Fund Balance	-	-	-	-	-
Fund Balance at the Beginning of the Year	-	-	-	-	-
Fund Balance at the End of the Year	\$ -	\$ -	\$ -	\$ -	\$ -