BEAR MOUNTAIN RECREATION AND PARK DISTRICT

FINANCIAL STATEMENTS WITH INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED JUNE 30, 2020

BEAR MOUNTAIN RECREATION AND PARK DISTRICT
JUNE 30, 2020

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BROWN ARMSTRONG
CERTIFIED PUBLIC ACCOUNTANTS

BROWN ARMSTRONG
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Bear Mountain Recreation and Park District
Lamont, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of the Bear Mountain Recreation and Park District (the District), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District'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; and the State Controller's minimum audit requirements for California Special Districts, as well as accounting systems prescribed by the State Controller's Office and state regulations governing Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of 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 District'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 District'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 basic financial statements.

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

BAKERSFIELD OFFICE
(MAIN OFFICE)
4200 TRUXTUN AVENUE
SUITE 300
BAKERSFIELD, CA 93309
TEL 661.324.4971
FAX 661.324.4997
EMAIL info@bacpas.com

FRESNO OFFICE
10 RIVER PARK PLACE EAST
SUITE 208
FRESNO, CA 93720
TEL 559.476.3592

STOCKTON OFFICE
1919 GRAND CANAL BLVD
SUITE C6
STOCKTON, CA 95207
TEL 888.565.1040

WWW.BACPAS.COM

Emphasis of a Matter

The accompanying financial statements have been prepared assuming that the District will continue as a going concern. The District continues to operate with low reserves. As discussed in Note 11 – Going Concern, the District continues to rely on advances from the County of Kern due to lost program funding, which raises substantial doubt about its ability to continue operating. Management's plan regarding those matters is also described in Note 11. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Opinion

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the District as of June 30, 2020, and the respective changes in financial position for the year then ended in conformity 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 required supplementary information (RSI), as listed in the table of contents, 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 (GASB), 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 RSI 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 8, 2021, on our consideration of the District'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 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 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 District's internal control over financial reporting and compliance.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Bakersfield, California
July 8, 2021

BEAR MOUNTAIN RECREATION AND PARK DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020

Introduction

The following discussion and analysis of the financial performance and activity of the Bear Mountain Recreation and Park District (the District) provides an introduction and understanding of the basic financial statements of the District. This discussion has been prepared by management and should be read in conjunction with the financial statements and the notes thereto, which follow this section.

The District was established on June 27, 1957. A Board of Directors composed of five members governs the District.

The District provides leisure time activities for the people residing in the District.

The Financial Statements

The District adopted Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – Management's Discussion and Analysis – for State and Local Governments*, as amended by GASB Statement No. 37, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus*. GASB Statement No. 34 establishes the accounting and financial reporting standards for state and local governments, including special-purpose governments such as the District.

The District's basic financial statements include (1) the Statement of Net Position, (2) the Statement of Activities, and (3) the fund financial statements. The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America.

Significant Changes to the Financial Statements

The Statement of Net Position reports assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference between them reported as net position. The entire equity section is combined to report total net position and is displayed in three components: net investment in capital assets, restricted, and unrestricted.

The net position component *net investment in capital assets* consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any borrowings attributable to the acquisition, construction, or improvements of those assets.

Restricted consists of assets where constraints on their use are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation. There were no restrictions in the current year.

Unrestricted consists of net position that does not meet the definition of restricted net position or net investment in capital assets.

The Statement of Activities is reported using the accrual basis of accounting. Revenue is reported when earned and expenses are reported when incurred, regardless of when cash is received or paid.

Financial Highlights

- Total net position for the District was $1,062,092, which consisted of 102% net investment in capital assets, due to the negative unrestricted net position.
- The negative change in net position of $130,118 was mostly due to the current year depreciation expense of $208,291.

Condensed Financial information

The District had a decrease in net position of $130,118 during the fiscal year 2019-20. Below is condensed information on the Statement of Activities and the Statement of Net Position.

Statement of Activities

A summary of the District's Statement of Activities for fiscal year 2020 (with comparative amounts for 2019) is as follows:

	2020	2019
Revenues		
Program Revenues:		
Charges for Services and Facilities	$ 55,722	$ 71,750
General Revenues:		
Taxes Levied for General Purposes	736,004	681,167
Interest Earnings	16	25
Miscellaneous	1,479	4,337
Total Revenues	793,221	757,279
Expenses		
Recreational and Park Activities	923,339	975,253
Decrease in Net Position	$ (130,118)	$ (217,974)

The largest revenue categories listed on the Statement of Activities are taxes levied for general purposes and charges for services and facilities (92.8% of the total). This is consistent with the nature of governmental activities, which includes sources traditionally financed from general tax revenues and goods, services, or privileges provided by the District. Expenses for the year totaled $923,339. All expenses were for program expenses.

Statement of Net Position

The District's Statement of Net Position as of June 30, 2020, (with comparative amounts for 2019) is as follows:

	2020	2019
Assets		
Current Assets	$ 269,294	$ 271,492
Noncurrent Assets - Capital Assets, Net	1,086,346	1,294,637
Total Assets	$ 1,355,640	$ 1,566,129
Deferred Outflows of Resources		
Total Deferred Outflows of Resources	$ 66,273	$ 36,354
Liabilities		
Current Liabilities	$ 33,562	$ 81,834
Noncurrent Liabilities	323,948	316,097
Total Liabilities	$ 357,510	$ 397,931
Deferred Inflows of Resources		
Total Deferred Inflows of Resources	$ 2,311	$ 12,342
Net Position		
Net Investment in Capital Assets	$ 1,080,598	$ 1,282,921
Unrestricted	(18,506)	(90,711)
Total Net Position	$ 1,062,092	$ 1,192,210

As shown above, total assets are $1,355,640. Of the total, $1,086,346 (80%) consists of capital assets net of accumulated depreciation. The District's net position was $1,062,092 at June 30, 2020.

Capital Assets

As of the end of fiscal year 2020, the District's capital assets, before accumulated depreciation, were $4,672,721. Total capital assets, net of accumulated depreciation, decreased during the year due to the current year depreciation. There were no significant additions to capital assets in the current year.

Details of the capital assets, net of accumulated depreciation as of June 30, 2020, (with comparative amounts for 2019) are as follows:

	2020	2019
Land	$ 165,578	$ 165,578
Buildings and Improvements	4,080,188	4,080,188
Equipment	426,955	426,955
Total	4,672,721	4,672,721
Less Accumulated Depreciation	(3,586,375)	(3,378,084)
Net Total	$ 1,086,346	$ 1,294,637

Long-Term Debt

At June 30, 2020, the District had $323,948 long-term debt outstanding, which consisted of the net pension liability. Please refer to Note 6 in the notes to the basic financial statements for further details.

Analytical Review of Budget to Actual

Management employs formal budget integration for the General Fund as a means to control expenditures. The budget adopted for the General Fund is consistent with accounting principles generally accepted in the United States of America.

Below is a schedule of significant expenditure differences between budget and actual.

	Final Budget	Actual	Variance
Salaries and Employee Benefits	$ 409,784	$ 424,625	$ (14,841)
Services and Supplies	322,560	322,790	(230)

Salaries and Employee Benefits, Services and Supplies, and Capital Outlay

The variances for salaries and employee benefits, and services and supplies were due to the District cutting costs. The variance for capital outlay is due repairs to playground lighting and purchase of a truck.

Overall Financial Condition

In the past years, the District has budgeted for ongoing improvement projects out of operating expenses, which caused the District's reserves to drop to very low levels, refer to Note 11. In addition to the attempt for grant funds, the District continues to monitor all expenditures and takes a conservative approach to spending to cut costs in the upcoming budget period and restore reserves.

Contacting the District's Financial Management

The District's financial report is designed to provide the District's Board of Directors, management, creditors, legislative and oversight agencies, citizens, and customers with an overview of the District's finances and to demonstrate its accountability for funds received. For additional information about this report, please contact Lorena G. Cervantes, District Manager, at 10300 San Diego Street, Lamont, California 93241.

BEAR MOUNTAIN RECREATION AND PARK DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2020

	Governmental Activities
ASSETS	
Cash and Investments	$ 269,294
Capital Assets:	
Land	165,578
Buildings and Improvements	4,080,188
Equipment	426,955
Less: Accumulated Depreciation	(3,586,375)
Total Capital Assets	1,086,346
TOTAL ASSETS	$ 1,355,640
DEFERRED OUTFLOWS OF RESOURCES	
TOTAL DEFERRED OUTFLOWS OF RESOURCES	$ 66,273
LIABILITIES	
Current Liabilities:	
Accounts Payable	$ 8,673
Salaries Payable	8,080
Deposits and Unearned Revenue	2,470
Compensated Absences	8,591
Capital Lease	5,748
Total Current Liabilities	33,562
Long-Term Liabilities:	
Net Pension Liability	323,948
Total Long-Term Liabilities	323,948
TOTAL LIABILITIES	$ 357,510
DEFERRED INFLOWS OF RESOURCES	
TOTAL DEFERRED INFLOWS OF RESOURCES	$ 2,311
NET POSITION	
Net Investment in Capital Assets	$ 1,080,598
Unrestricted	(18,506)
TOTAL NET POSITION	$ 1,062,092

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

BEAR MOUNTAIN RECREATION AND PARK DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

		Program Revenues			Net (Expense) Revenue and Changes in Net Position	
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Total
Governmental Activities:						
Recreational and Park Activities	$ 923,339	$ 55,722	$ -	$ -	$ (867,617)	$ (867,617)
Totals	$ 923,339	$ 55,722	$ -	$ -	$ (867,617)	(867,617)

General Revenues:	
Taxes and Subventions:	
Taxes Levied for General Purposes	736,004
Investment Income	16
Miscellaneous	1,479
Total General Revenues	737,499
Change in Net Position	(130,118)
Net Position, Beginning of Year	1,192,210
Net Position, End of Year	$ 1,062,092

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

BEAR MOUNTAIN RECREATION AND PARK DISTRICT
BALANCE SHEET
GOVERNMENTAL FUND
JUNE 30, 2020

	General Fund
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	
Assets:	
Cash and Investments	$ 269,294
Total Assets	269,294
Deferred Outflows of Resources	-
Total Assets and Deferred Outflows of Resources	$ 269,294
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	
Liabilities:	
Accounts Payable	$ 8,673
Salaries Payable	8,080
Deposits and Unearned Revenue	2,470
Total Liabilities	19,223
Deferred Inflows of Resources	-
Fund Balance:	
Unassigned	250,071
Total Fund Balance	250,071
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	$ 269,294

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

BEAR MOUNTAIN RECREATION AND PARK DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2020

Total Fund Balance - Governmental Fund	$ 250,071
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental fund. The cost of the assets is $4,672,721, and the accumulated depreciation is $3,586,375.	1,086,346
Long-term liabilities are not due and payable in the current year and therefore are not reported as liabilities in the governmental fund. Long-term liabilities at year-end consist of:	
Compensated absences	(8,591)
Net pension liability	(323,948)
Capital lease	(5,748)
Deferred outflows of resources are not current assets or financial resources, and deferred inflows of resources are not due and payable in the current period. Therefore, they are not reported in the governmental fund.	
Deferred outflows of resources	66,273
Deferred inflows of resources	(2,311)
Total Net Position - Governmental Activities	$ 1,062,092

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

BEAR MOUNTAIN RECREATION AND PARK DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
FOR THE YEAR ENDED JUNE 30, 2020

	General Fund
OPERATING REVENUES	
Property Taxes	$ 736,004
Charges for Services and Facilities	55,722
Interest Earnings	16
Miscellaneous	1,479
Total Operating Revenues	793,221
OPERATING EXPENDITURES	
Salaries and Employee Benefits	424,625
Services and Supplies	322,790
Total Operating Expenditures	747,415
Net Change in Fund Balance	45,806
Fund Balance at Beginning of Year	204,265
Fund Balance at End of Year	$ 250,071

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

BEAR MOUNTAIN RECREATION AND PARK DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

Total Net Change in Fund Balance - Governmental Fund	$ 45,806
Capital outlays are reported in the governmental fund as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of additions to capital outlay ($0) less the depreciation expense ($208,291) in the period.	(208,291)
Long-term compensated absences and pension expense are reported in the Statement of Activities, but they do not require the use of current financial resources. Therefore, long-term compensated absences and pension expense are not reported as expenditures in the governmental fund.	
This amount reflects a decrease in compensated absences that occurred during the year.	48
Pension expense - GASB Statement No. 68	26,351
Capital lease	5,968
Total Change in Net Position - Governmental Activities	$ (130,118)

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity and Accounting Policy

The Bear Mountain Recreation and Park District (the District) was established on June 27, 1957. The District operates under a Board of Directors (the Board) whose members are elected by registered voters within the District.

The purpose of the District is to provide leisure time activities for the people residing in the District. This is accomplished by the acquisition and development of park and recreation areas, development of supervised programs, construction and maintenance of recreational facilities, and cooperative efforts with other agencies in the area which provide like services.

The accompanying basic financial statements of the District include only the financial activities of the District. The District has no oversight responsibility or control over any other governmental activity.

B. Basis of Presentation

Government-Wide Financial Statements:

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the District.

The government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department, and are therefore clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the Statement of Activities. Program revenues include charges paid by the recipients of goods or services offered by a program, as well as grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District, with certain exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements:

Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major governmental fund is presented in a separate column, and all non-major funds are aggregated into one column.

C. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements.

The government-wide statements are prepared using the *economic resources* measurement focus and the *full accrual* basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. This is the same approach used in the preparation of the proprietary fund and fiduciary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide financial statements and the statements for the governmental fund.

NOTE 1 – <u>SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES</u> (Continued)

C. <u>Basis of Accounting</u> (Continued)

Governmental funds are reported using the *current financial resources* measurement focus and the *modified accrual* basis of accounting. Under this method, revenues are recognized when *measurable and available.* The District considers all revenues reported in the governmental fund to be available if the revenues are collected within ninety days after year-end, except for property taxes which are considered revenue if collected within sixty days after year-end. Expenditures are recognized at the time a liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent that they have matured. Capital asset acquisitions are reported as *expenditures* in governmental funds. Proceeds of long-term debt and acquisitions under capital leases are reported as *other financing sources.*

D. <u>Fund Accounting</u>

The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity or net position, revenues, and expenditures or expenses, as appropriate.

District resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The District's accounts are organized into major and non-major funds as follows:

Major Governmental Fund:

The *General Fund* is the principal operating fund of the District. It is used to account for all financial resources except those required to be accounted in another fund.

Non-Major Governmental Funds:

The District currently does not have any non-major governmental funds.

E. <u>Use of Estimates</u>

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. Accordingly, actual results could differ from those estimates.

F. <u>Assets, Liabilities, and Fund Balance</u>

1. <u>Capital Assets</u>

Capital assets are those purchased or acquired with an original cost of $5,000 or more and are reported at historical cost or estimated historical cost. Contributed assets are reported at fair value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized, but are expensed as incurred.

NOTE 1 – <u>SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES</u> (Continued)

F. <u>Assets, Liabilities, and Fund Balance</u> (Continued)

1. <u>Capital Assets</u> (Continued)

Depreciation on all capital assets is computed using a straight-line basis over the following estimated useful lives:

Asset Class	Estimated Useful Life in Years
Land	N/A
Building	50
Site Improvements	15-20
Machinery and Tools	5-10
Furniture and Accessories	7-10
Office Equipment	5-7
Radio Equipment	10
Autos and Trucks	7

2. <u>Cash</u>

The District maintains its operating cash account on deposit with the Kern County (the County) Treasurer. The District is responsible for disbursing these funds directly. Prior to disbursing these funds, the District requests a transfer from its County operating account to its operating account maintained at a financial institution. The District then disburses directly from this operating account. The County operating account maintained on behalf of the District is interest bearing with interest credited to the District account quarterly.

3. <u>Compensated Absences</u>

Vacation Time

The District's vacation policy allows employees to accumulate vacation benefits as follows:

Years of Service	Days Per Year
1 – 5 years	10 days
6 – 13 years	15 days
Over 13 years	20 days

Sick Leave

The District's sick leave policy allows sick leave for regular employees to be accrued from the first day of service, but may not be used until the employee meets the 90 day employment requirement. Sick leave is accrued at the rate of 4.615 hours per biweekly pay period to yield fifteen (15) working days annually.

All vacation pay is accrued when incurred in the government-wide financial statements. The accumulated unpaid vacation and sick leave as of June 30, 2020, was $8,591.

NOTE 1 – <u>SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES</u> (Continued)

F. <u>Assets, Liabilities, and Fund Balance</u> (Continued)

4. <u>Fund Balance</u>

In the fund financial statements, governmental funds report fund balance in five categories as follows: non-spendable, restricted, committed, assigned, or unassigned based primarily on the extent to which the District is bound to honor constraints on how specific amounts can be spent.

Non-spendable fund balance – amounts that cannot be spent because they are either (a) not spendable in form or (b) legally or contractually required to be maintained intact.

Restricted fund balance – amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance – consists of funds that are set aside for a specific purpose by the District's highest level of decision making authority. The District has designated the Board to be the highest level of decision making authority. Commitments may be changed or lifted only by the Board taking the same formal action that imposed the constraint originally.

Assigned fund balance – consists of funds that are set aside with the intent to be used for a specific purpose, but are neither restricted nor committed, by the District's highest level of decision making authority or a body or official that has been given the authority to assign funds. The Board has authority to set aside or designate authority to set aside funds as assigned for an intended purpose. The Board hereby authorizes the General Manager as designee of the Board in identifying intended uses of funds and so assigning residual balances. The Board may also, from time to time, determine the need to assign funds for an intended use. Any such assignment will be documented by Board Action at a regularly scheduled meeting.

Unassigned fund balance – the residual classification for the General Fund that includes amounts not contained in other classifications. The General Fund should be the only fund that reports a negative unassigned fund balance amount.

The District's policy does not specify whether to first apply committed resources and then assigned resources when an expenditure is incurred for purposes for which any amounts in any of these unrestricted value classifications could be used. However, when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications can be used, committed amounts should be reduced first, followed by assigned amounts, and then unassigned amounts.

5. <u>Net Position</u>

Net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Unrestricted consists of net position that does not meet the definition of "restricted" or "net investment in capital assets." The District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net positions are available.

6. <u>Property Tax</u>

Secured property taxes attach as an enforceable lien on property as of March 1. Taxes are payable in two installments on November 15 and March 15. Unsecured property taxes are payable in one installment on or before August 31. The County bills and collects the taxes for the District. Tax revenues are recognized by the District when received.

NOTE 1 – <u>SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES</u> (Continued)

G. <u>Budgets and Budgetary Accounting</u>

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to July 1, the District Manager submits to the Board a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.

2. Public hearings are conducted to obtain taxpayer comments.

3. Prior to July 1, the budget is legally enacted.

4. The District Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Board.

5. Formal budgetary integration is employed as a management control device during the year for the General Fund.

6. The budget for the General Fund is adopted on a basis consistent with accounting principles generally accepted in the United States of America.

7. Budgeted amounts are as originally adopted, or as amended. Individual amendments were not material in relation to the original appropriations which were amended.

H. <u>Pensions</u>

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the District's California Public Employees' Retirement System (CalPERS) plan (the Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

I. <u>New Governmental Accounting Standards Board (GASB) Pronouncements Implemented in the Financial Statements</u>

<u>GASB Statement No. 95</u> – *Postponement of the Effective Dates of Certain Authoritative Guidance.* The objective of this statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic by extending the effective dates of certain accounting and financial reporting provisions in Statements and Implementation Guides that were first effective for reporting periods beginning after June 15, 2018. There was no effect on the District's accounting and financial reporting as a result of implementing this standard.

J. <u>Future GASB Pronouncements</u>

Recently released standards by GASB affecting the future fiscal years are as follows:

<u>GASB Statement No. 84</u> – *Fiduciary Activities.* The requirements for this statement are effective for fiscal years beginning after December 15, 2019. The District believes the statement will not apply.

<u>GASB Statement No. 87</u> – *Leases.* The requirements of this statement are effective for periods beginning after June 15, 2021. The District has not fully judged the effect of implementation of GASB Statement No. 87 as of the date of the basic financial statements.

NOTE 1 – <u>SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES</u> (Continued)

J. <u>Future GASB Pronouncements</u> (Continued)

<u>GASB Statement No. 89</u> – *Accounting for Interest Cost Incurred Before the End of a Construction Period.* The requirements of this statement are effective for periods beginning after December 15, 2020. The District has not fully judged the effect of implementation of GASB Statement No. 89 as of the date of the financial statements.

<u>GASB Statement No. 90</u> – *Majority Equity Interests – an Amendment of GASB Statements No. 14 and No. 61*. The requirements of this statement are effective for periods beginning after December 15, 2019. The District has not fully judged the effect of implementation of GASB Statement No. 90 as of the date of the financial statements.

<u>GASB Statement No. 91</u> – *Conduit Debt Obligations.* The requirements of this statement are effective for reporting periods beginning after December 15, 2021. Early application is encouraged. The District has not fully judged the effect of implementation of GASB Statement No. 91 as of the date of the financial statements.

<u>GASB Statement No. 92</u> – *Omnibus 2020.* The requirements related to the effective date of Statement 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance. The requirements related to intra-entity transfers of assets and those related to the applicability of Statements No. 73 and No. 74 are effective for fiscal years beginning after June 15, 2021. The requirements related to application of Statement No. 84 to postemployment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities are effective for reporting periods beginning after June 15, 2021. The requirements related to the measurement of liabilities (and assets, if any) associated with asset retirement obligations in a government acquisition are effective for government acquisitions occurring in reporting periods beginning after June 15, 2021. The District has not fully judged the effect of implementation of GASB Statement No. 92 as of the date of the financial statements.

<u>GASB Statement No. 93</u> – *Replacement of Interbank Offered Rates*. The requirements of this Statement, except for paragraphs 11b, 13, and 14, are effective for reporting periods beginning after June 15, 2020. The requirement in paragraph 11b is effective for reporting periods ending after December 31, 2021. The requirements in paragraphs 13 and 14 are effective for fiscal years beginning after June 15, 2021, and all reporting periods thereafter. The District has not fully judged the effect of implementation of GASB Statement No. 93 as of the date of the financial statements.

<u>GASB Statement No. 94</u> – *Public-Private and Public-Public Partnerships and Availability Payment Arrangements.* The requirements of this statement are effective for reporting periods beginning after June 15, 2022. Early application is encouraged. The District believes the statement will not apply.

<u>GASB Statement No. 96</u> – *Subscription-Based Information Technology Arrangements.* The requirements of this statement are effective for reporting periods beginning after June 15, 2022. Early application is encouraged. The District believes the statement will not apply.

<u>GASB Statement No. 97</u> – *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans.* The requirements of this statement are effective for reporting periods beginning after June 15, 2021. Early application is encouraged. The District believes the statement will not apply.

NOTE 2 – CASH AND INVESTMENTS

Cash and investments as of June 30, 2020, consisted of the following:

Cash and Investments		
Cash on Hand	$	8,528
Cash in County of Kern Treasury		223,213
Cash in Banks		37,553
Total Cash and Investments	$	269,294

Investments Authorized by the California Government Code and the District's Investment Policy

The table below identifies the investment types that are authorized for the District by the California Government Code (or the District's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the District's investment policy, where more restrictive) that address interest rate risk, credit risk, and the custodial of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Bankers' Acceptances	180 days	None	None
Commercial Paper	270 days	None	None
Negotiable Certificates of Deposit	5 years	None	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	None	None
Medium-Term Notes	5 years	None	None
Mutual Funds	N/A	None	None
Money Market Mutual Funds	N/A	None	None
Mortgage Pass-Through Securities	5 years	None	None
Pooled Investment Funds	N/A	100%	None
Local Agency Investment Fund (LAIF)	N/A	None	None

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates, will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity as of June 30, 2020:

		Remaining Maturity (in Months)			
Investment Type	Amount	12 Months or Less	13 to 24 Months	25 to 60 Months	More Than 60 Months
County Investment Pool	$ 223,213	$ 223,213	$ -	$ -	$ -

NOTE 2 – <u>CASH AND INVESTMENTS</u> (Continued)

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, or the District's investment policy, and the actual rating as of year-end for each investment type:

Investment Type	Amount	Minimum Legal Rating	Exempt From Disclosure	Rating as of Year-End AAA	Aa	Not Rated
County Investment Pool	$ 223,213	N/A	$ -	$ -	$ -	$ 223,213

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies.

GASB Statement No. 40, *Deposit and Investment Risk Disclosures,* requires that the following disclosure be made with respect to custodial credit risks relating to deposits and investments: None of the District's deposits with financial institutions were in excess of federal depository insurance limits and were held in collateralized accounts.

NOTE 3 – CAPITAL ASSETS

A summary of changes in capital assets at June 30, 2020, is as follows:

	Balance June 30, 2019	Increases	Decreases	Balance June 30, 2020
Capital Assets Not Being Depreciated:				
Land	$ 165,578	$ -	$ -	$ 165,578
Total Capital Assets Not Being Depreciated	165,578	-	-	165,578
Capital Assets Being Depreciated:				
Buildings and Improvements	4,080,188	-	-	4,080,188
Equipment	426,955	-	-	426,955
Total Capital Assets Being Depreciated	4,507,143	-	-	4,507,143
Accumulated Depreciation For:				
Buildings and Improvements	3,007,629	188,176	-	3,195,805
Equipment	370,455	20,115	-	390,570
Total Accumulated Depreciation	3,378,084	208,291	-	3,586,375
Total Capital Assets Being Depreciated, Net	1,129,059	(208,291)	-	920,768
Governmental Activity Capital Assets, Net	$ 1,294,637	$ (208,291)	$ -	$ 1,086,346

Depreciation expense for the year ended June 30, 2020, was $208,291.

NOTE 4 – SHORT-TERM DEBT

During the year, the District advanced from the County $200,000 of its 2019-20 property taxes to fund current operations. During the year, the District repaid $200,000 as shown in the following schedule:

Beginning Balance	Additions	Reductions	Ending Balance
$ -	$ 200,000	$ 200,000	$ -

NOTE 5 – CHANGES IN LONG-TERM DEBT

A summary of changes in long-term debt at June 30, 2020, follows:

	Balance June 30, 2019	Additions	Deletions	Balance June 30, 2020	Due Within One Year
Compensated Absences	$ 8,639	$ 8,639	$ 8,687	$ 8,591	$ 8,591
Capital Lease	11,716	-	5,968	5,748	5,748
Totals	$ 20,355	$ 8,639	$ 14,655	$ 14,339	$ 14,339

Capital Lease:

In February 2018, the District entered into a lease agreement to obtain an obligation for $24,011 on a capital lease for a truck. The four-year lease bears an interest rate of 5.45% and has annual payments in the range of $5,659 to $6,636 each year. At June 30, 2020, the outstanding balance was $5,748. The asset has a cost of $24,011 and accumulated depreciation was $14,407 as of June 30, 2020.

NOTE 5 – CHANGES IN LONG-TERM DEBT (Continued)

The annual requirements to amortize the capital lease payable outstanding, including interest of $343 are as follows:

Year Ending June 30	Principal	Interest	Total
2021	$ 5,748	$ 343	$ 6,091
	$ 5,748	$ 343	$ 6,091

NOTE 6 – DEFINED BENEFIT PENSION PLAN

A. General Information about the Pension Plan

Plan Description – All qualified permanent and probationary employees are eligible to participate in the District's separate Miscellaneous Employee Pension Plan, a cost-sharing multiple employer defined benefit pension plan administered by CalPERS. Benefit provisions under the Plan are established by State statute and District resolution. CalPERS issues publicly available reports that include a full description of the Plan regarding benefit provisions, assumptions, and membership information that can be found on the CalPERS website.

Benefits Provided – CalPERS provides service retirement and disability benefits, annual cost of living adjustments (COLA), and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The COLA for the Plan is applied as specified by the California Public Employees' Retirement Law (PERL).

The Plan's provisions and benefits in effect at June 30, 2020, are summarized as follows:

	Miscellaneous	
Hire Date	Prior to January 1, 2013	On or after January 1, 2013
Benefit Formula	2% @ 60	2.2% @ 62
Benefit Vesting Schedule	5 years of service	7 years of service
Benefit Payments	Monthly for life	Monthly for life
Retirement Age	60	62
Monthly Benefits, as a Percentage of Eligible Compensation	2% to 2.7%	1.0% to 2.5%
Required Employee Contribution Rates	7.00%	6.75%
Required Employer Contribution Rates	8.08%	6.99%

Contributions – Section 20814(c) of the PERL requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

NOTE 6 – DEFINED BENEFIT PENSION PLAN (Continued)

A. General Information about the Pension Plan (Continued)

For the year ended June 30, 2020, the contributions recognized as part of pension expense for the Plan were as follows:

	Miscellaneous	
Contributions - Employer	$	39,956
Contributions - Employee (Paid by Employer)	$	-

B. Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2020, the District reported a net pension liability for its proportionate share of the net pension liability of the Plan as follows:

	Proportionate Share of Net Pension Liability	
Miscellaneous	$	323,948
Total Net Pension Liability	$	323,948

The District's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2020, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019, rolled forward to June 30, 2020, using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability for the Plan as of June 30, 2020 and 2019, was as follows:

	Miscellaneous
Proportion - June 30, 2019	0.0078%
Proportion - June 30, 2020	0.0077%
Change - Increase (Decrease)	-0.0001%

For the year ended June 30, 2020, the District recognized a pension expense of $13,605. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
Pension Contributions Subsequent to Measurement Date	$	39,956	$	-
Differences between Actual and Expected Experience		16,694		-
Changes in Assumptions		-		2,311
Net Differences between Projected and Actual Earnings on Plan Investments		9,623		-
Total	$	66,273	$	2,311

NOTE 6 – DEFINED BENEFIT PENSION PLAN (Continued)

B. Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

$39,956 was reported as deferred outflows of resources related to contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	
2021	$ 3,712
2022	8,726
2023	6,953
2024	4,615
2025	-
Thereafter	-
Total	$ 24,006

Actuarial Assumptions – The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions:

	Miscellaneous
Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Payroll Growth	3.00%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.15%
Mortality [1]	Derived using CalPERS' Membership Data for all Funds
Post-Retirement Benefit Increase	Contract COLA up to 2.50% until purchasing power protection allowance floor purchasing power applies, 2.50% thereafter

[1] The mortality table used was developed based on CalPERS' specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to the December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS' website.

NOTE 6 – DEFINED BENEFIT PENSION PLAN (Continued)

B. Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

Discount Rate – The discount rate used to measure the total pension liability was 7.15% for the June 30, 2019 measurement date. According to Paragraph 30 of GASB Statement No. 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the Plan, the amortization and smoothing periods, adopted by the CalPERS Board in 2013, were used. CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.15% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long-term expected discount rate of 7.15% will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set to equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

Asset Class	New Strategic Allocation
Global Equity	50%
Fixed Income	28%
Private Equity	8%
Real Estate	13%
Liquidity	1%
Total	100%

NOTE 6 – <u>DEFINED BENEFIT PENSION PLAN</u> (Continued)

B. <u>Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions</u> (Continued)

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the District's proportionate share of the net pension liability for the Plan, calculated using the discount rate for the Plan, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	Miscellaneous
1% Decrease	6.15%
Net Pension Liability	$ 517,319
Current Discount Rate	7.15%
Net Pension Liability	$ 323,948
1% Increase	8.15%
Net Pension Liability	$ 164,172

Pension Plan Fiduciary Net Position – Detailed information about the Plan's fiduciary net position is available in the separately issued CalPERS financial reports.

C. <u>Payable to the Pension Plan</u>

At June 30, 2020, the District had no payables for contributions to the pension plan for the year ended June 30, 2020.

NOTE 7 – <u>OPERATING LEASE</u>

The District entered into an operating lease with an unrelated party to lease District owned property with lease terms in excess of one year. The term of the lease commenced on May 1, 2015, and expired on April 30, 2020. The lease was extended to April 30, 2025. Rent is due on the first day of each month. The rent is to increase by $100 each year on the anniversary of the lease commencement date. Effective May 1, 2019, rent was increased to $3,100. For the year ended June 30, 2020, the District received lease income of $37,200.

Future rental payment to be received is as follows:

Year Ended June 30,	
2021	$ 37,200
Total	$ 37,200

NOTE 8 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended June 30, 2020, expenditures exceeded appropriations in the District's fund categories as follows:

Appropriations Category	Excess Expenditures
Salaries and Employee Benefits	$ 14,841
Services and Supplies	230

NOTE 9 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District is a member of the California Association for Parks and Recreation Insurance (CAPRI) which is a risk-sharing joint powers authority created to provide self-insurance programs for California special districts. The purpose of CAPRI is to manage and administer programs of self-insured losses and to purchase excess insurance coverage. At June 30, 2020, the District participated in the liability and property programs of the CAPRI as follows:

- Comprehensive general and automobile liability coverage with a $750,000 limit per occurrence for personal injury and property damage to which the coverage applies. CAPRI also purchases an excess policy from CSAC Excess Insurance Authority with limits of $24 million excess of $1 million (General Liability, Automobile Liability, Public Officials Errors and Omissions, and Employee Liability Coverage). There is no deductible to the District for General Liability Claims.

In addition to the above, the District also has the following insurance coverage:

- Public officials and employee liability coverage has a $25,000,000 annual aggregate limit per member district because of wrongful act(s) which occurs during the coverage period for which the coverage applies. For each covered claim for employment practices liability there is a $20,000 deductible payable by the member district or other covered party which shall be applied to any payment for judgment or settlement and to payments for defense costs as they are incurred. If the District consults with its general counsel and if such counsel has experience with labor and employment law, or with its labor and employment counsel, or CAPRI – recommended labor and employment counsel prior to termination, layoffs, downsizing or other employment related matter, the deductible will be reduced to $5,000 for any employment liability lawsuit brought to that employee.

- All-risk property loss coverage, including boiler and machinery coverage, is subject to a $2,000 deductible per occurrence payable by the District. All risk property coverage has a limit of $1,000,000 per occurrence. Boiler and machinery has an excess limit of $100,000,000.

- Earthquake coverage has an annual aggregate limit of $5,000,000 for all member districts. Flood has an annual aggregate limit of $10,000,000 for all member districts. The deductible for all loss or damage arising from the risk of earthquake is $50,000 per occurrence or 5% of the value of the building, contents and/or structured damage, whichever is greater. The deductible for all loss or damage arising from the risk of flood is $50,000.

- Workers' Compensation coverage with a $350,000 in limit. Insurance is up to statutory limits per occurrence. There is no deductible for the Workers' Compensation program.

Settled claims have not exceeded any of the coverage amounts in any of the last three fiscal years.

There were no reductions in insurance coverage in fiscal year 2020. Liabilities are recorded when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated net of the respective insurance coverage. Liabilities include an amount for claims that have been incurred but not reported (IBNR). There were no claims payable as of June 30, 2020.

NOTE 10 – SUBSEQUENT EVENTS

In September 2020, the District approved one additional advance from its property taxes in the amount of $200,000. As of the date of this report, the District has paid off $200,000 of the $200,000 in advances.

On March 11, 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19) pandemic. In response, the County of Kern, followed by the Governor of California, issued a Shelter at Home order effective March 19, 2020, requiring certain non-essential business to temporarily close to the public. At the current time, management is unable to quantify the potential effects of this pandemic on its future financial statements.

The date to which events occurring after June 30, 2020, have been evaluated for possible adjustments to the financial statements or disclosures is July 8, 2021, which is the date that the financial statements were available to be issued.

NOTE 11 – GOING CONCERN

In 2009, the District incurred an operating deficit mostly as a result of major capital expenditures for the construction of two community pools. This operating deficit was the major factor that caused the deficit in the District's fund balance and caused the District to be strapped for cash and depend on property tax advances from the County to fund current operations.

In response to these fiscal pressures, the District implemented District-wide cost cutting measures in 2010, which included major reductions in staffing and costs, including the dismissal of key management positions. The result of this and other measures taken resulted in a positive change in fund balance of $231,466 for the June 30, 2010, financial statements. In 2011, the District continued with its efforts to keep costs down by leaving positions unfilled until the District's situation improves. However, on June 7, 2011, the District was notified by the City of Arvin that it would terminate its contract for After School Programs; earlier in 2011, the City of Lamont also terminated its contract with the District for the same After School Programs. The approximate net loss of revenue to the District for future years was $25,000, which represents about 28% of total charges for services.

During 2011, the District hired a consultant to assist the District with grant applications to fund various District capital projects. However, as of the date of this report, the District has been unsuccessful in obtaining any grants. As of 2016-17, the District no longer had assistance from a consultant for grant applications.

To fund current operations, the District mainly relies on property taxes from the County, which make up about 93% of total revenues. Because the payment of salaries and benefits take approximately 50% of property taxes, the District continues to rely on advances from the County to fund operations. In the current fiscal year, the County advanced $200,000 of the District's 2019-20 property taxes, of which $200,000 has been repaid (refer to Note 4). However, in September 2020, the District received one additional advance from the County in the amount of $200,000 from its 2020-21 property taxes (refer to Note 10). The District plans to monitor its expenses, managing its operations more closely, delaying filling certain vacant positions, and increasing its revenues by obtaining additional grant funding.

The ability of the District to continue as a going concern is dependent upon the continued monitoring of expenses and the success of the District in improving the District's fiscal position.

The financial statements do not include any adjustments that might be necessary if the District is unable to continue operating.

REQUIRED SUPPLEMENTARY INFORMATION

BEAR MOUNTAIN RECREATION AND PARK DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL (GAAP)
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2020

	General Fund			
	Original Budget	Final Budget	Actual	Variance With Final Budget
OPERATING REVENUES				
Property Taxes	$ 660,000	$ 660,000	$ 736,004	$ 76,004
Charges for Services and Facilities	73,800	73,800	55,722	(18,078)
Interest Earnings	-	-	16	16
Miscellaneous	5,000	5,000	1,479	(3,521)
Total Operating Revenues	738,800	738,800	793,221	54,421
OPERATING EXPENDITURES				
Salaries and Employee Benefits	409,784	409,784	424,625	(14,841)
Services and Supplies	322,560	322,560	322,790	(230)
Total Operating Expenditures	732,344	732,344	747,415	(15,071)
Net Change in Fund Balance	6,456	6,456	45,806	$ 39,350
Fund Balance at Beginning of Year	204,265	204,265	204,265	
Fund Balance at End of Year	$ 210,721	$ 210,721	$ 250,071	

BEAR MOUNTAIN RECREATION AND PARK DISTRICT
COST-SHARING DEFINED BENEFIT PENSION PLAN
SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
AS OF JUNE 30, 2020
LAST 10 YEARS*

	2020	2019	2018	2017	2016	2015
Proportion of the Net Pension Liability	0.0077%	0.0078%	0.0082%	0.0080%	0.0080%	0.0091%
Proportionate Share of the Net Pension Liability	$ 323,948	$ 310,349	$ 309,788	$ 314,575	$ 278,952	$ 201,076
Covered-Employee Payroll	$ 228,605	$ 223,236	$ 207,723	$ 244,803	$ 246,058	$ 305,657
Proportionate Share of the Net Pension Liability as a Percentage of Covered-Employee Payroll	141.71%	139.02%	149.14%	128.50%	113.37%	81.74%
Plan's Fiduciary Net Position	$ 1,362,909	$ 1,330,886	$ 1,354,235	$ 1,110,918	$ 1,133,957	$ 992,302
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	420.72%	428.84%	437.15%	353.15%	406.51%	397.16%

* Fiscal year 2015 was the 1st year of implementation; therefore, only six years are shown.

Notes to Schedule:

Benefit changes. In 2015, benefit terms were modified to base public safety employee pensions on a final three-year average salary instead of a final five-year average salary.

Changes in assumptions. In 2015, amounts reported as changes in assumptions resulted primarily from adjustments to expected retirement ages of general employees.

BEAR MOUNTAIN RECREATION AND PARK DISTRICT
COST-SHARING DEFINED BENEFIT PENSION PLAN
SCHEDULE OF CONTRIBUTIONS
AS OF JUNE 30, 2020
LAST 10 YEARS*

	2020	2019	2018	2017	2016	2015
Contractually Required Contribution (Actuarially Determined)	$ 39,956	$ 30,361	$ 25,013	$ 8,582	$ 11,898	$ 14,447
Contributions in Relation to the Actuarially Determined Contributions	39,956	30,361	25,013	8,582	11,898	14,447
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -
Covered-Employee Payroll	$ 228,605	$ 223,236	$ 207,723	$ 244,803	$ 246,058	$ 305,657
Contributions as a Percentage of Covered-Employee Payroll	17.48%	13.60%	12.04%	3.51%	4.84%	4.73%

* Fiscal year 2015 was the 1st year of implementation; therefore, only six years are shown.

OTHER REPORT

BROWN
ARMSTRONG

CERTIFIED
PUBLIC
ACCOUNTANTS

BAKERSFIELD OFFICE
(MAIN OFFICE)

4200 TRUXTUN AVENUE
SUITE 300
BAKERSFIELD, CA 93309
TEL 661.324.4971
FAX 661.324.4997
EMAIL info@bacpas.com

FRESNO OFFICE

10 RIVER PARK PLACE EAST
SUITE 208
FRESNO, CA 93720
TEL 559.476.3592

STOCKTON OFFICE

1919 GRAND CANAL BLVD
SUITE C6
STOCKTON, CA 95207
TEL 888.565.1040

WWW.BACPAS.COM

BROWN ARMSTRONG
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors
Bear Mountain Recreation and Park District
Lamont, California

We have audited, in accordance with the 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, the financial statements of the governmental activities and the major fund of the Bear Mountain Recreation and Park District (District) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated July 8, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency* in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the basic financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Bakersfield, California
July 8, 2021