

**ARROWBEAR PARK COUNTY  
WATER DISTRICT  
FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED  
JUNE 30, 2018**

# ARROWBEAR PARK COUNTY WATER DISTRICT

## CONTENTS

June 30, 2018

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	<u>Page</u>
<b>INDEPENDENT AUDITOR'S REPORT</b>	1 – 3
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED</b>	4 – 11
<b>BASIC FINANCIAL STATEMENTS</b>	
Statement of Net Position	12 – 13
Statement of Activities	14
Balance Sheet – Governmental Fund	15 – 16
Statement of Revenues, Expenses, and Changes in Fund Balance – Governmental Fund	17 – 18
Statement of Net Position – Proprietary Fund	19 – 20
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Fund	21 – 22
Statement of Cash Flows – Proprietary Fund	23 – 24
Notes to the Financial Statements	25 – 47
<b>REQUIRED SUPPLEMENTARY INFORMATION – UNAUDITED</b>	
Schedule of Pension Plan Contributions – Last 10 Years	48
Schedule of District's Proportionate Share of Net Pension Liability – Last 10 Years	49
Schedule of Changes in the District's Net OPEB Liability and Related Ratios – Last 10 Years	50
<b>OTHER SUPPLEMENTARY INFORMATION – UNAUDITED</b>	
Organizational Information	51
Schedule of Officers, Directors, and Management	52
Schedule of Insurance Coverage	53

## **INDEPENDENT AUDITOR'S REPORT**

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and business-type activities and each major fund of the Arrowbear Park County Water District (the "District") as of and for the year ended June 30, 2018 and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. 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. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **Opinion**

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 Arrowbear Park County Water District as of June 30, 2018, and the respective changes in its financial position and, where applicable, its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matters**

As discussed in note 2 to the financial statements, effective July 1, 2017, the District retrospectively adopted the provisions of Governmental Accounting Standards Board (“GASB”) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* (“GASB 75”). Our opinion is not modified with respect to this matter.

As discussed in note 10 to the financial statements, the District’s beginning government-wide net position and governmental fund balance have been restated to correct misstatements. Our opinion is not modified with respect to this matter.

## **Other Matters**

### Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis, pension, and other postemployment benefit (“OPEB”) information on pages 4 to 11 and 48 to 50 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### Reporting

The District changed the presentation of its activities to segregate fire protection from the water and sewer activities. Fire protection is now considered to be a governmental activity and is being presented separately from the water and sewer activities, which are shown as business-type activities.

**Other Matters (Continued)**

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Arrowbear Park County Water District's basic financial statements. The accompanying supplementary information on pages 48 to 53 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The organizational information on page 51, schedule of officers, directors, and management on page 52, and schedule of insurance coverage on page 53 have not been subjected to auditing procedures applied in the audits of the basic financial statements and; accordingly, we do not express opinions or provide any assurance on them.

*Singer Lewak LLP*

March 19, 2019

**MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED**

**ARROWBEAR PARK COUNTY WATER DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED  
June 30, 2018**

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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, 2018. Please read it in conjunction with the District's financial statements which begin on page 12.

**Financial Highlights**

- The District's total net position decreased \$8,257 or 0.22% as a result of the year's operations. Net position of our business-type activities decreased \$85,875 or 2.66% and net position of our governmental activities increased by \$77,600 or 16.85%. These changes are primarily a result of increased system maintenance, operations, and depreciation expenses for water and sewer operations and increased revenue from fire responses for outside agencies, respectively.
- Total assets increased \$51,431 or 1.18% during the reporting period primarily as a result of an increase in capital assets and receivables from fire responses for outside agencies.
- Revenues from business-type activities increased \$47,921 or 4.83% due primarily to scheduled rate increases as well as increased water sales to outside agencies. Expenses of business-type activities increased \$28,597 or 2.61% due to rising costs for labor, fuel, and materials and increased depreciation expense. These changes produced an overall increase in the change in net position for business-type activities of \$19,324 or 18.37% over the previous year.
- Revenues from governmental activities increased \$108,879 or 37.84% due to increased compensation from fire responses for outside agencies and a slight rise in property values increasing tax revenues. Expenses of governmental activities increased \$52,074 or 19.51% due to increased payments to firefighters for fire responses for outside agencies as well as increased maintenance and depreciation expenses. These changes produced an overall increase in the change in net position for governmental activities of \$56,805 or 273.17% over the previous year.
- Combined District revenues increased \$156,800 or 12.25%, while combined expenses increased \$80,671 or 5.91%, producing an overall increase in the District's change in net position of \$76,129 or 90.22% over the previous year.
- 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 12 - 14) 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 15. 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?"

**ARROWBEAR PARK COUNTY WATER DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED  
June 30, 2018**

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**Reporting the District as a Whole (Continued)**

The statements of net position and the statements of activities report information about the District as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

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 or 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 includes a separate legal entity in its report – 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, 2018 and 2017.

**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 15 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.



**ARROWBEAR PARK COUNTY WATER DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED  
June 30, 2018**

**Reporting the District's Funds (Continued)**

- 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.

**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 \$3,682,255 at the close of the most recent fiscal year.

**Table 1  
Net Position**

	Governmental Activities		Business-type Activities		Totals	
	2018	2017	2018	2017	2018	2017
Current assets	\$ 224,382	\$ 146,163	\$1,210,678	\$1,248,942	\$1,435,060	\$1,395,105
Capital assets	787,789	804,315	2,087,148	2,032,081	2,874,937	2,836,396
Net pension asset	-	-	95,968	123,033	95,968	123,033
Deferred outflows of resources	<u>31,972</u>	<u>14,115</u>	<u>704,942</u>	<u>676,010</u>	<u>736,914</u>	<u>690,125</u>
<b>Total assets and deferred outflows of resources</b>	<b><u>\$1,044,143</u></b>	<b><u>\$ 964,593</u></b>	<b><u>\$4,098,736</u></b>	<b><u>\$4,080,066</u></b>	<b><u>\$5,142,879</u></b>	<b><u>\$5,044,659</u></b>
Current liabilities	\$ 49,224	\$ 44,188	\$ 87,271	\$ 81,065	\$ 136,495	\$ 125,253
Noncurrent liabilities	<u>429,824</u>	<u>454,528</u>	<u>726,591</u>	<u>720,311</u>	<u>1,156,415</u>	<u>1,174,839</u>
Total liabilities	<u>479,048</u>	<u>498,716</u>	<u>813,862</u>	<u>801,376</u>	<u>1,292,910</u>	<u>1,300,092</u>
Deferred inflows of resources	<u>27,039</u>	<u>5,421</u>	<u>140,675</u>	<u>48,634</u>	<u>167,714</u>	<u>54,055</u>
Net position						
Invested in capital assets, net of related debt	449,425	429,274	2,087,146	2,032,079	2,536,571	2,461,353
Unrestricted	<u>88,631</u>	<u>31,182</u>	<u>1,057,053</u>	<u>1,197,977</u>	<u>1,145,684</u>	<u>1,229,159</u>
Total net position	<u>538,056</u>	<u>460,456</u>	<u>3,144,199</u>	<u>3,230,056</u>	<u>3,682,255</u>	<u>3,690,512</u>
<b>Total liabilities, deferred inflows of resources, and net position</b>	<b><u>\$1,044,143</u></b>	<b><u>\$ 964,593</u></b>	<b><u>\$4,098,736</u></b>	<b><u>\$4,080,066</u></b>	<b><u>\$5,142,879</u></b>	<b><u>\$5,044,659</u></b>

**ARROWBEAR PARK COUNTY WATER DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED  
June 30, 2018**

**Government-Wide Financial Analysis (Continued)**

By far, the largest portion of the District's net position (68.9% or \$2,536,571) 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 and meter replacements. 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 \$1,145,684.

**Table 2  
Changes in Net Position**

	Governmental Activities		Business-type Activities		Totals	
	2018	2017	2018	2017	2018	2017
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 102,334	\$ 49,288	\$ 902,247	\$ 862,558	\$1,004,581	\$ 911,846
Operating grants	21,978	5,062	1,000	-	22,978	5,062
General revenues:						
Property taxes	241,743	231,583	-	-	241,743	231,583
Standby charges	-	-	105,606	107,846	105,606	107,846
Interest income	1,889	1,021	23,455	17,503	25,344	18,524
Miscellaneous	28,646	757	7,695	3,175	36,341	4,932
<b>Total Revenues</b>	<b>396,590</b>	<b>287,711</b>	<b>1,040,003</b>	<b>992,082</b>	<b>1,436,593</b>	<b>1,279,793</b>
<b>Expenses</b>						
Salaries and wages	107,107	86,933	283,212	292,170	390,319	379,103
Benefits	41,940	45,817	199,685	268,477	241,625	314,294
Professional services	12,497	10,145	71,309	63,653	83,806	73,798
Insurance	13,631	13,336	27,384	31,846	41,015	45,182
Utilities	11,363	11,136	40,736	37,135	52,099	48,271
System maintenance	42,822	26,935	226,278	172,182	269,100	199,117
Depreciation	63,949	40,752	246,126	195,293	310,075	236,045
Interest	11,851	12,975	-	-	11,851	12,975
Other	13,830	18,887	31,130	36,507	44,960	55,394
<b>Total Expenses</b>	<b>318,990</b>	<b>266,916</b>	<b>1,125,860</b>	<b>1,097,263</b>	<b>1,444,850</b>	<b>1,364,179</b>
Change in net position	77,600	20,795	(85,857)	(105,181)	(8,257)	(84,386)
Net position						
Beginning of year	460,456	439,661	3,230,056	3,335,234	3,690,512	3,774,898
End of year	<b>\$ 538,056</b>	<b>\$ 460,456</b>	<b>\$3,144,199</b>	<b>\$3,230,056</b>	<b>\$3,682,255</b>	<b>\$3,690,512</b>

**ARROWBEAR PARK COUNTY WATER DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED  
June 30, 2018**

**Capital Asset and Debt**

Capital Assets

At the end of fiscal 2018, the District had \$2,874,937 (net of accumulated depreciation) invested in a broad range of capital assets including land, water facilities, sewer facilities, a fire station, and equipment (see Table 3 below). This amount represents a net increase (including additions and deductions) of \$38,541 (1.3 percent) over last year.

**Table 3  
Capital Assets at Year End**

	Governmental Activities		Business-type Activities		Totals	
	2018	2017	2018	2017	2018	2017
Land	\$ 31,045	\$ 31,045	\$ 87,406	\$ 87,406	\$ 118,451	\$ 118,451
Water system	-	-	3,246,945	3,128,792	3,246,945	3,128,792
Sewer system	-	-	2,763,507	2,763,507	2,763,507	2,763,507
Equipment	1,065,482	1,054,562	472,799	393,448	1,538,281	1,448,010
Fire station	265,934	265,934	-	-	265,934	265,934
Construction in progress	1,042	1,042	62,852	11,794	63,894	12,836
Accumulated depreciation	<u>(575,714)</u>	<u>(548,268)</u>	<u>(4,546,361)</u>	<u>(4,352,866)</u>	<u>(5,122,075)</u>	<u>(4,901,134)</u>
	<b><u>\$ 787,789</u></b>	<b><u>\$ 804,315</u></b>	<b><u>\$2,087,148</u></b>	<b><u>\$2,032,081</u></b>	<b><u>\$2,874,937</u></b>	<b><u>\$2,836,396</u></b>

This year's major additions included:

- New equipment (dump truck, compactor)
- Completed pipeline replacements (Truman)
- Pipeline replacements construction in progress

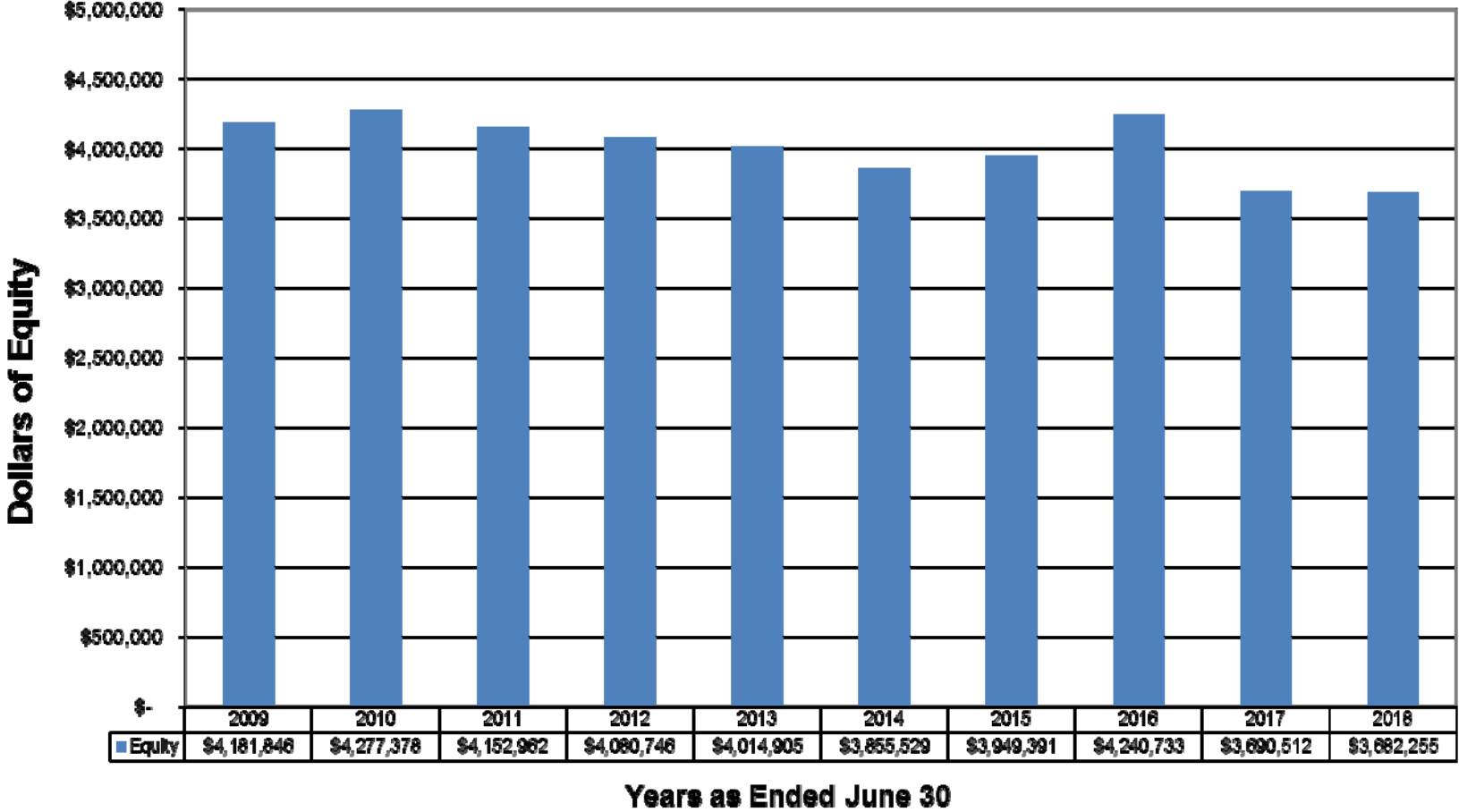
Debt

The District entered into a lease purchase agreement for the acquisition of a fire engine in the prior year. The lease requires ten payments of \$48,528 and has minimum lease payments of \$388,224 remaining at year-end of which \$49,860 represents interest. The present value of lease payments remaining is \$338,364.

**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.

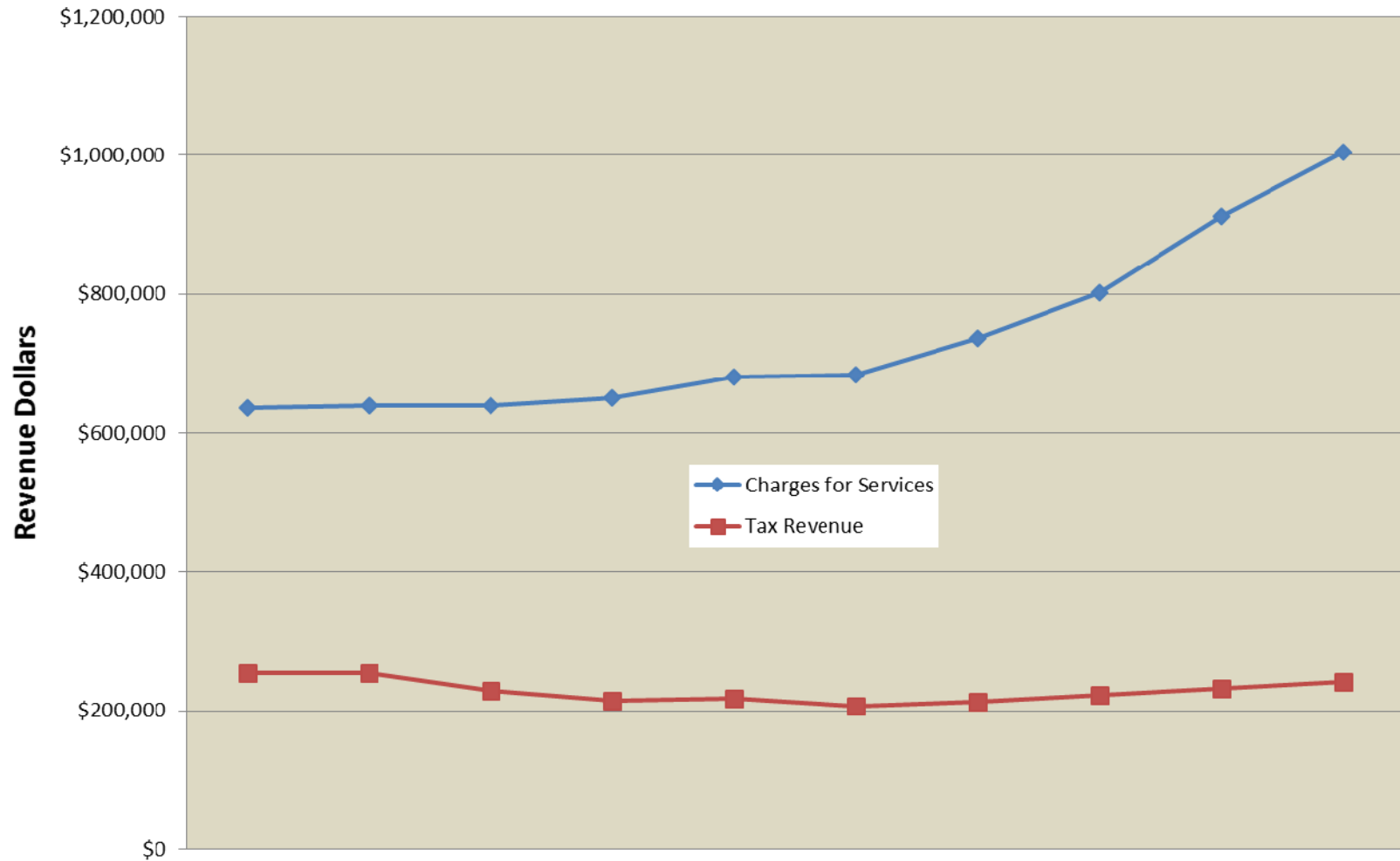
### Arrowbear Park County Water District District Equity Value



**Note**

The decrease seen in net position from 2016 to 2017 is due to the implementation of GASB 75 and recording the full OPEB liability.

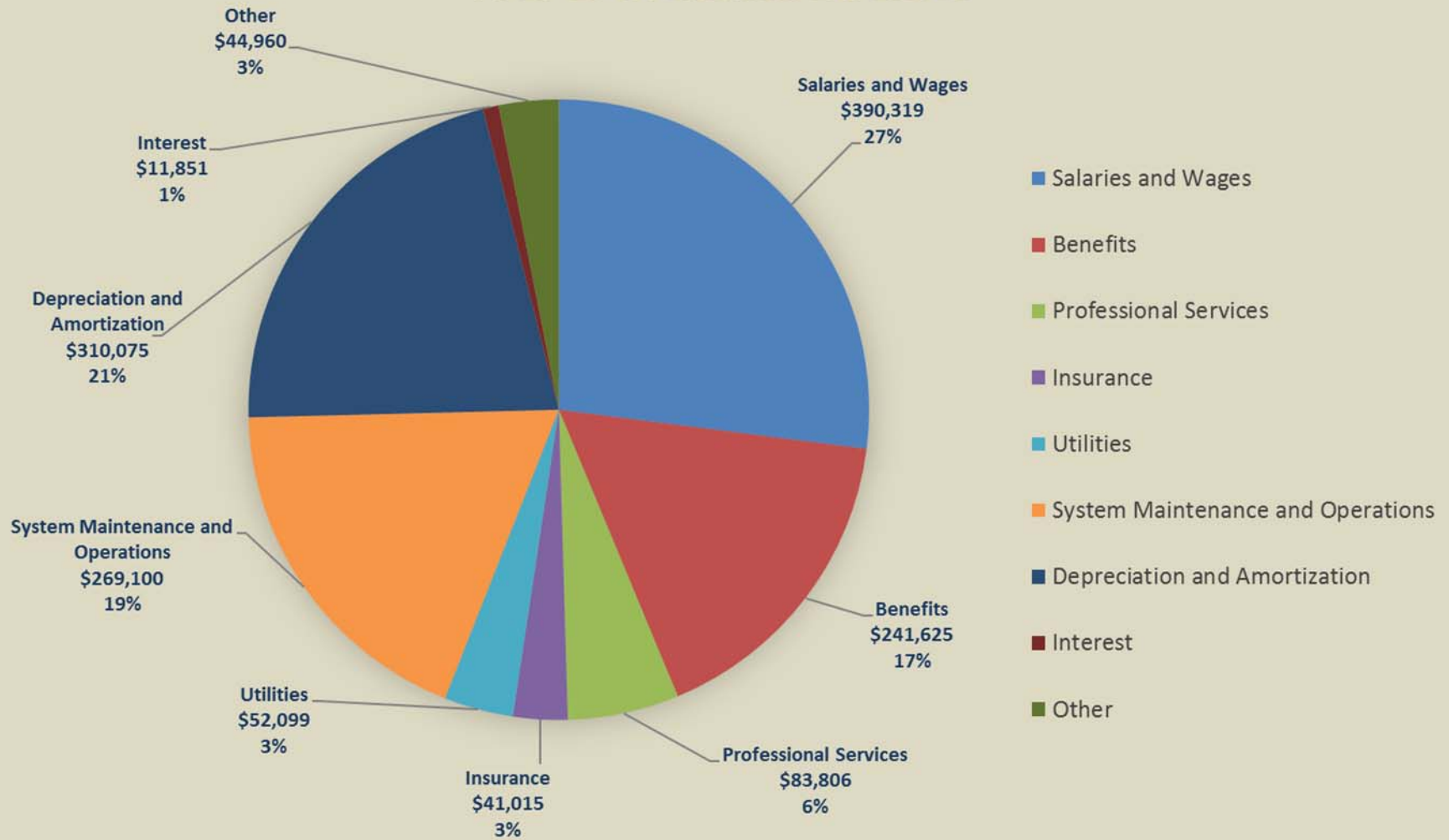
## Arrowbear Park County Water District Charges for Services and Taxes History



	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Charges for Services	\$635,932	\$638,733	\$638,499	\$649,916	\$681,272	\$684,416	\$736,848	\$801,709	\$911,846	\$1,004,581
Tax Revenue	\$253,637	\$254,820	\$229,577	\$214,184	\$217,996	\$206,682	\$212,669	\$222,739	\$231,583	\$241,743

**Years as Ended June 30**

## ARROWBEAR PARK COUNTY WATER DISTRICT FY 17-18 OPERATING EXPENSES



## **BASIC FINANCIAL STATEMENTS**

# ARROWBEAR PARK COUNTY WATER DISTRICT

## STATEMENT OF NET POSITION

June 30, 2018

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	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>			
<b>Assets</b>			
Cash and cash equivalents	\$ 151,263	\$ 997,751	\$ 1,149,014
Accounts receivable:			
Customers	-	145,551	145,551
Taxes	3,288	-	3,288
Fire response fees	47,853	-	47,853
Intergovernmental (grants)	21,978	-	21,978
Other	-	9,043	9,043
Inventories	-	49,323	49,323
Capital assets nondepreciable	32,087	150,258	182,345
Capital assets depreciable, net	755,702	1,936,890	2,692,592
Net pension asset	-	95,968	95,968
Other assets	-	9,010	9,010
	<u>1,012,171</u>	<u>3,393,794</u>	<u>4,405,965</u>
Total assets			
<b>Deferred outflows of resources</b>			
Joint use facilities, net	-	498,757	498,757
OPEB related	-	61,382	61,382
Pension related	31,972	144,803	176,775
	<u>31,972</u>	<u>704,942</u>	<u>736,914</u>
Total deferred outflows of resources			
<b>Total assets and deferred outflows of resources</b>	<b><u>\$ 1,044,143</u></b>	<b><u>\$ 4,098,736</u></b>	<b><u>\$ 5,142,879</u></b>

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



# ARROWBEAR PARK COUNTY WATER DISTRICT

## STATEMENT OF NET POSITION

June 30, 2018

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	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>			
<b>Liabilities</b>			
Accounts payable and other current liabilities	\$ 49,224	\$ 87,271	\$ 136,495
Noncurrent liabilities	<u>429,824</u>	<u>726,591</u>	<u>1,156,415</u>
Total liabilities	<u>479,048</u>	<u>813,862</u>	<u>1,292,910</u>
<b>Deferred inflows of resources</b>			
Pension related	<u>27,039</u>	<u>140,675</u>	<u>167,714</u>
<b>Net position</b>			
Invested in capital assets, net of related debt	449,425	2,087,146	2,536,571
Unrestricted	<u>88,631</u>	<u>1,057,053</u>	<u>1,145,684</u>
Total net position	<u>538,056</u>	<u>3,144,199</u>	<u>3,682,255</u>
<b>Total liabilities, deferred inflows of resources, and net position</b>	<b><u>\$ 1,044,143</u></b>	<b><u>\$ 4,098,736</u></b>	<b><u>\$ 5,142,879</u></b>

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

# ARROWBEAR PARK COUNTY WATER DISTRICT

## STATEMENT OF ACTIVITIES

Year Ended June 30, 2018

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenue and Changes in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	
<b>Governmental activities</b>						
Fire protection	\$ 318,990	\$ 102,334	\$ 21,978	\$ (194,678)	\$ -	\$ (194,678)
<b>Business-type activities</b>						
Water and sewer	<u>1,125,860</u>	<u>902,247</u>	<u>1,000</u>	<u>-</u>	<u>(222,613)</u>	<u>(222,613)</u>
<b>Total</b>	<b><u>\$ 1,444,850</u></b>	<b><u>\$ 1,004,581</u></b>	<b><u>\$ 22,978</u></b>	<u>(194,678)</u>	<u>(222,613)</u>	<u>(417,291)</u>
<b>General revenues:</b>						
Property taxes				241,743	-	241,743
Standby charges				-	105,606	105,606
Interest income				1,889	23,455	25,344
Miscellaneous				<u>28,646</u>	<u>7,695</u>	<u>36,341</u>
Total general revenues				<u>272,278</u>	<u>136,756</u>	<u>409,034</u>
Change in net position				77,600	(85,857)	(8,257)
Net position, beginning of year				452,187	3,695,892	4,148,079
Cumulative effect of change in accounting methodology (Notes 2 and 10)				<u>8,269</u>	<u>(465,836)</u>	<u>(457,567)</u>
<b>Net position, end of year</b>				<b><u>\$ 538,056</u></b>	<b><u>\$ 3,144,199</u></b>	<b><u>\$ 3,682,255</u></b>

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

# ARROWBEAR PARK COUNTY WATER DISTRICT

## BALANCE SHEET - GOVERNMENTAL FUND

June 30, 2018

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	<b>General Fund</b>
	<u>                    </u>
<b>Assets</b>	
Cash and cash equivalents	\$ 151,263
Accounts receivable:	
Taxes	3,288
Fire response fees	47,853
Intergovernmental (grants)	<u>21,978</u>
<b>Total assets</b>	<b><u>\$ 224,382</u></b>
<b>Liabilities</b>	
Accrued liabilities	<u>\$ 11,388</u>
 Total liabilities	 <u>11,388</u>
<b>Fund balances</b>	
Unassigned	<u>212,994</u>
 Total fund balances	 <u>212,994</u>
<b>Total liabilities and fund balances</b>	<b><u>\$ 224,382</u></b>

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

# ARROWBEAR PARK COUNTY WATER DISTRICT

## BALANCE SHEET - GOVERNMENTAL FUND

June 30, 2018

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	<u>General Fund</u>
Amounts reported for governmental activities in the Statements of Net Position are different because:	
Total fund balances - governmental fund	\$ 212,994
Capital assets, net of accumulated depreciation, used in governmental activities are not current financial resources and, therefore, are not reported in the fund.	787,789
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the fund.	(429,824)
Deferred inflows and outflows related to the pension are not reported in the fund.	4,933
Capital lease obligation, current	<u>(37,836)</u>
Net position of governmental activities	<u><b>\$ 538,056</b></u>

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

**ARROWBEAR PARK COUNTY WATER DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUND**  
Year Ended June 30, 2018

	<b>General Fund</b>
<b>Revenues</b>	
Property taxes	\$ 241,743
Sales to other agencies	118,115
Grant revenue	27,040
Interest income	1,889
Gain on retirement of capital assets	9,000
Other	19,646
Total revenues	417,433
<b>Expenditures</b>	
Salaries and wages	107,107
Benefits	22,847
Professional services	12,497
Insurance	13,631
Utilities	11,363
Capital outlay	129,122
Interest	11,851
Other	13,830
Total expenditures	322,248
Revenues over expenditures	95,185
<b>Fund Balance</b>	
Beginning of year	125,320
Cumulative effect of change in accounting methodology (Note 10)	(7,511)
<b>End of year</b>	<b>\$ 212,994</b>

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

**ARROWBEAR PARK COUNTY WATER DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUND**  
**Year Ended June 30, 2018**

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	<b>General Fund</b>
Amounts reported for governmental activities in the Statements of Activities are different because:	
Net change in fund balance - governmental fund	\$ 95,185
Revenues that were accrued in the statement of activities in the prior year that were considered current financial resources in the current year governmental fund statements.	(20,843)
Changes in deferred outflows and inflows related to the pension and the net pension liability.	(19,093)
Capital outlays are reported as expenditures in the governmental fund statements; however, in the Statements of Activities, capital outlay is not an expense, rather it is an increase in capital assets.	86,300
Depreciation expense allocates the costs of capital assets over their useful lives. It is not reported as an expenditure in the governmental fund statements.	(63,949)
Change in net position of governmental activities	<b>\$ 77,600</b>

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

# ARROWBEAR PARK COUNTY WATER DISTRICT

## STATEMENT OF NET POSITION - PROPRIETARY FUND

June 30, 2018

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**Water & Sewer  
Enterprise Fund**

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### ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

#### Current assets

Cash and cash equivalents	\$ 997,751
Accounts receivable	145,551
Interest and other receivables	9,043
Inventories	49,323
Other current assets	<u>9,010</u>

Total current assets 1,210,678

#### Noncurrent assets

Capital assets, net	2,087,148
Net pension asset	<u>95,968</u>

Total noncurrent assets 2,183,116

Total assets 3,393,794

#### Deferred outflows of resources

Joint use facilities, net	498,757
OPEB related	61,382
Pension related	<u>144,803</u>

Total deferred outflows of resources 704,942

**Total assets and deferred outflows of resources** \$ 4,098,736

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

# ARROWBEAR PARK COUNTY WATER DISTRICT

## STATEMENT OF NET POSITION - PROPRIETARY FUND

June 30, 2018

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	<u>Water &amp; Sewer Enterprise Fund</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>	
<b>Current liabilities</b>	
Accounts payable	\$ 39,830
Other current liabilities	<u>47,441</u>
Total current liabilities	<u>87,271</u>
<b>Long-term liabilities</b>	
Employee benefits payable	86,426
Net OPEB liability	<u>640,165</u>
Total long-term liabilities	<u>726,591</u>
Total liabilities	<u>813,862</u>
<b>Deferred inflows of resources</b>	
Pension related	<u>140,675</u>
<b>Net position</b>	
Invested in capital assets, net of related debt	2,087,146
Unrestricted	<u>1,057,053</u>
Total net position	<u>3,144,199</u>
<b>Total liabilities, deferred inflows of resources, and net position</b>	<u><u>\$ 4,098,736</u></u>

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



**ARROWBEAR PARK COUNTY WATER DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - PROPRIETARY FUND**  
Year Ended June 30, 2018

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	<b>Water &amp; Sewer Enterprise Fund</b>
<b>Operating revenues</b>	
User fees	\$ 831,229
Sales to other agencies	71,018
Total operating revenues	902,247
<b>Operating expenses</b>	
Salaries and wages	283,212
Benefits	199,685
Professional services	71,309
Insurance	27,384
Utilities	40,736
System maintenance and operations	226,278
Depreciation and amortization	246,126
Other	31,130
Total operating expenses	1,125,860
Operating loss	(223,613)

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

**ARROWBEAR PARK COUNTY WATER DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - PROPRIETARY FUND**  
Year Ended June 30, 2018

	<b>Water &amp; Sewer Enterprise Fund</b>
<b>Nonoperating revenues</b>	
Standby charges	\$ 105,606
Grant revenue	1,000
Interest income	23,455
Other	7,695
Total nonoperating revenues	137,756
Change in net position	(85,857)
<b>Net position</b>	
Beginning of year, as previously stated	3,695,892
Cumulative effect of change in accounting methodology (Note 2)	(465,836)
Beginning of year, as restated	3,230,056
<b>Net position, end of year</b>	<b>\$ 3,144,199</b>

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

**ARROWBEAR PARK COUNTY WATER DISTRICT**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUND**  
Year Ended June 30, 2018

	<b>Water &amp; Sewer Enterprise Fund</b>
<b>Cash flows from operating activities</b>	
Cash received from customers	\$ 896,598
Cash paid to suppliers and other	(385,754)
Cash paid to employees for services	(422,015)
Net cash provided by operating activities	88,829
<b>Cash flows from investing activities</b>	
Interest on investments	23,455
<b>Cash flows from capital and related financing activities</b>	
Purchase of capital assets	(248,563)
Deferred charges	(17,187)
Standby charges	105,606
Other	8,695
Net cash used in capital and related financing activities	(151,449)
<b>Net change in cash and cash equivalents</b>	(39,165)
<b>Cash and cash equivalents, beginning of year</b>	1,036,916
<b>Cash and cash equivalents, end of year</b>	<b>\$ 997,751</b>

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

**ARROWBEAR PARK COUNTY WATER DISTRICT**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUND**  
Year Ended June 30, 2018

**Water & Sewer**  
**Enterprise Fund**

**Reconciliation of operating loss to net cash used in operating activities**

Operating loss	\$	(223,613)
Adjustments to reconcile operating loss to net cash provided by operating activities		
Depreciation and amortization		246,126
Changes in assets and liabilities:		
Accounts receivable		(4,098)
Interest and other receivables		(1,551)
Inventories		4,748
Net pension asset		27,065
Deferred outflows - OPEB		(328)
Deferred outflows - pension		(64,176)
Accounts payable		(27,955)
Other current liabilities		34,290
Employee benefits payable		5,831
Net OPEB Liability		449
Deferred inflows - pension		92,041
		<hr/>
Net cash provided by operating activities	<b>\$</b>	<b><u>88,829</u></b>

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

**ARROWBEAR PARK COUNTY WATER DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2018**

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**NOTE 1 – REPORTING ENTITY**

The Arrowbear Park County Water District (the “District”) 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.

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 District and the Arrowbear Park County Water District Financing Corporation (the “Corporation”) have a financial and operational relationship which meets the reporting entity definition criteria of the Government Accounting Standards Board (“GASB”) Statement No. 14 (“GASB 14”), *The Financial Reporting Entity*, as amended by GASB Statement No. 39 (“GASB 39”), *Determining Whether Certain Organizations are Component Units*, for inclusion of the Corporation as a component unit of the District. Accordingly, the financial activities of the Corporation would be included in the financial statements of the District; however, the Corporation had no activity during the year ended June 30, 2018.

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

- A. The Corporation’s board of directors was appointed by the District’s board of directors.
- B. The District is able to impose its will upon the Corporation, based on the following:
  - The Corporation has no employees. The District’s general manager functions as an agent of the Corporation. The general manager does not receive additional compensation for work performed in this capacity.
  - The District exercises significant influence over operations of the Corporation as it is anticipated that the District will be the sole lessee of all facilities owned by the Corporation. Likewise, it is anticipated that the District’s lease payments will be the sole revenue source of the Corporation, with the exception of interest earned in the Corporation’s trust accounts.
  - All major financing arrangements, contracts, and other transactions of the Corporation must have the consent of the District.
- C. The Corporation provides specific financial benefits or imposes specific financial burdens on the District based upon the following:
  - Any deficits incurred by the Corporation will be reflected in the lease payments of the District and any surpluses of the Corporation revert to the District at the end of the lease period.
  - The District has assumed a “moral obligation,” and potentially a legal obligation, for any debt incurred by the Corporation.

**ARROWBEAR PARK COUNTY WATER DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2018**

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**NOTE 1 – REPORTING ENTITY (Continued)**

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

**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES**

The District's financial statements are prepared in accordance with generally accepted accounting principles ("GAAP"). The Governmental Accounting Standards Board ("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 District are discussed below.

Basic Financial Statements – Government-Wide Statements

The District's basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting on the District'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 District'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 and receivables as well as long-term debt and obligations.

The government-wide Statement of Activities reports both the gross and net cost of each of the District'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.

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.

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

**ARROWBEAR PARK COUNTY WATER DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2018**

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**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Basic Financial Statements-Fund Financial Statements

The financial transactions of the District 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 comprises 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. GASBS 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 District 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 District reports one major governmental fund:

The general fund is the District'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 District 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 District's water distribution system and its sewer system, which serves District residents. The proprietary funds distinguish between operating and nonoperating revenues and expenses. Operating revenues and expenses of the District'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 THE FINANCIAL STATEMENTS**  
**June 30, 2018**

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**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

*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 capital lease and pension expenditures, which are recognized when due and payable.

Cash and Cash Equivalents

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

Accounts Receivable

Accounts receivable are reported at their net realizable value, less an allowance for uncollectible accounts, if deemed necessary. The District uses the allowance method for the write-off of bad debts. The District considers such factors as historical trends for collections and knowledge of financial stability of debtors to establish the allowance for doubtful accounts. As of June 30, 2018, no allowance for uncollectible accounts receivable was considered necessary as all accounts receivable are deemed fully collectable. The District believes all accounts receivable are fully collectible as liens are placed on properties for nonpayment.



**ARROWBEAR PARK COUNTY WATER DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2018**

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**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Inventories

Inventories consist primarily of water meters, pipe, and pipe fittings for construction and repair to the District's water transmission and distribution system. Inventories are valued at cost using the first in, first out method. Inventory items are charged to expense at the time that individual items are withdrawn from inventory or consumed. As of June 30, 2018, no reserve for inventory was deemed necessary based on management's evaluation of the District's inventory.

Capital Assets

Capital assets acquired and/or constructed are capitalized at historical cost. District policy has set the capitalization threshold for reporting capital assets at \$1,000. Donated assets are recorded at estimated acquisition value at the date of donation. Internal labor and overhead associated with internally constructed capital assets are estimated and capitalized as part of the cost of the capital asset. Upon retirement or other disposition of capital assets, the cost and related accumulated depreciation are removed from the respective balances and any gains or losses are recognized. Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

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

Equipment includes items such as vehicles, furniture and fixtures, building improvements, and other miscellaneous equipment utilized in the operations of the water and sewer systems and the fire station. Fire Station includes the fire station building, improvements to the building, and equipment installed in the building. The depreciation expense on assets acquired under capital leases is included with depreciation expense on owned assets.

Capital assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts of the assets in question may not be recoverable. Impairment would be recorded in circumstances where undiscounted cash flows expected to be generated by an asset are less than the carrying value of the asset. As of June 30, 2018 and 2017, no impairment was recognized as management expects to fully utilize the District's long-lived assets.

Deferred Outflows of Resources

The District 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 joint use facilities (see Note 5), OPEB (see Note 8), and pension (see Note 7). No deferred outflows of resources affect the governmental funds financial statements in the current year.

**ARROWBEAR PARK COUNTY WATER DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2018**

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**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Deferred Inflows of Resources

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

**ARROWBEAR PARK COUNTY WATER DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2018**

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**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 District's OPEB plan (the "OPEB Plan" - described in more detail in Note 7) 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, CalPERS. 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 District's share of property taxes and assessments. The County of San Bernardino Treasurer's Office remits current and delinquent property tax collections to the District throughout the year. Property tax in California is levied in accordance with Article 13A of the State Constitution at 1.0 percent of countywide assessed valuations.

Property taxes receivable at year-end are related to property taxes collected by the County of San Bernardino, which have not been credited to the District's cash balance as of June 30. The property tax calendar is as follows:

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

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, 2018, the District's net position presentation is categorized as shown below. The District did not have any restricted net position at June 30, 2018.

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

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

**ARROWBEAR PARK COUNTY WATER DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2018**

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**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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, 2018, the District's governmental fund balance was comprised entirely of unassigned amounts.

Use of Estimates

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

New Accounting Pronouncements

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

In June 2017, GASB issued Statement No. 87, *Leases*, which addresses new accounting and financial reporting requirements for leases, improving accounting and financial reporting for leases for governments. Leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract will be recognized as a lease liability and an intangible right-to-use lease asset for lessees and a lease receivable and a deferred inflow of resources for a lessor. The requirements of this Statement are effective for fiscal years beginning after December 15, 2019. The District does not anticipate that this statement will have a material impact on the financial statements.

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, which requires that interest cost incurred before the end of a construction period be recognized as an expense in period in which the cost is incurred for financial statement prepared using the economic resources measurement focus. The requirements for this statement are effective for reporting periods beginning after December 15, 2019. The District does not anticipate that this statement will have a significant impact on any given reporting period; however, the cumulative impact over multiple years is anticipated to be significant.

**ARROWBEAR PARK COUNTY WATER DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2018**

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**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Recently Adopted Accounting Pronouncements

The District adopted the following GASB statements in the current year which had a significant impact on the District's basic financial statements.

Effective July 1, 2017 the District implemented the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* ("GASB 75"). This statement establishes new accounting and financial reporting requirements for OPEB, improving the accounting and financial reporting by state and local governments. It replaces the requirements of GASB Statement No 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* and GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. GASB 75 requires the whole actuarially determined net OPEB liability to be recognized in the District's financial statements. The District restated its beginning net position to record the beginning net OPEB liability of \$639,716, the beginning deferred outflows of resources related to OPEB of \$61,054 and reverse the previously recognized net OPEB liability of \$112,825.

**NOTE 3 – CASH AND CASH EQUIVALENTS**

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

Deposits	\$ 281,763
Investments	<u>867,251</u>
	<b><u>\$ 1,149,014</u></b>

The cash and cash equivalents are held as follows:

Governmental activities	\$ 151,263
Business-type activities	<u>997,751</u>
	<b><u>\$ 1,149,014</u></b>

**ARROWBEAR PARK COUNTY WATER DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2018**

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**NOTE 3 – CASH AND CASH EQUIVALENTS (Continued)**

Deposits

At June 30, 2018, the carrying amount of the District's deposits was \$281,763, and the bank balance was \$301,900.

Investments Authorized by the District's Investment Policy

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

As of June 30, 2018, 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 District's position in the pool approximates the value of the pool shares. LAIF is not subject to fair value leveling.

At June 30, 2018, the District had no investments in repurchase and reverse repurchase agreements and did not invest in such during the years then ended.

Custodial Credit Risk

The District maintains deposits with financial institutions in excess of the Federal Depository Insurance Corporation's ("FDIC") insurance limit of \$250,000. The District does not have a policy that would limit the exposure to custodial credit risk for deposits or investments. The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit) in the District'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 District 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 THE FINANCIAL STATEMENTS**  
**June 30, 2018**

**NOTE 4 – CAPITAL ASSETS**

The following is the activity for the year ended June 30, 2018:

<b>Governmental activities</b>	<u>Beginning</u>	<u>Additions</u>	<u>Retirement</u>	<u>Ending</u>
Capital assets nondepreciable				
Land	\$ 31,045	\$ -	\$ -	\$ 31,045
Construction in progress	<u>1,042</u>	<u>-</u>	<u>-</u>	<u>1,042</u>
	<u>32,087</u>	<u>-</u>	<u>-</u>	<u>32,087</u>
Capital assets depreciable				
Equipment	1,054,560	47,294	(36,372)	1,065,482
Fire station	<u>265,934</u>	<u>-</u>	<u>-</u>	<u>265,934</u>
	1,320,494	47,294	(36,372)	1,331,416
Less accumulated depreciation				
Equipment	(397,897)	(55,209)	36,372	(416,734)
Fire station	<u>(150,370)</u>	<u>(8,610)</u>	<u>-</u>	<u>(158,980)</u>
Capital assets depreciable, net	<u>772,227</u>	<u>(16,525)</u>	<u>-</u>	<u>755,702</u>
Capital assets, net	<b><u>\$ 804,314</u></b>	<b><u>\$ (16,525)</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 787,789</u></b>
<b>Business-type activities</b>	<u>Beginning</u>	<u>Additions</u>	<u>Retirement</u>	<u>Ending</u>
Capital assets nondepreciable				
Land	\$ 87,406	\$ -	\$ -	\$ 87,406
Construction in progress	<u>11,794</u>	<u>260,046</u>	<u>(208,988)</u>	<u>62,852</u>
	<u>99,200</u>	<u>260,046</u>	<u>(208,988)</u>	<u>150,258</u>
Capital assets depreciable				
Water system	3,128,792	118,153	-	3,246,945
Sewer system	2,763,507	-	-	2,763,507
Equipment	<u>393,448</u>	<u>79,351</u>	<u>-</u>	<u>472,799</u>
	6,285,747	197,504	-	6,483,251
Less accumulated depreciation				
Water system	(1,524,948)	80,661	-	(1,605,609)
Sewer system	(2,599,359)	89,132	-	(2,688,491)
Equipment	<u>(228,559)</u>	<u>23,702</u>	<u>-</u>	<u>(252,261)</u>
Capital assets depreciable, net	<u>(4,352,866)</u>	<u>(193,495)</u>	<u>-</u>	<u>(4,546,361)</u>
Capital assets, net	<b><u>\$ 2,032,081</u></b>	<b><u>\$ 264,055</u></b>	<b><u>\$ (208,988)</u></b>	<b><u>\$ 2,087,148</u></b>

In 2016, the District entered into a lease-purchase agreement for the acquisition of a fire engine with a cost of \$410,594. At the end of the lease term, ownership of the fire engine will pass to the District for no additional consideration. The equipment and the related liability under the capital lease was recorded at the present value of the future payments due under the lease. The lease requires ten annual payments of \$48,528, including interest at a rate of 3.16%. The fire engine is being depreciated over its estimated useful life and as of June 30, 2018 accumulated depreciation on the fire engine was \$29,481. The fire engine is included in the equipment category of the above governmental activities capital asset schedule.

**ARROWBEAR PARK COUNTY WATER DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2018**

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**NOTE 4 – CAPITAL ASSETS (Continued)**

The following is a schedule of the future minimum lease payments under the capital lease together with the present value of the net minimum lease payments as of June 30, 2018:

Year ending June 30,	
2019	\$ 48,528
2020	48,528
2021	48,528
2022	48,528
2023	48,528
2024-2026	<u>145,584</u>
Total minimum lease payments	388,224
Less the amount representing interest	<u>(49,860)</u>
Present value of net minimum lease payments	338,364
Less capital lease obligation, current	<u>(37,836)</u>
 Capital lease obligation, noncurrent	 <b><u>\$ 300,528</u></b>

**NOTE 5 – DEFERRED OUTFLOW OF RESOURCES – JOINT USE FACILITIES**

The District’s sewage is processed by the Running Springs Water District (“RSWD”) sewage treatment plant in accordance with the “Wastewater Transportation, Treatment and Disposal Agreement” dated March 21, 2018 between the District and RSWD. This agreement is a joint use facilities agreement with RSWD pertaining to sewage collection, transportation, and treatment facilities. Per the agreement, the District will share in the cost of the operation of the joint use facilities and any capital improvements to said facilities based on the District’s proportionate share of wastewater flow to the facilities.

The District capitalizes its share of the cost of capital improvements made to joint use facilities. The amounts capitalized by the District for their share of the improvements during the year ended June 30, 2018 was \$17,187. The improvements are amortized on a straight-line basis over their estimated useful lives beginning when they are completed and placed in service. The estimated useful lives of the improvements range from 15 to 20 years. Accumulated amortization of improvements was \$417,828 as of June 30, 2018.



**ARROWBEAR PARK COUNTY WATER DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2018**

**NOTE 6 – NONCURRENT LIABILITIES**

Noncurrent liability activity for the year ended June 30, 2018 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental Activities</b>					
Capital lease	\$ 338,364	\$ -	\$ (37,826)	\$ 300,528	\$ 37,836
Net pension liability	<u>116,164</u>	<u>13,132</u>	<u>-</u>	<u>129,296</u>	<u>-</u>
	454,528	13,132	(37,826)	429,824	37,836
<b>Business-type Activities</b>					
Compensated absences	80,595	40,562	(34,731)	86,426	38,000
Net OPEB liability	<u>639,716</u>	<u>449</u>	<u>-</u>	<u>640,165</u>	<u>-</u>
	720,311	41,011	(34,731)	726,591	38,000
<b>Total</b>	<b><u>\$1,174,839</u></b>	<b><u>\$ 54,143</u></b>	<b><u>\$ (72,557)</u></b>	<b><u>\$1,156,415</u></b>	<b><u>\$ 75,836</u></b>

**NOTE 7 – PENSION PLAN**

General Information About the Pension Plan

*Plan Description*

All qualified District 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 the California Public Employees’ Retirement System (“CalPERS”), unless they specifically opt-out. The District also has a Safety Plan with CalPERS. There are no employees contributing to the Safety Plan. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. A menu of benefit provisions as well as other requirements are established by State statutes within the Public Employee’s Retirement Law. The District selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through Board approval. CalPERS issues a 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](http://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 improved non-industrial disability benefits after five years of service. The District has chosen the Optional Settlement 2W Death Benefit.

**ARROWBEAR PARK COUNTY WATER DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2018**

**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 the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS’ annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance any unfunded accrued costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The District’s total employer contributions were \$34,067 for the year ended June 30, 2018.

Active plan members who were hired before January 1, 2013 are referred to as “Classic” employees. Beginning July 1, 2013, the District 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, 2018 are summarized as follows:

	<u>Miscellaneous</u>	
	<u>Prior to January 1, 2013</u>	<u>On or after January 1, 2013</u>
Hire date		
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 to 63	52 to 67
Monthly benefits as a % of eligible compensation	1.426% to 2.418%	1.0% to 2.5%
Cost of living adjustment	2.0%	2.0%
Required employee contribution rates	7.0%	6.25%
Required employer contribution rates	8.921%	6.533%

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, 2017 (the measurement date), the total pension liability (asset) was determined by rolling forward the total pension liability (asset) determined in the June 30, 2016 actuarial accounting valuation. The June 30, 2017 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 THE FINANCIAL STATEMENTS**  
**June 30, 2018**

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**NOTE 7 – PENSION PLAN (Continued)**

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

Actuarial Assumptions:

Discount rate	7.15%
Inflation	2.75%
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 2.75 percent until purchasing power protection allowance floor on purchasing power applies, 2.75 percent thereafter.

*Methods and Assumptions (Continued)*

The mortality table used was developed based on CalPERS' specific data. The table includes 20-year mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the April 2014 CalPERS Experience Study and Review of Actuarial Assumptions report (based on CalPERS demographic data for 1997 to 2011) available online at <https://www.calpers.ca.gov/docs/forms-publications/calper-experience-study-2014.pdf>.

All other actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period 1997 to 2011.

*Change of Assumptions*

For the measurement period ended June 30, 2017, the discount rate was changed from 7.65% to 7.15%. Deferred outflows of resources for changes of assumptions includes the unamortized portion of this assumption change.

*Discount Rate*

The discount rate used to measure the total pension liability was 7.15 percent and reflects the long-term expected rate of return for the Plan net of investment expenses and without reduction for administrative expenses. To determine whether the municipal bond rate should be used in the calculation of a discount rate for public agency plans (including PERF C), the amortization and smoothing periods recently adopted by the CalPERS Board in 2013 were used. For the Plan, the crossover test was performed for a miscellaneous agent rate plan and a safety agent rate plan selected as being more at risk of failing the crossover test and resulting in a discount rate that would be different from the long-term expected rate of return on pension investments. Based on the testing of the plans, the tests revealed the assets would not run out. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for PERF C. The crossover test results can be found at <https://www.calpers.ca.gov/page/employers/actuarial-services/gasb>.

**ARROWBEAR PARK COUNTY WATER DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2018**

**NOTE 7 – PENSION PLAN (Continued)**

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

*Discount Rate (Continued)*

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

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

The table below reflects long-term expected real rate of return by asset class. The rates of return were calculated using the capital market assumptions applied to determine the discount rate.

<u>Asset Class</u>	<u>New Strategic Allocation</u>	<u>Real Return</u>	
		<u>Years 1-10<sup>1</sup></u>	<u>11+<sup>2</sup></u>
Global equity	47%	4.90%	5.38%
Global debt securities	19%	0.80%	2.27%
Inflation assets	6%	0.60%	1.39%
Private equity	12%	6.60%	6.63%
Real estate	11%	2.80%	5.21%
Infrastructure and forestland	3%	3.90%	5.36%
Liquidity	<u>2%</u>	(0.40)%	(0.90)%
<b>Total</b>	<b><u>100%</u></b>		

<sup>1</sup>An expected inflation of 2.5% was used for this period.

<sup>2</sup>An expected inflation of 3.0% was used for this period.

**ARROWBEAR PARK COUNTY WATER DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2018**

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**NOTE 7 – PENSION PLAN (Continued)**

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, 2017 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:

	Discount Rate 6.15%	Discount Rate 7.15%	Discount Rate 8.15%
Net pension liability (asset)			
Miscellaneous plan	\$ 197,916	\$ (95,968)	\$ (339,367)
Safety plan	\$ 185,804	\$ 129,296	\$ 83,104

*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	Straight-line amortization over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) as of the beginning of the measurement period.

The expected average remaining service lifetime (“EARSL”) is calculated by dividing the total future service years by the total number of participants (active, inactive, and retired). The EARSL for the plan for the June 30, 2017 measurement period is 3.8 years, which was obtained by dividing the total service years of 490,088 (the sum of remaining service lifetimes of all active employees) by 130,595 (the total number of participants: active, inactive, and retired). Inactive employees and retirees have remaining service lifetimes equal to zero. Total future service is based on the members’ probability of decrementing due to an event other than receiving a cash refund.

**ARROWBEAR PARK COUNTY WATER DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2018**

**NOTE 7 – PENSION PLAN (Continued)**

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

The District'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, 2017 and the total pension liability for the Plans used to calculate the net pension liability was determined by actuarial valuations as of June 30, 2106 rolled forward to June 30, 2017 using standard update procedures. The District's proportion of the new pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liabilities (assets) as of the June 30, 2017 measurement date were (0.00243)% for the miscellaneous plan and 0.00216% for the safety plan. This represents a 0.00111% increase for the miscellaneous plan and a 0.00008% decrease for the safety plan since the previous measurement date.

For the year ended June 30, 2018, the District recognized pension expense of \$103,554. At June 30, 2018, the District deferred inflows and outflows of resources related to pensions as follows:

	<u>Miscellaneous and Safety Plans</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
<b>Governmental activities:</b>		
Pension contributions subsequent to measurement date	\$ 9,958	\$ -
Difference between expected and actual experience	1,179	308
Changes in assumptions	17,105	1,312
Net differences between projected and actual earnings on pension plan investments	3,730	-
Proportionate share of contributions	-	6,314
Change in Employer's proportion	-	19,105
	<u>          </u>	<u>          </u>
<b>Total</b>	<b><u>\$ 31,972</u></b>	<b><u>\$ 27,039</u></b>
<b>Business-type activities:</b>		
Pension contributions subsequent to measurement date	\$ 24,109	\$ -
Difference between expected and actual experience	719	10,295
Changes in assumptions	89,156	6,799
Net differences between projected and actual earnings on pension plan investments	20,163	-
Proportionate share of contributions	(83,979)	-
Change in Employer's proportion	10,656	39,602
	<u>          </u>	<u>          </u>
<b>Total</b>	<b><u>\$ 144,803</u></b>	<b><u>\$ 140,675</u></b>

**ARROWBEAR PARK COUNTY WATER DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2018**

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**NOTE 7 – PENSION PLAN (Continued)**

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

The amounts above are net of outflows and inflows recognized in the pension expense for the year ended June 30, 2018. The \$34,067 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019.

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

Year ending June 30	<u>Business-type Activities</u>	<u>Governmental Activities</u>	<u>Total</u>
	<u>Miscellaneous</u>	<u>Safety</u>	
2019	\$ (49,341)	\$ (13,706)	\$ (63,048)
2020	\$ 25,829	\$ 6,714	\$ 32,543
2021	\$ 15,504	\$ 4,150	\$ 19,654
2022	\$ (11,971)	\$ (2,182)	\$ (14,154)

**NOTE 8 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS**

General Information About the OPEB Plan

*Plan Description*

The District 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 District on or after age 50 and have at least 5 years of service. The District 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, 2018 was \$757 per month for employee-only coverage and \$1,322 for employee-plus-spouse coverage. Surviving spouses of active employees of the District with five years of credited service at their time of death will continue having premiums paid by the District for their lifetime. The District’s board of directors has the authority to establish and amend the benefit terms.

**ARROWBEAR PARK COUNTY WATER DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2018**

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**NOTE 8 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)**

General Information About the OPEB Plan (Continued)

*Employees Covered*

As of the June 30, 2017 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	<u>5</u>
<b>Total</b>	<b><u><u>11</u></u></b>

*Contributions*

The District’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 District 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 District’s board of directors annually. For the fiscal year ended June 30, 2018, the District’s contributed \$54,150 to the OPEB Plan, of which \$39,150 was used for current retiree healthcare premiums and \$15,000 was used to prefund benefits.

Net OPEB Liability

The District’s net OPEB liability was measured as of June 30, 2017 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

*Actuarial Assumptions*

The total OPEB liability in the June 30, 2017 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	2.75%
Salary increases	2.75% per year
Investment rate of return	7.0% net of expenses
Healthcare cost trend rates	4% per year
Mortality rates	Based on the 2014 CalPERS mortality rates for Miscellaneous Employees experience studies.
Retirement rates	Based on the 2009 CalPERS retirement rates for miscellaneous employees experience studies.
Turnover rates	Based on the 2009 CalPERS turnover rates for miscellaneous employees experience studies.



**ARROWBEAR PARK COUNTY WATER DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2018**

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**NOTE 8 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)**

Net OPEB Liability (Continued)

*Actuarial Assumptions (Continued)*

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.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Global Equity	59%	7.795%
Fixed Income	25%	5.295%
Treasury Inflation- Protected Securities	5%	7.795%
Real Estate Investment Trusts	8%	7.795%
Commodities	3%	7.795%

Rolling periods of time for all asset classes in combination we 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 7.0 percent. The projection of cash flows used to determine the discount rate assumed that the District 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 THE FINANCIAL STATEMENTS**  
**June 30, 2018**

**NOTE 8 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)**

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at beginning of year	\$ 709,256	\$ 69,540	\$ 639,716
Changes for the year:			
Service cost	13,265	-	13,265
Interest	48,238	-	48,238
Employer contributions	-	53,754	(53,754)
Actual investment income	-	7,338	(7,338)
Administrative expense	-	(38)	38
Benefit payments	<u>(38,754)</u>	<u>(38,754)</u>	<u>-</u>
Net Change	<u>22,749</u>	<u>22,300</u>	<u>449</u>
<b>Balance at year-end</b>	<b><u>\$ 732,005</u></b>	<b><u>\$ 91,840</u></b>	<b><u>\$ 640,165</u></b>

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

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculation using a discount rate that is 1 percentage-point lower (6.0 percent) or 1 percentage-point higher (8.0 percent) than the current discount rate:

	1 % Decrease	Discount Rate	1% Increase
	6%	7%	8%
Net OPEB liability	\$ 702,927	\$ 640,165	\$ 560,379

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

The following presents the net OPEB liability of the District, as well as what the District'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:

	Trend	Valuation	Trend
	1% lower	Trend	1% higher
Net OPEB Liability	\$ 559,315	\$ 640,165	\$ 701,950

*OPEB Plan Fiduciary Net Position*

Detailed information about the OPEB plan's fiduciary net position is available in CalPER's 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 THE FINANCIAL STATEMENTS**  
**June 30, 2018**

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**NOTE 8 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)**

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

For the year ended June 30, 2018, the District recognized OPEB Plan expense of \$54,334. At June 30, 2018, the District had a deferred outflow of resources in the amount of \$61,382 due to OPEB Plan contributions made subsequent to the measurement date. This amount will be recognized as a reduction of the net OPEB Plan liability in the fiscal year ended June 30, 2019. The District had no other deferred inflows or deferred outflows of resources for OPEB at June 30, 2018.

**NOTE 9 – RISK MANAGEMENT**

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

**NOTE 10 – PRIOR PERIOD ADJUSTMENT**

In addition to the restatement made as a result of the District's implementation of GASB 75, the District's beginning government-wide net position was increased by \$8,269 and the beginning governmental fund balance was decreased by \$7,511 to reflect the impact of revenues and expenses resulting from fire protection services that were not properly accrued at June 30, 2017.

**NOTE 11 – SUBSEQUENT EVENTS**

In the preparation of these financial statements, the District considered subsequent events through March 19, 2019 which is the date these financial statements were issued.

**REQUIRED SUPPLEMENTARY INFORMATION – UNAUDITED**

**ARROWBEAR PARK COUNTY WATER DISTRICT**  
**REQUIRED SUPPLEMENTARY INFORMATION - UNAUDITED**  
**June 30, 2018**

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

<u>Fiscal Year</u>	<u>Contractually Required Contributions</u>	<u>Contributions In Relation to the Actuarially Determined Contributions</u>	<u>Contribution Deficiency/ (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a % if Covered Employee Payroll</u>
<b>Business-type activities</b>					
<b>Miscellaneous Plan</b>					
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%
<b>Governmental activities</b>					
<b>Safety Plan</b>					
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

\* Fiscal year 2015 was the first year of implementation, therefore, not all 10 years of information is available.

**ARROWBEAR PARK COUNTY WATER DISTRICT**  
**REQUIRED SUPPLEMENTARY INFORMATION - UNAUDITED**  
**June 30, 2018**

**Schedule of District's Proportionate Share of 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 Net Pension Liability (Asset) as a % of Payroll	Plan Fiduciary Net Position as a % of the Total Pension Liability
<b>Miscellaneous Plan</b>					
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%
<b>Safety Plan</b>					
2018	0.00224%	129,296	-	N/A	67.99%
2017	0.00216%	116,164	-	N/A	69.82%
2016	0.00229%	94,433	-	N/A	75.57%

\* Information prior to fiscal year 2016 was not available, therefore, not all 10 years of information is shown.

**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%. Deferred outflows of resources for changes of assumptions includes the unamortized portion of this assumption change.

**ARROWBEAR PARK COUNTY WATER DISTRICT**  
**REQUIRED SUPPLEMENTARY INFORMATION - UNAUDITED**  
**June 30, 2018**

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

	Total OPEB Liability <u>June 30, 2018</u>
Balance beginning of year	\$ 639,716
Changes for the year:	
Service cost	13,265
Interest	48,238
Employer contributions	(53,754)
Actual investment income	(7,338)
Administrative expense	<u>38</u>
 <b>Balance at year-end</b>	 <b><u>\$ 640,165</u></b>

\*Fiscal year 2018 was the first year of implementation, therefore, no all 10 years of information is available.

**Notes to the OPEB Schedule**

Benefit Changes

None

Changes in Assumptions

None

Note: certain types of total OPEB liability changes are subject to deferral, as are investment gains/losses. The qualify for deferral, gains and losses must be based on GASB 74/75 compliant valuations. Since the District's prior valuation was performed in accordance with GASB 43/45, it is not possible to calculate compliant gains and losses. Therefore, valuation-based deferred items will not begin until the next valuation.

**OTHER SUPPLEMENTARY INFORMATION – UNAUDITED**



**ARROWBEAR PARK COUNTY WATER DISTRICT**  
**OTHER SUPPLEMENTARY INFORMATION – UNAUDITED**  
**June 30, 2018**

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**Organizational Information**

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

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

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

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

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

**ARROWBEAR PARK COUNTY WATER DISTRICT**  
**OTHER SUPPLEMENTARY INFORMATION – UNAUDITED**  
**June 30, 2018**

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

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

**ARROWBEAR PARK COUNTY WATER DISTRICT**  
**OTHER SUPPLEMENTARY INFORMATION – UNAUDITED**  
**June 30, 2018**

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**Schedule of Insurance Coverage**

At June 30, 2018, Arrowbear Park County Water District carried insurance as outlined below:

	Water/Sewer (District General)	Fire
Property coverage – blanket policy	\$ 3,067,058	\$ 1,592,629
General liability and wrongful acts	\$ 1,000,000/occurrence \$ 3,000,000/aggregate	\$ 5,000,000/occurrence \$ 10,000,000/aggregate
Employee theft	\$ 250,000	
Forgery or alteration	\$ 250,000	
Theft of money & securities	\$ 250,000	
Outside theft	\$ 250,000	
Computer fraud	\$ 100,000	
Workers' Compensation insurance	Statutory	Statutory
Deductibles on the insurance policies are generally \$1,000 to \$2,500.		