ARROWBEAR PARK COUNTY WATER DISTRICT

FINANCIAL STATEMENTS

AND

SUPPLEMENTARY INFORMATION

WITH

INDEPENDENT AUDITORS' REPORT

FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

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Independent Auditors' Report

To the Board of Directors
Arrowbear Park County Water District

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, 2015 and 2014 and the related notes 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.

Auditors' Responsibility

Our responsibility is to express opinions 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, 2015 and 2014, 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.

Emphasis of Matter

As discussed in Note 1 to the basic financial statements, effective July 1, 2014, the District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

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 42 to 45, 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 39 through 45 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The organizational information on page 39 and schedule of board of officers, directors, and management, and insurance coverage on pages 40 through 41 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.

Ahern Adcock Devlin LLP

Riverside, California
July 12, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED

ARROWBEAR PARK COUNTY WATER DISTRICT

Management's Discussion and Analysis

June 30, 2015

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, 2015. 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 increased $41,105 (1.1 percent) as a result of the year's operations.

- Current and other assets decreased $360,323 (21.5 percent) during the reporting period mostly as a result of a decrease in restricted for sewer assets.

- Current assets, including cash and receivables, decreased $104,070 (7.3 percent) during the year's operations due to a decrease in cash and prepaid expenses and an increase in inventory.

- Current year operating revenues increased $52,432 (7.7 percent) over last year with operating expenses decreasing $190,842 (15.8 percent) which produced an overall decrease in the net operating loss of 46.4 percent over the previous year.

- Total revenues for the year were $1,119,125 and total expenses were $1,019,943 producing an overall gain of $99,182 for the year. This is a $258,558 positive change over last year's net loss of $159,376.

- 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 13 through 16) 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 3. 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 increased to $3,896,634 from $3,855,529. 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,		
	2015	2014	2013 Restated
Current and other assets	$1,315,594	$1,675,917	$1,754,793
Capital assets	2,366,102	2,200,767	2,363,547
Deferred outflow of resources	537,604	414,095	417,062
Total assets	$4,219,300	$4,290,779	$4,535,402
Noncurrent liabilities	148,892	300,927	351,550
Current liabilities	48,967	134,323	168,947
Total liabilities	197,859	435,250	520,497
Deferred inflows of resources	124,807		
Net position			
Invested in capital assets, net of related debt	2,366,102	2,200,767	2,363,547
Restricted for sewer		256,375	255,918
Unrestricted	1,530,532	1,398,387	1,395,440
Total net position	3,896,634	3,855,529	4,014,905
Total liabilities, deferred inflows of resources and net position	$4,219,300	$4,290,779	$4,535,402

Net position increased by $41,105. 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—increased by $132,145.

Table 2

Changes in Net Position
(in Dollars)

	June 30, 2015	June 30, 2014	June 30, 2013 Restated
Operating revenues	$ 736,848	$ 684,416	$ 681,272
Operating expenses	(1,018,220)	(1,209,062)	(1,139,801)
Operating loss	(281,372)	(524,646)	(458,529)
Nonoperating revenues	382,277	377,082	382,816
Nonoperating expenses	(1,723)	(11,812)	(11,607)
Increase (decrease) in net position	$ 99,182	$ (159,376)	$ (87,320)

The District's operating revenues increased by $52,432 (7.7 percent) and operating expenses decreased by $190,842 (15.8 percent). The factors driving these results include:

- Water and sewer net sales increased by $55,574 (8.6 percent) compared to the prior year. This was due to a rate increase effective January 1, 2015. Sales to Running Springs Water District decreased by $3,142 (8.2 percent). This decrease was due solely to a decrease in water availability. Operating expenses reflected a decrease of $190,842 (15.8 percent) due mainly to lower system maintenance, professional and contractual services, and general expenses in the District.

- Nonoperating revenues decreased $5,195 (1.4 percent). Grant revenues decreased by $1,991 (28.0 percent). Property tax revenues and standby charges decreased $1,789 (0.6 percent).

- Overall the District performance reflected a slight increase for the period with a 1.1 percent increase to the District's net position for a total of $3,896,634.

- The District had 954 active services at June 30, 2015. Prior year active services were 954.

Capital Asset and Debt Administration

Capital Assets

At the end of fiscal 2015, the District had $6,933,592 (accumulated depreciation excluded) 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 $336,959 (5.1 percent) over last year.

Table 3

Capital Assets at Year-End
(in Dollars)

	June 30, 2015	June 30, 2014	June 30, 2013
Land	$ 118,451	$ 118,451	$ 118,451
Water system	2,732,059	2,654,496	2,646,036
Sewer system	2,763,507	2,763,507	2,742,672
Equipment	1,000,694	781,152	766,555
Fire station	258,299	258,299	243,353
Construction in progress	60,582	20,728	73,006
Accumulated depreciation	(4,567,490)	(4,395,866)	(4,226,526)
	$ 2,366,102	$ 2,200,767	$ 2,363,547

This year's major additions included:

- A net increase in construction in progress of $39,854 due to beginning new water and sewer projects.

During the 2014–15 fiscal year, the District had a net total of $165,335 (7.5 percent) in capital increases in its service areas due to completion of main line replacement projects on Donner Lane and Falling Leaf Lane, purchase of equipment to perform main replacement projects, and the purchase of two new service vehicles.

Debt

The District is participating in a joint use facilities agreement with Running Springs Water District for a capital improvement debt for sewer treatment plant improvements. The estimated cost of the improvements was $3,261,000 with the District's share of the improvement to be approximately $463,066. A supplemental sewer debt charge was approved in 2002 for District customers to repay the 15–year obligation at 4.75 percent. Payments for this debt obligation were approximately $46,329 per year (including interest due).

In conjunction with an agreement with Running Springs Water District (RSWD), the District incurs a pro rata share of all costs of maintenance and capital expenditures for the RSWD sewer treatment plant. The District accrued a loan in the amount of $89,536 for the filter effluent enhancement/expansion project. This loan has a 5-year loan repayment schedule at 4.0 percent.

In August 2014, the District used restricted for sewer funds to retire all outstanding loan balances to RSWD. The total payoff was $231,961. The early retirement of this debt will save the District thousands of dollars in interest that would have been paid over the remaining term of the loans. Future capital improvement obligations associated with the Waste Water Treatment Plant (WWTP) will be budgeted for in the annual capital improvement budgets.

With the retirement of the RSWD loans, the District is debt free and the sewer debt charge was removed from the customer billing when the new rates went into effect January 2015.

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.

ARROWBEAR PARK COUNTY WATER DISTRICT

Financial Analysis Worksheet

June 30, 2015

Account	Current Year	Prior Year	Change	Percent Change
Statements of net position				
Capital assets	$2,366,102	$2,200,767	$ 165,335	7.5%
Current and other assets	1,315,594	1,675,917	(360,323)	(21.5)
Deferred outflow of resources	537,604	414,095	123,509	29.8
Total assets	**$4,219,300**	**$4,290,779**	**$ (71,479)**	**(1.7)%**
Noncurrent liabilities	148,892	300,927	(152,035)	(50.5)
Current liabilities	48,967	134,323	(85,356)	(63.5)
Total liabilities	**197,859**	**435,250**	**(237,391)**	**(54.5)**
Deferred inflows of resources	**124,807**		**124,807**	**100.0**
Net position				
Invested in capital assets, net of related debt	2,366,102	2,200,767	165,335	7.5
Restricted for sewer		256,375	(256,375)	(100.0)
Unrestricted	1,530,532	1,398,387	132,145	9.4
Total net position	**3,896,634**	**3,855,529**	**41,105**	**1.1**
Total liabilities, deferred inflows of resources, and net position	$4,219,300	$4,290,779	$(71,479)	(1.7)%
Statements of revenues and expenses				
Operating revenues	$ 736,848	$ 684,416	$ 52,432	7.7%
Operating expenses	(1,018,220)	(1,209,062)	190,842	15.8
Operating gain (loss)	**(281,372)**	**(524,646)**	**243,274**	**46.4**
Nonoperating revenues	382,277	377,082	5,195	1.4
Nonoperating expenses	(1,723)	(11,812)	10,089	85.4
Change in net position before capital contributions	99,182	(159,376)	258,558	162.2
Change in accounting principle	(58,077)		(58,077)	(100.0)
Beginning net position	3,855,529	4,014,905	(159,376)	(4.0)
Ending net position	**$ 3,896,634**	**$ 3,855,529**	**$41,105**	**1.1%**

ARROWBEAR PARK COUNTY WATER DISTRICT

Financial Analysis Worksheet
(Continued)

June 30, 2015

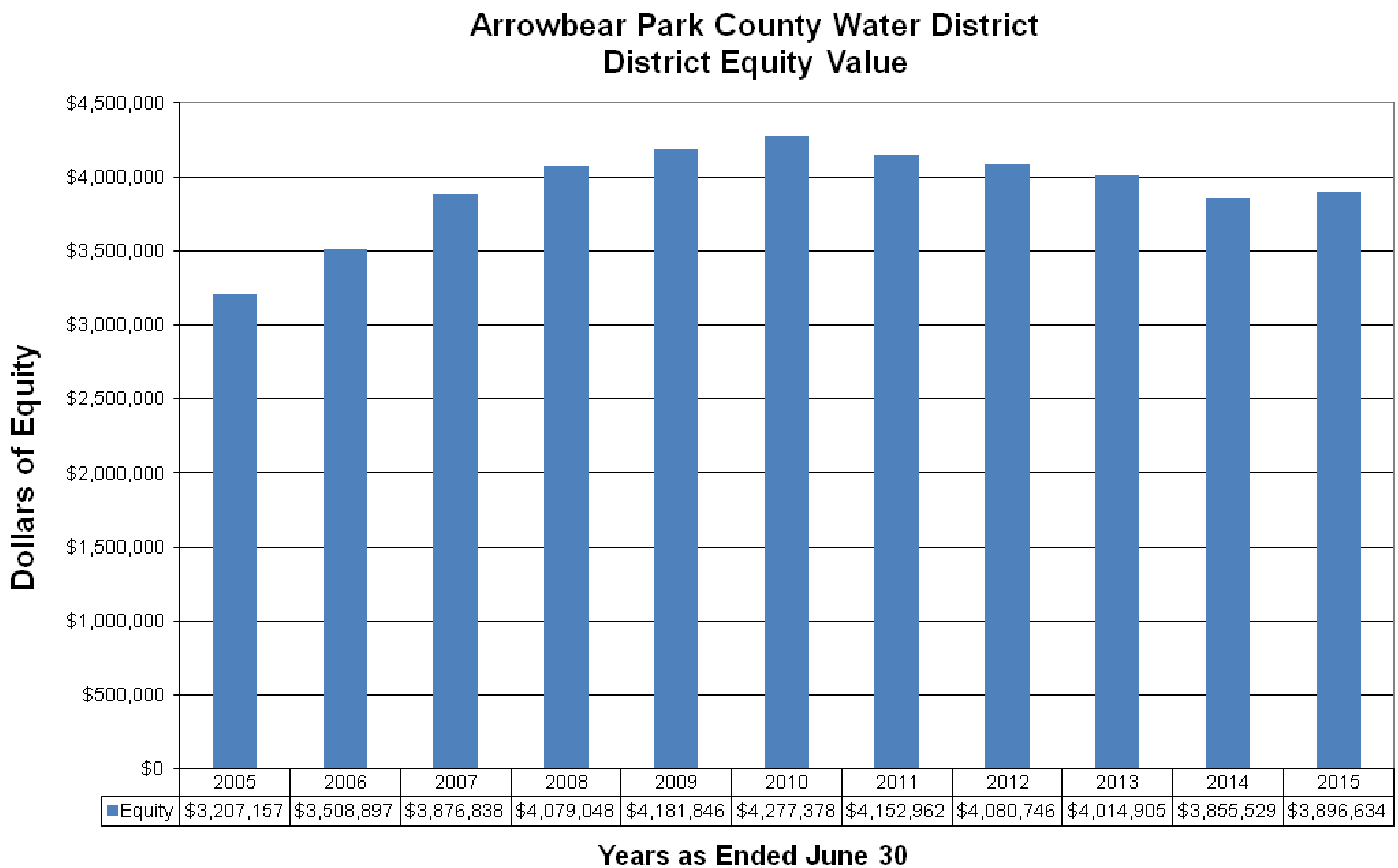
Change in net position – invested in capital assets, net of related debt is an increase of $165,335 for the period.

Period change in net position – invested in capital assets, net of related debt is an increase of 7.5 percent for the period.

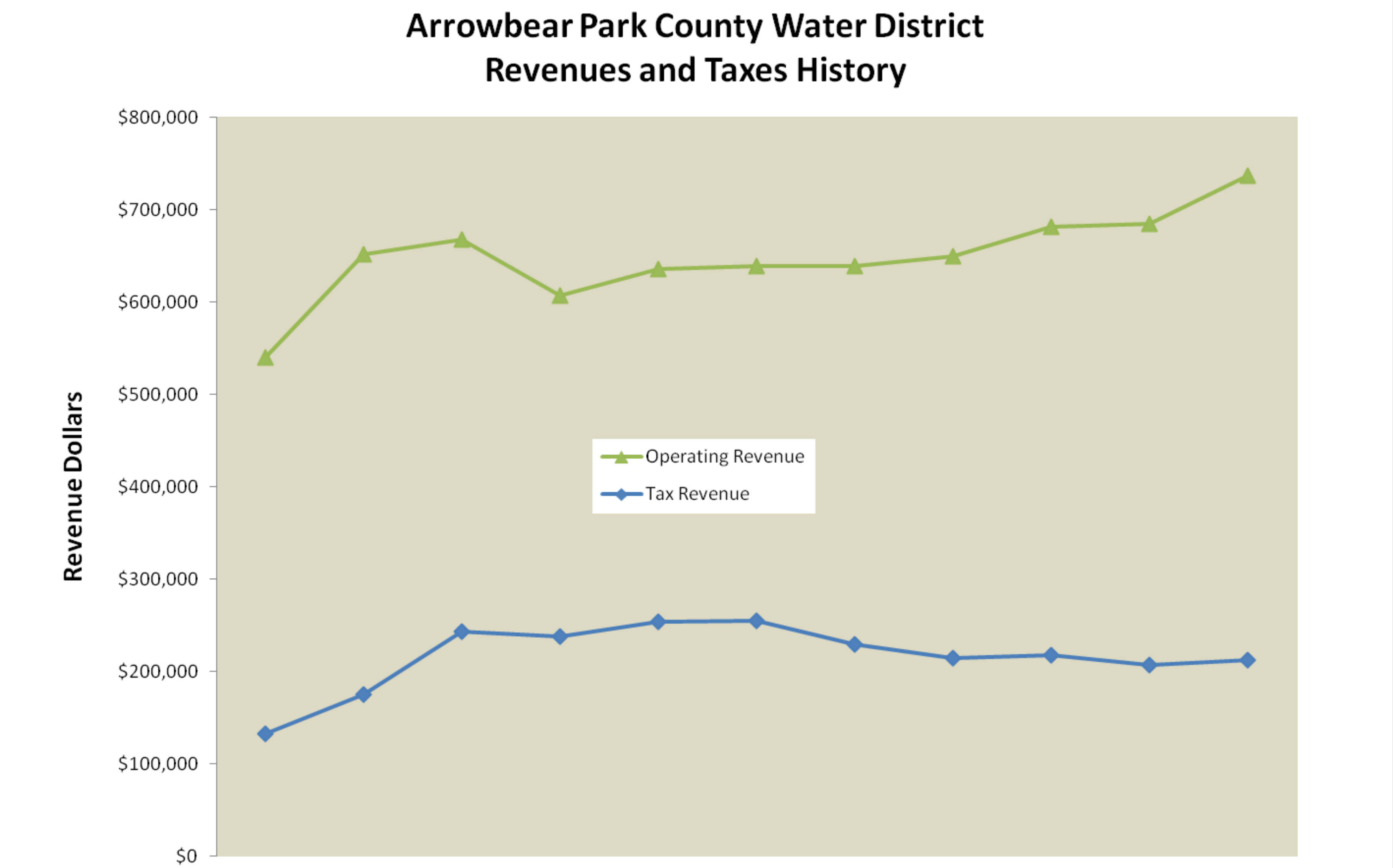
Change in net position – unrestricted funds is an increase of $132,145 for the period.

Percent change in net position – unrestricted funds is an increase of 9.4 percent.

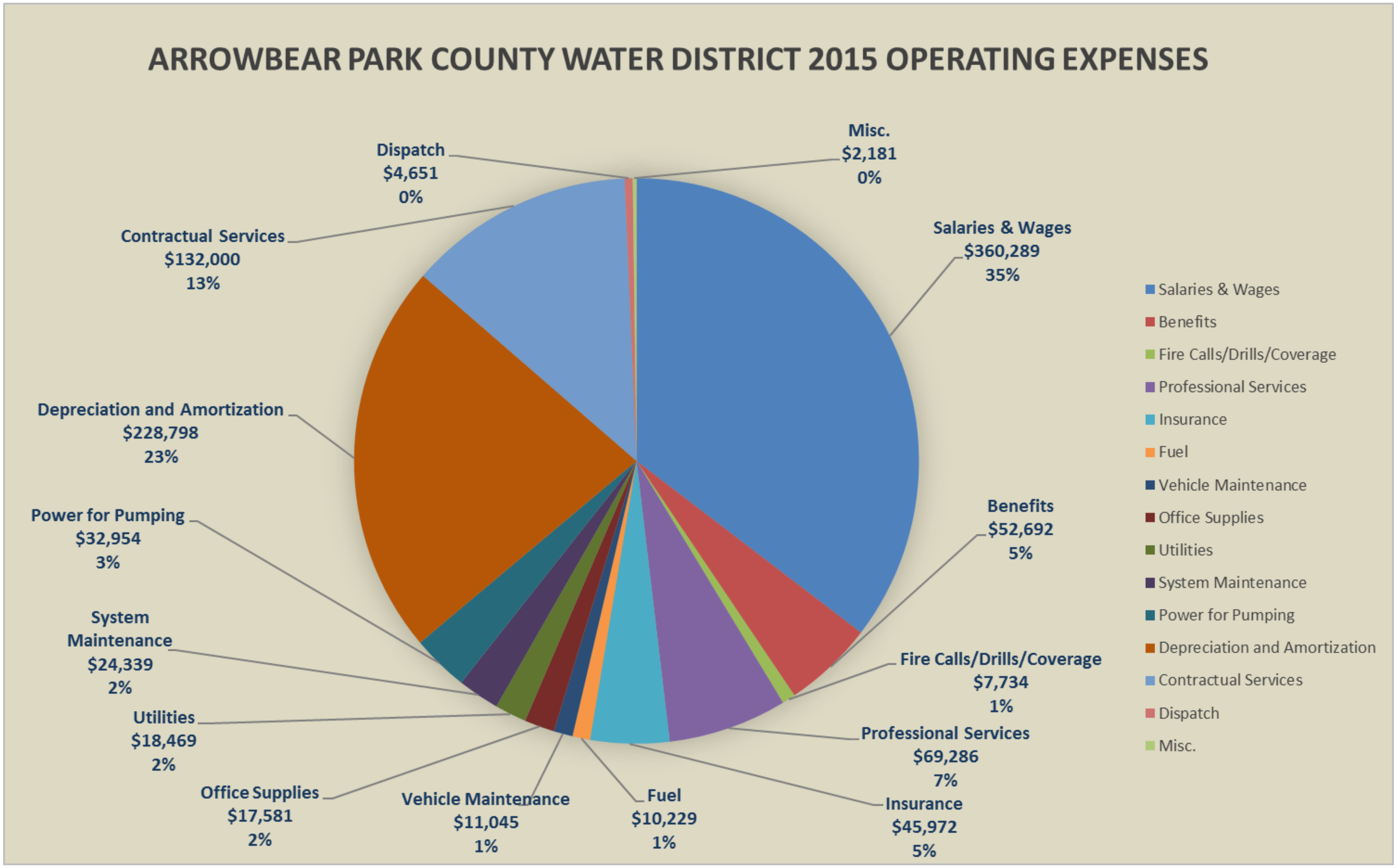
Items in **bold** are significant or material in nature.



	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Equity	$3,207,157	$3,508,897	$3,876,838	$4,079,048	$4,181,846	$4,277,378	$4,152,962	$4,080,746	$4,014,905	$3,855,529	$3,896,634



	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Operating Revenue	$539,411	$651,995	$666,982	$606,687	$635,932	$638,733	$638,499	$649,916	$681,272	$684,416	$736,848
Tax Revenue	$131,909	$174,484	$243,165	$237,901	$253,637	$254,820	$229,577	$214,184	$217,996	$206,682	$212,669


ARROWBEAR PARK COUNTY WATER DISTRICT 2015 OPERATING EXPENSES
Misc. $2,181 0%
Dispatch $4,651 0%
Contractual Services $132,000 13%
Salaries & Wages $360,289 35%
Depreciation and Amortization $228,798 23%
Power for Pumping $32,954 3%
Benefits $52,692 5%
System Maintenance $24,339 2%
Fire Calls/Drills/Coverage $7,734 1%
Utilities $18,469 2%
Professional Services $69,286 7%
Office Supplies $17,581 2%
Vehicle Maintenance $11,045 1%
Fuel $10,229 1%
Insurance $45,972 5%
Salaries & Wages
Benefits
Fire Calls/Drills/Coverage
Professional Services
Insurance
Fuel
Vehicle Maintenance
Office Supplies
Utilities
System Maintenance
Power for Pumping
Depreciation and Amortization
Contractual Services
Dispatch
Misc.

BASIC FINANCIAL STATEMENTS - AUDITED

ARROWBEAR PARK COUNTY WATER DISTRICT

Statements of Net Position

June 30,	2015	2014
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	As adjusted Note 1	
Current assets		
Cash and cash equivalents	$ 1,163,873	$ 1,272,998
Accounts receivable - consumers	106,734	107,349
Interest and other receivables	13,216	13,705
Prepaid expenses		25,612
Deposit	500	
Inventory	31,271	
Total current assets	1,315,594	1,419,664
Noncurrent assets		
Restricted cash and cash equivalents - special assessment		256,253
Capital assets		
Utility plant in service	6,873,010	6,575,905
Less accumulated depreciation	(4,567,490)	(4,395,866)
Construction in progress	60,582	20,728
Total noncurrent assets	2,366,102	2,457,020
Total assets	3,681,696	3,876,684
Deferred outflows of resources		
Deferred outflow of resources – joint use facilities (net of accumulated amortization of $274,722 and $231,454 at June 30, 2015 and 2014, respectively)	403,539	414,095
Pension asset	85,430	
Pension contributions	33,912	
Pension adjustment due to differences in proportions	14,723	
Total deferred outflows of resources	537,604	414,095
Total assets and deferred outflows of resources	$4,219,300	$4,290,779

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

June 30,	2015	2014
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	As adjusted Note 1	
Current liabilities		
Accounts payable	$ 38,870	$ 39,010
Accrued liabilities	10,097	6,720
Interest payable		2,548
Note payable – current portion		86,045
Total current liabilities	48,967	134,323
Noncurrent liabilities		
Employee benefits payable	64,345	41,998
Note payable – noncurrent portion		165,318
Other post employment benefits payable	84,547	93,611
Total noncurrent liabilities	148,892	300,927
Total liabilities	197,859	435,250
Deferred inflows of resources		
Net difference between projected and actual earnings on pension plan investments	106,833	
Actual earnings on pension investments	17,974	
Total deferred inflow of resources	124,807	-
Net position		
Invested in capital assets, net of related debt	2,366,102	2,200,767
Restricted for sewer		256,375
Unrestricted	1,530,532	1,398,387
Total net position	3,896,634	3,855,529
Total liabilities, deferred inflows of resources, and net position	$4,219,300	$4,290,779

ARROWBEAR PARK COUNTY WATER DISTRICT

Statements of Revenues, Expenses, and Changes in Net Position

For the Years Ended June 30,	2015 As adjusted Note 1	2014
Operating revenues		
User fees	$ 701,692	$ 646,118
Sales to other agencies	35,156	38,298
Total operating revenues	736,848	684,416
Operating expenses		
Salaries and wages	360,289	357,440
Benefits	52,692	115,137
Fire calls, drills, coverage	7,734	22,020
Professional services	69,286	133,804
Insurance	45,972	40,637
Gas, oil, and fuel	10,229	10,707
Vehicle maintenance	11,045	9,715
Office supplies	17,581	13,826
Utilities	18,469	18,945
System maintenance	24,339	84,390
Power for pumping	32,954	32,927
Depreciation and amortization	228,798	215,382
Contractual services	132,000	145,249
Dispatch	4,651	3,609
Miscellaneous	2,181	3,786
Fire improvements		1,488
Total operating expenses	1,018,220	1,209,062
Operating loss	(281,372)	(524,646)
Nonoperating revenues		
Property taxes	212,669	206,682
Standby charges	104,730	112,506
Interest income	17,225	12,106
Grant revenue	5,128	7,119
Other	42,525	38,669
Total nonoperating revenues	382,277	377,082
Nonoperating expenses		
Interest	1,703	11,792
Other	20	20
Total nonoperating expenses	1,723	11,812
Increase (decrease) in net position	99,182	(159,376)

ARROWBEAR PARK COUNTY WATER DISTRICT

Statements of Revenues, Expenses, and Changes in Net Position

For the Years Ended June 30,	2015 As adjusted Note 1	2014
Increase (decrease) in net position	$ 99,182	$ (159,376)
Net position, beginning of year, previously stated	3,855,529	4,014,905
Less: cumulative effect of change in accounting principle (Note 1)	(58,077)	
Net position, beginning of year, restated	3,797,452	4,014,905
Net position, end of year	$3,896,634	$3,855,529

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

ARROWBEAR PARK COUNTY WATER DISTRICT

Statements of Cash Flows

For the Years Ended June 30,	2015	2014
Cash flows from operating activities		
Cash received from customers	$ 746,263	$ 678,523
Cash paid to employees for services	(387,257)	(464,261)
Cash paid to suppliers and other	(458,254)	(598,043)
Net cash used in operating activities	(99,248)	(383,781)
Cash flows from noncapital financing activities		
Property taxes	212,669	229,250
Net cash provided by noncapital financing activities	212,669	229,250
Cash flows from capital and related financing activities		
Purchase of capital assets	(350,875)	(15,319)
Payments on long–term debt	(284,065)	(58,542)
Interest on long–term debt	(4,251)	(11,440)
Other revenue	47,653	45,788
Standby charges	104,730	112,506
Other expense	(20)	(19)
Other post employment benefits	(9,064)	(1,449)
Net cash provided by (used in) capital and related financing activities	(495,892)	71,525
Cash flows from investing activities		
Change in special assessment funds	256,253	(470)
Interest on cash deposits	17,093	12,169
Net cash provided by investing activities	273,346	11,699
Net decrease in cash and cash equivalents	(109,125)	(71,307)
Cash and cash equivalents		
Balance, beginning of year	1,272,998	1,344,305
Balance, end of year	$1,163,873	$1,272,998

ARROWBEAR PARK COUNTY WATER DISTRICT

Statements of Cash Flows

For the Years Ended June 30,	2015	2014
Reconciliation of operating loss to net cash used in operating activities		
Operating loss	$(281,372)	$(524,646)
Adjustments to reconcile operating loss to net cash used in operating activities		
Depreciation and amortization	228,798	215,382
Amortization of deferred outflows of resources	(25,733)	
Amortization of deferred inflows of resources	(41,602)	
Increase in:		
Accounts receivable - consumers	615	(2,023)
Interest and other receivables	621	(3,870)
Prepaid expenses	25,112	(8,699)
Inventories	(31,271)	
Increase (decrease) in		
Accounts payable	(140)	(68,241)
Accrued liabilities	3,377	1,746
Employee benefits payable	22,347	6,570
Net cash used in operating activities	$ (99,248)	$(383,781)
Cash paid for interest	$4,252	$8,546
Debt acquired for joint-use facilities		$34,317

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

1. Reporting Entity and Summary of Significant Accounting Policies

The Arrowbear Park County Water District (the "District") is a special district created for the purpose of providing water, sewer, and fire fighting services to residents within its service area. The reporting entity includes all the accounts of the District and the special assessment district contained within its service area.

Reporting Entity

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.

1. Reporting Entity and Summary of Significant Accounting Policies (Continued)

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

Fund Accounting

The accounts of Arrowbear Park County Water District are organized on the basis of funds, each of which is considered a separate accounting entity with a self–balancing set of accounts. The following are the types of funds used:

Water, Sewer, and Fire Fund – The Water, Sewer, and Fire Fund is primarily used to account for resources used to deliver water, sewer, and fire services to residents within its service areas.

Assessment Fund – The Assessment Fund is used to account for the assessments levied on property, the indebtedness incurred for the construction of the sewer system and related expenses. The assessment fund was depleted in the current year as a result of payoff of sewer debt and payment of sewer expenses.

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 and sewer 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.

Utility Plant in Service and Depreciation

Utility plant assets acquired and/or constructed are capitalized at historical cost. Donated assets are recorded at estimated fair market value at the date of donation. 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 and amortization expense is calculated using the straight-line method. Assets are depreciated or amortized over their estimated useful lives, ranging from 3 to 40 years.

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.

1. Reporting Entity and Summary of Significant Accounting Policies (Continued)

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.

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:	March
Levy date:	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

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 fair market value at the date of donation. 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:

Sewer system	10 to 40 years
Transmission and distribution system	40 years
Plant	10 to 50 years

Pension Accounting

For purposes of measuring the net pension 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.

1. Reporting Entity and Summary of 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 – 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 restricted or net investment in capital assets.

Net Position – Designated

Under the accounting standards the District is required to follow, a governmental entity may set up designations of net position to segregate net position which is not available for expenditure in future periods, or which is legally set aside for a future specific use, or established to indicate tentative plans for financial resource utilization in future periods.

The District's designations at June 30 are listed below:

	2015	2014
Sewer master plan	$ 193,604	$ 121,763
Water master plan		155,051
Fire replacement	126,639	126,639
Sewer replacement	696,576	36,869
Water replacement		464,175
Capital improvement		112,322
Sewer treatment operations and maintenance	37,316	37,316
Accrued benefits plan	79,914	79,914
	$1,134,049	$1,134,049

Compensated Absences

Employees of the District are entitled to paid vacation, accumulated overtime, and sick leave depending on length of service and other factors. The liability for these benefits has been accrued in these financial statements.

Budgetary Policies

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

1. Reporting Entity and Summary of Significant Accounting Policies (Continued)

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

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.

GASB issued Statement No. 71, P*ension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68* (GASB 71) requires that, at transition to the new accounting standards in accordance with GASB 68, a government should recognize a beginning deferred outflow of resources for its pension contributions made after the measurement date of the beginning net pension liability. However, it continues to require that the beginning balances for other deferred outflows and deferred inflows be reported at transition only if it is practical to determine such amounts. The District did not restate the financial statements for the year ended June 30, 2014 because the necessary actuarial information from CalPERS was not provided for the prior year presented. As of July 1, 2014, the District restated beginning net position in the amount of $(58,077) to record the beginning deferred pension contributions and net pension asset.

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 February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application* (GASB 72). GASB 72 is intended to improve accounting and financial reporting for state and local governments' investments by enhancing the comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. GASB 72 is effective for the District's fiscal year ending June 30, 2016.

1. Reporting Entity and Summary of Significant Accounting Policies (Continued)

In June 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68 and Amendments to Certain Provisions of GASB Statements 67 and 68* (GASB 73), which establishes requirements for defined benefit pensions that are not within the scope of GASB 68, as well as for the assets accumulated for the purposes of providing those pensions. GASB 73 amends certain provisions of GASB Statement No. 67, *Financial Reporting for Pension Plans* (GASB 67), and GASB 68 for pension plans and pensions that are within their respective scopes. GASB 73 addresses the recognition of the total pension liability of such plans and the disclosures necessary for the plans that did not meet the definition of GASB 68. GASB 73 is effective for the District's fiscal year ending June 30, 2016.

In June 2015, GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* (GASB 74), which establishes new accounting and financial reporting requirements for governments whose employees are provided with other postemployment benefits (OPEB), as well as for certain nonemployer governments that have a legal obligation to provide financial support to OPEB provided to the employees of other entities. GASB 74 also includes requirements to address financial reporting for assets accumulated for purposes of providing defined benefit OPEB through OPEB plans that are not administered through trusts that meet the specified criteria. GASB 74 replaces GASB Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended* (GASB 43), and GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple Employer Plans* (GASB 57). It also includes requirements for defined contributions OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, as amended*, GASB 43, and GASB Statement No. 50, *Pension Disclosures*. GASB 74 is effective for the District's fiscal year ending June 30, 2017.

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.

Reclassifications

Certain reclassifications have been made to the June 30, 2014 information to conform to the current year presentation.

2. Cash and Investments

Cash and investments are included in the statements of net position in the following captions:

	June 30, 2015	June 30, 2014
Cash and cash equivalents – unrestricted	$1,163,873	$1,272,998
Cash and cash equivalents – restricted		256,253
Total cash and cash equivalents	$1,163,873	$1,529,251

2. Cash and Investments (Continued)

For purposes of the following discussion, these accounts have been classified as follows:

	June 30, 2015	June 30, 2014
Deposits	$ 71,282	$ 145,594
Investments	1,092,591	1,383,657
	$1,163,873	$1,529,251

Deposits

At June 30, 2015 and 2014, the carrying amount of the District's deposits was $71,282 and $145,594, respectively, and the bank balances were $104,099 and $157,621, respectively. Of the balances in the bank, $104,099 and $157,621 are insured at June 30, 2015 and 2014, respectively. The District does not have a deposit policy for custodial credit risk.

Investments

Under provisions of the District's investment policy, adopted by Board Resolution No. 96–3–8A, 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.

Investments are classified in three categories of credit risk as follows: Category 1 – insured or registered, with securities held by the District or its agent in the District's name; Category 2 – uninsured and unregistered, with securities held by the counterparty's trust department or agent in the District's name; and Category 3 – uncollateralized, uninsured, unregistered, and classifiable investment not belonging to 1 or 2 above with securities held by the counterpart or by its trust department or agent, but not in the District's name. Investments in pools managed by other governments or in mutual funds are not required to be categorized because they are not evidenced by securities that exist in physical or book entry form.

The fair value of investments was as follows:

	June 30, 2015	June 30, 2014
Not subject to categorization – State pooled funds (Local Agency Investment Fund)	$1,092,591	$1,383,657

2. Cash and Investments (Continued)

At June 30, 2015 and 2014, the District had no investments in repurchase and reverse repurchase agreements and did not invest in such during the years then ended.

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.

3. Utility Plant in Service

The following is the activity for the year ended June 30, 2015:

	Cost				
	Balance June 30, 2014	Additions	Retirement	Reclassifications	Balance June 30, 2015
Land	$ 118,451				$ 118,451
Water system	2,654,496	$ 83,480	$ (5,917)		2,732,059
Sewer system	2,763,507				2,763,507
Equipment	781,152	227,540	(7,998)		1,000,694
Fire station	258,299				258,299
Construction in progress	20,728	42,371	(2,517)		60,582
	$6,596,633	$353,391	$(16,432)	$ -	$6,933,592

	Accumulated Depreciation				
	Balance June 30, 2014	Additions	Retirement	Reclassifications	Balance June 30, 2015
Water system	$1,323,311	$ 65,941	$ (5,917)		$1,383,335
Sewer system	2,402,418	72,001			2,474,419
Equipment	546,324	38,851	(7,998)		577,177
Fire station	123,813	8,746			132,559
	$4,395,866	$185,539	$(13,915)	$ -	$4,567,490

3. Utility Plant in Service (Continued)

The following is the activity for the year ended June 30, 2014:

	Cost				
	Balance June 30, 2013	Additions	Retirement	Reclassifications	Balance June 30, 2014
Land	$ 118,451				$ 118,451
Water system	2,646,036	$ 8,460			2,654,496
Sewer system	2,742,672	20,835			2,763,507
Equipment	766,555	23,356	$(8,759)		781,152
Fire station	243,353	14,946			258,299
Construction in progress	73,006	9,440		$(61,718)	20,728
	$6,590,073	$77,037	$(8,759)	$(61,718)	$6,596,633

	Accumulated Depreciation				
	Balance June 30, 2013	Additions	Retirement	Reclassifications	Balance June 30, 2014
Water system	$1,257,165	$ 66,146			$1,323,311
Sewer system	2,331,807	70,611			2,402,418
Equipment	522,113	32,970	$(8,759)		546,324
Fire station	115,441	8,372			123,813
	$4,226,526	$178,099	$(8,759)	$ -	$4,395,866

The construction in progress includes $17,168 for conceptual plan engineering for an emergency pipeline to attach to the sewer system for emergency purposes should the Running Springs Water District sewer system fail to accept sewage from the District. Flows can be diverted to the emergency pipeline thus enabling continuous flows. There is no budget to complete at this time. The plan is only in the conceptual stages and is currently with CSA 79 for consideration. It is uncertain at this time whether or not the pipeline will be constructed and to what extent Running Springs Water District and CSA 79 will participate in the cost.

3. Utility Plant in Service (Continued)

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

	June 30,			
	2015		2014	
	Construction in Progress	Total Budget	Construction in Progress	Total Budget
Fire station training room engineering	$ 1,043		$ 1,043	$ 2,500
Fire hydrant			2,517	
Green Valley crossover line (CSA 79)	17,168		17,168	38,000
Manhole raising	2,593	$ 9,407		
Falling Leaf project	29,891	12,585		
Meter replacement (30+ years)	5,441			
Hydrant snow poles	4,446	7,604		
	$60,582	$29,596	$20,728	$40,500

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.

4. Long–Term Debt

Deferred Outflow of Resources – Joint Use Facilities

The District participates in a joint use facilities agreement with Running Springs Water District. The District was notified that major filtration improvements to the wastewater treatment plant were required to be completed prior to December 2003 and as of June 30, 2009 is operational. Per the agreement, the District will share in the cost of any capital improvements based on the assessed property values of each district participating in the contract. The original estimated cost of the improvements was $2,500,000. At June 30, 2001, the assessed property valuation of the District represented 14.02 percent of the assessed valuation of all properties. Based on this estimate, the District share would be $350,500. This amount has been exceeded, with the total being $463,066 upon completion of the project. The District paid Running Springs Water District for the improvements in full.

In addition to the filtration project, an expansion to the treatment plant has been constructed in order to allow the plant to accept fluctuating flows. The District is participating in this project on the same basis as the previous project. The amount of the loan was $89,536. The loan has been paid in full in the current year. The expansion project's estimated life is 20 years and has been recorded as deferred outflows of resources.

Upon completion of the capital improvements, the total cost was used to calculate the actual participation and a final payment schedule was calculated. Due to the fact that the District will have no ownership in the joint use facilities, deferred outflows of resources were recorded and will be amortized over the term of the loan of 15 years for the filtration project and 20 years for the expansion project.

4. Long–Term Debt (Continued)

The District entered into an agreement with Running Springs Water District (RSWD) to help pay for upcoming projects to be constructed and completed. The District negotiated with RSWD to record amounts as they have been expended to date. The amount recorded at June 30, 2015 was $81,598 and was paid in full in the current year.

5. Employee Retirement Plans

Plan Description

The District has two pension plans – a miscellaneous plan and a safety plan. There were no active members in the safety plan during the current year. The Arrowbear Park County Water District contributes to the California Public Employees' Retirement System (PERS), an agent multiple–employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and District ordinance. Copies of PERS' annual financial report may be obtained from their Executive Office at 400 "Q" Street, Sacramento, California 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 nonindustrial disability benefits after five years of service. The District has chosen the Optional Settlement 2W Death Benefit.

Beginning January 1, 2013, the District established two classes of employees under the miscellaneous plan, as dictated by the newly enacted Public Employees Pension Reform Act (PEPRA), in addition to the safety plan.

Funding Policy

Participants are required to contribute 7.0 percent of their annual covered salary for the miscellaneous plan. The District makes the contributions required of District employees on their behalf and for their account for classic members. Those hired after January 1, 2013 are required to contribute 6.5 percent which the District does not pay. The District is required to contribute at an actuarially determined rate. The contribution requirements of plan members and the District are established and may be amended by PERS.

5. Employee Retirement Plans (Continued)

(a) Annual Pension Cost

For 2015 and 2014, the District had $33,912 and $13,953, respectively, in annual pension cost for miscellaneous plan PERS. The required contribution was determined as part of the June 30, 2012 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) 7.50 percent investment rate of return (net of administrative expenses), (b) projected annual salary increases that vary by duration of service, (c) 3.25 percent per year cost–of–living adjustments, and (d) 3.25 percent payroll growth. Both (a) and (b) include an inflation component of 2.75 percent. The actuarial value of PERS assets was determined using techniques that smooth the effects of short–term volatility in the market value of investments over a 15–year period (smoothed market value). PERS unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The District was paying approximately $54,000 per year to the safety plan due to a change in actuarial valuation as of June 30, 2004 when adjustments were made for a former employee. As of the end of the 2013/2014 fiscal year this obligation had been satisfied.

The new class of employees are employees who were hired on or after January 1, 2013. The District will pay its portion of retirement, referred to as the Employer Contribution, and the employee will contribute 6.5 percent of their annual covered salary as pre-taxable deduction. The District is not allowed by law to contribute to this part of the pension obligation.

Active plan members are required to contribute 8.0 percent of their annual covered salary for classic employees and 6.5 percent for PEPRA employees.

The plan's provisions and benefits in effect at June 30, 2015 and 2014 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	12 months
Sick leave credit	Yes	Yes
Retirement age	60	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		
2015	8.0 percent	6.5 percent
2014	8.0 percent	6.5 percent
Required employer contribution rates		
2015	15.201 percent	
2014	15.421 percent	

There are no active members in the safety plan.

5. Employee Retirement Plans (Continued)

At June 30, 2015, the following employees were covered by benefits:

	Miscellaneous	Safety
Inactive employees (or their beneficiaries) currently receiving benefits	6	2
Transferred	1	
Active members	5	
Total	12	2

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

For the measurement period ending June 30, 2014 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2013 total pension liability.

The June 30, 2013 and the June 30, 2014 total pension assets/liabilities were based on the following actuarial methods and assumptions:

Actuarial cost method	Entry age normal
Actuarial Assumptions:	
Discount rate	7.50 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, 2013 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.

5. Employee Retirement Plans (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.50 percent discount rate is adequate and the use of the municipal bond rate calculations is not necessary. The long-term expected discount rate of 7.50 percent is applied to all plans in the Public Employees Retirement Fund. 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 discount rate should be determined without reduction for pension plan administrative expense. The 7.50 percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65 percent. Using this lower discount rate has resulted in a slightly higher total pension liability and net pension liability. This difference was deemed immaterial to the District's financial statements.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses of GASB 67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as CalPERS changes their methodology.

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. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. 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 for each fund. The expected rate of return was set by calculating the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

5. Employee Retirement Plans (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	47%	5.25%	5.71%
Global fixed income	19%	.99%	2.43%
Inflation sensitive	6%	.45%	3.36%
Private equity	12%	6.83%	6.95%
Real estate	11%	4.50%	5.13%
Infrastructure and forestland	3%	4.50%	5.09%
Liquidity	2%	(.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

The following table shows the changes in net position liability recognized over the measurement period.

	Miscellaneous Plan Increase (decrease)		
	Total Pension Liability	Pension Fiduciary Net Position	Net Pension Liability (Asset)
Balance at June 30, 2013 (VD)	$1,751,063	$1,778,185	$ (27,122)
Changes recognized for the measurement period:			
Service cost	27,868		27,868
Interest on the total pension liability	130,349		130,349
Adjustments due to differences in proportions		(19,226)	19,226
Differences between projected and actual earnings		142,444	(142,444)
Contributions from the employer		27,340	(27,340)
Contributions from employees		9,008	(9,008)
Net investment income		190,025	(190,025)
Benefit payments, including refunds of employee contributions	(54,012)	(54,012)	
Net changes	104,205	295,579	(191,374)
Balance at June 30, 2014	$1,855,268	$2,073,764	$(218,496)

5. Employee Retirement Plans (Continued)

	Safety Plan Increase (decrease)		
	Total Pension Liability	**Pension Fiduciary Position**	**Net Pension Liability**
Balance at June 30, 2013 (VD)	$458,600	$302,290	$156,310
Changes recognized for the measurement period:			
Service cost			
Interest on the total pension liability	33,956		33,956
Projected earnings on pension plan investments		22,387	(22,387)
Adjustment due to differences in proportions		(1,313)	1,313
Actual earnings on pension plan investments		5,991	(5,991)
Net investment income		30,135	(30,135)
Benefit payments, including refunds of employee contributions	(11,707)	(11,707)	
Net changes	22,249	45,493	(23,244)
Balance at June 30, 2014 (MD)	$480,849	$347,783	$133,066

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 7.50 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1.0 percentage – 1.0 point lower (6.50 percent) or 1.0 percentage-point higher (8.50 percent) than current rate:

	Miscellaneous Plan		
	Discount Rate -1.0%	**Current Discount**	**Discount Rate +1.0%**
Miscellaneous Plan			
Net pension liability/(asset)	(6.50%) $27,629	(7.50%) $(218,496)	(8.50%) $(422,756)
Safety Plan			
Net pension liability	$197,474	$133,066	$79,996

Pension Plan Fiduciary Net Position

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

Recognition of Gains and Losses

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

5. Employee Retirement Plans (Continued)

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 expected average remaining service lifetime (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 2013-14 measurement period is 3.8 years which was obtained by dividing the total service years of 460,700 (the sum or remaining service lifetimes of the active employees) by 122,789 (the total number of participants: active, inactive, and retired). Inactive employees and retirees have remaining service lifetimes equal to zero and total future service is based on the members' probability of decrementing due to an event other than receiving a cash refund.

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

For the year ended June 30, 2015, the Agency recognized pension expense subject to deferral of $33,912. At June 30, 2015, the Agency deferred inflows of resources related to pensions as follows:

	Miscellaneous Plan	
	Deferred Outflows of Resources	**Deferred Inflows of Resources**
Pension contributions subsequent to measurement date	$33,912	
Differences between expected and actual experience		
Changes of assumptions		
Net difference between projected and actual earnings on pension plan investments		$(106,833)
Adjustment due to differences in proportion	12,360	
	46,272	(106,833)
	Safety Plan	
Actual earnings on pension plan investments		(17,974)
Adjustments due to differences in proportions	2,363	
Total	$48,635	$(124,807)

5. Employee Retirement Plans (Continued)

The amounts above are net of outflows and inflows recognized in the pension expense for the fiscal year ended June 30, 2015. The $33,912 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 fiscal year ended June 30, 2016 for the miscellaneous plan.

The net differences between projected and actual earnings and projected and actual earnings on pension plan investments will be recognized in future pension expense as follows:

Fiscal Year Ending June 30,	Deferred Inflows of Resources	Deferred Outflows of Resources
	Miscellaneous Plan	
2016	$(35,611)	$6,866
2017	$(35,611)	$5,494
2018	$(35,611)	
	Safety Plan	
2016	$(5,991)	$1,313
2017	$(5,991)	$1,050
2018	$(5,992)	

(e) Funding Policy

The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2014 was 15.421 percent. The contribution rate is established and may be amended by CalPERS.

(f) Annual Pension Cost and Net Pension Obligation

For fiscal year 2015, the District's annual pension cost and contribution made were $33,912. The required contribution for fiscal year 2014 was based on CalPERS June 30, 2011 actuarial valuation using the actuarial assumptions discussed in Note 5(b). For fiscal year 2014, the Agency's annual pension cost and contribution made were $13,953.

Two-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%	0
2015	$33,912	100%	0

5. Employee Retirement Plans (Continued)

(g) Funded Status and Funding Progress

As of June 30, 2014, the actuarial valuation date the safety plan was 72.33 percent funded and the miscellaneous plan was 111.78 percent funded. For the miscellaneous plan the actuarial accrued liability for benefits was $1,855,268 and the actuarial value of assets was $2,073,764 resulting in an unfunded actuarial accrued asset (AAA) of $(218,496). The covered payroll (annual payroll of active employees covered by the plan) was $175,858, and the ratio of the UAAL to the covered payroll was (124.25) percent. This valuation reflects changes to the method for calculating the actuarial value of assets. For the safety plan the actuarial accrued liablility for benefits was $480,849 and the actuauarial value of assets was $347,783, resulting in an unfunded accrued actuarial liability of $133,066: there were no active participants in this plan during the year. This valuation reflects changes to the method for calculating the actuarial value of assets.

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.

6. Post–Employment Benefits

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, 2015 and 2014, the District paid $40,446 and $31,802, respectively.

The District joined California Employers’ Retiree Benefit Trust (CERBT) and contributed $15,000 and $15,000 for the fiscal years ended June 30, 2015 and 2014, 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 2014-15 fiscal year was $512 per month for employee-only coverage and $852 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, 2015, the benefit was provided to six retired District employees.

Funding Policy

During the fiscal year ended June 30, 2015, the District funded these benefits on a pay-as-you-go basis. During the year ended June 30, 2015, the District paid 100 percent of the premiums, which totaled $40,446.

6. Post–Employment Benefits (Continued)

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.

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

	June 30, 2015	June 30, 2014
Annual required contribution	$ 45,788	$ 44,596
Annual OPEB cost	46,381	45,353
District contributions made	(55,445)	(46,802)
Increase (decrease) in net OPEB obligation	(9,064)	(1,449)
Net OPEB obligation, beginning of year	93,611	95,060
Net OPEB obligation, end of year	$ 84,547	$ 93,611

For the fiscal years ended June 30, 2015 and June 30, 2014, the District's annual OPEB cost was $46,381 and $45,353, respectively. Contributions of $55,445 and $46,802 for the fiscal years ended June 30, 2015 and 2014, respectively, were equal to the pay–as-you-go amount and represented 120 and 103 percent of the annual OPEB cost. The required contributions were based on a July 1, 2013 actuarial valuation using the Projected Unit Credit Cost Method with contributions determined as a level percent of pay.

The actuarial assumptions included (a) 4.0 percent unfunded discount range, (b) 3.0 percent annual increase for amortization of the unfunded actuarial accrued liability, and (c) medical inflation starting out at 7.9 percent grading down to 5.5 percent over 10 years.

7. 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.

8. Subsequent Events

In the preparation of these financial statements, the District considered subsequent events through July 12, 2016 which is the date these financial statements were issued.

SUPPLEMENTARY INFORMATION - UNAUDITED

ARROWBEAR PARK COUNTY WATER DISTRICT

Organizational Information

June 30, 2015

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 954 water connections.

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 up to 12 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, 2015

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

	Term Expires
Pat Oberlies, Director 2379 Fir Drive Arrowbear Lake, California 92382	November 2017
Mark Bunyea, Director 33303 Lakeview Drive Arrowbear Lake, California 92382	November 2015
Sheila Wymer, Director 2359 Fir Drive Arrowbear Lake, California 92382	November 2015
Terisa Bonito, President 2363 Oak Drive Arrowbear Lake, CA 92382	November 2015
Rickey L. Weber, Vice President 33079 Ridge Drive Arrowbear Lake, CA 92382	November 2017
Norman Huff, General Manager	N/A
Caroline Rimmer, Secretary to Board	N/A

ARROWBEAR PARK COUNTY WATER DISTRICT

Schedule of Insurance Coverage

June 30, 2015

At June 30, 2015, Arrowbear Park County Water District carried insurance as outlined below:

	Water/Sewer (District General)	Fire
Property coverage – blanket policy	$4,067,058	$1,812,847
General liability and wrongful acts	$1,000,000/occurence $3,000,000/aggregate	$5,000,000/occurence $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.

ARROWBEAR PARK COUNTY WATER DISTRICT

Required Supplementary Information – Unaudited

June 30, 2015 and 2014

Schedule of Changes in Net Pension Liability and Related Ratios

	Safety Plan	Miscellaneous Plan
	2014[1]	
TOTAL PENSION LIABILITY		
Service cost		$ 27,868
Interest on total pension liability	$ 33,956	130,349
Benefit payments, including refunds of employee contributions	(11,707)	(54,012)
Net change in total pension liability	22,249	104,205
Total pension liability – beginning	458,600	1,751,063
Total pension liability – ending (a)	$480,849	$1,855,268
PLAN FIDUCIARY NET POSITION		
Contribution – employer		$ 27,340
Contribution – employee		9,008
Net investment income	$ 30,135	190,025
Actual earnings on pension plan investments	5,991	
Benefit payments, including refunds of employee contributions	(11,707)	(54,012)
Differences between projected and actual earnings		142,444
Adjustments due to differences in proportions	(1,313)	(19,226)
Projected earnings on pension plan investments	22,387	
Net change in fiduciary net position	45,493	295,579
Plan fiduciary net position – beginning	302,290	1,778,185
Plan fiduciary net position – ending (b)	$347,783	$2,073,764
Plan net pension liability (asset) – ending (a) – (b)	$133,066	$(218,496)
Plan fiduciary net position as a percentage of the total pension liability (asset)	72.33%	111.78%
Covered employee payroll		$175,858
Plan net pension liability (asset) as a percentage of covered-employee payroll		124.25%

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

Notes to Schedule:

Benefit changes: The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2013. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit.

Changes of Assumptions: There were no changes in assumptions.

ARROWBEAR PARK COUNTY WATER DISTRICT

Required Supplementary Information – Unaudited

June 30, 2015 and 2014

Schedule of Plan Contributions[1]

(Dollars in thousands)	Safety Plan	Miscellaneous Plan
	2014	
Actuarially determined contribution	$ 56,394	$ 27,340
Contributions in relation to the actuarially determined contribution	(56,394)	(27,340)
Contribution deficiency (excess)	$ -	$ -
Covered employee payroll		$175,858
Contributions as a percentage of covered-employee payroll		15.55%

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

Notes to Schedule:

Valuation date: June 30, 2013
Methods and assumptions used to actuarially determine contributions rates for fiscal year 2015.

Actuarial Cost Method	Entry Age Normal
Amortization method/period	Level of percent of payroll/ 22 years as of the valuation date
Asset valuation method	15 year smoothed market
Inflation	2.75 percent
Salary increases	Varies by age and service
Payroll growth	3.00 percent
Investment rate of return	7.50 percent (net of administrative expenses)
Retirement age	The probabilities of retirement are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.

ARROWBEAR PARK COUNTY WATER DISTRICT

Required Supplementary Information – Unaudited

Schedules of Funding Progress

June 30, 2015

Pension Plan

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

Miscellaneous Plan

Actuarial Valuation Date	Actuarial Asset Value	Entry Age Actuarial Accrued Liability	(Overfunded) Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Actuarial Liability as Percentage of Covered Payroll
6/30/03	$2,372.9	$2,597.0	$224.1	91.4%	$725.0	30.9%
6/30/04	$2,460.9	$2,746.1	$285.2	89.6%	$743.7	38.3%
6/30/05	$2,588.7	$2,891.4	$302.7	89.5%	$755.0	40.1%
6/30/06	$2,492.0	$2,754.4	$262.2	90.5%	$699.9	37.5%
6/30/07	$2,391.4	$2,611.7	$220.3	91.6%	$665.5	33.1%
6/30/08	$2,547.3	$2,780.3	$232.9	91.6%	$688.6	33.8%
6/30/09	$2,758.5	$3,104.8	$346.3	88.9%	$743.0	46.6%
6/30/10	$2,946.4	$3,309.1	$362.7	89.0%	$748.4	48.5%
6/30/12	$3,686.6	$4,175.1	$488.5	88.3%	$757.0	64.5%

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

	Plan's Share of Pool's Unfunded Liability	Accrued Liability	Market Value of Assets (MVA)	Funded Ratio MVA	Covered Payroll
6/30/11	$(229.7)	$1,458	$1,688.1	115.8%	$197.7
6/30/12	$(94.9)	$1,634	$1,729	105.8%	$199.8

ARROWBEAR PARK COUNTY WATER DISTRICT

Required Supplementary Information – Unaudited

Schedules of Funding Progress

June 30, 2015

Safety Plan

Actuarial Valuation Date	Actuarial Asset Value	Entry Age Actuarial Accrued Liability	(Overfunded) Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Actuarial Liability as Percentage of Covered Payroll
6/30/03	$307.4	$319.1	$11.7	96.3%	N/A	N/A
6/30/04	$331.4	$357.9	$26.5	92.6%	N/A	N/A
6/30/05	$347.5	$369.1	$21.6	94.2%	N/A	N/A
6/30/06	$371.2	$389.6	$18.4	95.3%	N/A	N/A
6/30/07	$377.2	$391.7	$14.4	96.3%	N/A	N/A
6/30/08	$390.4	$399.3	$8.9	97.8%	N/A	N/A
6/30/09	$442.9	$480.5	$37.6	92.2%	N/A	N/A
6/30/10	$466.12	$509.2	$43.0	91.6%	N/A	N/A

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

	Plan's Share of Pool's Unfunded Liability	Accrued Liability	Market Value of Assets (MVA)	Funded Ratio MVA	Covered Payroll
6/30/11	$203.1	$455.6	$252.5	55.4%	0
6/30/12	$185.2	$433.1	$247.9	52.7%	0

Other Postemployment Benefits

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)— Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
July 1, 2011	-	$589,014	$589,014	0.00%	N/A	N/A
July 1, 2013	$20,207	$547,091	$526,884	3.70%	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.