

Bear Valley Basin Groundwater Sustainability Agency

**Basic Financial Statements and
Independent Auditor's Report**

Period from inception (September 7, 2017) to June 30, 2018

Bear Valley Basin Groundwater Sustainability Agency

Basic Financial Statements

Period from inception (September 7, 2017) to June 30, 2018

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Independent Auditor's Report

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Board of Directors
Bear Valley Basin Groundwater Sustainability Agency
San Bernardino, California

We have audited the accompanying financial statements of the Bear Valley Basin Groundwater Sustainability Agency (the Agency) as of and for the period from inception (September 7, 2017) to June 30, 2018, 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 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.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Agency as of June 30, 2018, and the changes in financial position and cash flows for the period from inception (September 7, 2017) to the period ended June 30, 2018 in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has elected to omit the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by this missing information.

Rogers, Anderson, Malody & Scott, LLP.

San Bernardino, California
January 22, 2019

Bear Valley Basin Groundwater Sustainability Agency

Statement of Net Position

June 30, 2018

Assets

Due from members \$ 5,743

Total assets 5,743

Liabilities

Due to members 5,743

Total liabilities 5,743

Net position

Unrestricted -

Total net position \$ -

The accompanying notes are an integral part of these financial statements.

Bear Valley Basin Groundwater Sustainability Agency

Statement of Revenues, Expenses and Changes in Net Position
Period from inception (September 7, 2017) to June 30, 2018

Revenues	
Member contributions	\$ 89,973
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Total revenues	89,973
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Expenses	
Professional services	31,842
Legal services	58,131
	<hr/>
Total expenses	89,973
	<hr/>
Operating income	-
	<hr/>
Net position, beginning of year	-
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Net position, end of year	\$ -
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The accompanying notes are an integral part of these financial statements.

Bear Valley Basin Groundwater Sustainability Agency

Statement of Cash Flows

Period from inception (September 7, 2017) to June 30, 2018

Cash flows from operating activities	<u>\$ -</u>
Cash flows from noncapital financing activities	<u>-</u>
Cash flows from capital and related financing activities	<u>-</u>
Cash flows from investing activities	<u>-</u>
Net change in cash and cash equivalents	-
Cash and cash equivalents, beginning of year	<u>-</u>
Cash and cash equivalents, end of year	<u><u>\$ -</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ -
Adjustments to reconcile operating income to net cash provided by operating activities:	
Change in assets:	
Due from members	(5,743)
Change in liabilities:	
Due to members	<u>5,743</u>
Net cash provided by operating activities	<u><u>\$ -</u></u>

The accompanying notes are an integral part of these financial statements.

Bear Valley Basin Groundwater Sustainability Agency

Notes to the Financial Statements

Period from inception (September 7, 2017) to June 30, 2018

Note 1: Summary of significant accounting policies

Organization

In September 2017, the Big Bear City Community Services District (BBCSD), 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 BBCSD, one representative from BBARWA, one elected representative from BBMWD and one appointed commissioner from DWP.

Measurement focus and basis of accounting

The Agency utilizes accounting principles appropriate for an enterprise fund to record its activities. Accordingly, the Agency uses 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 any related cash flows.

The Agency distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services or member contributions in connection with the principal ongoing operations. The Agency recognizes only revenue from member contributions at this time.

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.

Cash and cash equivalents

The Agency considers cash on hand, demand deposits at financial institutions to be cash and cash equivalents. At June 30, 2018, the Agency did not have any cash or cash equivalents.

Capital assets

Assets with an initial cost of more than \$5,000 are capitalized at cost. In the case of acquisitions through gifts or contributions, such assets are reported at their estimated acquisition value at the time of acquisition. Land and construction in progress are not depreciated. Other tangible property, plant and 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

Bear Valley Basin Groundwater Sustainability Agency

Notes to the Financial Statements

Period from inception (September 7, 2017) to June 30, 2018

Note 1: Summary of significant accounting policies (continued)

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.

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.