

**BEAR MOUNTAIN RECREATION  
AND PARK DISTRICT**

**FINANCIAL STATEMENTS  
WITH  
INDEPENDENT AUDITOR'S REPORT**

**FOR THE YEAR ENDED JUNE 30, 2024**

**BEAR MOUNTAIN RECREATION AND PARK DISTRICT  
JUNE 30, 2024**

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## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Audit of the Financial Statements

#### ***Opinions***

We have audited the accompanying financial statements of the governmental activities and major fund of the Bear Mountain Recreation and Park District (the District) as of and for the year ended June 30, 2024, and the related notes to the basic financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of the District, as of June 30, 2024, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***Responsibilities of Management for the Financial Statements***

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information (RSI), as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated \_\_\_\_\_, 2025, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

BROWN ARMSTRONG  
ACCOUNTANCY CORPORATION

Bakersfield, California  
\_\_\_\_\_, 2025

**BEAR MOUNTAIN RECREATION AND PARK DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2024**

**Introduction**

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

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

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

**The Financial Statements**

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

The District's basic financial statements include (1) the Statement of Net Position, (2) the Statement of Activities, (3) the fund financial statements and (4) notes to the basic financial statements. The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America.

**Overview of the Government-Wide and Fund Financial Statements**

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

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

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

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

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

**Financial Highlights**

- Total net position for the District was \$1,102,692, which consisted of 64% net investment in capital assets and 36% unrestricted net position.
- The change in net position of \$315,510 was mostly due to receipt of local and State grants for \$255,188.

**Condensed Financial information**

The District had an increase in net position of \$315,510 during the year ended June 30, 2024. Below is condensed information on the Statement of Activities and the Statement of Net Position.

**Statement of Activities**

A summary of the District's Statement of Activities for year the year ended June 30, 2024 (with comparative amounts for 2023) is as follows:

	<u>2024</u>	<u>2023</u>
Revenues		
Program Revenues:		
Charges for Services and Facilities	\$ 96,474	\$ 99,016
Capital Grants and Contributions	244,188	-
General Revenues:		
Taxes Levied for General Purposes	975,905	931,211
Interest Earnings	4,888	1,526
Miscellaneous	8,858	6,067
	<u>1,330,313</u>	<u>1,037,820</u>
 Expenses		
Recreational and Park Activities	<u>1,014,803</u>	<u>1,165,531</u>
 Decrease in Net Position	<u>\$ 315,510</u>	<u>\$ (127,711)</u>

The largest revenue categories listed on the Statement of Activities are taxes levied for general purposes (73.4% of the total) and capital grants and contributions. This is consistent with the nature of governmental activities, which includes sources traditionally financed from general tax revenues and local and State grant funding. Expenses for the year totaled \$1,014,803. All expenses were for program expenses.

## Statement of Net Position

The District's Statement of Net Position as of June 30, 2024, (with comparative amounts for 2023) is as follows:

	<u>2024</u>	<u>2023</u>
Assets		
Current Assets	\$ 909,177	\$ 718,290
Noncurrent Assets - Capital Assets, Net	706,189	592,169
Total Assets	<u>\$ 1,615,366</u>	<u>\$ 1,310,459</u>
Deferred Outflows of Resources		
Total Deferred Outflows of Resources	<u>\$ 70,353</u>	<u>\$ 116,465</u>
Liabilities		
Current Liabilities	\$ 133,538	\$ 136,422
Long-Term Liabilities	414,497	426,036
Total Liabilities	<u>\$ 548,035</u>	<u>\$ 562,458</u>
Deferred Inflows of Resources		
Total Deferred Inflows of Resources	<u>\$ 34,992</u>	<u>\$ 77,284</u>
Net Position		
Net Investment in Capital Assets	\$ 706,189	\$ 592,169
Unrestricted	396,503	195,013
Total Net Position	<u>\$ 1,102,692</u>	<u>\$ 787,182</u>

As shown above, total assets are \$1,615,366. Of the total, \$706,189 (44%) consists of capital assets net of accumulated depreciation. The District's net position was \$1,102,692 at June 30, 2024.

## Capital Assets

As of the end of 2024, the District's capital assets, before accumulated depreciation, were \$4,881,991. Total capital assets, net of accumulated depreciation, increased during the year due to capitalizing costs related to the tennis court upgrades, and for work in progress related to a sidewalk project in the current year. The District added \$148,532 to buildings and improvements for the tennis court upgrades and \$16,197 for the sidewalk ongoing project.

Details of the capital assets, net of accumulated depreciation as of June 30, 2024, (with comparative amounts for 2023) are as follows:

	<u>2024</u>	<u>2023</u>
Land	\$ 165,578	\$ 165,578
Work in Process	16,197	-
Buildings and Improvements	4,306,710	4,158,178
Equipment	393,506	393,506
Total	4,881,991	4,717,262
Less Accumulated Depreciation	<u>(4,175,802)</u>	<u>(4,125,093)</u>
Net Total	<u>\$ 706,189</u>	<u>\$ 592,169</u>

## Analytical Review of Budget to Actual

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

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

	Final Budget	Actual	Variance
Salaries and Employee Benefits	\$ 492,059	\$ 496,906	\$ (4,847)
Services and Supplies	427,090	434,647	(7,557)
Capital Outlay	-	164,729	(164,729)

The variances for salaries and employee benefits were due to hiring additional part-time employees that were not initially budgeted for due to continued uncertainties of the COVID-19 pandemic. The variance for services and supplies were due to \_\_\_\_\_.

## Overall Financial Condition

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

## Contacting the District's Financial Management

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

**BEAR MOUNTAIN RECREATION AND PARK DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2024**

	Governmental Activities
<b><u>ASSETS</u></b>	
Current Assets:	
Cash and Investments	\$ 873,423
Lease Receivable	35,754
Total Current Assets	909,177
Capital Assets:	
Land	165,578
Work in Progress	16,197
Buildings and Improvements	4,306,710
Equipment	393,506
Less: Accumulated Depreciation	(4,175,802)
Total Capital Assets	706,189
TOTAL ASSETS	\$ 1,615,366
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>	
Pension	\$ 70,353
TOTAL DEFERRED OUTFLOWS OF RESOURCES	\$ 70,353
<b><u>LIABILITIES</u></b>	
Current Liabilities:	
Accounts Payable	\$ 26,733
Salaries Payable	21,778
Deposits and Unearned Revenue	75,525
Compensated Absences	9,502
Total Current Liabilities	133,538
Long-Term Liabilities:	
Net Pension Liability	414,497
Total Long-Term Liabilities	414,497
TOTAL LIABILITIES	\$ 548,035
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>	
Pension	\$ 1,398
Lease	33,594
TOTAL DEFERRED INFLOWS OF RESOURCES	\$ 34,992
<b><u>NET POSITION</u></b>	
Net Investment in Capital Assets	\$ 706,189
Unrestricted	396,503
TOTAL NET POSITION	\$ 1,102,692

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

**BEAR MOUNTAIN RECREATION AND PARK DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2024**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position	Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		
Governmental Activities:						
Recreational and Park Activities	\$ 1,014,803	\$ 96,474	\$ -	\$ 244,188	\$ (674,141)	\$ (674,141)
<b>Totals</b>	<b>\$ 1,014,803</b>	<b>\$ 96,474</b>	<b>\$ -</b>	<b>\$ 244,188</b>	<b>\$ (674,141)</b>	<b>\$ (674,141)</b>
General Revenues:						
Taxes and Subventions:						
						975,905
						4,888
						8,858
						<u>989,651</u>
						315,510
						<u>787,182</u>
						<u>\$ 1,102,692</u>

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

**BEAR MOUNTAIN RECREATION AND PARK DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUND  
JUNE 30, 2024**

	<u>General Fund</u>
<b><u>ASSETS</u></b>	
Assets:	
Cash and Investments	\$ 873,423
Lease Receivable	<u>35,754</u>
Total Assets	<u>909,177</u>
Total Assets	<u><u>\$ 909,177</u></u>
<b><u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</u></b>	
Liabilities:	
Accounts Payable	\$ 26,733
Salaries Payable	21,778
Deposits and Unearned Revenue	<u>75,525</u>
Total Liabilities	<u>124,036</u>
Deferred Inflows of Resources	<u>33,594</u>
Fund Balance:	
Unassigned	<u>751,547</u>
Total Fund Balance	<u>751,547</u>
Total Liabilities and Fund Balance	<u><u>\$ 909,177</u></u>

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

**BEAR MOUNTAIN RECREATION AND PARK DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2024**

<b>Total Fund Balance - Governmental Fund</b>	\$	751,547
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental fund. The cost of the assets is \$4,881,991, and the accumulated depreciation is \$4,175,802.</p>		706,189
<p>Long-term liabilities are not due and payable in the current year and therefore are not reported as liabilities in the governmental fund. Long-term liabilities at year-end consist of:</p>		
Compensated absences		(9,502)
Net pension liability		(414,497)
<p>Deferred outflows of resources are not current assets or financial resources, and deferred inflows of resources are not due and payable in the current period. Therefore, they are not reported in the governmental fund.</p>		
Deferred outflows of resources - Pension		70,353
Deferred inflows of resources - Pension		(1,398)
		70,353
		(1,398)
<b>Total Net Position - Governmental Activities</b>	<b>\$</b>	<b>1,102,692</b>

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

**BEAR MOUNTAIN RECREATION AND PARK DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE  
GOVERNMENTAL FUND  
FOR THE YEAR ENDED JUNE 30, 2024**

	<u>General Fund</u>
<b>OPERATING REVENUES</b>	
Property Taxes	\$ 975,905
Charges for Services and Facilities	56,160
Grant income - State	189,968
Grant income - Local	54,220
Lease Income	40,314
Interest Earnings	4,888
Miscellaneous	<u>8,858</u>
Total Operating Revenues	<u>1,330,313</u>
<b>OPERATING EXPENDITURES</b>	
Salaries and Employee Benefits	496,906
Services and Supplies	434,647
Capital Outlay	<u>164,729</u>
Total Operating Expenditures	<u>1,096,282</u>
Net Change in Fund Balance	234,031
Fund Balance at Beginning of Year	<u>517,516</u>
Fund Balance at End of Year	<u><u>\$ 751,547</u></u>

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

**BEAR MOUNTAIN RECREATION AND PARK DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF  
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE TO  
THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2024**

<b>Total Net Change in Fund Balance - Governmental Fund</b>	\$	234,031
<p>Capital outlays are reported in the governmental fund as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of additions to capital outlay (\$164,729) less the depreciation expense (\$50,709) in the period.</p>		
		114,020
<p>Long-term compensated absences and pension expense are reported in the Statement of Activities, but they do not require the use of current financial resources. Therefore, long-term compensated absences and pension expense are not reported as expenditures in the governmental fund.</p>		
<p>This amount reflects a decrease in compensated absences that occurred during the year.</p>		
		54
Pension expense - GASB Statement No. 68		<u>(32,595)</u>
<b>Total Change in Net Position - Governmental Activities</b>	<b>\$</b>	<b><u>315,510</u></b>

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

**BEAR MOUNTAIN RECREATION AND PARK DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2024**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A. Reporting Entity and Accounting Policy

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

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

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

B. Basis of Presentation

Government-Wide Financial Statements:

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

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

Fund Financial Statements:

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

C. Basis of Accounting

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

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

## **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

### C. Basis of Accounting (Continued)

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

### D. Fund Accounting

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

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

#### **Major Governmental Fund:**

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

#### **Non-Major Governmental Funds:**

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

### E. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

### F. Assets, Liabilities, and Fund Balance

#### 1. Capital Assets

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

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

F. Assets, Liabilities, and Fund Balance (Continued)

1. Capital Assets (Continued)

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

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

2. Cash

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

3. Compensated Absences

**Vacation Time**

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

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

**Sick Leave**

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

All vacation pay is accrued when incurred in the government-wide financial statements. The accumulated unpaid vacation and sick leave as of June 30, 2024, was \$9,502.

## **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

### F. Assets, Liabilities, and Fund Balance (Continued)

#### 4. Fund Balance

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

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

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

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

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

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

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

#### 5. Net Position

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

## **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

### F. Assets, Liabilities, and Fund Balance (Continued)

#### 6. Property Tax

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

### G. Budgets and Budgetary Accounting

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

1. Prior to July 1, the District Manager submits to the Board a proposed operating budget for the year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally enacted.
4. The District Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Board.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund.
6. The budget for the General Fund is adopted on a basis consistent with accounting principles generally accepted in the United States of America.
7. Budgeted amounts are as originally adopted, or as amended. Individual amendments were not material in relation to the original appropriations which were amended.

### H. 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 District's California Public Employees' Retirement System (CalPERS) plan (the Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

### I. New Governmental Accounting Standards Board (GASB) Pronouncements Implemented in the Financial Statements

GASB Statement No. 99 – Omnibus 2022. The requirements of this statement are effective as follows:

- The requirements related to extension of the use of London Interbank Offered Rate (LIBOR), accounting for Supplemental Nutrition Assistance Program (SNAP) distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in GASB Statement No. 34, as amended, and terminology updates related to GASB Statement No. 53 and GASB Statement No. 63 are effective upon issuance.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

I. New Governmental Accounting Standards Board (GASB) Pronouncements Implemented in the Financial Statements (Continued)

- The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.
- The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of GASB Statement No. 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

There was no effect on the District's accounting and financial reporting as a result of implementing this standard.

GASB Statement No. 100 – Accounting Changes and Error Corrections. The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. There was no effect on the District's accounting and financial reporting as a result of implementing this standard.

J. Future GASB Pronouncements

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

GASB Statement No. 101 – Compensated Absences. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Earlier application is encouraged. The District will implement GASB Statement No. 101 if and where applicable.

GASB Statement No. 102 – Certain Risk Disclosures. The requirements of this Statement are effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter. Earlier application is encouraged. The District will implement GASB Statement No. 102 if and where applicable.

GASB Statement No. 103 – Financial Reporting Model Improvements. The requirements of this statement are effective for fiscal years beginning after June 15, 2025, and all fiscal years thereafter. The District will implement GASB Statement No. 103 when and where applicable.

GASB Statement No. 104 – Disclosure of Certain Capital Assets. The requirements of this statement are effective for fiscal years beginning after June 15, 2025, and all fiscal years thereafter. MST will implement GASB Statement No. 104 when and where applicable.

**NOTE 2 – CASH AND INVESTMENTS**

Cash and investments as of June 30, 2024, consisted of the following:

<u>Cash and Investments</u>	
Cash on Hand	\$ 1,953
Cash in County of Kern Treasury	464,755
Cash in Banks	<u>406,715</u>
Total Cash and Investments	<u>\$ 873,423</u>

**NOTE 2 – CASH AND INVESTMENTS** (Continued)

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

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

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

**Disclosures Relating to Interest Rate Risk**

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

Information about the sensitivity of the fair values of the District’s investments to market interest rate fluctuations is provided by the following table that shows the distribution of the District’s investments by maturity as of June 30, 2024:

<u>Investment Type</u>	<u>Amount</u>	<u>Remaining Maturity (in Months)</u>			
		<u>12 Months or Less</u>	<u>13 to 24 Months</u>	<u>25 to 60 Months</u>	<u>More Than 60 Months</u>
County Investment Pool	<u>\$ 464,755</u>	<u>\$ 464,755</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**Disclosures Relating to Credit Risk**

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

**NOTE 2 – CASH AND INVESTMENTS** (Continued)

Investment Type	Amount	Minimum Legal Rating	Exempt From Disclosure	Rating as of Year-End		
				AAA	Aa	Not Rated
County Investment Pool	<u>\$ 464,755</u>	<u>N/A</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 464,755</u>

**Custodial Credit Risk**

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

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

**NOTE 3 – CAPITAL ASSETS**

A summary of changes in capital assets at June 30, 2024, is as follows:

	Balance 6/30/20223	Increases	Decreases	Balance June 30, 2024
Capital Assets Not Being Depreciated:				
Land	\$ 165,578	\$ -	\$ -	\$ 165,578
Work in Process	-	16,197	-	16,197
<b>Total Capital Assets Not Being Depreciated</b>	<b>165,578</b>	<b>16,197</b>	<b>-</b>	<b>181,775</b>
Capital Assets Being Depreciated:				
Buildings and Improvements	4,158,178	148,532	-	4,306,710
Equipment	393,506	-	-	393,506
<b>Total Capital Assets Being Depreciated</b>	<b>4,551,684</b>	<b>148,532</b>	<b>-</b>	<b>4,700,216</b>
Accumulated Depreciation For:				
Buildings and Improvements	3,736,631	49,984	-	3,786,615
Equipment	388,462	725	-	389,187
<b>Total Accumulated Depreciation</b>	<b>4,125,093</b>	<b>50,709</b>	<b>-</b>	<b>4,175,802</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>426,591</b>	<b>97,823</b>	<b>-</b>	<b>524,414</b>
<b>Governmental Activity Capital Assets, Net</b>	<b>\$ 592,169</b>	<b>\$ 114,020</b>	<b>\$ -</b>	<b>\$ 706,189</b>

Depreciation expense for the year ended June 30, 2024, was \$50,709.

**NOTE 4 – SHORT-TERM DEBT**

During the year, the District advanced from the County \$200,000 of its 2023-24 property taxes to fund current operations. During the year, the District repaid \$200,000 as shown in the following schedule:

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

## NOTE 5 – CHANGES IN LONG-TERM DEBT

A summary of changes in long-term debt at June 30, 2024, follows:

	Balance June 30, 2023	Additions	Deletions	Balance June 30, 2024	Due Within One Year
Compensated Absences	\$ 9,556	\$ 1,174	\$ (1,228)	\$ 9,502	\$ 9,502
Net Pension Liability	426,036	-	(11,539)	414,497	-
Totals	<u>\$ 435,592</u>	<u>\$ 1,174</u>	<u>\$ (12,767)</u>	<u>\$ 423,999</u>	<u>\$ 9,502</u>

## NOTE 6 – DEFINED BENEFIT PENSION PLAN

### A. General Information about the Pension Plan

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

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

The Plan’s provisions and benefits in effect at June 30, 2024, are summarized as follows:

	Miscellaneous	
	Prior to January 1, 2013	On or after January 1, 2013
Hire Date		
Benefit Formula	2% @ 60	2.2% @ 62
Benefit Vesting Schedule	5 years of service	7 years of service
Benefit Payments	Monthly for life	Monthly for life
Retirement Age	60	62
Monthly Benefits, as a Percentage of Eligible Compensation	2% to 2.7%	1.0% to 2.5%
Required Employee Contribution Rates	7.00%	7.75%
Required Employer Contribution Rates	10.15%	7.87%

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

For the year ended June 30, 2024, the contributions recognized as part of pension expense for the Plan were as follows:

**NOTE 6 – DEFINED BENEFIT PENSION PLAN** (Continued)

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

	<u>Miscellaneous</u>
Contributions - Employer	\$ 51,865
Contributions - Employee (Paid by Employer)	\$ -

As of June 30, 2024, the District reported a net pension liability for its proportionate share of the net pension liability of the Plan as follows:

	<u>Proportionate Share of Net Pension Liability</u>
Miscellaneous	\$ 414,497
Total Net Pension Liability	<u>\$ 414,497</u>

The District's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2024, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2023, rolled forward to June 30, 2024, using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability for the Plan as of June 30, 2024 and 2023, was as follows:

	<u>Miscellaneous</u>
Proportion - June 30, 2023	0.0085%
Proportion - June 30, 2024	0.0086%
Change - Increase (Decrease)	0.0000%

For the year ended June 30, 2024, the District recognized a pension expense of \$93,701. At June 30, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension Contributions Subsequent to Measurement Date	\$ -	\$ -
Changes in Assumptions	10,653	-
Differences between Actual and Expected Experience	35,837	1,398
Net Differences between Projected and Actual Earnings on Plan Investments	<u>23,863</u>	<u>-</u>
Total	<u>\$ 70,353</u>	<u>\$ 1,398</u>

**NOTE 6 – DEFINED BENEFIT PENSION PLAN** (Continued)

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

\$0 was reported as deferred outflows of resources related to contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	
2025	\$ 23,982
2026	52,615
2027	535
2028	(8,177)
2029	-
Thereafter	-
Total	<u>\$ 68,955</u>

**Actuarial Assumptions** – The total pension liability in the June 30, 2023 actuarial valuation was determined using the following actuarial assumptions:

	<u>Miscellaneous</u>
Valuation Date	June 30, 2023
Measurement Date	June 30, 2024
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	6.90%
Inflation	2.30%
Payroll Growth	3.00%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	6.90%
Mortality <sup>(1)</sup>	Derived using CalPERS' Membership Data for all Funds
Post-Retirement Benefit Increase	Contract COLA up to 2.30% until purchasing power protection allowance floor purchasing power applies

<sup>(1)</sup> The mortality table was developed based on CalPERS-specific data. The rates incorporate Generational Mortality to capture ongoing mortality improvement using 80% of Scale MP 2020 published by the Society of Actuaries. For more details, please refer to the 2021 experience study report that can be found on the CalPERS website

**NOTE 6 – DEFINED BENEFIT PENSION PLAN** (Continued)

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

**Discount Rate** – The discount rate used to measure the total pension liability was 6.90% for the June 30, 2024 measurement date. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

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

Asset Class	Assumed Asset Allocation	Real Return Years 1-10 <sup>(1,2)</sup>
Global Equity - Cap-Weighted	30%	4.54
Global Equity Non-Cap-Weighted	12%	3.84
Private Equity	13%	7.28
Treasury	5%	0.27
Mortgage-Backed Securities	5%	0.50
Investment Grade Corporates	10%	1.56
High End	5%	2.27
Emerging Market Debt	5%	2.48
Private Debt	5%	3.57
Real Assets	15%	3.21
Leverage	-5%	(0.59)
Total	100%	

(1) An expected inflation of 2.30% used for this period.

(2) Figures are based on the 2021-22 Asset Liability Management study.

**NOTE 6 – DEFINED BENEFIT PENSION PLAN** (Continued)

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

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

	<u>Miscellaneous</u>
1% Decrease Net Pension Liability	5.90% \$ 692,943
Current Discount Rate Net Pension Liability	6.90% \$ 414,497
1% Increase Net Pension Liability	7.90% \$ 185,295

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

C. Payable to the Pension Plan

At June 30, 2024, the District had no payables for contributions to the pension plan for the year ended June 30, 2024.

**NOTE 7 – LESSOR TRANSACTIONS**

The District entered into an operating lease with an unrelated party to lease District owned property with lease terms in excess of one year. The term of the lease commenced on May 1, 2015, and expired on April 30, 2020. The lease was extended to April 30, 2025. Rent is due on the first day of each month. The rent is to increase by \$100 each year on the anniversary of the lease commencement date. Effective May 1, 2021, rent was increased to \$3,300. Under GASB Statement No. 87, leases receivable totaled \$35,754, lease income totaled \$40,314, and deferred inflows of resources from leases totaled \$33,594 for the year ended June 30, 2024.

**NOTE 8 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

For the year ended June 30, 2024, expenditures exceeded appropriations in the District's fund categories as follows:

<u>Appropriations Category</u>	<u>Excess Expenditures</u>
Salaries and Employee Benefits	\$ 4,847
Services and Supplies	7,557
Capital Outlay	164,729

## **NOTE 9 – RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District is a member of the California Association for Parks and Recreation Insurance (CAPRI) which is a risk-sharing joint powers authority created to provide self-insurance programs for California special districts. The purpose of CAPRI is to manage and administer programs of self-insured losses and to purchase excess insurance coverage. At June 30, 2024, the District participated in the liability and property programs of the CAPRI as follows:

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

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

- Public officials and employee liability coverage has a \$25,000,000 annual aggregate limit per member district because of wrongful act(s) which occurs during the coverage period for which the coverage applies. For each covered claim for employment practices liability there is a \$20,000 deductible payable by the member district or other covered party which shall be applied to any payment for judgment or settlement and to payments for defense costs as they are incurred. If the District consults with its general counsel and if such counsel has experience with labor and employment law, or with its labor and employment counsel, or CAPRI – recommended labor and employment counsel prior to termination, layoffs, downsizing or other employment related matter, the deductible will be reduced to \$5,000 for any employment liability lawsuit brought to that employee.
- All-risk property loss coverage, including boiler and machinery coverage, is subject to a \$2,000 deductible per occurrence payable by the District. All risk property coverage has a limit of \$1,000,000 per occurrence. Boiler and machinery has an excess limit of \$100,000,000.
- Earthquake coverage has an annual aggregate limit of \$5,000,000 for all member districts. Flood has an annual aggregate limit of \$10,000,000 for all member districts. The deductible for all loss or damage arising from the risk of earthquake is \$50,000 per occurrence or 5% of the value of the building, contents and/or structured damage, whichever is greater. The deductible for all loss or damage arising from the risk of flood is \$50,000.
- Workers' Compensation coverage with a \$350,000 in limit. Insurance is up to statutory limits per occurrence. There is no deductible for the Workers' Compensation program.

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

There were no reductions in insurance coverage for the fiscal year ended June 30, 2024. Liabilities are recorded when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated net of the respective insurance coverage. Liabilities include an amount for claims that have been incurred but not reported (IBNR). There were no claims payable as of June 30, 2024.

## **NOTE 10 – SUBSEQUENT EVENTS**

### **Fire Incident**

On [date of fire], after the end of the reporting period but prior to the issuance of these financial statements, a fire occurred at one of the storage facilities owned by [Auditee Name]. The fire caused significant damage to equipment stored at the facility, including [list key types of equipment, if applicable]. The damaged equipment had a total original cost of \$[amount] and accumulated depreciation of \$[amount] as of the date of the fire, resulting in a net book value of \$[amount]. The District maintains

property insurance to mitigate losses from such incidents and is currently in the process of working with the insurance provider to assess the extent of the loss and the amount of insurance proceeds that will be recoverable.

### **Financial Impact**

Because the fire occurred after the reporting date of [fiscal year-end date], no adjustments have been made to the financial statements for the year ended [fiscal year-end date]. The District expects to recognize any financial impact, including losses and insurance recoveries, in the financial statements for the year ending [next fiscal year-end date].

### **Disclosure of Risk**

The District does not expect the fire to have a material adverse effect on its ability to continue operations or meet its service obligations. Management will continue to monitor the situation and update financial statement users as necessary.

The date to which events occurring after June 30, 2024, have been evaluated for possible adjustments to the financial statements or disclosures is \_\_\_\_\_, 2025, which is the date that the financial statements were available to be issued.

**REQUIRED SUPPLEMENTARY INFORMATION**

**BEAR MOUNTAIN RECREATION AND PARK DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL (GAAP)  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2024**

	General Fund			
	Original Budget	Final Budget	Actual	Variance With Final Budget
<b>OPERATING REVENUES</b>				
Property Taxes	\$ 880,000	\$ 880,000	\$ 975,905	\$ 95,905
Charges for Services and Facilities	46,350	46,350	56,160	9,810
Grant income - State	-	-	189,968	189,968
Grant income - Local	-	-	54,220	54,220
Lease Income	43,200	43,200	40,314	(2,886)
Interest Earnings	50	50	4,888	4,838
Miscellaneous	6,000	6,000	8,858	2,858
	<u>975,600</u>	<u>975,600</u>	<u>1,330,313</u>	<u>354,713</u>
<b>OPERATING EXPENDITURES</b>				
Salaries and Employee Benefits	492,059	492,059	496,906	(4,847)
Services and Supplies	427,090	427,090	434,647	(7,557)
Capital Outlay	-	-	164,729	(164,729)
	<u>919,149</u>	<u>919,149</u>	<u>1,096,282</u>	<u>(177,133)</u>
Net Change in Fund Balance	<u>\$ 56,451</u>	<u>\$ 56,451</u>	234,031	<u>\$ 177,580</u>
Fund Balance at Beginning of Year			<u>517,516</u>	
Fund Balance at End of Year			<u>\$ 751,547</u>	

**BEAR MOUNTAIN RECREATION AND PARK DISTRICT  
COST-SHARING DEFINED BENEFIT PENSION PLAN  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE  
SHARE OF THE NET PENSION LIABILITY  
AS OF JUNE 30, 2024  
LAST 10 YEARS**

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Proportion of the Net Pension Liability	0.0086%	0.0085%	0.0078%	0.0075%	0.0077%
Proportionate Share of the Net Pension Liability	\$ 414,497	\$ 426,036	\$ 363,108	\$ 141,841	\$ 323,948
Covered Payroll	\$ 306,523	\$ 244,170	\$ 238,593	\$ 228,605	\$ 223,236
Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	135.23%	174.48%	152.19%	62.05%	145.11%
Plan's Fiduciary Net Position	\$ 1,839,466	\$ 1,707,364	\$ 1,500,975	\$ 1,589,790	\$ 1,362,909
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	443.78%	400.76%	413.37%	1120.83%	420.72%
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Proportion of the Net Pension Liability	0.0078%	0.0082%	0.0080%	0.0080%	0.0091%
Proportionate Share of the Net Pension Liability	\$ 310,349	\$ 309,788	\$ 314,575	\$ 278,952	\$ 201,076
Covered Payroll	\$ 207,723	\$ 244,803	\$ 246,058	\$ 305,657	\$ 211,209
Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	149.41%	149.14%	127.85%	91.26%	81.74%
Plan's Fiduciary Net Position	\$ 1,330,886	\$ 1,354,235	\$ 1,110,918	\$ 1,133,957	\$ 992,302
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	428.84%	437.15%	353.15%	406.51%	397.16%

**Notes to Schedule:**

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

**Changes in assumptions.** In 2015, amounts reported as changes in assumptions resulted primarily from adjustments to expected retirement ages of general employees. In 2021, the discount rate changed to 7.15% from 7.65%. In 2022, the discount rate changed to 6.90% from 7.15%.

**BEAR MOUNTAIN RECREATION AND PARK DISTRICT  
 COST-SHARING DEFINED BENEFIT PENSION PLAN  
 SCHEDULE OF CONTRIBUTIONS  
 AS OF JUNE 30, 2024  
 LAST 10 YEARS**

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Contractually Required Contribution (Actuarially Determined)	\$ 51,865	\$ 41,897	\$ 41,327	\$ 39,261	\$ 39,956
Contributions in Relation to the Actuarially Determined Contributions	<u>51,865</u>	<u>41,897</u>	<u>41,327</u>	<u>39,261</u>	<u>39,956</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 263,116	\$ 306,523	\$ 244,170	\$ 238,593	\$ 228,605
Contributions as a Percentage of Covered Payroll	19.71%	13.67%	16.93%	16.46%	17.48%
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually Required Contribution (Actuarially Determined)	\$ 30,361	\$ 25,013	\$ 8,582	\$ 11,898	\$ 14,447
Contributions in Relation to the Actuarially Determined Contributions	<u>30,361</u>	<u>25,013</u>	<u>8,582</u>	<u>11,898</u>	<u>14,447</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 223,236	\$ 207,723	\$ 244,803	\$ 246,058	\$ 305,657
Contributions as a Percentage of Covered Payroll	13.60%	12.04%	3.51%	4.84%	4.73%

**OTHER REPORT**

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the major fund of the Bear Mountain Recreation and Park District (the District) as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements and have issued our report thereon dated \_\_\_\_\_, 2025.

**Report on Internal Control over Financial Reporting**

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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 or significant deficiencies may exist that were not identified.

## **Report on Compliance and Other Matters**

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

### **Purpose of this Report**

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

BROWN ARMSTRONG  
ACCOUNTANCY CORPORATION

Bakersfield, California  
\_\_\_\_\_, 2025

**BEAR MOUNTAIN RECREATION AND PARK DISTRICT  
SCHEDULE OF FINDINGS AND RECOMMENDATIONS  
JUNE 30, 2024**

Current Year Findings: None.

**BEAR MOUNTAIN RECREATION AND PARK DISTRICT  
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS  
JUNE 30, 2024**

Prior Year Findings:

**Finding 2023-01 – Depreciation Expense**

Condition

During the financial audit for the fiscal year 2023/24, it was observed that depreciation expense for the Lamont pool was not recorded in the District's financial statements. The amount of depreciation expense is for \$72,785.

Criteria

Assets meeting the District's capitalization threshold must be capitalized in the District's Statement of Net Position.

Cause

The District lacks a policy requiring review of depreciation expense by an independent individual.

Effect

The omission of depreciation expense has resulted in an overstatement of the book value of capital assets in the Statement of Net Position and an overstatement of net income in the Statement of Activities.

Recommendation

We recommend the District revise its current policies to require an independent individual review the capital asset spreadsheet to ensure depreciation expense is properly calculated and recorded in the District's financial statements.

Management Response

The District agrees with the recommendation.

Current Year Status

Resolved.

**Finding 2023-02 – Improper Accrual of Liability**

Condition

During the financial audit for the fiscal year 2023/24, it was observed that the District improperly accrued a liability in its financial statements. The amount is for \$23,522.

Criteria

Liabilities must be accrued in the proper period in the District's Statement of Net Position.

Cause

The District lacks a policy requiring review of invoices when entered in the general ledger.

Effect

The improper accrual resulted in an overstatement of liabilities in the Statement of Net Position and an overstatement of net income in the Statement of Activities.

Recommendation

We recommend the District revise its current policies to require a person independent of recording the liabilities, review to ensure the liability is accrued in the proper period.

Management Response

The District agrees with the recommendation

Current Year Status

Resolved.