ARROWBEAR PARK COUNTY WATER DISTRICT

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

ARROWBEAR PARK COUNTY WATER DISTRICT
CONTENTS
June 30, 2016 and 2015

AhernAdcockDevlin
A Division of SingerLewak

INDEPENDENT AUDITOR'S REPORT

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

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, 2016 and 2015 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, 2016 and 2015, 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 Matters

As discussed in Note 2 to the basic financial statements, effective July 1, 2015, the District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*, GASB 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*, and GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. Our opinion is not modified with respect to this matter.

As discussed in Note 9 to the financial statements, the 2015 financial statements have been restated to correct a misstatement. 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 4 to 13 and 46 to 48, 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 43 to 45 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The organizational information on page 43, schedule of officers, directors, and management on page 44, and schedule of insurance coverage on page 45 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

April 13, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED

ARROWBEAR PARK COUNTY WATER DISTRICT

Management's Discussion and Analysis

June 30, 2016

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, 2016. Please read it in conjunction with the District's financial statements which begin on page 14.

Financial Highlights

- The District's end of year net position increased $291,342 (7.38 percent) as a result of the year's operations.

- Current and other assets increased $759 (0.02 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, decreased $19,421 (1.48 percent) during the year's operations due to a decrease in cash and cash equivalents and accounts and other receivables (improvements in customer collections).

- Current year operating revenues increased $64,861 (8.80 percent) over last year with operating expenses decreasing $77,293 (8.01 percent) which produced an overall decrease in the net operating loss of 62.18 percent over the previous year.

- Total operating revenues for the year were $801,709 and total operating expenses were $888,170 producing an overall operating loss of $86,461 for the year. This is a $142,154 positive change over last year's net loss of $228,615.

- 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 increased to $4,240,733 from $3,949,391. 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,		
	2016	2015	2014
Current and other assets	$1,296,173	$1,315,594	$1,675,917
Capital assets	2,439,039	2,418,859	2,200,767
Deferred outflow of resources	774,084	537,604	414,095
Total assets	$4,509,296	$4,272,057	$4,290,779
Current liabilities	69,711	48,967	134,323
Noncurrent liabilities	170,482	148,892	300,927
Total liabilities	240,193	197,859	435,250
Deferred inflows of resources	28,370	124,807	-
Net position			
Invested in capital assets, net of related debt	2,439,039	2,418,859	2,200,767
Restricted for sewer			256,375
Unrestricted	1,801,694	1,530,532	1,398,387
Total net position	4,240,733	3,949,391	3,855,529
Total liabilities, deferred inflows of resources and net position	$4,509,296	$4,272,057	$4,290,779

Net position increased by $291,342. 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 $271,162.

Table 2

Changes in Net Position
(in Dollars)

	June 30,		
	2016	2015	2014
Operating revenues	$801,709	$736,848	$684,416
Operating expenses	(888,170)	(965,463)	(1,209,062)
Operating loss	(86,461)	(228,615)	(524,646)
Nonoperating revenues	377,803	382,277	377,082
Nonoperating expenses		(1,723)	(11,812)
Increase (decrease) in net position	$291,342	$151,939	$(159,376)

The District's operating revenues increased by $64,861 (8.80 percent) and operating expenses decreased by $77,293 (8.01 percent). The factors driving these results include:

- Water and sewer net sales increased by $47,185 (6.72 percent) compared to the prior year. This was due to a rate increase effective January 1, 2015. Sales to Running Springs Water District increased by $17,676 (50.28 percent). This increase was due to an increase in water availability and an increased demand from Running Springs. Operating expenses reflected a decrease of $77,293 (8.01 percent) due mainly to sound fiscal management by the District, lower system maintenance, reduced dependence on some professional and contractual services, and lower general expenses in the District.

- Nonoperating revenues decreased $4,474 (1.17 percent). Grant revenues decreased by $5,128 (100.00 percent). Property tax revenues and standby charges increased $11,060 (3.48 percent).

- Overall the District performance reflected a large increase for the period with a 91.75 percent increase to the District's net position for a total of $291,342.

- The District had 954 active services at June 30, 2016. Prior year active services were 954.

Capital Asset and Debt Administration

Capital Assets

At the end of fiscal 2016, the District had $2,439,039 (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 $20,180 (0.83 percent) over last year.

Table 3

Capital Assets at Year-End
(in Dollars)

	June 30,		
	2016	2015	2014
Land	$ 118,451	$ 118,451	$ 118,451
Water system	2,902,651	2,762,403	2,654,496
Sewer system	2,763,507	2,763,507	2,763,507
Equipment	1,012,292	1,000,694	781,152
Fire station	265,935	258,299	258,299
Construction in progress	139,451	82,995	20,728
Accumulated depreciation	(4,763,248)	(4,567,490)	(4,395,866)
	$ 2,439,039	$ 2,418,859	$ 2,200,767

This year's major additions included:

- A net increase in construction in progress of $56,456 due to beginning new water projects.

During the 2015–16 fiscal year, the District had a net total of $20,180 (0.83 percent) in capital increases in its service areas due to completion of Tank #4 reline project, office roof replacement project, and the purchase of some additional main replacement project equipment.

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, 2016

Account	Current Year	Prior Year	Change	Percent Change
Statements of net position				
Capital assets	$2,439,039	$2,418,859	$20,180	0.83%
Current and other assets	1,296,173	1,315,594	(19,421)	-1.48%
Deferred outflow of resources	774,084	537,604	$236,480	43.99%
Total assets	**$4,509,296**	**$4,272,057**	**$237,239**	**5.55%**
Noncurrent liabilities	170,482	148,892	$21,590	14.50%
Current liabilities	69,711	48,967	$20,744	42.36%
Total liabilities	**240,193**	**197,859**	**42,334**	**21.40%**
Deferred inflows of resources	**$28,370**	**$124,807**	**(96,437)**	**-77.27%**
Net position				
Invested in capital assets, net of related debt	2,439,039	2,418,859	$20,180	0.83%
Restricted for sewer	-	-	-	
Unrestricted	1,801,694	1,530,532	271,162	17.72%
Total net position	**4,240,733**	**3,949,391**	**291,342**	**7.38%**
Total liabilities, deferred inflows of resources, and net position	$4,509,296	$4,272,057	$237,239	5.55%
Statements of revenues and expenses				
Operating revenues	$801,709	$736,848	$64,861	8.80%
Operating expenses	(888,170)	(965,463)	(77,293)	-8.01%
Operating gain (loss)	**(86,461)**	**(228,615)**	**142,154**	**-62.18%**
Nonoperating revenues	377,803	382,277	(4,474)	-1.17%
Nonoperating expenses	-	(1,723)	1,723	-100.00%
Change in net position before capital contributions	291,342	151,939	139,403	91.75%
Change in accounting principle	-	(58,077)	58,077	-100.00%
Beginning net position	3,949,391	3,855,529	93,862	2.43%
Ending net position	**$4,240,733**	**$3,949,391**	**$291,342**	**7.38%**

ARROWBEAR PARK COUNTY WATER DISTRICT

Financial Analysis Worksheet
(Continued)

June 30, 2016

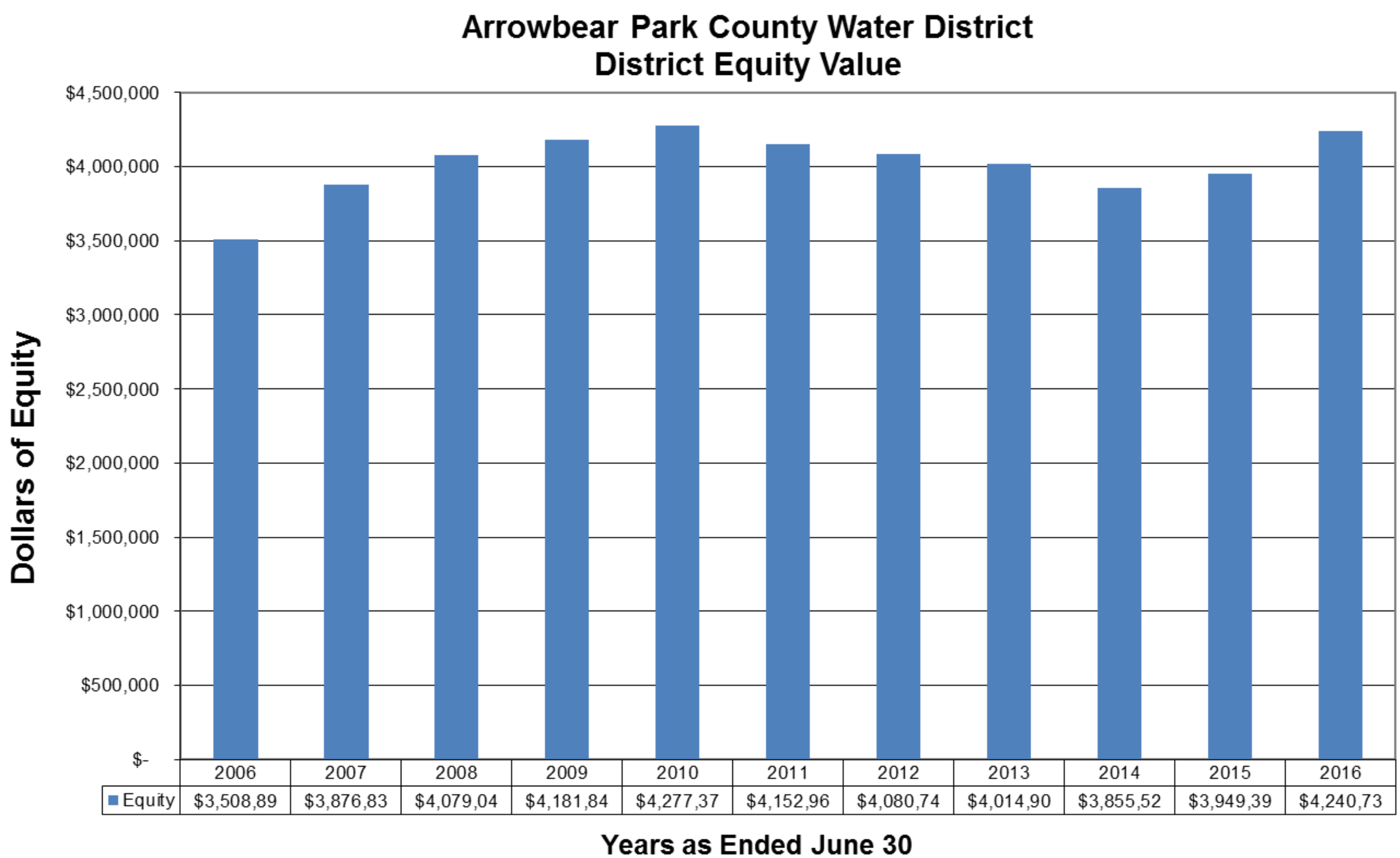
Change in net position – invested in capital assets, net of related debt is an increase of $20,180 for the period.

Period change in net position – invested in capital assets, net of related debt is an increase of 0.83 percent for the period.

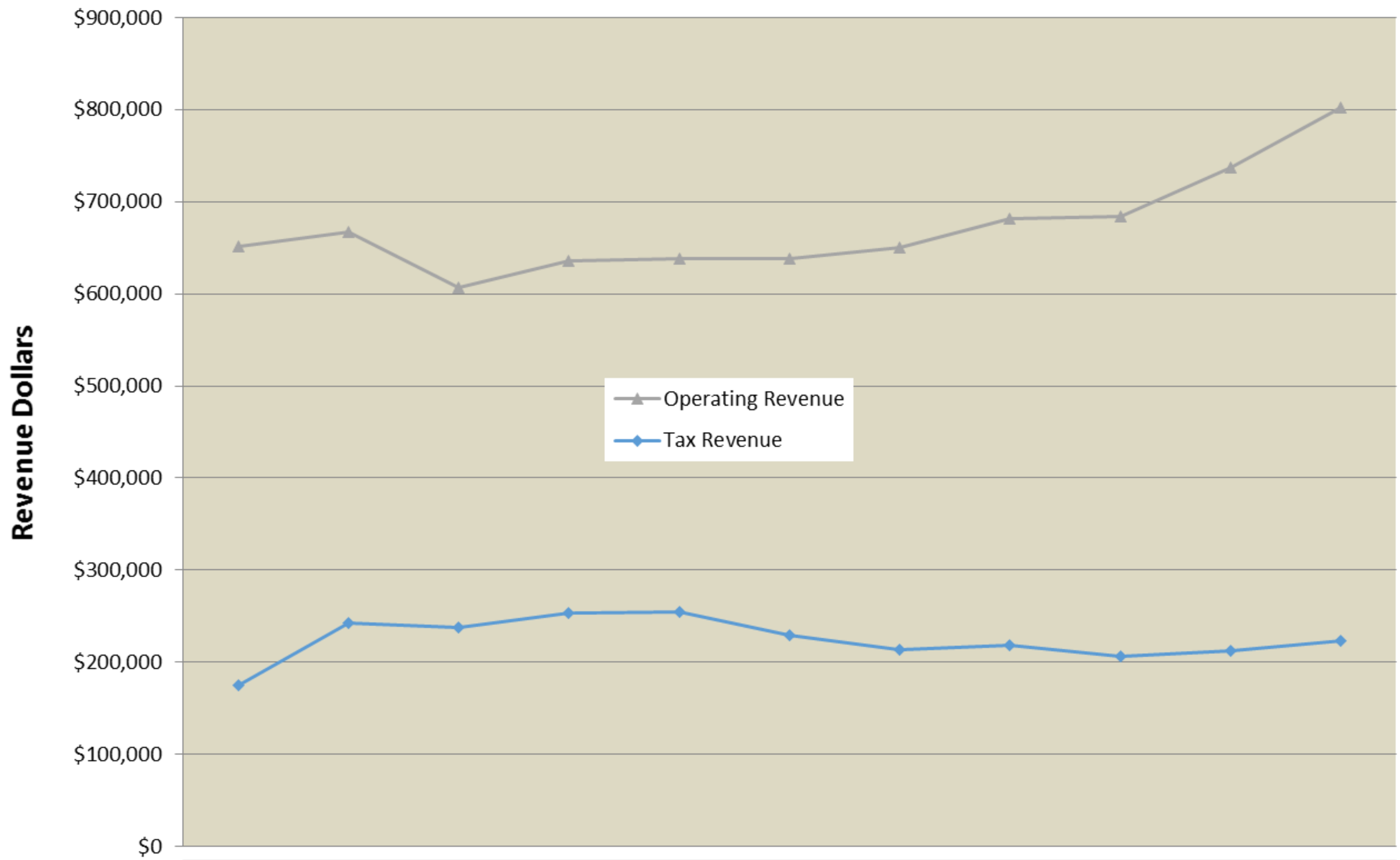
Change in net position – unrestricted funds is an increase of $271,162 for the period.

Percent change in net position – unrestricted funds is an increase of 17.72 percent.

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

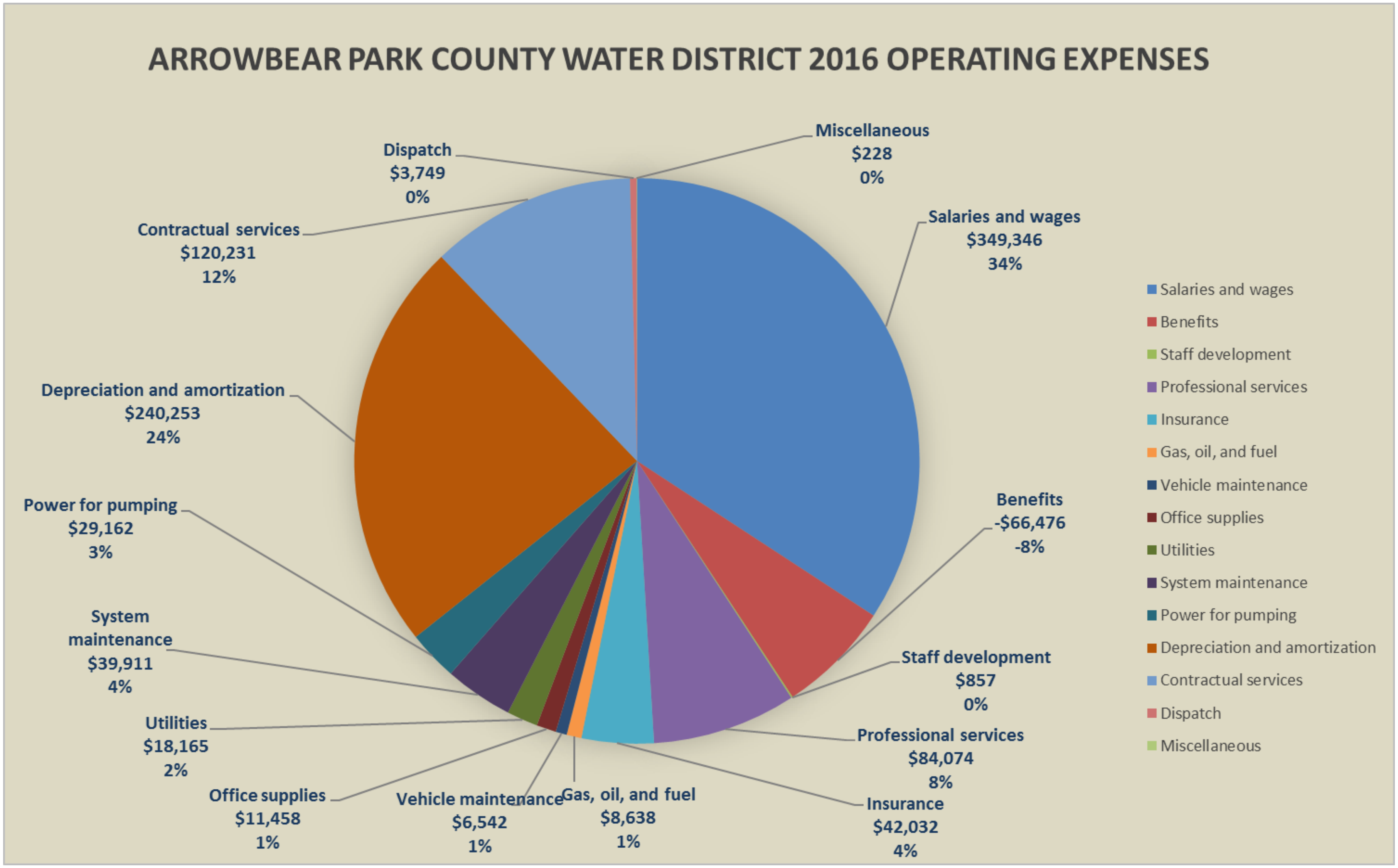

Arrowbear Park County Water District
District Equity Value
Dollars of Equity
$4,500,000
$4,000,000
$3,500,000
$3,000,000
$2,500,000
$2,000,000
$1,500,000
$1,000,000
$500,000
$-
2006 2007 2008 2009 2010 2011 2012 2013 2014 2015 2016
Equity $3,508,89 $3,876,83 $4,079,04 $4,181,84 $4,277,37 $4,152,96 $4,080,74 $4,014,90 $3,855,52 $3,949,39 $4,240,73
Years as Ended June 30

Arrowbear Park County Water District
Revenues and Taxes History



	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Operating Revenue	$651,995	$666,982	$606,687	$635,932	$638,733	$638,499	$649,916	$681,272	$684,416	$736,848	$801,709
Tax Revenue	$174,484	$243,165	$237,901	$253,637	$254,820	$229,577	$214,184	$217,996	$206,682	$212,669	$222,739

Years as Ended June 30


ARROWBEAR PARK COUNTY WATER DISTRICT 2016 OPERATING EXPENSES
Miscellaneous $228 0%
Dispatch $3,749 0%
Contractual services $120,231 12%
Salaries and wages $349,346 34%
Depreciation and amortization $240,253 24%
Power for pumping $29,162 3%
Benefits -$66,476 -8%
System maintenance $39,911 4%
Staff development $857 0%
Utilities $18,165 2%
Professional services $84,074 8%
Office supplies $11,458 1%
Vehicle maintenance $6,542 1%
Gas, oil, and fuel $8,638 1%
Insurance $42,032 4%
Salaries and wages
Benefits
Staff development
Professional services
Insurance
Gas, oil, and fuel
Vehicle maintenance
Office supplies
Utilities
System maintenance
Power for pumping
Depreciation and amortization
Contractual services
Dispatch
Miscellaneous

BASIC FINANCIAL STATEMENTS - AUDITED

ARROWBEAR PARK COUNTY WATER DISTRICT
STATEMENTS OF NET POSITION
June 30, 2016 and 2015

	2016	2015
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		As adjusted Notes 2 & 9
Current assets		
Cash and cash equivalents	$ 1,133,534	$ 1,163,873
Accounts receivable - consumers	92,998	106,734
Interest and other receivables	8,103	13,216
Prepaid expenses	13,378	500
Inventory	48,160	31,271
Total current assets	1,296,173	1,315,594
Noncurrent assets		
Capital assets		
Utility plant in service	7,062,836	6,903,354
Less accumulated depreciation	(4,763,248)	(4,567,490)
Construction in progress	139,451	82,995
Total noncurrent assets	2,439,039	2,418,859
Total assets	3,735,212	3,734,453
Deferred outflows of resources		
Deferred outflow of resources – joint use facilities (net of accumulated amortization of $314,959 and $274,722 at June 30, 2016 and 2015, respectively)	534,048	403,539
Pension asset	207,600	85,430
Pension contributions	24,632	33,912
Difference between expected and actual experience	1,260	-
Pension adjustment due to differences in proportions	6,544	14,723
Total deferred outflows of resources	774,084	537,604
Total assets and deferred outflows of resources	**$ 4,509,296**	**$ 4,272,057**

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

	2016	2015
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION		As adjusted Notes 2 & 9
Current liabilities		
Accounts payable	$ 58,702	$ 38,870
Accrued liabilities	11,009	10,097
Total current liabilities	69,711	48,967
Noncurrent liabilities		
Employee benefits payable	68,878	64,345
Other post employment benefits payable	101,604	84,547
Total noncurrent liabilities	170,482	148,892
Total liabilities	240,193	197,859
Deferred inflows of resources		
Net difference between projected and actual earnings on pension plan investments	5,976	106,833
Pension adjustment due to differences in proportions	5,983	-
Change in assumptions	14,525	-
Net difference between projected and actual experiences	566	-
Actual earnings on pension investments	1,320	17,974
Total deferred inflow of resources	28,370	124,807
Net position		
Invested in capital assets, net of related debt	2,439,039	2,418,859
Unrestricted	1,801,694	1,530,532
Total net position	4,240,733	3,949,391
Total liabilities, deferred inflows of resources, and net position	**$ 4,509,296**	**$ 4,272,057**

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
June 30, 2016 and 2015

	2016	2015 As adjusted Notes 2 & 9
Operating revenues		
User fees	$ 748,877	$ 701,692
Sales to other agencies	52,832	35,156
Total operating revenues	801,709	736,848
Operating expenses		
Salaries and wages	349,346	300,269
Benefits	(66,476)	52,692
Staff development	857	7,734
Professional services	84,074	69,286
Insurance	42,032	45,972
Gas, oil, and fuel	8,638	6,967
Vehicle maintenance	6,542	9,088
Office supplies	11,458	17,581
Utilities	18,165	18,469
System maintenance	39,911	36,821
Power for pumping	29,162	32,954
Depreciation and amortization	240,253	228,798
Contractual services	120,231	132,000
Dispatch	3,749	4,651
Miscellaneous	228	2,181
Total operating expenses	888,170	965,463
Operating loss	(86,461)	(228,615)
Nonoperating revenues		
Property taxes	222,739	212,669
Standby charges	105,720	104,730
Interest income	16,442	17,225
Grant revenue	-	5,128
Other	32,902	42,525
Total nonoperating revenues	377,803	382,277
Nonoperating expenses		
Interest	-	1,703
Other	-	20
Total nonoperating expenses	-	1,723
Increase in net position	291,342	151,939

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
June 30, 2016 and 2015

	2016	2015 As adjusted Notes 2 & 9
Increase in net position	$ 291,342	$ 151,939
Net position, beginning of year, previously stated	3,949,391	3,855,529
Less: cumulative effect of change in accounting principle (Note 1)	-	(58,077)
Net position, beginning of year, restated	3,949,391	3,797,452
Net position, end of year	**$4,240,733**	**$3,949,391**

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

ARROWBEAR PARK COUNTY WATER DISTRICT

STATEMENTS OF CASH FLOWS

June 30, 2016 and 2015

	2016	2015 As adjusted Notes 2 & 9
Cash flows from operating activities		
Cash received from customers	$ 821,004	$ 746,263
Cash paid to employees for services	(479,833)	(327,237)
Cash paid to suppliers and other	(374,980)	(465,517)
Net cash used in operating activities	(33,809)	(46,491)
Cash flows from noncapital financing activities		
Property taxes	222,739	212,669
Net cash provided by noncapital financing activities	222,739	212,669
Cash flows from capital and related financing activities		
Purchase of capital assets	(220,198)	(403,632)
Deferred charges	(170,746)	
Payments on long–term debt	-	(284,065)
Interest on long–term debt	-	(4,251)
Other revenue	32,902	47,653
Standby charges	105,720	104,730
Other expense	-	(20)
Other post employment benefits	17,057	(9,064)
Net cash used in capital and related financing activities	(235,265)	(548,649)
Cash flows from investing activities		
Change in special assessment funds	-	256,253
Interest on cash deposits	15,996	17,093
Net cash provided by investing activities	15,996	273,346
Net decrease in cash and cash equivalents	(30,339)	(109,125)
Cash and cash equivalents		
Balance, beginning of year	1,163,873	1,272,998
Balance, end of year	**$1,133,534**	**$1,163,873**

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

	2016	2015 As adjusted Notes 2 & 9
Reconciliation of operating loss to net cash used in operating activities		
Operating loss	$ (86,461)	$ (228,615)
Adjustments to reconcile operating loss to net cash used in operating activities		
Depreciation and amortization	240,255	228,798
Change in deferred outflows of resources	16,199	(25,733)
Change in deferred inflows of resources	(96,437)	(41,602)
Change in pension asset	(122,170)	-
Changes in operating assets and liabilities:		
Accounts receivable - consumers	13,736	615
Interest and other receivables	5,559	621
Prepaid expenses	(12,878)	25,112
Inventories	(16,889)	(31,271)
Accounts payable	19,832	(140)
Accrued liabilities	912	3,377
Employee benefits payable	4,533	22,347
Net cash used in operating activities	$ (33,809)	$ (46,491)
Cash paid for interest	$ -	$ 4,252

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 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.

NOTE 1 – REPORTING ENTITY (Continued)

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.

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

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

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.

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.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

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
The District believes all accounts receivable are fully collectible as liens are placed on properties for nonpayment and therefore no allowance for doubtful accounts is deemed necessary.

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.

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:

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

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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.

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.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

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:

	2016	2015
Unrestricted Replacement Vehicles – Water	$ 66,362	$ -
Unrestricted Replacement Vehicles – Fire	136,958	126,639
Unrestricted Replacement Facilities – Water	4,432	-
Unrestricted Replacement Facilities – Sewer	7	-
Unrestricted Replacement Equipment – Water	8,479	37,316
Unrestricted Replacement Equipment – Sewer	8,227	-
Unrestricted Replacement Equipment – Fire	16,919	-
Unrestricted Replacement System – Water	402,017	696,576
Unrestricted Replacement System – Sewer	1,321	-
Unrestricted Reserve – Water	163,000	-
Unrestricted Reserve – Sewer	32,000	-
Unrestricted Reserve – Fire	15,000	193,604
Unrestricted General Fund – Water	28,287	-
Unrestricted Unfunded Liabilities – Water	67,927	-
Unrestricted Unfunded Liabilities – Fire	11,987	-
Unrestricted Capital Improvement – Sewer	47,995	-
	$ 1,010,918	**$1,054,135**

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.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Pension Asset, 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.

Implementation of Accounting Principles

Effective July 1, 2015, the District adopted the following accounting principles:

GASB Statement No. 72, *Fair Value Measurement and Application* (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. It also requires measurement at acquisition value for donated capital assets, which were previously required to be measured at fair value.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

GASB 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), 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 Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* (GASB 76), identifies the hierarchy of generally accepted accounting principles (GAAP) used to prepare financial statements of state and local governmental entities. This statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. GASB 76 supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments.*

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. 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.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Reclassifications
Certain reclassifications have been made to the June 30, 2015 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,	
	2016	2015
Deposits	$ 237,580	$ 71,282
Investments	895,954	1,092,591
	$1,133,534	**$1,163,873**

Deposits
At June 30, 2016 and 2015, the carrying amount of the District's deposits was $237,580 and $71,282, respectively, and the bank balances were $241,323 and $104,099, respectively. Of the balances in the bank, $241,323 and $104,099 are insured at June 30, 2016 and 2015, respectively. The District does not have a deposit policy for custodial credit risk.

NOTE 3 – CASH AND CASH EQUIVALENTS (Continued)

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, 2016	June 30, 2015
Not subject to categorization – State pooled funds (Local Agency Investment Fund)	$ 895,954	$1,092,591

At June 30, 2016 and 2015, 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.

NOTE 4 – UTILITY PLANT IN SERVICE

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

	Cost			
	Balance June 30, 2015 As Restated	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**

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

	Cost				
	Balance June 30, 2014	Additions	Retirement	Prior Period Adjustment	Balance June 30, 2015 As Restated
Land	$ 118,451	-	-	-	$ 118,451
Water system	2,654,496	$ 83,480	$ (5,917)	$ 30,344	2,762,403
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)	22,413	82,995
	$6,596,633	**$353,391**	**$(16,432)**	**$ 52,757**	**$6,933,592**

NOTE 4 – UTILITY PLANT IN SERVICE (Continued)

	Accumulated Depreciation			
	Balance June 30, 2014	Additions	Retirement	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**

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

	June 30,			
	2016		2015 As Restated	
	Construction in Progress	Total Budget	Construction in Progress	Total Budget
Fire station training room	$ 1,043	$ 40,000	$ 1,043	$ 40,000
Green Valley crossover line (CSA79)	-	-	17,168	17,168
Falling Leaf pipeline project	-	-	64,784	68,932
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	-	-
	$ 139,451	**$ 741,158**	**$ 82,995**	**$ 126,100**

NOTE 4 – UTILITY PLANT IN SERVICE (Continued)

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.

The District entered into a lease/purchase agreement for the acquisition of a fire engine. The District has deposited $50,000 for the initial down payment which is included in construction in progress along with some other minor related costs. The lease payments will commence December 17, 2016 and will continue until December 17, 2025. Payment amounts will be $48,528 per year. The total principal amount is $410,594. The fire engine is anticipated to be received in the 4th quarter of the fiscal year ending June 30, 2017.

NOTE 5 – DEFERRED OUTFLOW OF RESOURCES – JOINT USE FACILITIES

Deferred Outflow of Resources – Joint Use Facilities
The District participates in a joint use facilities agreement with Running Springs Water District. Major filtration improvements to the wastewater treatment plant were required to be implemented prior to December 2003 and as of June 30, 2009 was 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 filtration project's estimated life is 15 years.

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 participated in this project on the same basis as the previous project. The expansion project's estimated life is 20 years.

Additional projects such as the Outfall Pipeline Project and Huber Biosolids Dewater Equipment were completed in expansion #3 which had a total of $92,958 and is being amortized over an estimated useful life of 20 years.

In the fiscal year ended June 30, 2015 the District began including in the deferred charges the capital component of the quarterly billings from RSWD. The amount included in the 2015 additions was $32,702. In the current year, $9,307 was included in deferred charges with an estimated life of 20 years. In addition, $161,438 was expended on projects not completed as of year-end.

NOTE 6 – EMPLOYEE RETIREMENT PLANS

(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 $24,632 and $33,912 for the years ended June 30, 2016 and 2015, 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. A resolution passed by the Board of the District directed the District to pay this portion, called Employer Paid Member Contributions (EPMC) through June 30, 2015. 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 8% employee portion of the EPMC starting in the year ended June 30, 2016.

NOTE 6 – EMPLOYEE RETIREMENT PLANS (Continued)

The employee contribution rate was 7.0 percent of annual pay for Classic members and 6.5 percent for PEPRA members for the measurement periods ended June 30, 2016 and 2015.

The plan's provisions and benefits in effect at June 30, 2016 and 2015 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		
2016	7.0 percent	6.25 percent
2015	7.0 percent	6.5 percent
Required employer contribution rates		
2016	8.512 percent	6.25 percent
2015	8.880 percent	6.5 percent

NOTE 6 – EMPLOYEE RETIREMENT PLANS (Continued)

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

For the measurement period ending June 30, 2015 (the measurement date), the total pension liability (asset) was determined by rolling forward the June 30, 2014 total pension liability (asset) determined in the June 30, 2014 actuarial accounting valuation.

The June 30, 2015 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, 2015 and 2014 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. 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 – EMPLOYEE RETIREMENT PLANS (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), 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 of the plans, the tests revealed the assets would not run out. Therefore, 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 Empoyees' Retirement 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. 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 – 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

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 and 7.50 percent at June 30, 2015 and 2014, respectively, 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 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	2015	(6.65%)	(7.65%)	(8.65%)
		$ 11,661	$(291,342)	$ (367,648)
	2014	(6.50%)	(7.50%)	(8.50%)
		$ 27,629	$(218,496)	$ (422,756)

Pension Plan Fiduciary Net Position

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

Safety plan	2015	6.65%	7.65%	8.65%
		$147,436	$83,742	$50,972
	2014	(6.50%)	(7.50%)	(8.50%)
		$197,474	$133,066	$79,996

NOTE 6 – EMPLOYEE RETIREMENT PLANS (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, 2015 measurement period is 3.8 years which was obtained by dividing the total service years of 467,023 (the sum or remaining service lifetimes of the active employees) by 122,410 (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 – EMPLOYEE RETIREMENT PLANS (Continued)

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

For the year ended June 30, 2016, the District recognized pension expense subject to deferral of $24,632. At June 30, 2016, the District deferred inflows of resources related to pensions as follows:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	2016	**2015**	**2016**	**2015**
Miscellaneous Plan				
Pension contributions subsequent to measurement date	$ 20,217	$ 33,912	-	-
Difference between expected and actual experience	1,260	-	-	-
Changes in assumptions	-	-	$ (11,920)	-
Difference in actual versus projected contributions	-	-	-	-
Net differences between projected and actual earnings on pension plan investments	-	-	(5,976)	$(106,833)
Adjustment due to differences in proportion	5,494	12,360	(5,983)	-
Safety Plan				
Pension contributions subsequent to measurement date	$ 4,415	-	-	-
Change of assumptions	-	-	(2,605)	-
Net difference between projected and actual experiences	-	-	(566)	-
Actual earnings on pension plan investments	-	-	(1,320)	(17,974)
Adjustment due to differences in proportion	1,050	2,363	-	-
Total	$ 32,436	$ 48,635	$(28,370)	$(124,807)

The amounts above are net of outflows and inflows recognized in the pension expense for the years ended June 30, 2016 and 2015. The $24,632 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, 2017.

NOTE 6 – EMPLOYEE RETIREMENT PLANS (Continued)

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:

Year Ending June 30,	Deferred Outflows of Resources	Deferred Inflows of Resources
2017	$ 31,508	$ 17,251
2018	$ 332	$ 3,972
2019	$ 332	$ 3,972
2020	$ 264	$ 3,175

2015 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, 2015 was 8.512 percent. The contribution rate is established and may be amended by CalPERS. The District's proportionate share of the Plan's contributions was $19,659 or .006683 percent.

(f) Annual Pension Cost and Net Pension Obligation
For the year ended June 30, 2015, the District's annual pension cost and contribution made were $33,911. The required contribution for the year ended June 30, 2015 was based on CalPERS June 30, 2012 actuarial valuation using the actuarial assumptions discussed in Note 6(b).

Three-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%	-

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.

To record the activity from the June 30, 2015 actuarial valuation for both the safety and miscellaneous pension plans, adjustments totaling $(202,409) were made to the employee benefits expense which resulted in a credit balance of $(66,476) as reported in the accompanying statements of revenues, expenses, and changes in net position.

NOTE 7 – 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, 2016 and 2015, the District paid $41,891 and $40,446, respectively.

The District joined California Employers' Retiree Benefit Trust (CERBT) and contributed $15,000 and $15,000 for the fiscal years ended June 30, 2016 and 2015, 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 2015-16 fiscal year was $577 per month for employee-only coverage and $1,012 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, 2016, the benefit was provided to six retired District employees.

Funding Policy
During the fiscal year ended June 30, 2016, the District funded these benefits on a pay-as-you-go basis. During the year ended June 30, 2016, the District paid 100 percent of the premiums, which totaled $41,891.

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 (Continued)

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

	June 30, 2016	June 30, 2015	June 30, 2014
Annual required contribution	$ 73,542	$ 45,788	$ 44,596
Annual OPEB cost	73,948	46,381	45,353
District contributions made	(56,891)	(55,445)	(46,802)
Increase (decrease) in net OPEB obligation	17,057	(9,064)	(1,449)
Net OPEB obligation, beginning of year	84,547	93,611	95,060
Net OPEB obligation, end of year	**$101,604**	**$ 84,547**	**$ 93,611**

For the fiscal years ended June 30, 2016 and June 30, 2015, the District's annual OPEB cost was $73,948 and $46,381, respectively. Contributions of $56,891 and $55,445 for the fiscal years ended June 30, 2016 and 2015, respectively, were equal to the pay–as-you-go amount and represented 77 and 120 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 – PRIOR PERIOD ADJUSTMENTS

Subsequent to the issuance of the June 30, 2015 financial statements, the District determined that it was not properly accounting for internal labor and overhead cost associated with the construction of internally constructed capital assets during the year ended June 30, 2015. Also, it was determined that certain items included in construction in progress as of June 30, 2015 should be been expensed. Accordingly, the financial statements issued as of and for the year ended June 30, 2015 were restated as follows:

	As Previously Reported	As Restated
As of June 30, 2015:		
Utility plant in service	$ 6,873,010	$ 6,903,354
Construction in progress	60,582	82,995
Invested in capital assets, net of related debt	2,366,102	2,418,859
For the Year Ended June 30, 2015:		
Salaries and wages	360,289	300,269
Gas, oil, and fuel	10,229	6,967
Vehicle maintenance	11,045	9,088
System maintenance	24,339	36,821

NOTE 10 – SUBSEQUENT EVENTS

The District has a contract for sewage treatment with Running Springs Water District which expires in January 2017. The contract has been extended at current rate structure through June 2017 while negotiations are taking place for the renewal of the contract.

In the preparation of these financial statements, the District considered subsequent events through April 13, 2017 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 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.

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 2018
Rickey L. Weber, Director 33079 Ridge Drive Arrowbear Lake, CA 92382	November 2018
Mark Bunyea, President 33303 Lakeview Drive Arrowbear Lake, California 92382	November 2020
Sheila Wymer, Vice President 2359 Fir Drive Arrowbear Lake, California 92382	November 2020
Terisa Bonito, Director 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 will result in the current terms of the officers and directors being extended by one year. Thus, the term expiration dates disclosed above have been increased by one year as compared to the prior year.

ARROWBEAR PARK COUNTY WATER DISTRICT

SCHEDULE OF INSURANCE COVERAGE

June 30, 2016

At June 30, 2016, 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/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. As part of the valuation for June 30, 2015 there were changes in the method of calculating the pension components.
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, 2015, 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 $376,184 or .002132% of the total liability, and the fiduciary net position was $292,442 or .002085% for the safety plan and the proportionate share of the collective pension liability for the miscellaneous plan is $1,825,972 or .013899% and the fiduciary net position was $2,117,314.

Schedule of Plan Contributions[1]

	2016	2015
Actuarially determined contribution	$ 24,632	$ 33,912
Contributions in relation to the actuarially determined contribution	24,632	33,912
Contribution deficiency (excess)	-	-
Covered employee payroll	$ 151,227	$ 175,858
Contributions as a percentage of covered employee payroll	16.3%	19.3%

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

Schedules of Funding Progress

June 30, 2016

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%

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
6/30/2011	$1,458	$1,688	$(230)	115.8%	$198
6/30/2012	$1,634	$1,729	$(95)	105.8%	$200
6/30/2013	$1,664	$1,845	$(180)	110.8%	$171
6/30/2014	$1,826	$2,117	$(291)	115.9%	$238

Schedules of Funding Progress

June 30, 2016

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%

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
6/30/2011	$456	$252	$203	55.4%	$0
6/30/2012	$433	$248	$185	57.2%	$0
6/30/2013	$429	$289	$139	67.5%	$0
6/30/2014	$376	$292	$84	77.7%	$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.