



BEAR VALLEY BASIN GROUNDWATER SUSTAINABILITY AGENCY

FOR FISCAL YEAR ENDED JUNE 30, 2023

BASIC FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT

Focused
on YOU



BEAR VALLEY BASIN
GROUNDWATER SUSTAINABILITY AGENCY

Basic Financial Statements and
Independent Auditors' Report

For the Fiscal Year Ended June 30, 2023

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GROUNDWATER SUSTAINABILITY AGENCY

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinion

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, 2023, 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 financial position of the governmental activities and the general fund of the Agency as of June 30, 2023, and the changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 the Agency's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.



To the Board of Directors
Bear Valley Basin Groundwater Sustainability Agency
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 opinions. 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 generally accepted auditing standards 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 there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards 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 in 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.

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, as listed on the table of contents, 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
Big Bear Lake, California

Summarized Comparative Information

We have previously audited the financial statements of the Agency for the year ended June 30, 2022, and expressed an unmodified audit opinion on those financial statements in our report dated December 12, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, 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 9, 2023, 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 Agency's internal control over financial reporting and compliance.

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

Brea, California
November 9, 2023

Bear Valley Basin Groundwater Sustainability Agency
Management Discussion and Analysis
Fiscal Year Ending June 30, 2023

Overview

In 2017, the Bear Valley Basin Groundwater Sustainability Agency (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). BVBGSA 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 for the purpose of implementing sustainable groundwater management practices. Based upon its prioritization, BVBGSA was required to develop and adopt a Groundwater Sustainability Plan (GSP).

In September 2018, the BVBGSA 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, BVBGSA entered into a contract with Thomas Harder & Co. Groundwater Consulting, to develop BVBGSA's GSP, which was completed and adopted June 27, 2022. One critical deficiency in groundwater management within the Bear Valley Basin was highlighted in the GSP – 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.

In 2018, Member Agencies entered into a Memorandum of Understanding in support of a groundwater recharge project utilizing recycled, treated wastewater in an effort to ensure adequate groundwater supplies for the future. Each Member Agency made an initial pledge of support to the recycled water project through BBARWA as the lead agency and purveyor of exported wastewater within the Bear Valley. BBARWA has completed a pilot facility and initial process testing to demonstrate the feasibility of a recycled water facility. 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. 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, 2023 Budgetary Analysis – See Schedule A

For the year ended June 30, 2023, total revenues, all from member contributions, were \$46,044, under budget by \$7,230 (14%). Member Contributions were budgeted to include projected spending on legal fees and hydrologist expenses. Both legal and hydrologist costs were less than expected. Member Contributions are based upon BVBGSA actual spending, which was less than budgeted.

For the year ended June 30, 2023, total expenditures were \$46,154, under budget by \$7,120 (13%). Professional services totaled \$38,845, under budget by \$6,525 (14%). No legal fees were incurred for the year ending June 30, 2023, resulting in a favorable variance of \$1,000. Other expenses totaled \$3,213, under budget by \$891 (22%). Administrative expenses totaled \$4,096, over budget by \$1,296 (46%).

Fiscal Year Ended June 30, 2023 Prior Year Comparison – See Schedule A

Compared with the year ended June 30, 2022, total revenues decreased \$20,534 (31%). Grant proceeds decreased \$56,285 (100%) as a result of finalizing the GSP, which fully utilized the remaining Proposition 1 funding in fiscal year 2022. Member contributions increased \$35,751 (347%) to cover the BVBGSA spending as described below. For the year ended June 30, 2023, total expenditures were \$46,154, under budget by \$7,120 (13%). Professional services totaled \$38,845, under budget by \$6,525 (14%). No legal fees were incurred for the year ending June 30, 2023, resulting in a favorable variance of \$1,000. Other expenses totaled \$3,213, under budget by \$891 (22%). Administrative expenses totaled \$4,096, over budget by \$1,296 (14%).

Compared with the year ended June 30, 2022, total expenditures decreased \$20,424 (31%). Professional services decreased \$21,590 (36%) primarily related to completion of the GSP. Administrative expenses of \$4,096 and other expenses of \$3,213 were incurred primarily to secure directors & officers’ insurance, for advertising public hearings and for banking charges.

Schedule A							
	6/30/2023	Final	Budget to	Budget to	6/30/2022	Year To	% Year
	Actual	Budget	Actual	Actual %	Actual	Year	To Year
			Variance	Variance		Change	Change
Revenues:							
Member Contributions	\$ 46,044	\$ 53,274	\$ (7,230)	-14%	\$ 10,293	\$ 35,751	347%
Grants	-	-	-	0%	56,285	(56,285)	-100%
Total Revenues	\$ 46,044	\$53,274	\$ (7,230)	-14%	\$ 66,578	\$(20,534)	-31%
Expenditures:							
Professional Services	\$ 38,845	\$ 45,370	\$ (6,525)	-14%	\$ 60,435	(21,590)	-36%
Legal Fees	-	1,000	(1,000)	-100%	-	-	0%
Other Expenses	3,213	4,104	(891)	-22%	3,599	(386)	-11%
Administrative Expenses	4,096	2,800	1,296	46%	2,544	1,552	61%
Total Expenditures	\$ 46,154	\$53,274	\$ (7,120)	-13%	\$ 66,578	\$(20,424)	-31%

BEAR VALLEY BASIN GROUNDWATER SUSTAINABILITY AGENCY

Statement of Net Position

June 30, 2023

(With comparative totals for June 30, 2022)

	Governmental Activities	
	2023	2022
Assets:		
Cash	\$ 2,888	\$ 49,973
Grants receivable	-	19,128
Due from member agencies	276	312
Total Assets	3,164	69,413
Liabilities:		
Due to member agencies	3,000	69,055
Accounts payable	274	358
Total Liabilities	3,274	69,413
Net Position (Deficit):		
Unrestricted (deficit)	(110)	-
Total Net Position (Deficit)	\$ (110)	\$ -

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, 2023
(With comparative totals for June 30, 2022)

	Governmental Activities	
	2023	2022
Expenses:		
Professional services	\$ 38,845	\$ 60,435
Other expenses	3,213	3,599
Administrative expenses	4,096	2,544
Total Program Expenses	46,154	66,578
Program Revenues:		
Operating Contributions and Grants	46,044	66,578
Total Program Revenues	46,044	66,578
Change in Net Position	(110)	-
Net Position (Deficit) at the End of the Year	\$ (110)	\$ -

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

BEAR VALLEY BASIN GROUNDWATER SUSTAINABILITY AGENCY
Balance Sheet
Governmental Fund
June 30, 2023
(With comparative totals for June 30, 2022)

	<u>2023</u>	<u>2022</u>
Assets:		
Cash	\$ 2,888	\$ 49,973
Grants receivable	-	19,128
Due from member agencies	276	312
Total Assets	<u>\$ 3,164</u>	<u>\$ 69,413</u>
Liabilities and Fund Balance (Deficit):		
Liabilities:		
Due to member agencies	\$ 3,000	\$ 69,055
Accounts payable	274	358
Total Liabilities	<u>3,274</u>	<u>69,413</u>
Fund Balance (Deficit):		
Unrestricted (Deficit)	<u>(110)</u>	<u>-</u>
Total Fund Balance (Deficit)	<u>(110)</u>	<u>-</u>
Total Liabilities and Fund Balance (Deficit)	<u>\$ 3,164</u>	<u>\$ 69,413</u>

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, 2023
(With comparative totals for June 30, 2022)

	2023	2022
Revenues:		
Operating contributions and grants	\$ 46,044	\$ 66,578
Total Revenues	46,044	66,578
Expenditures:		
Current:		
Professional services	38,845	60,435
Other expenses	3,213	3,599
Administrative expenses	4,096	2,544
Total Expenditures	46,154	66,578
Net Change in Fund Balance	(110)	-
Fund Balance at the Beginning of the Year	-	-
Fund Balance (Deficit) at the End of the Year	\$ (110)	\$ -

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

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, 2023, the Agency had \$2,888 in cash or cash equivalents.

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 invoices member organizations for apportioned costs incurred by the Agency 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 2022-23 were:

Member	Amount Contributed
BBCCSD	\$ 11,511
BBMWD	11,511
BBARWA	11,511
DWP	11,511
Total	\$ 46,044

BEAR VALLEY BASIN GROUNDWATER SUSTAINABILITY AGENCY
 Budgetary Comparison Schedule
 Governmental Fund
 For the Year Ended June 30, 2023
 (With comparative totals for June 30, 2022)

	2023			Variance with Final Budget Positive (Negative)	2022
	Original	Final	Actual Amounts		Actual Amounts
Revenues:					
Member contributions	\$ 12,164	\$ 53,274	\$ 46,044	\$ (7,230)	\$ 10,293
Grants	-	-	-	-	56,285
Total Revenues	12,164	53,274	46,044	(7,230)	66,578
Expenditures:					
Current:					
Professional services	4,260	45,370	38,845	6,525	60,435
Legal fees	1,000	1,000	-	1,000	-
Other expenses	4,104	4,104	3,213	891	3,599
Administrative expenses	2,800	2,800	4,096	(1,296)	2,544
Total Expenditures	12,164	53,274	46,154	7,120	66,578
Net Change in Fund Balance	-	-	(110)	(110)	-
Fund Balance at the Beginning of the Year	-	-	-	-	-
Fund Balance (Deficit) at the End of the Year	\$ -	\$ -	\$ (110)	\$ (110)	\$ -