



**FINANCIAL REPORT
JUNE 30, 2023**

**ARROWBEAR PARK COUNTY WATER DISTRICT
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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Arrowbear Park County Water District
Arrowbear, California

Opinions

We have audited the accompanying financial statements of the governmental activities, business-type activities, and each major fund of the Arrowbear Park County Water District (the Entity), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Entity's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Entity, as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the State Controller's minimum audit requirements for California Special Districts. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Arrowbear Park County Water District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

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& C O M P A N Y**

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Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, pension, and other postemployment benefit (OPEB) information on pages 4 through 12 and 47 through 51 be presented to supplement the basic financial statements. Such information, is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the organizational information on page 52, schedule of officers, directors, and management on page 53, and schedule of insurance coverage on page 54, but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.



January 3, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

ARROWBEAR PARK COUNTY WATER DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED

Our discussion and analysis of Arrowbear Park County Water District's (the "District") financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2023. Please read it in conjunction with the District's financial statements which begin on page 13.

Financial Highlights

- The District's total net position increased \$82,596 or 2.02% as a result of the year's operations. Net position of our business-type activities increased \$47,501 or 1.42% while net position of our governmental activities increased \$35,095 or 4.81%. These changes are a result of increases in business-type revenues and increases in tax revenues and operating grants for governmental activities.
- Total assets and deferred outflows of resources decreased \$93,819 or 1.66% during the reporting period primarily as a result of decreases in net pension assets.
- Revenues from business-type activities increased \$48,574 or 4.40% due to increases in charges for services, interest, and miscellaneous income. Expenses of business-type activities increased \$70,461 or 6.81% due to increases in salaries and wages due to increased staffing levels during the year, and professional services related to the Employee Retention Credit.
- Revenues from governmental activities decreased \$12,614 or 3.39% due to decreases in charges for services for providing fire support and assistance out of the District's local area. Expenses of governmental activities decreased \$14,913 or 4.39% due to a reduction in the amount of benefits expense recognized in the current year.
- Combined District revenues increased \$35,954 or 2.43%, while combined expenses increased \$55,548 or 4.04%. There were no capital contributions.
- 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 activities (on pages 13 - 15) provide information about the activities of the District as a whole and present a longer-term view of the District's finances. Fund financial statements start on page 16. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds.

Reporting the District as a Whole

Our analysis of the District as a whole begins on page 6. 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 activities report information about the District's business-like activities, governmental activities, and the District as a whole in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting for business-like activities (Water and Sewer), which is similar to the accounting used by most private-sector companies, and modified-accrual for governmental activities (Fire Department), similar to the accounting used by most public-sector entities. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

ARROWBEAR PARK COUNTY WATER DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED

Reporting the District as a Whole (Continued)

These two statements report the District's net position and changes in them. You can think of the District's net position - the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources - as 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 and sewer facilities, to assess the overall health of the District.

In the Statements of Net Position and the Statements of Activities, we divide the District into three kinds of activities:

- Governmental activities - the District's fire protection service activities are reported here. Property taxes, user fees, and state and federal grants finance most of these activities.
- Business-type activities - The District charges a fee to customers to help it cover all or most of the cost of certain services it provides. The District's water and sewer system are reported here.
- Component unit - The District has one component unit which is a separate legal entity - the Arrowbear Park County Water District Financing Corporation. Although legally separate, this component unit is important because the District is financially accountable for it. However, this entity had no activity during the years ended June 30, 2023 and 2022.

Reporting the District's Funds

The District has two funds: a general fund used to account for the fire protection function and an enterprise fund used to account for the water and sewer functions. The fund financial statements begin on page 16 and provide detailed information about the funds - not the District as a whole. The District's two kinds of funds - governmental and proprietary - use different accounting approaches.

- Governmental fund - The District's fire protection services are reported in a governmental fund, which focuses on how money flows into and out of the fund and the balances left at year-end that are nonspendable, restricted, committed, assigned, or unassigned. These classifications of fund balance show the nature and extent of constraints, if any, placed on the District's fund balances by law, creditors, and the board of directors. Unassigned fund balance is available for spending for any purpose. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in a reconciliation at the bottom of the fund financial statements.
- Proprietary fund - When the District charges customers for the services it provides, these services are generally reported in the proprietary fund. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the District's enterprise fund (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for the proprietary fund.

**ARROWBEAR PARK COUNTY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED**

Government-Wide Financial Analysis

Our analysis below focuses on the net position (Table 1) and changes in net position (Table 2) of the District's governmental and business-type activities. As can be seen, the District's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$4,166,052 at the close of the most recent fiscal year.

**Table 1
Net Position**

	Governmental Activities		Business-type Activities		Totals	
	2023	2022	2023	2022	2023	2022
Current assets	\$ 353,497	\$ 381,802	\$ 1,029,366	\$ 897,276	\$ 1,382,863	\$ 1,279,078
Capital assets	651,533	657,809	2,392,410	2,470,607	3,043,943	3,128,416
Restricted investments	6,000	3,000	34,000	17,000	40,000	20,000
Net pension asset	-	-	-	418,915	-	418,915
Joint use facilities	-	-	512,123	515,845	512,123	515,845
Deferred outflows of resources	76,130	42,609	516,689	260,704	592,819	303,313
Total assets and deferred outflows of resources	\$ 1,087,160	\$ 1,085,220	\$ 4,484,588	\$ 4,580,347	\$ 5,571,748	\$ 5,665,567
Current liabilities	\$ 18,012	\$ 8,624	\$ 53,023	\$ 54,492	\$ 71,035	\$ 63,116
Employee Retention Credit reserve	9,376	-	146,887	-	156,263	-
Noncurrent liabilities	275,402	279,145	625,567	520,696	900,969	799,841
Total liabilities	302,790	287,769	825,477	575,188	1,128,267	862,957
Deferred inflows of resources	19,324	67,500	258,105	651,654	277,429	719,154
Net position						
Invested in capital assets, net of related debt	514,688	478,115	2,904,533	2,986,452	3,419,221	3,464,567
Restricted for pension	6,000	3,000	34,000	17,000	40,000	20,000
Unrestricted	244,358	248,836	462,473	350,053	706,831	598,889
Total net position	765,046	729,951	3,401,006	3,353,505	4,166,052	4,083,456
Total liabilities, deferred inflows of resources, and net position	\$ 1,087,160	\$ 1,085,220	\$ 4,484,588	\$ 4,580,347	\$ 5,571,748	\$ 5,665,567

By far, the largest portion of the District's net position (82.07% or \$3,419,221) reflects its investment in capital assets (e.g., land, buildings, vehicles, equipment and water and sewer facilities); less any related debt used to acquire those assets that is still outstanding. The District has made a conscious effort to continue its investment in long-term infrastructure improvements such as water pipelines, meter replacements, and technology upgrades. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The remaining unrestricted net position is \$706,831.

**ARROWBEAR PARK COUNTY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED**

Government-Wide Financial Analysis (Continued)

**Table 2
Changes in Net Position**

	Governmental		Business-type		Totals	
	2023	2022	2023	2022	2023	2022
Revenues						
Program revenues:						
Charges for services	\$ -	\$ 51,958	\$ 1,095,103	\$ 1,086,830	\$ 1,095,103	\$ 1,138,788
Operating grants	12,458	-	-	-	12,458	-
General revenues:						
Property taxes	339,061	312,352	13,000	-	352,061	312,352
Interest income	3,262	504	28,976	15,388	32,238	15,892
Miscellaneous	4,897	7,484	15,788	2,075	20,685	9,559
Total Revenues	359,678	372,298	1,152,867	1,104,293	1,512,545	1,476,591
Expenses						
Salaries and wages	143,870	133,140	382,170	308,041	526,040	441,181
Benefits	(12)	44,540	44,051	73,320	44,039	117,860
Professional services	24,915	18,252	111,221	64,162	136,136	82,414
Insurance	33,831	23,845	69,039	52,614	102,870	76,459
Utilities	19,181	19,364	53,905	49,167	73,086	68,531
System maintenance	33,746	23,623	252,405	265,972	286,151	289,595
Depreciation	48,899	52,877	162,297	190,496	211,196	243,373
Interest	5,678	6,991	-	-	5,678	6,991
Other	14,475	16,864	30,278	31,133	44,753	47,997
Total Operating Expenses	324,583	339,496	1,105,366	1,034,905	1,429,949	1,374,401
Change in net position, before capital contributions	35,095	32,802	47,501	69,388	82,596	102,190
Capital contributions	-	-	-	-	-	-
Net position, beginning of year	729,951	697,149	3,353,505	3,284,117	4,083,456	3,981,266
Net position, end of year	\$ 765,046	\$ 729,951	\$ 3,401,006	\$ 3,353,505	\$ 4,166,052	\$ 4,083,456

**ARROWBEAR PARK COUNTY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED**

Capital Asset and Debt

At the end of fiscal 2023, the District had \$3,566,066 (net of accumulated depreciation) invested in a broad range of capital assets including land, water facilities, sewer facilities/joint use facilities, a fire station, vehicles, and equipment (see Table 3 below). This amount represents a net decrease (including additions and deductions) of \$88,195 or 2.42% over last year.

**Table 3
Capital Assets at Year End, Including Joint Use Facilities**

	Governmental Activities		Business-type Activities		Totals	
	2023	2022	2023	2022	2023	2022
Land	\$ 31,045	\$ 31,045	\$ 87,406	\$ 87,406	\$ 118,451	\$ 118,451
Infrastructure	-	-	6,813,132	6,750,432	6,813,132	6,750,432
Vehicles	781,198	781,198	302,100	302,100	1,083,298	1,083,298
Equipment	395,484	360,712	186,652	181,901	582,136	542,613
Facilities	312,920	305,070	111,056	111,056	423,976	416,126
Joint use facilities	-	-	1,195,569	1,162,943	1,195,569	1,162,943
Construction in progress	-	-	42,218	61,916	42,218	61,916
Accumulated depreciation	(869,114)	(820,216)	(5,833,600)	(5,671,302)	(6,702,714)	(6,491,518)
	\$ 651,533	\$ 657,809	\$ 2,904,533	\$ 2,986,452	\$ 3,556,066	\$ 3,644,261

This year's major additions included:

- Fire station modifications and renovations.
- Fire department turnouts and radios.
- Completed pipeline replacements (Encina Dr.).
- Pipeline replacements construction in progress (Hwy 18).

Additional information regarding capital assets and joint use facilities is provided in Note 4 and Note 5, respectively, of the Notes to the Financial Statements.

Debt

The District entered into a lease purchase agreement for the acquisition of a fire engine in FY 2016-17. The lease requires ten payments of \$48,528 and has minimum lease payments of \$145,584 remaining at year-end of which \$8,739 represents interest.

ARROWBEAR PARK COUNTY WATER DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED

Economic Factors

General economic conditions for the unincorporated areas of San Bernardino County, of which Arrowbear Lake is a part, have been improving over the past several years.

The District has seen slight growth in the form of new home construction. A small number of additional customers are continuing to be added to the water and wastewater collection systems. Additionally, as property values rise, property tax revenues will increase benefitting the Fire Department's overall revenues. The Fire Department will also benefit going forward from additional income from construction plan review fees that were implemented in July of 2023.

Due to increasing costs (insurances, salaries/wages, benefits, utilities, fuel, and materials) as a result of continued rising inflation, the District had a professional rate study performed in 2021. It determined that an increase in rates was needed to maintain balanced budgets while providing for future infrastructure replacement costs. In 2022, the Board passed a new rate structure that eliminated the 600 cubic feet that had been included in the base rate, implemented a reduced usage charge for all water used, and implements an incremental rate increase each year over the next five years. The new fee structure is now in effect.

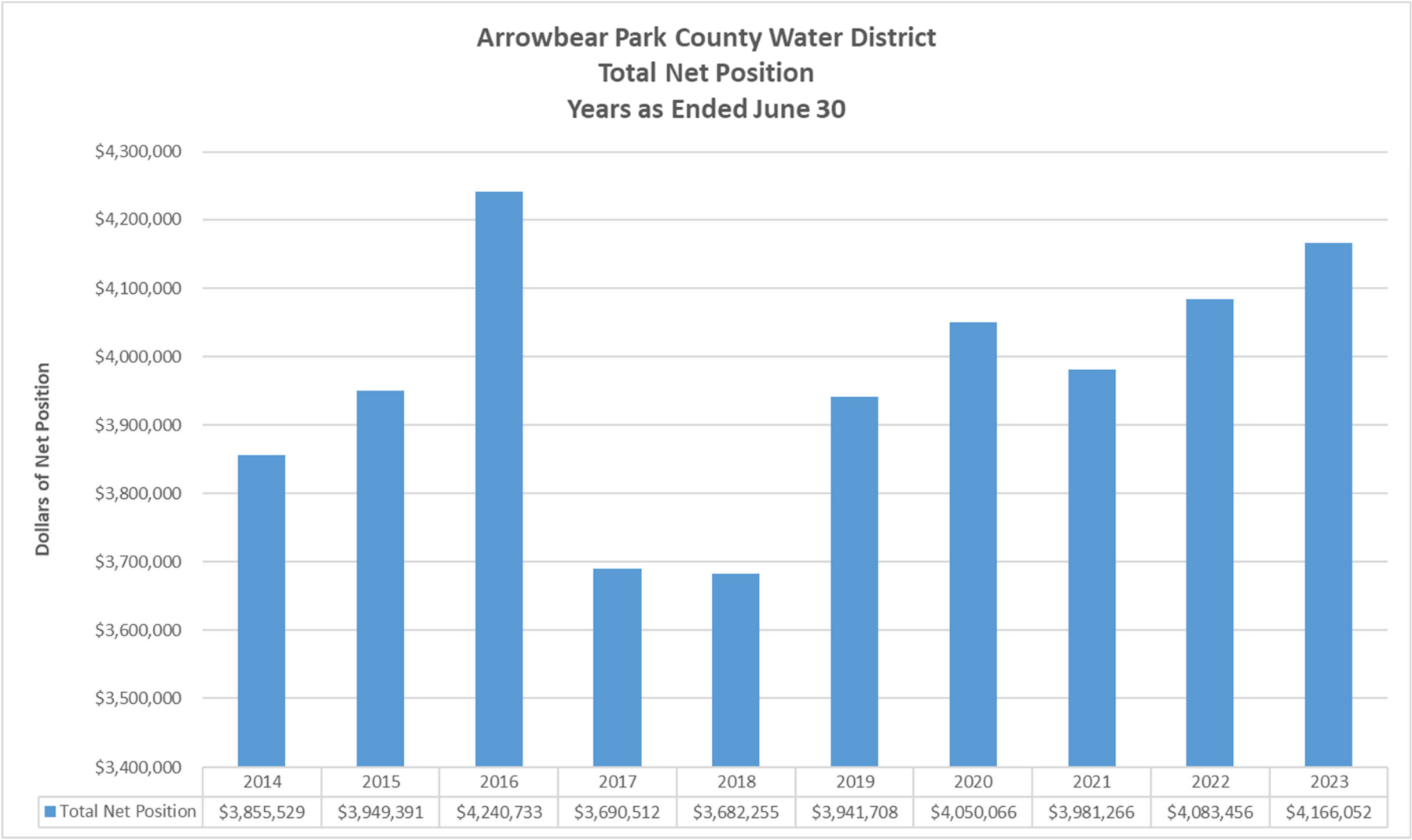
In the short-term, to continue our high-priority capital improvement and planned maintenance projects, the District plans to utilize a combination of budget surpluses, current reserves for its Master Plan projects, and installment purchase agreements or other financing. If favorable operating results to the budget are achieved, it will allow capital projects to be completed without a major impact to reserves. The District is also pursuing grants and other funding sources which could potentially eliminate the need to utilize the District's reserves to complete certain capital projects and therefore avoid depleting the District's reserve funds.

The annual precipitation in the 2022-2023 season was above average and future weather patterns and typical periods of drought within California will continue to be a major factor in the District's water supply and its ability to generate additional revenues through surplus water sales.

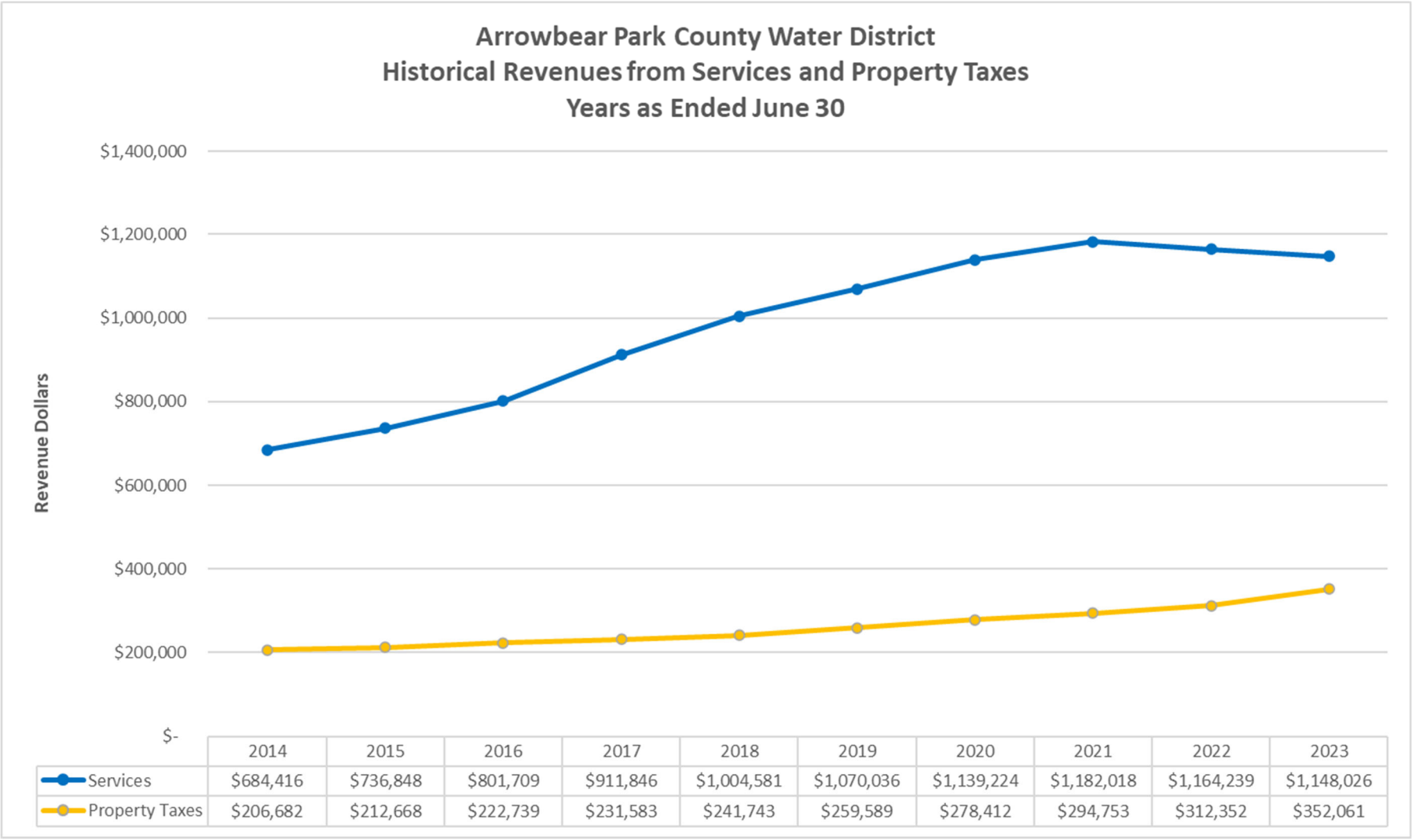
Contacting the District's Financial Management

This financial report is designed to provide our customers and any other interested parties 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.

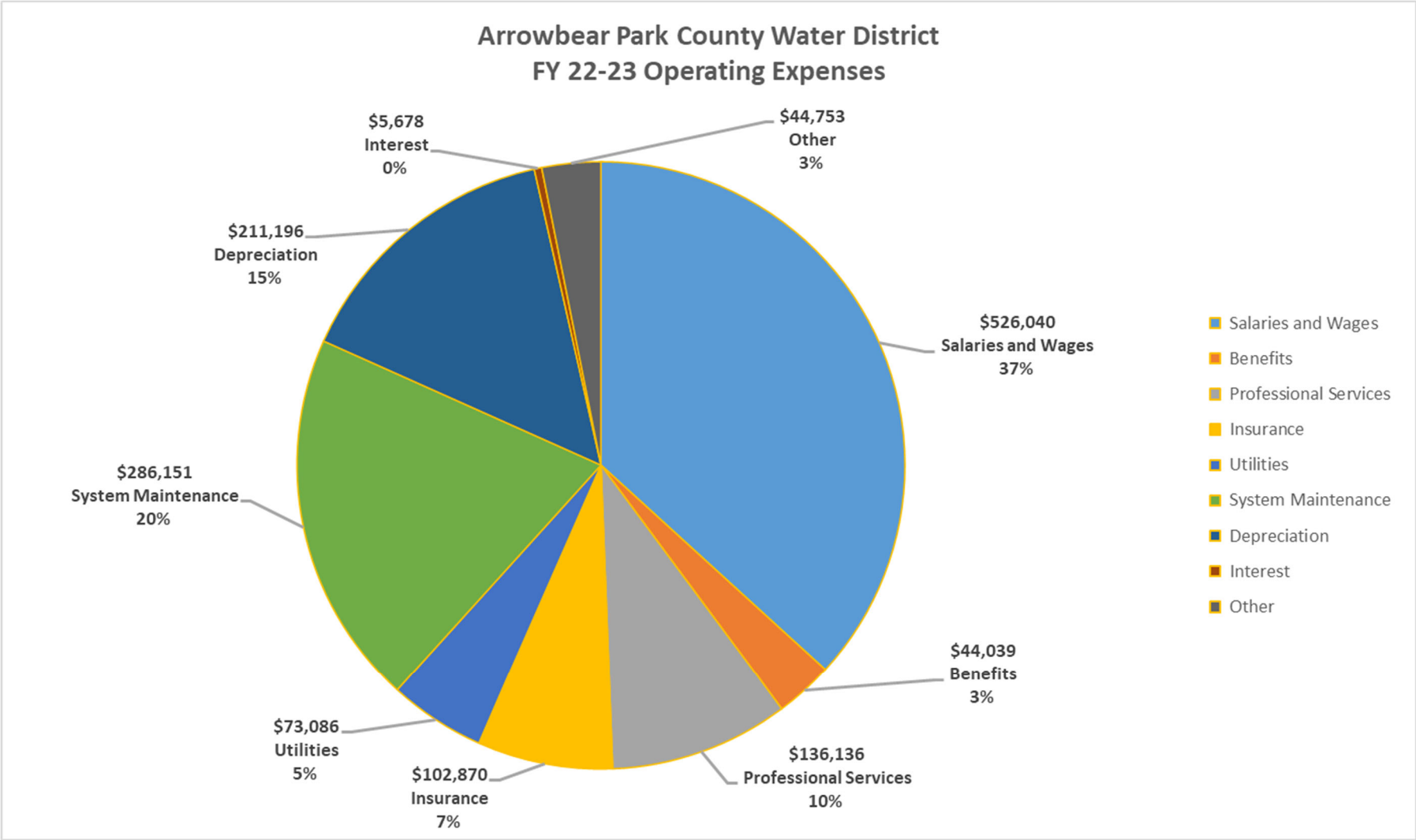
**ARROWBEAR PARK COUNTY WATER DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS - UNAUDITED**



**ARROWBEAR PARK COUNTY WATER DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS - UNAUDITED**



**ARROWBEAR PARK COUNTY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED**



BASIC FINANCIAL STATEMENTS

ARROWBEAR PARK COUNTY WATER DISTRICT

STATEMENT OF NET POSITION

June 30, 2023

	<u>Governmental</u>	<u>Business-Type</u>	<u>Total</u>
	<u>Activities</u>	<u>Activities</u>	
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
Assets			
Cash and cash equivalents	\$ 347,228	\$ 655,549	\$ 1,002,777
Accounts receivable:			
Customers	-	167,184	167,184
Taxes	5,262	-	5,262
Other	932	5,277	6,209
Inventories	-	51,840	51,840
Other assets	75	149,516	149,591
Restricted investments	6,000	34,000	40,000
Joint use facilities, net	-	512,123	512,123
Capital assets nondepreciable	31,045	129,624	160,669
Capital assets depreciable, net	<u>620,488</u>	<u>2,262,786</u>	<u>2,883,274</u>
Total assets	<u>1,011,030</u>	<u>3,967,899</u>	<u>4,978,929</u>
Deferred outflows of resources			
OPEB related	-	100,827	100,827
Pension related	<u>76,130</u>	<u>415,862</u>	<u>491,992</u>
Total deferred outflows of resources	<u>76,130</u>	<u>516,689</u>	<u>592,819</u>
Total assets and deferred outflows of resources	<u>\$ 1,087,160</u>	<u>\$ 4,484,588</u>	<u>\$ 5,571,748</u>

See notes to financial statements.

ARROWBEAR PARK COUNTY WATER DISTRICT

STATEMENT OF NET POSITION

June 30, 2023

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION			
Liabilities			
Accounts payable and other current liabilities	\$ 18,012	\$ 53,023	\$ 71,035
Employee Retention Credit reserve	9,376	146,887	156,263
Noncurrent liabilities:			
Due within one year	48,976	27,048	76,024
Due in more than one year	<u>226,426</u>	<u>598,519</u>	<u>824,945</u>
Total liabilities	<u>302,790</u>	<u>825,477</u>	<u>1,128,267</u>
Deferred inflows of resources			
OPEB related	-	127,191	127,191
Pension related	<u>19,324</u>	<u>130,914</u>	<u>150,238</u>
Total deferred inflows of resources	<u>19,324</u>	<u>258,105</u>	<u>277,429</u>
Net position			
Net investment in capital assets, including			
joint use facilities	514,688	2,904,533	3,419,221
Restricted for pension obligations	6,000	34,000	40,000
Unrestricted	<u>244,358</u>	<u>462,473</u>	<u>706,831</u>
Total net position	<u>765,046</u>	<u>3,401,006</u>	<u>4,166,052</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 1,087,160</u>	<u>\$ 4,484,588</u>	<u>\$ 5,571,748</u>

See notes to financial statements.

ARROWBEAR PARK COUNTY WATER DISTRICT
STATEMENT OF ACTIVITIES
Year Ended June 30, 2023

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities						
Fire protection	\$ 324,583	\$ -	\$ 12,458	\$ (312,125)	\$ -	\$ (312,125)
Business-type activities						
Water and sewer	1,105,366	1,095,103	-	-	(10,263)	(10,263)
Total	\$ 1,429,949	\$ 1,095,103	\$ 12,458	(312,125)	(10,263)	(322,388)
General revenues:						
Property taxes				339,061	13,000	352,061
Interest income				3,262	28,976	32,238
Miscellaneous				4,897	15,788	20,685
Total general revenues				347,220	57,764	404,984
Change in net position				35,095	47,501	82,596
Net position, beginning of year				729,951	3,353,505	4,083,456
Net position, end of year				\$ 765,046	\$ 3,401,006	\$ 4,166,052

See notes to financial statements.

ARROWBEAR PARK COUNTY WATER DISTRICT
BALANCE SHEET - GOVERNMENTAL FUND
June 30, 2023

	General Fund
Assets	
Cash and cash equivalents	\$ 347,228
Restricted investments	6,000
Accounts receivable:	
Taxes	5,262
Other	932
Other assets	75
Total assets	\$ 359,497
Liabilities	
Accrued liabilities	\$ 18,012
Employee Retention Credit reserve	9,376
Total liabilities	27,388
Fund balances	
Restricted for pension obligations	6,000
Unassigned	326,109
Total fund balance	332,109
Total liabilities and fund balances	\$ 359,497

See notes to financial statements.

ARROWBEAR PARK COUNTY WATER DISTRICT
RECONCILIATION OF THE BALANCE SHEET OF
GOVERNMENTAL FUND TO THE STATEMENT OF NET POSITION
June 30, 2023

Total fund balances - governmental fund	\$ 332,109
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets, net of accumulated depreciation, used in governmental activities are not current financial resources and, therefore, are not reported in the fund.	651,533
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the fund.	(231,199)
Deferred inflows and outflows related to the pension are not reported in the fund.	56,806
Financed purchase obligation, current	<u>(44,203)</u>
Net position of governmental activities	<u>\$ 765,046</u>

See notes to financial statements.

ARROWBEAR PARK COUNTY WATER DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - GOVERNMENTAL FUND
Year Ended June 30, 2023

	General Fund
Revenues	
Property taxes	\$ 339,061
Grant revenue	12,458
Interest income	3,262
Miscellaneous	4,897
Total revenues	359,678
Expenditures	
Salaries and wages	143,870
Benefits	42,579
Professional services	24,915
Insurance	33,831
Utilities	19,181
Capital outlay	109,525
Interest	5,678
Vehicle maintenance and fuel	15,420
Other	8,748
Total expenditures	403,747
Revenues over expenditures	(44,069)
Fund balances, beginning of year	376,178
Fund balances, end of year	\$ 332,109

See notes to financial statements.

ARROWBEAR PARK COUNTY WATER DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE OF GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2023

Net change in fund balance - governmental fund	\$ (44,069)
Amounts reported for governmental activities in the statement of activities are different because:	
Changes in deferred outflows and inflows related to the pension and net pension liability.	42,591
Capital outlays are reported as expenditures in the governmental fund statements; however, in the statement of activities, capital outlay is not an expense, rather it is an increase in capital assets.	85,472
Depreciation expense allocates the costs of capital assets over their useful lives. It is not reported as an expenditure in the governmental fund statements.	<u>(48,899)</u>
Change in net position of governmental activities	<u>\$ 35,095</u>

See notes to financial statements.

ARROWBEAR PARK COUNTY WATER DISTRICT

STATEMENT OF NET POSITION - PROPRIETARY FUND

June 30, 2023

	<u>Water & Sewer Enterprise Fund</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	
Current assets	
Cash and cash equivalents	\$ 655,549
Accounts receivable	167,184
Interest and other receivables	5,277
Inventories	51,840
Other current assets	<u>149,516</u>
Total current assets	<u>1,029,366</u>
Noncurrent assets	
Restricted investments	34,000
Capital assets, net	2,392,410
Joint use facilities, net	<u>512,123</u>
Total noncurrent assets	<u>2,938,533</u>
Total assets	<u>3,967,899</u>
Deferred outflows of resources	
OPEB related	100,827
Pension related	<u>415,862</u>
Total deferred outflows of resources	<u>516,689</u>
Total assets and deferred outflows of resources	<u><u>\$ 4,484,588</u></u>

See notes to financial statements.

ARROWBEAR PARK COUNTY WATER DISTRICT**STATEMENT OF NET POSITION - PROPRIETARY FUND**

June 30, 2023

	<u>Water & Sewer Enterprise Fund</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	
Current liabilities	
Accounts payable	\$ 43,530
Other current liabilities	9,493
Employee Retention Credit reserve	<u>146,887</u>
Total current liabilities	<u>199,910</u>
Noncurrent liabilities	
Employee benefits payable	72,443
Net pension liability	51,402
Net OPEB liability	<u>501,722</u>
Total noncurrent liabilities	<u>625,567</u>
Total liabilities	<u>825,477</u>
Deferred inflows of resources	
OPEB related	127,191
Pension related	<u>130,914</u>
Total deferred inflows of resources	<u>258,105</u>
Net position	
Net investment in capital assets, including joint use facilities	2,904,533
Restricted for pension obligations	34,000
Unrestricted	<u>462,473</u>
Total net position	<u>3,401,006</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 4,484,588</u>

See notes to financial statements.

ARROWBEAR PARK COUNTY WATER DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION - PROPRIETARY FUND
Year Ended June 30, 2023

	Water & Sewer Enterprise Fund
Operating revenues	
User fees	\$ 929,346
Standby charges	115,196
Property taxes	13,000
Sales to other agencies	50,561
Total operating revenues	1,108,103
Operating expenses	
Salaries and wages	382,170
Benefits	44,051
Professional services	111,221
Insurance	69,039
Utilities	53,905
Systems maintenance and operations	252,405
Depreciation and amortization	162,297
Other	30,278
Total operating expenses	1,105,366
Operating income	2,737
Nonoperating revenues	
Interest income	\$ 28,976
Other	15,788
Total nonoperating revenues	44,764
Change in net position	47,501
Net position, beginning of year	3,353,505
Net position, end of year	\$ 3,401,006

See notes to financial statements.

ARROWBEAR PARK COUNTY WATER DISTRICT
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
Year Ended June 30, 2023

	<u>Water & Sewer Enterprise Fund</u>
Cash flows from operating activities	
Cash received from customers	\$ 1,103,127
Cash paid to suppliers and other	(616,975)
Cash paid to employees for services	(551,969)
Cash received for Employee Retention Credit	<u>146,887</u>
Net cash provided by (used in) operating activities	<u>81,070</u>
Cash flows from investing activities	
Interest on investments	<u>28,976</u>
Cash flows from capital and related financing activities	
Purchase of capital assets	(47,752)
Acquisition of joint use facilities	(32,626)
Other	<u>15,788</u>
Net cash provided by (used in) capital and related financing activities	<u>(64,590)</u>
Net change in cash and cash equivalents	45,456
Cash and cash equivalents, beginning of year	<u>610,093</u>
Cash and cash equivalents, end of year	<u><u>\$ 655,549</u></u>

See notes to financial statements.

ARROWBEAR PARK COUNTY WATER DISTRICT
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
Year Ended June 30, 2023

	<u>Water & Sewer Enterprise Fund</u>
Reconciliation of operating income to net cash provided by operating activities	
Operating income (loss)	\$ 2,737
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	
Depreciation and amortization	162,297
Changes in assets and liabilities:	
Accounts receivable	(1,015)
Interest and other receivables	(3,961)
Inventories	48
Other current assets	(81,706)
Restricted investments	(17,000)
Net pension asset	418,915
Deferred outflows - OPEB related	(30,108)
Deferred outflows - Pension related	(225,877)
Accounts payable	(5,144)
Other current liabilities	3,675
Employee Retention Credit reserve	146,887
Employee benefits payable	10,404
Net pension liability	51,402
Net OPEB liability	43,065
Deferred inflows - OPEB related	(47,740)
Deferred inflows - Pension related	(345,809)
Net cash provided by (used in) operating activities	<u>\$ 81,070</u>

See notes to financial statements.

ARROWBEAR PARK COUNTY WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – REPORTING ENTITY

The Arrowbear Park County Water District (the Entity) was formed in 1953 as a special district created for the purpose of providing water, sewer, and fire protection services to residents within its service area. It is self-governed by a five-member locally elected Board of Directors.

The Entity, for financial reporting purposes, includes all of the funds relevant to the operations of the Entity and is not included as a component unit in any other primary government's financial statements. In determining the entities which comprise the governmental entity for financial reporting purposes, the criteria of oversight responsibility over such entities, special financial relationships, and scope of public service provided by the entities are used. Oversight responsibility is determined by the extent of financial interdependence, control over the selection of the governing authority and management, ability to significantly influence operations, and accountability for fiscal matters.

The Entity has one component unit: the Arrowbear Park County Water District Financing Corporation (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 Entity. The financial activities of the Corporation would be included in the financial statements of the Entity; however, the Corporation had no activity during the year ended June 30, 2023.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

The Entity's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). GASB is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the Entity are discussed below.

Basic Financial Statements - Government-Wide Statements

The Entity's basic financial statements include both government-wide (reporting the Entity as a whole) and fund financial statements (reporting on the Entity's funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The fire protection services are classified as governmental activities. The Entity's water and sewer services are classified as business-type activities.

In the government-wide statement of net position, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, (b) are reported on a full accrual, economic resource basis, which recognizes all long-term assets, deferred outflows of resources and receivables as well as long-term debt, deferred inflows of resources and obligations.

The government-wide statement of activities reports both the gross and net cost of each of the Entity's functions and business-type activities (fire protection and water and sewer). The functions are also supported by general government revenues (property taxes). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function (fire protection) or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants.

ARROWBEAR PARK COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basic Financial Statements - Government-Wide Statements (Continued)

The net costs (by function or business-type activity) are normally covered by general revenue (property taxes).

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

The government-wide focus is more on the sustainability of the Entity as an entity and the change in the Entity's net position resulting from the current year's activities.

Basic Financial Statements – Fund Financial Statements

The financial transactions of the Entity are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues and expenditures/expenses.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. GASB No. 34 sets forth minimum criteria (percentage of the assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The Entity has only two funds which are both considered major funds.

Governmental Funds:

The focus of the governmental fund's measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The Entity reports one major governmental fund:

The general fund is the Entity's operating fund used to account for and report all financial resources for the fire protection activity. The activity reported in this fund is reported as governmental activity in the government-wide financial statements.

Proprietary Funds:

The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The Entity reports the following proprietary funds types:

Enterprise funds are required to be used to account for operations for which a fee is charged to external users for goods or services. The activities reported in these funds are reported as business-type activities in the government-wide financial statements. The water and sewer enterprise fund operates the Entity's water distribution system and its sewer system, which serves Entity residents. The proprietary funds distinguish between operating and nonoperating revenues and expenses. Operating revenues and expenses of the Entity's water and sewer activities consist of charges for services and the costs of providing those services, including depreciation and excluding interest cost. All other revenues and expenses are reported as nonoperating.

ARROWBEAR PARK COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus and Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

Accrual

Both governmental and business-type activities in the government-wide financial statements and the proprietary fund financial statements are presented on the accrual basis of accounting. Property taxes are reported in the period for which levied. Other nonexchange revenues are reported when all eligibility requirements have been met. Fees and charges and other exchange revenues are recognized when earned and expenses are recognized when incurred. The Entity 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.

Modified Accrual

The governmental fund financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e. both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Property tax revenues are recognized in the period for which levied provided they are also available. Grants are recognized when all eligibility requirements are met and the revenues are available. Expenditures are generally recognized when the related liability is incurred. Exceptions to this general rule include financed purchase and pension expenditures, which are recognized when due and payable.

Cash and Cash Equivalents

For the purpose of the statements of cash flows, the Entity considers all short-term debt securities purchased with an original maturity of three months or less to be cash equivalents. The Entity 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.

Restricted Investments

Certain investments of the Entity are classified as restricted because they have been placed in the California Employer's Pension Prefunding Trust Fund (CEPPT). The CEPPT is an Internal Revenue Code Section 115 trust dedicated to prefunding employer contributions to defined benefit pension systems for eligible California public agencies. Assets held in CEPPT are restricted for use as pension contributions. As of June 30, 2023, the Entity reported investments held by the CEPPT in the amount of \$40,000.

ARROWBEAR PARK COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Receivable

Accounts receivable are reported at their net realizable value, less an allowance for uncollectible accounts, if deemed necessary. The Entity uses the allowance method for the write-off of bad debts. The Entity considers such factors as historical trends for collections and knowledge of financial stability of debtors to establish the allowance for doubtful accounts. As of June 30, 2023, no allowance for uncollectible accounts receivable was considered necessary as all accounts receivable are deemed fully collectable. The Entity believes all accounts receivable are fully collectable as liens are placed on properties for nonpayment.

Inventories

Inventories consist primarily of water meters, pipe, and pipe fittings for construction and repair to the Entity's water transmission and distribution system. Inventories are valued at cost using the first in, first out method. Inventory items are charged to expense at the time that individual items are withdrawn from inventory or consumed. As of June 30, 2023, no reserve for inventory was deemed necessary based on management's evaluation of the Entity's inventory.

Capital Assets

Capital assets acquired and/or constructed are capitalized at historical cost. Entity 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:

<u>Type of Asset</u>	<u>Life in Years</u>
Infrastructure	5 – 50
Facilities	8 – 40
Equipment	5 – 30
Vehicles	5 – 20

The depreciation expense on assets acquired under financed purchases is included with depreciation expense on owned assets.

Capital assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts of the assets in question may not be recoverable. Impairment would be recorded in circumstances where undiscounted cash flows expected to be generated by an asset are less than the carrying value of the asset. As of June 30, 2023, no impairment was recognized as management expects to fully utilize the Entity's long-lived assets.

ARROWBEAR PARK COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows of Resources

The Entity reports decreases in net assets that relate to future periods as deferred outflows of resources in a separate section of its government-wide and proprietary fund statements of net position. Deferred outflows of resources reported in this year's financial statements include amounts related to OPEB (see Note 8) and pension (see Note 7). No deferred outflows of resources affect the governmental fund financial statements in the current year.

Deferred Inflows of Resources

The Entity reports increases in net assets that relate to future periods as deferred inflows of resources in a separate section of its government-wide and proprietary fund statements of net position. Deferred inflows of resources reported in this year's financial statements include amounts related to OPEB (see Note 8) and pension (see Note 7). No deferred inflows of resources affect the governmental funds financial statements in the current year.

Net Pension Asset/Liability. Deferred Outflows of Resources. Deferred Inflows of Resources. and Pension Expense

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

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

Employee Benefits Payable

Employees of the Entity earn vacation, sick, and compensatory leave in varying amounts depending primarily on length of service. Upon termination from Entity service, employees are entitled to payment, at their final pay rates, for accrued vacation (full accrued balance up to the maximum of two hundred and forty hours), compensatory leave (full accrued balance up to the maximum of forty hours), and accrued sick leave (50% to 100% of their accrued balance, depending on years of service, up to the maximum of five hundred hours). The Entity records its obligations for vacation, sick, and compensatory leave earned by eligible employees based on current pay rates.

**ARROWBEAR PARK COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Other Postemployment Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources, and OPEB expense, information about the fiduciary net position of the Entity's OPEB plan (the OPEB Plan, see Note 8) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis as reported by the OPEB Plan's administrator, Cal PERS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms.

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 Entity's share of property taxes and assessments. The County of San Bernardino Treasurer's Office remits current and delinquent property tax collections to the Entity 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 Entity's cash balance as of June 30. The property tax calendar is as follows:

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

Government-wide and Proprietary Fund Net Position

In the government-wide and proprietary fund financial statements, net position may be categorized as net investment in capital assets, restricted, or unrestricted. As of June 30, 2023, the Entity's net position presentation is categorized as shown below.

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

Restricted Net Position– This component of net position represents net position that is subject to constraints either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

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

Government Fund Balances

In the governmental fund financial statements, the fund balance may be categorized as nonspendable, restricted, committed, assigned, and unassigned. As of June 30, 2023, the Entity's governmental fund balance was comprised of restricted and unassigned amounts.

**ARROWBEAR PARK COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 Entity is currently evaluating its accounting practices to determine the potential impact on the financial statements for the following Governmental Accounting Standards Board (GASB) statements:

In June 2022, GASB issued Statement No. 100, *Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62*. The objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide a more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections, the required disclosures in the notes to the financial statements, and how information that is affected by a change in accounting principle or error correction should be presented in the required supplementary information and supplementary information. The requirements of this Statement are effective for fiscal years beginning after June 15, 2023. The Entity does not anticipate that this statement will have a material impact on the financial statements.

In June 2022, GASB issued Statement No. 101, *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending previously required disclosures. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023. The Entity does not anticipate that this statement will have a material impact on the financial statements.

The Entity has determined that there have been no recently adopted or other issued accounting pronouncements that had, or potentially will have, a material impact on its financial statements.

**ARROWBEAR PARK COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 3 – CASH AND CASH EQUIVALENTS

For purposes of the following discussion, cash and cash equivalents have been classified as follows as of June 30, 2023:

Deposits	\$	212,107
Investment		<u>790,670</u>
	<u>\$</u>	<u>1,002,777</u>

Deposits

At June 30, 2022, the carrying amount of the Entity's deposits was \$211,452 and the bank balance was \$241,018.

Investments Authorized by the Entity's Investment Policy

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

As of June 30, 2023, all investments were held in the state local agency investment fund ("LAIF"). The funds deposited into the 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 Entity's position in the pool approximates the value of the pool shares. LAIF is not subject to fair value leveling.

Custodial Credit Risk

The Entity maintains deposits with financial institutions which is insured by the Federal Depository Insurance Corporation's ("FDIC") insurance limit of \$250,000. At various times throughout the year, the Entity may have cash balances in financial institutions which exceed the FDIC insurance limit. The Entity does not have a policy that would limit the exposure to custodial credit risk for deposits or investments. The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit) in the Entity's name and places it ahead of general creditors of the institution. The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure Entity deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits.

ARROWBEAR PARK COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 4 – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2023 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental activities				
Capital assets nondepreciable:				
Land	\$ 31,045	\$ -	\$ -	\$ 31,045
Construction in progress	-	-	-	-
Total capital assets nondepreciable	<u>31,045</u>	<u>-</u>	<u>-</u>	<u>31,045</u>
Capital assets depreciable:				
Vehicles	781,198	-	-	781,198
Equipment	360,712	34,772	-	395,484
Facilities	305,070	7,850	-	312,920
	<u>1,446,980</u>	<u>42,622</u>	<u>-</u>	<u>1,489,602</u>
Less accumulated depreciation:				
Vehicles	(411,179)	(25,230)	-	(436,409)
Equipment	(228,242)	(15,086)	-	(243,328)
Facilities	(180,795)	(8,582)	-	(189,377)
Capital assets depreciable, net	<u>626,764</u>	<u>(6,276)</u>	<u>-</u>	<u>620,488</u>
Capital assets, net	<u>\$ 657,809</u>	<u>\$ (6,276)</u>	<u>\$ -</u>	<u>\$ 651,533</u>
	Beginning Balance	Additions	Deletions	Ending Balance
Business-type activities				
Capital assets nondepreciable:				
Land	\$ 87,406	\$ -	\$ -	\$ 87,406
Construction in progress	61,916	43,002	(62,700)	42,218
Total capital assets nondepreciable	<u>149,322</u>	<u>43,002</u>	<u>(62,700)</u>	<u>129,624</u>
Capital assets depreciable:				
Infrastructure	6,750,432	62,700	-	6,813,132
Vehicles	302,100	-	-	302,100
Equipment	181,901	4,751	-	186,652
Facilities	111,056	-	-	111,056
	<u>7,345,489</u>	<u>67,451</u>	<u>-</u>	<u>7,412,940</u>
Less accumulated depreciation:				
Infrastructure	(4,618,740)	(95,641)	-	(4,714,381)
Vehicles	(183,364)	(17,214)	-	(200,578)
Equipment	(136,267)	(10,041)	-	(146,308)
Facilities	(85,833)	(3,054)	-	(88,887)
Capital assets depreciable, net	<u>2,321,285</u>	<u>(58,499)</u>	<u>-</u>	<u>2,262,786</u>
Capital assets, net	<u>\$ 2,470,607</u>	<u>\$ (15,497)</u>	<u>\$ (62,700)</u>	<u>\$ 2,392,410</u>

**ARROWBEAR PARK COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 4 – CAPITAL ASSETS (Continued)

In 2016, the Entity entered into a financed-purchase agreement for the acquisition of a fire engine with a cost of \$410,594. At the end of the term, ownership of the fire engine will pass to the Entity for no additional consideration. The equipment and the related liability under the financed purchase agreement was recorded at the present value of the future payments due under the agreement. The agreement requires ten annual payments of \$48,528, including interest at a rate of 3.16%. The fire engine is being depreciated over its estimated useful life and as of June 30, 2023, accumulated depreciation on the fire engine was \$147,403. The fire engine is included in the vehicles category of the above governmental activities capital asset schedule.

The following is a schedule of the future minimum payments under the financed purchase agreement together with the present value of the net minimum payments as of June 30, 2023:

Year ending June 30,		
2024	\$	48,528
2025		48,528
2026		48,528
Total minimum payments		145,584
Less the amount representing interest		(8,738)
Present value of net minimum payments		136,846
Less financed purchase obligation, current		(44,204)
 Financed purchase obligation, noncurrent	 \$	 92,642

NOTE 5 – JOINT USE FACILITIES

The Entity's sewage is processed by the Running Springs Water District (RSWD) sewage treatment plant in accordance with the "Wastewater Transportation, Treatment and Disposal Agreement" dated March 21, 2018 between the Entity and RSWD. Per the agreement, the Entity will share in the cost of the operation of the sewage treatment plant based on the Entity's proportionate share of wastewater flow to the facilities. Additionally, the Entity will share in the cost of capital improvements to the sewage treatment plant based on the capacity allocable to the Entity. The Entity does not have any ownership interest and does not participate in the management of the sewage treatment plant.

The Entity capitalizes its share of the cost of capital improvements made to joint use facilities. The amount capitalized by the Entity for their share of the improvements during the year ended June 30, 2023 was \$32,626. The improvements are amortized on a straight-line basis over their estimated useful lives beginning when they are completed and placed in service. The estimated useful lives of the improvements range from 15 to 20 years. Amortization of these assets amounted to \$36,348 for the year ended June 30, 2023 and accumulated amortization of improvements was \$683,446 as of June 30, 2023.

**ARROWBEAR PARK COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 – NONCURRENT LIABILITIES

Noncurrent liability activity for the year ended June 30, 2023 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
Financed purchase	\$ 179,694	\$ -	\$ (42,849)	\$ 136,845	\$ 44,203
Compensated absences	5,783	3,128	(1,347)	7,564	4,773
Net pension liability	93,668	37,325	-	130,993	-
	<u>279,145</u>	<u>40,453</u>	<u>(44,196)</u>	<u>275,402</u>	<u>48,976</u>
Business-type Activities					
Compensated absences	62,039	35,305	(24,901)	72,443	27,048
Net pension liability	-	51,402	-	51,402	-
Net OPEB liability	458,657	43,065	-	501,722	-
	<u>520,696</u>	<u>129,772</u>	<u>(24,901)</u>	<u>625,567</u>	<u>27,048</u>
Total	<u>\$ 799,841</u>	<u>\$ 170,225</u>	<u>\$ (69,097)</u>	<u>\$ 900,969</u>	<u>\$ 76,024</u>

NOTE 7 – PENSION PLAN

General Information About the Pension Plan

Plan Description

All qualified Entity employees are required to participate in the Arrowbear Park County Water District Miscellaneous Plan (the Plan), a cost-sharing multiple-employer defined benefit pension plan administered by CalPERS, unless they specifically opt-out. The Entity 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 are established by State statutes within the Public Employee's Retirement Law. The Entity selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through Board approval. CalPERS issues a publicly available report that includes a full description of the pension plan regarding benefit provisions, assumptions, membership, and financial information that can be found on the CalPERS website at www.calpers.ca.gov.

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, with one year of credited service being equal to one year of full-time employment. All members are eligible for standard non-industrial disability benefits after five years of service. The Entity has chosen the Optional Settlement 2W Death Benefit.

**ARROWBEAR PARK COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 – PENSION PLAN (Continued)

General Information About the Pension Plan (Continued)

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 an 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 Entity is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The Entity’s total employer contributions were \$62,973 for the year ended June 30, 2023.

Active plan members who were hired before January 1, 2013 are referred to as “Classic” employees. Beginning January 1, 2013, the Entity established two classes of employees, as dictated by the newly enacted Public Employees Pension Reform Act (PEPRA).

The plan’s provisions and benefits in effect at June 30, 2023 are summarized as follows:

	Miscellaneous	
	Hire date prior to January 2013	Hire date in or after January 2013
Benefit formula	2.0% at 55	2.0% at 62
Benefit vesting schedule	5 years	5 years
Benefit payments	Monthly for life	Monthly for life
Final average compensation period	12 months	36 months
Sick leave credit	Yes	Yes
Retirement age	50 - 63 & up	52 - 67 & up
Monthly benefits as a percent of eligible compensation	1.426% - 2.418%	1.0% - 2.5%
Cost of living adjustment	2.0%	2.0%
Required employee contribution rates	7.00%	6.75%
Required employer contribution rates	10.87% + \$24/month	7.47% + \$272/month

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

Methods and Assumptions

The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. For the measurement period ending June 30, 2022 (the measurement date), the total pension liability/(asset) was determined by rolling forward the total pension liability/(asset) determined in the June 30, 2021 actuarial accounting valuation. The June 30, 2022 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
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**ARROWBEAR PARK COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 – PENSION PLAN (Continued)

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

Actuarial assumptions:

Discount rate	6.90%
Inflation	2.30%
Salary increases	Varies by entry age and service
Mortality rate table*	Derived using CalPERS' membership data for all funds
Post-retirement benefit increase	Contract COLA up to 2.30% percent until purchasing power protection allowance floor on purchasing power applies.

* The mortality table was developed based on CalPERS' specific data. The rates incorporate Generational Mortality to capture ongoing mortality improvements using 80% of Scale MP 2020 published by the Society of Actuaries. For more details, please refer to the 2021 experience study report that can be found on the CalPERS website.

Long-term Expected Rate of Return

In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated and, combined with risk estimates, are used to project compound (geometric) returns over the long term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return.

**ARROWBEAR PARK COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 – PENSION PLAN (Continued)

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

Long-term Expected Rate of Return (Continued)

The table below reflects long-term expected real rate of return by asset class.

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Real Return Years 1-10*</u>
Global equity – cap-weighted	30%	4.45%
Global equity – non-cap-weighted	12%	3.84%
Private equity	13%	7.28%
Treasury	5%	0.27%
Mortgage-backed securities	5%	0.50%
Investment grade corporates	10%	1.56%
High yield	5%	2.27%
Emerging market debt	5%	2.48%
Private debt	5%	3.57%
Real assets	15%	3.21%
Leverage	(5)%	(0.59)%
 Total	 100%	

* An expected inflation of 2.30% used for this period. Figures are based on the 2021-22 Asset Liability Management study.

Discount Rate

The discount rate used to measure the total pension liability for Public Employees’ Retirement Fund (PERF) C was 6.90%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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 June 30, 2022 measurement date, calculated using the discount rate in effect at year-end. The table shows what the net pension liability (asset) would be if it were calculated using a discount rate that is 1.0 percentage-point lower or 1.0 percentage-point higher than the current rate:

Net pension liability (asset)	5.90%	6.90%	7.90%
Miscellaneous Plan	\$ 415,733	\$ 51,401	\$ (248,353)
Safety Plan	182,173	130,993	89,165

**ARROWBEAR PARK COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 – PENSION PLAN (Continued)

Changes in the Net Pension Liability (Continued)

Pension Plan Fiduciary Net Position

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

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 on pension plan investments	5-year straight-line amortization
All other amounts	3.7-year straight-line amortization

Pension Related Liabilities, Expense, and Deferred Outflows/Deferred Inflows of Resources

The Entity's net pension liabilities/(assets) for the Plans are measured as the proportionate shares of the net pension liabilities. The net pension liabilities/(assets) of the Plans are measured as of June 30, 2022 and the total pension liability for the Plans used to calculate the net pension liability was determined by actuarial valuations as of June 30, 2021 rolled forward to June 30, 2022 using standard update procedures. The Entity's proportion of the new pension liability was based on a projection of the Entity's long-term share of contributions to the pension plan relative to projected contributions of all participating employers, actuarially determined. The Entity's proportionate share of the net pension liabilities/(assets) as of the June 30, 2022 measurement date were 0.00110% for the Miscellaneous Plan and 0.00191% for the Safety Plan. This represents a 0.02316% increase for the Miscellaneous Plan and a 0.00076% decrease for the Safety Plan since the previous measurement date.

ARROWBEAR PARK COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 7 – PENSION PLAN (Continued)

Pension Related Liabilities, Expense, and
Deferred Outflows/Deferred Inflows of Resources (Continued)

For the year ended June 30, 2023, the Entity recognized a pension credit of \$82,768. At June 30, 2023, the Entity deferred inflows and outflows of resources related to pensions as follows:

	Miscellaneous and Safety Plans	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Governmental activities – Safety Plan:		
Pension contributions subsequent to measurement date	\$ 29,712	\$ -
Difference between expected and actual experience	5,421	1,422
Changes in assumptions	13,208	-
Net difference between projected and actual earnings on pension plan investment	20,686	-
Proportionate share of contributions	7,103	-
Change in Employer’s proportion	-	17,902
Total	\$ 76,130	\$ 19,324
Business-type activities – Miscellaneous Plan:		
Pension contributions subsequent to measurement date	33,261	-
Difference between expected and actual experience	1,032	691
Changes in assumptions	5,267	-
Net difference between projected and actual earnings on pension plan investment	9,415	-
Proportionate share of contributions	-	130,223
Change in Employer’s proportion	366,887	-
Total	\$ 415,862	\$ 130,914

The amounts above are net of outflows and inflows recognized in the pension expense for the year ended June 30, 2023. The \$62,973 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 fiscal year ended June 30, 2024.

**ARROWBEAR PARK COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 – PENSION PLAN (Continued)

Pension Related Liabilities, Expense, and
Deferred Outflows/Deferred Inflows of Resources (Continued)

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

Year ending June	Business-type Activities	Governmental Activities	Total
30	Miscellaneous	Safety	
2024	\$ 90,432	\$ 6,499	\$ 96,931
2025	94,552	4,913	99,465
2026	60,945	3,062	64,007
2027	5,759	12,619	18,377

NOTE 8 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

General Information About the OPEB Plan

Plan Description

The Entity has established a Retiree Healthcare Plan and participates in the California Employer’s Retiree Benefit Trust (CERBT), an agent multiple-employer defined benefit postemployment healthcare plan administered by CalPERS. The CERBT is an Internal Revenue Code Section 115 trust and an investment vehicle that can be used by all California public employers to prefund future retiree healthcare and other postemployment benefits costs.

Benefits Provided

The OPEB Plan provides postemployment healthcare benefits through a third-party insurer to employees who retire from the Entity on or after age 50 and have at least 5 years of service. The Entity pays full retiree and eligible spousal health premiums for eligible retirees up to a fixed maximum monthly cap. The cap for the year ended June 30, 2023 was \$857 per month for employee-only coverage and \$1,510 for employee-plus-spouse coverage. Surviving spouses of active employees of the Entity with five years of credited service at their time of death will continue having premiums paid by the Entity for their lifetime. The Entity's board of directors has the authority to establish and amend the benefit terms.

Employees Covered

As of the June 30, 2022 actuarial valuation, the following current and former employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	6
Active employees	6
Total	12

**ARROWBEAR PARK COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

General Information About the OPEB Plan (Continued)

Contributions

The Entity's board of directors establishes and amends the contribution requirements for the OPEB Plan. Employees and retirees are only required to contribute any amounts in excess of the amount above the maximum monthly cap. The Entity pays a portion of retiree benefit expenses on a pay-as-you-go basis to third parties, outside of CERBT, and makes additional contributions to CERBT to prefund benefits as determined by the Entity's board of directors annually. For the fiscal year ended June 30, 2023, the Entity contributed \$71,973 to the OPEB Plan, of which \$56,973 was used for current retiree healthcare premiums and \$15,000 was used to prefund benefits.

Net OPEB Liability

The Entity's net OPEB liability was measured as of June 30, 2022 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2021.

Actuarial Assumptions

The total OPEB liability in the June 30, 2022 (measurement date) actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial cost method	Entry age normal
Inflation	2.50%
Salary increases	2.75% per year
Investment rate of return	6.75% net of expenses
Healthcare cost trend rates	4.00% per year
Mortality rates	Based on the 2017 CalPERS mortality rates for Miscellaneous and Schools Employees experience studies.
Retirement rates	Based on the 2017 CalPERS retirement rates for miscellaneous employees experience studies.
Turnover rates	Based on the 2017 CalPERS turnover rates for miscellaneous employees experience studies.

The long-term expected rate of return on OPEB 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 OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

**ARROWBEAR PARK COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

Net OPEB Liability (Continued)

Actuarial Assumptions (Continued)

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized as follows:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global Equity	59%	7.545%
Fixed income	25%	4.250%
Real Estate Investment Trusts	8%	7.250%
Treasury Inflation-Protected Securities	5%	3.000%
Commodities	3%	7.545%
Total	<u>100%</u>	

Rolling periods of time for all asset classes in combination were used to appropriately reflect correlation between asset classes. This means that the average returns for any asset class do not necessarily reflect the averages over time individually but reflect the return for the asset class for the portfolio average. Additionally, the historic 30-year real rates of return for each asset class along with the assumed long-term inflation assumption was used to set the discount rate. The investment return was offset by assumed investment expenses of 25 basis points.

Discount Rate

The discount rate used to measure the total OPEB liability was 6.75 percent. The projection of cash flows used to determine the discount rate assumed that the Entity contributions will be made at rates sufficient to fully fund the obligation over a period not to exceed 30 years. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

ARROWBEAR PARK COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 8 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability/(Asset)
Balance, beginning of year	\$ 674,725	\$ 216,068	\$ 458,657
Changes during the year:			
Service costs	23,814	-	23,814
Interest	44,974	(29,922)	74,896
Employer contributions	-	63,960	(63,960)
Administrative expense	-	(55)	55
Experience (gains)/losses	8,260	-	8,260
Benefit payments	(48,960)	(48,960)	-
Net Change	28,088	(14,977)	43,065
Balance, end of year	\$ 702,813	\$ 201,091	\$ 501,722

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

The following presents the net OPEB liability of the Entity, as well as what the Entity's net OPEB liability would be if it was calculated using a discount rate that is 1 percentage-point lower or 1 percentage-point higher than the current discount rate:

	5.75%	6.75%	7.75%
Net OPEB liability/(asset)	\$ 581,095	\$ 501,722	\$ 434,947

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the net OPEB liability of the Entity, as well as what the Entity's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage-point lower or 1 percentage-point higher than the current healthcare cost trend rates:

	3.00%	4.00%	5.00%
Net OPEB liability/(asset)	\$ 417,976	\$ 501,722	\$ 603,540

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in CalPERS' CERBT Schedule of Changes in Fiduciary Net Position by Employer which can be found online at <https://www.calpers.ca.gov/page/forms-publications>.

ARROWBEAR PARK COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 8 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

OPEB Expense and Deferred Outflows and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2023, the Entity recognized OPEB Plan expense of \$37,189. At June 30, 2023, the Entity had deferred outflows of resources related to OPEB as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Business-type activities:		
OPEB contributions subsequent to measurement date	\$ 71,973	\$ -
Difference between expected and actual experience	8,774	127,190
Changes in assumptions	1,584	-
Net difference between projected and actual investment earnings	18,496	-
Total	\$ 100,827	\$ 127,191

The amounts above are net of outflows recognized in OPEB expense for the year ended June 30, 2023. The \$71,973 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction to the net OPEB liability in the fiscal year ended June 30, 2024.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in future pension expense as follows:

Year Ending June 30,		
2024	\$	(16,502)
2025		(16,712)
2026		(17,506)
2027		(11,598)
2028		(20,597)
Thereafter		(15,420)
Total	\$	(98,335)

**ARROWBEAR PARK COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 9 – RISK MANAGEMENT

The Entity 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. See the schedule of insurance coverage presented as supplementary information for additional information.

NOTE 10 – DEFERRED COMPENSATION

For the benefit of its employees, the Entity has adopted a deferred compensation plan in accordance with Section 457 of the Internal Revenue Code. Generally, eligible employees may defer receipt of a portion of their salary until termination, retirement, death, or unforeseeable emergency. Until the funds are paid or otherwise made available to the employee, the employee is not obligated to report the deferred salary for income tax purposes.

The Entity does not make any employer contributions to the plan. Amounts deferred by employees are transferred by the Entity each pay period to a third-party administrator who coordinates the investment of such proceeds in a variety of investment vehicles in accordance with the instructions of each participant. Accordingly, neither the assets nor the related liability of the plan are included in the accompanying basic financial statements. The Entity is not liable to its employees for any losses that may be incurred in connection with their participation in the plans.

NOTE 11 – SUBSEQUENT EVENTS

In July 2023, the Entity entered into a finance lease agreement for the acquisition of operations and maintenance equipment of approximately \$305,000. The finance lease has a term of 5 years and requires annual payments of approximately \$69,583, including interest of 5.52%.

In December 2023, the Entity received notification from the Department of the Treasury Internal Revenue Service (IRS), that a portion of the funds received by the Entity in relation to the Employee Retention Credit (ERC) may be required to be paid back. As a result, the funds that may potentially be paid back to the IRS have been reserved and are reflected in the Employee Retention Credit reserve line item. The Entity is currently working to resolve this matter with the IRS.

In preparation of these financial statements, the Entity considered subsequent events through January 3, 2024, which is the date these financial statements were issued.

REQUIRED SUPPLEMENTARY INFORMATION – UNAUDITED

**ARROWBEAR PARK COUNTY WATER DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION – UNAUDITED**

**Schedule of Pension Plan Contributions
Last 10 Years***

Fiscal Year	Contractually Required Contributions	Contributions in Relation to the Actuarially Determined Contributions	Contribution Deficiency/ (Excess)	Covered Payroll	Contributions as a % of Covered Payroll
Miscellaneous Plan					
2023	\$ 33,261	\$ (33,261)	-	\$ 363,491	9.2%
2022	30,590	(30,590)	-	334,500	9.1%
2021	35,616	(35,616)	-	356,597	10.0%
2020	30,440	(30,440)	-	341,333	8.3%
2019	26,901	(26,901)	-	331,302	7.9%
2018	24,109	(24,109)	-	319,269	7.6%
2017	22,074	(22,074)	-	300,347	7.4%
2016	20,217	(20,217)	-	285,176	7.1%
2015	19,659	(19,659)	-	290,640	6.8%
Safety Plan					
2023	29,712	(29,712)	-	-	N/A
2022	22,810	(22,810)	-	-	N/A
2021	18,763	(18,763)	-	-	N/A
2020	14,884	(14,884)	-	-	N/A
2019	11,705	(11,705)	-	-	N/A
2018	9,958	(9,958)	-	-	N/A
2017	5,553	(5,553)	-	-	N/A
2016	4,415	(4,415)	-	-	N/A
2015	4,306	(4,306)	-	-	N/A

* Historical information is required only for measurement periods for which GASB 68 is applicable. Fiscal year ended June 30, 2015 was the first year of implementation. Future years' information, up to 10 years, will be displayed as information becomes available.

**ARROWBEAR PARK COUNTY WATER DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION – UNAUDITED**

**Schedule of the Entity's Proportionate Share of the Net Pension Liability
Last 10 Years***

Fiscal Year	Proportion of the Net Pension Liability (Asset)	Proportionate Share of Net Pension Liability (Asset)	Covered Payroll	Proportionate Share of the Net Pension Liability (Asset) as a % of Payroll	Plan Fiduciary Net Position as a % of the Total Pension Liability
Miscellaneous Plan					
2023	0.00110%	\$ 51,401	\$ 363,491	14.14%	110.57%
2022	(0.02206%)	(418,915)	334,500	125.24%	98.52%
2021	(0.00132%)	(55,544)	356,597	15.58%	101.14%
2020	(0.00253%)	(101,336)	341,333	29.69%	104.42%
2019	(0.00353%)	(133,202)	331,302	40.21%	106.08%
2018	(0.00243%)	(95,968)	319,269	30.05%	104.49%
2017	(0.00354%)	(123,033)	300,347	40.96%	106.24%
2016	(0.00899%)	(246,515)	285,176	86.44%	113.00%
Safety Plan					
2023	0.00191%	130,933	-	N/A	72.79%
2022	0.00267%	93,668	-	N/A	63.47%
2021	0.00209%	139,507	-	N/A	63.65%
2020	0.00216%	134,586	-	N/A	65.41%
2019	0.00224%	135,514	-	N/A	66.87%
2018	0.00216%	129,296	-	N/A	67.99%
2017	0.00224%	116,164	-	N/A	69.82%
2016	0.00229%	94,433	-	N/A	75.57%

* Historical information is required only for measurement periods for which GASB 68 is applicable. Fiscal year ended June 30, 2015 was the first year of implementation. Future years' information, up to 10 years, will be displayed as information becomes available.

Notes to the Pension Schedules

Benefit Changes

None

Changes in Assumptions

Amounts reported in fiscal year 2018 reflect a change in the discount rate from 7.65% to 7.15%. Amounts reported in fiscal year 2019 reflect a change in the inflation rate from 2.75% to 2.50%. Amounts reported in fiscal year 2023 reflect a change in the discount rate from 7.15% to 6.90% and a change in the inflation rate from 2.50% to 2.30%. Deferred outflows and inflows of resources include the unamortized portion of these changes in assumptions.

**ARROWBEAR PARK COUNTY WATER DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION – UNAUDITED**

**Schedule of Changes in the Entity's Net OPEB Liability and Related Ratios
Last 10 Years***

	2023	2022	2021	2020	2019
Total OPEB liability					
Service costs	\$ 23,814	\$ 21,713	\$ 21,151	\$ 14,005	\$ 13,630
Interest	44,974	54,786	53,029	50,973	49,338
Actual investment income	-	-	-	5,153	-
Experience (gains)/losses	8,260	(171,050)	-	-	-
Changes in assumptions	-	2,132	-	-	-
Benefit payments	<u>(48,960)</u>	<u>(29,923)</u>	<u>(48,170)</u>	<u>(54,897)</u>	<u>(39,150)</u>
Net Change in total OPEB liability	28,088	(122,342)	26,010	15,234	23,818
Total OPEB liability – beginning	<u>674,725</u>	<u>797,067</u>	<u>771,057</u>	<u>755,823</u>	<u>732,005</u>
Total OPEB liability – ending (a)	<u>\$ 702,813</u>	<u>\$ 674,725</u>	<u>\$ 797,067</u>	<u>\$ 771,057</u>	<u>\$ 755,823</u>
Plan fiduciary net position					
Employer contributions to trust	\$ 15,000	\$ 15,000	\$ 15,000	\$ 15,000	\$ 54,150
Employer contributions as benefit payments	48,960	29,923	48,170	38,995	-
Actual investment income	(29,922)	43,722	6,096	7,312	7,404
Benefit payments	(48,960)	(29,923)	(48,170)	(38,995)	(39,150)
Administrative expense	<u>(55)</u>	<u>(60)</u>	<u>(49)</u>	<u>(25)</u>	<u>(172)</u>
Net change in plan fiduciary net position	(14,977)	58,662	21,047	22,287	22,232
Plan fiduciary net position – beginning	<u>216,068</u>	<u>157,406</u>	<u>136,359</u>	<u>114,072</u>	<u>91,840</u>
Plan fiduciary net position – ending (b)	<u>\$ 201,091</u>	<u>\$ 216,068</u>	<u>\$ 157,406</u>	<u>\$ 136,359</u>	<u>\$ 114,072</u>
Entity's net OPEB liability – ending (a) – (b)	<u>\$ 501,722</u>	<u>\$ 458,657</u>	<u>\$ 639,661</u>	<u>\$ 634,698</u>	<u>\$ 641,751</u>
Plan fiduciary net position as a percentage of the total OPEB liability	28.61%	32.02%	19.75%	17.68%	15.09%
Covered-employee payroll	\$ 363,491	\$ 334,500	\$ 356,597	\$ 341,333	\$ 331,302
Entity's net OPEB liability as a percentage of covered-employee payroll	138.03%	137.12%	179.38%	185.95%	193.71%

**ARROWBEAR PARK COUNTY WATER DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION – UNAUDITED**

**Schedule of Changes in the Entity's Net OPEB Liability and Related Ratios
Last 10 Years* (Continued)**

	2018
Total OPEB liability	
Service costs	\$ 13,265
Interest	43,238
Actual investment income	-
Experience (gains)/losses	-
Changes in assumptions	-
Benefit payments	<u>(38,754)</u>
Net Change in total OPEB liability	22,749
Total OPEB liability – beginning	<u>709,256</u>
Total OPEB liability – ending (a)	<u>\$ 732,005</u>
Plan fiduciary net position	
Employer contributions to trust	\$ 53,754
Employer contributions as benefit payments	-
Actual investment income	7,338
Benefit payments	(38,754)
Administrative expense	<u>(38)</u>
Net change in plan fiduciary net position	22,300
Plan fiduciary net position – beginning	<u>69,540</u>
Plan fiduciary net position – ending (b)	<u>\$ 91,840</u>
Entity's net OPEB liability – ending (a) – (b)	<u>\$ 640,165</u>
Plan fiduciary net position as a percentage of the total OPEB liability	12.55%
Covered-employee payroll	\$ 319,269
Entity's net OPEB liability as a percentage of covered-employee payroll	200.51%

**ARROWBEAR PARK COUNTY WATER DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION – UNAUDITED**

**Schedule of Changes in the Entity's Net OPEB Liability and Related Ratios
Last 10 Years* (Continued)**

* Historical information is required only for measurement periods for which GASB75 is applicable. The year ended June 30, 2018 was the first year of implementation. Future years' information, up to 10 years, will be displayed as information becomes available.

Notes to the OPEB Schedule

Benefit Changes

None

Changes in Assumptions

Amounts reported in fiscal year 2022 reflect a change in the discount rate from 7.00% to 6.75% and a change in the inflation rate from 2.75% to 2.50%. Deferred outflows and inflows of resources include the unamortized portion of these changes in assumptions.

OTHER SUPPLEMENTARY INFORMATION – UNAUDITED

ARROWBEAR PARK COUNTY WATER DISTRICT
OTHER SUPPLEMENTARY INFORMATION – UNAUDITED

Organizational Information

Arrowbear Park County Water District (the Entity) is a county water district formed under Division 12 of the California Water Code. The Entity provides water, sewer, and fire-protection services to all residents within its boundaries. The Entity 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 Entity's boundaries is comprised of a mix of full-time residents and vacation homes.

The Entity's water supply comes from a subterranean aquifer resulting from precipitation and mountain snow buildup. The Entity 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 Entity services 957 residential and commercial water connections as well as one wholesale water connection to Running Springs Water District.

Sewer services are provided through approximately 12 miles of sewer collection and transmission lines accessed through 376 manholes. The Entity's sewage effluent is transmitted to the Regional Wastewater Treatment Plant in Running Springs. The Entity services 953 sewer connections.

Fire Protection services are provided by the Arrowbear Lake Fire Department with a Part-time Fire Chief and up to 15 Volunteer Firefighters using 2 fire engines and related apparatus.

The Entity is governed by a five-member board of directors elected by the residents of Arrowbear. Directors serve four-year, overlapping terms. The Entity operations are carried out under the direction of General Manager Benjamin Magana, Jr..

**ARROWBEAR PARK COUNTY WATER DISTRICT
OTHER SUPPLEMENTARY INFORMATION – UNAUDITED**

Schedule of Officers, Directors, and Management

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

	<u>Term Expires</u>
Mark Bunyea, President 33303 Lakeview Drive Arrowbear Lake, California 92382	November 2024
Seth Burt, Director 2469 Independence Drive Arrowbear Lake, California 92382	November 2026
Paul Miller, Director 33095 Keller Drive Arrowbear Lake, California 92382	November 2026
Craig Carpenter, Director 32808 Cougar Lane Arrowbear Lake, California 92382	November 2024
Sheila Wymer, Director 2359 Fir Drive Arrowbear Lake, California 92382	November 2024
Benjamin Magana, Jr., General Manager	N/A
Caroline Rimmer, Secretary to Board	N/A

**ARROWBEAR PARK COUNTY WATER DISTRICT
OTHER SUPPLEMENTARY INFORMATION – UNAUDITED**

Schedule of Insurance Coverage

At June 30, 2023, Arrowbear Park County Water District carried insurance as outlined below:

	Water/Sewer (Entity General)	Fire
Property coverage – blanket policy	\$ 1,000,000	\$ 750,000
General liability and wrongful acts	\$ 1,000,000/occurrence \$ 10,000,000/aggregate	1,000,000/occurrence 3,000,000/aggregate
Employee theft	\$ 250,000	250,000
Forgery or alteration	\$ 250,000	250,000
Theft of money & securities	\$ 250,000	250,000
Outside theft	\$ 250,000	250,000
Computer fraud	\$ 250,000	100,000
Workers’ Compensation insurance	Statutory	Statutory

Deductibles on the insurance policies are generally \$1,000 to \$10,000.