



**FINANCIAL REPORT  
JUNE 30, 2020**

# ARROWBEAR PARK COUNTY WATER DISTRICT

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## 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, 2020, 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, 2020, 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.

## **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 3 to 12 and 48 to 51 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### Other Information

Our 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 52 to 54 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The organizational information on page 52, schedule of officers, directors, and management on page 53, and schedule of insurance coverage on page 54 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*

June 30, 2021

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

# ARROWBEAR PARK COUNTY WATER DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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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, 2020. Please read it in conjunction with the District's financial statements which begin on page 13.

### Financial Highlights

- The District's total net position increased \$108,385 or 2.75% as a result of the year's operations. Net position of our business-type activities increased \$58,583 or 1.74% and net position of our governmental activities increased by \$49,775 or 8.83%. These changes are a result of slight increases in expenses (primarily salaries and benefits), a slight decrease in depreciation expenses, slight increases in tax revenues for governmental activities, and an increase in charges for fire response services.
- Total assets and deferred outflows of resources increased \$34,929 or .66% during the reporting period primarily as a result of an increase in capital assets (completion of pipeline projects).
- Revenues from business-type activities increased \$45,344 or 4.31% due primarily to increased water sales to outside agencies. Expenses of business-type activities increased \$125,299 or 13.72% due to increased material and services costs as well as increased costs for salaries, wages, and benefits. These changes produced an overall increase in the change in net position for business-type activities of \$58,583 over the previous year.
- Revenues from governmental activities increased \$42,667 or 15.35% 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 \$38,440 or 16.54% due to increases in payments to firefighters (salaries and wages) for fire responses for outside agencies and increased coverage levels. These changes produced a slight overall increase in net position for governmental activities of \$49,775 over the previous year.
- Combined District revenues increased \$88,011 or 6.62%, while combined expenses increased \$163,739 or 14.29%. In addition, capital contributions decreased \$75,367. These changes produced an overall increase in the District's change in net position of \$108,358 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 13 - 15) provide information about the activities of the District as a whole and present a longer-term view of the District's finances. Fund financial statements start on page 16. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds.

# ARROWBEAR PARK COUNTY WATER DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

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## Reporting the District as a Whole

Our analysis of the District as a whole begins on page 4. One of the most important questions asked about the District's finances is, "Is the District, as a whole, better off or worse off as a result of the year's activities?"

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

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, 2020 and 2019.

# ARROWBEAR PARK COUNTY WATER DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

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## **Reporting the District's Funds**

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

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



# ARROWBEAR PARK COUNTY WATER DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

## Government-Wide Financial Analysis

Our analysis below focuses on the net position (Table 1) and changes in net position (Table 2) of the District's governmental and business-type activities. As can be seen, the District's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$4,050,066 at the close of the most recent fiscal year.

**Table 1  
Net Position**

	Governmental Activities		Business-type Activities		Totals	
	2020	2019	2020	2019	2020	2019
Current assets	\$ 286,762	\$ 228,985	\$1,149,107	\$1,216,380	\$1,435,869	\$1,445,365
Capital assets	734,661	771,446	2,402,614	2,237,509	3,137,275	3,008,955
Net pension asset	-	-	101,336	133,202	101,336	133,202
Other long-term assets	-	-	423,980	466,585	423,980	466,585
Deferred outflows of resources	<u>29,586</u>	<u>28,325</u>	<u>194,274</u>	<u>204,959</u>	<u>223,860</u>	<u>233,284</u>
<b>Total assets and deferred outflows of resources</b>	<b><u>\$1,051,009</u></b>	<b><u>\$1,028,756</u></b>	<b><u>\$4,271,311</u></b>	<b><u>\$4,258,635</u></b>	<b><u>\$5,322,320</u></b>	<b><u>\$5,287,391</u></b>
Current liabilities	\$ 45,881	\$ 41,803	\$ 5,446	\$ 52,246	\$ 51,327	\$ 94,049
Noncurrent liabilities	<u>361,837</u>	<u>393,011</u>	<u>739,975</u>	<u>738,978</u>	<u>1,101,812</u>	<u>1,131,989</u>
Total liabilities	<u>407,718</u>	<u>434,814</u>	<u>745,421</u>	<u>791,224</u>	<u>1,153,139</u>	<u>1,226,038</u>
Deferred inflows of resources	<u>9,912</u>	<u>10,338</u>	<u>109,203</u>	<u>109,307</u>	<u>119,115</u>	<u>119,645</u>
Net position						
Invested in capital assets, net of related debt	473,165	470,918	2,402,608	2,237,509	2,875,773	2,708,427
Unrestricted	<u>160,214</u>	<u>112,686</u>	<u>1,014,079</u>	<u>1,120,595</u>	<u>1,174,293</u>	<u>1,233,281</u>
Total net position	<u>633,379</u>	<u>583,604</u>	<u>3,416,687</u>	<u>3,358,104</u>	<u>4,050,066</u>	<u>3,941,708</u>
<b>Total liabilities, deferred inflows of resources, and net position</b>	<b><u>\$1,051,009</u></b>	<b><u>\$1,028,756</u></b>	<b><u>\$4,271,311</u></b>	<b><u>\$4,258,635</u></b>	<b><u>\$5,322,320</u></b>	<b><u>\$5,287,391</u></b>

By far, the largest portion of the District's net position (71.0% or \$2,875,773) 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 \$1,174,293.

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

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

**Table 2  
Changes in Net Position**

	Governmental Activities		Business-type Activities		Totals	
	2020	2019	2020	2019	2020	2019
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 26,524	\$ -	\$ 955,237	\$ 914,213	\$ 981,761	\$ 914,213
Operating grants	12,063	14,983	1,000	1,000	13,063	15,983
General revenues:						
Property taxes	278,412	259,589	-	-	278,412	259,589
Standby charges	-	-	106,698	105,935	106,698	105,935
Interest income	3,218	3,298	29,878	30,508	33,096	33,806
Miscellaneous	<u>395</u>	<u>75</u>	<u>4,211</u>	<u>24</u>	<u>4,606</u>	<u>99</u>
Total Revenues	<u>320,612</u>	<u>277,945</u>	<u>1,097,024</u>	<u>1,051,680</u>	<u>1,417,636</u>	<u>1,329,625</u>
<b>Expenses</b>						
Salaries and wages	104,081	81,520	282,848	275,396	386,929	356,916
Benefits	25,744	7,779	208,263	96,052	234,007	103,831
Professional services	16,977	13,664	61,548	49,627	78,525	63,291
Insurance	15,589	13,969	34,046	29,626	49,635	43,595
Utilities	12,076	13,895	37,186	36,585	49,262	50,480
System maintenance	-	-	219,027	222,930	219,027	222,930
Depreciation	63,201	62,162	166,921	175,150	230,122	237,312
Interest	9,497	10,692	-	-	9,497	10,692
Other	<u>23,672</u>	<u>28,716</u>	<u>28,602</u>	<u>27,776</u>	<u>52,274</u>	<u>56,492</u>
Total Expenses	<u>270,837</u>	<u>232,397</u>	<u>1,038,441</u>	<u>913,142</u>	<u>1,309,278</u>	<u>1,145,539</u>
Change in net position, before capital contributions	49,775	45,548	58,583	138,538	108,358	184,086
Capital contributions	-	-	-	75,367	-	75,367
Net position						
Beginning of year	<u>583,604</u>	<u>538,056</u>	<u>3,358,104</u>	<u>3,144,199</u>	<u>3,941,708</u>	<u>3,682,255</u>
End of year	<b><u>\$ 633,379</u></b>	<b><u>\$ 583,604</u></b>	<b><u>\$3,416,687</u></b>	<b><u>\$3,358,104</u></b>	<b><u>\$4,050,066</u></b>	<b><u>\$3,941,708</u></b>

**ARROWBEAR PARK COUNTY WATER DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2020**

**Capital Asset and Debt**

Capital Assets

At the end of fiscal 2020, the District had \$3,137,275 (net of accumulated depreciation) invested in a broad range of capital assets including land, water facilities, sewer facilities, a fire station, vehicles, and equipment (see Table 3 below). This amount represents a net increase (including additions and deductions) of \$128,320 (4.26 %) over last year.

**Table 3**  
**Capital Assets at Year End**

	Governmental Activities		Business-type Activities		Totals	
	2020	2019	2020	2019	2020	2019
Land	\$ 31,045	\$ 31,045	\$ 87,406	\$ 87,406	\$ 118,451	\$ 118,451
Infrastructure	-	-	6,391,260	6,168,164	6,391,260	6,168,164
Vehicles	776,198	756,819	302,100	302,100	1,078,298	1,058,919
Equipment	333,131	328,623	196,509	153,442	529,640	482,065
Facilities	297,920	253,127	111,056	107,736	408,976	360,863
Construction in progress	-	42,264	92,003	84,076	92,003	126,340
Accumulated depreciation	(703,633)	(640,432)	(4,777,720)	(4,665,415)	(5,481,353)	(5,305,847)
	<b><u>\$ 734,661</u></b>	<b><u>\$ 771,446</u></b>	<b><u>\$2,402,614</u></b>	<b><u>\$2,237,509</u></b>	<b><u>\$3,137,275</u></b>	<b><u>\$3,008,955</u></b>

This year's major additions included:

- New Fire Department equipment (Strike Vehicle)
- Completed Fire station training room
- Completed pipeline replacements (Chipmunk and Squirrel)
- Pipeline replacements construction in progress (Cougar and Evergreen)

Additional information regarding capital assets is provided in Note 4 of the Notes to the Financial statements.

Debt

The District entered into a lease purchase agreement for the acquisition of a fire engine in FY 2016-17. The lease requires ten payments of \$48,528 and has minimum lease payments of \$291,168 remaining at year-end of which \$29,671 represents interest.

**ARROWBEAR PARK COUNTY WATER DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
June 30, 2020

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**Economic Factors**

General economic conditions for the unincorporated areas of San Bernardino County, of which Arrowbear Lake is a part of, were generally improving in 2019 and were expected to improve at a moderate pace in 2020. However, the COVID-19 pandemic has created a national economic crisis which has created some uncertainty regarding the impact on water sales or the ability of customers to pay their water bills in a timely manner. So far, the District has not felt any significant negative impacts to revenues. There has been a slight increase in the total amount of customer receivables due to the restrictions and regulations imposed by the State of California regarding water service shut offs and mandatory payment plans for those financially affected by COVID-19. During the COVID-19 pandemic the District, as an essential service, adopted and implemented protocols to protect personnel and customers and as a result had no personnel contract COVID-19.

While the District has not typically seen significant growth in the form of new home construction in the past few years, it has recently seen an increase in home sales and occupied residences due to COVID-19 and customers working from home (or from their vacation home). As the housing market is seeing a significant decrease in inventory, the District may see an increase in new home construction and additional customers being added to the water and wastewater collection systems. Additionally, as property values rise, property tax revenues will increase benefitting the Fire Department's overall revenues.

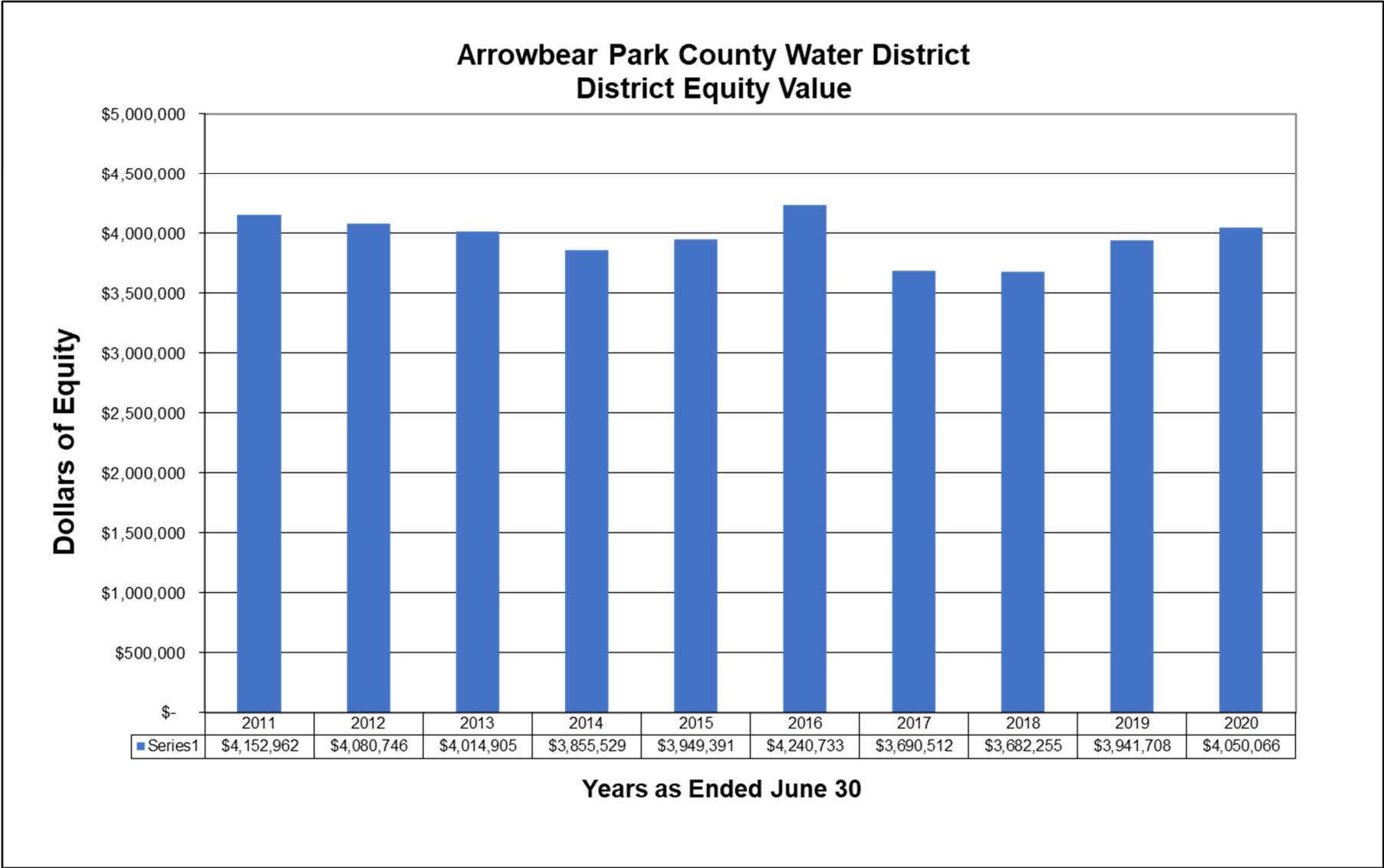
Due to increasing costs (salaries/wages, benefits, utilities, fuel, and materials) as a result of rising inflation, the District anticipates that an increase in rates will probably be needed in the near future to maintain balanced budgets while providing for future infrastructure replacement costs. In the short-term, to continue our high-priority capital improvement and planned maintenance projects, the Board of Directors anticipates approving a budget for FY 2021-2022 that uses budget surpluses along with current reserves for its Master Plan projects rather than using an installment purchase agreement or other financing. Favorable operating results to the budget will allow these and additional projects to be completed without a major impact to reserves.

The annual rainfall in the 2019-2020 season was slightly below average and future weather patterns will continue to be the major factor in the District's water supply and its ability to generate additional revenues through surplus water sales.

**Contacting the District's Financial Management**

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

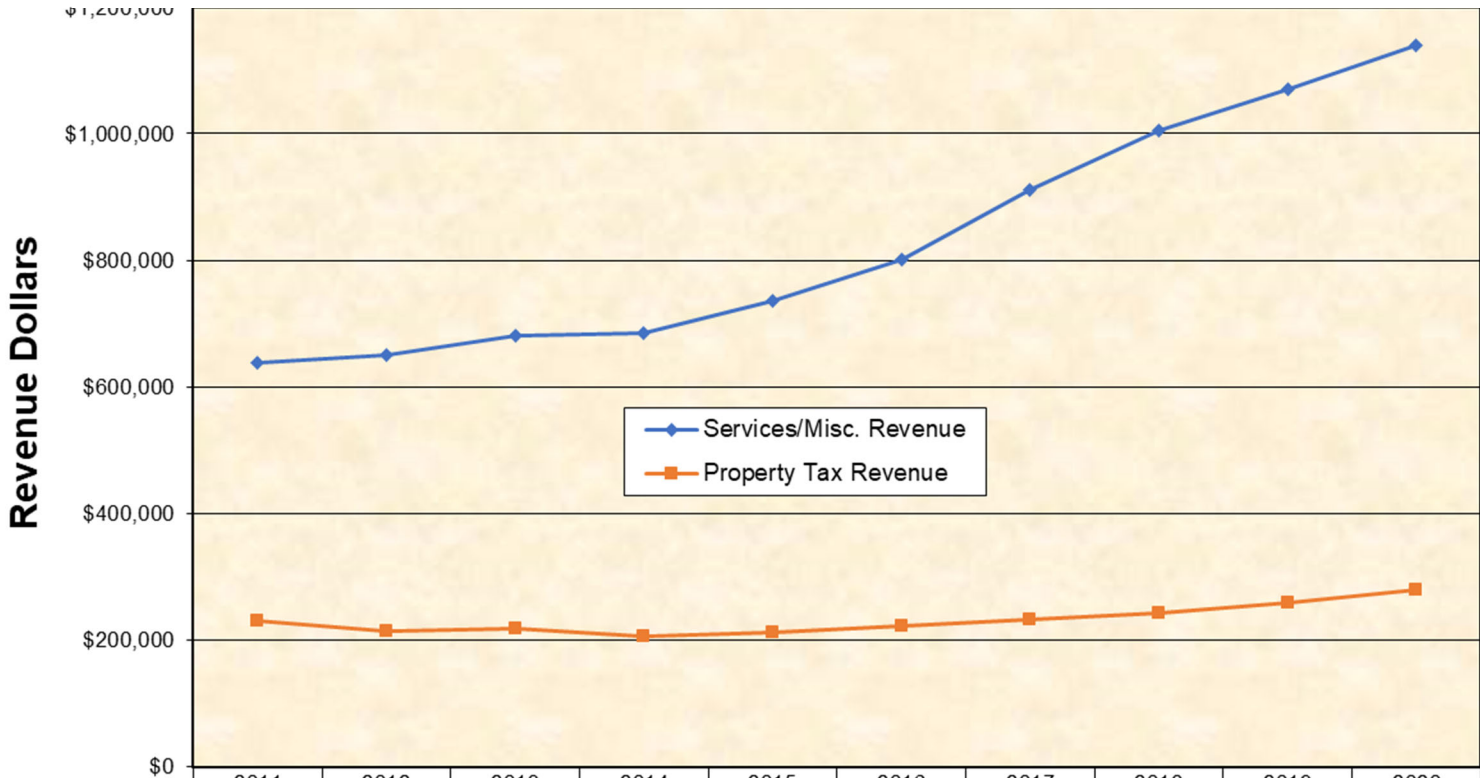
**ARROWBEAR PARK COUNTY WATER DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS**



**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  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Arrowbear Park County Water District  
Revenues from Services and Taxes History**

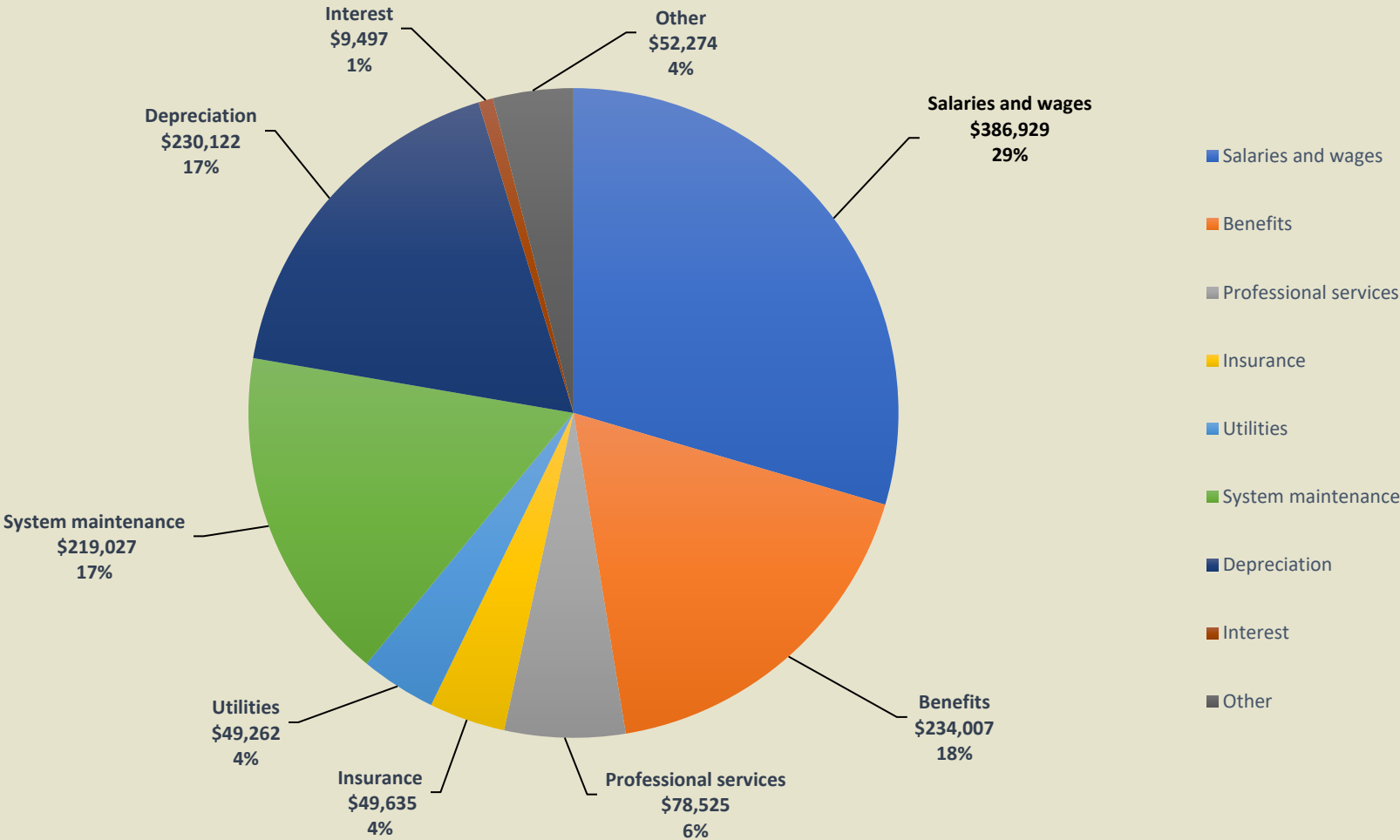


◆ Services/Misc. Revenue	\$638,499	\$649,916	\$681,272	\$684,416	\$736,848	\$801,709	\$911,846	\$1,004,581	\$1,070,036	\$1,139,224
■ Property Tax Revenue	\$229,577	\$214,184	\$217,996	\$206,682	\$212,669	\$222,739	\$231,583	\$241,743	\$259,589	\$278,412

**Years as Ended June 30**

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

**ARROWBEAR PARK COUNTY WATER DISTRICT  
FY 19-20 OPERATING EXPENSES**



## **BASIC FINANCIAL STATEMENTS**



# ARROWBEAR PARK COUNTY WATER DISTRICT

## STATEMENT OF NET POSITION

June 30, 2020

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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	\$ 259,579	\$ 890,253	\$ 1,149,832
Accounts receivable:			
Customers	-	151,869	151,869
Taxes	2,038	-	2,038
Intergovernmental (grants)	24,500	-	24,500
Other	570	3,228	3,798
Inventories	-	54,556	54,556
Other assets	75	49,201	49,276
Net pension asset	-	101,336	101,336
Capital assets nondepreciable	31,045	179,409	210,454
Capital assets depreciable, net	703,616	2,223,205	2,926,821
Other long-term assets, net	-	423,980	423,980
	<u>1,021,423</u>	<u>4,077,037</u>	<u>5,098,460</u>
Total assets			
<b>Deferred outflows of resources</b>			
OPEB related	-	64,095	64,095
Pension related	29,586	130,179	159,765
	<u>29,586</u>	<u>194,274</u>	<u>223,860</u>
Total deferred outflows of resources			
<b>Total assets and deferred outflows of resources</b>	<b><u>\$ 1,051,009</u></b>	<b><u>\$ 4,271,311</u></b>	<b><u>\$ 5,322,320</u></b>

See notes to financial statements.

# ARROWBEAR PARK COUNTY WATER DISTRICT

## STATEMENT OF NET POSITION

June 30, 2020

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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	\$ 45,881	\$ 5,446	\$ 51,327
Noncurrent liabilities:			
Due within one year	42,071	29,094	71,165
Due in more than one year	<u>319,766</u>	<u>710,881</u>	<u>1,030,647</u>
Total liabilities	<u>407,718</u>	<u>745,421</u>	<u>1,153,139</u>
<b>Deferred inflows of resources</b>			
Pension related	<u>9,912</u>	<u>109,203</u>	<u>119,115</u>
<b>Net position</b>			
Net investment in capital assets	473,165	2,402,608	2,875,773
Unrestricted	<u>160,214</u>	<u>1,014,079</u>	<u>1,174,293</u>
Total net position	<u>633,379</u>	<u>3,416,687</u>	<u>4,050,066</u>
<b>Total liabilities, deferred inflows of resources, and net position</b>	<b><u>\$ 1,051,009</u></b>	<b><u>\$ 4,271,311</u></b>	<b><u>\$ 5,322,320</u></b>

See notes to financial statements.

# ARROWBEAR PARK COUNTY WATER DISTRICT

## STATEMENT OF ACTIVITIES

Year Ended June 30, 2020

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	\$ 270,837	\$ 26,524	\$ 12,063	\$ (232,250)	\$ -	\$ (232,250)
<b>Business-type activities</b>						
Water and sewer	<u>1,038,441</u>	<u>1,061,935</u>	<u>1,000</u>	<u>-</u>	<u>24,494</u>	<u>24,494</u>
<b>Total</b>	<b><u>\$ 1,309,278</u></b>	<b><u>\$ 1,088,459</u></b>	<b><u>\$ 13,063</u></b>	<u>(232,250)</u>	<u>24,494</u>	<u>(207,756)</u>
<b>General revenues:</b>						
Property taxes				278,412	-	278,412
Interest income				3,218	29,878	33,096
Miscellaneous				<u>395</u>	<u>4,211</u>	<u>4,606</u>
Total general revenues				<u>282,025</u>	<u>34,089</u>	<u>316,114</u>
Change in net position				49,775	58,583	108,358
Net position, beginning of year				<u>583,604</u>	<u>3,358,104</u>	<u>3,941,708</u>
<b>Net position, end of year</b>				<b><u>\$ 633,379</u></b>	<b><u>\$ 3,416,687</u></b>	<b><u>\$ 4,050,066</u></b>

See notes to financial statements.

# ARROWBEAR PARK COUNTY WATER DISTRICT

## BALANCE SHEET - GOVERNMENTAL FUND

June 30, 2020

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	<b>General Fund</b>
	<u>                    </u>
<b>Assets</b>	
Cash and cash equivalents	\$ 259,579
Accounts receivable:	
Taxes	2,038
Intergovernmental (grants)	24,500
Other	570
Other assets	<u>75</u>
<b>Total assets</b>	<b><u>\$ 286,762</u></b>
<b>Liabilities</b>	
Accrued liabilities	<u>\$ 5,618</u>
<b>Fund balances</b>	
Unassigned	<u>281,144</u>
<b>Total liabilities and fund balances</b>	<b><u>\$ 286,762</u></b>

See notes to financial statements.

**ARROWBEAR PARK COUNTY WATER DISTRICT**  
**RECONCILIATION OF THE BALANCE SHEET**  
**GOVERNMENTAL FUND TO THE STATEMENT OF NET POSITION**  
**June 30, 2020**

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Total fund balances - governmental fund	\$ 281,144
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets, net of accumulated depreciation, used in governmental activities are not current financial resources and, therefore, are not reported in the fund.	734,661
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the fund.	(361,837)
Deferred inflows and outflows related to the pension are not reported in the fund.	19,674
Capital lease obligation, current	<u>(40,263)</u>
Net position of governmental activities	<u><b>\$ 633,379</b></u>

See notes to financial statements.

**ARROWBEAR PARK COUNTY WATER DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES,**  
**AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUND**  
**Year Ended June 30, 2020**

	<b>General Fund</b>
<b>Revenues</b>	
Property taxes	\$ 278,412
Sales to other agencies	26,524
Grant revenue	12,063
Interest income	3,218
Miscellaneous	395
Total revenues	320,612
<b>Expenditures</b>	
<b>Fire protection</b>	
Salaries and wages	104,081
Benefits	24,359
Professional services	16,977
Insurance	15,589
Utilities	12,076
Capital outlay	121,373
Interest	9,497
Other	7,277
Total expenditures	311,229
Revenues over expenditures	9,383
<b>Net Change in Fund Balance</b>	
Beginning of year	271,761
<b>End of year</b>	<b>\$ 281,144</b>

See notes to financial statements.

**ARROWBEAR PARK COUNTY WATER DISTRICT**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE OF GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES**  
**Year Ended June 30, 2020**

---

Net change in fund balance - governmental fund	\$	9,383
Amounts reported for governmental activities in the Statement of Activities are different because:		
Changes in deferred outflows and inflows related to the pension and the net pension liability.		(1,385)
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.		104,978
Depreciation expense allocates the costs of capital assets over their useful lives. It is not reported as an expenditure in the governmental fund statements.		<u>(63,201)</u>
Change in net position of governmental activities	<b>\$</b>	<b><u>49,775</u></b>

See notes to financial statements.

# ARROWBEAR PARK COUNTY WATER DISTRICT

## STATEMENT OF NET POSITION - PROPRIETARY FUND

June 30, 2020

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### Water & Sewer Enterprise Fund

#### ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

##### Current assets

Cash and cash equivalents	\$ 890,253
Accounts receivable	151,869
Interest and other receivables	3,228
Inventories	54,556
Other current assets	<u>49,201</u>

Total current assets 1,149,107

##### Noncurrent assets

Net pension asset	101,336
Capital assets, net	2,402,614
Other long-term assets, net	<u>423,980</u>

Total noncurrent assets 2,927,930

Total assets 4,077,037

##### Deferred outflows of resources

OPEB related	64,095
Pension related	<u>130,179</u>

Total deferred outflows of resources 194,274

**Total assets and deferred outflows of resources** \$ 4,271,311

See notes to financial statements.



# ARROWBEAR PARK COUNTY WATER DISTRICT

## STATEMENT OF NET POSITION - PROPRIETARY FUND

June 30, 2020

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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>	
Other current liabilities	\$ 5,446
Total current liabilities	<u>5,446</u>
<b>Long-term liabilities</b>	
Employee benefits payable	105,277
Net OPEB liability	<u>634,698</u>
Total long-term liabilities	<u>739,975</u>
Total liabilities	<u>745,421</u>
<b>Deferred inflows of resources</b>	
Pension related	<u>109,203</u>
<b>Net position</b>	
Net investment in capital assets	2,402,608
Unrestricted	<u>1,014,079</u>
Total net position	<u>3,416,687</u>
<b>Total liabilities, deferred inflows of resources, and net position</b>	<b><u>\$ 4,271,311</u></b>

See notes to financial statements.

**ARROWBEAR PARK COUNTY WATER DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES,**  
**AND CHANGES IN NET POSITION - PROPRIETARY FUND**  
**Year Ended June 30, 2020**

	<b>Water &amp; Sewer Enterprise Fund</b>
<b>Operating revenues</b>	
User fees	\$ 900,131
Standby charges	106,698
Sales to other agencies	55,106
Total operating revenues	1,061,935
<b>Operating expenses</b>	
Salaries and wages	282,848
Benefits	208,263
Professional services	61,548
Insurance	34,046
Utilities	37,186
Systems maintenance and operations	219,027
Depreciation and amortization	166,921
Other	28,602
Total operating expenses	1,038,441
Operating income	23,494
<b>Nonoperating revenues</b>	
Grant revenue	1,000
Interest income	29,878
Other	4,211
Total nonoperating revenues	35,089
Change in net position	58,583
<b>Net position</b>	
Beginning of year	3,358,104
<b>Net position, end of year</b>	<b>\$ 3,416,687</b>

See notes to financial statements.

**ARROWBEAR PARK COUNTY WATER DISTRICT**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUND**  
Year Ended June 30, 2020

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**Water & Sewer  
Enterprise Fund**

<b>Cash flows from operating activities</b>	
Cash received from customers	\$ 1,057,369
Cash paid to suppliers and other	(476,942)
Cash paid to employees for services	<u>(447,667)</u>
Net cash provided by operating activities	<u>132,760</u>
<b>Cash flows from investing activities</b>	
Interest on investments	<u>32,005</u>
<b>Cash flows from capital and related financing activities</b>	
Purchase of capital assets	(277,410)
Acquisition of other long-term assets	(12,011)
Other	<u>5,211</u>
Net cash used in capital and related financing activities	<u>(284,210)</u>
<b>Net change in cash and cash equivalents</b>	(119,445)
<b>Cash and cash equivalents, beginning of year</b>	<u>1,009,698</u>
<b>Cash and cash equivalents, end of year</b>	<b><u>\$ 890,253</u></b>

See notes to financial statements.

**ARROWBEAR PARK COUNTY WATER DISTRICT**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUND**  
Year Ended June 30, 2020

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**Water & Sewer  
Enterprise Fund**

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**Reconciliation of operating income to net cash provided by  
operating activities**

Operating income	\$	23,494
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation and amortization		166,921
Changes in assets and liabilities:		
Accounts receivable		(4,566)
Inventories		(1,032)
Other current assets		(48,701)
Net pension asset		31,866
Deferred outflows - OPEB		(2,786)
Deferred outflows - pension		13,471
Accounts payable		(35,382)
Other current liabilities		(11,418)
Employee benefits payable		8,050
Net OPEB Liability		(7,053)
Deferred inflows - pension		(104)
		<hr/>
Net cash provided by operating activities	<b>\$</b>	<b><u>132,760</u></b>

See notes to financial statements.

# ARROWBEAR PARK COUNTY WATER DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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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.

### NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

The District’s financial statements are prepared in accordance with generally accepted accounting principles (“GAAP”). GASB is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the 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 FINANCIAL STATEMENTS

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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. GASB No. 34 sets forth minimum criteria (percentage of the assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The 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.

The District has elected to apply the provisions of GASB 62 *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* paragraphs 476-500, *Regulated Operations*, to the Water and Sewer enterprise fund. Accordingly, the District reports regulatory assets as Other Long-term Assets net of accumulated amortization. These regulatory assets arise from costs incurred that will benefit future periods which will be included in future rate adjustments and will be recovered through rates charged.

# ARROWBEAR PARK COUNTY WATER DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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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.

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

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

Accounts Receivable

Accounts receivable are reported at their net realizable value, less an allowance for uncollectible accounts, if deemed necessary. The 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, 2020, 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.

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, 2020, 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:

Infrastructure	5 to 50 years
Facilities	8 to 40 years
Equipment	5 to 30 years
Vehicles	5 to 20 years

The depreciation expense on assets acquired under capital leases is included with depreciation expense on owned 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 fund financial statements in the current year.



# ARROWBEAR PARK COUNTY WATER DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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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 FINANCIAL STATEMENTS

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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 8) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis as reported by the OPEB Plan's administrator, 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, 2020, the District's net position presentation is categorized as shown below. The District did not have any restricted net position at June 30, 2020.

*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 FINANCIAL STATEMENTS**

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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, 2020 the District's governmental fund balance was comprised entirely of unassigned amounts.

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 June 15, 2021. The District does not anticipate that this statement will have a material impact on the financial statements.

**NOTE 3 – CASH AND CASH EQUIVALENTS**

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

Deposits	\$ 109,016
Investments	<u>1,040,816</u>
	<b><u>\$ 1,149,832</u></b>

The cash and cash equivalents are held as follows:

Governmental activities	\$ 259,579
Business-type activities	<u>890,253</u>
	<b><u>\$ 1,149,832</u></b>

Deposits

At June 30, 2020, the carrying amount of the District's deposits was \$109,016, and the bank balance was \$156,033.

# ARROWBEAR PARK COUNTY WATER DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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

#### 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, 2020, 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.

#### 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 FINANCIAL STATEMENTS**

**NOTE 4 – CAPITAL ASSETS**

The following is the activity for the year ended June 30, 2020:

<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>42,264</u>	<u>2,530</u>	<u>(44,794)</u>	<u>-</u>
	<u>73,309</u>	<u>2,530</u>	<u>(44,794)</u>	<u>31,045</u>
Capital assets depreciable				
Vehicles	756,819	19,379	-	776,198
Equipment	328,623	4,508	-	333,131
Facilities	<u>253,127</u>	<u>44,793</u>	<u>-</u>	<u>297,920</u>
	1,338,569	68,680	-	1,407,249
Less accumulated depreciation				
Vehicles	(310,226)	(36,731)	-	(346,957)
Equipment	(174,341)	(18,456)	-	(192,797)
Facilities	<u>(155,865)</u>	<u>(8,014)</u>	<u>-</u>	<u>(163,879)</u>
Capital assets depreciable, net	<u>698,137</u>	<u>5,479</u>	<u>-</u>	<u>703,616</u>
Capital assets, net	<b><u>\$ 771,446</u></b>	<b><u>\$ 8,009</u></b>	<b><u>\$ (44,794)</u></b>	<b><u>\$ 734,661</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>84,076</u>	<u>231,022</u>	<u>(223,095)</u>	<u>92,003</u>
	<u>171,482</u>	<u>231,022</u>	<u>(223,095)</u>	<u>179,409</u>
Capital assets depreciable				
Infrastructure	6,168,164	223,096	-	6,391,260
Vehicles	302,100	-	-	302,100
Equipment	153,442	43,067	-	196,509
Facilities	<u>107,736</u>	<u>3,320</u>	<u>-</u>	<u>111,056</u>
	6,731,442	269,483	-	7,000,925
Less accumulated depreciation				
Infrastructure	(4,351,417)	(82,747)	-	(4,434,164)
Vehicles	(131,644)	(17,290)	-	(148,934)
Equipment	(106,480)	(8,662)	-	(115,142)
Facilities	<u>(75,874)</u>	<u>(3,606)</u>	<u>-</u>	<u>(79,480)</u>
Capital assets depreciable, net	<u>2,066,027</u>	<u>157,178</u>	<u>-</u>	<u>2,223,205</u>
Capital assets, net	<b><u>\$ 2,237,509</u></b>	<b><u>\$ 388,200</u></b>	<b><u>\$ (223,095)</u></b>	<b><u>\$ 2,402,614</u></b>

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

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

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, 2020 accumulated depreciation on the fire engine was \$76,650. The fire engine is included in the vehicles category of the above governmental activities capital asset schedule.

The following is a schedule of the future minimum lease payments under the capital lease together with the present value of the net minimum lease payments as of June 30, 2020:

Year ending June 30,		
2021	\$	48,528
2022		48,528
2023		48,528
2024		48,528
2025		48,528
2026		<u>48,528</u>
Total minimum lease payments		291,168
Less the amount representing interest		<u>(29,671)</u>
Present value of net minimum lease payments		261,497
Less capital lease obligation, current		<u>(40,265)</u>
 Capital lease obligation, noncurrent		 <b><u>\$ 221,232</u></b>

**NOTE 5 – OTHER LONG-TERM ASSETS**

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. Per the agreement, the District will share in the cost of the operation of the sewage treatment plant based on the District’s proportionate share of wastewater flow to the facilities. Additionally, the District will share in the cost of capital improvements to the sewage treatment plant based on the capacity allocable to the District. The District does not have any ownership interest and does not participate in the management of the sewage treatment plant.

The District capitalizes its share of the cost of capital improvements made to the sewage treatment plant as regulatory assets. The amounts capitalized by the District for their share of the improvements during the year ended June 30, 2020 was \$12,011. The improvements are amortized on a straight-line basis over the period the District estimates the costs will be recovered through charges to customers and range from 15 to 20 years. Amortization of these assets amounted to \$54,616 for the year and accumulated amortization was \$525,991 as of June 30, 2020.

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

**NOTE 6 – NONCURRENT LIABILITIES**

Noncurrent liability activity for the year ended June 30, 2020 was as follows:

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>Balance</u>	<u>Due Within</u> <u>One Year</u>
<b>Governmental Activities</b>					
Capital lease	\$ 261,497	\$ -	\$ (40,265)	\$ 221,232	\$ 40,265
Compensated absences	-	6,019	-	6,019	1,806
Net pension liability	<u>131,514</u>	<u>3,072</u>	<u>-</u>	<u>134,586</u>	<u>-</u>
	393,011	9,091	(40,265)	361,837	42,071
<b>Business-type Activities</b>					
Compensated absences	97,227	42,060	(34,010)	105,277	29,094
Net OPEB liability	<u>641,751</u>	<u>-</u>	<u>(7,053)</u>	<u>634,698</u>	<u>-</u>
	738,978	42,060	(41,063)	739,975	29,094
<b>Total</b>	<b><u>\$1,131,989</u></b>	<b><u>\$ 51,151</u></b>	<b><u>\$ (81,328)</u></b>	<b><u>\$1,101,812</u></b>	<b><u>\$ 71,165</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 FINANCIAL STATEMENTS**

**NOTE 7 – PENSION PLAN (Continued)**

General Information About the Pension Plan (Continued)

*Contribution Description*

Section 20814(c) of the California Public Employees’ Retirement Law (“PERL”) requires that the employer contribution rates for all public employers be determined on an annual basis by 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 \$45,324 for the year ended June 30, 2020.

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, 2020 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 & up	52 to 67 & up
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%	6.75%
Required employer contribution rates	10.221%	8.205%

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, 2019 (the measurement date), the total pension liability (asset) was determined by rolling forward the total pension liability (asset) determined in the June 30, 2018 actuarial accounting valuation. The June 30, 2019 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



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

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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	2.50%
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 2.50% until purchasing power protection allowance floor on purchasing power applies.

The mortality table used was developed based on CalPERS' specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to the December 2017 CalPERS experience study report (based on CalPERS demographic data for 1997 to 2015) available online at <https://www.calper.ca.gov/docs/forms-publications/calpers-experience-study-2017.pdf>.

*Long-term Expected Rate of Return*

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all of 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 for each fund. 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 equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

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

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**NOTE 7 – PENSION PLAN (Continued)**

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

*Long-term Expected Rate of Return (Continued)*

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

<u>Asset Class<sup>1</sup></u>	<u>Asset Allocation</u>	<u>Real Return</u>	
		<u>Years 1-10<sup>2</sup></u>	<u>Years 11+<sup>3</sup></u>
Global equity	50%	4.80%	5.98%
Fixed income	28%	1.00%	2.62%
Inflation assets	-	.77%	1.81%
Private equity	8%	6.30%	7.23%
Real assets	13%	3.75%	4.93%
Liquidity	<u>1%</u>	-	(0.92)%
Total	<u><b>100%</b></u>		

<sup>1</sup>In CalPERS’s CAFR, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.

<sup>2</sup>An expected inflation of 2.00% used for this period.

<sup>3</sup>An expected inflation of 2.92% used for this period.

*Discount Rate*

The discount rate used to measure the total pension liability for PERF C was 7.15%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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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, 2019 measurement date, calculated using the discount rate in effect at year-end. The table shows what the net pension liability (asset) would be if it were calculated using a discount rate that is 1.0 percentage-point lower or 1.0 percentage-point higher than the current rate:

Net pension liability (asset)	6.15%	7.15%	8.15%
Miscellaneous plan	\$ 207,319	\$ (101,336)	\$ (356,109)
Safety plan	\$ 187,915	\$ 134,586	\$ 90,864

*Pension Plan Fiduciary Net Position*

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

*Amortization of Deferred Outflows and Deferred Inflows of Resources*

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

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

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

Difference between projected and actual earnings on pension plan investments	5 year straight-line amortization
All other amounts	3.8 year straight-line amortization

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

**NOTE 7 – PENSION PLAN (Continued)**

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

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, 2019 and the total pension liability for the Plans used to calculate the net pension liability was determined by actuarial valuations as of June 30, 2018 rolled forward to June 30, 2019 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, 2019 measurement date were (0.00253)% for the miscellaneous plan and 0.00216% for the safety plan. This represents a 0.00110% increase for the miscellaneous plan and a 0.00009% decrease for the safety plan since the previous measurement date.

For the year ended June 30, 2020, the District recognized a pension expense of \$93,832. At June 30, 2020, the District deferred inflows and outflows of resources related to pensions as follows:

	Miscellaneous and Safety Plans	
	Deferred Outflows of Resources	Deferred Inflows of Resources
<b>Governmental activities:</b>		
Pension contributions subsequent to measurement date	\$ 14,884	\$ -
Difference between expected and actual experience	8,787	-
Changes in assumptions	5,516	1,077
Net differences between projected and actual earnings on pension plan investments	-	1,851
Proportionate share of contributions	399	1,413
Change in Employer's proportion	-	5,571
<b>Total</b>	<b>\$ 29,586</b>	<b>\$ 9,912</b>
<b>Business-type activities:</b>		
Pension contributions subsequent to measurement date	\$ 30,440	\$ -
Difference between expected and actual experience	-	6,493
Changes in assumptions	-	3,119
Net differences between projected and actual earnings on pension plan investments	1,772	-
Proportionate share of contributions	-	96,984
Change in Employer's proportion	97,967	2,607
<b>Total</b>	<b>\$ 130,179</b>	<b>\$ 109,203</b>

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

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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, 2020. The \$45,324 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, 2021.

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>	
2021	\$ (9,879)	\$ 5,543	\$ (4,336)
2022	\$ 9,498	\$ (1,843)	\$ 7,655
2023	\$ (8,725)	\$ 729	\$ (7,996)
2024	\$ (358)	\$ 360	\$ 2

**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, 2020 was \$757 per month for employee-only coverage and \$1,330 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 FINANCIAL STATEMENTS**

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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, 2019 actuarial valuation, the following current and former employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	6
Active employees	6
<b>Total</b>	<b>12</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, 2020, the District contributed \$54,270 to the OPEB Plan, of which \$39,270 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, 2019 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2018.

*Actuarial Assumptions*

The total OPEB liability in the June 30, 2019 (measurement date) actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Cost Method	Entry age normal
Inflation	2.75%
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 FINANCIAL STATEMENTS**

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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%	4.500%
Treasury Inflation- Protected Securities	5%	3.250%
Real Estate Investment Trusts	8%	7.500%
Commodities	3%	7.795%

Rolling periods of time for all asset classes in combination were used to appropriately reflect correlation between asset classes. This means that the average returns for any asset class do not necessarily reflect the averages over time individually, but reflect the return for the asset class for the portfolio average. Additionally, the historic 26-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 26 years. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

**NOTE 8 – 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	\$ 755,823	\$ 114,072	\$ 641,751
Changes for the year:			
Service cost	14,005	-	14,005
Interest	50,973	-	50,973
Employer contributions to trust	-	15,000	(15,000)
Employer contributions as benefit payments	-	38,995	(38,995)
Actual investment income	5,153	7,312	(2,159)
Administrative expense	-	(25)	25
Benefit payments	<u>(54,897)</u>	<u>(38,995)</u>	<u>(15,902)</u>
Net Change	<u>15,234</u>	<u>22,287</u>	<u>(7,053)</u>
<b>Balance at year-end</b>	<b><u>\$ 771,057</u></b>	<b><u>\$ 136,359</u></b>	<b><u>\$ 634,698</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 calculated 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:

	6%	7%	8%
Net OPEB liability	\$ 713,046	\$ 634,698	\$ 568,215

*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 1% lower	Valuation Trend	Trend 1% higher
Net OPEB Liability	\$ 567,720	\$ 634,698	\$ 711,173

*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 FINANCIAL STATEMENTS**

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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, 2020, the District recognized OPEB Plan expense of \$44,436. At June 30, 2020, the District had a deferred outflow of resources in the amount of \$64,095 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, 2021. The District had no other deferred inflows or deferred outflows of resources for OPEB at June 30, 2020.

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

**NOTE 10 – SUBSEQUENT EVENTS**

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions in travel, and quarantines in certain areas, and forced closure for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the District operates. However, it is unknown how long these conditions will last and what the impact will be on the District.

As an "essential service" the District has taken appropriate actions to protect their employees and to ensure continued operational capability to provide water production and distribution, sewer collections, and fire protection. Following the California Governor's orders and directives, at the Regular Board Meeting on March 19, 2020, the Board of Directors approved suspension of water shut-offs for non-payment for occupied residences economically affected by the coronavirus. While delaying payment for some customers may impact immediate cash flow in the short term, the overall impact to District is not expected to be significant.

## **REQUIRED SUPPLEMENTARY INFORMATION**

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

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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 % of Covered Employee Payroll</u>
<b>Business-type activities</b>					
<b>Miscellaneous Plan</b>					
2020	\$30,440	\$(30,440)	-	\$341,333	8.3%
2019	26,901	(26,901)	-	331,302	7.9%
2018	24,109	(24,109)	-	319,269	7.6%
2017	22,074	(22,074)	-	300,347	7.4%
2016	20,217	(20,217)	-	285,176	7.1%
2015	19,659	(19,659)	-	290,640	6.8%
<b>Governmental activities</b>					
<b>Safety Plan</b>					
2020	14,884	(14,884)	-	-	N/A
2019	11,705	(11,705)	-	-	N/A
2018	9,958	(9,958)	-	-	N/A
2017	5,553	(5,553)	-	-	N/A
2016	4,415	(4,415)	-	-	N/A
2015	4,306	(4,306)	-	-	N/A

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

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

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**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>					
2020	(0.00253%)	\$(101,336)	\$341,333	29.69%	104.42%
2019	(0.00353%)	(133,202)	331,302	40.21%	106.08%
2018	(0.00243%)	(95,968)	319,269	30.05%	104.49%
2017	(0.00354%)	(123,033)	300,347	40.96%	106.24%
2016	(0.00899%)	(246,515)	285,176	86.44%	113.00%
<b>Safety Plan</b>					
2020	0.00224%	134,586	-	N/A	65.41%
2019	0.00224%	135,514	-	N/A	66.87%
2018	0.00216%	129,296	-	N/A	67.99%
2017	0.00224%	116,164	-	N/A	69.82%
2016	0.00229%	94,433	-	N/A	75.57%

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

**Notes to the Pension Schedules**

Benefit Changes

None

Changes in Assumptions

Amounts reported in fiscal year 2018 reflect a change in the discount rate from 7.65% to 7.15%. Deferred outflows of resources for changes of assumptions includes the unamortized portion of this assumption change. Amounts reported in fiscal year 2019 reflect a change in the inflation rate from 2.75% to 2.50%.

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

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>Total OPEB liability</b>			
Service cost	\$ 14,005	\$ 13,630	\$ 13,265
Interest	50,973	49,338	48,238
Actual investment income	5,153	-	-
Benefit payments	<u>(54,897)</u>	<u>(39,150)</u>	<u>(38,754)</u>
<b>Net Change in total OPEB liability</b>	15,234	23,818	22,749
<b>Total OPEB liability – beginning</b>	<u>755,823</u>	<u>732,005</u>	<u>709,256</u>
<b>Total OPEB liability - ending (a)</b>	<b><u>\$ 771,057</u></b>	<b><u>\$ 755,823</u></b>	<b><u>\$ 732,005</u></b>
<b>Plan fiduciary net position</b>			
Employer contributions to trust	\$ 15,000	\$ 54,150	\$ 53,754
Employer contributions as benefit payments	38,995	-	-
Actual investment income	7,312	7,404	7,338
Benefit payments	(38,995)	(39,150)	(38,754)
Administrative expense	<u>(25)</u>	<u>(172)</u>	<u>(38)</u>
<b>Net change in plan fiduciary net position</b>	22,287	22,232	22,300
<b>Plan fiduciary net position – beginning</b>	<u>114,072</u>	<u>91,840</u>	<u>69,540</u>
<b>Plan fiduciary net position - ending (b)</b>	<b><u>\$ 136,359</u></b>	<b><u>\$ 114,072</u></b>	<b><u>\$ 91,840</u></b>
<b>District's net OPEB liability - ending (a) - (b)</b>	<b><u>\$ 634,698</u></b>	<b><u>\$ 641,751</u></b>	<b><u>\$ 640,165</u></b>

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

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

<b>Plan fiduciary net position as a percentage of the total OPEB liability</b>	17.68%	15.09%	12.55%
<b>Covered-employee payroll</b>	\$ 341,333	\$ 331,302	\$ 319,269
<b>District’s net OPEB liability as a percentage of covered-employee payroll</b>	185.95%	193.71%	200.51%

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

**Notes to the OPEB Schedule**

Benefit Changes  
None

Changes in Assumptions  
None

## **OTHER INFORMATION**

# ARROWBEAR PARK COUNTY WATER DISTRICT

## OTHER INFORMATION

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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 protection 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 INFORMATION

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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 2022
Rickey L. Weber, President 33079 Ridge Drive Arrowbear Lake, CA 92382	November 2022
Mark Bunyea, Director 33303 Lakeview Drive Arrowbear Lake, California 92382	November 2024
Sheila Wymer, Vice President 2359 Fir Drive Arrowbear Lake, California 92382	November 2024
Terisa Bonito, President 2363 Oak Drive Arrowbear Lake, CA 92382	November 2024
Norman Huff, General Manager	N/A
Caroline Rimmer, Secretary to Board	N/A

**ARROWBEAR PARK COUNTY WATER DISTRICT**  
**OTHER INFORMATION**

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**Schedule of Insurance Coverage**

At June 30, 2020, Arrowbear Park County Water District carried insurance as outlined below:

	<u>Water/Sewer (District General)</u>	<u>Fire</u>
Property coverage – blanket policy	\$ 3,067,058	\$ 1,722,586
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.		