ARROWBEAR PARK COUNTY WATER DISTRICT

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

ARROWBEAR PARK COUNTY WATER DISTRICT
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June 30, 2017 and 2016

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SingerLewak
Accountants & Consultants

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Arrowbear Park County Water District
Arrowbear Lake, California

Report on the Financial Statements

We have audited the accompanying basic financial statements of Arrowbear Park County Water District (the "District") as of and for the years ended June 30, 2017 and 2016 and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express 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 State Controller's minimum audit requirements for California Special Districts. 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Arrowbear Park County Water District as of June 30, 2017 and 2016, and the changes in its financial position and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis - unaudited information, and information related to the pension and other postemployment benefits plans on pages 3 to 12 and 44 to 46, respectively, be presented to supplement the basic financial statements. Such information, although not 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 basic financial statements. The accompanying supplementary information on pages 44 to 46 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The organizational information on page 41, schedule of officers, directors, and management on page 42, and schedule of insurance coverage on page 43 have not been subjected to auditing procedures applied in the audits of the basic financial statements and; accordingly, we do not express opinions or provide any assurance on them.

Singer Lewak LLP

March 6, 2018

MANAGEMENT’S DISCUSSION AND ANALYSIS - UNAUDITED

Our discussion and analysis of Arrowbear Park County Water District's (the "District") financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2017. Please read it in conjunction with the District's financial statements which begin on page 13.

Financial Highlights

- The District's end of year net position decreased $92,582 (2.18 percent) as a result of the year's operations and GASB required pension liability adjustments.

- Current and other assets increased $279,778 (7.1 percent) during the reporting period mostly as a result of an increase in utility plant in service and CIP.

- Current assets, including cash and receivables, increased $83,152 (6.42 percent) during the year's operations due to an increase in cash and cash equivalents and accounts and other receivables.

- Current year operating revenues increased $94,356 (11.77 percent) over last year with operating expenses increasing $455,452 (51.29 percent) due to GASB required pension liability adjustments which produced an overall increase in the net operating loss of 417.72 percent over the previous year.

- Total operating revenues for the year were $896,065 and total operating expenses were $1,343,694, producing an overall operating loss of $447,629 for the year. This is a $361,168 negative change over last year's operating loss of $86,461.

- See accompanying charts for revenue and expense details, as well as changes in net position.

Using This Annual Report

This annual report consists of a series of financial statements. The statements of net position and statements of revenues, expenses, and changes in net position (on pages 14 through 19) provide information about the activities of the District as a whole and present a longer–term view of the District's finances.

Reporting the District as a Whole

Our analysis of the District as a whole begins on page 5. One of the most important questions asked about the District's finances is, "Is the District, as a whole, better off or worse off as a result of the year's activities?" The statements of net position and the statements of revenues, expenses, and changes in net position report information about the District as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities 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 cash is received or paid.

Reporting the District as a Whole (Continued)

These two statements report the District's net position and changes in net position. The District's net position— the difference between assets and liabilities— is one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position is one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the District's property tax base and the condition of the District's water facilities, to assess the overall health of the District.

The District reports in the statements of net position and the statements of revenues, expenses, and changes in net position one type of activity in a proprietary reporting format for the water and other services it provides. All District activities are reported in these statements.

The District as a Whole

The District's net position decreased to $4,148,079 from $4,240,733. Our analysis below focuses on the net position (Table 1) and the changes in net position (Table 2) of the District's activities.

Table 1

Net Position
(in Dollars)

	June 30,		
	2017	2016	2015
Current and other assets	$1,379,325	$1,296,173	$1,315,594
Capital assets	2,836,396	2,439,039	2,418,859
Net pension asset	6,869	207,600	-
Deferred outflows of resources	629,070	566,484	537,604
Total assets	**$4,851,660**	**$4,509,296**	**$4,272,057**
Current liabilities	$ 117,742	$ 69,711	$ 48,967
Noncurrent liabilities	531,784	170,482	148,892
Total liabilities	649,526	240,193	197,859
Deferred inflows of resources	54,055	28,370	124,807
Net position			
Invested in capital assets, net of related debt	2,461,353	2,439,039	2,418,859
Restricted for sewer	-	-	-
Unrestricted	1,686,726	1,801,694	1,530,532
Total net position	4,148,079	4,240,733	3,949,391
Total liabilities, deferred inflows of resources, and net position	**$4,851,660**	**$4,509,296**	**$4,272,057**

Net position decreased by $92,654. Unrestricted net position— the part of net position that can be used to finance day–to–day operations without constraints established by debt covenants, enabling legislation, or other legal requirements - decreased by $114,968.

Table 2

Changes in Net Position
(in Dollars)

	June 30, 2017	June 30, 2016	June 30, 2015
Operating revenues	$ 896,065	$ 801,709	$ 736,848
Operating expenses	(1,343,694)	(888,170)	(965,463)
Operating loss	(447,629)	(86,461)	(228,615)
Nonoperating revenues	367,950	377,803	382,277
Nonoperating expenses	(12,975)	-	(1,723)
Increase (decrease) in net position	**$ (92,654)**	**$ 291,342**	**$ 151,939**

The District's operating revenues increased by $94,356 (11.77 percent) and operating expenses increased by $455,524 (51.29 percent). The factors driving these results include:

- Water and sewer net sales increased by $75,765 (10.12 percent) compared to the prior year. This was due to the rate increase effective January 1, 2015 and a slight increase in usage due to the lifting of drought restrictions. Sales to Running Springs Water District decreased by $6,252 (16.49 percent). This decrease was due to an increase in water availability and a decreased demand from Running Springs. Operating expenses reflected an increase of $455,524 (51.28 percent) due mainly to GASB required pension liability adjustments in the benefits expense category.

- Nonoperating revenues decreased $9,853 (2.61 percent). Grant revenues increased by $5,062. Property tax revenues increased $8,844 (3.97 percent) and standby charges increased $2,126 (2.01 percent).

- Overall the District performance reflected a slight decrease for the period with a $92,654 (2.18 percent) decrease to the District's net position for a total of $4,148,079.

- The District had 954 active services at June 30, 2017. Prior year active services were 954.

Capital Asset and Debt Administration

Capital Assets
At the end of fiscal 2017, the District had $2,836,396 (net of accumulated depreciation) invested in a broad range of capital assets including land, water facilities, sewer facilities, a fire station, and equipment (see Table 3 below). This amount represents a net increase (including additions and deductions) of $397,357 (16.29 percent) over last year.

Table 3

Capital Assets at Year-End
(in Dollars)

	June 30,		
	2017	2016	2015
Land	$ 118,451	$ 118,451	$ 118,451
Water system	3,128,79	2,902,651	2,762,403
Sewer system	2,763,507	2,763,507	2,763,507
Equipment	1,448,010	1,012,292	1,000,694
Fire station	265,935	265,935	258,299
Construction in progress	12,836	139,451	82,995
Accumulated depreciation	(4,901,134)	(4,763,248)	(4,567,490)
	$2,836,396	**$2,439,039**	**$2,418,859**

This year's major additions included:

- A net decrease in construction in progress of $126,615 due to completion of major water main replacement projects.

During the 2016–17 fiscal year, the District had a net total of $397,357 (16.29 percent) in capital increases in its service areas due to completion of major water main replacement projects.

Debt

The District entered into a lease purchase agreement for the acquisition of a fire engine in the current year. The lease requires ten payments of $48,528 and has minimum lease payments of $436,752 remaining at year end of which $61,711 represents interest. The present value of lease payments remaining is $375,041.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and customers with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District at: Arrowbear Park County Water District, P.O. Box 4045, Arrowbear Lake, California 92382-4045.

Financial Analysis Worksheet

Account	Current Year	Prior Year	Change	Percent Change
Statements of net position				
Current and other assets	$ 1,379,325	$1,296,173	$ 83,152	6.42%
Capital assets	2,836,396	2,439,039	397,357	16.29%
Net pension asset	6,869	207,600	(200,731)	(96.69)%
Deferred outflows of resources	629,070	566,484	62,586	11.05%
Total assets	**$ 4,851,660**	**$4,509,296**	**$ 342,364**	**7.59%**
Noncurrent liabilities	$ 531,784	$ 170,482	$ 361,302	211.93%
Current liabilities	117,742	69,711	48,031	68.90%
Total liabilities	**649,526**	**240,193**	**409,333**	**170.42%**
Deferred inflows of resources	**54,055**	**28,370**	**25,685**	**90.54%**
Net position				
Invested in capital assets, net of related debt	2,461,353	2,439,039	22,314	0.91%
Restricted for sewer	-	-	-	-
Unrestricted	1,686,726	1,801,694	(114,968)	(6.38)%
Total net position	**4,148,079**	**4,240,733**	**(92,654)**	**(2.18)%**
Total liabilities, deferred inflows of resources, and net position	**$ 4,851,660**	**$4,509,296**	**$ 342,364**	**7.59%**
Statements of revenues and expenses				
Operating revenues	$ 896,065	$ 801,709	$ 94,356	11.77%
Operating expenses	(1,343,694)	(888,170)	455,524	51.28%
Operating gain (loss)	**(447,629)**	**(86,461)**	**(361,168)**	**417.72%**
Nonoperating revenues	367,950	377,803	(9,853)	(2.61)%
Nonoperating expenses	12,975	-	12,975	-
Change in net position before capital contributions	(92,654)	291,342	(383,996)	(131.80)%
Change in accounting principle				
Beginning net position	4,240,733	3,949,391	291,342	7.38%
Ending net position	**$ 4,148,079**	**$4,240,733**	**$ (92,654)**	**(2.18)%**

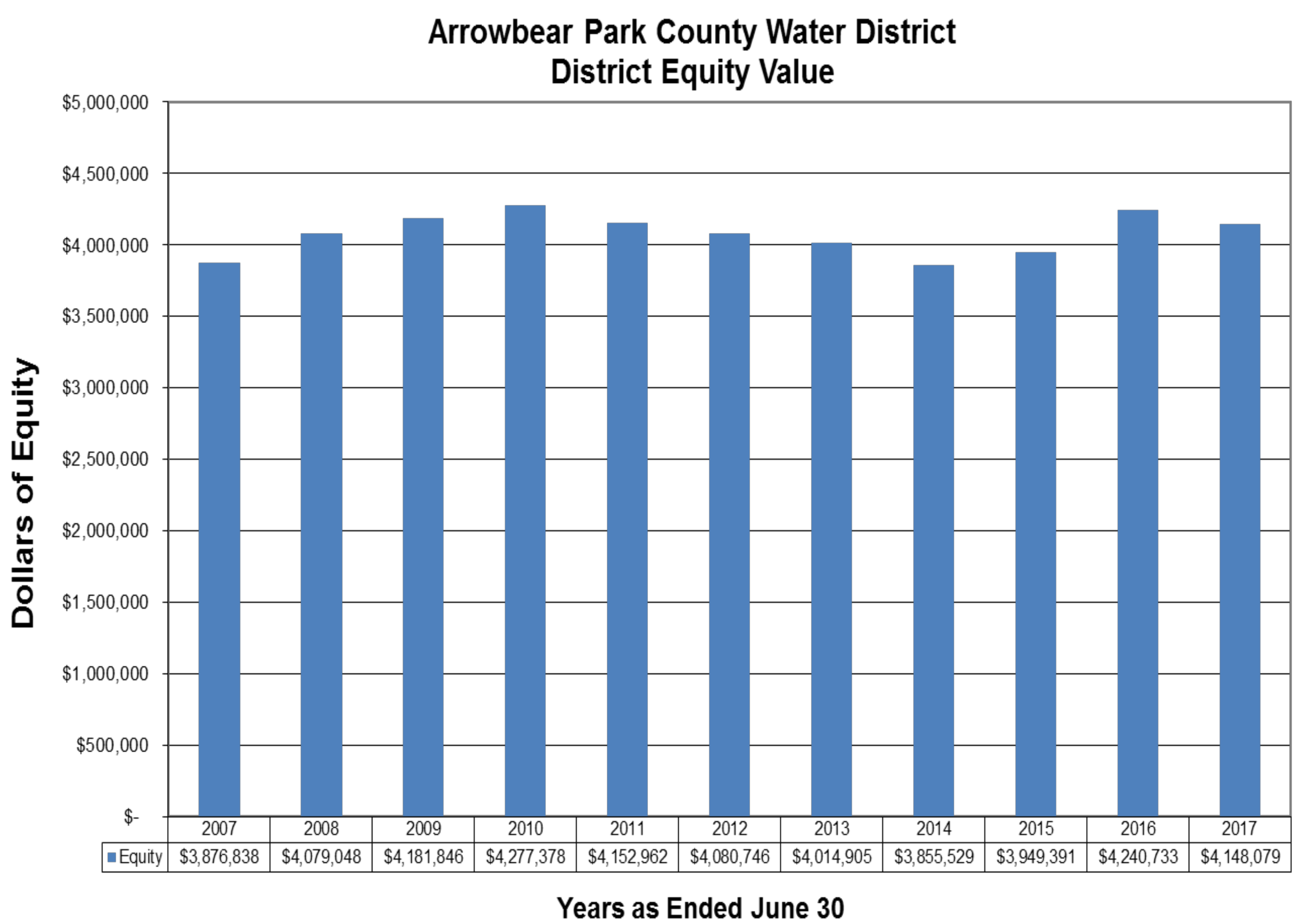
Change in net position – invested in capital assets, net of related debt is an increase of $22,314 for the period.

Period change in net position – invested in capital assets, net of related debt is an increase of 0.91 percent for the period.

Change in net position – unrestricted funds is a decrease of $114,968 for the period.

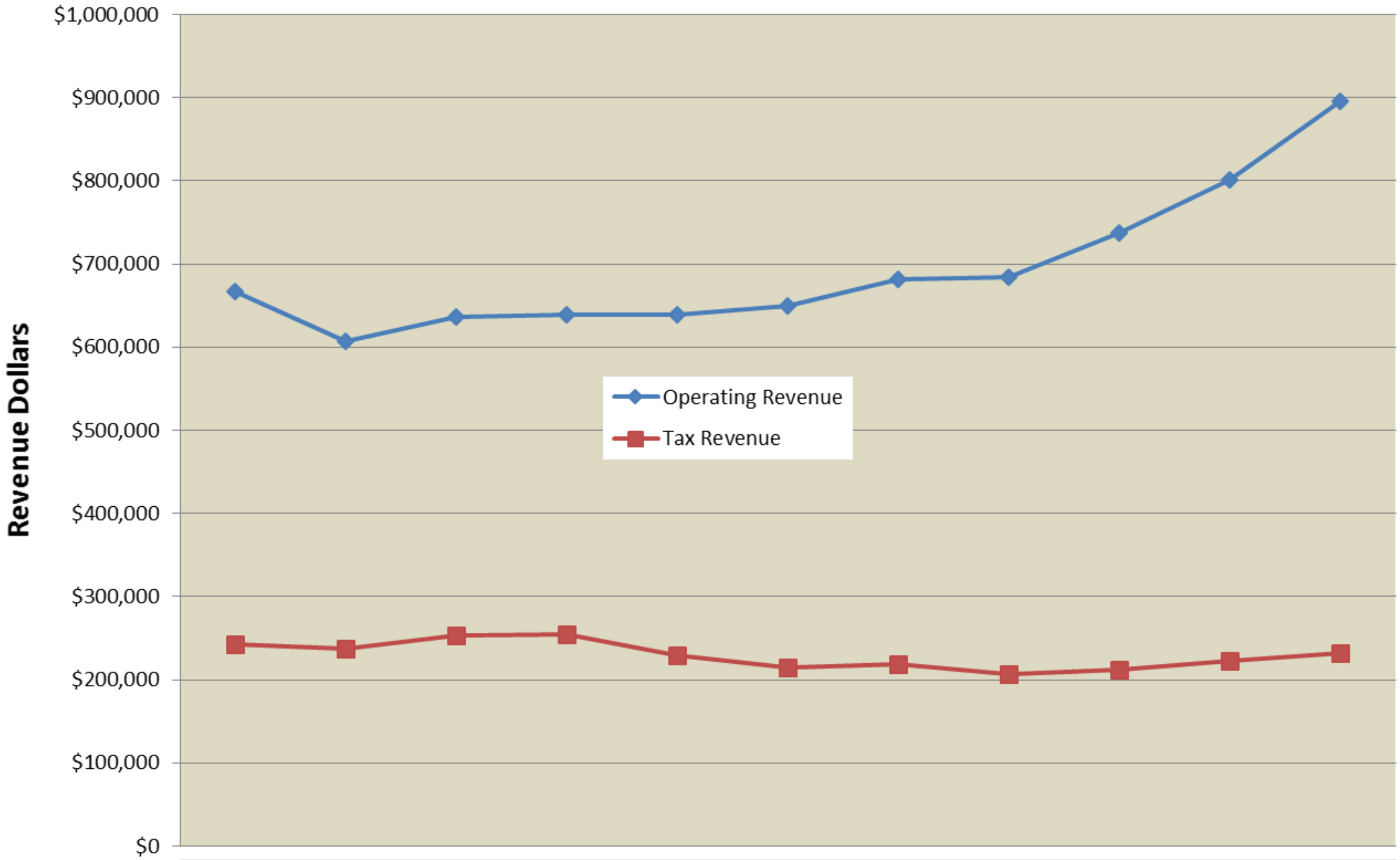
Percent change in net position – unrestricted funds is a decrease of 6.38 percent.

Items in **bold** are significant or material in nature.



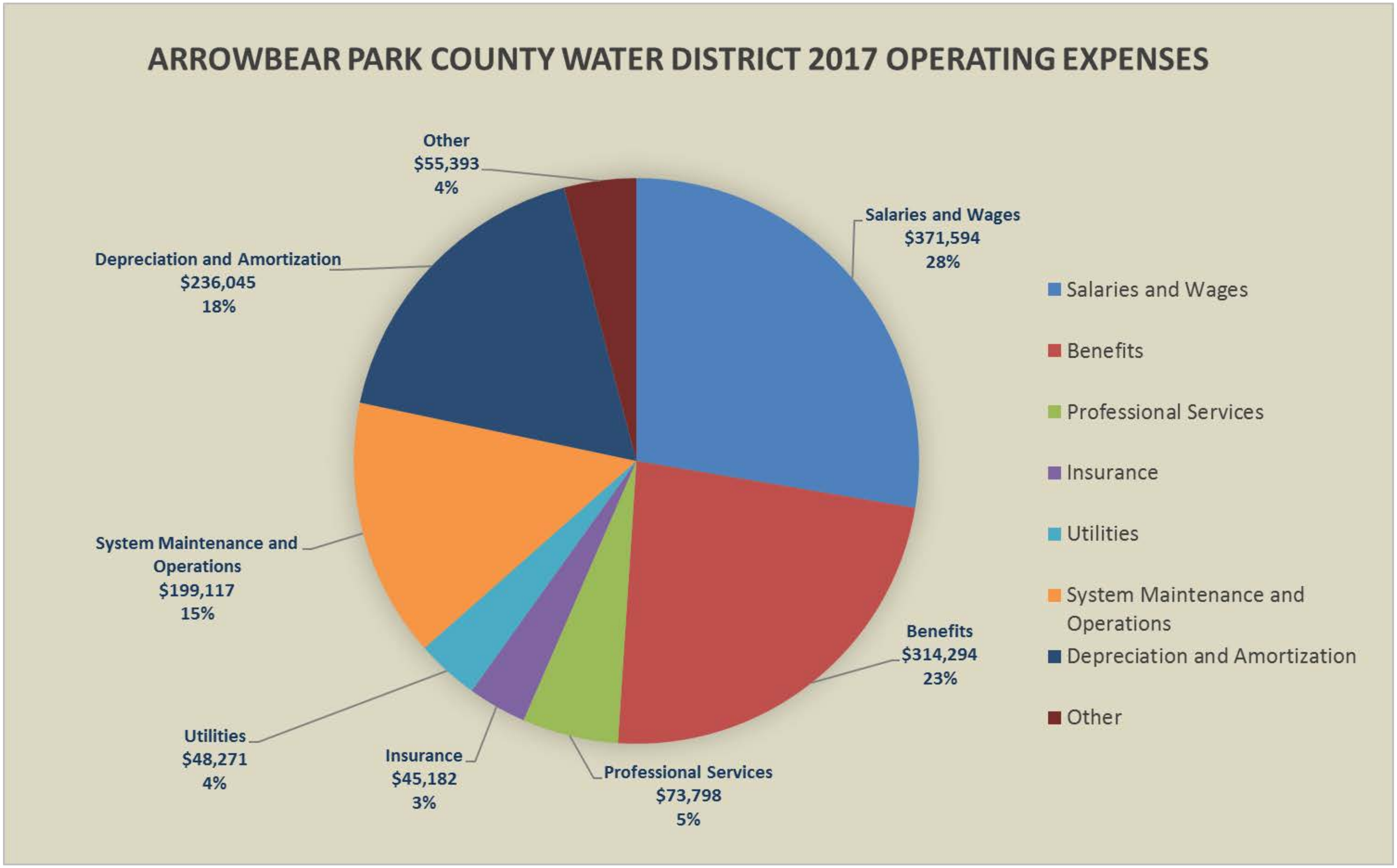
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Equity	$3,876,838	$4,079,048	$4,181,846	$4,277,378	$4,152,962	$4,080,746	$4,014,905	$3,855,529	$3,949,391	$4,240,733	$4,148,079

Arrowbear Park County Water District
Revenues and Taxes History



	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Operating Revenue	$666,982	$606,687	$635,932	$638,733	$638,499	$649,916	$681,272	$684,416	$736,848	$801,709	$896,065
Tax Revenue	$243,165	$237,901	$253,637	$254,820	$229,577	$214,184	$217,996	$206,682	$212,669	$222,739	$231,583

Years as Ended June 30



ARROWBEAR PARK COUNTY WATER DISTRICT 2017 OPERATING EXPENSES
Other
$55,393
4%
Salaries and Wages
$371,594
28%
Depreciation and Amortization
$236,045
18%
System Maintenance and Operations
$199,117
15%
Benefits
$314,294
23%
Utilities
$48,271
4%
Insurance
$45,182
3%
Professional Services
$73,798
5%
Salaries and Wages
Benefits
Professional Services
Insurance
Utilities
System Maintenance and Operations
Depreciation and Amortization
Other

BASIC FINANCIAL STATEMENTS - AUDITED

ARROWBEAR PARK COUNTY WATER DISTRICT
STATEMENTS OF NET POSITION
June 30, 2017 and 2016

	2017	2016
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Current assets		
Cash and cash equivalents	$ 1,159,441	$ 1,133,534
Accounts receivable	141,453	92,998
Interest and other receivables	15,350	8,103
Inventories	54,071	48,160
Other current assets	9,010	13,378
Total current assets	1,379,325	1,296,173
Noncurrent assets		
Capital assets, net	2,836,396	2,439,039
Net pension asset	6,869	207,600
Total noncurrent assets	2,843,265	2,646,639
Total assets	4,222,590	3,942,812
Deferred outflows of resources		
Joint use facilities, net	534,329	534,048
Pension related	94,741	32,436
Total deferred outflows of resources	629,070	566,484
Total assets and deferred outflows of resources	**$ 4,851,660**	**$ 4,509,296**

(Continued)

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

ARROWBEAR PARK COUNTY WATER DISTRICT
STATEMENTS OF NET POSITION
June 30, 2017 and 2016

	2017	2016
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION		
Current liabilities		
Accounts payable	$ 67,914	$ 58,702
Capital lease obligation, current	36,677	-
Other current liabilities	13,151	11,009
Total current liabilities	117,742	69,711
Long-term liabilities		
Employee benefits payable	80,595	68,878
Other post employment benefits payable	112,825	101,604
Capital lease obligation, noncurrent	338,364	-
Total long-term liabilities	531,784	170,482
Total liabilities	649,526	240,193
Deferred inflows of resources		
Pension related	54,055	28,370
Net position		
Invested in capital assets, net of related debt	2,461,353	2,439,039
Unrestricted	1,686,726	1,801,694
Total net position	4,148,079	4,240,733
Total liabilities, deferred inflows of resources, and net position	**$ 4,851,660**	**$ 4,509,296**

(Concluded)

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

ARROWBEAR PARK COUNTY WATER DISTRICT

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Years Ended June 30, 2017 and 2016

	2017	2016
Operating revenues		
User fees	$ 824,642	$ 748,877
Sales to other agencies	71,423	52,832
Total operating revenues	896,065	801,709
Operating expenses		
Salaries and wages	371,594	349,346
Benefits	314,294	(66,476)
Professional services	73,798	84,074
Insurance	45,182	42,032
Utilities	48,271	47,327
System maintenance and operations	199,117	152,196
Depreciation and amortization	236,045	240,253
Other	55,393	39,418
Total operating expenses	1,343,694	888,170
Operating loss	(447,629)	(86,461)

(Continued)

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

ARROWBEAR PARK COUNTY WATER DISTRICT
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
Years Ended June 30, 2017 and 2016

	2017	2016
Nonoperating revenues		
Property taxes	$ 231,583	$ 222,739
Standby charges	107,846	105,720
Gain on retirement of capital assets	1,000	-
Grant revenue	5,062	-
Interest income	18,525	16,442
Other	3,934	32,902
Total nonoperating revenues	367,950	377,803
Nonoperating expenses		
Interest expense	12,975	-
Total nonoperating expenses	12,975	-
Change in net position	(92,654)	291,342
Net position, beginning of year	4,240,733	3,949,391
Net position, end of year	**$ 4,148,079**	**$ 4,240,733**

(Concluded)

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

ARROWBEAR PARK COUNTY WATER DISTRICT

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2017 and 2016

	2017	2016
Cash flows from operating activities		
Cash received from customers	$ 849,432	$ 821,004
Cash paid to employees for services	(507,918)	(479,833)
Cash paid to suppliers and other	(510,190)	(374,980)
Net cash used in operating activities	(168,676)	(33,809)
Cash flows from investing activities		
Interest on investments	17,666	15,996
Cash flows from noncapital financing activities		
Property taxes	223,373	222,739
Cash flows from capital and related financing activities		
Purchase of capital assets	(76,600)	(220,198)
Proceeds from sale of capital assets	1,000	-
Deferred charges	(50,391)	(170,746)
Principal payments on capital lease obligation	(35,553)	-
Interest paid on capital lease obligation	(12,975)	-
Other revenue	8,996	32,902
Standby charges	107,846	105,720
Other post employment benefits payable	11,221	17,057
Net cash used in capital and related financing activities	(46,456)	(235,265)
Net change in cash and cash equivalents	25,907	(30,339)
Cash and cash equivalents, beginning of year	1,133,534	1,163,873
Cash and cash equivalents, end of year	**$ 1,159,441**	**$ 1,133,534**

(Continued)

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

ARROWBEAR PARK COUNTY WATER DISTRICT
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2017 and 2016

	2017	2016
Reconciliation of operating loss to net cash used in operating activities		
Operating loss	$ (447,629)	$ (86,461)
Adjustments to reconcile operating loss to net cash used in operating activities		
Depreciation and amortization	139,947	240,255
Amortization of deferred outflows of resources	(62,305)	16,199
Amortization of deferred inflows of resources	25,685	(96,437)
Change in net pension asset	200,731	(122,170)
Changes in operating assets and liabilities:		
Accounts receivable	(48,455)	13,736
Interest and other receivables	1,822	5,559
Other current assets	4,368	(12,878)
Inventories	(5,911)	(16,889)
Accounts payable	9,212	19,832
Other current liabilities	2,142	912
Employee benefits payable	11,717	4,533
Net cash used in operating activities	**$ (168,676)**	**$ (33,809)**
Noncash capital and related financing activities		
Asset acquired under capital lease	**$ 410,594**	**$ -**

(Concluded)

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

NOTE 1 – REPORTING ENTITY

The Arrowbear Park County Water District (the "District") is a special district created for the purpose of providing water, sewer, and firefighting services to residents within its service area.

The District and the Arrowbear Park County Water District Financing Corporation (the "Corporation") have a financial and operational relationship which meets the reporting entity definition criteria of the Government Accounting Standards Board (GASB) Statement No. 14 (GASB 14), *The Financial Reporting Entity*, as amended by GASB Statement No. 39 (GASB 39), *Determining Whether Certain Organizations are Component Units*, for inclusion of the Corporation as a component unit of the District. Accordingly, the financial activities of the Corporation have been included in the financial statements of the District.

The following are those aspects of the relationship between the District and the Corporation which satisfy GASB 39 criteria:

A. The Corporation's board of directors was appointed by the District's board of directors.

B. The District is able to impose its will upon the Corporation, based on the following:

- The Corporation has no employees. The District's general manager functions as an agent of the Corporation. The general manager does not receive additional compensation for work performed in this capacity.
- The District exercises significant influence over operations of the Corporation as it is anticipated that the District will be the sole lessee of all facilities owned by the Corporation. Likewise, it is anticipated that the District's lease payments will be the sole revenue source of the Corporation, with the exception of interest earned in the Corporation's trust accounts.
- All major financing arrangements, contracts, and other transactions of the Corporation must have the consent of the District.

C. The Corporation provides specific financial benefits or imposes specific financial burdens on the District based upon the following:

- Any deficits incurred by the Corporation will be reflected in the lease payments of the District and any surpluses of the Corporation revert to the District at the end of the lease period.
- The District has assumed a "moral obligation," and potentially a legal obligation, for any debt incurred by the Corporation.

The Corporation is a nonprofit, public benefit corporation incorporated under the laws of the State of California and recorded by the Secretary of State on January 6, 2000. The Corporation was formed for the sole purpose of providing financing assistance to the District. The Corporation issued debt to refinance existing debt of the District. Under an installment purchase arrangement, the Corporation obtained title to certain District facilities through the year 2009. At the end of the installment purchase arrangement in 2009, title of all Corporation property passed to the District for no additional consideration.

NOTE 1 – REPORTING ENTITY (Continued)

For financial statement presentation purposes, there was no financial activity for the Corporation in the current year.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Measurement Focus

The District 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 District is that the costs of providing goods or services to the general public on a continuing basis (including depreciation) be financed or recovered primarily through user charges. Revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred. An enterprise fund is accounted for on the flow of economic resources measurement focus. This means that all assets and liabilities associated with the activity (whether current or noncurrent) are included on the statement of net position.

The District distinguishes operating revenues and expenses from those revenues and expenses that are nonoperating. Operating revenues are those revenues that are generated by water, sewer, and fire services while operating expenses pertain directly to the furnishing of those services. Nonoperating revenues and expenses are those revenues and expenses generated that are not directly associated with the normal business of supplying water as well as water and sewer services.

Basic Financial Statements

The basic financial statements are comprised of the statement of net position, the statement of revenues, expenses, and changes in net position, the statement of cash flows, and the related notes to the financial statements.

Cash and Cash Equivalents

For the purpose of the statements of cash flows, the District considers all short-term debt securities purchased with an original maturity of three months or less to be cash equivalents. The District invests funds with the State of California's Local Agency Investment Fund. Due to the high liquidity of this investment, the funds are classified as cash equivalents. For credit risk purposes, the fund is not rated.

Accounts Receivable

Accounts receivable are reported at their net realizable value, less an allowance for uncollectible accounts, if deemed necessary. The District uses the allowance method for the write-off of bad debts. The District considers such factors as historical trends for collections and knowledge of financial stability of debtors to establish the allowance for doubtful accounts. As of June 30, 2017 and 2016, no allowance for uncollectible accounts receivable was considered necessary as all accounts receivable are deemed fully collectable. The District believes all accounts receivable are fully collectible as liens are placed on properties for nonpayment.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories

Inventories consist primarily of water meters, pipe, and pipe fittings for construction and repair to the District's water transmission and distribution system. Inventories are 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. As of June 30, 2017 and 2016, no reserve for inventory was deemed necessary based on management's evaluation of the District's inventory.

Capital Assets

Capital assets acquired and/or constructed are capitalized at historical cost. District policy has set the capitalization threshold for reporting capital assets at $1,000. Donated assets are recorded at estimated acquisition value at the date of donation. Internal labor and overhead associated with internally constructed capital assets are estimated and capitalized as part of the cost of the capital asset. 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.

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

Water system	10 to 50 years
Sewer system	10 to 40 years
Equipment	5 to 30 years
Fire station	7 to 40 years

The depreciation expense on assets acquired under capital leases is included with depreciation expense on owned assets.

Capital assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts of the assets in question may not be recoverable. Impairment would be recorded in circumstances where undiscounted cash flows expected to be generated by an asset are less than the carrying value of the asset. As of June 30, 2017 and 2016, no impairment was recognized as management expects to fully utilize the District's long-lived assets.

Net Pension Asset/Liability, Deferred Outflows of Resources, Deferred Inflows of Resources, Pension Expense, and Implementation of Accounting Principles

For purposes of measuring the net pension asset/liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position of 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 California Public Employees' Retirement System (CalPERS) Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Pension Asset/Liability, Deferred Outflows of Resources, Deferred Inflows of Resources, Pension Expense, and Implementation of Accounting Principles (Continued)

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* (GASB 68), provides requirements for how pension costs and obligations are measured and reported in the basic financial statements. When an organization's pension liability exceeds the pension plan's net position available for paying benefits, there is a net pension liability which must be reported in the basic financial statements. In addition, GASB 68 requires that projected benefit payments be discounted to their actuarial present value using a single rate that reflects (1) a long-term expected rate of return on pension plan investments to the extent that the pension plan's fiduciary net position is projected to be sufficient to pay benefits and pension plan assets are expected to achieve that rate and (2) a tax-exempt, high-quality municipal bond rate to the extent that the conditions under (1) are not met.

Employee Benefits Payable

Employees of the District earn vacation, sick, and compensatory leave in varying amounts depending primarily on length of service. Upon termination from District service, employees are entitled to full payment for accrued vacation, up to the maximum of two hundred and forty hours, and compensatory leave, up to the maximum of forty hours, at their final pay rates, and are entitled to payment for their accrued sick leave, up to the maximum of five hundred hours, at such rates. The District records its obligations for vacation, sick, and compensatory leave earned by eligible employees based on current pay rates.

Property Taxes

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 Office bills and collects the District's share of property taxes and assessments. The County of San Bernardino Treasurer's Office remits current and delinquent property tax collections to the District throughout the year. Property tax in California is levied in accordance with Article 13A of the State Constitution at 1.0 percent 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 District's cash balance as of June 30. The property tax calendar is as follows:

Lien date:	January 1
Levy date:	On July 1 for July 1 to June 30
Due date:	November 1 – 1st installment
	February 1 – 2nd installment
Collection date:	December 10 – 1st installment
	April 10 – 2nd installment

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Net Investment in Capital Assets, net of related debt - This component of net position consists of capital assets, net of accumulated depreciation and reduced by any debt outstanding against the acquisition, construction, or improvement of those assets.

Unrestricted Net Position - This component of net position consists of the portion of net position that does not meet the definition of net investment in capital assets.

Use of Estimates
The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and disclosures made in the accompanying notes to the financial statements. While management believes these estimates are adequate, actual results could differ from those estimates.

New Accounting Pronouncements
The District is currently evaluating its accounting practices to determine the potential impact on the financial statements for the following GASB statements:

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75), which establishes new accounting and financial reporting requirements for OPEB, improving the accounting and financial reporting by state and local governments and discloses information provided by state and local government employers about financial support for OPEB that is given by other entities. This statement replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* and GASB 57. GASB 75 is effective for the District's fiscal year ending June 30, 2018.

In March 2016, GASB issued Statement No. 82, *Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73* (GASB 82). GASB 82 addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. GASB 82 is effective for the District's fiscal year ending June 30, 2018.

In March 2017, GASB issued Statement No 85, *Omnibus 2017*, which addresses a variety of topics related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The requirements of this statement are effective for fiscal years beginning after June 15, 2017.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Pronouncements (Continued)
In June 2017, GASB issued Statement No. 87, *Leases*, which addresses new accounting and financial reporting requirements for leases, improving accounting and financial reporting for leases for governments. Leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract will be recognized as a lease liability and an intangible right-to-use lease asset for lessees and a lease receivable and a deferred inflow of resources for a lessor. The requirements of this Statement are effective for fiscal years beginning after December 15, 2019.

Reclassifications
Certain reclassifications have been made to the June 30, 2016 information to conform to the current year presentation.

NOTE 3 – CASH AND CASH EQUIVALENTS

For purposes of the following discussion, cash and cash equivalents have been classified as follows:

	June 30,	
	2017	2016
Deposits	$ 257,653	$ 237,580
Investments	901,788	895,954
	$1,159,441	**$1,133,534**

Deposits
At June 30, 2017 and 2016, the carrying amount of the District's deposits were $257,653 and $237,580, respectively, and the bank balances were $259,472 and $241,323, respectively.

Investments Authorized by the District's Investment Policy
Under provisions of the District's investment policy, adopted by Board resolution annually, which is in accordance with California Government Code Sections 53600 through 53686 et seq., the types of investments authorized for deposit are: certificates of deposit, state local agency investment fund, passbook savings account, and treasury bills and notes.

The value of investments was as follows:

	June 30,	
	2017	2016
Not subject to leveling – State investment pool (Local Agency Investment Fund)	**$ 901,788**	**$ 895,954**

NOTE 3 – CASH AND CASH EQUIVALENTS (Continued)

Investments Authorized by the District's Investment Policy (Continued)
The funds deposited into the Local Agency Investment Fund (LAIF) are invested in accordance with Government Code Sections 16430 and 16480. The LAIF funds are subject to the oversight of the State of California Department of Finance, Auditor's General Office and the State Controller's Office. The fair value of the District's position in the pool approximates the value of the pool shares. It is therefore deemed to be reported at amortized cost and not subject to fair value leveling.

At June 30, 2017 and 2016, the District had no investments in repurchase and reverse repurchase agreements and did not invest in such during the years then ended.

Custodial Credit Risk
The District maintains deposits with financial institutions in excess of the Federal Depository Insurance Corporation's (FDIC) insurance limit of $250,000. The District does not have a policy that would limit the exposure to custodial credit risk for deposits or investments 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) in the Districts's name and places it ahead of general creditors of the institution. The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure Agency deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits.

The LAIF, created by California statute, is part of a pooled money investment account (PMIA). The LAIF has oversight by the Local Investment Advisory Board, which consists of five members designated by statute. The Chairman is the State Treasurer, or his designated representative. The total amount invested by all public agencies in LAIF as of June 30, 2017 and 2016 was $22.8 billion and $22.7 billion, respectively. At June 30, 2017 and 2016, the PMIA had a balance of $77.6 billion and $75.4 billion, respectively, of which, 2.89 percent and 2.81 percent were invested in medium-term and short-term notes and asset backed securities, respectively. The average maturity of LAIF investments as June 30, 2017 and 2016 was 194 days and 167 days, respectively.

NOTE 4 – CAPITAL ASSETS

The following is the activity for the year ended June 30, 2017:

	Cost			
	Balance June 30, 2016	Additions	Retirement	Balance June 30, 2017
Land	$ 118,451	$ -	$ -	$ 118,451
Water system	2,902,651	226,140	-	3,128,791
Sewer system	2,763,507	-	-	2,763,507
Equipment	1,012,292	483,767	(48,049)	1,448,010
Fire station	265,935	-	-	265,935
Construction in progress	139,451	131,538	(258,153)	12,836
	$7,202,287	**$ 841,445**	**$ (306,202)**	**$ 7,737,530**

	Accumulated Depreciation			
	Balance June 30, 2016	Additions	Retirement	Balance June 30, 2017
Water system	$1,453,668	$ 71,281	$ -	$ 1,524,949
Sewer system	2,546,286	53,072	-	2,599,358
Equipment	622,078	52,340	(48,049)	626,369
Fire station	141,216	9,242	-	150,458
	4,763,248	185,935	(48,049)	4,901,134
Capital assets, net	**$2,439,039**	**$ 655,510**	**$ (258,153)**	**$ 2,836,396**

NOTE 4 – CAPITAL ASSETS (Continued)

The following is the activity for the year ended June 30, 2016:

	Cost			
	Balance June 30, 2015	Additions	Retirement	Balance June 30, 2016
Land	$ 118,451	$ -	$ -	$ 118,451
Water system	2,762,403	140,248	-	2,902,651
Sewer system	2,763,507	-	-	2,763,507
Equipment	1,000,694	15,858	(4,260)	1,012,292
Fire station	258,299	7,636	-	265,935
Construction in progress	82,995	210,690	(154,234)	139,451
	$6,986,349	**$ 374,432**	**$(158,494)**	**$7,202,287**

	Accumulated Depreciation			
	Balance June 30, 2015	Additions	Retirement	Balance June 30, 2016
Water system	$1,383,335	$ 70,333	$ -	$1,453,668
Sewer system	2,474,419	71,867	-	2,546,286
Equipment	577,177	49,160	(4,260)	622,078
Fire station	132,559	8,658	-	141,216
	4,567,490	200,017	(4,260)	4,763,248
Capital assets, net	**$2,418,859**	**$ 174,415**	**$(154,234)**	**$2,439,039**

NOTE 4 – CAPITAL ASSETS (Continued)

The balance of the construction in progress consisted of the following:

	June 30,			
	2017		2016	
	Construction in Progress	Total Budget	Construction in Progress	Total Budget
Fire station training room	$ 1,043	$ 40,000	$ 1,043	$ 40,000
Badger pipeline project	-	-	35,071	40,001
Keater pipeline project	-	-	33,429	61,434
Porcupine pipeline project	-	-	17,274	59,143
Fire Engine	-	-	52,634	540,580
Truman pipeline project	11,793	-	-	-
	$ 12,836	**$ 40,000**	**$ 139,451**	**$ 741,158**

The District received a 1984 brush engine for use by the fire department from CalFire. The brush engine is still owned by CalFire. No amount has been recorded for the usage of the brush engine due to lack of measurable value.

In 2016, the District entered into a lease-purchase agreement for the acquisition of a fire engine with a cost of $410,594. The lease payments commenced as of December 17, 2016 and the District received the fire engine in April 2017. At the end of the lease term, ownership of the fire engine will pass to the District for no additional consideration. The equipment and the related liability under the capital lease was recorded at the present value of the future payments due under the lease. The lease requires ten annual payments of $48,528, including interest at a rate of 3.16%. The fire engine is being depreciated over its estimated useful life and as of June 30, 2017 accumulated depreciation on the fire engine was $5,896. The fire engine is included in the equipment category of the above capital asset schedules.

NOTE 4 – CAPITAL ASSETS (Continued)

The following is a schedule of the future minimum lease payments under the capital lease together with the present value of the net minimum lease payments as of June 30, 2017:

Year ending June 30,	
2018	$ 48,528
2019	48,528
2020	48,528
2021	48,528
2022	48,528
2023-2026	194,112
Total minimum lease payments	436,752
Less the amount representing interest	(61,711)
Present value of net minimum lease payments	375,041
Less capital lease obligation, current	(36,677)
Capital lease obligation, noncurrent	**$338,364**

NOTE 5 – DEFERRED OUTFLOW OF RESOURCES – JOINT USE FACILITIES

The District's sewage is processed by the Running Springs Water District (RSWD) sewage treatment plant. The District participated in a joint use facilities agreement with RSWD pertaining to these facilities. Per the agreement, the District will share in the cost of any capital improvements to the sewage treatment plant based on the assessed property values of each district participating in the contract. The agreement expired as of June, 30 2017 and terms of the renewal are currently being negotiated; however, RSWD continues to process the District's sewage in the meantime.

The District capitalizes its share of the cost of capital improvements made to joint use facilities. The amounts capitalized by the District for their share of the improvements during the years ended June 30, 2017 and 2016 were $50,391 and $170,745, respectively. The improvements are amortized on a straight-line basis over their estimated useful lives beginning when they are completed and placed in service. The estimated useful lives of the improvements range from 15 to 20 years. Accumulated amortization of improvements was $365,069 and $314,959 as of June 30, 2017 and 2016, respectively.

Amounts paid for joint use facility capital improvements that have not yet been completed and placed in service and therefore are not yet being amortized was $0 and $161,438 as of June 30 2017 and 2016, respectively. These amounts are included within the joint use facilities, net line item on the statements of net position.

NOTE 6 – PENSION PLAN

(a) General Information About the Pension Plan

Plan Description

All full-time District employees are required to participate in the Arrowbear Park County Water District Miscellaneous Plan with CalPERS, a cost-sharing multiple-employer public employee defined benefit pension plan. The District also has a Safety Plan with CalPERS. There are no employees contributing to the Safety Plan. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. A menu of benefit provisions as well as other requirements is established by State statutes within the Public Employee’s Retirement Law. The District selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through Board approval. CalPERS issues a separate comprehensive annual report. Copies of CalPERS’ annual financial report may be obtained from its Executive Office, 400 Q Street, Sacramento, CA 95811.

Benefits Provided

CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefits are based on year 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 improved non-industrial disability benefits after five years of service. The District has chosen the Optional Settlement 2W Death Benefit.

Contribution Description

Section 20814(c) of the California Public Employees’ Retirement Law (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. The total plan contributions are determined through CalPERS’ annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance any unfunded accrued 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. The District’s total employer contributions were $27,627 and $24,632 for the years ended June 30, 2017 and 2016, respectively. Active plan members who were hired before January 1, 2013, sometimes referred to as “Classic” employees, are required to contribute 8 percent of their annual covered salary. Beginning July 1, 2013, the District established two classes of employees, as dictated by the newly enacted Public Employees Pension Reform Act (PEPRA). By Board action, “Classic” employees began paying the 7% employee portion of the employer paid member contributions (EPMC) starting in the year ended June 30, 2016.

NOTE 6 – PENSION PLAN (Continued)

The employee contribution rate was 7.0 percent of annual pay for Classic members and 6.25 percent for PEPRA members for the measurement periods ended June 30, 2017 and 2016.

The plan's provisions and benefits in effect at June 30, 2017 and 2016 are summarized as follows:

	Miscellaneous	
Hire date	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2.0 percent at 55	2.0 percent at 62
Benefit vesting schedule	5 years	5 years
Benefit payments	Monthly for life	Monthly for life
Final average compensation period	12 months	3 year average
Sick leave credit	Yes	Yes
Retirement age	55	62
Monthly benefits as a percent of eligible compensation	2.0 percent to 2.418 percent	2.0 percent to 2.5 percent
Cost of living adjustment	2.0 percent	2.0 percent
Required employee paid member contributions		
2017	7.0 percent	6.25 percent
2016	7.0 percent	6.25 percent
Required employer contribution rates		
2017	8.880 percent	6.25 percent
2016	8.512 percent	6.25 percent

NOTE 6 – PENSION PLAN (Continued)

(b) Actuarial Methods and Assumptions Used to Determine Total Pension Liability

For the measurement period ending June 30, 2016 (the measurement date), the total pension liability (asset) was determined by rolling forward the June 30, 2015 total pension liability (asset) determined in the June 30, 2015 actuarial accounting valuation.

The June 30, 2016 total pension liability (asset) was based on the following actuarial methods and assumptions:

Actuarial cost method	Entry age normal in accordance with the requirements of GASB Statement No. 68
Actuarial Assumptions:	
Discount rate	7.65 percent
Inflation	2.75 percent
Salary increases	Varies by entry age and service
Investment rate of return	7.50 percent net of pension plan investment and administrative expenses; includes inflation
Mortality rate table	Derived using CalPERS' membership data for all funds
Post-retirement benefit increase	Contract COLA up to 2.75 percent until purchasing power protection allowance floor on purchasing power applies, 2.75 percent thereafter.

The mortality table used was developed based on CalPERS' specific data. The table includes 20-year mortality improvements using Society of Actuaries Scale BB.

All other actuarial assumptions used in the June 30, 2016 and 2015 valuation were based on the results of an actuarial experience study for the period 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website under Forms and Publications.

Change of Assumption

GASB 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. There were no changes in assumptions during the measurement period ended June 30, 2016. The discount rate was changed from 7.50 percent (net of administrative expense in 2014) to 7.65 percent as of the June 30, 2015 measurement date to correct the adjustment which previously reduced the discount rate for administrative expense.

NOTE 6 – PENSION PLAN (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.65 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for public agency plans (including PERF C), the amortization and smoothing periods recently adopted by the CalPERS Board were used. For the Plan, the crossover test was performed for a miscellaneous agent rate plan and a safety agent rate plan 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 are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained on CalPERS' website under the GASB 68 section. The current 7.65 percent discount rate is appropriate and the use of the municipal bond rate calculation is not necessary. The long-term expected discount rate of 7.65 percent is applied to all plans in the Public Employees Retirement Fund, Including PERF C. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS' website under the GASB 68 section.

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 (Public Employees' Retirement Fund) cash flows. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 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. 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 equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

NOTE 6 – PENSION PLAN (Continued)

The table below reflects 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 geometric rates of return are net of administrative expenses.

Asset Class	New Strategic Allocation	Real Return Years 1-10[1]	Real Return 11+[2]
Global equity	51%	5.25%	5.71%
Global debt securities	20%	.99%	2.43%
Inflation assets	6%	.45%	3.36%
Private equity	10%	6.83%	6.95%
Real estate	10%	4.50%	5.13%
Infrastructure and forestland	2%	4.50%	5.09%
Liquidity	1%	(.55)%	(1.05)%
Total	**100%**		

[1]An expected inflation of 2.5 percent used for this period.
[2]An expected inflation of 3.0 percent used for this period.

(c) Changes in the Net Pension Liability

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

The following presents the net pension liability of the plan as of the measurement date calculated using the discount rate of 7.65 percent at June 30, 2016 and 2015, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1.0 percentage – 1.0 point lower or 1.0 percentage-point higher than current rate:

Net pension liability (asset)		Discount Rate -1.0%	Current Discount	Discount Rate +1.0%
Miscellaneous plan	2016	(6.65%)	(7.65%)	(8.65%)
		$ 142,325	$(123,033)	$ (342,338)
	2015	(6.65%)	(7.65%)	(8.65%)
		$ 11,661	$(291,342)	$ (367,648)
Safety plan	2016	6.65%	7.65%	8.65%
		$ 168,413	$ 116,164	$ 73,272
	2015	6.65%	7.65%	8.65%
		$ 47,436	$ 83,742	$ 50,972

Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial report.

NOTE 6 – PENSION PLAN (Continued)

Subsequent Events

There were no subsequent events that would materially affect the results presented in this disclosure.

Amortization of Deferred Outflows and Deferred Inflows of Resources

Under GASB 68, actuarial gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time.

The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense.

The amortization period differs depending on the source of the gain or loss:

Difference between projected and actual earnings	5 year straight-line amortization
All other amounts	Straight-line amortization over the average expected remaining service lives of all members that are provided with benefits

The Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments is amortized over a five-year period on a straight-line basis. One-fifth is recognized in pension expense during the measurement period, and the remaining Net Difference between Projected and Actual Investment Earnings on Pension Plan Investments at the measurement date is to be amortized over the remaining four-year period. The Net Difference between Projected and actual Investment Earnings on Pension Plan Investments in the Schedule of Collective Pension amounts represents the unamortized balance relating to the current measurement period and the prior measurement period on a net basis.

Deferred outflows of resources and deferred inflows of resources relating to Differences between Expected and Actual Experience, Changes of Assumptions and employer-specific amounts should be amortized over the Expected Average Remaining Service Lifetime (EARSL) of members provided with pensions through the Plan. The EARSL is calculated by dividing the total future service years by the total number of plan participants (active, inactive, and retired).

The EARSL for the plan for the June 30, 2016 measurement period is 3.7 years which was obtained by dividing the total service years of 475,688 (the sum or remaining service lifetimes of the active employees) by 127,009 (the total number of participants: active, inactive, and retired). Inactive employees and retirees have remaining service lifetimes equal to zero. Total future service is based on the members' probability of decrementing due to an event other than receiving a cash refund.

NOTE 6 – PENSION PLAN (Continued)

(d) Pension Expense, Deferred Outflows and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2017, the District recognized pension expense subject to deferral of $27,627. At June 30, 2017, the District deferred inflows of resources related to pensions as follows:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	2017	**2016**	**2017**	**2016**
Miscellaneous and Safety Plans				
Pension contributions subsequent to measurement date	$ 27,627	$ 24,632	$ -	$ -
Difference between expected and actual experience	209	1,260	-	(566)
Changes in assumptions	-	-	(8,349)	(14,525)
Difference in actual versus projected contributions	-	-	(45,706)	-
Net differences between projected and actual earnings on pension plan investments	43,011	-	-	(7,296)
Change in Employer's proportion	23,895	6,544	-	(5,983)
Total	**$ 94,742**	**$ 32,436**	**$ (54,055)**	**$ (28,370)**

The amounts above are net of outflows and inflows recognized in the pension expense for the years ended June 30, 2017 and 2016. The $27,627 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018.

NOTE 6 – PENSION PLAN (Continued)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in the pension expenses as follows:

Year ending June 30	Miscellaneous	Safety	Total
2018	$ (4,382)	$ (677)	$ (5,059)
2019	$ (4,353)	$ (596)	$ (4,949)
2020	$ 9,441	$ 2,476	$ 11,918
2021	$ 9,213	$ 1,938	$ 11,150
2022	$ 9,919	$ 3,141	$ 13,060

2017 Pension Disclosures
(e) Funding Policy
The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rate for the year ended June 30, 2017 was 8.880 percent. The contribution rate is established and may be amended by CalPERS. The District's proportionate share of the Plan's contributions was $27,627.

(f) Annual Pension Cost and Net Pension Obligation
For the year ended June 30, 2017, the District's annual pension cost and contribution made were $22,074 for the miscellaneous plan and $5,553 for the safety plan for a total of $27,627. The required contribution for the year ended June 30, 2017 was based on CalPERS June 30, 2014 actuarial valuation using the actuarial assumptions discussed in Note 6(b).

Four-Year Trend Information for CalPERS Miscellaneous Plan Only

Year ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)
2014	$13,953	100%	-
2015	$33,912	100%	-
2016	$20,217	100%	-
2017	$22,074	100%	-

The schedule of funding progress, presented as required supplementary information (RSI) following the notes to the basic financial statements presents multiyear trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

NOTE 7 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS

In addition to the pension benefits described above, the District provides post–employment retirement health care benefits in accordance with State of California Code Sections 53205 and 53205.1. The District accounts for post–employment benefits on the (pay–as–you–go) cash basis. During the years ended June 30, 2017 and 2016, the District paid $38,754 and $41,891, respectively.

The District joined California Employers' Retiree Benefit Trust (CERBT) and contributed $15,000 and $15,000 for the fiscal years ended June 30, 2017 and 2016, respectively. Contribution requirements of the District are established and may be amended through board action to update the original resolution.

In 2009, the District adopted GASB 45 and is applying the provisions prospectively. Information regarding postemployment benefits is as follows:

Plan Description

The District, a single employer, offers medical insurance through the CalPERS medical plans. Employees who retire from the District on or after age 50 and have at least 5 years of service may participate in the plan. The District pays full retiree and eligible spousal health premiums for eligible retirees up to a fixed maximum monthly cap. The cap for the 2016-17 fiscal year was $676 per month for employee-only coverage and $1,180 for employee-plus-spouse coverage. Surviving spouses of active employees at their time of death will continue having premiums paid by the District for their lifetime. At June 30, 2017, the benefit was provided to six retired District employees.

Funding Policy

During the fiscal year ended June 30, 2017, the District funded these benefits on a pay-as-you-go basis. During the year ended June 30, 2017, the District paid 100 percent of the premiums, which totaled $38,754.

Annual OPEB Cost and Net OPEB Obligation

The District's Annual Other Postemployment Benefits (OPEB) cost is calculated based on annual required contributions of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a defined period. A level percentage of expected payroll amortization was calculated over a closed 30-year period, beginning with the year ended June 30, 2010.

NOTE 7 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

The annual OPEB cost and net OPEB obligation were as follows:

	June 30,		
	2017	2016	2015
Annual required contribution	$ 76,514	$ 73,542	$ 45,788
Annual OPEB cost	76,787	73,948	46,381
District contributions made	(65,566)	(56,891)	(55,445)
Increase (decrease) in net OPEB obligation	11,221	17,057	(9,064)
Net OPEB obligation, beginning of year	101,604	84,547	93,611
Net OPEB obligation, end of year	**$112,825**	**$101,604**	**$ 84,547**

For the fiscal years ended June 30, 2017 and June 30, 2016, the District's annual OPEB cost was $76,787 and $73,948, respectively. Contributions of $53,754 and $56,891 for the fiscal years ended June 30, 2017 and 2016, respectively, were equal to the pay–as-you-go amount plus an additional contribution of $15,000 and represented 70 and 77 percent of the annual OPEB cost. The required contributions were based on a July 1, 2015 actuarial valuation using the Entry Age Normal Cost Method which allocates the present value of future benefits on a level basis over the earnings or service of each employee between the hire date and assumed retirement age.

The actuarial assumptions included (a) 7.0 percent discount rate, (b) 3.0 percent annual increase for benefit caps, (c) medical inflation starting out at 8 percent grading down to 5 percent over 10 years, and (d) 3.25 percent annual rate of increase in payroll.

NOTE 8 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance. The insurance purchased is for liability, property, and workers' compensation insurance and there are various deductibles per occurrence.

NOTE 9 – CONTINGENCIES

The District has a contract for sewage treatment with Running Springs Water District (RSWD) which expired in January 2017. The contract was extended at the previous rate structure through June 2017 while negotiations were taking place for renewal of the contract. As of the issuance date, negotiations for the renewal of the contract remain ongoing and the District is disputing certain bills from RSWD. At this time, no estimate can be made regarding the outcome of the negotiations and disputed bills.

NOTE 10 – SUBSEQUENT EVENTS

In the preparation of these financial statements, the District considered subsequent events through March 6, 2018 which is the date these financial statements were issued.

SUPPLEMENTARY INFORMATION - UNAUDITED

Organization and Description of the District

Arrowbear Park County Water District (the "District") is a county water district formed under Division 12 of the California Water Code. The District provides water, sewer, and fire-fighting services to all residents within its boundaries. The District is located approximately 17 miles northeast of the City of San Bernardino in the San Bernardino Mountains. Due to the location and proximity to mountain resort areas and activities, the land within the District's boundaries is comprised of a mix of full-time residents and vacation homes.

The District's water supply comes from a subterranean aquifer resulting from precipitation and mountain snow buildup. The District maintains five wells, with one having a capacity of 91 gallons per minute, one having a capacity of 84 gallons per minute, one having a capacity of 33 gallons per minute, one having a capacity of 21 gallons per minute, and one having a capacity of 13 gallons per minute. Water is pumped from the wells into a treatment facility which removes natural impurities from the water. There are four storage tanks and 12 miles of pipeline. The District services 953 residential and commercial water connections as well as one wholesale water connection to Running Springs Water District.

Sewer services are provided through approximately 12 miles of sewer collection and transmission lines accessed through 376 manholes. The District's sewage effluent is transmitted to the Regional Wastewater Treatment Plant in Running Springs. The District services 951 sewer connections.

Fire Protection services are provided by a Part-time Fire Chief assisted by a Part-time Battalion Chief and up to 15 Volunteer Firefighters using 3 fire engines.

The District is governed by a five–member board of directors elected by the residents of Arrowbear. Directors serve four–year, overlapping terms. The District operations are carried out under the direction of General Manager Norman Huff.

ARROWBEAR PARK COUNTY WATER DISTRICT
SCHEDULE OF OFFICERS, DIRECTORS, AND MANAGEMENT
June 30, 2017

The officers, directors, and senior management of Arrowbear Park County Water District are listed below:

	Term Expires*
Pat Oberlies, Vice President 2379 Fir Drive Arrowbear Lake, California 92382	November 2018
Rickey L. Weber, Director 33079 Ridge Drive Arrowbear Lake, CA 92382	November 2018
Mark Bunyea, Director 33303 Lakeview Drive Arrowbear Lake, California 92382	November 2020
Sheila Wymer, Director 2359 Fir Drive Arrowbear Lake, California 92382	November 2020
Terisa Bonito, President 2363 Oak Drive Arrowbear Lake, CA 92382	November 2020
Norman Huff, General Manager	N/A
Caroline Rimmer, Secretary to Board	N/A

* As a result of the California Voter Participation Act (SB415), which becomes effective January 1, 2018, the District will be required to move their election date. Historically, their elections were held on odd years. Going forward, their elections will now be held on even years. This transition resulted in the current terms of the officers and directors being extended by one year.

At June 30, 2017, Arrowbear Park County Water District carried insurance as outlined below:

	Water/Sewer (District General)	Fire
Property coverage – blanket policy	$ 3,067,058	$ 1,592,629
General liability and wrongful acts	$ 1,000,000/occurrence $ 3,000,000/aggregate	$ 5,000,000/occurrence $10,000,000/aggregate
Employee theft	$ 250,000	
Forgery or alteration	$ 250,000	
Theft of money & securities	$ 250,000	
Outside theft	$ 250,000	
Computer fraud	$ 100,000	
Workers' Compensation insurance	Statutory	Statutory

Deductibles on the insurance policies are generally $1,000 to $2,500.

Pension Plan

The District is a participant in CalPERS a cost-sharing multiple-employer public employee defined benefit pension plan in the miscellaneous and safety risk pools. In the most recent valuation for the year ended June 30, 2015, CalPERS changed their method of reporting to the various participant employers.

There was a change in assumptions with respect to the discount rate being used. The discount rate was 7.5% as of June 30, 2014, and was changed to 7.65% as of the June 30, 2015 measurement date to correct the adjustment which previously reduced the discount rate for administrative expense.

CalPERS also changed its method of reporting to the participant employers. The prior year reporting included valuations by employer plan for purposes of GASB 68 reporting. In the year ended June 30, 2016, CalPERS provided reporting by plan only to the extent of the employer's participation in the miscellaneous and safety risk pools. This change resulted in the individual actuarial valuation by employer and the amounts reported in the pools being different. Since GASB 68 requirements are met in the miscellaneous risk pool reporting, those calculated pension components are being used. In the report the District's proportionate share of the collective pension liability is $374,257 or .00203% of the total liability, and the fiduciary net position was $273,775 or .00195% for the safety plan and the proportionate share of the collective pension liability for the miscellaneous plan is $1,901,539 or .01369% and the fiduciary net position was $2,105,105 or .01917.

Schedule of Plan Contributions[1]

	2017	2016
Actuarially determined contribution	$ 27,627	$ 24,632
Contributions in relation to the actuarially determined contribution	27,627	24,632
Contribution deficiency (excess)	-	-
Covered employee payroll	$ 162,357	$ 151,227
Contributions as a percentage of covered employee payroll	17.0%	16.3%

[1] Historical information is required only for measurement periods for which GASB 68 is applicable.

Schedules of Funding Progress

June 30, 2017

Pension Plan

Required Supplementary Information - Plan's Risk Pool History of Funded Status and Funding Progress (Dollar Amounts in Millions)

Miscellaneous Plan

Valuation Date	Accrued Liabilities (AL)	Market Value of Assets (MVA)	Unfunded Accrued Liabilities (UAL)	Funded Ratio (MVA/AL)	Annual Covered Payroll	UAL as a % of Payroll
6/30/2013	$11,806	$9,093	$2,712	77.0%	$1,910	142.0%
6/30/2014	$13,137	$10,687	$2,450	81.3%	$1,982	123.6%
6/30/2015	$13,639	$10,896	$2,743	79.9%	$2,056	144.5%
6/30/2016	$14,397	$10,923	$3,474	75.7%	$2,154	180.0%

Plan Specific Information for Arrowbear Park County Water District
(Dollar Amounts in Thousands)

Valuation Date	Accrued Liability (AL)	Share of Pool's MVA	Share of Pool's UAL	Funded Ratio (MVA/AL)	Annual Covered Payroll
6/30/2012	$1,458	$1,688	$(230)	115.8%	$198
6/30/2013	$1,634	$1,729	$(95)	105.8%	$200
6/30/2014	$1,664	$1,845	$(180)	110.8%	$171
6/30/2015	$1,896	$2,142	$(246)	113.0%	$176
6/30/2016	$1,971	$2,094	$(123)	106.2%	$151

Schedules of Funding Progress

June 30, 2017

Safety Plan

Valuation Date	Accrued Liabilities (AL)	Market Value of Assets (MVA)	Unfunded Accrued Liabilities (UAL)	Funded Ratio (MVA/AL)	Annual Covered Payroll	UAL as a % of Payroll
6/30/2013	$16,086	$12,092	$3,994	75.2%	$1,264	316.1%
6/30/2014	$17,468	$13,949	$3,699	79.0%	$1,276	289.8%
6/30/2015	$18,132	$14,011	$4,120	77.3%	$1,316	340.1%
6/30/2016	$18,961	$13,782	$5,179	72.7%	$1,372	421.7%

Plan Specific Information for Arrowbear Park County Water District
(Dollar Amounts in Thousands)

Valuation Date	Accrued Liability (AL)	Share of Pool's MVA	Share of Pool's UAL	Funded Ratio (MVA/AL)	Annual Covered Payroll
6/30/2012	$456	$252	$203	55.4%	$0
6/30/2013	$433	$248	$185	57.2%	$0
6/30/2014	$429	$289	$139	67.5%	$0
6/30/2015	$386	$292	$94	75.6%	$0
6/30/2016	$385	$269	$116	69.9%	$0

Other Postemployment Benefits

Valuation Date	Accrued Liabilities (AL)	Market Value of Assets (MVA)	Unfunded Accrued Liabilities (UAL)	Funded Ratio (MVA/AL)	Annual Covered Payroll	UAL as a % of Payroll
7/1/2011	$0	$589,014	$589,014	0.00%	N/A	N/A
7/1/2013	$20,207	$547,091	$526,884	3.70%	N/A	N/A
7/1/2015	$53,972	$858,049	$804,077	6.3%	N/A	N/A

Actuarial valuations of the ongoing Plan involved estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about demographics regarding retirement, disability, turnover, mortality, and healthcare cost trend. See Note 6.