



**BEAR VALLEY BASIN GROUNDWATER
SUSTAINABILITY AGENCY**
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

BASIC FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT

Focused
on YOU



BEAR VALLEY BASIN
GROUNDWATER SUSTAINABILITY AGENCY

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AND INDEPENDENT AUDITORS' REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and the general fund of Bear Valley Basin Groundwater Sustainability Agency (the Agency) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the general fund of the Agency as of June 30, 2021, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State Controller's Minimum Audit Requirements for California Special Districts. 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 the Agency and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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 these 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 the Agency's ability to continue as a going concern for twelve months beyond the date of the financial statements.



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

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 and *Government Auditing Standards* 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, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment 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 to the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency'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 judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency'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.

Other Reporting Responsibilities

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 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.



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

Report on Summarized Comparative Information

We have previously audited the Agency's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 16, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2021 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.

Lance, Solt & Lughard, LLP

Brea, California
November 22, 2021

Bear Valley Basin Groundwater Sustainability Agency
Management Discussion and Analysis
Fiscal Year Ending June 30, 2021

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 (BBCCSD), 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 permitting 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.

On June 16, 2020, the Board of Directors of BVBGSA adopted Resolution No. 2020-01 Adopting Addendum No. 1 (the “Addendum”) to the Amended and Restated MOU between the member agencies and BVBGSA. The Addendum modified the process by which BBARWA bills costs for Replenish Big Bear to the member agencies. Prior to the Addendum, BBARWA billed BVBGSA for 75% of Replenish Big Bear costs. BVBGSA would then bill the three other member agencies, collect payments, and then pay BBARWA. The Addendum allowed BBARWA to directly bill the member agencies for 25% of the eligible spending. This reduced administrative efforts on behalf of BVBGSA and reduced expenses and contributions.

Fiscal Year Ending June 30, 2021 Budgetary Analysis – See Schedule A

For the year-ending June 30, 2021, total revenues were \$40,887, under budget by \$62,754 (61%). Member Contributions totaled \$7,560, under budget by \$6,470 (46%). Member Contributions were budgeted to include projected spending for legal fees and other expenses that were not incurred. 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 \$33,327, under budget by \$56,284 (63%). Substantial progress has been made on the GSP. Its completion will be determined when decisions related to Replenish Big Bear are finalized. This is expected to be completed by June 30, 2022. Unused appropriations for the year ending June 30, 2021, will be carried forward to the budget for the year ending June 30, 2022.

For the year-ending June 30, 2021, total expenditures were \$40,887, under budget by \$53,906 (57%). Professional services totaled \$37,315, under budget by \$47,578 (56%). The budget for professional services included \$80,763 for the remaining costs associated with the development of the GSP, which is currently approximately 70% complete, along with audit fees which were slightly under budget. No legal fees were incurred for the year ending June 30, 2021, resulting a favorable variance of \$5,000. As a result of Addendum 1, there were no Contributions to Other Agencies in the year ended June 30, 2021. Other expenses totaled \$3,572, under budget by \$828 (19%). These costs were slightly less than projected. Appropriations for office supplies of \$500 were not utilized for the year ended June 30, 2021.

Fiscal Year Ending June 30, 2021 Prior Year Comparison – See Schedule A

Compared with the year ending June 30, 2020, total revenues decreased \$567,259 (93%). This substantial decrease is primarily related to the Addendum which decreased the need for Member Contributions by \$513,197. Grant proceeds decreased \$54,062 (62%) because finalizing the GSP is contingent upon upcoming decisions related to Replenish Big Bear.

Compared with the year ending June 30, 2020, total expenditures decreased \$567,259 (93%). Contributions to other agencies decreased \$499,418 (100%) for professional services related to Replenish Big Bear. Professional services decreased \$53,985 (59%) primarily related to spending for development of the GSP, which is nearing completion. Legal fees decreased \$11,695 (100%) because Replenish Big Bear legal fees are no longer channeled through BVBGSA, as a result of the Addendum.

Schedule A							
	June 30, 2021	Final Budget	Variance	%	June 30, 2020	Change	%
Revenues:							
Member Contributions	\$ 7,560	\$ 14,030	\$ 6,470	46%	\$ 520,757	\$ (513,197)	(99%)
Grants	33,327	89,611	56,284	63%	87,389	(54,062)	(62%)
Total Revenues	\$ 40,887	\$ 103,641	\$ 62,754	61%	\$ 608,146	\$ (567,259)	(93%)
Expenditures:							
Office Supplies	\$ -	\$ 500	\$ 500	100%	\$ --	\$ --	--%
Professional Services	37,315	84,893	47,578	56%	91,300	(53,985)	(59%)
Legal Fees	--	5,000	5,000	100%	11,695	(11,695)	(100%)
Other Expenses	3,572	4,400	828	19%	4,053	(481)	(12%)
Administrative Expenses	--	--	--	0%	1,680	(1,680)	(100%)
Contributions to Other Agencies	--	--	--	0%	499,418	(499,418)	(100%)
Total Expenditures	\$ 40,887	\$ 94,793	\$ 53,906	57%	\$ 608,146	\$ (567,259)	(93%)

BEAR VALLEY BASIN GROUNDWATER SUSTAINABILITY AGENCY

STATEMENT OF NET POSITION

JUNE 30, 2021

(With comparative totals for June 30, 2020)

	Governmental Activities	
	2021	2020
Assets:		
Cash	\$ 50,381	\$ 18,766
Grants receivable	13,575	47,652
Due from member agencies	444	29,911
Total Assets	64,400	96,329
Liabilities:		
Due to member agencies	63,701	49,225
Accounts payable	699	47,104
Total Liabilities	64,400	96,329
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, 2021
(With comparative totals for June 30, 2020)

	Governmental Activities	
	2021	2020
Expenses:		
Professional services	\$ 37,315	\$ 91,300
Legal fees	-	1,670
Other expenses	3,572	4,053
Administrative expenses	-	1,680
Contributions to other agencies	-	509,443
Total Program Expenses	40,887	608,146
Program Revenues:		
Operating Contributions and Grants	40,887	608,146
Total Program Revenues	40,887	608,146
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, 2021

(With comparative totals for June 30, 2020)

	General Fund	
	2021	2020
Assets:		
Cash	\$ 50,381	\$ 18,766
Grants receivable	13,575	47,652
Due from member agencies	444	29,911
Total Assets	\$ 64,400	\$ 96,329
Liabilities and Fund Balance:		
Liabilities:		
Due to member agencies	\$ 63,701	\$ 49,225
Accounts payable	699	47,104
Total Liabilities	64,400	96,329
Fund Balance		
Unrestricted	-	-
Total Fund Balance	-	-
Total Liabilities and Fund Balance	\$ 64,400	\$ 96,329

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, 2021
 (With comparative totals for June 30, 2020)

	General Fund	
	2021	2020
Revenues:		
Member contributions	\$ 7,560	\$ 520,757
Grants	33,327	87,389
Total Revenues	40,887	608,146
Expenditures:		
Current:		
Professional services	37,315	91,300
Legal fees	-	1,670
Other expenses	3,572	4,053
Administrative expenses	-	1,680
Contributions to other agencies	-	509,443
Total Expenditures	40,887	608,146
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, 2021

Note 1: Summary of Significant Accounting Policies

a. Organization

In September 2017, the Big Bear City Community Services District (BCCSD), 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 BCCSD, 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, 2021, the Agency had \$50,381 in cash or cash equivalents.

BEAR VALLEY BASIN GROUNDWATER SUSTAINABILITY AGENCY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

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 2020-21 were:

<u>Member</u>	<u>Amount Contributed</u>
BBCCSD	\$ 1,810
BBMWD	1,890
BBARWA	1,970
DWP	1,890
Total	<u>\$ 7,560</u>

BEAR VALLEY BASIN GROUNDWATER SUSTAINABILITY AGENCY

BUDGETARY COMPARISON SCHEDULE

GOVERNMENTAL FUND

FOR THE YEAR ENDED JUNE 30, 2021

(With comparative totals for June 30, 2020)

	2021			Variance with Final Budget Positive (Negative)	2020
	Original	Final	Actual Amounts		Actual Amounts
Revenues:					
Member contributions	\$ 14,030	\$ 14,030	\$ 7,560	\$ (6,470)	\$ 520,757
Grants	-	89,611	33,327	(56,284)	87,389
Total Revenues	14,030	103,641	40,887	(62,754)	608,146
Expenditures:					
Current:					
Office supplies	500	500	-	500	-
Professional services	4,130	84,893	37,315	47,578	91,300
Legal fees	5,000	5,000	-	5,000	1,670
Other expenses	4,400	4,400	3,572	828	4,053
Administrative expenses	-	-	-	-	1,680
Contributions to other agencies	-	-	-	-	509,443
Total Expenditures	14,030	94,793	40,887	53,906	608,146
Net Change in Fund Balance	-	8,848	-	(8,848)	-
Fund Balance at the Beginning of the Year	-	-	-	-	-
Fund Balance at the End of the Year	\$ -	\$ 8,848	\$ -	\$ (8,848)	\$ -