

Big Bear City Community Services District

Big Bear City, California

Annual Financial Report

For the Year Ended June 30, 2016



**Big Bear City Community Services District
Annual Financial Report
For the Year Ended June 30, 2016**

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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, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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, 2016, 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
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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 Funding Progress – Other Post-Employment Benefits Plan on pages 59 through 62, 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 December 31, 2016, 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.

The PwC Group, LLP

Santa Ana, California
December 31, 2016



**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, 2015, and the related notes to the financial statements, which collectively comprises the District's basic financial statements, and have issued our report thereon dated December 31, 2016.

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
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Big Bear City, California
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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 entity'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 PwC Group, LLP". The signature is written in a cursive, flowing style.

Santa Ana, California
December 31, 2016

**Big Bear City Community Services District
Management’s Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2016**

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, 2016. 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 increased 7.5%, or \$1,496,251 from the prior year’s net position of \$19,844,629 to \$21,340,880, as a result of this year’s operations.
- Total revenues from all sources increased by 10.59%, or \$1,570,314 from \$14,821,623 to \$16,391,937, from the prior year, primarily due to an increase in operating revenues in the water fund of \$246,586 and in the sewer fund of \$709,668.
- Total expenses for the District’s operations increased by 13.62% or \$1,786,168 from \$13,109,518 to \$14,895,686, from the prior year, primarily due to an increase of \$2,281,611 in materials and services which is offset by a decrease of \$(1,021,864) in employee benefits in the governmental funds plus an increase of \$753,255 in salaries and benefits in the enterprise funds.

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, 2016**

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 \$21,340,880 as of June 30, 2016.

Condensed Statement of Net Position

	Governmental Activities		Business-Type Activities		Total	
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
ASSETS:						
Current assets	\$ 2,372,084	\$ 2,134,648	\$ 12,055,764	\$ 11,558,761	\$ 14,427,848	\$ 13,693,409
Non-current assets	150,127	139,339	122,362	113,569	272,489	252,908
Capital assets, net	1,726,255	1,956,223	17,296,040	16,982,399	19,022,295	18,938,622
Total assets	4,248,466	4,230,210	29,474,166	28,654,729	33,722,632	32,884,939
DEFERRED OUTFLOWS OF RESOURCES	1,369,523	706,533	968,791	557,073	2,338,314	1,263,606
LIABILITIES:						
Current liabilities	1,192,834	461,662	676,691	1,183,391	1,869,525	1,645,053
Non-current liabilities	4,295,928	4,744,885	6,795,085	4,968,272	11,091,013	9,713,157
Total liabilities	5,488,762	5,206,547	7,471,776	6,151,663	12,960,538	11,358,210
DEFERRED INFLOWS OF RESOURCES	1,013,176	1,133,319	746,352	1,812,387	1,759,528	2,945,706
NET POSITION						
Net investment in capital assets	1,726,255	1,956,223	16,555,554	16,576,536	18,281,809	18,532,759
Unrestricted	(2,610,204)	(3,359,346)	5,669,275	4,671,216	3,059,071	1,311,870
Total net position	\$ (883,949)	\$ (1,403,123)	\$ 22,224,829	\$ 21,247,752	\$ 21,340,880	\$ 19,844,629

At the end of fiscal year 2016, the District shows a positive balance in its unrestricted net position of \$3,059,071 that may be utilized in future years.

**Big Bear City Community Services District
Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2016**

Condensed Statement of Activities

	Governmental Activities		Business-Type Activities		Total	
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
REVENUES:						
Program revenues	\$ 3,810,367	\$ 3,500,728	\$ 8,424,943	\$ 7,469,779	\$ 12,235,310	\$ 10,970,507
General revenues and transfers	4,122,140	3,862,317	34,487	(11,201)	4,156,627	3,851,116
Total revenues	<u>7,932,507</u>	<u>7,363,045</u>	<u>8,459,430</u>	<u>7,458,578</u>	<u>16,391,937</u>	<u>14,821,623</u>
EXPENSES:						
Operations	7,183,365	6,388,267	6,281,535	5,370,066	13,464,900	11,758,333
Depreciation expense	229,968	244,786	1,179,285	1,093,289	1,409,253	1,338,075
Interest expense	-	-	21,533	13,110	21,533	13,110
Total expenses	<u>7,413,333</u>	<u>6,633,053</u>	<u>7,482,353</u>	<u>6,476,465</u>	<u>14,895,686</u>	<u>13,109,518</u>
Change in net position	<u>519,174</u>	<u>729,992</u>	<u>977,077</u>	<u>982,113</u>	<u>1,496,251</u>	<u>1,712,105</u>
NET POSITION:						
Beginning of year	(1,403,123)	2,964,182	21,247,752	26,223,288	19,844,629	29,187,470
Prior period adjustment	-	(5,097,297)	-	(5,957,649)	-	(11,054,946)
End of year	<u>\$ (883,949)</u>	<u>\$ (1,403,123)</u>	<u>\$ 22,224,829</u>	<u>\$ 21,247,752</u>	<u>\$ 21,340,880</u>	<u>\$ 19,844,629</u>

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 \$1,496,251, during the fiscal year ended June 30, 2016.

Total revenues from all sources increased by 10.59%, or \$1,570,314 from \$14,821,623 to \$16,391,937, from the prior year, primarily due to an increase in operating revenues in the water fund of \$246,586 and in the sewer fund of \$709,668.

Total expenses for the District's operations increased by 14.03% or \$1,839,525 from \$13,109,518 to \$14,949,043, from the prior year, primarily due to an increase of \$2,281,611 in materials and services which is offset by a decrease of \$(1,021,864) in employee benefits in the governmental funds plus an increase of \$753,255 in salaries and benefits in the enterprise funds.

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, 2016, the District reported a total fund balance of \$1,247,715. An amount of \$(1,504,249) constitutes the District's *unassigned fund balance deficit*.

**Big Bear City Community Services District
Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2016**

Capital Asset Administration

Changes in capital assets for the year were as follows:

	<u>Balance June 30, 2016</u>	<u>Balance June 30, 2015</u>
Non-depreciable capital assets	\$ 1,373,560	\$ 1,373,560
Depreciable capital assets	<u>47,260,178</u>	<u>46,087,719</u>
Total capital assets	48,633,738	47,461,279
Accumulated depreciation	<u>(29,608,443)</u>	<u>(28,522,657)</u>
Total capital assets, net	<u>\$ 19,025,295</u>	<u>\$ 18,938,622</u>

At the end of fiscal year 2016, the District's investment in capital assets amounted to \$19,025,295 (net of accumulated depreciation). Major capital asset additions during the year include various equipment and vehicle purchases totaling \$1,492,925. See note 7 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, 2016</u>	<u>Balance June 30, 2015</u>
Capital lease payable	<u>\$ 740,486</u>	<u>\$ 405,863</u>

See further detail at note 10.

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, 2016

<u>ASSETS</u>	<u>Primary Government</u>		
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Current assets:			
Cash and cash equivalents (Note 2)	\$ 2,816,870	\$ 9,963,404	\$ 12,780,274
Investments (Note 2)	-	504,650	504,650
Accrued interest receivable	2,216	16,727	18,943
Accounts receivable – services, net (Note 3)	256,992	469,017	726,009
Accounts receivable – other	111,765	132,453	244,218
Property taxes receivable	74,709	-	74,709
Special assessments receivable (Note 4)	-	79,045	79,045
Internal balances (Note 5)	(890,468)	890,468	-
Total current assets	2,372,084	12,055,764	14,427,848
Non-current assets:			
Net other post-employment benefits asset (Note 6)	150,127	122,362	272,489
Capital assets – not being depreciated (Note 7)	183,653	1,189,907	1,373,560
Capital assets – being depreciated, net (Note 7)	1,542,602	16,106,133	17,648,735
Total non-current assets	1,876,382	17,418,402	19,294,784
Total assets	4,248,466	29,474,166	33,722,632
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Pension contributions made after the measurement date (Note 11)	526,860	571,288	1,098,148
Difference between actual and proportionate share of employer contributions (Note 11)	842,663	-	842,663
Adjustment due to differences in proportions (Note 11)	-	373,401	373,401
Differences between expected and actual experience (Note 11)	-	24,102	24,102
Total deferred outflows of resources	1,369,523	968,791	2,338,314
<u>LIABILITIES</u>			
Current liabilities:			
Accounts payable and accrued expenses	1,120,137	186,377	1,306,514
Customer deposits and unearned revenue	4,232	48,956	53,188
BBARWA pass-through (Note 8)	-	204,265	204,265
Accrued interest payable	-	2,149	2,149
Compensated absences (Note 9)	68,465	31,361	99,826
Capital lease payable (Note 10)	-	203,583	203,583
Total current liabilities	1,192,834	676,691	1,869,525
Non-current liabilities:			
Compensated absences (Note 9)	127,150	58,241	185,391
Capital lease payable (Note 10)	-	536,903	536,903
Aggregate net pension liability (Note 11)	4,168,778	6,199,941	10,368,719
Total non-current liabilities	4,295,928	6,795,085	11,091,013
Total liabilities	5,488,762	7,471,776	12,960,538
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Differences between projected and actual earnings on pension plan investments (Note 11)	185,342	114,316	299,658
Difference between actual and proportionate share of employer contributions (Note 11)	-	404,004	404,004
Adjustment due to differences in proportions (Note 11)	382,618	-	382,618
Differences between expected and actual experience (Note 11)	79,512	-	79,512
Changes in assumptions (Note 11)	365,704	228,032	593,736
Total deferred inflows of resources	1,013,176	746,352	1,759,528
<u>NET POSITION</u>			
Net investment in capital assets (Note 12)	1,726,255	16,555,554	18,281,809
Unrestricted (Deficit)	(2,610,204)	5,669,275	3,059,071
Total net position	\$ (883,949)	\$ 22,224,829	\$ 21,340,880

See Accompanying Notes to the Basic Financial Statements.

Big Bear City Community Services District
Statement of Activities
For the Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Capital and Operating Grants
Primary government:			
Governmental activities:			
General government	\$ 144,474	\$ 100,787	\$ -
Public safety – fire services	5,404,782	372,702	-
Ambulance services	1,864,077	3,336,878	-
Total governmental activities	<u>7,413,333</u>	<u>3,810,367</u>	<u>-</u>
Business-type activities:			
Water	3,094,799	3,205,772	186,091
Sewer	2,313,159	2,775,213	86,718
Solid waste	2,074,395	2,171,149	-
Total business-type activities	<u>7,482,353</u>	<u>8,152,134</u>	<u>272,809</u>
Total primary government	<u><u>\$ 14,895,686</u></u>	<u><u>\$ 11,962,501</u></u>	<u><u>\$ 272,809</u></u>

Big Bear City Community Services District
Statement of Activities (Continued)
For the Year Ended June 30, 2016

Functions/Programs	Net (Expense) Revenue and Changes in Net Position		
	Governmental Activities	Business-Type Activities	Total
Primary government:			
Governmental activities:			
General government	\$ (43,687)	\$ -	\$ (43,687)
Public safety – fire services	(5,032,080)	-	(5,032,080)
Ambulance services	1,472,801	-	1,472,801
Total governmental activities	<u>(3,602,966)</u>	<u>-</u>	<u>(3,602,966)</u>
Business-type activities:			
Water	-	297,064	297,064
Sewer	-	548,772	548,772
Solid waste	-	96,754	96,754
Total business-type activities	<u>-</u>	<u>942,590</u>	<u>942,590</u>
Total primary government	<u>(3,602,966)</u>	<u>942,590</u>	<u>(2,660,376)</u>
General revenues and transfers:			
Property taxes	2,136,719	-	2,136,719
Voter approved taxes	1,916,036	-	1,916,036
Investment earnings	6,385	97,487	103,872
Transfers	63,000	(63,000)	-
Total general revenues and transfers	<u>4,122,140</u>	<u>34,487</u>	<u>4,156,627</u>
Change in net position	<u>519,174</u>	<u>977,077</u>	<u>1,496,251</u>
Net position:			
Beginning of year	<u>(1,403,123)</u>	<u>21,247,752</u>	<u>19,844,629</u>
End of year	<u>\$ (883,949)</u>	<u>\$ 22,224,829</u>	<u>\$ 21,340,880</u>

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GOVERNMENTAL FUND FINANCIAL STATEMENTS

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Big Bear City Community Services District
Balance Sheets
Governmental Funds
June 30, 2016

<u>Assets</u>	<u>General Government</u>	<u>Public Safety Fire Services</u>	<u>Ambulance Services</u>	<u>Total Governmental Funds</u>
Assets:				
Cash and investments	\$ 677,378	\$ 856,560	\$ 1,282,932	\$ 2,816,870
Accrued interest receivable	328	944	944	2,216
Accounts receivable – services, net	-	-	256,992	256,992
Accounts receivable – other	419	111,346	-	111,765
Property taxes receivable	-	74,709	-	74,709
Advance to other funds (Note 5)	-	2,556,349	-	2,556,349
Total assets	\$ 678,125	\$ 3,599,908	\$ 1,540,868	\$ 5,818,901
<u>Liabilities and Fund Balance</u>				
Liabilities:				
Accounts payable and accrued expenses	\$ 52,214	\$ 917,764	\$ 150,159	\$ 1,120,137
Customer deposits and unearned revenue	-	-	4,232	4,232
Advance from other funds (Note 5)	-	890,468	2,556,349	3,446,817
Total liabilities	52,214	1,808,232	2,710,740	4,571,186
Fund balance: (note 13)				
Nonspendable	-	2,556,349	-	2,556,349
Committed	67,544	128,071	-	195,615
Unassigned (Deficit)	558,367	(892,744)	(1,169,872)	(1,504,249)
Total fund balance	625,911	1,791,676	(1,169,872)	1,247,715
Total liabilities and fund balance	\$ 678,125	\$ 3,599,908	\$ 1,540,868	\$ 5,818,901

Big Bear City Community Services District
Reconciliation of the Balance Sheet of Governmental Funds to the
Government-Wide Statement of Net Position
June 30, 2016

Total Fund Balances – Total Governmental Funds	<u>\$ 1,247,715</u>
Amounts reported for governmental activities in the statement of net position are different because:	
Certain assets 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 - net other post-employment benefits asset among the assets of the District as a whole.	150,127
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.	1,726,255
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.	1,369,523
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	(195,615)
Aggregate net pension liability	(4,168,778)
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>(1,013,176)</u>
Total adjustments	<u>(2,131,664)</u>
Net Position of Governmental Activities	<u><u>\$ (883,949)</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, 2016

	<u>General Government</u>	<u>Public Safety Fire Services</u>	<u>Ambulance Services</u>	<u>Total Governmental Funds</u>
Revenues:				
Taxes:				
Property taxes	\$ -	\$ 2,136,719	\$ -	\$ 2,136,719
Voter approved taxes	-	1,916,036	-	1,916,036
Charges for services	100,787	372,702	3,336,878	3,810,367
Investment earnings	1,221	2,445	2,719	6,385
Total revenues	<u>102,008</u>	<u>4,427,902</u>	<u>3,339,597</u>	<u>7,869,507</u>
Expenditures:				
Current:				
Salaries and benefits	103,880	3,686,004	549,636	4,339,520
Materials and services	30,760	2,362,499	1,701,469	4,094,728
Total expenditures	<u>134,640</u>	<u>6,048,503</u>	<u>2,251,105</u>	<u>8,434,248</u>
Revenues over(under) expenditures	(32,632)	(1,620,601)	1,088,492	(564,741)
Other financing sources(uses):				
Transfers in(out) (Note 5)	64,000	1,199,000	(1,200,000)	63,000
Total other financing sources(uses)	<u>64,000</u>	<u>1,199,000</u>	<u>(1,200,000)</u>	<u>63,000</u>
Net change in fund balance	31,368	(421,601)	(111,508)	(501,741)
Fund balance:				
Beginning of year	594,543	2,213,277	(1,058,364)	1,749,456
End of year	<u>\$ 625,911</u>	<u>\$ 1,791,676</u>	<u>\$ (1,169,872)</u>	<u>\$ 1,247,715</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, 2016

Net Changes in Fund Balance – Total Governmental Funds	<u>\$ (501,741)</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	22,870
Net change in net other post-employment benefits asset	10,788
Net change in net pension expense	1,217,224
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.	
Depreciation expense	<u>(229,967)</u>
Total adjustments	<u>1,020,915</u>
Change in Net Position of Governmental Activities	<u><u>\$ 519,174</u></u>

PROPRIETARY FUND FINANCIAL STATEMENTS

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Big Bear City Community Services District
Balance Sheet
Proprietary Funds
June 30, 2016

<u>ASSETS</u>	Water Operations	Sewer Operations	Solid Waste Operations	Total
Current assets:				
Cash and cash equivalents	\$ 4,251,678	\$ 3,838,160	\$ 1,873,566	\$ 9,963,404
Investments	504,650	-	-	504,650
Accrued interest receivable	7,157	5,814	3,756	16,727
Accounts receivable – services, net	450,786	-	18,231	469,017
Accounts receivable – other	7,187	84,726	40,540	132,453
Special assessments receivable	-	79,045	-	79,045
Due from other funds (Note 5)	-	890,468	-	890,468
Total current assets	5,221,458	4,898,213	1,936,093	12,055,764
Non-current assets:				
Net other post-employment benefits assets	32,366	40,512	49,484	122,362
Capital assets – not being depreciated	843,786	218,321	127,800	1,189,907
Capital assets – being depreciated, net	9,013,112	5,797,003	1,296,018	16,106,133
Total non-current assets	9,889,264	6,055,836	1,473,302	17,418,402
Total assets	15,110,722	10,954,049	3,409,395	29,474,166
<u>DEFERRED OUTFLOWS OF RESOURCES</u>				
Pension contributions made after the measurement date (Note 11)	171,386	165,673	234,229	571,288
Adjustment due to differences in proportions (Note 11)	112,020	108,286	153,095	373,401
Differences between expected and actual experience (Note 11)	7,231	6,990	9,881	24,102
Total deferred outflows of resources	290,637	280,949	397,205	968,791
Total assets and deferred outflows of resources	\$ 15,401,359	\$ 11,234,998	\$ 3,806,600	\$ 30,442,957
<u>LIABILITIES</u>				
Current liabilities:				
Accounts payable and accrued expenses	\$ 78,530	\$ 70,934	\$ 36,913	\$ 186,377
Customer deposits and unearned revenue	48,956	-	-	48,956
BBARWA pass-through	-	204,265	-	204,265
Accrued interest payable	-	-	2,149	2,149
Compensated absences	7,832	9,045	14,484	31,361
Capital lease payable	-	-	203,583	203,583
Total current liabilities	135,318	284,244	257,129	676,691
Non-current liabilities:				
Compensated absences	14,546	16,795	26,900	58,241
Capital lease payable	-	-	536,903	536,903
Aggregate net pension liability	1,859,981	1,797,984	2,541,976	6,199,941
Total non-current liabilities	1,874,527	1,814,779	3,105,779	6,795,085
Total liabilities	2,009,845	2,099,023	3,362,908	7,471,776
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Differences between projected and actual earnings on pension plan investments (Note 6)	34,295	33,152	46,869	114,316
Difference between actual and proportionate share of employer contributions (Note 11)	121,201	117,161	165,642	404,004
Changes in assumptions (Note 6)	68,410	66,129	93,493	228,032
Total deferred inflows of resources	223,906	216,442	306,004	746,352
<u>NET POSITION</u>				
Net investment in capital assets	9,856,898	6,015,324	683,332	16,555,554
Unrestricted (Deficit)	3,310,710	2,904,209	(545,644)	5,669,275
Total net position	13,167,608	8,919,533	137,688	22,224,829
Total liabilities, deferred inflows of resources and net position	\$ 15,401,359	\$ 11,234,998	\$ 3,806,600	\$ 30,442,957

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, 2016

	<u>Water Operations</u>	<u>Sewer Operations</u>	<u>Solid Waste Operations</u>	<u>Total</u>
Operating revenues:				
Water consumption sales	\$ 2,904,886	\$ -	\$ -	\$ 2,904,886
Water standby charges	235,788	-	-	235,788
Sewer service charges	-	2,070,626	-	2,070,626
Solid waste collection charges	-	-	2,169,069	2,169,069
Other charges for services	65,098	704,587	2,080	771,765
Total operating revenues	<u>3,205,772</u>	<u>2,775,213</u>	<u>2,171,149</u>	<u>8,152,134</u>
Operating expenses:				
Operations	2,473,536	1,881,793	1,926,206	6,281,535
Total operating expenses	<u>2,473,536</u>	<u>1,881,793</u>	<u>1,926,206</u>	<u>6,281,535</u>
Operating income before depreciation	732,236	893,420	244,943	1,870,599
Depreciation expense	(621,263)	(431,366)	(126,656)	(1,179,285)
Operating income(loss)	<u>110,973</u>	<u>462,054</u>	<u>118,287</u>	<u>691,314</u>
Non-operating revenue(expense) and transfers:				
Investment earnings	18,658	68,171	10,658	97,487
Interest expense	-	-	(21,533)	(21,533)
Transfers in(out)	(21,000)	(21,000)	(21,000)	(63,000)
Total non-operating, net and transfers	<u>(2,342)</u>	<u>47,171</u>	<u>(31,875)</u>	<u>12,954</u>
Capital contributions:				
Connection fees	186,091	86,718	-	272,809
Total capital contributions	<u>186,091</u>	<u>86,718</u>	<u>-</u>	<u>272,809</u>
Change in net position	<u>294,722</u>	<u>595,943</u>	<u>86,412</u>	<u>977,077</u>
Net position:				
Beginning of year, as previously stated	<u>12,872,886</u>	<u>8,323,590</u>	<u>51,276</u>	<u>21,247,752</u>
End of year	<u>\$ 13,167,608</u>	<u>\$ 8,919,533</u>	<u>\$ 137,688</u>	<u>\$ 22,224,829</u>

Big Bear City Community Services District
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2016

	<u>Water Operations</u>	<u>Sewer Operations</u>	<u>Solid Waste Operations</u>	<u>Total</u>
Cash flows from operating activities:				
Cash receipts from customers and others	\$ 3,098,500	\$ 2,182,687	\$ 2,174,737	\$ 7,455,924
Cash paid to employees for salaries and wages	(1,039,208)	(1,005,564)	(958,081)	(3,002,853)
Cash paid to vendors and suppliers	(1,366,445)	(857,825)	(915,025)	(3,139,295)
Net cash provided by operating activities	<u>692,847</u>	<u>319,298</u>	<u>301,631</u>	<u>1,313,776</u>
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	(421,058)	(486,171)	(585,696)	(1,492,925)
Proceeds from capital contributions	186,091	86,718	-	272,809
Transfer (to)from other funds	(21,000)	(21,000)	(21,000)	(63,000)
Proceeds from capital lease payable	-	-	535,000	535,000
Principal payments on capital lease payable	-	-	(200,377)	(200,377)
Interest payments on capital lease payable	-	-	(22,244)	(22,244)
Net cash (used in) capital/financing activities	<u>(255,967)</u>	<u>(420,453)</u>	<u>(294,317)</u>	<u>(970,737)</u>
Cash flows from investing activities:				
Interfund advances proceeds	-	87,455	-	87,455
Investment earnings	14,985	66,151	8,670	89,806
Net cash provided by investing activities	<u>14,985</u>	<u>153,606</u>	<u>8,670</u>	<u>177,261</u>
Net increase in cash	451,865	52,451	15,984	520,300
Cash and cash equivalents:				
Beginning of year	3,799,813	3,785,709	1,857,582	9,443,104
End of year	<u>\$ 4,251,678</u>	<u>\$ 3,838,160</u>	<u>\$ 1,873,566</u>	<u>\$ 9,963,404</u>
Reconciliation of operating income to net cash provided by operating activities:				
Operating income(loss)	<u>\$ 110,973</u>	<u>\$ 462,054</u>	<u>\$ 118,287</u>	<u>\$ 691,314</u>
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation expense	621,263	431,366	126,656	1,179,285
Changes in account balances:				
(Increase)decrease in assets:				
Accounts receivable – services, net	(107,988)	-	(2,169)	(110,157)
Accounts receivable – other	759	23,523	5,757	30,039
Special assessments receivable	-	24,168	-	24,168
Net other post-employment benefits asset	(2,326)	(2,911)	(3,556)	(8,793)
(Increase)decrease in deferred outflows of res.	(123,516)	(119,398)	(168,804)	(411,718)
Increase(decrease) in liabilities:				
Accounts payable and accrued expenses	34,021	(15,511)	4,833	23,343
Customer deposits and unearned revenue	(43)	-	-	(43)
BBARWA pass-through	-	(640,217)	-	(640,217)
Compensated absences	1,992	3,769	5,089	10,850
Aggregate net pension liability	477,522	461,605	652,613	1,591,740
Increase(decrease) in deferred inflows of res.	(319,810)	(309,150)	(437,075)	(1,066,035)
Total adjustments	<u>581,874</u>	<u>(142,756)</u>	<u>183,344</u>	<u>622,462</u>
Net cash provided by operating activities	<u>\$ 692,847</u>	<u>\$ 319,298</u>	<u>\$ 301,631</u>	<u>\$ 1,313,776</u>

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, 2016

Note 1 – Reporting Entity and Summary of Significant Accounting Policies

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 Governmental Accounting Statements No. 61, *The Financial Reporting Entity*. 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 if it appoints a voting majority of the organization's governing body and: 1) It is able to impose its will on that organization, or 2) There is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government.

Basis of Accounting and Measurement Focus

Government-Wide Financial Statements

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.

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.

The District's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America. 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.

Big Bear City Community Services District
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2016

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

Basis of Accounting and Measurement Focus (Continued)

In accordance with GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, 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.

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.

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 major funds:

Governmental 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

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.

Enterprise Funds

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

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

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

Big Bear City Community Services District
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2016

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

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.

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.

In accordance with GASB Statement No. 72, *Fair Value Measurement and Application*, 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.

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.

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, 2016

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

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 fair market 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

Compensated Absences

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

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 6). 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, 2014
Measurement Date	June 30, 2015
Measurement Period	July 1, 2014 to June 30, 2015

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 5 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.

Big Bear City Community Services District
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2016

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

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, 2016.

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*.

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.

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.

Big Bear City Community Services District
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2016

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

Fund Balance Policy

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.

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.

Accounting Changes

Statement No. 72, *Fair Value Measurement and Application*, which provides guidance for determining a fair value measurement for financial reporting purposes. This statement also provides guidance for applying fair value to certain investments and disclosure related to all fair value measurements. Application of this statement is effective for fiscal year ending June 30, 2016.

Statement No. 73, *Accounting and Financial Reporting for Pension and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This statement establishes requirements for those pensions and pension plans that are not administered through a trust meeting specified criteria (those not covered by GASB Statements 67 and 68). Application of this statement is effective for District’s fiscal year ending June 30, 2016, except those provisions that address employers and governmental non-employer contributing entities that are not within the scope of GASB Statement 68, which are effective for financial statements for fiscal year ending June 30, 2017.

Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. This statement reduces the generally accepted accounting principles (GAAP) hierarchy to two categories of authoritative GAAP from the four categories under GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The first category of authoritative GAAP consists of GASB Statements of Governmental Accounting Standards. The second category comprises GASB Technical Bulletins and Implementation Guides, as well as guidance from the American Institute of Certified Public Accountants that is cleared by the GASB. Application of this statement is effective for fiscal year ending June 30, 2016.

Big Bear City Community Services District
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 2 – Cash and Investments

Cash and investments as June 30, 2016 are classified in the accompanying financial statements as follows:

Description	Balance
Cash and cash equivalents	\$ 12,780,274
Investments	504,650
Total	\$ 13,284,924

Cash and investments as of June 30, 2016 consisted of the following:

Description	Balance
Cash on hand	\$ 1,150
Deposits held with financial institutions	1,183,383
Investments	12,100,391
Total	\$ 13,284,924

Custodial Credit Risk

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 its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and District’s investment policy does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure the District’s deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. Of the District’s bank balances, up to \$250,000 is federally insured and the remaining balance is collateralized in accordance with the Code; however, the collateralized securities are not held in the District’s name.

The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Code and the District’s investment policy does not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. 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).

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. The longer the maturity an investment has the greater its fair value has sensitivity to changes in market interest rates. 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.

Big Bear City Community Services District
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 2 – Cash and Investments (Continued)

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, 2016, the District's investment in LAIF was not rated.

Investments as of June 30, 2016 have the following maturities:

Type of Investments	Measurement Input	Fair Value	Maturity		
			12 Months or Less	13 to 24 Months	25 to 60 Months
Local Agency Investment Fund (LAIF)	N/A	\$ 11,595,741	\$ 11,595,741	\$ -	\$ -
Non-negotiable certificates-of-deposit	N/A	504,650	125,364	125,969	253,317
Total investments		\$ 12,100,391	\$ 11,721,105	\$ 125,969	\$ 253,317

Authorized Investments and Investment Policy

The District has adopted an investment policy directing the Fiscal Officer to deposit funds in financial institutions.

Investments are to be made in the following areas:

External Investment Pools:

- California Local Agency Investment Fund (LAIF)
- Non-negotiable certificates-of-deposit

Investment in California State Investment Pool – Local Agency Investment Fund (LAIF)

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, 2016, 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 has \$11,595,741 invested in LAIF, which had invested 2.81% of the pooled investment funds as of June 30, 2016 in structured notes and medium-term asset-backed securities. The LAIF fair value factor of 1.000621222 was used to calculate the fair value of the investments in LAIF as of June 30, 2016.

Big Bear City Community Services District
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 3 – Accounts Receivable – Services, net

The accounts receivable – services, net balance consists of the following balances as of June 30, 2016:

Description	Ambulance Services	Water	Solid Waste	Total
Accounts receivable – services	\$ 686,128	\$ 450,786	\$ 18,231	\$ 1,155,145
Allowance for uncollectible receivables	(429,136)	-	-	(429,136)
Accounts receivable – services, net	<u>\$ 256,992</u>	<u>\$ 450,786</u>	<u>\$ 18,231</u>	<u>\$ 726,009</u>

Note 4 – Special Assessments Receivable

The special assessment receivable balance consists of the following balances as of June 30, 2015:

Description	Amount
Dixie Lee lane assessment	\$ 38,259
East Shay road assessment	40,786
Total	<u>\$ 79,045</u>

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

Internal Balances

Government-Wide		
Due to	Due from	Amount
Sewer	Public Safety	\$ 890,468

The District’s Sewer Fund loaned the Public Safety Fund \$1,020,445 to pay off the Public Safety Fund’s CalPERS side-fund, which had an interest rate of 7.50%. The loan is for 10-years starting on December 31, 2014 to December 31, 2024 with an interest rate of 3.75% and bi-annual payments of \$61,657. The remaining balance as of June 30, 2016 was \$890,468.

Due To/(From) Other Funds

Governmental Funds		
Advance from	Advance to	Amount
Public Safety	Ambulance	\$ 2,556,349

The District’s Public Safety Fund has loaned the Ambulance Services Fund \$2,556,349 as of June 30, 2016 for continuing operations of Ambulance Services as the Fire Department transitions to 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, 2016

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

Transfers

Fund	Transfer In(Out)
General	\$ 64,000
Public Safety	1,199,000
Ambulance	(1,200,000)
Water	(21,000)
Sewer	(21,000)
Solid Waste	(21,000)
Total	\$ -

The District transfers amounts from the District's main revenue funds to the General Government Fund to pay for street lighting, safety and ADA compliance expenses as follows:

Expenses	Amount
Compliance	\$ 64,000
Total	\$ 64,000

Note 6 – Net Other Post-Employment Benefits Asset

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.

Funding Policy

As required by GASB Statement No. 45, 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, 2016

Note 6 – Net Other Post-Employment Benefits Asset (Continued)

Annual OPEB Cost and Net OPEB Asset

The following table shows the components of the District's Annual OPEB cost for the past three fiscal years ended June 30th, the amount actually contributed to the plan and the changes in the District's net OPEB asset:

Summary changes in net other post-employment benefits asset balance as of June 30, 2016 was as follows:

Description	2016
Annual OPEB cost:	
Annual required contribution (ARC)	\$ 712,049
Interest on beginning net OPEB obligation	-
Adjustment to annual required contribution	-
Total annual OPEB cost	712,049
Contributions made:	
Contributions made	(731,630)
Total change in net OPEB obligation	(19,581)
Net OPEB (asset):	
Beginning of year	(252,908)
End of year	\$ (272,489)

The District's annual OPEB cost, the amounts contributed to the irrevocable trust, retiree benefit payments, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation payable/(asset) for the fiscal year ended June 30, 2016 and the two preceding years are shown in the following table.

<i>Three-Year History of Net OPEB Obligation</i>				
Fiscal Year Ended	Annual OPEB Cost	Contributions Made	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
June 30, 2016	\$ 712,049	\$ 731,630	102.75%	\$ (272,489)
June 30, 2015	640,934	638,148	99.57%	(252,908)
June 30, 2014	640,590	824,488	128.71%	(255,694)

The most recent valuation (dated July 1, 2015) includes an Unfunded Actuarial Accrued Liability of \$7,859,726. The Actuarial Value of Plan Assets amounted to \$1,566,638. The covered payroll (annual payroll of active employees covered by the plan) for the year ended June 30, 2014 was \$5,500,000. The ratio of the funded actuarial accrued liability to annual covered payroll was 142.90%.

Big Bear City Community Services District
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 6 – Net Other Post-Employment Benefits Asset (Continued)

Actuarial Methods and Assumptions

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and the pattern of sharing of costs between the employer and plan members to that point. Consistent with the long-term perspective of actuarial calculations, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities for benefits.

The following is a summary of the actuarial assumptions and methods:

Valuation date	July 1, 2015
Actuarial cost method	Entry age normal cost method
Amortization method	Level percent of payroll amortization
Remaining amortization period	23 Years as of the valuation date
Asset valuation method	30 Year smoothed market
Actuarial assumptions:	
Investment rate of return	7.00%
Projected salary increase	2.75%
Inflation - discount rate	2.75%
Health care trend rate	4.00% per year

Big Bear City Community Services District
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 7 – Capital Assets

Governmental Funds

	<u>Balance July 1, 2015</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>Balance June 30, 2016</u>
Non-depreciable assets:				
Land	\$ 183,653	\$ -	\$ -	\$ 183,653
Total non-depreciable assets	<u>183,653</u>	<u>-</u>	<u>-</u>	<u>183,653</u>
Depreciable assets:				
Land improvements	19,323	-	-	19,323
Buildings	1,501,881	-	-	1,501,881
Equipment	3,452,646	-	-	3,452,646
Software	34,032	-	-	34,032
Total depreciable assets	<u>5,007,882</u>	<u>-</u>	<u>-</u>	<u>5,007,882</u>
Accumulated depreciation:				
Land improvements	(19,323)	-	-	(19,323)
Buildings	(885,121)	(39,066)	-	(924,187)
Equipment	(2,301,008)	(188,813)	-	(2,489,821)
Software	(29,860)	(2,089)	-	(31,949)
Total accumulated depreciation	<u>(3,235,312)</u>	<u>(229,968)</u>	<u>-</u>	<u>(3,465,280)</u>
Total depreciable assets, net	<u>1,772,570</u>	<u>(229,968)</u>	<u>-</u>	<u>1,542,602</u>
Total capital assets, net	<u>\$ 1,956,223</u>	<u>\$ (229,968)</u>	<u>\$ -</u>	<u>\$ 1,726,255</u>

Big Bear City Community Services District
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 7 – Capital Assets (Continued)

Governmental Funds (Continued)

Depreciation expense under governmental activities was allotted as follows for the year ended June 30, 2016:

Depreciation Expense per Fund	
General government	\$ 12,214
Public safety	176,868
Ambulance services	40,886
Total	\$ 229,968

Proprietary Funds

	Balance July 1, 2015	Additions	Deletions/ Transfers	Balance June 30, 2016
Non-depreciable assets:				
Land	\$ 1,164,907	\$ -	\$ -	\$ 1,164,907
Water rights	25,000	-	-	25,000
Construction-in-progress	-	-	-	-
Total non-depreciable assets	1,189,907	-	-	1,189,907
Depreciable assets:				
Water transmission and distribution	16,378,064	55,785	-	16,433,849
Sewer system	14,186,873	127,481	-	14,314,354
Solid waste collection	31,000	-	-	31,000
Buildings	2,487,727	-	-	2,487,727
Vehicles and equipment	7,996,173	1,309,659	(320,466)	8,985,366
Total depreciable assets	41,079,837	1,492,925	(320,466)	42,252,296
Accumulated depreciation:				
Water transmission and distribution	(11,331,000)	(621,263)	23,777	(11,928,486)
Sewer system	(12,141,994)	(431,366)	-	(12,573,360)
Solid waste collection	(1,814,351)	(126,655)	296,689	(1,644,317)
Total accumulated depreciation	(25,287,345)	(1,179,284)	320,466	(26,146,163)
Total depreciable assets, net	15,792,492	313,641	-	16,106,133
Total capital assets, net	\$ 16,982,399	\$ 313,641	\$ -	\$ 17,296,040

Note 8 – Big Bear Area Regional Wastewater Agency (BBARWA) Pass-Through

The BBARWA provides centralized wastewater conveyance, treatment and disposal services for its member agencies in the Big Bear Valley area. The District extends the BBARWA's user charge for wastewater services onto the County's property tax bills. The BBARWA will then bill the District for the annual services provided to the District's customers. In 2011, the District changed its accounting method for recording the collection of these user fees from a revenue based collection to a pass-through charge. Due to timing differences between the District's billing system and the BBARWA's billing to the District a liability to the BBARWA has been recorded in the amount of \$204,265 as of June 30, 2016.

Big Bear City Community Services District
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 9 – 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, 2016 were as follows:

<u>Balance</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2016</u>	<u>Current</u> <u>Portion</u>	<u>Long-term</u> <u>Portion</u>
\$ 297,237	\$ 566,524	\$ (578,544)	\$ 285,217	\$ 99,826	\$ 185,391

Note 10 – Capital Lease Payable

Changes in capital lease payable amounts for the year ended June 30, 2016 were as follows:

<u>Balance</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance</u> <u>June 30, 2015</u>	<u>Current</u> <u>Portion</u>	<u>Long-term</u> <u>Portion</u>
\$ 405,863	\$ 535,000	\$ (200,377)	\$ 740,486	\$ 203,583	\$ 536,903

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>
2017	\$ 203,583	\$ 18,510	\$ 222,093
2018	209,373	12,720	222,093
2019	215,326	6,767	222,093
2020	112,204	1,862	114,066
Total	740,486	\$ 39,859	\$ 780,345
Current	(203,583)		
Long-term	\$ 536,903		

Big Bear City Community Services District
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 11 – Aggregate Net Pension Liability and Defined Benefit Pension Plan

Type of Account	Balance as of July 1, 2015 (As Restated)	Additions	Deletions	Balance as of June 30, 2016
Deferred Outflows of Resources:				
Pension contributions made after the measurement date:				
CalPERS – Miscellaneous Plan	\$ 376,056	\$ 571,288	\$ (376,056)	\$ 571,288
CalPERS – Safety Plan	1,624,862	526,860	(1,624,862)	526,860
Sub-total	<u>2,000,918</u>	<u>1,098,148</u>	<u>(2,000,918)</u>	<u>1,098,148</u>
Difference between actual and proportionate share of employer contributions:				
CalPERS – Safety Plan	102,116	1,054,523	(313,976)	842,663
Adjustment due to differences in proportions:				
CalPERS – Miscellaneous Plan	116,763	404,890	(148,252)	373,401
Differences between expected and actual experience:				
CalPERS – Miscellaneous Plan	-	32,710	(8,608)	24,102
Total deferred outflows of resources	<u>\$ 2,219,797</u>	<u>\$ 2,590,271</u>	<u>\$ (2,471,754)</u>	<u>\$ 2,338,314</u>
Aggregate Net Pension Liability:				
CalPERS – Miscellaneous Plan	\$ 4,608,201	\$ 1,967,796	\$ (376,056)	\$ 6,199,941
CalPERS – Safety Plan	4,602,870	1,190,770	(1,624,862)	4,168,778
Total aggregate net pension liability	<u>\$ 9,211,071</u>	<u>\$ 3,158,566</u>	<u>\$ (2,000,918)</u>	<u>\$ 10,368,719</u>
Deferred Inflows of Resources:				
Differences between projected and actual earnings on pension plan investments:				
CalPERS – Miscellaneous Plan	\$ 1,548,568	\$ -	\$ (1,434,252)	\$ 114,316
CalPERS – Safety Plan	1,036,723	-	(851,381)	185,342
Sub-total	<u>2,585,291</u>	<u>-</u>	<u>(2,285,633)</u>	<u>299,658</u>
Difference between actual and proportionate share of employer contributions:				
CalPERS – Miscellaneous Plan	199,565	374,181	(169,742)	404,004
Adjustment due to differences in proportions:				
CalPERS – Safety Plan	96,596	434,993	(148,971)	382,618
Differences between expected and actual experience:				
CalPERS – Safety Plan	-	107,909	(28,397)	79,512
Changes in assumptions:				
CalPERS – Miscellaneous Plan	-	309,472	(81,440)	228,032
CalPERS – Safety Plan	-	496,313	(130,609)	365,704
Sub-total	<u>-</u>	<u>805,785</u>	<u>(212,049)</u>	<u>593,736</u>
Total deferred inflows of resources	<u>\$ 2,881,452</u>	<u>\$ 1,722,868</u>	<u>\$ (2,844,792)</u>	<u>\$ 1,759,528</u>

Big Bear City Community Services District
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 11 – Aggregate Net Pension Liability and Defined Benefit Pension Plan (Continued)

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	17.692%	16.601%	6.619%

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	37.352%	23.948%	11.912%

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, 2016

Note 11 – Aggregate Net Pension Liability and Defined Benefit Pension Plan (Continued)

General Information about the Pension Plans (Continued)

Members Covered by Benefit Terms

At June 30, 2015 (Valuation Date), the following members were covered by the benefit terms:

Plan Members	Miscellaneous Plans			Total
	Classic Tier 1	Classic Tier 2	PEPRA Tier 3	
Active members	25	7	1	33
Transferred and terminated members	14	1	-	15
Retired members and beneficiaries	47	-	-	47
Total plan members	86	8	1	95

Plan Members	Safety Plans			Total
	Classic Tier 1	Classic Tier 2	PEPRA Tier 3	
Active members	17	1	1	19
Transferred and terminated members	9	5	11	25
Retired members and beneficiaries	19	-	-	19
Total plan members	45	6	12	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, 2016

Note 11 – Aggregate Net Pension Liability and Defined Benefit Pension Plan (Continued)

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, 2015 (Measurement Date), the active member contribution rate for the Classic Miscellaneous Plan and the PEPRA Miscellaneous Plan are based above in the Plans Description schedule.

For the year ended June 30, 2016, 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	\$ 503,648	\$ 48,522	\$ 19,118	\$ 571,288
Contributions – members	134,682	36,579	18,464	189,725
Total contributions	\$ 638,330	\$ 85,101	\$ 37,582	\$ 761,013

Contribution Type	Safety Plans			Total
	Classic Tier 1	Classic Tier 2	PEPRA Tier 3	
Contributions – employer	\$ 505,454	\$ 13,586	\$ 7,820	\$ 526,860
Contributions – members	149,572	6,579	8,034	164,185
Total contributions	\$ 655,026	\$ 20,165	\$ 15,854	\$ 691,045

Big Bear City Community Services District
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 11 – Aggregate Net Pension Liability and Defined Benefit Pension Plan (Continued)

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, 2015 (Measurement Date), the total pension liability was determined by rolling forward the June 30, 2014 total pension liability. Both the June 30, 2014 and the June 30, 2015 total pension liabilities were based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal in accordance with the requirement of GASB Statement No. 68
Actuarial Assumptions:	
Discount Rate	7.50%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.50% Net of Pension Plan Investment and Administrative Expenses; includes Inflation
Mortality Rate Table	Derived using CalPERS' Membership Data for all Funds. The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.
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, 2014 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 7.65 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, 2016

Note 11 – Aggregate Net Pension Liability and Defined Benefit Pension Plan (Continued)

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.

Investment Type	New Strategic Allocation	Real Return Years 1 - 10 ¹	Real Return Years 11+ ²
Global Equity	47.00%	5.25%	5.71%
Global Fixed Income	19.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	12.00%	6.83%	6.95%
Real Estate	11.00%	4.50%	5.13%
Infrastructure and Forestland	3.00%	4.50%	5.09%
Liquidity	2.00%	-0.55%	-1.05%
	<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 7.65%, 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 (6.65%) or 1 percentage-point higher (8.65%) than the current rate:

Plan Type	Plan's Net Pension Liability/(Asset)		
	Discount Rate - 1% 6.65%	Current Discount Rate 7.650%	Discount Rate + 1% 8.65%
CalPERS – Miscellaneous Plan	\$ 9,998,028	\$ 6,199,941	\$ 3,064,179

Plan Type	Plan's Net Pension Liability/(Asset)		
	Discount Rate - 1% 6.65%	Current Discount Rate 7.650%	Discount Rate + 1% 8.65%
CalPERS – Safety Plan	\$ 7,038,864	\$ 4,168,778	\$ 1,815,359

Big Bear City Community Services District
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 11 – Aggregate Net Pension Liability and Defined Benefit Pension Plan (Continued)

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

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.

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, 2014 (Measurement Date)	\$ 27,152,973	\$ 22,544,772	\$ 4,608,201
Balance as of June 30, 2015 (Measurement Date)	\$ 27,888,828	\$ 21,688,887	\$ 6,199,941
Change in Plan Net Pension Liability	\$ 735,855	\$ (855,885)	\$ 1,591,740

<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, 2014 (Measurement Date)	\$ 19,648,100	\$ 15,045,230	\$ 4,602,870
Balance as of June 30, 2015 (Measurement Date)	\$ 20,932,702	\$ 16,763,924	\$ 4,168,778
Change in Plan Net Pension Liability	\$ 1,284,602	\$ 1,718,694	\$ (434,092)

Big Bear City Community Services District
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 11 – Aggregate Net Pension Liability and Defined Benefit Pension Plan (Continued)

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)

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, 2014). 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, 2015). 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, 2015 less the sum of all additional side fund (or unfunded liability) contributions made by all employers during the measurement period (2014-15 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.
- (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).

Big Bear City Community Services District
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 11 – Aggregate Net Pension Liability and Defined Benefit Pension Plan (Continued)

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

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, 2016	June 30, 2015	
Measurement Date	June 30, 2015	June 30, 2014	
Percentage of Risk Pool Net Pension Liability	0.225990%	0.186455%	0.039535%
Percentage of Plan (PERF C) Net Pension Liability	0.090327%	0.074057%	0.016270%

CalPERS – Safety Plan	Percentage Share of Risk Pool		Change Increase/ (Decrease)
	Fiscal Year Ending	Fiscal Year Ending	
	June 30, 2016	June 30, 2015	
Measurement Date	June 30, 2015	June 30, 2014	
Percentage of Risk Pool Net Pension Liability	0.101170%	0.122711%	-0.021541%
Percentage of Plan (PERF C) Net Pension Liability	0.060735%	0.073972%	-0.013237%

For the year ended June 30, 2016, the District recognized pension expense/(credit) in the amount of \$1,015,352 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.

Big Bear City Community Services District
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 11 – Aggregate Net Pension Liability and Defined Benefit Pension Plan (Continued)

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)

The expected average remaining service lifetime (EARSL) is calculated by dividing the total future service years by the total number of plan participants (active, inactive, and retired) in the risk pool. The EARSL for risk pool for the 2014-15 measurement period is 3.8 years, which was obtained by dividing the total service years of 460,700 (the sum of remaining service lifetimes of the active employees) by 122,789 (the total number of participants: active, inactive, and retired).

Deferred Outflows of Resources and Deferred Inflows of Resources

At June 30, 2016, 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	\$ 1,098,148	\$ -
Difference between actual and proportionate share of employer contributions	842,663	404,004
Adjustment due to differences in proportions	373,401	382,618
Differences between expected and actual experience	24,102	79,512
Differences between projected and actual earnings on pension plan investments	-	299,658
Changes in assumptions	-	593,736
Total Deferred Outflows/(Inflows) of Resources	\$ 2,338,314	\$ 1,759,528

The District will recognize \$1,098,148 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, 2017, 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 of Resources</u>	<u>Deferred Inflows of Resources</u>
2017	\$ 470,836	\$ 783,591
2018	455,199	762,433
2019	314,131	587,139
2020	-	(373,635)
Total	\$ 1,240,166	\$ 1,759,528

Big Bear City Community Services District
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 12 – Net Investment in Capital Assets

The District's net investment in capital assets is summarized as of June 30, 2016 as follows:

Description	Amount
Net investment in capital assets:	
Capital assets – not being depreciated	\$ 1,373,560
Capital assets – being depreciated, net	17,648,735
Capital lease payable – current portion	(203,583)
Capital lease payable – non-current portion	(536,903)
Total net investment in capital assets	\$ 18,281,809

Note 13 – Fund Balance

A detailed schedule of fund balances and their funding composition at June 30, 2016 is as follows:

Description	General Government	Public Safety Fire Services	Ambulance Services	Total Governmental Funds
Committed:				
Compensated absences	\$ 67,544	\$ 128,071	\$ -	\$ 195,615
Assigned:				
Public safety	-	1,663,605	-	1,663,605
Unassigned (Deficit)	<u>558,367</u>	<u>-</u>	<u>(1,169,872)</u>	<u>(611,505)</u>
Total fund balance	<u>\$ 625,911</u>	<u>\$ 1,791,676</u>	<u>\$ (1,169,872)</u>	<u>\$ 1,247,715</u>

Note 14 – Other Required Disclosures

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

The District's Ambulance Services Fund has a government-wide deficit net position of \$(2,575,033) and a fund balance deficit of \$(1,058,364). The deficit is expected to be eliminated in future periods from property and voter approved tax transfers from the public safety fire services fund.

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, 2016

Note 16 – Risk Management

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.

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.

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 \$5 million are distributed based on the outcome of cost allocation within the first and second loss layers. (5) Costs of covered claims from \$5 million to \$10 million are paid under a reinsurance contract subject to a \$2.5 million annual aggregate deductible. Costs of covered claims from \$10 million to \$15 million are paid under two reinsurance contracts subject to a combined \$3 million annual aggregate deductible. On a cumulative basis for all 2014-2015 reinsurance contracts the annual aggregate deductible is \$5.5 million. (6) Costs of covered claims from \$15 million up to \$50 million are covered through excess insurance policies. The overall coverage limit for each member including all layers of coverage is \$50 million per occurrence.

Costs of covered claims for subsidence losses are paid by reinsurance and excess insurance with a pooled sub-limit of \$35 million per occurrence. This \$35 million subsidence sub-limit is composed of (a) \$5 million retained within the pool's SIR, (b) \$10 million in reinsurance and (c) \$20 million in excess insurance. The excess insurance layer has a \$20 million annual aggregate.

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, 2016

Note 16 – Risk Management (Continued)

Property Insurance

The District participates in the all-risk property protection program of the Authority. This insurance protection is underwritten by several insurance companies. District property is currently insured according to a schedule of covered property submitted by the District to the Authority. District property currently has all-risk property insurance protection in the amount of \$14,064,625. There is a \$5,000 deductible per occurrence except for non-emergency vehicle insurance which has a \$1,000 deductible. Premiums for the coverage are paid annually and are not subject to retrospective adjustments.

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. District property currently has earthquake protection in the amount of \$7,185,756. There is a deductible of 5% per unit of value with a minimum deductible of \$100,000. Premiums for the coverage are paid annually and are not subject to retrospective adjustments.

Crime Insurance

The District purchases crime insurance coverage in the amount of \$1,000,000 with a \$2,500 deductible. The fidelity coverage is provided through the Authority. Premiums are paid annually and are not subject to retrospective adjustments.

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 2016, 2015 and 2014. 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, 2016, 2015 and 2014.

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 consolidation 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.

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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, 2016

	Adopted Original Budget	Revised Budget	Actual	Variance Positive (Negative)
REVENUES:				
Taxes:				
Property taxes	\$ 1,956,000	\$ 1,956,000	\$ 2,136,719	\$ 180,719
Voter approved taxes	1,826,000	1,826,000	1,916,036	90,036
Charges for services	68,000	68,000	372,702	304,702
Interest earnings	2,400	2,400	2,445	45
Total revenues	<u>3,852,400</u>	<u>3,852,400</u>	<u>4,427,902</u>	<u>575,502</u>
EXPENDITURES:				
Current:				
Salaries and benefits	3,256,800	3,256,800	3,686,004	(429,204)
Materials and services	2,600,000	2,600,000	2,362,499	237,501
Total expenditures	<u>5,856,800</u>	<u>5,856,800</u>	<u>6,048,503</u>	<u>(191,703)</u>
REVENUES OVER(UNDER)EXPENDITURES	(2,004,400)	(2,004,400)	(1,620,601)	383,799
OTHER FINANCING SOURCES(USES):				
Transfers in(out)	1,500,000	1,500,000	1,199,000	(301,000)
Total other financing sources(uses)	<u>1,500,000</u>	<u>1,500,000</u>	<u>1,199,000</u>	<u>(301,000)</u>
NET CHANGE IN FUND BALANCES	<u>(504,400)</u>	<u>(504,400)</u>	(421,601)	<u>\$ 82,799</u>
FUND BALANCES:				
Beginning of year			<u>2,213,277</u>	
End of year			<u>\$ 1,791,676</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, 2016

Last Ten Fiscal Years

California Public Employees' Retirement System (CalPERS)

Measurement Date:	<u>June 30, 2015¹</u>	<u>June 30, 2014¹</u>
District's Proportion of the Net Pension Liability	<u>0.151061%</u>	<u>0.148029%</u>
District's Proportionate Share of the Net Pension Liability	<u>\$ 10,368,719</u>	<u>\$ 9,211,071</u>
District's Covered-Employee Payroll	<u>\$ 4,226,695</u>	<u>\$ 3,827,345</u>
District's Proportionate Share of the Net Pension Liability as a Percentage of Covered-Employee Payroll	<u>245.32%</u>	<u>240.66%</u>
Plan's Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	<u>78.76%</u>	<u>80.32%</u>

¹ Historical information is required 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, 2016

Last Ten Fiscal Years

California Public Employees' Retirement System (CalPERS)

Fiscal Year:	<u>2015-16¹</u>	<u>2014-15¹</u>	<u>2013-14¹</u>
Actuarially Determined Contribution ²	\$ 1,098,148	\$ 980,473	\$ 903,344
Contribution in Relation to the Actuarially Determined Contribution ²	<u>(1,098,148)</u>	<u>(2,000,918)</u>	<u>(903,344)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ (1,020,445)</u>	<u>\$ -</u>
District's Covered-Employee Payroll ³	<u>\$ 4,087,072</u>	<u>\$ 4,226,695</u>	<u>\$ 3,805,577</u>
Contributions as a Percentage of Covered-Employee Payroll	<u>26.87%</u>	<u>47.34%</u>	<u>23.74%</u>

¹ Historical information is required 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 Funding Status – Other Post-Employment Benefits Plan
For the Year Ended June 30, 2015

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2015	\$ 1,566,638	\$ 9,426,364	\$ 7,859,726	16.62%	\$ 5,500,000	142.90%
July 1, 2013	\$ 935,088	\$ 7,984,215	\$ 7,049,127	11.71%	\$ 5,000,000	140.98%
June 30, 2011	\$ 464,940	\$ 7,465,211	\$ 7,000,271	6.23%	\$ 5,000,000	140.01%
June 30, 2010	\$ -	\$ 4,928,307	\$ 4,928,307	0.00%	\$ 4,932,258	99.92%

Notes to the Schedule:

Funding progress is presented for the year(s) that an actuarial study has been prepared since the effective date of GASB Statement 45. Actuarial review and analysis of the post-employment benefits liability and funding status is performed every three years or annually, if there are significant changes in the plan. The next scheduled actuarial review and analysis of the post-employment benefits liability and funding status will be performed in fiscal year 2018, based on the year ending June 30, 2017.