



Bighorn Desert View Water Agency
Yucca Valley, California

Comprehensive Annual Financial Report

For the Fiscal Years Ended June 30, 2020 and 2019



Our Mission Statement

"To provide a high quality supply of water and reliable service to all customers at a reasonable rate"

Bighorn Desert View Water Agency Board of Directors as of June 30, 2020

<u>Name</u>	<u>Title</u>	<u>Elected/ Appointed</u>	<u>Current Term</u>
Judy Corl-Lorono	President	Elected	12/18 - 12/22
John R. Burkhart	Vice President	Elected	12/18 - 12/22
J. Larry Coulombe	Secretary	Elected	12/15 - 12/20 *
Michael McBride	Director	Elected	12/15 - 12/20 *
Jo Marie McKenzie	Director	Elected	12/18 - 12/22

* 5-year term is due to the SB415 CA Voter Participation Rights Act which changed the election cycle from odd years to even years.

**Bighorn Desert View Water Agency
Marina D. West, PG, General Manager
622 South Jemez Trail
Yucca Valley, California 92284
(760) 364-2315 – www.bdvwa.org**



Comprehensive Annual Financial Report

For the Fiscal Years Ended

June 30, 2020 and 2019

BIGHORN DESERT VIEW WATER AGENCY

622 South Jemez Trail
Yucca Valley, California 92284

Prepared by:

Marina D. West, PG, General Manager/Treasurer
Rosa Carrick, Accounting Technician III

**Bighorn Desert View Water Agency
Annual Financial Report
For the Fiscal Years Ended June 30, 2020 and 2019**

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Introductory Section



October 13, 2020

Board of Directors
Bighorn Desert View Water Agency

Introduction

It is our pleasure to submit Bighorn-Desert View Water Agency's Annual Financial Report (the "Report") for the fiscal years ending June 30, 2020 and 2019. Agency staff has prepared this report following guidelines set forth by the Governmental Accounting Standards Board. The Agency is responsible for the accuracy of the data included within this Report, as well as the completeness and fairness of its presentation and inclusion of all necessary disclosures. This Report is designed to enhance your understanding of the Agency's financial position and activities.

Generally Accepted Accounting Principles (GAAP) requires Agency management to provide a section within this Report that includes a narrative introduction with an overview and analysis referred to as the Management's Discussion and Analysis (MD&A) section. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The Agency's MD&A can be found immediately following the Independent Auditors' Report.

Agency Structure and Leadership

The Bighorn-Desert View Water Agency is an independent special district, which operates under the authority of Division 12 of the California Water Code. The Agency was formed in 1990 upon approved consolidation of the Bighorn Mountains Water Agency (established in 1969) and the Desert View County Water District (established in 1964) by the San Bernardino County Board of Supervisors and is governed by a five-member Board of Directors elected at-large from within the Agency's service area. The Board of Directors convenes for regularly scheduled meetings on the second Tuesday of each month at 6:00 pm (effective April 2020). These meetings are publicly noticed and citizens are encouraged to attend. The General Manager administers the day-to-day operations of the Agency in accordance with policies and procedures established by the Board of Directors. By the fiscal year ending June 30, 2020, the Agency employed eight (8) regular full-time employees, (1) part-time employee that are organized into two (2) departments.

The Agency provides water service to approximately 2,581 connections within its fifty-two (52) square mile service area located in the eastern desert area of San Bernardino County which encompasses the unincorporated communities of Flamingo Heights, Landers and Johnson Valley.

As of July 1, 2015, the Agency annexed a neighboring water system which remains physically isolated from the Bighorn-Desert View water system. Therefore, the Agency operates under two Water Supply Permits issued by the State Water Resources Control Board – Division of Drinking Water.

Agency Services

Residential customers represent nearly 100% of the Agency's customer base and, therefore, consume a majority of the water produced annually with the remainder utilized for construction projects, system flushing, fire suppression and/or lost to leaks. The combined water systems utilize a total of eight (8) active groundwater wells with a total system production capacity of 3,650 gallons per minute.

Agency Services, continued

In fiscal year 2019/20, the Agency produced approximately 560 acre-feet of groundwater with 144 acre-feet of that production serving the ID GM system demand.

In January 2020, the Agency completed the purchased 70 acre-feet of State Water Project water through the Mojave Water Agency, the Agency's State Water Project wholesaler. The Agency now has a total of 450 acre feet in storage with a current value of \$244,680.

Economic Condition and Outlook

According to Sperling's Best Places the cost of living in the Landers area is 13.7% lower than the U.S. average. This is primarily attributed to lower housing costs. However, all other cost of living factors are near equal or lower than the U.S. average with utilities being somewhat higher. The unemployment rate is currently approximately 4.0% which is the same as reported in fiscal year 2018/19. Using U.S. Census Block group data, all census blocks within the Agency boundaries are classified as a "severely disadvantaged" with an average household income reported at \$29,362 which is less than half of the U.S. average. The area is classified as rural unincorporated San Bernardino County with a planned residential zoning of 2.5-acre minimum lot size. The area is comprised of predominantly English and Spanish speaking residents.

The Agency serves only a small number of commercial businesses and institutions. The largest employer is the local elementary school. Many local residents will commute to the Twenty-nine Palms Marine Corps Ground Combat Center, Town of Yucca Valley or 60 miles south to Palm Springs, CA area or a similar distance north to the Victorville area for employment.

Major Initiatives

The activities of the Board and staff of the Agency are driven by our mission statement: *"To provide a high quality supply of water and reliable service to all customers at a fair and reasonable rate"*. In Fiscal Year 2019/20 the Agency focused on the following major initiatives:

1. Adopt a balanced budget with a projected growth of reserve funds for replacement/refurbishment of infrastructure, emergency contingencies and capital improvement programs specifically highlighted in the 2014 Mojave Water Agency Integrated Regional Water Management Plan (IRWMP). Continue efforts to reduce costs where possible. Explore revenue enhancing measures such as water transfers to neighboring agencies.
2. Remain focused on preventative maintenance of the water distribution system appurtenances including groundwater wells, water storage tanks, pressure reducing stations, fire hydrants, isolation valves, air vacuum valves and emergency power connections. Minimize water lost to leaks. Work with civil engineers to prioritize and implement short-term capital or refurbishment projects.
3. Continue outreach to the community through various forms of communication including newsletters, annual calendar, revised utility bill format and participation in local community events (e.g. Annual Desert-Wise Living Series Landscape Tour and Lecture Series in conjunction with the Morongo Basin Conservation Association, Water Education Festival for the 8th grade class at La Contenta Middle School, and the Gubler Orchid Festival).
4. Continue purchases of State Water Project water for long-term storage.
5. Continue to pursue grant opportunities for capital, replacement and refurbishment via the Mojave Water Agency Integrated Regional Water Management Plan (IRWMP) and their Small Water Systems Assistance Program.

Major Initiatives, continued

6. Obtain the Certificate of Achievement for Excellence in Financial Reporting for our Comprehensive Financial Report from the Government Finance Officers Association of the United States and Canada.
7. Maintain our 2-year Certificate of Excellence in District Transparency from the Special District Leadership Foundation.
8. Maintain our 2-year Special District Leadership Foundation District of Distinction Accreditation.

All programs and operations of the Agency are developed and performed to provide the highest level of service and transparency to its customers.

Accomplishments

To assist the Board of Directors in meeting their mission, staff achieved the following initiatives in fiscal year 2019/20:

1. In April 2019, the Board adopted a balance budget totaling \$1.96M in revenue projections. This budget included the final rate increase to Basic Service Charge (5%) and Water Consumption Charge (3%) approved by the Board in 2016 (4-year increase). The fiscal year 2019/20 budget projected revenues exceeding expenses by 10.5% which is consistent with the Board's goal of building a "replacement/refurbishment" fund at a pace of at least 10% revenues exceeding expenses per year. A contract was awarded to NBS Government to complete a rate and capacity fee study for the Agency. This study will inform the Board during its next rate hearing expected late in fiscal year 2020/21.
2. The Agency continues the fiscally sound practice of collecting delinquent water charges by placing liens on the secured property tax rolls. This has resulted in eventual collection of a majority of these receivables over time that might otherwise be written off as bad debt. The amount of tax lien sent to the tax roll for 2020 was approximately \$35,381. This is a decrease of \$16,600 from the prior year and is likely due to the increased turnover experienced over the past year. In addition to the secured tax roll, unsecured liens are applied to properties from time-to-time to ensure amounts due can be collected upon property sale. The "true bad debt" for fiscal year 2018/19 was \$1,888 while the fiscal year 2019/20 "true bad debt" is about \$750.
3. The Desert View Revenue Bond was retired at the end of Fiscal Year 2019/20. This was a \$700,000 bond with a 5% interest rate and 40-year term. The funds were used to construct the pumping, distribution and storage systems for Desert View County Water District which was annexed to Bighorn Mountains Water Agency in 1990. The Agency currently has zero bond debt.
4. In an effort to responsibly manage the Agency's Unfunded Accrued Liability (UAL) with the California Public Employees Retirement Fund (CalPERS), the Agency opened an IRS 115 "Pension Rate Stabilization Trust" with Public Agency Retirement Services (PARS) in an effort to attain higher interest earnings on funds to make future payments to CalPERS. The initial payment to PARS was \$50,000 with an annual pledge of \$100,000 up to a total of \$700,000. The Agency also paid off one of the CalPERS "bases" line items known as the Side Fund in the amount of \$53,394. Following this payment, CalPERS revised the Agency UAL from \$741,352 to \$686,798. This also lowered the annual UAL payment for fiscal year 2020/21 by approximately \$10,000 from the prior projection.

Accomplishments, continued

5. The Agency has participated in various outreach events, including Gubler's Orchid Festival and Morongo Basin Conservation Association Desert-Wise Landscape Home Tour and lecture series. News and events were provided in the water bill as well as through an Agency-wide newsletter. The Agency along with Hi-Desert Water District created and executed the 5th Annual Children's Water Education Festival at the local middle school, funded by a grant from the Mojave Water Agency. Unfortunately, outreach efforts in Fiscal Year 2019/20 were halted in early 2020 due to business and school closures associated with the Chinese Coronavirus (COVID-19).
6. The Agency reconstructed its website, bdvwa.org, to bring it up to current standards and laws for transparency and disclosures.
7. Water system preventative maintenance in 2019/20 included collection of over 1,650 distinct water quality samples, quarterly groundwater level measurements, two mainline leak repairs, mainline and fire hydrant valve exercising (139 of 1,261). A total of 70 service lines were replaced and a total of 160 meters were exchanged throughout the Agency.
8. Capital upgrades to facilities and structures included the installation of 25 new services lines and meters up 17 from the prior fiscal year. The Agency replaced two pressure reducing stations using in-house resources resulting in huge savings over estimates provided by County of San Bernardino for a similar project. Several pumping facilities were equipped with manual transfer switches to accommodate a new 90KW emergency generator which was also received early in the fiscal year. One field vehicle was replaced. The Agency also executed a *Mutual Emergency Water Supply Agreement* with Hi-Desert Water District. One monitoring well was destroyed in Johnson Valley (JVMW1). At the end of the fiscal year a contract had been awarded to complete miscellaneous safety upgrades at three water storage tanks in the Goat Mountain System.
9. On October 2, 2017, the Agency executed an agreement with the State Water Resources Control Board for a Prop. 1 "Water Bond 2014" Planning Grant in the amount of \$500,000. A Preliminary Draft Engineering Report outlining numerous water system improvements was revised in January 2019. The proposed improvements are estimated at \$6.2M. Staff is currently working with the engineer to prioritize the projects to garner a higher score as the Agency seeks grant funding to build the proposed projects. Towards the end of fiscal year 2019/20 the Agency was engaged in environmental studies for CA Environmental Quality Act (CEQA) and National Environmental Policy Act (NEPA) in support two main projects: System Consolidation and Uranium Blending Pipeline. Right-of-Way requirements were assessed and application to the Bureau of Land Management was also completed as well as outreach to Native American Tribes for their consultation. The project design standards are at least 75% complete or more.
10. The Agency was awarded a Proposition 1/Round 1 construction grant in the amount of \$500,000 for the replacement of a failed production well in the Goat Mountain System. Agency expects to complete this project in fiscal year 2020/21
11. In January 2019 the Agency signed an agreement for the distribution of funds from the Disadvantaged Community Involvement Grant funding pool in the amount of \$50,000. In Fiscal Year 2019/20 the Agency completed all work associated with this grant for a Uranium Treatment Alternatives Analysis and issued a final report.
12. The Agency was awarded the Certificate of Achievement for Excellence in Financial Reporting for its Comprehensive Financial Report in fiscal year 2018/19 from the Government Finance Officers Association of the United States and Canada.
13. In December 2019, the Agency received the 4th renewal of the Certificate of Excellence in District Transparency from the Special Districts Leadership Foundation. This accreditation is expected to be renewed again in 2022.

Accomplishments, continued

14. In December 2019, the Agency received the 1st renewal of the District of Distinction Accreditation from the Special Districts Leadership Foundation.

Internal Control Structure

Agency management is responsible for the establishment and maintenance of the internal control structure that ensures the assets of the Agency are protected from loss, theft or misuse. The internal control structure also ensures that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The Agency's internal control structure is designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived, and (2) the valuation of costs and benefits requires estimates and judgments by management.

Budgetary Control

The Agency Board of Directors annually adopts an operating budget prior to the new fiscal year. The budget authorizes and provides the basis for reporting and control of financial operations and accountability for the Agency's enterprise operations. Extensive capital budgets have not always been presented with the budget, therefore projects are brought to the Board individually, as needed, for consideration. The budget and reporting treatment applied to the Agency is consistent with the accrual basis of accounting and the financial statement basis. The goal of the Board is to adopt a budget which projects that revenues will exceed expenses by at least 10% so that sufficient reserves can be raised to fund the long term capital construction plan as well as replacement and refurbishment of existing infrastructure due to normal wear over time.

Investment Policy

The Board of Directors has adopted an investment policy that conforms to state law, Agency ordinance and resolutions, and prudent money management. The objective of the Investment Policy is safety, liquidity and yield. Although the policy covers a wide variety of investment instruments, the Agency's reserve funds are currently invested in the State Treasurer's Local Agency Investment Fund (LAIF) and an institutional checking account (Pacific Western Bank). The Board of Directors approved the current investment policy on May 26, 2020 (Resolution No. 20R-15).

In response to the Agency's Unfunded Accrued Liability (UAL) the Board approved participation in a Public Agencies Post-Employment Benefits Trust administered by the Public Agency Retirement Services (PARS) in April 2020 (Resolution No. 20R-09). The Board also adopted an investment strategy which invests \$50,000 in the current fiscal year with another \$50,000 paid to CalPERS "side fund" payoff amount. Then annually the Board will invest \$100,000 with a total funding goal of \$700,000 which is equivalent to the current UAL amount calculated by CalPERS.

Water Rates and Agency Revenues

Agency's current policy direction ensures that all revenues from user charges generated from Agency customers must support all Agency operations including capital project funding. Accordingly, water rates are regularly reviewed. Water rates are user charges imposed on customers for services and are the primary component of the Agency's revenue. Water rates are composed of a commodity (usage) charge and a fixed meter (readiness-to-serve) charge. There were no rate increases imposed between 2008 and 2016. However, the Board of Directors adopted the Fiscal Year 2016/17 Budget with a four-year projection of revenues and expenses. It was unanimously agreed that in order to maintain the accepted budget strategy of revenues exceeding expenses by at least 10% that a rate increase would be necessary. In accordance with Proposition 218, the Board held a Public Hearing on July 26, 2016 and with just two letters of protest, a four-year rate increase program was approved. Fiscal year 2019/20 represents the fourth and final year the rate increase was applied.

In April 2020, the Board of Directors awarded a contract to perform a rate and capacity fee study for the Agency. This study is expected to be completed in late 2020.

Water Conservation Programs

The Agency is an active member of the Hi Desert Alliance for Water Awareness and Conservation (HD AWAC). Agency Board and staff participate in and sponsor a number of community events with a conservation component, such as the Desert-Wise Landscaping Home Tours and Workshops sponsored by the Morongo Basin Conservation Association held throughout the year. The Agency also distributes materials to encourage water conservation. In 2013, a “water-wise” demonstration garden was installed in the community to highlight the types of plants and landscape that can be successfully maintained with little water. In accordance with Governor Jerry Brown’s April 1, 2015 Executive Order requiring water suppliers to reduce usage, the Agency adopted Ordinance No. 15O-03 Amending and Restating the Agency’s Water Conservation Plan.

Audit and Financial Reporting

State Law and Bond covenants require the Agency to obtain an annual audit of its financial statements by an independent certified public accountant. The accounting firm of Fedak & Brown LLP has conducted the audit of the Agency’s financial statements. Their unmodified Independent Auditor’s Report appears in the Financial Section.

Risk Management

The Agency has been a member of the Special District Risk Management Authority (SDRMA) since 1983. The purpose of SDRMA is to arrange and administer programs of insurance for pooling of self-insured losses and to purchase excess insurance coverage. In fiscal year 2019/20, there were no Workers Compensation or General Liability claims filed.

Technology Advance in Customer Service (E-government initiatives)

The Agency customers have the option to pay their bills in person at the Agency office, on-line, or via Automated Clearinghouse (ACH) through their bank account, with a major credit card via phone, Agency website link or internet. In 2018, the Agency enhanced execution of a process known as “check free”. “Check free” applies to customers who go to their bank’s website to request a bill be paid. If the bank utilizes “check free”, then the payment is sent electronically. If the bank is not utilizing “check free”, then the bank issues a paper check through the mail. The benefit of faster payment processing is realized by those customers whose bank participates.

Technology Advance in Customer Service (E-government initiatives), continued

The Agency customers have the option to pay their bills in person at the Agency office, on-line, or via Automated Clearinghouse (ACH) through their bank account, with a major credit card via phone, Agency website link or internet.

Customers also have access to agency agenda’s and agenda backup materials via email notifications immediately upon publication. The agenda materials as well as other reference material are also available on the Agency website (www.bdvwa.org). The website includes a link to email addresses of each member of the Board of Directors as well as an email address for general inquiries.

Other References

More information has been provided in both the Management’s Discussion and Analysis and the Notes to the Basic Financial Statements which can be found in the Financial Section of this report.

Awards and Acknowledgements

The Agency is the recipient of the 2015 Association of California Water Agencies “*Clair A. Hill Agency Award for Excellence*”.

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Bighorn-Desert View Water Agency for its comprehensive annual financial report of the fiscal year ended June 30, 2019. This was the ninth year that the Agency has applied for and achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of only one year. The Agency believes that the current comprehensive annual financial report continues to meet the Certificate of Achievement Program’s requirements and the Agency intends to submit an application to the GFOA to determine our eligibility for certification for fiscal year 2019/20.

In 2017 the Agency was awarded the 2-year *Certificate of Excellence in District Transparency* and the District of Distinction Accreditation from the Special Districts Risk Management Authority.

Following a more comprehensive application process, the Agency was awarded the *District of Distinction Accreditation* from the California Special Districts Association (CSDA) in early 2017.

The renewal date for the *District of Distinction* and the *Certificate of Excellence in District Transparency* has been set for December 31, 2020, in an effort to streamline the renewal process.

Preparation of this report was accomplished by the combined efforts of Agency staff. I truly appreciate the dedicated efforts and professionalism that our staff members bring to the Agency. I would also like to thank the members of the Board of Directors for their continued support in the planning and implementation of the Bighorn-Desert View Water Agency’s fiscal policies.

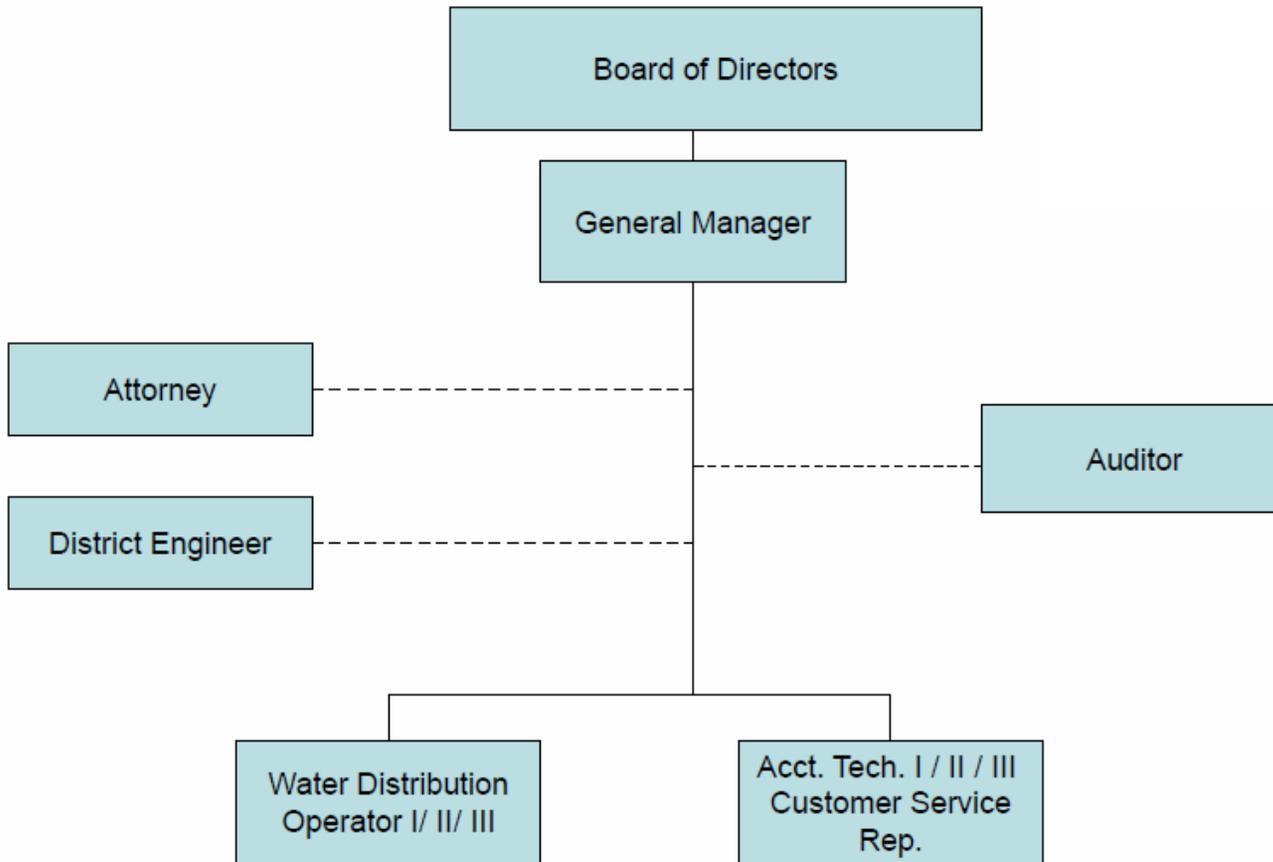
With Great Pleasure,



Marina D. West, PG
General Manager / Treasurer



Rosa Carrick
Accounting Technician III





Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

Bighorn-Desert View Water Agency
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2019

Christopher P. Morill

Executive Director/CEO



Financial Section



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Independent Auditor's Report

Board of Directors
Bighorn Desert View Water Agency
Yucca Valley, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Bighorn Desert View Water Agency (Agency), which comprises the statements of net position as of June 30, 2020 and 2019, and the related statements of revenues, expenses and changes in net position for the fiscal years then ended, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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; and the State Controller's Minimum Audit Requirements for California Special District's. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Agency, as of June 30, 2020 and 2019, and the respective changes in net position, and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Independent Auditor's Report, continued

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 12 through 18 and the required supplementary information on pages 51 and 52 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the 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.

Other Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's basic financial statements. The introductory section on pages 1 through 7 and the statistical section on pages 53 through 67 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not 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 October 13, 2020, on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Agency's internal control over financial reporting and compliance. This report can be found on pages 68 and 69.

Fedak & Brown LLP

Fedak & Brown LLP

Cypress, California

October 13, 2020

Bighorn Desert View Water Agency
Management's Discussion and Analysis
For the Fiscal Years Ended June 30, 2020 and 2019

The following Management's Discussion and Analysis (MD&A) of activities and financial performance of the Bighorn Desert View Water Agency (Agency) provides an introduction to the financial statements of the Agency for the fiscal years ended June 30, 2020 and 2019. We encourage readers to consider the information presented here in conjunction with the transmittal letter in the Introductory Section and with the accompanying basic financial statements and related notes, which follow this section.

Financial Highlights

- The Agency's net position increased 1.54% or \$112,230 to \$7,412,559, as a result of ongoing operations. In 2019, the Agency's net position increased 0.61% or \$43,953 to \$7,300,329, as a result of ongoing operations
- The Agency's total revenues increased 17.45% or \$386,447 to \$2,601,348. In 2019, the Agency's total revenues decreased 0.21% or \$4,723 to \$2,214,901.
- The Agency's operating revenues increased by 11.37% or \$202,526 to \$1,983,822. In 2019, the Agency's operating revenues increased by 2.96% or \$51,130 to \$1,781,296. The Agency's non-operating revenues net of non-operating expenses increased by 110.12% or \$150,541 to \$287,246. In 2019, the Agency's non-operating revenues net of non-operating expenses decreased by 68.32% or \$294,795 to \$136,705.
- The Agency's total expenses increased 14.66% or \$318,170 to \$2,489,118. In 2019, the Agency's total expenses increased 13.13% or \$252,003 to \$2,170,948.
- The Agency's operating expenses increased 27.36% or \$448,686 to \$2,088,334. In 2019, the Agency's operating expenses increased 5.83% or \$90,355 to \$1,639,648. The Agency's non-operating revenues net of non-operating expenses increased by 110.12% or \$150,541 to \$287,246. In 2019, the Agency's non-operating revenues net of non-operating expenses decreased by 68.32% or \$294,795 to \$136,705
- The Agency's capital contributions increased 131.94% or \$166,071 to \$291,943. In 2019, the Agency's capital contributions increased 190.40% or \$82,527 to \$125,872.

Using This Financial Report

This annual report consists of a series of financial statements. The Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position and Statement of Cash Flows provide information about the activities and performance of the Agency using accounting methods similar to those used by private sector companies.

The Statement of Net Position includes all of the Agency's investments in resources (assets), deferred outflows of resources, obligations to creditors (liabilities), and deferred inflows of resources. It also provides the basis for computing a rate of return, evaluating the capital structure of the Agency and assessing the liquidity and financial flexibility of the Agency. All of the current year's revenue and expenses are accounted for in the Statement of Revenues, Expenses and Changes in Net Position. This statement measures the success of the Agency's operations over the past year and can be used to determine if the Agency has successfully recovered all of its costs through its rates and other charges. This statement can also be used to evaluate profitability and credit worthiness. The final required financial statement is the Statement of Cash Flows, which provides information about the Agency's cash receipts and cash payments during the reporting period. The Statement of Cash Flows reports cash receipts, cash payments and net changes in cash resulting from operations, investing, non-capital financing, and capital and related financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period.

Bighorn Desert View Water Agency
Management's Discussion and Analysis, continued
For the Fiscal Years Ended June 30, 2020 and 2019

Financial Analysis of the Agency

One of the most important questions asked about the Agency's finances is, "Is the Agency better off or worse off as a result of this year's activities?" The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position report information about the Agency in a way that helps answer this question. These statements include all assets, deferred outflows of resources, liabilities and deferred inflows of resources using the *accrual basis of accounting*, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

These two statements report the Agency's *net position* and changes in it. One can think of the Agency's net position – the difference between assets plus deferred outflows of resources, less liabilities and deferred inflows of resources – as one way to measure the Agency's financial health, or *financial position*. Over time, *increases* or *decreases* in the Agency's net position is one indicator of whether its *financial health* is improving or deteriorating. However, one will need to consider other non-financial factors such as changes in economic conditions, population growth, zoning and new or changed government legislation, such as changes in Federal and State water quality standards.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the basic financial statements can be found on pages 24 through 50.

Statements of Net Position

Condensed Statements of Net Position

	<u>2020</u>	<u>2019</u>	<u>Change</u>	<u>2018</u>	<u>Change</u>
Assets:					
Current assets	\$ 4,158,526	3,817,995	340,531	3,716,824	101,171
Non-current assets	80,905	92,019	(11,114)	98,733	(6,714)
Capital assets, net	<u>4,175,265</u>	<u>4,363,133</u>	<u>(187,868)</u>	<u>4,328,498</u>	<u>34,635</u>
Total assets	<u>8,414,696</u>	<u>8,273,147</u>	<u>141,549</u>	<u>8,144,055</u>	<u>129,092</u>
Deferred outflows of resources	<u>222,490</u>	<u>157,108</u>	<u>65,382</u>	<u>198,361</u>	<u>(41,253)</u>
Liabilities:					
Current liabilities	288,351	309,505	(21,154)	385,169	(75,664)
Non-current liabilities	<u>908,070</u>	<u>804,102</u>	<u>103,968</u>	<u>852,722</u>	<u>(48,620)</u>
Total liabilities	<u>1,196,421</u>	<u>1,113,607</u>	<u>82,814</u>	<u>1,237,891</u>	<u>(124,284)</u>
Deferred inflows of resources	<u>28,206</u>	<u>16,319</u>	<u>11,887</u>	<u>25,245</u>	<u>(8,926)</u>
Net position:					
Net investment in capital assets	4,175,265	4,328,156	(152,891)	4,152,521	175,635
Restricted – Goat Mountain capital assets	293,946	364,904	(70,958)	418,582	(53,678)
Restricted – pension benefits	50,279	-	50,279	-	-
Unrestricted	<u>2,893,069</u>	<u>2,607,269</u>	<u>285,800</u>	<u>2,685,273</u>	<u>(78,004)</u>
Total net position	<u>\$ 7,412,559</u>	<u>7,300,329</u>	<u>112,230</u>	<u>7,256,376</u>	<u>43,953</u>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Agency, assets plus deferred outflows of resources of the Agency exceeded liabilities and deferred inflows of resources by \$7,412,559 and \$7,300,329 as of June 30, 2020 and 2019, respectively.

Bighorn Desert View Water Agency
Management's Discussion and Analysis, continued
For the Fiscal Years Ended June 30, 2020 and 2019

Statements of Net Position, continued

Compared to prior year, net position of the Agency increased 1.54% and 0.61% or \$112,230 and \$43,953, respectively. The Agency's total net position is made-up of three components: (1) net investment in capital assets, (2) restricted net position – Goat Mountain capital assets, and (3) unrestricted net position.

By far the largest portion of the Agency's net position (56.3% and 59.3% as of June 30, 2020 and 2019, respectively) reflects the Agency's investment in capital assets (net of accumulated depreciation) less any related debt used to acquire those assets that is still outstanding. The Agency uses these capital assets to provide services to customers within the Agency's service area; consequently, these assets are *not* available for future spending.

At the end of fiscal year 2020 and 2019, the Agency showed a positive balance in its unrestricted net position of \$2,893,069 and \$2,607,269, respectively, which may be utilized in future years.

Statements of Revenues, Expenses and Changes in Net Position

Condensed Statements of Revenues, Expenses and Changes in Net Position

	<u>2020</u>	<u>2019</u>	<u>Change</u>	<u>2018</u>	<u>Change</u>
Operations:					
Operating revenues	\$ 1,983,822	1,781,296	202,526	1,730,166	51,130
Operating expenses	<u>2,088,334</u>	<u>1,639,648</u>	<u>448,686</u>	<u>1,549,293</u>	<u>90,355</u>
Operating (loss) income before depreciation	<u>(104,512)</u>	<u>141,648</u>	<u>(246,160)</u>	<u>180,873</u>	<u>(39,225)</u>
Depreciation	<u>(362,447)</u>	<u>(360,272)</u>	<u>(2,175)</u>	<u>(355,039)</u>	<u>(5,233)</u>
Operating loss	<u>(466,959)</u>	<u>(218,624)</u>	<u>(248,335)</u>	<u>(174,166)</u>	<u>(44,458)</u>
Non-operating revenue (expenses):					
Property taxes	203,648	205,697	(2,049)	364,491	(158,794)
Interest earnings	70,688	41,126	29,562	15,464	25,662
Desert View debt surcharge	50,031	50,093	(62)	50,134	(41)
Interest expense – long-term debt	(1,261)	(7,026)	5,765	(14,613)	7,587
Loss on asset disposals	(37,076)	(164,002)	126,926	-	(164,002)
Other non-operating revenues, net	<u>1,216</u>	<u>10,817</u>	<u>(9,601)</u>	<u>16,024</u>	<u>(5,207)</u>
Total non-operating revenues, net	<u>287,246</u>	<u>136,705</u>	<u>150,541</u>	<u>431,500</u>	<u>(294,795)</u>
Net income before capital contributions	<u>(179,713)</u>	<u>(81,919)</u>	<u>(97,794)</u>	<u>257,334</u>	<u>(339,253)</u>
Capital contributions:					
Meter sales and installations	35,620	14,280	21,340	17,850	(3,570)
Grant revenue	<u>256,323</u>	<u>111,592</u>	<u>144,731</u>	<u>25,495</u>	<u>86,097</u>
Total capital contributions	<u>291,943</u>	<u>125,872</u>	<u>166,071</u>	<u>43,345</u>	<u>82,527</u>
Change in net position	<u>112,230</u>	<u>43,953</u>	<u>68,277</u>	<u>300,679</u>	<u>(256,726)</u>
Net position, beginning of period	<u>7,300,329</u>	<u>7,256,376</u>	<u>43,953</u>	<u>6,955,697</u>	<u>300,679</u>
Net position, end of period	<u>\$ 7,412,559</u>	<u>7,300,329</u>	<u>112,230</u>	<u>7,256,376</u>	<u>43,953</u>

The statements of revenues, expenses and changes in net position show how the Agency's net position changed during the fiscal year. During the fiscal year ended June 30, 2020, the Agency's net position increased 1.54% or \$112,230 to \$7,412,559 as a result of ongoing operations. During the fiscal year ended June 30, 2019, the Agency's net position increased 0.61% or \$43,953 to \$7,300,329, as a result of ongoing operations.

Bighorn Desert View Water Agency
Management's Discussion and Analysis, continued
For the Fiscal Years Ended June 30, 2020 and 2019

Total Revenues

	<u>2020</u>	<u>2019</u>	<u>Change</u>	<u>2018</u>	<u>Change</u>
Operating revenues:					
Water consumption sales	\$ 727,853	662,875	64,978	659,453	3,422
Basic service charges	1,000,103	949,380	50,723	901,047	48,333
Other charges	<u>255,866</u>	<u>169,041</u>	<u>86,825</u>	<u>169,666</u>	<u>(625)</u>
Total operating revenues	<u>1,983,822</u>	<u>1,781,296</u>	<u>202,526</u>	<u>1,730,166</u>	<u>51,130</u>
Non-operating revenues:					
Property taxes	203,648	205,697	(2,049)	364,491	(158,794)
Interest earnings	70,688	41,126	29,562	15,464	25,662
Desert View debt surcharge	50,031	50,093	(62)	50,134	(41)
Other non-operating revenues, net	<u>1,216</u>	<u>10,817</u>	<u>(9,601)</u>	<u>16,024</u>	<u>(5,207)</u>
Total non-operating revenues	<u>325,583</u>	<u>307,733</u>	<u>17,850</u>	<u>446,113</u>	<u>(138,380)</u>
Capital contributions:					
Meter sales and installations	35,620	14,280	21,340	17,850	(3,570)
Grant revenue	<u>256,323</u>	<u>111,592</u>	<u>144,731</u>	<u>25,495</u>	<u>86,097</u>
Total capital contributions	<u>291,943</u>	<u>125,872</u>	<u>166,071</u>	<u>43,345</u>	<u>82,527</u>
Total revenues	<u>\$ 2,601,348</u>	<u>2,214,901</u>	<u>386,447</u>	<u>2,219,624</u>	<u>(4,723)</u>

A closer examination of the sources of changes in net position reveals that:

In fiscal year 2020, the Agency's total revenue increased by 17.45% or \$386,447 to \$2,601,348. Operating revenues increased by \$202,526 to \$1,983,822, primarily due to increases in other charges of \$86,825, water sales of \$64,978 and basic service charges of \$50,723. In fiscal year 2019, the Agency's total revenue decreased by 0.21% or \$4,723 to \$2,214,901. Operating revenues increased by \$51,130 to \$1,781,296, primarily due to increases in basic service charges of \$48,333 and water sales of \$3,422.

In fiscal year 2020, non-operating revenues increased by 5.80% or \$17,850 to \$325,583, primarily due to an increase in interest earnings of \$29,562, which was offset by a decrease in other non-operating revenues of \$9,601. In fiscal year 2019, non-operating revenues decreased by 31.02% or \$138,380 to \$307,733, primarily due to a decrease in property taxes of \$158,794, which was offset by an increase in interest earnings of \$25,662.

In fiscal year 2020, the Agency's capital contributions increased by 131.94% or \$166,071 to \$291,943. Capital contributions were comprised of grant revenues of \$256,323 and meter sales and installations of \$35,620. In fiscal year 2019, the Agency's capital contributions increased by 190.40% or \$82,527 to \$125,872. Capital contributions were comprised of grant revenues of \$111,592 and meter sales and installations of \$14,280.

Bighorn Desert View Water Agency
Management's Discussion and Analysis, continued
For the Fiscal Years Ended June 30, 2020 and 2019

Total Expenses

	<u>2020</u>	<u>2019</u>	<u>Change</u>	<u>2018</u>	<u>Change</u>
Operating expenses including depreciation expense:					
Transmission and distribution	\$ 921,052	810,871	110,181	819,563	(8,692)
General and administrative	1,167,282	828,777	338,505	729,730	99,047
Depreciation	<u>362,447</u>	<u>360,272</u>	<u>2,175</u>	<u>355,039</u>	<u>5,233</u>
Total operating expenses including depreciation expense	<u>2,450,781</u>	<u>1,999,920</u>	<u>450,861</u>	<u>1,904,332</u>	<u>95,588</u>
Non-operating expenses:					
Interest expense – long-term debt	1,261	7,026	(5,765)	14,613	(7,587)
Loss on asset disposals	<u>37,076</u>	<u>164,002</u>	<u>(126,926)</u>	<u>-</u>	<u>164,002</u>
Total non-operating expenses	<u>38,337</u>	<u>171,028</u>	<u>(132,691)</u>	<u>14,613</u>	<u>156,415</u>
Total expenses	<u>\$ 2,489,118</u>	<u>2,170,948</u>	<u>318,170</u>	<u>1,918,945</u>	<u>252,003</u>

A closer examination of the sources of changes in net position reveals that:

In fiscal year 2020, the Agency's total expenses increased 14.66% or \$318,170 to \$2,489,118. Operating expenses including depreciation expense increased by \$450,861, primarily due to increases in general administrative of \$338,505 and transmission and distribution of \$110,181 from prior year. In fiscal year 2019, the Agency's total expenses increased 13.13% or \$252,003 to \$2,170,948. Operating expenses including depreciation expense increased by \$95,588, primarily due to increases in general administrative of \$99,047 and depreciation expense of \$5,233, which were offset by a decrease in transmission and distribution of \$8,692 from prior year.

In fiscal year 2020, the Agency's non-operating expenses decreased by 77.58% or \$132,691 to \$38,337, due primarily to a decrease in loss on asset disposals of \$126,926. In fiscal year 2019, the Agency's non-operating expenses increased by 13.13% or \$156,415 to \$171,028, due primarily to an increase in loss on asset disposal of \$164,002.

Capital Asset Administration

Changes in capital assets in 2020 were as follows:

	<u>Balance</u>	<u>Additions/</u>	<u>Deletions/</u>	<u>Balance</u>
	<u>2019</u>	<u>Transfers</u>	<u>Transfers</u>	<u>2020</u>
Capital assets:				
Non-depreciable assets	\$ 174,699	222,968	(284,034)	113,633
Depreciable assets	11,323,557	284,034	(121,286)	11,486,305
Accumulated depreciation	<u>(7,135,123)</u>	<u>(362,447)</u>	<u>72,897</u>	<u>(7,424,673)</u>
Total capital assets	<u>\$ 4,363,133</u>	<u>144,555</u>	<u>(332,423)</u>	<u>4,175,265</u>

Bighorn Desert View Water Agency
Management's Discussion and Analysis, continued
For the Fiscal Years Ended June 30, 2020 and 2019

Capital Asset Administration, continued

Changes in capital assets in 2019 were as follows:

	<u>Balance 2018</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>Balance 2019</u>
Capital assets:				
Non-depreciable assets	\$ 110,380	316,531	(252,212)	174,699
Depreciable assets	11,206,072	330,655	(213,170)	11,323,557
Accumulated depreciation	<u>(6,987,954)</u>	<u>(360,272)</u>	<u>213,103</u>	<u>(7,135,123)</u>
Total capital assets	<u>\$ 4,328,498</u>	<u>286,914</u>	<u>(252,279)</u>	<u>4,363,133</u>

At the end of fiscal year 2020 and 2019, the Agency's investment in capital assets amounted to \$4,175,265 and \$4,363,133, respectively (net of accumulated depreciation). This investment in capital assets includes land, construction-in-process, water system, organization, office building, mobile equipment, office equipment, yards, fuel station, and shop equipment. See note 4 for further information.

Debt Administration

Changes in long-term debt amounts for 2020 were as follows:

	<u>Balance 2019</u>	<u>Additions</u>	<u>Principal Payments/</u>	<u>Balance 2020</u>
Bonds payable:				
Bonds payable	\$ 34,977	-	(34,977)	-
Total long-term debt	<u>\$ 34,977</u>	<u>-</u>	<u>(34,977)</u>	<u>-</u>

Changes in long-term debt amounts for 2019 were as follows:

	<u>Balance 2018</u>	<u>Additions</u>	<u>Principal Payments/</u>	<u>Balance 2019</u>
Bonds payable:				
Bonds payable	\$ 175,977	-	(141,000)	34,977
Total long-term debt	<u>\$ 175,977</u>	<u>-</u>	<u>(141,000)</u>	<u>34,977</u>

See note 7 for further information.

Bighorn Desert View Water Agency
Management's Discussion and Analysis, continued
For the Fiscal Years Ended June 30, 2020 and 2019

Conditions Affecting Current Financial Position

The COVID-19 pandemic in the United States has caused business disruption through mandated and voluntary closings of businesses. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings. However, the related financial impact on the Agency and the duration cannot be estimated at this time.

Management is unaware of any other conditions, which could have a significant impact on the Agency's current financial position, net position, or operating results in terms of past, present and future periods.

Requests for Information

This financial report is designed to provide the Agency's present users, including funding sources, customers, stakeholders, and other interested parties with a general overview of the Agency's finances and to demonstrate the Agency's accountability with an overview of the Agency's financial operations and financial condition. Should the reader have questions regarding the information included in this report or wish to request additional financial information, please contact the Agency's General Manager, Marina West at Bighorn Desert View Water Agency at 622 S. Jemez Trail, Yucca Valley, California 92284 or (760) 364-2315.

Basic Financial Statements

Bighorn Desert View Water Agency
Statements of Net Position
June 30, 2020 and 2019

	2020	2019
Current assets:		
Cash and cash equivalents (note 2)	\$ 3,311,681	3,101,886
Cash and cash equivalents – restricted (note 2, 10, 12)	50,279	-
Accrued interest receivable	8,517	16,665
Accounts receivable – water sales and services	353,068	310,818
Grants receivable	82,284	77,354
Accounts receivable – other	-	639
Property taxes receivable	14,166	14,547
Water-in-storage inventory	244,680	200,440
Materials and supplies inventory	71,885	76,580
Prepaid expenses and other deposits	21,966	19,066
Total current assets	4,158,526	3,817,995
Non-current assets:		
Accounts receivable – long-term, net (note 3)	80,905	92,019
Capital assets – not being depreciated (note 4)	113,633	174,699
Depreciable capital assets, net (note 4)	4,061,632	4,188,434
Total non-current assets	4,256,170	4,455,152
Total assets	8,414,696	8,273,147
Deferred outflows of resources:		
Deferred pension outflows (note 9)	222,490	157,108
Total deferred outflows of resources	\$ 222,490	157,108

Continued on next page

See accompanying notes to the basic financial statements

Bighorn Desert View Water Agency
Statements of Net Position, continued
June 30, 2020 and 2019

	2020	2019
Current liabilities:		
Accounts payable	\$ 71,291	90,989
Accrued expenses	20,058	13,575
Accrued interest on long-term debt	-	420
Unearned revenue	15,582	14,745
Deposits	113,267	104,320
Long-term liabilities – due within one year:		
Compensated absences (note 5)	28,914	24,443
Tax liability – County (note 6)	39,239	26,036
Bonds payable (note 8)	-	34,977
Total current liabilities	288,351	309,505
Non-current liabilities:		
Long-term liabilities – due in more than one year:		
Compensated absences (note 5)	67,465	57,035
Tax liability – County (note 6)	78,196	104,147
IDM pipeline liability (note 7)	62,814	-
Net pension liability (note 9)	699,595	642,920
Total non-current liabilities	908,070	804,102
Total liabilities	1,196,421	1,113,607
Deferred inflows of resources:		
Deferred pension inflows (note 9)	28,206	16,319
Total deferred inflows of resources	28,206	16,319
Net position:		
Net investment in capital assets (note 11)	4,175,265	4,328,156
Restricted – Goat Mountain capital assets (note 12)	293,946	364,904
Restricted – pension benefits (note 2, 10, 12)	50,279	-
Unrestricted (note 13)	2,893,069	2,607,269
Total net position	\$ 7,412,559	7,300,329

See accompanying notes to the basic financial statements

Bighorn Desert View Water Agency
Statements of Revenues, Expenses and Changes in Net Position
For the Fiscal Years Ended June 30, 2020 and 2019

	2020	2019
Operating revenues:		
Water consumption sales	\$ 727,853	662,875
Basic service charges	1,000,103	949,380
Other charges	255,866	169,041
Total operating revenues	1,983,822	1,781,296
Operating expenses:		
Transmission and distribution	921,052	810,871
General and administrative	1,167,282	828,777
Total operating expenses	2,088,334	1,639,648
Operating income before depreciation	(104,512)	141,648
Depreciation	(362,447)	(360,272)
Operating loss	(466,959)	(218,624)
Non-operating revenue (expenses):		
Property taxes	203,648	205,697
Interest earnings	70,688	41,126
Desert View debt surcharge	50,031	50,093
Interest expense – long-term debt	(1,261)	(7,026)
Loss on asset disposal	(37,076)	(164,002)
Other non-operating revenues, net	1,216	10,817
Total non-operating revenues, net	287,246	136,705
Net (loss) income before capital contributions	(179,713)	(81,919)
Capital contributions:		
Meter sales and installations	35,620	14,280
Grant revenue	256,323	111,592
Total capital contributions	291,943	125,872
Change in net position	112,230	43,953
Net position, beginning of period	7,300,329	7,256,376
Net position, end of period	\$ 7,412,559	7,300,329

See accompanying notes to the basic financial statements

Bighorn Desert View Water Agency
Statement of Cash Flows
For the Fiscal Years Ended June 30, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Cash receipts from customers for water sales and services	\$ 1,988,831	1,798,242
Cash paid to employees for salaries and wages	(657,520)	(591,683)
Cash paid to vendors and suppliers for materials and services	(1,436,231)	(1,129,555)
Net cash (used in) provided by operating activities	(104,920)	77,004
Cash flows from non-capital financing activities:		
Proceeds from property taxes	254,095	43,448
Cash received for grants	256,323	111,592
Net cash provided by non-capital financing activities	510,418	155,040
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(188,555)	(181,776)
Property taxes received in support of long-term debt	1,201	13,944
Other revenue received in support of long-term debt	50,031	50,093
Principal paid on long-term debt	(34,977)	(141,000)
Interest paid on long-term debt	(1,681)	(8,780)
Net cash used in capital and related financing activities	(173,981)	(267,519)
Cash flows from investing activities:		
Investment in Section 115 Trust	(50,000)	-
Interest earnings	78,557	28,929
Net cash provided by investing activities	28,557	28,929
Net increase (decrease) in cash and cash equivalents	260,074	(6,546)
Cash and cash equivalents – beginning of year	3,101,886	3,108,432
Cash and cash equivalents – end of year	\$ 3,361,960	3,101,886

Continued on next page

See accompanying notes to the basic financial statements

Bighorn Desert View Water Agency
Statement of Cash Flows, continued
For the Fiscal Years Ended June 30, 2020 and 2019

	2020	2019
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (466,959)	(218,624)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	362,447	360,272
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources:		
(Increase) decrease in assets and deferred outflows of resources:		
Accounts receivable – water sales and services, net	(42,250)	(19,939)
Grants receivable	(4,930)	(53,694)
Accounts receivable – other	639	6,692
Water-in-storage inventory	(44,240)	(39,830)
Materials and supplies inventory	4,695	(10,572)
Prepaid expenses and other deposits	(2,900)	(4,812)
Accounts receivable – long-term, net	11,114	6,714
Deferred outflows of resources	(65,382)	41,253
Increase (decrease) in liabilities and deferred inflows of resources:		
Accounts payable	(19,698)	28,651
Accrued expenses	6,483	(2,261)
Unearned revenue	837	(2,852)
Deposits	8,947	7,948
Compensated absences	14,901	2,094
IDM pipeline liability	62,814	-
Net pension liability	56,675	(15,110)
Deferred inflows of resources	11,887	(8,926)
Total adjustments	362,039	295,628
Net cash (used in) provided by operating activities	\$ (104,920)	77,004

See accompanying notes to the basic financial statements

Bighorn Desert View Water Agency
Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2020 and 2019

(1) Reporting Entity and Summary of Significant Accounting Policies

A. Organization and Operations of the Reporting Entity

The Bighorn Desert View Water Agency (Agency) was formed in 1990 upon approved consolidation of the Bighorn Mountains Water Agency (established in 1969) and the Desert View Water District (established in 1964) by the San Bernardino County Board of Supervisors. The Agency provides water and water related services to the population within the Agency's boundaries. Accordingly, the Agency is authorized to finance, construct, operate and maintain a water transmission and distribution system to benefit this population. There are 2,552 connections within the Agency's boundaries which encompass approximately fifty-two (52) square miles.

The criteria used in determining the scope of the financial reporting entity is based on the provisions of Governmental Accounting Statements No. 61, *The Financial Reporting Entity*. The Agency is the primary governmental unit based on the foundation of a separately elected governing board that is elected by the citizens in a general popular election. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The Agency is financially accountable if it appoints a voting majority of the organization's governing body and: 1) It is able to impose its will on that organization, or 2) There is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government.

B. Basis of Accounting and Measurement Focus

The Agency reports its activities as an enterprise fund, which is used to account for operations that are financed and operated in a manner similar to a private business enterprise, where the intent of the Agency is that the costs of providing water to its service area on a continuing basis be financed or recovered primarily through user charges (water sales), capital grants and similar funding. Revenues and expenses are recognized on the full accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred, regardless of when the related cash flows take place.

Operating revenues and expenses, such as water sales and water purchases, result from exchange transactions associated with the principal activity of the Agency. Exchange transactions are those in which each party receives and gives up essentially equal values. Management, administration, and depreciation expenses are also considered operating expenses. Other revenues and expenses not included in the above categories are reported as non-operating revenues and expenses.

C. Financial Reporting

The Agency's basic financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP), as applied to enterprise funds. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Agency solely operates as a special-purpose government which means it is only engaged in business-type activities; accordingly, activities are reported in the Agency's proprietary fund.

The Agency has adopted the following GASB pronouncements in the current year:

Governmental Accounting Standards Board Statement No. 95

In May 2020, the GASB issued Statement No. 95 – *Postponement of the Effective Dates of Certain Authoritative Guidance*. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

Bighorn Desert View Water Agency
Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2020 and 2019

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position

1. Use of Estimates

The preparation of the basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported changes in net position during the reporting period. Actual results could differ from those estimates.

2. Uncertainty

The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of businesses. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings. However, the related financial impact on Agency and the duration cannot be estimated at this time.

3. Cash and Cash Equivalents

Substantially all of the Agency's cash is invested in interest bearing accounts. The Agency considers all highly liquid investments with maturities of three months or less at the time of purchase to be cash equivalents.

4. Investments and Investment Policy

The Agency has adopted an investment policy directing the General Manager to deposit and invest funds in financial institutions in accordance with California Government Code section 53600. The investment policy applies to all financial assets and investment activities of the Agency.

Changes in fair value that occur during a fiscal year are recognized as investment income reported for that fiscal year. Investment income includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation or sale of investments.

5. Fair Value Measurements

The Agency categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on valuation inputs used to measure the fair value of the asset, as follows:

- *Level 1* – This valuation level is based on quoted prices in active markets for identical assets.
- *Level 2* – This valuation level is based on directly observable and indirectly observable inputs. These inputs are derived principally from or corroborated by observable market data through correlation or market-corroborated inputs. The concept of market-corroborated inputs incorporates observable market data such as interest rates and yield curves that are observable at commonly quoted intervals.
- *Level 3* – This valuation level is based on unobservable inputs where assumptions are made based on factors such as prepayment rates, probability of defaults, loss severity and other assumptions that are internally generated and cannot be observed in the market.

6. Accounts Receivable

The Agency extends credit to customers in the normal course of operations. Management has evaluated the accounts and believes all accounts are collectible at June 30. When management deems customer accounts uncollectible, the Agency uses the direct write off method for the write-off those accounts to bad debt expense.

Bighorn Desert View Water Agency
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2020 and 2019

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position, continued

7. Property Taxes and Assessments

The County of San Bernardino Assessor's Office assesses all real and personal property within the County each year. The County of San Bernardino Tax Collector's Offices bills and collects the Agency's share of property taxes and assessments. The County of San Bernardino Treasurer's Office remits current and delinquent property tax collections to the Agency throughout the year. Property tax in California is levied in accordance with Article 13A of the State Constitution at one percent (1%) of countywide assessed valuations.

Property taxes receivable at year-end are related to property taxes collected by the County of San Bernardino, which have not been credited to the Agency's cash balance as of June 30. The property tax calendar is as follows:

Lien date	March 1
Levy date	July 1
Due dates	November 1 and March 1
Collection dates	December 10 and April 10

8. Water-in-storage Inventory

Water-in-storage inventory consists primarily of water purchased and held in storage with Mojave Water Agency (MWA), the Agency's State Water Project wholesaler. In 2020 and 2019, the Agency purchased 70 acre-feet of State Water Project water through the MWA, respectively. At June 30, 2020 and 2019, the Agency has a total of 450 acre feet and 380 acre feet in water-in-storage valued using an average cost of \$632 and \$569 per acre foot, respectively.

9. Materials and Supplies Inventory

Materials and supplies inventory consists primarily of water meters, pipe and pipefittings for construction and repair to the Agency's water transmission and distribution system. Inventory is valued at cost using the first-in first-out method. Inventory items are charged to expense at the time that individual items are withdrawn from inventory or consumed.

10. Prepaid Expenses

Certain payments to vendors reflects costs or deposits applicable to future accounting periods and are recorded as prepaid items in the basic financial statements.

11. Capital Assets

Capital assets acquired and/or constructed are capitalized at historical cost. Agency policy has set the capitalization threshold for reporting capital assets at \$5,000. Donated assets are recorded at acquisition value at the date of donation. Capital assets received in service concession arrangements are reported at acquisition value. Upon retirement or other disposition of capital assets, the cost and related accumulated depreciation are removed from the respective balances and any gains or losses are recognized.

Bighorn Desert View Water Agency
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2020 and 2019

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position, continued

11. Capital Assets, continued

Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

- Water system – 10 to 50 years
- Organization – 50 years
- Office building – 5 to 50 years
- Mobile equipment – 5 to 10 years
- Office equipment – 5 to 10 years
- Yards – 10 to 50 years
- Fuel station – 10 to 50 years
- Shop equipment – 5 to 10 years

12. Deferred Outflows of Resources

The statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of resources applicable to future periods and therefore will *not* be recognized as an outflow of resources (expenditure) until that time. The Agency has the following pension related items that qualify for reporting in this category:

- Deferred outflow which is equal to the employer contributions made after the measurement date of the net pension liability. This amount will be amortized-in-full against the net pension liability in the next fiscal year.
- Deferred outflow for the net differences between the actual and expected experience which will be amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the Plan.
- Deferred outflow for the net changes in assumptions which will be amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the Plan.
- Deferred outflow for the net adjustment due to differences in the changes in proportions of the net pension liability which will be amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the Plan.

13. Compensated Absences

The Agency's policy is to permit employees to accumulate vacation and sick leave. No employee is allowed to accrue vacation leave hours in excess of: one hundred sixty (160) hours for years one (1) through four (4); two hundred forty (240) hours for years five (5) through ten (10); three hundred twenty (320) hours for years eleven (11) and greater. Payment of unused vacation shall not reduce the accrual balance to less than fifty percent (50%) of the accrued vacation balance hours. All employees are allowed unlimited sick leave accrual. Employees are entitled to 50% payment for any accrued but unused sick leave in excess of two hundred (200) hours.

Bighorn Desert View Water Agency
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2020 and 2019

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position, continued

14. Pensions

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 Agency's California Public Employees' Retirement System (CalPERS) plans (Plans) and addition to/deduction from the Plans' 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.

GASB 68 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

- Valuation Date: June 30, 2018
- Measurement Date: June 30, 2019
- Measurement Period: July 1, 2018 to June 30, 2019

15. Deferred Inflows of Resources

The statement of net position will sometimes report a separate section for deferred inflows of resources. This financial statement element, *deferred inflows of resources*, represents an acquisition of resources applicable to future periods and therefore, will *not* be recognized as an inflow of resources (revenue) until that time. The Agency has the following pension related item that qualifies for reporting in this category:

- Deferred inflow for the net difference in projected and actual earnings on investments of the pension plans fiduciary net position. This amount is amortized over a 5 year period.
- Deferred inflow for the net differences in actual and proportionate share of employer contribution and net changes in proportion which will be amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the Plan.

16. Net Position

The financial statements utilize a net position presentation. Net position is categorized as follows:

- **Net Investment in Capital Assets** – Investment in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and amortization, and reduced by outstanding balances of any debt, or other long-term borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- **Restricted** – Restricted consists of assets that have restrictions placed upon their use by external constraints imposed either by creditors (debt covenants), grantors, contributors, or laws and regulations of other governments or constraints imposed by law through enabling legislation.
- **Unrestricted** – Unrestricted consists of the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of the net investment in capital assets or restricted component of net position.

Bighorn Desert View Water Agency
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2020 and 2019

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position, continued

17. Water Sales

Water sales are billed on a bi-monthly cyclical basis and recognize the respective revenues when they are earned.

18. Capital Contributions

Capital contributions represent cash and capital asset additions contributed to the Agency by property owners, granting agencies or real estate developers desiring services that require capital expenditures or capacity commitment.

19. Capital Grants

When a grant agreement is approved and eligible expenditures are incurred, the amount is recorded as a capital or operating grant receivable on the statement of net position and as capital grant contribution or operating grant revenue, as appropriate, on the statement of revenues, expenses and changes in net position.

20. Budgetary Policies

The Agency adopts an annual non-appropriated budget for planning, control, and evaluation purposes. Budgetary control and evaluation are affected by comparisons of actual revenues and expenses with planned revenues and expenses for the period. Encumbrance accounting is not used to account for commitments related to unperformed contracts for construction and services.

21. Reclassification

The Agency has reclassified certain prior year information to conform to current year presentations.

(2) Cash and Cash Equivalents

Cash and cash equivalents as of June 30, are classified in the accompanying financial statements as follows:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 3,311,681	3,101,886
Cash and cash equivalents – restricted	<u>50,279</u>	<u>-</u>
Total cash and cash equivalents	<u>3,361,960</u>	<u>3,101,886</u>

Cash and cash equivalents as of June 30, consist of the following:

	<u>2020</u>	<u>2019</u>
Cash on hand	\$ 1,550	1,800
Deposits with financial institutions	773,444	629,620
Deposits in Local Agency Investment Fund (LAIF)	2,536,687	2,470,466
Deposits in Public Agency Retirement System (PARS)	<u>50,279</u>	<u>-</u>
Total	<u>\$ 3,361,960</u>	<u>3,101,886</u>

Bighorn Desert View Water Agency
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2020 and 2019

(2) Cash and Cash Equivalents, continued

As of June 30, the Agency's authorized deposits had the following average maturities:

	2020	2019
Deposits in Local Agency Investment Fund (LAIF)	191 days	173 days

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

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

Authorized Investment Type	Maximum Maturity	Maximum Percentage Of Portfolio	Maximum Investment in One Issuer
U.S. Treasury obligations	5 years	None	None
Federal agency and bank obligations	5 years	None	None
Certificates-of-deposit (negotiable or placed)	5 years	30%	None
Commercial paper (prime)	270 days	25%	10%
Money market mutual funds	N/A	20%	None
State and local bonds, notes and warrants	N/A	None	None
California Local Agency Investment Fund (LAIF)	N/A	None	None

Investment in State Investment Pool

The Agency is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code Section 16429 and is under the management of the Treasurer of the State of California with oversight provided by the Local Agency Investment Advisory Board. The fair value of the Agency's investment in this pool is reported in the accompanying financial statements at amounts based upon the Agency's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Bank balances are secured by the pledging of a pool of eligible securities to collateralize the Agency's deposits with the bank in accordance with the Code.

The pool portfolio is invested in a manner that meets the maturity, quality, diversification and liquidity requirements set forth by GASB 79 for external investment pools that elect to measure, for financial reporting purposes, investments at amortized cost. LAIF does not have any legally binding guarantees of share values. LAIF does not impose liquidity fees or redemption gates on participant withdrawals.

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 California Government Code and the Agency's investment policy does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits.

Bighorn Desert View Water Agency
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2020 and 2019

(2) Cash and Cash Equivalents, continued

Custodial Credit Risk, continued

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. Of the bank balances, up to \$250,000 held at each institution were federally insured and the remaining balance is collateralized in accordance with the Code; however, the collateralized securities are not held in the Agency's name.

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 Code and the Agency's investment policy contain legal and policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF and the Pool).

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 change with market interest rates. One of the ways that the Agency manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments, and by timing cash flows from maturities so that a portion of the portfolio matures or comes close to maturity evenly over time as necessary to provide for cash flow requirements and liquidity needed for operations.

At June 30, 2020 and 2019, the Agency's investments held to maturity were categorized as twelve months or less, respectively.

Credit Risk

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, the Agency's investment policy, or debt agreements, and the actual rating as of year-end for each investment type.

Concentration of Credit Risk

The Agency's investment policy contains no limitations on the amounts that can be invested in any one issuer as beyond that stipulated by the California Government Code. There were no investments in any one issuer (other than for external investment pools) that represent 5% or more of total Agency's investments at June 30, 2020 and 2019.

Fair Value Measurements

At June 30, 2020 and 2019, the Agency did not hold any investments which require measurement at fair value on a recurring and non-recurring basis.

Bighorn Desert View Water Agency
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2020 and 2019

(3) Accounts Receivable – Long-term, net

Accounts receivable – long-term, net consists of property tax liens not yet collected by the County less an allowance for uncollectible based on analysis performed by the Agency. The balance at June 30 consists of the following:

		2020	2019
Accounts receivable – long-term, net	\$	87,405	99,219
Allowance for uncollectible accounts		(6,500)	(7,200)
Accounts receivable – water sales, net	\$	80,905	92,019

(4) Capital Assets

Construction-In-Process

The Agency has been involved in various construction projects throughout the year. The projects that comprise the construction-in-process balances at June 30, 2020 and 2019, were as follows:

		2020	2019
Mobile generator project	\$	-	33,350
Well 7 project		-	26,517
Various small projects under \$25,000		23,628	24,827
Construction-in-process	\$	23,628	84,694

Bighorn Desert View Water Agency
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2020 and 2019

(4) Capital Assets, continued

Changes in capital assets for 2020 were as follows:

	<u>Balance 2019</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>Balance 2020</u>
Non-depreciable assets:				
Land	\$ 90,005	-	-	90,005
Construction-in-process	84,694	222,968	(284,034)	23,628
Total non-depreciable assets	<u>174,699</u>	<u>222,968</u>	<u>(284,034)</u>	<u>113,633</u>
Depreciable assets:				
Water System	9,635,875	190,839	(60,094)	9,766,620
Organization	336,272	-	-	336,272
Office Building	327,594	-	-	327,594
Mobile Equipment	736,339	93,195	(61,192)	768,342
Office Equipment	182,244	-	-	182,244
Yards	56,330	-	-	56,330
Fuel Station	18,942	-	-	18,942
Shop Equipment	29,961	-	-	29,961
Total depreciable assets	<u>11,323,557</u>	<u>284,034</u>	<u>(121,286)</u>	<u>11,486,305</u>
Accumulated depreciation:				
Water System	(6,088,968)	(254,329)	20,325	(6,322,972)
Organization	(162,811)	(12,291)	-	(175,102)
Office Building	(233,697)	(11,179)	-	(244,876)
Mobile Equipment	(483,946)	(65,748)	52,572	(497,122)
Office Equipment	(81,220)	(16,058)	-	(97,278)
Yards	(49,312)	(227)	-	(49,539)
Fuel Station	(17,095)	(579)	-	(17,674)
Shop Equipment	(18,074)	(2,036)	-	(20,110)
Total accumulated depreciation	<u>(7,135,123)</u>	<u>(362,447)</u>	<u>72,897</u>	<u>(7,424,673)</u>
Total depreciable assets, net	<u>4,188,434</u>	<u>(78,413)</u>	<u>(48,389)</u>	<u>4,061,632</u>
Total capital assets, net	\$ <u>4,363,133</u>			<u>4,175,265</u>

Major depreciable capital asset additions during fiscal year 2020 include additions to the water system, office building, mobile equipment and shop equipment.

Bighorn Desert View Water Agency
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2020 and 2019

(4) Capital Assets, continued

Changes in capital assets for 2019 were as follows:

	<u>Balance 2018</u>	<u>Category Reclassification</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>Balance 2019</u>
Non-depreciable assets:					
Land	\$ 80,979	-	9,026	-	90,005
Construction-in-process	29,401	-	307,505	(252,212)	84,694
Total non-depreciable assets	<u>110,380</u>	<u>-</u>	<u>316,531</u>	<u>(252,212)</u>	<u>174,699</u>
Depreciable assets:					
Water System	9,561,254	-	212,812	(138,191)	9,635,875
Organization	336,272	-	-	-	336,272
Office Building	288,194	-	39,400	-	327,594
Mobile Equipment	722,498	-	66,557	(52,716)	736,339
Office Equipment	196,235	-	-	(13,991)	182,244
Yards	56,330	-	-	-	56,330
Fuel Station	18,942	-	-	-	18,942
Shop Equipment	26,347	-	11,886	(8,272)	29,961
Total depreciable assets	<u>11,206,072</u>	<u>-</u>	<u>330,655</u>	<u>(213,170)</u>	<u>11,323,557</u>
Accumulated depreciation:					
Water System	(5,953,247)	(13,041)	(260,871)	138,191	(6,088,968)
Organization	(149,543)	-	(13,268)	-	(162,811)
Office Building	(240,182)	13,548	(7,063)	-	(233,697)
Mobile Equipment	(475,706)	(452)	(60,437)	52,649	(483,946)
Office Equipment	(77,588)	(54)	(17,569)	13,991	(81,220)
Yards	(49,063)	(2)	(247)	-	(49,312)
Fuel Station	(16,278)	-	(817)	-	(17,095)
Shop Equipment	(26,347)	1	-	8,272	(18,074)
Total accumulated depreciation	<u>(6,987,954)</u>	<u>-</u>	<u>(360,272)</u>	<u>213,103</u>	<u>(7,135,123)</u>
Total depreciable assets, net	<u>4,218,118</u>	<u>-</u>	<u>(29,617)</u>	<u>(67)</u>	<u>4,188,434</u>
Total capital assets, net	<u>\$ 4,328,498</u>				<u>4,363,133</u>

Major depreciable capital asset additions during fiscal year 2019 include additions to the water system, office building, and mobile equipment.

(5) Compensated Absences

Compensated absences comprise unpaid paid time off that accrues when benefits are fully vested and are determined annually. Compensated absences turn-over each year, therefore, the compensated absence balance of the Agency is recorded as a liability on the Statement of Net Position.

The changes to compensated absences balances at June 30, 2020 were as follows:

	<u>Balance 2019</u>	<u>Earned</u>	<u>Taken</u>	<u>Balance 2020</u>	<u>Due Within One Year</u>	<u>Due in More Than One Year</u>
\$	<u>81,478</u>	<u>66,397</u>	<u>(51,496)</u>	<u>96,379</u>	<u>28,914</u>	<u>67,465</u>

Bighorn Desert View Water Agency
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2020 and 2019

(5) Compensated Absences, continued

The changes to compensated absences balances at June 30, 2019 were as follows:

<u>Balance</u> <u>2018</u>	<u>Earned</u>	<u>Taken</u>	<u>Balance</u> <u>2019</u>	<u>Due Within</u> <u>One Year</u>	<u>Due in More</u> <u>Than One Year</u>
\$ 79,384	52,206	(50,112)	81,478	24,443	57,035

(6) Tax Liability – County

Tax Liability – County of San Bernardino

On August 20, 2018, the Agency received notification from the County of San Bernardino Auditor-Controller/Treasurer/Tax Collector’s office, (County) that the County had overpaid \$130,183 in unitary tax allocations to Bighorn-Desert View Water Agency Improvement Agency 1 (Bighorn Mountains). The error was a result of the manner in which the County calculated the distribution of the Unitary Tax Allocation. The error was discovered in an audit of the County by the State Controller’s Office which required fiscal year 2005 to be “restated” and which led to a subsequent correction in the fiscal years that followed. While the Agency was “overpaid”, other entities were “underpaid”. The County of San Bernardino is responsible to reallocate the monies correctly. As a result, during the fiscal year ended June 30, 2018 the Agency adjusted its net position. See note 12 for further information.

The County agreed to provide the Agency a 5-year payment schedule beginning in fiscal year June 30, 2020. The future payments will be accounted for in the tax allocations rather than through direct payment to the County Tax Collector.

Annual payments are as follows:

<u>Fiscal Year</u>	<u>Liability</u>
2021	\$ 39,239
2022	26,036
2023	26,037
2024	26,036
2025	87
Total	117,435
Less current	(39,239)
Total non-current	\$ 78,196

(7) Morongo Basin – IDM Pipeline Liability

During fiscal year 2020, the Agency was notified by the Mojave Water Agency (MWA) that it maintained sufficient debt service reserves and further tax apportionments would be terminated. MWA projected the final debt service payment for each IDM pipeline participant based on the percentage share of the pipeline that would be required in May 2022. Of the total final projected payment of \$628,136, the Agency’s share is calculated at 10% or \$62,814. The Agency recorded a liability accordingly.

Bighorn Desert View Water Agency
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2020 and 2019

(8) Long-term Debt

Changes in long-term debt for the year ended June 30, 2020 are as follows:

	Balance 2019	Additions	Payments/ Amortization	Balance 2020
Bonds payable:				
Desert View Water Revenue Bonds	\$ 34,977	-	(34,977)	-
Total bonds payable	34,977	-	(34,977)	-
Less: current portion due	(34,977)			-
Long-term portion due	\$ -			-

Changes in long-term debt for the year ended June 30, 2019 are as follows:

	Balance 2018	Additions	Payments/ Amortization	Balance 2019
Bonds payable:				
Bighorn General Obligation Bonds	\$ 104,000	-	(104,000)	-
Desert View Water Revenue Bonds	71,977	-	(37,000)	34,977
Total bonds payable	175,977	-	(141,000)	34,977
Less: current portion due	(141,000)			(34,977)
Long-term portion due	\$ 34,977			-

Desert View Water Revenue Bonds

In September 1980, the Agency issued \$2,480,650 in Water Revenue Bonds, to provide funds to pay for Agency water infrastructure improvement projects. The bonds are secured by a pledge of net revenues and certain funds held under the indenture.

The bonds are scheduled to mature in 2020. Interest is payable semi-annually on October 1st and April 1st each year at a rate of 5.00% while principal payments are made on April 1st each year. The bonds matured in 2020.

At June 30, 2020, the bonds were paid-in-full.

Bighorn General Obligation Bonds

In September 1980, the Agency issued \$700,000 in General Obligation Bonds, to provide funds to pay for Agency water infrastructure improvement projects. The bonds are secured by a pledge of net revenues and certain funds held under the indenture. The bonds matured in 2019.

At June 30, 2019, the bonds were paid-in-full.

Bighorn Desert View Water Agency
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2020 and 2019

(9) Defined Benefit Pension Plan

Plan Description

All qualified permanent and probationary employees are eligible to participate in the Agency's Miscellaneous Employee Pension Plan, cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plan are established by State statute and the Agency's resolution. CalPERS issues publicly available reports that include a full description of the pension 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 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. The death benefit is the 1957 Survivor Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

On September 12, 2012, the California Governor signed the California Public Employees' Pension Reform Act of 2013 (PEPRA) into law. PEPRA took effect January 1, 2013. The new legislation closed the Agency's CalPERS 3.0% at 60 Risk Pool Retirement Plan to new employee entrants effective December 31, 2012. All employees hired after January 1, 2013, are eligible for the Agency's CalPERS 2.0% at 62 Retirement Plan under PEPRA. New employees that have previously participated in the Classic Plan are eligible for the Agency's CalPERS 3.0% at 60 Retirement Plan.

The Plans' provision and benefits in effect at June 30, 2020, are summarized as follows:

	Miscellaneous Plan Pool	
	Classic	PEPRA
	Prior to December 31, 2012	On or after January 1, 2013
Hire date		
Benefit formula	3.0% @ 60	2.0% @ 62
Benefit vesting schedule	5 service years	5 service years
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 60	52 - 67
Monthly benefits, as a % of eligible compensation	2.0% to 3.0%	2.0% to 2.5%
Required employer contribution rates	9.072%	6.985%
Required employee contribution rates	13.326%	6.750%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates, for all public employers, be determined on an annual basis by the actuary and shall be effective on July 1, following notice of the change in rate. Funding contributions for the Plan is determined annually on an actuarial basis as of June 30 by CalPERS.

Bighorn Desert View Water Agency
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2020 and 2019

(9) Defined Benefit Pension Plan, continued

Contributions, continued

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 Agency is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

As of the fiscal year ended June 30, the contributions for the Plan were as follows:

	2020	2019
Contributions – employer	\$ 142,936	76,800

During the fiscal year ended June 30, 2020, the District paid off its side fund balance of \$53,394.

Net Pension Liability

As of June 30, the Agency reported net pension liabilities for its proportionate share of the net pension liability of the Plan as follows:

	2020	2019
Proportionate share of net pension liability	\$ 699,595	642,920

The Agency’s net pension liability for the Plan is measured as the proportionate share of the net pension liability for the miscellaneous risk pool. As of the fiscal years ended June 30, 2020 and 2019, the net pension liability of the Plan is measured as of June 30, 2019 and 2018 (the measurement dates), respectively. The total pension liability for the Plan’s miscellaneous risk pool used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018 and 2017 (the valuation dates), rolled forward to June 30, 2019 and 2018, respectively, using standard update procedures. The Agency’s proportion of the net pension liability was based on a projection of the Agency’s long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

The Agency’s proportionate share of the net pension liability for the Plan’s miscellaneous risk pool as of the fiscal year ended June 30, 2020, was as follows:

	Miscellaneous Plan
Proportion – June 30, 2019	0.00667%
Increase in proportion	0.00016%
Proportion – June 30, 2020	0.00683%

The Agency’s proportionate share of the net pension liability for the Plan’s miscellaneous risk pool as of the fiscal year ended June 30, 2019, was as follows:

	Miscellaneous Plan
Proportion – June 30, 2018	0.00664%
Increase in proportion	0.00003%
Proportion – June 30, 2019	0.00667%

Bighorn Desert View Water Agency
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2020 and 2019

(9) Defined Benefit Pension Plan, continued

Deferred Outflows/Inflows of Resources Related to Pensions

For the fiscal years ended June 30, 2020 and 2019, the Agency recognized pension expense of \$146,116 and \$28,369, respectively.

As of June 30, the Agency reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>2020</u>		<u>2019</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to the measurement date	\$ 142,936	-	76,800	-
Differences between actual and expected experience	44,825	-	16,274	-
Changes in assumptions	21,534	-	55,334	-
Net differences between projected and actual earnings on plan investments	-	(12,231)	3,179	-
Differences between actual contribution and proportionate share of contribution	-	(15,975)	-	(16,319)
Net adjustment due to differences in proportions of net pension liability	13,195	-	5,521	-
Total	<u>\$ 222,490</u>	<u>(28,206)</u>	<u>157,108</u>	<u>(16,319)</u>

As of June 30, 2020 and 2019, the Agency reported \$142,936 and \$76,800, as deferred outflows of resources related to pension contributions subsequent to the measurement dates June 30, 2019 and 2018, and will be recognized as a reduction of the net pension liability for the year ended June 30, 2021 and 2020, respectively.

As of June 30, 2020 other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Deferred Net Outflows/(Inflows) of Resources</u>
2021	\$ 47,414
2022	(3,987)
2023	6,285
2024	1,636
2025	-
Remaining	-

Bighorn Desert View Water Agency
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2020 and 2019

(9) Defined Benefit Pension Plan, continued

Actuarial Assumptions

The total pension liabilities in the June 30, 2018 and 2017, actuarial valuations were determined using the following actuarial assumptions and methods:

Valuation Dates	June 30, 2018 and 2017
Measurement Dates	June 30, 2019 and 2018
Actuarial cost method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
 Actuarial assumptions:	
Discount rate	7.15%
Inflation	2019 and 2018 – 2.50%
Salary increases	Varies by Entry Age and Service
Investment Rate of Return	7.50 % Net of Pension Plan Investment and Administrative Expenses; includes inflation
Mortality Rate Table*	Derived using CalPERS' Membership Data for all Funds Contract
Period upon which actuarial Experience Survey assumptions were based	2018 and 2018 – 1997-2015
Post Retirement Benefit	2019 and 2018 – COLA up to 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

* The mortality table used above was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 Experience Study report. Further details of the Experience Study can be found on the CalPERS website.

Discount Rate

At the measurement dates, June 30, 2019 and 2018, the discount rate used to measure the total pension liability was 7.15% for the Plan. The discount rate reflects the long-term expected rate of return for the Plan net of investment expenses and without reduction for administrative expenses. For the Plan, the crossover test was performed for a miscellaneous agent plan and a safety agent plan was selected as being more at risk of failing the crossover test and resulting in a discount rate that would be different from the long-term expected rate of return on pension investments. Based on the testing of the plans, the tests revealed the assets would not run out. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for PERF C. The crossover test results can be found on CalPERS' website.

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

Bighorn Desert View Water Agency
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2020 and 2019

(9) Defined Benefit Pension Plan, continued

Discount Rate, continued

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 of the funds' asset classes, expected compound (geometric) 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 rounded 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.

As of June 30, 2020 and 2019, the target allocation and the long-term expected real rate of return by asset class is as follows:

<u>Asset Class</u>	<u>New Strategic Allocation</u>	<u>Real Return Years 1-10*</u>
Global Equity	50.0%	4.80%
Global Fixed Income	28.0%	1.00%
Inflation Sensitive	0.0%	0.77%
Private Equity	8.0%	6.30%
Real Estate	13.0%	3.75%
Liquidity	1.0%	0.00%
Total	<u>100.0%</u>	

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following table presents the Agency's proportionate share of the net pension liability for the Plan, calculated using the discount rate for the Plan, as well as what the Agency'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.

As of June 30, 2020, the Agency's net pension liability at the current discount rate, using a discount rate that is one-percentage point lower, and using a discount rate that is one-percentage point higher, is as follows:

	<u>Discount Rate - 1% 6.15%</u>	<u>Current Discount Rate 7.15%</u>	<u>Discount Rate + 1% 8.15%</u>
Agency's Net Pension Liability	\$ <u>1,077,432</u>	<u>699,595</u>	<u>387,718</u>

Bighorn Desert View Water Agency
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2020 and 2019

(9) Defined Benefit Pension Plan, continued

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount

As of June 30, 2019, the Agency's net pension liability at the current discount rate, using a discount rate that is one-percentage point lower, and using a discount rate that is one-percentage point higher, is as follows:

	Discount Rate - 1% 6.15%	Current Discount Rate 7.15%	Discount Rate + 1% 8.15%
Agency's Net Pension Liability	\$ 1,088,045	642,920	341,515

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial reports. See pages 51 and 52 for the Required Supplementary Information.

Payable to the Pension Plan

At June 30, 2020 and 2019, the Agency reported \$0 in payables for the outstanding amount of contribution to the pension plan, respectively.

(10) Section 115 Trust

In fiscal year 2019-20, the Agency's Board approved the creation of a Section 115 Trust Agreement with the Public Agency Retirement Services (PARS), Trustee and Trust Administrator. The Section 115 Trust was established as a means to set aside monies to fund the Agency's pension plan obligation. Contributions to the Section 115 Trust are irrevocable, the assets are dedicated to providing benefits to plan members, and the assets are protected from creditors of the Agency. The purpose of the creation of the Section 115 Trust was to address the Agency's pension obligations by accumulating assets to reduce the net pension liability. However, in accordance with generally accepted accounting principles, the assets in the Section 115 Trust are not considered to have present service capacity as plan assets and are therefore considered restricted assets of the Agency rather than pension plan assets. Accordingly, the Section 115 Trust's assets are recorded as restricted for pension benefits in the Agency's fund net position rather than assets of the pension plan during the measurement date of the net pension liability. The assets held in trust will be considered pension plan assets at the time they are transferred out of the Trust into the pension plan.

The Agency initially deposited \$50,000 into the Trust. During fiscal year 2020, the Trust earned \$279 in interest income and incurred \$0 in bank fees. The Trust account balance at June 30, 2020 amounted to \$50,279.

(11) Net Investment in Capital Assets

Calculation of net investment in capital assets as of June 30 were as follows:

	2020	2019
Net investment in capital assets:		
Capital assets, net	\$ 4,175,265	4,363,133
Bonds payable – current portion	-	(34,977)
Total net investment in capital assets	\$ 4,175,265	4,328,156

Bighorn Desert View Water Agency
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2020 and 2019

(12) Restricted Net Position

On January 21, 2015, the Local Agency Formation Commission for San Bernardino County adopted Resolution No. 3194 which annexed the Goat Mountain (CSA 70 Zone W-1) water system to the Bighorn-Desert View water system. As part of this annexation, the Agency is required to maintain separate accounts and is therefore classified as restricted.

Calculation of restricted net position as of June 30 was as follows:

	2020	2019
Restricted net position:		
Goat Mountain capital assets	\$ 293,946	364,904
Section 115 Trust – Pension benefits	50,279	-
Total restricted net position	\$ 344,225	364,904

(13) Unrestricted Net Position

Unrestricted net position as of June 30, were categorized as follows:

	2020	2019
Unrestricted net position:		
Non-spendable net position:		
Water-in-storage inventory	\$ 244,680	200,440
Materials and supplies inventory	71,885	76,580
Prepaid expenses and other deposits	21,966	19,066
Total non-spendable net position	338,531	296,086
Spendable net position are as follows:		
Unrestricted	2,554,538	2,311,183
Total spendable net position	2,554,538	2,311,183
Total unrestricted net position	\$ 2,893,069	2,607,269

(14) Morongo Basin Pipeline Water Delivery Costs

The Agency is a project participant in the Mojave Water Agency’s Improvement District M State Water Project (Morongo Basin Project). The Mojave Water Agency was authorized to issue \$66,500,000 of general obligation bonds to build a pipeline connection from the State Water Project’s California Aqueduct in Hesperia to the Morongo Basin. The project was completed in June 1996, and to date \$51,780,000 in bonded debt has been issued to cover the costs of the construction.

The Agency and the other project participants have agreed to pay their proportional portion of the construction, operation and financing costs of the entire project. The Agency’s proportional share of the project is 10%.

The agreement is being treated as a 25-year operating lease since title to the pipeline connection assets will not be transferred to the Agency. As part of the agreement, the Agency is required to pay its portion of the lease (debt service on the project) annually. For fiscal year ended June 30, 2020 and 2019, the lease payment was \$56,533 and \$81,438, respectively.

Bighorn Desert View Water Agency
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2020 and 2019

(15) Risk Management

The Agency 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 Agency is a member of the Special District Risk Management Authority (SDRMA), an intergovernmental risk sharing joint powers authority created to provide self-insurance programs for California special districts. The purpose of the SDRMA is to arrange and administer programs of self-insured losses and to purchase excess insurance coverage.

At June 30, 2020, the Agency participated in the liability and property programs of the SDRMA as follows:

- General and auto liability, public officials and employees' errors and omissions: Total risk financing self-insurance limits of \$2,500,000, combined single limit at \$2,500,000 per occurrence. Deductibles: General Liability Property Damage- \$500, Auto Liability Property Damage - \$1,000

In addition, the Agency also has the following insurance coverage:

- Employee dishonesty coverage up to \$1,000,000 per loss includes public employee dishonesty, forgery or alteration and theft, disappearance and destruction coverages.
- Property loss is paid at the replacement cost for property on file, if replaced within two years after the loss, otherwise paid on an actual cash value basis. A combined total of \$1 billion per occurrence (pool limit), subject to a \$1,000 deductible per occurrence unless otherwise listed in declarations.
- Boiler and machinery coverage for the replacement cost up to \$100 million per occurrence (pool limit), subject to a \$1,000 deductible per occurrence, unless other specific object or peril as listed on the declaration.
- Public officials personal liability up to \$500,000 each occurrence, with an annual aggregate of \$500,000 per each elected/appointed official to which this coverage applies, subject to the terms, with a deductible of \$500 per claim, and an annual pool aggregate of \$8,500,000.
- Workers' compensation insurance up to statutory limits and Employer's Liability Coverage up to \$5 million.

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 years 2020, 2019, and 2018. 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 IBNR claims payable as of June 30, 2020, 2019, and 2018.

Bighorn Desert View Water Agency
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2020 and 2019

(16) Governmental Accounting Standards Board Statements Issued, Not Yet Effective

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to June 30, 2020, that have effective dates that may impact future financial presentations.

The following pronouncement implementation dates have been delayed due to the COVID-19 pandemic.

Governmental Accounting Standards Board Statement No. 84

In January 2017, the GASB issued Statement No. 84 – *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria.

The requirements of this Statement were effective for reporting periods beginning after December 15, 2018; however, in light of the COVID-19 pandemic, the effective date has been postponed by one year. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 87

In June 2017, the GASB issued Statement No. 87 – *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The requirements of this Statement were effective for reporting periods beginning after December 15, 2019; however, in light of the COVID-19 pandemic, the effective date has been postponed by 18 months. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 89

In June 2018, the GASB issued Statement No. 89 – *Accounting for Interest Cost incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

Bighorn Desert View Water Agency
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2020 and 2019

(16) Governmental Accounting Standards Board Statements Issued, Not Yet Effective, continued

Governmental Accounting Standards Board Statement No. 89

This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

The requirements of this Statement were effective for reporting periods beginning after December 15, 2019; however, in light of the COVID-19 pandemic, the effective date has been postponed by one year. Earlier application is encouraged. The requirements of this Statement should be applied prospectively.

Governmental Accounting Standards Board Statement No. 90

In August 2018, the GASB issued Statement No. 90 – *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government’s majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government’s holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition.

The requirements of this Statement were effective for reporting periods beginning after December 15, 2018; however, in light of the COVID-19 pandemic, the effective date has been postponed by one year. Earlier application is encouraged. The requirements should be applied retroactively, except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest. Those provisions should be applied on a prospective basis.

Bighorn Desert View Water Agency
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2020 and 2019

(16) Governmental Accounting Standards Board Statements Issued, Not Yet Effective, continued

Governmental Accounting Standards Board Statement No. 91

In May 2019, the GASB issued Statement No. 91 – *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. In those arrangements, capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by third-party obligors in the course of their activities. Payments from third-party obligors are intended to cover and coincide with debt service payments. During those arrangements, issuers retain the titles to the capital assets. Those titles may or may not pass to the obligors at the end of the arrangements.

This Statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period.

The requirements of this Statement were effective for reporting periods beginning after December 15, 2020; however, in light of the COVID-19 pandemic, the effective date has been postponed by one year. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 92

In January 2020, the GASB issued Statement No. 92 – *Omnibus 2020*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements.

The requirements of this Statement were as follows: (1) 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; (2) The requirements related to intra-entity transfers of assets and those related to the applicability of Statements 73 and 74 are effective for fiscal years beginning after June 15, 2020; (3) The requirements related to application of Statement 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, 2020; and (4) The requirements related to the measurement of liabilities (and assets, if any) associated with AROs in a government acquisition are effective for government acquisitions occurring in reporting periods beginning after June 15, 2020; however, in light of the COVID-19 pandemic, the effective date has been postponed by one year. Earlier application is encouraged and is permitted by topic.

Bighorn Desert View Water Agency
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2020 and 2019

(16) Governmental Accounting Standards Board Statements Issued, Not Yet Effective, continued

Governmental Accounting Standards Board Statement No. 93

In March 2020, the GASB issued Statement No. 93 – *Replacement of Interbank Offered Rates*. The objective of this Statement is to address accounting and financial reporting implications that result from the replacement of an IBOR. This Statement achieves that objective by: (1) Providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument’s variable payment; (2) Clarifying the hedge accounting termination provisions when a hedged item is amended to replace the reference rate; (3) Clarifying that the uncertainty related to the continued availability of IBORs does not, by itself, affect the assessment of whether the occurrence of a hedged expected transaction is probable; (4) Removing LIBOR as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap; (5) Identifying a Secured Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap; (6) Clarifying the definition of reference rate, as it is used in Statement 53, as amended; and (7) Providing an exception to the lease modifications guidance in Statement 87, as amended, for certain lease contracts that are amended solely to replace an IBOR as the rate upon which variable payments depend.

The requirements of this Statement were effective as follows: (1) The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021; and (2) All other requirements of this Statement are effective for reporting periods beginning after June 15, 2020; however, in light of the COVID-19 pandemic, the effective dates have been postponed by one year. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 94

In March 2020, the GASB issued Statement No. 94 – *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement.

This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

Bighorn Desert View Water Agency
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2020 and 2019

(16) Governmental Accounting Standards Board Statements Issued, Not Yet Effective, continued

Governmental Accounting Standards Board Statement No. 96

In May 2020, the GASB issued Statement No. 96 – *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 97

In June 2020, the GASB issued Statement No. 97 – *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 41 and No. 84, and a supersession of GASB Statement No. 32*. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

The requirements of this Statement that (1) exempt primary governments that perform the duties that a governing board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans and (2) limit the applicability of the financial burden criterion in paragraph 7 of Statement 84 to defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively, are effective immediately. The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. For purposes of determining whether a primary government is financially accountable for a potential component unit, the requirements of this Statement that provide that for all other arrangements, the absence of a governing board be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform, are effective for reporting periods beginning after June 15, 2021. Earlier application of those requirements is encouraged and permitted by requirement as specified within this Statement. The Board considered the effective dates for the requirements of this Statement in light of the COVID-19 pandemic and in concert with Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance.

Bighorn Desert View Water Agency
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2020 and 2019

(17) Commitments and Contingencies

Grant Awards

Grant funds received by the Agency are subject to audit by the grantor agencies. Such an audit could lead to requests for reimbursements to the grantor agencies for expenditures disallowed under terms of the grant. Management of the Agency believes that such disallowances, if any, would not be significant.

Litigation

In the ordinary course of operations, the Agency is subject to claims and litigation from outside parties. After consultation with legal counsel, the Agency believes the ultimate outcome of such matters, if any, will not materially affect its financial condition.

COVID-19 Pandemic

In December 2019, a novel strain of coronavirus has spread around the world resulting in business and social disruption. The coronavirus was declared a Public Health Emergency of International Concern by the World Health Organization on January 30, 2020. The operations and business results of the Agency could potentially be adversely affected by this global pandemic. The extent to which the coronavirus may impact business activity or investment results will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and the actions required to contain the coronavirus. The Agency has not included any contingencies in the financial statements specific to this issue.

(18) Subsequent Events

Management is not aware of any events or transactions, including estimates that provide additional evidence about conditions that existed at June 30, 2020, or arose subsequent to that date and are considered inherent in the process of preparing these financial statements.

Required Supplementary Information

Bighorn Desert View Water Agency
Schedule of the Agency's Proportionate Share of the Net Pension Liability
As of June 30, 2020
Last Ten Years*

	Fiscal Year					
	<u>6/30/2020</u>	<u>6/30/2019</u>	<u>6/30/2018</u>	<u>6/30/2017</u>	<u>6/30/2016</u>	<u>6/30/2015</u>
Agency's Proportion of the Net Pension Liability	0.00683%	0.00667%	0.00664%	0.00656%	0.00656%	0.00657%
Agency's Proportionate Share of the Net Pension Liability	\$ 699,595	642,920	658,030	567,392	450,309	408,884
Agency's Covered Payroll	\$ 454,463	477,108	432,502	473,007	390,961	361,687
Agency's proportionate share of the net pension liability as a as a Percentage of its Covered Payroll	153.94%	134.75%	152.14%	119.95%	115.18%	113.05%
Plan's Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	<u>75.10%</u>	<u>76.19%</u>	<u>74.45%</u>	<u>75.10%</u>	<u>78.78%</u>	<u>79.59%</u>

Notes:

Changes in Benefit Terms – There were no changes in benefit terms for the measurement date June 30, 2020.

Changes of Assumptions – There were no changes of assumption for the measurement date June 30, 2020.

* The Agency has presented information for those years for which information is available until a full 10-year trend is compiled.

Bighorn Desert View Water Agency
Schedule of Pension Plan Contributions
As of June 30, 2020
Last Ten Years*

Description	Fiscal Year					
	6/30/2020	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015
Actuarially Determined Contribution	\$ 65,745	58,546	56,033	52,497	44,964	53,164
Contributions in Relation to the Actuarially Determined Contribution	<u>(142,936)</u>	<u>(76,800)</u>	<u>(65,651)</u>	<u>(62,323)</u>	<u>(52,457)</u>	<u>(53,164)</u>
Contribution Deficiency (Excess)	\$ <u>(77,191)</u>	<u>(18,254)</u>	<u>(9,618)</u>	<u>(9,826)</u>	<u>(7,493)</u>	<u>-</u>
Covered Payroll	\$ <u>454,463</u>	<u>477,108</u>	<u>432,502</u>	<u>473,007</u>	<u>390,961</u>	<u>361,687</u>
Contribution's as a percentage of Covered Payroll	<u>31.45%</u>	<u>16.10%</u>	<u>15.18%</u>	<u>13.18%</u>	<u>13.42%</u>	<u>14.70%</u>

Notes:

* The Agency has presented information for those years for which information is available until a full 10-year trend is compiled.

Statistical Information Section

**Bighorn Desert View Water Agency
Statistical Section**

This part of the Agency’s comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Agency’s overall financial health.

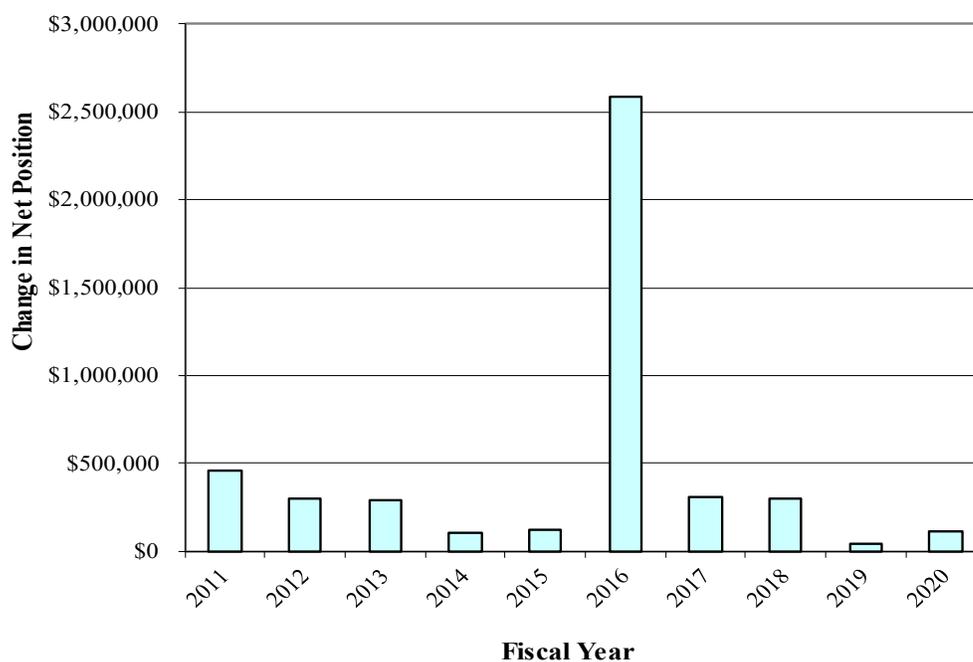
Table of Contents

	<u>Page No.</u>
Financial Trends These schedules contain information to help the reader understand how the Agency’s financial performance and well-being have changed over time.	54-57
Revenue Capacity These schedules contain information to help the reader assess the Agency’s most significant own-source revenue, water sales.	58-60
Debt Capacity These schedules present information to help the reader assess the affordability of the Agency’s current levels of outstanding debt and the Agency’s ability to issue additional debt in the future.	61-63
Demographic Information This schedule offers demographic indicators to help the reader understand the environment within which the Agency’s financial activities take place.	64-65
Operating Information This schedule contains service and infrastructure data to help the reader understand how the information in the Agency’s financial report relates to the service the Agency provides.	66-67

**Bighorn Desert View Water Agency
Changes in Net Position by Component
Last Ten Fiscal Years**

Schedule 1

	Fiscal Year				
	2011	2012	2013	2014	2015
Changes in net position:					
Operating revenues (see Schedule 2)	\$ 1,102,914	1,102,119	1,106,858	1,089,864	1,097,073
Operating expenses (see Schedule 3)	(956,798)	(974,156)	(1,064,484)	(1,152,879)	(1,065,975)
Depreciation and amortization	(239,342)	(248,330)	(229,565)	(233,053)	(245,697)
Operating income(loss)	(93,226)	(120,367)	(187,191)	(296,068)	(214,599)
Non-operating revenues(expenses):					
Property taxes	223,764	295,186	280,647	281,726	292,261
Interest earnings	4,472	2,326	3,142	1,828	2,390
Desert View debt surcharge	50,206	50,006	49,967	49,843	49,949
Interest expense – long-term debt	(53,320)	(48,643)	(45,024)	(38,486)	(32,637)
Gain (loss) on disposal of assets	(38,832)	1,644	(125)	-	-
Mojave Water Agency pipeline interest	(73,097)	-	-	-	-
Other non-operating revenues (expense), net	9,036	(5,352)	(98)	2,665	580
Total non-operating revenues, net	122,229	295,167	288,509	297,576	312,543
Net income (loss) before capital contributions	29,003	174,800	101,318	1,508	97,944
Capital contributions	430,605	128,217	193,000	102,377	23,271
Changes in net position	\$ 459,608	303,017	294,318	103,885	121,215
Net position by component:					
Net investment in capital assets	\$ 3,331,173	3,286,244	3,130,527	3,003,491	3,220,454
Restricted	982,399	1,330,345	1,304,523	-	-
Unrestricted	-	-	-	1,535,444	966,225
Total net position	\$ 4,313,572	4,616,589	4,435,050	4,538,935	4,186,679
% increase	10.51%	7.02%	-3.93%	2.34%	-7.76%

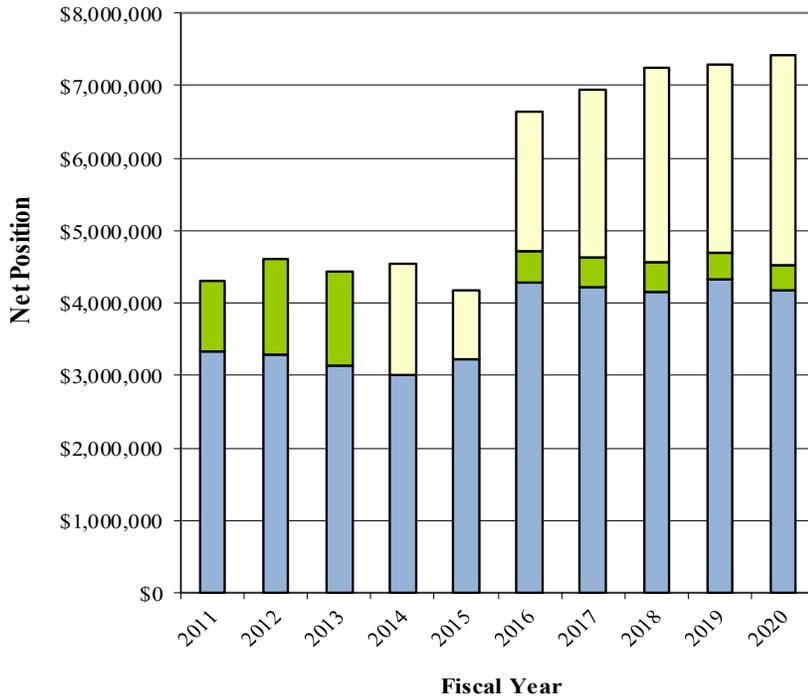


Source: Bighorn Desert View Water Agency Accounting Staff

**Bighorn Desert View Water Agency
Changes in Net Position by Component
Last Ten Fiscal Years**

Schedule 1

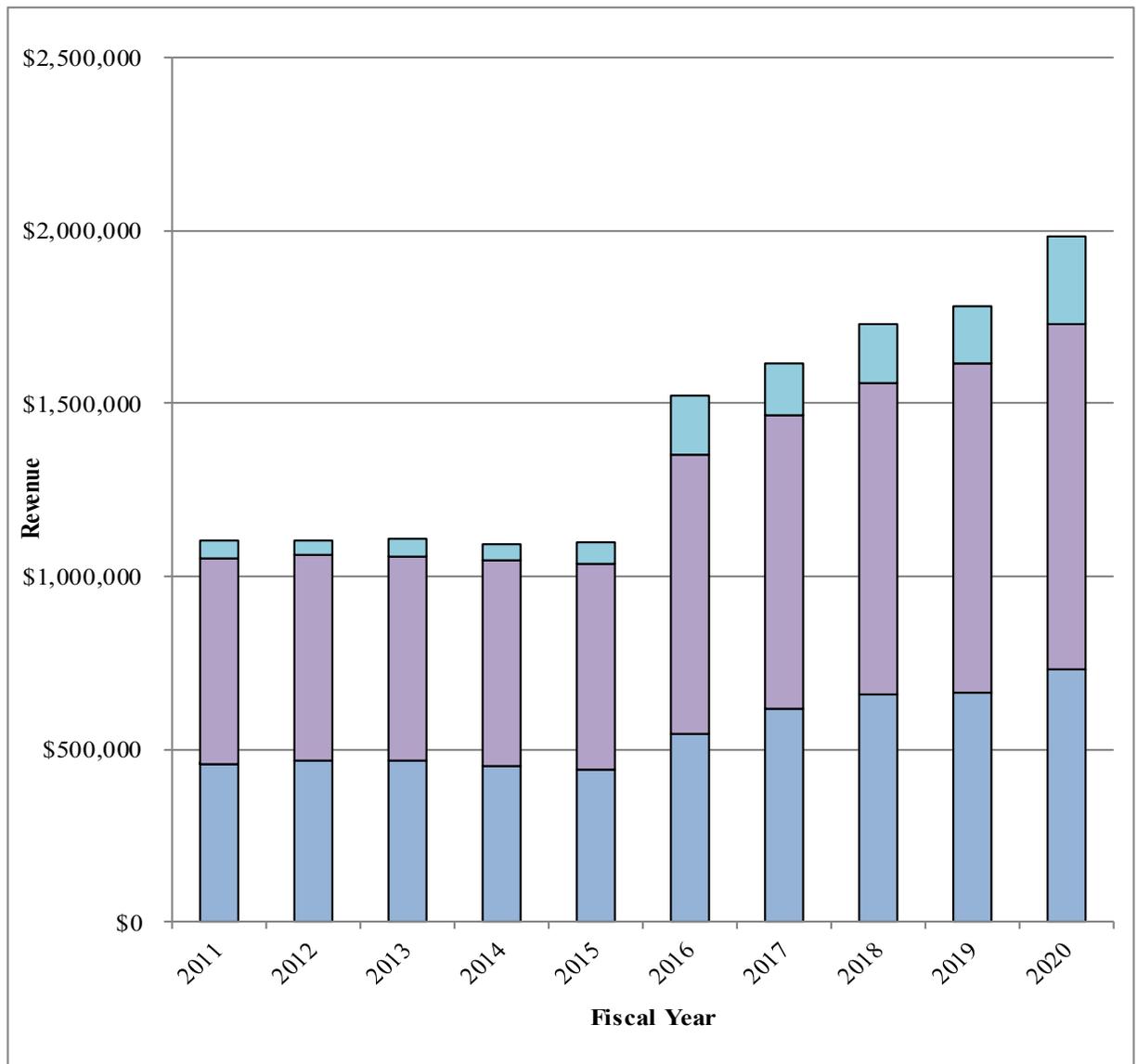
Fiscal Year				
2016	2017	2018	2019	2020
1,530,493	1,614,452	1,730,166	1,781,296	1,983,822
(1,399,934)	(1,425,697)	(1,549,293)	(1,639,648)	(2,088,334)
<u>(362,372)</u>	<u>(341,677)</u>	<u>(355,039)</u>	<u>(360,272)</u>	<u>(362,447)</u>
<u>(231,813)</u>	<u>(152,922)</u>	<u>(174,166)</u>	<u>(218,624)</u>	<u>(466,959)</u>
328,939	388,380	364,491	205,697	203,648
3,892	6,021	15,464	41,126	70,688
49,983	50,169	50,134	50,093	50,031
(28,182)	(21,059)	(14,613)	(7,026)	(1,261)
11,190	-	-	(164,002)	(37,076)
-	-	-	-	-
<u>(2,062)</u>	<u>5,086</u>	<u>16,023</u>	<u>10,817</u>	<u>1,216</u>
<u>363,760</u>	<u>428,597</u>	<u>431,499</u>	<u>136,705</u>	<u>287,246</u>
131,947	275,675	257,333	(81,919)	(179,713)
<u>2,458,613</u>	<u>32,967</u>	<u>43,345</u>	<u>125,872</u>	<u>291,943</u>
<u>2,590,560</u>	<u>308,642</u>	<u>300,678</u>	<u>43,953</u>	<u>112,230</u>
4,277,850	4,223,449	4,152,521	4,328,156	4,175,265
449,082	418,582	418,582	364,904	344,225
<u>1,920,124</u>	<u>2,313,667</u>	<u>2,685,273</u>	<u>2,607,269</u>	<u>2,893,069</u>
<u>6,647,056</u>	<u>6,955,698</u>	<u>7,256,376</u>	<u>7,300,329</u>	<u>7,412,559</u>
58.77%	4.64%	4.32%	0.61%	1.54%



**Bighorn Desert View Water Agency
Operating Revenues by Source
Last Ten Fiscal Years**

Schedule 2

Fiscal Year	Water Consumption Sales	Basic Service Charges	Other Charges	Total Operating Revenue
2011	\$ 457,078	595,583	50,253	1,102,914
2012	466,610	595,375	40,134	1,102,119
2013	468,824	587,490	50,544	1,106,858
2014	453,100	594,885	41,879	1,089,864
2015	438,409	594,571	64,093	1,097,073
2016	545,931	806,279	170,783	1,522,993
2017	617,342	848,325	148,785	1,614,452
2018	659,453	901,047	169,666	1,730,166
2019	662,875	949,380	169,041	1,781,296
2020	727,853	1,000,103	255,866	1,983,822

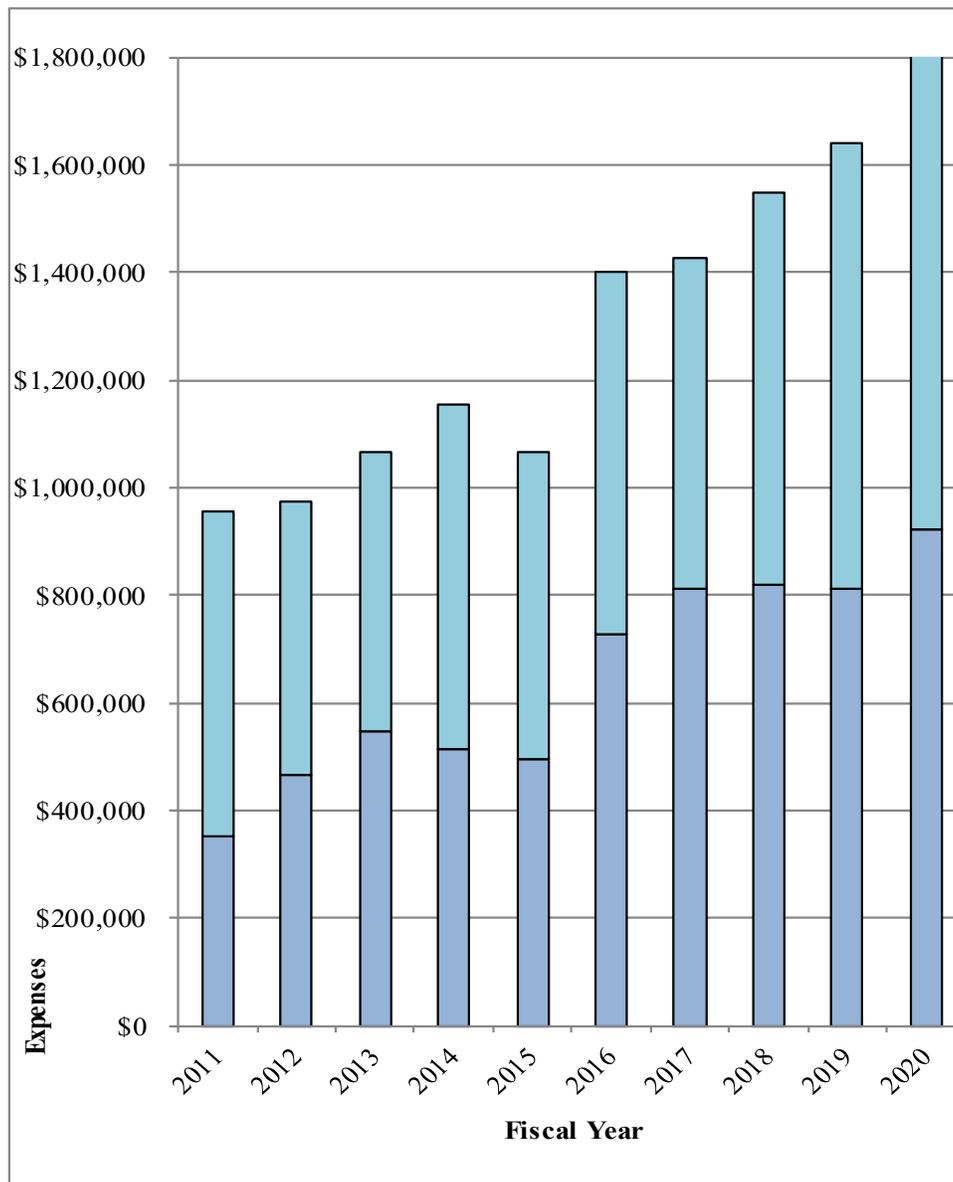


Source: Bighorn Desert View Water Agency Accounting Staff

**Bighorn Desert View Water Agency
Operating Expenses by Activity
Last Ten Fiscal Years**

Schedule 3

Fiscal Year	Transmission and Distribution	General and Administrative	Total Operating Expenses
2011	\$ 351,065	605,733	956,798
2012	466,815	507,341	974,156
2013	547,991	516,493	1,064,484
2014	512,501	640,378	1,152,879
2015	496,019	569,956	1,065,975
2016	726,110	673,824	1,399,934
2017	810,504	615,193	1,425,697
2018	819,563	729,730	1,549,293
2019	810,871	828,777	1,639,648
2020	921,052	1,167,282	2,088,334



Source: Bighorn Desert View Water Agency Accounting Staff

Bighorn Desert View Water Agency Water Sold and Produced Last Ten Fiscal Years

Schedule 4

Water Sold and Produced

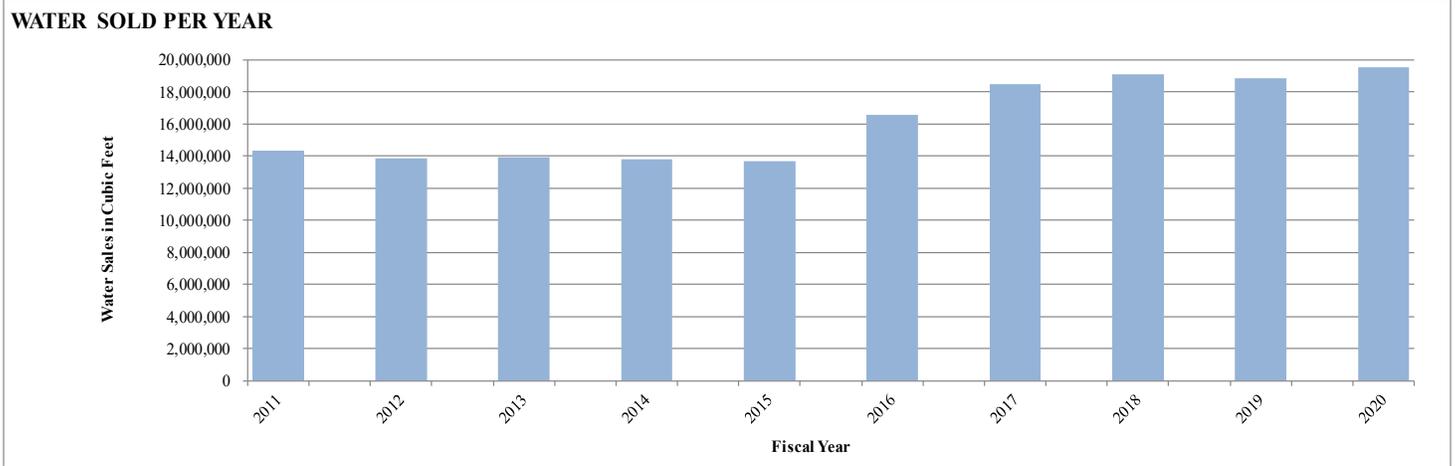
READ CYCLE EVEN MONTHS	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Routes 1-6, 15, 16 and bulk accts 30 thru 35 and 40										
Cubic Feet	\$ 6,542,481	6,307,928	6,313,798	6,452,122	6,384,904	7,231,125	8,194,345	8,558,114	10,929,073	11,426,664
Acre Feet	150.20	144.80	144.90	148.10	146.60	166.00	188.10	196.48	250.90	262.32
READ CYCLE ODD MONTHS	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Routes 7-14 and bulk accts 35 and 40										
Cubic Feet	\$ 7,779,814	7,559,768	7,589,015	7,348,915	7,282,630	9,320,813	10,324,766	10,519,454	7,951,582	8,080,386
Acre Feet	178.60	173.50	174.20	168.70	167.20	214.00	237.00	241.49	182.54	185.50
Total Sales in Cubic Feet	<u>14,322,295</u>	<u>13,867,696</u>	<u>13,902,813</u>	<u>13,801,037</u>	<u>13,667,534</u>	<u>16,551,938</u>	<u>18,519,111</u>	<u>19,077,568</u>	<u>18,880,655</u>	<u>19,507,050</u>
Total Sales in Acre Feet	<u>328.80</u>	<u>318.30</u>	<u>319.10</u>	<u>316.80</u>	<u>313.80</u>	<u>380.00</u>	<u>425.10</u>	<u>437.97</u>	<u>433.44</u>	<u>447.82</u>
Total All Production in Acre Feet	<u>412.31</u>	<u>411.89</u>	<u>426.78</u>	<u>393.30</u>	<u>355.82</u>	<u>452.74</u>	<u>499.67</u>	<u>558.98</u>	<u>549.05</u>	<u>559.93</u>

Bulk accounts are for individual's that haul their own water (routes 30-34) and commercial water haulers (route 35 and 36). Commercial billed monthly but totals in even month cycle only.

Closed accounts are included with billing cycle regardless of route

Construction water use varies from year to year and is billed very month (route 40) and counted with even month cycle only

Water sales have increased in FY2015/16 due to annexation of the Improvement District Goat Mountain with 650 accounts.



Source: Bighorn Desert View Water Agency Accounting Staff

**Bighorn Desert View Water Agency
Revenue Rates
Last Ten Fiscal Years**

Schedule 5

Revenue Rates

Revenue Rates										
BIGHORN MOUNTAINS										
Account Routes 01-06										
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Consumption Rate (flat only)	\$ 3.00	3.00	3.00	3.00	3.00	3.00	3.09	3.18	3.28	3.38
Basic Service Charge (all sizes)	27.50	27.50	27.50	27.50	27.50	27.50	28.88	30.32	31.83	33.42
DESERT VIEW										
Account Routes 07-11										
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Consumption Rate (flat only)	\$ 3.00	3.00	3.00	3.00	3.00	3.00	3.09	3.18	3.28	3.38
Basic Service Charge (all sizes)	27.50	27.50	27.50	27.50	27.50	27.50	28.88	30.32	31.83	33.42
DV Revenue Bond Charge	4.65	4.65	4.65	4.65	4.65	4.65	4.65	4.65	4.65	4.65
ID GOAT MOUNTAIN*										
Account Routes 12-15										
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Consumption Rate - Tier 1 (0-14 HCF)**)	\$ 3.76	3.87	3.98	4.77	4.77	3.00	3.09	3.18	3.28	3.38
Consumption Rate - Tier 2 (>14 - <80 HCF)	4.18	4.31	4.44	5.49	5.49	N/A	N/A	N/A	N/A	N/A
Consumption Rate - Tier 3 (>80 HCF)	5.38	5.54	5.71	6.31	6.31	N/A	N/A	N/A	N/A	N/A
Basic Service Charge 3/4-inch	23.17	23.87	24.59	29.36	29.36	27.50	28.88	30.32	31.83	33.42
Basic Service Charge 1-inch	33.61	34.62	35.66	48.93	48.93	27.50	28.88	30.32	31.83	33.42
Residential Fire Sprinkler Meter***	unknown	unknown	16.00	16.00	16.00	16.00	16.00	16.00	16.00	16.00
Account Routes 30-31 (1-inch Metered Water Haulers)										
Consumption Rate (flat only)	\$ 8.50	8.50	8.50	8.50	8.50	8.50	8.76	9.02	9.29	9.57
Basic Service Charge (all sizes)	None									
Account Routes 35 and 40 (2-inch Metered Water Haulers and Temporary Construction)										
Consumption Rate (flat only)	\$ 3.00	3.00	3.00	3.00	8.50	8.50	8.76	9.02	9.29	9.57
Basic Service Charge (all sizes)	None	None	None	None	None	None	28.88	30.32	31.83	33.42

Notes:

"Basic Rate" is monthly fixed basic service charge regardless of water consumption.

"Consumption" is rate imposed per 100 cubic feet metered Agency bills.

Basic Service Charge and Consumption Rate changes are subject to California Constitution limitations (aka: Proposition 218).

* ID Goat Mountain annexed to BDVWA on July 1, 2015 with same rate structure as BDVWA.

** HCF = 100 cubic feet of water or 1 billing unit.

*** ID Goat Mountain Accounts were annexed July 1, 2015. Unclear when Residential Fire Meter charge instituted for historical data range

Construction rates were same as Accounts 30-33 until modified in FY2014/15.

Source: Bighorn Desert View Water Agency Board of Directors approved rate ordinances and resolutions

**Bighorn Desert View Water Agency
Principal Customers
Current Fiscal Year and Nine Years Ago**

Schedule 6

Customer	2020			Customer	2011		
	Sales in Cubic Feet	Annual Revenues	Percentage of Total		Sales in Cubic Feet	Annual Revenues	Percentage of Total
COMM WATER HAULER A	265,660	\$ 16,488	1.36%	RESIDENTIAL CUSTOMER A	205,101	\$ 6,153	1.43%
AG PLUS RES CUSTOMER A	151,457	12,622	0.78%	RESIDENTIAL CUSTOMER B	145,521	4,366	1.02%
AG CUSTOMER A	117,155	3,843	0.60%	MUSD LANDERS ELEM SCHOOL	139,870	4,196	0.98%
COMM WATER HAULER - LANDFILL	110,250	10,612	0.57%	RESIDENTIAL CUSTOMER C	139,634	4,189	0.97%
AG CUSTOMER B	103,817	3,428	0.53%	COMM WATER HAULER A	85,940	7,305	0.60%
COMM WATER HAULER B	98,600	3,266	0.51%	COMM WATER HAULER B	82,340	6,999	0.57%
RESIDENTIAL CUSTOMER A	96,876	3,197	0.50%	RESIDENTIAL CUSTOMER D	76,590	2,298	0.53%
AG CUSTOMER C	95,028	3,102	0.49%	RESIDENTIAL CUSTOMER E	63,686	1,911	0.44%
AG CUSTOMER D	79,289	2,902	0.41%	RESIDENTIAL CUSTOMER F	60,321	1,810	0.42%
MUSD LANDERS ELEM SCHOOL	77,040	2,640	0.39%	COMM WATER HAULER C	58,350	4,960	0.41%
Total	1,195,172		6.13%	Total	1,057,353		7.38%
Water Sold in 2019-2020	19,507,050	\$ 727,853		Water Sold in 2010-2011	14,322,295	\$ 457,078	

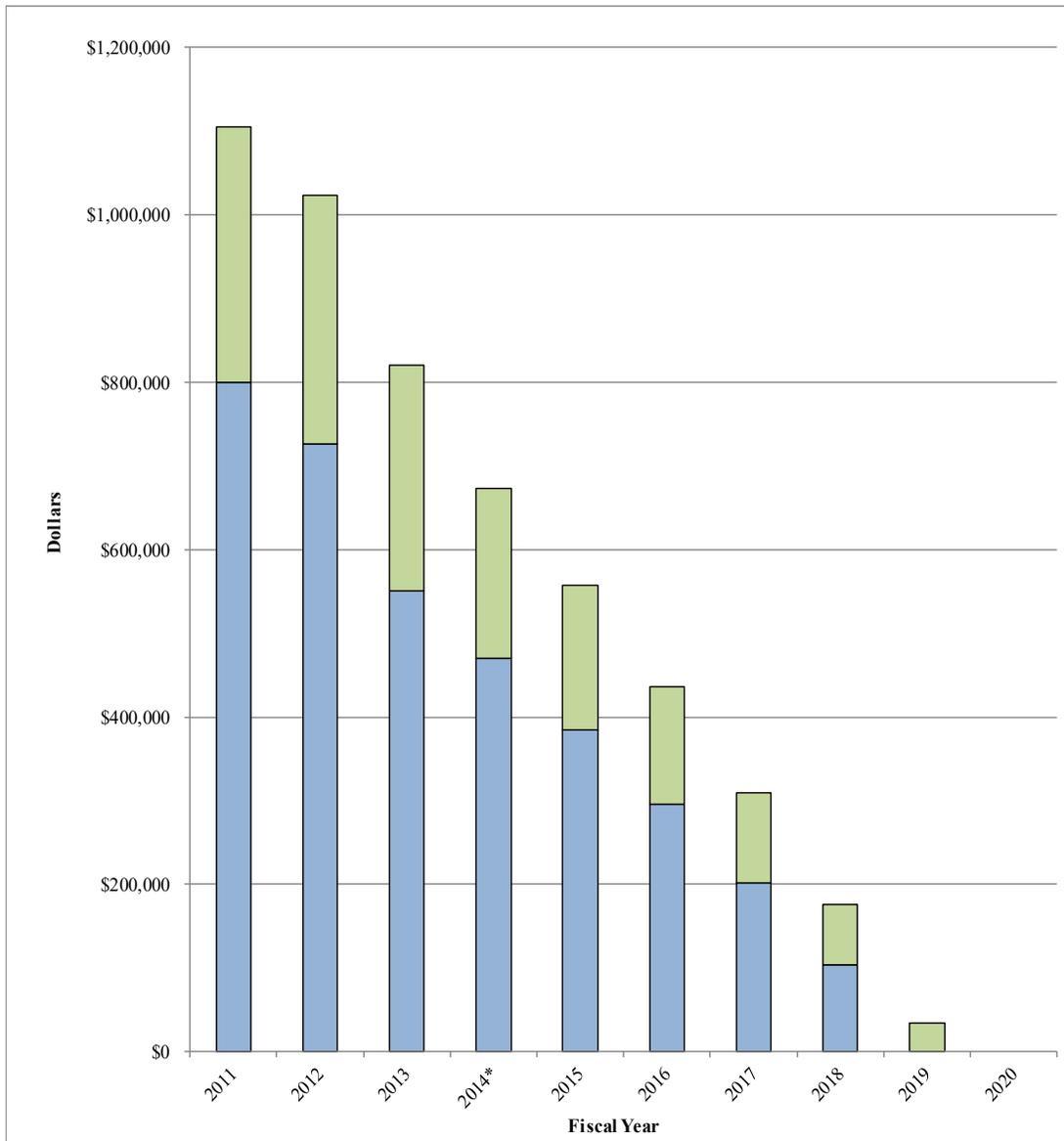
Notes:

Commercial water haulers deliver to individual residents without service connections.
Commercial water hauler's and Construction water users are charged a higher rate per unit than domestic users (See Table "Water Rates" for trends) because they are not charged a monthly fee.
High usage contributed to "water leaks" have been excluded
MUSD Landers Elementary School dropped due to increased agricultural activity and COVID-19
Source: Bighorn Desert View Water Agency Accounting Staff

**Bighorn Desert View Water Agency
Ratio of Outstanding Debt by Type
Last Ten Fiscal Years**

Schedule 7

Fiscal Year	BH Bond	DV Bond	Total		
			Debt	Per Capita	As a Share of Personal Income
2011	\$ 800,000	\$ 305,447	\$ 1,105,447	429.00	1.66%
2012	726,000	297,978	1,023,978	336.00	1.40%
2013	551,000	269,977	820,977	269.00	0.87%
2014*	470,000	203,594	673,594	221.00	0.59%
2015	385,000	172,977	557,977	183.00	0.49%
2016	296,000	140,977	436,977	143.00	0.51%
2017	202,000	106,977	308,977	101.00	0.42%
2018	104,000	71,977	175,977	57.30	0.19%
2019	-	34,977	34,977	23.13	0.06%
2020	-	-	-	-	0.00%



Sources and Footnotes:

Audited Financial Statements

Per Capita Personal Income obtained from:

http://www.bestplaces.net/economy/zip-code/california/yucca_valley/92284

* 2013-2014 population for 2010-2013 was updated so Debt per Capita changed.

Debt per Capita excludes the population of the Improvement District Goat Mountain since it has no debt.

**Bighorn Desert View Water Agency
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years**

Schedule 8

Fiscal Year	Obligation Bonds	Assessed Value	Debt Per Capita
2011	\$ 702,000	\$ 702,000	231
2012	628,000	628,000	206
2013	551,000	551,000	181
2014*	470,000	470,000	154
2015	385,000	385,000	126
2016	296,000	296,000	97
2017	202,000	202,000	66
2018	104,000	104,000	34
2019	-	-	-
2020	-	-	-

Sources and Footnotes:

Source: Audited Financial Statements & BDVWA Accounting Staff

* 2013-2014 population for 2010-2013 was updated so Debt per Capita changed.

Debt per Capita excludes the population of the Improvement District Goat Mountain since it has no debt.

**Bighorn Desert View Water Agency
Pledged-Revenue Coverage
Last Ten Fiscal Years**

Schedule 9

<u>Fiscal Year</u>	<u>Net Revenues</u>	<u>Operating Expenses⁽¹⁾</u>	<u>Net Available Revenues</u>	<u>Debt Service</u>			<u>Coverage Ratio</u>	
				<u>FMHA Surcharge</u>	<u>Principal</u>	<u>Interest</u>		<u>Total</u>
2011	1,102,914	(956,798)	146,116	50,206	25,000	13,534	88,740	1.30
2012	1,102,119	(974,156)	127,963	50,006	26,000	13,442	89,448	1.27
2013	1,106,858	(1,064,484)	42,374	49,967	28,000	12,324	90,291	1.24
2014	1,089,864	(1,152,879)	(63,015)	49,843	29,000	11,274	90,117	1.24
2015	1,097,073	(1,065,975)	31,098	49,949	31,000	9,491	90,440	1.23
2016	1,522,993	(1,399,934)	123,059	49,983	32,000	8,630	90,613	1.23
2017	1,614,452	(1,425,697)	188,755	50,169	34,000	7,250	91,419	1.22
2018	1,730,166	(1,549,293)	180,873	50,134	35,000	5,550	90,684	1.24
2019	1,781,296	(1,639,648)	141,648	46,940	37,000	2,122	86,062	1.20
2020	1,983,822	(2,088,334)	(104,512)	44,000	35,000	1,261	80,261	1.21

Notes:

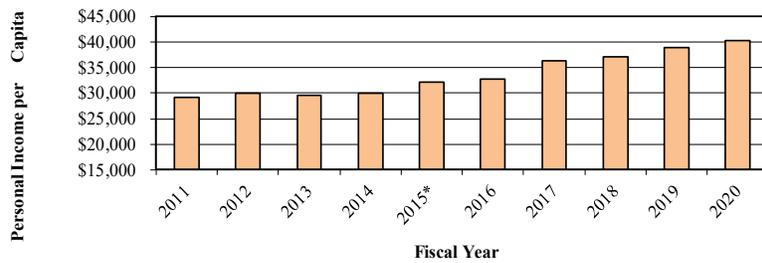
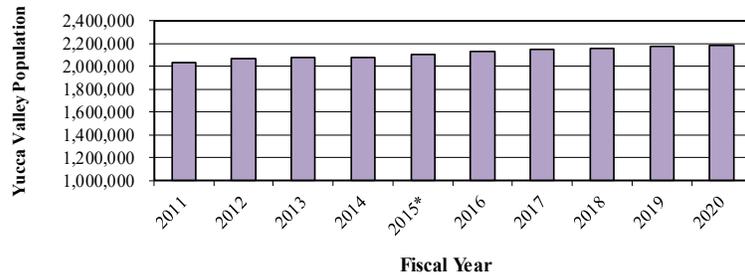
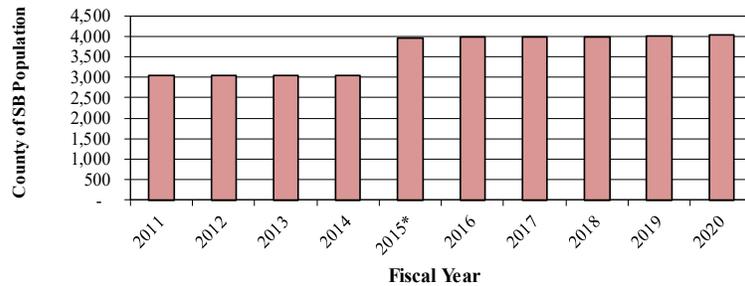
(1) Operating expenses exclude depreciation expense.

Source: Audited Financial Statements & BDVWA Accounting Staff

Bighorn Desert View Water Agency Demographic and Economic Statistics Last Ten Fiscal Years

Schedule 10

County of San Bernardino ⁽²⁾					
Year	Population ⁽¹⁾	Unemployment Rate	Population	Personal Income (thousands of dollars)	Personal Income per Capita
2011	3,047	16.0%	2,035,210	59,411,850	29,192
2012	3,049	16.0%	2,063,919	61,913,442	29,998
2013	3,053	12.0%	2,081,313	61,677,629	29,634
2014	3,055	10.3%	2,076,274	62,259,000	29,990
2015*	3,968	6.5%	2,104,291	67,488,821	32,072
2016	3,972	5.9%	2,128,133	69,689,971	32,747
2017	3,978	5.4%	2,147,933	77,823,908	36,232
2018	3,990	4.7%	2,157,404	80,020,272	37,091
2019	4,007	4.0%	2,171,603	84,292,942	38,816
2020	4,032	4.0%	2,180,085	92,252,477	40,316



Notes:

- (1) Population was recalibrated back in 2010 for the FY2013/14 CAFR based on analysis by Stanley Hoffman & Assoc. as part of an economic review for the Agency. In the future, population will be obtained from the Agency Appropriations Limit Worksheet.
 - (2) Only County data is updated annually. Therefore, the District has chosen to use its data since the District believes that the County data is representative of the conditions and experience of the District.
- * On July 1, 2015 the Agency annexed a neighboring water agency and population increased accordingly.

Sources:

Per Capita Personal Income and Unemployment obtained from
<http://www.bestplaces.net/economy/zip-code/california/landers/92285>
 California Department of Finance and California Labor Market Info
 Unemployment obtained from:
https://www.bls.gov/eag/eag.ca_riverside_msa.htm
 Population obtained from:
<https://www.census.gov/quickfacts/fact/map/sanbernardinocountycalifornia/INC110216>
 Personal income per capita obtained from:
http://www.dot.ca.gov/hq/tpp/offices/eab/socio_economic_files/2017/SanBernardino.pdf

**Bighorn Desert View Water Agency
Demographic and Economic Statistics
Last Ten Fiscal Years**

Schedule 10

<u>Employer</u>	<u>Current Employment</u>		<u>Employer</u>	<u>Historical Employment</u>
	<u>No. of EE's</u>	<u>2020</u>		<u>No. of EE's</u>
		<u>% of</u>		
	<u>2019/20</u>	<u>Labor Force</u>		
Post Office	1	1.52%	Post Office	1
Western Coffee Pot Café	N/A	N/A	Western Coffee Pot Café	1
Dollar General	9	13.64%	Dollar General	N/A
Halliday's Liquor	2	3.03%	Halliday's Liquor	2
Mojave Liquor	2	3.03%	Mojave Liquor	2
Loyal Order / Moose Landers	2	3.03%	Loyal Order / Moose Landers	2
Lander's Brew & Pub (Castle Inn)	1	1.52%	Lander's Brew & Pub (Castle Inn)	3
Diversified Tools	2	3.03%	Diversified Tools	4
Hero Market	8	12.12%	Hero Market	6
Bighorn Desert View Water Agency	8	12.12%	Bighorn Desert View Water Agency	7
La Copine	10	15.15%	La Copine	N/A
MUSD (Landers Elementary School)	21	31.82%	MUSD (Landers Elementary School)	25
Total	<u>66</u>	4.80%	Total	\$ <u>53</u>
2019-2020 Total Labor Force for BDV Service Area		<u>1405</u>		

Notes:

Every known employer in the Bighorn-Desert View service area is included

Total Labor Force was estimated as a percentage of calculated population

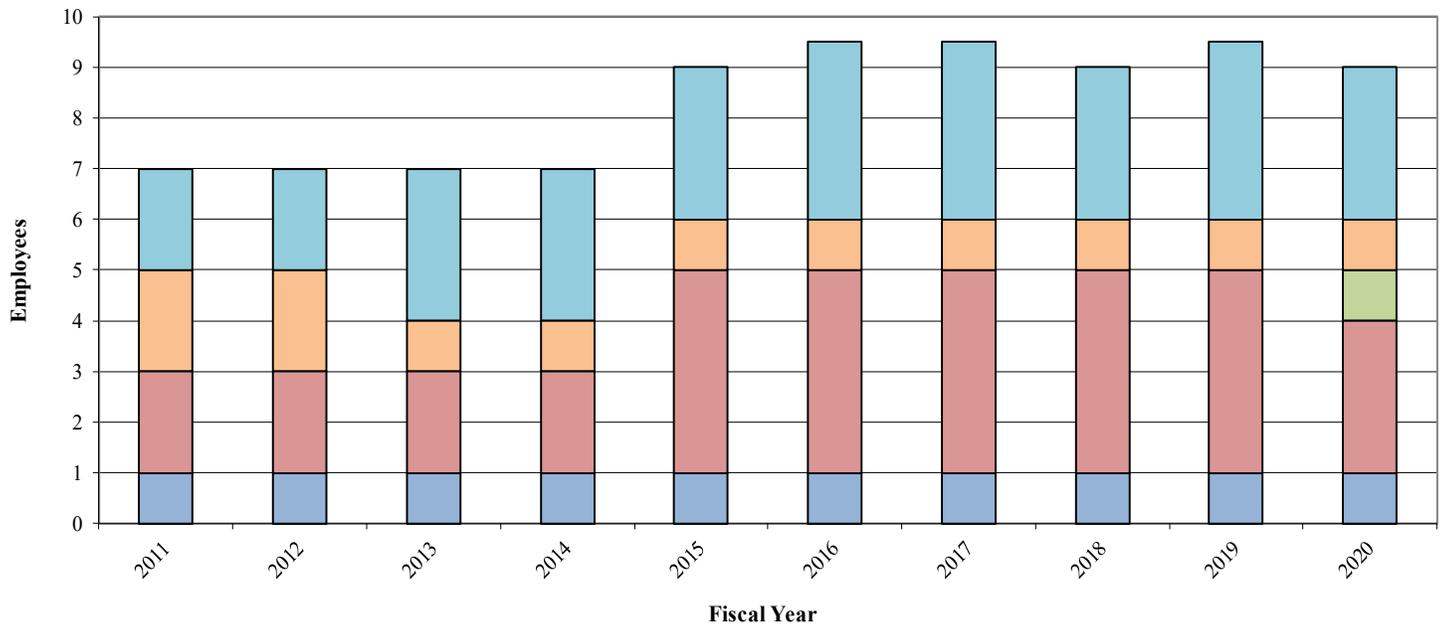
Source: Bighorn Desert View Water Agency Accounting Staff

**Bighorn Desert View Water Agency
Full Time Equivalent Agency Employees by Department
Last Ten Fiscal Years**

Schedule 11

Full-time Equivalent District Employees by Department

Fiscal Year	Water Operations				Administration		Total
	Water Distribution Operator (Water Quality)	Water Distribution Operator ¹	Field Supervisor ²	Chief of Operations ³	Administration ⁴ General Manager	Accounting I, II, III Customer Service	
2011	1	2	0	0	2	2	7
2012	1	2	0	0	2	2	7
2013	1	2	0	0	1	3	7
2014	1	2	0	0	1	3	7
2015	1	4	0	0	1	3	9
2016	1	4	0	0	1	4	10
2017	1	4	0	0	1	3.5	10
2018	1	4	0	0	1	3.0	9.0
2019	1	4	0	0	1	3.5	9.5
2020	1	3	1	0	1	3.0	9.0



Source: Bighorn Desert View Water Agency Accounting Staff

Note:

General Manager is included in Administration
Board Members, Part-Time and Temporary employee's are not included

- 1) - WDO III, and WDO I
- 2) - 6/30/12: Field Supervisor position eliminated
- 3) - 6/30/08: Chief of Operations position eliminated
- 4) - 7/01/13: Exec. Secretary/Personnel positions eliminated

**Bighorn Desert View Water Agency
Operating and Capacity Indicators
Last Ten Fiscal Years**

Schedule 12

Other Operating and Capacity Indicators - Potable Water System^{1,4}

Fiscal Year	Service Area		Miles of Pipeline	Storage Tanks	Storage Capacity (MG)	Active Pumping Plants	Active Wells ² Domestic	Well Capacity (Acre Ft)	Service Connections		
	(annexed property): ⁴ (Acres)	(Square Miles)							Bighorn Mountains	Desert View	ID Goat Mountain
2011	27,353	43	120	10	2.40	2	7	412	1,008	892	N/A
2012	27,353	43	120	10	2.40	2	7	412	1,007	889	N/A
2013	27,353	43	120	10	2.40	2	7	427	1,007	888	N/A
2014	27,353	43	120	10	2.40	2	6	393	1,009	886	N/A
2015	27,353	43	120	10	2.40	2	6	356	1,010	886	N/A
2016	33,280	52	170	13	3.00	3	9	453	1,012	887	651
2017	33,280	52	170	13	3.00	3	9	500	1,013	888	651
2018	33,280	52	170	13	3.00	3	8	558	1,011	905	657
2019	33,280	52	170	13	3.00	3	8	558	1,011	905	657
2020	33,280	52	170	13	3.00	3	8	2,058	1,021	895	667

Notes:

MG - Millions of Gallons

1) - Corrections have been made to prior year statistics

2) - Well 4 was inactivated in 2011 and Well 2 was inactivated in 2013

3) - 2003 to 2008 figures include open meters in use only. In 2009 the count was changed to include all meters active and inactive.

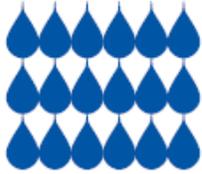
4) - Effective July 1, 2015 ID Goat Mountain was annexed to BDVWA which affects all statistics shown.

5) - 2020 Well Capacity's dropped due to reduction in motor sizes to save on SCE demand charges

Source: Bighorn Desert View Water Agency Staff



Report on Internal Controls and Compliance



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Independent Auditor's Report on Internal Controls 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
Bighorn Desert View Water Agency
Yucca Valley, 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 Bighorn Desert View Water Agency (Agency) as of and for the fiscal year ended June 30, 2020, and the related notes to the financial statements, which collectively comprises the Agency's basic financial statements, and have issued our report thereon dated October 13, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Agency's internal control over financial reporting (internal control) to determine the 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 Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency'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 entity'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 any 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 Agency'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 determination of financial statement amounts. 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*.

**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*, continued**

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Fedak & Brown LLP". The signature is written in a cursive, slightly slanted style.

Fedak & Brown LLP
Cypress, California
October 13, 2020