

Big Bear City Community Services District

Big Bear City, California

Annual Financial Report

For the Year Ended June 30, 2018



**Big Bear City Community Services District
Annual Financial Report
For the Year Ended June 30, 2018**

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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
of the Big Bear City Community Services District
Big Bear City, California

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' 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 standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit 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 auditor's 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 entity'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 entity'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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of the District, as of June 30, 2018, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

To the Board of Directors
of the Big Bear City Community Services District
Big Bear City, California

Emphasis of a Matter

Implementation of GASB Statement No. 75

As discussed in Note 14 to the financial statements, the District implemented Governmental Accounting Standards Board (“GASB”) Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. The adoption of this standard required retrospective application of previously reported net position and reclassification of certain accounts as of July 1, 2017 as described in Note 10 to the financial statements. In addition, the net other postemployment benefit (OPEB) liability is reported in the Statement of Net Position in the amount of \$11,372,391 as of the measurement date. Net OPEB liability is calculated by actuaries using estimates and actuarial techniques from an actuarial valuation as of June 30, 2018, the measurement date. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management’s Discussion and Analysis on pages 5 through 8 and the Budgetary Comparison Schedule – Public Safety Fund, Schedule of the District’s Proportionate Share of the Plan’s Net Pension Liability, Schedule of District’s Contributions to the Pension Plan and the Schedule of the District’s Changes in Net OPEB Liability and Related Ratios on pages 57 through 63, respectively, are presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 13, 2019, on our consideration of the District’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District’s internal control over financial reporting and compliance.



Santa Ana, California
August 13, 2019



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Independent Auditors' Report

To the Board of Directors
of the Big Bear City Community Services District
Big Bear City, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of the Big Bear City Community Services District (District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprises the District's basic financial statements, and have issued our report thereon dated August 13, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

To the Board of Directors
of the Big Bear City Community Services District
Big Bear City, California

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "The Per Group, LLP". The signature is written in a cursive, flowing style.

Santa Ana, California
August 13, 2019

**Big Bear City Community Services District
Management’s Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2018**

The following Management’s Discussion and Analysis (MD&A) of activities and financial performance of the Big Bear City Community Services District (District) provides an introduction to the financial statements of the District for the fiscal year ended June 30, 2018. We encourage readers to consider the information presented here in conjunction with the basic financial statements and related notes, which follow this section.

Financial Highlights

- The District’s net position decreased 49.08%, or \$ \$11,251,119 from the prior year’s net position of \$22,926,042 to \$11,674,923, as a result of prior period adjustments to the beginning net position in order to record beginning balances of OPEB-related items as part of GASB Statement 75 implementation.
- Total revenues from all sources increased by 10.92%, or \$2,087,629 from \$19,113,203 to \$21,200,832, from the prior year, primarily due to an increase in business-type revenues of \$403,756 and an increase in governmental activities revenues of \$1,683,873.
- Total expenses for the District’s operations increased by 18.15% or \$3,193,799 from \$17,599,027 to \$20,792,826, from the prior year, primarily due to an increase in business-type expenses of \$236,347 and an increase in governmental activities expenses of \$2,957,452.

Using This Financial Report

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities and performance of the District using accounting methods similar to those used by private sector companies. The Statement of Net Position includes all of the District’s investments in resources (assets) and the obligations to creditors (liabilities). It also provides the basis for computing a rate of return, evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District. All of the current year’s revenue and expenses are accounted for in the Statement of Activities. This statement measures the success of the District’s operations over the past year and can be used to determine the District’s profitability and credit worthiness.

Government-wide Financial Statements

Statement of Net Position and Statement of Activities

One of the most important questions asked about the District’s finances is, “Is the District better off or worse off as a result of this year’s activities?” The Statement of Net Position and the Statement of Activities report information about the District in a way that helps answer this question. These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private sector companies. All of the current year’s revenues and expenses are taken into account regardless of when the cash is received or paid.

These two statements report the District’s *net position* and changes in them. Think of the District’s net position – the difference between assets and liabilities – as one way to measure the District’s financial health, or *financial position*. Over time, *increases or decreases* in the District’s net position are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other non-financial factors; however, such as changes in the District’s property tax base to assess the *overall health* of the District.

**Big Bear City Community Services District
Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2018**

Governmental Funds Financial Statements

Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balance

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balance provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resources of the District exceeded liabilities and deferred inflows of resources by \$11,674,923 as of June 30, 2018.

Condensed Statement of Net Position

	Governmental Activities		Business-Type Activities		Total	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
ASSETS:						
Current assets	\$ 2,305,989	\$ 2,607,978	\$ 13,209,428	\$ 12,497,706	\$ 15,515,417	\$ 15,105,684
Non-current assets	-	201,312	-	164,081	-	365,393
Capital assets, net	1,435,394	1,502,811	18,781,304	17,729,705	20,216,698	19,232,516
Total assets	3,741,383	4,312,101	31,990,732	30,391,492	35,732,115	34,703,593
DEFERRED OUTFLOWS OF RESOURCES	2,083,031	1,921,016	2,582,887	2,118,676	4,665,918	4,039,692
LIABILITIES:						
Current liabilities	80,346	246,196	647,790	530,978	728,136	777,174
Non-current liabilities	10,528,367	5,579,432	16,463,375	8,297,038	26,991,742	13,876,470
Total liabilities	10,608,713	5,825,628	17,111,165	8,828,016	27,719,878	14,653,644
DEFERRED INFLOWS OF RESOURCES	366,325	577,618	636,907	585,981	1,003,232	1,163,599
NET POSITION						
Net investment in capital assets	1,435,394	1,502,811	18,453,774	17,192,768	19,889,168	18,695,579
Unrestricted (Deficit)	(6,586,018)	(1,672,940)	(1,628,227)	5,903,403	(8,214,245)	4,230,463
Total net position	\$ (5,150,624)	\$ (170,129)	\$ 16,825,547	\$ 23,096,171	\$ 11,674,923	\$ 22,926,042

At the end of fiscal year 2018, the District shows a negative balance in its unrestricted net position of \$8,214,245.

**Big Bear City Community Services District
Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2018**

Condensed Statement of Activities

	Governmental Activities		Business-Type Activities		Total	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
REVENUES:						
Program revenues	\$ 6,903,317	\$ 5,291,716	\$ 9,387,766	\$ 8,788,361	\$ 16,291,083	\$ 14,080,077
General revenues and transfers	4,790,277	4,718,005	119,472	315,121	4,909,749	5,033,126
Total revenues	11,693,594	10,009,721	9,507,238	9,103,482	21,200,832	19,113,203
EXPENSES:						
Operations	12,107,350	9,143,443	7,233,716	6,943,775	19,341,066	16,087,218
Depreciation expense	216,989	223,444	1,216,261	1,269,855	1,433,250	1,493,299
Interest expense	-	-	18,510	18,510	18,510	18,510
Total expenses	12,324,339	9,366,887	8,468,487	8,232,140	20,792,826	17,599,027
Change in net position	(630,745)	642,834	1,038,751	871,342	408,006	1,514,176
NET POSITION:						
Beginning of year, as restated (Note 14)	(4,519,879)	(812,963)	15,786,796	22,224,829	11,266,917	21,411,866
End of year	\$ (5,150,624)	\$ (170,129)	\$ 16,825,547	\$ 23,096,171	\$ 11,674,923	\$ 22,926,042

The statement of activities shows how the government's net position changed during the fiscal year. In the case of the District, net position increased by \$408,006, during the fiscal year ended June 30, 2018.

Total revenues from all sources increased by 10.92%, or \$2,087,629 from \$19,113,203 to \$21,200,832, from the prior year, primarily due to an increase in business-type revenues of \$403,756 and an increase in governmental activities revenues of \$1,683,873.

Total expenses for the District's operations increased by 18.15% or \$3,193,799 from \$17,599,027 to \$20,792,826, from the prior year, primarily due to an increase in business-type expenses of \$236,347 and an increase in governmental activities expenses of \$2,957,452.

Governmental Funds Financial Analysis

The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the District's financing requirements. In particular, the *unreserved fund balance* may serve as a useful measure of the government's net resources for spending at the end of the fiscal year.

As of June 30, 2018, the District reported a total fund balance of \$2,242,482. An amount of \$2,194,372 constitutes the District's *unassigned fund balance*.

**Big Bear City Community Services District
Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2018**

Capital Asset Administration

Changes in capital assets for the year were as follows:

	<u>Balance June 30, 2018</u>	<u>Balance June 30, 2017</u>
Non-depreciable capital assets	\$ 2,103,394	\$ 1,627,043
Depreciable capital assets	49,592,613	48,676,183
Total capital assets	51,696,007	50,303,226
Accumulated depreciation	<u>(31,479,309)</u>	<u>(31,070,710)</u>
Total capital assets, net	<u>\$ 20,216,698</u>	<u>\$ 19,232,516</u>

At the end of fiscal year 2018, the District's investment in capital assets amounted to \$20,216,698 (net of accumulated depreciation). Major capital asset additions during the year include purchases of equipment totaling \$1,265,048. See Note 6 for further information on the District's capital assets.

Debt Administration

Changes in long-term debt for the year were as follows:

Capital Lease Payable

	<u>Balance June 30, 2018</u>	<u>Balance June 30, 2017</u>
Capital lease payable	\$ 327,530	\$ 536,937

See further detail at Note 8.

Conditions Affecting Current Financial Position

Management is unaware of any conditions, which could have a significant impact on the District's current financial position, net position or operating results in terms of past, present and future.

Requests for Information

The District's basic financial statements are designed to present users with a general overview of the District's finances and to demonstrate the District's accountability. If you have any questions about the report or need additional information, please contact the District's General Manager at the Big Bear City Community Services District, 139 East Big Bear Blvd., Big Bear City, California 92314 or (909) 585-2565.

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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Big Bear City Community Services District
Statement of Net Position
June 30, 2018

<u>ASSETS</u>	<u>Primary Government</u>		
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Current assets:			
Cash and investments	\$ 2,413,503	\$ 11,721,416	\$ 14,134,919
Accounts receivable – services, net	517,117	548,878	1,065,995
Accrued interest receivable	3,672	46,108	49,780
Accounts receivable – other	77,201	149,767	226,968
Special assessments receivable	-	37,755	37,755
Internal balances	(705,504)	705,504	-
Total current assets	2,305,989	13,209,428	15,515,417
Non-current assets:			
Capital assets – not being depreciated	227,954	1,875,439	2,103,393
Capital assets – being depreciated, net	1,207,440	16,905,865	18,113,305
Total non-current assets	1,435,394	18,781,304	20,216,698
Total assets	3,741,383	31,990,732	35,732,115
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Pension related deferred outflows of resources	2,083,031	2,582,887	4,665,918
Total deferred outflows of resources	2,083,031	2,582,887	4,665,918
<u>LIABILITIES</u>			
Current liabilities:			
Accounts payable and accrued expenses	59,701	349,955	409,656
Customer deposits and unearned revenue	-	51,030	51,030
Accrued interest payable	3,806	-	3,806
Compensated absences	16,839	31,479	48,318
Capital lease payable	-	215,326	215,326
Total current liabilities	80,346	647,790	728,136
Non-current liabilities:			
Compensated absences	31,271	70,628	101,899
Capital lease payable	-	112,204	112,204
Net pension liability	6,319,765	9,085,483	15,405,248
Net other post-employment benefits liability	4,177,331	7,195,060	11,372,391
Total non-current liabilities	10,528,367	16,463,375	26,991,742
Total liabilities	10,608,713	17,111,165	27,719,878
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Pension related deferred inflows of resources	359,763	625,605	985,368
OPEB related deferred inflows of resources	6,562	11,302	17,864
Total deferred inflows of resources	366,325	636,907	1,003,232
<u>NET POSITION</u>			
Net investment in capital assets	1,435,394	18,453,774	19,889,168
Unrestricted (Deficit)	(6,586,018)	(1,628,227)	(8,214,245)
Total net position	\$ (5,150,624)	\$ 16,825,547	\$ 11,674,923

See accompanying Notes to the Basic Financial Statements.

Big Bear City Community Services District
Statement of Activities
For the Year Ended June 30, 2018

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Capital and Operating Grants
Primary government:			
Governmental activities:			
Public safety – fire services	\$ 5,612,572	\$ 565,811	\$ -
Public safety – ambulance services	6,710,958	6,337,506	-
Total governmental activities	<u>12,324,339</u>	<u>6,903,317</u>	<u>-</u>
Business-type activities:			
Water	3,265,200	4,075,472	94,491
Sewer	2,462,298	2,240,558	78,954
Solid waste	2,740,989	2,898,291	-
Total business-type activities	<u>8,468,487</u>	<u>9,214,321</u>	<u>173,445</u>
Total primary government	<u>\$ 20,792,826</u>	<u>\$ 16,117,638</u>	<u>\$ 173,445</u>

Big Bear City Community Services District
Statement of Activities (Continued)
For the Year Ended June 30, 2018

Functions/Programs	Net (Expense) Revenue and Changes in Net Position		
	Governmental Activities	Business-Type Activities	Total
Primary government:			
Governmental activities:			
Public safety – fire services	\$ (5,046,761)	\$ -	\$ (5,046,761)
Public safety – ambulance services	(373,452)	-	(373,452)
Total governmental activities	(5,421,022)	-	(5,421,022)
Business-type activities:			
Water	-	904,763	904,763
Sewer	-	(142,786)	(142,786)
Solid waste	-	157,302	157,302
Total business-type activities	-	919,279	919,279
Total primary government	(5,421,022)	919,279	(4,501,743)
General revenues and transfers:			
Property taxes	4,346,990	-	4,346,990
Use of money and property	3,488	155,071	158,559
Others	376,799	27,401	404,200
Transfers	63,000	(63,000)	-
Total general revenues and transfers	4,790,277	119,472	4,909,749
Change in net position	(630,745)	1,038,751	408,006
Net position:			
Beginning of year, as restated (Note 14)	(4,519,879)	15,786,796	11,266,917
End of year	\$ (5,150,624)	\$ 16,825,547	\$ 11,674,923

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GOVERNMENTAL FUND FINANCIAL STATEMENTS.

Big Bear City Community Services District
Balance Sheet
Governmental Funds
June 30, 2018

<u>Assets</u>	<u>General Government</u>	<u>Public Safety Fire Services</u>	<u>Public Safety Ambulance Services</u>	<u>Total Governmental Funds</u>
Assets:				
Cash and investments	\$ 817,045	\$ 1,596,458	\$ -	\$ 2,413,503
Accrued interest receivable	3,672	-	-	3,672
Accounts receivable – services, net	41,019	-	476,098	517,117
Accounts receivable – other	-	77,201	-	77,201
Due from other funds	31,200	1,192,499	-	1,223,699
Total assets	\$ 892,936	\$ 2,866,158	\$ 476,098	\$ 4,235,192
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Accounts payable and accrued expenses	\$ 51,886	\$ 458	\$ 7,357	\$ 59,701
Accrued interest payable	3,806	-	-	3,806
Due to other funds	-	736,704	1,192,499	1,929,203
Total liabilities	55,692	737,162	1,199,856	1,992,710
Fund balances:				
Committed	48,110	-	-	48,110
Unassigned (Deficit)	789,134	2,128,996	(723,758)	2,194,372
Total fund balances	837,244	2,128,996	(723,758)	2,242,482
Total liabilities and fund balances	\$ 892,936	\$ 2,866,158	\$ 476,098	\$ 4,235,192

Big Bear City Community Services District
Reconciliation of the Balance Sheet of Governmental Funds to the
Government-Wide Statement of Net Position
June 30, 2018

Total Fund Balances – Total Governmental Funds	<u>\$ 2,242,482</u>
Amounts reported for governmental activities in the statement of net position are different because:	
Capitalized assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet. However, the statement of net position includes those assets as capital assets.	1,435,394
Deferred outflows of resources used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet. However, the statement of net position includes those deferred outflows of resources.	2,083,031
Long-term liabilities applicable to the District are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities' both current and long-term, are reported in the statement of net position as follows:	
Compensated absences	(48,110)
Net pension liability	(6,319,765)
Other post-employment benefits liability	(4,177,331)
Deferred inflows of resources used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet. However, the statement of net position includes those deferred inflows of resources.	<u>(366,325)</u>
Total adjustments	<u>(7,393,106)</u>
Net Position of Governmental Activities	<u><u>\$ (5,150,624)</u></u>

Big Bear City Community Services District
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2018

	<u>General Government</u>	<u>Public Safety Fire Services</u>	<u>Public Safety Ambulance Services</u>	<u>Total Governmental Funds</u>
Revenues:				
Taxes	\$ -	\$ 4,346,990	\$ -	\$ 4,346,990
Charges for services	-	565,811	6,337,506	6,903,317
Use of money and property	3,488	-	-	3,488
Miscellaneous	205,770	4,307	183,370	393,447
Total revenues	<u>209,258</u>	<u>4,917,108</u>	<u>6,520,876</u>	<u>11,647,242</u>
Expenditures:				
Current:				
Public safety	-	5,250,388	6,498,554	11,748,942
Capital outlay	149,571	-	-	149,571
Total expenditures	<u>150,380</u>	<u>5,250,388</u>	<u>6,498,554</u>	<u>11,899,322</u>
Revenues over(under) expenditures	58,878	(333,280)	22,322	(252,080)
Other financing sources(uses):				
Transfers in(out)	63,000	(171,300)	171,300	63,000
Total other financing sources(uses)	<u>63,000</u>	<u>(171,300)</u>	<u>171,300</u>	<u>63,000</u>
Net change in fund balance	121,878	(504,580)	193,622	(189,080)
Fund balance:				
Beginning of year	715,366	2,633,576	(917,380)	2,431,562
End of year	<u>\$ 837,244</u>	<u>\$ 2,128,996</u>	<u>\$ (723,758)</u>	<u>\$ 2,242,482</u>

Big Bear City Community Services District
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balance of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2018

Net Changes in Fund Balance – Total Governmental Funds	<u>\$ (189,080)</u>
Amounts reported for governmental activities in the statement of activities is different because:	
Some expenses reported in the statement of activities do not require the use of current financial resources. Therefore, those expenses are not reported as expenditures in governmental funds as follows:	
Net change in compensated absences	151,260
Net change in net other post-employment benefits asset	(35,455)
Net change in net pension expense	(490,052)
Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those capitalized assets is allocated over their estimated useful lives as depreciation expense.	
Capital outlay	149,571
Depreciation expense	<u>(216,989)</u>
Total adjustments	<u>(441,665)</u>
Change in Net Position of Governmental Activities	<u><u>\$ (630,745)</u></u>

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PROPRIETARY FUND FINANCIAL STATEMENTS

Big Bear City Community Services District
Balance Sheet
Proprietary Funds
June 30, 2018

<u>ASSETS</u>	<u>Water Operations</u>	<u>Sewer Operations</u>	<u>Solid Waste Operations</u>	<u>Total</u>
Current assets:				
Cash and investments	\$ 5,244,474	\$ 4,002,476	\$ 2,474,466	\$ 11,721,416
Accounts receivable – services, net	539,205	-	9,673	548,878
Accrued interest receivable	16,488	17,202	12,418	46,108
Accounts receivable – other	10,411	91,502	47,854	149,767
Special assessments receivable	-	37,755	-	37,755
Due from other funds	-	705,504	-	705,504
Total current assets	5,810,578	4,854,439	2,544,411	13,209,428
Non-current assets:				
Capital assets – not being depreciated	1,524,294	217,181	133,964	1,875,439
Capital assets – being depreciated, net	9,758,139	5,913,610	1,234,116	16,905,865
Total non-current assets	11,282,433	6,130,791	1,368,080	18,781,304
Total assets	17,093,011	10,985,230	3,912,491	31,990,732
<u>DEFERRED OUTFLOWS OF RESOURCES</u>				
Pension related deferred outflows of resources	774,867	749,036	1,058,984	2,582,887
Total deferred outflows of resources	774,867	749,036	1,058,984	2,582,887
Total assets and deferred outflows of resources	\$ 17,867,878	\$ 11,734,266	\$ 4,971,475	\$ 34,573,619
<u>LIABILITIES</u>				
Current liabilities:				
Accounts payable and accrued expenses	125,894	78,876	145,185	349,955
Customer deposits and unearned revenue	51,030	-	-	51,030
Compensated absences	7,833	9,417	14,229	31,479
Capital lease payable	-	-	215,326	215,326
Total current liabilities	184,757	88,293	374,740	647,790
Non-current liabilities:				
Compensated absences	20,307	18,006	32,315	70,628
Capital lease payable	-	-	112,204	112,204
Net pension liability	2,725,645	2,634,790	3,725,048	9,085,483
Net other post-employment benefits liability	2,055,746	2,055,745	3,083,569	7,195,060
Total non-current liabilities	4,801,698	4,708,541	6,953,136	16,463,375
Total liabilities	4,986,455	4,796,834	7,327,876	17,111,165
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Pension related deferred inflows of resources	187,681	181,425	256,499	625,605
OPEB related deferred inflows of resources	3,229	3,229	4,844	11,302
Total deferred inflows of resources	190,910	184,654	261,343	636,907
<u>NET POSITION</u>				
Net investment in capital assets	11,282,433	6,130,791	1,040,550	18,453,774
Unrestricted (Deficit) (Note 12)	1,408,080	621,987	(3,658,294)	(1,628,227)
Total net position	12,690,513	6,752,778	(2,617,744)	16,825,547
Total liabilities, deferred inflows of resources and net position	\$ 17,867,878	\$ 11,734,266	\$ 4,971,475	\$ 34,573,619

See accompanying Notes to the Basic Financial Statements.

Big Bear City Community Services District
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2018

	<u>Water Operations</u>	<u>Sewer Operations</u>	<u>Solid Waste Operations</u>	<u>Total</u>
Operating revenues:				
Sales and service charges	\$ 4,075,472	\$ 2,240,558	\$ 2,898,291	\$ 9,214,321
Miscellaneous	9,327	10,626	7,448	27,401
Total operating revenues	<u>4,084,799</u>	<u>2,251,184</u>	<u>2,905,739</u>	<u>9,241,722</u>
Operating expenses:				
Personnel services	1,268,494	1,213,190	1,522,695	4,004,379
Utilities	216,126	57,046	25,657	298,829
Contractual services	3,343	1,998	14,526	19,867
Administrative services	839,118	585,991	809,925	2,235,034
Repair and maintenance	253,723	139,798	77,941	471,462
Supplies	10,636	21,850	18,758	51,244
Insurance	29,928	30,295	111,188	171,411
Depreciation	643,832	412,130	160,299	1,216,261
Total operating expenses	<u>3,265,200</u>	<u>2,462,298</u>	<u>2,740,989</u>	<u>8,468,487</u>
Operating income(loss)	<u>819,599</u>	<u>(211,114)</u>	<u>164,750</u>	<u>773,235</u>
Non-operating revenue(expense) and transfers:				
Investment income	45,159	93,547	26,164	164,870
Interest expense and fiscal charges	-	-	(9,799)	(9,799)
Total non-operating, revenue (expenses)	<u>45,159</u>	<u>93,547</u>	<u>16,365</u>	<u>155,071</u>
Capital contributions and transfer before capital contributions and transfers:				
Connection fees	94,491	78,954	-	173,445
Transfers-out	(21,000)	(21,000)	(21,000)	(63,000)
Total capital contributions and transfers	<u>73,491</u>	<u>57,954</u>	<u>(21,000)</u>	<u>110,445</u>
Change in net position	<u>938,249</u>	<u>(59,613)</u>	<u>160,115</u>	<u>1,038,751</u>
Net position:				
Beginning of year, as restated (Note 14)	11,752,264	6,812,391	(2,777,859)	15,786,796
End of year	<u>\$ 12,690,513</u>	<u>\$ 6,752,778</u>	<u>\$ (2,617,744)</u>	<u>\$ 16,825,547</u>

See accompanying Notes to the Basic Financial Statements.

Big Bear City Community Services District
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2018

	Water Operations	Sewer Operations	Solid Waste Operations	Total
Cash flows from operating activities:				
Cash receipts from customers and others	\$ 4,080,932	\$ 2,282,882	\$ 2,915,023	\$ 9,278,837
Cash paid to employees for salaries and wages	(1,020,072)	(981,480)	(1,183,741)	(3,185,293)
Cash paid to vendors and suppliers	(1,342,173)	(809,662)	(841,719)	(2,993,554)
Net cash provided by operating activities	1,718,687	491,740	889,563	3,099,990
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	(1,198,779)	(1,109,649)	(102,392)	(2,410,820)
Disposal of capital assets	2,721	140,239	-	142,960
Proceeds from capital contributions	94,491	78,954	-	173,445
Transfer (to)from other funds	(21,000)	(21,000)	(21,000)	(63,000)
Principal payments on capital lease payable	-	-	(209,407)	(209,407)
Interest payments on capital lease payable	-	-	(11,309)	(11,309)
Net cash used in capital/financing activities	(1,122,567)	(911,456)	(344,108)	(2,378,131)
Cash flows from investing activities:				
Interfund advances proceeds	-	94,200	-	94,200
Investment earnings	39,900	86,800	19,185	145,885
Net cash provided by investing activities	39,900	181,000	19,185	240,085
Net change in cash and cash equivalents	636,020	(238,716)	564,640	961,944
Cash and cash equivalents:				
Beginning of year	4,608,454	4,241,192	1,909,826	10,759,472
End of year	<u>\$ 5,244,474</u>	<u>\$ 4,002,476</u>	<u>\$ 2,474,466</u>	<u>\$ 11,721,416</u>
Reconciliation of operating income(loss) to net cash provided by (used in) operating activities:				
Operating income(loss)	\$ 819,599	\$ (211,114)	\$ 164,750	\$ 773,235
Adjustments to reconcile operating income(loss) to net cash provided by (used in)operating activities:				
Depreciation expense	643,832	412,130	160,299	1,216,261
Changes in account balances:				
(Increase)decrease in assets:				
Accounts receivable – services, net	(7,152)	-	6,708	(444)
Accounts receivable – other	(3,731)	11,992	2,576	10,837
Special assessments receivable	-	19,706	-	19,706
Prepaid expenses	19,956	20,450	104,502	144,908
Net other post-employment benefits asset	43,402	54,324	66,355	164,081
(Increase)decrease in deferred outflows of resources	(139,264)	(134,620)	(190,327)	(464,211)
Increase(decrease) in liabilities:				
Accounts payable and accrued expenses	(9,255)	6,866	111,774	109,385
Customer deposits and unearned revenue	7,016	-	-	7,016
Compensated absences	3,763	(5,377)	2,260	646
Net pension liability	354,588	342,768	484,603	1,181,959
OPEB liability	(29,183)	(40,105)	(45,027)	(114,315)
Increase(decrease) in deferred inflows of resources	15,116	14,720	21,090	50,926
Total adjustments	899,088	702,854	724,813	2,326,755
Net cash provided by (used in)operating activities	\$ 1,718,687	\$ 491,740	\$ 889,563	\$ 3,099,990

See accompanying Notes to the Basic Financial Statements.

Big Bear City Community Services District
Notes to the Financial Statements
For the Year Ended June 30, 2018

Note 1 – Reporting Entity and Summary of Significant Accounting Policies

A. *Organization and Operations of the Reporting Entity*

The Big Bear City Community Services District (District) serves as the local government for Big Bear City area. The District is similar to a city government, supplying such services as fire protection, street lighting, potable water service, sewer system and solid waste disposal. The District exists under California State law governing special districts (Government Code, Sec 61000 et. seq.). The District was formed on August 23, 1966, by voter approval. Initially, the District was the result of consolidation of three separate agencies including the Big Bear City Sanitation District, the Big Bear Fire Protection District and the Big Bear City Street Lighting District. In 1967, the shareholders of the former Big Bear City Mutual Service Company voted to relinquish ownership and operation of the water system to the District. Today, the District consists of overlapping Fire, Water, Sewer, Solid Waste and Street Lighting service areas that encompass 21.13 square miles. The District is governed by a five-member Board of Directors who serve four-year terms and are elected at large. The directors entrust the responsibility for the efficient execution of District policies to their designated representative, the General Manager.

The criteria used in determining the scope of the financial reporting entity is based on the provisions of U.S. GAAP. The District is the primary governmental unit based on the foundation of a separately elected governing board that is elected by the citizens in a general popular election. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The District is financially accountable for a component that has substantively the same governing body as the District's governing body, and additionally (1) the primary government and the component unit have a financial benefit or burden relationship or (2) management (below the level of the elected officials) of the primary government have operational responsibility for the activities of the component unit.

B. *Basis of Accounting and Measurement Focus*

The District's financial statements are prepared in conformity with U.S. GAAP. The Governmental Accounting Standards Board (GASB) is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the United States.

Government-Wide Financial Statements

The government-wide financial statements are reported using the “*economic resources*” measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all the activities of the primary government. The effect of inter-fund activity has been removed from these statements and eliminations have been made to minimize the double counting of internal activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

Big Bear City Community Services District
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2018

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

B. Basis of Accounting and Measurement Focus (Continued)

Government-Wide Financial Statements (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and the major individual enterprise funds are reported as separate columns in the fund financial statements.

Governmental Fund Financial Statements

Governmental fund financial statements are reported using the “*current financial resources*” measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers tax revenues to be available if they are collected within 60 days of the end of the current fiscal year and other revenues when collected within one year of the end of the current fiscal year. Expenditures generally are recorded when a liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

The primary revenue sources susceptible to accrual are property taxes, charges for services, and interests associated with the current fiscal period and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The District reports the following governmental major funds:

General Government – This fund acts as the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

Public Safety – Fire Services – This fund is used to account for all public safety (fire protection) within the District’s service area

Public Safety – Ambulance Services – This fund is used to account for the revenues received and expenditures incurred to operate the ambulance services within the District’s service area.

Big Bear City Community Services District
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2018

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

B. Basis of Accounting and Measurement Focus (Continued)

Proprietary Fund Financial Statements

Proprietary fund financial statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position, and a Statement of Cash Flows for each proprietary fund.

Proprietary funds are accounted for using the "*economic resources*" measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Position. The Statement of Revenues, Expenses, and Changes in Net Position present increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. In these funds, receivables have been recorded as revenue and provisions have been made for uncollectible amounts.

Proprietary fund operating revenues and expenses, such as charges for services, and payments to employees and vendors, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues and expenses, such as subsidies, investment earnings, changes in fair value of investments and interest charges result from non-exchange transactions or ancillary activities.

The concept of major funds extends to Proprietary Funds. The City has identified the funds below as major proprietary funds:

Water Operations – This fund accounts for the water transmission and distribution operations of the District.

Sewer Operations – This fund accounts for the sewer system operations of the District.

Solid Waste Operations – This fund accounts for the solid waste collection and disposal operations of the District.

C. Cash and Cash Equivalents

Substantially all of the District's cash is invested in interest bearing accounts. The District considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

D. Investments

Changes in fair value that occur during a fiscal year are recognized as unrealized gains or losses and reported for that fiscal year. Investment income comprises interest earnings, changes in fair value, and any gains or losses realized upon the liquidation or sale of investments.

Big Bear City Community Services District
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2018

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

D. Investments (Continued)

U.S. GAAP defines fair value, establishes a framework for measuring fair value and establishes disclosures about fair value measurement. Investments, unless otherwise specified, recorded at fair value in the Statements of Net Position, are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Levels of inputs are as follows:

Level 1 – Inputs are unadjusted, quoted prices for identical assets and liabilities in active markets at the measurement date.

Level 2 – Inputs, other than quoted prices included in Level 1 that are observable for the asset or liability through corroboration with market data at the measurement date.

Level 3 – Unobservable inputs that reflect management’s best estimate of what market participants would use in pricing the asset or liability at the measurement date.

E. Accounts Receivable – Services, net

The District extends credit to customers in the normal course of operations. Management reviews all accounts receivable as collectible; however, certain accounts are delinquent and an allowance for doubtful accounts has been recorded.

F. Property Taxes and Assessments

The San Bernardino County Assessor’s Office assesses all real and personal property within the County each year. The San Bernardino County Tax Collector’s Office bills and collects the District’s share of property taxes and/or tax assessments. The San Bernardino County 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 one percent (1%) of countywide assessed valuations.

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

Lien date	March 1
Levy date	July 1
Due dates	November 1 and February 1
Collection dates	December 10 and April 10

Big Bear City Community Services District
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2018

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

G. Capital Assets

Capital assets are recorded in the government-wide financial statements. Included in capital assets is equipment used at the District. District policy has set the capitalization threshold for reporting capital assets at \$5,000. Donated assets are recorded at estimated acquisition value at the date of donation. Capital outlay is recorded as expenditures of the General Fund and as assets in the government-wide financial statements to the extent the District’s capitalization threshold is met. Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

Land improvements	20 to 30 years
Buildings	40 years
Vehicles and equipment	3 to 10 years
Software	5 years
Transmission and distribution systems	10 to 40 years
Collection systems	10 to 50 years

H. Deferred Outflows/Inflows of Resources

The statement of net position reports separate sections for deferred outflows of resources, and deferred inflows of resources, when applicable.

Deferred Outflows of Resources represent outflows of resources (consumption of net position) that apply to future periods and that, therefore, will not be recognized as an expense until that time.

Deferred Inflows of Resources represent inflows of resources (acquisition of net position) that apply to future periods and that, therefore, are not recognized as a revenue until that time.

I. Compensated Absences

District policy permits its employees to accumulate earned vacation and sick pay for subsequent use or for payment upon termination or retirement.

J. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the plans and additions to/deductions from the plans’ fiduciary net position have been determined on the same basis as they are reported by the plans (Note 9). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value. The following timeframes are used for pension reporting:

CalPERS

Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Measurement Period	July 1, 2016 to June 30, 2017

Big Bear City Community Services District
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2018

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

J. Pensions (Continued)

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. The difference between projected and actual earnings is amortized straight-line over five years. All other amounts are amortized straight-line over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) as of the beginning of the measurement period.

K. Other Postemployment Benefits (“OPEB”)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District Retiree Benefits Plan (“OPEB Plan”) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the OPEB Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments, which are reported at amortized cost.

Valuation Date	June 30, 2018
Measurement Date	June 30, 2018
Measurement Period	July 1, 2017 to June 30, 2018

L. Net Position

Net position is categorized as follows:

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

Restricted – This component of net position consists of constraints placed on net position use through external constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. The District has no restricted net position as of June 30, 2018.

Unrestricted – This component of net position consists of net amount of assets that are not included in the determination of *restricted* or *net investment in capital assets*.

M. Fund Balance

The financial statements, governmental funds report fund balance as nonspendable, restricted, committed, assigned or unassigned based primarily on the extent to which the District is bound to honor constraints on how specific amounts can be spent.

Nonspendable – amounts that cannot be spent because they are either (a) not spendable in form or (b) legally or contractually required to be maintained intact.

Big Bear City Community Services District
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2018

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

M. Fund Balance (Continued)

Restricted – amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions enabling legislation.

Committed – amounts that can only be used for specific purposes determined by formal action of the District’s highest level of decision-making authority (the Board of Directors) and that remain binding unless removed in the same manner. The underlying action that imposed the limitation needs to occur no later than the close of the reporting period.

Assigned – amounts that are constrained by the District’s intent to be used for specific purposes. The intent can be established at either the highest level of decision-making, or by a body or an official designated for that purpose.

Unassigned – the residual classification for the District’s general fund that includes amounts not contained in the other classifications. In other funds, the unassigned classification is used only if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes. The Board of Directors established, modifies or rescinds fund balance commitments and assignments by passage of a resolution. This is done through adoption of the budget and subsequent budget amendments that occur throughout the year.

When both restricted and unrestricted resources are available for use, it is the District’s policy to use restricted resources first, followed by the unrestricted, committed, assigned and unassigned resources as they are needed.

The District believes that sound financial management principles require that sufficient funds be retained by the District to provide a stable financial base at all times. To retain this stable financial base, the District needs to maintain an unrestricted fund balance in its funds sufficient to fund cash flows of the District and to provide financial reserves for unanticipated expenditures and/or revenue shortfalls of an emergency nature. Committed, assigned and unassigned fund balances are considered unrestricted.

The purpose of the District’s fund balance policy is to maintain a prudent level of financial resources to protect against reducing service levels or raising taxes and fees because of temporary revenue shortfalls or unpredicted one-time expenditures.

N. Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported changes in District net position during the reporting period. Actual results could differ from those estimates.

Big Bear City Community Services District
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 2 – Cash and Investments

Cash and investments as of June 30, 2018 consisted of the following:

Description	Balance
Cash on hand	\$ 750
Deposits held with financial institutions	3,180,765
Investments	10,953,404
Total	\$ 14,134,919

A. Demand Deposits

At June 30, 2018, the carrying amount of the District’s demand deposits was \$3,180,765 and the financial institution balance was \$2,729,602. The \$451,163 net difference as of June 30, 2018 represents outstanding checks, deposits-in-transit and/or other reconciling items.

The California Government Code requires California banks and savings and loan associations to secure an entity's deposits by pledging government securities with a value of 110% of an entity's deposits. California law also allows financial institutions to secure entity deposits by pledging first trust deed mortgage notes having a value of 150% of an entity's total deposits. The entity's Treasurer may waive the collateral requirement for deposits which are fully insured up to \$250,000 by the FDIC.

The collateral for deposits in federal and state chartered banks is held in safekeeping by an authorized agent of depository recognized by the State of California Department of Banking. The collateral for deposits with savings and loan associations is generally held in safekeeping by the Federal Home Loan Bank in San Francisco, California as an agent of depository. These securities are physically held in an undivided pool for all California public agency depositors. Under Government Code Section 53655, the placement of securities by a bank or savings and loan association with an agent of depositor has the effect of perfecting the security interest in the name of the local governmental agency. Accordingly, all collateral held by California agents of depository are considered to be held for, and in the name of, the local government.

B. Investments

The District’s investments as of June 30, 2018 were as follows:

Type of Investments	Measurement Input	Credit Rating	Fair Value	Maturity		
				12 Months or Less	13 to 24 Months	25 to 60 Months
Local Agency Investment Fund	Uncategorized	N/A	\$ 10,458,867	\$ 10,458,867	\$ -	\$ -
Non-negotiable certificates-of-deposit	Level 2	N/A	494,537	494,537	-	-
Total investments			\$ 10,953,404	\$ 10,953,404	\$ -	\$ -

C. Authorized Deposits and Investments

The District is legally empowered by statute and resolution to invest in certificates-of-deposit and the California State Investment Pool – Local Agency Investment Fund (LAIF). The District’s investment policy identifies other investment types that are authorized for the District to invest in under the California Government Code.

Big Bear City Community Services District
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 2 – Cash and Investments (Continued)

D. Investment in State Investment Pool

The District is a voluntary participant in LAIF which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

The District's investments with LAIF at June 30, 2018 included a portion of the pool funds invested in structured notes and asset-backed securities:

Structured Notes: debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options.

Asset-Backed Securities: generally mortgage-backed securities that entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (for example, Collateralized Mortgage Obligations) or credit card receivables.

The District had \$10,458,867 invested in LAIF, which had invested 2.89% of the pooled investment funds as of June 30, 2018 in structured notes and medium-term asset-backed securities. The LAIF fair value factor of 0.998940671 was used to calculate the fair value of the investments in LAIF as of June 30, 2018.

E. Risk Disclosures

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. As of June 30, 2018 the District's investment in the LAIF was not rated as noted in the table above.

Custodial Credit Risk

The custodial credit risk for *deposits* is the risk that in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District's investment policy requires that collateral be held by an independent third party with whom the District has a current custodial agreement.

Big Bear City Community Services District
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 2 – Cash and Investments (Continued)

E. Risk Disclosures (Continued)

Custodial Credit Risk (Continued)

The custodial credit risk for *investments* is the risk that in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The District's investment policy requires that all security transactions are conducted on a delivery-versus-payment (DVP) method and that all securities are held by a qualified, third-party custodian, as evidenced by safekeeping receipts. The trust department of the District's bank may act as third-party custodian, provided that the custodian agreement is separate from the banking agreement. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF).

As of June 30, 2018, none of the District's deposits and investments was exposed to disclosable custodial credit risk.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the fair values of investments with longer maturities have greater sensitivity to changes in market interest rates. The District's investment policy follows the Code as it relates to limits on investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates. The District has elected to use the segmented time distribution method of disclosure for the maturities of its investments as related to interest rate risk as noted in the table above.

Concentration of Credit Risk

The District's investment policy contains no limitations on the amount that can be invested in any one governmental agency or non-governmental issuer beyond that stipulated by the California Government Code. There were no investments in any one governmental or non-governmental issuer that represented 5% or more of the District's total investments except for those in LAIF or non-negotiable certificates-of-deposit.

Note 3 – Accounts Receivable – Services, net

The accounts receivable – services, net balance consists of the following balances as of June 30, 2018:

<u>Description</u>	<u>General Government</u>	<u>Ambulance Services</u>	<u>Water</u>	<u>Solid Waste</u>	<u>Total</u>
Accounts receivable – services	\$ 41,019	\$ 1,283,531	\$ 539,205	\$ 9,673	\$ 1,873,428
Allowance for uncollectible receivables	-	(807,433)	-	-	(807,433)
Accounts receivable – services, net	<u>\$ 41,019</u>	<u>\$ 476,098</u>	<u>\$ 539,205</u>	<u>\$ 9,673</u>	<u>\$ 1,065,995</u>

Big Bear City Community Services District
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 4 – Special Assessments Receivable

The special assessment receivable balance consists of the following balances as of June 30, 2018:

Description	Amount
Dixie Lee lane assessment	\$ 13,947
East Shay road assessment	23,808
Total	\$ 37,755

Note 5 – Internal Balances, Due To/(From) Other Funds and Transfers

A. Due To/(From) Other Funds

Due from Other Funds	Due to Other Funds		
	Public Safety Fire Services	Ambulance Services	Total
Sewer	\$ 705,504	\$ -	\$ 705,504
General Fund	31,200	-	31,200
Public Safety Fire Services	-	1,192,499	1,192,499
Total	\$ 736,704	\$ 1,192,499	\$ 1,929,203

Current interfund balances arise in the normal course of operations to cover cash shortages and are expected to be repaid shortly after the end of the fiscal year.

B. Transfers

Transfer In	Transfer Out				
	Water	Sewer	Solid Waste	Public Safety Fire Services	Total
General Fund	\$ 21,000	\$ 21,000	\$ 21,000	\$ -	\$ 63,000
Ambulance Services	-	-	-	171,300	171,300
Total	\$ 21,000	\$ 21,000	\$ 21,000	\$ 171,300	\$ 234,300

The Water, Sewer, and Solid Waste Fund transferred funds to the General Fund to pay for ADA compliance expense.

The Public Safety Fire Services Fund transferred funds to the Ambulance Fund for contribution for shared ambulance services expense with the Big Bear Lake Fire Protection District.

Big Bear City Community Services District
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 6 – Capital Assets

A. Governmental Funds

	Balance July 1, 2017	Additions	Deletions/ Transfers	Balance June 30, 2018
Non-depreciable assets:				
Land	\$ 183,653	\$ -	\$ -	\$ 183,653
Construction-in progress	-	44,301	-	44,301
Total non-depreciable assets	<u>183,653</u>	<u>44,301</u>	<u>-</u>	<u>227,954</u>
Depreciable assets:				
Land improvements	19,323	-	-	19,323
Buildings	1,501,881	49,065	-	1,550,946
Equipment	3,452,646	56,206	(666,357)	2,842,495
Total depreciable assets	<u>4,973,850</u>	<u>105,271</u>	<u>(666,357)</u>	<u>4,412,764</u>
Accumulated depreciation:				
Land improvements	(19,323)	-	-	(19,323)
Buildings	(963,253)	(39,066)	-	(1,002,319)
Equipment	(2,672,116)	(177,923)	666,357	(2,183,682)
Total accumulated depreciation	<u>(3,654,692)</u>	<u>(216,989)</u>	<u>666,357</u>	<u>(3,205,324)</u>
Total depreciable assets, net	<u>1,319,158</u>	<u>(111,718)</u>	<u>-</u>	<u>1,207,440</u>
Total capital assets, net	<u>\$ 1,502,811</u>	<u>\$ (67,417)</u>	<u>\$ -</u>	<u>\$ 1,435,394</u>

Depreciation expense was charged to functions/programs of the primary government in the Governmental Activities as follows:

General government	\$ 12,214
Public safety	163,889
Ambulance services	<u>40,886</u>
Total	<u>\$ 216,989</u>

Big Bear City Community Services District
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 6 – Capital Assets (Continued)

B. Proprietary Funds

	<u>Balance July 1, 2017</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>Balance June 30, 2018</u>
Non-depreciable assets:				
Land	\$ 1,164,907	\$ -	\$ (5,302)	\$ 1,159,605
Water rights	25,000	-	-	25,000
Construction-in progress	253,483	690,838	(253,487)	690,834
Total non-depreciable assets	<u>1,443,390</u>	<u>690,838</u>	<u>(258,789)</u>	<u>1,875,439</u>
Depreciable assets:				
Water transmission and distribution	17,564,352	388,284	253,487	18,206,123
Sewer system	14,323,758	-	-	14,323,758
Solid waste collection	31,000	-	-	31,000
Buildings	2,487,727	66,650	-	2,554,377
Vehicles and equipment	9,295,496	1,265,047	(495,952)	10,064,591
Total depreciable assets	<u>43,702,333</u>	<u>1,719,981</u>	<u>(242,465)</u>	<u>45,179,849</u>
Accumulated depreciation:				
Water transmission and distribution	(12,574,540)	(643,832)	-	(13,218,372)
Sewer system	(13,039,979)	(412,130)	358,295	(13,093,814)
Solid waste collection	(1,801,499)	(160,299)	-	(1,961,798)
Total accumulated depreciation	<u>(27,416,018)</u>	<u>(1,216,261)</u>	<u>358,295</u>	<u>(28,273,984)</u>
Total depreciable assets, net	<u>16,286,315</u>	<u>503,720</u>	<u>115,830</u>	<u>16,905,865</u>
Total capital assets, net	<u>\$ 17,729,705</u>	<u>\$ 1,194,558</u>	<u>\$ (142,959)</u>	<u>\$ 18,781,304</u>

Depreciation expense was charged to functions/programs of the primary government in the Business-Type Activities as follows:

Water	\$ 643,832
Sewer	412,130
Solid Waste	155,189
Recycling	5,110
Total	<u>\$ 1,216,261</u>

Big Bear City Community Services District
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 7 – Compensated Absences

Compensated absences comprise unpaid vacation leave, sick leave and compensating time off which is accrued as earned. The District’s liability for compensated absences is determined annually. The changes to the compensated absences balance at June 30, 2018 were as follows:

<u>Balance</u> <u>July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2018</u>	<u>Current</u> <u>Portion</u>	<u>Long-term</u> <u>Portion</u>
\$ 300,831	\$ 265,143	\$ (415,757)	\$ 150,217	\$ 48,318	\$ 101,899

Note 8 – Capital Lease Payable

Changes in capital lease payable amounts for the year ended June 30, 2018 were as follows:

<u>Balance</u> <u>July 1, 2017</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance</u> <u>June 30, 2018</u>	<u>Current</u> <u>Portion</u>	<u>Long-term</u> <u>Portion</u>
\$ 536,937	\$ -	\$ (209,407)	\$ 327,530	\$ 215,326	\$ 112,204

In 2014, the District entered into a \$500,000 capital lease payable agreement to finance the purchase of two new solid waste curbside trash-hauling trucks. The capital lease payable is scheduled to mature in fiscal year 2019 and bears interest at a rate of 2.998% with quarterly scheduled principal and interest payments of \$27,007 on the 21st day of the months of July, October, January and April.

In 2015, the District entered into a \$535,000 capital lease payable agreement to finance the purchase of two new solid waste curbside trash-hauling trucks. The capital lease payable is scheduled to mature in fiscal year 2020 and bears interest at a rate of 2.998% with quarterly scheduled principal and interest payments of \$28,516 on the 18th day of the months of September, December, March and June.

Future capital lease payments per fiscal year are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 215,326	\$ 6,767	\$ 222,093
2020	112,204	1,862	114,066
Total	327,530	\$ 8,629	\$ 336,159
Current	(215,326)		
Long-term	\$ 112,204		

Big Bear City Community Services District
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 9 – Net Pension Liability and Defined Benefit Pension Plan

Type of Account	Balance as of July 1, 2017	Additions	Deletions	Balance as of June 30, 2018
Deferred Outflows of Resources:				
Pension contributions made after the measurement date:				
CalPERS Miscellaneous	\$ 633,784	\$ 697,343	\$ (633,784)	\$ 697,343
CalPERS Safety	502,935	516,765	(502,935)	516,765
Sub-total	<u>1,136,719</u>	<u>1,214,108</u>	<u>(1,136,719)</u>	<u>1,214,108</u>
Difference between actual and proportionate share of employer contributions:				
CalPERS Safety	528,687	-	(306,681)	222,006
Adjustment due to differences in proportions:				
CalPERS Miscellaneous	463,876	-	(228,326)	235,550
CalPERS Safety	-	5,559	-	5,559
Sub-total	<u>463,876</u>	<u>5,559</u>	<u>(228,326)</u>	<u>241,109</u>
Differences between projected and actual earnings on pension plan investments:				
CalPERS Miscellaneous	1,005,279	-	(702,934)	302,345
CalPERS Safety	889,394	-	(662,594)	226,800
Sub-total	<u>1,894,673</u>	<u>-</u>	<u>(1,365,528)</u>	<u>529,145</u>
Differences between expected and actual experience:				
CalPERS Miscellaneous	15,737	-	(4,962)	10,775
CalPERS Safety	-	71,724	-	71,724
Sub-total	<u>15,737</u>	<u>71,724</u>	<u>(4,962)</u>	<u>82,499</u>
Changes in assumptions:				
CalPERS Miscellaneous	-	1,336,872	-	1,336,872
CalPERS Safety	-	1,040,179	-	1,040,179
Sub-total	<u>-</u>	<u>2,377,051</u>	<u>-</u>	<u>2,377,051</u>
Total deferred outflows of resources	<u>\$ 4,039,692</u>	<u>\$ 3,668,442</u>	<u>\$ (3,042,216)</u>	<u>\$ 4,665,918</u>
Aggregate Net Pension Liability:				
CalPERS Miscellaneous	\$ 7,903,524	\$ 1,181,959	\$ -	\$ 9,085,483
CalPERS Safety	5,449,842	869,923	-	6,319,765
Total aggregate net pension liability	<u>\$ 13,353,366</u>	<u>\$ 2,051,882</u>	<u>\$ -</u>	<u>\$ 15,405,248</u>
Deferred Inflows of Resources:				
Difference between actual and proportionate share of employer contributions:				
CalPERS Miscellaneous	\$ 392,832	\$ -	\$ (41,316)	\$ 351,516
CalPERS Safety	38,065	79,133	-	117,198
Sub-total	<u>430,897</u>	<u>79,133</u>	<u>(41,316)</u>	<u>468,714</u>
Adjustment due to differences in proportions:				
CalPERS Miscellaneous	-	17,787	-	17,787
CalPERS Safety	317,002	-	(172,943)	144,059
Sub-total	<u>317,002</u>	<u>17,787</u>	<u>(172,943)</u>	<u>161,846</u>
Differences between expected and actual experience:				
CalPERS Miscellaneous	-	154,365	-	154,365
CalPERS Safety	41,520	-	(22,820)	18,700
Sub-total	<u>41,520</u>	<u>154,365</u>	<u>(22,820)</u>	<u>173,065</u>
Changes in assumptions:				
CalPERS Miscellaneous	193,149	-	(91,211)	101,938
CalPERS Safety	181,031	-	(101,226)	79,805
Sub-total	<u>374,180</u>	<u>-</u>	<u>(192,437)</u>	<u>181,743</u>
Total deferred inflows of resources	<u>\$ 1,163,599</u>	<u>\$ 251,285</u>	<u>\$ (429,516)</u>	<u>\$ 985,368</u>

Big Bear City Community Services District
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 9 – Net Pension Liability and Defined Benefit Pension Plan (Continued)

A. General Information about the Pension Plans

The Plans Description Schedule

The District has engaged with CalPERS to administer the following pension plans for its employees (members):

Miscellaneous Plans

	Miscellaneous Plans		
	Classic Tier 1	Classic Tier 2	PEPRA Tier 3
Hire date	Prior to January 1, 2011	On or after January 1, 2013	On or after January 1, 2013
Benefit formula	2.7% @ 55	2.5% @ 55	2.0 @ 62
Benefit vesting schedule	5-years or service	5-years or service	5-years or service
Benefits payments	monthly for life	monthly for life	monthly for life
Retirement age	50 - 67 & up	50 - 67 & up	52 - 67 & up
Monthly benefits, as a % of eligible compensation	2.0% to 2.7%	2.0% to 2.5%	1.0% to 2.5%
Required member contribution rates	8.000%	8.000%	6.500%
Required employer contribution rates	12.429%	10.808%	6.930%

Safety Plans

	Safety Plans		
	Classic Tier 1	Classic Tier 2	PEPRA Tier 3
Hire date	Prior to April 30, 2012	Prior to May 1, 2012	On or after January 1, 2013
Benefit formula	3.0% @ 50	3.0% @ 55	2.7 @ 57
Benefit vesting schedule	5-years or service	5-years or service	5-years or service
Benefits payments	monthly for life	monthly for life	monthly for life
Retirement age	50 - 67 & up	50 - 67 & up	52 - 67 & up
Monthly benefits, as a % of eligible compensation	3.00%	2.4% to 3.0%	2.0% to 2.7%
Required member contribution rates	9.000%	9.000%	12.250%
Required employer contribution rates	21.230%	19.334%	12.821%

Plan Description

The District contributes to the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer defined benefit pension plan. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. A full description of the pension plan, benefit provisions, assumptions (for funding, but not accounting purposes), and membership information are listed in the June 30, 2015 Annual Actuarial Valuation Report. This report and CalPERS' audited financial statements are publicly available reports that can be obtained at CalPERS' website under Forms and Publications.

Big Bear City Community Services District
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 9 – Net Pension Liability and Defined Benefit Pension Plan (Continued)

A. General Information about the Pension Plans (Continued)

Members Covered by Benefit Terms

At June 30, 2016 (Valuation Date), the following members were covered by the benefit terms:

<u>Plan Members</u>	<u>Miscellaneous Plans</u>			<u>Total</u>
	<u>Classic Tier 1</u>	<u>Classic Tier 2</u>	<u>PEPRA Tier 3</u>	
Active members	23	7	9	39
Transferred and terminated members	13	1	1	15
Retired members and beneficiaries	48	-	-	48
Total plan members	84	8	10	102

<u>Plan Members</u>	<u>Safety Plans</u>			<u>Total</u>
	<u>Classic Tier 1</u>	<u>Classic Tier 2</u>	<u>PEPRA Tier 3</u>	
Active members	11	1	3	15
Transferred and terminated members	10	5	10	25
Retired members and beneficiaries	23	-	-	23
Total plan members	44	6	13	63

Benefits Provided

CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. A Classic CalPERS Miscellaneous member becomes eligible for service retirement upon attainment of age 55 with at least 5 years of credited service. Public Employees' Pension Reform Act (PEPRA) Miscellaneous members become eligible for service retirement upon attainment of age 62 with at least 5 years of service. The service retirement benefit is a monthly allowance equal to the product of the benefit factor, years of service, and final compensation. The final compensation is the monthly average of the member's highest 36 full-time equivalent monthly pay. Retirement benefits for Classic Miscellaneous and Safety members are calculated as a percentage of their plan based the average final 36 months compensation. Retirement benefits for PEPRA Miscellaneous members are calculated as a percentage of their plan based the average final 36 months compensation.

Participant members are eligible for non-industrial disability retirement if they become disabled and have at least 5 years of credited service. There is no special age requirement. The standard non-industrial disability retirement benefit is a monthly allowance equal to 1.8% of final compensation, multiplied by service. Industrial disability benefits are not offered to miscellaneous employees.

A member's beneficiary may receive the basic death benefit if the member dies while actively employed. The member must be actively employed with the District to be eligible for this benefit. A member's survivor who is eligible for any other pre-retirement death benefit may choose to receive that death benefit instead of this basic death benefit. The basic death benefit is a lump sum in the amount of the members' accumulated contributions, where interest is currently credited at 7.5 percent per year, plus a lump sum in the amount of one month's salary for each completed year of current service, up to a maximum of six months' salary. For purposes of this benefit, one month's salary is defined as the member's average monthly full-time rate of compensation during the 12 months preceding death.

Big Bear City Community Services District
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 9 – Net Pension Liability and Defined Benefit Pension Plan (Continued)

A. General Information about the Pension Plans (Continued)

Benefits Provided (Continued)

Upon the death of a retiree, a one-time lump sum payment of \$500 will be made to the retiree's designated survivor(s), or to the retiree's estate.

Benefit terms provide for annual cost-of-living adjustments to each member's retirement allowance. Beginning the second calendar year after the year of retirement, retirement and survivor allowances will be annually adjusted on a compound basis by 3%.

Contributions

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers will 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 public agency cost-sharing plans covered by the Miscellaneous risk pool, the Plan's actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs of benefits earned by employees during the year, and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of members. For the measurement period ended June 30, 2017 (Measurement Date), the active member contribution rate for the Classic Miscellaneous & Safety Plans and the PEPRA Miscellaneous and Safety Plans are based above in the Plans Description schedule.

For the year ended June 30, 2018, the contributions made to the Plan were as follows:

Contribution Type	Miscellaneous Plans			Total
	Classic Tier 1	Classic Tier 2	PEPRA Tier 3	
Contributions – employer	\$ 625,255	\$ 38,715	\$ 33,373	\$ 697,343
Contributions – members	131,063	28,552	31,340	190,955
Total contributions	\$ 756,318	\$ 67,267	\$ 64,713	\$ 888,298

Contribution Type	Safety Plans			Total
	Classic Tier 1	Classic Tier 2	PEPRA Tier 3	
Contributions – employer	\$ 472,762	\$ 16,279	\$ 27,724	\$ 516,765
Contributions – members	92,567	7,356	26,185	126,108
Total contributions	\$ 565,329	\$ 23,635	\$ 53,909	\$ 642,873

Big Bear City Community Services District
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 9 – Net Pension Liability and Defined Benefit Pension Plan (Continued)

B. Net Pension Liability, Pension Expenses, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension Plans

Actuarial Methods and Assumptions Used to Determine the Total Pension Liability

For the measurement period ended June 30, 2017 (Measurement Date), the total pension liability was determined by rolling forward the June 30, 2016 total pension liability. Both the June 30, 2016 and the June 30, 2017 total pension liabilities were based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table	Derived using CalPERS' Membership Data for all Funds.
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

All other actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website under Forms and Publications.

Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent. The long-term expected rate of return on the pension plan investments was determined in which best-estimate ranges of expected future real rates are developed for each major asset class. In determining the long-term expected rate of return, both short-term and long-term market return expectations as well as the expected pension fund cash flows were considered. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years.

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

Big Bear City Community Services District
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 9 – Net Pension Liability and Defined Benefit Pension Plan (Continued)

B. Net Pension Liability, Pension Expenses, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension Plans (Continued)

Discount Rate

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

<u>Investment Type</u>	<u>New Strategic Allocation</u>	<u>Real Return Years 1 - 10¹</u>	<u>Real Return Years 11+²</u>
Global Equity	47.00%	4.90%	5.38%
Global Fixed Income	19.00%	0.80%	2.27%
Inflation Sensitive	6.00%	0.60%	1.39%
Private Equity	12.00%	6.60%	6.63%
Real Estate	11.00%	3.80%	5.21%
Infrastructure and Forestland	3.00%	2.90%	5.36%
Liquidity	2.00%	-0.40%	-0.90%
	<u>100.00%</u>		

¹ An expected inflation rate-of-return of 2.5% is used for years 1 – 10.

² An expected inflation rate-of-return of 3.0% is used for years 11+.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability of the Plan as of the measurement date, calculated using the discount rate of 7.15%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.15%) or 1 percentage-point higher (8.15%) than the current rate:

<u>Plan Type</u>	<u>Plan's Net Pension Liability/(Asset)</u>		
	<u>Discount Rate - 1% 6.15%</u>	<u>Current Discount Rate 7.15%</u>	<u>Discount Rate + 1% 8.15%</u>
CalPERS – Miscellaneous & Safety Plans	<u>\$ 23,248,279</u>	<u>\$ 15,405,248</u>	<u>\$ 8,946,508</u>

Pension Plan Fiduciary Net Position

Detail information about the plan's fiduciary net position is available in the separately issued CalPERS financial report and can be obtained from CalPERS' website under Forms and Publications.

Big Bear City Community Services District
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 9 – Net Pension Liability and Defined Benefit Pension Plan (Continued)

B. Net Pension Liability, Pension Expenses, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension Plans (Continued)

Proportionate Share of Net Pension Liability and Pension Expense

The following table shows the plan’s proportionate share of the risk pool collective net pension liability over the measurement period for the CalPERS Miscellaneous and Safety Plans as follows:

<u>Plan Type and Balance Descriptions</u>	<u>Plan Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Change in Plan Net Pension Liability</u>
CalPERS – Miscellaneous Plan:			
Balance as of June 30, 2016 (Measurement Date)	\$ 29,079,775	\$ 21,176,251	\$ 7,903,524
Balance as of June 30, 2017 (Measurement Date)	\$ 32,037,900	\$ 22,952,417	\$ 9,085,483
Change in Plan Net Pension Liability	\$ 2,958,125	\$ 1,776,166	\$ 1,181,959

<u>Plan Type and Balance Descriptions</u>	<u>Plan Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Change in Plan Net Pension Liability</u>
CalPERS – Safety Plan:			
Balance as of June 30, 2016 (Measurement Date)	\$ 22,207,444	\$ 16,757,602	\$ 5,449,842
Balance as of June 30, 2017 (Measurement Date)	\$ 24,559,686	\$ 18,239,921	\$ 6,319,765
Change in Plan Net Pension Liability	\$ 2,352,242	\$ 1,482,319	\$ 869,923

The following is the approach established by the plan actuary to allocate the net pension liability and pension expense to the individual employers within the risk pool.

- (1) In determining a cost-sharing plan’s proportionate share, total amounts of liabilities and assets are first calculated for the risk pool as a whole on the valuation date (June 30, 2016). The risk pool’s fiduciary net position (“FNP”) subtracted from its total pension liability (TPL) determines the net pension liability (NPL) at the valuation date.
- (2) Using standard actuarial roll forward methods, the risk pool TPL is then computed at the measurement date (June 30, 2017). Risk pool FNP at the measurement date is then subtracted from this number to compute the NPL for the risk pool at the measurement date. For purposes of FNP in this step and any later reference thereto, the risk pool’s FNP at the measurement date denotes the aggregate risk pool’s FNP at June 30, 2016 less the sum of all additional side fund (or unfunded liability) contributions made by all employers during the measurement period (2016-17 fiscal year).
- (3) The individual plan’s TPL, FNP and NPL are also calculated at the valuation date.
- (4) Two ratios are created by dividing the plan’s individual TPL and FNP as of the valuation date from (3) by the amounts in step (1), the risk pool’s total TPL and FNP, respectively.

Big Bear City Community Services District
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 9 – Net Pension Liability and Defined Benefit Pension Plan (Continued)

B. Net Pension Liability, Pension Expenses, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension Plans (Continued)

Proportionate Share of Net Pension Liability and Pension Expense (Continued)

(5) The plan's TPL as of the Measurement Date is equal to the risk pool TPL generated in (2) multiplied by the TPL ratio generated in (4). The plan's FNP as of the Measurement Date is equal to the FNP generated in (2) multiplied by the FNP ratio generated in (4) plus any additional side fund (or unfunded liability) contributions made by the employer on behalf of the plan during the measurement period.

(6) The plan's NPL at the Measurement Date is the difference between the TPL and FNP calculated in (5).

The District's proportionate share of the net pension liability was as follows:

CalPERS – Miscellaneous Plan	Percentage Share of Risk Pool		Change Increase/ (Decrease)
	Fiscal Year Ending	Fiscal Year Ending	
	June 30, 2018	June 30, 2017	
Measurement Date	June 30, 2017	June 30, 2016	
Percentage of Risk Pool Net Pension Liability	0.200030%	0.201980%	-0.001950%
Percentage of Plan (PERF C) Net Pension Liability	0.155338%	0.154319%	0.001019%

CalPERS – Safety Plan	Percentage Share of Risk Pool		Change Increase/ (Decrease)
	Fiscal Year Ending	Fiscal Year Ending	
	June 30, 2018	June 30, 2017	
Measurement Date	June 30, 2017	June 30, 2016	
Percentage of Risk Pool Net Pension Liability	0.116150%	0.117120%	-0.000970%
Percentage of Plan (PERF C) Net Pension Liability	0.155338%	0.154319%	0.001019%

For the year ended June 30, 2018, the District recognized pension expense/(credit) in the amount of \$2,022,915 for the CalPERS Miscellaneous and Safety Plans.

The amortization period differs depending on the source of the gain or loss. The difference between projected and actual earnings is amortized over 5-years straight line. All other amounts are amortized straight-line over the average expected remaining service lives of all members that are provided with benefits (active, inactive and retired) as of the beginning of the measurement period.

The expected average remaining service lifetime (EARSL) for PERF C for the measurement period ending June 30, 2017 is 3.8 years, which was obtained by dividing the total service years of 490,088 (the sum of remaining service lifetimes of the active employees) by 130,595 (the total number of participants: active, inactive, and retired) in PERF C. Inactive employees and retirees have remaining service lifetimes equal to 0. Total future service is based on the members' probability of decrementing due to an event other than receiving a cash refund.

Big Bear City Community Services District
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 9 – Net Pension Liability and Defined Benefit Pension Plan (Continued)

B. Net Pension Liability, Pension Expenses, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension Plans (Continued)

Deferred Outflows of Resources and Deferred Inflows of Resources

At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Account Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions made after the measurement date	\$ 1,214,108	\$ -
Difference between actual and proportionate share of employer contributions	222,006	468,714
Adjustment due to differences in proportions	241,109	161,846
Differences between expected and actual experience	82,499	173,065
Differences between projected and actual earnings on pension plan investments	529,145	-
Changes in assumptions	2,377,051	181,743
Total Deferred Outflows/(Inflows) of Resources	<u><u>\$ 4,665,918</u></u>	<u><u>\$ 985,368</u></u>

The District will recognize \$1,214,108 reported as deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date as a reduction of the net pension liability in the fiscal year ended June 30, 2019, as noted above.

Amortization of Deferred Outflows of Resources and Deferred Inflows of Resources

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

<u>Amortization Period Fiscal Year Ended June 30</u>	<u>Deferred Outflows/(Inflows) of Resources</u>
2018	\$ 637,404
2019	1,337,605
2020	803,648
2021	(312,215)
Total	<u><u>\$ 2,466,442</u></u>

Big Bear City Community Services District
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 10 –Other Post-Employment Benefits

Aggregate net OPEB liability and deferred outflows of resources are reported in the accompanying Statement of Net Position as follows:

Deferred inflows of resources:	
Net difference between projected and actual earning on OPEB plan investments	\$ 17,864
Total deferred outflows of resources	<u>\$ 17,864</u>
Net OPEB liabilities:	
Net OPEB liabilities	<u>\$ 11,372,391</u>
Total net OPEB liabilities	<u><u>\$ 11,372,391</u></u>

A. General Information about the OPEB Plan

Plan Description

The District provides Other Post-Employment Benefits (OPEB) to employees who retire from the District and meet certain eligibility requirements. The contribution requirements of Plan members and the District are established and may be amended by the Board of Directors. Membership in the plan consisted of the following at June 30, 2018, the date of the latest actuarial valuation:

Active employees	36
Retired employees and beneficiaries	<u>54</u>
	<u><u>90</u></u>

Funding Policy

As required by GASB Statement No. 75, an actuary will determine the District's Annual Required Contributions (ARC) at least once every three fiscal years. The ARC is calculated in accordance with certain parameters, and includes (1) the Normal Cost for one year, and (2) a component for amortization of the total Unfunded Actuarial Accrued Liability (UAAL) over a period not to exceed 30 years.

Big Bear City Community Services District
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 10 –Other Post-Employment Benefits (Continued)

B. Net OPEB Liability

Actuarial Assumptions

The net OPEB liability in the June 30, 2018 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
Actuarial Assumptions:	
Discount Rate	6.75%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	6.00%
Mortality Rate Table	2014 CalPERS Active Mortality for Miscellaneous Employees
Retirement Rates	Hired before 2013: 2009 CalPERS 2.0%@55 Rates for Miscellaneous Employees. Hired after 2012: 2009 CalPERS Retirement Rates for Miscellaneous Employees 2%@60 adjusted to minimum retirement age of 52

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2017 to June 30, 2018.

Discount Rate

The discount rate used to measure the total OPEB liability was 6.75%. This discount rate assumes the District continues to fully fund for its retiree health benefits through the California Employers' Retiree Benefit Trust (CERBT) under its investment allocation strategy 1. The rate reflects the CERBT published median interest rate for strategy 1 of 7.28% with an additional margin for adverse deviation.

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

Asset Class	Percentage of Portfolio	Real Return ¹
Global Equity	57.00%	4.820%
Fixed Income	27.00%	1.470%
Treasury Inflation Protected Securities (TIPS)	5.00%	1.290%
US Real Estate	8.00%	0.840%
All Commodities	3.00%	3.760%
	100.00%	

Big Bear City Community Services District
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 10 –Other Post-Employment Benefits (Continued)

C. Change in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability/(Asset) (c) = (a) - (b)
Balance at June 30, 2017 (Valuation Date)	\$ 13,428,139	\$ 2,134,407	\$ 11,293,732
Changes Recognized for the Measurement Period:			
Service cost	207,780	-	207,780
Interest on the total OPEB liability	895,534	-	895,534
Contributions from the employer	-	856,763	(856,763)
Net investment income, net of administrative expense	-	170,345	(170,345)
Benefit payments, including refunds of employee contributions	(737,469)	(737,469)	-
Administrative expense	-	(2,453)	2,453
Net Changes during July 1, 2017 to June 30, 2018	365,845	287,186	78,659
Balance at June 30, 2018 (Measurement Date)	<u>\$ 13,793,984</u>	<u>\$ 2,421,593</u>	<u>\$ 11,372,391</u>

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 1-percentage point lower (5.75%) or 1-percentage point higher (7.75%) than the current discount rate:

	Plan's OPEB Liability/(Asset)		
	Discount Rate - 1% (5.75%)	Current Discount Rate (6.75%)	Discount Rate + 1% (7.75%)
June 30, 2018 Measurement Date	\$ 13,223,804	\$ 11,372,391	\$ 9,859,786

D. OPEB Liabilities, OPEB Expense and Deferred Outflows/Inflows of Resources to OPEB

Under GASB 74 and 75, OPEB expense includes service cost, interest cost, change in Total OPEB Liability (“TOL”) due to plan changes; all adjusted for deferred inflows and outflows. The District determined that it was not reasonable to rerun prior valuations under GASB 75. Therefore, we used the transition approach provided in GASB 75, Paragraph 244 where in circumstances in which OPEB is provided through OPEB plans that are not administered through trusts, no other beginning balances for deferred outflows of resources and deferred inflows of resources related to OPEB should be reported. If restatement of all prior periods presented is not practical, the cumulative effect, if any, of applying this Statement should be reported as a restatement of beginning net position (or fund balance or fund net position, as applicable) for the earliest period restated. That means that there are no deferred inflows/outflows in the first year (with the possible exception of contributions after the measurement date).The OPEB expense shown below is considered to be preliminary because there can be employer specific deferred items (e.g., contributions made after the measurement date, and active employee contributions toward the OPEB plan).

Big Bear City Community Services District
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 10 –Other Post-Employment Benefits (Continued)

D. OPEB Liabilities, OPEB Expense and Deferred Outflows/Inflows of Resources to OPEB

Certain types of TOL changes are subject to deferral, as are investment gains/losses. To qualify for deferral, gains and losses must be based on GASB 74/75 compliant valuations. Since the District’s prior valuation was performed in accordance with GASB 43/45, it is not practical to calculate compliant deferred outflows and inflows as stated in GASB 75 Appendix E, Paragraph 244. Therefore, valuation-based deferred items will not begin until the next valuation. However, there could be employer-specific deferred items that need to be reflected, as mentioned earlier.

For the year ended June 30, 2018, the District recognized OPEB expense of \$953,286 for the District Plan. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred outflows of Resources	Deferred inflows of Resources
Net difference between projected and actual earning on OPEB plan investments	\$ -	\$ 17,864
Total	\$ -	\$ 17,864

Note 11 – Net Investment in Capital Assets

The District’s net investment in capital assets is summarized as of June 30, 2018 as follows:

Description	Amount
Net investment in capital assets:	
Capital assets – not being depreciated	\$ 2,103,393
Capital assets – being depreciated, net	18,113,305
Capital lease payable – current portion	(215,326)
Capital lease payable – non-current portion	(112,204)
Total net investment in capital assets	\$ 19,889,168

Note 12 – Other Required Disclosures

A. Government-wide Deficit Net Position and Fund Balance Deficit – Ambulance Services Fund

The District’s Ambulance Services Fund has a deficit fund balance of \$(723,758) and the governmental-wide unrestricted net position deficit of \$(6,586,018) and \$(1,628,227) for the governmental and business-type activities, respectively. The deficit is expected to be eliminated in future periods from property and voter approved tax transfers from the public safety fire services fund along with the sale of the ambulance service on July 1, 2018 and reorganization of these activities.

Big Bear City Community Services District
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 13 – Fund Balance

A detailed schedule of fund balances and their funding composition at June 30, 2018 is as follows:

<u>Description</u>	<u>General Government</u>	<u>Public Safety Fire Services</u>	<u>Ambulance Services</u>	<u>Total Governmental Funds</u>
Committed:				
Compensated absences	\$ 48,110	\$ -	\$ -	\$ 48,110
Unassigned (Deficit)	<u>789,134</u>	<u>2,128,996</u>	<u>(723,758)</u>	<u>2,194,372</u>
Total fund balance	<u>\$ 837,244</u>	<u>\$ 2,128,996</u>	<u>\$ (723,758)</u>	<u>\$ 2,242,482</u>

Note 14 – Prior Period Adjustments

A. Government-Wide Financial Statements

The beginning net position at July 1, 2017 of the Government-wide Financial Statements was restated as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Net position at July 1, 2017, as originally reported	\$ (170,129)	\$ 23,096,171
Prior period adjustments:		
Other post-employment benefits	<u>(4,349,750)</u>	<u>(7,309,375)</u>
Net position at July 1, 2017, as restated	<u>\$ (4,519,879)</u>	<u>\$ 15,786,796</u>

Note 15 – Deferred Compensation Savings Plan

For the benefit of its employees, the District participates in a 457 Deferred Compensation Program. The purpose of this Program is to provide deferred compensation for public employees that elect to participate in the Program. Generally, eligible employees may defer receipt of a portion of their salary until termination, retirement, death or unforeseeable emergency. Until the funds are paid or otherwise made available to the employee, the employee is not obligated to report the deferred salary for income tax purposes.

Federal law requires deferred compensation assets to be held in trust for the exclusive benefit of the participants. Accordingly, the District is in compliance with this legislation. Therefore, these assets are not the legal property of the District, and are not subject to claims of the District's general creditors.

The District has implemented GASB Statement No. 32, Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans. Since the District has little administrative involvement and does not perform the investing function for this plan, the assets and related liabilities are not shown in the accompanying financial statements.

Big Bear City Community Services District
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 16 – Risk Management

A. *Self-Insurance Pool Pursuant to Joint Powers Agreement*

The District is a member of the California Joint Powers Insurance Authority (Authority). The Authority is composed of 123 California public entities and is organized under a joint powers agreement pursuant to California Government Code §6500 et seq. The purpose of the Authority is to arrange and administer programs for the pooling of self-insured losses, to purchase excess insurance or reinsurance, and to arrange for group purchased insurance for property and other lines of coverage. The California JPIA began covering claims of its members in 1978. Each member government has an elected official as its representative on the Board of Directors. The Board operates through a nine-member Executive Committee.

B. *Self-Insurance Programs of the Authority*

Each member pays an annual contribution (formerly called the primary deposit) to cover estimated losses for the coverage period. This initial funding is paid at the beginning of the coverage period. After the close of the coverage period, outstanding claims are valued. A retrospective deposit computation is then conducted annually thereafter until all claims incurred during the coverage period are closed on a pool-wide basis. This subsequent cost re-allocation among members based on actual claim development can result in adjustments of either refunds or additional deposits required.

The total funding requirement for self-insurance programs is estimated using actuarial models and pre-funded through the annual contribution. Costs are allocated to individual agencies based on exposure (payroll) and experience (claims) relative to other members of the risk-sharing pool. Additional information regarding the cost allocation methodology is provided below.

C. *Liability*

In the liability program claims are pooled separately between police and non-police exposures. (1) The payroll of each member is evaluated relative to the payroll of other members. A variable credibility factor is determined for each member, which establishes the weight applied to payroll and the weight applied to losses within the formula. (2) The first layer of losses includes incurred costs up to \$30,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the first layer. (3) The second layer of losses includes incurred costs from \$30,000 to \$750,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the second layer. (4) Incurred costs in excess of \$750,000 up to the reinsurance attachment point of \$50 million are distributed based on the outcome of cost allocation within the first and second loss layers.

Costs of covered claims for subsidence losses are paid by reinsurance and excess insurance with a pooled sub-limit of \$50 million per occurrence. Subsidence losses have a sub-limit of \$40 million per occurrence. The coverage structure includes retained risk that is pooled among members, reinsurance, and excess insurance.

D. *Workers' Compensation*

The District also participates in the workers' compensation pool administered by the Authority. Each member pays a primary deposit to cover estimated losses for a fiscal year (claims year). After the close of a fiscal year, outstanding claims are valued. A retrospective deposit computation is then made for each open claims year. Claims are pooled separately between public safety and non-public safety.

Big Bear City Community Services District
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 16 – Risk Management (Continued)

E. Property Insurance

The District participates in the all-risk property protection program of the Authority. This insurance protection is underwritten by several insurance companies. The District property is currently insured according to a schedule of covered property submitted by the District to the Authority. The District property currently has all-risk property insurance protection in the amount of \$16,112,813. There is a \$10,000 deductible per occurrence except for non-emergency vehicle insurance which has a \$2,500 deductible.

F. Earthquake and Flood Insurance

The District purchases earthquake and flood insurance on a portion of its property. The earthquake insurance is part of the property protection insurance program of the Authority. The District property currently has earthquake protection in the amount of \$0. There is a deductible of 5% per unit of value with a minimum deductible of \$100,000.

G. Crime Insurance

The District purchases crime insurance coverage in the amount of \$1,000,000 with a \$25,000 deductible. The fidelity coverage is provided through the Authority. Premiums are paid annually and are not subject to retrospective adjustments.

H. Adequacy of Protection

Settled claims have not exceeded any of the coverage amounts in any of the last three fiscal years. There were no reductions in insurance coverage in fiscal year 2018, 2017 and 2016. Liabilities are recorded when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated net of the respective insurance coverage. Liabilities include an amount for claims that have been incurred but not reported (IBNR). There were no IBNR claims payable as of June 30, 2018, 2017 and 2016. Complete financial statements may be obtained from the California Joint Powers Insurance Authority, 8081 Moody Street, La Palma, California, 90623.

Note 17 – Commitments

Shared Services Agreement

On March 14, 2012, the District entered into a Shared Services Agreement (Agreement) with the Big Bear Lake Fire Protection District (BBLFPD). The District and the BBLFPD agreed to contract for the services of a Joint Fire Chief, combine and share fire administrative services personnel, combine and share various fire operations personnel, and share various fire-prevention and suppression equipment, all for cost saving purposes and possible future reorganization of fire and medical services of the District and the BBLFPD.

Note 18 – Contingencies

Litigation

In the ordinary course of operations, the District is subject to other claims and litigation from outside parties. After consultation with legal counsel, the District believes the ultimate outcome of such matters, other than the matter discussed above, will not materially affect its financial condition.

REQUIRED SUPPLEMENTARY INFORMATION

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Big Bear City Community Services District
Required Supplementary Information (Unaudited)
Budgetary Comparison Schedule – Public Safety Fund
For the Year Ended June 30, 2018

	<u>Original Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES:			
Taxes	\$ 4,151,125	\$ 4,346,990	\$ 195,865
Charges for services	655,500	565,811	(89,689)
Miscellaneous	15,400	4,307	(11,093)
Total revenues	<u>4,822,025</u>	<u>4,917,108</u>	<u>95,083</u>
EXPENDITURES:			
Current:			
Public safety	5,579,298	5,250,388	328,910
Total expenditures	<u>5,579,298</u>	<u>5,250,388</u>	<u>328,910</u>
REVENUES OVER(UNDER)EXPENDITURES	(757,273)	(333,280)	423,993
OTHER FINANCING SOURCES(USES):			
Transfers in(out)	(171,300)	(171,300)	-
Total other financing sources(uses)	<u>(171,300)</u>	<u>(171,300)</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>\$ (928,573)</u>	<u>(504,580)</u>	<u>\$ 423,993</u>
FUND BALANCES:			
Beginning of year, as restated		<u>2,633,576</u>	
End of year		<u>\$ 2,128,996</u>	

Notes to the Budgetary Comparison Schedule:

The District follows specific procedures in establishing the budgetary data reflected in the financial statements. Each year the District prepares and submits an operating budget to the Board of Directors no later than June of each year. The basis used to prepare the budget does not differ substantially from the modified accrual basis of accounting. The adopted budget becomes operative on July 1. The Board of Directors must approve all supplemental appropriations to the budget and transfers between major accounts.

Big Bear City Community Services District
Required Supplementary Information (Unaudited)
Schedule of the District's Proportionate Share of the Plan's Net Pension Liability
For the Year Ended June 30, 2018

Last Ten Fiscal Years

California Public Employees' Retirement System (CalPERS)

Measurement Date:	June 30, 2017¹	June 30, 2016¹	June 30, 2015¹	June 30, 2014¹
District's Proportion of the Net Pension Liability	0.155338%	0.154319%	0.151061%	0.148029%
District's Proportionate Share of the Net Pension Liability	\$ 15,405,248	\$ 13,353,366	\$ 10,368,719	\$ 9,211,071
District's Covered-Employee Payroll	\$ 4,080,454	\$ 4,087,072	\$ 4,226,695	\$ 3,827,345
District's Proportionate Share of the Net Pension Liability as a Percentage of Covered-Employee Payroll	377.54%	326.72%	245.32%	240.66%
Plan's Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	73.31%	74.06%	78.76%	80.32%

¹ Historical information is presented only for measurement periods for which GASB No. 68 is applicable.

Big Bear City Community Services District
Required Supplementary Information (Unaudited)
Schedule of the District's Contributions to the Pension Plan
For the Year Ended June 30, 2018

Last Ten Fiscal Years

California Public Employees' Retirement System (CalPERS)

Fiscal Year:	<u>2017-18¹</u>	<u>2016-17¹</u>	<u>2015-16¹</u>	<u>2014-15¹</u>	<u>2013-14¹</u>
Actuarially Determined Contribution ²	\$ 1,213,988	\$ 1,136,719	\$ 1,098,148	\$ 980,473	\$ 903,344
Contribution in Relation to the Actuarially Determined Contribution ²	<u>(1,214,108)</u>	<u>(1,136,719)</u>	<u>(1,098,148)</u>	<u>(2,000,918)</u>	<u>(903,344)</u>
Contribution Deficiency (Excess)	<u>\$ (120)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,020,445)</u>	<u>\$ -</u>
District's Covered-Employee Payroll ³	<u>\$ 3,902,690</u>	<u>\$ 4,080,454</u>	<u>\$ 4,087,072</u>	<u>\$ 4,226,695</u>	<u>\$ 3,805,577</u>
Contributions as a Percentage of Covered- Employee Payroll	<u>31.11%</u>	<u>27.86%</u>	<u>26.87%</u>	<u>47.34%</u>	<u>23.74%</u>

¹ Historical information is presented only for measurement periods for which GASB No. 68 is applicable.

² Employers are assumed to make contributions equal to the actuarially determined contributions (which is the actuarially determined contribution). However, some employers may choose to make additional contributions towards their side-fund or their unfunded liability. Employer contributions for such plan exceed the actuarial determined contributions. CalPERS has determined that employer obligations referred to as *side-funds* are not considered separately financed specific liabilities.

³ Covered-Employee Payroll represented above is based on pensionable earnings provided by the employer. However, GASB No. 68 defines covered-employee payroll as the total payroll of employees that are provided pensions through the pension plan. Accordingly, if pensionable earnings are different than total earnings for covered-employees, the employer should display in the disclosure footnotes the payroll based on total earnings for the covered group and recalculate the required payroll-related ratios.

Notes to the Schedule:

Change in Benefit Terms: The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2013 as they have minimal cost impact. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes)

Big Bear City Community Services District
Required Supplementary Information (Unaudited)
Schedule of the District's Changes in Net OPEB Liability and Related Ratios
For the Year Ended June 30, 2018

Measurement period	2017-18 ¹
Total OPEB liability	
Service cost	\$ 207,780
Interest	895,534
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions	-
Benefit payments, including refunds of employee contributions	(737,469)
Net change in total OPEB liability	365,845
Total OPEB liability - beginning	13,428,139
Total OPEB liability - ending (a)	\$ 13,793,984
 OPEB fiduciary net position	
Contributions - employer	\$ 856,763
Contributions - employee	-
Net investment income ²	170,345
Benefit payments, including refunds of employee contributions	(737,469)
Other	(2,453)
Net change in plan fiduciary net position	287,186
Plan fiduciary net position - beginning	2,134,407
Plan fiduciary net position - ending (b)	\$ 2,421,593
District's net OPEB liability - ending (a) - (b)	\$ 11,372,391
Plan fiduciary net position as a percentage of the total OPEB liability	17.56%
Covered payroll	\$ 2,849,098
District's net OPEB liability as a percentage of covered payroll	399.16%

¹ Ten year historical information is not available.

**Big Bear City Community Services District
 Required Supplementary Information (Unaudited)
 Schedule of the District's Contributions to the OPEB Plan
 For the Year Ended June 30, 2018**

Other Post-Employment Benefits (OPEB)

Fiscal Year:	<u>2017-18¹</u>
Actuarially Determined Contribution	\$ 972,880
Contribution in Relation to the Actuarially Determined Contribution	<u>(856,763)</u>
Contribution Deficiency (Excess)	<u>\$ 116,117</u>
District's Covered-Employee Payroll	<u>\$ 2,849,098</u>
Contributions as a Percentage of Covered-Employee Payroll	<u>30.07%</u>

¹ Ten year historical information is not available.

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